

## Decent Q3; Despite Seasonally Weak Quarter

**Est. Vs. Actual for Q3FY25: Revenue – BEAT; EBITDA – BEAT; PAT – BEAT**

**Change in Estimates post Q3FY25:**

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

### Recommendation Rationale

- **PAT ahead of estimates:** NLCIL's PAT, after considering the regulatory deferral movement, stood at Rs 696 Cr, up 174% YoY but down 29% QoQ, surpassing consensus estimates by 185%. Consolidated net sales stood at Rs 4,411 Cr, up 39% YoY and 21% QoQ, beating consensus estimates by 45%. EBITDA came in at Rs 1,827 Cr, up 102% YoY and 70% QoQ, exceeding consensus estimates by 150%.
- **Improved power generation:** In Q3FY25, gross power generation stood at 6,820 MU, up 3% YoY and QoQ, including 443 MU of renewable energy (RE) power. The company commissioned 660 MW of Ghatampur Unit 1 in Dec'24, contributing to increased generation from Q4FY25. In Q3FY25, the Ghatampur plant generated 215 MU.
- **Coal and lignite production:** Lignite production grew by 5.23% YoY to 17.14 MnT in the nine months ended Dec'24, implying a Q3FY25 run rate of 4.9 MnT, down 13% YoY and 19% QoQ. Thermal coal production grew by 40% YoY to 11.52 MnT in the nine months ended Dec'24, implying Q3FY25 volumes at 5.56 MnT, up 53% YoY and 78% QoQ.

### Sector Outlook: Cautiously Positive

**Company Outlook & Guidance:** NLCIL has commissioned Ghatampur Unit 1 of 660 MW, taking its thermal capacity to 5,300 MW. The company has ambitious capacity expansion plans, aiming to increase its current mining capacity from 50 MTPA to 102 MTPA by 2030, thermal power capacity from 5,300 MW to 10,465 MW, and renewable energy (RE) capacity from 1,431 MW to 8,059 MW. These capacity additions will require a substantial capex of Rs 1 Lc Cr, which is expected to drive growth in regulated equity.

**Current Valuation:** SOTP - Thermal business at 1.3x (unchanged) on our consolidated regulated equity projections of FY33 discounted to FY26; Regulated Mining business at 1.9x FY27 regulated equity (from FY26); RE business at EV/EBITDA of 7.6x on FY27 EBITDA (from 9.0x FY26 EBITDA), and the merchant coal business at 6.0x EV/EBITDA on FY27 EBITDA (from 7.0x FY26 EBITDA).

**Current TP: Rs 305/share** (Unchanged)

**Recommendation:** We maintain our **BUY** recommendation on the stock.

**Financial Performance:** PAT, after considering the regulatory deferral movement, was down 29% QoQ at Rs 696 Cr but up 174% YoY, beating the consensus comfortably by 185%. PAT adjusted for regulatory movements stood at Rs 1,485 Cr. Consolidated net sales stood at Rs 4,411 Cr, up 39%/21% YoY/QoQ, beating consensus estimates by 45%. EBITDA stood at Rs 1,827 Cr, up 102%/70% YoY/QoQ, beating consensus estimates by 150%. EBITDA margins were 41.4%, up 1282 bps/1198 bps YoY/QoQ. The company has declared an interim dividend of Rs 1.5 per share for FY25.

### Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Consensus Est	Var (%)
Net Sales	4,411	21%	39%	3,033	45%
EBITDA	1,827	70%	102%	732	150%
EBITDA Margin (%)	41%	1,198bps	1,282bps	24%	1,727bps
Reported PAT	696	-29%	174%	244	185%
EPS (Rs)	5.0	-29%	174%	1.7	194%

Source: Company, Axis Securities

(CMP as of 3<sup>rd</sup> February 2025)

CMP (Rs)	211
Upside /Downside (%)	45%
High/Low (Rs)	312/193
Market cap (Cr)	33,141
Avg. daily vol. (6m) Shrs.	23,31736
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

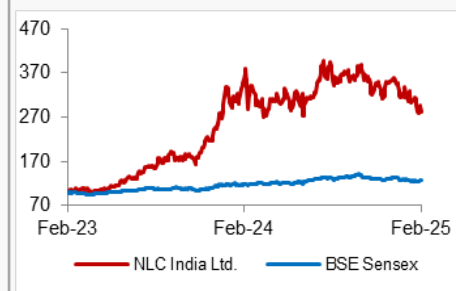
### Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	15,146	17,930	20,251
EBITDA	4,241	5,738	6,480
Attrib Net Profit	2,171	2,925	3,111
EPS (Rs.)	15.77	21.25	22.60
PER (x)	13.38	9.93	9.34
P/BV (x)	1.60	1.41	1.25
EV/EBITDA (x)	13.78	11.22	10.37
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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## Outlook

CEA data suggests PLF at TPS II expansion at 18.7% for Q3FY25 could be impacted as indicated due to the unavailability of unit 1 due to planned modifications, as informed by the management during the Q2FY5 meeting. We await further clarity on this from management. The company commissioned 660 MW of Ghatampur Unit 1 in Dec'24, contributing to the increase in generation from Q4FY25. We maintain our earnings estimates as outlined in our company update published on 6th November 2024.

## Valuation & Recommendation

We roll forward our valuation to FY27 from FY26. We value the conventional thermal business at 1.3x (unchanged) on our consolidated regulated equity projections of FY33 discounted to FY26; Regulated Mining business at 1.9x FY27 regulated equity (from FY26); RE business at EV/EBITDA of 7.6x on FY27 EBITDA (from 9.0x FY26 EBITDA), and the merchant coal business at 6.0x EV/EBITDA on FY27 EBITDA (from 7.0x FY26 EBITDA). This results in a sum-of-the-parts (SOTP) target price of Rs 305/share (unchanged). Our target price implies an upside of 45% from the current market price (CMP).

## Key Highlights

- During the Q3FY25, the company successfully started the commercial operations of its Ghatampur unit of 660 MW.
- The company has signed a Coal Mine Development and production agreement (CMDPA) for New Patrapara (South) Coal Mine project (12MTPA)
- The signed JV agreement with Assam Power Distribution Company for the development of a 1000 MW solar power project in Assam.
- The company has recently signed a Joint Venture (JV) Agreement with RVUNL for a 3x125 MW Lignite Thermal Power Station in Rajasthan, and its subsidiary NIRL signed a JV Agreement with RVUNL for a 2000 MW Renewable power project in Rajasthan. The company has, in principle, received the approval to invest up to Rs. 1,100 Cr as equity in the Joint Venture. NLCIL would have a 74% stake in the JV.

## Key Risks to Our Estimates and TP

- Delay in execution of ongoing projects like Ghatampur and Talabira Power Plants and ramp up in Lignite and Coal production.
- Delay in ramp-up of renewable power generation capacity
- Delay in the recovery of dues from the state distribution companies (DISCOMS)

**NLC India Q3FY25 Results Review**

	Q3FY24	Q2FY25	Q3FY25	Q3FY25			Consensus
	Act	Act	Consensus	Act	YoY (%)	QoQ (%)	Var (%)
Lignite Production (MT)	5.63	6.07		4.90	-13%	-19%	NM
Coal Production (MT)	3.62	3.12		5.56	53%	78%	NM
Gross power generation (MU)	6,632	6,637		6,820	3%	3%	NM
Renewable power generation (MU)	420	588		443	6%	-25%	NM
<b>Financials (Rs Cr)</b>							
Mining Revenue	1,917	1,616		2,022	5%	25%	NM
Power Generation Revenue	2,626	3,466		3,669	40%	6%	NM
Less: Inter Segment Revenue	1,378	1,425		1,279	-7%	-10%	NM
Mining External sales	539	191		743	38%	289%	NM
<b>Net sales</b>	<b>3,164</b>	<b>3,657</b>	<b>3,033</b>	<b>4,411</b>	<b>39%</b>	<b>21%</b>	<b>45%</b>
Cost of material consumed	483	777		521	8%	-33%	NM
Change in inventories	-62	-91		-11	NM	NM	NM
<b>Gross Profit</b>	<b>2,743</b>	<b>2,972</b>		<b>3,901</b>	<b>42%</b>	<b>31%</b>	<b>NM</b>
Employee benefit expenses	652	695		659	1%	-5%	NM
Other expenses	1,186	1,200		1,416	19%	18%	NM
<b>EBITDA</b>	<b>905</b>	<b>1,076</b>	<b>732</b>	<b>1,827</b>	<b>102%</b>	<b>70%</b>	<b>150%</b>
Depreciation & amortization	446	413		458	3%	11%	NM
<b>EBIT</b>	<b>459</b>	<b>664</b>		<b>1,369</b>	<b>198%</b>	<b>106%</b>	<b>NM</b>
Finance cost	205	180		237	15%	32%	NM
Other income	85	713		486	472%	-32%	NM
<b>PBT</b>	<b>338</b>	<b>1,197</b>		<b>1,619</b>	<b>379%</b>	<b>35%</b>	<b>NM</b>
Tax	148	151		134	-10%	-11%	NM
Profit / (loss) from associates / JV	0.03	0.01		0.08	167%	700%	NM
Movement in regulatory deferral acct	64	-63		-789	NM	NM	NM
Exceptional items	-	-		-	NM	NM	NM
<b>PAT</b>	<b>254</b>	<b>982</b>	<b>244</b>	<b>696</b>	<b>174%</b>	<b>-29%</b>	<b>185%</b>
PAT excluding regulatory deferral acct	190	1,046		1,485	<b>681%</b>	<b>42%</b>	<b>NM</b>
Shares Outstanding	139	139		139	0%	0%	NM
<b>EPS</b>	<b>1.83</b>	<b>7.08</b>	<b>1.71</b>	<b>5.02</b>	<b>174%</b>	<b>-29%</b>	<b>194%</b>
Cost of fuel (%)	13%	19%		12%	-175bps	-719bps	NM
Gross margins (%)	87%	81%		88%	175bps	719bps	NM
Employee expenses (% of sales)	21%	19%		15%	-568bps	-407bps	NM
Other Expenses (% of sales)	37%	33%		32%	-539bps	-72bps	NM
EBITDA margins (%)	28.6%	29.4%	24.1%	41.4%	1,282bps	1,198bps	1,727bps
Other Income (% of sales)	3%	19%		11%	834bps	-846bps	NM
Tax (% of PBT)	44%	13%		8%	-3,549bps	-435bps	NM
PAT margins (%)	8%	27%	8%	16%	775bps	-1,108bps	772bps

Source: Company, Axis Securities, Bloomberg Consensus

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

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

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E March	FY24A	FY25E	FY26E	FY27E
<b>Capital Employed</b>				
Share Capital	1,387	1,387	1,387	1,387
Reserves Total	15,144	16,846	19,307	21,955
<b>Total Shareholders' Funds</b>	<b>16,531</b>	<b>18,232</b>	<b>20,693</b>	<b>23,342</b>
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
<b>Total Debt</b>	<b>22,379</b>	<b>27,405</b>	<b>34,103</b>	<b>39,212</b>
Other Liabilities	1,594	1,594	1,594	1,594
Deferred Tax Liability	3,790	3,790	3,790	3,790
<b>Total Liabilities and Equity</b>	<b>47,130</b>	<b>53,856</b>	<b>63,016</b>	<b>70,773</b>
<b>Capital Applied</b>				
<b>Non-Current Assets</b>				
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
<b>Total Non-Current Assets</b>	<b>42,699</b>	<b>49,741</b>	<b>57,819</b>	<b>63,401</b>
<b>Net Current Assets</b>				
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
<b>Total Current Assets</b>	<b>9,326</b>	<b>9,568</b>	<b>11,030</b>	<b>13,524</b>
<b>Less: Current Liabilities and Prov</b>				
<b>Current Liabilities</b>				
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
<b>Total Current Liabilities</b>	<b>4,895</b>	<b>5,452</b>	<b>5,833</b>	<b>6,151</b>
<b>Net Current Assets</b>	<b>4,431</b>	<b>4,116</b>	<b>5,197</b>	<b>7,372</b>
<b>Total Assets</b>	<b>47,130</b>	<b>53,856</b>	<b>63,016</b>	<b>70,773</b>

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
<b>Operating Cash Flow</b>	<b>5,624</b>	<b>6,062</b>	<b>6,897</b>	<b>8,196</b>
Capital Expenditure	-3,259	-9,080	-10,808	-8,731
<b>Free cash Flow</b>	<b>2,364</b>	<b>-3,018</b>	<b>-3,911</b>	<b>-535</b>
Other Investments	108	-	-	-
<b>Investing Cash Flow</b>	<b>-3,151</b>	<b>-9,080</b>	<b>-10,808</b>	<b>-8,731</b>
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	-	-	-
<b>Financing Cash Flow</b>	<b>-1,985</b>	<b>3,327</b>	<b>4,666</b>	<b>2,820</b>
<b>Change in Cash</b>	<b>487</b>	<b>310</b>	<b>755</b>	<b>2,285</b>
Opening Cash	77	565	874	1,629
<b>Closing Cash</b>	<b>565</b>	<b>874</b>	<b>1,629</b>	<b>3,915</b>

Source: Company, Axis Securities

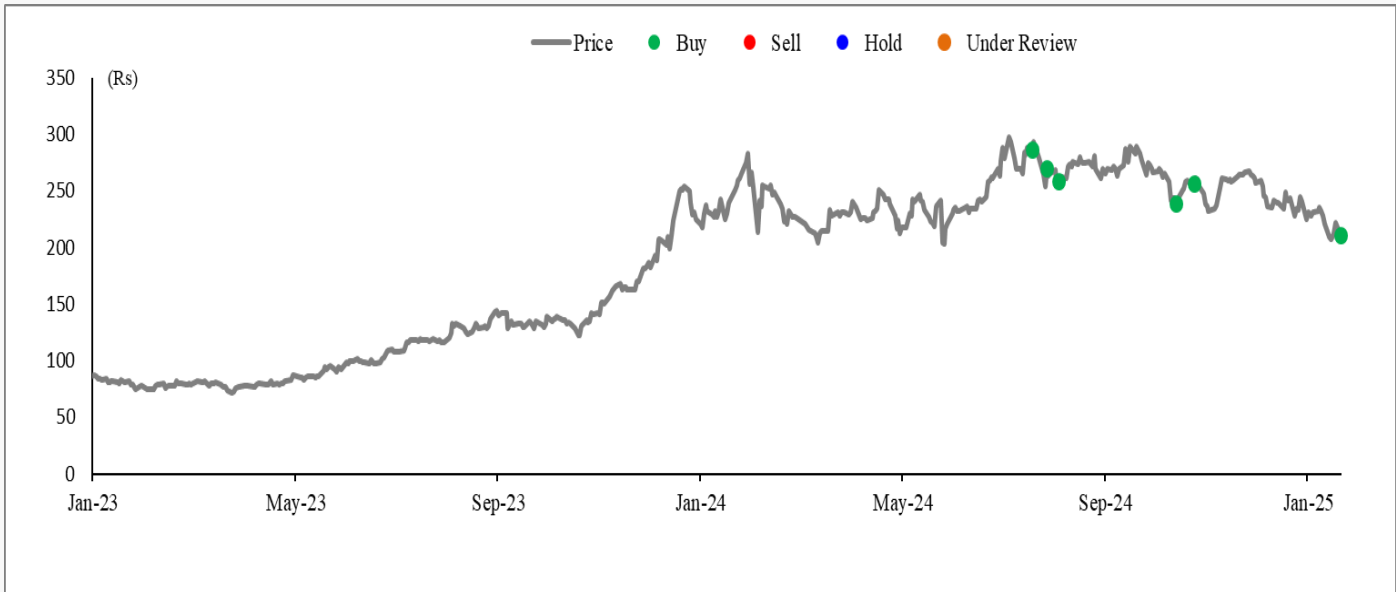
**Ratio Analysis**

(%)

Y/E March	FY24A	FY25E	FY26E	FY27E
<b>Operational Ratios</b>				
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%
<b>Efficiency Ratios</b>				
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
<b>Valuation Ratios</b>				
PER (x)	16.93	13.38	9.93	9.34
P/BV (x)	1.91	1.60	1.41	1.25
EV/Ebitda (x)	15.86	13.78	11.22	10.37
EV/Sales (x)	4.31	3.86	3.59	3.32
Dividend Yield (%)	1%	2%	2%	2%
<b>Return Ratios</b>				
ROE	11%	12%	14%	13%
ROCE	4%	5%	6%	5%
ROIC	3%	3%	4%	4%
<b>Leverage Ratios</b>				
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

Source: Axis Securities

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
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.