

Healthy Q3

11 February 2025

In Q3FY25, NLC India (NLC IN) reported robust earnings. Revenue rose 39% YoY to INR 44bn, driven by a 40% YoY increase in power generation revenue and a 5% YoY rise in mining revenue. EBITDA surged 102% YoY to INR 18bn, with margin expanding to 41%. Other income soared 472% YoY, and reported PAT grew 174% YoY to INR 6.9bn. Power generation improved 4.71% YoY to 20.56BU in 9MFY25, with renewable generation at 1.6BU. Lignite and coal production grew 5.23% and 40% YoY, respectively. Under-recoveries declined to INR 5.17bn in 9MFY25 and are expected at INR 6bn for FY25. Capacity expansion is on track with the commissioning of the first 660MW unit at Ghatampur, while units 2 and 3 are expected by May and October 2025. South Pachwara coal block will start operations by July 2025, and Talabira thermal project will begin in March 2029. Regulated equity, currently at INR 93.83bn, is expected to reach INR 190bn by FY30. Maintain Buy with a lower TP of INR 320.

Robust earnings in Q3: Revenue increased 39% YoY and 21% QoQ to INR 44bn. Revenue from generation increased 40% YoY to INR 37bn and from mining 5% YoY to INR 20bn. EBITDA rose 102% YoY to INR 18bn. EBITDA margin increased to 41% in Q3FY25 from 29% in Q3FY24. Other income increased 472% YoY to INR 4.8bn. Tax expense declined 10% YoY to INR 1.3bn. Reported PAT increased 174% YoY to INR 6.9bn.

Improved power generation: Power generation increased 4.71% YoY to 20.56BU in 9MFY25. Renewable power generation stood at 1.6BU. Lignite production increased 5.23% YoY to 17MMT in 9MFY25. Coal production increased 40% YoY to 11.5MMT in 9MFY25. Under recoveries have reduced from INR 7,250mn in 9MFY24 to INR 5,170mn in FY25. Estimated under-recovery for FY25E is at INR 6,000mn.

Capacity expansion plans: NLC has commissioned Ghatampur thermal plant – Unit one (660MW) in Q3FY25. Total installed capacity now stands at 6,731MW. NLC plans to commission Unit 2 and Unit 3 of Ghatampur thermal plant by May 2025 and October 2025, respectively. South Pachwara coal block will start operations by July 2025. The first unit of Talabira thermal project will be commissioned in March 2029 and the next two units will be commissioned after a gap of six months. TPS-2 second expansion will come in FY30. Current regulated equity stands at INR 93,830mn, which includes INR 59,000mn for thermal and INR 34,500mn for mines. Regulated equity is anticipated to reach INR 190,000mn by FY30.

Maintain Buy with a lower TP of INR 320: Through FY24-27E, we expect a revenue CAGR of 13%, an EBITDA CAGR of 14% and a PAT CAGR of 13%. We assign a P/BV of 1.8x to NLC's regulated thermal business, based on 15% ROE assuming the cost of equity at 10.5% and growth of 5%. We value the regulated thermal business at 1.8x FY30E P/BV discounted to FY27E and the regulated mining business at 1.8x FY30E P/BV discounted to FY27E. We ascribe the RE business a value of 10x FY27E EV/EBITDA and the merchant coal business, 4x FY27E EV/EBITDA. We maintain BUY but with a lower TP of INR 320 from INR 373 (led by delayed project execution).

Key Financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	161,652	129,990	149,407	174,869	188,876
YoY (%)	35.3	(19.6)	14.9	17.0	8.0
EBITDA (INR mn)	58,414	35,355	43,183	46,862	52,751
EBITDA margin (%)	36.1	70.4	71.5	75.5	79.1
Adj PAT (INR mn)	14,261	18,675	21,364	25,978	26,928
YoY (%)	27.8	31.0	14.4	21.6	3.7
Fully DEPS (INR)	10.3	13.5	15.4	18.7	19.4
RoE (%)	9.4	11.3	11.8	12.8	12.0
RoCE (%)	3.8	4.8	4.4	4.6	4.3
P/E (x)	19.7	15.1	13.2	10.8	10.5
EV/EBITDA (x)	8.6	14.1	13.3	13.4	12.5

Note: Pricing as on 11 February 2025; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: **INR 320**

Upside: **58%**

CMP: **INR 203**

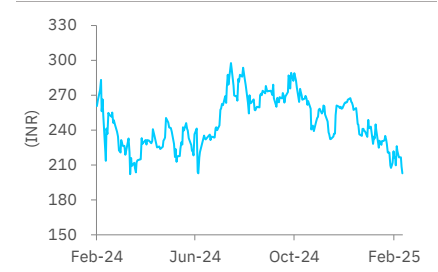
As on 11 February 2025

Key data

Bloomberg	NLC IN
Reuters Code	NLCI.NS
Shares outstanding (mn)	1387
Market cap (INR bn/USD mn)	281/3240
Enterprise Value (INR bn/USD mn)	527/6074
Avg daily volume 3M (INR mn/USD mn)	592/7
52 week high/low	312/193
Free float (%)	28

Note: as on 11 February 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY24	FY25	FY25	FY25
Promoter	72.2	72.2	72.2	72.2
% Pledged	-	-	-	-
FII	2.4	2.2	2.5	2.9
DII	18.1	18.1	18.7	18.8
Others	7.3	7.5	6.6	6.1

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(4.4)	(5.3)	5.9
NLC India	(18.1)	(23.5)	(19.7)
NSE Mid-cap	(8.9)	(11.0)	4.1
NSE Small-cap	(11.8)	(12.7)	(1.2)

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	161,652	129,990	149,407	174,869	188,876
EBITDA	58,414	35,355	43,183	46,862	52,751
Add:- Non operating Income	12,180	9,474	9,744	9,930	9,930
OPBIDTA	70,594	44,829	52,927	56,792	62,680
Less :- Depreciation & Amortization	18,008	18,249	25,415	23,747	26,695
EBIT	52,586	26,580	27,512	33,045	35,986
Less:- Interest Expenses	10,117	8,493	13,334	12,716	14,390
PBT	42,469	18,087	14,178	20,329	21,596
Less :- Taxes	6,307	10,143	3,545	5,083	5,400
Adjusted PAT	14,261	18,675	21,364	25,978	26,928
Reported PAT	14,261	18,675	21,364	25,978	26,928
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	13,866	13,866	13,866	13,866	13,866
Reserves	137,822	151,444	167,823	188,816	210,760
Borrowings	184,982	192,257	266,687	317,889	359,742
Other liabilities	121,610	111,365	112,920	121,998	132,162
Total Liabilities	458,280	468,933	561,296	642,570	716,530
Net Block	240,582	233,908	441,468	478,218	537,168
Add:- Capital work in progress	146,363	177,265	76,033	112,429	113,269
Investments	76	78	78	78	78
Net Working Capital	25,405	12,300	2,796	4,575	12,553
Other Assets	45,855	45,381	40,921	47,270	53,461
Total Assets	458,280	468,933	561,296	642,570	716,530
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash profit adjusted for non-cash items	47,598	55,560	63,659	67,523	73,413
Add/Less : Working Capital Changes	732	2,589	9,339	(6,633)	(4,679)
Operating Cash Flow	39,211	63,313	75,064	72,665	81,845
Less:- Capex	(25,532)	(32,478)	(106,328)	(73,147)	(59,790)
Free Cash Flow	13,679	30,836	(31,263)	(482)	22,055
Financing Cash Flow	(17,321)	(19,851)	56,575	39,646	27,501
Investing Cash Flow	(20,886)	(31,513)	(127,986)	(102,894)	(92,485)
Net change in Cash	1,004	11,950	3,654	9,417	16,861
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	35.3	(19.6)	14.9	17.0	8.0
EBITDA Growth	40.3	(39.5)	22.1	8.5	12.6
PAT Growth	27.8	31.0	14.4	21.6	3.7
EBITDA Margin	36.1	27.2	28.9	26.8	27.9
Net Margin	8.8	14.4	14.3	14.9	14.3
Return & Liquidity Ratios					
Net Debt/Equity (x)	1.5	1.3	1.6	1.7	1.7
ROE (%)	9.4	11.3	11.8	12.8	12.0
ROCE (%)	3.8	4.8	4.4	4.6	4.3
Per Share data & Valuation Ratios					
Diluted EPS (INR/Share)	10.3	13.5	15.4	18.7	19.4
EPS Growth (%)	27.8	31.0	14.4	21.6	3.7
DPS (INR/Share)	3.1	3.6	3.6	3.6	3.6
P/E Ratio (x)	19.7	15.1	13.2	10.8	10.5
Price/Book (x)	1.9	1.7	1.5	1.4	1.3
Dividend Yield (%)	1.5	1.8	1.8	1.8	1.8

Expect revenue CAGR at 13% in FY24-27E

Note: Pricing as on 11 February 2025; Source: Company, Elara Securities Estimate

Quarterly financials

YE March (INR Mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Variance (%)
Net sales	44,114	31,644	39.4	36,573	20.6	30,010	47.0
Total expenditure	25,848	22,598	14.4	25,809	0.1	23,439	10.3
Cost of fuel consumed	5,207	4,831	7.8	7,772	(33.0)	4,686	11.1
Employee expenses	6,589	6,524	1.0	6,951	(5.2)	6,654	(1.0)
Other expenses	14,158	11,861	19.4	12,001	18.0	12,099	17.0
EBITDA	18,266	9,047	101.9	10,763	69.7	6,571	178.0
EBITDA margin %	41.4	28.6	0.0	29.4	0.0	21.9	
Depreciation	4,579	4,461	2.6	4,126	11.0	4,126	11.0
EBIT	18,552	5,435	241.3	13,766	34.8	5,145	260.5
Interest	2,365	2,054	15.2	1,798	31.5	1,798	(12.4)
Other income	4,865	850	472.4	7,128	(31.8)	2,701	45.3
PBT	16,187	3,382	378.6	11,967	35.3	3,347	
Tax expense	1,338	1,480	(9.6)	1,510	(11.4)	837	59.9
PAT	6,960	2,541	173.9	9,824	(29.2)	2,511	177.2

Source: Company, Elara Securities Estimate

Q3FY25 conference call highlights

- ▶ **Coal and e-auction:** e-auction sales jumped 84% YoY to 4.6MMT, with coal supplies initiated for NTPC (4.8MMT) and DVC (Jan 2025).
- ▶ **Thermal expansion:** Expect thermal capacity to grow from 4.6GW to 10GW by 2030, including Talabira (1,600MW) and TPS-2 expansion (1,000MW).
- ▶ **Renewables growth:** NLC's 2030 target for renewables energy is 6GW but execution delays persist due to supply chain issues in domestic module procurement.
- ▶ **Green hydrogen:** The Neyveli pilot project is underway, with electrolyzer procurement in progress.
- ▶ **Battery storage:** NLC is successfully operating a storage facility in Andaman and Nicobar Islands.
- ▶ **Green IPO:** The IPO for NLC India's renewables subsidiary is expected in Q4FY25 or Q1FY26.

Exhibit 1: SoTP valuations

Segment	FY27E regulated equity (INR mn)	Stake (%)	P/BV	Equity value(INR mn)	Value/share(INR)
Valued on P/BV					
Generation	106,450	100	1.8	191,610	138.2
Mining	51,470	100	1.8	92,646	66.8
NTPL	11,640	89	1.8	20,952	15.1
NUPPL	29,691	51	1.8	53,444	38.5
Valued on EV/EBITDA					
	FY27E EBITDA		EV/EBITDA		
Merchant Coal	4,333		4	17,331	12.5
RE	19,265		10	68,085	49.1
Target price					320

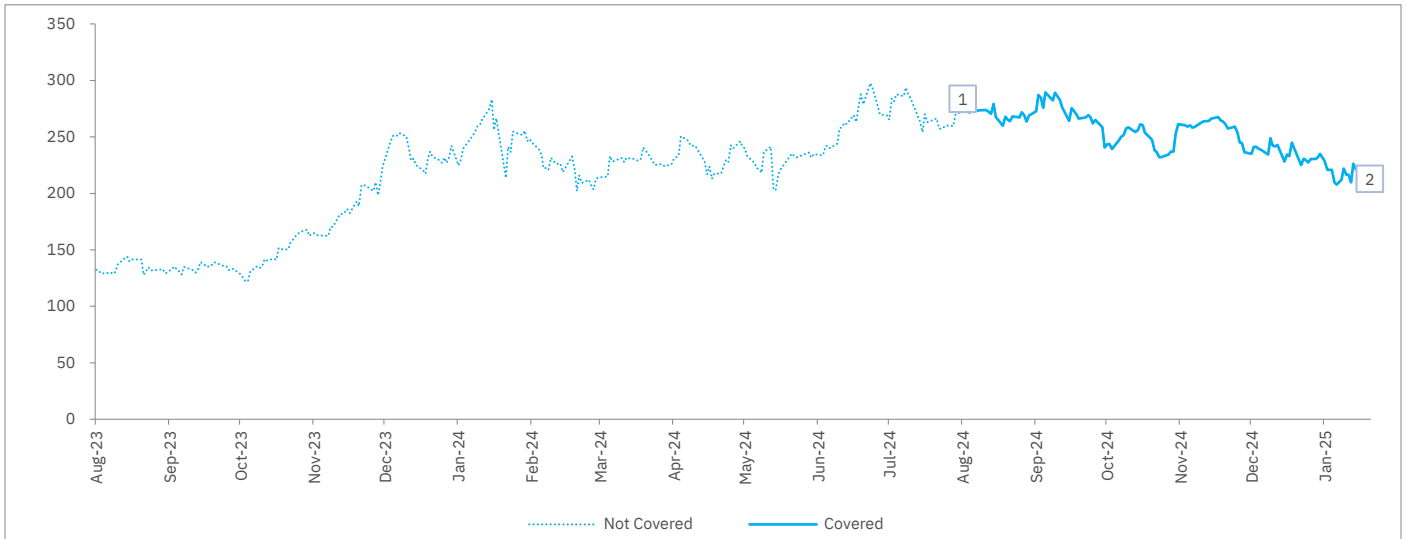
Source: Elara Securities Estimate

Exhibit 2: Change in estimates

(INR mn)	Earlier			Revised			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	147,437	180,286	199,070	149,407	174,869	188,876	1.3	(3.0)	(5.1)
EBITDA	37,376	46,524	61,014	43,183	46,862	52,751	15.5	0.7	(13.5)
PAT	21,720	26,844	32,105	21,364	25,978	26,928	(1.6)	(3.2)	(16.1)
TP (INR)			373			320			(14)

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
1	23-Aug-2024	Buy	INR 373	INR 275
2	11-Feb-2025	Buy	INR 320	INR 203

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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