July 30, 2025

SEIL ENERGY INDIA LIMITED (previously Sembcorp Energy India Limited): Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper (CP)	1,000.00	1,000.00	[ICRA]A1+; reaffirmed
Total	**1,000.00**	**1,000.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating for SEIL Energy India Limited (SEIL) factors in the improved long term revenue visibility for its 2,640-MW thermal power capacity (comprising two projects of 1,320 MW each), supported by the availability of long/medium-term power purchase agreements (PPA) for ~93% of the project capacity compared to 63% of the project capacity at the time of the last rating exercise in July 2024. The company has signed two additional PPAs – a long-term (12-years) cost-plus PPA of 627 MW with the state distribution companies (discoms) of Andhra Pradesh (AP) in December 2024 and a medium-term (5-years) competitively bid PPA for 127 MW with Haryana discoms in September 2024. Additionally, the company has other long-term PPAs of 625 MW with the discoms of AP, 250 MW with the Bangladesh Power Development Board (BPDB), 200 MW with PTC India Limited (supplies to BPDB) and 500 MW with erstwhile united AP discoms (now shared between Telangana and AP discoms).

The rating factors in the strong financial risk profile of the company, marked by healthy debt coverage metrics and recovery of past dues from the discoms of Telangana and AP through monthly instalments since August 2022 under the Late Payment Surcharge (LPS) scheme notified by the Ministry of Power, Government of India. The cumulative debt service coverage ratio (DSCR) is expected to remain above 2.0 times over the debt tenure. The rating also factors in SEIL's comfortable liquidity position, supported by healthy cash flow from operations and the presence of free cash balances and undrawn working capital limits.

In January 2023, Sembcorp Industries Ltd (SCI) sold a 100% stake held by its subsidiary, Sembcorp Utilities Pte Limited (SUPL), in SEIL to Tanweer Infrastructure SAOC (TIS). However, the Sembcorp Group continues to operationally support the assets under SEIL and provide advisory services through a technical service agreement (TSA). Also, currently majority of the debt availed by SEIL is backed by the corporate guarantee extended by SUPL. Moreover, the sale consideration of ~Rs. 12,562 crore along with the interest will be paid by TIS to SUPL over a 15-year period (extendable by another 9 years) through the upstreaming of the surplus cash flow generated by SEIL. At present, around ~Rs. 9,179 crore is outstanding from the sale consideration as of June 2025. TIS is owned by OSARA Corporation SAOC, Social Protection Fund, Dar Investment SPC and Seven Seas Company LLC.

The rating is constrained by the counterparty credit risks arising from the exposure to the state discoms of Telangana and AP, which have relatively modest financial profiles. Nonetheless, comfort is drawn from the improved payment discipline by the state discoms in India following the implementation of the LPS rules. Moreover, in June 2025 the company has received all the past dues on account of delays in complete realisation from BPDB in June 2025 and there has been an improvement in the collection efficiency from BPDB in recent months. The receivable days have improved to 98 days as on March 31, 2025, from 127 days as on March 31, 2024. The sustainability of this improvement remains a key monitorable. Further, signing of additional long-term and medium-term PPAs has reduced the exposure to volume and pricing risks in the short-term (ST) market significantly. Also, the realisation in the ST market has remained healthy over the last two years.

The company has signed long-term fuel supply agreements (FSAs) with the subsidiaries of Coal India Limited (CIL) for the domestic PPAs. These agreements are expected to be adequate to meet the company's coal requirements for supply under long-term and medium-term PPAs to state discoms. SEIL has also tied up adequate medium-term FSAs with imported coal suppliers to meet its fuel supply to Bangladesh and sale of power in the ST market, with part of the supply entered at fixed rates. The balance supply (if any) is met though e-auction coal. This exposes the company to fuel pricing risks and pass-through of fuel price variation through tariff. This is mitigated partly through the fuel cost pass-through clause for domestic coal under the AP 625-MW PPA, AP 627 MW PPA and Haryana 127 MW PPA and the presence of escalable component for energy charges in other long-term PPAs.

Further, ICRA takes note of the notification issued by the Ministry of Environment, Forest and Climate Change (MoEFCC) exempting Category C thermal power plants (SEIL is category C thermal plant) from the mandatory installation of flue gas desulfurisation (FGD) systems. The final approval on the same is pending to be received from the Ministry of Power (MoP). This is expected to nullify the requirement for SEIL's thermal power projects to incur additional capital expenditure to comply with the revised emission norms.

Key rating drivers and their description

Credit strengths

Strong linkage with Sembcorp Group - While SCI sold SUPL's 100% stake in SEIL to Tanweer Consortium in January 2023, the Sembcorp Group continues to operationally support the assets under SEIL and provide advisory services through TSA as it has economic interest till the receipt of sale consideration. SUPL has also provided a corporate guarantee for the debt availed by SEIL (for ~85% of the current bank debt).

Long-term and medium-term PPAs for 93% of the operational capacity - SEIL's revenues and profitability are supported by the availability of long-term and medium-term PPAs for ~2,329-MW net capacity with a two-part tariff structure. The current capacity under the long-term/medium-term PPAs is at ~93% of the total capacity compared to ~63% during the last exercise in July 2024. This has improved as the company has signed two new PPAs in FY2025 i.e., a 627-MW PPA with AP for 12 years and a 127 MW-PPA with Haryana for 5 years. The remaining 7% will be sold in the short-term (ST) market, wherein the tariff realisation has remained healthy in the recent past. However, this exposes the company to pricing risks in the ST market.

Satisfactory operational track record of thermal assets - The performance of SEIL's thermal power projects remains satisfactory with the average plant availability factor (PAF) staying around 90% for both the projects combined over the last five fiscals. The PAF for Project-1 improved significantly to 93% in FY2025 compared to 89% in FY2024; however, the PAF for Project-2 reduced to 93% in FY2025 from 97% in FY2024. SEIL has been able to achieve healthy PLF levels over the years, supported by the competitive cost of generation, led by satisfactory operating efficiencies in terms of station heat rate and auxiliary consumption, and the strategic location of the plant in procuring imported coal.

Healthy credit metrics and comfortable liquidity position - The company's long-term debt has significantly declined since FY2021, driven by promoter debt repayment in FY2022, prepayments and refinancing in FY2023, and replacement of commercial paper (CP) with long-term loans in FY2024 and FY2025. The long-term debt stood at Rs. 4,789 crore as on June 30, 2025, compared to Rs. 12,453 crore as on March 31, 2021. The reduction in the debt levels has improved the company's leverage and coverage metrics. The debt/OPBDITA is expected to remain below 2.5 times between FY2026 and FY2028 and the cumulative DSCR is likely to stay above 2.0 times over the debt tenure. Further, the company's liquidity position remains comfortable with healthy cash flow from operations and the presence of unencumbered cash balances and undrawn working capital limits.

Credit challenges

Counterparty credit risks due to significant exposure to state distribution utilities of AP and Telangana which have modest financial profiles - SEIL is exposed to counterparty credit risks as majority of the power generated is sold to the state distribution utilities of AP, which have modest financial profiles. Also, the company remains exposed to BPDB, wherein there were significant delays in the realisation of payments in the past. This had led to a build-up in the receivable position, especially from the Telangana discoms and BPDB. However, the company is realising the past dues through instalments under the LPS scheme since August 2022, with the current bills also being realised largely in a timely manner. The company also received all the past dues from BPDB in June 2025 and there has been an improvement in the collection efficiency from BPDB in recent months. The receivable period improved to 98 days as on March 31, 2025, compared to 127 days as on March 31, 2024 and 158 days as on March 31, 2023. Nonetheless, a continued timely payment remains a key credit monitorable.

Dependence on imported/e-auction coal exposes company to fuel price and forex risks - The company has tied up long-term FSAs with Mahanadi Coalfields Limited (MCL) for its domestic PPAs, with the balance requirement being met through e-auction/imported coal. For its 250-MW PPA with BPDB and the 200-MW PPA with PTC India Ltd (supplying to BPDB), the company has tied up imported coal supply, a portion of which is at a fixed rate. Given that the company is partly dependent on e-auction and imported coal, it is exposed to coal price fluctuations and foreign exchange risks. However, the foreign exchange risk is mitigated for the 250-MW PPA with BPDB and the 200-MW PPA with PTC India Ltd (supplying to BPDB) as the tariffs are denominated in US dollars. Additionally, the provision for fuel cost pass-through in domestic PPAs with a capacity of 1,379 MW along with an escalable component for energy charges in other long-term PPAs, mitigates the fuel price risk to an extent.

Liquidity position: Strong

The liquidity profile of SEIL is strong, supported by healthy cash flow from operations and available cash balances. The company is expected to generate cash flow from operations of over Rs. 1,300 crore (pre-dividend) against annual long-term debt repayment obligations of ~Rs. 500 crore over FY2026-FY2027 The unencumbered cash and bank balances stood at Rs. 704 crore as of June 2025, with undrawn working capital limits of over Rs. 700 crore.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – The rating may be downgraded in case of significant delays in receiving payments from the offtakers, adversely impacting SEIL's liquidity profile. A significant decline in plant availability below the normative level or a lack of adequate fuel cost pass-through to the customers could adversely impact its profitability and debt coverage metrics and trigger a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Power - Thermal](#)
Parent/Group support	The rating is based on the implicit support from the Sembcorp Group, which is expected to extend support given the group's economic interest in the company.
Consolidation/Standalone	Standalone

About the company

SEIL has 2,640 MW of thermal power capacity (Project-1 and Project-2 of 1,320 MW each) which is entirely operational. The project is located at Krishnapatnam in the Nellore district of Andhra Pradesh.

Out of the total installed capacity of 1,320 MW, Project-1 has:

- A long-term 25-year PPA for 500 MW with the discoms of united Andhra Pradesh (bifurcated into Telangana and Andhra Pradesh)
- A 127-MW medium-term PPA (5 years) with Haryana discom signed in September 2024 (supply commenced from September 2024)
- A 627-MW long-term PPA (12 years) with AP discoms signed in December 2025 (supply commenced in May 2025).

Out of the total installed capacity of 1,320 MW, Project-2 has:

- A 250-MW long-term PPA (13.5 years) with Bangladesh Power Development Board (BPDB)
- A 200-MW long-term PPA (11.25 years) with PTC India Ltd signed in February 2022 (supply commenced from March 2022)
- A 625-MW long-term PPA (12-years) with AP discoms signed in December 2021 (supply commenced from February 2023)

Thus, the total capacity tied up under the long-term/medium-term PPAs by the two projects is ~93% of the overall net capacity of ~2,501 MW. The remaining capacity of Project-1 and Project-2 is sold through the short-term PPA/merchant route.

The company has fuel supply agreements with MCL for 4.27-MTPA coal each for the two projects. The remaining fuel requirement for Project-1 and Project-2 is met through imported coal/e-auction.

SEIL is currently held by the Tanweer Consortium and the thermal assets are managed by the Sembcorp Group through a technical service agreement.

Key financial indicators (audited)

	FY2024	FY2025
Operating income	9,832.3	9,255.9
PAT	2,280.7	1,507.9
OPBDITA/OI	31.8%	32.3%
PAT/OI	23.2%	16.3%
Total outside liabilities/Tangible net worth (times)	0.8	0.9
Total debt/OPBDITA (times)	2.2	2.1
Interest coverage (times)	4.4	4.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	FY2026			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Jul 30,2025	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	1,000.00	[ICRA]A1+	29-JUL-2024	[ICRA]A1+	07-JUL-2023	[ICRA]A1+	14-SEP-2022	[ICRA]A1+
				-	-	-	-	13-DEC-2022	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE460M14776	**Commercial paper**	Jul 18, 2025	6.15%	Oct 16, 2025	100.00	[ICRA]A1+
INE460M14750	**Commercial paper**	May 09, 2025	6.80%	Aug 07, 2025	200.00	[ICRA]A1+
INE460M14768	**Commercial paper**	May 16, 2025	6.80%	Aug 13, 2025	100.00	[ICRA]A1+
NA	**Commercial paper**	Yet to be placed	NA	NA	600.00	[ICRA]A1+

Source: Company; as on July 21, 2025

Annexure II: List of entities considered for consolidated analysis– Not Applicable

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Vikram V
+91 40 6939 6410
vikram.v@icraindia.com

Asmita Pant
+91 124 4545 846
asmita.pant@icraindia.com

Rohit Shahu
+91 22 6169 3300
rohit.shahu@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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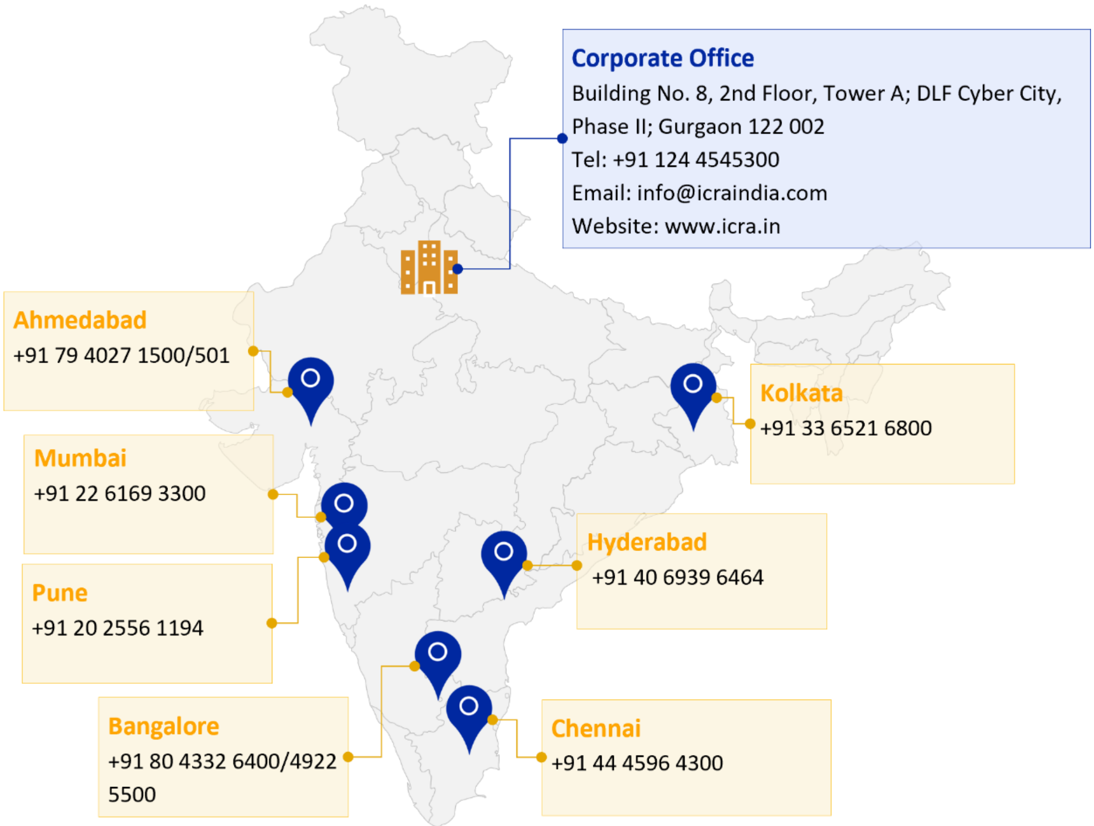
ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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