# HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED

April 09, 2026

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term bank facilities | 373.11<br>(Reduced from 398.00) | CARE BB+; Positive | Reaffirmed; Outlook revised from Stable |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

The revision in outlook from stable to positive while reaffirming the rating factors in the improvement in operational and financial profile of Himachal Pradesh State Electricity Board Limited (HPSEBL) in the last one year. HPSEBL is the state-owned utility responsible for generation, transmission and distribution (T&D) of electricity in Himachal Pradesh. HPSEBL operates in a cost-plus tariff regime where recovery of cost is contingent on operational parameters in line with normative parameters determined by HP Electricity Regulatory Commission (HPERC). The aggregate technical and commercial (AT&C) loss remained low at 11.2% in FY25 and 10.0% in 9MFY26 against normative T&D loss of 10%. Collection efficiency remained above 98% while billing efficiency has been in the range of 85-90% in the past. Generation from its 488 MW hydro power projects has been satisfactory as evident from plant load factor (PLF) of 33.3% in FY25 and 31.3% in 9MFY26 against 28.9% in FY24. The rating also factors in commissioning of 100 MW hydro power project under its wholly owned subsidiary, Beas Valley Power Corporation, in February 2025, mitigating execution risk associated with under construction projects. Generation performance of the 100 MW plant has been satisfactory as evident from plant availability factor (PAF) of 77% and PLF of 40% in the last 12 months. The company's large and diverse consumer base, with over 50% from the industrial segment, and a recent tariff revision by HERC, are considered credit positives. The rating also factors in the presence of HPSEB in power generation with installed capacity of 587.95 MW. The tariff of hydro power projects is competitive, leading to low power procurement cost.

The rating continues to factor in the strategic importance of the company as the sole power distribution utility in Himachal Pradesh and regulated nature of business. The support from GoHP has been timely as evident from the equity infusion, timely release of subsidy and certain debt guaranteed by GoHP The GoHP has also approved the conversion of UDAY loans amounting to ₹2890.50 crore into equity, which is expected to reduce the debt levels of the company and result in improvement in net worth of the company.

The rating is constrained by the company's weak financial risk profile, marked by high debt levels, and modest operating margins. The company's operating profitability remained volatile in the past as increase in power procurement cost was not entirely passed to customers in form of tariff hikes. The company receives substantial portion of revenue in the form of subsidies from the state government. Timely disbursement of the subsidies from the state government shall be a key rating monitorable. The rating is also constrained by poor liquidity with free cash and cash equivalents of ₹316.50 crore as on December 31, 2025.

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

### Positive factors

- Improvement in the credit profile of GoHP.
- Significant improvement in the capital structure/debt reduction, operating profitability.
- Significant improvement in the average cost of supply-average realisable revenue (ACS-ARR) gap.
- Significant reduction in AT&C losses.

### Negative factors

- Weakening linkages or change in support philosophy of GoHP towards HPSEB.
- Further increase in AT&C losses.
- Sustainable delays in receipt of tariff subsidies from GoHP hampering operations.

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

**Analytical approach:** Consolidated

CARE Ratings Limited (CareEdge Ratings) analysed HPSEBL's credit profile on consolidated basis owing to support in the form of loans and corporate guarantee extended by the company to its subsidiaries and support from the GoHP, which is the holding company of the Discom with high cash flow fungibility. CareEdge Ratings has also factored operational and financial linkages with GoHP. Subsidiaries/ joint ventures (JVs), which have been consolidated is presented in Annexure-6.

**Outlook:** Positive

The positive outlook on CARE BB+ rating of the HPSEBL factors in improvement in company's operational and financial profile as evident from operating profit reported in FY25 and 9MFY26 and conversion of UDAY debt by GoHP into equity. The outlook also factors in improved operational performance, with AT&C losses remaining within the normative limits prescribed by HPERC and timely receipt of subsidy from GoHP.

## Detailed description of key rating drivers:

### Key weaknesses

**Limited tariff hike in the past, leading to weak profitability**

In recent years, limited tariff hikes approved by the regulator have significantly impacted HPSEBL's financial performance. Tariff hikes have been limited to ₹0.2-0.3 per unit from FY22 to FY24, although the tariff hike was higher at ₹0.97 per unit in FY25. Recent tariff order for FY25-26 approved a tariff decline of ₹0.03 per unit. The entity is reliant on hydro power generation for meeting power demand and one of the hydro power projects was impacted by flood leading to power purchase from exchange at higher rates. This and limited tariff hikes had impacted the financial profile of the company in the last although higher generation from hydro projects in FY25 and 9MFY26 reduced the reliance on exchange for power procurement.

**Weak financial risk profile due to high debt levels**

HPSEBL's financial risk profile remains weak, characterised by a highly leveraged capital structure due to substantial debt levels used to finance capital expenditures and support its operations. HPSEBL extended corporate guarantee for external loans availed by its wholly owned subsidiary Beas Valley Power Corporation, which developed a 100 MW hydro power project.

**Dependence on state subsidies**

HPSEBL's financial profile remains significantly reliant on subsidy support from the state government, given the high share of subsidised consumer categories. The subsidy as a percentage of revenue remained in the range of 13-19% from FY23 to FY25. However, receipt of subsidy has been timely in recent years. Delays can lead to cash flow mismatches and increased reliance on short-term borrowings

**Exposure to regulatory risks**

HPSEBL's operations are subject to tariff determination by the state regulator, exposing it to regulatory uncertainties. Tariff revisions may not always fully reflect cost increases, particularly in periods of rising power purchase costs. Regulatory lag in approval and recovery of expenses can impact near-term cash flows. Presence of regulatory assets and true-up adjustments also affects earnings visibility. Overall, cost recovery depends on regulatory outcomes and policy decisions, limiting financial flexibility.

### Key strengths

**Strategic importance as the sole power distribution entity in its designated regions of operation with a wide distribution network**

HPSEBL is a state-owned utility responsible for generation, transmission and distribution of electricity in Himachal Pradesh. Apart from being the sole power distribution entity in Himachal Pradesh, the entity owns 587.95 MW hydro power projects (including 100 MW under its subsidiary) and transmission lines in the state.

**Parentage of GoHP as a fully state-owned power sector entity with government support in the form of equity infusion, subsidy and government guaranteed debt**

The company is 100% held by GoHP and is strategically important to the state as evident from support in the past and representation on the board. GoHP has been providing funding support to the utility by way of equity infusion, tariff subsidy, loans and grants apart from the corporate guarantee to some of the company's outstanding debt.

**Regulated monopoly business with propensity for steady cashflow visibility**
HPSEBL operates in a cost-plus tariff regimem where the recovery of cost is contingent on operational parameters in line with normative parameters determined by HPERC. The company has assured revenue under multi-year tariff (MYT). However, significant delays in tariff approvals or a reduction in return on equity or a tightening HPERC norms could result in lower operating cash flows.

**Satisfactory operational performance**
Operational performance of the distribution business has been satisfactory as evident from AT&C losses of 11.2% in FY24 and FY25 and 10.0% in 9MFY26 against normative T&D loss of 10.0%. Generation from its 488 MW hydro power projects has been satisfactory as evident from plant load factor (PLF) of 33.3% in FY25 and 31.3% in 9MFY26 against 28.9% in FY24. Higher generation from hydro power projects reduced reliance on power procurement from exchange at higher cost and improved the company's financial performance.

**Regular filing of tariff and receipt of tariff subsidy from GoHP and moderate consumer mix**
HPSEB has been filing tariff petitions on time. Industrial consumers, including factories, manufacturing plants, and other industrial units, represent a key segment of HPSEBL's customer base. These consumers are crucial to HPSEBL, accounting for 58% of the total electricity consumption, highlighting their significant role in the utility's overall energy distribution.

**Liquidity**: Poor
HPSEBL's liquidity profile remains constrained, with free cash and cash equivalents of ₹316.50 crore as on December 31, 2025. The company's cash flow management is reliant on stretching creditor payments, indicating stressed internal accruals. The company's debt servicing obligation depends on support from GoHP through tariff subsidy and grants. The company's current ratio remains below 1 and net working capital continues to be negative as on March 31, 2025, reflecting limited short-term financial flexibility.

## Applicable criteria

Policy on Default Recognition
Notching by Factoring Linkages with Government
Liquidity Analysis of Non-financial sector entities
Assigning 'Outlook' or 'Rating Watch' to Credit Ratings
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings
Power Distribution Companies
Power Generation Projects

## About company and industry

## Industry classification

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

HPSEBL is a government-owned utility engaged in the generation, distribution, and trading of electricity in Himachal Pradesh. Originally constituted as HPSEB in 1971, it was reorganised into HPSEBL in 2010 under the state's power sector reforms. With an installed generation capacity of ~588 MW, the company primarily focuses on hydropower, leveraging the state's rich water resources. Transmission functions were separated and transferred to HPPTCL as part of the restructuring.

| Brief Financials - Consolidated (₹ crore) | March 31, 2024 (A) | March 31, 2025 (A) |
|---|---|---|
| Total operating income | 7133.40 | 8826.41 |
| PBILDT* | 52.28 | 896.75 |
| Profit after tax (PAT) | -573.41 | 295.92 |
| Overall gearing (x) | -2.49 | -2.79 |
| Interest coverage (x) | 0.09 | 1.44 |

A: Audited UA: Unaudited; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

**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 |
|---|---|---|---|---|---|---|
| Non-fund-based-Long Term | | - | - | - | 300.00 | CARE BB+; Positive |
| Term Loan-Long Term | | - | - | 01-07-2030 | 73.11 | CARE BB+; Positive |

## 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 | Non-fund-based-Long Term | LT | 300.00 | CARE BB+; Positive | 1)CARE BB+; Stable (28-Apr-25) | - | - | - |
| 2 | Term Loan-Long Term | LT | 73.11 | CARE BB+; Positive | 1)CARE BB+; Stable (28-Apr-25) | - | - | - |

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 | Non-fund-based-Long Term | Simple |
| 2 | Term Loan-Long Term | Simple |

## Annexure-5: Lender details

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|---|
| To view lender-wise details of bank facilities please click here |

## Annexure-6: List of entities consolidated

| Sr No | Name of the entity | Extent of consolidation | Rationale for consolidation |
|---|---|---|---|
| 1 | Beas Valley Power Corporation | Full | Wholly Owned Subsidiary |
| 2 | Himachal Renewable Limited | Proportionate | Joint Venture |

**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.

**Contact us**

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