

## Press Release

### NTPC Vidyut Vyapar Nigam Limited

August 09, 2022

### Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	560.00	ACUITE AA+   Stable   Reaffirmed	-
Bank Loan Ratings	950.00	-	ACUITE A1+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	1510.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE AA+**' (read as **ACUITE double A plus**) and the short-term rating of '**ACUITE A1+**' (read as **ACUITE A one plus**) on the Rs. 1,510.00 Cr bank facilities of NTPC Vidyut Vyapar Nigam Limited (NVVN). The outlook is 'Stable'.

#### Rationale for Reaffirmation

The reaffirmation of the ratings continues to take into account strong parent entity in the form of NTPC Limited, satisfactory financial performance with improvement in profitability margins, healthy tangible net worth and absence of debt as on March 31, 2022 (Prov.) resulting in robust financial risk profile and strong liquidity profile. The ratings are however, constrained by higher gross current asset days and elongated debtors' days led by counter party credit risk.

#### About the Company

NVVN was incorporated in November 2002, as a wholly owned subsidiary of NTPC Limited which is under the ownership of Govt. NVVN is engaged in the business of sale and purchase of electric power and holds Category-I license issued by Central Electricity Regulatory Commission (CERC) of India permitting unlimited trading of power. NVVN is the sixth largest trader of electricity across the country in terms of volume transacted as on January 2021. The company also trades power on energy exchange in DAM (Day-Ahead Market), TAM (Term Ahead Market), RTM (Real Time Market) and Energy Saving Certificate (ESCs). NVVN is designated as nodal agency for cross-border power trading with Bangladesh, Bhutan and Nepal. Presently, power is being exported by the company to Bangladesh and Nepal. NVVN has also diversified into segments such as renewable projects, EMobility and Waste to Energy. As a recent development, NVVN has entered into MoU with Directorate of Transport (DoT), Andaman & Nicobar Islands and supplied 40 electric buses on hire along with associated infrastructure for contract duration of 10 years in ecologically sensitive zone. The company has also recently signed agreement with Bengaluru Metropolitan Transport Corporation for supply of 90 buses.

#### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of NVVN to arrive at the rating while taking into account the inherent backing of NTPC Limited, given its 100 per cent ownership in the company.

## **Key Rating Drivers**

### **Strengths**

#### **Demonstrated support from NTPC Limited**

NTPC Limited, the parent company has extended operational, financial and managerial support to NVVN. NTPC Limited along with its subsidiaries also sells power to NVVN, which is further sold by the latter to various State Electricity Boards (SEBs), State Power Utilities (SPUs) and Discoms. The top management comprising experts drawn from NTPC Limited and strong parentage has enabled NVVN to establish healthy relationships with its customers. Apart from the equity support, the parent company has also extended a line of credit to the tune of Rs. 90.00 Cr to meet its operational expenses. However, the said limit remains undrawn as on date.

Acuité believes that NVVN will continue to leverage the strong market position of NTPC Limited and experience of its management in order to explore market opportunities in the recently added business segments and continue developing healthy relationships with its customers and suppliers.

#### **Established presence in the industry**

NVVN has been into business of power trading since November 2002 and is the sixth largest power trader in terms of electricity transacted in India as on January 31, 2021. It holds Category-I power trading license wherein there is no trading limit. NVVN is designated as nodal agency for cross-border power trading with Bangladesh, Bhutan and Nepal. NVVN has also been designated as nodal agency for Jawaharlal Nehru National Solar Mission (JNNSM) phase-I, which envisages setting up of 1000 MW solar capacity with a mandate for purchase of power from the solar developers and for sale of such power, bundled with the power sourced from NTPC coal power stations in the ratio of 1:1 to State Discoms. Solar capacity up to 733 MW is presently operational under the mission and solar power bundled with thermal power is being supplied by NVVN to 13 states in various power region.

#### **Satisfactory financial performance also with improvement in profitability**

The total operating income of the company remained at Rs. 3,899.59 crores during FY22 (Prov.) as against Rs. 4,037.02 crores during FY21, with marginal moderation of ~3%. The operating profit, however increased to Rs.119.38 crore in FY22 over Rs.109.81 crore in FY20, led by lower purchase cost. The operating margin, increased to 3.5% to 4% in FY22. The net profit also increased significantly to Rs.150.26 crore in FY22 vis-à-vis Rs.92.02 crore in FY21. The same is on account of increase in surcharge from Rs. 21.33 crore to Rs.90.16 crore. In line with operating profit, the margin also marginally improved to 3.06% in FY22 over 2.72% in FY21. The net profit margin also improved to 3.85%, by 157 bps in FY22.

#### **Robust financial risk profile**

The financial risk profile of NVVN is strong due to absence of any debt in the balance sheet as on March 31, 2022 (Prov.). The net worth of the company stood at Rs.562.52 crore as on March 31, 2022 (Prov.) as against Rs. 442.31 crore as on March 31, 2021. The improvement in net worth mainly on account of accretion of profit to reserves.

Gearing levels continue to remain NIL as on March 31, 2022. The other debt coverage indicators have witnessed significant improvement marked by interest coverage ratio (ICR) of 554.83 times in FY22 (Prov.) as against 221.74 times in FY21. The DSCR remains at 412.86 times for FY22 as against 51.35 times and 16.38 times, respectively for FY201 as a result of increase in profitability metrics.

The company has availed term loan of Rs.50.0 crore for e- mobility segment during Q1FY23 and as mentioned above is expected to incur term loan w.r.t waste management. Albeit, the same would impact the financial risk profile of the company, nevertheless, it is expected to remain at comfortable level due to healthy tangible net worth of the company.

### **Weaknesses**

#### **Elongation in Gross Current Asset days**

NVVN has working capital intensive nature of operations as evident from gross current assets (GCA) of 162 days for FY22 from 145 days for FY21. The same was mainly on account of moderation in total operating income. Further, there has also been elongation in debtors days (including unbilled revenue) from 128 days in FY21 to 136 days in FY22. For sales under JNNSM Phase-I, there is presence of three payment security mechanisms, Letter of credit issued by banks on behalf of SEBs/SPUs, Budgetary support from the Ministry of New and Renewable Energy (MNRE), against liquidated bank guarantees of solar power developers.

### Counterparty credit risk

NVVN is dealing with SEBs, SPUs and Discoms which exposes it to high counterparty risk and thus timely collection of receivables remains a key rating sensitivity factor. The receivables (including unbilled revenue) remained at Rs. 1,454.93 crore as on March 31, 2022 (Prov.) as against Rs.1412.27 crore as on March 31, 2021. The increase in receivables is mostly covered by corresponding increase in payables, thereby partially setting off the risk. Any adverse movement in the financial profile as well as liquidity position of counterparties, could lead to delay in realization of receivables and would remain a key monitorable.

### Rating Sensitivities

- >Significant weakening of operating performance
- >Substantial debt-funded capital expenditure

### Material covenants

None

### Liquidity Position: Strong Strong

The liquidity profile of the company continues to remain strong led by Net cash accruals of Rs.158.40 crore in FY22 as against Rs.92.75 crore in FY21. The company does not have any debt repayment obligation. However, as the company has disbursed term loan of Rs.50.0 crore for e-mobility segment with moratorium of 1 year and tenor of 6 years. Further, the company is also expected to avail additional term loan of Rs.70.0 crore for waste management plant. However, the same is yet to be decided. Nevertheless, the liquidity is expected to remain at strong level. The cash and bank balance remained at Rs.251.71 crore as on March 31, 2022. The current ratio remains at similar level at FY21-22.

### Outlook: Stable

Acuité believes that NVVN will maintain "Stable" business risk profile on account of strong parentage and healthy financial flexibility of the company. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its business risk profile and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile or delay in realization of receivables.

### Other Factors affecting Rating

Not Applicable

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	3899.59	4037.02
PAT	Rs. Cr.	150.26	92.02
PAT Margin	(%)	3.85	2.28
Total Debt/Tangible Net Worth	Times	0.00	0.23
PBDIT/Interest	Times	544.83	21.74

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Jun 2021	Bank Guarantee	Short Term	200.00	ACUITE A1+ (Assigned)
	Working Capital Demand Loan	Long Term	10.00	ACUITE AA+   Stable (Assigned)
	Working Capital Demand Loan	Long Term	150.00	ACUITE AA+   Stable (Assigned)
	Working Capital Demand Loan	Long Term	400.00	ACUITE AA+   Stable (Assigned)
	Letter of Credit	Short Term	200.00	ACUITE A1+ (Assigned)
	Bank Guarantee	Short Term	350.00	ACUITE A1+ (Assigned)
	Letter of Credit	Short Term	200.00	ACUITE A1+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	350.00	ACUITE A1+   Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A1+   Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A1+   Reaffirmed
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A1+   Reaffirmed
Axis Bank	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	400.00	ACUITE AA+   Stable   Reaffirmed
State Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	10.00	ACUITE AA+   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	150.00	ACUITE AA+   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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