

April 26, 2024

## Tamil Nadu Generation and Distribution Corporation Ltd – Update on the Entity

### Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. Crore)	Rating Outstanding
Non-convertible bond programme	3,335.80	3,335.80	[ICRA]A-(CE) (Stable)
<b>Total</b>	<b>3,335.80</b>	<b>3,335.80</b>	

\*Instrument details are provided in Annexure-1

Rating Without Explicit Credit Enhancement	[ICRA]BB
--	----------

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

### Rationale

The Government of Tamil Nadu (GoTN) announced the bifurcation of Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) into two separate entities for generation and distribution along with the formation of a new entity for the renewable energy business. As per the GoTN's order dated January 24, 2024, the current operations of TANGEDCO will be divided into two separate entities, i.e., Tamil Nadu Power Generation Corporation Limited (TNPGL) as the thermal power generation entity and Tamil Nadu Power Distribution Corporation Limited (TNPDL; through renaming of TANGEDCO) as the distribution entity. Furthermore, Tamil Nadu Green Energy Corporation Limited (TNGECL) will be incorporated through integrating the renewable wing of TANGEDCO and the merger of Tamil Nadu Energy Development Agency (TEDA) with TNGECL. TANGEDCO will continue as the generating and distribution entity of the state till the commencement of business of the new entities. The bifurcation of the liabilities and assets of erstwhile TANGEDCO is under process.

This development shall be a credit neutral event for TANGEDCO as the rating assigned to its bond facility is based on the guarantee from the GoTN with a well-defined invocation and payment mechanism. Nonetheless, ICRA would continue to monitor the progress on this development and the key credit monitorable going forward will be the distribution of the rated GoTN guaranteed bonds amongst the proposed entities.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position and rating sensitivities: [Click here](#)

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Power- Distribution</a> <a href="#">Power - Thermal</a>
Parent/Group support	The rated facilities of TANGEDCO are backed by an unconditional and irrevocable guarantee from the GoTN
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

## About the company

Under the reorganisation and transfer scheme of TNEB under the Tamil Nadu Electricity (Reorganization and Reforms) Transfer Scheme 2010 issued by the GoTN with effect from November 1, 2010, TNEB has been reorganised into TNEB Limited (the holding company), Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and Tamil Nadu Transmission Corporation Limited (TANTRANSCO). TANGEDCO is engaged in the business of generation and distribution of power in the entire state of Tamil Nadu as a regulated monopoly. As on March 31, 2023, TANGEDCO had an installed capacity of about 7,175 MW, which largely consisted of thermal power plants (~60%) and hydel capacity (~30%) apart from gas-based capacity and a few windmills. TANGEDCO also sources a significant portion of its requirement from central power sector utilities, such as National Thermal Power Corporation Limited (NTPC), Neyveli Lignite Corporation Limited (NLCIL) and Nuclear Power Corporation of India Limited (NPCIL), besides independent power producers in the state. Other sources from where power is purchased include captive generating units, co-generation units and windmills.

## About the guarantor - GoTN

The GoTN's revenue receipt averaged a moderate ~10% of Gross State Domestic Product (GSDP) during FY2019-23. With a higher average revenue expenditure of 12.2% of GSDP during this five-year period, the GoTN's revenue deficit remained above 1.4% of GSDP. This compressed the state government's fiscal space for capital spending to below 2% of GSDP during FY2019-23. Accordingly, the GoTN was able to limit its fiscal deficit to the borrowing limits set by the GoI during FY2019-23. With sustained fiscal deficits and support extended to the power and civil supplies sector, the GoTN's leverage level (excluding GST compensation back-to-back loans) worsened to 30.7% of GSDP in FY2023 from 23.9% in FY2019.

Subsequently, the GoTN's revenue deficit and fiscal deficit are expected to widen to Rs. 44,907 crore and Rs. 94,060 crore, respectively, in the revised estimates (RE) for FY2024 from Rs. 36,215 crore and Rs. 81,886 crore, respectively, in FY2023. At 3.45% of GSDP, (as per the Medium-Term Fiscal Plan statement), the GoTN's fiscal deficit in FY2024 RE is expected to be within the net borrowing limit recommended by the 15th FC (including conditional borrowing related to power sector reforms) for that fiscal.

In the budget estimates (BE) for FY2025, the GoTN had forecast its revenue deficit to rise to Rs. 49,279 crore from the level projected in FY2024 RE. Along with a ~21% increase in capital spending and net lending in FY2025 BE relative to FY2024 RE, the GoTN's fiscal deficit is budgeted to rise to Rs. 1,08,690 crore in the same period. Nevertheless, as per the Medium-Term Fiscal Plan statement, the GoTN's fiscal deficit in FY2025 BE would remain under the net borrowing limit recommended by the 15th FC for this year (including conditional borrowing related to power sector reforms).

ICRA would analyse the GoTN's provisional actuals for FY2024 and FY2025 to assess the performance of their key fiscal indicators relative to FY2024 RE and FY2025 BE, respectively. The financial health of the GoTN's power sector entities and their impact on the state's finances would continue to be a key monitorable.

## Key financial indicators (audited)

TANGEDCO Standalone	FY2022	FY2023
Operating income	70,447.4	82,399.9
PAT	-11954.6	-9192.3
OPBDIT/OI	3.4%	9.7%
PAT/OI	-17.0%	-11.2%
Total outside liabilities/Tangible net worth (times)	-3.1	-2.1
Total debt/OPBDIT (times)	65.4	20.6
Interest coverage (times)	0.2	0.6

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

## Key fiscal indicators of GoTN

	FY2023	FY2024 RE	FY2025 BE
Revenue Receipts*	2,42,029	2,70,737	2,96,796
Revenue Expenditure*	2,78,244	3,15,644	3,46,075
Revenue Balance	-36,215	-44,907	-49,279
Capital Outlay & Net Lending	45,713	49,156	59,415
Fiscal Balance	-81,886	-94,060	-1,08,690

\*Adjusted for double entries of interest on loans of departmental commercial undertakings (DCUs)

Source: State Budget; ICRA Research

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Type	Current Rating (FY2025)		Chronology of Rating History for the past 3 years			
		Amount Rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & Rating in	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Apr 26, 2024	Jun 28, 2023	Jun 29, 2022	Jun 30, 2021
1 Bonds	Long-Term	3,335.80	2,266.04	[ICRA]A- (CE) (Stable)	[ICRA]A- (CE) (Stable)	[ICRA]A- (CE) (Stable)	[ICRA]A- (CE) (Stable)
2 Bonds	Long-Term	-	-	-	-	-	[ICRA]A- (CE) (Stable); withdrawn

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Bonds	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 analyzing 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, is available on ICRA's website: [Click Here](#)

#### Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE340M08111	Bonds	February 2014	10.50%	30% - Feb 2022 30% - Feb 2023 40% - Feb 2024	633.50	[ICRA]A- (CE) (Stable)
INE340M08129	Bonds	June 2014	9.72%	30% - Jul 2022 30% - Jul 2023 40% - Jul 2024	1000.00	[ICRA]A- (CE) (Stable)
INE340M08137	Bonds	December 2014	9.20%	30% - Dec 2022 30% - Dec 2023 40% - Dec 2024	1000.00	[ICRA]A- (CE) (Stable)
INE340M08145	Bonds	May 2015	9.00%	30% - Jun 2023 30% - Jun 2024 40% - Jun 2025	501.80	[ICRA]A- (CE) (Stable)
INE340M08152	Bonds	February 2016	10.00%	30% - Feb 2024 30% - Feb 2025 40% - Feb 2026	50.00	[ICRA]A- (CE) (Stable)
INE340M08160	Bonds	December 2016	9.70%	30% - Dec 2024 30% - Dec 2025 40% - Dec 2026	40.00	[ICRA]A- (CE) (Stable)
INE340M08178	Bonds	March 2017	9.25%	30% - Mar 2025 30% - Mar 2026 40% - Mar 2027	73.10	[ICRA]A- (CE) (Stable)
Not placed	Bonds	-	-	-	37.40	[ICRA]A- (CE) (Stable)

Source: Company

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

## ANALYST CONTACTS

**Girishkumar Kadam**

+91 22 6114 3441

[girishkumar@icraindia.com](mailto:girishkumar@icraindia.com)

**Vikram V**

+91 40 6939 6410

[vikram.v@icraindia.com](mailto:vikram.v@icraindia.com)

**Sanket Thakkar**

+91 79 6923 3066

[sanket.thakkar@icraindia.com](mailto:sanket.thakkar@icraindia.com)

**Rishi S Tekchandani**

+91 79 6923 3059

[rishi.tekchandani@icraindia.com](mailto:rishi.tekchandani@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

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

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

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



### Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.