

**NTPC Limited**  
**March 13, 2020**

**Ratings**

Instrument	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Proposed Long-term Bonds	15,000.00 (Rupees Fifteen Thousand Crore Only)	<b>CARE AAA; Stable (Triple A; Outlook Stable)</b>	<b>Assigned</b>

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The rating assigned to the proposed long term bonds of NTPC Limited continue to take into account the dominant position of NTPC as India's largest power producer, majority ownership and strategic importance for the Government of India (GoI), geographic diversity of operations with diversifying fuel-mix and favorable Govt. policies. The ratings also factor in NTPC's consistent healthy operational performance, high plant load factor (PLF) coupled with healthy profitability on account of firm long-term power purchase agreements backed by cost-plus tariff structure for the thermal plants and long-term fuel supply arrangements for its projects. The ratings further derive strength from company's comfortable financial risk profile marked by comfortable profitability and debt coverage indicators. The ratings take cognizance of risks associated with the implementation of its large debt-funded projects and relatively weak financial health of its power off-takers.

**Rating Sensitivities****Negative Factors**

- Significant delay in the receipt of payment from counter parties.
- Any adverse change in the regulatory environment of power generation sector.
- Significant change in the capital structure of the company.

**Detailed description of the key rating drivers****Key Rating Strengths****Majority ownership by GoI and Maharatna status**

The GoI holds 54.14% stake as on Dec 31, 2019 in the company and appoints its board and senior management as well as set its business plan. NTPC was given 'Maharatna Status' in May 2010, a status that gives greater autonomy to Central Public Sector Enterprises (CPSEs) in their investment and capital expenditure decisions. Also, NTPC is strategically important for Government of India for targeted capacity addition program under central sector and implementation of various central government schemes.

**Established position as the largest power generator of the country**

NTPC is the largest power generating company in the country with an aggregate standalone commercial capacity of 49.70 GW as on March 01, 2020. The company has recently added capacity of 800 MW at Darlipalli, 250 MW at Barauni, 660 MW at Khargone, 800 MW at Gadarwara, 800 MW at Lara and 660 MW at Tanda for commercial operations. NTPC's generation stood at roughly 1/4<sup>th</sup> of all India generation in FY19. Also, it is well diversified in terms of customer base, type of fuel used for generation and geographical spread of its capacity. Currently, it owns 45 power stations across India (24 Coal based stations, 7 combined cycle gas/liquid fuel based stations, 2 Hydro based station and 12 solar/ wind based plant).

**Capacity tied up with cost-plus PPAs**

NTPC's electricity charges are determined by CERC for each of the thermal power stations of NTPC. The tariff is on cost-plus basis. The capacity charges are recoverable in full if the plant availability is at least the normative PAF. The energy charges are determined on the basis of landed cost of fuel applied on the quantity of fuel consumption. The company has PPAs for its projects leading to low sales risk.

**Firm fuel supply arrangements**

The company has long-term FSAs and medium-term gas supply agreements for its coal and gas based capacities respectively. NTPC's total coal consumption stood at 176.10 million tonne in FY19 with import component of 1.05 million tonne. The gas consumption stood at 4.65 Million Metric Standard Cubic Meters per day (MMSCMD) in FY19. The domestic coal requirements were met largely through coal linkages with small portion sourced from Pakri Barwidah captive coal block of NTPC. During 9MFY20, the coal consumption stood at 123.03 million tonne (PY: 128.28 million tonne) with import component of 2.15 million tonne (PY: 0.39 million tonne).

NTPC is carrying out exploration activities at Banai, Bhalumuda and Mandakini coal blocks which along with mining from Pakri Barwadih captive coal block is expected to reduce NTPC's imported fuel requirement in medium to long term.

**Consistent operational performance**

Gross generation increased by 3.26% to 274.45 BUs in FY19. The coal based power stations of NTPC continued to perform better than the national average PLF (61.07% in FY19). However, there has been marginal dip in average PLF of thermal

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

power plants of NTPC over the past three years attributable earlier to coal availability issue and now it is due to lower demand. The solar/wind projects of the company continue to add to the total generation of the company thereby diversifying the generation mix.

During 9MF20, the gross generation stood at 191.35 BUs (PY: 205.26 BUs) with PLF of thermal power plants at 67.13% (PY: 76.09) above the national average PLF of 55.84%. The decline in PLF is attributable to lower power demand of the country.

#### **Moderate leverage and healthy coverage metrics**

The company's total operating income increased by 9.79% in FY19 to Rs. 91828 crore driven by higher energy sales. PBILDT margin declined by 87 bps to 25.51% on account of higher wages for pay revision and higher overheads. NTPC's overall gearing stood moderate at 1.35x as on March 31, 2019 (PY: 1.21x). The deterioration in gearing levels is as a result of increase in debt level on account of larger investments in capacity addition. Interest cover moderated to 4.97x in FY19 (vs 5.52x in FY18) largely due to higher interest charge attributable to capitalization of fixed assets to gross block.

During 9MFY20, the company has reported total operating income of Rs. 72,200 crore with PAT of Rs. 8860 crore.

#### **Key Rating Weaknesses**

##### **Counterparty credit risk**

The weak financial health of many of the state distribution utilities continues to remain a cause of concern for NTPC. However, NTPC's dominant position in power generation sector in India with diversified off-taker base alleviates risk to a large extent. The payment security mechanism continues to be backed by LC and Tri-Partite Agreement (between GoI, RBI and the State govt. with most of the states having signed the same) with provision of late payment surcharge.

##### **Risks related to projects under implementation**

As on March 31, 2019, NTPC is under process of setting up additional capacity of around 14 GW through 12 projects and few projects are already at implementation stage coupled with partial commissioning of units. The various projects under implementation of NTPC expose the company to the project execution/funding related risks. However, the company's moderate capital structure and healthy cash flow generation from the operations provides reasonable cushion in terms of availability of funds for meeting the capex requirements. Furthermore, the project risks are also mitigated to a large extent by the company's proven track record in terms of execution skills.

##### **Liquidity- Strong**

NTPC's liquidity position is marked by strong accruals of Rs. 17,195 crore in FY19 against the moderate repayment obligations coupled with partially undrawn credit facilities for the capex requirements and cash and liquid investments of Rs. 1,500 crore as on December 31, 2019 (Provisional). Further, the company has generated cash accruals of Rs. 14,710 crore during 9MFY20.

**Analytical approach:** Standalone. Further, the ratings factor NTPC's strategic importance to the Government of India (GOI) and its important role for the India power generation sector.

#### **Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Rating Methodology - Private Power Producers](#)

[Financial ratios – Non-Financial Sector](#)

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

#### **About the Company**

NTPC Ltd (NTPC) was incorporated on November 7, 1975 under the name National Thermal Power Corporation Private Ltd. Subsequently, it was converted into a public limited company in September 1985. The company is majority owned by Govt. of India (GoI) with GoI shareholding of 54.14% as on December 31, 2019. It is the largest power generation company in India with an installed generation capacity of 58.16 GW (including JVs) constituting around 16% of the total installed power generation capacity in the country as on March 01, 2020.

<b>Brief Financials (Rs. crore)</b>	<b>FY18 (A)</b>	<b>FY19 (A)</b>
Total operating income	83,637	91,828
PBILDT	22,067	23,422
PAT	10,343	11,750
Overall gearing (times)	1.21	1.35
Interest coverage (times)	5.52	4.97

A: Audited

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

**Any other information:** NA

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

**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	-	-	Proposed Issue	15000.00	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	LT	195.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
2.	Fund-based - LT-Term Loan	LT	65000.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (28-Sep-16) 3)CARE AAA (20-Jul-16)
3.	Fund-based - LT-Cash Credit	LT	3000.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (28-Sep-16) 3)CARE AAA (20-Jul-16)
4.	Non-fund-based - ST-BG/LC	ST	6000.00	CARE A1+	1)CARE A1+ (01-Jul-19)	1)CARE A1+ (06-Jul-18)	1)CARE A1+ (21-Jul-17)	1)CARE A1+ (31-Dec-16) 2)CARE A1+ (28-Sep-16) 3)CARE A1+ (20-Jul-16)
5.	Bonds	LT	100.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
6.	Bonds	LT	200.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
7.	Bonds	LT	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
8.	Bonds	LT	50.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
9.	Bonds	LT	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable	1)CARE AAA; Stable	1)CARE AAA; Stable

						(06-Jul-18)	(21-Jul-17)	(31-Dec-16) 2)CARE AAA (20-Jul-16)
10.	Bonds	LT	220.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
11.	Bonds	LT	500.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
12.	Bonds	LT	200.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
13.	Bonds	LT	300.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
14.	Bonds	LT	350.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
15.	Bonds	LT	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
16.	Bonds	LT	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
17.	Bonds	LT	100.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
18.	Bonds	LT	300.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
19.	Bonds	LT	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
20.	Bonds	LT	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)

21.	Bonds	LT	500.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
22.	Bonds	LT	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
23.	Bonds	LT	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
24.	Bonds	LT	96.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
25.	Bonds	LT	65.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
26.	Bonds	LT	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
27.	Bonds	LT	65.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
28.	Bonds	LT	90.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
29.	Bonds	LT	70.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
30.	Bonds	LT	60.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
31.	Bonds	LT	558.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
32.	Bonds	LT	500.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16)

								2)CARE AAA (20-Jul-16)
33.	Bonds	LT	1000.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
34.	Bonds	LT	3000.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
35.	Debentures-Non Convertible Debentures	LT	10306.83	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
36.	Bonds	LT	4527.50	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (20-Jul-16)
37.	Commercial Paper	ST	18000.00	CARE A1+	1)CARE A1+ (01-Jul-19)	1)CARE A1+ (13-Mar-19) 2)CARE A1+ (25-Dec-18) 3)CARE A1+ (06-Jul-18)	1)CARE A1+ (26-Mar-18) 2)CARE A1+ (21-Jul-17)	1)CARE A1+ (06-Mar-17) 2)CARE A1+ (31-Dec-16) 3)CARE A1+ (28-Sep-16)
38.	Bonds	LT	6795.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)	1)CARE AAA; Stable (31-Dec-16) 2)CARE AAA (28-Sep-16)
39.	Fund-based - ST- Working Capital Demand loan	ST	-	-	-	-	-	1)Withdrawn (28-Sep-16)
40.	Bonds	LT	12000.00	CARE AAA; Stable	1)CARE AAA; Stable (10-Jul-19) 2)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (04-Feb-19)	-	-
41.	Fund-based - LT- Working Capital Limits	LT	10000.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-19) 2)CARE AAA; Stable (02-Apr-19)	1)CARE AAA; Stable (13-Mar-19)	-	-
42.	Bonds	LT	15000.00	CARE AAA; Stable	-	-	-	-

**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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