



Tamil Nadu Electricity Board

Rating History

Instrument	Amount (Rs. crore)	Amount Outstanding (Rs. crore)	Ratings		
			July 2011	June 2011	January 2011
Non Convertible Bonds Program	1,500	N.A	[ICRA]A(SO) (Conditional)&	[ICRA]A(SO) (Conditional)&	LA(SO) (Conditional) &
Non Convertible Bonds Program	600	69	[ICRA]A(SO) (Conditional)&	[ICRA]A(SO) (Conditional)&	LA(SO) (Conditional) &
		531	[ICRA]A(SO) (Conditional)&	[ICRA]A(SO) (Conditional)&	LA(SO) (Conditional) &
Non Convertible Bonds Program	600	400	[ICRA]A(SO)&	[ICRA]A(SO)&	LA(SO)&
		200	[ICRA]A(SO)&	[ICRA]A(SO)&	LA(SO)&
Non Convertible Bonds Program	200	200	[ICRA]A(SO)&	[ICRA]A(SO)&	LA(SO)&
Non Convertible Bonds Program	300	208	[ICRA]A(SO)&	[ICRA]A(SO)&	LA(SO)&
Bank term loans	5,000	N.A.	[ICRA]D	[ICRA]BB+&	LB BB-

'&' represents: Under rating watch with developing implications

ICRA has revised the rating outstanding from [ICRA]BB+ (pronounced as ICRA double B plus) to [ICRA]D (pronounced as ICRA D) against bank lines amounting to Rs. 5,000 crore* of Tamil Nadu Electricity Board (TNEB)[†].

TNEB also has rating outstanding of [ICRA]A(SO) [pronounced as ICRA A (Structured Obligation)] against the various debt programs amounting to Rs. 1,700 crore*. Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO), an entity created as part of the unbundling process of TNEB, has rating outstanding of [ICRA]A(SO) [pronounced as ICRA A (Structured Obligation)] against the debt program amounting to Rs. 1,500 crore[†]. This rating continues to remain under watch with developing implications.

Pending completion of unbundling process, including availability of audited accounts for the trifurcated entities, ICRA has taken a consolidated view for the purpose of assigning the standalone rating.

The standalone rating revision factors in the current delay in the servicing of bank loans arising from stretched liquidity position.

* 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

* SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned. The rating assigned to the Rs. 531 crore and Rs. 69 crore bonds of TNEB remain conditional, pending TNEB's complete compliance with ICRA's structure conditions. Also, the rating assigned to the Rs. 1500 crore bonds of TANGEDCO remain conditional, pending TANGEDCO's complete compliance with ICRA's structure conditions. The rated bond programs are unconditionally and irrevocably guaranteed by GoTN. The term loans of TNEB are not guaranteed by GoTN.



The standalone rating also factors in the significant increase in the financial risk profile of TNEB emanating from large cash losses despite recent tariff revision, inadequate cost coverage through tariffs, sharp rise in the debt levels, increased reliance on refinancing for repaying the outstanding loans and increasing share of short term loans in the overall funding mix, the servicing of which will further stretch the cash flows of the Board. ICRA notes that meaningful tariff revision and capital restructuring will be required for the Board to be a commercially viable entity. The rating also factors in the dependence on tariff subsidy from the Government of Tamil Nadu (GoTN) which remains inadequate, stagnant own power generation and slow pace of power sector reforms such as unsatisfactory progress on consumer metering and unbundling of the Board, and, continuance of free/subsidized power schemes. The rating is also constrained by the significant debt funded capex plans in the near- to medium-term. The rating, however, continues to favorably factor the strategic importance given the sole utility entity in Tamil Nadu and wholly-owned by GoTN.

Entity profile

TNEB, a wholly-owned statutory body of GoTN, is engaged in the business of generation, transmission and distribution of power in the entire state of Tamil Nadu as a regulated monopoly. It is the largest SEB in the country in terms of number of consumers (21.3 million as of March 31, 2010) and one of the top few state utilities in terms of energy sales. TNEB's own capacity for power generation stood at 5690 MW for FY 2010 of which thermal and hydel generation capacity constituted 52% and 38%, respectively. TNEB also sources a significant portion of its requirement from central power sector utilities like National Thermal Power Corporation Ltd (NTPC), Neyveli Lignite Corporation Ltd (NLC) and Nuclear Power Corporation of India Ltd (NPCL) besides independent power producers (IPPs) in the State. Other sources, from where power is purchased, include captive generating units, co-generation units and wind mills.

Under the reorganization and transfer scheme of TNEB under the Tamil Nadu Electricity (Reorganization and Reforms) Transfer Scheme 2010 issued by Government of Tamil Nadu (GoTN) with effect from November 1, 2010, TNEB has been reorganized into TNEB Limited (the holding company), Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and Tamil Nadu Transmission Corporation Limited (TANTRANSCO).

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For further details please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44-4596-4301)
ravichandran@icraindia.com

Mr. Jayanta Roy, (Tel. No. +91-33-2287-6617)
jayanta@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee, (Tel. No. +91-80-4332-6401)
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001

Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: **9871221122**

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002

Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91-124-4545350

Mumbai**Mr. L. Shivakumar**

Mobile: **91-22-30470005/9821086490**

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025

Ph : +91-22-2433 1046/ 1053/ 1062/ 1074/ 1086/ 1087

Fax : +91-22-2433 1390

Kolkata**Ms. Anuradha Ray**

Mobile: **91-33-22813158/9831086462**

Email: anuradha@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna, 234/ 3A, A.J.C. Bose Road, Kolkata-700020.

Tel: +91-33-2287 6617/ 8839/ 2280 0008

Fax: +91-33-2287 0728

Chennai**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

Email: **Mr. K. Ravichandran**

Mobile: **91-44-45964301/ 9940008808**

Email: ravichandran@icraindia.com

5th Floor, Karumuttu Centre, 498 Anna Salai, Nandanam, Chennai-600035.

Tel: +91-44-2433 3293/ 94, 2434 0043/ 9659/ 8080, 2433

0724, Fax:91-44-24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

2 nd Floor, Vayudhoot Chambers, Trinity Circle, 15-16 M.G.Road, Bangalore-560001.

Tel:91-80-25597401/ 4049 Fax:91-80-25594065

Ahmedabad**Mr. L. Shivakumar**

Mobile: **9821086490**

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,

Ahmedabad- 380006

Tel: +91-79-26585494, 26582008, 26585049, 26584924

TeleFax: +91-79- 2648 4924

Pune**Mr. L. Shivakumar**

Mobile: **9821086490**

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar, Pune-411 020

Tel : (91 20) 2556 1194 -96; Fax : (91 20) 2556 1231

Hyderabad**Mr. M.S.K. Aditya**

Mobile: **9963253777**

Email: adityamsk@icraindia.com

301, CONCOURSE, 3rd Floor, No. 7-1-58, Ameerpet, Hyderabad 500 016.

Tel: +91-40-2373 5061 /7251 Fax: +91-40- 2373 5152