November 26, 2025

Arunachal Pradesh Power Corporation Pvt Ltd: Long-term rating assigned; short-term rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short term – Fund -based – Overdraft	27.00	-	-
Long term - Fund based – Cash credit	-	40.00	[ICRA]BBB (Stable); assigned
Short term – Fund based- Working capital demand loan	10.00	12.50	[ICRA]A3+; reaffirmed
Short term - Non-fund based – LC/BG	108.00	65.00	[ICRA]A3+; reaffirmed
Short term - Proposed working capital facility	5.00	-	-
Long term - Proposed fund based - Cash credit	-	15.00	[ICRA]BBB (Stable); assigned
Short term - Proposed Facilities - Non-fund based	-	17.50	[ICRA]A3+; reaffirmed
Total	**150.00**	**150.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned ratings favourably factor in the steady performance of Arunachal Pradesh Power Corporation Private Limited's (APPCPL) core trading business. The company benefits from a long operating track record and an established market presence. The gross profit has grown consistently over the past two years, supported by healthy trading volumes and effective management of contractual and payment-related risks inherent in the power trading business. Further, APPCPL's financial risk profile is moderate, reflected in a gearing of 1.1 times as on March 31, 2025 (1.0 times as on March 31, 2024). The increase in employee incentives in FY2025 has offset the benefit of higher gross profit, causing the operating margins to remain modest. The modest operating margins, coupled with the elevated working capital borrowings, have weighed on the coverage indicators, reflected in an interest coverage of 2.6 times compared to 4.6 times in FY2024. Nevertheless, comfort is derived from the minimal long-term borrowings, the backing of most short-term borrowings by fixed deposits and the interest income on these deposits exceeding the interest expense on borrowings.

ICRA notes that APPCPL's plans to invest in other ventures are currently on hold; however, any future investments in these ventures or group companies that could adversely impact the liquidity and debt coverage metrics will remain a key monitorable.

The ratings are also constrained by APPCPL's low operating margins and the regulatory and counterparty credit risk inherent in the power trading business. Although the payment terms are back-to-back in the trading contracts, the risk of delays in payments from customers cannot be ruled out, considering the weak financial profile of most state utilities. This in turn can erode the liquidity buffer that the company has maintained over the years. Going forward, the company's ability to improve its market share and profitability along with the liquidity position will remain important from a credit perspective.

The Stable outlook reflects ICRA's expectation that APPCPL will maintain a steady operating performance in its core trading business, thereby supporting its credit profile.

Key rating drivers and their description

Credit strengths

Steady operating performance of trading business – The company benefits from a long operating track record and an established market presence. The trading volume increased to ~7,654 million units in FY2025 from ~4,433 million units in FY2021. The gross profit has grown consistently over the past two years, supported by healthy trading volumes and an effective management of contractual and payment-related risks inherent in the power trading business.

Moderate financial risk profile – APPCPL's financial risk profile is moderate, reflected in a gearing of 1.1 times as on March 31, 2025 (1.0 times as on March 31, 2024). However, the modest operating margins, coupled with the elevated working capital borrowings, have weighed on the coverage indicators, reflected in an interest coverage of 2.6 times in FY2025 compared to 4.6 times in FY2024. Nevertheless, comfort is derived from the minimal long-term borrowings, the backing of most short-term borrowings by fixed deposits and the interest income on these deposits exceeding the interest expense on borrowings.

Credit challenges

Low operating margin – APPCPL's operating margin remains low, as is inherent in the power trading business. Despite an improvement in the gross margins to 3.5% in FY2025 from 2.4% in FY2024, higher employee incentives and commission/consultancy charges limited the corresponding improvement in the operating margins, which stood at 0.7% in FY2025 (0.5% in FY2024). The management's focus on increasing the share of bilateral contracts is expected to support the gross margins in the near to medium term. A sustained improvement in the operating margins will remain a key monitorable.

Exposure to counterparty credit and regulatory risks – APPCPL faces counterparty credit risks because of its exposure to power distribution companies. Although the payment and other contractual terms are back-to-back in the trading contracts, the risk of delays in payments from the customers cannot be ruled out, considering the weak financial profile of most state utilities. The stretching of payments by customers can result in a quick decline in the company's available liquid funds and constrain its ability to enter into incremental trading contracts, lowering its operating profits and ability to service debt. Comfort is drawn from the fact that the bilateral short-term segment is highly sensitive to the payment track record of the counterparties. Further, power trading is a regulated activity requiring a licence under the purview of the Central Electricity Regulatory Commission (CERC). Any tightening of regulatory norms or imposition of stricter trading limits by the CERC could adversely impact the trading volumes and margins.

Liquidity position: Adequate

APPCPL's liquidity is adequate, supported by steady accruals, low capital expenditure and minimal repayment obligations (for minor vehicle loans). Its working capital borrowings are largely backed by fixed deposits. Further, the company's liquidity position is supported by cash & cash equivalents of ~Rs. 28 crore and undrawn Fund based/overdraft limits of ~Rs. 28 crore on September 30, 2025. Any large investment in group companies or delays in realisation of payments from the state distribution utilities will remain a key monitorable.

Rating sensitivities

Positive factors – ICRA may upgrade the rating if the company demonstrates a significant improvement in earnings, improving credit metrics along with improvement in liquidity position.

Negative factors – Pressure on APPCPL's rating could arise if any significant debt-funded capital expenditure deteriorates its coverage indicators. Other factors that may affect the rating are delays in payments from customers elongating the working capital cycle and elevating the working capital borrowings or increase in loans to Group companies lowering the liquidity buffer.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the rated entity

About the company

APPCPL, incorporated in 2009, is involved in trading power through bilateral transactions and power exchanges, in addition to energy banking and trading of RECs. Its clients include power distribution utilities, industrial and commercial consumers as well as generators. It is a trader member of the Indian Energy Exchange (IEX) and has been trading on the IEX platform since August 2009. APPCPL holds a category-II licence issued by the CERC for inter-state trading of electricity since November 2016. It is also involved in the installation and operation of solar photovoltaic rooftop plants.

Key financial indicators

APPCPL (Audited)	FY2024	FY2025
Operating income	2,756.7	2,691.2
PAT	8.6	11.1
OPBDIT/OI	0.5%	0.7%
PAT/OI	0.3%	0.4%
Total outside liabilities/Tangible net worth (times)	3.4	3.9
Total debt/OPBDIT (times)	5.0	4.9
Interest coverage (times)	4.6	2.6

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount rated (Rs crore)	Nov 26, 2025	Date	Rating	Date	Rating	Date	Rating
Short term – Others – Non-fund based	Short term	65.00	[ICRA]A3+	30-AUG-2024	[ICRA]A3+	30-MAY-2023	[ICRA]A3+	-	-
Short term - Working capital demand loan - Fund based	Short term	12.50	[ICRA]A3+	30-AUG-2024	[ICRA]A3+	30-MAY-2023	[ICRA]A3+	-	-
Short term – Overdraft - Fund based	Short term	-	-	30-AUG-2024	[ICRA]A3+	30-MAY-2023	[ICRA]A3+	-	-
Short term – Unallocated – Unallocated	Short term	-	-	-	-	30-MAY-2023	[ICRA]A3+	15-MAR-2023	[ICRA]A3+
Short term – Proposed fund based/Non-fund based	Short term	-	-	30-AUG-2024	[ICRA]A3+	-	-	-	-
Long term - Fund based - Cash credit	Long term	40.00	[ICRA]BBB (Stable)						
Proposed fund based - Cash credit	Long term	15.00	[ICRA]BBB (Stable)						
Short term proposed facilities – non fund	Short term	17.50	[ICRA]A3+						

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund based working capital demand loan	Simple
Non-fund based limit – LC/BG	Very Simple
Fund based –Cash credit	Simple
Proposed fund based - Cash credit	Simple
Proposed facilities - Non-fund based	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
NA	Working capital demand loan	NA	NA	NA	12.50	[ICRA]A3+
NA	Fund-based –Cash credit	NA	NA	NA	40.00	[ICRA]BBB (stable)
NA	LC/BG Limit	NA	NA	NA	65.00	[ICRA]A3+
NA	Proposed Fund based- Cash Credit	NA	NA	NA	15.00	[ICRA]BBB (stable)
NA	Proposed Facilities-Non-fund based	NA	NA	NA	17.50	[ICRA]A3+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

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

ANALYST CONTACTS

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

Ankit Jain
+91 124 4545 865
ankit.jain@icraindia.com

Sankalpa Mohapatra
+91 40 6939 6409
sankalpa.mohapatra@icraindia.com

Chinmay Sheth
+91 79 4027 1550
chinmay.sheth@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

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

ICRA Limited

Registered Office

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

Branches