

NTPC Limited

July 06, 2020

Ratings

Facilities/ Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Bank Facilities - Fund-based - LT - Term Loan	85,000 (enhanced from 65,000)	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Bank Facilities - Fund-based - LT - Cash Credit	21,500	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Bank Facilities - Non-fund-based - ST - BG/LC	5,500	CARE A1+ [A One Plus]	Reaffirmed
Total	112,000 (Rupees One Lakh Twelve Thousand Crore only)		
Long Term Bonds outstanding	40,422.83 (Rupees Forty Thousand Four Hundred Twenty Two Crore and Eighty Three Lakh only)	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Long Term Instruments - Bond Programme#	15,000 (Rupees Fifteen Thousand Crore Only)	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Commercial Paper issue [^]	20,100 (Rupees Twenty Thousand One Hundred Crore Only)	CARE A1+ [A One Plus]	Reaffirmed
Long Term Bonds – Series 33	-	-	Withdrawn

includes current outstanding of Rs. 4,374.10 Crore

[^] 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/instruments and short term bank facilities/instruments of NTPC 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 favourable Govt. policies. The ratings also factor in NTPC's consistent healthy operational performance and high plant load factor (PLF) in comparison to other thermal power stations in India coupled with healthy profitability on account of firm long-term power purchase agreements backed by cost-plus tariff structure for the thermal/hydro 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. CARE has withdrawn the rating assigned to the bond Series 33 of NTPC Ltd. with immediate effect, as the company has repaid the aforementioned bond in full and there is no amount outstanding under the issue as on date.

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 continues to hold majority stake (51.02% as on March 31, 2020) despite steady decrease over the years. The GoI provide adequate operational and other need-based implicit support. The GoI is instrumental in appointment of the board and the senior management as well as set its business plan. Also the GoI holding increases the financial flexibility in terms of borrowing from overseas debt market. NTPC was given 'Maharatna Status', a status that gives greater autonomy to

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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 in the country

NTPC assumes strategic importance by virtue of being the largest power generating company of India. Its aggregate standalone installed capacity was 50,355 MW as on March 31, 2020 (accounting for 12.1% of India's total installed capacity). It accounted for ~1/5th of total generation in India in FY20. NTPC is a major player in coal based thermal generation in India. Over the years, the share of coal based thermal capacity of NTPC out of total capacity of coal based thermal plants in India has increased. Also, it is well diversified in terms of customer base, type of fuel used for generation and geographical spread of its capacity. It currently 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). The acquisition of Gol's stake in THDC India Limited (THDC) and North Eastern Electric Power Corporation Limited (NEEPCO) is likely to diversify NTPC's generation mix through addition of 2,625 MW hydro power generation capacity on consolidated basis.

Cost-plus PPAs assuring stable return and cash flow

NTPC's electricity charges are determined by CERC for each of its power stations. 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 charge is determined on the basis of landed cost of fuel applied on the quantity of fuel consumption. Moreover, there is a provision for earning incentive on achieving upon achievement of PLF above 85%.

The company has PPAs for its projects leading to low sales risk. Typically the PPAs are for 25 years and hence provide long term revenue and cash flow visibility. NTPC's allocated capacity is also diversified across region with none of the region contributing to more than 40% of the total allocated capacity.

Firm fuel supply arrangements and procurement arrangement makes generation competitive

NTPC has signed long term Fuel Supply Agreement (FSA) for total annual contracted quantity (ACQ) with Coal India Limited and Singareni Collieries Company Limited. It also has bridge linkages. This mitigates fuel risk over a longer horizon. NTPC's FSA adds flexibility to inventory management and eases outage planning. This ensures higher fuel availability at each plant along with reduction in the average energy charge (thus making the plant cost competitive).

ACQ materialization has been in the range of 90%-95% in the past. The production from Pakri-Barwadih and Dulanga captive coal mine has also shown an increasing trend in last two years. Given healthy ACQ materialization from linkage and increasing output from its own captive mines, dependency on imported high-coal coal is expected to further reduce.

Consistent operational performance

The coal based power stations of NTPC continued to be cost-competitive in terms of generation thus maintaining a sizable spread over the national average PLF in FY20 despite lower demand and issues related to coal availability. PAF improved from 87.11% in FY19 to 89.67% in FY20 leading to reduction in fixed charge under recovery in FY20. The solar/wind projects of the company continue to add to the total generation of the company thereby diversifying the generation mix.

In FY21, PLF incentive may decline given lower demand on account of pan India lockdown to contain the spread of COVID 19 pandemic. PAF is expected to remain stable leading to stable fixed charge recovery. However, the recently announced rebate on fixed charge may moderately impact the profitability.

Moderate leverage and healthy coverage metrics

Better operating efficiency and return from new capacities commercialized during FY20 led to improvement in PBILDT margin in FY20. A higher provision for tax pertaining to previous years under "Vivad se Vishwas Scheme" (which is partly recoverable through tariff) had led to lower PAT in FY20 vis a vis FY19 level. However, gross cash accrual continued to remain strong. Overall gearing moderated from 1.35x as on March 31, 2019 to 1.47x as on March 31, 2020 due to higher debt for capacity addition/ investments along with higher working capital requirement. The moderation in interest cover in FY20 is also attributable to higher interest on the debt, however remained comfortable.

Liquidity – Strong

NTPC's liquidity position is marked by healthy accruals vis a vis its repayment obligation of ~Rs. 6,000 cr and capex commitments. This is coupled with partially undrawn credit facilities and cash and liquid investments. Fund based working capital utilization has been around 50% in the past. NTPC had cash and equivalent of Rs. 2,209 cr as on March 31, 2020. NTPC enjoys strong financial flexibility and has demonstrated strong debt raising ability in the past. Given the uncertainties with respect to lockdown, NTPC had availed moratorium on payment of instalments of term loans, falling due up to June 30, 2020.

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. The MoP's imposition in Aug'19 for opening LC in favour of gencos against power purchase by the DISCOMs had temporarily led to prompt collection of bills. However, due to the Covid'19 outbreak and the associated lockdown, collections were adversely impacted. As on March 31, 2020, the overdue debtor (i.e more than 45 days old) was high which has significantly stretched further, currently. A sizable portion of the overdue is from UPPCL and J&K PDD.

NTPC, given its low cost energy charge, its diversified off-taker base and its importance as a significant supplier to the DISCOM, has better bargaining power in terms of collection. 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

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. The project risks are also mitigated to a large extent by the company's proven track record in terms of execution skills and its policy to ensure the availability of land, water, coal, environmental clearances and PPAs prior to approval for investment.

Analytical approach: Standalone. The ratings factor NTPC's strategic importance to Government of India and its important role for the Indian power generation sector. The subsidiaries/ JVs have availed debt which does not have recourse on NTPC. However, NTPC's future support as equity commitment for these entities has been factored in.

Applicable Criteria

[Definition of Default](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Rating methodology for Construction](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Consolidation and factoring linkages in rating](#)

About the Company

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. It is the largest power generation company in India with an installed generation capacity of 62.11 GW (including JVs) constituting around 16.8% of the total installed power generation capacity in the country as on March 31, 2020.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	91,828	1,00,478
PBILDT	23,422	29,871
PAT	11,750	10,113
Overall gearing (times)	1.35	1.47
Interest coverage (times)	4.97	4.40

A: Audited; Abridged for FY20

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	85000.00	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
Bonds	March 12, 2020	9%	Proposed	15000.00	CARE AAA; Stable
Bonds	August 23, 2016	7.58%	14-12-2031	6795.00	CARE AAA; Stable
Bonds	January 15, 2019	8.3%	15-01-2029	11356.50	CARE AAA; Stable
Bonds	March 31, 2010	8.73%	31-03-2020	0.00	Withdrawn
Bonds	January 02, 2007	8.1771%	02-01-2021	0.00	Withdrawn
Bonds	March 09, 2010	8.78%	09-03-2020	0.00	Withdrawn
Bonds	May 01, 2003	8.48%	01-05-2023	50.00	CARE AAA; Stable
Bonds	December 15, 2010	8.81%	15-12-2030	139.00	CARE AAA; Stable
Bonds	January 25, 2012	9%	25-01-2027	500.00	CARE AAA; Stable
Bonds	February 05, 2007	8.6077%	09-03-2021	165.00	CARE AAA; Stable
Bonds	March 09, 2010	8.78%	09-03-2020	150.00	CARE AAA; Stable
Bonds	November 06, 2008	11.25%	06-11-2023	350.00	CARE AAA; Stable
Bonds	February 02, 2006	7.71%	02-02-2020	0.00	Withdrawn
Bonds	January 19, 2011	8.93%	19-01-2021	300.00	CARE AAA; Stable
Bonds	May 04, 2012	9.25%	04-05-2027	500.00	CARE AAA; Stable
Bonds	September 15, 2010	8.785%	15-09-2030	88.00	CARE AAA; Stable
Bonds	July 29, 2011	9.558%	29-07-2031	60.00	CARE AAA; Stable
Bonds	May 16, 2012	9.4375%	16-05-2032	60.00	CARE AAA; Stable
Bonds	June 10, 2010	8.71%	10-06-2030	0.00	Withdrawn
Bonds	July 20, 2012	9.3473%	20-07-2032	65.00	CARE AAA; Stable
Bonds	December 15, 2010	8.8086%	15-12-2030	0.00	Withdrawn
Bonds	June 09, 2011	9.3896%	09-06-2031	510.00	CARE AAA; Stable
Bonds	March 07, 2013	8.8%	04-04-2023	500.00	CARE AAA; Stable
Bonds	September 22, 2014	9.17%	22-09-2024	1000.00	CARE AAA; Stable
Bonds	December 16, 2013	9.61%	16-12-2033	3000.00	CARE AAA; Stable
Debentures-Non Convertible Debentures	March 25, 2015	8.49%	25-03-2025	10306.83	CARE AAA; Stable
Bonds	August 21, 2015	8.33%	05-10-2035	4527.50	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	-	-	-	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	85000.00	CARE AAA; Stable	1)CARE AAA; Stable (17-Apr-20)	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)

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
3.	Fund-based - LT-Cash Credit	LT	3500.00	CARE AAA; Stable	1)CARE AAA; Stable (17-Apr-20)	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+ (17-Apr-20)	1)CARE A1+ (01-Jul-19)	1)CARE A1+ (06-Jul-18)	1)CARE A1+ (21-Jul-17)
5.	Bonds	LT	-	-	-	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)
6.	Bonds	LT	-	-	-	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	139.00	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	165.00	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	150.00	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	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 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
							(06-Jul-18)	(21-Jul-17)
17.	Bonds	LT	-	-	-	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 (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; 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	88.00	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	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)
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	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)
28.	Bonds	LT	-	-	-	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)
29.	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)

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30.	Bonds	LT	-	-	-	1)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (21-Jul-17)
31.	Bonds	LT	510.00	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+ (17-Apr-20)	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	11356.50	CARE AAA; Stable	-	1)CARE AAA; Stable (10-Jul-19) 2)CARE AAA; Stable (01-Jul-19)	1)CARE AAA; Stable (04-Feb-19)	-
40.	Fund-based - LT-Working Capital Limits	LT	18000.00	CARE AAA; Stable	1)CARE AAA; Stable (17-Apr-20)	1)CARE AAA; Stable (01-Jul-19) 2)CARE AAA; Stable (02-Apr-19)	1)CARE AAA; Stable (13-Mar-19)	-

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

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