NHPC Ltd — 28 Jul 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**CARE AAA; Stable** (Reaffirmed / Assigned - No notches moved)
Outlook (Current vs Previous)	**Stable vs Stable**
Key Drivers of Change	1. **Asset Commissioning:** 800 MW Parbati II operationalized in April 2025, providing immediate EBITDA tailwinds. 2. **Financial Resilience:** Revenue grew to □10,380 Cr (+8% YoY) and EBITDA to □5,420 Cr (+20% YoY) despite lower generation. 3. **Strategic GoI Linkage:** 67.4% GoI ownership ensures sovereign support, sub-debt access, and TPA protection for payments. 4. **Regulated Returns:** Cost-plus CERC tariff model ensures full cost recovery and post-tax ROE, mitigating market volatility.
Rated Instruments	1. **New Bonds (Proposed):** □2,000 Cr (AAA; Stable) 2. **GOI Fully Serviced Bonds:** □2,017.20 Cr (AAA; Stable) 3. **Bonds (X-Series):** □1,285.71 Cr (AAA; Stable) 4. **Various Bond Series (S to AE):** ~□12,000+ Cr (AAA; Stable)
Key Observations	**Strengths:** • Dominant Scale: 15% of India's total hydro capacity (7,771 MW). • Receivable Recovery: Overdue receivables plummeted from 55% (2021) to 5% (2025) via LPS rules. • Incentive Income: □384.77 Cr earned in FY25 through superior plant availability despite floods. • Strong Liquidity: Cash & Bank balances of ~□2,750 Cr as of Mar-2025. **Concerns:** • Execution Overhang: 15 projects (~10 GW) under-construction; history of significant cost/time overruns (e.g., Subansiri Lower). • Interest Coverage: Sharp drop to 4.55x (FY25) from 8.50x (FY24) due to rising debt. • Geological Risks: FY25 generation hit (19,862 MUs vs 21,773 MUs) by Teesta-V shutdown and flash floods.
Investor Impact	**Growth:** Massive pipeline (~10 GW) ensures long-term revenue CAGR; Parbati II adds to FY26 earnings. **Margins:** Floor protected by regulated model; upside from "Energy Incentives." **Leverage:** Overall Gearing up (0.88x vs 0.74x); expected to rise further during capex cycle, but stays within utility safety limits. **Dilution Risk:** Low; strong debt-raising capacity at "AAA" rates prevents need for equity infusion.
Agency / Cross Analysis	**Same Agency:** CARE maintains a "Stable" outlook despite a ~46% drop in interest coverage, indicating high confidence in the cash-flow visibility of the regulated model. **Drivers:** Shift from pure "operational stability" to "growth realization" (Parbati II COD). **Conclusion: Improvement** in asset base and receivable management offsets the temporary operational dip from floods and increased leverage.
Final Inference	**Real Improvement:** NHPC has successfully converted "Work-in-Progress" into earning assets (Parbati II) while fixing its legacy receivable problem. The rising leverage is a signal of aggressive capacity expansion (10 GW pipeline) rather than financial stress, making it a high-conviction "Stable" play for equity investors.