



Nabha Power Limited

Instrument	Amount	Rating Action
NCD	Rs. 500 Crore	Conditional [ICRA]A1+(SO) (assigned)

ICRA has assigned the short-term Conditional rating of [ICRA]A1+(SO) [pronounced as ICRA A One Plus (Structured Obligation)] to NCDs (with an aggregate face value of Rs. 500.00 crore[†]) to be issued by Nabha Power Limited[†]. ICRA also has an outstanding rating of Conditional [ICRA]AAA(SO)(Stable) on Rs. 3000.00 crore of NCD and a rating of [ICRA]A1+ on Rs. 2000.00 crore of CP to be issued by Nabha Power Limited.

The rating for the NCDs is based on the strength of an unconditional and irrevocable guarantee by Larsen & Toubro Limited (L&T) (Guarantor) (rated [ICRA] AAA (stable)). The rating also factors in the payment mechanism designed to ensure timely payment on the rated NCDs as per the terms of the transaction. The conditional rating is subject to the fulfillment of all conditions under the structure and review of documentation pertaining to the transaction by ICRA. The proceeds from the NCDs issued are to be utilized for General Capex and/or Augmenting Long term Working Capital requirement of the company which are eligible for bank finance and refinance of existing debt.

Key Features of the Transaction

The NCDs would be redeemed at par on the respective maturity dates for each tranche. Interest on the NCDs would be payable annually. The guarantee from Larsen & Toubro Limited would cover all Issuer obligations that may arise on the rated NCDs as per the terms of the transaction documents. The payment mechanism is designed to ensure timely payment to the investors even if the guarantee has to be invoked by the Debenture Trustee.

About the Issuer

Nabha Power Limited (NPL) was established as a Special Purpose Vehicle (SPV) by the erstwhile Punjab State Electricity Board (PSEB) to develop the 1,400 MW (2 X 700 MW) coal fired thermal power plant at Nalash Village, Rajpura, District Patiala, Punjab, India ("Project").

Pursuant to an RfQ/RfP floated by PSEB in line with the Case 2 competitive bidding guidelines of 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 18th January 2010 and a Long Term Power purchase agreement (PPA) for 25 years was signed with PSEB on the same date. The tariff in PPA comprises of Fixed Capacity Charge (payable based on the Plant Availability irrespective of whether the power is scheduled for dispatch by Punjab State Power Corporation Limited) and Energy Charges based on 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 & turbine generator (BTG) package has been supplied by L&T- MHI (JV between L&T and Mitsubishi Heavy Industries). The company has also signed FSA with Coal India Subsidiary (South Eastern Coalfields Limited) for 5.55 MTPA.

L&T Power Development Limited (L&T PDL) was incorporated in September 2007 as the power development arm of Larsen & Toubro Limited (L&T) and is engaged in developing, investing, operating and maintaining power generation projects. L&T PDL currently has a portfolio of 2270 MW power projects under development comprising of 1 thermal and 4 hydro power projects.

* 100 lakh = 1 crore = 10 million; nos adjusted wherever necessary

† For complete rating scale and definitions, please refer ICRA's website (www.icra.in) or other ICRA Rating Publications



About the Guarantor

Larsen & Toubro Limited (L&T) is a leading engineering and construction company in India with a nationwide as well as international presence. It is headquartered in Mumbai. It has interests in infrastructure, power, metallurgical & material handling, heavy engineering, shipbuilding, electrical & automation, machinery and industrial products and realty. Apart from India, it has a significant presence in the Middle East. Through its subsidiaries, associate companies and joint ventures, the group is involved in hydrocarbon business, IT services, financial services, and infrastructure development ventures. For the financial year ending FY 2013-14 L&T on a standalone basis earned a profit after tax (PAT) of Rs 5493.13 Crore on net operating revenues of Rs 56,828.06 Crore[†].

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[†] Nos adjusted wherever necessary

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