# NTPC-SAIL Power Company Limited

April 08, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 2,700.00 | CARE AA+; Stable | Reaffirmed |
| Short Term Bank Facilities | 300.00 | CARE A1+ | Reaffirmed |
| Commercial Paper | 200.00 | CARE A1+ | Reaffirmed |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

The reaffirmation of ratings on the bank facilities of NTPC-SAIL Power Company Limited (NSPCL) continues to derive strength from the robust business model of the company which ensures assured returns and revenue visibility as NSPCL has long-term power purchase agreements (PPAs) for the entire capacity. Furthermore, the operating performance of NSPCL has been satisfactory marked by actual Plant Availability Factor (PAF) being higher than normative levels, leading to full recovery of fixed charges as well as healthy Plant Load Factor (PLF) for the entire operational capacity of ~1.1 GW.

The ratings continue to draw comfort from the minimal fuel supply risk as the fuel is arranged by SAIL for the power plants in PP-II (represented by Rourkela (120 MW), Durgapur (120 MW) and Bhilai (74 MW)) and PP-II expansion (Rourkela (250 MW), Durgapur (40 MW)). Moreover, the presence of long-term fuel supply agreement (FSA) for PP-III (represented by 500 MW capacity at Bhilai) and its reasonable annual contracted quantity (ACQ) materialization in the past provides comfort.
CARE Ratings also notes that the tariff under PPAs of PP-III (500 MW) is determined on normative basis Central Electricity Regulatory Commission (CERC) guidelines. For the balance operational thermal capacity, the tariff is based on cost-plus ROE where the actual cost is a pass-through item.

The ratings also factor in the comfortable financial risk profile as depicted by the low leverage of the company reflected by TD/PBILDT of ~2.4x in FY24 and its sustenance despite sizable capital expenditure (capex) planned in the medium term, along with strong minimum projected debt service coverage ratio (DSCR) of over ~1.3x for the next 3-4 years adds strength to the rating. The rating factors in the operational and financials linkages with established JV partners – NTPC Ltd (NTPC, rated 'CARE AAA; Stable/CARE A1+') and Steel Authority of India Ltd (SAIL, rated 'CARE AA; Stable/ CARE A1+'), the two 'Maharatna' companies.

However, the rating strengths are constrained by the customer concentration risk coupled with moderate credit profile of other power off-takers for ~20% of the overall capacity. The ratings are also constrained on account of exposure to project risks related to large debt funded capex planned to be undertaken over the next few years.

## Rating sensitivities: Factors likely to lead to rating actions

**Positive factors**

- Improving Total debt (TD)/ profit before interest, lease rentals, depreciation and tax (PBILDT) to below 1.50x.

**Negative factors**

- Significantly lower-than-envisaged recovery of capacity charge.
- Deteriorating credit profile of SAIL or significantly deteriorating average collection period, leading to strained liquidity on a sustained basis.
- Deteriorating TD/PBILDT above 4.0x.

## Analytical approach: Standalone

## Outlook: Stable

The 'stable' outlook reflects NSPCL's ability to sustain its healthy operational performance, the maintenance of reasonable inventory level and the timely collection from its off-takers.

## Detailed description of the key rating drivers

### Key strengths

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

**Long-term PPAs providing revenue visibility**

The entire operational capacity of 1,104 MW is tied up through long-term PPA, thus providing revenue visibility. The tariff under PPAs of PP-III (500 MW) is determined on the basis of Central Electricity Regulatory Commission (CERC) guidelines. The contractual terms of PPAs support complete recovery of fixed cost including debt servicing and fixed return on equity of 15.5% (post-tax) based on achievement of 85% normative PAF. For the balance operational thermal capacity, the tariff is on normative cost-plus return on equity (ROE) which is largely based on CERC guideline. NSPCL has tied up 884 MW of capacity with SAIL for its captive consumption and the remaining 220 MW is tied up with three beneficiary states and union territories of central and western India.

**Firm FSA providing adequate fuel security**

NSPCL has firm FSA for all units. The fuel risk for 604 MW capacity is largely borne by SAIL (from which NSPCL sources coal). For PP-III having capacity of 500 MW, NSPCL has signed an FSA for 20 years with South Eastern Coalfields Limited (SECL) for supply of 2.41 million tonne per annum (MTPA) coal, which would be sufficient to meet 85% PLF. The requirement for the balance capacity is fulfilled through purchase from Singareni Collieries Company Ltd by virtue of short-term MoU and e-auction. The fuel cost is passed through in tariff.

**Comfortable financial risk profile**

The financial risk profile is characterized by improving gross cash accrual with commissioning and ramping up on new units along with peaking of debt profile. Networth of the company, due to distribution of dividend in FY24 remains stagnant. The low leverage of the company with TD/PBILDT of 2.4x in FY24 adds to the strength of the rating. Moreover, further debt drawal is envisaged due to pending capex, however, despite the same, NSPCL's capital structure is expected to remain steady going forward. The projected minimum debt service coverage ratio is also strongly placed at above 1.3x.

**Satisfactory operational performance of the plants**

The plant availability and generation profile of the plants continued to be strong during FY24. PP-III (500 MW capacity, governed by CERC guideline) continued to maintain reasonable station heat rate, auxiliary consumption and secondary oil consumption in FY24. The new units with aggregate capacity of 40 MW (Durgapur PP-III expansion of 40 MW), which clocked lower-than-normative PAF in FY24, showed stabilization by clocking higher PAF of 81% (FY24: 57%) in 9MFY25. The other units of PP-II and PP-III continued to demonstrate healthy operational performance in 9MFY25. Sustenance of healthy operational performance will be important from cash accrual perspective.

**Established J.V. partners with strong credit profile**

NSPCL is a 50:50 JV of NTPC and SAIL with equal board representation. NSPCL derives technical and managerial strength from its J.V. partners, who have supported it during the implementation phase and continue to support it in the operations. NTPC is the largest power generation company in India with significant experience in setting up and operating coal-based thermal generation assets across the country. NTPC has been instrumental in providing operational support to NSPCL, which includes project implementation, deployment of senior management to run day-to-day operations.

The other JV partner, SAIL, is an integrated iron and steel maker, producing both carbon and special steel for industries like construction, engineering, power, railway, automotive, consumer durables, defense etc. SAIL is the major power off-taker of NSPCL (80% of total capacity) and also ensures the availability of coal for 604 MW capacity.

## Key weaknesses

**Risk related to capex under implementation and large debt funded capex planned in near term**

NSPCL is implementing flue gas desulphurisation (FGD) for its PP-III. The company is also venturing into renewable business and is likely to set up a 115MW solar plant for sale of power to SAIL. The cumulative pending capex of approximately Rs 1200-1300 crore is likely to be executed during the next 2-3 years, and expected to be funded in the debt equity ratio of 80:20, thus exposing NSPCL to project-implementation risk. However, the funding risk is partially mitigated as NSPCL has tied-up majority of its debt requirements and equity portion would be supported by strong cash accruals.

**Counterparty credit risk**

NSPCL has tied up 884 MW of capacity with SAIL for its captive consumption and the remaining 220 MW is tied up with three beneficiary states and union territories of central and western India. NSCPL's counterparty credit risk is two-pronged – on account of customer concentration (SAIL, which accounts for around 80% of energy sales) and moderate credit profile of other power off-takers (DISCOMs of central and western India). However, payments from off-takers have been timely.

**Liquidity - Strong**

The company's strong liquidity is characterized by adequate cushion in the projected gross cash accrual less internal accrual committed for capex against the scheduled debt repayment. The free cash balance of company stood at ₹136 crore as on December 31, 2024. The average fund-based utilization for FY24 stood 54% and 40% in 9M FY25. Financial flexibility of the company remains strong due to its parentage and operational profile. Timely payment from its offtakers (collection period of 35 days in FY24) has augmented its liquidity profile.

## Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings
Short Term Instruments
Thermal Power

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Utilities | Power | Power | Power Generation |

NSPCL was incorporated in March 2001 by taking over the captive power plants of SAIL. Currently NSPCL has a portfolio of 1104 MW viz. PP-II (represented by Rourkela (120 MW), Durgapur (120 MW) and Bhilai (74 MW)) and PP-II expansion (Rourkela (250 MW), Durgapur (40 MW)) and PP-III (represented by 500 MW capacity at Bhilai). 80% of the total power off-take is tied-up with SAIL through long term PPAs.

| Brief Financials (₹ crore) | FY23 (A) | FY24 (A) | 9MFY25 (UA) |
|---|---|---|---|
| Total operating income | 3,646 | 3,857 | 3,059 |
| PBILDT | 666 | 733 | 558 |
| PAT | 470 | 433 | 278 |
| Overall gearing (times) | 0.67 | 0.57 | 0.58 |
| Interest coverage (times) | 6.72 | 5.76 | 6.13 |

A: Audited UA: Unaudited; *Analytically adjusted as per CARE Ratings' methodology; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated**: Annexure-4

**Lender details**: Annexure-5

## Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Commercial Paper-Commercial Paper (Standalone) | | 12-Dec-2023 | 7% | 7 - 364 days | 200.00 | CARE A1+ |
| Fund-based - LT-Cash Credit | | - | - | - | 830.00 | CARE AA+; Stable |
| Fund-based - LT-Term Loan | | - | - | June 2036 | 1870.00 | CARE AA+; Stable |
| Fund-based/Non-fund-based-Short Term | | - | - | - | 300.00 | CARE A1+ |

## Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Bonds | LT | - | - | - | - | 1)Withdrawn (05-Sep-22) | 1)CARE AA; Stable (06-Sep-21) |
| 2 | Fund-based - LT-Term Loan | LT | 1870.00 | CARE AA+; Stable | 1)CARE AA+; Stable (18-Apr-24) | 1)CARE AA; Positive (04-Sep-23) | 1)CARE AA; Stable (05-Sep-22) | 1)CARE AA; Stable (06-Sep-21) |
| 3 | Commercial Paper-Commercial Paper (Standalone) | ST | 200.00 | CARE A1+ | 1)CARE A1+ (18-Apr-24) | 1)CARE A1+ (04-Sep-23) | 1)CARE A1+ (05-Sep-22) | 1)CARE A1+ (06-Sep-21) |
| 4 | Fund-based - LT-Cash Credit | LT | 830.00 | CARE AA+; Stable | 1)CARE AA+; Stable (18-Apr-24) | 1)CARE AA; Positive (04-Sep-23) | 1)CARE AA; Stable (05-Sep-22) | 1)CARE AA; Stable (06-Sep-21) |
| 5 | Fund-based/Non-fund-based-Short Term | ST | 300.00 | CARE A1+ | 1)CARE A1+ (18-Apr-24) | 1)CARE A1+ (04-Sep-23) | 1)CARE A1+ (05-Sep-22) | 1)CARE A1+ (06-Sep-21) |

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

### Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Commercial Paper-Commercial Paper (Standalone) | Simple |
| 2 | Fund-based - LT-Cash Credit | Simple |
| 3 | Fund-based - LT-Term Loan | Simple |
| 4 | Fund-based/Non-fund-based-Short Term | Simple |

### Annexure-5: Lender details

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| To view the lender wise details of bank facilities please click here |

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact Us

| Media Contact | Analytical Contacts |
|---|---|
| Mradul Mishra<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3596<br>E-mail: mradul.mishra@careedge.in<br><br>**Relationship Contact**<br><br>Saikat Roy<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: 912267543404<br>E-mail: saikat.roy@careedge.in | Sabyasachi Majumdar<br>Senior Director<br>**CARE Ratings Limited**<br>Phone:91-120-4452006<br>E-mail: Sabyasachi.majumdar@careedge.in<br><br>Jatin Arya<br>Director<br>**CARE Ratings Limited**<br>Phone: 91-120-4452021<br>E-mail: Jatin.Arya@careedge.in<br><br>Saurabh Singhal<br>Assistant Director<br>**CARE Ratings Limited**<br>Phone: 91-120– 4452000<br>E-mail: saurabh.singhal@careedge.in |

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