# Hinduja National Power Corporation Limited

October 13, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 6,661.06 (Enhanced from 6,631.01) | CARE A- (RWD) | Continues to be on Rating Watch with Developing Implications |
| Long Term Bank Facilities | - | - | Withdrawn |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

The reaffirmation in rating of Hinduja National Power Corporation Limited (HNPCL), which operates a 1,040 MW (2 x 540 MW) coal-based thermal power plant in Andhra Pradesh, continues to derive strength from the continued support from Machen Holdings SA (MHSA, the ultimate holding entity of HNPCL), which is part of the Hinduja Group. As on March 31, 2025, the group has infused over ~Rs 6,600 crore in HNPCL, out of which ~Rs. 800 crore was infused in FY25 to meet the cash flow mismatch. As articulated by the management, another Rs. 200 crores has been infused by the Hinduja group in YTD FY26. CARE Ratings Limited (CareEdge Ratings) also takes comfort from the fact that MHSA, on behalf of the Hinduja Group has provided a sponsor support undertaking to the term loan lenders. As per the undertaking, MHSA will meet any shortfall in debt servicing obligations or operating expenses, for the full tenor of the term debt. CareEdge Ratings expects support from the promoter group to be forthcoming in meeting the projected shortfalls. Any change in the Hinduja Group's support philosophy toward the company will remain a key rating monitorable.

The rating continues to be on 'Rating Watch with Developing Implications' owing to the presence of an in principal board approval by GOCL Corporation Limited (GOCL, part of Hinduja Group) to acquire stake in HNPCL from existing Hinduja group entities namely Hinduja Energy India Limited and Hinduja Energy (Mauritius) Limited. CareEdge Ratings will evaluate whether the proposed shareholding change alters the extent or nature of support from the Hinduja Group to HNPCL and will resolve the watch accordingly. As per the management of HNPCL, the transaction is awaiting approval from boards of HNPCL and GOCL. CareEdge Ratings remains in active discussions with HNPCL's management and will continue to monitor developments. Rating watch is expected to be resolved once there is greater clarity on implications of the shareholding transition.

The rating continues to derive comfort from long term revenue visibility owing to presence of power purchase agreement (PPA) with Andhra Pradesh state distribution companies for the entire capacity of 1,040 MW at a cost-plus tariff determined by Andhra Pradesh Electricity Regulatory Commission (APERC). The tariff comprises capacity charge and energy charge with fuel cost being pass through, subject to operating performance being in line with the normative parameters. The presence of long-term fuel supply agreement (FSA) with Mahanadi Coalfields Limited (MCL) for 4.62 million tonne per annum (MTPA), which is sufficient to meet coal requirement at a plant load factor (PLF) of ~75%, mitigates fuel availability risk. The rating also factors in MoEF notification exempting Category C thermal power plants from incurring capital expenditure for FGD. Currently, HNPCL is categorized under Category A. However, HNPCL has requested for classification under Category C in view of the population criteria.

The rating is constrained by the under-recoveries in the capacity charges as the actual approved capital cost is lower than the actual cost incurred by ~Rs. 2000 crore. APERC has approved a cost of ~Rs, 5,800 crore as against actual capital cost incurred of ~Rs 7,800 crore. The company had filed a review petition with APERC which was dismissed by the state electricity regulator in June 2023. The company has subsequently filed an appeal with the Appellate Tribunal for Electricity (APTEL), and the matteris currently sub-judice. The operational performance of the company has remained subdued in FY25, as evident from PAF of ~62% as against normative parameter of 85%. The lower availability is attributable to increase in water turbidity, constraints in disposing the ash generated from the project, failure of transformers and disruption in coal supply on account of strike at the Gangavaram port. The PAF has continued to remain subdued in FY26 as reflected by PAF of ~67% in 5M FY26. However, there has been an improvement in PAF from mid-June onwards and the management expects the full year PAF to be in line with the normative parameters from FY26 onwards. The ability of the company to demonstrate PAF in line with normative parameters shall be a key rating monitorable.

Furthermore, the rating is constrained by weak credit profile of AP discoms, exposing the company to counterparty credit risk. The debtors of the company remain elevated at Rs 5,225 crore as on March 31, 2025, leading to debtor days of 832 days (PY:

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

Rs 3,286 crore, debtor days of 504 days). This increase in receivables is largely attributable to the Late Payment Surcharge (LPSC) accrued by the company on past dues and one-time billings made by the company. However, CareEdge Ratings draws comfort from the timely receipt of regular billing payments and maintaining satisfactory collection efficiency (FY25: ~94%, FY24: ~76%, FY23: ~91%) for regular billing over last few years.

CareEdge Ratings notes that the group's market cover ratio stood at 3.0x as of June 30, 2025. This ratio, calculated as the value of the group's investments in listed entities relative to its combined debt exposure, breaches the stipulated upper guidance threshold of 3.5x. While CareEdge Ratings does not anticipate a prolonged breach of this trigger and expects the ratio to improve over the current financial year, any sustained breach in market cover ratio would be a key credit rating monitorable. CareEdge Ratings has revised the rating sensitivity w.r.t. timeline for resolution of regulatory issue from December 2025 to September 2026. Comfort is drawn from timely group support and limited shortfall of ~Rs. 200 crores (as per base case) upto August 2025. However, any delay in resolution post September 2026 would remain a monitoring variable.

CareEdge Ratings has withdrawn its outstanding ratings on the previous lenders in accordance with its withdrawal policy, following the receipt of no-due certificates from those lenders. The existing term loan from the earlier consortium has been replaced with a new term facility from Power Finance Corporation (PFC)

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

### Positive factors

- Favourable regulatory order in terms of full cost approval along with HNPCL 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.

### 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 September 2026.

**Analytical approach:** Standalone
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 power purchase agreement (PPA) for its entire capacity of 1,040 megawatt (MW) with Andhra Pradesh distribution companies (AP discoms) on cost-plus basis for 25 years from commercial operations date (COD: April 30, 2016), providing revenue visibility. The cost-plus nature of tariff ensures recovery of cost and fixed return, subject to normative parameters. The tariff comprises of fixed charge which is recovered based on normative availability and variable charge which is paid on basis of actual generation. Actual fuel cost is pass-through as per energy charges per Andhra Pradesh Electricity Regulatory Commission (APERC) regulations. However, the capital cost approved by APERC was lower by ~₹2,000 crore, leading to under-recovery of fixed costs even when plant availability exceeds normative plant availability factor (NAPAF) of 85%.

**Long term FSA with Mahanadi Coalfields Limited (MCL)**

HNPCL has fuel supply agreement with Mahanadi Coalfields Limited (MCL) with annual contracted quantity (ACQ) of 4.624 million tonne per annum (MTPA), which is sufficient to meet coal requirement at plant load factor (PLF) of ~75%. Presence of long term FSA mitigates fuel availability and price risk to a large extent. 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 Indian Railways for the same under the Gati Shakti Scheme. Commissioning of the railway siding is expected to reduce landed cost of coal and improve plant 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. 800 crores during FY25 and Rs, 6,600 crore as on March 31, 2025.

As of June 30, 2025, the market value of investments in listed instruments held by sub-holding companies stood at 2.9x their outstanding external debt, compared to 5.0x in the previous year, indicating moderate coverage. This development has triggered one of the negative rating sensitivities. Management has articulated that the decrease is attributable to an increase in short-term borrowings at the group level. While CareEdge Ratings does not anticipate a prolonged breach of this trigger and expects market cover to improve over the current financial year, the sustained breach in the market cover ratio continues to be a key credit rating monitorable.

**Promoter supporter towards meeting HNPCL's financial obligations**

MHSA, the promoter of Hinduja National Power Corporation Limited (HNPCL), has extended a Promoter Support Undertaking to the lender in relation to the credit facilities availed by HNPCL. As part of this undertaking, promoter is committed to maintain ≥51% equity stake and management control in HNPCL. 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. As per PPA, fuel cost is pass through to offtaker subject to normative parameters and fuel cost higher than the ceiling of Rs 3.03 per unit plus 15 percent shall be approved by APERC.

## 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, HNCPL 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**
HNPCL continues to face elevated credit risk, primarily due to its highly leveraged capital structure and subdued operational performance in FY25 (FY refers to April 01 to March 31). As of March 31, 2025, the company's net external debt to earnings before interest, taxation, depreciation, and amortisation (EBITDA) ratio stood at 9.0x (PY: 6.3x) reflecting significant weakening in financial metrics. The deterioration is attributable to sub-par performance in FY25, as evident from plant availability factor (PAF) of ~62% against normative PAF of ~85%, resulting in higher-than-expected under-recoveries. Consequently, standalone cash flows have remained inadequate to meet scheduled debt servicing obligations. However, the company had reported PAF above normative PAF of 85% in previous years and above normative PAF over last-two months (~84% in July 2025 ~89% in August 2025) which is a positive.

The company undertook a refinancing exercise in September 2024, which led to a reduction in interest rate. However, overall debt levels remain unsustainable under the current operational trajectory, underscoring 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 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 stabilises and regulatory approvals are secured.

**High counterparty credit risk as evident from deterioration in collection efficiency in FY2025**
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: 351 days), with debtors rising to Rs. 5,020 crores as of June 30, 2025 (FY25: Rs. 5,225 crores; FY24: Rs. 4,538 crores; 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 satisfactory collection efficiency (FY25:~94%, FY24:~76%, FY23:~91%) for regular billing over last few years.

## **Liquidity**: Adequate

Liquidity profile is supported by timely fund infusion from promoters and access to ₹1,940 crore of fund-based working capital limits. The company has debt service reserve account (DSRA) of ₹190 crore, equivalent to one quarter of debt servicing as per sanction terms from lenders, and cash and cash equivalents of ₹78.6 crore as on June 30, 2025. Average utilisation of fund-based working capital limits in trailing twelve months ended March 2025 is elevated at 99%. Considering the sizable gap between projected gross cash accruals (due to partial approval of capital cost and under-recovery in energy charges) and scheduled debt repayment, servicing of debt obligations is expected to be met through financial support from promoters, as evident from yearly support provided.

## 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
Withdrawal Policy

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
| --- | --- | --- | --- |
| Utilities | Power | Power | Power Generation |

HNPCL is part of Hinduja Group. The company operates coal-based sub-critical thermal power project of 1,040 MW (2 x 520 MW) 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 | 3,286 | 2,291 |
| PBILDT | 963 | 667 |
| PAT | 997 | 281 |
| Overall gearing (times)[1] | 2.5 | 0.9 |
| Interest coverage (times) | 1.0 | 0.8 |

[1]Overall gearing includes debt from promoter as well.
A: Audited P: Provisional; Note: these are latest available financial results *Per CARE 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 | 0.00 | Withdrawn |
| Fund-based - LT-Term Loan | - | - | - | December 2037 | 4470.00 | CARE A- (RWD) |
| Fund-based - LT-Term Loan | - | - | - | March 2025 | 0.00 | Withdrawn |
| 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- (RWD) (09-Sep-25) | 1)CARE A-; Stable (25-Nov-24) | 1)CARE A-; Stable (05-Jan-24) | 1)CARE A-; Stable (06-Jan-23)<br><br>2)CARE A- (RWN) (27-Dec-22) |
| 2 | Fund-based - LT-Term Loan | LT | - | - | 1)CARE A- (RWD) (09-Sep-25) | 1)CARE A-; Stable (25-Nov-24) | 1)CARE A-; Stable (05-Jan-24) | 1)CARE A-; Stable (06-Jan-23)<br><br>2)CARE A- (RWN) (27-Dec-22) |
| 3 | Fund-based - LT-Term Loan | LT | 4470.00 | CARE A- (RWD) | 1)CARE A- (RWD) (09-Sep-25) | 1)CARE A-; Stable (25-Nov-24) | 1)CARE A-; Stable (05-Jan-24) | 1)CARE A-; Stable (06-Jan-23)<br><br>2)CARE A- (RWN) (27-Dec-22) |
| 4 | Fund-based - LT-Term Loan | LT | - | - | 1)CARE A- (RWD) (09-Sep-25) | 1)CARE A-; Stable (25-Nov-24) | 1)CARE A-; Stable (05-Jan-24) | 1)CARE A-; Stable (06-Jan-23)<br><br>2)CARE A- (RWN) (27-Dec-22) |
| 5 | Non-fund-based - LT-Bank Guarantee | LT | 251.06 | CARE A- (RWD) | 1)CARE A- (RWD) (09-Sep-25) | 1)CARE A-; Stable (25-Nov-24) | 1)CARE A-; Stable (05-Jan-24) | 1)CARE A-; Stable (06-Jan-23)<br><br>2)CARE A- (RWN) (27-Dec-22) |
| 6 | Fund-based - LT-Term Loan | LT | - | - | - | - | 1)Withdrawn (05-Jan-24) | 1)CARE A-; 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 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 |
| | | | | | | | | (06-Jan-23)<br><br>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)<br><br>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 |
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**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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**About us:**
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