

Press Release
Nuclear Power Corporation of India Limited

November 13, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.4800.00 Cr.
Long Term Rating	ACUITE AAA / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE AAA**' (**read as ACUITE triple A**) on the Rs.4800.00 Cr. bank facilities of Nuclear Power Corporation of India Limited (NPCIL). The outlook is '**Stable**'.

Rating Update and background

NPCIL's Kudankulam (Tamil Nadu) plant recently faced a cyberattack for which NPCIL issued a clarification dated October 30, 2019. As per the said release, the matter was immediately investigated by Department of Atomic Energy (DAE) specialists and the investigation confirms that the plant systems are not affected. Basis this press release, Acuité believes that NPCIL's credit profile is not likely to be impacted by this event.

About the Company

Nuclear Power Corporation of India Limited (NPCIL) is a Public Sector Enterprise incorporated in 1987 under the Department of Atomic Energy (DAE), Government of India (GoI). The company is the only entity in India responsible for design, construction, commissioning and operation of nuclear power reactors. NPCIL is presently operating 22 commercial nuclear power reactors with an installed capacity of 6780 MW and has 8 reactors under various stages of project implementation totaling 6200 MW capacity.

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of the NPCIL and its subsidiaries to arrive at this rating. Extent of consolidation: Full

Key Rating Drivers

Strengths

• Strategic asset for Government of India (GoI) with strong operational & financial support

NPCIL is wholly owned by GoI. It is the public sector undertaking which is engaged in design, construction, commissioning and operation of nuclear power reactors. NPCIL currently owns 21 reactors and operates 22 reactors across India (one reactor is owned directly by GoI), has eight reactors under construction and a further 10 sanctioned projects with an aggregate committed capacity of 21,980 MW.

NPCIL is a strategic entity for GoI to promote its nuclear energy initiative. Its exclusive mandate to install and operate nuclear power plants in India among the public sector companies makes it very strategically important for the government and the country. GoI provides complete operational support in terms of ensuring continuous supply of fuel and purchase of the power generated by NPCIL. Given such strategic importance and the complete ownership by the government, NPCIL is considered as a sub-sovereign entity, thereby enabling it to raise funds at competitive pricing from financial institutions and international lenders.

The operational performance of the company has strengthened over the past few years on account of an improvement in plant capacity utilization levels. The total generation stood at 38,336 Million Units (MU) for FY2018 which has improved from 37,674 MU for FY2017. The overall plant load factor (PLF) of NPCIL was 70 percent and the weighted availability factor was 72 percent for FY2018. The company plans to start the commercial operation of its two under construction plants in Gujarat by FY2021 and Rajasthan by FY2023, which will further increase the generation capacity.

Acuité believes that NPCIL's credit profile will continue to be strongly supported by its strategic importance to GoI. The ownership pattern of NPCIL and the support from Government will remain key rating sensitivities.

- **Government's focus on the use of cleaner fuel for power generation**

The total installed power generation capacity in the country, as on 31st March 2018 stood at 344,002 MW. The thermal energy (Coal/Gas/Diesel) accounts for 64.80 percent of the total capacity while the rest is contributed by Clean Energy (Wind, Solar Bio, Hydro and Nuclear). The nuclear energy accounts for only around 2 percent of the total installed capacity of the country.

The total electricity generation in the country during FY2018 was 1308 Billion Units (BU), a growth of 5.3 percent from the previous year. During FY2018, the nuclear power generation was 38336 Million Units (MUs) which has contributed about 3 percent in the total electricity generation in the country. The energy availability during the year 2017-18 was 1204.7 BUs against requirement of 1213.3 BUs, a deficit of 8.6 BUs and peak load availability was 160752 MW against demand of 164066 MW, a shortfall of about 3314 MW.

The conventional energy sources are depleting rapidly and also leading to environmental pollution and adverse impact on climate. The Government has taken various initiatives to augment capacity addition mainly by non-fossil fuels routes like solar, wind and nuclear to limit CO₂ emission in the environment while meeting the demand of power.

Nuclear power is clean, safe, reliable and an economically viable source of electricity. The government has taken several initiatives to facilitate expansion of nuclear power in the country by creation of the Indian Nuclear Insurance Pool (INIP) and amendment of the Atomic Energy Act, 1962 to enable Joint Venture companies of Public Sector Enterprises to set up nuclear power plants. The Government had accorded 'in principle' approval of sites for setting up nuclear power projects in states of Maharashtra, Haryana, Rajasthan, Madhya Pradesh, Gujarat, West Bengal, Karnataka and Andhra Pradesh. As on date, the committed capacity, including present installed capacity, is 21,980 MW which is planned to be progressively realized by 2031-32.

Acuité believes that the government initiatives for promoting the cleaner source of fuel to bridge the demand supply gap and increase the share of nuclear power in aggregate capacity are expected to augur well for the growth of NPCIL.

- **Healthy leverage and debt coverage levels**

NPCIL has been able to maintain a healthy leverage level despite its continuing capital expenditure programme. While its gearing has slightly increased to 0.97 times as on March 31, 2018 as compared to 0.83 times as on March 31, 2017, strong cash accruals backed by a favorable tariff structure has ensured that there is no sharp rise in the debt levels. The interest coverage levels are fairly strong at 7.99 times for 2018-19.

Weaknesses

- **Implementation risk associated with the ongoing projects**

NPCIL is in the midst of construction and installation of 8 reactors with cumulative capacity of 6200 MW. Nuclear power projects typically have a long gestation period because the government and the project developer need to ensure very strong safety mechanisms and minimal risks to human life and the environment. Further, acquisition of land for greenfield projects and addressing public apprehensions about radiation risks also can take up a significant amount of time.

While company's extensive experience in developing nuclear power plants somewhat mitigates project implementation risks, Acuité believes that timely completion of its various projects and commencement of operations will continue to be a risk factor.

Liquidity position: Adequate

NPCIL's adequate liquidity position is enhanced by its association with GoI. The company has generated cash accruals of Rs.4629.4 Cr for FY2017-18 against which it has maturing debt obligations of around Rs.1600.00 Cr. NPCIL also has working capital limits from banks which are largely unutilized. Further, the ownership and the company's strategic importance to the government strongly support its ability to raise debt at a competitive rate from domestic and international lenders, thereby mitigating any liquidity risks.

Rating Sensitivities

- Timely completion of its various projects and commencement of operations
- Support from GoI

Material Covenants

None

Outlook: Stable

Acuité believes that NPCIL will maintain a 'Stable' outlook over the medium term on account of its strategic importance to the government in promoting its nuclear power programme.

About the Rated Entity - Key Financials*

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	12,333.68	10,158.24	9,672.30
EBITDA	Rs. Cr.	6,231.13	4,674.99	4,470.21
PAT	Rs. Cr.	3,613.33	2,544.42	2,702.19
EBITDA Margin	(%)	50.52	46.02	46.22
PAT Margin	(%)	29.30	25.05	27.94
ROCE	(%)	8.57	6.55	14.50
Total Debt/Tangible Net Worth	Times	0.97	0.83	0.79
PBDIT/Interest	Times	7.99	9.00	8.44
Total Debt/PBDIT	Times	5.09	5.72	5.12
Gross Current Assets (Days)	Days	256	215	210

*Note: All the financial figures are Acuité adjusted

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
01-Apr-19	Term loans	Long Term	1800.00	ACUITE AAA / Stable
	Term loans	Long Term	2000.00	ACUITE AAA / Stable
	Term loans	Long Term	500.00	ACUITE AAA / Stable
	Term loans	Long Term	500.00	ACUITE AAA / Stable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1800.00	ACUITE AAA/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	2000.00	ACUITE AAA/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	500.00	ACUITE AAA/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	500.00	ACUITE AAA/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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