

November 09, 2020

Nabha Power Limited: Update on the company

Summary of Rated Instrument:

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Ratings Outstanding
Non-convertible Debenture (NCD) Programme	4,960	4,960	[ICRA]AAA(CE)(Stable); Outstanding
Commercial Paper (CP)	4,000	4,000	[ICRA]A1+; Outstanding
Total	8,960	8,960	

Rating without explicit credit enhancement [ICRA]A+

Rationale

On October 29, 2020, Nabha Power Limited (NPL) intimated the stock exchanges that it was forced to shut down its power plant from October 29, 2020 at 09.00 hours due to unavailability of coal as transport of the same through rail is held up due to 'Rail Roko' protests by farmer in the State of Punjab which has stopped the coal rake movement from October 24, 2020. ICRA has taken note of the above development. While the plant remains shut as the protests continue, the ratings remain unchanged at [ICRA]AAA(CE)(Stable)/[ICRA]A1+ as ICRA continues to draw comfort from the strong financial linkage of NPL with its ultimate parent Larsen & Toubro Limited (L&T, rated at [ICRA]AAA(Stable)/[ICRA]A1+) and demonstrated track record of timely financial support by L&T to meet NPL's external debt repayment obligations. The company has made representation to Punjab State Power Corporation Limited (PSPCL) with regards to declaring the plant availability for the shut-down period. If PSPCL does not approve the same and plant remains shut for a prolonged period, the Plant Availability Factor (PAF) could fall below the normative PAF levels of 85% and lead to under-recovery of fixed capacity charges. ICRA would continue to monitor the development on these fronts.

For the detailed rating rationale on NPL, [click here](#) and on L&T [click here](#) referring to the latest release on ICRA website.

Key rating drivers

Credit strengths

As per previous detailed rating rationale link shared above

Credit challenges

As per previous detailed rating rationale link shared above

Liquidity position

As per previous detailed rating rationale link shared above

Rating sensitivities

Positive triggers – As per previous detailed rating rationale link shared above

Negative triggers – As per previous detailed rating rationale link shared above

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 Impact of Parent or Group Support on an Issuer's Credit 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 a need has arisen.
Consolidation/Standalone	Standalone

About the company

Nabha Power Limited (NPL) was established as a special purpose vehicle (SPV) by the 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, District Patiala, Punjab, India. 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 January 18, 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 fixed capacity charge (payable based on the plant availability) 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 a fuel supply agreement with subsidiary of Coal India Limited, viz. South Eastern Coalfields Limited, for 5.55 million tonnes per annum.

Key financial indicators (audited)

	FY2019	FY2020
Operating Income (Rs. crore)	3,968	3,779
PAT (Rs. crore)	96	243
OPBDIT/OI (%)	18.1%	21.1%
PAT/OI (%)	2.4%	6.4%
Total Outside Liabilities/Tangible Net Worth (times)	2.5	2.2
Total Debt/OPBDIT (times)	10.5	9.1
Interest Coverage (times)	1.2	1.4

Source: Company, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating	FY2020	FY2019	FY2018
					9-Nov-2020	8-Nov-2019	9-Aug-2018	21-July-2017
1	NCD	Long Term	4,960	4,500	[ICRA]AAA(CE) (Stable); outstanding	[ICRA]AAA(SO) (Stable)	[ICRA]AAA(SO) (Stable)	[ICRA]AAA(SO) (Stable)
2	Commercial Paper	Short Term	4,000	1,600	[ICRA]A1+; outstanding	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Amount in Rs. Crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE445L08342	NCD	23-Mar-18	8.12%	23-Jun-21	215	[ICRA]AAA(CE)(Stable)
INE445L08334	NCD	23-Mar-18	8.12%	28-Apr-21	385	[ICRA]AAA(CE)(Stable)
INE445L08375	NCD	25-Jun-19	8.06%	15-Apr-21	1100	[ICRA]AAA(CE)(Stable)
INE445L08383	NCD	19-Nov-19	7.41%	20-Apr-22	500	[ICRA]AAA(CE)(Stable)
INE445L08391	NCD	29-Nov-19	7.41%	20-Apr-22	900	[ICRA]AAA(CE)(Stable)
INE445L08409	NCD	23-Apr-20	7.80%	23-Apr-23	500	[ICRA]AAA(CE)(Stable)
INE445L08417	NCD	28-May-20	7.20%	28-Apr-23	100	[ICRA]AAA(CE)(Stable)
INE445L08425	NCD	11-Jun-20	7.15%	11-Jun-22	300	[ICRA]AAA(CE)(Stable)
INE445L07021	NCD	16-Jun-20	7.35%	16-Jun-23	500	[ICRA]AAA(CE)(Stable)
Yet to be placed	NCD	-	-	-	460	[ICRA]AAA(CE)(Stable)
NA	CP	NA	NA	7-365 days	4,000	[ICRA]A1+

Source: Nabha Power Limited

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