



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- NLC India limited FY24 consolidated revenues came in at ₹12,999 cr. down 19.59% YoY.
- Operating profit for Q4FY24 stood at ₹333 Cr. Operating profit for Q3FY24 was ₹905 cr. Operating loss for Q4FY23 stood at ₹1,236 cr.
- Operating margins for Q4FY24 came at 9.00%. Operating margins for Q3FY24 stood around 29% and for Q4FY23 was around 24%.
- PAT for Q4FY24 stood at ₹114 cr. PAT of ₹254 cr. in Q3FY24 and PAT of 837 cr. in Q4FY23.

### 2. MANAGEMENT COMMENTARY:

- Corporate plan of NLC India to become a power major of 17 GW capacity with more than 6 GW renewable capacity by 2030.
- NLC has 2 GW solar projects in pipeline, 600 MW in the state of Gujarat and 810 MW in the state of Rajasthan. Management has guided that all the projects which are in pipeline have a completion time of 12-15 months.
- We are in the process of transferring NLC India Renewables Limited to NLC India Renewables Limited having the present capacity of 1.4 GW. Management aspires to take the same to 6 GW by 2030.

### 3. SEGMENTAL ANALYSIS:

- FY24 Revenue Breakup: Mining (40.97%), Power Generation (59.03%).
- FY24 EBIT Breakup: Mining (57.00%), Power Generation (43.00%).
- Assets Breakup: Mining (11.76%), Power Generation (53.32%), Unallocated Assets (34.92%).

### 4. CONCALL SUMMARY

- Lignite production for Q1 & Q2 FY2024 was affected due to land acquisition issues. In Q3, with the support of Government & district administration, Company could take into possession almost 558 hectares of land.
- Lignite production for Q3 has improved and will further improve in Q4 after land acquisition.
- There will not be any under-recovery or generation loss in the next financial year due to lignite related issues. Adequate Lignite will be ensured for the next FY.
- TPS-II Expansion, the CFBC Boiler-related issue is expected to resolve soon.
- Company is targeting 16 million metric tons of coal production in FY 2026.
- Thermal Power plant TPS-II and TPS-II Expansion are undergoing modification work. Q1 of next financial year one unit, and Q2 of the next financial year the second unit will be completed and the availability and reliability will be substantially improved.

### 5. OTHER DEVELOPMENTS:

- NLC India Limited entered into an MOU with RVUNL which entails an investment of more than ₹7000 Crores. Among the notable projects, the MoU outlines the establishment of a 125 MW Lignite Pit-head Thermal Power Plant in Bikaner district, 1000 MW Solar Power Plant. Additionally, a LoI for the setup of an 810 MW solar power plant has already been issued.

### 6. VALUATION AND OUTLOOK:

- Expected availability of thermal power plants in FY25, Improving lignite availability for thermal power production ensures operational efficiency. Company has also forayed into renewable space. With more than 70,000 cr. of capex by 2030 will enhance its regulated equity and thus the top and bottom line of the company.
- We reiterate a “BUY” rating on the stock and value the stock at 16.5x FY25E earnings to arrive at the target of ₹276

## RECOMMENDATION - BUY

CMP – 240

TARGET – 276 (15%)

Industry	Construction
NSE CODE	NLCINDIA
BSE CODE	513683
Market Cap (₹ Cr)	33,265
Shares Outstanding (in Cr)	139
52 wk High/Low (₹)	294 / 87.4
P/E	17.9
P/BV	2.01
Face Value (₹)	10.00
Book Value (₹)	119
EPS (FY24) (₹)	13.4
Dividend Yield (%)	1.46%
Debt / Equity	1.36
Interest Coverage	4.39

## SHAREHOLDING PATTERN

	Mar 24	Dec 23	Sep 23
Promoters	72.20	79.20	79.20
DII	13.38	8.85	9.18
FII/FPI	2.39	1.21	0.95
Government	4.31	4.31	4.31
Public	7.73	6.44	6.37

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2023A	2024A	2025E
<b>Crore</b>			
Sales	16,165	12,999	13,814
Sales Gr. (%)	33.92	-19.59	6.27
EBITDA	5714	3536	4,420
EBITDA %	35%	27%	32%
PAT	1,426	1,868	2,328
EPS (₹)	10.07	13.37	16.75
EPS Gr. (%)	27.8	32.58%	25.28%
<b>Ratios</b>			
RoE (%)	10.05	11.7%	12.76%
RoCE (%)	7.54	9.13%	10.87%
<b>Valuation</b>			
P/E (x)	12.00	17.9	14.33

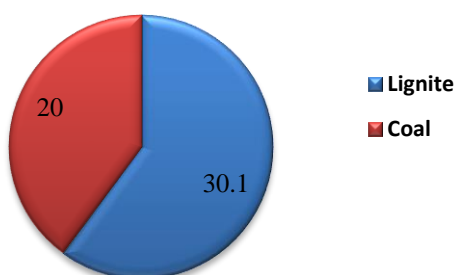
## Historical & Industrial Val Ratios

Historical P/E	12.38
Industry P/E	23.65
Historical P/B	1.91
Industry P/B	3.60

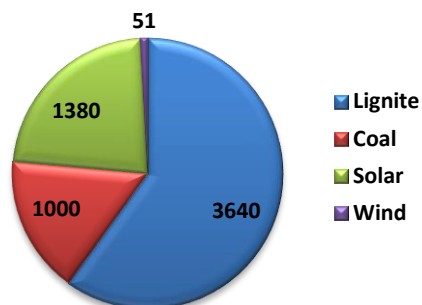


## Mining & Generation Capacity (FY24)

Mining Capacity in MTPA

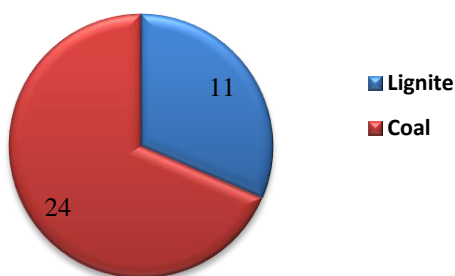


Power Generation Capacity in MW

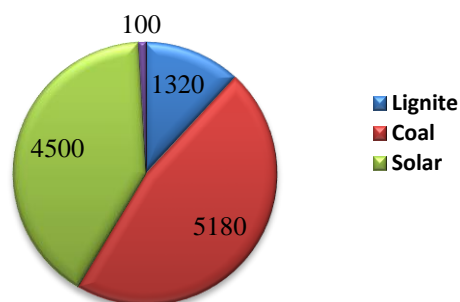


## Mining & Generation Capacity Expansion by 2030

Mining Capacity Expansion in MTPA



Power Generation Capacity Expansion in MW



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23				FY24				FY24	FY25E*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
<b>Net sales</b>	<b>3,863</b>	<b>3,489</b>	<b>3,679</b>	<b>5,134</b>	<b>3,316</b>	<b>2,978</b>	<b>3,164</b>	<b>3,541</b>	<b>12,999</b>	<b>13,812</b>
YoY change (%)	27.24%	12.77%	34.66%	66.36%	-14.16%	-14.65%	-14.00%	-31.03%	-19.59%	6.27%
<b>Expenditures</b>	<b>2,455</b>	<b>2,310</b>	<b>3,957</b>	<b>3,898</b>	<b>2,123</b>	<b>2,143</b>	<b>2,260</b>	<b>3,208</b>	<b>9,463</b>	<b>9,394</b>
<b>EBITDA</b>	<b>1,408</b>	<b>1,179</b>	<b>-278</b>	<b>1,236</b>	<b>1,193</b>	<b>835</b>	<b>904</b>	<b>333</b>	<b>3,536</b>	<b>4,420</b>
Margins (%)	36%	34%	-8%	24%	36%	28%	29%	9%	27%	32%
Other income	103	207	300	713	112	1,535	149	494	2,020	1,455
Interest	221	337	232	221	231	214	205	199	849	900
Depreciation	436	434	460	472	461	455	446	462	1,825	1,871
<b>PBT</b>	<b>854</b>	<b>615</b>	<b>-670</b>	<b>1,256</b>	<b>613</b>	<b>1,701</b>	<b>402</b>	<b>166</b>	<b>2,882</b>	<b>3,104</b>
Rate (%)	33.37%	32.20%	40.90%	33.36%	32.46%	36.16%	36.82%	31.33%	35.18%	25%
<b>PAT</b>	<b>569</b>	<b>417</b>	<b>-396</b>	<b>837</b>	<b>414</b>	<b>1086</b>	<b>254</b>	<b>114</b>	<b>1868</b>	<b>2,328</b>
<b>EPS in Rs</b>	<b>4.05</b>	<b>2.96</b>	<b>-2.93</b>	<b>5.98</b>	<b>2.92</b>	<b>7.82</b>	<b>1.81</b>	<b>0.82</b>	<b>13.37</b>	<b>16.75</b>

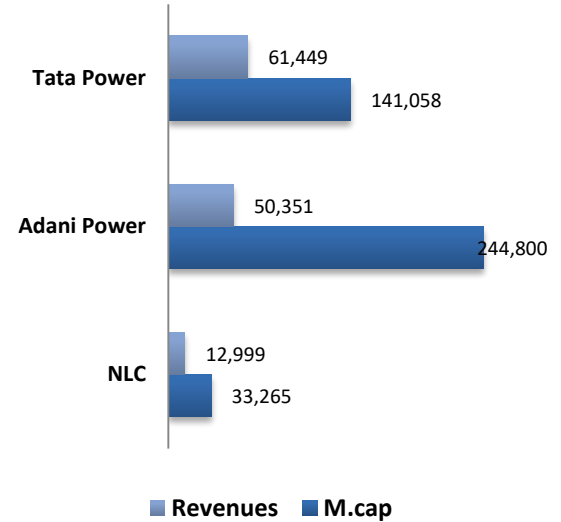
Source: Company, Hem Securities Research.

Note: - Figures mentioned in statement are rounded off to the nearest integer for better understanding purpose.

## INDUSTRY OVERVIEW

- India is third largest producer of electricity in the world with installed power generation capacity of 442.86 GW with thermal comprising 243 GW of capacity and RE comprises 191.68 GW of capacity as on Apr 30, 2024
- India has committed to augment non fossil fuel based installed electricity generation capacity to over 500000 MW by 2030. Transmission plan for integration of 500000 MW RE capacity by 2030 is being implemented in a phased manner commensurate with RE capacity.
- Solar comprises a significant component of ~43% in installed renewable capacity, which amounts to 191.68 GW.
- Power demand in FY 2024 has increased by 8% and it is anticipated that with increased industrialization and development activities post-election it will further increase.
- India is second largest producer of coal after china. The all India Production of coal during 2023-24 was 997.25 MT (highest ever) with a positive growth of 11.65%.
- India primarily imports thermal coal from South Africa and Indonesia. Total import of coal in India ranges between 225-250 Million tons.

## KEY PLAYERS in Power Generation (Fig. in Cr.)



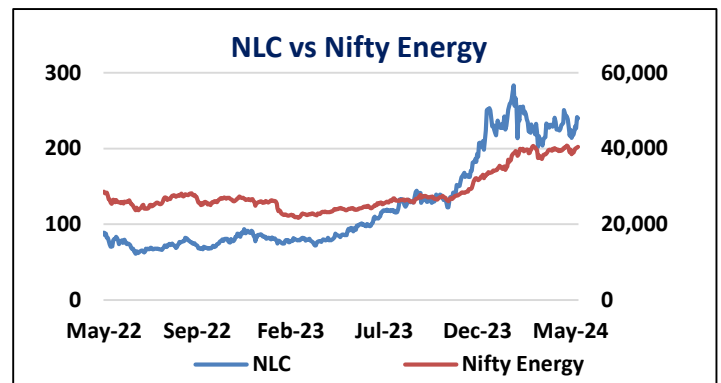
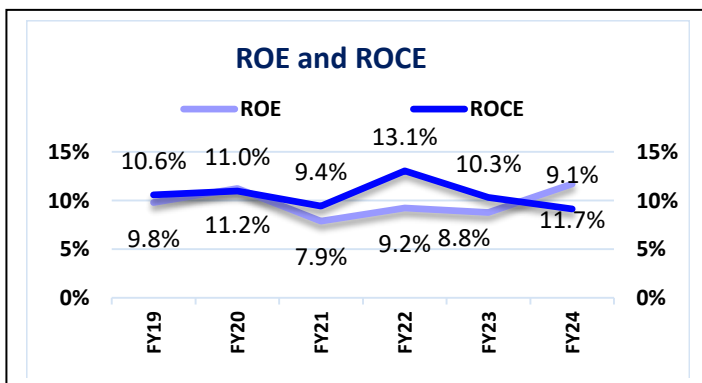
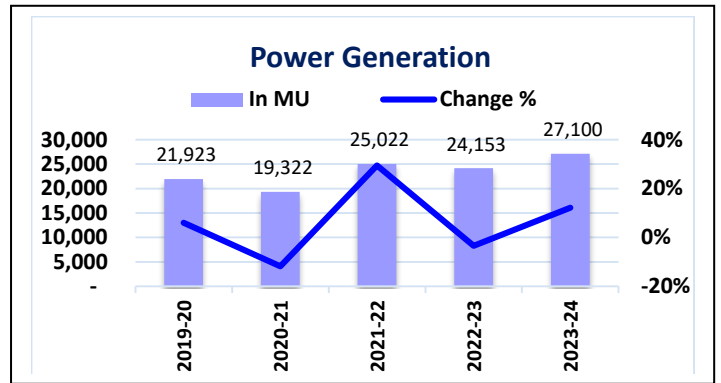
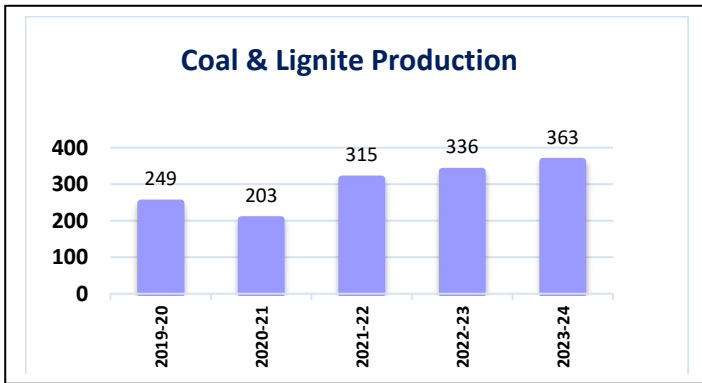
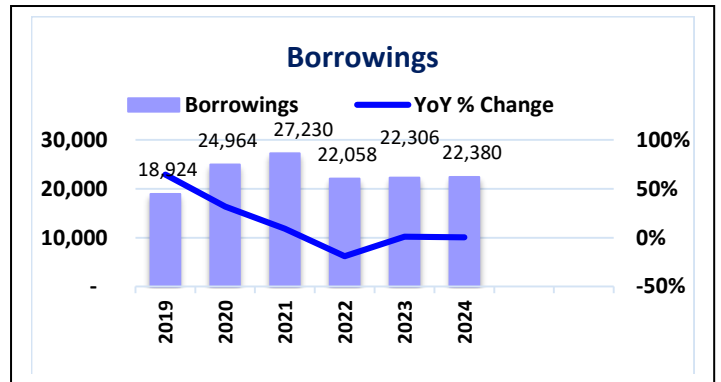
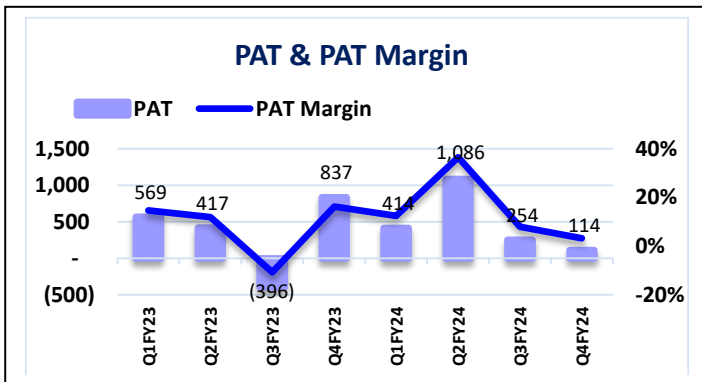
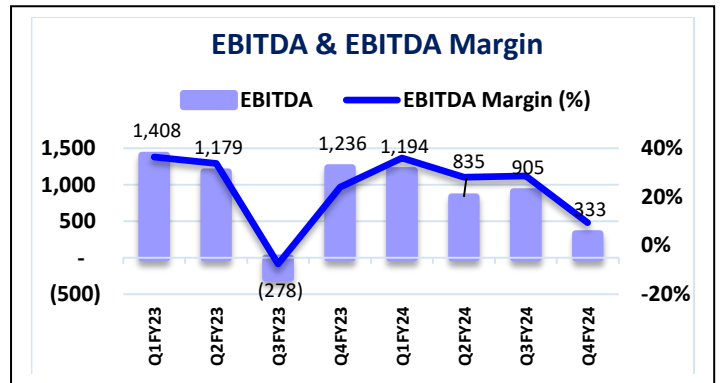
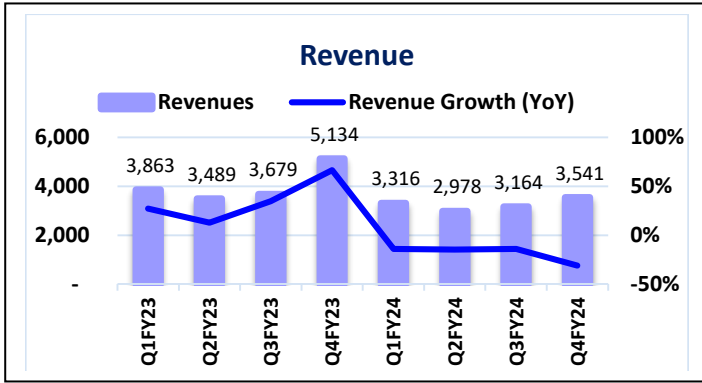
## PEER PERFORMANCE

(₹ Cr)

Particulars	NLC	Adani Power	Tata Power
Market Cap	31,532	2,45,398	1,39,253
Net Sales	12,999	50,351	61,449
EBITDA	3,536	18,181	10,784
PAT	1,868	20,829	4,280
EPS(₹)	13.37	54.00	11.57
EBITDA MARGIN %	27.20%	36.10%	17.54%
PAT MARGIN %	14.37	41.37%	6.96%
ROCE %	9.13%	57.2	11.3%
ROE %	11.7%	32.2%	11.5%
P/E TTM	30.6	11.8	39.6
P/B TTM	1.94	5.69	4.31
EV/EBITDA	9.58	9.70	13.2
Dividend Yield %	1.40	0.00	0.46
MCap/ Sales TTM	2.43	4.87	2.27

Source: Company, Hem Securities Research.

**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Ghatampur thermal power station units are expected to commission in FY25 in phased manner. Unit I is expected to generate the commercial production by Q2FY25 while Unit II & III in Q3 & Q4 respectively. With the commissioning of these units, NLC will be able to attain stable PAF and increased regulated equity.
- Company is aggressively looking to add renewable energy in its portfolio with higher EBITDA margins. 2 GW solar projects are in pipeline, 600 MW in the state of Gujarat and 810 MW in the state of Rajasthan. All these projects are having completion time of 12-15 months. By end of FY25, Company will be adding 2 GW of RE in its portfolio.
- Company had under-recovery from TPS-II Stage II and TPS-II Expansion worth ₹ 207 & ₹ 186 cr. respectively. Management has guided that, it will achieve 100% recovery from both the units in FY25 which will consequently boost the PAT of the company by around 200 crores.
- With the possession of 558 hectares land and augmentation of lignite production, under-recoveries can become zero because of the lignite shortfall.
- Massive capital expenditures are planned by NLC. By 2030, ₹ 70,985 crore is projected to be spent on capital projects (TTPS II Project cost of ₹ 11, 189 Cr. excluded) with a 70:30 debt to equity ratio.

## RISK / NEGATIVE FACTORS:

- Delay in the modification work related to TPS-II Stage II & TPS-II Expansion would delay the project commissioning and consequently affects the earnings of FY25.
- Non availability of lignite could affect the thermal power generation of the entity. There have been instance, where units of the company were shut for the want of lignite. Any occurrence of such event could further affect the revenues of the company.
- Company's inability to recover from debtors could affect the working capital cycle and envisaged capital expenditure of the company. In past we have observed the high debt levels appearing the books of the company.

## COMPANY RECAP

- NLC is a NAVRATNA company under the Ministry of Coal since 1956. Core business of the company is Mining & Power Generation. Present Mining capacity of the company is 50.1 MTPA and power generation capacity of 6071.06 MW.
- The company operates opencast lignite mines in Neyveli, Tamil Nadu, and Barsingsar in Bikaner district, Rajasthan.
- Company along with its legacy business, is now also concentrating on renewable energy. It has an aspiring target of achieving 6 GW of renewable energy of installed capacity by 2030.
- Company was facing lot of issues including but not limited to lignite unavailability, units of thermal power plants were shut due to technical issues, reducing coal prices.
- Thermal Power plant TPS-II and TPS-II Expansion are undergoing modification work. Q1 of next financial year one unit, and Q2 of the next financial year the second unit will be completed and the availability and reliability will be substantially improved.
- Company has planned massive capital expenditures. By 2030, ₹ 70,985 crore is projected to be spent as capex (excluding TTPS II Project cost of ₹ 11, 189 Cr.) with a 70:30 debt to equity ratio.



## ANNUAL PERFORMANCE

### Financials & Valuations

#### Income Statement

	(₹ Cr)						
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
<b>Revenue from operations</b>	<b>10,325</b>	<b>9,936</b>	<b>12,070</b>	<b>16,165</b>	<b>12,999</b>	<b>13,814</b>	<b>15,472</b>
Growth YoY (%)	4.60%	-3.77%	21.48%	33.93%	-19.59%	6.27%	12.00%
<b>Expenditure</b>	<b>6,904</b>	<b>7,320</b>	<b>8,119</b>	<b>10,452</b>	<b>9,463</b>	<b>9,394</b>	<b>10,289</b>
(%) of sales	66.87%	73.67%	67.27%	64.66%	72.80%	68.00%	66.50%
<b>EBITDA</b>	<b>3,420</b>	<b>2,616</b>	<b>3,951</b>	<b>5,714</b>	<b>3,536</b>	<b>4,420</b>	<b>5,183</b>
EBITDA Margin (%)	33.12%	26.33%	32.73%	35.35%	27.20%	32.00%	33.50%
Depreciation	1334	1611	1909	1801	1825	1871	2,145
<b>EBIT</b>	<b>2,086</b>	<b>1,005</b>	<b>2,042</b>	<b>3,913</b>	<b>1,711</b>	<b>2,549</b>	<b>3,038</b>
Other Income	1,433	2,531	1,544	-845	2,020	1,455	1,565
Interest Expenses	1,174	1,313	984	1,012	849	900	1,135
<b>Earnings before Taxes</b>	<b>2,345</b>	<b>2,223</b>	<b>2,602</b>	<b>2,056</b>	<b>2,882</b>	<b>3,104</b>	<b>3,468</b>
EBT Margin (%)	22.71%	22.37%	21.56%	12.72%	22.17%	22.47%	22.41%
Tax-Total	892.95	909.03	1488.01	630.66	1,014	776	867
Rate of tax (%)	38%	41%	57%	31%	35%	25.00%	25.00%
<b>Net Profit</b>	<b>1,453</b>	<b>1,314</b>	<b>1,116</b>	<b>1,426</b>	<b>1,868</b>	<b>2,328</b>	<b>2,601</b>
PAT Margin (%)	14.07%	13.22%	9.25%	8.82%	14.37%	16.85%	16.81%
<b>EPS</b>	<b>10.39</b>	<b>9.24</b>	<b>7.88</b>	<b>10.07</b>	<b>13.37</b>	<b>16.75</b>	<b>18.71</b>

#### Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Equity Capital	1,387	1,387	1,387	1,387	1,387
Reserves	11,518	12,098	12,803	13,782	15,144
Borrowings	27,230	27,234	22,086	22,333	22,415
Other Liabilities	12,493	12,594	13,542	15,605	15,995
<b>Total Liabilities &amp; Equity</b>	<b>52,628</b>	<b>53,313</b>	<b>49,818</b>	<b>53,107</b>	<b>54,942</b>
Fixed Assets	24,109	25,824	24,875	24,058	23,391
CWIP	12,662	11,597	13,022	14,636	17,726
Investments	14	14	7	8	8
Other Assets	15,844	15,879	11,914	14,405	13,817
<b>Total Assets</b>	<b>52,628</b>	<b>53,313</b>	<b>49,818</b>	<b>53,107</b>	<b>54,942</b>

Source: Company, Hem Securities Research.



## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
20 May 2024	Buy	15%



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Name of the Research Analyst: Mohit Arora

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2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
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8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

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