



Press Release
Nuclear Power Corporation of India Limited
July 24, 2023
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	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE AAA**' (read as **ACUITE t riple A**) on the Rs.4800.00 Cr. bank facilities of Nuclear Power Corporation of India Limited (NPCIL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

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 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 a decline in the nuclear power generation by 2.66% on a YoY basis in FY23 on account of shut down of some plants due to some technical problems in commissioning. The rating is also constraint 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 Gol. 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 Gol), 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 Gol 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. Gol 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. However, the total generation in FY23 witnessed a decline and stood at 45,855 MU as against 47,112 MU generated in FY22. This decline in power generation in FY23 was on account of shut down of some plants due to some technical problems in commissioning. The overall plant load factor (PLF) of NPCIL was ~87 percent in FY23 as against ~88 percent for FY22 and the weighted availability factor was 87 percent in FY 23 as against 88 percent in FY22. KAPP-3 was commissioned on 30 June, 2023 and the other 3 projects are expected to achieve criticality in the next 12 – 18 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 Gol. 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 May 2023 stood at 4,17,688 MW. The thermal energy (Coal/Gas/Diesel) accounts for 56.8 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 1.6 percent of the total installed capacity of the country. The total electricity generation during 2022-23 was 1624.158 BU as compared to 1491.859 BU generated during 2021-22, representing a growth of about 8.87%. During FY2023, the nuclear power generation was 45,855 Million Units (MUs) which has contributed about 1.6 percent in the total electricity generation in the country. The energy availability during the year 2022-23 was 15,04,264 MUs against requirement of 15,11,847 MUs, a deficit of ~7,583 MUs and peak load availability was 2,07,231 MW against demand of 2,15,888 MW, a shortfall of about 8657 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 Financial risk profile

The company has healthy financial risk profile marked by healthy net worth, moderate gearing and comfortable debt protection matrices despite its continuing capital expenditure programme. The net worth of the company improved to Rs. 54,892.63 crore in FY23 as against Rs. 49,805.64 crore in FY22. The gearing of the company stood at 1.40 in FY23 as against 1.30 times in FY22. The debt profile of Rs. 76,590.40 crore in FY23 which mainly consists of long-term

debt of Rs. 50,900.19 crore and unsecured loans worth Rs. 25,690.21 crore. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.52 times in FY23 as against 1.44 times in FY22. The interest coverage ratio stood at 11.58 times in FY23 as against 15.36 times in FY22. The debt service coverage ratio (DSCR) stood at 2.73 times for FY2023 as against 4.09 times for FY2022. Team believes that the financial risk profile will continue to remain healthy on account of strong cash accruals backed by a favourable tariff structure ensuring that there is no sharp rise in the debt levels.

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 green field projects and addressing public apprehensions about radiation risks also can take up a significant amount of time. However, KAPP-3 was already commissioned on 30th June and the other 3 projects are expected to achieve criticality in the next 12 – 18 months. While company's extensive experience in developing nuclear power plants somewhat mitigates project implementation risks, team 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 have a weak credit profile. The same has resulted in increase in the receivables position to Rs. 7319.55 Cr in FY23 out of which 90.41% of which is from State PSUs and departments. However, the payments backed by letter of credit arrangement as per Government directives mitigates the risk to an extent. The receivables of the company are expected to reduce on account of the Late Payment Surcharge Scheme introduced by the government.

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. 6250.18 Cr. for FY2023 and Rs. 7496.58 Cr for FY2022 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	16679.06	16634.08
PAT	Rs. Cr.	5146.01	6394.78
PAT Margin	(%)	30.85	38.44
Total Debt/Tangible Net Worth	Times	1.40	1.30
PBDIT/Interest	Times	11.58	15.36

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

Not Applicable

Any other information

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 May 2022	Term Loan	Long Term	2600.00	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	1200.00	ACUITE AAA Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

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