February 06, 2025

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 05, 2025 at 8:29 pm (IST) has affirmed its rating on the long term credit rating of Non-Convertible Debentures amounting to ₹ 2,050 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 CHAITANYABHAI SHAH

Digitally signed by RAHUL CHAITANYABHAI SHAH
DN: c=IN, o=PERSONAL, title=0756, pseudonym=239617914e9e4f80b8c90af73c16072a, 2.5.4.20=40c650d2e151500311935ea5482261b5043d8585b09e9cd2c96d20b4e74e6060, postalCode=380051, st=GUJARAT, serialNumber=5b72c078c905d5fd6c50a03d39209cdb52529361a6e78912384230f785ff8528, cn=RAHUL CHAITANYABHAI SHAH
Date: 2025.02.06 13:12:36 +05'30'

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

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India Ratings & Research
A Fitch Group Company

India Ratings Affirms Torrent Power's NCDs at 'IND AA+'/Stable; CPs at 'IND A1+'

Feb 05, 2025 | Integrated Power Utilities

India Ratings and Research (Ind-Ra) has affirmed Torrent Power Limited's (TPL) debt instruments as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating Assigned along with Outlook/Watch	Rating Action
Commercial paper	-		7-365 days	INR16.5	IND A1+	Affirmed
Non-convertible* debenture	-		-	INR20.5	IND AA+/Stable	Affirmed

*Details in Annexure

Analytical Approach

Ind-Ra continues to take a fully 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.

Detailed Rationale of the Rating Action

The ratings reflect: 1) regulated cost-plus model of its distribution licensee (DL) business and generation assets (Amgen, Sugen and Unosugen) which allow TPL to generate 14%-16% post-tax return on regulated equity; 2) healthy operating performance of DL areas and distribution franchise (DF) areas allowing a healthy EBITDA generation from its distribution business that contribute more than 50% of the total EBITDA; and 3) healthy credit metrics with the net leverage declining to 1.9x during H1FY25, supported by the healthy EBITDA generation in the generation segment following increased sales of power on a short term basis.

The ratings also consider TPL's under-construction book. As on H1FY25, the company had about 3.0 GW of renewable energy projects in various stages of development. The company expects to incur capex of INR193.2 billion that will be funded through a debt-to-equity ratio of 70:30 or 75:25. In addition to renewable energy project, the company has executed an energy storage facility agreement with Maharashtra State Electricity Distribution Company Limited (MSEDCL) for developing and supplying 2.0 GW/16GWh pumped storage plant (PSP). The project will have an availability-based tariff of INR8.5 million/MW with a tenor for 40 years. The project is likely to start operations during FY29-FY30. Ind-Ra expects TPL to meet the equity requirement for its under-construction projects through internal accruals. Furthermore, the company has raised INR35.0 billion through equity during December 2024 that is likely to support its equity requirement for its under-construction projects, while keeping the net leverage below 3.5x, as per Ind-Ra's estimates.

List of Key Rating Drivers

Strengths

- EBITDA supported by regulated nature of operations
- Healthy operating performance of DL and DF areas

- DL and renewable capex to drive EBITDA
- Fuel and power purchase price adjustment (FPPPA) mechanism aids slower build-up of regulatory gap
- Healthy credit metrics

Weaknesses

- Low plant load factor (PLF) of gas-based plants

Detailed Description of Key Rating Drivers

EBITDA Supported by Regulated Nature of Operations: TPL's operating profitability is supported by the regulated cost-plus model of its DL business (Ahmedabad, Gandhinagar, Surat, Dahej, Dadra Nagar Haveli and Daman & Diu) and the generation assets, including Amgen, Sugen and Unosugen (78% of gross capacity under the PPA with the distribution business and 3% with Madhya Pradesh), which allows TPL to generate a post-tax return of 14%-16% on regulated equity. The ratings also benefit from the timely tariff allowance by the Gujarat Electricity Regulatory Commission (GERC) and Joint Electricity Regulatory Commission (JERC) with the tariff true-up being completed till FY23. This ensures a timely recovery of the tariff gaps and eliminates the risk of continued cash flow mismatches from the distribution business. The transmission and distribution (T&D) segment contributed 50%-55% to the EBITDA in FY24. The DL and generation assets (wherein 78% of gross capacity under power purchase agreement (PPA) with own distribution business) is regulated in nature where the EBTIDA generation is certain.

TPL's EBITDA during H1FY25 increased to INR30.7 billion (H1FY24: INR24.06 billion; FY24: INR45.6 billion; FY23: INR47.6 billion), mainly on account of higher gain from merchant sales from gas-based plants (including liquified natural gas (LNG) trading). The net gain from merchant sales remained at INR6.7 billion during H1FY25 (FY24: INR3.3 billion; FY23: INR8.8 billion). Ind-Ra also notes that TPL's DL will be deemed automatically renewed by regulators for 25 years upon its expiry pursuant to the Electricity Amendment Rules, 2023. The license for Ahmedabad and Gandhinagar is valid until November 2025. The license for Surat is valid until 2028, while that of Dahej is 2034, Dholera Special Investment Region and the Union Territory of Dadra and Nagar Haveli (2043), and Daman and Diu (2047).

Healthy Operating Performance of DL and DF Areas: The healthy EBITDA generation of TPL's T&D segment was enabled by healthy operating performance of its DL and DF areas. TPL's aggregate technical and commercial (AT&C) losses for DL areas were low and below normative levels. Ahmedabad (H1FY25: 4.5%; FY24: 4.2%; FY23: 3.7%); Surat (H1FY25: 3.27%; FY24: 2.77%; 3.17%); Dahej (H1FY25: 0.58%; FY24: 0.38%; 0.48%) and Dadra & Nagar Haveli and Daman & Diu (DNH & DD) (H1FY25: 1.62%; FY24: 1.58%; FY23: 1.59%).

TPL's DF areas' T&D losses are on a declining trend, with Bhiwandi posting 10.9% in H1FY25 (FY24: 9.6%; FY23: 10.0%); Agra at 10.7% (9.2%; 9.5%); Shil, Mumbra and Kalwa (SMK) at 28.4% (30.0%; 33.5%) High T&D losses during H1FY25 are seasonal in nature. Given the lower vintage of SMK, the T&D losses has remained high since the takeover by TPL. However, Ind-Ra expects as the losses reduce in line with other areas post takeover by TPL, SMK to turn profitable by FY26-FY27. TPL has registered healthy profitability across Bhiwandi and Agra, driven by healthy volume growth; tariff indexation coupled with a sharp reduction in T&D loss. Its DF business, post the expiry of the license validity, the clarity on the continuation of the DF license poses a risk to the EBITDA. The Bhiwandi DF license will expire in January 2027 while Agra license in FY30. As per the provisions of the distribution franchisee agreement, the license validity for Bhiwandi area can be extended by five years upon mutual agreement.

DL and Renewable Capex to Drive EBITDA: The growth in TPL's EBITDA will be driven by i) increased capitalisation in the DL business, ii) continued efficiency gains on normative parameters in DL areas and iii) lock-in period of 3.0GW under-construction capacity. Ind-Ra expects T&D's EBITDA to increase at a faster rate over FY26-FY29 as a yearly capex of INR15 billion16 billion is likely to be incurred in the DL areas. Furthermore, as the company incurs capex on Dholera Special Industrial Region, the same will result in the EBITDA expansion. TPL incurs capex only after getting the approval by the regulator, and hence, the possibility of any capex disallowance remains limited. TPL operates a renewable energy portfolio of 1.5 GW as of H1FY25 (FY24: 1.2 GW; FY23: 1.1 GW), with wind accounting for 0.9 GW and solar of 0.57 GW. In addition to the operational portfolio, the company has an under-construction portfolio of about 3 GW, including solar, wind and hybrid projects, which are likely to be commissioned in in the next two-to-three years.

The company is estimated to incur a total capex of INR193.2 billion for its under-construction renewable energy plants over the next two-to-three years, which would be funded through a debt-to-equity ratio of 75:25 or 70:30. The counterparty selection for renewable projects is likely to result in minimal credit risk, as almost entire renewable project pipeline is contacted under long term PPAs with heathy counterparty mix. In addition to the renewable book, the company has identified a pump hydro project sites with potential capacity of 8.4 GW. During FY25, TPL has received a letter of award from MSEDCL for 2GW energy storage capacity and consequently executed the energy storage facility agreement with MSEDCL for developing and supplying 2.0 GW/16 GWh PSP plant. The project is likely to have a construction period of four years.

FPPPA Mechanism Aids Slower Build-up of Regulatory Gap: TPL's DL business is governed by the tariff regulations of GERC and JERC. Pursuant to the Electricity Amendment Rules, 2023 notified by the Ministry of Power (MOP), GERC and JERC have formulated a FPPPA mechanism, which allows an automatic recovery of FPPPA. During FY24, the 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. During FY23-FY25, the company experienced faster build-up of unbilled revenue on account of high-power purchase costs which has resulted in higher unbilled FPPPA and an increase in regulatory assets to INR36.7 billion during FY24 (FY23: INR29 billion; FYE22: INR19 billion). Ind-Ra expects the regulatory assets to decline during FY26, on account of a moderation in cost increases (merchant prices and coal prices) and likely tariff increase. Furthermore, from 1 April 2025, the ministry of power has allowed automatic passthrough of fuel and power procurement cost, restricting regulatory assets build-up due to power purchase cost.

Healthy Credit Metrics: TPL's total gross debt stood at INR115.1 billion as of H1FY25 (FY24: INR115.9 billion; FY23: INR105.0 billion). Its consolidated net leverage decreased to 1.9x (last 12 months) during H1FY25 (FY24: 2.2x; FY23: 2.0 x), on account of the improvement in its EBITDA following improved gain from its merchant operations. Additionally, the leverage deteriorated marginally in FY24, on account of lower net gain from merchant sales of gas-based plants (including trading of natural gas), which were higher in FY23 due to one-time gains from the sales of LNG. The interest coverage (EBTIDA/interest expense) improved to 5.8x during H1FY25 (Fy24: 4.8 x; FY23: 5.8x). During December 2025, the company raised INR35.0 billion through equity which would be used towards its debt repayment and equity funding of capex. Ind-Ra expects the leverage to decrease further in FY25 on account of a reduction of debt after the utilisation of its proceeds of public issue. However, the agency expects the leverage to increase FY25 onwards as the company executes its renewable energy plants.

Low PLF of Gas-based Plants: 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 a plant load factor of 85%. The company has gas tie-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. which is sufficient to cater to another 25% of the requirement. If the variable cost of generation is high, the company trades the gas in the markets. To ensure the availability of regas capacity for liquified natural gas, the company has tied up for 3.54 mmscmd of capacity at Petronet Dahej Terminal.

During H1FY25, the company's generation segment earned an EBITDA (including other income) of INR10.3 billion (FY24: INR11.5 billion; FY23: INR 16.5 billion). Ind-Ra estimates the thermal plants (gas and coal including DGEN) to generate an EBITDA of INR10 billion-INR11billion annually, due to low operating expenditure and high plant availability allowing the recovery of full fixed costs. The EBITDA was lower during FY24 on account of lower trading gain of natural gas, which was higher in FY23 on account of one-time gains from the sale of LNG. Ind-Ra does not consider any trading gain from gas and power in future.

Liquidity

Adequate: TPL's liquidity is supported by the healthy cash and cash equivalents of INR13.7 billion at H1FY25 (FY24: INR 13.6 billion; FY23: INR 11.3 billion; FYE22: INR6.3 billion), along with fund-based working capital limits of INR15.0 billion. The average utilisation of the fund-based limits, including commercial papers, remained low at 2% over the 12 months ended December 2024. TPL has completed its scheduled repayments for FY25 and has obligations of INR14.9 billion for FY26 and INR21.7 billion for FY27. TPL's cash flow from operations stood at INR23.3 billion during H1FY25 (FY24: INR42.6 billion; FY23: INR34.6 billion) driven by the healthy EBITDA generation.

Ind-Ra expects TPL to incur a capex of INR200 billion over FY26-FY29 for its renewable asset portfolio along with about INR20 billion capex for its DL and DF business. The capex plant will require equity worth INR60 billion-70 billion over FY26-FY29. Given that TPL generates cash flow from operations of INR50 billion-55 billion yearly, the company will be able to meet its equity requirements after considering repayment obligation of INR15 billion-20 billion and INR10 billion-12 billion in dividend payments. Additionally, its cash balance and cash from the public issue of INR35.0 billion will provide additional cushion to capex plans.

Rating Sensitivities

Positive: The successful commissioning of renewable energy under construction and/or an increase in the scale of operations and/or a reduction in untied generation of capacity leading to an improvement in the business risk profile and the credit metrics will lead to positive rating action.

Negative: Deterioration in the operating performance of existing regulated and the franchise businesses and/or a decline in its EBITDA and/or weakening of the counterparty profile in renewable projects and/or higher-than-Ind-Ra-expected debt-funded capex leading to the net leverage exceeding 4.0x on a sustained basis 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.

About the Company

TPL is an integrated power utility and is one of the largest private sector players in India having interests in power generation, transmission and distribution. TPL has a total thermal generation capacity of 3.1 GW and renewable capacity of 1.6 GW. Additionally, the company has distribution licenses in Ahmedabad, Surat, Dahej and distribution franchise in Agra, Bhiwandi and SMK.

Key Financial Indicators

Consolidated

Particulars	FY24	FY23
Revenue (INR billion)	271.8	256.9
EBITDA (INR billion)	45.6	47.6
Debt (INR billion)	115.9	105.0
EBITDA margins (%)	16.8	18.5
Net leverage (x)	2.2	2.0
Interest coverage (x)	4.8	5.8
Source: TPL audited financials; Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Rating/Outlook	Historical Rating/Outlook				
				6 February 2024	29 December 2023	24 May 2023	14 June 2022	17 June 2021
Commercial paper	Short-term	INR16.5	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
Non-convertible debentures	Long-term	INR20.5	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	-	-

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Commercial paper	Low
Non-convertible debenture	Low

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

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
NCDs	INE813H07267	7 June 2023	8.5	7 June 2033	NR1.00	IND AA+/Stable
NCDs	INE813H07275	7 June 2023	8.5	7 June 2032	INR1.00	IND AA+/Stable
NCDs	INE813H07283	7 June 2023	8.5	7 June 2031	INR1.00	IND AA+/Stable
NCDs	INE813H07291	7 June 2023	8.5	7 June 2033	INR1.00	IND AA+/Stable
NCDs	INE813H07309	7 June 2023	8.5	7 June 2032	INR1.00	IND AA+/Stable
NCDs	INE813H07317	7 June 2023	8.5	7 June 2031	INR1.00	IND AA+/Stable
NCDs	INE813H07341	18 January 2024	8.4	18 January 2027	INR1.75	IND AA+/Stable
NCDs	INE813H07358	18 January 2024	8.4	18 January 2026	INR1.75	IND AA+/Stable
NCDs	INE813H07333	18 January 2024	8.4	18 January 2028	INR2.00	IND AA+/Stable
NCDs	INE813H07325	18 January 2024	8.4	18 January 2029	INR2.00	IND AA+/Stable
NCDs	INE813H07366	28-Feb-24	8.32	28-Feb-29	INR1.75	IND AA+/Stable
NCDs	INE813H07374	28 February 2024	8.32	28 February 2028	INR1.75	IND AA+/Stable
NCDs	INE813H07382	28 February 2024	8.32	28 February 2027	INR1.75	IND AA+/Stable
NCDs	INE813H07390	28 February 2024	8.32	28 February 2026	INR1.75	IND AA+/Stable
Total					INR20.50	

Source: NSDL

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.

India Ratings is a 100% owned subsidiary of the Fitch Group.

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

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.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process