

Mr. R. S. Batra
General Manager (Finance)
NHPC Limited
NHPC Office Complex
Sector 33
Faridabad -121003

July 3, 2015

Kind Attn: Mr. R.S. Batra (GM Finance)

Dear Sir,

Re: Rating Letter for NHPC Limited

India Ratings and Research (Ind-Ra) has assigned NHPC Limited's INR14.75bn (including a green shoe option of INR12.75bn) secured non-convertible taxable bonds a long-term rating of 'IND AAA' with a Stable Outlook.

NHPC's outstanding ratings (including the above) are as follows:

- Long-Term Issuer Rating: 'IND AAA'; Outlook Stable
- INR20bn long-term bond programme: 'IND AAA'/Stable
- INR20bn long-term loan programme: 'IND AAA' /Stable
- INR15bn long-term bond programme: 'IND AAA' /Stable
- INR1.55bn working capital loans: 'IND AAA/Stable' and 'IND A1+'
- INR15bn long-term bond programme: 'IND AAA'/Stable
- INR10bn non-convertible tax-free bonds: 'IND AAA'/Stable
- INR16bn non-convertible bond programme: 'IND AAA'/Stable
- INR14.75bn non-convertible bond programme: 'IND AAA'/Stable

India Ratings notes that the ratings are assigned to the programme and not to the notes issued under the programme. There is no assurance that notes issued under the programme will be assigned a rating, or that the rating assigned to specific issue under the programme will have the same rating as the rating assigned to the programme.

In issuing and maintaining its ratings, India Ratings relies on factual information it receives from issuers and underwriters and from other sources India Ratings believes to be credible. India Ratings conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security.

The manner of India Ratings factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in India where the rated security is offered and sold, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of India Ratings ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information India Ratings relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to India Ratings and to the market in offering documents and other reports. In issuing its ratings India Ratings must rely on the work of experts, including independent



auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

India Ratings seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

Ratings are based on established criteria and methodologies that India Ratings is continuously evaluating and updating. Therefore, ratings are the collective work product of India Ratings and no individual, or group of individuals, is solely responsible for a rating. All India Ratings reports have shared authorship. Individuals identified in an India Ratings report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. India Ratings is not your advisor, nor is India Ratings providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services. Investors may find India Ratings ratings to be important information, and India Ratings notes that you are responsible for communicating the contents of this letter, and any changes with respect to the rating, to investors.

It will be important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason India Ratings deems sufficient

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between India Ratings and you or between India Ratings and any user of the ratings.

In this letter, "India Ratings" means India Ratings & Research Pvt. Ltd. and any successor in interest.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact the undersigned at 022 – 4000 1700.

Sincerely,

India Ratings

Sandeep Singh
Senior Director


Ananda Bhoumik
Senior Director

Annexure- Key Clauses as per the Term Sheet

Particulars	Tranche - T
Coupon payment	Annual
Tenor	15 Years
Redemption	12 Yearly instalments starting at the end of 4 th Year and going up to the 15 th Year.
Moratorium	3 Years
Seniority	Senior and unsubordinated
Nature	Secured
Purpose	To meet the debt requirement of on-going construction projects and recoupment of expenditure already incurred.
Coupon Rate	Fixed
Day Count	Actual/actual
Issue Size	INR2bn
Green Shoe Option	INR12.75bn