

## Ratle Hydroelectric Power Corporation Limited

June 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term / Short-term bank facilities	3,698.00	CARE BBB+; Stable / CARE A3+	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Ratle Hydroelectric Power Corporation Limited (RHPCL), which is setting up a 850-MW hydro power project in Jammu & Kashmir (J&K), factor in strong parentage by virtue of NHPC Limited (NHPC, rated 'CARE AAA; Stable/CARE A1+') being the majority shareholder. Per the memorandum of understanding (MOU) between the shareholders, RHPCL is envisaged as a joint venture (JV) of NHPC and Jammu & Kashmir State Power Corporation Limited (JKSPDCL), with their respective shareholding proportion being 51:49. However, CARE Ratings Limited (CareEdge Ratings) notes that, basis the current fund infusion, NHPC's shareholding stands at 55%. CareEdge Ratings, in its assessment, expects support from both NHPC and J&K Government in proportion to their shareholding. Moreover, given the JV nature of company's constitution, CareEdge Ratings notes that some of the key strategic decisions, including raising of debt, and changes in organisational structure among others, would warrant an approval from both the JV partners. However, despite the JV structure, CareEdge Ratings draws comfort from the fact that NHPC is fully consolidating RHPCL in its results.

Ratings derive strength from presence of long-term power purchase agreements (PPAs) for 40 years from commercial operation date (COD) for ~71% of the total capacity with state distribution utilities. Cost-plus tariff structure per Central Electricity Regulatory Commission (CERC) tariff guidelines, ensures cost recovery with fixed return subject to plant operational performance in line with normative parameters, adding strength to ratings. The support from the Government of India (GoI) in the form of grants for equity contribution of JKSPDCL further strengthens the credit profile. CareEdge Ratings takes cognisance of the presence of key approvals, including forest clearance, environmental clearance, and Indus Water Treaty clearance.

However, ratings are constrained considering execution risk since the project is in an under-construction stage with limited physical progress of 20% as on March 31, 2025, with expected COD being in December 2028. CareEdge Ratings also notes that the company has not achieved financial closure at present. The company's ability to commission the project without major cost and/or time overrun shall be a key rating monitorable. Considering cost-plus nature of the hydro power project, approval of project cost by CERC without major disallowances remains critical for recovery of capital for the shareholders. The credit profile is constrained by moderate counterparty credit risk considering exposure to state distribution utilities. The entity is also exposed to hydrology risks which are typical for with run-of-the-river plants.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Timely completion and commencement of the project without cost and time overrun.
- Built-up of the track record and satisfactory operational performance with generation in line with design energy and plant availability above normative levels.

#### Negative factors

- Deterioration in credit profile of the promoter, NHPC or dilution in support philosophy of NHPC towards RHPCL.
- Inordinate delay in commissioning of the project or in achieving financial closure.
- Major disallowance of capital cost by CERC.

**Analytical approach:** Standalone, plus factoring in support from majority shareholder, NHPC.

#### Outlook: Stable

The stable outlook factors in revenue visibility given presence of long-term PPAs under cost-plus mechanism, expected commissioning of the project per schedule, satisfactory operational performance post COD, and timely receipt of payments from counterparties.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

**Detailed description of key rating drivers:****Key strengths****Low sales risk and regulated returns are likely to provide steady operating cash flows**

The entire power generated from RHPCL's plant is proposed to be off-taken among the bulk power customers. Approximately 71% of the total capacity is tied up with PPAs. The MoP has allocated power to 14 beneficiaries. PPAs have been signed with five of them, and agreements with rest are expected to be finalised soon.

The PPAs are signed for 40 years from COD of the last unit, where the tariff will be determined by CERC on cost-plus principles. The tariff shall comprise annual fixed cost with five components, such as interest on term loan, interest on working capital, depreciation, operation and maintenance (O&M) expenses and post-tax return on equity (ROE). 50% of AFC will be recoverable upon achieving the normative annual plant availability factor (NAPAF), while the balance will be recoverable on achieving the design energy. The presence of long-term PPAs for the sale of power mitigates the power off-take risk of the company to a large extent. CareEdge Ratings notes that full cost recovery upon meeting the normative parameters and the earning of fixed return is likely to yield stable cash flows for the project.

**Part of a strong promoter having leadership position in hydro power generation in India**

NHPC held 62% shares in RHPCL as of February 2025 end. NHPC is a 'Navratna', which is the largest hydro power generating company in the country. NHPC's developmental and operational expertise in hydro power business is characterised by its spread across multiple states and its long-term PPA with multiple counterparties. Moreover, its majority plants have been operating at better-than-normative conditions in last three years.

**Adequate support envisaged from NHPC**

For the project, NHPC has infused equity for funding the capital expenditure requirements of the project. The entire capital expenditure of ₹906 crore as on February 28, 2025, has been funded by equity infusion from NHPC and JKSPDCL. While the management has cited that NHPC may not provide explicit financial supporting stance (eg, in the form of corporate guarantee, and shortfall undertaking among others), given the reputation risk associated with distress in the JV, CareEdge Ratings notes that NHPC is likely to provide need-based support. The other JV partner, JKSPDCL has also infused sizable equity. RHPCL's majority board of directors are officially nominated by NHPC.

**Government's support on hydro power projects**

The skewed thermal-hydro mix, increase in peaking shortages, frequency variations and large untapped hydro potential in India have driven supportive policy formulation towards water resources and development of hydro power. Government of J&K has extended support to the project in form of Grants for equity contribution to be made by JKSPDCL, gradual increase in share of free energy (1% in 1st year increasing by 1% per annum to 12% from 12th year onwards), reimbursement of SGST and no water cess for 10 years from COD.

**Key weaknesses****Significant portion of physical and financial progress is pending, financial closure pending**

RHPCL is developing a hydro power project with an estimated cost of ₹5,282 crore at 2018 price levels, which may be subject to revision. The overall financial and physical progress of the project was 17% and 20%, respectively, as on February 28, 2025. Thus, the project is exposed to various implementation-related risks.

The project is yet to attain financial closure, with debt financing arrangements still in progress. CareEdge Ratings will continue to monitor the timely completion of the project within envisaged cost and time.

**Counterparty credit risk**

The company has signed long-term PPAs for ~71% of its total capacity with distribution utilities of Chhattisgarh, Gujarat, J&K, Madhya Pradesh, and Uttar Pradesh. The company is exposed to the counterparty credit risk since state distribution utilities of Chhattisgarh, Uttar Pradesh, Madhya Pradesh, and J&K have weak-to-moderate credit risk profile. However, Gujarat Urja Vikas Nigam Ltd, has relatively strong credit profile.

**Hydrological risks associated with run-of-the-river power generation**

The project has run-of-the-river configuration. Such projects have little or no capacity for energy storage and hence cannot coordinate the output of electricity generation to match the consumer demand. A run-of-the-river power is thus considered an

irregular source of power, thereby generating much more power during times when seasonal river flows are high and much less in drier winter months.

### Liquidity: Adequate

The company has a strong parentage of NHPC having sufficient cash accruals and cash and liquid investments to meet its project funding requirements. The company's cash and bank balance stood at ~₹22 crore as on February 28, 2025.

Once the plant is operational, the company is expected to generate sufficient cash flows to meet its debt service requirements. The revolving LC required to be opened in favour of RHPCL as a payment security mechanism will provide comfort in case of delay in the revenue receipt. Financial closure is yet to be achieved.

### Applicable criteria

[Policy on Default Recognition](#)

[Notching by Factoring Linkages in Ratings](#)

[Financial Ratios – Non financial Sector](#)

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

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Rating of Short Term Instruments](#)

[Project Stage Entities](#)

[Infrastructure Sector Ratings](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

RHPCL is a JV of NHPC, a Navratna, Govt. of India (GoI) Enterprise and JKSPDCL, a Govt. of J&K Enterprise with shareholding pattern of 51% and 49%, respectively, per MOU. The company is setting up green-field 850-MW (4\*205 MW + 1\*30 MW) as a run-of-the-river type on the river Chenab in District Kishtwar, J&K. Scheduled commercial operations date (SCOD) of the project is December 2028.

**Brief Financials:** Not applicable, since it is a project stage entity.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** 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
Term Loan-LT/ST		-	-	NA	3698.00	CARE BBB+; Stable / CARE A3+

NA: Not applicable since the debt is proposed

**Annexure-2: Rating history for 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 2025-2026	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
1	Term Loan-LT/ST	LT/ST	3698.00	CARE BBB+; Stable / CARE A3+				

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	Term Loan-LT/ST	Simple

**Annexure-5: Lender details**

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

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

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