

THDC India Limited^(Revised)

August 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2,875.00	CARE AA; Stable	Reaffirmed
Bonds	600.00	CARE AA; Stable	Assigned
Bonds	600.00	CARE AA; Stable	Reaffirmed
Bonds	800.00	CARE AA; Stable	Reaffirmed
Bonds	750.00	CARE AA; Stable	Reaffirmed
Bonds	1,200.00	CARE AA; Stable	Reaffirmed
Bonds	800.00	CARE AA; Stable	Reaffirmed
Bonds	600.00	CARE AA; Stable	Reaffirmed
Bonds	800.00	CARE AA; Stable	Reaffirmed
Bonds	800.00	CARE AA; Stable	Reaffirmed
Bonds	750.00	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Long-term rating of THDC India Limited (THDC) continues to draw strength from the low revenue risk by virtue of its long-term power purchase agreements (PPAs) with discoms for its underlying capacity. These PPAs operate on a cost plus tariff mechanism, thus ensuring full cost recovery on meeting normative parameters, resulting in stable cashflows. The rating also benefits from the expected commissioning of two of the company's ongoing projects: the Tehri pumped storage plant (PSP) and the Khurja super thermal power plant (STPP) in near future. Tehri PSP (Unit-1) and Khurja STPP (Unit-1) are expected to get commissioned by September 2024 and October 2024 respectively.

Rating derives comfort from the healthy operational profile as characterised by actual design energy and plant availability being higher than estimated and normative level in FY24. This has resulted in booking of incentive income which has partially offset subdued generation in solar, wind and small hydro plants. The rating is supported by strong financial risk profile characterised by healthy gross cash accruals (GCA), leading to reasonable leverage and coverage metrics. Rating also derives strength from THDC's past track record in terms of operating power projects along with project development. CARE Ratings factors in the strong parentage of THDC by virtue of it being a 74% subsidiary of NTPC Limited (NTPC; rated 'CARE AAA; Stable'). With NTPC's demonstrated track record of support to its subsidiaries and joint ventures (JVs) in the past, CARE Ratings expects THDC to receive timely financial support from its parent if required.

CARE Ratings takes a note of the significant financial progress in under-construction projects in FY24 and Q1FY25, the risk associated with implementation and the consequential increase in projected leverage metrics moderate rating strengths to a certain extent. Rating factors the cost overrun in the Vishnugad Pipalkoti HEP (VPHEP) project and the deposit made on protest with the Registrar of the Delhi High Court due to an ongoing dispute with one of its vendors. Rating is constrained on account of the below-average credit profile of its off-takers. Although THDC has been able to contain overdue receivables to an extent in FY24.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Completing projects on time, with significantly reducing the total debt (TD)/profit before interest, lease rentals, depreciation and taxation (PBILDT) level.
- Improving the collection period to less than 90 days.

Negative factors

- Stretch in the average collection period beyond 300 days, weakening THDC's liquidity profile.
- Significantly lower-than-envisaged operational profile or reduced tariff or increase in borrowing cost or operating cost, adversely impacting coverage metrics.
- Deteriorating credit profile of NTPC or dilution in its support philosophy towards THDC.

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

Analytical approach

Standalone, notching up rating considering financial and operational linkages with its parent, NTPC.

Outlook: Stable

The stable outlook reflects THDC's ability of maintaining healthy operational performance, reasonable collection efficiency and steady physical and financial progress in terms of capex in the medium term. Its financial risk profile is characterised by elevated leverage profile.

Detailed description of key rating drivers

Key strengths

Off-take risk mitigated through PPAs with distribution utilities

For power offtake, THDC has signed long-term PPAs for the entire Tehri Hydro Power Complex of 2,400 megawatt (MW) with beneficiary states. PPAs for Patan wind power project (50 MW) and Devbhumi Dwarka wind power project (63 MW) have also been signed with Gujrat Urja Vikas Nigam Limited for 25 years. PPA for the Dhukwan 24-MW small hydro project has been signed with Uttar Pradesh Power Corporation Limited (UPPCL), approved by the Uttar Pradesh Electricity Regulatory Commission. THDC has also signed a PPA with fixed tariff with Kerala State Electricity Board Limited for a 50-MW solar project in Kasargod, Kerala. Thus, THDC has signed long-term PPAs for its entire 4,351 MW (both, commissioned and under construction) with beneficiaries.

Regulated returns, leading to steady operating cashflow

The tariff for each large hydro power station of THDC is determined by the Central Electricity Regulatory Commission (CERC). Tariff is determined by referring to the annual fixed cost (AFC), which comprises interest on loan, interest on working capital, depreciation and operation and maintenance (O&M) expenses and post-tax return on equity (RoE). Notably, 50% of the AFC can be recovered on achieving design energy, while the balance can be recovered on achieving the NAPAF, which has been prescribed for each hydro power station by CERC.

Healthy operational profile of large hydro plants

In FY24, the actual generation from Tehri HEP (THEP) and Koteshwar HEP (KHEP) continued to be higher than the respective design energy, while both plants continued to clock higher-than-NAPAF, leading to incentive income. The Dhukwan small hydro project generated 75 million units (MUs) in FY24, in line with FY22 and FY23 levels. Devbhumi Dwarka and Patan and Kasargod plants reported lower-than-P 90 level generation in FY24. In FY24, the operational performance was observed to be steady.

Healthy financial risk profile, despite moderation expected in medium term

Overall gearing, although increased, remained acceptable at 1.61x as on March 31, 2024 (PY: 1.20x). TD is increasing on the back of capex implementation. This has increased TD/PBILDT to 17.14x in FY24 (PY: 10.07x). However, THDC's debt maturity profile is comfortable as a chunk of its borrowing has a long tenor bullet repayment structure, providing headroom to the projected debt service coverage ratio (DSCR). CARE Ratings observes that the staggered commissioning of under-construction projects is likely to improve cashflows, thus improving leverage metrics.

Majority ownership by NTPC

As on March 31, 2024, NTPC held majority stake (74.496%) in THDC, while the balance was held by the Government of Uttar Pradesh (GoUP). NTPC is the largest thermal power generation company with a consistent track record of operating its thermal power station at better than the national average, broadly on availability, reliability and efficiency. The linkage with NTPC is symbiotic as THDC is likely to gain from NTPC's experience towards implementing the 1,320-MW Khurja thermal project and better receivables management (as the NTPC group has higher bargaining power over discoms). NTPC gains from the advancement towards meeting its non-fossil energy generation through THDC, revenue source diversification and THDC's propensity of providing regular dividend. Given the reputation risk associated with distress in the subsidiary, CARE Ratings expects NTPC to provide THDC with need-based financial support.

Key weaknesses

Significant counterparty credit risk

The company has exposure to financially weaker discoms in Uttar Pradesh, Jammu and Kashmir, Rajasthan and Punjab. Due to liquidity schemes for discoms, THDC's average collection period has significantly improved – from 179 days in FY22 to 131 days in FY23 and 105 days in FY24. The availability of payment security mechanism with off-takers mitigates the counterparty risk to an extent.

Risk associated with projects under implementation

THDC is currently developing the Tehri PSP (1,000 MW), Vishnugad Pipalkoti Hydro Electric Project (VPHEP; 444 MW), Khurja Super Thermal Power Project (KSTPP; 1,320 MW) and Kalai II Hydro Power Project (KHPP; 1,200 MW) which they have recently acquired from Reliance Power Limited. It is also developing the newly-commissioned Amelia captive mine. Executing such large projects, with a combined cost exceeding ₹37,000 crore, exposes THDC to both, funding and implementation risks.

CARE Ratings expects the company to receive adequate project management support from its strong parent with vast experience of setting up large projects. Moreover, the company achieved impressive financial progress in FY24, exceeding ₹4,500 crore, the highest among recent years. Unit -1 of TPSP and KSTPP are expected to be commissioned in September 2024 and October 2024 respectively. Thus, ramping up operations of both, TPSP and KSTPP in H2FY25 will be important for generating cash and de-leveraging. CARE Ratings notes that achieving competitive cost of generation from both, pumped storage and thermal plant will also be important and will continue monitoring the same.

Liquidity: Adequate

Since sufficient internal accruals had been ploughed in under-construction projects, projected GCA for FY25 and FY26 and the balance equity portion for the capex is likely to be comfortable as against debt repayment. The improving average collection days aids the liquidity profile. Cash and cash equivalents stood at ₹137.75 crore as on June 30, 2024. Fund-based working capital limits utilisation stood lower at 60% for trailing 12 months ending March 2024. Through its parentage, THDC enjoys strong financial flexibility in terms of access to the debt capital market.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

[Infrastructure Sector Ratings](#)

[Rating Outlook and Rating Watch](#)

[Solar Power Projects](#)

[Thermal Power](#)

[Wind Power Projects](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power generation

THDC (formerly known as Tehri Hydro Development Corporation Limited) was incorporated in July 1988 for developing, operating and maintaining the 2,400-MW Tehri Hydro Power Complex and other hydro projects. The 2,400-MW Tehri Hydro Power Complex comprises the Tehri Dam and HPP (1,000 MW) Stage-I, Koteswar HEP (400 MW) and Tehri PSP (1,000 MW; under implementation). THDC has been conferred with the 'Mini Ratna – Category-I' status and Schedule 'A' public sector undertaking (PSU) by the Government of India (GoI). It has obtained the ISO 9001:2008 Certificate of Quality Management System for providing designs, contracting and related techno-economic support to hydro power projects and hydro power plants. THDC has a total commissioned power generation capacity of 1,587 MW (Tehri Dam and HPP: 1,000 MW, Koteswar HEP: 400 MW, Dhukwan SHEP: 24 MW, Wind – Patan: 50 MW, Wind – Dev Bhumi: 63 MW, and Solar – Kasargod: 50 MW).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	2,076	1,929	258
PBILDT	1,239	976	64
PAT	673	599	(39)
Overall gearing (times)	1.14	1.59	NA
Interest coverage (times)	6.83	6.15	1.13

A: Audited; UA: Un-audited; NA: Not available. Note: These are latest financial results available. *Financials reclassified per CARE Ratings' internal standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instruments/facilities: 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds	INE812V07039	24-July-2020	7.19%	24-July-2030	800.00	CARE AA; Stable
Bonds	INE812V07047	20-Jan-2021	7.45%	20-Jan-2031	750.00	CARE AA; Stable
Bonds	INE812V07054	25-Aug-2021	7.39%	25-Aug-2031	1200.00	CARE AA; Stable
Bonds	INE812V07062	14-Sep-2022	7.60%	14-Sep-2032	800.00	CARE AA; Stable
Bonds	INE812V08011	27-Dec-2022	7.88%	27-Dec-2032	600.00	CARE AA; Stable
Bonds	INE812V07013	03-Oct-2016	7.59%	03-Oct-2026	600.00	CARE AA; Stable
Bonds	INE812V08029	13-Sep-2023	7.76%	13-Sep-2033	763.00	CARE AA; Stable
Bonds	INE812V08037	16-Jan-2024	7.93%	16-Jan-2034	779.00	CARE AA; Stable
Bonds	INE812V08045	29-May-2024	7.76%	29-May-2034	750.00	CARE AA; Stable
Bonds	NA	NA	NA	NA	658.00	CARE AA; Stable
Fund-based - LT-Cash credit	-	-	-	-	375.00	CARE AA; Stable
Fund-based - LT-Term loan	-	-	-	28-Feb-2035	2500.00	CARE AA; Stable

NA: Not applicable as it is not placed.

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 2024-2025	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
1	Bonds	LT	600.00	CARE AA; Stable	1)CARE AA; Stable (09-May-24)	1)CARE AA; Stable (25-Aug-23) 2)CARE AA; Stable (29-Dec-23) 3)CARE AA; Stable (08-Aug-23) 4)CARE AA; Stable (30-Jun-23)	1)CARE AA; Stable (01-Jul-22)	1)CARE AA; Stable (02-Jul-21)

2	Fund-based - LT-Cash Credit	LT	375.00	CARE AA; Stable	1)CARE AA; Stable (09-May-24)	1)CARE AA; Stable (29-Dec-23) 2)CARE AA; Stable (25-Aug-23) 3)CARE AA; Stable (08-Aug-23) 4)CARE AA; Stable (30-Jun-23)	1)CARE AA; Stable (01-Jul-22)	1)CARE AA; Stable (02-Jul-21)
3	Bonds	LT	800.00	CARE AA; Stable	1)CARE AA; Stable (09-May-24)	1)CARE AA; Stable (29-Dec-23) 2)CARE AA; Stable (25-Aug-23) 3)CARE AA; Stable (08-Aug-23) 4)CARE AA; Stable (30-Jun-23)	1)CARE AA; Stable (01-Jul-22)	1)CARE AA; Stable (02-Jul-21)
4	Bonds	LT	750.00	CARE AA; Stable	1)CARE AA; Stable (09-May-24)	1)CARE AA; Stable (29-Dec-23) 2)CARE AA; Stable (25-Aug-23) 3)CARE AA; Stable (08-Aug-23) 4)CARE AA; Stable	1)CARE AA; Stable (01-Jul-22)	1)CARE AA; Stable (02-Jul-21)

						(30-Jun-23)		
5	Bonds	LT	1200.00	CARE AA; Stable	1)CARE AA; Stable (09-May-24)	1)CARE AA; Stable (29-Dec-23) 2)CARE AA; Stable (25-Aug-23) 3)CARE AA; Stable (08-Aug-23) 4)CARE AA; Stable (30-Jun-23)	1)CARE AA; Stable (01-Jul-22)	1)CARE AA; Stable (21-Jul-21)
6	Bonds	LT	800.00	CARE AA; Stable	1)CARE AA; Stable (09-May-24)	1)CARE AA; Stable (29-Dec-23) 2)CARE AA; Stable (25-Aug-23) 3)CARE AA; Stable (08-Aug-23) 4)CARE AA; Stable (30-Jun-23)	1)CARE AA; Stable (30-Aug-22)	-
7	Bonds	LT	600.00	CARE AA; Stable	1)CARE AA; Stable (09-May-24)	1)CARE AA; Stable (29-Dec-23) 2)CARE AA; Stable (25-Aug-23) 3)CARE AA; Stable (08-Aug-23)	1)CARE AA; Stable (19-Dec-22)	-

						4)CARE AA; Stable (30-Jun-23)		
8	Fund-based - LT-Term Loan	LT	2500.00	CARE AA; Stable	1)CARE AA; Stable (09-May-24)	1)CARE AA; Stable (29-Dec-23) 2)CARE AA; Stable (25-Aug-23) 3)CARE AA; Stable (08-Aug-23)	-	-
9	Bonds	LT	800.00	CARE AA; Stable	1)CARE AA; Stable (09-May-24)	1)CARE AA; Stable (29-Dec-23) 2)CARE AA; Stable (25-Aug-23)	-	-
10	Bonds	LT	800.00	CARE AA; Stable	1)CARE AA; Stable (09-May-24)	1)CARE AA; Stable (29-Dec-23)	-	-
11	Bonds	LT	750.00	CARE AA; Stable	1)CARE AA; Stable (09-May-24)	-	-	-
12	Bonds	LT	600.00	CARE AA; Stable				

LT: Long term; ST: Short term; 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	Bonds	Simple
2	Fund-based - LT-Cash credit	Simple
3	Fund-based - LT-Term loan	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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About us:

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