

Q3FY25 Conference Call Highlights: Capacity Expansion in Focus

Change in Estimates post Q3FY25 Conference Call

FY25E/FY26E: Revenue 0%/0%; EBITDA: 0%/0%, PAT: 0%/0%

Key Conference Call Highlights

- Thermal & Lignite Power Plants Status:** The company commissioned its 1st unit of the Coal-based Ghatampur power plant (3*660 MW) in Dec'24 and generated 215 MU in Q3FY25 with more than 98% availability. The targeted CODs for Units II and III are May'25 and Oct'25. The company expects to float tenders for the 2*500 MW TPS-II Lignite-based expansion plant by Mar'25 and the Talabira Phase II thermal plant by Jun'25. The 3*125 MW Lignite-based thermal power plant, along with a captive Lignite mine in Rajasthan as per the agreement with RVUNL, is expected to be completed in the next 36 to 40 months.
- Mining Expansion:** For the Pachwara Coal block linked to the Ghatampur plant, the company experienced some delay in stage 1 of forest clearances. The company is in an advanced stage of getting the stage 2 forest clearances and expects to start production by Jul'25. The company has signed a Coal Mine Development and Production Agreement for the New Patrapara South Coal Mine project with an annual capacity of 12 MTPA, taking the total group capacity to 100 MTPA. The government's deadline for the commercial coal block is 55 months. However, the company targets to start coal extraction from this mine in 36 months, i.e., by Feb'28.
- Renewable Energy Expansion:** The company currently has 1.4 GW of renewable energy capacity. It expects to increase this capacity to 10 GW by 2030. The 300 MW solar project in Barsingsar, scheduled to be commissioned by Jun'25, is delayed due to the requirement to use domestic modules. The plant is now expected to be commissioned by Q1FY26. 600 MW renewable capacity is expected to be added to Khavda Solar Park in Gujarat, and it is expected to be commissioned by Q3FY26. 810 MW solar project in Rajasthan is expected to be commissioned by FY26-27. Further, the 2 GW renewable capacity to be added in Rajasthan, as per the agreement with RVUNL, will be commissioned in the next 15 to 18 months. Similarly, the 1 GW capacity to be added in Assam as per agreement with APDCL will commission in the next 2 years. The company has 2.5 GW projects under construction and 3 GW projects in the pipeline, enabling it to reach its 10 GW RE capacity target by 2030. The management expects 14 to 15% ROE from these RE projects.
- Expected reduction in under-recovery:** In the 9 months ended Dec'24, the group's under-recovery stood at Rs 517 Cr (against Rs 725 Cr for the same period last year). The under-recovery for Q3FY25 was Rs 225 Cr (Rs 218 Cr standalone and Rs 7 Cr from NTPL). This was mainly due to the unavailability of unit 1 of the TPS-II expansion plant due to the planned modification of the plant's boiler. The modification is expected to be completed by Mar'25. The Management will observe the performance improvement of the unit and follow it with performance improvement for Unit 2. The management expects significant improvement in the recovery due to the modifications. It expects the full-year under-recovery to be ~Rs 600 Cr as against the previous estimate of Rs 450 Cr.

Financial Performance: The company declared its financial results on 3rd Feb'25, and we published the result update note on 4th Feb'25.

Outlook: Our outlook since our note release date of 4th Feb'25 remains unchanged. We maintain our **BUY** rating on the stock.

Key Financials (Consolidated)

| (Rs Cr) | FY24A | FY25E | FY26E | FY27E |
|-------------------|--------|--------|--------|--------|
| Net Sales | 12,999 | 15,146 | 17,930 | 20,251 |
| EBITDA | 3,536 | 4,241 | 5,738 | 6,480 |
| Attrib Net Profit | 1,854 | 2,171 | 2,925 | 3,111 |
| EPS (Rs.) | 13.47 | 15.77 | 21.25 | 22.60 |
| PER (x) | 16.93 | 12.87 | 9.55 | 8.98 |
| P/BV (x) | 1.91 | 1.54 | 1.36 | 1.21 |
| EV/EBITDA (x) | 15.86 | 13.52 | 11.03 | 10.20 |
| ROE (%) | 11.2% | 11.9% | 14.1% | 13.3% |

Source: Company, Axis Securities

(CMP as of 11th February 2025)

| | |
|----------------------------|-----------|
| CMP (Rs) | 203 |
| Upside /Downside (%) | 50% |
| High/Low (Rs) | 312/193 |
| Market cap (Cr) | 28,134 |
| Avg. daily vol. (6m) Shrs. | 24,94,784 |
| No. of shares (Cr) | 139 |

Shareholding (%)

| | Jun-24 | Sep-24 | Dec-24 |
|------------------------|--------|--------|--------|
| Promoter | 72.20 | 72.20 | 72.20 |
| FII | 2.18 | 2.53 | 2.86 |
| Mutual Funds / UTI | 9.23 | 9.94 | 10.05 |
| Financial Institutions | 0.00 | 0.00 | 0.00 |
| Others | 16.39 | 15.33 | 14.89 |

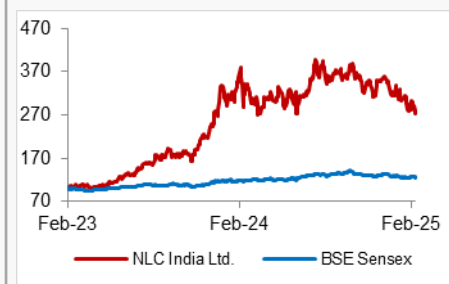
Financial & Valuations

| Y/E Mar (Rs Cr) | FY25E | FY26E | FY27E |
|-------------------|--------|--------|--------|
| Net Sales | 15,146 | 17,930 | 20,251 |
| EBITDA | 4,241 | 5,738 | 6,480 |
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| EV/EBITDA (x) | 13.52 | 11.03 | 10.20 |
| ROE (%) | 11.9% | 14.1% | 13.3% |

Change in Estimates (%)

| Y/E Mar | FY25E | FY26E | FY27E |
|--------------|-------|-------|-------|
| Sales | 0% | 0% | 0% |
| EBITDA | 0% | 0% | 0% |
| PAT (Attrib) | 0% | 0% | 0% |

Relative Performance



Source: Ace Equity, Axis Securities

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Valuation & Recommendation

Our SoTP valuation and TP are unchanged from our results note published on 4th Feb'25. We value the conventional thermal business at 1.3x on our consolidated regulated equity projections of FY33 discounted to FY26, the Regulated Mining business at 1.9x FY27 regulated equity, the RE business at EV/EBITDA of 7.6x on FY27 EBITDA, and the merchant coal business at 6.0x EV/EBITDA on FY27 EBITDA. This results in a sum-of-the-parts (SOTP) target price of Rs 305/share. Our target price implies an upside of 50% from the current market price (CMP).

Other Key Highlights from the Call

- **Regulated Equity:** The company's consolidated Regulated Equity as of Q3FY25 stands at Rs 9,383 Cr. By 2030, the Management expects the Regulated Equity to be more than Rs 19,000 Cr, led by the expansion of mining capacity from 50 MTPA to 102 MTPA and thermal power generation from 5.3 GW to 10.5 GW.
- **Thermal Coal production and distribution:** During the nine months ended Dec'24, the group produced ~11.5 MTPA of coal. The company distributed 4.8 Mn Tonnes to NTPC, 2.2 Mn Tonnes to NTPL, and 4.6 Mn Tonnes through E-Auction.
- **Thermal Coal Realisation:** Realisation from E-Auction sales during the 9 months ended Dec'24 was Rs 1,652/t (against Rs 2,537/t for the same period last year). The realisation from coal supplied to NTPC was Rs 1,085/t. During this period, the revenue from Talabira coal mines was Rs 1,750 Cr (against Rs 1,410 Cr for the same period last year). The PBT stood at Rs 708 Cr (as against Rs 601 Cr the previous year). However, there was one CERC order impact of Rs 292 Cr, and the net PBT stood at Rs 416 Cr.
- **No Lignite shortage:** The company is not facing any lignite-related availability issues. All its units are operational at full capacity, and the company has substantial land in possession. The management does not foresee any immediate loss of generation due to lignite shortage.
- **New Commercial Coal Block:** The company has signed a Coal Mine Development and Production Agreement for the New Patrapara South Coal Mine project with an annual capacity of 12 MTPA, taking the total group capacity to 100 MTPA. The block shares its boundary with the Machhakata block, which will give the company an advantage in scale. The government's deadline for the commercial coal block is 55 months. However, the company targets to start coal extraction from this mine in 36 months, i.e., by Feb'28.
- **Tariff Structure of Assam Solar Plant:** As per the Joint Venture Agreement with Assam Power Distribution Company Limited (APDCL), the company will develop 1000 MW of Solar Power Projects in Assam. Relative to high solar-intensive states like Rajasthan or Gujarat, Assam is a low solar-intensity state and as such, the solar CUF is expected to be around 22 to 25% (as against 30 to 32% in higher-intensity states). To overcome the lower CUF, the company has signed a Cost-plus basis tariff agreement for the plants in Assam, which makes the project viable.
- **Renewable Energy IPO:** The company is in the process of transferring all its existing renewable assets to NLC India Renewables Limited, and all the new RE capacity will be moved to NLC India Green Energy Ltd. It expects to proceed with its green energy IPO by Q4FY26 or Q1FY27.
- **Diversification Projects:** The company has a huge potential in the Over Burden to Sand business. The company's one project of 0.4 MTPA is on the verge of commissioning commercial operation, and another 1 MTPA capacity has already been awarded to the company, and production from the same is expected within the next 6 months. This is M-sand in nature, which is used for construction projects and is facing a scarcity in India. The company is also planning to venture into critical minerals and is actively participating in the critical minerals auctions. Further, the company is the first in India to establish a Battery storage system in Andaman. In regards to green hydrogen, the company is in the process of setting up a pilot project in Neyveli.

Financials (Consolidated)

Profit & Loss

(Rs Cr)

| Y/E March | FY24A | FY25E | FY26E | FY27E |
|--|---------------|---------------|---------------|---------------|
| Revenue from Operations | 12,999 | 15,146 | 17,930 | 20,251 |
| Cost of fuel consumed | -1,744 | -2,575 | -2,869 | -3,240 |
| Changes in inventories | 239 | - | - | - |
| Gross Profit | 11,494 | 12,571 | 15,061 | 17,011 |
| Employees Cost | -2,708 | -3,332 | -3,945 | -4,455 |
| Other Expenses | -5,251 | -4,998 | -5,379 | -6,075 |
| EBITDA | 3,536 | 4,241 | 5,738 | 6,480 |
| Depreciation & amortization | -1,825 | -2,038 | -2,729 | -3,150 |
| EBIT | 1,711 | 2,203 | 3,009 | 3,331 |
| Finance Cost | -849 | -1,213 | -1,547 | -1,803 |
| Other Income | 947 | 1,060 | 1,434 | 1,620 |
| Movement in regulatory deferral account balances | 1,073 | 1,073 | 1,073 | 1,073 |
| PBT before exceptional items | 2,882 | 3,124 | 3,968 | 4,221 |
| Exceptional Items | - | - | - | - |
| Expenditure capitalised | - | - | - | - |
| Profit before tax | 2,882 | 3,124 | 3,968 | 4,221 |
| Provision for tax | -1,014 | -937 | -1,022 | -1,087 |
| Profit/loss from associates / JV | 0 | - | - | - |
| Reported PAT | 1,868 | 2,187 | 2,946 | 3,134 |
| NCI | -13 | -16 | -21 | -23 |
| Attributable PAT | 1,854 | 2,171 | 2,925 | 3,111 |
| EPS (Rs/sh) | 13.47 | 15.77 | 21.25 | 22.60 |
| DPS (Rs/sh) | 3.00 | 3.50 | 3.50 | 3.50 |

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

| Y/E March | FY24A | FY25E | FY26E | FY27E |
|---|---------------|---------------|---------------|---------------|
| Capital Employed | | | | |
| Share Capital | 1,387 | 1,387 | 1,387 | 1,387 |
| Reserves Total | 15,144 | 16,846 | 19,307 | 21,955 |
| Total Shareholders' Funds | 16,531 | 18,232 | 20,693 | 23,342 |
| Minority Interest | 2,835 | 2,835 | 2,835 | 2,835 |
| Secured Loans | 19,226 | 24,251 | 30,950 | 36,058 |
| Unsecured Loans | 3,154 | 3,154 | 3,154 | 3,154 |
| Total Debt | 22,379 | 27,405 | 34,103 | 39,212 |
| Other Liabilities | 1,594 | 1,594 | 1,594 | 1,594 |
| Deferred Tax Liability | 3,790 | 3,790 | 3,790 | 3,790 |
| Total Liabilities and Equity | 47,130 | 53,856 | 63,016 | 70,773 |
| Capital Applied | | | | |
| Non-Current Assets | | | | |
| Net PPE | 23,063 | 25,490 | 36,585 | 41,846 |
| CWIP | 17,726 | 22,341 | 19,325 | 19,646 |
| Regulatory Deferral Account balance | -1,116 | -1,116 | -1,116 | -1,116 |
| Non-Current Investments | 8 | 8 | 8 | 8 |
| Other Non-Current Assets | 3,017 | 3,017 | 3,017 | 3,017 |
| Total Non-Current Assets | 42,699 | 49,741 | 57,819 | 63,401 |
| Net Current Assets | | | | |
| Inventories | 1,484 | 1,245 | 1,474 | 1,664 |
| Sundry Debtors | 3,772 | 3,942 | 4,421 | 4,439 |
| Cash and Bank | 746 | 1,055 | 1,810 | 4,095 |
| Other Current Assets | 3,325 | 3,325 | 3,325 | 3,325 |
| Total Current Assets | 9,326 | 9,568 | 11,030 | 13,524 |
| Less: Current Liabilities and Prov | | | | |
| Current Liabilities | | | | |
| Creditors | 1,518 | 2,075 | 2,456 | 2,774 |
| Other Current Liabilities | 2,862 | 2,862 | 2,862 | 2,862 |
| Provisions | 515 | 515 | 515 | 515 |
| Total Current Liabilities | 4,895 | 5,452 | 5,833 | 6,151 |
| Net Current Assets | 4,431 | 4,116 | 5,197 | 7,372 |
| Total Assets | 47,130 | 53,856 | 63,016 | 70,773 |

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

| Y/E March | FY24A | FY25E | FY26E | FY27E |
|--------------------------------------|---------------|---------------|----------------|---------------|
| Profit before tax | 2,882 | 3,124 | 3,968 | 4,221 |
| Depreciation | 1,825 | 2,038 | 2,729 | 3,150 |
| Interest Expenses | 849 | 1,213 | 1,547 | 1,803 |
| Non-operating / EO item | 421 | - | - | - |
| Change in W/C | 259 | 625 | -326 | 110 |
| Income Tax (Paid)/Refund | -612 | -937 | -1,022 | -1,087 |
| Operating Cash Flow | 5,624 | 6,062 | 6,897 | 8,196 |
| Capital Expenditure | -3,259 | -9,080 | -10,808 | -8,731 |
| Free cash Flow | 2,364 | -3,018 | -3,911 | -535 |
| Other Investments | 108 | - | - | - |
| Investing Cash Flow | -3,151 | -9,080 | -10,808 | -8,731 |
| Proceeds / (Repayment) of Borrowings | 74 | 5,025 | 6,699 | 5,109 |
| Finance cost paid | -1,918 | -1,213 | -1,547 | -1,803 |
| Dividend paid | -498 | -485 | -485 | -485 |
| Other Financing activities | 358 | - | - | - |
| Financing Cash Flow | -1,985 | 3,327 | 4,666 | 2,820 |
| Change in Cash | 487 | 310 | 755 | 2,285 |
| Opening Cash | 77 | 565 | 874 | 1,629 |
| Closing Cash | 565 | 874 | 1,629 | 3,915 |

Source: Company, Axis Securities

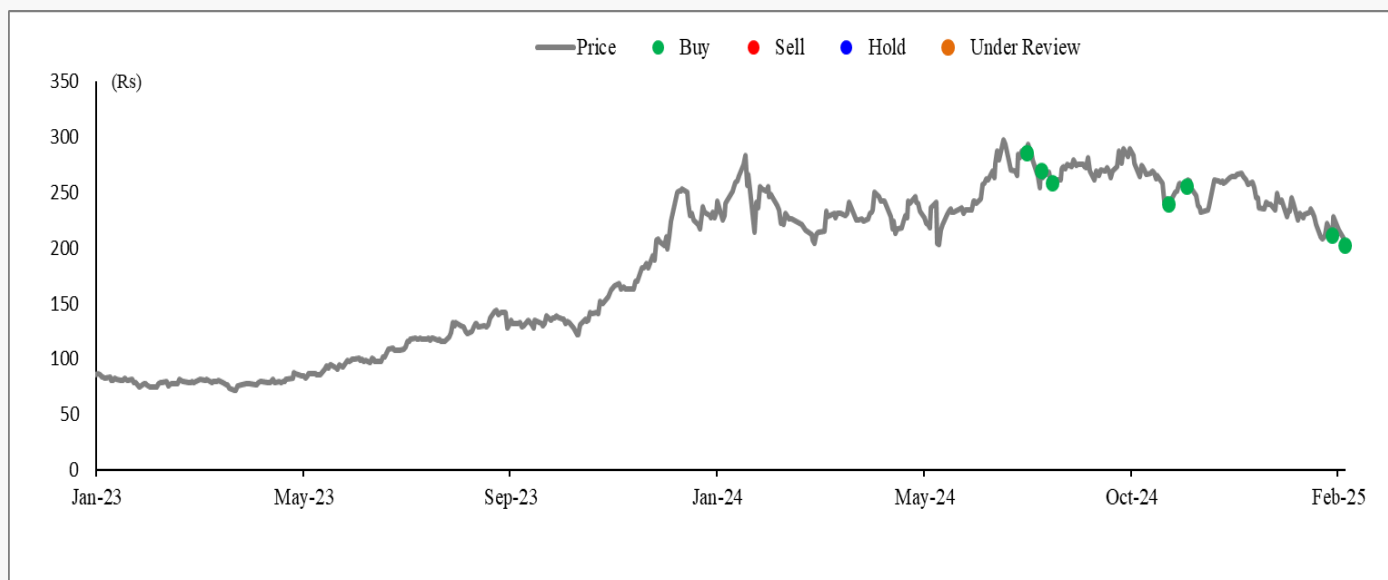
Ratio Analysis

(%)

| Y/E March | FY24A | FY25E | FY26E | FY27E |
|----------------------------------|-------|-------|-------|-------|
| Operational Ratios | | | | |
| Revenue growth (% YoY) | -20% | 17% | 18% | 13% |
| EBITDA growth (% YoY) | -39% | 20% | 35% | 13% |
| Attrib Net Profit growth (% YoY) | 33% | 17% | 35% | 6% |
| EBITDA Margin % | 27% | 28% | 32% | 32% |
| Attrib Net profit Margin % | 14% | 14% | 16% | 15% |
| Tax Rate % | 35% | 30% | 26% | 26% |
| Efficiency Ratios | | | | |
| Total Asset Turnover (x) | 4.23 | 4.11 | 4.00 | 3.94 |
| Sales/Gross block (x) | 0.36 | 0.37 | 0.33 | 0.32 |
| Sales/Net block(x) | 0.56 | 0.59 | 0.49 | 0.48 |
| Valuation Ratios | | | | |
| PER (x) | 16.93 | 12.87 | 9.55 | 8.98 |
| P/BV (x) | 1.91 | 1.54 | 1.36 | 1.21 |
| EV/Ebitda (x) | 15.86 | 13.52 | 11.03 | 10.20 |
| EV/Sales (x) | 4.31 | 3.78 | 3.53 | 3.26 |
| Dividend Yield (%) | 1% | 2% | 2% | 2% |
| Return Ratios | | | | |
| ROE | 11% | 12% | 14% | 13% |
| ROCE | 4% | 5% | 6% | 5% |
| ROIC | 3% | 3% | 4% | 4% |
| Leverage Ratios | | | | |
| Debt/equity (x) | 1.35 | 1.50 | 1.65 | 1.68 |
| Net debt/ Equity (x) | 1.31 | 1.45 | 1.56 | 1.50 |
| Net debt/Ebitda (x) | 6.12 | 6.21 | 5.63 | 5.42 |

Source: Company, Axis Securities

NLC India Price Chart and Recommendation History



| Date | Reco | TP | Research |
|-----------|------|-----|---------------------|
| 30-Jul-24 | BUY | 340 | Initiating Coverage |
| 08-Aug-24 | BUY | 340 | Result Update |
| 16-Aug-24 | BUY | 340 | Company Update |
| 28-Oct-24 | BUY | 305 | Result Update |
| 06-Nov-24 | BUY | 305 | Company Update |
| 04-Feb-25 | BUY | 305 | Result Update |
| 12-Feb-25 | BUY | 305 | Company Update |
| | | | |

Source: Axis Securities

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RATING SCALE: Definitions of ratings

| Ratings | Expected absolute returns over 12 – 18 months |
|----------------|--|
| BUY | More than 10% |
| HOLD | Between 10% and -10% |
| SELL | Less than -10% |
| NOT RATED | We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation. |
| UNDER REVIEW | We will revisit our recommendation, valuation and estimates on the stock following recent events |
| NO STANCE | We do not have any forward-looking estimates, valuation or recommendation for the stock |

Note: Returns stated in the rating scale are our internal benchmark.