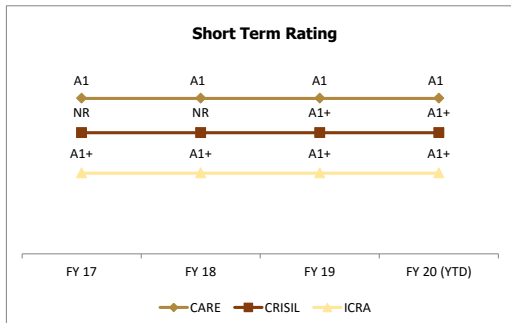
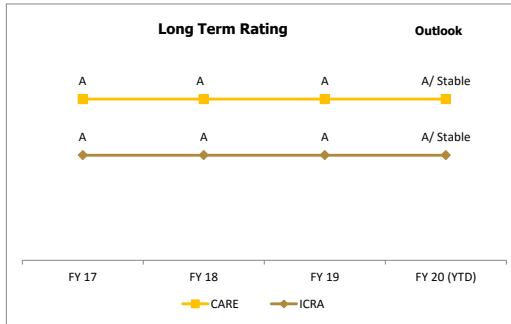


**Shareholding pattern as on June 30, 2019**

L&T Power Development Limited 100%

**Total 100%**

**Credit Rating History**



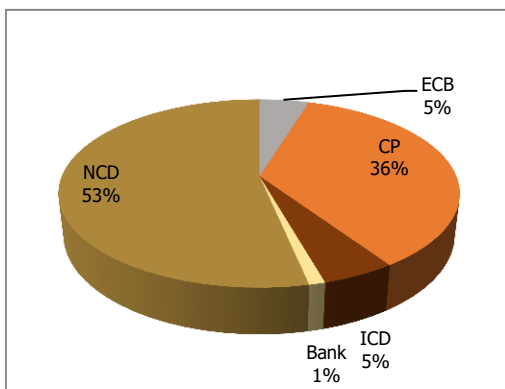
**Financial Performance**

Particulars	FY19	FY18	% chg
Total Income	39.7	39.5	1%
EBITDA	7.2	9.3	-22%
PAT	1.0	2.5	-61%
Networth	32.5	31.5	3%
Total Debt	75.5	77.9	-3%
Debt/Equity (x)	2.3	2.5	
EBITDA Margins (%)	18.2	24.6	
PAT Margins (%)	2.4	6.5	
Current Ratio	0.4	0.5	

Source: Ace Equity;

As per INDAS wherever applicable

**Borrowing Mix as on March 31, 2019:**



**Credit Drivers:**

• **Strong and continuous support from the parent:** Nabha Power Limited (NPL) is a wholly owned subsidiary of L&T Power Development Limited (L&TPDL) which in-turn is a wholly owned subsidiary of L&T Limited. Over last few years, L&T has infused funds in NPL to support its operations in the form of ICDs in addition to CG & LoC for capital market instruments.

• **Stable operating performance:** Both Phase I and Phase II of the project have commissioned operations in February 2014 and July 2014 respectively. The PAF (Plant Availability Factor) and the PLF (Plant Load Factor) remained comfortable at all times.

• **Benefit of Long-term Power Purchase Agreement (PPA) with Punjab State Power Corporation Limited (PSPCL):** NPL has signed a long-term PPA of 25 years with PSPCL for off-take of the entire power generated from the power plant.

• **Long term raw material supply:** NPL has signed Fuel Supply Agreement (FSA) for long term coal linkage from Ministry of Coal (MoC) from South Eastern Coalfields Ltd. Water requirement supplied from Rajpura Distributory of BhakraNangal Canal.

• **Average capital cost and capital structure:** As of March 31, 2019 gearing is of 2.3 times. NPL's overall gearing marginally improved from 2.74x as on March 31, 2017 to 2.49x as on March 31, 2018.

• **Moderate counterparty risk:** NPL is exposed to counter party risk as PSPCL is the sole off-taker. Any delays by PSPCL in payments to NPL, adversely affects the liquidity of NPL although PSPCL has made payment within due date for most of the months during the year. NPL also has Payment Security mechanism through LC and Escrow agreement with PSPCL.

• **Pending litigations and disputes:** Currently NPL has cases under litigation with PSPCL with regard to change in Mega power policy and coal washing charges. The Supreme Court in October 2017 had ruled in favour of NPL and NPL has received Rs. 8 bn till September 2019 however current outstanding dues are ~Rs. 5.9 bn.

• **Foreign exchange fluctuation risk:** NPL has outstanding external commercial borrowing (ECB) amounting to Rs. 3.60 bn as on March, 2019 making it vulnerable to volatility in foreign exchange rates. The company hedges ~75% of its payables through USD-INR forward contracts which helps the company to mitigate the foreign exchange risks to some extent.

**About the Company:**

Nabha Power Limited (NPL) is a special purpose vehicle (SPV) owned by L&T Power Development Limited (L&T PDL), a 100% subsidiary of L&T Ltd. It owns and operates a 1400 MW super critical thermal power plant in Rajpura, Punjab. It has signed a 25 year PPA with Punjab State Power Corporation Ltd (PSPCL) to supply super critical coal fired power for PSEB till January 2039. The company has also signed a fuel supply agreement with subsidiary of Coal India Limited (South Eastern Coalfields Limited) for 5.55 million tonnes of coal per annum.

**Industry Outlook:**

Power is one of the most critical components of infrastructure crucial for the economic growth and welfare of nations. Total installed capacity of power stations in India stood at 356.82 Gigawatt (GW) as of May 2019. Between April 2000 and March 2019, the industry attracted US\$ 14.32 billion in Foreign Direct Investment, accounting for 3.41 per cent of total FDI inflows in India. Coal-based power generation capacity in India, which currently stands at 191.09 (As of May 2019) GW is expected to reach 330-441 GW by 2040. The power demand in the country is expected to grow at ~6% between FY18 and FY22, according to the Central Electricity Authority, driven by rising industrial demand. Further, demand revival will be driven by various reforms undertaken by the Government of India, viz. the UDAY scheme, '24\*7 Power for All' initiative and the 'Saubhagya' scheme.

### Key Credit Drivers:

**Strong and continuous support from the parent:** NPL is a wholly owned subsidiary of L&T Power Development Limited (L&TPDL) which in-turn is a wholly owned subsidiary of L&T Limited. Over last few years, L&T has infused funds in the company to support its operations in the form of ICDs. Although there is a reduction in the amount of ICDs by Rs. 6.74 crore in FY18 and by Rs. 3.80 crore in FY19, the support from promoters continues in the form of corporate guarantee/ letter of comfort to the NCD and CP issuances by NPL. All capital market instruments are well supported by CG and LCs given by L&T Ltd as mentioned in debt profile table below as on FY19:

Particulars	Support	%	Rs. Bn.
NCD	CG given by L&T	53%	40.25
CP	LOC given by L&T	36%	27
ICD	From L&T	5%	3.8
ECB	-	5%	3.61
Bank	Secured through charge	1%	0.83
<b>Total</b>		<b>100%</b>	<b>75.49</b>

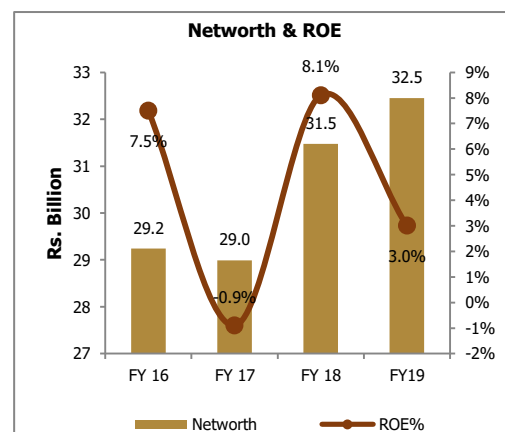
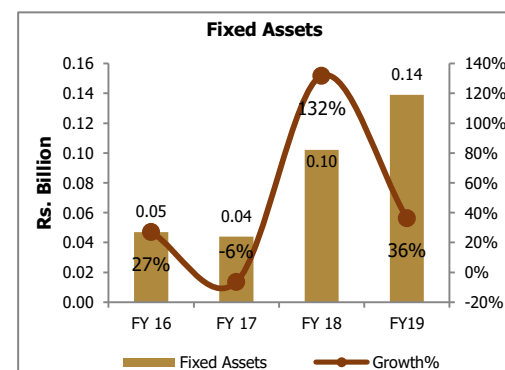
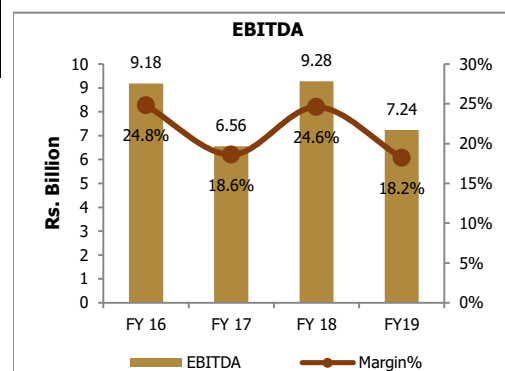
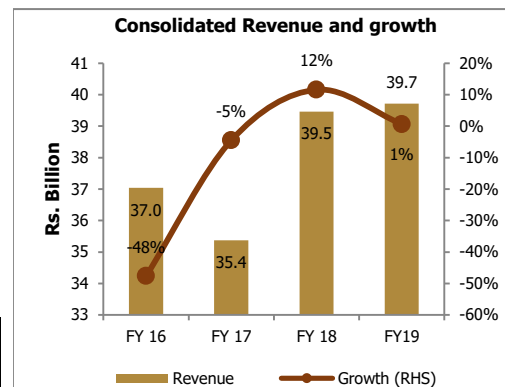
**Stable operating performance:** Both Phase I and Phase II have commissioned operations in February 2014 and July 2014 respectively. The PAF (Plant Availability Factor) of the plant remained at 85.08% in FY18 and 86.28% during 9MFY19 (as against 93.08% in FY17), while the PLF (Plant Load Factor) remained at 74.35% in FY18 and 75.45% in 9MFY19 (as against 77% in FY17).

**Benefit of Long-term Power Purchase Agreement (PPA) with PSPCL:** NPL has signed a long-term PPA of 25 years (from February 2014) with PSPCL for off-take of the entire power generated from the power plant. As per the PPA, the tariff consists of two parts – capacity charge and energy charge. The capacity charges shall be paid, provided NPL maintains a minimum Availability Factor (AF) of 85% at plant, irrespective of whether power is actually dispatched to PSPCL or not. The energy charge consists of fuel charges which are fully pass-through to PSPCL. NPL has been able to maintain PAF above required levels over the period of time.

**Long term raw material supply:** NPL has signed Fuel Supply Agreement (FSA) for long term coal linkage from Ministry of Coal from South Eastern Coalfields Ltd.'s (SECL's) mines in Chhattisgarh for around 93% of its coal requirement. NPL has executed a firm FSA with SECL and for the balance requirement NPL has permission to import coal or procure it locally which is also reimbursable by PSPCL as a part of energy charges. During FY19, NPL imported about 9.5 lakh MT of coal. The company has a policy to maintain coal stock for 15 days of planned operations. At the end of December 2018, the company had a coal stock of around 15-20 days amounting to Rs.1.06 bn and spares and stores stock of around Rs.0.35 bn. Water requirement is estimated at 4,997 cubic meters per hour, which is supplied from Rajpura Distributory of BhakraNangal Canal for which the company has received approval from Canal Irrigation Works, Punjab. This ensures regular supply of water to the plants.

**Average capital cost and capital structure:** As of March 31, 2019 gearing is of 2.3 times. Relatively high capital cost and tariff structure for the project translates into leveraged capital structure. NPL's overall gearing marginally improved from 2.74x as on March 31, 2017 to 2.49x as on March 31, 2018.

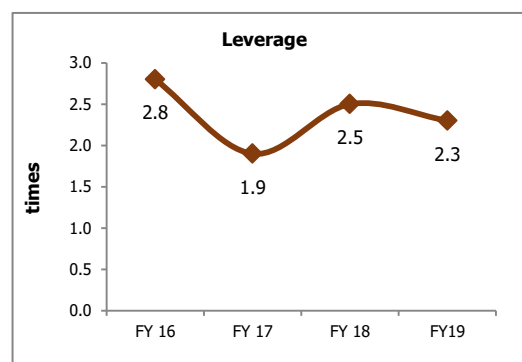
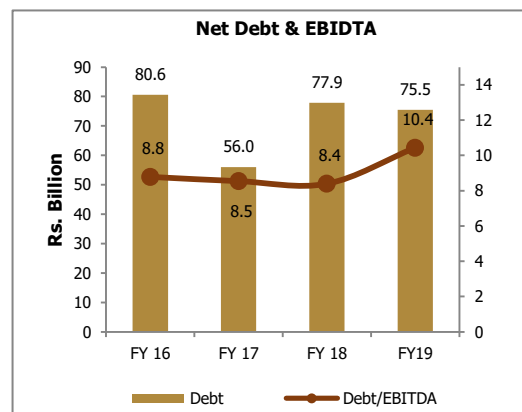
**Moderate counterparty risk:** The company is exposed to counter party risk as PSPCL is the sole off-taker. Any delays by PSPCL in payments to NPL, could adversely affect the liquidity of NPL. Nevertheless, since achieving COD in February 2014 (Phase I), NPL has experienced a good payment track record with PSPCL as it makes payment within due date for most of the months during the year; only for about 3-4 months the payment has been made within 20-25 days from the due date. NPL also has Payment Security mechanism through LC and Escrow agreement with PSPCL.



**Pending litigations and disputes:** NPL has cases under litigation with PSPCL with regard to change in Mega power policy and coal washing charges. As a result, PSPCL clears invoices to NPL after deducting the disputed amounts leading to shortfall in cash inflow of around Rs.3-4 bn annually for the company. However, the company is able to meet operations and maintenance cost and interest servicing from internal accruals. The Supreme Court in October 2017 had ruled in favour of NPL and NPL has received Rs. 4 bn till March 2019 and current outstanding dues are ~Rs. 9.9 bn. Subsequent to that NPL filed contempt of court against PSPCL for the pending claims. The SC on 7<sup>th</sup> August 2019 ordered in favour of NPL and NPL further received Rs. 4 bn claims in the month of September 2019. NPL is taking steps to recover the balance dues. The dispute regarding the capacity charges deduction is still pending. NPL will continue to rely on L&T for supporting its debt facilities.

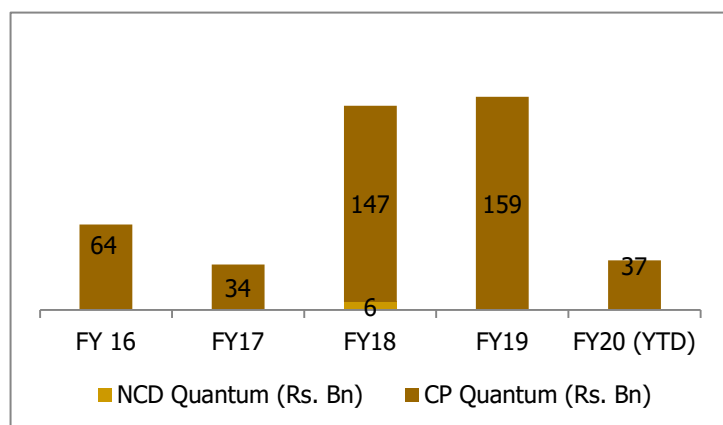
**Foreign exchange fluctuation risk:** NPL has outstanding external commercial borrowing (ECB) amounting to Rs. 3.60 bn as on March, 2019 making it vulnerable to volatility in foreign exchange rates. The company hedges ~75% of its payables through USD-INR forward contracts which helps the company to mitigate the foreign exchange risks to some extent.

**Comfortable Liquidity position:** The liquidity profile of the company remains comfortable based on continuous support demonstrated by L&T in the past in the form of infusion of ICDs, and corporate guarantee/ letter of comfort to the NCD and CP issuances by NPL.



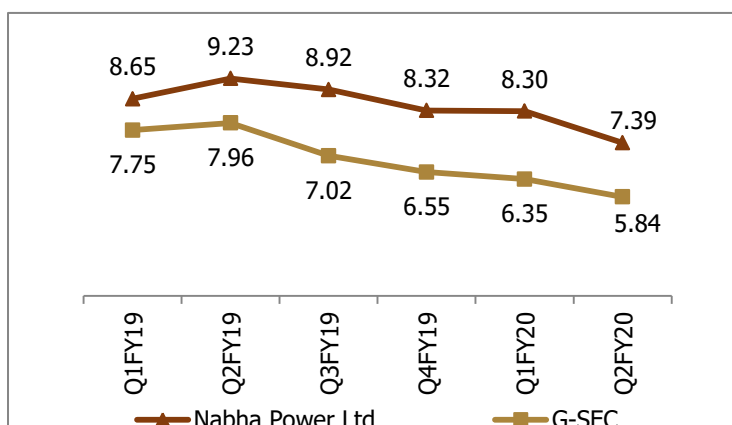
Key Management Personnel			
Name	Designation	Name	Designation
Vijaya Sampath	Independent Non-Executive Director	Ajit Samal	Non Executive Director
S. Balasubramanian	Independent Non-Executive Director	Y. V. S. Sravankumar	Non Executive Director
Athar Shahab	CEO	Shailendra Roy	Non-Execuive Director

#### NCD & CP Issuances over 5 years



Source: NSDL, Prime Database

#### Credit Spread over 3 year G-sec



Source: Reuters

#### Latest Issuance:

Name	Type	Date	Tenor	Coupon (%)	Quantum (Rs. Bn)
NABHA POWER LIMITED	Unsecured	June 25, 2019	1 Years 9 months 21 days	8.06 p.a.	11

#### Other Information:

<b>Auditors</b>	M/s B. K. Khare & Co.
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**Financials: (Standalone as per Ind AS)**

\*FY17 numbers are as per IGAAP

**Profit & Loss Statement**

Particulars (in Bn)	FY17	FY18	FY19
<b>INCOME :</b>			
Gross Sales	35.24	37.78	39.68
Net Sales	35.23	37.78	39.68
<b>EXPENDITURE :</b>	0.00	0.00	0.00
Increase/Decrease in Stock	-0.19	0.00	0.00
Raw Material Consumed	0.00	0.00	0.00
Power & Fuel Cost	25.31	25.57	30.09
Employee Cost	0.38	0.38	0.41
Other Manufacturing Expenses	0.75	0.99	0.96
General and Administration Expenses	0.63	0.39	0.31
Selling and Distribution Expenses	0.00	0.00	0.00
Miscellaneous Expenses	1.94	2.86	0.72
Less: Expenses Capitalised	0.00	0.00	0.00
Total Expenditure	28.82	30.18	32.48
Operating Profit (Excl OI)	6.41	7.60	7.20
Other Income	0.14	1.68	0.04
Operating Profit	6.56	9.28	7.24
Interest	6.48	6.45	6.01
PBDT	0.08	2.83	1.22
Depreciation	0.01	0.01	0.01
Profit Before Taxation & Exceptional Items	0.07	2.82	1.21
Profit Before Tax	0.07	2.82	1.21
Provision for Tax	0.33	0.37	0.25
Profit After Tax	-0.26	2.45	0.96

**Key Ratios**

Particulars	FY17	FY18	FY19
<b>Operational &amp; Financial Ratios</b>			
Earnings Per Share (Rs)	-0.11	1.05	0.41
DPS(Rs)	0.00	0.00	0.00
Book Value (Rs)	12.47	13.54	13.96
<b>Margin Ratios</b>			
PBIDTM (%)	18.61	24.57	18.23
PATM (%)	-0.74	6.49	2.43
<b>Performance Ratios</b>			
ROA (%)	-0.23	2.20	0.85
ROE (%)	-0.90	8.11	3.02
ROCE (%)	6.72	9.54	6.65
<b>Efficiency Ratios</b>			
Receivable days	141.20	152.85	169.89
Inventory Days	21.29	11.74	19.94
Payable days	22.00	24.42	28.33
<b>Growth Ratio</b>			
Net Sales Growth(%)	-4.70	7.24	5.03
Core EBITDA Growth(%)	-28.60	41.61	-22.07
PAT Growth(%)	-113.08	1039.04	-60.67
<b>Financial Stability Ratios</b>			
Total Debt/Equity(x)	1.93	2.48	2.33
Current Ratio(x)	0.45	0.46	0.42
Quick Ratio(x)	0.42	0.44	0.37
Interest Coverage Ratio	1.01	1.44	1.20

**Peer Comparison as on March 31, 2019**

Particulars (in Bn)	Nabha Power	CGPL	Talwandi Sabo
Total Income	39.7	71.37	52.86
PAT	1.0	-16.54	-0.55
Equity	32.5	48.75	32.07
Debt	75.5	87.04	86.67
EBITDA margin (%)	18.2	-2.7	24.4
ROE (%)	3.0	-41.5	-2.1
ROA (%)	0.9	-9.9	-0.4
Leverage (times)	2.3	1.8	2.7

**Balance Sheet**

Particulars (in Bn)	FY17	FY18	FY19
<b>EQUITY AND LIABILITIES</b>			
Share Capital	23.25	23.25	23.25
Shareholder's Funds	28.99	31.48	32.45
Long-Term Borrowings	36.15	25.73	15.09
Other Non-current liabilities	0.07	0.34	0.20
Total Non-Current Liabilities	36.23	26.07	15.29
Current Liabilities	0.00	0.00	0.00
Trade Payables	1.14	2.49	2.41
Other Current Liabilities	22.82	17.73	32.19
Short Term Borrowings	19.82	35.63	30.51
Short Term Provisions	0.33	0.02	0.03
Total Current Liabilities	44.12	55.86	65.14
Total Liabilities	109.33	113.40	112.88
<b>ASSETS</b>			
Non-Current Assets	0.00	0.00	0.00
Net Block	0.03	0.08	0.11
Capital Work in Progress	0.78	0.76	0.76
Other Fixed Assets	0.00	0.00	0.00
Non Current Investments	0.00	0.00	0.00
Long Term Loans & Advances	88.78	86.95	84.82
Other Non Current Assets	0.03	0.04	0.04
Total Non-Current Assets	89.62	87.84	85.73
Current Assets - Loans & Advances	0.00	0.00	0.00
Currents Investments	0.00	0.00	0.00
Inventories	1.29	1.14	3.20
Sundry Debtors	13.83	17.81	19.13
Cash and Bank	0.05	2.21	0.08
Other Current Assets	0.83	0.28	0.23
Short Term Loans and Advances	3.71	4.13	4.52
Total Current Assets	19.71	25.57	27.15
Miscellaneous Expenses not written off	0.00	0.00	0.00
Total Assets	109.33	113.40	112.88
Total Debt (Long Term Plus Short Term)	55.98	77.90	75.49

**Cash flow Statement**

Particulars (in Bn)	FY17	FY18	FY19
Profit Before Tax	0.07	2.82	1.21
Adjustment	6.34	6.32	6.01
Changes In working Capital	4.08	-1.15	-0.63
Cash Flow after changes in Working Capital	10.50	8.00	6.58
Interest Paid	0.00	0.00	0.00
Tax Paid	-0.33	-0.68	-0.25
Other Direct Expenses paid	0.00	0.00	0.00
Extra & Other Item	0.00	0.00	0.00
Cash From Operating Activities	10.16	7.32	6.34
Cash Flow from Investing Activities	0.08	-0.04	-0.02
Cash from Financing Activities	-10.24	-5.12	-8.45
Net Cash Inflow / Outflow	0.00	2.16	-2.13
Opening Cash & Cash Equivalents	0.05	0.05	2.21
Cash & Cash Equivalent on Amalgamation / Take over / Merger	0.00	0.00	0.00
Cash & Cash Equivalent of Subsidiaries under liquidations	0.00	0.00	0.00
Translation adj. on reserves / op cash balances frgn subsidiaries	0.00	0.00	0.00
Effect of Foreign Exchange			
Fluctuations	0.00	0.00	0.00
Closing Cash & Cash Equivalent	0.05	2.21	0.08

Information Source: Ace Equity, Company Reports, IBEF, NSDL, Prime Database, Bloomberg, Thomson Reuters, Rating Agencies, CRISIL

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