

## NHPC Ltd — 20 Feb 2026 Credit Rating Summary

Section	Details
<b>Agency</b>	CARE Ratings Ltd.
<b>Rating Change</b>	<b>CARE AAA; Stable</b> (Reaffirmed / Assigned - no notches moved)
<b>Outlook</b>	<b>Stable</b> (Current) vs <b>Stable</b> (Previous)
<b>Key Drivers of Change</b>	<ol style="list-style-type: none"> <li><b>Commissioning Progress:</b> 800 MW Parbati II (April 2025) and partial Subansiri Lower (500 MW) commissioned; de-risks long-standing execution overhang.</li> <li><b>Financial Growth:</b> FY25 Revenue rose to ₹10,586 Cr (up 10% YoY); 9MFY26 Revenue of ₹9,566 Cr indicates accelerated run-rate.</li> <li><b>Collection Efficiency:</b> Overdue receivables dropped from 55% (2021) to 5% (FY25) due to LPS Rules; significant liquidity unlocking.</li> <li><b>Strategic Sovereign Linkage:</b> 67.4% GoI ownership with continued access to subordinated debt and sovereign-guaranteed loans.</li> </ol>
<b>Rated Instruments</b>	<ul style="list-style-type: none"> <li>• <b>Non-Convertible Debentures:</b> ₹2,000 Cr (AAA; Stable) - <i>Newly Assigned</i></li> <li>• <b>Bonds (AD, AE, AG Series):</b> ~₹6,489 Cr (AAA; Stable)</li> <li>• <b>GOI Fully Serviced Bonds:</b> ₹2,017.20 Cr (AAA; Stable)</li> <li>• <b>Tax-Free Bonds:</b> ₹888.42 Cr (AAA; Stable)</li> </ul>
<b>Key Observations</b>	<ul style="list-style-type: none"> <li>• <b>Business Model:</b> Regulated "Cost-Plus" tariff (Section 62) ensures 15.5%+ RoE and full cost recovery.</li> <li>• <b>Operational Dip:</b> FY25 PAF fell to 73.9% (vs 77.4% Normative) due to Teesta-V shutdown and flash floods; mitigated by geographical diversification.</li> <li>• <b>Execution Risk:</b> 10 GW capacity currently under construction; past projects (Subansiri/Parbati) suffered massive time/cost overruns.</li> <li>• <b>Leverage:</b> Gearing increased to 0.87x (FY25) from 0.74x (FY24) due to heavy capex, but remains comfortable for a utility.</li> <li>• <b>Coverage Warning:</b> Interest coverage ratio dropped sharply from 8.50x (FY24) to 4.63x (FY25).</li> <li>• <b>Renewable Pivot:</b> Diversifying into solar (1.4 GW pipeline) to mitigate hydrology/weather-related asset concentration.</li> </ul>
<b>Investor Impact</b>	<ul style="list-style-type: none"> <li>• <b>Growth:</b> Capacity addition of ~2.8 GW (Subansiri + Parbati) will drive major EBITDA expansion through 2027.</li> <li>• <b>Margins:</b> EBITDA margins remain robust at ~50%+ (₹5,508 Cr on ₹10,586 Cr revenue).</li> <li>• <b>Leverage/Dilution:</b> AAA status and GoI support suggest zero dilution risk; expansion will be funded via internal accruals and low-cost debt.</li> <li>• <b>Yield:</b> Consistent dividend potential remains high due to regulated cash flows.</li> </ul>
<b>Agency / Cross Analysis</b>	<b>Same Agency (CARE):</b> Reaffirmed the highest rating. The driver shifted from "supportive parentage" to "tangible project commissioning." While debt coverage ratios (Interest Coverage) have significantly weakened (from 8.5x to 4.6x), the agency views this as a temporary phase during the peak capex cycle, offset by the ₹2,911 Cr cash buffer. Conclusion: <b>Improvement</b> (on operational de-risking).
<b>Final Inference</b>	<b>Real improvement signal.</b> The commissioning of Parbati II and progress at Subansiri Lower are "valley-crossing" moments for NHPC. While leverage is rising, the 90% reduction in overdue receivables and the regulated RoE model make the equity a stable "bond-proxy" with upcoming capacity-led growth.