

November 22, 2022

Nabha Power Limited: Provisional Rating withdrawn for proposed NCDs and ratings outstanding for NCD, CP and bank loan facilities

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme (NCD issued)	2,600.0	2,600.0	[ICRA]AAA (CE) (Stable); rating outstanding
Non-Convertible Debenture Programme (NCD yet to be issued)	300.0	0.00	Provisional [ICRA]AAA(CE) (Stable); withdrawn
Commercial Paper (CP)	2,300.0	2,300.0	[ICRA]A1+; rating outstanding
Working Capital Demand Loan (WC DL)	250.0	250.0	[ICRA]A1+; rating outstanding
Total	5,450.0	5,150.0	

Rating Without Explicit Credit Enhancement	[ICRA]A+
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*Instrument details are provided in Annexure-1

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

In line with ICRA's policy for provisional rating, the provisional rating assigned to the proposed NCD programme of Nabha Power Limited (NPL) has been withdrawn, as the company did not complete the issuance of the NCDs.

The key rating drivers, liquidity position and rating sensitivities, have not been captured as the rated instrument is being withdrawn. The key rating drivers, liquidity position and rating sensitivities for the outstanding ratings for the NCDs, Commercial Paper (CP) and bank facilities is available in the previous detailed rating rationale at the following link: [Click here.](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating methodology for Thermal Power Producers Approach for rating debt instruments backed by third-party explicit support Implicit support from parent or group Policy on Withdrawal of Credit Rating ICRA's policy on assigning provisional rating
Parent/Group Support	Parent: Larsen & Toubro Limited For arriving at the NCD rating, ICRA has taken into account the unconditional and irrevocable corporate guarantee by L&T. For arriving at the CP rating, ICRA factors in the likelihood and the willingness of NPL's parent, L&T, extending financial support to NPL out of its need to protect its reputation from the consequences of a Group entity's distress; there also exists a

	consistent track record of L&T having extended timely financial support to NPL in the past, whenever needed
Consolidation/Standalone	Standalone

About the company

NPL was established as a special purpose vehicle (SPV) by erstwhile Punjab State Electricity Board (PSEB) to develop a 1,400-MW (2 x 700 MW) coal-fired thermal power plant at Nalash village, Rajpura, Punjab. Pursuant to an RFQ (request for quote)/RFP (request for proposal) floated by PSEB in line with the Case-2 competitive bidding guidelines of the Government of India (GoI), L&T Power Development Limited (L&T PDL) was awarded the project by PSEB. Accordingly, the ownership of NPL was transferred to L&T PDL on January 18, 2010 and a long-term PPA (for 25 years) was signed with PSEB on the same date. The tariff in the PPA comprises fixed capacity charge (payable based on the plant availability) and energy charges based on the net quoted heat rate, actual cost of coal (includes cost of purchasing, transporting and unloading the coal) and the gross calorific value of the coal. The Unit-1 (700 MW) of the project is operational since February 2014 and Unit-2 (700 MW) has been operational since July 2014. The boiler and turbine generator (BTG) package has been supplied by L&T- MHI (JV between L&T and Mitsubishi Heavy Industries). The company has signed a FSA with a subsidiary of Coal India Limited, viz. South Eastern Coalfields Limited, for 5.55 MTPA.

Key financial indicators (audited)

NPL Standalone	FY2020	FY2021	FY2022
Operating Income (Rs. crore)	3,779	3,391	4,129
PAT (Rs. crore)	243	164	302
OPBDIT/OI (%)	21.1%	22.2%	15.7%
PAT/OI (%)	6.4%	4.8%	7.3%
Total Outside Liabilities/Tangible Net Worth (times)	2.2	2.0	1.5
Total Debt/OPBDIT (times)	8.9	8.7	7.9
Interest Coverage (times)	1.4	1.5	1.8

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	Type	Current Rating (FY2023)					Chronology of Rating History for the past 3 years					
			Amount Rated (Rs. crore)	Amount Outstanding as on May-24, 2022 (Rs. crore)	Date & Rating on			Date & Rating in FY2022		Date & Rating in FY2021		Date & Rating in FY2020	
					Nov 22, 2022	May 31, 2022	Apr 05, 2022	Dec 21, 2021	May 19, 2021	Jan 29, 2021	Nov 09, 2020	Jan 13, 2020	Nov 08, 2019
1	Non-Convertible Debenture Programme (NCD issued)	Long-term	2,600.0	2,600.0	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)
2	Non-Convertible Debenture Programme (NCD issued)	Long-term	-	0.0	-	[ICRA] AAA (CE) (Stable) (withdrawn)	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)	[ICRA] AAA (CE) (Stable)
3	Non-Convertible Debenture Programme (proposed)	Long-term	300.0	0.0	Provisional [ICRA] AAA (CE) (Stable) (withdrawn)	Provisional [ICRA] AAA (CE) (Stable)	Provisional [ICRA] AAA (CE) (Stable)	Provisional [ICRA] AAA (CE) (Stable)	Provisional [ICRA] AAA (CE) (Stable)	-	-	-	-
4	Commercial Paper (CP)	Short-term	2,300.0	500.0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5	Fund-based – Working Capital Demand Loan	Short-term	250.0	250.0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Non-Convertible Debentures	Simple
Commercial Paper	Very Simple
WCDL	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 I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
INE445L08409	NCD	23-Apr-20	7.80%	23-Apr-23	500.0	[ICRA]AAA(CE)(Stable)
INE445L08417	NCD	28-May-20	7.20%	28-Apr-23	100.0	[ICRA]AAA(CE)(Stable)
INE445L08425	NCD	11-Jun-20	7.15%	11-Jun-22	300.0	[ICRA]AAA(CE)(Stable)
INE445L07021	NCD	16-Jun-20	7.35%	16-Jun-23	500.0	[ICRA]AAA(CE)(Stable)
INE445L08433	NCD	15-Apr-21	5.40%	15-May-23	1200.0	[ICRA]AAA(CE)(Stable)
Yet to be placed	NCD	NA	NA	NA	300.0	Provisional [ICRA]AAA(CE)(Stable) (Withdrawn)
INE445L14CG2	CP	21-Apr-22	4.98%	27-Jun-22	250	[ICRA]A1+
INE445L14CG2	CP	21-Apr-22	4.98%	27-Jun-22	250	[ICRA]A1+
Yet to be placed	CP	NA	NA	7-365 days	1800.0	[ICRA]A1+
NA	Working capital demand loan	Dec-21	NA	Jun-22	250	[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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Branches



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