NTPC Limited

April 9, 2021

Ratings

Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
Proposed Long-term Instruments - Bond Programme	15,000.00	CARE AAA; Stable [Triple A; Outlook: Stable]	Assigned
Total Long Term Instruments	**15,000.00 (Rs. Fifteen Thousand Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the proposed bond programme takes into account the dominant position of NTPC as India's largest power producer, its majority ownership by and strategic importance for the Government of India (GoI), the geographic diversity of its operations with diversifying fuel-mix and favourable Government policies. The ratings also factor in NTPC's consistently healthy operating performance with its plant load factor (PLF) remaining higher than all India average PLF. The company maintains robust profitability on the back of firm long-term power purchase agreements (PPAs) backed by a cost-plus tariff structure, thereby ensuring adequate recovery of return on equity for the thermal/ hydro plants and long-term fuel supply arrangements for its projects. The ratings further derive strength from the company's comfortable financial risk profile marked by comfortable profitability and debt coverage indicators. The ratings take cognizance of the risks associated with the implementation of its large debt-funded projects and relatively weak financial health of its power offtakers.

Rating Sensitivities

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

- Significant delay in the receipt of payment from counter parties
- Any adverse change in the regulatory environment of power generation sector
- Material reduction in the sovereign ownership

Detailed description of the key rating drivers

Key Rating Strengths

Majority ownership by GoI and Maharatna status

The GoI holds continues to hold a majority stake (51.1% as on December 31, 2020) in NTPC, despite steady decrease over the years. The GoI provide adequate operational and other need-based implicit support. The GoI is instrumental in appointment of the board and the senior management as well as set its business plan. Also the GoI holding increases the financial flexibility in terms of borrowing from overseas debt market. NTPC was accorded the *Maharatna* status, a status that gives greater autonomy to central public sector enterprises (CPSEs) in their investment and capital expenditure decisions. Also, NTPC is strategically important for the GoI for targeted capacity addition programme under the Central Government sector and implementation of various Central Government schemes.

Established position as the largest power generator in the country

NTPC is the largest power generating company of India with an aggregate standalone installed capacity of 51.7 GW as on March 31, 2021, constituting 13.6% of India's total installed capacity. It accounted for around 1/5th of the total generation in India in FY21. NTPC is a major player in coal-based thermal generation in India. Over the years, the share of coal-based thermal capacity of NTPC out of total capacity of coal-based thermal plants in India has increased. Besides, it is well diversified in terms of customer base, type of fuel used for generation and geographical spread of its capacity.

Cost-plus PPAs assuring stable return and cash flow

NTPC's electricity charges are determined by CERC for each of its power stations. The tariff is on cost-plus basis. The capacity charges are recoverable in full if the plant availability is at least the normative plant availability factor (PAF). The energy charge is determined on the basis of landed cost of fuel applied on the quantity of fuel consumption. Moreover, there is a provision for earning incentive on achieving upon achievement of PLF above 85%.

The company has PPAs for its projects leading to low sales risk. Typically the PPAs are for 25 years and hence provide long term revenue and cash flow visibility. NTPC's allocated capacity is also diversified across region with none of the region contributing to more than 40% of the total allocated capacity.

Firm fuel supply arrangements and procurement arrangement makes generation competitive

NTPC has signed a long term Fuel Supply Agreement (FSA) for total annual contracted quantity (ACQ) with Coal India Limited and Singareni Collieries Company Limited. It also has bridge linkages, which, combined with the FSA, mitigates fuel risk over a longer horizon. NTPC's FSA adds flexibility to inventory management and eases outage planning. This ensures higher fuel availability at each plant along with reduction in the average energy charge, thereby making the plant cost competitive.

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

ACQ materialization has been in the range of 90%-95% in the past. The production from Pakri-Barwadih and Dulanga captive coal mine has also shown an increasing trend in last two years. Given healthy ACQ materialization from linkage and increasing output from its own captive mines, dependence on imported coal is expected to further reduce.

Consistent operational performance

The coal-based power stations of NTPC continued to be cost-competitive in terms of generation thus maintaining a sizable spread over the national average PLF in FY20 despite lower demand and issues related to coal availability. PAF improved from 87.11% in FY19 to 89.67% in FY20 leading to reduction in fixed charge under recovery in FY20. The solar and wind projects of the company continue to supplement the total generation of the company thereby diversifying the generation mix.

During 9MFY21 (refers to period from April 1 to December 31), PAF continued to remain strong for the coal-based plants at 92.21%. Due to the lower demand during lockdown, PLF during 9MFY21 declined to 62.29% (9MFY20: 67.13%) for the coal-based plants, which was higher than the all India thermal PLF of 51.49%.

Healthy coverage metrics, despite moderate leverage

Better operating efficiency and return from new capacities commercialized during FY20 led to improvement in PBILDT margin in FY20. A higher provision for tax pertaining to previous years under the *Vivad se Vishwas* scheme – the provision being partly recoverable through tariff – led to a lower PAT in FY20 vis-à-vis the FY19 level. However, the company's gross cash accruals continued to remain strong. Its overall gearing moderated from 1.35x as on March 31, 2019 to 1.49x as on March 31, 2020 due to higher debt for capacity additions and investments, besides a higher working capital requirement. The moderation in interest cover in FY20 is also attributable to higher interest on the debt, however, remained comfortable. Interest cover stood at 4.26x during 9MFY21.

Liquidity – Strong

NTPC's strong liquidity position is marked by healthy accruals vis a vis its capex commitment and repayment obligation in FY22. This is supplemented by partially undrawn credit facilities and sufficient cash and liquid investments. The company's fund-based working capital utilization has been around 50% in the past. NTPC had cash and cash equivalents of around Rs. 2,700 cr as on March 31, 2021. NTPC enjoys strong financial flexibility and has demonstrated strong debt raising ability in the past. Given the uncertainties with respect to lockdown, NTPC had availed moratorium on payment of instalments of term loans, falling due up to June 30, 2020.

Key Rating Weaknesses

Counterparty credit risk

The weak financial health of many of the state distribution utilities (discoms) continues to remain a cause of concern for NTPC. The Ministry of Power's (MoP) imposition in August 2019 for opening letters of credit (LCs) in favour of the generating companies (gencos) against power purchase by the DISCOMs had temporarily led to prompt collection of bills. However, due to the Covid'19 outbreak and the associated lockdown, collections were adversely impacted. As a result, the overdue debtors (i.e more than 45 days old) significantly increased during H1FY21. However, the same has reduced as on March 22, 2021. A sizable portion of the overdue is from the discoms of Uttar Pradesh, Madhya Pradesh and Jammu & Kashmir.

NTPC, given its low cost energy charge, its diversified off-taker base and its importance as a significant supplier to the DISCOM, has better bargaining power in terms of collections. The payment security mechanism continues to be backed by LC and Tri-Partite Agreement (between GoI, RBI and the State govt. with most of the states having signed the same) with provision of late payment surcharge.

Risks related to projects under implementation

The various projects under implementation of NTPC expose the company to the project execution/funding related risks. However, the company's comfortable capital structure and healthy cash flow generation from its operations provide reasonable cushion in terms of availability of funds for meeting the capex requirements. The project risks are also mitigated to a large extent by the company's proven track record in terms of execution skills and its policy to ensure the availability of land, water, coal, environmental clearances and PPAs prior to approval for investment.

Analytical approach: Standalone. The ratings factor NTPC's strategic importance to the GoI and its important role for the Indian power generation sector. The subsidiaries/ joint ventures (JVs) have availed of debt which does not have recourse on NTPC. However, likely support in future from NTPC in the form of equity commitment for these entities has been factored in.

Applicable Criteria

Definition of Default
Factoring Linkages Government Support
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Power Generation Projects
Infrastructure Sector Ratings

Thermal Power Producers

About the Company

NTPC was incorporated on November 7, 1975 under the name National Thermal Power Corporation Private Limited. Subsequently, it was converted into a public limited company in September 1985. The company is majority-owned by the GoI. It is the largest power generation company in India with an installed generation capacity of 65.15 GW (including JVs) constituting around 17.3% of the total installed power generation capacity in the country as on February 28, 2021.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	91,828	1,05,652
PBILDT	23,422	35,278
PAT	11,750	10,113
Overall gearing (times)	1.35	1.49
Interest coverage (times)	4.97	5.19

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
Bonds	-	-	Proposed Issue	15000.00	CARE AAA; 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.	Bonds	LT	-	-	-	1)Withdrawn (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
2.	Fund-based - LT-Term Loan	LT	85000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20) 2)CARE AAA; Stable (17-Apr-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
3.	Fund-based - LT-Cash Credit	LT	3500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20) 2)CARE AAA; Stable (17-Apr-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
4.	Non-fund-based - ST-BG/LC	ST	5500.00	CARE A1+	-	1)CARE A1+ (06-Jul-20) 2)CARE A1+ (17-Apr-20)	1)CARE A1+ (01-Jul-19)	1)CARE A1+ (06-Jul-18)
5.	Bonds	LT	-	-	-	1)Withdrawn (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
6.	Bonds	LT	-	-	-	1)Withdrawn (06-Jul-20)	1)CARE AAA; Stable	1)CARE AAA; Stable

							(01-Jul-19)	(06-Jul-18)
7.	Bonds	LT	-	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
8.	Bonds	LT	50.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
9.	Bonds	LT	-	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
10.	Bonds	LT	139.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
11.	Bonds	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
12.	Bonds	LT	165.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
13.	Bonds	LT	150.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
14.	Bonds	LT	350.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
15.	Bonds	LT	-	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
16.	Bonds	LT	-	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
17.	Bonds	LT	-	-	-	1)Withdrawn (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
18.	Bonds	LT	300.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
19.	Bonds	LT	-	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
20.	Bonds	LT	-	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
21.	Bonds	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)

22.	Bonds	LT	-	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
23.	Bonds	LT	-	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
24.	Bonds	LT	88.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
25.	Bonds	LT	60.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
26.	Bonds	LT	-	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
27.	Bonds	LT	60.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
28.	Bonds	LT	-	-	-	1)Withdrawn (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
29.	Bonds	LT	65.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
30.	Bonds	LT	-	-	-	1)Withdrawn (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
31.	Bonds	LT	510.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
32.	Bonds	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
33.	Bonds	LT	1000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
34.	Bonds	LT	3000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
35.	Debentures-Non Convertible Debentures	LT	10306.83	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
36.	Bonds	LT	4527.50	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
37.	Commercial Paper-Commercial Paper (Standalone)	ST	18000.00	CARE A1+	-	1)CARE A1+ (06-Jul-20) 2)CARE A1+ (17-Apr-20)	1)CARE A1+ (01-Jul-19)	1)CARE A1+ (13-Mar-19) 2)CARE A1+ (25-Dec-18) 3)CARE A1+ (06-Jul-18)

38.	Bonds	LT	6795.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)
39.	Bonds	LT	11356.50	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (10-Jul-19) 2)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (04-Feb-19)
40.	Fund-based - LT-Working Capital Limits	LT	18000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20) 2)CARE AAA; Stable (17-Apr-20)	1)CARE AAA; Stable (01-Jul-19) 2)CARE AAA; Stable (02-Apr-19)	1)CARE AAA; Stable (13-Mar-19)
41.	Bonds	LT	15000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (13-Mar-20)	-
42.	Commercial Paper-Commercial Paper (Carved out)	ST	2100.00	CARE A1+	-	-	-	-
43.	Bonds	LT	15000.00	CARE AAA; Stable	-	-	-	-

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Bonds	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.*

Contact us

Media Contact
Name: Mradul Mishra
Contact no. : +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact:
Name: Sudhir Kumar
Contact No. : +91-11-45333232
Email ID: sudhir.kumar@careratings.com

Relationship Contact
Name: Swati Agrawal
Contact no. : +91-11-4533 3200
Email ID: swati.agrawal@careratings.com

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