North Eastern Electric Power Corpn Limited (Revised)

March 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	775.00 (Reduced from 800.00)	CARE AA+; Stable	Reaffirmed
Non-convertible debentures	120.00 (Reduced from 240.00)	CARE AA+; Stable	Reaffirmed
Non-convertible debentures	900.00	CARE AA+; Stable	Reaffirmed
Non-convertible debentures	500.00	CARE AA+; Stable	Reaffirmed
Non-convertible debentures	496.35 (Reduced from 500.00)	CARE AA+; Stable	Reaffirmed
Non-convertible debentures	-	-	Withdrawn
Non-convertible debentures	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating reaffirmation on bank facilities and non-convertible debentures (NCDs) of North Eastern Electric Power Corporation Limited (NEEPCO), which is a power producer operating more than 2-GW capacity comprising primarily hydro and gas-based power plants continues to draw strength from its strong parentage by virtue of it being a wholly owned subsidiary of NTPC Limited (NTPC; rated 'CARE AAA; Stable; CARE A1+'). With NTPC's articulation and demonstrated track record of supporting its subsidiaries and joint venture (JV) companies, CARE Ratings Limited (CARE Ratings) expects NTPC to provide need-based support in case of cash flow mismatch. The credit profile is strengthened considering NEEPCO's leadership position in terms of supplying power to the north eastern (NE) states. Per Central Electricity Authority (CEA), NEEPCO supplied ~40% of the overall power supplied in FY24 in the NE states.

The rating favourably factors in revenue visibility considering its long-term power purchase agreements (PPAs) with various power distribution companies (Discoms). The rating also factors in cost plus nature of tariff determination for the underlying capacity (determined by the Central Electricity Regulatory Commission [CERC]), which ensures recovery of cost incurred and a defined return on equity (RoE), provided the plants operate at or above normative parameters. Despite the company not meeting the normative parameters in some of its hydro and gas-based plants, per CERC's draft tariff regulations for 2024-2029 has recognised and approved the lower plant availability, stating its outside the control of the company. CARE Ratings further notes that the company has successfully resurrected 225 MW of the 275 MW Kopli power plant in a phased manner from May 2023 to June 2024, which will ensure full recovery of capacity charges over the future course. The rating is also supported by strong financial profile as characterised by low leverage levels, strong coverage indicators, and satisfactory receivables over the last few fiscals.

However, rating strengths are partially offset by high counterparty credit risk, emanating from sale of power to financially weaker discoms, and large debt-funded capex plans, exposing the company to underlying project implementation, and stabilisation risks. The rating is also sensitive to regulatory risk associated with pending approval of sizeable cost overrun incurred for the Kameng hydro power station (Ka-HPS), due to which NEEPCO continues to bill its off-takers at normative tariff.

CARE Ratings has also withdrawn the outstanding rating on NCD (series XIV & XXI issue) with immediate effect, as the company has fully repaid the instrument and there is no amount outstanding as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement and sustenance of operational performance, leading to accelerated de-leveraging.

Negative factors

- Substantial elongation in the average collection period, thus weakening the liquidity profile.
- Significantly lower-than-envisaged operational profile or reduced tariff or increase in the borrowing cost or operating cost, leading to adverse impact on coverage metrics.
- Deterioration in the credit profile of NTPC or dilution in its support philosophy towards NEEPCO.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Analytical approach: Standalone, while notching up the rating, considering financial and operational linkages with its parent, NTPC Limited.

Outlook: Stable
The stable outlook reflects CARE Ratings' expectation that NEEPCO will continue to have a steady operating performance, backed by its established track record and strategic importance to India's power sector in the NE region and reasonable collection efficiency.

Detailed description of key rating drivers:

Key strengths

Entire shares held by NTPC; operational and financial support expected as required
Currently, NTPC holds entire shares of NEEPCO. NTPC is the largest thermal power generation company, with a consistent track record of operating its thermal power station at better-than-national-average, broadly with respect to availability, reliability, and efficiency. NEEPCO's linkage with NTPC is symbiotic, as the company is expected to have better receivables management (as the NTPC group has higher bargaining power over Discoms) and from NTPC's experience in operating power plants. NTPC gains from advancement toward meeting its non-fossil energy generation through NEEPCO, revenue source diversification, and NEEPCO's propensity to provide regular dividends. Given the reputation risk associated with distress in the subsidiary, NTPC is expected to provide need-based financial support.

Strategic importance to India's power sector in the NE region
With a total installed capacity of 2,057 MW, NEEPCO is the largest power producer in the NE region. By being a major infrastructure (power) provider to the NE states, NEEPCO has high strategic importance, underpinning support from the Government of India (GoI) indirectly and its parent (NTPC) directly.

Established track record in implementing power projects in NE India
NEEPCO has wide experience and expertise in implementing hydro projects in NE, which provides significant competitive advantages over others. The company has a strong design and engineering base with in-house expertise in geology, geophysics, geo-technics, construction, and material surveys. NEEPCO's strong project management skills are demonstrated through its successful completion and operation of power projects in the toughest of terrains.

Revenue visibility, backed by assured returns, based on CERC-determined tariffs
The tariffs for each power station (except for a portion of the capacity of Ka-HPS) of NEEPCO are determined per the tariff regulation notified by CERC. The tariff is determined by referring to annual fixed charges (AFC), which comprise interest on loans, depreciation, interest on working capital, operation and maintenance (O&M) expenses, and RoE. Under the 'cost-plus tariff' mechanism, cost recovery is subject to the achievement of normative operational parameters. A portion of Ka-HPS' capacity is tied up through medium-term PPA at pre-determined tariff, which is remunerative.

Proposed relaxation in normative availability (NAPAF) for few plants which may improve profitability
CERC has revised NAPAF for Tuirial hydro power station from 85% to 75%. CERC's draft regulation for 2024-29, indicates relaxation of NAPAF for Doyang Hydro Power Station and Assam Gas Based Power Station. These revisions are likely to improve the fixed charge recovery in plants, and hence, the company's profitability, going forward.

Steady collection from off-takers
The company's collection efficiency continued to remain healthy in FY24 and in 9MFY25. There has been decrease in debtors outstanding from ₹944 crore in FY23 to ₹837 crore in FY24. The collection efficiency for FY24 was ~100%, with the management expecting a healthy collection efficiency for FY25 as well.

Improving financial risk profile
The financial risk profile has improved, supported by stable gross cash accruals (GCA) and a steady PBILDT. The interest coverage ratio increased from 2.77x in FY22 to 3.76x in FY23 and remained strong at 3.73x in FY24, further improving to 3.90x in 9MFY25. Overall gearing ratio stood at 1.09x in FY23, marginally increasing to 1.10x in FY24, before improving to 0.99x in 9MFY25.

Key weaknesses

Significant counterparty credit risk

NEEPCO's off-takers include Discoms of seven states in NE India. Discoms typically have high aggregate technical and commercial (AT&C) losses as high ACS-ARR gap, leading to a weak financial risk profile. Given the weak financial health of distribution utilities, timely collection of proceeds will remain a key rating sensitivity.

Project execution risk

NEEPCO has projects in pipeline with a total capacity addition of ~7.5 GW, involving a total project cost of ~₹52,000 crore. Majority projects are currently in the Survey & Investigation (S&I) stage, with no new capacity additions expected before FY28. As construction begins, the company is likely to take on additional debt. NEEPCO plans to go public by FY28, which would serve as an additional source of funding. Equity contribution from NTPC will be a key monitorable, as the management has indicated that NTPC will infuse equity once a project is deemed viable. Consequently, leverage, reflected in overall gearing and TD/PBILDT, is expected to rise. Given the uncertainty surrounding long-term capacity tie-ups, ensuring timely project completion within budget will be crucial for maintaining competitiveness.

Delay in equity infusion by NTPC

Three hydro projects have undergone substantial time and cost overruns, which, requires necessary approvals from the government or regulator to arrive at revised cost estimates, and resultantly, absolute equity contribution figures from GoI. While there has been a delay in receipt of the same, a phased release of equity can improve coverage metrics for NEEPCO, such that it can also meet its capex initiatives, and hence, will be a key monitorable.

Liquidity: Strong

NEEPCO's strong parentage and proven ability to raise funds at competitive rates will bolster its liquidity profile. It is expected to continue enjoying its financial flexibility in terms of arranging funds from domestic capital market and PSU/private sector banks at reasonable interest rate. NEEPCO had fair access to overseas borrowing in the past basis government guarantee. Given the current overall gearing level, NEEPCO has fair headroom to further borrow and maintain liquidity. Its improving collection efficiency further strengthens its financial position. The liquidity profile of the company improved due to reduction in average collection period – from over 100 days in FY21 to 77 days in FY24.

NEEPCO's liquidity is well-supported by substantial undrawn working capital and short-term loan facilities, with total sanctioned limits of ₹1,650 crore. Utilisation of these facilities has remained minimal, averaging only ~4% over the trailing 12 months ending October 2024, providing ample headroom for additional borrowing if needed. The company's debt service coverage ratio (DSCR) is projected to remain marginal for FY24-FY27 considering sizeable debt repayment and capex commitments. However, the receipt of equity commitment will ease the liquidity profile.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Thermal Power
Financial Ratios – Non financial Sector
Withdrawal Policy
Infrastructure Sector Ratings
Solar Power Projects

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

NEEPCO was incorporated in 1976, as a GoI-undertaking with 100% holding. NEEPCO's entire stake was later acquired by NTPC from the GoI and the transaction was completed on March 27, 2020. The company is currently engaged generating power in the north-eastern region, with a total installed capacity of 2,057 MW, making NEEPCO the largest power producer in the region. Of the total installed capacities, 1,525 MW (74.1%) pertains to hydro-based capacities, with eight operational capacities instituted across Assam (three capacities), Arunachal Pradesh (three capacities), Nagaland (one capacity), and Mizoram (one capacity). The balance 527 MW (25.6%) pertains to its gas-based capacities, with three operational capacities – one in Assam and two in Tripura (Agartala and Monarchak), followed by a solar-based power plant of 5 MW (0.2%) installed in Tripura.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	4,541	4,226	3,157
PBILDT	2,028	1,973	1,609
PAT	397	548	411
Overall gearing (times)	1.09	1.10	0.99
Interest coverage (times)	3.76	3.73	3.90

A: Audited UA: Unaudited; Financials have been adjusted per CARE Ratings' criteria.
Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non-Convertible Debentures	INE636F08074	08-May-2024	7.71	08-May-2034	496.35	CARE AA+; Stable
Debentures-Non-Convertible Debentures	INE636F07191	25-Mar-2015	9.15%	25-Mar-2025	120.00	CARE AA+; Stable
Debentures-Non-Convertible Debentures	INE636F07209	30-Sep-2015	8.68%	30-Sep-2030	900.00	CARE AA+; Stable
Debentures-Non-Convertible Debentures	INE636F07225	15-Nov-2017	7.68%	15-Nov-2025	500.00	CARE AA+; Stable
Debentures-Non-Convertible Debentures	INE636F07183	10-Jan-2014	9.60%	October 01, 2024	0.00	Withdrawn
Debentures-Non-Convertible Debentures	INE636F07258	26-09-2019	8.69%	September 26, 2027	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	10-06-2030	775.00	CARE AA+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non-Convertible Debentures	LT	-	-	-	1)CARE AA+; Stable (14-Mar-24) 2)CARE AA+; Stable (03-Jul-23)	1)CARE AA+; Stable (04-Jul-22)	1)CARE AA; Positive (06-Jul-21)
2	Debentures-Non-Convertible Debentures	LT	120.00	CARE AA+; Stable	-	1)CARE AA+; Stable (14-Mar-24) 2)CARE AA+; Stable (03-Jul-23)	1)CARE AA+; Stable (04-Jul-22)	1)CARE AA; Positive (06-Jul-21)
3	Debentures-Non-Convertible Debentures	LT	900.00	CARE AA+; Stable	-	1)CARE AA+; Stable (14-Mar-24) 2)CARE AA+; Stable (03-Jul-23)	1)CARE AA+; Stable (04-Jul-22)	1)CARE AA; Positive (06-Jul-21)
4	Debentures-Non-Convertible Debentures	LT	-	-	-	1)Withdrawn (14-Mar-24) 2)CARE AA+; Stable (03-Jul-23)	1)CARE AA+; Stable (04-Jul-22)	1)CARE AA; Positive (06-Jul-21)
5	Debentures-Non-Convertible Debentures	LT	500.00	CARE AA+; Stable	-	1)CARE AA+; Stable (14-Mar-24) 2)CARE AA+; Stable (03-Jul-23)	1)CARE AA+; Stable (04-Jul-22)	1)CARE AA; Positive (06-Jul-21)
6	Debentures-Non-Convertible Debentures	LT	-	-	-	1)Withdrawn (03-Jul-23)	1)CARE AA+; Stable (04-Jul-22)	1)CARE AA; Positive (06-Jul-21)
7	Debentures-Non-Convertible Debentures	LT	-	-	-	1)CARE AA+; Stable (14-Mar-24) 2)CARE AA+; Stable (03-Jul-23)	1)CARE AA+; Stable (04-Jul-22)	1)CARE AA; Positive (06-Jul-21)
8	Fund-based - LT-Term Loan	LT	775.00	CARE AA+; Stable	-	1)CARE AA+; Stable (14-Mar-24)	1)CARE AA+; Stable	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
						2)CARE AA+; Stable (03-Jul-23)	(15-Dec-22)	
9	Debentures-Non-Convertible Debentures	LT	496.35	CARE AA+; Stable	-	1)CARE AA+; Stable (14-Mar-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754-3596 E-mail: mradul.mishra@careedge.in	Name: Sabyasachi Majumdar Senior Director **CARE Ratings Limited** Phone: +91-120-445 2006 E-mail: Sabyasachi.majumdar@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754-3404 E-mail: saikat.roy@careedge.in	Jatin Arya Director **CARE Ratings Limited** Phone: +91-120-4452021 E-mail: Jatin.Arya@careedge.in Mayuresh Karavade Assistant Director **CARE Ratings Limited** Phone: +91-22-68374468 E-mail: Mayuresh.karavade@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information,
please visit www.careedge.in