

ONGC Tripura Power Company Limited

March 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	2,115.00 (Reduced from 2,127.00)	CARE AA; Stable	Reaffirmed
Short-term bank facilities	200.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings of bank facilities of ONGC Tripura Power Company Limited (OTPC) continues to derive strength from the strategic and operational linkages of the company with its largest shareholder Oil and Natural Gas Company Limited (ONGC, rated 'CARE AAA; Stable/CARE A1+'), which owns a 50% stake in the company. CARE Ratings notes that ONGC is likely to provide need-based financial support to OTPC as articulated by the management. OTPC operates a 726.6 MW gas-based thermal power plant, which achieved commercial operations date (COD) in March 2015. Ratings are also supported due to presence of long-term power purchase agreements (PPAs) with seven north eastern states for ~94% of the installed capacity for 25 years from COD, which provides revenue and profit visibility. The tariff is based on a cost-plus regime under Section 62 of Electricity Act and is determined per the Central Electricity Regulatory Commission (CERC) tariff guidelines, allowing recovery of fixed cost subject to operational performance in line with normative parameters. Balance capacity is sold through merchant route. Ratings also factor in the presence of gas supply agreement (GSA) with ONGC for 2.65 MMSCMD±20% which is sufficient to meet ~90% of the normative gas requirement of the plant. The pricing of gas is competitive with fixed escalation of 3.5% per annum leading to high position in merit order despatch. Ratings is also supported by timely payments from off-takers with no overdues above 60 days as on December 31, 2024. Given the strategic location of its operation, the plant remains crucial for the steady supply of power to the north eastern states in meeting their base load demand. Ratings derive comfort from the comfortable leverage profile with debt to earnings before interest, taxation, depreciation, and amortisation (EBITDA) of 2.8x and gearing of 0.6x as on March 31, 2024. Ratings also factor in available tail life of the project of 11 years with PPA expiry in FY40 and last repayment of debt in FY29.

However, ratings are constrained by lower materialisation of gas under GSA leading to lower availability and hence under recovery in capacity charges. The plant availability factor (PAF) weakened to 71% in FY24 and further to 59.8% in 10M FY25 (refers to April 01 to January 31), which is close to the breakeven PAF for debt servicing. Hence, further decline in gas supply to the project would adversely impact the company's financial profile. Per the management, ONGC has taken remedial steps such as deployment of additional rigs for improvement of gas supply. The company has plans of blending higher priced gas from Gas Authority of India Limited (GAIL) up to 0.3-0.5 MMBTU, which is subject to approval from the off-takers. CARE Ratings would continue to monitor the gas supply situation and further deterioration shall be a key rating monitorable. Ratings are also exposed to counterparty credit risk considering exposure to state distribution utilities, which have weak financial credit profile and single-asset operations of the company. However, payment from state distribution utilities has been timely in the recent past, which mitigates risk to some extent.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in debt coverage indicators with total debt to gross cash accruals (TD/GCA) below 1.5x on a sustained basis.
- Improvement in credit profile of off-takers with sustained lower average collection period for the company.
- Faster-than-expected deleveraging.

Negative factors

- Weakening credit profile of ONGC or dilution in linkages/support philosophy between ONGC and OTPC.
- Material decline with PAF below ~70% on sustained basis.

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

- Material increase in receivables of the company with collection period of above 100 days on sustained basis.
- Large debt-funded capex/ acquisition, which may lead to sharp deterioration in leverage and coverage metrics.

Analytical approach: Standalone, factoring operational, strategic and financial support from its largest shareholder, ONGC.

Outlook: Stable

The 'stable' outlook reflects OTPC's ability to sustain reasonable operational performance and steady collection from its off-takers. The financial risk profile is supported by a healthy coverage metrics and reducing leverage.

Detailed description of key rating drivers:

Key strengths

Strategic and operational support from ONGC and experienced management

ONGC is a Maharatna company and has dominant position in the domestic oil and gas sector. Being the largest shareholder in the joint venture (JV), ONGC provides strategic and operational support to OTPC, which has four ONGC-nominated directors on the board. The project's ability to monetise available gas of ONGC in Tripura and clock profit and pay dividend regularly and adequately demonstrate its strategic and economic importance for ONGC. Given the economic incentive provided to ONGC, CARE Ratings believe that ONGC is likely to provide need-based support to OTPC.

In terms of OTPC's management, other members of the board have decades of experience in power plant, oil and gas operations and finance across reputed public sector undertakings (PSUs), infrastructure conglomerates and financial institutions.

Revenue visibility provided by long-term PPAs

OTPC has entered 25-year PPAs with discoms in north eastern states for 94% of the installed capacity. The tariff is two-part in nature comprising fixed and energy charge per CERC tariff regulations. The component of annual fixed charge includes the return on equity (post tax), depreciation, interest on term loan, interest on working capital and operations and maintenance expenses. It is recoverable fully on meeting normative parameters including plant availability (NAPAF) of 85%. Energy charge is paid on actual generation and variation in fuel cost is pass through subject to operating performance in line with normative parameters like station heat rate, auxiliary consumption among others. The company is selling remaining power generated on merchant basis, which exposes it to demand and price risk. However, realisation in merchant route has been healthy in the recent past.

Firm fuel supply arrangement

The Gas Sale and Purchase Agreement (GSPA) with ONGC for supplying 2.65±20% million metric standard cubic metre per day (MMSCMD) of gas is sufficient to meet over 90% of OTPC's requirement at normative operations. The GSPA is valid for a base term of 15 years from the commercial supply date. Per the agreement, prior to the expiry of the base term, OTPC might request ONGC for renewal of GSPA for two five-year terms. The gas price was fixed for first year with annual escalation of 3.5% per annum. The landed fuel cost for January 2025 was ₹10,700/TSCM, which translates to fuel cost of ₹2.05 per unit. Hence, cost of generation is competitive, leading to high position in merit order and healthy despatch as evident from plant load factor (PLF) largely in line with PAF in the past.

Key weaknesses

Lower gas materialisation leading to reduction in generation performance

In FY24 and 10MFY25, availability of gas remained constrained due to technical issues. This substantially underpinned generation performance of the plant as lower plant availability lead to under recovery of capacity charges. PAF reduced to 71.0% in FY24 and further to 59.8% in 10MFY25 (FY23: 77.6%), which is close to breakeven PAF for debt servicing. PLF was also at similar levels to PAF. Further decline in gas availability may adversely impact the company's financial profile and shall be a key rating sensitivity.

However, per management articulation, gas supplier is in the process of adding 20 new wells for gas exploration. It would be using 7 rig to boost the exploration drive. ONGC has also initiated the process of cluster drilling in existing wells to boost production. The company is also exploring the option of blending with administered pricing mechanism (APM) Gas 0.30 MMSCMD and has taken up the matter with power purchaser for their approval. CARE Ratings notes that going forward, sustainability of such gas supply for achievement of normative parameters shall be important from the credit perspective.

Weak financial health of its off-takers

The company is exposed to counterparty credit risks in view of relatively weak financial health of its power off-takers. However, risk is partially mitigated, as it supplies relatively cheaper power to beneficiaries and ranks high in the merit order dispatch of the off-takers. Per PPA, OTPC has payment terms of up to 45 days with its off-takers and has also obtained LC (except from Meghalaya discom) of amount equivalent to a month of power purchase. In the last three years, the collections from discoms have remained timely with healthy collection efficiency. As on December 31, 2024, the company does not have major overdue above 60 days.

Liquidity: Adequate

The company has adequate liquidity profile backed by cash and equivalent of ₹66.0 crore as on February 17, 2025. The company has working capital limits of ₹300 crore and average utilisation stood low at 38% for 12 months ended January 2025 against drawing power of ~₹174 crore. per management articulation company does not foresee dividend outlay in FY25 and FY26. The company's satisfactory cash accruals and limited utilisation of bank limits provides it a cushion against funds mismatches, if, and adverse market scenarios in the near term.

Applicable criteria

[Policy on Default Recognition](#)

[Notching by Factoring Linkages in Ratings](#)

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Thermal Power](#)

[Financial Ratios – Non financial Sector](#)

[Rating of Short Term Instruments](#)

[Infrastructure Sector Ratings](#)

[Liquidity Analysis of Non-financial sector entities](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

OTPC is a JV of ONGC (50%), GAIL (India) Limited (26%), the Government of Tripura (GoT, 0.5%), and India Infrastructure Fund – II (IIF-2, 23.5%). OTPC is operating a 726.6-MW (2X363.3 MW) Combined Cycle Gas Turbine (CCGT) power project in Palatana, Tripura. COD of the first unit was declared on January 04, 2014, whereas the second unit started commercial operations on March 24, 2015. Power evacuation from the power plant is being done through a 400-KV double circuit 663 km transmission line by North East Transmission Company Limited, in which, OTPC holds 26% equity stake.

Brief Financials (₹ crore)*	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	1,631	1,547	989
PBILDT	520	371	183
PAT	201	70	-26
Overall gearing (times)	0.8	0.6	NA
Interest coverage (times)	5.1	3.8	2.8

A: Audited UA: Unaudited NA: Not Available; *Per CARE Ratings Methodology 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		-	-	-	480.00	CARE AA; Stable
Fund-based - LT-Term Loan		-	-	NA*	500.00	CARE AA; Stable
Fund-based - LT-Term Loan		-	-	December 2028	1135.00	CARE AA; Stable
Non-fund-based - ST-BG/LC		-	-	-	200.00	CARE A1+

*Proposed Debt

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	480.00	CARE AA; Stable	-	1)CARE AA; Stable (11-Dec-23)	1)CARE AA; Stable (29-Sep-22)	1)CARE AA; Stable (17-Sep-21)
2	Non-fund-based - ST-BG/LC	ST	200.00	CARE A1+	-	1)CARE A1+ (11-Dec-23)	1)CARE A1+ (29-Sep-22)	1)CARE A1+ (17-Sep-21)
3	Fund-based - LT-Term Loan	LT	500.00	CARE AA; Stable	-	1)CARE AA; Stable (11-Dec-23)	1)CARE AA; Stable (29-Sep-22)	1)CARE A1+ (17-Sep-21)
4	Fund-based - LT-Term Loan	LT	1135.00	CARE AA; Stable	-	1)CARE AA; Stable (11-Dec-23)	1)CARE AA; Stable (29-Sep-22)	1)CARE AA; Stable (17-Sep-21)

LT: Long term; ST: 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 - ST-BG/LC	Simple

Annexure-5: Lender details

To view 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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