

June 26, 2026

Tamil Nadu Power Distribution Corporation Limited: Rating reaffirmed; withdrawn for Rs. 20-crore NCD

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible bond programme^	79.17	45.24	[ICRA]A-(CE) (Stable); reaffirmed
Non-convertible bond programme*	20.00	-	[ICRA]A-(CE) (Stable); reaffirmed and withdrawn
Total	99.17	45.24	

Note: Amount in Rs. crore ^ Rs. 33.93 crore partially repaid as per the repayment schedule, no ISIN has matured; *previous rated amount of Rs. 20.00 crore entirely reaffirmed and withdrawn as the ISIN has matured

Instrument details are provided in Annexure II

Rating Without Explicit Credit Enhancement	[ICRA]BB
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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 rating of Tamil Nadu Power Distribution Corporation Limited (TNPDC/the entity) is based on the strength of the unconditional and irrevocable guarantee extended by the Government of Tamil Nadu (GoTN) to the rated instrument over its entire tenure. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, GoTN.

Adequacy of credit enhancement

The rating of the instrument is based on the credit substitution approach whereby the rating of the guarantor has been translated to the rating of the said instrument. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenure of the rated instrument and has a well-defined invocation and payment mechanism. Given these attributes, the guarantee provided by GoTN is adequately strong to result in an enhancement in the rating of the said instrument to **[ICRA]A-(CE)** against the rating of **[ICRA]BB** without explicit credit enhancement. In case the rating of the guarantor was to undergo a change in future, the same would reflect in the rating of the aforesaid instrument as well.

Salient covenants of the rated facility

- » TNPDC (previously TANGEDCO) has opened an escrow account (in nature of trust and retention account) with the designated bank and shall credit the adequate funds in the escrow account for servicing the bondholders at least five working days prior to the service date (T) for the payment of principal and/or interest. In case TNPDC does not deposit the sufficient funds in the escrow account, at least five working days prior to the forthcoming due date (T-5), or put them in investments (investments in highest rated debt instruments or deposits of banks, which are rated AA for long term or A1+ for short term by ICRA, and are further lien to the trustee or bondholders with a maturity date of T-1 working day), TNPDC shall intimate in writing to the Deputy Secretary of Government (Budget/Finance) and/or designated official of the GoTN, with a copy to the trustee and ICRA, indicating the forthcoming service date (T), amount payable to the bondholder as interest and/or principal on the said date and also request the GoTN to ensure that adequate funds are available in the escrow account for servicing the bondholders on the forthcoming due date

- » *Notwithstanding the obligation of TNPDCCL to intimate the GoTN and the trustee about the clear fund balance in the escrow account, 45 working days prior to the service date (T), the trustee shall send notices to the finance secretary and/or designated official of the GoTN and TNPDCCL, with a copy to ICRA, indicating the forthcoming service date (T), the amount payable to the bondholders as interest and/or principal on the said date and also request the GoTN to ensure that adequate funds are available in the escrow account for servicing the bondholders as per the payment mechanism*
- » *The trustee will monitor the balance in the escrow account, including invested funds at 30, 15 and 5 working days prior to every service date (T) for the payment of interest and/or principal. In the event the balance in the designated account, after considering the invested funds as provided, are inadequate, by (T-5) working days, the trustee shall forthwith invoke the guarantee issued by the GoTN*

The rating without credit enhancement of [ICRA]BB factors in the weak financial profile of TNPDCCL, with continued losses (before adjusting for loss funding by the GoTN) owing to the inadequate tariffs in relation to the cost of supply due to the significant lag in tariff order issuance and subdued utilisation of its generation assets. Further, the significant reliance on external borrowings has resulted in a highly leveraged capital structure and weak debt protection metrics. Notwithstanding this, owing to the approved tariff hike as per the latest tariff order issued in September 2022, the net loss of TNPDCCL has reduced substantially FY2024 onwards. Going forward, the losses would be subject to subsequent tariff hikes commensurate with the movement of power purchase costs. Additionally, the liquidation plan for the regulatory assets recognised in the tariff order would also determine the financial position of the discom in the upcoming years.

ICRA has reaffirmed and withdrawn the rating assigned to the Rs. 20.00-crore non-convertible bond programme as the same has been paid in full.

Key rating drivers and their description

Credit strengths

State ownership and support - TNPDCCL is responsible for the distribution of power in Tamil Nadu and is strategically important to the state power sector. It is held entirely by the GoTN through TNEB (Tamil Nadu Electricity Board), which has supported the distribution company (discom) through regular infusion of funds in the form of equity/interest-free unsecured loans/loss-funding support/subsidies. The rated bond programme is supported by an unconditional and irrevocable guarantee provided by the GoTN towards debt servicing.

Adequate operating efficiency - The AT&C losses have reduced over the years and stood at ~11.85% in FY2025 (11.97% in FY2024) compared to 14.26% in FY2021. However, the AT&C loss level increased on a YoY basis to 13.10% in FY2026 (provisional numbers). The adequate operating efficiency would reduce the amount of power required to meet the demand. However, the sustainability of the improvement needs to be observed.

Credit challenges

Issuance of tariff orders with considerable lag - The tariff order for the control period from FY2023 to FY2027 for TANGEDCO was issued in September 2022. This order came with a significant lag after the earlier tariff order had been issued in August 2017. As a result, the tariff rates have been inadequate to cover for the rising power purchase costs. This, compounded with rising overheads, increase in employee costs and financial expenses, has resulted in continued losses for the company, though TNPDCCL started reporting net profits (before remeasurement/other comprehensive income adjustments) from FY2024, supported by the tariff hike approved in the September 2022 tariff order. Going forward, the annual hikes in the tariff rates in line with the cost of supply remain crucial to improve its profitability.

Weak financial risk profile - The financial profile of TNPDCCL, on a standalone basis, remains weak. Sizeable cash losses till FY2023 and significant reliance on external borrowings have resulted in a highly leveraged capital structure {debt to OPBDITA of ~6.0x in FY2026 (provisional numbers)} and weak debt protection metrics. The borrowing levels have also increased significantly over the years and stood high at Rs. 1,07,365 crore as on March 31, 2026 (provisional numbers; PY: Rs. 1,01,782 crore). Notwithstanding this, owing to the approved tariff hike as per the latest tariff order issued in September 2022, the

company reported a net profit of Rs. 2,073 crore in FY2025 and ~Rs. 1,570 crore in FY2026 (provisional numbers). Going forward, the profitability would depend on subsequent tariff rates/hikes commensurate with the movement of the power purchase costs.

Key rating drivers and their description (Guarantor)

Credit strengths

Healthy socio-economic indicators - The state's performance on various socio-economic and demographic indicators¹, such as per-capita income (Rs. 3,61,619 in FY2025), literacy rate (80.3% in 2011), urbanisation rate (48.5% in 2011) and irrigation coverage (60.7% in 2024) were favourable compared to the respective national averages (Rs. 2,05,324, 74.0%, 31.2% and 59.3%).

Moderate self-reliance - More than 60% of the Government of Tamil Nadu's (GoTN) revenue expenditure² was covered through its own revenues during FY2023-2025, higher than some of the states, indicating moderately healthy self-reliance.

Credit challenges

Committed expenditure and key subsidies dominate revenue expenses - Around 67% of the GoTN's revenue spending has been on committed expenditure and subsidies during FY2023-2025, which is higher than some of the other states. Such spending has contributed to GoTN's large revenue deficits in recent years.

Relatively high leverage (debt³+guarantees) - Reflecting the sustained fiscal deficits and support extended to the power sector, the GoTN's leverage levels have averaged 31% of GSDP, higher than some other Indian states.

Liquidity position

For the [ICRA]A-(CE) (Stable) rating: Adequate

The GoTN did not avail the WMA and OD facilities from the RBI during FY2016 to FY2026 (till Dec-25). Additionally, the GoTN had an investment of Rs. 127 billion in auction treasury-bills at end-December 2025. Based on these indicators, the liquidity position of the state government can be inferred to be adequate during the recent years.

For the [ICRA]BB rating: Stretched

The liquidity position of TNPDC is stretched due to its weak profitability along with the high repayment obligations and capex plans. However, the GoTN's continued support backs the liquidity profile to some extent. The GoTN has also provided unconditional and irrevocable guarantee to the rated instrument over its entire tenure.

Rating sensitivities

For the [ICRA]A-(CE) (Stable) rating

Positive factors - The rating assigned to the Rs. 45.24-crore non-convertible bond programme of TNPDC would remain sensitive to any movement in the rating or outlook of the guarantor, i.e. GoTN.

Negative factors - The rating assigned to the Rs. 45.24-crore non-convertible bond programme of TNPDC would remain sensitive to any movement in the rating or outlook of the guarantor, i.e. GoTN.

¹ Source: National Statistical Organization (NSO), Census of India and Ministry of Agriculture

² Revenue receipts and expenditure adjusted for double entries of interest from departmental commercial undertakings

³ Includes internal debt, loans from the Centre, provident fund etc.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power – Distribution Policy on Withdrawal of Credit Rating Power - Thermal
Parent/Group support	The rated facilities of TNPDC 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 (Reorganisation 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), TANGEDCO and Tamil Nadu Transmission Corporation Limited (TANTRANSCO). Further, according to the GoTN's order of January 24, 2024, the operations of TANGEDCO have been divided into two separate entities, i.e., TNPDC; through the renaming of TANGEDCO, as the distribution entity, and TNPGL as the thermal power generation entity. As on March 31, 2025, TNPDC had a consumer base of 34.4 million with a distribution network of ~8.62 lakh ckm. TNPDC sources power from the Group entity, TNPGL, along with a significant portion 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.

About the guarantor – GoTN

The GoTN's revenue receipt eased to 9.0% of the Gross State Domestic Product (GSDP) in FY2025 from 9.9% of GSDP in FY2022, largely led by the decline in grants from the Centre. However, the state's revenue expenditure declined relatively sharply to 10.5% of GSDP from 12.2% of GSDP during the same period. Accordingly, the size of the revenue deficit dipped to 1.5% of GSDP in FY2025 from 2.2% of GSDP in FY2022. The GoTN's capital expenditure inched up mildly to 1.8% of GSDP in FY2025 from 1.7% of GSDP in FY2022. Benefitting from the decline in revenue deficit, the GoTN's fiscal deficit as a proportion of GSDP narrowed to 3.2% in FY2025 from 3.9% in FY2022. The GoTN's leverage (debt plus guarantees outstanding) remained in a narrow range of 30-31% of GSDP during FY2022-FY2025.

As per the Interim Budget for FY2027, the GoTN's revenue deficit and fiscal deficit are expected to widen to Rs. 69,219 crore and Rs. 1,24,007 crore, respectively, in FY2026 revised estimates (RE) from Rs. 45,840 crore and Rs. 1,01,344 crore, respectively, in FY2025.

In the budget estimates (BE) for FY2027, the GoTN had forecast its revenue deficit to decline to Rs. 48,696 crore from the level projected in FY2026 RE. The capital spending and net lending in FY2027 BE is expected to increase to Rs. 73,270 crore in FY2027 BE, 33.7% higher from FY2026 RE. The GoTN's fiscal deficit is budgeted to narrow to Rs. 1,21,949 crore in FY2027, or 3% of the GSDP (as per the Medium-Term Fiscal Plan statement).

ICRA would analyse the GoTN's provisional actuals for FY2026 to assess the performance of key fiscal indicators relative to the levels indicated in FY2026 RE. ICRA will further evaluate the trends of the key fiscal indicators published in the final budget for FY2027. 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)

TNPDC	FY2025	FY2026*
Operating income	100417.1	103150.7
PAT	2072.9	1570.2
OPBDIT/OI	14.9%	17.3%

TNPDCI	FY2025	FY2026*
PAT/OI	2.1%	1.5%
Total outside liabilities/Tangible net worth (times)	-1.84	-2.02
Total debt/OPBDIT (times)	6.80	6.03
Interest coverage (times)	1.40	1.35

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

Key fiscal indicators of GoTN

	FY2025	FY2026 RE	FY2027 BE
Revenue Receipts*	2,80,687	3,07,155	3,41,838
Revenue Expenditure*	3,26,527	3,76,374	3,90,535
Revenue Balance	-45,840	-69,219	-48,696
Capital Outlay & Net Lending	55,547	54,803	73,270
Fiscal Balance	-1,01,344	-1,24,007	-1,21,949

Note: *Adjusted for double entries of interest on loans of departmental commercial undertakings during FY2025-2027 BE; Amount in Rs. crore

Source: State budgets, CAG; 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 (FY2027)		Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	FY2027		FY2026		FY2025		FY2024	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Non-convertible bond programme	Long term	45.24	26-Jun-2026	[ICRA]A-(CE) (Stable)	27-Jun-2025	[ICRA]A-(CE) (Stable)	28-Jun-2024	[ICRA]A-(CE) (Stable)	28-Jun-2023	[ICRA]A-(CE) (Stable)
			-	-	-	-	26-Apr-2024	[ICRA]A-(CE) (Stable)	-	-
Non-convertible bond programme	Long term	20.00	26-Jun-2026	[ICRA]A-(CE) (Stable); reaffirmed and withdrawn	27-Jun-2025	[ICRA]A-(CE) (Stable)	28-Jun-2024	[ICRA]A-(CE) (Stable)	28-Jun-2023	[ICRA]A-(CE) (Stable)
			-	-	-	-	26-Apr-2024	[ICRA]A-(CE) (Stable)	-	-
Non-convertible bond programme	Long term	-	-	-	27-Jun-2025	[ICRA]A-(CE) (Stable)	28-Jun-2024	[ICRA]A-(CE) (Stable)	28-Jun-2023	[ICRA]A-(CE) (Stable)
			-	-	-	-	26-Apr-2024	[ICRA]A-(CE) (Stable)	-	-
Non-convertible bond programme	Long term	-	-	-	27-Jun-2025	[ICRA]A-(CE) (Stable); withdraw n	28-Jun-2024	[ICRA]A-(CE) (Stable)	28-Jun-2023	[ICRA]A-(CE) (Stable)
			-	-	-	-	26-Apr-2024	[ICRA]A-(CE) (Stable)	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA-rated instruments that fall under the regulatory purview of various Financial Sector Regulators (FSR) are as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA

14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other activities offered by ICRA that fall under the regulatory purview of various Financial Sector Regulators (FSR) are as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instrument

Instrument	Complexity indicator
Non-convertible bond programme	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 II: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE340M08152	Non-convertible bond programme	Feb 08, 2016	10.00%	Feb 08, 2026	20.00	[ICRA]A- (CE) (Stable): Reaffirmed & Withdrawn
INE340M08160	Non-convertible bond programme	Dec 24, 2016	9.70%	Dec 24, 2026	16.00	[ICRA]A- (CE) (Stable)
INE340M08178	Non-convertible bond programme	Mar 27, 2017	9.25%	Mar 27, 2027	29.24	[ICRA]A- (CE) (Stable)

Source: Company

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

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