IL&FS Tamil Nadu Power Company Limited

April 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	-	-	Reaffirmed at CARE BB; Stable and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding rating of 'CARE BB; Stable' (pronounced as 'Double B; Outlook: Stable'] assigned to bank facilities of IL&FS Tamil Nadu Power Company Limited (ITPCL). with immediate effect. The above action has been taken at the request of ITPCL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE Ratings.

The rating factors in the implementation of the Resolution Plan (RP) under the Prudential Framework for Resolution of Stressed Assets. Per the plan, all lenders have been paid out the respective share, which is greater than 20% post agreement to the terms of RP. Since implementation, the company has been servicing its debt repayment in the structured manner and has adhered to terms of the Resolution Plan, as confirmed by the lenders. Ratings also factor in the presence of a long-term power purchase agreement (PPA) with Tamil Nadu Generation and Distribution Limited (TANGEDCO) for 540 MW for 15 years till September 2028 from Unit -I (600 MW), providing revenue visibility. The project has benefited from imposition of Section 11 on imported coal plants under Electricity Act, 2003 since April 2022, which has improved the realisation of variable cost. The robust growth in power demand in the country and healthy realisation in merchant/short-term sales and decline in imported coal prices has improved the plant load factor and profitability of unit II, which lacked long-term PPAs. Ratings derive comfort from the improved operational performance of the plant in FY24 and 9MFY25 characterised by a healthy plant availability factor (PAF), plant load factor (PLF), and improved contribution margins (realisation less fuel cost per unit). The realisation of past dues via EMI scheme from TANGEDCO and disputed receivables from PTC has aided the liquidity profile of the company as evident from healthy cash balances of ₹1,795 crore as on April 01, 2025.

The rating strengths are offset by the high counterparty credit risk emanating from the sale to TANGEDCO, which has weak credit profile as evident from delay in payments in the past. However, TANGEDCO has been making payments in a timely basis post implementation of EMI scheme as reflected by the receipt of 31 out of 48 monthly instalments till March 2025. Ratings are also constrained by absence of long-term PPA for Unit-II (600 MW), which is exposed to demand and price risk associated with merchant sales. The company is also exposed to price and foreign exchange risk due to lack of long term fuel (coal) supply arrangement for the entire capacity. Ratings are constrained by high off-take risk owing to high landed cost of imported coal against domestic coal leading to lower position in merit order. Hence, power off-take from Unit-II via the merchant route/short-term sale is contingent upon power sale realisations exceeding ₹5 per unit. The energy charge component in PPA with TANGEDCO is non-escalable in nature exposing the company to fuel price risk as higher imported coal price can severally impact the profitability of the project as evident in the past when imported coal prices exceeded USD 70 per tonne. The company is exposed to the regulatory risk as imposition of Section 11 has improved the viability of the project and withdrawal of the same may have an adverse impact on the company.

Analytical approach: Standalone

Outlook: Stable

The 'stable' outlook factors in presence of long-term PPA for Unit I with TANGECO, satisfactory operational performance in line with recent past, healthy contribution margin (realisation less fuel cost per unit), and timely collection from its off-takers.

Detailed description of key rating drivers:

Key weaknesses

Limited PPA tie-up exposing company to demand risk

The company has tied up a long-term PPA for Unit 1 with TANGEDCO till September 2028. However, for Unit II, the company sells power through short-term contacts with state discoms. Tie up of PPA for Unit II and renewal of PPA with TANGEDCO for Unit I after September 2028 would remain a key rating monitorable.

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

Fuel supply risk due to lack of FSA
ITPCL operates its plant on imported coal. However, the company does not have long-term arrangements in place, exposing the company to fuel price and quantity risk. The company is procuring coal from spot market exposing it to the fluctuations in price volatility of the same. The energy charges in PPA with TANGEDCO has only non-escalable components and increase in the imported fuel cost can lead to lower contribution margins and impact the overall profitability of the company.

Counterparty credit risk
Company is exposed to counterparty risk given weak credit profile of TANGEDCO for Unit 1 (540 MW), as there has been significant delay in the past in recovery of dues. However, TANGEDCO has opted for liquidation of past receivable via the LPSC scheme and converted its outstanding dues into 48 EMIS. As of March 2025, 31 monthly instalments of ₹43.14 crore have been received from TANGEDCO under LPS Scheme and remaining instalments are expected to receive over the next one year.

Exchange fluctuation risk
The project is exposed to interest rate and foreign exchange risks. Per PPA terms, forex fluctuations are pass-through in UI; however, the company is subject to foreign exchange fluctuation risk for U-II, since the long-term PPA is yet to be signed, where the company is currently selling power through short-term PPAs.

Key strengths
Delay free track record post implementation of restructuring
The company had adopted the resolution plan for restructuring on September 30, 2023 with the consent of majority lenders per Reserve Bank of India (RBI) circular dated June 07, 2019. Basis the same, the Resolution plan has been successfully implemented and as on date lenders have been paid out their respective share, greater than 20 percent (specified period) post agreement to the terms of RP. Since implementation, company has been servicing its debt repayment in the structured manner and has adhered to terms of the Resolution Plan.

Improvement in operational performance in FY24 and 9MFY25
The operational performance of the entity has improved since FY2024 as evident from increase in PLF from 21.9% in FY23 to 70.6% in FY24 (9MFY25: 68.7%). with PAF remaining above 85%, company is able to recover full capacity charge under the PPA with TANGEDCO. Due to the invocation of Section 11 and demand supply mismatch, ITPCL has experienced a high demand for its power production at healthy realisation. Overall profit margin has also improved during the period given strong accruals under short-term merchant market and softening in the prices of imported coal over the last two years resulting in satisfactory contribution margins.

Positive regulatory measure by way of imposition of Section 11 for imported coal plants
Ministry of Power invoked Section 11 of The Electricity Act, 2003 in April 2022 as an emergency measure given demand supply mismatch under the country. Under the provision, it was mandated for all the imported power plants to must-run basis requirement by the discom and adequate compensation for under recovery of energy charges. MoP has been issuing a benchmark energy charge rate for selected import coal-based power plants based on the recommendation of the committee (separate for all plants). Such benchmark energy charges are higher than PPA energy charges, incentivising imported thermal power plants to operate.

Post invocation of Section 11, the under recovery in energy charges under PPA with TANGEDCO has substantially reduced since the energy charges were non-escalable in nature and increase in imported fuel price was not pass through. However, CARE Ratings notes that the benchmark rate notified by MoP is lower than the actual fuel cost leading to under recovery. The total under recovery in coal cost on per unit basis would be 35-40 paise per unit. The company has filled for the same with the respective authority to allow a full pass as the plant is operating under Section 11 notification. TNERC has already approved the benchmark price notified by MoP. Subsequently, the company is billing at the same and has been receiving payment from TANGEDCO. Similar petitions have also been filled by other IPPs running on imported coal.

Improvement in financial risk profile
The financial profile of the company has witnessed significant improvement post the implementation of the restructuring of debt via conversion into sustainable and unsustainable portion. The repayment of the sustainable debt has been structured in 60 quarterly instalment and interest monthly. The last repayment for sustainable debt is in March 2038, while the unsustainable debt will be repaid in FY39 and FY40.

Due to the restructuring, company has reduced its interest burden and principal debt servicing requirement substantially as unsustainable debt is to be repaid only after servicing of sustainable debt with lower rate of interest.

Liquidity: Strong (or Superior) /Adequate/Stretched/Poor

The company has accumulated cash during the years considering non-service of interest and debt. Improvement in operational performance considering strong demand through Section 11 and reduction in imported coal prices also supported the liquidity. As on April 01, 2025, the company holds a cash balance of ₹1,795 crore, including debt service reserve account (DSRA) covering one quarter.

Applicable criteria

Policy on Default Recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Assigning 'Outlook' or 'Rating Watch' to Credit Ratings
Policy On Curing Period
Rating of Short Term Instruments
Thermal Power
Infrastructure Sector Ratings
Withdrawal Policy

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

ITPCL is a special purpose vehicle (SPV) promoted by IL&FS Energy Development Company Ltd. (holding 91.38% stake), which itself is a subsidiary of Infrastructure Leasing & Financial Services Limited (holding 91.42% stake). The company has set-up 1,200 MW (2X600 MW) integrated imported coal-based subcritical thermal power plant in Cuddalore, Tamil Nadu. The plants has two units. Unit-1 and Unit-2 were commissioned in September 2015 and April 2016, respectively.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	2,206.35	4,792.07
PBILDT	380.99	973.96
PAT	420.00	2,438.13
Overall gearing (times)	3.11	0.85
Interest coverage (times)	28.60	2.09

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

CareEdge RATINGS

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-Term Loan		-	-	31-03-2038	0.00	Withdrawn

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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	-	-	1) CARE BB; Stable (21-Apr-25)	1)CARE D; ISSUER NOT COOPERATING* (28-Nov-24) 2) CARE BB; Stable (02-Jan-25)	1)CARE D; ISSUER NOT COOPERATING* (30-Nov-23)	1)CARE D; ISSUER NOT COOPERATING* (12-Sep-22)

*Issuer did not cooperate; based on best available information.
LT: Long 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-Term Loan	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.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.