

Terra Clean Limited

August 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	800.00	CARE AA; Stable / CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Terra Clean Limited (TeCL), the green energy arm of Indian Oil Corporation Limited (IOCL, rated CARE AAA; Stable/ CARE A1+), derive strength from TeCL's strong parentage by virtue of it being a wholly owned subsidiary of IOCL, which is a Maharatna Central Public Sector Enterprise (CPSE). Further, CARE Ratings Limited (CareEdge Ratings) takes into cognisance, Government of India's (GoI) strong backing of IOCL and its strategic importance for the country's energy security needs. Going forward, IOCL intends to focus on decarbonisation initiatives, with TeCL positioned as the key strategic arm for implementing these efforts. Consequently, TeCL is expected to benefit from operational, financial, and managerial support from its promoter entity, which is actively involved in company's strategic planning and investment decisions.

TeCL intends to implement 18 GW RE capacity by FY28 and scale it up to 31 GW by FY31. The portfolio is expected to comprise a mix of solar and wind assets in a 75:25 ratio. The capex requirement for these capacities is envisaged to be funded through a debt-equity mix of 75:25. Further, the ratings derive comfort from equity visibility for the said capacities as the promoter group, viz IOCL has committed ~Rs. 1,300 crore for implementation of 1.0 GW of RE capacity and has extended further commitment of ~Rs. 1,100 crore for part implementation of the subsequent 4.3 GW RE capacity. The management has articulated that, going forward, equity would be drawn basis the underlying requirements. CareEdge Ratings also takes note of IOCL's stated willingness to provide explicit support to TeCL, if required by lenders, in the form of corporate guarantees or promoter undertakings. Additionally, the ratings take into consideration that IOCL currently operates ~252 MW RE capacity, which is proposed to be transferred to TeCL and is expected to materialise in the near to medium term.

The aforementioned rating strengths are, however, tempered by execution risk, since the company is in the nascent stage of developing its RE capacities. Furthermore, the rating is constrained on account of expectation of a leveraged capital structure as the capex would be funded through a mix of debt and equity. Going forward, the ability of the company to commission its capacities in a timely manner and demonstrate satisfactory operational performance in line with design energy estimates shall be a key credit monitorable. Furthermore, the revenue of the company is susceptible to adverse variation in weather conditions which is customary for renewable energy projects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ramp-up in the scale of operations as characterised by development of significant capacity either through organic route or through acquisition of a proven portfolio

Negative factors

- Significant deterioration in the credit profile of IOCL or dilution in support philosophy of IOCL towards TeCL
- Adverse changes in the company's philosophy on leverage levels (non-project debt) or delay in capital infusion by the parent

Analytical approach: Standalone plus factoring support from parent

CareEdge Ratings has analysed the standalone profile of TeCL and subsequently, notched up the rating factoring operational, financial and managerial support extended by the parent, IOCL

Outlook: Stable

The stable outlook on the long-term rating of TeCL reflects CareEdge Ratings' opinion that the company will be able to scale up its portfolio through organic or inorganic route. Furthermore, expectations regarding satisfactory operational performance of the upcoming portfolio supports the outlook.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Strong and resourceful parentage by virtue of being a part of IOCL

TeCL is a wholly owned subsidiary of IOCL. IOCL is a leading player in the global energy sector with operations spanning across oil, gas, petrochemicals, and alternative energy sources. It is the largest oil refining and marketing CPSE of India. It is majorly held by GoI (52%) through President of India, followed by other reputed shareholders, viz ONGC (14%), LIC (6%), and Oil India Limited (5%). IOCL has set a visionary goal to achieve operational Net Zero Emissions by 2046 and consequently, is scaling up its renewable energy efforts, aiming for an operating portfolio of 18 GW by FY28 and 31 GW by FY31.

CareEdge Ratings takes into cognizance the robust liquidity profile of IOCL, underpinned by healthy cash and bank balances, steady internal accrual generation, and significant financial flexibility being backed by the GoI. Such a strong liquidity position equips IOCL to comfortably support its growth plans and extend timely support to group entities, such as TeCL.

Additionally, TeCL's Board comprises two Executive Directors and one senior management representative from IOCL, thereby ensuring close oversight of operations and facilitating swift decision-making and project implementation.

Technological and geographical diversification mitigating asset concentration risk to some extent

To achieve its ambitious RE target, TeCL has identified three key approaches - first, through organic growth, second - through inorganic growth (mergers and acquisitions), third - through joint ventures and strategic partnerships. The company aims to reach a total capacity of 31 GW, with a planned energy mix of 75% solar and 25% wind. Additionally, TeCL intends to develop its projects across geographically diverse locations. This combination of technological and geographical diversification will help build a balanced portfolio and mitigate the risk of asset concentration in any single area or technology.

Availability of connectivity approvals for developing RE assets

The company has initiated land acquisition and is in the advanced stages of awarding its first-ever tender. Moreover, it has applied for ISTS connectivity for ~2.8 GW of capacity, with confirmations received for ~1.4 GW to date. To accelerate inorganic growth, the company has set an M&A target of 7.5 GW and is nearing the completion of an acquisition expected by the end of the fiscal year.

Adequate capitalisation over the near term

The parent company, IOCL, has infused ~Rs. 50 crore into the company to date and committed ~Rs. 1,300 crore for developing 1.0 GW of renewable energy capacity. In addition, the board has approved a further equity infusion of ~Rs. 1,100 crore for implementing 4.3 GW of renewable energy capacity. The management of IOCL has clearly articulated that support to TeCL will be proactively forthcoming whenever required. Additionally, CareEdge Ratings also takes note of IOCL's stated willingness to provide explicit support to TeCL, if required by lenders, in the form of corporate guarantees or promoter undertakings.

Key weaknesses

Execution risks arising from the company's early stage of development

The company is at a nascent stage of setting up its operations. While it has received connectivity approvals for ~1.4 GW and has equity visibility for setting up 1.0 GW of RE capacity, it is exposed to execution related challenges. Going forward, its ability to scale up operations either through commissioning significant capacity or acquiring a renewable energy platform would be a key monitorable.

Expectation of leveraged capital structure

At present, the company has no debt on its books, as it is still in the early stages of capacity development. However, as the company scales up its portfolio, corresponding debt is expected to leverage its capital structure. The management has stated its intention to follow a debt-to-equity ratio of 75:25 for project financing. Given the company's ambitious capacity addition plans, its future debt levels are expected to align with these targets.

Vulnerability of cash flows to variations in weather conditions

The company may book lesser revenues in the event of non-generation of power due to variation in weather conditions and/or equipment quality. This, in turn, would affect its cash flows and weaken its debt servicing ability.

Liquidity: Adequate

As of June 2025 end, the company had free cash and bank balance of ~Rs. 42 crore. Additionally, the parent company has extended an equity commitment of ~Rs. 2,400 crore, providing an adequate buffer that can be drawn upon as operations advance.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Project stage companies](#)

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[Wind Power Projects](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

Incorporated on May 31, 2024, Terra Clean Limited (TeCL) is a wholly owned subsidiary of Indian Oil Corporation Limited (IOCL). It has been established as the green arm of IOCL for spearheading and consolidating low-carbon and sustainability initiatives. IOCL is scaling up its renewable energy efforts through both organic and inorganic means, aiming to develop 18 GW capacity by 2028 and 31 GW by 2030.

Brief Financials: Not applicable, as the entity is in the process of setting up renewable energy capacities.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	800.00	CARE AA; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Non-fund-based - LT/ ST-BG/LC	LT/ST	800.00	CARE AA; Stable / CARE A1+	-	-	-	-

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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