NHDC Limited

November 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	450.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating for proposed term loan of NHDC Limited (NHDC) continues to derive comfort from strong operational performance of its hydro power projects as evident from plant availability factor (PAF) above normative PAF (NAPAF) and generation above design energy. This leads to strong revenue streams via incentives and secondary energy sales. The PAF for the 1000 MW Indirasagar HEP (ISP) and 520 MW Omkareshwar HEP (OSP) remained high at 99.5% (PY: 97.5%, NAPAF: 90%) and 95.1% (PY: 95.9%, NAPAF: 87%) in FY25. Actual generation in FY25 (FY refers to April 01 to March 31) has been high at 5,464 Mus (PY: 4,471 Mus) compared to design energy of 2,159 Mus. As a result, the company reported incentive income of ₹42 crore (PY: ₹43 crore) and secondary energy of ₹422 crore (PY: ₹271 crore) in FY25. The company's financial performance remained strong with operating income of ₹1,594 crore (PY: ₹1,501 crore) and earnings before interest, taxation, depreciation, and amortisation (EBITDA) of ₹1,129 crore (PY: ₹1,124 crore) in FY25 with nil external debt.

The rating continues to factor in presence of long-term power purchase agreements (PPAs) for its operational 1,520-MW hydro power plants, 8 MW Sanchi Solar project and 88 MW floating solar power project leading to revenue visibility. Cost plus tariff structure for its operational hydro power projects per Central Electricity Regulatory Commission (CERC) tariff guidelines ensures cost recovery with fixed return subject to plant operational performance in line with normative parameters. The tariff for its 8 MW solar and 88 MW floating solar projects is fixed at ₹3.22/kWh for 25 years from commercial operation date (COD). The financial risk profile continues to be robust characterised by nil debt as on date (~₹43 crore as on March 31, 2024, which was repaid in April 2024) and strong liquidity position. The rating factors in strong parentage and operational linkage derived from NHPC Limited (NHPC, rated 'CARE AAA; Stable'), which is the largest hydro power player in India with several decades of successful operation of plants and supplying power to diversified counterparties. The rating also factors in NHDC's strategic importance for NHPC and the government of Madhya Pradesh (GoMP), which underpins support.

However, the company continues to remain exposed to counterparty credit arising from the weak financial health of its sole off-taker namely MP Power Management Company Limited (MPPMCL, rated CARE BB+(Stable)). The entity's financial position is characterised by high aggregate technical and commercial losses and leveraged capital structure. However, the risk is mitigated to some extent by timely payment from MPPMCL post implementation of LPSC scheme in June 2022. The rating also factors in risk associated with hydrology risk in its hydro projects and execution risk associated with 640 MW PSP, which is currently at DPR stage.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Deterioration in the credit profile of parent company, NHPC or change in linkage/support philosophy between the parent and NHDC.
- Material deterioration in the operational performance or aggressive debt-funded capex implementation, leading to significant moderation in leverage and coverage metrics.
- Significant decrease in average collection period.

Analytical approach: Standalone, factoring parent support from NHPC.

Outlook: Stable

The 'stable' outlook of the company reflects its ability to maintain healthy operational performance in line with past trends and steady collection efficiency. Its financial risk profile is expected to remain strong characterised by nil debt and large liquidity buffer.

[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

Strong parentage with continued operational support

As on September 30, 2025, 51.08% stake in NHDC is held by NHPC, which is the largest hydro power generating company in the country with ~15% of installed hydro power capacity in India. NHPC has several decades of experience in operating hydro plants across regions and supplying power to multiple counterparties. NHPC provides adequate operational support in terms of consultancy for strategic decisions for NHDC and regular review of its operational and financial performance. There is adequate representation of NHPC in NHDC's board with its chairman appointed by NHPC. Owing to NHDC's stable dividend payouts, its potential to generate stable cash flow, diversification provided through hydrology sources to the NHPC group's portfolio, and reputational risk associated with distress in its subsidiary, adequate and timely support from NHPC is envisaged.

ISP and OSP are multi-purpose projects meeting the requirement of power generation and irrigation, thus enabling agriculture and pisciculture in the nearby area. NHDC is one of the largest power suppliers to Madhya Pradesh

Long-term PPA for hydro and solar power projects leading to revenue visibility

The entire capacity of ISP and OSP is tied up through 35-year PPA with MP Power Management Company Limited (MPPMCL), assuring off-take of the entire power. NHDC has also executed PPAs with MPPMCL for 25-year tenor from COD for the 8 MW solar and 88 MW floating solar project. The 8 MW Sanchi Solar project was commissioned in March 2024, and 88 MW floating solar project was entirely commissioned in October 2024.

Steady cash flow with assured returns based on CERC-determined tariffs for hydro projects and competitively bid fixed tariff for solar projects

The tariffs for ISP and OSP are determined per the tariff regulation notified by CERC. The tariff is determined by referring to annual fixed charges (AFC), which comprises interest on loan, depreciation, interest on working capital, operation and maintenance expenses (O&M), and return on equity (ROE). Under the cost-plus tariff mechanism, recovery of cost is subject to the achievement of normative operational parameters. The company is also eligible for incentive income in case of better-than-normative operational performance. Performance of the two hydro power projects has been satisfactory, leading to recovery of entire capacity charge, incentive income, and secondary energy income.

The company also entered long-term PPAs for 8 MW Sanchi Solar project and 88 MW floating solar project at a tariff of ₹3.22/kWh with MPPMCL for 25 years from COD, providing long-term revenue visibility.

Healthy operation performance

Generation from both the hydro plants in FY25 has been higher than the design energy. The combined generation stood at 5,464 million units (MU; PY: 4,471 MU), while the actual PAF stood at 95.1% for ISP and 99.5% for OSP in FY25 (higher-than-normative PAF of 87% for ISP and 90% for OSP). The company recovered the entire capacity charges and earned incentive and secondary energy income

Strong financial risk profile

NHDC's financial risk profile is strong characterised by nil debt as on March 31, 2025 (PY: ~₹43 crore). The company availed a short-term loan in FY24, which was paid off in April 2024. Its operating model for the two hydro projects supports stable cash flow. The company has been regularly paying dividends with ₹820 crore paid in FY25 (PY: ₹956 crore). The company had healthy liquidity as evident from cash and bank balance of ₹1,685 crore as on March 31, 2025.

The company plans to implement a 640 MW pumped storage plant, which is likely to require capital outlay in excess of ₹5,240 crore. The management has indicated that the company may consider reducing dividend payouts to meet equity requirements for capital expenditure of the pumped storage plant. Accordingly, the leverage profile is expected to moderate in the medium term. However, peak overall gearing and total debt to profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT) are projected to remain below 0.60x and 3.30x, respectively, which is considered comfortable. The pumped storage project is at detailed project report (DPR) stage and capital expenditure will be undertaken in a phased manner.

Key weaknesses

Counterparty credit risk due to off-take concentration and weak credit profile of off-taker

NHDC's entire generation from its capacity (1520-MW hydro and 96-MW renewable projects) has exposure to MPPMCL, which exposes the company to counterparty credit risk. State distribution companies (discoms) have weak operating performance marked by high aggregated technical and commercial (AT&C) losses and a weak capital structure. Significant counterparty credit risk is mitigated through maintenance of a letter of credit by MPPMCL equivalent to one month of average billing, existence of a long-term tripartite agreement between NHDC, MPPMCL, and GoMP(guarantor), which can be invoked upon default in payment by the beneficiary for hydro power projects. Moreover, NHDC is also booking late payment surcharge (LPSC) income for delayed payments by MPPMCL per provisions of the PPA. Payments have been timely owing to implementation of LPSC scheme in June 2022 with Avg. collection period (excl. unbilled revenue) of 52 days for FY25.

Implementation risk associated with PSP

The company is in initial stages of setting up a 640-MW pumped storage plant with estimated project cost of ₹5,240 crore to be funded by debt and equity in the ratio of 70:30. The project is at detailed project report (DPR) stage and no major cost is expected to be incurred in the near term. The company shall be exposed to execution and funding risk typically associated with under construction projects. However, CARE Ratings Limited (CareEdge Ratings) expects NHDC to receive continued adequate project management support from its strong parent that has vast experience in setting up large projects

Hydrological risk and climate risks associated with power generation

NHDC's hydro power plants are exposed to hydrology risk since generation depends on precipitation and water level in the Narmada River. The plants generate higher power, when seasonal river flows are high and lower power in drier months. Flooding may necessitate temporary shutdown of hydroelectric operations to avoid damage. This could result in an extended period of downtime for repairs and maintenance, although this is a rare occurrence in the region. The solar projects are exposed to weather-related risks, affecting the plant load factor (PLF). As tariffs are single part in nature, the company may book lower revenues from non-generation of power due to variation in weather conditions or equipment quality.

Liquidity: Strong

NHDC has nil term debt as on date. Due to its robust business profile, gross cash accruals (GCA) generation from its existing hydro project and solar power projects is strong on annual basis. NHDC had cash and equivalent of ₹1,685 crore as on March 31, 2025. Given its strong parentage and robust financial risk profile, NHDC's financial flexibility is expected to remain healthy going forward.

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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

Formerly known as Narmada Hydroelectric Development Corporation Limited, NHDC, was incorporated in August 2000 as a 51:49 joint venture (JV) between NHPC and GoMP to complete and operate ISP (a multipurpose hydro-project for flood control, irrigation and hydroelectricity generation with a capacity of 1,000 MW) and OSP (a project downstream of ISP with hydro-electricity generation capacity of 520 MW). The company is also operating 8 MW solar and 88MW floating solar power projects in MP. As on September 30, 2025, NHPC was holding 51.08% share in NHDC, while GoMP and Narmada Basin Projects Company Limited (NBPCL, entirely held by GoMP) hold 26% and 22.92%, respectively.

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)	Q1 FY26(UA)
Total operating income	1,501	1,594	286
PBILDT	1,124	1,129	199
PAT	811	834	136
Overall gearing (times)	0.01	0.01	NM
Interest coverage (times)	NM	NM	NM

A: Audited UA: Unaudited; Note: these are latest available financial results

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*	450.00	CARE AAA; Stable

*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	Fund-based - LT-Term Loan	LT	450.00	CARE AAA; Stable	-	1)CARE AAA; Stable (18-Oct-24)	1)CARE AAA; Stable (29-Nov-23)	1)CARE AAA; Stable (01-Sep-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-Term Loan	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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About us:
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