

NHPC Limited

July 06, 2020

Rating	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)	1,785.00 (reduced from 1,940.00)	CARE AAA; Stable (Triple A; Outlook Stable)	Reaffirmed
	Long–Term Bonds (T Series)	1,352.01 (reduced from 1,474.92)	CARE AAA; Stable (Triple A; Outlook Stable)	Reaffirmed
	Long–Term Bonds (S Series)	732.50 (reduced from 824.00)	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)	738.50 (reduced from 844.00)	CARE AAA; Stable (Triple A; Outlook Stable)	Reaffirmed
	Long–Term Bonds (W Series)	1,650.00 (reduced from 1,950.00)	CARE AAA; Stable (Triple A; Outlook Stable)	Reaffirmed
	Long–Term Bonds (X Series)	1,500.00 (reduced from 2,000.00)	CARE AAA; Stable (Triple A; Outlook Stable)	Reaffirmed
	Long term instruments – Gol fully serviced bonds	2,017.20	CARE AAA; Stable (Triple A; Outlook Stable)	Reaffirmed
	Long–Term Bonds (AA Series)	2,000.00	CARE AAA; Stable (Triple A; Outlook Stable)	Reaffirmed
	Long–Term Bonds (AB Series)	1,000.00	CARE AAA; Stable (Triple A; Outlook Stable)	Reaffirmed
	Total	14,675.21 (Rupees Fourteen Thousand Six Hundred Seventy Five crore and Twenty One Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating of NHPC Limited (NHPC) continues to derive strength from its established position as India's largest hydro power producer with geographical diversity of sales, majority ownership by the Government of India (Gol) with financial and management support. The rating also continues to derive strength from NHPC's sustained healthy operational efficiency with an overall plant availability factor (PAF) of 84.04% during FY20 (refers to the period April 01, 2019 to March 31, 2020) ensuring recovery of fixed cost, and robust generation levels of 26.12 billion units (BU) during FY20 (PY: 24.41 BU). The rating also continues to take comfort from NHPC's comfortable financial risk profile characterized by a low overall gearing, strong liquidity and earnings protection attributable to long-term power selling arrangements with regulated return on equity on account of a cost-plus tariff mechanism.

The rating strengths, however, continue to remain constrained by counterparty risks with the company being exposed to various state electricity distribution utilities/departments with relatively weak credit profiles, risks associated with implementation of the ongoing projects, hydrological risks related to variability in river water flow and regulatory risks with respect to tariff revisions.

Rating Sensitivities

Negative Factors

- Significant change in the Gol's shareholding, leading to reduction in financial and strategic support.
- Deterioration in debtor collection period beyond 150 days on a sustained basis.
- Substantial delay in completion of the ongoing capex plans and/or substantial cost revisions of the under implementation projects.

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

Detailed description of the key rating drivers

Key Rating Strengths

Majority ownership by the GoI and its support: NHPC benefits substantially from its strong linkages with the GoI, with the Government not only holding a majority stake (70.95% as on March 31, 2020) but also providing financial and strategic support. Besides providing equity support, the GoI has provided support in the form of longer tenure subordinated debt to fund strategically important projects at concessional interest rates. The GoI is also involved in appointment of the Board and senior management as well as setting up NHPC's business plan annually. On the other hand, the GoI's recognition of NHPC as a Mini Ratna Category-I central public sector enterprise (CPSE) provides its management with significant autonomy in taking financial decisions.

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. 3.34/unit for FY20 with 14 plants (out of 20) having tariff of Rs. 5.0/ unit or below in FY20. Further, the FY20 tariff is provisional and is yet to be finalized as per CERC 2019-24 tariff regulations.

Healthy operational performance of power stations: NHPC is the largest hydropower generating company in India with total power generation (standalone) of around 26.12 billion units (BUs) during FY20 (FY19: 24.41 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 84.04% in FY20 (PY: 84.84%). Out of the total 20 operational hydro power stations, 16 power stations registered higher PAF during FY20 than the normative availability prescribed by CERC. Furthermore, NHPC reported an incentive income of Rs. 534.75 crore during 9MFY20 (9MFY19: Rs. 609.72 crore) driven by 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 and stable debt coverage metrics. The overall gearing marginally moderated to 0.80x as on March 31, 2020 (PY: 0.67x), though remaining at comfortable levels, on account of incremental debt raised for ongoing capital expenditure related to the projects, Subansiri Lower and Parbati-II,. The coverage indicators remained comfortable as reflected by interest coverage of 7.05x in FY20 (PY: 6.00x). NHPC's total debt, as on March 31, 2020, stood at Rs 23,853 crore.

Key Rating Weaknesses

Execution risks pertaining 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 and bank balance and extensive experience in implementation of various projects in past. Currently, the company has two major projects under implementation, namely Subansiri Lower (2000MW) and Parbati-II (800MW). Execution of the long stalled project Subansiri Lower has resumed subsequent to receiving the National Green Tribunal (NGT) clearance in July 2019. Parbati-II has faced geological complexities in the construction of the head race tunnel resulting in delays in construction progress. Out of the total cost estimate for Subansiri Lower and Parbati-II projects, the company has already incurred 60.49% and 82.91% of the total cost respectively as on May 31, 2020, with expected commissioning in FY24 and Q4FY22 respectively. As regards Dibang Multipurpose Project of 2880 MW, investment approval towards the pre-investment activities has been received by the company, and the company has started the process for the same. Going forward, implementation progress on these projects shall be a key monitorable.

Counterparty credit risk: The below average financial health of many of the state distribution utilities, which in turn affects the timely realization of revenue remains a cause of concern for power generating companies, including NHPC. During FY20 and as on May 31, 2020, there has been accumulation of debtors, especially due from two of the beneficiaries – Power Development Department, Jammu & Kashmir and Uttar Pradesh Power Corporation Limited. However, subsequent to the announcement of Rs 90,000 crore package by the Government of India for DISCOMs for payment to gencos, the management expects the overall receivables position to improve in the coming months. However, NHPC's dominance in hydro power generation in India with fairly diversified off-taker base alleviates risk to a great extent. Nonetheless, receipt of payment from off-takers, shall remain a key monitorable going forward.

Liquidity: Strong

Liquidity profile of the company continued to remain comfortable backed by healthy cash accruals of ~Rs.4,500 crore expected for FY21 against which it has repayment obligations of Rs.1,619 crore. As on March 31, 2020, NHPC has already paid its total debt repayment obligation of Rs 1,608 crore due for FY20. NHPC has sanctioned working capital limits of Rs 925 crore as on May 31, 2020, which is 100% available for the company to draw. The company's cash and bank balance and liquid investment stood at around Rs 507 crore as on June 04, 2020.

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

Rating Methodology: Factoring Linkages in Ratings

About the Company

NHPC, a 'Miniratna Category-I' (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 7,071 MW as on March 31, 2020 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 Limited in October 2019 has completed the formalities for the takeover of the 500 MW (125 MW X 4) Teesta Hydroelectric plant on Teesta River by remitting the resolution plan consideration of Rs 897.50 Crore to Lanco Teesta Hydro Power Limited (LTHPL). LTHPL is now a wholly owned subsidiary of NHPC Limited. Furthermore, NHPC has also been declared as a successful resolution applicant by the Committee of Creditors of Jal Power Corporation Limited (120 MW Rangit Stage IV HE Project). The cost of acquisition is estimated to be around Rs. 160 crore.

Key financial performance highlights of the company (standalone) are as under:

Brief Financials (in Rs. crore)	FY19 (A)	FY20 (A*)
Income from Operations	9,099	9,772
PBILDT	5,374	5,605
PAT	2,631	3,007
Overall Gearing	0.67	0.80
Interest Coverage	6.00	7.05

A: Audited; A*: Abridged financials

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Attached as Annexure 2

Annexure-1: Details of Instruments/Facilities

Sl. No.	ISIN Number	Bond Series	Bond Issue Date	Rated Amount (Rs Crore)	Coupon Rate	Maturity Date	Rating assigned along with Rating Outlook
1	INE848E07104	Q-Series Bonds	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		12.03.2012	105.5	9.25%	12.03.2027	CARE AAA; Stable
2	INE848E07625	S1-Series Bonds	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
3	INE848E07690	S2 Series Bonds	26.11.2014	55	8.54%	26.11.2020	CARE AAA; Stable
	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
4	INE848E07807	T Series Bonds	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
5	INE848E07518	Tax Free Bonds 1A	02.11.2013	50.81	8.18%	02.11.2023	CARE AAA; Stable
6	INE848E07542	Tax Free Bonds 1B	02.11.2013	60.77	8.43%	02.11.2023	CARE AAA; Stable
7	INE848E07526	Tax Free Bonds 2A	02.11.2013	213.12	8.54%	02.11.2028	CARE AAA; Stable
8	INE848E07559	Tax Free Bonds 2B	02.11.2013	85.61	8.79%	02.11.2028	CARE AAA; Stable
9	INE848E07534	Tax Free Bonds 3A	02.11.2013	336.07	8.67%	02.11.2033	CARE AAA; Stable
10	INE848E07567	Tax Free Bonds 3B	02.11.2013	253.62	8.92%	02.11.2033	CARE AAA; Stable
11	INE848E07914	U Series Bonds	27.06.2016	540	8.24%	27.06.2031	CARE AAA; Stable
12	INE848E07922	U1 Series Bonds	07.07.2016	360	8.17%	27.06.2031	CARE AAA; Stable
13	INE848E07989	V2 Series	06.06.2017	295	7.52%	06.06.2023	CARE AAA; Stable

Sl. No.	ISIN Number	Bond Series	Bond Issue Date	Rated Amount (Rs Crore)	Coupon Rate	Maturity Date	Rating assigned along with Rating Outlook
	INE848E07997	Bonds	06.06.2017	295	7.52%	06.06.2024	CARE AAA; Stable
	INE848E07AA3		06.06.2017	295	7.52%	06.06.2025	CARE AAA; Stable
	INE848E07AB1		06.06.2017	295	7.52%	06.06.2026	CARE AAA; Stable
	INE848E07AC9		06.06.2017	295	7.52%	06.06.2027	CARE AAA; Stable
14	INE848E07963	V-Series	24.01.2017	155	6.84%	24.01.2021	CARE AAA; Stable
	INE848E07971	Bonds	24.01.2017	155	6.84%	24.01.2022	CARE AAA; Stable
15	INE848E07AF2	W1 Series Bonds	15.09.2017	300	6.91%	15.09.2020	CARE AAA; Stable
	INE848E07AG0		15.09.2017	300	6.91%	15.09.2021	CARE AAA; Stable
	INE848E07AH8		15.09.2017	300	6.91%	15.09.2022	CARE AAA; Stable
16	INE848E07AI6	W2 Series Bonds	15.09.2017	150	7.35%	15.09.2023	CARE AAA; Stable
	INE848E07AJ4		15.09.2017	150	7.35%	15.09.2024	CARE AAA; Stable
	INE848E07AK2		15.09.2017	150	7.35%	15.09.2025	CARE AAA; Stable
	INE848E07ALO		15.09.2017	150	7.35%	15.09.2026	CARE AAA; Stable
	INE848E07AM8		15.09.2017	150	7.35%	15.09.2027	CARE AAA; Stable
17	INE848E07BD5	AA-1 Series Bonds	11.03.2020	100	6.89%	11.03.2026	CARE AAA; Stable
	INE848E07BE3		11.03.2020	100	6.89%	11.03.2027	CARE AAA; Stable
	INE848E07BG8		11.03.2020	100	6.89%	10.03.2028	CARE AAA; Stable
	INE848E07BH6		11.03.2020	100	6.89%	09.03.2029	CARE AAA; Stable
	INE848E07BI4		11.03.2020	100	6.89%	11.03.2030	CARE AAA; Stable
18	INE848E07BA1	AA Series Bonds	11.02.2020	300	7.13%	11.02.2028	CARE AAA; Stable
	INE848E07AY3		11.02.2020	300	7.13%	11.02.2026	CARE AAA; Stable
	INE848E07AZ0		11.02.2020	300	7.13%	11.02.2027	CARE AAA; Stable
	INE848E07BB9		11.02.2020	300	7.13%	09.02.2029	CARE AAA; Stable
	INE848E07BC7		11.02.2020	300	7.13%	11.02.2030	CARE AAA; Stable
19	INE848E07AN6	X Series Bonds	08.02.2019	1,500.00	8.65%	08.02.2029	CARE AAA; Stable
20	INE848E08136	NHPC-GOI Fully Serviced bonds Series	22.03.2019	2,017.20	8.12%	22.03.2029	CARE AAA; Stable
21	INE848E07BJ2	AB Series Bonds	24.04.2020	150	6.80%	24.04.2026	CARE AAA; Stable
	INE848E07BK0		24.04.2020	150	6.80%	23.04.2027	CARE AAA; Stable
	INE848E07BL8		24.04.2020	150	6.80%	24.04.2028	CARE AAA; Stable
	INE848E07BM6		24.04.2020	150	6.80%	24.04.2029	CARE AAA; Stable
	INE848E07BN4		24.04.2020	150	6.80%	24.04.2030	CARE AAA; Stable
22	-	Proposed Bonds	-	250	-	-	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Bonds (Q Series)	LT	738.50	CARE AAA; Stable	-	1)CARE AAA; Stable (04-Jul-2019)	1)CARE AAA; Stable (05-Sep-18)
2	Bonds (1A/ 2A/ 3A/	LT	1,000.00	CARE AAA;	-	1)CARE AAA;	1)CARE AAA;

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
	1B/ 2B/ 3B series)			Stable		Stable (04-Jul-2019)	Stable (05-Sep-18)
3	Bonds (S series)	LT	732.50	CARE AAA; Stable	-	1)CARE AAA; Stable (04-Jul-2019)	1)CARE AAA; Stable (05-Sep-18)
4	Bonds (T series)	LT	1,352.01	CARE AAA; Stable	-	1)CARE AAA; Stable (04-Jul-2019)	1)CARE AAA; Stable (05-Sep-18)
5	Bonds (O series)	LT	-	-	-	-	1)Withdrawn (05-Sep-18)
6	Bonds (U series)	LT	900.00	CARE AAA; Stable	-	1)CARE AAA; Stable (04-Jul-2019)	1)CARE AAA; Stable (05-Sep-18)
7	Bonds (V series)	LT	1,785.00	CARE AAA; Stable	-	1)CARE AAA; Stable (04-Jul-2019)	1)CARE AAA; Stable (05-Sep-18)
8	Bonds (W series)	LT	1,650.00	CARE AAA; Stable	-	1)CARE AAA; Stable (04-Jul-2019)	1)CARE AAA; Stable (05-Sep-18)
9	Bonds (GOI fully serviceable)	LT	2,017.20	CARE AAA; Stable	-	1)CARE AAA; Stable (04-Jul-2019)	1)CARE AAA; Stable (05-Feb-19)
10	Bonds (X series)	LT	1,500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (04-Jul-2019)	1)CARE AAA; Stable (19-Mar-19)
11	Bonds (AA series and AA-1 Series)	LT	2,000.00	CARE AAA; Stable		1)CARE AAA; Stable (06-Feb-2020)	-
12	AB series	LT	750.00	CARE AAA; Stable	1)CARE AAA; Stable (03-Apr-2020)	-	-
13	Proposed Bonds (AB Series)	LT	250.00	CARE AAA; Stable	1)CARE AAA; Stable (03-Apr-2020)		

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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