Jal Power Corporation Limited

July 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	836.00 (Enhanced from 657.00)	CARE A (RWP)	Continues to be on Rating Watch with Positive Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the rating assigned on the long-term bank facilities of Jal Power Corporation Limited (JPCL), which is setting up a 120 MW hydro power project in the state of Sikkim, factors in the satisfactory construction progress of the plant. The company has attained physical progress of ~85% as on April 30, 2025 and expects to complete the project by the end of December 2025.

The rating continues to be on 'Rating Watch with Positive Implication', on account of the ongoing process of merger of the company with its holding company, i.e., NHPC Limited (NHPC, rated 'CARE AAA; Stable'). As articulated by the management, the merger is likely to be completed in FY26. CARE Ratings would continue to monitor the situation closely to evaluate the impact of this development and would take a view on the rating when the merger process is completed.

The rating derives strength from the presence of long-term Power Purchase Agreement (PPA) with M. P. Power Management Company Limited (MPPMCL -CARE BB+; Stable / CARE A4+) in August 2024 and Damodar Valley Corporation in March 2025 in addition to the PPA with Gujarat Urja Vikas Nigam Limited (GUVNL) signed in May 2023 which leads to long term revenue visibility. The PPAs are signed on cost plus basis as per CERC tariff norms. The power allocation from the project is determined by Ministry of Power and remaining PPAs are expected to be signed in due course of time. The cost-plus tariff mechanism, governed by the Central Electricity Regulatory Commission (CERC) guidelines, ensures recovery of costs along with a fixed return, which supports the credit profile. Further, the rating draws comfort from the strong parentage by virtue of it being a wholly owned subsidiary of NHPC (rated CARE AAA; stable). The stated posture of NHPC towards JPCL is strong as reflected by the presence of unconditional and irrevocable corporate guarantee for the full tenor of the bank facilities of JPCL.

The rating is, however, constrained on account of exposure to execution risk as the project is under implementation stage and is expected to be commissioned by December 2025. CARE Ratings Limited (CareEdge Ratings) notes that the total envisaged cost of this project is ~Rs 1,828 crore, expected to be funded by debt and equity in the ratio of 70:30 . As on April 30, 2025, of the total debt requirement of ~Rs 1,280 crore, Rs 836 crore has been tied up and the rest is expected to be tied up in next 1-2 months. The promoter, NHPC, has infused equity to the tune of Rs 533 crore as against the committed equity of Rs.548 crore The company's ability to commission the project without further cost and/or time overruns shall be a key rating monitorable. Considering cost-plus nature of the hydro power project and cost and time overruns in the past, approval of project cost by Central Electricity Regulatory Commission (CERC) without major disallowance remains critical for recovery of investments made by the company. Post completion, the project will be subject to counterparty credits risk, and hydrology risks which are typical for run-of-river hydro plants.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely completion and commencement of the project without any cost and time overruns
- Built-up of the track record along with a satisfactory plant availability level post the initial stabilisation period

Negative factors

- Inordinate delay in commissioning of the project, thereby impacting the debt coverage indicators for the project.
- Deterioration in the credit profile of the promoter, NHPC Limited or dilution in its support philosophy towards JPCL

Analytical approach: Standalone. The rating is notched up, considering financial and operational linkage with its parent, NHPC.

Outlook: Not Applicable

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Low sales risk; regulated returns leading to steady operating cash flows

The company has signed long term Power Purchase Agreements (PPAs) for its 120 MW Rangit-IV Project, with Gujarat (GUVNL – rated- CARE AA+; Stable), M.P. Power Management Company Limited (MPPMCL – CARE BB+; Stable) and Damodar Valley Corporation. The allocation of power from the project is determined by Ministry of Power and PPA with remaining counter parties is expected in the due course. The PPAs are signed for a duration of 40 years from COD of the last unit and the tariff is determined by Central Electricity Regulatory Commission (CERC) on cost-plus principles. The tariff is referred to to Annual Fixed Cost (AFC), which comprises of five components namely interest on term loan, interest on working capital, depreciation, operation and maintenance (O&M) expenses and post-tax return on equity (ROE). AFC's 50% will be recoverable on achieving normative annual plant availability factor (NAPAF), while the balance will be recoverable on achieving design energy. The presence of long-term PPA for sale of power mitigates the company's power off-take risk to a large extent. CARE Ratings notes that full cost recovery on meeting normative parameters and earning of fixed return is likely to yield stable cashflows for the project.

Key approvals in place

The company acquired the entire required land for project development. The management has also cited that all necessary approvals are in place.

100% subsidiary of NHPC Limited

JPCL is a wholly owned subsidiary company of NHPC (rated CARE AAA; stable), which is the largest hydro power generating company in India, having installed capacity (including subsidiaries) of 7,771 MW as on March 31, 2025. 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. The 120 MW Rangit project of the company was acquired by NHPC Limited via NCLT route by paying a consideration of Rs 165 crore. JPCL is in the process of merger with NHPC Limited which is expected to complete by end of FY2026.

Adequate financial and managerial support envisaged from NHPC

NHPC has extended an unconditional and irrevocable corporate guarantee for entire term loans of JPCL (existing term loan of ₹657 crore and new term loan of ₹179 crore). The management has cited that NHPC may extend unconditional and irrevocable corporate guarantee for additional debt, if raised. This demonstrates adequate financial support to JPCL. JPCL's board has adequate representation from NHPC, including the chairman. Given the reputation risk associated with distress in the subsidiary, CAREEdge Ratings notes that NHPC is likely to provide need-based support. Total equity contribution infused by NHPC Ltd till March 31, 2025 is Rs. 533.10 crore out of overall equity requirement of Rs 548 crore.

Government's support on hydro power projects

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. Hydro power projects play a crucial role in grid balancing due to their operational flexibility and rapid response capabilities. Ministry of Power has notified hydro purchase obligation (HPO) which mandates purchase of certain percentage of power from hydro power sources. Moreover, Government of India has announced financial support of Rs 1 crore per MW for hydro projects above 200 MW and Rs 1.5 crore per MW for projects below 200 MW towards setting up of supporting infrastructure like roads and bridges.

Key weaknesses

Execution risk associated with under construction project

The project is under construction exposing it to execution and funding risks. The project has witnessed cost and time overrun in the past. The physical progress of the project is ~86% as on April 30, 2025, The company has incurred capital expenditure of Rs 1,369 crore out of revised estimated project cost of Rs 1,828 crore. The project cost is proposed to be funded by debt and equity in the ratio of 70:30. The company has tied up term loan of Rs 836 crore out of Rs 1,280 crore as on March 31, 2025 and tie up for remaining term loan is under discussion. NHPC has infused Rs 533 crore out of overall equity requirement of Rs 548 crore. The Scheduled Commercial Operation Date (SCOD) of the project is Dec 2025 and the project is exposed to implementation risks. CARE Ratings will continue to monitor the project progress, emphasizing that its timely completion within the envisaged cost and timeframe is a key rating sensitivity**.** Approval of capital cost by CERC without major disallowance remains critical considering cost plus nature of tariff.

Counterparty credit risk

The company has signed PPAs with GUVNL (rated -CARE AA+; Stable), Madhya Pradesh DISCOMs (MPPMCL- rated CARE BB+; Stable) and Damodar Valley Corporation (DVC, rated CARE A; stable, CARE AAA(CE) while PPAs with other counter parties shall be signed in due course. The company is exposed to counter party credit risk owing to weak financial profile of MPPMCL. Post commissioning, timely receipt of payment from counterparties shall be a key rating monitorable. .

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

The 120-MW hydroelectric project is a run-of-the-river project. Such projects have little-or-no capacity for energy storage, and hence, cannot co-ordinate output of electricity generation to match consumer demand. A run-of-the-river power is considered an irregular source of power, as a result of which, it generates much more power when seasonal river flows are high and much less in drier – winter months.

Liquidity: Adequate

The company is a wholly owned subsidiary of NHPC, a strong parent entity, having sufficient cash accruals and cash and liquid investments to meet its project funding requirements. The company has tied up term loan of Rs 836 crore out of Rs 1,280 crore as on March 31, 2025 and tie up for remaining term loan is under discussion. NHPC has infused Rs 533 crore out of overall equity requirement of Rs 548 crore. Once the plant is operational, the company is expected to generate sufficient cashflows to meet its debt service requirements. The revolving LC required to be opened in favour of JPCL as a payment security mechanism by its off-taker is likely to provide comfort in case of delays in revenue receipts. NHPC has extended corporate guarantee for term loans of the company and is expected to extend need based support.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings
Notching by Factoring Linkages in Ratings
Infrastructure Sector Ratings
Project Stage Entities

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

JPCL was incorporated on August 25, 2004, for developing and operating the 120-MW (3x40 MW) Rangit-IV HE Project in Sikkim. The project execution under the erstwhile promoter (M/s Jal Power Corporation Limited, a subsidiary of Coastal Projects Limited) was stalled since October 2013. NHPC acquired the company via NCLT route by paying a consideration amount of ₹165 crore on the completion date i.e. March 30, 2021. As a result, JPCL became a wholly owned subsidiary of NHPC.

Brief financials: Not applicable, as it is a project phase 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	NA	836.00	CARE A (RWP)

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	Fund-based - LT-Term Loan	LT	836.00	CARE A (RWP)	-	1)CARE A (RWP) (12-Jun-24)	1)CARE A (RWP) (29-Mar-24)	-

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	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE 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.

Contact Us

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Jatin Arya Director **CARE Ratings Limited** Phone: 91-120-4452021 E-mail: Jatin.Arya@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Shailendra Singh Baghel Associate Director **CARE Ratings Limited** Phone: 91-120-4452019 E-mail: Shailendra.baghel@careedge.in Ronak Jain Assistant Director **CARE Ratings Limited** E-mail: Ronak.jain@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

For detailed Rating Report and subscription information,
please visit www.careratings.com