

June 27, 2025

Tamil Nadu Power Distribution Corporation Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible bond programme	99.17	99.17	[ICRA]A-(CE) (Stable); reaffirmed
Non-convertible bond programme	1,143.91	-	[ICRA]A-(CE) (Stable); reaffirmed and withdrawn
Total	1,243.08	99.17	

*Instrument details are provided in Annexure I

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 or the entity; previously Tamil Nadu Generation and Distribution Corporation Ltd (TANGEDCO)} 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.

In January 2024, 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, which has now been completed. In line with the GoTN's order as on January 24, 2024, the operations of TANGEDCO have been divided into two separate entities, i.e., Tamil Nadu Power Distribution Corporation Limited (TNPDC; through renaming of TANGEDCO) as the distribution entity and Tamil Nadu Power Generation Corporation Limited (TNPGL) as the thermal power generation entity. Further, Tamil Nadu Green Energy Corporation Limited (TNGECL) has been incorporated through integrating the renewable wing of TANGEDCO and the merger of Tamil Nadu Energy Development Agency (TEDA) with TNGECL. The bonds previously rated by ICRA are in the books of TNPDC, which have been renamed from TANGEDCO. This development is a credit neutral event as the rating assigned to the bond facility is based on the guarantee from the GoTN with a well-defined invocation and payment mechanism.

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 TNPDCCL 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), TNPDCCL 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 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. The large cash losses and significant reliance on external borrowings have 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 from FY2024. 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. 1,143.91-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.

Improving 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. The improving 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 TNPDC, 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 ~6.9x in FY2025 (provisional numbers)} and weak debt protection metrics. The borrowing levels have also increased significantly over the years and stood high at Rs. 1,06,113 crore as on March 31, 2025 (provisional numbers; PY: Rs. 86,778 crore). Notwithstanding this, owing to the approved tariff hike as per the latest tariff order issued in September 2022, the company reported net profit of Rs. 2,020 crore in FY2024 and Rs. 1,412 crore in FY2025 (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 socioeconomic indicators - The state's performance on various socioeconomic and demographic indicators¹, such as per-capita income (Rs. 3,15,220 in FY2024), literacy rate (80.3% in 2011), urbanisation rate (48.5% in 2011) and irrigation coverage (60.4% in 2023) was favourable compared to the respective national averages (Rs. 1,88,892, 74.0%, 31.2% and 56.4%).

Moderate self-reliance - Around 58% of the Government of Tamil Nadu's (GoTN's) revenue expenditure² was covered through own revenues during FY2022-2024, higher than some of the states, indicating moderately healthy self-reliance.

Credit challenges

Committed expenditure and key subsidies dominate revenue expenses - Around 61% of the GoTN's revenue spending has been on committed expenditure, food and power subsidies during FY2022-2024, which is relatively higher than some of the other states. Such spending has contributed to the large revenue deficits of the GoTN in recent years.

Unfavourable quality of expenditure - The GoTN's quality of expenditure (capital expenditure as a proportion of total expenditure) remained around 13% during FY2022-2024, lower than many other Indian states.

Increase in leverage levels (debt+guarantees) - Reflecting the sustained fiscal deficits and support extended to the power sector, the GoTN's leverage levels have increased to 30-31% of GSDP during FY2021-2024 from 25.5% in FY2020, higher than some of the 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 FY2025 (till January 2025). Additionally, the GoTN had an investment of Rs. 36 billion in auction treasury bills as of January 2025. Based on the indicators, the liquidity position of the state government can be inferred to be adequate.

For the [ICRA]BB rating: Stretched

The liquidity position of TNPDC is stretched due to continued losses 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.

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

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

Rating sensitivities

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

The rating assigned to the Rs. 99.17-crore non-convertible bond programme of TNPDCCL would remain sensitive to any movement in the rating or outlook of the guarantor, i.e., GoTN.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power – Distribution Policy on Withdrawal of Credit Rating
Parent/Group support	The rated facilities of TNPDCCL 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., TNPDCCL; through renaming of TANGEDCO, as the distribution entity, and TNPGL as the thermal power generation entity. As on March 31, 2024, TNPDCCL had a consumer base of 33.2 million with distribution network of ~8.44 lakh ckm. TNPDCCL sources power from the Group entity, TNPGL, along with significant portion of its requirement sourced 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 ~10% of Gross State Domestic Product (GSDP) during FY2020-2024. With support to the power sector and welfare schemes, the state's revenue expenditure averaged a higher 12.1% of GSDP during FY2020-2024. Accordingly, the state consistently recorded large revenue deficits although the size of the revenue deficit declined to 1.7% of GSDP in FY2024 from 2.1% of GSDP in FY2020. The GoTN's capital expenditure improved to 1.7% of GSDP in FY2024 from 1.4% of GSDP in FY2020. Nevertheless, the GoTN was able to limit its fiscal deficit to the borrowing limits set by the GoI during FY2020-2024. Reflecting 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 ~31% of GSDP in FY2024 (while remaining stable at 30-31% during FY2021-2023) from 25.5% of GSDP in FY2020.

In the revised estimates (RE) for FY2025, the GoTN's revenue and fiscal deficit are expected to widen to Rs. 46,468 crore and Rs. 1,01,698 crore, respectively, from Rs. 45,121 crore and Rs. 90,430 crore, respectively, in FY2024. The Medium-Term Fiscal Plan statement published by the GoTN along with the FY2026 Budget place the fiscal deficit at 3.26% of GSDP in FY2025 RE. This is expected to be within the net borrowing limit recommended by the 15th FC (including conditional borrowing related to the power sector reforms) for that fiscal.

In the budget estimates (BE) for FY2026, the GoTN had forecast its revenue deficit to decline to Rs. 41,635 crore from the level projected in FY2025 RE. The capital spending and net lending in FY2026 BE is expected to increase to Rs. 65,333 crore in FY2026 BE, 18.3% higher from FY2025 RE. The GoTN's fiscal deficit is budgeted to rise to Rs. 1,06,963 crore in FY2026 or 3% of GSDP (as per the Medium-Term Fiscal Plan statement).

ICRA would analyse the GoTN's provisional actuals for FY2025 and FY2026 to assess the performance of key fiscal indicators relative to the levels indicated in FY2025 RE and FY2026 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)

TNPDC	FY2024	FY2025*
Operating income	96,556.5	1,00,906.1
PAT	2,020.3	1,411.8
OPBDIT/OI	13.8%	15.2%
PAT/OI	2.1%	1.4%
Total outside liabilities/Tangible net worth (times)	-1.6	-1.6
Total debt/OPBDIT (times)	6.5	6.9
Interest coverage (times)	1.5	1.4

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

Key fiscal indicators of GoTN

	FY2024	FY2025 RE	FY2026 BE
Revenue Receipts*	2,62,660	2,91,665	3,29,150
Revenue Expenditure*	3,07,781	3,38,132	3,70,785
Revenue Balance	-45,121	-46,468	-41,635
Capital Outlay & Net Lending	45,321	55,239	65,333
Fiscal Balance	-90,430	-1,01,698	-1,06,963

Note: *Adjusted for double entries of interest on loans of departmental commercial undertakings during FY2024-2026 BE

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	Current rating (FY2026)				Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Non-convertible bond programme	Long Term	99.17	27-Jun-2025	[ICRA]A-(CE) (Stable)	28-Jun-2024	[ICRA]A-(CE) (Stable)	28-Jun-2023	[ICRA]A-(CE) (Stable)	29-Jun-2022	[ICRA]A-(CE) (Stable)
					26-Apr-2024	[ICRA]A-(CE) (Stable)	-	-	-	-
Non-convertible bond programme	Long Term	1,143.91	27-Jun-2025	[ICRA]A-(CE) (Stable); Withdrawn	28-Jun-2024	[ICRA]A-(CE) (Stable)	28-Jun-2023	[ICRA]A-(CE) (Stable)	29-Jun-2022	[ICRA]A-(CE) (Stable)
					26-Apr-2024	[ICRA]A-(CE) (Stable)	-	-	-	-

Complexity level of the rated instruments

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 I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE340M08129	Non-convertible bond programme	Jul 16, 2014	9.72%	Jul 16, 2024	356.00	[ICRA]A- (CE) (Stable); Reaffirmed & Withdrawn
INE340M08137	Non-convertible bond programme	Dec 18, 2014	9.20%	Dec 18, 2024	387.72	[ICRA]A- (CE) (Stable); Reaffirmed & Withdrawn
INE340M08145	Non-convertible bond programme	Jun 11, 2015	9.00%	Jun 11, 2025	351.26	[ICRA]A- (CE) (Stable); Reaffirmed & Withdrawn
INE340M08152	Non-convertible bond programme	Feb 08, 2016	10.00%	Feb 08, 2026	20.00	[ICRA]A- (CE) (Stable)
		Feb 08, 2016	10.00%	Feb 07, 2025	15.00	[ICRA]A- (CE) (Stable); Reaffirmed & Withdrawn
INE340M08160	Non-convertible bond programme	Dec 24, 2016	9.70%	Dec 24, 2026	28.00	[ICRA]A- (CE) (Stable)
		Dec 24, 2016	9.70%	Dec 24, 2024	12.00	[ICRA]A- (CE) (Stable); Reaffirmed & Withdrawn
INE340M08178	Non-convertible bond programme	Mar 27, 2017	9.25%	Mar 27, 2027	51.17	[ICRA]A- (CE) (Stable)
		Mar 27, 2017	9.25%	Mar 27, 2025	21.93	[ICRA]A- (CE) (Stable); Reaffirmed & Withdrawn

Source: Company

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

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3406

girishkumar@icraindia.com

Vikram V

+91 40 6939 6410

vikram.v@icraindia.com

Rachit Mehta

+91 22 6169 3328

rachit.mehta2@icraindia.com

Rishi S Tekchandani

+91 79 6923 3066

rishi.tekchandani@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6169 3304

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

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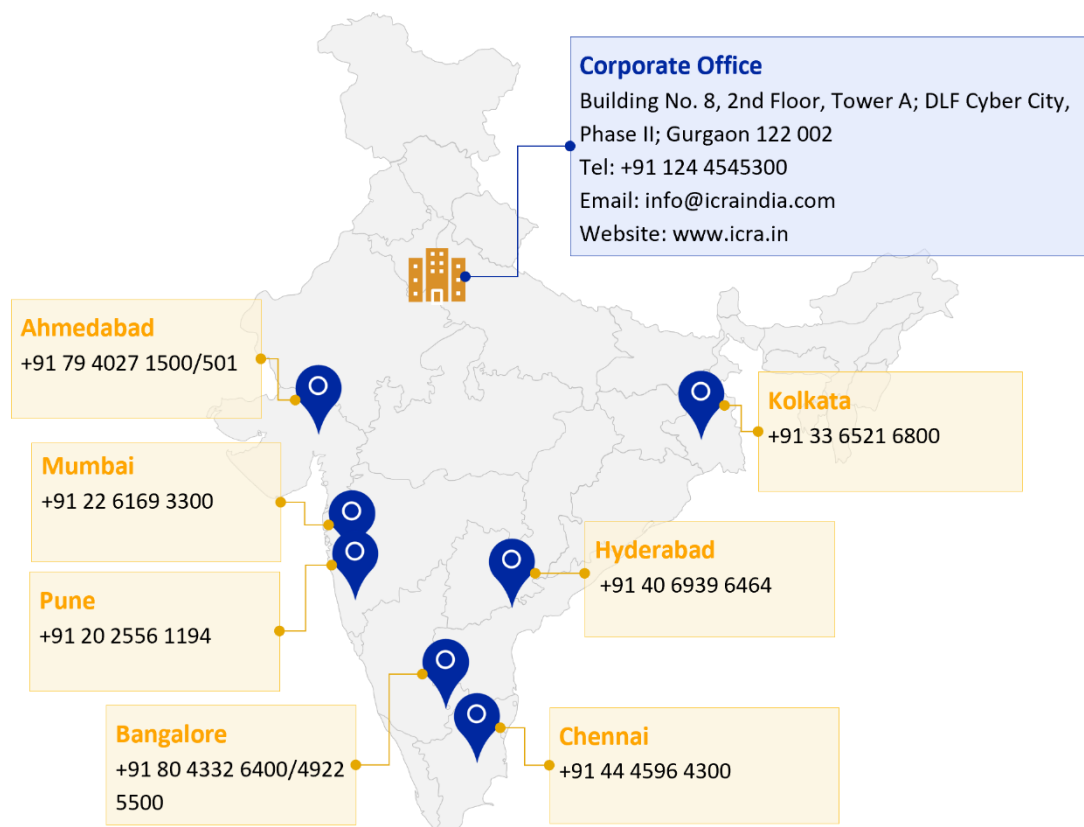


Registered Office

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



Branches



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