February 06, 2024

To,
Corporate Relationship Department
BSE Limited,
14th Floor, P. J. Towers,
Dalal Street, Fort,
Mumbai-400001
SCRIP CODE: 532779

To,
Listing Department
National Stock Exchange of India Limited
"Exchange Plaza", C – 1, Block G
Bandra- Kurla Complex, Bandra (East),
Mumbai-400051
SYMBOL: TORNTPOWER

Dear Sir / Madam,

Sub: Intimation of Credit Rating

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

With reference to the above, we hereby inform that India Ratings and Research vide its letter dated February 06, 2024 at 5: 51 pm (IST) has assigned the long term credit rating of proposed non-convertible debentures of amounting to ₹ 700 Crore and affirmed its rating on the long term credit rating of non-convertible debentures Series-11 and Series-12 amounting to ₹ 1350 Crore to **"IND AA+/Stable".** India Ratings and Research has also affirmed its rating on the short-term commercial paper as "**IND A1+".**

The Rationale for the same as given by India Ratings and Research is attached herewith.

You are requested to take the same on records.

Thanking you.

Yours faithfully,
For Torrent Power Limited

RAHUL CHAITANYA BHAI SHAH
Digitally signed by RAHUL CHAITANYABHAI SHAH
Date: 2024.02.06 18:53:37 +05'30'

Rahul Shah
Company Secretary & Compliance Officer
Encl.: As above

TORRENT POWER LIMITED Email: cs@torrentpower.com
CIN: L31200GJ2004PLC044068
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India Ratings Assigns Torrent Power's NCDs 'IND AA+'/Stable; Affirms CPs at 'IND A1+'

Feb 06, 2024 | Integrated Power Utilities

India Ratings and Research (Ind-Ra) has taken the following rating actions on Torrent Power Limited's (TPL) debt instruments:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Proposed non-convertible debentures (NCDs)#,@	-	-	-	INR7.0	IND AA+/Stable	Assigned
NCDs@	-	-	-	INR13.5	IND AA+/Stable	Affirmed
Commercial paper (CP)*	-	-	7-365 days	INR16.5	IND A1+	Affirmed

*CP amounting to INR11.5 billion carved out of fund-based limits
#Yet to be issued
@Details in annexure

Analytical Approach: Ind-Ra continues to take a consolidated view of TPL and its subsidiaries while arriving at the ratings as all the entities operate in the same line of business, have strong operational and strategic linkages among them and a common management. Till FY22, the subsidiaries did not have significant operations of their own.

Key Rating Drivers

Healthy EBITDA Supported by Regulated Nature of Operations: TPL's operating profitability is supported by the regulated cost-plus model of its distribution licensee business (Ahmedabad, Surat, Dahej, and Dadra Nagar Haveli and Daman & Diu) and generation assets, including Amgen, Sugen and Unosugen (78% of gross capacity under power purchase agreement (PPA) with distribution business and 3% with Madhya Pradesh), which allow TPL to generate 14%-16% return on regulated equity. Ind-Ra estimates nearly 60%-70% of TPL's EBITDA comes from regulated business which increased in line with the capex incurred by the company and savings on operating benchmarks set by the regulator. The ratings also benefit from the timely tariff allowance by Gujarat Electricity Regulatory Commission and Joint Electricity Regulatory Commission with tariff true up completed till FY22. This ensures timely recovery of tariff gaps and eliminates the risk of continued cash flow mismatches from the distribution business.

Franchisee Business Records Sharp Growth: TPL operates as a franchisee in three regions of Bhiwandi, Agra and Shil-Mumbra-Kalwa (SMK). TPL has registered a strong uptick in profitability across Bhiwandi and Agra, driven by volume growth of 15% yoy and 13% yoy, respectively; healthy bid out gross margins and the consequent increase in margins due to indexation coupled with a sharp loss reduction trajectory with transmission & distribution

(T&D) loss at 10% (Bhiwandi) and 9.49%(Agra). Given the lower vintage of SMK, since takeover by TPL, T&D loss levels remained high, despite reducing to 33.5% during FY23 (FY22: 40.5%). However, Ind-Ra expects as the loss levels reduce in line with other areas post takeover by TPL, SMK could also turn profitable by FY26. Given the volume growth, reduction in T&D losses and tariff indexation, Ind-Ra expects TPL to continue generating strong EBITDA. Ind-Ra expects TPL to incur INR2.5 billion-INR3.5billion over the medium term in the franchisee business. However, in the distribution franchise (DF) business, post the expiry of the license validity, clarity on continuation of the DF license possess a risk to the EBITDA. Bhiwandi DF license expires in January 2027 while Agra license in FY30.

Renewable Business Support Growth: TPL business profile continues to be supported by operational capacity of 1,183MW as of 1HFY24, with solar capacity of 263MW and wind of 920W. Of the above, the company has tied up 491MW with the distribution business, ensuring minimal credit risk; 215MW with Solar Energy Corporation of India under the competitive bidding route; and the balance across state counterparties. TPL has an under construction book of 953MW, of which 300MW (expected commercial operations date: 4QFY24) is being tied up with the distribution business of TPL and another 300MW (expected commercial operations date: 4QFY25) is tied up with Solar Energy Corporation of India. Additionally, the company is setting up 175MW in merchant capacity to capitalise on the short-term power rates and also has 178MW under the commercial and industrial segment. The counterparty selection is likely to result in minimal credit risk. The renewable business generated EBITDA of INR6 billion in 1HFY24 (FY23: INR8 billion). The plant load factor (PLF) from the assets also remained healthy at 19% (solar) and 24% (wind) in FY23.

FPPPA Mechanism Aids Slower Build-up of Regulatory Gap: GERC and JERC have formulated a fuel and power purchase price adjustment (FPPPA) mechanism, which allows for recovery of increased power purchase cost in the distribution license (DL) business. During FY23, DL business witnessed higher cost pressure on account of high short-term rates and increased coal (domestic and imported) prices, partially offset by a higher FPPPA allowed by the regulator. As of September 2023, FPPPA rate stood at INR3.56/kWh and INR3.52/kWh in Ahmedabad and Surat, respectively, higher than the base allowed FPPPA of INR2.71/kWh and INR2.17/kWh, respectively. However, the cost push has been higher, leading to a further increase in power purchase cost. The same has resulted in unbilled FPPPA and an increase in regulatory assets to INR29 billion at FYE23 (FYE22: INR19 billion). Ind-Ra expects the regulatory assets to increase further to about INR35 billion and reduce thereafter on account of a moderation in cost increases (merchant prices and coal prices), likely tariff increase, a further increase in FPPPA and a greater share of renewable at a lower cost.

DL Business - Capex to Drive EBITDA: TPL's EBITDA from the DL business improved on account of: i) increased capitalisation, ii) addition of Dadra Nagar Haveli and Daman & Diu to the DL business, and iii) continued efficiency gains on normative parameters. Ind-Ra expects the EBITDA to expand at a faster rate as Ahmedabad is likely to see sizeable investments over FY23-FY25 totalling INR30 billion-40 billion towards network strengthening and expansion. Furthermore, as the company incurs capex on Dholera Special Industrial Region, the same will result in EBITDA expansion. TPL incurs capex only post approval by the regulator, and hence, the possibility of capex disallowance remains limited. Ind-Ra also draws comfort from the Electricity Amendment Rules 2023, where in the license is deemed to be renewed for a further 25 years unless revoked. Given the operational performance with low T&D losses and high network uptime among others, Ind-Ra sees a limited possibility of license revocation.

Equity Generation for Capex Remains Healthy: Ind-Ra expects TPL to incur a capex of INR14 billion-15 billion on the distribution business, INR2.5 billion-3.5 billion on the franchise business and INR25 billion-35 billion on the renewable front annually from FY25 for setting up 300MW-500MW, if it meets the internal return thresholds set by TPL. Given the annual EBITDA generation run rate of INR45 billion from the existing businesses, Ind-Ra expects TPL to comfortably meet its equity commitment share for the capex requirements.

Liquidity Indicator - Adequate: TPL's liquidity is supported by the healthy cash and cash equivalents of INR11.3 billion at end-FYE23 (FYE22: INR6.3 billion), along with fund-based working capital limits of INR11.5 billion. The average utilisation of the fund-based limits, including CP, remained low at 3% over the 12 months ended September 2023. TPL has scheduled repayments of INR9.6 billion for FY24 and INR17.3 billion for FY25 (including INR6.75 billion Solargen (SECI V) letter of credit). Ind-Ra expects the cash flow from operations pre-tax/EBITDA to remain low in FY24 (FY23: 83%, FY22: 95%) from the historical average of 95%-100%, given the build-up in the regulatory assets and unbilled FPPPA. The company also has a strong access to capital markets, which aids the liquidity profile. At FYE23, TPL had INR33.4 billion of NCDs (FYE22: INR19.7 billion).

Credit Metrics to Remain Stable in FY24: Given the strong EBITDA generation, despite the capex uptick seen in FY23 which could sustain going forward till FY25, Ind-Ra expects the net leverage (net debt/EBITDA) to stay between 2.25x and 2.75x. TPL had gross debt of INR105 billion at FYE23 (FYE22: INR91 billion and net leverage stood at 1.97x in FY23 (FY22:2.4x). Ind-Ra expects, TPL in the past has grown the renewable book through inorganic acquisitions, the net leverage remains contingent on both the build-up of organic pipeline of renewables and the acquisition of operational renewable assets. The interest coverage improved to 5.82x during FY23 (FY22: 5.72x; FY21: 4.47x) on the back of healthy EBITDA generation.

PLF of Gas-based Plants Remain Low: TPL's generation from gas-based plants continue to be low, given the high gas prices and lack of PPA for DGEN (1,200MW). The company has PPA tied-up capacity of 1.1GW, for which 5 million metric standard cubic meters per day (mmscmd) of gas is required at 85% PLF. The company has tied up for 25% of the requirement from long-term sources linked to crude slope. Furthermore, it has tied up three cargoes, each, for 2023-2026. If the variable cost of generation is high, the company trades the gas in the markets. To ensure availability of regas capacity for liquified natural gas, the company has tied up for 3.54mmscmd of capacity at Petronet Dahej Terminal. Ind-Ra estimates thermal plants (gas and coal including DGEN) generate an EBITDA of INR10 billion-INR11billion annually, given the maintaining of low operating expenditure and high plant availability allowed for a recovery of full fixed cost. The EBITDA was lower during FY23 given the low PLF, which led to lower incentives compared to FY22. During FY23, given the high international prices, the company reported gas trading gain of about INR7 billion, which aided EBITDA. However, Ind-Ra does not factor in large gas trading profits in the future.

Rating Sensitivities

Negative: Deterioration in the operating performance of existing regulated and franchise businesses, leading to a decline in its EBITDA, both on a sustained basis, along with a weakening of the counterparty profile in renewable projects, resulting in an increase in the cash flow volatility and/or higher-than-Ind-Ra-expected debt-led capex will lead to a negative rating action.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on TPL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

Company Profile

TPL is an integrated power utility and is one of the largest private sector players in India having interests in power generation, transmission, distribution and the manufacturing and supply of power cables.

FINANCIAL SUMMARY

Particulars	FY23	FY22
Revenue (INR billion)	256.9	142.6
EBITDA (INR billion)	47.6	35.9
Debt (INR billion)	105.0	91.0

EBITDA margins (%)	18.5	25.2
Net leverage (x)	2.0	2.4
Interest coverage (x)	5.8	5.7
Source: TPL, Ind-Ra		

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

APPLICABLE CRITERIA

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Rating/Outlook	Historical Rating/Outlook				
				29 December 2023	24 May 2023	14 June 2022	17 June 2021	18 June 2020
CP	Short-term	INR16.5	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
NCDs	Long-term	INR20.5	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable			

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
NCDs	INE813H07267	7 June 2023	8.50	7 June 2033	NR1.00	IND AA+/Stable
NCDs	INE813H07275	7 June 2023	8.50	7 June 2032	INR1.00	IND AA+/Stable
NCDs	INE813H07283	7 June 2023	8.50	7 June 2031	INR1.00	IND AA+/Stable
NCDs	INE813H07291	7 June 2023	8.50	7 June 2033	INR1.00	IND AA+/Stable
NCDs	INE813H07309	7 June 2023	8.50	7 June 2032	INR1.00	IND AA+/Stable

NCDs	INE813H07317	7 June 2023	8.50	7 June 2031	INR1.00	IND AA+/Stable
NCDs	INE813H07341	18 January 2024	8.40	18 January 2027	INR1.75	IND AA+/Stable
NCDs	INE813H07358	18 January 2024	8.40	18 January 2026	INR1.75	IND AA+/Stable
NCDs	INE813H07333	18 January 2024	8.40	18 January 2028	INR2.00	IND AA+/Stable
NCDs	INE813H07325	18 January 2024	8.40	18 January 2029	INR2.00	IND AA+/Stable
NCDs(yet to be issued)					INR 7.00	INDAA+/Stable
Total					**INR20.50**	

Complexity Level of Instruments

Instrument Type	Complexity Indicator
CP	Low
NCD	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

Contact

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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For more information, visit www.indiaratings.co.in.

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