

NHPC Limited

August 21, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Bonds	422.00 (Reduced from 527.50)	CARE AAA; Stable	Reaffirmed
Bonds	1,000.00	CARE AAA; Stable	Reaffirmed
Bonds	458.00	CARE AAA; Stable	Reaffirmed
Bonds	860.37 (Reduced from 983.28)	CARE AAA; Stable	Reaffirmed
Bonds	900.00	CARE AAA; Stable	Reaffirmed
Bonds	750.00	CARE AAA; Stable	Reaffirmed
Bonds	1,500.00	CARE AAA; Stable	Reaffirmed
Bonds	2,017.20	CARE AAA; Stable	Reaffirmed
Bonds	2,000.00	CARE AAA; Stable	Reaffirmed
Bonds	750.00	CARE AAA; Stable	Reaffirmed
Bonds	1,500.00	CARE AAA; Stable	Reaffirmed
Bonds	996.00 (Reduced from 1,000.00)	CARE AAA; Stable	Reaffirmed
Redeemable non-convertible unsecured taxable bonds	1,180.00 (Reduced from 1,475.00)	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the long-term rating of NHPC Limited (NHPC) continues to derive strength from the low sales risk by virtue of the long-term power purchase agreement (PPA) with various discoms for its plants. Moreover, the mechanism of tariff determination for its large hydro projects, which ensures full cost recovery upon meeting the normative parameters, thus yielding stable cash flows continues to be favourable for the rating. The rating also draws comfort from the superior availability and generation attributes of most of its hydro plants, leading to consistent incentive income in the past. The financial risk profile characterised by low overall gearing with reasonable projected debt service coverage ratio (DSCR) continues to provide comfort to the rating. Furthermore, the rating continues to favourably factor in NHPC's established position as India's largest hydropower producer with geographical diversification and the majority ownership by the Government of India (GoI).

These rating strengths, however, remain constrained by the counterparty credit risks with NHPC being exposed to various state electricity distribution utilities and departments with relatively weak credit profiles, hydrological risks related to variability in river water flow, and regulatory risks with respect to tariff revisions. The rating takes cognisance of the execution risks, including time and cost overruns associated with the large under-implementation projects of NHPC being developed on a standalone basis and through joint ventures (JVs) and subsidiaries, which are inherent in hydropower projects. The company has seen time and cost overruns in two of its large under-construction projects – Subansiri Lower and Parbati-II. However, the residual construction risk is partially mitigated by the progress made on the respective projects and the cost-plus tariff framework governing the projects.

Rating sensitivities: Factors likely to lead to rating actions

Negative factors

- Overdue receivables remaining at more than 60% of total debtor on a sustained basis.
- Substantial delay in completion of the ongoing capex plans and/or substantial cost revisions of the under-implementation projects.
- Significant decrease in the GoI's shareholding, leading to reduction in financial and strategic support.

Analytical approach: Consolidated. The rating factors in NHPC's strategic importance to the Government of India (GOI) and its role as the largest hydro power company in India. The list of subsidiaries/JVs which have been consolidated are as under:

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

Sr. No.	Particulars	Shareholding
Subsidiaries		
1	NHDC Limited	51.08%
2	Loktak Downstream Hydroelectric Corporation Limited	74.82%
3	Bundelkhand Saur Urja Limited	86.94%
4	Lanco Teesta Hydro Power Limited	100%
5	Jal Power Corporation Limited	100%
6	Ratle Hydroelectric Power Corporation Limited	51%
7	NHPC Renewable Energy Limited	100%
8	Chenab Valley Power Projects Private Limited	52.74%
Joint Ventures		
1	National High Power Test Laboratory Private Limited	20%

Outlook: Stable

The 'stable' outlook of the company reflects its ability to maintain healthy operational performance, reasonable collection efficiency, steady physical and financial progress in terms of capex during the medium term.

Detailed description of the key rating drivers:

Key strengths

Cost-plus tariff providing stable cash flow and assured returns

The tariff for each hydropower station of NHPC is determined by the Central Electricity Regulatory Commission (CERC). It ensures adequate recovery of cost along with stipulated return on equity on achievement of the normative availability and generation, meeting the design energy of that particular plant. NHPC has low sales risk because of the execution of long-term PPAs for its hydro-projects. The overall tariff of the plants continues to remain competitive at below ₹3.5/unit. Only 89 MW of hydro plants have tariff exceeding ₹6/unit for FY24 (refers to the period from April 1 to March 31). The management is expecting to receive the tariff order for the control period of FY19-24 for rest of the plants during the current year.

Healthy operational performance

NHPC's plants achieved an aggregate plant availability factor (PAF) of 88.7% in FY23 (PY: 87.8%). In FY23, 18 out of the 20 hydro power plants of NHPC (standalone) had surpassed the NAPAF target (FY22: 16 plants out of 20). Also, 11 plants had generation higher than their design energy (PY: 10 plants). Consequently, NHPC continued to report incentive income driven by incentives on capacity, deviation charges and energy incentives on account of higher generation than design energy.

CARE Ratings notes the management's expectation that availability and generation of Kishanganga and Baira Siul plants, will improve from FY24 onwards. Moreover, Parbati-III is anticipated to have improved operational performance from FY25 onwards.

Comfortable leverage and coverage metrics

The overall financial risk profile of NHPC continued to remain comfortable characterised by low overall gearing despite large capex and dividend payout. Despite having an increasing trend, overall gearing is likely to remain below 1.3x and thus comparable with its peers. Interest cover, which stood comfortable at 12.13x in FY23 (PY: 9.10x), is likely to remain above 3.5x in the medium term. TD/PBILDIT is likely to peak in FY24 while the projected average DSCR is likely to remain above 1.25x.

Government support and majority ownership by GoI

NHPC benefits substantially from its strong linkages with the GoI, with the Government not only holding a majority stake (70.95% as on June 30, 2023) but also providing financial and strategic support. Besides providing equity support, the GoI has provided support in the form of longer tenure subordinated debt to fund strategically important projects at concessional interest rates. The GoI is also involved in the appointment of the board and senior management as well as in setting up NHPC's business plan annually. Furthermore, the GoI's recognition of NHPC as a Mini Ratna Category-I central public sector enterprise (CPSE) provides its management with significant autonomy in taking financial decisions. NHPC benefits from supportive policy frameworks, which enables it to operate hydropower projects across India.

Key weaknesses

Execution risks pertaining to projects under implementation

The expansion plans of NHPC exposes the company to the project execution and funding-related risks, which is, however, mitigated largely through the company's favourable capital structure, consistent cash flows from operations with adequate cash and bank balance and extensive experience in implementation of various projects in the past.

NHPC, on a consolidated basis, is actively constructing 9.31 GW of hydro capacity. It has faced large time overrun in 2.80 GW capacity (i.e., Subansiri Lower and Parbati-II), leading to higher cost. The management is hopeful of having all the units commissioned during FY25. The financial progress of other projects under subsidiaries/ JVs is less than 60%. In developer mode, it is implementing 1.63 GW of renewable capacity. CARE Ratings notes that timely commissioning of these projects will be important from the perspective of leverage of the company as well as tariff competitiveness for its off-takers.

Counterparty credit risk

The below-average financial health of many of the state distribution utilities, which in turn affects the timely realisation of the revenue, remains a cause of concern for power generating companies, including NHPC. During the past, there has been accumulation of debtors, especially from two of the counterparties – Jammu & Kashmir Power Corporation Limited and Uttar Pradesh Power Corporation Limited (UPPCL). However, several liquidity measures rolled out by the MoP has aided in reduction in overdue receivable of the company. Overdue receivables, which were 55% of total as on March 31, 2021, has reduced to 25% of total as on March 31, 2022 and 3% of total as on March 31, 2023.

NHPC's dominance in hydro power generation in India with fairly diversified off-taker base alleviates the risk to a great extent. Nonetheless, timely receipt of payment from off-takers, shall remain a key monitorable going forward.

Liquidity: Strong

There is sufficient headroom in the projected gross cash accrual with less internal accrual committed for capex in FY24 vis-à-vis the scheduled debt repayment. The company's cash and bank balance and liquid investments stood at around ₹2,694 crore as on March 31, 2023. The reduction in overdue receivables aids the liquidity profile of the company. The company also has sanctioned fund-based limits of ₹925 crore, which remained largely un-utilised during the last 12 months ended June 2023. Furthermore, considering the comfortable capital structure, the company has sufficient headroom, to raise additional debt for its planned capex.

Environment, social, and governance (ESG) risks

The ESG objective of NHPC is to produce clean energy from hydro, wind, and solar resources. NHPC seeks to promote sustainability, lessen carbon footprints, and safeguard the environment via its commercial activities. NHPC has put in place the necessary rules and processes to achieve the objectives of waste management that is scientific and water conservation that is a result of the company activities. In accordance with the relevant Waste Management Rules of the Government, NHPC works toward efficient waste management via moral behaviour.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Factoring Linkages Government Support](#)

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

[Rating Outlook and Rating Watch](#)

[Policy on Withdrawal of Ratings](#)

[Infrastructure Sector Ratings](#)

About the company and industry

Industry classification

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

NHPC, a 'Miniratna Category-I' (since April 2008) and GoI enterprise, was incorporated in 1975 with an objective to plan, promote and organise an integrated and efficient development of hydroelectric power in the country. The company is the largest hydro power generating company in the country with an aggregate installed hydropower capacity (including subsidiaries) of 7,071 MW as on September 30, 2022, which is around 15% of the installed hydro power capacity in India. NHPC is present across 11 states, and currently operates 24 hydropower stations (including two through its subsidiary) with single largest capacity of 1,000 MW in Madhya Pradesh.

Brief Financials (₹ crore)*	FY22 (A)	FY23 (A)
Total operating income	8,798.58	9,644.93
PBILDT	4,710.66	5,523.68
PAT	3,537.71	3,833.79
Overall gearing (times)	0.78	0.80
Interest coverage (times)	8.90	11.60

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available' || * Consolidated financials are available, Financials reclassified as per CARE Ratings' internal standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

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

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

Complexity level of various instruments rated: 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 – Q-Series	INE848E07138	12.03.2012	9.25%	12.03.2024	105.50	CARE AAA; Stable
	INE848E07146	12.03.2012	9.25%	12.03.2025	105.50	
	INE848E07153	12.03.2012	9.25%	12.03.2026	105.50	
	INE848E07161	12.03.2012	9.25%	12.03.2027	105.50	
Bonds - S1-Series	INE848E07658	26.11.2014	8.49%	26.11.2023	36.50	CARE AAA; Stable
	INE848E07666	26.11.2014	8.49%	26.11.2024	36.50	
Bonds - S2 Series	INE848E07724	26.11.2014	8.54%	26.11.2023	55.00	CARE AAA; Stable
	INE848E07732	26.11.2014	8.54%	26.11.2024	55.00	
	INE848E07740	26.11.2014	8.54%	26.11.2025	55.00	
	INE848E07757	26.11.2014	8.54%	26.11.2026	55.00	
	INE848E07765	26.11.2014	8.54%	26.11.2027	55.00	
	INE848E07773	26.11.2014	8.54%	26.11.2028	55.00	
Bonds – T Series	INE848E07781	26.11.2014	8.54%	26.11.2029	55.00	CARE AAA; Stable
	INE848E07849	14.07.2015	8.50%	14.07.2024	122.91	
	INE848E07856	14.07.2015	8.50%	14.07.2025	122.91	
	INE848E07864	14.07.2015	8.50%	14.07.2026	122.91	
	INE848E07872	14.07.2015	8.50%	14.07.2027	122.91	
	INE848E07880	14.07.2015	8.50%	14.07.2028	122.91	
	INE848E07898	14.07.2015	8.50%	14.07.2029	122.91	
INE848E07906	14.07.2015	8.50%	14.07.2030	122.91		
Tax Free Bonds 1A	INE848E07518	02.11.2013	8.18%	02.11.2023	50.81	CARE AAA; Stable
Tax Free Bonds 1B	INE848E07542	02.11.2013	8.43%	02.11.2023	60.77	CARE AAA; Stable
Tax Free Bonds 2A	INE848E07526	02.11.2013	8.54%	02.11.2028	213.12	CARE AAA; Stable
Tax Free Bonds 2B	INE848E07559	02.11.2013	8.79%	02.11.2028	85.61	CARE AAA; Stable
Tax Free Bonds 3A	INE848E07534	02.11.2013	8.67%	02.11.2033	336.07	CARE AAA; Stable
Tax Free Bonds 3B	INE848E07567	02.11.2013	8.92%	02.11.2033	253.62	CARE AAA; Stable
Bonds - U Series	INE848E07914	27.06.2016	8.24%	27.06.2031	540.00	CARE AAA; Stable
Bonds - U1 Series	INE848E07922	07.07.2016	8.17%	27.06.2031	360.00	CARE AAA; Stable
Bonds - V2 Series	INE848E07997	06.06.2017	7.52%	06.06.2024	295.00	CARE AAA; Stable
	INE848E07AA3	06.06.2017	7.52%	06.06.2025	295.00	
	INE848E07AB1	06.06.2017	7.52%	06.06.2026	295.00	
	INE848E07AC9	06.06.2017	7.52%	06.06.2027	295.00	

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Bonds - W2 Series	INE848E07AI6	15.09.2017	7.35%	15.09.2023	150.00	CARE AAA; Stable
	INE848E07AJ4	15.09.2017	7.35%	15.09.2024	150.00	
	INE848E07AK2	15.09.2017	7.35%	15.09.2025	150.00	
	INE848E07AL0	15.09.2017	7.35%	15.09.2026	150.00	
	INE848E07AM8	15.09.2017	7.35%	15.09.2027	150.00	
Bonds - X Series	INE848E07AN6	08.02.2019	8.65%	08.02.2029	1500.00	CARE AAA; Stable
Bonds - AA-1 Series	INE848E07BD5	11.03.2020	6.89%	11.03.2026	100.00	CARE AAA; Stable
	INE848E07BE3	11.03.2020	6.89%	11.03.2027	100.00	
	INE848E07BG8	11.03.2020	6.89%	10.03.2028	100.00	
	INE848E07BH6	11.03.2020	6.89%	09.03.2029	100.00	
	INE848E07BI4	11.03.2020	6.89%	11.03.2030	100.00	
Bonds - AA Series	INE848E07AY3	11.02.2020	7.13%	11.02.2026	300.00	CARE AAA; Stable
	INE848E07AZ0	11.02.2020	7.13%	11.02.2027	300.00	
	INE848E07BA1	11.02.2020	7.13%	11.02.2028	300.00	
	INE848E07BB9	11.02.2020	7.13%	09.02.2029	300.00	
	INE848E07BC7	11.02.2020	7.13%	11.02.2030	300.00	
NHPC-GOI Fully Serviced bonds Series I	INE848E08136	22.03.2019	8.12%	22.03.2029	2017.20	CARE AAA; Stable
Bonds - AB Series	INE848E07BJ2	24.04.2020	6.80%	24.04.2026	150.00	CARE AAA; Stable
	INE848E07BK0	24.04.2020	6.80%	23.04.2027	150.00	
	INE848E07BL8	24.04.2020	6.80%	24.04.2028	150.00	
	INE848E07BM6	24.04.2020	6.80%	24.04.2029	150.00	
	INE848E07BN4	24.04.2020	6.80%	24.04.2030	150.00	
Bonds - AC Series	INE848E07BO2	12.02.2021	6.86%	12.02.2027	150.00	CARE AAA; Stable
	INE848E07BP9	12.02.2021	6.86%	11.02.2028	150.00	
	INE848E07BQ7	12.02.2021	6.86%	12.02.2029	150.00	
	INE848E07BR5	12.02.2021	6.86%	12.02.2030	150.00	
	INE848E07BS3	12.02.2021	6.86%	12.02.2031	150.00	
	INE848E07BT1	12.02.2021	6.86%	12.02.2032	150.00	
	INE848E07BU9	12.02.2021	6.86%	11.02.2033	150.00	
	INE848E07BV7	12.02.2021	6.86%	10.02.2034	150.00	
	INE848E07BW5	12.02.2021	6.86%	12.02.2035	150.00	
INE848E07BX3	12.02.2021	6.86%	12.02.2036	150.00		
Bonds - AD Series	INE848E08144	20-02-2023	7.59%	20-02-2027	83	CARE AAA; Stable
	INE848E08151	20-02-2023	7.59%	19-02-2028	83	
	INE848E08169	20-02-2023	7.59%	20-02-2029	83	
	INE848E08177	20-02-2023	7.59%	20-02-2030	83	
	INE848E08185	20-02-2023	7.59%	20-02-2031	83	
	INE848E08193	20-02-2023	7.59%	20-02-2032	83	
	INE848E08201	20-02-2023	7.59%	19-02-2033	83	
	INE848E08219	20-02-2023	7.59%	20-02-2034	83	
	INE848E08227	20-02-2023	7.59%	20-02-2035	83	
	INE848E08235	20-02-2023	7.59%	20-02-2036	83	
	INE848E08243	20-02-2023	7.59%	20-02-2037	83	
INE848E08250	20-02-2023	7.59%	20-02-2038	83		

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	422.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Feb-23) 2)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
2	Bonds	LT	1000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Feb-23) 2)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
3	Bonds	LT	458.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Feb-23) 2)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
4	Bonds	LT	860.37	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Feb-23) 2)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
5	Bonds	LT	900.00	CARE AAA; Stable	-	1)CARE AAA; Stable	1)CARE AAA; Stable	1)CARE AAA; Stable

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
						(09-Feb-23) 2)CARE AAA; Stable (01-Jul-22)	(02-Jul-21)	(06-Jul-20)
6	Bonds-Redeemable Non Convertible Unsecured Taxable Bonds	LT	1180.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Feb-23) 2)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
7	Bonds	LT	750.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Feb-23) 2)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
8	Bonds	LT	1500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Feb-23) 2)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
9	Bonds	LT	2017.20	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Feb-23)	1)CARE AAA; Stable (02-Jul-21)	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
						2)CARE AAA; Stable (01-Jul-22)		
10	Bonds	LT	2000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Feb-23) 2)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)
11	Bonds	LT	750.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Feb-23) 2)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20) 2)CARE AAA; Stable (03-Apr-20)
12	Bonds	LT	1500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Feb-23) 2)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (08-Feb-21)
13	Bonds	LT	996.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Feb-23)	-	-

*Long term/Short term.

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

Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Redeemable Non Convertible Unsecured Taxable Bonds	Simple
2	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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