torrent POWER

TPL / 488

14th December, 2015

To,

To, Corporate Relationship Department BSE Limited, 14th Floor, P. J. Towers, Dalal Street, Fort, Mumbai-400001 **SCRIP CODE: 532779**	To, Listing Department National Stock Exchange of India Limited "Exchange Plaza", C – 1, Block G Bandra- Kurla Complex, Bandra (East), Mumbai 400051 **SCRIP SYMBOL: TORNTPOWER**

Dear Sirs,

Reg: Revision in Credit rating for debt programme and bank facilities of Torrent Power Limited by CRISIL

Ref: Regulation 30 read with Para A of Part A of Schedule III to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

CRISIL has revised the credit rating for the debt programmes and bank facilities of the Company as follows:

Long Term Rating	CRISIL AA-/Stable (from 'CRISIL AA/Watch Negative')
Short Term Rating	CRISIL A1+ (from 'CRISIL A1+/Watch Negative')

The Rationale for the same as given by CRISIL is attached herewith.

Kindly take the same on record.

Yours faithfully,
For Torrent Power Limited

Darshan Soni
Company Secretary

TORRENT POWER LIMITED AHMEDABAD

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CRISIL RATINGS

Rating Rationale

December 11, 2015
Mumbai

Torrent Power Limited

Rating downgraded to 'CRISIL AA-/Stable' ; Ratings removed from 'watch negative'

Total Bank Loan Facilities Rated	**Rs.120000 Million (Enhanced from Rs.67000 Million)**
Long Term Rating	**CRISIL AA-/Stable (Downgraded from 'CRISIL AA'; Removed from 'Rating Watch with Negative Implications')**
Short Term Rating	**CRISIL A1+ (Reaffirmed; Removed from 'Rating Watch with Negative Implications')**

(Refer to Annexure 1 for Facility-wise details)

Rs.3.0 Billion Non-Convertible Debentures	**CRISIL AA-/Stable (Downgraded from 'CRISIL AA'; Removed from 'Rating Watch with Negative Implications')**
Rs.2.0 Billion Non-Convertible Debentures	**CRISIL AA-/Stable (Downgraded from 'CRISIL AA'; Removed from 'Rating Watch with Negative Implications')**
Rs.1.75 Billion Non-Convertible Debentures	**CRISIL AA-/Stable (Downgraded from 'CRISIL AA'; Removed from 'Rating Watch with Negative Implications')**
Rs.1.75 Billion Non-Convertible Debentures	**CRISIL AA-/Stable (Downgraded from 'CRISIL AA'; Removed from 'Rating Watch with Negative Implications')**
Rs.1.5 Billion Commercial Paper Programme	**CRISIL A1+ (Reaffirmed; Removed from 'Rating Watch with Negative Implications')**

CRISIL has removed its ratings on the debt programmes and bank facilities of Torrent Power Ltd (TPL) from 'Watch with Negative Implications'. The long-term rating has been downgraded to '**CRISIL AA-/Stable**' from 'CRISIL AA', while the short-term rating has been reaffirmed at 'CRISIL A1+'.

CRISIL had placed the ratings on watch in May 2014, following TPL's announcement of amalgamation of Torrent Energy Ltd (TEL) and Torrent Cables Ltd (TCL) with itself. The ratings were kept on watch in order to better understand the implications of the scheme of amalgamation and the re-organization of the consolidated long term financial arrangements. In October 2015, TPL announced the completion of the amalgamation. Based on the discussion with the management, CRISIL has also obtained clarity on TPL's plans of re-organising its amalgamated financial arrangements with longer repayment tenor. Hence, the ratings have been removed from rating watch.

The downgrade reflects deterioration in TPL's business and financial risk profile following the amalgamation. TEL operates 1196.85-megawatt (MW) gas-based power project at Dahej,Gujarat (DGEN) which had been stranded because of non-availability of gas. With the amalgamation, DGEN's Rs.38 billion debt has moved to TPL without commensurate cash flows. TPL's debt increased to Rs.82 billion (on an amalgamated basis) as on September 30, 2015 from debt of Rs.48 billion (on a standalone basis), thereby deteriorating its gearing and debt protection metrics.

Furthermore, after the amalgamation, TPL's business risk profile has weakened because of the lack of approved power purchase agreements (PPAs) for DGEN. DGEN has been allocated gas between June 2015 and April 2016, under the e-bid RLNG scheme by Ministry of Power, Government of India. This has enabled it to cover part of its debt servicing in 2015-16, through its cash flows. Favourable outlook for RLNG prices and an expected gradual increase in natural gas production could enable DGEN to produce cost competitive power that would offset off-take risks and would improve the long term viability of the project. However, uncertainties remain in the extent and timing in which these aspects would materialise. Thus the significant portion of capital employed in DGEN constrains TPL's overall credit profile.

In 2015-16, TPL's cash flows are expected to be higher than in previous years driven by tariff hikes in its Ahmedabad and Surat distribution business, which has enabled part recovery of past regulatory gap and cash flows from its stranded plants - SUGEN-40 and DGEN - under the e-bid RLNG scheme. Over the medium term, the company's ability to maintain the profitability at the current levels will be contingent on the regulator allowing recovery of past under recoveries in the distribution business and its ability to continue to competitively bid and receive gas allocation under the e-bid RLNG scheme or any similar schemes.

The ratings continue to reflect TPL's stable cash flows from its businesses with a regulated tariff structure, including power distribution in Gujarat and power generation in its AMGEN and SUGEN plants. These strengths are partially offset by exposure to fuel availability risks in its gas plants and offtake risks for SUGEN-40 and DGEN.

For arriving at its ratings, CRISIL has combined the business and financial risk profiles of TPL and its subsidiary, Torrent Solargen Ltd (TSL). This is because of the strong business and financial linkages between the two companies, together referred to herein as TPL.

TPL has a strong market position as a sole distribution licensee for Ahmedabad, Gandhinagar, and Surat (all in Gujarat). Further, TPL has demonstrated strong operational efficiency with lowest transmission and distribution (T&D) losses in India - 7.34 per cent for Ahmedabad and 4.89 per cent for Surat in 2014-15. Furthermore, TPL has an urban-centric and diversified customer base, which enables the company to report high collection efficiency of nearly 100 per cent in Ahmedabad and Surat. Given its extensive experience in the distribution business, CRISIL believes that TPL's aggregate technical & commercial losses is likely to remain stable in its distribution circles. Hence, TPL will continue to benefit from stable cash flows of its distribution business backed by regulated nature of its tariff structure and its high operating efficiencies. Further, TPL also draws its strength from the stable cash flows through regulated tariff structure and strong operational performance in its generation capacities of AMGEN (422 MW) and SUGEN (1147.5 MW).

These strengths are partially offset by low fuel availability for its gas based plants, specifically SUGEN-40 and DGEN. Both plants were stranded till May 2015 due to non-availability of gas. These plants are expected to benefit from the e-bid RLNG scheme till March 2017, however these plant remain vulnerable to long term fuel supply risks. Fuel availability risks lead to offtake risks for these plants. In the case of SUGEN-40, TPL has filed a petition with Gujarat Electricity Regulatory Commission(GERC) for adoption of tariff based on Central Electricity Regulatory Commission's (CERC's) approval of project capital cost, and fixed cost recovery. The order on this petition is pending with GERC. Furthermore, PPAs of DGEN are yet to be approved by the regulators resulting in offtake risks.

Outlook: Stable

CRISIL believes TPL's strong cash flows from its regulated busineses and its healthy financial risk profile, will continue to partially offset the risks of reduced cash flows from SUGEN-40 and DGEN over the medium term. The outlook may be revised to 'Positive', in case of improvement in cash flows from DGEN, enabling it to meet its debt servicing. Conversely, the outlook may be revised to 'Negative' if offtake risks remain high for DGEN and if there is further delay in tariff adoption for SUGEN-40, or higher than expected capital expenditure or debt funded acquisitions deteriorating TPL's financial risk profile .

About the Company

TPL is engaged in the power generation and distribution business, mainly in Ahmedabad, Gandhinagar, and Surat, and is the distribution franchisee for Bhiwandi and Agra. TPL's power generation plants are in Sabarmati (422-MW coal-based station) in Ahmedabad; and Surat (1147.5-MW gas-based Sugen plant with 382.5-MW expansion) and Jamnagar (49.6-MW wind power plant at Lalpur). Previously, TCL was a group company engaged in cable manufacturing and supply; it is currently merged with TPL. TPL, through its subsidiary Torrent Solargen Ltd has setup a 51 MW solar project in Gujarat and is executing a 100.8 MW wind project in Gujarat.

TPL, on a consolidated basis, reported a net profit of Rs.3.63 billion on net sales of Rs.103.96 billion for 2014-15, compared with a net profit of Rs.1.07 billion on net sales of Rs.86.81 billion for 2013-14. For the six months ended September 2015, TPL on a consolidated basis, reported a net profit of Rs.4.68 billion on net sales of Rs.61.81 billion, compared with a net profit of Rs.1.10 billion on net sales of Rs.52.64 billion during the same period.

Annexure 1 - Details of various bank facilities

Current facilities			**Previous facilities**		
Facility	**Amount (Rs.Million)**	**Rating**	**Facility**	**Amount (Rs.Million)**	**Rating**
Cash Credit	**8500**	**CRISIL AA-/Stable**	**Cash Credit@**	**8500**	**CRISIL AA/Watch Negative**
Letter of credit & Bank Guarantee	**22750**	**CRISIL A1+**	**Letter of credit & Bank Guarantee**	**18000**	**CRISIL A1+/Watch Negative**
Proposed Letter of Credit & Bank Guarantee	**1000**	**CRISIL A1+**	**Proposed Letter of Credit & Bank Guarantee**	**1000**	**CRISIL A1+/Watch Negative**
Proposed Term Loan	**17524**	**CRISIL AA-/Stable**	**Proposed Long Term Bank Loan Facility**	**966**	**CRISIL AA/Watch Negative**
Term Loan	**70226**	**CRISIL AA-/Stable**	**Term Loan**	**38534**	**CRISIL AA/Watch Negative**
Total	**120000**	**--**	**Total**	**67000**	**--**

@ Rs.8.50 billion is interchangeable with Non Fund Based facilities

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Last updated: August, 2014

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December 11, 2015 *http://www.crisil.com*

CRISIL has revised its rating symbols and definitions with effect from July 11, 2011, to comply with the SEBI circular, 'Standardisation of Rating Symbols and Definitions'. The revised rating symbols carry the prefix, 'CRISIL'. The rating symbols for short-term instruments have been revised to 'CRISIL A1', 'CRISIL A2', 'CRISIL A3', 'CRISIL A4', and 'CRISIL D' from the earlier 'P1', 'P2', 'P3', 'P4', and 'P5', respectively. The revision in the rating symbols and definitions is not to be construed as a change in the ratings. For details on revised rating symbols and definitions, please refer to the document, 'Revision of Rating Symbols and Definitions', at the link, http://www.crisil.com/ratings/credit-rating-scale.html