

December 29, 2025

## THDC India Limited: Rating upgraded to [ICRA]AA+ (Stable)

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures (NCD)	3,300.00	3,300.00	[ICRA]AA+ (Stable); upgraded from [ICRA]AA (Stable)
<b>Total</b>	<b>3,300.00</b>	<b>3,300.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The upgrade in THDC India Limited's (THDC) long-term rating factors in the commissioning of both the units of the Khurja thermal power project of 1,320 MW and three units of 250 MW each of the Tehri pumped storage project (PSP) in FY2025 and 9 MFY2026. Further, the last unit of the Tehri PSP of 250 MW is expected to get commissioned by Q4 FY2026. This capacity expansion will almost double THDCIL's operational capacity to 3,907 MW (from 1,587 MW) by the end of FY2026, along with an additional regulated asset capitalisation of ~Rs. 22,000 crore. This has also lowered the execution risk and improved the company's financial risk profile.

The company's earnings have increased, with the H1 FY2026 revenue at ~Rs. 2,722 crore and OPBDITA at ~Rs. 1,543 crore compared to a FY2025 revenue of ~Rs. 2,712 crore and OPBDITA and ~Rs. 1,538 crore. ICRA expects the company to report increased earnings and a gradual improvement in the leverage levels from FY2026 onwards after these two projects fully scale up their operations. ICRA anticipates the company's leverage to reduce significantly from a peak of 14.5 times in FY2025 to 7.1 times in FY2026, and further to 4.3 times by FY2028. This improvement is expected as capital expenditure plans taper from FY2028 onwards, with the Vishnugarh Pipalkot Hydro Electric Project (VPHEP) remaining the only major under-construction project currently in progress. However, it is also noted that the capex could be scaled up over the medium term once the implementation plan for the hydro and PSP projects that are currently in the pipeline is completed and approved.

The rating continues to factor in THDC's operational synergies with NTPC Limited (NTPC), its strategic importance to the power sector in the country (flood control, irrigation, grid stability, grid ancillary services apart from supply of power) and its long operating track record in the hydropower sector. The rating favourably factors in the cost-plus tariff structure for THDC's operating hydro and PSP project portfolio of 2,424 MW and thermal project of 1,320 MW, resulting in stable returns, as well as the presence of long-term power purchase agreements (PPAs) for the operational and under-construction projects. THDC is expected to benefit from NTPC's strong execution experience and ability to ensure operational efficiency, including operations and maintenance (O&M) cost in line with the regulatory norms.

The rating is, however, constrained by execution risks associated with the under-construction projects comprising 444 MW for the VPHEP project and development work for its joint venture solar park projects. While the rating takes note of the significant construction and financial progress achieved in these under-construction projects, the risk associated with implementation of the project over the medium term has constrained the rating. Further, it is to be noted that THDC has announced various projects that it is likely to execute over the medium term in the hydro, thermal and solar segments. The capital allocation towards these projects has not yet been finalised as these projects are in their early stages. However, a significant increase in leverage due to these projects will be monitored by ICRA.

While the cost-plus tariffs for the under-construction projects provide a source of comfort, the company's ability to execute these projects in a timely manner and within the budgeted costs as well as the operationalisation of such cost plus-based PPAs by the identified offtakers remain critical in the long run. The company remains exposed to the regulatory risk of any

disallowance in the capital cost by the Central Electricity Regulatory Commission (CERC) for the under-construction projects, post commissioning.

THDC is also exposed to counterparty credit risks from offtakers (state-owned distribution utilities) with weak financial risk profiles. The risk is mitigated to some extent by the diversified exposure to counterparties in 11 states/Union Territories as well as the coverage under the tripartite agreement in case of delays in collections from the state discoms.

The tariffs for THDC's operational hydro projects are Rs. 4.5-7 per unit, while the levelised tariffs of the under-construction/recently commissioned projects is even higher (~Rs. 6 per unit for the 1,000-MW Tehri pumped storage plant basis only annual fixed charges, ~Rs. 6.5 per unit for the 444-MW VPHEP, and ~Rs. 5.3 per unit for the Khurja thermal power project). The actual project cost for the PSP and Khurja projects is expected to increase to Rs. 8,500 crore (against earlier cost estimate of Rs. 7,800 crore) and Rs. 13,129 crore (against earlier cost estimate of Rs. 11,089 crore), respectively.

ICRA also expects the project cost of VPHEP to increase, given the delays in project execution. This limits the ability to regulate power supplies to a third party in the event of a prolonged delay in payments from discoms. The relatively high tariff required under the cost-plus tariff principles for the under-construction projects may pose a challenge to the timely recovery of dues from the respective long-term PPA beneficiaries.

ICRA takes note of the Rs. 1,460-crore payment made by the company in August 2023, as per an arbitration order in favour of one of the contractors for the Koteswar HEP commissioned in FY2013. THDC has filed an appeal in the Supreme Court against the High Court's order and the same is sub-judice. At present, the CERC has allowed only Rs. 475 crore of principal amount to be recovered as per its latest order. ICRA will continue to monitor the developments in this regard.

The Stable outlook on the rating reflects ICRA's opinion that THDC will benefit from the recently commissioned projects which will support a material increase in earnings and a consequent reduction in leverage FY2026 onwards. The operations will continue to benefit from projects under the cost-plus tariff regime and the long-term PPAs for operational and under-construction projects, timely recovery of dues from discoms, efficient operations of operational projects and the excellent financial flexibility derived out of its status as a Mini Ratna Schedule A PSU company and a subsidiary of NTPC Limited.

## Key rating drivers and their description

### Credit strengths

**Operational synergies and support from NTPC** – ICRA take comfort from NTPC's dominant position in India's power sector, its strong financial profile and the demonstrated track record of providing timely support to its subsidiaries. Additionally, THDC, with its under-construction project capacity of 694 MW benefits from NTPC's sizeable project development and management experience.

**Improvement in financial risk profile due to recent capacity addition** – THDC's operational capacity, which was at 1,587 MW in FY2024, has almost doubled to 3,907 MW by FY2026 with the commissioning of the Khurja thermal power project and expected full commissioning of Tehri PSP projects in FY2026. This has helped the company to increase its regulated asset base by ~Rs. 22,000 crore and the operating profit to Rs. 3,400-4,700 crore in FY2026E/FY2027E from Rs. 1,000-1,500 crore in FY2024/FY2025. Further, the operating profit increased to Rs. 1,543 crore in H1 FY2026, almost equivalent to a full-year OPBDITA of FY2025. It has also significantly reduced the project execution risk and increased the earnings, supporting a gradual reduction in the leverage levels from a peak of 14.5 times in FY2025 to ~7 times in FY2026 and ~5 times in FY2027.

**Strategically located and diversified asset portfolio spanning across hydropower and thermal generation along with pumped storage** – THDC has a capacity of 3,907 MW, which largely includes 1,424 MW of hydro capacity, 1,000 MW of PSP and 1,320 MW of thermal capacity located across two states in India. THDC's flagship 2,400-MW Tehri project is a multi-purpose project which, apart from power generation, provides flood control, irrigation water to UP and drinking water to UP and Delhi. In addition, the 1,000-MW Tehri hydropower project (HPP) assisted in restoring the electricity grid in July 2012. The partially commissioned 1,000-MW pumped storage plant (Tehri PSP) can also provide peaking power and supports the grid by providing

the balance power and ancillary services such as network frequency control and reserves in the presence of intermittent renewable sources of power.

**Regulatory clarity in place for tariff determination** – The tariff for hydro, PSP and thermal projects is based on the CERC's regulations. The multi-year tariff for the 2019-2024 control period for the operational generation stations are in place. Additionally, the company has filed tariff petitions for all its operational projects, including the Khurja, Amelia coal mining block and Tehri PSP, for determining the tariff for the 2025-2029 period. The final orders for these projects are awaited. In the tariff regulations for the control period 2025-2029, the CERC has continued its cost-plus tariff with regulated return on equity of 16.5% for hydro projects, 17% for PSP projects and 15.5% for thermal projects. In the latest multiyear CERC regulations, the norms for escalation in operations and maintenance expenses have been revised up to 5.47% instead of 4.77% earlier, which will benefit THDC.

**Tariffs being determined under cost-plus regime, ensuring stable returns** – THDC has a cost-plus tariff structure for both operational (hydro, PSP, and thermal) and under-construction projects (hydro) and fixed tariff for small hydro and renewable energy plants. The cost-plus tariff framework for a major portion of its generation asset portfolio (both existing and under-construction) is, thus, expected to ensure the recovery of fixed charges for debt servicing as well as earning regulated and stable returns, subject to meeting the normative operating cost and capital cost within the budgeted/approved level for under-construction projects. The presence of long-term cost-plus PPAs for all its operational and under-construction projects mitigates the offtake risks, especially given that the levelised tariff levels for the upcoming projects are expected to remain in the range of Rs. 5-6.5/unit.

**Operational plants running efficiently** – Generation from both the operating hydro plants (1,000-MW Tehri HPP and 400-MW Koteswar HPP) has consistently remained close to or above their respective design energy. This has aided the company in not only earning regulated returns but also incentives attached to higher-than-normative plant availability and higher-than-designed energy generation. These incentives compensate for the higher-than-normative O&M expenses for THDC. Additionally, the operational performance for the recently commissioned Khurja and Tehri PSP projects has also remained satisfactory compared to the normative benchmarks.

### Credit challenges

**Execution risk related to under-construction capacity** – At present, THDCIL has the 250-MW Tehri PSP and 444-MW VPHEP project under construction, exposing it to project execution risks. The company has witnessed significant time and cost overruns in its recently commissioned as well as under-construction projects. The 250-MW capacity of the Tehri PSP is expected to get commissioned by Q4 FY2026, while the balance 444-MW VPHEP faces execution risks as only ~63% of the head-race-tunnel has been excavated so far. Apart from these under-construction projects, THDC is parallelly executing a 2,000-MW and 10,000-MW solar park development project under its joint venture, TUSCO Limited and TREDCO Rajasthan Limited, respectively, which further accentuates the project implementation risks. Further, ICRA notes that THDC has announced various projects that it is likely to execute over the medium term in the hydro, thermal and solar segments. While the timeline for the implementation for such projects remains uncertain as of now, an accelerated pace of capital deployment towards these new projects might keep the execution risk and leverage levels at elevated levels. The capital allocation towards the new projects is in its nascent stages and will remain a key monitorable. These risks, however, are partly mitigated by the parentage of NTPC, which has strong project execution and management capabilities. The commercial capacity of the NTPC Group stands at 82.7 GW as on September 30, 2025.

**Uncertainty over approval of costs by CERC** – While the recently commissioned projects are expected to earn regulated returns on account of the cost-plus tariff (subject to achieving normative operating parameters), there is uncertainty regarding the quantum of capital costs that will be eventually approved by the CERC, given these projects have seen significant time and cost overruns. The cushion available for debt servicing for the respective project loans will be lower to the extent the capital costs that are disallowed. Significant capital disallowance remains a critical monitorable.

**Exposure to counterparty risks** – THDC is exposed to counterparty credit risk from utilities with weak financials (close to half of the allocated capacity). This limits its ability to market the power elsewhere. There has been a sustained improvement in the receivable position, given the payment discipline from state discoms since the implementation of the LPS scheme in June 2022. The receivable days have reduced from 236 days in FY2021 to 137 days in FY2022, 129 days in FY2023 and subsequently to 84 days in FY2024 and remained at around 90 days in H1FY2026. The collection efficiency has been satisfactory over the last eight months in FY2026. ICRA draws comfort from THDC being covered in the tripartite agreements between the GoI, the Reserve Bank of India and the respective state governments for the recovery of discom dues and the measures being taken by the Central Government, such as the liquidity for discoms under the Atmanirbhar Bharat package/late payment surcharge (LPS) scheme 2022.

### Liquidity position: Adequate

The company has a sanctioned fund-based working capital limit of Rs. 2,500 crore, with a sublimit of Rs. 400 crore for NFB limits which are interchangeable. The cushion in the fund-based working capital limits has remained at Rs. 675 crore along with a cash balance of Rs. 229.4 crore in September 2025. The company is expected to remain free cash flow negative (FCF) between FY2026 and FY2027 and start generating positive FCF from FY2028 when the capex intensity tapers down following the commissioning of the Tehri PSP and VPHEP projects. Therefore, during this period, the company would depend on external funding sources to meet its requirement of growth capex and scheduled debt service requirements. However, THDC’s strong parentage and its established track record of raising funds at competitive rates will support its liquidity profile in the intervening period.

Further, there is headroom available for the company to draw additional project debt for its under-construction projects (Tehri PSP, VPHEP), as per the normative CERC rules of drawing project debt up to 70% of the project cost. Therefore, the cash flows are expected to be sufficient for covering the debt repayment obligations and the capex for the under-construction projects over FY2026-FY2027. However, if THDC goes for a major capital expenditure in the near term (apart from the ongoing capex), there will be limited cushion available for any cost overruns or for the sizeable dividend payouts, going forward.

### Rating sensitivities

**Positive factors** - Timely commissioning of the under-construction projects within the budgeted time and cost will support an upgrade. Moreover, stabilisation of the operations, cost-reflective tariffs leading to material deleveraging of the balance sheet and an improvement in the credit metrics may also warrant an upgrade.

**Negative factors** - The rating may be downgraded if there are significant time or cost overruns in the under-construction projects, or any delays in deleveraging, large disallowance of project costs, or delays in stabilising operations that weaken the return and credit metrics. Significant delays in the receipt of payments of dues by discoms affecting its liquidity, or a substantial capex towards new projects leading to elevated leverage, or any change in NTPC’s support philosophy or a deterioration in NTPC’s credit profile could also exert pressure on the rating.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Power – Thermal</a>
Parent/Group Support	Parent NTPC holds a 74.5% stake in THDC. The assigned rating derives comfort from the strong credit profile of the parent, which, ICRA expects, will be willing to extend need-based financial support to THDC out of the need to protect its reputation from the consequences of a Group entity’s distress
Consolidation/Standalone	The rating is based on the consolidated financial statements of the rated entity

## About the company

THDC is a joint venture (ratio of 3:1) between NTPC and the Government of Uttar Pradesh (GoUP). NTPC had acquired the GoUP's 74.5% stake in THDC in March 2020. The company was incorporated in July 1988 to set up the 2,400-MW Tehri HPP. It has an operational capacity of 3,657 MW, consisting of the 1,000-MW Tehri HPP, 1,320-MW Khurja STPP, 750-MW Tehri PSP, 400-MW Koteshwar HPP, 24-MW Dhukwan HPP, 63-MW Dwarka wind power project, 50-MW Patan wind power project and the 50-MW solar project in Kasargod, Kerala. Apart from these projects, the active under-construction projects of the company include the 250-MW Tehri PSP and the 444-MW Vishungadh Pipalkoti hydroelectric project.

## Key financial indicators (audited) - Consolidated

THDC Consolidated	FY2024	FY2025	H1FY2026*
Operating income (Rs. crore)	2,011.2	2,712.4	2,721.7
PAT (Rs. crore)	597.0	731.0	598.0
OPBDIT/OI (%)	52.5%	56.7%	56.7%
PAT/OI (%)	29.7%	26.9%	22.0%
Total outside liabilities/Tangible net worth (times)	1.9	2.4	2.5
Total debt/OPBDIT (times)	16.0	14.5	7.7
Interest coverage (times)	6.7	3.8	2.8

Source: Annual reports of company, ICRA Research; \* Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Dec 29, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Non-convertible debentures (NCD)	Long term	3,300.00	[ICRA]AA+ (Stable)	30-Dec-24	[ICRA]AA (Stable)	02-Jan-24	[ICRA]AA (Stable)	03-Jan-23	[ICRA]AA (Stable)

## Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debentures (NCD)	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure-1: Instrument details**

ISIN No	Instrument name	Date of issuance	Coupon rate (%)	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE812V07021	NCD	6-Sep-19	8.75	6-Sep-29	1500.00	[ICRA]AA+ (Stable)
INE812V07039	NCD	24-Jul-20	7.19	24-Jul-30	800.00	[ICRA]AA+ (Stable)
INE812V07047	NCD	20-Jan-21	7.45	20-Jan-31	750.00	[ICRA]AA+ (Stable)
Yet to be placed	NCD	-	-	-	250.00	[ICRA]AA+ (Stable)

Source: Company

**Annexure II: List of entities considered for consolidated analysis:**

Company name	THDC ownership	Consolidation approach
THDC India Limited	100.00% (rated entity)	Full consolidation
TUSCO Limited	74%	Full consolidation
TREDCO Rajasthan Limited	74%	Full consolidation
THDCIL UJVNL Energy Company Limited	74%	Full consolidation

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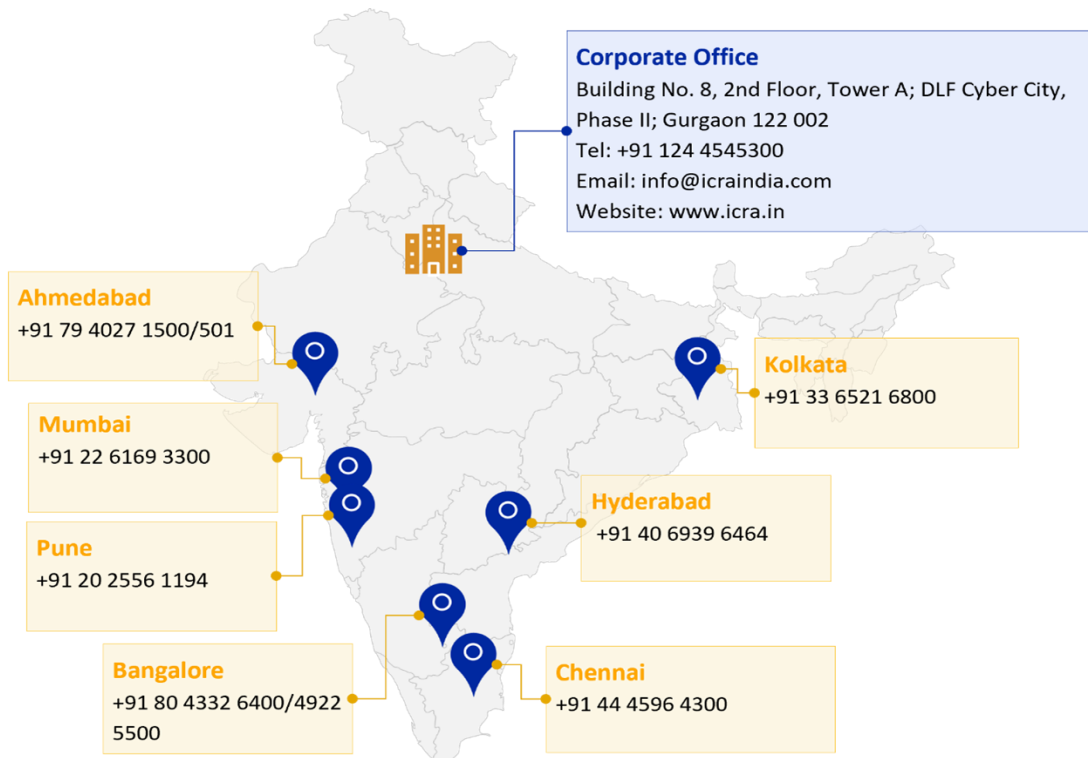


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