# NHPC Limited

September 05, 2018

**Ratings**

| Instruments | Amount (Rs. crore) | Ratings[1] | Rating Action |
|---|---|---|---|
| Long –Term Bonds (U Series) | 900.00 | **CARE AAA; Stable (Triple A; Outlook Stable)** | **Reaffirmed** |
| Long–Term Bonds (V Series) | 2,095.00 (reduced from 2,250.00) | **CARE AAA; Stable (Triple A; Outlook Stable)** | **Reaffirmed** |
| Long–Term Bonds (T Series) | 1,474.92 | **CARE AAA; Stable (Triple A; Outlook Stable)** | **Reaffirmed** |
| Long–Term Bonds (S Series) | 915.50 (reduced from 952.00) | **CARE AAA; Stable (Triple A; Outlook Stable)** | **Reaffirmed** |
| Long–Term Tax Free Bonds | 1,000.00 | **CARE AAA; Stable (Triple A; Outlook Stable)** | **Reaffirmed** |
| Long–Term Bonds (Q Series) | 949.50 (reduced from 1,055.00) | **CARE AAA; Stable (Triple A; Outlook Stable)** | **Reaffirmed** |
| Long–Term Bonds (W Series) | 2,250.00 | **CARE AAA; Stable (Triple A; Outlook Stable)** | **Reaffirmed** |
| **Total** | **9,584.92 (Rupees nine thousand five hundred eighty four crore and ninety two lakh only)** | | |

*Details of instruments in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

*The rating of NHPC continues to derive strength from its majority ownership by the Government of India (GoI) with financial and management support, 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 factors in NHPC's comfortable financial risk profile characterized by low overall gearing and adequate liquidity and earnings protection attributable to long-term power selling arrangements with regulated return on equity. 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, timely completion of the ongoing capex plans within the estimated cost and timely receipt of dues from its off-takers shall be the key rating sensitivities.*

**Detailed description of the key rating drivers**

**Key Rating Strengths**

**Govt support and majority ownership by GoI:** The GoI (which held 73.96% stake in NHPC as on March 31, 2018) is instrumental in providing financial and strategic support. Apart from providing equity support, the GoI has provided support in the form of longer tenure subordinated debt to fund the strategically important projects at concessional interest rate. The GoI is also involved in appointment of the Board and senior management as well as setting up NHPC's business plan annually.

**Cost-plus tariff providing stable cash flow and assured returns:** The tariff for each hydro power station of NHPC is determined by Central Electricity Regulatory Commission (CERC). It ensures recovery of cost along with stipulated return on equity on achievement of normative availability and generation meeting the design energy of that particular plant. NHPC has low sales risk on account of execution of long term PPA for its hydro projects.

The average tariff of all the hydro power plants of NHPC was Rs. 3.38/unit (PY: Rs. 3.34/unit) with 13 plants having tariff of Rs. 5.0/ unit or below in FY18.

**Healthy operational performance of power stations:** NHPC's total power generation (standalone) stood at 22,975 Million Units (MUs) during FY18 through its 22 operating power stations (including one wind power plant and one solar power plant) located in different parts of the country. NHPC achieved highest ever aggregate PAF of 85.32% in FY18 (PY: 83.41%). Out of the total 19 operational hydro power stations, 15 power stations registered higher PAF than the Normative Availability prescribed by CERC.

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

**Healthy collection efficiency:** Collection efficiency improved from ~83% in FY17 to ~87% in FY18 along with reduction in debtors holding period to 72 days (PY: 76 days). The improvement was largely attributable to higher GoI support to state-DISCOMs and recovery mechanism initiated on a DISCOM having long pending overdue.

**Comfortable financial risk profile:** The overall financial risk profile of NHPC continued to remain comfortable characterized by low overall gearing (despite regular dividends) with stable coverage metrics. Overall gearing was 0.68x as on March 31, 2018 (PY: 0.74x), through reduction of LT-debt and profit plough-back. Despite lower generation and revenue on account of it in FY18, GCA remained stable on account of lower interest cost. TD/GCA improved to 4.30x in FY18 (PY: 4.48x) and interest cover strengthened to 5.52x in FY18 (PY: 4.84x).

**Key Rating Weaknesses**

**Risks related to projects under implementation:** The expansion plans of NHPC exposes the company to the project execution and funding related risks, which however is mitigated largely through company's favorable capital structure and consistent cash flows from operations with adequate cash and bank balance.

NHPC is currently implementing 2 hydro projects with an aggregate installed capacity of 2,800 MW in the states of Himachal Pradesh, Arunachal Pradesh/Assam. The work on Subansiri lower project (2000 MW) continues to be suspended on account of agitation launched by various activists (petitioners) in the area w.r.t. the concerns on safety of dam and downstream impacts of dam. The final hearing in this regard was held on May 8, 2018 and the judgment was reserved by NGT Principal Bench, New Delhi. The resumption of work of this project shall be a key monitor able.

**Counterparty credit risk**: The below average financial health of many of the state distribution utilities continues to remain a cause of concern for the power generating companies including NHPC thereby affecting timely realization of revenue. However, the collection from DISCOMs has gradually improved.

**Analytical approach:** Standalone

**Applicable Criteria**

CARE's criteria on assigning outlook to credit ratings
CARE's policy on default recognition
CARE's methodology for private power producers
CARE's rating methodology on financial ratios – Non-financial sector
Rating Methodology - Infrastructure Sector Ratings

**About the Company**

NHPC Limited (NHPC), a 'Miniratna' (since April'08) 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 an aggregate installed hydropower capacity (including subsidiaries) of 6,971 MW as on June 30, 2018 (vs 6,641 MW as on March 31, 2017) which is around 15.35% of installed hydro power capacity in India. NHPC is present across 11 states and currently operates 22 hydropower stations (including two through its subsidiary) with single largest capacity of 1,000 MW in Madhya Pradesh. The company has consistently been rated 'Very Good' as per MOU with Ministry of Power for achieving the power generation targets. Key performance highlight of the company is as under:

| Brief Financials (Rs. crore) | FY17 (A) | FY18 (A) |
|---|---|---|
| Income from Operations | 8,693 | 8,418 |
| PBILDT | 5,194 | 5,089 |
| PAT | 2,796 | 2,759 |
| Overall Gearing | 0.74 | 0.68 |
| Interest Coverage | 4.84 | 5.52 |

*A: Audited*

**Status of non-cooperation with previous CRA: NA**
**Any other information:** NA
**Rating History for last three years: NA**

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

**About CARE Ratings:**
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.



**Annexure-1: Details of Instruments**

| Bond Series | ISIN | Issuance date | Rated amount (Rs. Cr.) | Coupon | Maturity date | Rating assigned along with Rating Outlook |
|---|---|---|---|---|---|---|
| Q Series Bond | INE848E07088 | 12.3.2012 | 105.5 | 9.25% | 12.03.2019 | CARE AAA; Stable |
| | INE848E07096 | 12.3.2012 | 105.5 | 9.25% | 12.03.2020 | CARE AAA; Stable |
| | INE848E07104 | 12.3.2012 | 105.5 | 9.25% | 12.03.2021 | CARE AAA; Stable |
| | INE848E07112 | 12.3.2012 | 105.5 | 9.25% | 12.03.2022 | CARE AAA; Stable |
| | INE848E07120 | 12.3.2012 | 105.5 | 9.25% | 12.03.2023 | CARE AAA; Stable |
| | INE848E07138 | 12.3.2012 | 105.5 | 9.25% | 12.03.2024 | CARE AAA; Stable |
| | INE848E07146 | 12.3.2012 | 105.5 | 9.25% | 12.03.2025 | CARE AAA; Stable |
| | INE848E07153 | 12.3.2012 | 105.5 | 9.25% | 12.03.2026 | CARE AAA; Stable |
| | INE848E07161 | 12.3.2012 | 105.5 | 9.25% | 12.03.2027 | CARE AAA; Stable |
| Tax Free Bond 1A SERIES | INE848E07518 | 02.11.2013 | 50.81 | 8.18% | 2.11.2023 | CARE AAA; Stable |
| Tax Free Bond 2A SERIES | INE848E07526 | 02.11.2013 | 213.12 | 8.54% | 2.11.2028 | CARE AAA; Stable |
| Tax Free Bond 3A SERIES | INE848E07534 | 02.11.2013 | 336.07 | 8.67% | 2.11.2033 | CARE AAA; Stable |
| Tax Free Bond 1B SERIES | INE848E07542 | 02.11.2013 | 60.77 | 8.43% | 2.11.2023 | CARE AAA; Stable |
| Tax Free Bond 2B SERIES | INE848E07559 | 02.11.2013 | 85.61 | 8.79% | 2.11.2028 | CARE AAA; Stable |
| Tax Free Bond 3B SERIES | INE848E07567 | 02.11.2013 | 253.62 | 8.92% | 2.11.2033 | CARE AAA; Stable |
| S Series Bonds (S1) | INE848E07609 | 26.11.2014 | 36.5 | 8.49% | 26.11.2018 | CARE AAA; Stable |
| | INE848E07617 | 26.11.2014 | 36.5 | 8.49% | 26.11.2019 | CARE AAA; Stable |
| | INE848E07625 | 26.11.2014 | 36.5 | 8.49% | 26.11.2020 | CARE AAA; Stable |
| | INE848E07633 | 26.11.2014 | 36.5 | 8.49% | 26.11.2021 | CARE AAA; Stable |
| | INE848E07641 | 26.11.2014 | 36.5 | 8.49% | 26.11.2022 | CARE AAA; Stable |
| | INE848E07658 | 26.11.2014 | 36.5 | 8.49% | 26.11.2023 | CARE AAA; Stable |
| | INE848E07666 | 26.11.2014 | 36.5 | 8.49% | 26.11.2024 | CARE AAA; Stable |
| S Series Bonds (S2) | INE848E07674 | 26.11.2014 | 55 | 8.54% | 26.11.2018 | CARE AAA; Stable |
| | INE848E07682 | 26.11.2014 | 55 | 8.54% | 26.11.2019 | CARE AAA; Stable |
| | INE848E07690 | 26.11.2014 | 55 | 8.54% | 26.11.2020 | CARE AAA; Stable |

| Bond Series | ISIN | Issuance date | Rated amount (Rs. Cr.) | Coupon | Maturity date | Rating assigned along with Rating Outlook |
|---|---|---|---|---|---|---|
| | INE848E07708 | 26.11.2014 | 55 | 8.54% | 26.11.2021 | CARE AAA; Stable |
| | INE848E07716 | 26.11.2014 | 55 | 8.54% | 26.11.2022 | CARE AAA; Stable |
| | INE848E07724 | 26.11.2014 | 55 | 8.54% | 26.11.2023 | CARE AAA; Stable |
| | INE848E07732 | 26.11.2014 | 55 | 8.54% | 26.11.2024 | CARE AAA; Stable |
| | INE848E07740 | 26.11.2014 | 55 | 8.54% | 26.11.2025 | CARE AAA; Stable |
| | INE848E07757 | 26.11.2014 | 55 | 8.54% | 26.11.2026 | CARE AAA; Stable |
| | INE848E07765 | 26.11.2014 | 55 | 8.54% | 26.11.2027 | CARE AAA; Stable |
| | INE848E07773 | 26.11.2014 | 55 | 8.54% | 26.11.2028 | CARE AAA; Stable |
| | INE848E07781 | 26.11.2014 | 55 | 8.54% | 26.11.2029 | CARE AAA; Stable |
| T-Series Bonds | INE848E07799 | 14.07.2015 | 122.91 | 8.50% | 14.07.2019 | CARE AAA; Stable |
| | INE848E07807 | 14.07.2015 | 122.91 | 8.50% | 14.07.2020 | CARE AAA; Stable |
| | INE848E07815 | 14.07.2015 | 122.91 | 8.50% | 14.07.2021 | CARE AAA; Stable |
| | INE848E07823 | 14.07.2015 | 122.91 | 8.50% | 14.07.2022 | CARE AAA; Stable |
| | INE848E07831 | 14.07.2015 | 122.91 | 8.50% | 14.07.2023 | CARE AAA; Stable |
| | INE848E07849 | 14.07.2015 | 122.91 | 8.50% | 14.07.2024 | CARE AAA; Stable |
| | INE848E07856 | 14.07.2015 | 122.91 | 8.50% | 14.07.2025 | CARE AAA; Stable |
| | INE848E07864 | 14.07.2015 | 122.91 | 8.50% | 14.07.2026 | CARE AAA; Stable |
| | INE848E07872 | 14.07.2015 | 122.91 | 8.50% | 14.07.2027 | CARE AAA; Stable |
| | INE848E07880 | 14.07.2015 | 122.91 | 8.50% | 14.07.2028 | CARE AAA; Stable |
| | INE848E07898 | 14.07.2015 | 122.91 | 8.50% | 14.07.2029 | CARE AAA; Stable |
| | INE848E07906 | 14.07.2015 | 122.91 | 8.50% | 14.07.2030 | CARE AAA; Stable |
| U-Series Bond | INE848E07914 | 27.06.2016 | 540.00 | 8.24% | 27.06.2031 | CARE AAA; Stable |
| U1-Series Bond | INE848E07922 | 07.07.2016 | 360.00 | 8.17% | 27.06.2031 | CARE AAA; Stable |
| V - Series Bond | INE848E07948 | 24.01.2017 | 155.00 | 6.84% | 24.01.2019 | CARE AAA; Stable |
| | INE848E07955 | 24.01.2017 | 155.00 | 6.84% | 24.01.2020 | CARE AAA; Stable |
| | INE848E07963 | 24.01.2017 | 155.00 | 6.84% | 24.01.2021 | CARE AAA; Stable |
| | INE848E07971 | 24.01.2017 | 155.00 | 6.84% | 24.01.2022 | CARE AAA; Stable |
| V2 - Series Bond | INE848E07989 | 06.06.2017 | 295.00 | 7.52% | 06.06.2023 | CARE AAA; Stable |
| | INE848E07997 | 06.06.2017 | 295.00 | 7.52% | 06.06.2024 | CARE AAA; Stable |
| | INE848E07AA3 | 06.06.2017 | 295.00 | 7.52% | 06.06.2025 | CARE AAA; Stable |
| | INE848E07AB1 | 06.06.2017 | 295.00 | 7.52% | 06.06.2026 | CARE AAA; Stable |
| | INE848E07AC9 | 06.06.2017 | 295.00 | 7.52% | 06.06.2027 | CARE AAA; Stable |
| W1 - Series Bond | INE848E07AD7 | 15.09.2017 | 300.00 | 6.91% | 15.09.2018 | CARE AAA; Stable |
| | INE848E07AE5 | 15.09.2017 | 300.00 | 6.91% | 15.09.2019 | CARE AAA; Stable |
| | INE848E07AF2 | 15.09.2017 | 300.00 | 6.91% | 15.09.2020 | CARE AAA; Stable |
| | INE848E07AG0 | 15.09.2017 | 300.00 | 6.91% | 15.09.2021 | CARE AAA; Stable |
| | INE848E07AH8 | 15.09.2017 | 300.00 | 6.91% | 15.09.2022 | CARE AAA; Stable |
| W2 - Series Bond | INE848E07AI6 | 15.09.2017 | 150.00 | 7.35% | 15.09.2023 | CARE AAA; Stable |
| | INE848E07AJ4 | 15.09.2017 | 150.00 | 7.35% | 15.09.2024 | CARE AAA; Stable |
| | INE848E07AK2 | 15.09.2017 | 150.00 | 7.35% | 15.09.2025 | CARE AAA; Stable |
| | INE848E07AL0 | 15.09.2017 | 150.00 | 7.35% | 15.09.2026 | CARE AAA; Stable |
| | INE848E07AM8 | 15.09.2017 | 150.00 | 7.35% | 15.09.2027 | CARE AAA; Stable |

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 |
| 1. | Bonds (Q-Series) | LT | 949.50 | CARE AAA; Stable | - | 1)CARE AAA; Stable (17-Jul-17) | 1)CARE AAA; Stable (02-Feb-17) 2)CARE AAA (28-Jun-16) | 1)CARE AAA (15-Jul-15) |
| 2. | Bonds (Tax Free) | LT | 1000.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable (17-Jul-17) | 1)CARE AAA; Stable (02-Feb-17) 2)CARE AAA (28-Jun-16) | 1)CARE AAA (15-Jul-15) |
| 3. | Bonds (S-Series) | LT | 915.50 | CARE AAA; Stable | - | 1)CARE AAA; Stable (17-Jul-17) | 1)CARE AAA; Stable (02-Feb-17) 2)CARE AAA (28-Jun-16) | 1)CARE AAA (15-Jul-15) |
| 4. | Bonds (T-Series) | LT | 1474.92 | CARE AAA; Stable | - | 1)CARE AAA; Stable (17-Jul-17) | 1)CARE AAA; Stable (02-Feb-17) 2)CARE AAA (28-Jun-16) | 1)CARE AAA (15-Jul-15) |
| 5. | Bonds (O-Series) | LT | - | - | - | 1)CARE AAA; Stable (17-Jul-17) | 1)CARE AAA; Stable (02-Feb-17) 2)CARE AAA (28-Jun-16) | 1)CARE AAA (31-Aug-15) |
| 6. | Bonds (U-Series) | LT | 900.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable (17-Jul-17) | 1)CARE AAA; Stable (02-Feb-17) 2)CARE AAA (28-Jun-16) | - |
| 7. | Bonds-Redeemable Non Convertible Unsecured Taxable Bonds (V-Series) | LT | 2095.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable (17-Jul-17) | 1)CARE AAA; Stable (02-Feb-17) | - |
| 8. | Bonds (W – Series) | LT | 2250.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable (11-Sep-17) | - | - |

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**CIN - L67190MH1993PLC071691**