THDC India Limited
July 02, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	375.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Total Bank Facilities	**375.00 (Rs. Three Hundred Seventy-Five Crore Only)**		
Long Term Instruments	600.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Long Term Instruments	800.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Long Term Instruments	750.00 (Reduced from 1,000.00)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Total Long Term Instruments	**2,150.00 (Rs. Two Thousand One Hundred Fifty Crore Only)**		

Details of instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the long-term bank facilities and instruments of THDC India Limited continue to derive strength from the majority ownership by NTPC Limited (rated CARE AAA; Stable/CARE A1+)- the largest thermal power generating company of India, strong operating efficiency of its thermal power and other power assets and the healthy financial risk profile of the company. The ratings also factor in the cost-plus tariff structure as per Central Electricity Regulatory Commission (CERC) tariff guidelines for majority of its capacity, coupled with revenue visibility backed by long-term power selling arrangements for all capacities - operational as well as under implementation.

However, the ratings continue to be constrained by risks associated with the implementation of the ongoing large-sized projects including Khurja Thermal Project (KSTPP) – their overall size being significant relative to THDC's operational capacities and delay in the implementation of hydro projects viz. Tehri PSP (TPSP) and Vishnugad Pipalkoti HEP (VPHEP) leading to significant escalation in the project cost and below-average credit profile of the company's power off-takers though company has realized significant overdue debtors in FY21 attributable to Atmanirbhar Bharat Package.

Rating Sensitivities

Positive Factors – Factors that could lead to positive rating action/ upgrade:

- *Execution of capex plans within time and cost estimates.*
- *Improvement in the collection period to less than 60 days.*

Negative Factors – Factors that could lead to negative rating action/ downgrade:

- *Significant delay in the receipt of payments from counter party.*
- *Any adverse change in the regulatory environment of power generation sector.*

Detailed description of the key rating drivers

Key Rating Strengths

Majority ownership by NTPC

THDC was established in 1988 as a joint venture to develop, operate and maintain Tehri Hydro Power Complex and other Hydro Projects. As on March 31, 2021, NTPC holds majority stake (74.50%) in THDC while balance is hold by Government of UP (GoUP). NTPC is the largest thermal power generation company with significant experience in development and management of thermal power projects depicted by operational capacities of 65.81 GW (consolidated) as on March 31, 2021. THDC is likely to gain from the experience of NTPC towards implementation of 1,320 MW Khurja thermal project.

Strong operating efficiency of hydro power stations and other power assets

During FY21, THDC's operating power stations, viz. Tehri HEP (THEP) and Koteshwar HEP (KHEP) has generated 4,263 million units (MUs) of power (PY: 4,345 MUs) as against annual design energy of 3,952 MUs. The plant availability factor (PAF) stood at 86.01% and 70.13% for THEP and KHEP respectively in FY21 as against normative plant availability factor (NAPAF) of 80% and 68% respectively. Small hydro project Dhukwan of 24 MW has contributed 72.24 MUs in FY21 as against the potential of 97.82 MUs.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Furthermore, the company has commissioned 50 MW solar project in Kasaragod, Kerala on December 31, 2020. The generation from solar project in FY21 (since commissioning) stood at 17.35 MUs. The wind assets of the company namely, Patan- 50 MW and Devbhumi Dwarka- 63 MW has achieved CUF of 17.27% (against P90: 25.22%) & 24.72% (against P90: 26.27%) respectively in FY21. The generation is lower mainly due to lower wind availability in FY21.

Healthy financial risk profile

The company has healthy financial risk profile marked by comfortable profitability margins, healthy capital structure and debt coverage indicators. The PBILDT margin of the company stood comfortable at 75.60% in FY21 as against 75.20% in FY20. The capital structure of the company stood healthy as evident from its overall gearing of 0.63x as on March 31, 2021, though slightly moderated from 0.60x as on March 31, 2020, on account of drawdown of project debt.

The company's total debt to gross cash accruals and interest coverage ratio of the company stood healthy at 4.17x and 10.45x respectively as on March 31, 2021 (PY: 3.88x & 7.46x respectively). The overall gearing, however, is expected to inch up to ~1.2x by the time Khurja thermal project is completed. CARE also notes that the company has deposited about Rs. 450 crore with the Delhi High Court against the bank guarantee for dispute with a contractor. In case of any adverse outcome, the company may have to draw additional debt to settle the total liability of about Rs. 1,100 crore which shall increase the leverage of the company, though management expects the same to be passed on through adequate tariff increase.

Regulated returns leading to steady operating cash-flows

THDC derives approximately 94% of its revenue based on cost-plus mechanism. The tariff for each of the hydro power stations of THDC is determined by CERC by referring to annual fixed cost (AFC), which comprise of interest on loan, interest on working capital, depreciation and operation and maintenance expenses and post-tax return on equity (ROE) at 16.50%. 50% of AFC is recoverable upon achieving the design energy, while the balance is recoverable on achieving the Normative Annual Plant Availability Factor (NAPAF) which has been prescribed for each hydro power station by CERC. THDC has been reporting operational parameters higher than the normative thus leading to healthy cash accruals.

Off-take risk mitigated through Power Purchase Agreements (PPAs) with distribution utilities

For off-take of the power, THDC has entered into long-term PPA for the entire Tehri Hydro Power Complex of 2,400 MW (including under construction TPSP) with various beneficiary states. The PPA for Patan wind power project (50 MW) and Devbhumi Dwarka wind power project (63 MW) has been signed with Gujarat Urja Vikas Nigam Limited (rated CARE AA-; Stable/ CARE A1+) at a fixed tariff of Rs. 4.15/unit and Rs. 4.19/unit respectively. Furthermore, THDC has also signed PPA under cost plus model for VPHEP (444 MW) and under fixed tariff for KSTPP (1320 MW). The PPA for solar project (50 MW), has been signed with Kerala State Electricity Board Limited at a fixed tariff of Rs. 3.10 per unit. The PPA for small hydro Dhukwan project (24 MW) has been signed with UPPCL at a fixed tariff of Rs. 4.87 per unit. The presence of PPAs for the sale of power provides long term earning visibility of the company.

Key Rating Weaknesses

Below average financial profiles of beneficiaries viz power distribution utilities

The financial health of many of the state distribution utilities continues to remain a cause of concern for the power generating companies including THDC. The higher level of aggregate transmission and commercial (AT&C) losses, the rising power purchase costs and the absence of cost-reflective tariff regimes have put a strain on the financial position of some of the state distribution utilities. However, under Atmanirbhar Bharat package, DISCOMs have largely cleared the long pending dues of various companies operating in the power value chain including THDC.

Receivables continue to remain high; though significant overdues realized in FY21

The gross receivables of the company stood at Rs. 1,114 crore as on March 31, 2021 (Rs. 2,180 crore as on May 31, 2020) which marginally increased to Rs. 1,233 crore as on June 05, 2021. However, during FY21, the company has realized about Rs. 1,650 crore (including late payment surcharge) from Uttar Pradesh Power Corporation Limited (UPPCL) and Jammu & Kashmir Power Corporation Limited (JKPCL) under Atmanirbhar Bharat package of GoI. Though the company has realized significant overdues, the receivables outstanding as on June 05, 2021, continues to remain high.

Risk associated with projects under implementation

THDC is currently developing TPSP (1,000 MW), VPHEP (444 MW), KSTPP (1,320 MW) projects and Amelia Coal Mine which are at various stages of development. Till April-2021, the company has incurred a total cost of Rs. 8,550 crore on above projects against the expected implementation cost of Rs. 18,357 crore. The projects are expected to be commissioned by Dec-2022, Dec-2023, Feb-2024 & Aug-2022 respectively. The execution of such large projects exposes company to both funding and implementation risk as debt financing for thermal project is yet to be tied-up. However, THDC is expected to get adequate project management support from its strong parent that has vast experience of setting up large projects.

Liquidity Profile- Adequate

The company has adequate liquidity profile marked by expected healthy cash generation vis-à-vis scheduled debt repayments of the company for FY22. The liquidity profile of the company is also supported by cushion available in the working capital limits as exhibited by average utilization of 31% for the trailing 12 months ended April 2021. Further, the company has realized significant overdues from UPPCL and JKPCL in FY21 under Atmanirbhar Bharat package which underpins the liquidity profile of the company. The capex requirements shall be funded out of debt tied-up for hydro projects coupled with funds to be raised through bonds for thermal project.

Analytical approach: Standalone
Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology - Infrastructure Sector Ratings
Rating Methodology- Power Generation Projects
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-financial Sector Entities

About the Company
THDC India Limited (formerly known as Tehri Hydro Development Corporation Ltd.), was incorporated in July 1988 to develop, operate & maintain the 2400 MW Tehri Hydro Power Complex and other hydro projects. The 2400 MW Tehri Hydro Power Complex comprises of THEP (1000 MW), KHEP (400MW) & TPSP (1000MW; under implementation). THDC has a total commissioned power generation capacity of 1587 MW (Hydro- THEP: 1000 MW, Koteshwar HEP: 400 MW, Dhukwan: 24 MW, wind- Patan: 50 MW, Dev Bhoomi: 63 MW and solar- Kasaragod 50 MW). NTPC had acquired the GoI stake in THDC and holds 74.50% as on March 31, 2021 while balance stake continue to be held by GoUP.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	2,405	2,477
PBILDT	1,806	1,872
PAT	920	1,092
Overall gearing (times)	0.60	0.63
Interest coverage (times)	7.51	10.45

A: Audited
Status of non-cooperation with previous CRA: NA
Any other information: NA
Rating History for last three years: Please refer Annexure-2
Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	375.00	CARE AA; Stable
Bonds (INE812V07039)	July 24, 2020	7.19%	July 24, 2030	800.00	CARE AA; Stable
Bonds (INE812V07047)	January 20, 2021	7.45%	January 20, 2031	750.00	CARE AA; Stable
Bonds (INE812V07013)	October 03, 2016	7.59%	October 03, 2026	600.00	CARE AA; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Term Loan-Long Term	LT	-	-	-	-	-	1)CARE AA+; Stable (05-Apr-18)
2.	Bonds	LT	600.00	CARE AA; Stable	-	1)CARE AA; Stable (03-Jul-20)	1)CARE AA (CWD) (07-Feb-20) 2)CARE AA; Stable (03-Dec-19) 3)CARE AA; Stable (19-Aug-19)	1)CARE AA+; Stable (05-Apr-18)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
							4)CARE AA+; Stable (03-Apr-19)	
3.	Fund-based - ST-Term loan	ST	-	-	-	-	1)Withdrawn (03-Dec-19) 2)CARE A1+ (19-Aug-19)	1)CARE A1+ (03-Sep-18)
4.	Fund-based - LT-Cash Credit	LT	375.00	CARE AA; Stable	-	1)CARE AA; Stable (03-Jul-20)	-	-
5.	Bonds	LT	800.00	CARE AA; Stable	-	1)CARE AA; Stable (03-Jul-20)	-	-
6.	Bonds	LT	750.00	CARE AA; Stable	-	1)CARE AA; Stable (07-Jan-21)	-	-

Annexure-3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Bonds	Simple
2.	Fund-based - LT-Cash Credit	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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