

NHPC Ltd — 30 Apr 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	Reaffirmed / Assigned: CARE AAA (No notches moved; maintained at highest safety level).
Outlook (Current vs Previous)	Stable vs Stable (Reflects revenue visibility from cost-plus tariffs and GOI support).
Key Drivers of Change	<ol style="list-style-type: none"> New Commissioning: 800 MW Parbati II project commissioned (April 2025); expected to drive EBITDA growth from FY26. Improved Liquidity: Overdue receivables reduced from 55% (FY21) to 11% (Dec-24) due to LPS Rules and Tripartite Agreements. Strategic Importance: 67.4% GoI ownership; sovereign guarantees on senior debt and concessional sub-debt for key projects. Regulated Returns: 40-year PPAs under CERC cost-plus model ensure recovery of depreciation, interest, and post-tax RoE.
Rated Instruments	<ul style="list-style-type: none"> New Bonds: ₹2,000 Cr (CARE AAA; Stable) Bonds (Series AA, AB, AC, AD, AE): ~₹11,000+ Cr (CARE AAA; Stable) Tax Free Bonds: ~₹900 Cr (CARE AAA; Stable)
Key Observations	<ul style="list-style-type: none"> Capacity Leadership: India's largest hydro producer (7,771 MW operational; ~15% of national hydro capacity). Operational Efficiency: Aggregate PAF (78.9%) exceeds normative targets (77.4%), enabling incentive income. Hydrology Risk: Revenue/PBILDIT dip in FY24 (₹4,517 Cr vs ₹6,328 Cr) due to lower rainfall and flash floods. Execution overhang: 10 GW capacity under construction (15 projects) remains exposed to time/cost overruns. Leverage: Gearing remains low at 0.74x despite heavy capex; Interest coverage healthy at 8.50x (FY24). Asset Concentration: High reliance on specific projects (Subansiri Lower/Parbati II) for future growth.
Investor Impact	<ul style="list-style-type: none"> Growth: Massive 10 GW pipeline (~125% of current base) ensures long-term scale-up. Margins: Regulated RoE model provides a floor; upside from energy incentives and deviation charges. Leverage: Comfortable capital structure (Gearing < 1x) provides headroom for debt-funded capex without immediate equity dilution. Regulatory Risk: High sensitivity to CERC capital cost approvals; any disallowances directly hit equity IRR.
Agency / Cross Analysis	<p>Same Agency (CARE): Rating remains anchored to GoI support and regulated cash flows. What Changed: Shift in focus from "Project Under Construction" to "Operational Contribution" for Parbati II. Financials show a temporary dip in FY24 EBITDA, but CARE views this as cyclical (hydrology) rather than structural. Conclusion: Improvement in collection cycle and asset commissioning reinforces the AAA thesis despite high capex intensity.</p>
Final Inference	<p>Real Asset Growth Signal. The reaffirmation, despite a dip in FY24 earnings, highlights that NHPC's value is tied to its "Sovereign-Proxy" status and regulated return model. The commissioning of Parbati II is a major de-risking event for equity holders, shifting the focus to the 2,000 MW Subansiri project (May 2025).</p>