

## NHPC Limited

July 04, 2019

### Ratings

Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long –Term Bonds (U Series)	900.00	CARE AAA; Stable (Triple A; Outlook Stable)	Reaffirmed
Long–Term Bonds (V Series)	1,940.00 (reduced from 2,095.00)	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)	824.00 (reduced from 915.50)	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)	844.00 (reduced from 949.50)	CARE AAA; Stable (Triple A; Outlook Stable)	Reaffirmed
Long–Term Bonds (W Series)	1,950.00 (reduced from 2,250.00)	CARE AAA; Stable (Triple A; Outlook Stable)	Reaffirmed
Long–Term Bonds (X Series)	2,000.00	CARE AAA; Stable (Triple A; Outlook Stable)	Reaffirmed
Long term instruments – Gol fully serviced bonds	2017.20	CARE AAA; Stable (Triple A; Outlook Stable)	Reaffirmed
<b>Total</b>	<b>12,950.12</b> <b>(Rupees Twelve Thousand Nine Hundred Fifty crore and Twelve Lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings of NHPC continue 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 ratings also continue to factor 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 rating takes cognizance of revenue diversification initiatives of NHPC including foraying into power trading and setting up plants in renewable energy sector.

In addition, the rating assigned to the GoI fully serviced bonds of NHPC factors in the obligation of the Government of India (GoI) to repay the principal and the interest amount by making suitable budgetary provisions as per the letter dated March 11, 2019 issued by Department of Economic Affairs, Ministry of Finance, GoI.

The ratings strengths, however, continue to remain constrained by counterparty risks by being exposed to various state electricity distribution utilities/boards with relatively weak credit profile, risks associated with implementation of the ongoing projects, hydrological risks implying dependence on river water flow and regulatory risks with respect to tariff revisions.

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

**Government support and majority ownership by GoI:** The GoI (which held 73.33% stake in NHPC as on March 31, 2019) 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

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Publications

of NHPC was Rs. 3.38/unit for FY19 (PY: Rs. 3.38/unit) with 14 plants (out of 20) having tariff of Rs. 5.0/ unit or below in FY19. Further, the FY19 tariff is provisional and yet to be finalized as per CERC 2019-24 tariff regulations.

**Healthy operational performance of power stations:** NHPC's total power generation (standalone) stood at ~24 Billion Units (BUs) during FY19 (FY18: 23 BU) through its 22 operating power stations (including one wind power plant and one solar power plant) located across different parts of the country. The company had achieved an aggregate PAF of 84.84% in FY19 (PY: 85.32%). Out of the total 20 operational hydro power stations, 16 power stations (PY: 15) registered higher PAF than the Normative Availability prescribed by CERC. Further, NHPC reported ~23% growth in incentive income to Rs. 789 crore during FY19 (FY18: Rs. 643 crore) driven by higher incentive on capacity, deviation charges and energy incentive on account of higher generation.

**Comfortable leverage and coverage metrics:** The overall financial risk profile of NHPC continued to remain comfortable characterized by low overall gearing with stable debt coverage metrics. Overall gearing stood at 0.68x as on March 31, 2019 (PY: 0.68x), through reduction in net LT-debt and profit plough-back. The coverage indicators remained comfortable as reflected by interest coverage of 6.04x in FY19 (PY: 5.52x).

#### **Liquidity: Strong**

NHPC has strong liquidity profile marked by healthy cash generation viz a viz scheduled debt repayments. The company is expected to generate gross cash accruals of ~ Rs 4,500 cr. against which it has scheduled repayment obligation of Rs 1,605 cr. during FY20. The liquidity profile of the company is also supported by the cash and bank balance of Rs. 390 crore as on March 31, 2019 and largely unutilized working capital limits of Rs 925 cr.

#### **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, consistent cash flows from operations with adequate cash & bank balance and extensive experience in implementation of various projects in past.

The execution of the long-stalled Subansiri lower project (2,000 MW) is expected to get impetus soon post the National Green Tribunal's (NGT) order on validity of Expert Advisory Committee's report on the appeal filed by social activists against its construction. Further, the management is also planning to undertake modernisation of plants which are older than three decade. Going forward, implementation progress of this project shall be a key monitorable.

**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.

#### **Analytical approach:**

Standalone. Further, the rating factors in NHPC's strategic importance to the Government of India (GOI) and its role as biggest hydro power company in India.

#### **Applicable Criteria**

[CARE's criteria on assigning outlook to credit ratings](#)

[CARE's policy on default recognition](#)

[CARE's methodology for independent power producers](#)

[CARE's rating methodology on financial ratios – Non-financial sector](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[CARE's policy for factoring linkages in ratings](#)

#### **About the Company**

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 March 31, 2019 which is around 15% 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. NHPC has also been selected as aggregator for Ministry of Power's pilot scheme – 2 for allotment of short term PPAs of 2500 MW. As per the scheme, PTC Consulting limited (PTC) will act as consultant in order to help the stressed thermal power plants in the country which do not currently have PPAs in place. Key financial performance highlights of the company (standalone) are as under:

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	8,418	9,085
PBILD	5,089	5,406
PAT	2,759	2,631
Overall gearing (times)	0.68	0.68
Interest coverage (times)	5.52	6.04

A: Audited

**Status of non-cooperation with previous CRA:**

Not Applicable

**Any other information:**

Not Applicable

**Rating History for last three years:** Please refer Annexure-2

#### Annexure-1: Details of Instruments/Facilities

S. No.	ISIN	Bond Series	Bond Issue Date	Rated amount (Rs. Cr.)	Coupon	Maturity	Rating assigned along with Rating Outlook
1	INE848E07096	Q Series Bond	12.3.2012	105.50	9.25%	12.03.2020	CARE AAA; Stable
	INE848E07104		12.3.2012	105.50	9.25%	12.03.2021	CARE AAA; Stable
	INE848E07112		12.3.2012	105.50	9.25%	12.03.2022	CARE AAA; Stable
	INE848E07120		12.3.2012	105.50	9.25%	12.03.2023	CARE AAA; Stable
	INE848E07138		12.3.2012	105.50	9.25%	12.03.2024	CARE AAA; Stable
	INE848E07146		12.3.2012	105.50	9.25%	12.03.2025	CARE AAA; Stable
	INE848E07153		12.3.2012	105.50	9.25%	12.03.2026	CARE AAA; Stable
	INE848E07161		12.3.2012	105.50	9.25%	12.03.2027	CARE AAA; Stable
2	INE848E07518	1A SERIES	02.11.2013	50.81	8.18%	2.11.2023	CARE AAA; Stable
	INE848E07526	2A SERIES	02.11.2013	213.12	8.54%	2.11.2028	CARE AAA; Stable
	INE848E07534	3A SERIES	02.11.2013	336.07	8.67%	2.11.2033	CARE AAA; Stable
	INE848E07542	1B SERIES	02.11.2013	60.77	8.43%	2.11.2023	CARE AAA; Stable
	INE848E07559	2B SERIES	02.11.2013	85.61	8.79%	2.11.2028	CARE AAA; Stable
	INE848E07567	3B SERIES	02.11.2013	253.62	8.92%	2.11.2033	CARE AAA; Stable
3.a	INE848E07617	S Series Bonds (S1)	26.11.2014	36.50	8.49%	26.11.2019	CARE AAA; Stable
	INE848E07625		26.11.2014	36.50	8.49%	26.11.2020	CARE AAA; Stable
	INE848E07633		26.11.2014	36.50	8.49%	26.11.2021	CARE AAA; Stable
	INE848E07641		26.11.2014	36.50	8.49%	26.11.2022	CARE AAA; Stable
	INE848E07658		26.11.2014	36.50	8.49%	26.11.2023	CARE AAA; Stable
	INE848E07666		26.11.2014	36.50	8.49%	26.11.2024	CARE AAA; Stable
3.b	INE848E07682	S Series Bonds (S2)	26.11.2014	55.00	8.54%	26.11.2019	CARE AAA; Stable
	INE848E07690		26.11.2014	55.00	8.54%	26.11.2020	CARE AAA; Stable
	INE848E07708		26.11.2014	55.00	8.54%	26.11.2021	CARE AAA; Stable
	INE848E07716		26.11.2014	55.00	8.54%	26.11.2022	CARE AAA; Stable
	INE848E07724		26.11.2014	55.00	8.54%	26.11.2023	CARE AAA; Stable
	INE848E07732		26.11.2014	55.00	8.54%	26.11.2024	CARE AAA; Stable
	INE848E07740		26.11.2014	55.00	8.54%	26.11.2025	CARE AAA; Stable
	INE848E07757		26.11.2014	55.00	8.54%	26.11.2026	CARE AAA; Stable
	INE848E07765		26.11.2014	55.00	8.54%	26.11.2027	CARE AAA; Stable
	INE848E07773		26.11.2014	55.00	8.54%	26.11.2028	CARE AAA; Stable
	INE848E07781		26.11.2014	55.00	8.54%	26.11.2029	CARE AAA; Stable
4	INE848E07799	T-Series Bonds	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

S. No.	ISIN	Bond Series	Bond Issue Date	Rated amount (Rs. Cr.)	Coupon	Maturity	Rating assigned along with Rating Outlook
	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
5	INE848E07914	U-Series Bond	27.06.2016	540.00	8.24%	27.06.2031	CARE AAA; Stable
	INE848E07922	U1-Series Bond	07.07.2016	360.00	8.17%	27.06.2031	CARE AAA; Stable
6.a	INE848E07955	V - Series Bond	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
6.b	INE848E07989	V2 - Series Bond	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
7.a	INE848E07AE5	W1 - Series Bond	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
7.b	INE848E07AI6	W2 - Series Bond	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
8	INE848E07AN6	X - Series	08.02.2019	1,500.00	8.65%	08.02.2029	CARE AAA; Stable
	Proposed		-	500.00	-	-	CARE AAA; Stable
9	INE848E08136	GoI fully serviced Bonds	22.03.2019	2,017.20	8.12%	22.03.2029	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Bonds (Q Series)	LT	844.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Sep-18)	1)CARE AAA; Stable (17-Jul-17)	1)CARE AAA; Stable (02-Feb-17) 2)CARE AAA (28-Jun-16)
2.	Bonds (1A/ 2A/ 3A/ 1B/ 2B/ 3B series)	LT	1000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Sep-18)	1)CARE AAA; Stable (17-Jul-17)	1)CARE AAA; Stable (02-Feb-17) 2)CARE AAA (28-Jun-16)
3.	Bonds (S series)	LT	824.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Sep-18)	1)CARE AAA; Stable (17-Jul-17)	1)CARE AAA; Stable (02-Feb-17) 2)CARE AAA (28-Jun-16)
4.	Bonds (T series)	LT	1474.92	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Sep-18)	1)CARE AAA; Stable (17-Jul-17)	1)CARE AAA; Stable (02-Feb-17) 2)CARE AAA (28-Jun-16)
5.	Bonds	LT	-	-	-	1)Withdrawn	1)CARE AAA;	1)CARE AAA; Stable

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
	(O series)					(05-Sep-18)	Stable (17-Jul-17)	(02-Feb-17) 2)CARE AAA (28-Jun-16)
6.	Bonds (U series)	LT	900.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Sep-18)	1)CARE AAA; Stable (17-Jul-17)	1)CARE AAA; Stable (02-Feb-17) 2)CARE AAA (28-Jun-16)
7.	Bonds- (V series)	LT	1940.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Sep-18)	1)CARE AAA; Stable (17-Jul-17)	1)CARE AAA; Stable (02-Feb-17)
8.	Bonds (W series)	LT	1950.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Sep-18)	1)CARE AAA; Stable (11-Sep-17)	-
9.	Bonds (GOI fully serviceable)	LT	2000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Feb-19)	-	-
10.	Bonds (X series)	LT	2017.20	CARE AAA; Stable	-	1)CARE AAA; Stable (19-Mar-19)	-	-

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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