Press Release

NLC India Ltd (NLCIL)

March 13, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	1092.36 (Reduced from Rs. 1260.44 crore)	IVR AAA / Stable (IVR Triple A with Stable Outlook)	IVR AAA / Stable (IVR Triple A with Stable Outlook)	Rating Reaffirmed	Simple
Long Term Bank Facility	916.00	IVR AAA / Stable (IVR Triple A with Stable Outlook)	-	Assigned	Simple
Total	**2008.36 (Rupees Two thousand eight crore and thirty-six lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating of IVR AAA/Stable for the long-term bank facilities of NLC India Ltd (NLCIL). The reaffirmation continues to factor in the Government of India's (GoI) majority shareholding (72.2%), NLCIL being a Navratna public sector undertaking and being strategically important to the GoI from mining and power generation perspective. The rating also draws comfort from long-term power purchase agreements (PPAs) with the state distribution utilities under two-part tariff structure which ensures steady offtake, cash flows and profitability leading to comfortable debt coverage metrics. Captive lignite and coal mining assures guaranteed fuel supply with a control on fuel costs. Further NLCIL is diversifying into renewable power generation and already has an operating portfolio of 1380.06 MW solar and 51MW wind power units. The financial profile of company is marked by healthy capital structure specially, considering its infrastructure nature of business and healthy debt protection metrics. Coupled with GoI ownership, this provides superior financial flexibility to the company and ability to access funds at competitive rates. The rating strengths are however tempered by counterparty credit risks associated with weak to moderate credit profile of off takers, large size debt-funded capex plans and project implementation risks associated therewith.

The Stable outlook reflects the strong business risk profile backed by long-term PPAs under two-part tariff structure ensuring steady cash flows and captive lignite and coal mining assuring guaranteed fuel supply.

Key Rating Sensitivities:

Upward Factors: None

Downward Factors

- Divestment of shareholding of GoI in NLCIL
- Delay in recovery of dues from counterparties/ weakening of credit profiles of offtakers impacting liquidity position of the company.
- Larger than expected debt funded capex deteriorating overall gearing to more than 2.5x.
- Deterioration in the operating performance of the operational units impacting profitability.
- Large cost overruns for the under-construction projects not allowed by the regulator.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Navratna status and of strategic importance to the Government:

NLCIL is the nodal agency for lignite mining in India appointed by Ministry of Coal, with majority market share in lignite mining in the country and is also a major provider of power for several southern states especially Tamil Nadu. NLCIL is majority owned by GoI with 72.20% stake in the company as on December 31, 2024. Sovereign ownership provides financial flexibility to raise funds at competitive rates from the banking sector as well as the capital markets. The company was given 'Navratna' status in the year 2011. Further GoI has provided guarantee for the foreign currency borrowing of the company in the past and is expected to continue to provide need-based support.

Long-term PPAs under two-part tariff structure ensure steady cash flows:

NLCIL has a consolidated installed capacity of 6,731 MW as on December 31, 2024. The entire capacity has been tied up with long-term PPAs with a regulated two-part tariff structure with the state distribution utilities of Tamil Nadu, Karnataka, Andhra Pradesh, Telangana, Kerala, Puducherry and Rajasthan, limiting demand risks. This ensures recovery of all fixed expenses, including debt obligation and fixed return on equity based on the achievement of performance benchmarks mandated by the Central Electricity Regulatory Commission (CERC). Also, the under-construction project in Uttar Pradesh has been tied up with states, Uttar Pradesh and Assam for the entire capacity. However, the renewable power projects have been awarded via competitive bidding and typically have a single part tariff linked to actual generation.

Captive lignite and coal mines assure guaranteed fuel supply:

NLCIL operates six thermal power plants, of which five are lignite-based pit head plants and have access to captive lignite mines with a capacity of 30.10 MTPA as on December 31, 2024, sufficient to take care of the entire fuel requirement. NLC Tamil Nadu Power Ltd's 1000 MW(2X500MW) coal based thermal power plant has fuel supply arrangement with Talabira mines and the high gross calorific value coal requirement being fulfilled by imported coal. The upcoming 1980 MW coal-based plant in Uttar Pradesh is also non-pit head plant and has long term fuel linkages with subsidiaries of Coal India Ltd. Further, supply is secured from the 20 MTPA Talabira coal mines in Odisha and the upcoming 9 MTPA Pachwara South coal block in Jharkhand. The availability of captive mines reduces fuel availability risks and ensures stability of operations.

Diversification into renewable energy

NLCIL has an operational solar capacity of 1380.06 MW and wind capacity of 51 MW as on December 31, 2024. NLCIL plans to increase renewable generation capacity to ~10GW by FY30. Also, during FY23 company had formed two new subsidiaries namely, NLC India Green Energy Ltd and NLC India Renewables Ltd for renewable projects. Renewable assets have lower execution risks compared to thermal assets with a stable operating profitability.

Healthy financial risk profile:

The financial risk profile of NLCIL is marked by healthy capital structure, debt protection metrics and a sizeable cash accrual. During FY24 (refers to the period April 01 to March 31), overall gearing and TOL/TNW improved from 1.28 times and 2.03x respectively as on March 31, 2023 to 1.17x and 1.86x respectively as on March 31,2024, despite of the on-going capex programmes. However financial risk profile is expected to moderate over the medium term due to increase in borrowings on account of the ongoing capex. The funding for the capex is expected to be within the CERC stipulated norm of 2.33 times (debt-equity ratio of 70:30). Interest coverage ratio stood comfortable at 3.62x in FY23 and 4.16x in FY24. However total debt/ EBITDA continues to be moderate at ~6x in FY23 and FY24. Any larger than expected debt funded capex, adversely impacting cash flows, will remain a rating monitorable.

Key Rating Weaknesses

Moderate operating efficiencies leading to under recovery of fixed charges

The average plant availability for NLCIL's portfolio has remained below the normative level of 85% in FY24 (64.07%) and 9MFY25 (59.68%), owing to the technical issues at TPS II expansion and TPS II. This has resulted in under-recovery of fixed charges for the company impacting profitability though this has improved from under recovery of Rs.725 crore in 9MFY24 to under recovery of Rs.517 crore in 9MFY25 on a consolidated basis. Also, during FY24, company faced land acquisition issues for meeting fuel requirement leading to lower power generation, however, the same has been resolved in Q4FY24, and performance is expected to improve FY25 onwards. Further, the disallowance of capital costs by the CERC for the operating projects also impacted the company's profitability. The EBITDA stood at Rs.3662.61 crore in FY23 and Rs.3535.54 crore in FY24. PAT has improved from Rs.1426.07 crore in FY23 to Rs.1860.86 crore on account of revenue from net deferral movement amounting to Rs.1072.88 crore against the expenditure of Rs.2178.85 crore in FY23. The company has reported revenue of Rs.11444.73 crore, EBITDA of Rs.3984.99 crore and PAT of Rs.2245.14 crore for 9MFY25 (unaudited).

Counterparty credit risks associated with weak off takers:

NLCIL is exposed to high counterparty credit risks as its off takers, the state distribution utilities have weak to moderate financial profiles. Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) accounts for ~77% of the debtors as of December 2024 on a standalone basis and is the major customer. The credit risk profile of TANGEDCO has been weak due to poor operating performance and absence of periodic tariff revision leading to substantial losses in operations. Total debtors on a consolidated basis (excluding bill discounted), has reduced over the years to Rs.4729.89 crore as on March 31, 2023, and to Rs.4046.49 crore as on March 31, 2024, on account of receipt of funds by the power distribution companies (discoms) under the Atmanirbhar Bharat scheme and bill discounting facility availed by the company. The company has been discounting bills of discoms, while this has moderated the debtors but the recourse to company remains in case of non-payment of dues to the lenders by the discoms under the bill discounting mechanism. Reduction in receivables has led to decline in the working capital borrowings to Rs.1,747.46 crore as on March 31, 2024. The Ministry of Power (MoP) vide notification dated June 03, 2022, notified Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 allowing the discoms to liquidate overdue amount in instalments. TANGEDCO has availed the facility to repay the outstanding dues of Rs.734 crore to NLCIL in 48 equally monthly instalments. Further, the benefit of letter of credit and a tripartite agreement between the GoI, the state governments and the Reserve Bank of India, is also available to NLCIL.

Large-size debt-funded capex plans and project implementation risks:

The company has large capital expenditure plans of Rs.1.25 lakh crore over FY25-30 for increasing its mining capacity to 104.4 MTPA, thermal capacity to 10 GW and renewable capacity also to 10GW. Currently, the major ongoing projects are 1980 MW power plant in Uttar Pradesh (Unit 1 of 660 MW commissioned in December 2024), 2400 MW Talabira pit-head thermal power station, mining project in South Pachwara Coal block along with a ramp-up of Talabira mines to 20 MT per annum, and renewable projects; 50 MW solar plant in Neyveli, 600 MW in Gujarat and 810 MW solar plant in Rajasthan which are expected to be completed by FY28. Company is also implementing capex for flue-gas desulfurisation for the existing plants. Hence, the company faces risks related to time and cost overruns primarily due to delay in obtaining clearances, technical issues during stabilisation phase etc. The completion of these projects on time and within budgeted costs and the subsequent approval of the tariffs by the CERC without any major disallowances will be a key rating monitorable. There are long term PPAs for majority of the capacity being added and availability of fuel mitigates any demand risk.

Analytical Approach: Consolidated Approach with Government Support (The list of cos consolidated, and extent of consolidation is given in Annexure 4)

Applicable Criteria:

Criteria of assigning Rating Outlook

Rating Methodology for Infrastructure Companies.

Financial Ratios & Interpretation (Non-Financial Sector)

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Criteria on Government Support

Criteria on Consolidation of Companies

Liquidity –Adequate

The liquidity of NLC is marked by healthy cash flow from operations, sufficient to meet its debt repayment obligations in FY25. The company has cash and cash equivalents of around

Rs.564.87 crore as on March 31, 2024. The fund-based bank limit of around Rs 3500 crore remain unutilised since July 2023. The funding for the capex programme is expected to be met through a mix of internal accruals and debt funding. Further being a 'Navratna' NLCIL has strong financial flexibility to raise additional debt at competitive rates and also has access to the commercial paper market.

About the Company

NLC India Limited (erstwhile Neyveli Lignite Corporation Limited), a public sector undertaking incorporated in November 1956, is involved in lignite mining, coal mining, power generation and power trading. The company, at present, has a lignite mining capacity of 30.10 MMTPA, coal mining capacity of 20 MMTPA and consolidated installed power generation capacity of 6731 MW (5351MW thermal and 1380.06MW renewable) as on December 31, 2024. GoI holds 72.20 % stake in the company. NLCIL works under the administrative control of the Ministry of Coal, GoI. In April 2011, GoI declared the company as a Navratna enterprise.

Financials (Consolidated):

For the year ended/ As on*	31-03-2023	31-03-2024
	(Audited)	(Audited)
Total Operating Income	16165.24	12999.03
EBITDA	3662.61	3535.54
PAT	1426.07	1860.86
Total Debt	22333.14	22415.49
Tangible Net Worth	17446.14	19137.55
EBITDA Margin (%)	22.66	27.20
PAT Margin (%)	8.20	13.34
Overall Gearing Ratio (x)	1.28	1.17
Interest Coverage (x)	3.62	4.16

** Classification as per Infomerics' standards.*
Note: Total debt as on March 31,2023 has changed in comparison to the previous press release dated March 31, 2024, on account of lease liabilities of Rs.27.42 crore have been considered as debt.

Status of non-cooperation with previous CRA: The rating continued to be in ISSUER NOT COOPERATING category by Brickwork Ratings as per press release dated January 22, 2025, due to unavailability of information for monitoring of the rating.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021-22
					March 31,2024	**March 27,2023**	-
1.	Term Loan	Long Term	1092.36	IVR AAA/Stable	IVR AAA/Stable	IVR AAA/Stable	-
2.	Term Loan	Long Term	916.00	IVR AAA/Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund based bank facility- Term Loan	-	-	-	March 31,2031	1092.36	IVR AAA / Stable
Long Term Fund based bank facility- Term Loan	-	-	-	June 30,2038	916.00	IVR AAA / Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-NLC-India-mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security: Not Applicable

Annexure 4: List of companies considered for consolidated analysis:

Name of the company	% of consolidation
NLC Tamil Nadu Power Limited	89%
Neyveli Uttar Pradesh Power Limited	51%
NLC India Renewables Limited	100%
NLC India Green Energy Limited	100%
MNH Shakti Ltd	15%
Coal Lignite Urja Vikas Pvt Ltd	50%

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.