

## NTPC Limited

April 17, 2020

### Ratings

Facilities/Instrument	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	86,500 (enhanced from 78,000)	<b>CARE AAA; Stable (Triple A; Outlook Stable)</b>	<b>Reaffirmed</b>
Short-term Bank Facilities	5,500 (reduced from 6,000)	<b>CARE A1+ (A One Plus)</b>	<b>Reaffirmed</b>
Total Facilities	<b>92,000 (Rupees Ninety Two Thousand Crore Only)</b>		
Commercial Paper Issue*	20,100 (enhanced from 18,000) <b>(Rupees Twenty Thousand One Hundred Crore Only)</b>	<b>CARE A1+ (A One Plus)</b>	<b>Reaffirmed</b>

\*including Rs. 2,100 crore utilization against cash credit limit as per RBI guidelines

Details of instruments/facilities in Annexure-1

#### Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to the long term bank facilities and short term bank facilities/instruments 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 and 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. Though, the PLF for the projects is likely to moderate temporarily due to decline in demand from Distribution Companies (DISCOMs) following the nationwide lockdown imposed by Government to contain the COVID 19 pandemic. 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.
- Material reduction in the sovereign ownership.

#### 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 Gadawara, 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). Recently, the company has completed the acquisition of GoI stake in THDC India Limited (THDC) and North Eastern Electric Power Corporation Limited (NEEPCO). The acquisition is likely to diversify NTPC's generation mix through addition of 2,625 MW hydro power generation capacity on consolidated basis.

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

**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 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. The PLF is likely to moderate by 3-5% in FY21 given the pan India lockdown to contain the spread of COVID 19 pandemic which has led to lower demand from DISCOMs.

**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. As per PRAAPTI portal, overdue outstanding amount to all India GENCOs stood at Rs. 80,522 crore as on Feb 29, 2020 from DISCOMs. 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. 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](#)[Criteria for Short Term Instruments](#)[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.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
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
Fund-based - LT-Term Loan	-	-	Sep 26, 2034	65000.00	CARE AAA; Stable
Fund-based - LT-Cash Credit	-	-	-	3500.00	CARE AAA; Stable
Non-fund-based - ST-BG/LC	-	-	-	5500.00	CARE A1+
Fund-based - LT-Working Capital Limits	-	-	-	18000.00	CARE AAA; Stable
Commercial Paper	-	-	7-365 days	20100.00	CARE A1+

**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	Date(s) & Rating(s) assigned in 2017-2018
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)
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)

3.	Fund-based - LT-Cash Credit	LT	3500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)
4.	Non-fund-based - ST-BG/LC	ST	5500.00	CARE A1+	-	1)CARE A1+ (01-Jul-19)	1)CARE A1+ (06-Jul-18)	1)CARE A1+ (21-Jul-17)
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)
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)
7.	Bonds	LT	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)
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)
9.	Bonds	LT	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)
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)
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)
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)
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)
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)
15.	Bonds	LT	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)
16.	Bonds	LT	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)
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)
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)
19.	Bonds	LT	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)
20.	Bonds	LT	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)
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)
22.	Bonds	LT	-	-	-	1)Withdrawn	1)CARE AAA;	1)CARE AAA;

						(01-Jul-19)	Stable (06-Jul-18)	Stable (21-Jul-17)
23.	Bonds	LT	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)
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)
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)
26.	Bonds	LT	-	-	-	1)Withdrawn (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)
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)
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)
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)
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)
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)
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)
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)
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)
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)
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)
37.	Commercial Paper	ST	20100.00	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)
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)
39.	Bonds	LT	12000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (10-Jul-19) 2)CARE AAA;	1)CARE AAA; Stable (04-Feb-19)	-

						Stable (01-Jul-19)		
40.	Fund-based - LT- Working Capital Limits	LT	18000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (01-Jul-19) 2)CARE AAA; Stable (02-Apr-19)	1)CARE AAA; Stable (13-Mar-19)	-
41.	Bonds	LT	15000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (13-Mar-20)	-	-

**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.

## Contact us

### Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID: [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Sudhir Kumar

Contact no. - +91-11-4533 3232

Email ID: [sudhir.kumar@careratings.com](mailto:sudhir.kumar@careratings.com)

### Business Development Contact

Swati Agrawal

Contact no. : +91-11-4533 3200

Email ID: [swati.agrawal@careratings.com](mailto:swati.agrawal@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.

### Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**