

## Nabha Power Limited

August 09, 2018

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating
Non-convertible Debenture	4,960	4,960	[ICRA]AAA(SO) (Stable); Reaffirmed
Commercial Paper	4,000	4,000	[ICRA]A1+; Reaffirmed
<b>Total</b>	<b>8,960</b>	<b>8,960</b>	

\*Instrument Details are provided in Annexure-1

### Rating action

ICRA has reaffirmed the long-term rating of [ICRA]AAA(SO) (pronounced ICRA triple A plus structured obligation) outstanding on Rs. 4,960 crore Non-convertible debenture (NCD) programme of Nabha Power Limited (NPL). ICRA also has reaffirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) assigned to the Rs. 4,000 crore commercial paper of NPL. The outlook on the long-term rating is 'Stable'.

The letters 'SO' in parenthesis, suffixed to a rating symbol, stands for 'Structured Obligation'. An SO rating is specific to the rated issue, its terms, and its structure. Such SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

### Rationale

The reaffirmation of rating for the NCDs is based on the strength of an unconditional and irrevocable guarantee by Larsen & Toubro Limited (L&T) (rated [ICRA]AAA (Stable)). The rating of NCDs also factors in the payment mechanism designed to ensure timely payment on the rated NCDs as per the terms of the transaction. The reaffirmation of rating of the commercial papers continues to factor in the strength of Letter of Comfort from L&T.

### Outlook: Stable

The outlook may be revised if there is a change in outlook of the guarantee provider.

### Key rating drivers

#### Credit strengths

**Support from L&T** - The rating of the commercial paper is based on the strength of Letter of Comfort from L&T and rating for the NCDs is based on the strength of an unconditional and irrevocable guarantee by L&T.

**Presence of payment mechanism** – The rating for NCDs also factors in the payment mechanism which is designed to ensure timely payment to the NCD investors as per terms of the transactions, even if the guarantee has to be invoked by the debenture trustee.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:**

[Approach for rating debt instruments backed by third-party explicit support](#)

**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 of 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.

**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.

**Key Financial Indicators (NPL)**

	<b>FY2017A</b>	<b>FY2018A</b>
Operating Income (Rs. crore)	3518	3778
PAT (Rs. crore)	(26)	245
OPBDIT/ OI (%)	18.4%	20.5%
RoCE (%)	6.1%	8.6%
Total Debt/ TNW (times)	2.6	2.4
Total Debt/ OPBDIT (times)	11.9	9.8
Interest coverage (times)	1.0	1.2

(Source: NPL)

**Status of non-cooperation with previous CRA: Not applicable**
**Any other information: None**

### Rating history for last three years:

		Current Rating (FY2019)			Chronology of Rating History for the past 3 years				
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017		Date & Rating in FY2016	
				August 2018	July 2017	December 2016	August 2016	October 2015	
1	NCD	4,960	3,275	[ICRA]AAA (SO) (Stable)	[ICRA]AAA (SO) (Stable)	[ICRA]AAA (SO) (Stable)	[ICRA]AAA (SO) (Stable)	[ICRA]AAA (SO) (Stable)	
2	CP	4,000	3,500	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

### 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 [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE445L08276	NCD	16-Oct-15	8.35%	21-Aug-18	45	[ICRA]AAA(SO) (Stable)
INE445L08284	NCD	16-Oct-15	8.35%	27-Sep-18	245	[ICRA]AAA(SO) (Stable)
INE445L08292	NCD	16-Oct-15	8.35%	10-Sep-18	210	[ICRA]AAA(SO) (Stable)
INE445L08300	NCD	28-Mar-16	8.50%	4-Apr-19	500	[ICRA]AAA(SO) (Stable)
INE445L08318	NCD	7-Jul-16	8.30%	5-Jul-19	475	[ICRA]AAA(SO) (Stable)
INE445L08326	NCD	16-Aug-16	7.81%	16-Aug-19	600	[ICRA]AAA(SO) (Stable)
INE445L08334	NCD	23-Mar-18	8.12%	23-Mar-21	215	[ICRA]AAA(SO) (Stable)
INE445L08342	NCD	23-Mar-18	8.12%	28-Apr-21	385	[ICRA]AAA(SO) (Stable)
INE445L08359	NCD	6-Apr-18	7.90%	5-Jun-20	600	[ICRA]AAA(SO) (Stable)
Yet to be placed	NCD	-	-	-	1,685	[ICRA]AAA(SO) (Stable)
NA	CP	-	-	7-365 days	4,000	[ICRA]A1+

Source: NPL

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