January 16, 2026

Talwandi Sabo Power Limited: Ratings continue on watch with developing implications

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term fund-based facilities	750.00	750.00	[ICRA]A+ rating on watch with developing implications/ [ICRA]A1 rating on watch with developing implications; Ratings continue on watch with developing Implications
Long term/Short term non-fund-based facilities	650.00	650.00	[ICRA]A+ rating on watch with developing implications/ [ICRA]A1 rating on watch with developing implications; Ratings continue on watch with developing Implications
Total	**1,400.00**	**1,400.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings of Talwandi Sabo Power Limited (TSPL) continue to be on watch with developing implications owing to the ongoing demerger of Vedanta Limited's (VDL) aluminium, oil and gas, power and iron and steel businesses into separate standalone listed entities, which is expected to be concluded by the end of the current fiscal. After reserving the order and concluding the hearings on November 12, 2025, the Mumbai bench of National Company Law Tribunal (NCLT) gave its final sanction to the demerger scheme under Sections 230–232 of the Companies Act on December 16, 2025. In a separate proceeding, on January 09, 2026, the Group received the NCLT's approval for demerger of the merchant power business. As per the final sanction, along with the existing thermal power plant of TSPL, the Group's other thermal power assets under Vedanta Limited viz. Jharsuguda IPP (600 MW) and the thermal assets of Vedanta Limited Chhattisgarh Thermal Power Plant (VLCTPP) (1,200 MW) and Meenakshi Energy Limited (1,000 MW) will also be consolidated under TSPL. Based on the current understanding from the company/Group, ICRA expects the remaining steps, including the listing of the five spun-off entities, to be completed by the end of FY2026. ICRA will continue to monitor the development of the demerger process and the timelines involved and will take appropriate action, as required.

The ratings continue to factor in the strong parentage of TSPL as it is a wholly-owned subsidiary of VDL {rated [CRA]AA rating watch with developing implications/[ICRA]A1+rating watch with implications} and the operational status of its coal-based power plant with low offtake risks due to the long-term power purchase agreement (PPA) with Punjab State Power Corporation Limited (PSPCL) for its entire power generation capacity of 1,980 MW. The ratings also factor in the two-part tariff structure under the PPA with availability-linked fixed charges, the fuel cost pass-through arrangement subject to meeting the operating efficiency norms under the PPA and the modest fuel-supply risk because of the long-term fuel supply agreements (FSA) with the subsidiaries of Coal India Limited (CIL).

ICRA derives comfort from TSPL's adequate operating efficiency with the plant availability factor (PAF) at more than 80% (against the normative availability of 80% under the PPA) in the recent fiscals. TSPL is, however, exposed to counterparty credit risk, given the modest financial position of PSPCL. However, the company's track record in receiving timely payments from the discom in the recent past provides comfort. There are pending dues owing to other disputes related to disagreements over availability. The timely resolution and realisation of these pending dues remains a key monitorable, going forward.

Further, TSPL's financial risk profile is characterised by a leveraged capital structure and under-recovery in capacity charges owing to the deductions over the mega power project status, which is resulting in modest debt coverage ratios. ICRA notes that TSPL had pursued benefits under the Mega Power Policy through PSPCL. However, the case was not upheld, resulting in the loss of anticipated dues/benefits. However, in March 2025, the company had a favourable ruling in a mis-declaration case wherein APTEL ruled in favour of TSPL, overturning PSPCL's earlier deductions for alleged misdeclaration of plant availability. PSPCL had imposed penalties totaling Rs. 127.32 crore for four instances in January 2017, claiming TSPL has failed to meet the declared capacity. The APTEL ruling directed a refund of Rs. 78 crore (principal) along with the applicable interest, totaling to ~Rs. 260 crore. Further, the debt coverage metrics also remain exposed to the movement in interest rates.

ICRA notes that the settlement of the long-standing liability with Shandong Electric Power Construction Corporation (SEPCO), pertaining to EPC contract obligations, during the current fiscal was supported by intercompany loans (ICL) from Vedanta Limited. This ensured that the payment did not strain TSPL's liquidity position or adversely impact its financial risk profile.

Key rating drivers and their description

Credit strengths

Strong parentage and track record of financial support – TSPL's strong parentage as a wholly-owned subsidiary of Vedanta Limited is a source of comfort for its rating. The company has a demonstrated track record of funding support from VDL in the past to meet its short-term funding mismatches. The importance of TSPL to VDL is further established by the corporate guarantee provided by VDL for the outstanding term loans. ICRA also notes the support received from VDL for the settlement of long-standing liability with SEPCO, related to EPC contract obligations, in the current fiscal, in the form of ICLs.

Long-term PPA with availability-based tariff structure and fuel cost pass-through – TSPL has signed a long-term (25 years) PPA for its power generation capacity with PSPCL with fixed charges as quoted under the PPA and pass-through of fuel cost. The presence of the long-term PPA mitigates the offtake risk. Further, variable energy charge recovery is based on a quoted heat rate, which essentially means that the fuel cost is a pass-through, subject to a specified heat rate, thus insulating the company from the fluctuations in coal prices. Full fixed capacity charges are payable by PSPCL to TSPL at the normative PAF of 80%, irrespective of any offtake. The company has been maintaining PAF levels of above 80% in recent fiscals.

Presence of FSA mitigates fuel supply risk – The company has signed FSAs for long-term coal linkage with the fully-owned subsidiaries of Coal India Ltd - South Eastern Coalfields Ltd (for 5.44 MTPA of G10–G12 grade coal) and Northern Coalfields Limited (for 0.7 MTPA). The Punjab State Electricity Regulatory Commission (PSERC) has also allowed the procurement of coal from alternative sources (domestic and imported) in case of a shortfall in coal supplied under the FSAs. The price of coal from such alternative sources shall also be a pass-through. Thus, the fuel supply risk is mitigated to a large extent.

Credit challenges

Counterparty credit risk associated with exposure to PSPCL - TSPL remains exposed to counterparty credit risk, given the modest financial profile of PSPCL. Nonetheless, there has been a demonstrated track record of PSPCL making payments on time and at times before the due date, in the recent fiscals.

Modest debt coverage metrics - The financial profile of TSPL is characterised by a leveraged capital structure, with total debt to OPBDITA of 5.9 times in FY2025. This, along with the under-recovery in capacity charges, has resulted in modest debt coverage metrics for the company. However, ICRA takes comfort from the fact that TSPL has been able to refinance its debt in the past on account of its strong linkages and support from VDL. Moreover, the external term debt came down to Rs. 4,872 crore as on March 31, 2025 from Rs. 5,616 crore as on March 31, 2024 and is expected at Rs. 4,334 crore as on March 31, 2026. ICRA also notes that TSPL is now not under any regulatory compulsion to install flue gas desulphurisation (FGD) systems at its plant, as per the revised policy by the Ministry of Environment, Forest and Climate Change. This provides relief from sizeable capital expenditure requirements and supports the company's liquidity and financial flexibility in the near term.

Liquidity position: Adequate

TSPL is comfortably placed in terms of liquidity. While the cash and bank balances stood at Rs. 145 crore as on December 31, 2025, the company has adequate cushion in its sanctioned WC limits. The company also has a sanctioned amount of ~Rs. 150 crore available from PTC Financial Services (partially availed till October 2025). The company does not have any sizeable capex requirements in the near to medium term, including no compulsion on setting up the FGD plant (as per the revised policy by the Ministry of Environment, Forest and Climate Change), which provides comfort. TSPL has principal-plus-interest payment obligations of ~Rs. 1,058 crore in FY2026 and is expected to comfortably meet the same from operational surplus. Further, comfort is drawn from the demonstrated track record of funding from VDL in the past to meet the short-term funding mismatches.

Rating sensitivities

Positive factors – The rating watch may be resolved once the demerger process is completed and more clarity emerges on the financial metrics of the spun-off entities. Further, ICRA could upgrade the entity's ratings if there is an improvement in the company's earnings and debt protection metrics on a sustained basis. An improvement in the credit profile of the parent can also be a positive trigger.

Negative factors – Pressure on the ratings could arise if there are prolonged delays in the realisation of payments from PSPCL, or the actual PAF is lower than the normative PAF of 80% that would pull down the revenue realisation and consequently the profitability, impacting the company's liquidity position. Further, weakening of linkages with the parent (VDL) or weakening of the credit profile of the parent would also be the negative triggers.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Power - Thermal](#)
Parent/Group support	Parent: **Vedanta Limited** ICRA factors in the likelihood and the willingness of TSPL's parent, Vedanta Limited, extending financial support to it, if required
Consolidation/Standalone	Standalone

About the company

Talwandi Sabo Power Limited (TSPL) was incorporated as an SPV by Punjab State Electricity Board (PSEB) to construct a 1,980-MW (3×660) thermal power plant at Banawala village, Mansa-Talwandi Sabo road, in the Mansa district of Punjab. Vedanta Limited (Sterlite Energy Limited at that time) was selected as the developer of the project, based on the tariff-based competitive bidding process (Case-2) on BOO basis for the supply of 100% power to the Punjab State Electricity Board (PSEB) for 25 years from the COD. The power purchase agreement and other related agreements were signed between TSPL and PSEB on September 1, 2008, and the ownership of Talwandi Sabo Power Limited was transferred to Vedanta Limited on that date. The three units of 660 MW each were commissioned in July 2014, November 2015 and August 2016.

Key financial indicators (audited)

Standalone	FY2024	FY2025
Operating income	5,293	5,241
PAT	602	32
OPBDIT/OI	20.3%	20.5%
PAT/OI	11.4%	0.6%
Total outside liabilities/Tangible net worth (times)	1.8	1.8
Total debt/OPBDIT (times)	6.0	5.9
Interest coverage (times)	1.6	1.7

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

	Current rating (FY2026)					Chronology of rating history for the past 3 years					
	FY2026					FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs crore)	Jan 16, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based - Others	Long term / Short term	750.00	[ICRA]A+ rating watch with developing implications/[ICRA]A1 rating watch with developing implications	Jul 18, 2025	[ICRA]A+ rating watch with developing implications /[ICRA]A1 rating watch with developing implications	Oct 29, 2024	[ICRA]A+ rating watch with developing implications/[ICRA]A1 rating watch with developing implications	-	-	-	-
Non-fund based - Others	Long term / Short term	650.00	[ICRA]A+ rating watch with developing implications/[ICRA]A1 rating watch with developing implications	Jul 18, 2025	[ICRA]A+ rating watch with developing implications/[ICRA]A1 rating watch with developing implications	Oct 29, 2024	[ICRA]A+ rating watch with developing implications/[ICRA]A1 rating watch with developing implications	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short term fund based – Working capital facilities loan	Simple
Long term/Short term non-fund based – Working capital facilities loan	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	Fund based – Working capital facilities loan	NA	NA	NA	750.00	[ICRA]A+ rating watch with developing implications/ [ICRA]A1 rating watch with developing implications
NA	Non-fund based – Working capital facilities loan	NA	NA	NA	650.00	[ICRA]A+ rating watch with developing implications/ [ICRA]A1 rating watch with developing implications

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

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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.

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