NHPC Ltd — 17 Jan 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**Reaffirmed / Assigned** at **CARE AAA** (No notch movement)
Outlook	**Stable** (Current) vs **Stable** (Previous)
Key Drivers of Change	1. **Regulated Returns:** Cost-plus tariff model under CERC Section 62 ensures full cost recovery + guaranteed ROE; 40-year PPAs provide long-term cash flow visibility. 2. **Improved Collections:** Overdue receivables crashed from **55% (Mar-21)** to **12% (Sep-24)** due to Late Payment Surcharge (LPS) Rules 2022. 3. **Sovereign Support:** 67.40% GoI ownership; strategic importance highlighted by GoI-guaranteed bonds and subsidized sub-debt for key projects. 4. **Capital Structure:** Maintain low overall gearing of **0.74x** (FY24) despite massive capex, supported by healthy interest coverage of **8.50x**.
Rated Instruments	• **New Bonds:** ₹2,600 Cr (CARE AAA; Stable) • **NHPC-GOI Fully Serviced Bonds:** ₹2,017.20 Cr (CARE AAA; Stable) • **Series X Bonds:** ₹1,285.71 Cr (CARE AAA; Stable) • **Redeemable NCDs:** ₹996 Cr (CARE AAA; Stable)
Key Observations	• **Market Dominance:** Largest hydro producer in India (~15% of total hydro capacity; 7,233 MW installed). • **Operational Efficiency:** H1FY25 Plant Availability Factor (PAF) at **82.68%** vs Normative 77.4%, earning incentive income. • **Hydrology Risk:** FY24 EBITDA (PBILDT) dropped to **₹4,517 Cr** (from ₹6,328 Cr) due to flash floods and weak water levels. • **Execution Headwinds:** 10.6 GW under construction; flagship projects Parbati II and Subansiri Lower have a history of cost/time overruns. • **Liquidity:** Strong cash position of **₹2,781 Cr** (Sep-24) + ₹1,326 Cr unutilized bank lines. • **Regulatory Risk:** Risk of CERC disallowing capital cost pass-through if project delays are deemed inefficient.
Investor Impact	• **Growth:** Massive 10.6 GW pipeline (1.5x current capacity) provides high multi-year revenue CAGR potential. • **Margins:** Regulated ROE model provides a defensive floor; EBITDA volatility is tied to climate (hydrology) rather than market demand. • **Leverage:** Gearing expected to moderate slightly due to heavy capex, but high refinancing ability limits credit risk. • **Dilution:** Low risk; GoI intent to maintain majority control and strategic funding support.
Agency / Cross Analysis	**Same Agency:** CARE maintained AAA despite a **~28% YoY drop in EBITDA** and lower interest coverage (8.50x vs 12.13x). **Reasoning:** The agency prioritized **structural improvements in the balance sheet** (receivables reduction) and **GoI strategic linkages** over temporary operational volatility caused by weather events. **Conclusion: Improvement in liquidity and asset quality** offsets the short-term earnings dip.
Final Inference	**Real Improvement in Asset Quality.** The reduction in "trapped" cash (receivables) is a major structural win. While hydrology creates earnings "noise," the sovereign-backed AAA status and 10 GW pipeline make it a high-conviction defensive growth play.