

Press Release

Nuclear Power Corporation of India Limited

February 09, 2021

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the 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'**.

The rating reaffirmation takes into account NPCIL's 100 percent ownership by the Government of India (GoI), and its strategic importance in India's nuclear energy programme with Government's focus on the use of cleaner fuel for power generation. The rating also takes into account improved operational performance in FY2020 mainly on account of stabilization of units located at Kudankulam power station, lower offtake risk marked by long term PPAs signed with state distribution (discoms) and competitive tariff rates, which is also supported by the 'must run' status of the plants; robust financial risk profile marked by healthy leverage and debt protection levels. These rating strengths are however, partly offset by implementation risk associated with the ongoing projects under construction and the counter party credit risk, as reflected in high receivable period.

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

Acuite has considered the standalone business and financial risk profiles of the NPCIL to arrive at this rating.

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 46,472 Million Units (MU) for FY2020, which has improved from 37,813 MU for FY2019. The overall plant load factor (PLF) of NPCIL was ~82 percent and the weighted availability factor was 87 percent for FY2020. 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.

Acuite 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 31 March 2020 stood at 370,048 MW. The thermal energy (Coal/Gas/Diesel) accounts for 62.37 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 FY2020 was 1389 Billion Units (BU) as against 1376 BU during FY2019. During FY2020, the nuclear power generation was 46,472 Million Units (MUs) which has contributed about 3 percent in the total electricity generation in the country. The energy availability during the year 2019-20 was 1283.7 BUs against requirement of 1290.2 BUs, a deficit of 6.5 BUs and peak load availability was 182,533 MW against demand of 182,804 MW, a shortfall of about 1271 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 for 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.

Acuite 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 1.15 times as on March 31, 2020 as compared to 1.11 times as on March 31, 2019, 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 strong at 9.58 times for 2019-20.

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, Acuite believes that timely completion of its various projects and commencement of operations will continue to be a risk factor.

- **Counter party credit risk**

The corporation has long term power purchase agreements with various state discoms some of which are having weak credit profile. The same has resulted in increase in receivables to Rs.5536 Cr as on 30 September 2020 as against Rs.4114.62 Cr as on 31 March 2020. However, the receivables position improved by December 2020 as the corporation received dues from the discoms through loans granted by Power Finance Corporation Limited (PFC) and Rural Electrification Corporation Limited (REC). Moreover, the payments backed by letter of credit arrangement as per Government directives mitigates the risk to an extent.

Liquidity position: Strong

NPCIL's strong liquidity position is enhanced by its association with Gol. The company has generated cash accruals of Rs.5566.33 Cr for FY2020 against which it has maturing debt obligations of around Rs.2398.77 Cr. NPCIL also has working capital limits from banks of around Rs.2000.00 Cr, 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

- Any dilution of support from Gol

Material Covenants

None

Outlook: Stable

Acuite 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	13,708.86	11,835.75
PAT	Rs. Cr.	4,458.92	2,818.98
PAT Margin	(%)	32.53	23.82
Total Debt/Tangible Net Worth	Times	1.15	1.11
PBDIT/Interest	Times	9.58	6.52

*Note: All the financial figures are Acuite 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-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

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

	Term loans	Long term	500.00	ACUITE AAA /Stable (Assigned)
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***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	December 2018	8.55%	December 2025	1800.00	ACUITE AAA /Stable (Reaffirmed)
Term loans	December 2018	8.50%	December 2025	2000.00	ACUITE AAA /Stable (Reaffirmed)
Term loans	December 2018	8.49%	December 2025	500.00	ACUITE AAA /Stable (Reaffirmed)
Term loans	January 2019	8.54%	January 2026	500.00	ACUITE AAA /Stable (Reaffirmed)

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