NHPC India Limited
February 2, 2017

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Proposed Long term bonds (V-Series)	2250	**CARE AAA; Stable [Triple A; Outlook: Stable]**	Assigned
Long-term bonds (U Series)	900 (reduced from 100.00)	**CARE AAA; Stable [Triple A; Outlook: Stable]**	Reaffirmed
Long term bonds (T Series)	1474.92 (reduced from Rs 1475)	**CARE AAA; Stable [Triple A; Outlook: Stable]**	Reaffirmed
Long term bonds (Q Series)	1160.50 (reduced from Rs 1266)	**CARE AAA; Stable [Triple A; Outlook: Stable]**	Reaffirmed
Long term bonds (O Series)	114.00 (reduced from Rs 171)	**CARE AAA; Stable [Triple A; Outlook: Stable]**	Reaffirmed
Tax-free bonds	1000.00	**CARE AAA; Stable [Triple A; Outlook Stable]**	Reaffirmed
Long term bonds (S –Series)	988.50 (reduced from Rs 1025)	**CARE AAA; Stable [Triple A; Outlook Stable]**	Reaffirmed
Total Facilities	**7887.92 (Rupees Seven thousand eight hundred and eighty seven and ninety two lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The rating of NHPC continues to derive strength from its majority ownership by the Government of India (GoI), NHPC's established position as India's largest hydro power producer with geographical diversity of sales, and healthy operational efficiency of its power stations. The rating also favorably factors in NHPC's consistent financial performance and strong earnings protection attributable to long-term power selling arrangements with regulated return on equity, its comfortable capital structure and healthy liquidity position. The ratings also take cognizance of the risks associated with implementation of the ongoing projects and the weak credit profile of the company's power off-takers.

Going forward, completion of the ongoing capex plans within the time and cost estimates and its ability to achieve timely collection of dues from its off-takers shall be the key rating sensitivities.

Detailed description of the key rating drivers

The GoI holds 85.96% stake as on March 31, 2016. Pursuant to the divestment scheme of the GoI, the government has diluted its stake in the company from 74.60% through the Offer For Sale (OFS) route in May 2016.

During FY16 (refers to the period April 1 to March 31), out of the total 19 existing power stations, 15 stations exceeded their respective Plant Availability Factor (PAF) targets for "Excellent" MOU rating. Also, 15 power stations registered higher PAF than the normative PAF prescribed by Central Electricity Regulatory Commission (CERC). Further, during August 2016 the company has successfully commissioned Unit 4 of teesta low dam project (160 MW) at its full load of 40 MW.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

NHPC has a comfortable capital structure characterized by an overall gearing of 0.72x as on March 31, 2016. Comfortable interest coverage ratio of 5.19x during FY16 on account of increase in PBILDT. The liquidity position of the company also continued to remain comfortable as reflected by free cash and bank balances of Rs.5,625.24 crore as on March 31, 2016.

The tariffs for each power station of NHPC are determined by CERC. The tariff is determined by referring to Annual Fixed Charges (AFC), which comprise of interest on loan, depreciation, interest on working capital, operation & maintenance expenses and Return on Equity (ROE) @15.5%. 50% of AFC are recoverable upon achieving the design energy while the balance is recoverable on achieving the Normative PAF which has been prescribed for each power station by CERC.

The poor financial health of many of the state distribution utilities continues to remain a cause of concern for the power generating companies including NHPC. The higher level of Aggregate Transmission and Commercial (AT&C) losses, the rising power purchase costs and the absence of cost reflective tariff regimes have put a strain on the financial position of some of the state distribution utilities. . Nevertheless, the company has been regularly recovering money from the beneficiaries, further the company has also received Rs 677 crore during H1FY17 from J&K with respect to the arrears pending with the beneficiary

Analytical approach: Standalone

Applicable Criteria
[Criteria on assigning outlook to credit rating]
[CARE's policy on default recognition]
[CARE's criteria for short term instruments]
[CARE's rating methodology – Infrastructure Sector ratings]
[CARE's criteria on financial ratios- Non Financial Sector]

Company Background

NHPC Limited, a 'Miniratna' and Govt of India (GoI) enterprise, was incorporated in 1975 with an objective to plan, promote and organize an integrated and efficient development of hydroelectric power in the country. The company is the largest hydro power generating company in the country with a total aggregate installed capacity of 5,197MW as on December 31, 2016. The total installed capacity including capacity of its subsidiary NHDC Ltd (1520 MW) stood at 6,717MW representing nearly 16% of aggregate hydro power capacity of India which stood at 42,783 MW as on December 31, 2016. NHPC currently operates 19 hydropower stations in country with single largest capacity of 690 MW in J&K. The company has consistently been rated 'Excellent'/'Very Good' as per MOU with Ministry of Power for achieving the power generation targets.

During FY16 (refers to the period April 1 to March 31), NHPC had achieved PBILDT and PAT of Rs.5,538 crore and Rs.2,440 crore respectively on a total operating income of Rs.8,804 crore. In H1FY17 refers to the period (April 01- September 30) the company reported PBILDT and PAT of Rs 4,204 crore and Rs 2,413 crore on a total operating income of Rs 5,888 crore.

Status of non-cooperation with previous CRA: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Bonds	12 March2012	9.25%	2026-27	1160.50	CARE AAA; Stable
Bonds	02 November 2013	8.18%	2023-24	50.81	CARE AAA; Stable
Bonds	02 November 2013	8.43%	2023-24	60.77	CARE AAA; Stable
Bonds	02 November 2013	8.54%	2028-29	213.12	CARE AAA; Stable
Bonds	02 November 2013	8.79%	2028-29	85.61	CARE AAA; Stable
Bonds	02 November 2013	8.67%	2033-34	336.07	CARE AAA; Stable
Bonds	02 November 2013	8.92%	2033-34	253.62	CARE AAA; Stable
Bonds	24 November 2014	8.49%	2024-25	328.50	CARE AAA; Stable
Bonds	24 November 2014	8.54%	2029-30	660.00	CARE AAA; Stable
Bonds	14 July 2015	8.50%	2031-32	1474.92	CARE AAA; Stable
Bonds	31 March 2003	7.70%	2017-18	114.00	CARE AAA; Stable
Bonds	27 June 2016	8.24%	2031-32	540.00	CARE AAA; Stable
Bonds	07 July 2016	8.17%	2031-32	360.00	CARE AAA; Stable

Annexure-2

		Current Ratings			Chronology of Rating history			
Sr. No.	Name of the Instrument/Bank Facilities	Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Bonds	LT	1160.50	CARE AAA; Stable	1)CARE AAA (28-Jun-16)	1)CARE AAA (15-Jul-15)	1)CARE AAA (15-Oct-14)	1)CARE AAA (04-Oct-13)
2.	Bonds	LT	1000.00	CARE AAA; Stable	2)CARE AAA (28-Jun-16)	2)CARE AAA (15-Jul-15)	2)CARE AAA (15-Oct-14)	2)CARE AAA (04-Oct-13)
3.	Bonds	LT	988.50	CARE AAA; Stable	3)CARE AAA (28-Jun-16)	3)CARE AAA (15-Jul-15)	3)CARE AAA (27-Nov-14)	-
4.	Bonds	LT	1474.92	CARE AAA; Stable	4)CARE AAA (28-Jun-16)	4)CARE AAA (15-Jul-15)	-	-
5.	Bonds	LT	114.00	CARE AAA; Stable	5)CARE AAA (28-Jun-16)	5)CARE AAA (31-Aug-15)	-	-
6.	Bonds	LT	900.00	CARE AAA; Stable	6)CARE AAA (28-Jun-16)	-	-	-
7.	Bonds-Redeemable Non Convertible Unsecured Taxable Bonds	LT	2250.00	CARE AAA; Stable				

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