NTPC Tamil Nadu Energy Company Limited

March 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	3,274.74 (Reduced from 3,467.86)	CARE A+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	200.00	CARE A+; Stable / CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings reaffirmation on the bank facilities of NTPC Tamil Nadu Energy Company Limited (NTECL), which is operating a 1,500 MW coal-based thermal power project in Vallur (TamilNadu), factors in satisfactory operational performance marked by actual Plant Availability Factor (PAF) being in line with normative PAF, leading to full recovery of fixed charges. Furthermore the Plant Load Factor (PLF) of the company has witnessed a significant increase to 61.66% in 9M FY25 from 50.27% in FY24. CARE Ratings notes that the generation performance was impacted in FY24 due to prolonged capital overhauling of two of units, consequently leading to PAF being around 50%. However, the same was factored in at the time of previous assessment by CARE Ratings. Going forward, the PAF is expected to remain around the normative level and PLF is expected to remain inline with historic average level per CARE Ratings' base case. The ratings also take into account the sustained reduction in average collection period in the last three years, which has supported the company's liquidity profile.

The ratings continue to derive strength from the revenue visibility and assured returns backed by long-term (25-years) power purchase agreements (PPAs) with multiple state counterparties, for its entire capacity.The ratings also factor in cost plus nature of tariff determination for the underlying capacity (determined by the Central Electricity Regulatory Commission [CERC]), which ensures recovery of cost incurred along with a defined return on equity, provided the plant operates at or above normative parameters. The ratings also factor in the minimal fuel supply risk due to presence of firm fuel supply arrangements (FSA) and alternate arrangement through a memorandum of understanding (MoU) route for supply of coal ensuring adequate plant availability. CARE Ratings notes that NTECL is a 50:50 joint venture company promoted by NTPC Limited (NTPC; rated CARE AAA; Stable/ CARE A1+) and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO). NTPC has expertise in the entire cycle of conceptualisation to operation of thermal power plants and provides technical and management support to NTECL.

However, the rating strengths are constrained by the counterparty credit risk emanating from sales to weaker discoms with TANGEDCO accounting for a major proportion of the top line. The ratings also take cognisance of the project risks associated with implementation of the flue gas desulphurisation (FGD) as the company has already started implementing the same. The ratings also factor in the leveraged capital structure marked by adjusted total debt to EBITDA (TD/ EBITDA) of 4.57x as on FY24 end, which is expected to remain rangebound between 2.70x-3.50x times over the next few years. However, the debt coverage metrics are expected to remain moderate with annual DSCR above 1.20x over the next few years.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Satisfactory operating performance as reflected by actual PAF being above normative levels on a sustained basis and faster than expected reduction in leverage levels as reflected by adjusted TD/EBITDA being lower than 2.7x over the next few years
- Material increase in shareholding by NTPC

Negative factors

- Under-recovery in capacity charges considering actual PAF being lower-than-normative parameters or deterioration in average collection period beyond 150 days on a sustained basis.
- Increase in adjusted TD/EBITDA above 4.0x on a sustained basis

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects that the company's ability to clock steady operational and financial performance, backed by its PPAs and FSAs, while recovering payments in a timely manner from its key off-taker, TANGEDCO.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Stable operational performance: The plant's overall generation decreased in FY24 to 50.27%, compared to 74.50% in FY23. However, the Plant Load Factor (PLF) improved to 61.66% in 9M FY25. Additionally, the company achieved a Plant Availability Factor (PAF) of 62.55% in FY24 (down from 88.95% in FY23), which increased to 84.73% in 9M FY25, inline with NAPAF of 85%. The decline in both PAF and PLF in FY24 was primarily due to scheduled maintenance of Unit 2, which took place between January and March 2024. Furthermore, Unit 1 was non-operational from August 2023 to April 2024 due to a turbine failure. Unit 3 is operating well, with routine maintenance carried out in September 2024, and a major overhaul planned for April 2025. Nevertheless, the PAF is expected to remain around the normative level and PLF is expected to remain inline with historic average level per CARE Ratings' base case.

Long-term PPAs with tariff based on CERC guidelines, providing revenue visibility: The company has long-term PPAs for entire capacity of 1,500 MW with six beneficiary states in southern India. This arrangement with its clients ensures long-term revenue visibility for NTECL for its full capacity. The tariff is determined per CERC guidelines assuring 15.5% ROE, and thus, stable cash accrual. The capacity charge is recoverable in full if the plant availability exceeds normative PAF. The energy charges are determined based on landed cost of fuel applied on the quantity of fuel consumption at normative operating conditions.

FSAs in place for meeting fuel requirements under long-term PPAs: NTECL has signed long-term FSA of 7.24 MTPA with subsidiaries of Coal India Limited, which would be sufficient to meet around 96% of the requirement of the power plant at 85% PLF. NTECL has also entered short-term MoU with Singareni Collieries Company Ltd (SCCL) in the past for additional coal in case of higher demand, ensuring adequate plant availability.

Parentage of NTPC which has extensive expertise in thermal power generation: NTECL is a 50:50 joint venture (JV) company promoted by NTPC and TANGEDCO. NTPC is the largest power generation company in India (consolidated installed capacity: 76 GW as on September 30, 2024) with significant experience in setting up and operating coal-based thermal generation assets across the country. It has expertise in the entire cycle of conceptualisation to operation of thermal power plants and provides technical and management input to NTECL. The other JV partner (TANGEDCO) is engaged in power generation and distribution and is a wholly owned entity of Government of Tamil Nadu. It is the major off-taker of NTECL.

Key Weaknesses

Counterparty credit risk associated with sale of power to weak power DISCOMs: NTECL is selling power to utilities in southern India, with majority of power being sold to TANGEDCO (around 72%), while the balance is accounted for by Telangana, Kerala, Karnataka, Puducherry, and Andhra Pradesh. Power off-takers largely have below average credit profiles, exposing it to counter party credit risk. NTECL's coverage under Tripartite Payment Security Mechanism (PSM) agreement and LC from off-takers for power purchase provides some comfort.

Project implementation risk: NTECL is undertaking capex for installation of FGD system. Around 70% of project cost is planned to be funded by debt and NTECL has already tied up major portion of the loan. Expenditure on this project can be passed through in tariff to off-takers. However, the execution risks are mitigated to an extent as the overall progress of FGD capex was around 78% as on December 31, 2024.

Leveraged capital structure: NTECL's capital structure is leveraged on account of high reliance of debt for funding of capex and ongoing working capital requirements, as reflected in adjusted TD/EBITDA of 4.57x as on FY24 end. Going forward, CARE Ratings expects capital structure to improve with expected improvement in operating performance however will continue to remain leveraged with TD/EBITDA to remain range bound between 2.70x-3.50x times over the next few years. However, the debt coverage metrics are expected to remain comfortable reflected in the annual DSCR in the range of 1.20x-1.30x times, despite ongoing debt-funded flue gas desulphurization (FGD) capex.

Liquidity: Adequate

NTECL has adequate free cash and bank balances of ~Rs 55.4 crore as on December 31, 2024. Further, there is sufficient cushion available in the sanction working capital facilities of Rs.1600 crore, wherein the average utilization remained low, at ~58% over the past 12 months.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings
Short Term Instruments
Thermal Power

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

Incorporated on May 25, 2003, NTECL is operating a 1,500 MW (3x500 MW) coal-based thermal power project in Vallur, about 20 km from Chennai. The project was implemented in two phases; first phase was of two units of 500 MW each, while second phase was of one unit of 500 MW. The commercial operation date (COD) of the first unit was declared in November 2012, the second unit in August 2013, and the third in February 2015.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9M FY 25(UA)
Total operating income	4,739.78	3,706.34	3425.00
Adjusted PBILDT	715.24	878.90	964.27
PAT	848.21	586.83	285.80
Overall gearing (times)	1.17	1.01	0.97
Interest coverage (times)	2.56	3.02	4.37

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	1600.00	CARE A+; Stable
Fund-based - LT-Term Loan		-	-	March 2035	1674.74	CARE A+; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	200.00	CARE A+; Stable / CARE A1

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	1600.00	CARE A+; Stable	-	1)CARE A+; Stable (14-Mar-24)	1)CARE A; Stable (13-Feb-23) 2)CARE A; Stable (01-Apr-22)	1)CARE A; Stable (06-Oct-21) 2)CARE A; Stable (01-Apr-21)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	200.00	CARE A+; Stable / CARE A1	-	1)CARE A+; Stable / CARE A1 (14-Mar-24)	1)CARE A; Stable / CARE A2+ (13-Feb-23) 2)CARE A; Stable / CARE A2+ (01-Apr-22)	1)CARE A; Stable / CARE A2+ (06-Oct-21) 2)CARE A; Stable / CARE A2+ (01-Apr-21)
3	Fund-based - LT-Term Loan	LT	1674.74	CARE A+; Stable	-	1)CARE A+; Stable (14-Mar-24)	1)CARE A; Stable (13-Feb-23) 2)CARE A; Stable (01-Apr-22)	1)CARE A; Stable (06-Oct-21) 2)CARE A; Stable (01-Apr-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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