

NTPC Limited

April 12, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Bonds	12,000.00	CARE AAA; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to long-term borrowing programme of NTPC Limited (NTPC) factors in the dominant position of the NTPC group as India's largest power producer, NTPC's majority ownership 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 group's profitability continues to be robust 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 group's comfortable financial risk profile marked by comfortable profitability and debt coverage indicators.

The ratings take cognisance of the risks associated with the implementation of its large debt-funded projects and relatively weak financial health of its power off-takers.

Rating sensitivities

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

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

- Significant delay in the receipt of payment from counterparties leading to average collection period of more than 120 days.
- Any adverse change in the regulatory environment of power generation sector.
- Material reduction in the sovereign ownership below 50%.
- Significant weakening in the operating performance of power plants.

Analytical approach: Consolidated. The ratings factor NTPC's strategic importance to the GoI and its important role for the Indian power generation sector. The list of subsidiaries/JVs which have been consolidated are as under.

S.No.	Particulars	Shareholding
Subsidiaries		
1.	NTPC Green Energy Limited (NGEL)	100.00%
2.	NEEPCO	100.00%
3.	NTPC Vidyut Vyapar Nigam Ltd (NVVN)	100.00%
4.	NTPC Renewable Energy Limited (NREL)	100.00%
5.	NTPC Electric Supply Co. Ltd (NESCL)	100.00%
6.	NTPC Mining Limited (NML)	100.00%
7.	Ratnagiri Gas & Power Pvt. Limited (RGPPL)	86.49%
8.	THDC	74.496%
9.	Bhartiya Rail Bijlee Company Limited (BRBCL)	74.00%
10.	Patratu Vidyut Utpadan Nigam Limited (PVUNL)	74.00%
11.	NTPC EDMC Waste Solutions Private Limited (NEWS)	74.00%
Joint ventures		
1.	NTPC-Sail Power Company (Pvt) Ltd (NSPCL)	50.00%
2.	NTPC Tamil Nadu Energy Company Limited (NTECL)	50.00%
3.	Aravali Power Company Private Ltd (APCPL)	50.00%
4.	Meja Urja Nigam Private Limited (MUNPL)	50.00%
5.	NTPC - GE Power Services Pvt. Ltd. (NGSL)	50.00%
6.	Utility Power Tech Ltd (UPL)	50.00%
7.	NTPC-BHEL Power Projects Pvt. Ltd. (NBPPL)	50.00%
8.	CIL-NTPC Urja Private Limited (CNUPL)	50.00%
9.	Bangladesh- India Friendship Power Company Pvt. Ltd	50.00%
10.	Anushakti Vidhyut Nigam Limited (ASHVINI)	49.00%
11.	Energy Efficiency Services Ltd. (EESL)	33.334%
12.	Transformers & Electricals Kerala Ltd. (TELK)	44.60%

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

S.No.	Particulars	Shareholding
13.	Hindustan Urvarak & Rasayan Ltd (HURL)	29.67%
14.	National High Power Test Laboratory Pvt. Ltd. (NHPTL)	20.00%
15.	Trincomalee Power Company Limited	50.00%
16.	Jhabua Power Limited	50.00%

Outlook: Stable

The stable outlook reflects NTPC's ability maintain its strong market position in power generation, steady operational performance and cash flows as a large portion of its capacity operate in cost plus business model coupled with reasonable debt coverage metrics in the medium term.

Key strengths

Majority ownership by GoI and Maharatna status: The GoI continues to hold a majority stake (51.1% as on December 31, 2023) in NTPC. The GoI provides adequate operational and other need-based implicit support and is instrumental in the 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 continues to enjoy the Maharatna status, a status that provides greater autonomy to central public sector enterprises (CPSEs) in their investments 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 group in the country: NTPC is the largest power generating company of India with an aggregate group installed capacity of 71.59 GW as on March 31, 2023, constituting around ~17.3% of India's total installed capacity. It accounted for more than one-fifth of the total generation in India in FY22 (refers to the period from April 1 to March 31). The group is a major player in coal-based thermal generation in India. Over the years, the share of coal-based thermal capacity of the group out of the 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 returns and cash flows: NTPC's thermal capacities are fully backed by long-term PPAs. These PPAs are based on the classic two-part tariff structure of Central Electricity Regulatory Commission (CERC), which ensures complete recovery of fixed expenses, including debt servicing charges. 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%. 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 arrangements 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. Its FSA adds flexibility to inventory management and eases outage planning. This ensures higher fuel availability at each plant. This benefit is also available with few of the subsidiaries and joint venture (JV) companies. ACQ materialisation has continued to be healthy in 9MFY23 (refers to period from April 1 to December 31). The production from captive coal mine has shown an increasing trend in last three years.

Consistent operational performance: The coal-based power stations of the NTPC group continued to be cost-competitive in terms of generation thus maintaining a sizable spread over the national average PLF in FY22 despite lower power demand. During FY22, PLF, on standalone basis, stood considerably higher than FY22 at 70.74% (FY21: 66.00%) for the coal-based plants, which was higher than the all-India thermal PLF of 58.76%. The solar and wind projects of the company continue to supplement the total generation of the company thereby diversifying the generation mix. PAF, on standalone basis, stood at 88.49% in FY22 vis-a-vis 91.43% in FY21.

During 9MFY23, PAF continued to remain strong for the coal-based plants at 92.23% (9MFY22: 88.11%). PLF during the same period stands at 74.45% (9MFY22: 69.06%) for the coal-based plants, which was higher than all India coal PLF of 63.27%.

Healthy coverage metrics, despite moderate leverage: Better operating efficiency and return from new capacities commercialised during FY22 and 9MFY23 led to substantial improvement in the profit before interest, lease rentals, depreciation and taxation (PBILDT) and profit after tax (PAT) in FY22 and 9MFY23. Furthermore, the group's gross cash accruals (GCA)

continued to remain strong. Its overall gearing and total debt/GCA (TDGCA) improved from 1.65x and 7.11x as on March 31, 2021, to 1.52x and 6.58x, respectively, as on March 31, 2022, majorly due to higher cash accrual and accretion of profits leading to improvement in net worth and reduction in the total debt. The interest coverage stood comfortable at 4.67x in 9MFY23.

Key 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. This is evidenced by increase in the total receivables – from ₹17,718 crore as on March 31, 2021 to ₹27,342 crore as on March 31, 2022 and Rs. 32,702 crore as on September 30, 2022. A sizable portion of the overdue is from the discoms of Jammu & Kashmir and Uttar Pradesh. Few of the off-takers are expected to liquidate their overdues to NTPC as per plan in line with the Electricity (Late Payment Surcharge And Related Matters) Rules, 2022.

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, Reserve Bank of India [RBI] and the State Government 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 (accounting for around ~26% of its installed capacity on group basis) exposes it to the project execution/funding-related risks. The group's aim to achieve 60 GW of renewable energy capacity by FY32 also exposes it to the risks related to completion of such projects without time or cost overruns. 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.

Industry outlook

The base and peak demand is expected to maintain growth at above long-term trajectory during FY24 driven by higher industrial and commercial activities, digitalisation and electric transportation. Share of thermal power generation is likely to remain strong during FY24 with all-India PLF peaking beyond 64%. Elevated peak deficits caused by sharp seasonal charges, lag in coal production/transportation and volatility in coal cost is expected to keep merchant rates firm, which augurs well for plants with untied capacity. The sector is expected to witness FGD capex of around ₹1 lakh crore in the medium term where the progress in terms of financial closure and project implementation have been slow. While the gencos have remained exposed to the vagaries of payment from the discoms, the receivables have reduced for the first time in last five years. Till the time structural changes are successfully implemented for the discoms, the power generation companies (gencos) are expected to have high working capital requirement.

Environment, social and governance (ESG) profile: The ESG profile of the company is expected to derive comfort from the strong parental support of GoI. NTPC focuses on mitigating its environmental and social risks with various initiatives including the well-defined sustainability goals as per its 'Brighter Plan 2032' initiative. NTPC also has a comprehensive Resettlement & Rehabilitation (R&R) policy covering community development (CD) activities.

Liquidity: Strong

NTPC's strong liquidity position is marked by healthy projected gross cash accruals vis-à-vis its capex commitment and repayment obligation in FY24. This is supplemented by partially undrawn credit facilities and sufficient cash and liquid investments. The company's fund-based working capital utilisation stood at 50% as on December 31, 2022. NTPC, on a consolidated basis, had cash and cash equivalents of ₹3,531 crore as on February 28, 2023. NTPC enjoys strong financial flexibility and has demonstrated strong debt raising ability in the past.

Applicable criteria

[Definition of Default](#)

[Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Rating Watch](#)

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

[Short Term Instruments](#)

[Infrastructure Sector Ratings](#)

[Solar Power Projects](#)
[Thermal Power](#)

About the company and industry

Industry Classification

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

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 68.96 GW (including JVs) constituting around 17.2% of the total installed power generation capacity in the country as on March 31, 2022.

Brief Financials (₹ crore)	FY21 (Aud.)	FY22 (Aud.)	9MFY23 (UA)
Total operating income	99,250.32	1,15,247.01	1,13,796.95
PBILDT	29,226.24	33,123.82	34,329.19
PAT	13,769.52	16,111.42	11,939.44
Overall gearing (times)	1.49	1.36	NA
Interest coverage (times)	3.92	4.51	4.67

Aud.: Audited || UA: Un-audited || NA: Not applicable || Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Bonds*	NA	NA	NA	NA	12000.00	CARE AAA; Stable

*Proposed

Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Bonds	LT	-	-	-	-	-	1)Withdrawn (06-Jul-20)
2	Fund-based - LT-Term Loan	LT	101461.57	CARE AAA; Stable	-	1)CARE AAA; Stable	1)CARE AAA; Stable	1)CARE AAA; Stable (06-Jul-20)

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						(14-Feb-23) 2)CARE AAA; Stable (30-Jun-22)	(01-Jul-21)	2)CARE AAA; Stable (17-Apr-20)
3	Fund-based - LT-Cash Credit	LT	3000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (14-Feb-23) 2)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20) 2)CARE AAA; Stable (17-Apr-20)
4	Non-fund-based - ST-BG/LC	ST	6000.00	CARE A1+	-	1)CARE A1+ (14-Feb-23) 2)CARE A1+ (30-Jun-22)	1)CARE A1+ (01-Jul-21)	1)CARE A1+ (06-Jul-20) 2)CARE A1+ (17-Apr-20)
5	Bonds	LT	-	-	-	-	-	1)Withdrawn (06-Jul-20)
6	Bonds	LT	-	-	-	-	-	1)Withdrawn (06-Jul-20)
7	Bonds	LT	35.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
8	Bonds	LT	125.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
9	Bonds	LT	465.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)

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		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
10	Bonds	LT	110.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
11	Bonds	LT	30.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
12	Bonds	LT	60.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
13	Bonds	LT	-	-	-	-	-	1)Withdrawn (06-Jul-20)
14	Bonds	LT	300.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
15	Bonds	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
16	Bonds	LT	72.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
17	Bonds	LT	20.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
18	Bonds	LT	50.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
19	Bonds	LT	-	-	-	-	-	1)Withdrawn (06-Jul-20)
20	Bonds	LT	56.00	CARE AAA; Stable	-	1)CARE AAA; Stable	1)CARE AAA; Stable	1)CARE AAA; Stable (06-Jul-20)

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		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
						(30-Jun-22)	(01-Jul-21)	
21	Bonds	LT	-	-	-	-	-	1)Withdrawn (06-Jul-20)
22	Bonds	LT	390.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
23	Bonds	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
24	Bonds	LT	1000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
25	Bonds	LT	3000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
26	Debentures-Non Convertible Debentures	LT	10306.83	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
27	Bonds	LT	3215.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
28	Commercial Paper-Commercial Paper (Standalone)	ST	18000.00	CARE A1+	-	1)CARE A1+ (30-Jun-22)	1)CARE A1+ (01-Jul-21)	1)CARE A1+ (06-Jul-20) 2)CARE A1+ (17-Apr-20)
29	Bonds	LT	6095.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
30	Bonds	LT	8300.00	CARE AAA; Stable	-	1)CARE AAA; Stable	1)CARE AAA; Stable	1)CARE AAA; Stable (06-Jul-20)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
						(30-Jun-22)	(01-Jul-21)	
31	Fund-based - LT-Working Capital Limits	LT	18000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (14-Feb-23) 2)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20) 2)CARE AAA; Stable (17-Apr-20)
32	Bonds	LT	11874.10	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
33	Commercial Paper-Commercial Paper (Carved out)	ST	2100.00	CARE A1+	-	1)CARE A1+ (30-Jun-22)	1)CARE A1+ (01-Jul-21)	-
34	Bonds	LT	15000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jun-22)	1)CARE AAA; Stable (01-Jul-21) 2)CARE AAA; Stable (09-Apr-21)	-
35	Fund-based - LT-External Commercial Borrowings	LT	18538.43	CARE AAA; Stable	-	1)CARE AAA; Stable (14-Feb-23)	-	-
36	Bonds	LT	12000.00	CARE AAA; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

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