



Press Release
NTPC Vidyut Vyapar Nigam Limited
November 02, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	708.00	ACUITE AA+ Stable Assigned	-
Bank Loan Ratings	92.00	ACUITE AA+ Stable Reaffirmed	-
Bank Loan Ratings	580.00	-	ACUITE A1+ Assigned
Bank Loan Ratings	2120.00	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	3500.00	-	-

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. 2212.00 Cr bank facilities of NTPC Vidyut Vyapar Nigam Limited (NVVN). The outlook is '**Stable**'.

Acuite has assigned 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.1288.0 Cr bank facilities of NTPC Vidyut Vyapar Nigam Limited (NVVN). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating continues to take into account strong parent entity i.e. NTPC Limited who remains a pioneer in the Indian power industry and is the largest power generation company in India. NTPC Limited is an Indian Central Public Sector Undertaking under the Ministry of Power and Government of India which is primarily engaged into generation of electricity and other activities. NTPC has a total installed capacity of 73,024 MW (including 15,986 MW through Joint Venture/Subsidiaries). NTPC Limited 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. Furthermore, the operational support provided by the top management of NTPC have 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.

The rating also draws comfort from the improvement financial performance of the company marked by revenue growth of ~14% YoY and stood at Rs.4440.17 Cr. during FY23 as against Rs.3899.59 Cr. However, EBITDA margin of the company witnessed moderation to 2.94% in FY23 compared to 3.27% in FY22. The rating also factors in the robust financial risk profile of the company with healthy tangible net worth, low gearing and strong. The ratings are however,

constrained by higher gross current asset days and elongated debtors' days led by counter party credit risk.

Acuité also takes note of the under-construction waste to energy plant undertaken by the company with installed capacity of 600 TPD inputs in Varanasi and is expected to commence operations from Q4FY24. The estimated cost of the plant is Rs.180 Cr., of which Rs.150 Cr. would be funded through term loan and remaining will be from internal accruals/promoter infusion. As on date, the loan has not been disbursed yet and currently meeting its expenses are meeting through internal accruals. Going forward, the debt profile of the company is expected to increase on account of additional tie up of loans and timely commencement of the operations will remain a key rating sensitivity going forward.

About the Company

NVVN was incorporated in November 2002, as a wholly owned subsidiary of NTPC Limited which is under the ownership of GoI. 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. The company also trade power on energy exchange in DAM (Day-Ahead Market), TAM (Term Ahead Market), RTM (Real Time Market) and Energy Saving Certificate (ESCerts). 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. 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.

Unsupported Rating

Not Applicable

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 support from 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 of NVVN is an Indian Central Public Sector Undertaking under the Ministry of Power and Government of India. NTPC is primarily engaged into generation of electricity and other activities. NTPC is the largest power generation company in the country with a total installed capacity of 73,024 MW (including 15,986 MW through Joint Venture/Subsidiaries). NTPC 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. NTPC as a group generated 399 Billion Units in FY23 as compared to 360 Billion Units in FY22, an increase of ~11% YoY growth. NTPC Coal stations achieved a Plant Load Factor of 75.90% as against the National Average of 64.15% during FY23. 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 power industry

NVVN has been into business of power trading since November 2002 and is the 2nd largest power trader after PTC India in terms of electricity transacted in India as on date. 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. NVVN's trading portfolio includes Bilateral/ Swap Power, Solar Bundled Power, Power Banking and Power Exchange (DAM, TAM, RTM, REC/ ESCerts and G-TAM). The company carries out energy trading operations on a commission basis and recognizes revenue from contracts for commission for trading on energy exchange over time as the customers simultaneously receive and consume the benefits. The commission for trading of energy on exchange is determined as per the terms of the agreement. NVVN has also diversified into segments such as renewable projects, EMobility and Waste to Energy. 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. Furthermore, the company has also supplied 90 electric busses in Bangalore, Karnataka.

Improvement in financial performance

The total operating income of the company stood at Rs.4440.17 Cr. during FY23 as against Rs.3899.59 Cr. during FY22 reflecting a YoY growth of 14% during the period. Furthermore, the revenues of the company stood at Rs.1380.54 Cr. in Q1FY24 as against Rs.1185.66 Cr. same period last year with a growth of ~16% YoY. The increase in revenues is majorly on account of increase in power trading business. Despite company entering into various segment, power trading is expected to be major revenue source and is expected to contribute 90% of total operating income going forward. The profitability of the company on the other hand remained range bound with EBITDA margin of 2.72% - 2.94% during FY21-23 period. The EBITDA margin of the company witnessed moderation to 2.94% in FY23 compared to 3.27% in FY22. The net profit of the company Rs.175.90 Cr. in FY23 as against Rs.150.26 Cr. in FY22. The company further reported net profit of Rs.43.97 Cr. in Q1FY24 vis-à-vis Rs.22.33 Cr. during same period last year.

Acuite believes that with the company venturing into new segment and increase in power demand, the operating income of NVVNL is expected to increase going forward.

Robust financial risk profile

The financial risk profile of NVVNL remained robust majorly on account of strong network, low gearing and comfortable debt protection matrices. The net worth of the company stood at Rs.718.89 Cr as on March 31, 2023 as against Rs.562.48 Cr. as on March 31, 2022. The improvement in net worth mainly on account of accretion of profit to reserves. The gearing levels of the company remained low at 0.21 times as on March 31, 2023. The total debt outstanding of the company remained low at Rs.150 Cr. as on March 31, 2023 against no debt same time last year. Also, the debt coverage indicators remained comfortable, marked by interest coverage ratio (ICR) of 14.94 times and Debt Service Coverage Ratio of 11.29 times for FY23.

Furthermore, the company is under process of setting up a plant with installed capacity of 600 TPD inputs in Varanasi and is expected to commence operations from Q4FY24. The estimated cost of the plant is Rs.180 Cr., of which Rs.150 Cr. would be funded through term loan and remaining will be from internal accruals/promoter infusion. As on date, the loan has not been

disbursed yet and currently meeting its expenses are meeting through internal accruals. The debt level of the company is expected to increase majorly on account of tie up of loans for setting up of waste to energy plant. However, the gearing level of the company is expected to remain low despite expected increase in debt on account of strong networth going forward.

Weaknesses

Elongation in Gross Current Asset days

NVVNL has working capital intensive nature of operations as evident from gross current assets (GCA) of 178 days for FY23 as against 162 days for FY22. The same was mainly on account of elongation in debtors days (including unbilled revenue) from 137 days for FY22 to 159 days for FY23. 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 of Rs 422.63 Cr. from the Ministry of New and Renewable Energy (MNRE), against liquidated bank guarantees of solar power developers in FY23.

Counterparty credit risk

NVVNL 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.1,924.29 Cr. as on March 31, 2023 as against Rs.1454.93 Cr. as on March 31, 2022. 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
- Timely commencement of Waste to Energy plant
- Any further deterioration of financial risk profile with significant increase in debt levels

All Covenants

None

Liquidity Position

Strong

The liquidity profile of the company continues to remain strong led by Net cash accruals of Rs.193.15 Cr. in FY23 as against matured debt obligation of Rs.8.33 Cr. during the same period. The net cash accruals of the company are expected to remain in the range of Rs.217.41 – 251.91 Cr. during FY23-25 period against repayment obligation of Rs.8-20 Cr. during the same period. Furthermore, the unencumbered cash and bank balance remained at Rs.213.54 Cr. as on March 31, 2023 and the current ratio stood comfortable at 1.28 times during the same period. Acuité believes that the liquidity profile of the company will continue to remain strong on account of healthy net cash accruals against matured debt obligations.

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

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	4440.17	3899.59
PAT	Rs. Cr.	175.90	150.26
PAT Margin	(%)	3.96	3.85
Total Debt/Tangible Net Worth	Times	0.21	0.00
PBDIT/Interest	Times	14.94	25.72

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level of Financial Instruments on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Aug 2022	Working Capital Demand Loan	Long Term	150.00	ACUITE AA+ Stable (Assigned)
	Term Loan	Long Term	112.00	ACUITE AA+ Stable (Assigned)
	Working Capital Term Loan	Short Term	90.00	ACUITE A1+ (Assigned)
	Bank Guarantee	Short Term	350.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	350.00	ACUITE A1+ (Reaffirmed)
	Bills Discounting	Short Term	350.00	ACUITE A1+ (Assigned)
	Working Capital Demand Loan	Long Term	150.00	ACUITE AA+ Stable (Reaffirmed)
	Letter of Credit	Short Term	200.00	ACUITE A1+ (Reaffirmed)
	Working Capital Term Loan	Short Term	460.00	ACUITE A1+ (Reaffirmed)
09 Aug 2022	Letter of Credit	Short Term	200.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	200.00	ACUITE A1+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	400.00	ACUITE AA+ Stable (Reaffirmed)
	Letter of Credit	Short Term	200.00	ACUITE A1+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	150.00	ACUITE AA+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	350.00	ACUITE A1+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	10.00	ACUITE AA+ Stable (Reaffirmed)
07 Jun 2021	Letter of Credit	Short Term	200.00	ACUITE A1+ (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)
	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	350.00	ACUITE A1+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	300.00	ACUITE A1+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	80.00	ACUITE A1+ Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	250.00	ACUITE A1+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	62.00	ACUITE AA+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	708.00	ACUITE AA+ Stable Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	570.00	ACUITE A1+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	30.00	ACUITE AA+ Stable Reaffirmed
State Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	350.00	ACUITE A1+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	150.00	ACUITE A1+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	150.00	ACUITE A1+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	300.00	ACUITE A1+ Assigned
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan	Not available	Not available	Not available	Simple	200.00	ACUITE A1+ Assigned

		(WCDL)						
--	--	--------	--	--	--	--	--	--

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Nitul Dutta Manager-Rating Operations Tel: 022-49294065 nitul.dutta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.