

Hinduja National Power Corporation Limited

September 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	7,775.95	CARE A- (RWD)	Placed on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has placed the long-term bank facilities of Hinduja National Power Corporation Limited (HNPC) on 'Rating Watch with Developing Implications'. The action follows the proposed change in HNPC's shareholding, wherein the majority stake currently held by The Hinduja Group majorly through Hinduja Energy India Limited and Hinduja Energy (Mauritius) Limited which is likely to be transferred to GOCL Corporation Limited (GOCL), another Hinduja Group entity. CareEdge Ratings will evaluate whether the proposed shareholding change alters the extent or nature of support from the Hinduja Group to HNPC and will resolve the watch accordingly. At present, GOCL's board has granted in-principle approval for the acquisition, while requisite approvals are still awaited. CareEdge Ratings remains in active discussions with HNPC's management and will continue to monitor developments. The rating watch is expected to be resolved once there is greater clarity on the implications of the shareholding transition.

Moreover, CareEdge Ratings also takes a note of the decline in the group's market cover since the last review. Market cover is computed as the value of investments across listed companies of the group against the combined debt exposure in the group. CareEdge Ratings is in active discussion with the management to determine the rationale for such deterioration. Furthermore, the operating performance of the entity has deteriorated during FY25 and Q1 FY26 primarily on account of lower plant availability factor (PAF) of ~66% and ~53% respectively as against the normative plant availability (NAPAF) of 85%. A lower PAF than normative levels results in under-recovery of capacity charges. The lower PAF is on account of issues pertaining to sea water turbidity, ash pond constraints and coal supply disruptions. As articulated by the management, the operating performance has improved from June 2025 onwards.

The rating continues to derive strength from the strong financial flexibility of Machen Holdings SA (MHSA, the ultimate holding entity of HNPC and the support provider) which is a part of The Hinduja group, which has reputed stature and well-established track record. The rating continues to favourably factor in the promoter support undertaking, to fund repayment of the debt as well as operational expenses, in case of any shortfall. There is a past track record of The Hinduja Group infusing funds. In FY25, the Hinduja Group infused ~Rs. 700 crore in HNPC. Furthermore, the rating continues to derive comfort from HNPC's low sales risk and long-term revenue visibility on account of its power purchase agreement (PPA) with Andhra Pradesh state utilities for entire capacity at a cost-plus tariff determined by the Andhra Pradesh Electricity Regulatory Commission (APERC). The presence of long-term Fuel Supply Agreement (FSA) with Mahanadi Coalfields Limited (MCL) for 4.62 MTPA which is sufficient to meet coal requirement at a PLF of ~75% and mitigates fuel availability risk.

The rating is however constrained on account of actual approved capital cost being lower than the incurred cost, which results in under-recovery of capacity charges. There is a disallowance of ~Rs 2,000 crore in the capital cost by APERC. HNPC's review petition for the disallowance of capital cost has also been dismissed by APERC in June 2023. The company has filed an appeal with the Appellate Tribunal for Electricity (APTEL) challenging the order and judgement on the same is awaited. The credit profile of the off takers is weak which has resulted in delay in realisation of debtors. In CareEdge Ratings' assessment, the company is unlikely to be self-sustainable in the current context and would rely on support from the group to ensure timely debt servicing.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Favourable regulatory order in terms of full cost approval along with HNPC reporting PAF above normative levels on a sustained basis resulting in full recovery of capacity charges.
- Improvement in financial risk profile as characterized by increased cash flows, moderation of leverage and liquidation of regulatory assets.
- Sustenance of receivables below 90 days.

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

Negative factors

- Significant deterioration in the credit profile of the promoter group or dilution in the support philosophy from Hinduja group towards HNPCL.
- Substantial decline in the market value of investments to debt coverage of the holdcos/sub-holdcos below 3.5x on a sustained basis.
- Sustained deterioration in financial profile as reflected by under-recovery of capacity charges, elongation of debtors or non-realization of regulatory assets.
- Failure to receive a regulatory order regarding the full recovery of capital costs by the end of December 2025.

Analytical approach: Standalone, while factoring linkages with MHSA, i.e. the ultimate holding company of the group which owns majority interest in HNPCL through various sub hold-cos including Hinduja Energy (India) Limited.

Outlook: Not applicable

Detailed description of key rating drivers:

Key strengths

Long-term power off-take arrangement for a period of 25 years approved by APERC

HNPCL has long-term PPA for its entire capacity of 1,040 MW with AP discoms on cost plus basis for 25 years from COD (April 30, 2016) leading to revenue visibility. The cost-plus nature of tariff ensures recovery of cost along with fixed return subject to normative parameters. Actual fuel cost shall be pass-through for determination of energy charges as per APERC regulations. However, the capital cost approved by APERC was lower by Rs 2000 crore leading to under recovery of fixed costs even in case plant availability is higher than normative plant availability factor (NAPAF) of 85%.

FSA with Mahanadi Coalfields Limited (MCL)

HNPCL has fuel supply agreement with MCL with annual contracted quantity (ACQ) of 4.624 million tonne per annum (MTPA) which is sufficient to meet the coal requirement at PLF of ~75%. While the plant is in proximity to two well-developed ports (Gangavaram Port and Vizag Port), it has plans to set up railway siding. The company is in discussion with the Indian Railways for the same under the Gati Shakti Scheme. Commissioning of the same will reduce the landed cost of coal and improve the plant's competitiveness.

Part of a reputed and resourceful promoter group with proven financial support in the past

HNPCL belongs to the Hinduja Group, which is one of the largest diversified groups in the world with direct presence in 38 countries and activities spanning across 100 countries. The group has presence across various sectors, viz., automotive, banking and finance, energy & chemicals, power, healthcare, information technology, real estate and media and entertainment amongst others. MHSA is the ultimate holding company of HNPCL. MHSA has majority stake in Hinduja Automotive Limited – United Kingdom (HAL-UK, the holding company of Ashok Leyland Limited [ALL, rated 'CARE AA; Stable/ CARE A1+']). ALL, the flagship company of Hinduja group, is a prominent manufacturer of commercial vehicles in India. Furthermore, MHSA also has majority stake in Hinduja Capital Limited – Mauritius (HCL-M, the holding company of GOCL Corporation Limited (GOCL)). GOCL's multi-division businesses include energetics, commercial explosives and realty. The management has articulated that there is adequate financial flexibility of MHSA due to fungibility of cashflows between MHSA and its subsidiaries, i.e., HAL-UK, HCL-M and the Hinduja Energy holdcos. CareEdge Ratings expects that the group will continue to provide need based financial support to HNPCL given the existing headroom available in leveraging these holdcos as demonstrated by infusion of Rs. 700 crores during FY25.

As of June 30, 2025, the market value of investments in listed instruments held by these sub-holding companies stood at 2.9 times their outstanding external debt, compared to 5.0 times in the previous year, indicating a moderate coverage level. This development has triggered one of the rating sensitivities. CareEdge Ratings is currently engaged in active discussions with the management to obtain necessary clarifications. Upon receipt of the required information, a review will be undertaken accordingly.

Promoter supporter towards meeting HNPCL's financial obligations

MHSA and Hinduja Energy (India) Limited (HEIL), the promoters of Hinduja National Power Corporation Limited (HNPCL), have extended a Promoter Support Undertaking to the lender in relation to the credit facilities availed by HNPCL. As part of this undertaking, HEIL is committed to maintaining a minimum 51% shareholding in the total equity capital of HNPCL, along with retaining management control and majority representation on the board. The current support undertaking is credit supportive as it includes the following key provisions

- i) bring necessary funds into the company for repayment of the debt as well as operational expenses in case of shortfall in cash flows of the project for entire tenor of the loan
- ii) any increase in project cost due to impact of any change in regulations or levying of charges by any regulatory/statutory body over and above the Project Cost shall be borne by Promoter
- iii) any liability on account of LDs under PPA or any Project Documents shall be responsibility of the Promoters
- iv) in case of APERC/APTEL/Supreme Court not approving capex incurred towards FGD, the same shall be funded by Promoters without any recourse to the project etc.

These undertakings are expected to mitigate credit risk and provide comfort to lenders during the interim period. Care Ratings has placed the ratings on watch with developing implications post announcement of board approval of GOCL for acquisition of HNPCL. The implication of the said transaction and support philosophy from new promoter shall be ascertained post detailed discussion with GOCL management.

Favourable order from Andhra Pradesh Electricity Regulation Commission (APERC) on energy charges

As per the order dated April 2, 2024, from APERC, the revised base variable cost comes to Rs 3.03 per unit plus 15 percent ceiling on it to be applicable from April 01, 2023 (~translating to Rs. 3.48/unit) as against Rs 3.16 claimed by the company. Also, the AP discoms were directed to deduct Rs 0.58 per unit from the claims of HNPCL while paying the energy charges with effect from August 01, 2023, on account of pending railway corridor work. However, HNPCL has obtained a stay on it from the High Court.

Key weaknesses

Approved capital cost is lower than incurred capital cost; tightening of normative parameters

The capital cost approved by APERC vide its order in August 2022 was lower by Rs 2,000 crore as compared to actual capital cost incurred by the company for setting up the project. Moreover, the tariff was determined from August 2022 to March 2024 and interim tariff for previous period were considered as final leading to under recovery for the project. APERC has also approved stricter station heat rate, auxiliary consumption, specific fuel oil consumption which may lead to under-recovery in energy charge. The same is expected to offset to some extent with the part-load compensation permitted under the PPA. HNPCL had filed review petition with APERC with justification for relaxation which was dismissed in June 2023. Thereafter, HNPCL filed an appeal in Appellate Tribunal for Electricity (APTEL) challenging the tariff order received from APERC and the judgement from APTEL is awaited. Timely resolution of the issue favourably without major disallowance in capital cost shall be a key rating monitorable.

Leveraged capital structure and weak operational performance during FY25 and Q1FY26

Hinduja National Power Corporation Limited (HNPCL) continues to face elevated credit risk, primarily on account of its highly leveraged capital structure and subdued operational performance during FY25. As of March 31, 2025, the company's total external debt to EBITDA ratio stood at 9.9x (PY: 6.9x), reflecting a significant weakening of financial metrics. The deterioration is attributable to sub-par performance in FY25 as evident from PAF of 62% as against normative Plant Availability Factor (PAF) of 85%, resulting in higher-than-expected under-recoveries. Consequently, the company's standalone cash flows have remained inadequate to meet scheduled debt servicing obligations. In the event of continued underperformance in PAF, the financial stress on the company is expected to intensify further. While the company undertook a refinancing exercise in September 2024, which led to a reduction in the interest rate, the overall debt levels remain unsustainable under the current operational trajectory. This underscores the structural weakness in the capital profile.

In this context, financial support from group entities remains critical. The Hinduja Group has extended timely assistance in the form of quasi-equity infusions and unsecured loans, providing a temporary cushion to address liquidity mismatches and operational expenses. CareEdge Ratings notes that continued and timely promoter/group support will be essential to maintain creditworthiness until operational performance stabilizes and regulatory approvals are secured.

High counterparty credit risk as evident from deterioration in collection efficiency in FY2024

The company remains exposed to significant counterparty credit risk due to the weak operational and financial profile of Andhra Pradesh distribution companies (AP Discoms), characterized by high leverage and prolonged payment cycles. The average collection period extended further to over 400 days in FY25 (PY: 290 days), with debtors rising to Rs. 5,020 crore as of June 30, 2025 (FY24: Rs. 4,538 crore; FY23: Rs. 2,578 crore). This increase in receivables is largely attributable to the Late Payment Surcharge (LPSC) accrued by the company on past dues, despite timely receipt of regular billing payments and maintaining an approximate 100% collection efficiency in FY25.

Liquidity: Adequate

The liquidity profile of the company has been supported by timely infusion of funds from the promoters and access to Rs 1,940 crore of fund-based working capital limits. The company has DSRA of Rs 190 crore equivalent to one quarter of debt servicing as per the sanction terms from the lenders and cash and cash equivalents of Rs 78.6 crore as on June 30, 2025. The average utilization of the fund based working capital limit during trailing twelve months ended March 2025 is elevated at 99%. Given the sizable gap between the projected gross cash accrual of the company (due to partial approval of capital cost and under-recovery in energy charge) vis a vis the scheduled debt repayment, the servicing of debt obligations is expected to be met with financial support from the promoters as evident from the support provided by the promoters every year.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Thermal Power](#)

[Financial Ratios – Non financial Sector](#)

[Infrastructure Sector Ratings](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

HNPC is part of Hinduja Group. The company operates coal-based sub-critical thermal power project of 1,040 MW (2 x 520) in Village Palavalasa, Dist. Vishakhapatnam, Andhra Pradesh. The company is promoted by HEIL (holds 51.05 % stake), Hinduja Energy (Mauritius) Limited (holds 40.27% stake), Machen Development Corporation (holds 4.84% stake) and balance is held by Steag Energy Services GmbH. The project was commissioned in April 2016. The company has signed long term PPA with AP discoms on cost plus basis.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (P)
Total operating income	3,285	2,289
PBILDT	955	650
PAT	998	281
Overall gearing (times)	3.77	2.58
Interest coverage (times)*	0.65	0.84

*Does not include interest on Intercompany Deposits as same is subordinated to primary debt

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'; *analytically adjusted as per CARE Ratings' methodology

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-Cash Credit		-	-	-	1940.00	CARE A- (RWD)
Fund-based - LT-Term Loan		-	-	December 2037	244.94	CARE A- (RWD)
Fund-based - LT-Term Loan		-	-	December 2037	4439.95	CARE A- (RWD)
Fund-based - LT-Term Loan		-	-	March 2025	900.00	CARE A- (RWD)
Non-fund-based - LT-Bank Guarantee		-	-	-	251.06	CARE A- (RWD)

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-Cash Credit	LT	1940.00	CARE A- (RWD)	-	1)CARE A-; Stable (25-Nov-24)	1)CARE A-; Stable (05-Jan-24)	1)CARE A-; Stable (06-Jan-23) 2)CARE A- (RWN) (27-Dec-22)
2	Fund-based - LT-Term Loan	LT	244.94	CARE A- (RWD)	-	1)CARE A-; Stable (25-Nov-24)	1)CARE A-; Stable (05-Jan-24)	1)CARE A-; Stable (06-Jan-23) 2)CARE A- (RWN) (27-Dec-22)
3	Fund-based - LT-Term Loan	LT	4439.95	CARE A- (RWD)	-	1)CARE A-; Stable (25-Nov-24)	1)CARE A-; Stable (05-Jan-24)	1)CARE A-; Stable (06-Jan-23) 2)CARE A- (RWN) (27-Dec-22)
4	Fund-based - LT-Term Loan	LT	900.00	CARE A- (RWD)	-	1)CARE A-; Stable (25-Nov-24)	1)CARE A-; Stable (05-Jan-24)	1)CARE A-; Stable (06-Jan-23) 2)CARE A- (RWN) (27-Dec-22)

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
5	Non-fund-based - LT-Bank Guarantee	LT	251.06	CARE A- (RWD)	-	1)CARE A-; Stable (25-Nov-24)	1)CARE A-; Stable (05-Jan-24)	1)CARE A-; Stable (06-Jan-23) 2)CARE A- (RWN) (27-Dec-22)
6	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (05-Jan-24)	1)CARE A-; Stable (06-Jan-23) 2)CARE A- (RWN) (27-Dec-22)
7	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (05-Jan-24)	1)CARE A-; Stable (06-Jan-23) 2)CARE A- (RWN) (27-Dec-22)

LT: Long 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT-Bank Guarantee	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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