RATING RATIONALE

22 September 2025

UP POWER CORPORATION LIMITED

Brickwork Ratings reaffirms the ratings for the multiple Bond Issues aggregating Rs. 5073.08 Crs. of UP Power Corporation Limited.

Particulars

Instrument**	Amount		Tenure	Rating*	
	Previous	Present		Previous (24 Sep 2024)	Present
UPPCL Bonds Series III & IV 2016-17	3928.38	**2267.38**	Long Term	BWR AA (CE)/Stable Reaffirmation	**BWR AA (CE)/Stable Reaffirmation**
UPPCL Bonds Series I & II 2017-18	3980.90	**2805.70**		BWR AA- (CE)/Stable Reaffirmation	**BWR AA- (CE)/Stable Reaffirmation**
Total	7909.28	**5073.08**	**Rupees Five Thousand Seventy Three Crores and Eight Lakhs Only**		

The ratings with the symbol CE are based on Credit Enhancement in the form of unconditional, irrevocable, and legally enforceable guarantee given by the Government of Uttar Pradesh (GoUP), further supported by the structured payment mechanism, and maintenance of Debt Service Reserve Account. BWR also notes the availability of additional comfort in the form of consistent support of GoUP to the company through subsidy/grants as well as equity infusion.

Unsupported rating	BWR BBB-/Stable (Reaffirmation)

Note: Unsupported rating does not factor in the explicit credit enhancement.
*Please refer to the BWR website **www.brickworkratings.com/** for the definition of the ratings.
** Details of the Bonds are provided in Annexure-I.

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has reaffirmed the ratings for the multiple Bond Issues aggregating Rs. 5073.08 Crs. of UP Power Corporation Limited.

The reaffirmation of the multiple Bonds' ratings of UP Power Corporation Limited (UPPCL or the company) continues to derive comfort from the 100% ownership of the GoUP and the company's strategic importance to the state, and availability of GoUP's unconditional, irrevocable, and legally enforceable guarantee and its continuous support to the company by way of grants/subsidies and equity infusion. The ratings also draw comfort from the availability of strong structured payment mechanisms ensuring timely servicing of dues to bondholders and the maintenance of the Debt Service Reserve Account (DSRA) and Bond Servicing Account (BSA). BWR has also factored in the state's financial position to arrive at the ratings.

The ratings are, however, constrained on account of high T&D and AT&C losses and continued dependence on the state government subsidies for debt servicing.

BWR takes note of the proposed privatisation of two of the UPPCL's subsidiary distribution companies (Discoms). The Request for Proposals (RFPs) have yet to be floated, and the regulatory approval is under consideration for the same. As per the company's management, an internal legal opinion has been sought to assess the implications of the proposed privatisation on key financial and contractual arrangements. This includes evaluating the impact on the terms of issue of existing bonds issued by UPPCL, the provisions outlined in debenture trust deeds, the structured payment mechanisms in place, and the GoUP's guarantee associated with BWR-rated bonds. BWR will closely monitor the developments pertaining to the proposed privatisation.
The outlook has been maintained as Stable, as the structured payment mechanism for both Series of instruments is expected to continue to function efficiently in future as well, and the GoUP is expected to continue supporting the company through regular equity infusion and grants/subsidies. The outlook may be changed to Positive in case of improvement in the credit risk profile and operational parameters of the company, and improvement in the GoUP finances on a sustained basis. The outlook may be changed to Negative in case of any strain in the structured payment mechanism, shortfall reported on due dates in DSRA/BSA accounts, and weakening of support from GoUP.

ADEQUACY OF CREDIT ENHANCEMENT STRUCTURE
BWR has assessed the attributes of availability of the unconditional, irrevocable, and legally enforceable guarantees issued by GoUP for the tenure of the rated bonds and the Structured Payment Mechanism for the rated bonds. The BWR-rated Bonds are being serviced through a trustee-monitored structured payment mechanism under which daily proportionate transfers are being made to the designated BSA to ensure the availability of adequate funds by T-15 days. Debt servicing is further supported by the DSRA equivalent of one/two quarters of principal and interest payments on a rolling basis. RBI's backstop arrangement for UPPCL Bonds Series III & IV 2016-17 provides additional support to its investors. BWR believes that the structured payment mechanism has enough provisions to ensure the timely servicing of the BWR-rated Bonds. In the event of any shortfall, GoUP is expected to service the guaranteed debt in accordance with the terms of the guarantees.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

UPPCL Bonds Series III & IV 2016-17:

- The rated Bonds of this series are backed by an unconditional, irrevocable, and legally enforceable guarantee from the GoUP under which the GoUP will act as a principal debtor and not merely as surety.
- DSRA equivalent to one quarter of principal and interest on a rolling basis shall be maintained.
- Structured payment mechanism of T-15 days under which daily proportionate transfers will be made to the designated bond servicing account to ensure availability of adequate funds by T-15 days. In case of shortfall, the guarantee will be invoked on T-10 days, and the state will have to provide for the shortfall.
- The mechanism also includes an RBI backstop arrangement under which, in case the shortfall persists in the BSA, UP state's account with RBI can be directly debited to ensure availability of sufficient funds by T-1 day.

- DSRA will be used by DT in case RBI fails to fund BSA by the due amount by the due date. In case of DSRA impairment, RBI will debit the GoUP account with it at the earliest availability of funds to replenish BSA, which would be used by the debenture trustee (DT) to replenish the DSRA.
- The rated bonds will have quarterly interest and principal payments.

UPPCL Bonds Series I & II 2017-18:

- The rated Bonds of this series are backed by an unconditional, irrevocable, and legally enforceable guarantee from the GoUP under which the GoUP will act as a principal debtor and not merely as surety
- DSRA equivalent to two quarters of principal and interest on a rolling basis shall be maintained.
- Structured payment mechanism of T-15 days under which daily proportionate transfers will be made to the designated bond servicing account to ensure availability of adequate funds by T-15 days.
- In case of shortfall, the guarantee will be invoked on T-10 days, and the state will have to provide for the shortfall. If the shortfall still persists, a transfer will be made from DSRA on T-2 days so that adequate funds are available in the bond servicing account.
- Default escrow on the subsidy account, which will get activated in case of impairment of DSRA and will remain in force till the replenishment of the same.
- The rated bonds will have quarterly interest and principal payments.

KEY RATING DRIVERS

Credit Strengths-:

- **Guarantee by GoUP:** The GoUP has given an unconditional and irrevocable guarantee for all the BWR-rated bond issues, wherein the state acts as a principal debtor, and not merely a surety. The state will also recognise the said bonds as a contingent liability in the state budget until redemption.

- **Maintenance of DSRA on a rolling basis for the rated series*:*** UPPCL is maintaining a DSRA for an amount equivalent to the total servicing obligation (principal and interest) of the outstanding bonds for the next quarter on a rolling basis for UPPCL Bonds Series III and IV 2016-17 and the next two quarters on a rolling basis for UPPCL Bonds Series I and II 2017-18. The company has been maintaining an adequate balance in the DSRA since the raising of these bonds.

- **Availability of a well-defined Structured Payment Mechanism:** The rated bond series has a well-defined structured payment mechanism that ensures timely transfers to the designated accounts of the respective accounts. The structured mechanism has been adhered to from the beginning, with adequate pro-rata transfers to the bond servicing account being made every day.

- **Subsidy and Equity Infusion from GoUP:** UPPCL has been consistently receiving subsidy support from the GoUP for subsidised power being supplied to agriculture and below-poverty-line consumers. For FY25, the company has received grant/subsidy support to the extent of ~Rs. 32,382 Crs. (FY24: ~Rs. 36,946 Crs.) primarily consisting of a tariff subsidy of ~Rs. 19792 Crs. (FY24: ~Rs. 16520 Crs.), additional subsidy for loss funding of ~Rs. 7484 Crs. (FY24: ~Rs. 9700 Crs.) and a subsidy for the repayment of the loan under the Atma Nirbhar Bharat of ~Rs. 2400 Crs. (FY24: Rs. 2288 Crs.). Furthermore, the GoUP has been regularly infusing equity in the company to meet its cash flow mismatches. During FY25, the company received ~Rs. 14,729 Crs. (PY: ~Rs. 13,338 Crs.) as equity from the GoUP. BWR expects a similar support from GoUP to be maintained, which remains a key rating sensitivity.

Credit Risks-:

- **UPPCL's financial and operational performance:** The operating losses are largely driven by under-recoveries on account of AT&C losses. The net losses are primarily due to the provision for impairment of investment in subsidiaries and UP Power Transmission Corporation Limited (UPPTCL) in line with the requirements of Ind AS 109. The company has been able to maintain a positive TNW despite continuous net losses, primarily on account of the continuous equity infusion from the GoUP.

  Although the company's T&D losses improved from 15.49% in FY24 to 13.78% in FY25, its AT&C losses increased from 16.50% in FY24 to 24.85% in FY25, well above the operational target of ~15% of Ujwal Discom Assurance Yojana (UDAY). Also, the collection efficiency declined from 98.80% in FY24 to 87.16% in FY25. The collection efficiency and AT&C losses remain under pressure, keeping in view that the domestic and agricultural segments form ~65% of the company's customer base.

  BWR takes note of the company's ongoing efforts to further improve its operational efficiency, which are expected to be visible in the medium term. The company is implementing various reform measures under the Central Government's Revamped Distribution Sector Scheme (RDSS), wherein the current focus is on the upgradation of the distribution infrastructure, including replacing old transformers, feeder segregation, etc. The company aims to achieve 100% deployment of smart prepaid meters across its target customer base by FY29. UPPCL is also actively deploying Distribution Transformer (DT) meters across its network to strengthen energy accounting and loss reduction efforts. These initiatives are expected to improve tariff collection, enhance operational efficiency, and support financial sustainability.

ANALYTICAL APPROACH - Credit Enhancement

BWR has rated two debt series of the company (III & IV of Series 2016-17 and I & II of Series 2017-18). Both the BWR-rated bonds of Series 2016-17 and Series 2017-18 are guaranteed by the Government of Uttar Pradesh (GoUP), which is unconditional, irrevocable and legally enforceable. This also complies with Annexure A - Type of Securities/Support Consideration for CE Suffix of the SEBI Circular dated 28 Sep 2022 for Credit Ratings supported by Credit Enhancement (CE).

Both the BWR-rated Bond issues are additionally supported by way of additional liquidity buffer in the form of a Structured Payment Mechanism and DSRA support. It is also noted that Series 2016-17 also has an additional support mechanism in the form of an RBI Backstop arrangement, which offers additional liquidity and hence, a one-notch rating differential.

The unsupported rating of the company takes into account the company's standalone financials, position as the bulk supply licensee for the state of Uttar Pradesh, its monopoly in the distribution business through five discoms, 100% ownership of GoUP, the company's strategic importance to the state of Uttar Pradesh and GoUP's demonstrated support to UPPCL by continuous fund infusion.

RATING SENSITIVITIES

Upward: A substantial and sustained improvement in the operational performance in terms of AT&C losses and collection efficiency, and an improvement in the overall credit risk profile of the GoUP.

Downward: Weakening of support from the GoUP and/or a deterioration in its credit risk profile and divergence from the terms of the payment mechanism, accompanied by inadequate balances in the DSRA accounts.

LIQUIDITY INDICATORS - Adequate

UPPCL's liquidity profile continues to be adequate, marked by the availability of financial support from GoUP in the form of grants/ subsidies/ equity infusion, etc. The company has debt repayment obligations to the tune of Rs. 18,436 Crs. in FY26, which are expected to be honoured through the cash flow from operations and support from GoUP. The liquidity is further supported by the structured payment mechanism that is functioning efficiently. The company is maintaining a DSRA equivalent to one quarter of principal and interest for 2016-17 bonds and two quarters of principal and interest for 2017-18 bonds, and 2022 bonds, with adequate arrangements in place for DSRA replenishment in case of any DSRA impairment. In addition, the company is transferring ~Rs. 20 Crs. per day to the bonds servicing accounts each day to ensure the availability of funds in the BSA by T-15 days to ensure timely debt servicing. Its capex requirements are expected to be covered with adequate budgetary allocations like previous fiscals.

ABOUT THE ENTITY

Macro Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Distribution

Uttar Pradesh Power Corporation Ltd (UPPCL) was incorporated in November 1999 by the GoUP in pursuance of the reform and restructuring of the erstwhile Uttar Pradesh State Electricity Board (UPSEB) under the UP Electricity Reforms Act, 1999. UPPCL is specified as a Bulk Supply Licensee and is responsible for the procurement of power from the Gencos and distribution of power in the state via five Discoms, viz., Dakshinanchal Vidyut Vitran Nigam Ltd (Agra Discom or DVVNL), Madhyanchal Vidyut Vitran Nigam Ltd (Lucknow Discom or MVVNL), Paschimanchal Vidyut Vitran Nigam Ltd (Meerut Discom or PVVNL), Purvanchal Vidyut Vitran Nigam Ltd (Varanasi Discom or PuVVNL) and Kanpur Electricity Supply Company Ltd (Kanpur Discom or KESCO). These five Discoms are wholly owned subsidiaries of UPPCL.

KEY FINANCIAL INDICATORS - ISSUER: Standalone

Key Parameters	Unit	FY23 (A)	FY24 (A)	FY25 (A)	Q1FY26 (UA)
Total Operating Income	Rs. Crs.	68653.93	73892.75	79936.17	22226.95
EBITDA	Rs. Crs.	-211.08	-641.65	-257.76	-36.58
PAT	Rs. Crs.	-14572.24	-6127.54	-10915.24	-7665.29
TNW	Rs. Crs.	25220.12	32430.01	36241.29	NA
Total Borrowings	Rs. Crs.	69016.33	59641.99	53914.11	NA
D:E	Times	2.74	1.84	1.49	NA

Note: *All figures and ratios have been adjusted as per BWR standards.*
A = Audited; **UA** = Unaudited; **NA** = Not Available.

KEY FINANCIAL INDICATORS - CREDIT ENHANCEMENT PROVIDER: GoUP

Key Parameters	Unit	FY22	FY23	FY24	FY25	FY26
		Accounts	Accounts	Accounts	RE	BE
Revenue Receipts	Rs. Crs.	3,71,011	4,17,241	4,65,801	5,47,607	6,62,691
Revenue Surplus	Rs. Crs.	33,430	37,263	36,013	59,008	79,516
Fiscal Deficit	Rs. Crs.	39,286	64,636	80,723	94,805	91,400
Primary Deficit	Rs. Crs.	(3,589)	21,628	33,445	41,000	27,304
Own Tax Revenue/GSDP	%	7.90	7.70	7.60	8.36	9.60
Debt/GSDP	%	34.90	29.70	30.50	30.80	29.40
Interest Payment/Revenue Receipts	%	11.56	10.31	10.15	9.83	9.67

RE = Revised Estimates; **BE** = Budget Estimates.

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY): Not applicable.

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

Instrument	Current Rating (Sep 2025)			Rating History					
				2024		2023		2022	
Bonds	Tenure	Amount (Rs. Crs.)	Rating	Date	Rating	Date	Rating	Date	Rating
UPPCL Bonds Series III & IV 2016-17	Long Term	2267.38	BWR AA (CE)/Stable Reaffirmation	24 Sep 2024	BWR AA (CE)/ Stable Reaffirmation	25 Sep 2023	BWR AA (CE)/ Stable Reaffirmation	24 Aug 2022	BWR AA (CE)/ Stable Reaffirmation
UPPCL Bonds Series I & II 2017-18	Long Term	2805.70	BWR AA- (CE)/Stable Reaffirmation	24 Sep 2024	BWR AA- (CE)/ Stable Reaffirmation	25 Sep 2023	BWR AA- (CE)/ Stable Reaffirmation	24 Aug 2022	BWR AA- (CE)/ Stable Reaffirmation
Total		**5073.08**	**Rupees Five Thousand Seventy Three Crores and Eight Lakhs Only**						

HYPERLINK/REFERENCE TO APPLICABLE CRITERIA

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector
- Power Distribution Utilities
- Credit Enhancement
- Rating Based on Government Support

Analytical Contacts	
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UP POWER CORPORATION LIMITED

ANNEXURE I
Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank/Lender	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)	Complexity of the Instrument
	Nil	Nil	Nil	Nil	Nil	NA
		TOTAL	Nil	Nil	Nil	
	Total Nil					

ANNEXURE II
Instrument Details

Instrument	Issue Date	Amount (Rs. Crs.)	Coupon Rate (% p.a.)	Maturity Date	ISIN Particulars	Complexity of the Instrument##
UPPCL Bonds Series III 2016-17	17 Feb 2017	0.00	8.97%	15 Feb 2021	INE540P07046	Complex
	17 Feb 2017	0.00	8.97%	15 Feb 2022	INE540P07053	Complex
	17 Feb 2017	0.00	8.97%	15 Feb 2023	INE540P07061	Complex
	17 Feb 2017	0.00	8.97%	15 Feb 2024	INE540P07079	Complex
	17 Feb 2017	0.00	8.97%	14 Feb 2025	INE540P07087	Complex
	17 Feb 2017	465.00	8.97%	13 Feb 2026	INE540P07095	Complex
	17 Feb 2017	930.00	8.97%	15 Feb 2027	INE540P07103	Complex
	27 Mar 2017	0.00	8.48%	15 Mar 2021	INE540P07129	Complex

UPPCL Bonds Series IV 2016-17	27 Mar 2017	0.00	8.48%	15 Mar 2022	INE540P07111	Complex
	27 Mar 2017	0.00	8.48%	15 Mar 2023	INE540P07137	Complex
	27 Mar 2017	0.00	8.48%	15 Mar 2024	INE540P07145	Complex
	27 Mar 2017	0.00	8.48%	14 Mar 2025	INE540P07152	Complex
	27 Mar 2017	373.88	8.48%	13 Mar 2026	INE540P07160	Complex
	27 Mar 2017	498.50	8.48%	15 Mar 2027	INE540P07178	Complex
UPPCL Bonds Series I 2017-18	05 Dec 2017	0.00	9.75%	18 Oct 2019	INE540P07186	Complex
	05 Dec 2017	0.00	9.75%	20 Oct 2020	INE540P07194	Complex
	05 Dec 2017	0.00	9.75%	20 Oct 2021	INE540P07202	Complex
	05 Dec 2017	0.00	9.75%	20 Oct 2022	INE540P07210	Complex
	05 Dec 2017	0.00	9.75%	20 Oct 2023	INE540P07228	Complex
	05 Dec 2017	0.00	9.75%	18 Oct 2024	INE540P07236	Complex
	05 Dec 2017	132.30	9.75%	20 Oct 2025	INE540P07244	Complex
	05 Dec 2017	529.20	9.75%	20 Oct 2026	INE540P07251	Complex
	05 Dec 2017	529.20	9.75%	20 Oct 2027	INE540P07269	Complex
UPPCL Bonds Series II 2017-18	27 Mar 2018	0.00	10.15%	20 Jan 2020	INE540P07277	Complex
	27 Mar 2018	0.00	10.15%	20 Jan 2021	INE540P07285	Complex
	27 Mar 2018	0.00	10.15%	20 Jan 2022	INE540P07293	Complex
	27 Mar 2018	0.00	10.15%	20 Jan 2023	INE540P07301	Complex
	27 Mar 2018	0.00	10.15%	19 Jan 2024	INE540P07319	Complex
	27 Mar 2018	0.00	10.15%	20 Jan 2025	INE540P07327	Complex
	27 Mar 2018	323.00	10.15%	20 Jan 2026	INE540P07335	Complex
	27 Mar 2018	646.00	10.15%	20 Jan 2027	INE540P07343	Complex
	27 Mar 2018	646.00	10.15%	20 Jan 2028	INE540P07350	Complex
Total		**5073.08**	**Rupees Five Thousand Seventy Three Crores and Eight Lakhs Only**			

Note: Bonds' principal amounts are outstanding as of 31 Aug 2025. Bonds with zero outstanding amounts have been redeemed on or before their respective maturity dates. The rated bonds are listed on the BSE.
##BWR complexity levels are meant for educating investors. The BWR complexity levels are available at **www.brickworkratings.com / download / ComplexityLevels.pdf.** Investors' queries can be sent to **info@brickworkratings.com.**

ANNEXURE III
List of entities consolidated

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
NA	NA	NA	NA

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

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