

India Ratings Revises Outlook on GRIDCO's Bank Loan Facilities to Positive; Affirms 'IND BBB+'

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India Ratings and Research (Ind-Ra) has revised the Outlook on GRIDCO Limited's bank loan facilities to Positive from Stable while affirming the long-term rating at 'IND BBB+' and short-term rating at 'IND A2' as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Bank loan facilities	-	-	-	INR51,000	IND BBB+/Positive/IND A2	Affirmed; Outlook revised to Positive

Analytical Approach

The ratings continue to be driven by the credit profile of the government of Odisha (GoO). Ind-Ra views GRIDCO as a dependent entity, in line with Ind-Ra's criteria for Rating of Public Sector Entities, based on the corporation's strong financial and operational ties with the GoO, its strategic importance to the state, and the tight control exerted by the state on the corporation.

Detailed Rationale of the Rating Action

The Outlook revision to Positive reflects an improvement in GRIDCO's liquidity position after the privatisation of state distribution companies (discoms), continued government support in the form of soft loans, maintenance of EBITDA, declining net leverage and Ind-Ra's expectations of this to continue in the near to medium term. In FY26, the GoO continued supporting GRIDCO through regular equity contributions and providing concessional loans.

GRIDCO also plays a strategic role as the State Nodal Agency for renewable energy development under the Odisha Renewable Energy Policy, 2022, with an ambitious target of 10,960MW of renewable capacity by FY30. The company is actively implementing diverse projects including floating solar with a potential of 33,000MW, wind power expansion with enhanced capacity limits, pumped storage hydro projects totaling 18,100MW, and small hydroelectric projects of 260MW. Additionally, GRIDCO is progressing on battery energy storage systems (BESS) with a sanctioned capacity of 500MWh backed by viability gap funding (VGF). These initiatives, coupled with strong government support, policy-driven incentives, and GRIDCO's central role in facilitating renewable energy investments, underpin its long-term growth prospects and operational stability.

List of Key Rating Drivers

Strengths

- Stable cash flows from regulated business
- Reduction in aggregate technical & commercial losses at Odisha discoms
- Adherence to escrow mechanism for timely debt servicing
- Continued growth in state's economic performance in FY25
- State's healthy fiscal performance with sustained capex focus
- Lowest debt ratios in the country
- Continued state support

Weaknesses

- Weak credit metrics

Detailed Description of Key Rating Drivers

Stable Cash Flows from Regulated Operations: Ind-Ra notes that GRIDCO operates under a regulated framework, leading to predictability and stability in cash flows. GRIDCO is required to submit its annual revenue requirement and bulk supply price (BSP) proposal to the Odisha Electricity Regulatory Commission (OERC) each financial year for approval. GRIDCO estimates its total power purchase from generating stations based on the projections provided by state discoms for their power requirements. These projections also factor in the emergency power needs of co-generation-based industries and transmission losses within the Odisha Power Transmission Corporation Limited's network.

Subsequently, OERC determines key parameters for GRIDCO, including approved power purchase quantity, procurement cost, margin, and allocation to discoms. Since GRIDCO operates in a regulated environment, the BSP tariff and power purchase costs approved by OERC are binding. For FY26, the regulator approved a BSP of INR3.31 per unit (FY25: INR3.28; FY24: INR3.29). GRIDCO has proposed to procure 41,321.7 million units (MU) in FY26 (FY25: 42,695.18MU; FY24: 40,206.10MU).

In FY25, GRIDCO supplied 41,502.29MU (FY24: 38,905.22MU), exceeding the OERC-approved quantum of 37,640MU. The transmission losses stood at around 3% of total supply, amounting to 1,192.89MU in FY25 (FY24: 1,300.88MU). The majority of the sales were to discoms, which consumed 35,104MU against the approved limit of 37,540MU. Emergency power sales to Indian Metals & Ferro Alloys Limited and National Aluminium Company Limited (debt rated at 'IND AAA/Stable') totaled 149.56MU. Additional sales included 278.39MU to other captive generating plants and 5,970.34MU through unscheduled interchange, trading, and banking.

GRIDCO earned INR119,007.9 million from discom sales in FY25 (FY24: INR113,386.1 million) at an average price of INR3.39/kWh (INR 3.36/kWh), against the approved BSP of INR3.282/kWh. Trading activities contributed INR 21,011.2 million in FY25 (FY24: INR 21,430.8 million) by selling surplus power at an average rate of INR3.94/kWh (INR4.86/kWh). Ind-Ra expects cost-reflective tariff revisions by the regulator will help bridge GRIDCO's regulatory gap in the near term.

Reduction in Aggregate Technical & Commercial Losses at Odisha Discoms: Ind-Ra notes that AT&C losses of discoms have declined and expects them to decline further in the near to medium term. The GoO transferred its 51% stake in all the four state-owned discoms - Central Odisha Distribution Limited, North Eastern Electricity Supply Company of Odisha, Southern Electricity Supply Company of Odisha Limited, and Western Electricity Supply Company of Odisha to The Tata Power Company Limited (TPCL; rated 'IND AA+/'Stable') in FY21. TP Central Odisha Distribution Limited reduced losses to 24% in 1HFY26 (1HFY25: 25%; FY25: 20%; FY24: 22%), TP Western Odisha Distribution Limited (debt rated 'IND AA/'Stable) to 20% (22%; 17%; 16%), and TP Northern Odisha Distribution Limited to 15% (17%; 13%; 14%). TP Southern Odisha Distribution Limited (debt rated at 'IND AA/'Stable) saw a marginal increase to 28% (27%; 21%; 26%).

Adherence to Escrow Mechanism for Timely Debt Servicing: Ind-Ra observed that GRIDCO is adhering to the escrow mechanism for debt servicing, which was implemented to ensure timely debt servicing. GRIDCO has implemented an escrow mechanism to ensure timely servicing of its bank debt. This account acts as a pooling account for payments received from the discoms. A pari-passu charge is created on the account, and debt repayments to all lenders are made directly from this pool. After meeting debt obligations, GRIDCO can utilise the remaining funds for its operational expenses. While a structured payment mechanism is not in place for bank debt servicing, the charge on the escrow account provides assurance of timely repayment. Additionally, GRIDCO's term loans are backed by guarantees from the GoO. Although these guarantees do not involve a structured payment mechanism, they obligate the GoO to make payments on GRIDCO's behalf whenever banks raise a demand.

Continued Growth in State's Economic Performance in FY25: Ind-Ra expects Odisha to maintain its economic growth performance in the near to medium term. Odisha's gross state domestic product (GSDP) grew at a CAGR of 6.4% and 5.4% during FY12-FY25 and FY20-FY25, respectively. The state's gross domestic product growth was greater than the all-India level during this period. The economic growth has been mostly high except in FY15, FY20 and FY21. Odisha's overall economic structure is starkly different from that of the country. Over FY12-FY25, Odisha's economic structure remained in favour of industry, with its share at 46.1% in FY25 (FY12: 43.6%) while industry's share at the national level

declined to 30.7% (32.5%). Moreover, the share of services in Odisha's economic activity inched up to 38.7% in FY25 (FY12: 38.5%) while that of India rose to 54.9% (49.0%). During FY12-FY25, the gross state value added (GSVA; at FY12 prices) of Odisha grew at a reasonable pace of 6.0% CAGR (national growth rate 6.0%) to INR4,672 billion in FY25 (FY12: INR2,202 billion). The state's GSVA growth averaged 7.3% during FY22-FY25, after witnessing a mild contraction of 0.9% in the COVID-19 impacted FY21.

State's Healthy Fiscal Performance with Sustained Capex Focus: Ind-Ra believes the state would maintain its fiscal performance with a continued focus on capex in the near to medium term. The state has been maintaining a revenue surplus consistently since FY06, which has helped the state government to improve its fiscal health over the years and ramp up capex. The state has budgeted the revenue surplus at 3.0% of GSDP in FY26, up from 2.9% of GSDP in FY25 revised estimates (RE). The fiscal deficit has been budgeted at 3.2% of GSDP in FY26 up from 3.1% of GSDP in FY25RE, implying a year-on-year increase in capex. The capex has been budgeted at 6.3% of GSDP in FY26, up from 6.1% of GSDP in FY25RE.

Lowest Debt Ratios in the Country: Ind-Ra notes that the state's debt ratio would remain low in the future. The state's debt has been budgeted at 12.7% of GSDP in FY26, lower than the corresponding 15th Finance Commission's indicative debt estimate of 32.5% of GSDP for the state as well as the lowest in the country. There have been several concerns (raised by the union government and the Reserve Bank of India) on the issue of guarantees extended by various state governments in the past few years. Contrary to the trend across other states, guarantees given by Odisha have been decreasing after having peaked in FY21. The guarantees stood at INR23.4 billion as of 31 December 2024 (FY25RE), the lowest since FY18 (INR17.1 billion). If the guarantees are included in the state debt, then the combined liabilities of the state would be 11.9% of GSDP in FY25RE (FY21: 20.6%).

Continued State Support: Ind-Ra believes GRIDCO would continue receiving state support in the form of soft loans even in the medium term. GRIDCO, as a deemed trading licensee, has the flexibility to source power from multiple generating stations both within and outside Odisha to meet the state's power requirements. However, all discoms in the state are mandated to procure power exclusively from GRIDCO at the bulk supply tariff determined by the regulatory commission. Operating under a single-buyer model, GRIDCO continues to benefit from its monopolistic position in the state.

Wholly owned by the GoO, GRIDCO is responsible for the bulk purchase and sale of power to the state's discoms, ensuring a reliable supply for Odisha's development needs. Given its strong operational and financial linkages with the GoO, Ind-Ra expects GRIDCO to receive continued financial support from the government during periods of stress. Historically, the GoO has provided regular assistance in the form of soft loans. In FY25, GRIDCO received fresh soft loans of INR10,010 million (FY24: INR10,000 million), followed by an additional INR10,000 million in FY26. As of January 2026, the cumulative soft loan disbursements totaled INR 37,010 million, with a five-year moratorium and repayment scheduled over the subsequent 10 years.

Weak Credit Metrics: Ind-Ra expects GRIDCO's credit metrics to improve gradually over the near to medium term, backed by continued EBITDA generation. GRIDCO's long-term debt declined to INR43,896.3 million at FYE25 (FY24: INR48,453.5 million). This reduction, combined with stable EBITDA of INR8,346.50 million in FY25 (FY24: INR8,735.10 million), led to an improvement in the net leverage (net debt/EBITDA) to 6.16x (6.27x). The interest coverage (EBITDA/interest expense) also improved to 1.72x in FY25 (FY24: 1.43x), while the debt coverage remained weak at 0.54x (FY24: 0.43x).

Liquidity

Adequate, Supported by GoO: GRIDCO's liquidity position is closely linked to state discoms. The company's receivable days remained stable at 56 in FY25 (FY24: 55), with receivables of INR10,838.2 million (INR10,731.1 million), excluding INR11,418.8 million (INR10,205.0 million) booked but not yet due. At FYE25, GRIDCO had INR56.2 million (FY24: INR115.6 million) of cash and cash equivalents. During FY25, it serviced INR15,468.6 million (FY24: INR20,138.5 million) towards interest and principal obligations. The company maintained working capital facilities of INR19,500 million, with an average utilisation of 31.1% over the 12 months ended December 2025. Ind-Ra expects GRIDCO to meet its FY26 and FY27 debt obligations of INR8,408.27 million and INR9,073.03 million, respectively, through collections from operational cash flows and soft loans from the GoO.

At FYE25, GRIDCO reported total contingent liabilities of INR28,596.8 million (FY24: INR23,746.1 million). While these liabilities are not acknowledged as debt, their resolution remains subject to judicial and regulatory outcomes, which could impact the company's financial flexibility if crystallised. Ind-Ra believes the GoO's continued support through equity infusions would be critical for maintaining GRIDCO's financial position in the event these contingent liabilities devolve in the near term.

Rating Sensitivities

Positive: Future developments that could, individually or collectively on a sustained basis, lead to a positive rating action include:

- an improvement in the GoO's credit profile,
- GRIDCO's interest coverage exceeding 1.5x.

Negative: Future developments that could, individually or collectively on a sustained basis, lead to a negative rating action include:

- any weakening of GRIDCO's linkages with the GoO and deterioration in the GoO's credit quality, and
- deterioration in GRIDCO's liquidity.

Any Other Information

Not applicable

About the Company

GRIDCO was formed on 20 April 1995 under the Companies Act 1956 and is wholly owned by the GoO. It attained the status of a Deemed Trading Licensee under Section 14 of the Electricity Act, 2003, while the transmission-related activities of the state were transferred and vested with the state transmission utility, Odisha Power Transmission Corporation. GRIDCO carries out the business of power sourcing and bulk supply of power to the four state discoms by utilising the transmission network of the state transmission utility and the inter-state transmission system. OERC determines the bulk power supply rate and the power procurement costs for GRIDCO from various sources. Under the existing regime, all electricity distribution utilities of the state are obligated to purchase power solely from GRIDCO.

Key Financial Indicators

GoO			
Fiscal Ratios (% of GSDP)	FY26BE	FY25RE	
Revenue balance	3.0	2.9	
Fiscal balance	-3.2	-3.1	
Debt/GSDP (%)	12.7	11.7	

RE: revised estimates; BE: budget estimates; Negative balance indicates deficit and vice versa
Source: Budget documents, GoO, Ind-Ra

GRIDCO			
Key Particulars (INR million)	1HFY26 (Unaudited)	FY25	FY24
Total Income	74,045.7	145,106.10	140,129.5
EBITDA	4,656.70	8,346.50	8,735.10
EBITDA Margin (%)	6.29	5.75	6.23
Leverage (net debt/EBITDA, x)	5.36	6.16	6.27
Interest coverage (x)	1.80	1.72	1.43

Source: GRIDCO, Ind-Ra

Status of Non-Cooperation with previous rating agency

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Rating/Outlook	Historical Rating/Outlook				
				16 December 2024	28 June 2024	30 June 2023	31 March 2023	1 July 2022
Bank loan facilities	Long-term/Short-term	INR51,00	IND BBB+/Positive/IND A2	IND BBB+/Stable/IND A2	IND BBB+/Stable/IND A2	IND BBB+/Stable/IND A2	IND BBB/Stable/IND A3+	IND BBB/Stable/IND A3+
Bonds	Long-term	-	-	-	WD	IND A(CE)/Stable	IND A-(CE)/Stable	IND A-(CE)/Stable

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Local and State Government Rating Criteria

Rating of Public Sector Entities

The Rating Process

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