NTPC Mining Limited

February 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	8,450.00	CARE AAA; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	1,500.00	CARE AAA; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings on the bank facilities of NTPC Mining Limited (NML) factor in the operational and financial linkages with its parent, i.e., NTPC Limited (NTPC; rated 'CARE AAA; Stable'), a 'Maharatna' company. NML was incorporated with an aim to acquire, operate, and develop six coal mines from NTPC. Presently the mines are being operated by NTPC and are under process of getting transferred to NML.

As on February 20, 2025, four mines have started commercial operations and tariff petitions have already been submitted to CERC for the same, and the remaining two mines are expected to achieve COD in FY2025 and FY2026. NML will enter into long-term fuel supply agreement (FSA) with NTPC for these six coal blocks baed on the Central Electricity Regulatory Commission (CERC)-determined tariffs, thus ensuring 14% return-on-equity (RoE) post tax, which provides long term revenue visibility along with sustained profitability. This apart, NML has also acquired one coal block directly through competitive bidding which is currently under development stage and is expected to be operational in FY2029.

Furthermore, the ratings derive comfort from the medium to long-term contracts with mine developers and operators (MDOs), which impart stability to the operations of NML. The operational profile is healthy, characterised by the healthy production during FY24 and 9MFY25. NML has supplied 34.15 million metric tonne (MMT) of coal in FY24 (FY23: 21.96 MMT) and has supplied 30.55 MMT in 9MFY25 (9MFY24: 28.64 MMT) reflecting a healthy growth trend.

CARE Ratings Limited (CARE Ratings) expects the growth trend to continue over the medium term driven by expected COD of two more mines by FY26. The ratings also favourably factor in the large mineable reserves, with all blocks having a residual mine life or residual lease period of over 20 years. CARE Ratings notes geographical diversification of the operations as the coal blocks are spread across three coal-rich states of Jharkhand, Chhattisgarh and Orissa. However, CARE notes factors in the risks associated with the highly regulated operating environment and its limitations to pricing mechanism. CARE Ratings Limited (CARE Ratings) also takes note of the large debt funded buyout along with high ongoing capex requirements in the mining operations. The company plans to fund the proposed acquisition through a debt equity (DE) mix of 70:30, where in equity portion will be met by issuance of shares to NTPC. While CARE Ratings note the delay in the proposed acquisition plan from its earlier estimates of H1FY25 to H1FY26 as per current estimates, there is no major impact envisaged on the credit risk profile of NML as the debt amount factored in the base case assessment of CARE Ratings at end of FY26 is estimated to remain in line with its previous estimates. The company is expected to fund its ongoing capex requirements in the same DE mix of 70:30, wherein the required equity portion to be funded by internal accruals and/or fresh infusion from NTPC. Any major deviations from the current structure or variation in the debt terms would remain a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

Not applicable

Negative factors

- Deterioration in the credit profile of the promoter (NTPC) or dilution in its support philosophy towards NML.
- Adverse regulatory environment or sustained weaker operational performance, impacting its profitability and liquidity profile

Analytical approach

Standalone, while factoring in parent support, there are strong operational and financial linkages with the parent entity, i.e., NTPC.

Outlook: Stable

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

The stable outlook of the company reflects steady cash generation on account of the healthy production, its cost-plus tariff, and its comfortable collections profile in the medium term. Moreover, its importance for NTPC is expected to continue to augur well for NML's credit profile.

Detailed description of the key rating drivers

Key strengths

Integral part of the NTPC group, underpinning operational and financial support
NML is a 100% subsidiary of NTPC. NTPC, having a Government of India (GoI) shareholding of 51.10% as on December 31, 2024, is a Maharatna company and the largest power generation company in India. NTPC has been consistently operating and maintaining its power stations at better than national average, broadly with regard to availability, reliability, and efficiency. It has a dominant position in the country's power sector, especially in the thermal power sector.

NTPC owns and operates 76 gigawatts (GW) of thermal capacity on a standalone basis in India. Upon achievement of the peak rated capacity of 71 million metric tonne per annum (MMTPA) for all the six coal blocks of NTPC (which are proposed to be transferred to NML), it will be sufficient to fuel about 16 GW of thermal power stations. This will provide crucial vertical integration as well as higher fuel availability for thermal power generation amid the concerns around fuel supply in the country.

NTPC has deputed senior management with several years of experience in NML to handle the day-to-day operations. Given the reputational risk associated with distress in a 100% subsidiary (also sharing name), CARE Ratings Limited (CARE Ratings) envisages timely support from NTPC, which will also be a rating monitorable.

Revenue visibility and stable earning provided by transfer pricing mechanism
Post transfer of the coal blocks from NTPC, NML will be entering into long-term FSAs with NTPC for the supply of coal from its coal blocks. NTPC will be liable to offtake the entire coal produced by the mine during the year. Four mines have started commercial production and tariff petition have already been submitted to CERC for the same, and remaining two mines are expected to achieve COD in FY26. Based on the same, all the incidental expenses for the mine will be a pass-through item. Moreover, the company will be eligible to earn a post-tax RoE of 14%. This lends robustness to its earning profile.

Healthy operational performance; Back-to-back MDO contracts to provide operational stability
The operational performance of the coal blocks to be acquired by NML is healthy, characterised by the improving production over the years along with the achievement of the annual target quantity (ATQ). Chatti Bariatu mine achieved the commissioning on April 01, 2024. On an overall basis, the production was 34.15 MMT in FY24 and 30.55 MMT in 9MFY25. NTPC generally appoints an MDO once all the important clearances and substantial land acquisition are obtained. For the operational mines, NTPC has entered into medium to long-term contracts with the MDOs.

Moderate geographical diversification of assets
The six captive coal blocks to be transferred from NTPC as well as the new commercial coal block are spread across three coal-rich states, thus providing some geographical diversification. Notably, 50.7% of the mineable reserve for the mines are located in Jharkhand, while 41.8%% are located in Chhattisgarh and remaining in Orissa.

Key weaknesses
Regulatory risk associated with operations and tariff approval
The current captive coal mining operations of NTPC and the proposed operations by NML are subject to regulatory risk. The operations of the mine are governed by various environmental laws and guidelines. Furthermore, as per the guidelines for mine closure plan by the Ministry of Coal (MoC), the company has to yearly deposit, mine closure obligation in escrow account with Coal controller in respect of its operating mines. The mine closure expenses are to be incurred by NTPC or inbuilt in MDO mining fee (or NML post transfer of mines); it is a pass-through item.

While the royalty and National Mineral Exploration Trust (NMET) regulation payouts are pass-through items, any adverse changes can affect the landed prices of coal for NTPC's power plant, and thus, their plant load factor (PLF; lesser scheduling due to higher variable cost). Moreover, environmental, social and governance (ESG) concerns can reduce the usage of coal over the long term.

The tariff to be charged to the thermal plants for the supply of coal from all the six mines, i.e., Pakri-Barwadih, Dulanga, Talaipalli, Chatti Bartiatu, Kerandari, and Badam will be determined by the CERC. NTPC has filed tariff petitions with the CERC for all the operational blocks for the control period FY24-29.

Leveraged capital structure due to significant capex

The financial risk profile of NML is characterised to be moderate on account of the steady profitability provided by its operating cost-plus RoE model, partially mitigated by the continuous debt-funded capex to be incurred for further payment of land for the production of coal. NML will also incur a capex for the installation of a coal handling plant and the doubling of a railway line in the medium term. Thus, on an average, it is likely to raise debt in of ₹1,000-1,200 crore annually to meet the capex.

The overall gearing is expected to peak at around 2.32x as on March 31, 2026, for the acquisition of the six coal blocks. Despite the ongoing capex, the overall gearing is projected to reduce and improve going forward. CARE Ratings expects the total debt (TD)/profit before interest, lease rentals, depreciation and taxation (PBILDT) to peak in FY26 and improve thereafter upon the achievement of the COD of the Kerandari block, and the ramp-up of production from the Kerandari and Badam mines. The projected average debt service coverage ratio (DSCR) is likely to remain above the 1.3x level in the medium term.

Liquidity: Strong

There is adequate headroom between the projected gross cash accruals (GCA) for FY26 vis-à-vis the scheduled debt repayment and internal accruals for the capex. Due to the operating model and strong credit profile of NTPC, the collection period and inventory level are expected to remain at comfortable levels, aiding the liquidity profile of the company. NML is also likely to tie up fund-based and non-fund-based working capital lines soon. The company, being a 100% subsidiary of NTPC, is expected to have adequate financial flexibility.

Applicable criteria

Definition of Default
Notching by Factoring Linkages in Ratings
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Project stage companies
Infrastructure Sector Ratings

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Minerals & Mining	Industrial Minerals

NML, a wholly owned subsidiary of NTPC, was incorporated on August 29, 2019, for carrying out the coal mining business of the group. During Q2FY24, the respective boards of NTPC and NML approved the transfer of the entire coal mining business to NML, and accordingly, a business transfer agreement (BTA) has been signed. NTPC is developing six coal blocks – four operational and two under development, allocated by the MoC for its captive consumption. Moreover, on September 11, 2023, the MoC has declared NML as the successful bidder in a forward auction of North Dhadu (East Part) coal mine. NML will also be participating in future auctions of commercial coal mines and limestone blocks for business expansion.

Brief Financials: Not applicable as the mines have not been transferred yet.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	500.00	CARE AAA; Stable
Fund-based - LT-Term Loan		-	-	Proposed	7950.00	CARE AAA; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	1500.00	CARE AAA; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	7950.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Nov-23)	-	-
2	Fund-based - LT-Cash Credit	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Nov-23)	-	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	1500.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (30-Nov-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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