May 27, 2026

Talwandi Sabo Power Limited: Ratings upgraded; ratings removed from watch with developing implications; Stable outlook assigned on long-term rating

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]AA- (Stable)/[ICRA]A1+; ratings upgraded from [ICRA]A+/[ICRA]A1; ratings removed from watch with developing implications; Stable outlook assigned on long term rating
Long term/Short term non-fund-based facilities	650.00	650.00	[ICRA]AA- (Stable)/[ICRA]A1+; ratings upgraded from [ICRA]A+/[ICRA]A1; ratings removed from watch with developing implications; Stable outlook assigned on long term rating
Total	**1,400.00**	**1,400.00**	

**Instrument details are provided in Annexure II*

Rationale

ICRA has removed the Rating Watch with Developing Implications on the ratings of Talwandi Sabo Power Limited (TSPL; to be rechristened as Vedanta Power Limited), following greater clarity on the allocation of assets and liabilities, under ongoing demerger scheme of Vedanta group as well as on support framework across group entities. ICRA has also upgraded the ratings and assigned a stable outlook.

The ratings upgrade factors in the improvement in TSPL's operational and financial risk profile following the inclusion of additional power assets in its portfolio, namely the 600 MW Jharsuguda Independent Power Plant (JIPP) in Odisha, the 600 MW (unit-1) Athena Chhattisgarh Power (ACP) plant in Chhattisgarh (unit-2 600 MW under construction currently), and the 1,000 MW Meenakshi power plant in Andhra Pradesh. In addition, ACP's unit-2 of 600 MW is also expected to be commissioned by the end of current fiscal. The expanded asset base is expected to strengthen the overall credit profile through enhanced scale, improved diversification and greater cash flow stability. Earlier, TSPL's operations were concentrated in a single asset (Punjab plant), exposing it to counterparty concentration risk and state-specific regulatory dynamics. The addition of JIPP, ACP and Meenkashi plant diversifies the portfolio across multiple geographies (Punjab, Odisha, Chhattisgarh and Andhra Pradesh) and counterparties, thereby mitigating concentration risks. In addition, TSPL has medium to long term PPAs for 74% of capacities as on date, thereby mitigating offtake risk to an extent.

The rating action also factors in ICRA's expectation of a further strengthening in the credit profile of the Vedanta Group[1] in FY2027, building on the considerable improvement witnessed in FY2026. This has been supported by a sharp increase in base metal prices, which has contributed to a strong financial risk profile for the Group, which reported an OPBDITA of $6.7 billion in FY2026. Considering the proportionate consolidation of Hindustan Zinc Limited {HZL; rated [ICRA]A1+)}, the OPBDITA still remained healthy at $5.7 billion in FY2026, compared to ~$3.8 billion in FY2025. Consequently, the adjusted net leverage (post the proportionate consolidation of HZL) at the group level improved to 2.3 times in FY2026 and is expected to further moderate to below 2.0 times, going forward. This improvement would be primarily driven by a healthy recovery expected in the

[1] [1] *While analysing Vedanta group, ICRA has consolidated the profiles of entities, including Vedanta Aluminium Metal Limited (VAML), Vedanta Limited (ex- HZL), MALCO Energy Limited, Talwandi Sabo Power Limited and Vedanta Iron & Steel Limited along with total debt and financial expenses of Vedanta Resources Limited to calculate the leverage and coverage metrics of the Group. In addition, ICRA has considered the proportionate share of expected earnings and leverage of HZL consolidated financials in the overall group profile.*

aluminium business (under Vedanta ALuminium Metal Limited (VAML)) as well as a sustained performance of HZL and the oil and gas business. The Group's refinancing ability has also strengthened materially, resulting in a sharp improvement in the average interest cost by ~200 bps in FY2026. The recent debt sanctions at sub-8% interest rates further demonstrate an improvement in the Group's financial flexibility.

Vedanta Resources Limited's (VRL) standalone total debt stood at ~$5.2 billion in FY2026 vis-à-vis ~$5.1 billion at the end of FY2025. VRL's refinancing risk has also reduced significantly in the last few years, supported by repayments and an elongation of the debt maturity profile. The reduction in VRL's interest cost and annual maturities is expected to significantly lower the dividends from fiscal 2027 onwards. Going forward, a timely closure of any refinancing requirement either at VRL or other entities in the Vedanta Group will remain a key monitorable. The Group's liquidity position also remained healthy with a material improvement in the cash flow from operations.

Post demerger, ICRA expects the relatively stronger cash-generating entities within the Vedanta Group to support the Group's dividend requirements, with the flexibility to fund the same from other group entities as well. ICRA also expects the intra-group support among entities within the Vedanta Group to continue, if required.

The rating is supported by Group's diversified metals portfolio spanning zinc, silver, lead, aluminium, copper and nickel. The group also has a healthy presence in oil and gas, ferrous metals including iron ore, and independent power producer (IPP) projects. The large scale of operations with a healthy market share in the domestic aluminium and zinc businesses and the cost-efficient operations in the domestic zinc and oil and gas segments strengthen group's operating profile.

ICRA also notes that capital expenditure plans at the group level. Last year the total capex incurred at the group level was ~$1.5 bn, which is expected at ~$1.7bn-$1.8bn annually in the upcoming 2-3 fiscals. While ICRA understands that the group has large capex plans in aluminium, zinc international and towards copper project in Saudi Arabia, in the medium to long term; however, all the projects are at nascent stage with no firm capital commitment plans as on date. The progress on these projects, timelines and funding plans would remain the key monitorable. The Konkola Copper Mines (KCM) project is expected to be undertaken at VRL level. Any large dividend outflow from VDL or other operating entities of the group to support the capex plans at VRL will remain monitorable.

ICRA has taken note of the temporary operational disruption at the Athena power plant following the accident, with restoration expected over the next 6–7 months and operations likely to resume by H2 FY2027. While this is expected to moderate profitability and cash accruals in the near term, debt servicing remains supported by adequate liquidity, including healthy cash and bank balances.

The ratings remain constrained by offtake risks arising from partially tied-up capacity, along with exposure to counterparty credit risk, given the modest financial profile of key customers (discoms of Punjab, Odisha and Tamil Nadu), although payment track record has remained satisfactory in the recent past. Further, the company's debt coverage metrics are expected to remain modest in the near term, on account of a leveraged capital structure and the temporary shutdown of the Athena power plant.

Further, while the Group's total debt position improved in FY2026, the overall net adjusted debt remains elevated at ~$12.4 bn. While the refinancing risk at VRL has come down significantly in the last few years supported by the elongation of the debt maturity profile, any stress at VRL's level could impact the financial flexibility of the Vedanta Group and would remain a key monitorable.

The Stable outlook reflects ICRA's expectation that the company will continue to report satisfactory plant availability and efficiency levels, allowing it to recover the fixed capacity charges as per the tariff order (for long term PPAs), and receive the payments in a timely manner from its offtakers. The Group's credit profile will be supported by the healthy cash flow generation from diversified businesses, strong financial flexibility and execution capabilities. In addition, Group's commitment to undertake any large debt-funded capex in a calibrated manner while maintaining its debt metrics at prudent levels also support the Stable outlook.

Key rating drivers and their description

Credit strengths

Strong parentage and track record of financial support – TSPL's benefits from being part of the Vedanta Group. The Group has a diversified metals portfolio spanning zinc, silver, lead, aluminium, copper and nickel. The group also has a healthy presence in oil and gas, ferrous metals, including iron ore, and power IPP projects. The large scale of operations with a healthy market share in the domestic aluminium and zinc businesses and the cost-efficient operations in these segments strengthen Group's operating profile. The company has a demonstrated track record of funding support from Vedanta Limited (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 some of the outstanding term loans. The credit profile of the Vedanta Group is also expected to strengthen in FY2027, building on the considerable improvement witnessed in FY2026. This has been supported by a sharp increase in base metal prices, which has contributed to a strong financial risk profile for the Group. The Group's adjusted net leverage improved to 2.3 times in FY2026 and is expected to further moderate to less than 2.0 times, going forward.

Long-term PPA with availability-based tariff structure and fuel cost pass-through for partial capacity – TSPL's Punjab plant has a long-term (25 years) PPA for its 1980 MW capacity with Punjab State Power Corporation Limited (PSPCL), and 600 MW capacity with Grid Corporation of Odisha Limited (GRIDCO), 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 discom to TSPL at the normative PAF, irrespective of any offtake. The company has been maintaining healthy PAF levels in recent fiscals. While Athena and Meenakshi power plants have tied up ~31% of their capacity mitigating the offtake risk to an extent, the PPA terms remain medium term in nature.

Presence of Fuel Supply Agreements (FSA) mitigates fuel supply risk – For the Punjab plant, the company has signed FSAs of 6.14 million tonnes, for long-term coal linkage with the fully-owned subsidiaries of Coal India Ltd. Further for Meenakshi and Athena power plants, FSAs have been signed to meet the normative requirements under the tied-up PPA capacity. Thus, the fuel supply risk is mitigated to a large extent.

Credit challenges

Offtake risks due to partially tied up capacity - The ratings are constrained by offtake risks arising from partially tied-up capacity, as certain portion of generation remains exposed to merchant markets. While Athena and Meenakshi together have an installed capacity of ~1,600 MW, only ~500 MW is currently secured under medium-term PPAs, with the balance capacity being sold through short-term bilateral contracts and merchant market sales. This exposes the company to demand variability and tariff volatility, thereby impacting revenue visibility and cash flow stability to an extent.

Risks associated with counterparty credit quality - TSPL remains exposed to counterparty credit risk, given the modest financial profile of its key customers (discoms of Punjab, Odisha and Tamil Nadu). Nonetheless, there has been a demonstrated track record of discoms making payments on time and at times before the due date, in the recent months.

Modest debt coverage metrics in the near term - The financial profile of TSPL is characterised by a leveraged capital structure, with total debt to OPBDITA of ~6 times in FY2026. Further, the temporary operational disruption at the Athena power plant following the accident, which is expected to resume operations from H2 FY2027, is expected to moderate profitability and cash accruals in the near term, moderating the DSCR for the current fiscal. However, the debt servicing remains supported by adequate liquidity, including healthy cash and bank balances. Further, ICRA takes comfort from the fact that, post demerger, the company's operational scale and cashflows are expected to increase materially with addition of 2200 MW capacity from Athena, Meenakshi and Jharsuguda power plants, leading to comfortable cumulative DSCR at 1.4x.

Further, despite the improvement in profitability in FY2026, the Vedanta Group's overall leverage remains elevated, with the adjusted net debt high at ~$12.5 billion at the end of FY2026. VRL's total debt position stood at ~$5.2 billion in FY2026 vis-à-vis ~$5.7 billion at the end of FY2024. While the refinancing risk at VRL has come down significantly in the last few years, any stress at VRL's level impacting the financial flexibility of the Vedanta Group would remain a key monitorable.

Liquidity position: Adequate

TSPL's liquidity position is adequate. While the cash and bank balances stood at Rs.835 crore as on March 31, 2026, the company has adequate cushion in its sanctioned WC limits. TSPL has principal-plus-interest payment obligations of ~Rs.1,685 crore in FY2027 and is expected to be comfortably met from operational cashflows and available cash and liquid investments. The company has capex requirements of ~Rs. 1,700 crore in FY2027 and FY2028 for which financial tie ups of Rs. 1,400 crore are completed. In addition, available cash and bank balances are expected to remain adequate to fund the margin requirements towards the planned capex. Further, comfort is drawn from the demonstrated track record of funding from Vedanta Group entities in the past to meet the short-term funding mismatches.

Rating sensitivities

Positive Factors- ICRA could upgrade TSPL's long-term rating if the company is able to demonstrate a healthy growth in earnings and cash flows on a sustained basis, resulting in a material improvement in its leverage and coverage metrics. Also, the rating would remain sensitive to the credit profile of the overall Vedanta Group.

Negative factors- Pressure on TSPL's ratings could emerge in case of a significant deterioration in earnings, or if any sizeable debt-funded capex/investment/acquisition results in an increase in leverage on a sustained basis. Further any significant weakening in the credit profile of the Vedanta group, with adjusted net leverage increasing to over 2.5 times on a sustained basis could also be a trigger for ratings downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Thermal
Parent/Group support	**Parent Group: Vedanta Group;** ICRA expects the Vedanta Group to be willing to extend need-based financial support to TSPL. The Group has a track record of extending timely financial support to its group entities, whenever a need has arisen.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of TSPL. The list of entities considered for consolidation are mentioned in Annexure III.

About the company

Talwandi Sabo Power Limited (TSPL), which anchors the Vedanta Group's power business, houses a diversified portfolio of thermal power assets, including the 600 MW Jharsuguda Independent Power Plant (IPP) in Odisha, the 1,980 MW (3×660 MW) Talwandi Sabo Power (TSP) plant in Punjab, the 600 MW (2×300 MW) Athena Chhattisgarh Power (ACP) plant in Chhattisgarh, and the 1,000 MW Meenakshi power plant in Andhra Pradesh. The TSP plant was developed under a tariff-based competitive bidding process (Case-2) on a BOO basis, supplying power to Punjab state discoms under a long-term PPA. ACP and Meenakshi have tied up capacities under PPAs with state utilities, while the Jharsuguda IPP primarily operates under a long-term PPA with GRIDCO. The plants are strategically located with proximity to coal sources and key consumption centres, supporting fuel security, operational efficiency and stable offtake.

Key financial indicators (audited)

With the demerger effective from May 01, 2026, audited financial statements and key financial metrics for the entity are not available, as per the approved scheme of arrangement.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current rating (FY2027)				Chronology of rating history for the past 3 years					
FY2027				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs crore)	May 27, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based - Others	Long term/ Short term	750.00	[ICRA]AA-(Stable)/[ICRA]A1+	Jan 16, 2026	[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	-	-
				Jul 18, 2025	[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]AA-(Stable)/[ICRA]A1+	Jan 16, 2026	[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	-	-
				Jul 18, 2025	[ICRA]A+ rating watch with developing implications/[ICRA]A1 rating watch with developing implications				

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 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 II: 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]AA- (Stable) /[ICRA]A1+
NA	**Non-fund based – Working capital facilities loan**	NA	NA	NA	650.00	[ICRA]AA- (Stable)/[ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure III: List of entities considered for consolidated analysis:

Name	% of shareholding	Consolidation approach
Meenakshi Energy Limited	100.00%	Full consolidation

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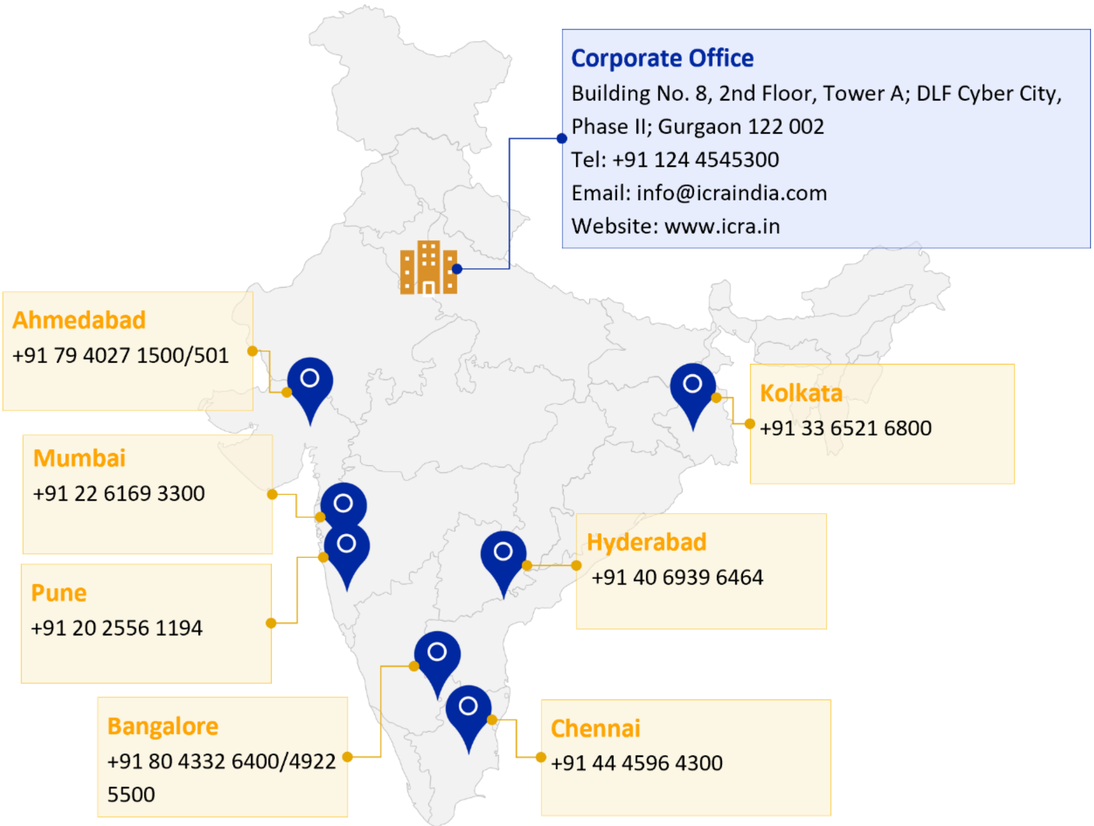

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