

Press Release

Nuclear Power Corporation of India Limited

May 04, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4800.00	ACUITE AAA Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	4800.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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 comfort from the improvement in generation in FY2022 as well as FY2021 mainly on account of 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.

About the Company

Mumbai based 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 and 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 47112 Million Units (MU) for FY2022, which has improved from 43029 MU for FY2021. The overall plant load factor (PLF) of NPCIL was ~88 percent for FY2022 against ~83 percent for FY2021 and the weighted availability factor was 88 percent for FY2022 against 83 percent FY2021. The company plans to start the commercial operation of its four under construction plants in the next 15 months, 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 31 March 2022 stood at 399,497 MW. The thermal energy (Coal/Gas/Diesel) accounts for 59.10 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 FY2022 was 1483 Billion Units (BU) as against 1373 BU during FY2021. During FY2022, the nuclear power generation was 47112 Million Units (MUs) which has contributed about 3 percent in the total electricity generation in the country. The energy availability during the year 2021-22 was 1370 BUs against requirement of 1376 BUs, a deficit of ~6 BUs and peak load availability was 200539 MW against demand of 203014 MW, a shortfall of about 2475 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. 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 1.26 times as on March 31, 2021 as compared to 1.15 times as on March 31, 2020, 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 9.88 times for FY2021 against 9.58 for the previous year.

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.

Counter party credit risk

The corporation is exposed to counter party credit risk as it has long term power purchase agreements with various state discoms some of which are have a weak credit profile. The same has resulted in increase in receivables to Rs.6203 Cr as on 31 December 2021 as against Rs.3598 Cr as on 31 March 2021. Out of the total receivable as December 31, 2021 Rs. 4606 Cr (74%) are from State discoms. However, the payments backed by letter of credit arrangement as per Government directives mitigates the risk to an extent.

ESG Factors Relevant for Rating

NPCIL is a nuclear power producer based and therefore, directly contributes to the reduction of carbon emissions. The other material factors from the environmental perspective are green supply chain and waste management. The governance factors that play an important role are ethical business practices, board oversight and management compensation. Further, risk management practices to minimise corruption associated with electricity and gas distribution plays a crucial role. Additionally, regulatory compliance, shareholder's rights and audit control are other material issues in the power generation industry.

Rating Sensitivities

Any dilution of support from Gol

Material covenants

None

Liquidity Position: Strong

NPCIL's Strong liquidity position is enhanced by its association with Gol. The company has generated cash accruals of Rs. 5500 Cr. for 9M FY2022 and Rs.5468 Cr for FY2021 against which it has maturing debt obligations of around Rs.in the range of Rs. 1300-2000 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.

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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	13398.09	13708.86
PAT	Rs. Cr.	4370.67	4458.92
PAT Margin	(%)	32.62	32.53
Total Debt/Tangible Net Worth	Times	1.26	1.15
PBDIT/Interest	Times	9.88	9.58

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Feb 2021	Term Loan	Long Term	500.00	ACUITE AAA Stable (Reaffirmed)
	Term Loan	Long Term	2000.00	ACUITE AAA Stable (Reaffirmed)
	Term Loan	Long Term	500.00	ACUITE AAA Stable (Reaffirmed)
	Term Loan	Long Term	1800.00	ACUITE AAA Stable (Reaffirmed)
13 Nov 2019	Term Loan	Long Term	1800.00	ACUITE AAA Stable (Reaffirmed)
	Term Loan	Long Term	500.00	ACUITE AAA Stable (Reaffirmed)
	Term Loan	Long Term	500.00	ACUITE AAA Stable (Reaffirmed)
	Term Loan	Long Term	2000.00	ACUITE AAA Stable (Reaffirmed)
01 Apr 2019	Term Loan	Long Term	500.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	500.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	1800.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	2000.00	ACUITE AAA Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1200.00	ACUITE AAA Stable Reaffirmed
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	2600.00	ACUITE AAA Stable Reaffirmed
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	500.00	ACUITE AAA Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	500.00	ACUITE AAA Stable Reaffirmed

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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.

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