

NLC Tamil Nadu Power Limited

November 14, 2025

Facilities/Instruments	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	500.00	CARE AA+; Stable	Upgraded from CARE AA; Stable
Short-term bank facilities	2,000.00	CARE A1+	Reaffirmed
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating action on bank facilities of NLC Tamil Nadu Power Limited (NTPL), which is operating a 1000-MW coal-based thermal power plant in Tamil Nadu, factors in the significant reduction in the outstanding total debt from ~₹2,956 crore as of FY24-end to ~₹542 crore as of H1FY26-end. The debt reduction has been on account of receipt of regulatory receivables of ~₹1,880 crore in monthly instalments over October 2024 – June 2025. NTPL had incurred capex of ~₹7,327 crore for setting up the project and the regulator had previously approved a capital cost of ~₹5,223 crore, which was subsequently increased to ~₹6,004 crore, per the Central Electricity Regulatory Commission (CERC) order dated June 21, 2024. The company has realised the cumulative arrears pertaining to the difference in approved cost for the control periods, 2014-2019 and 2019-2024, in one go. The one-time payments have been utilised for repayment of entire term loan (except term loan taken for flue gas desulphurisation (FGD) expenditure) and reduction of working capital debt. Per CARE Ratings Limited's (CareEdge Ratings') base case scenario, debt coverage indicators are expected to remain healthy, as reflected by average debt service coverage ratio (DSCR) of over 2.0x over the next three years.

Ratings are also underpinned by strong parentage considering NTPL is a subsidiary of NLC India Limited (NLC, rated 'CARE AAA; Stable / CARE A1+'). The form of support from NLC towards NTPL has remained explicit as reflected by a letter of comfort (LoC) from NLC for NTPL's term loans. As articulated by management, funding support from NLC shall be forthcoming in case of cashflow mismatch, if any. Ratings continue to derive strength from stable revenue visibility owing to the presence of long-term power purchase agreements (PPAs) backed by cost-plus tariff mechanism with state power distribution companies (discoms) of southern states in India with Tamil Nadu having highest share of 42.2% followed by Karnataka with 22.2% share. Ratings continue to factor in satisfactory operational performance in the past as evident from plant availability of 89% in H1 FY26 (83% in FY25, 72% in FY24 and 84% in FY23) against normative plant availability factor (PAF) of 85%. The credit profile factors in presence of fuel supply agreements (FSAs) for 3 MTPA from the captive Talabira II and III coal mines of NLC India Limited (NLC; rated 'CARE AAA; Stable / CARE A1+'), which is sufficient to meet part of the fuel requirement. Given the requisite blending ratio of 70:30 (domestic to imported) and the relatively lower gross calorific value (GCV) of the Talabira coal, NTPL sources high GCV imported coal through competitively bid short-term contracts. The fuel cost is pass-through in nature subject to the operating norms, such as auxiliary consumption and station heat rate (SHR) being within normative parameters, which mitigates fuel price risk to a large extent.

However, ratings are constrained due to counterparty credit risk, as the company sells the power generated to state distribution utilities which have weak to moderate financial risk profile. The risk is mitigated to some extent, due to timely payment from discoms in recent past after implementation of Late Payment Surcharge (LPS) Rules, 2022. The rating is further constrained by the disallowed project cost currently under dispute in the Appellate Tribunal of Electricity (APTEL), leading to continued under-recovery of capital costs.

The company has fully repaid the outstanding long-term bank facilities pertaining to the project term loans. Consequently, the rating of 'CARE AA; Stable' assigned to the facilities has been withdrawn at the request of NTPL and on receipt of 'No Dues Certificates (NDC)' for the same.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in operating performance with PAF remaining above normative parameters and collections remaining lower than 45 days on a sustained basis.

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

Negative factors

- Non-achievement of normative plant parameters on a sustained basis, leading to under-recovery of capacity charges.
- Significant elongation in receivables, impacting NTPL's liquidity and leverage profile.
- Weakening of the credit profile of the parent, NLC, or change in linkages/support philosophy between the parent and NTPL.

Analytical approach: Standalone, factoring linkages with its parent, NLC, due to NTPL being majorly owned by NLC.

Outlook: Stable

The stable outlook reflects NTPL's steady operational and financial performance backed by its PPAs and FSAs with moderate debt coverage indicators in the medium-term and timely payment from off-takers.

Detailed description of key rating drivers

Key strengths

Long-term PPAs in place, resulting in low off-take risk

NTPL has signed PPAs for 25 years for its entire power generation capacity with Tamil Nadu (42.20%), Karnataka (22.16%), Telangana (13.91%), Andhra Pradesh (11.80%), Kerala (7.31%), and Puducherry (2.62%), which provides long-term revenue visibility. Tariff of NTPL's plant is being determined on a cost-plus basis by the CERC based on tariff regulations, which are enforced periodically. The tariff comprises two components, fixed charge and variable charge. While entire fixed charge is recovered in case plant availability is higher than normative PAF of 85%, variable charge is determined basis the landed coal cost, SHR, and auxiliary consumption.

Low fuel supply risks with commissioning of Talabira II and III coal mines of NLC

NTPL has been allocated three million tonnes (MT) from the captive Talabira II and III coal mines of NLC under long-term (25-year) fuel supply agreements (FSAs). NTPL earlier operated under a tripartite coal swapping arrangement with Mahanadi Coalfields Limited (MCL), NTPC Limited's (NTPC) Simhadri plant (Simhadri), and NLC India, which allowed Simhadri to use coal from Talabira due to closer proximity and NTPL to receive MCL coal having higher GCV till production from Talabira mines ramped up, an arrangement that has since lapsed after NTPC began sourcing from its captive mines.

The plant's boilers are configured for a 70:30 domestic-to-imported coal blend, with Talabira coal having 2500–3000 kcal/kg GCV and imported coal 5000–5500 kcal/kg. While the blending ratio is adjusted based on operational needs, the plant requires ~4 MT annually to maintain 85% PAF. In FY25, NTPL received 2.7 MT from Talabira, 0.94 MT imported, and 0.26 MT from MCL, with no new MCL or ECL supplies contracted for FY26. Going forward, NTPL expects to source 3 MT of domestic coal from Talabira mines and 1 MT of imported coal annually to meet its total coal requirement of 4 MT. While availability of captive mines reduces fuel availability risk, NTPL has also revised its imported coal tendering process, now splitting awards between L1 and L2 bidders in a nearly 70:30 mix to diversify its supply, to address imported coal supply disruptions observed in the past. While imported coal is expensive compared to coal from Talabira mines, the fuel cost is pass-through to off-taker in case operating parameters such as SHR and auxiliary consumption are better than normative parameters, mitigating fuel price risk to a large extent.

Stable operational and financial performance of power plants since commissioning

NTPL's plant achieved commissioning in Q2FY16 and has subsequently exhibited stable operational performance. The company registered average PAF of 83% and PLF of 60% in FY25 (FY24: 72% and 62%, respectively), with PAF being slightly below normative level, as the company undertook capital overhauling of unit-1 in FY25 leading to a shutdown for 50-60 days. Under-recovery in capacity charges for not meeting normative PAF was ~₹25 crore in FY25 (FY24: ₹200 crore). NTPL's PAF and PLF stood at 89% and 60%, respectively, in H1FY26. The company's ability to demonstrate plant availability in line with normative PAF of 85% shall be critical for full recovery of capacity charges.

NTPL's overall gearing stood at 0.42x at FY25-end (FY24: 1.06x), whereas its total debt / profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT) and total debt / gross cash accruals (TD/GCA) stood at 0.71x (FY24: 5.44x) and 1.18x (FY24: 5.54x), respectively.

Strong parentage of NLC and LoC from NLC for major portion of debt and demonstrated financial support

Formerly known as Neyveli Lignite Corporation Limited, NLC is a central public sector enterprise (CPSE) with 'Navratna' status and is engaged in mining lignite (30.1 MMTPA) and generation of electricity (6,071.06 MW) as on September 30, 2024. The company is also into mining coal (20 MMTPA capacity). Established in 1956 by the GoI following the discovery of lignite deposits in Neyveli, Tamil Nadu, the company is one of the major power generating companies in south India. It operates under administrative control of Ministry of Coal (MoC), GoI, which has 72.20% stake in NLC as on September 30, 2025.

NTPL's total term debt outstanding as on March 31, 2025, stood at ~₹827 crore, whereas it has sanctioned working capital limits of ₹2,500 crore (fund-based limits of ₹2,300 crore and non-fund-based limits of ₹200 crore). The entire term debt and working capital limits are backed by LoC of NLC, which holds 89% stake in NTPL.

NLC has a track record of extending financial support to NTPL for making debt repayments and for bridging cash shortfalls due to delay in achievement of project COD and commencement of debt repayments and pending receipts of final tariff orders.

Recovery of additional invoices from favourable tariff orders utilised towards deleveraging

NTPL received favourable revision in tariff for FY15-FY19 period and tariff approval for FY20-FY24 period considering tariff orders passed by CERC on June 21, 2024 and August 01, 2024, respectively. Subsequently, the resultant additional tariff of ₹1,880 crore was billed over September-October 2024, of which ₹1,861 crore (~98%) has already been recovered over October 2024 – June 2025 with only minor amount (~₹20 crore) pending dispute. Consequently, the regulatory asset balance has reduced from ₹1,063 crore at FY24 end to ₹13 crore at FY25-end.

The proceeds were used to significantly deleverage the balance sheet. Working capital utilisation, which stood at ₹1,000 crore in November 2024, has reduced to ₹200–300 crore by September 2025, whereas commercial paper exposure of ₹1,000 crore has been fully repaid. Additionally, project term loans have been fully closed through scheduled repayment and a prepayment of ~₹162 crore. As of September 2025, NTPL's fund-based utilisation remains minimal and is comfortably met through its ₹500–600 crore drawing power.

Key weaknesses

Counterparty credit risk associated with sale of power to weak power discoms

NTPL sells power generated to discoms in southern India with majority power being sold to Tamil Nadu Power Distribution Corporation (TNPDC), while the balance is accounted for by Karnataka, Telangana, Andhra Pradesh, Kerala, and Puducherry. Power off-takers largely have below average credit profile, exposing NTPL to counterparty credit risk.

NTPL had employed a bill discounting mechanism for recovery of receivables, where interest was being borne by the off-takers, through which NTPL recovered dues of ₹1,309 crore and ₹1,027 crore in FY24 and FY25, respectively, from TNPDC and Kerala State Electricity Board (KSEB). Considering the timely payment behaviour of all off-takers including TNPDC within 30-45 days since the implementation of the Late Payment Surcharge (LPS) Rules, 2022, NTPL has discontinued the bill discounting arrangement in line with the policy of its parent, NLC, leading to reduction of exposure to bill discounting from ₹1,399 crore as of November 2025 end to ₹153 crore as of October 2025 end. Timely payment from off-takers shall be a key rating monitorable.

Disallowance of full incurred capital cost

The actual project cost incurred by NTPL stood at ₹7,327 crore, against which the approved capital cost was enhanced from the earlier ₹5,223 crore to ₹6,004 crore vide the tariff order dated June 21, 2024 pertaining to control period FY15-FY19. However, the disallowed capital cost remains challenged in the Appellate Tribunal of Electricity (APTEL), leading to continued under-recovery of capital costs.

Liquidity: Strong

As on September 30, 2025, the company had cash and cash equivalents of ₹10.75 crore. NTPL's liquidity position has strengthened following the recovery of arrears of ₹1,880 crore billed in FY25 following favourable regulatory orders, which was largely utilised for debt prepayment and reduction in working capital borrowings in H1FY26. Fund-based utilisation declined from ~₹1,000 crore in November 2024 to ₹290 crore by September 2025, with commercial papers fully repaid. The company

now meets its fund-based working capital requirements comfortably within its ₹650 crore drawing power from sanctioned limits of ₹2,300 crore, reflecting strong internal cash generation and minimal reliance on external funding.

Applicable criteria

[Definition of Default](#)
[Factoring Linkages Parent Sub JV Group](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Thermal Power](#)
[Financial Ratios – Non financial Sector](#)
[Withdrawal Policy](#)
[Infrastructure Sector Ratings](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

NTPL is a joint venture (JV) company between NLC and the erstwhile Tamil Nadu Electricity Board (TNEB) to implement a 1,000-MW coal-based thermal power project in Tuticorin, Tamil Nadu. As on March 31, 2025, NLC's shareholding in NTPL is 89% and remaining shares are held by Tamil Nadu Power Generation Corporation Limited (TNPGL).

The project is a conventional thermal power plant comprising two units of pulverised coal-fired steam boilers with two units of steam turbine generators of 500 MW each. The project work started on May 12, 2008, and Unit-I of NTPL declared its COD in June 2015 (delayed by 39 months from original COD), followed by Unit-II in August 2015 (delayed by 36 months from the original COD). Based on the COD of Unit-I and Unit II, revised cost for the project was ₹7,293 crore, which was approved by the Ministry of Coal (MoC) on April 27, 2016.

NTPL operates as a central power generating plant and power generated by the project is being sold to southern states under long-term PPAs. The tariff for the same is fixed per CERC regulations.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	2,792	4,439
PBILDT	543	2,126
PAT	129	1,061
Overall gearing (times)	1.06	0.42
Interest coverage (times)	2.59	10.60

A: Audited; Brief financials have been adjusted per CareEdge Ratings' criteria

Note: these are latest available financial results

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 instruments/facilities: Annexure-3

Complexity level of instruments/facilities rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument/Bank Facilities	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	500.00	CARE AA+; Stable
Fund-based - LT-Term Loan		-	-	October 2025	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	July 2025	0.00	Withdrawn
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	2000.00	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	-	-	-	1)CARE AA; Stable (31-Oct-24)	1)CARE AA; Stable (04-Oct-23)	1)CARE AA; Stable (27-Dec-22)
2	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE AA; Stable (31-Oct-24)	1)CARE AA; Stable (04-Oct-23)	1)CARE AA; Stable (27-Dec-22)
3	Unsupported Rating-Unsupported Rating (Long Term)	LT	-	-	-	-	-	1)Withdrawn (27-Dec-22)
4	Fund-based - LT-Cash Credit	LT	500.00	CARE AA+; Stable	-	1)CARE AA; Stable (31-Oct-24)	1)CARE AA; Stable (04-Oct-23)	-
5	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	2000.00	CARE A1+	-	1)CARE A1+ (31-Oct-24)	1)CARE A1+ (04-Oct-23)	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments/facilities rated

Sr. No.	Name of the Instrument/Bank Facilities	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge 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

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754-3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: +91-22-6754-3404 E-mail: saikat.roy@careedge.in</p>	<p>Analytical Contacts</p> <p>Sabyasachi Majumdar Senior Director CARE Ratings Limited Phone: +91-120-445 2006 E-mail: Sabyasachi.majumdar@careedge.in</p> <p>Jatin Arya Director CARE Ratings Limited Phone: +91-120-4452021 E-mail: Jatin.Arya@careedge.in</p> <p>Mayuresh Karavade Assistant Director CARE Ratings Limited Phone: +91-120-4452036 E-mail: Mayuresh.karavade@careedge.in</p>
--	--

About us:

Established in 1993, CareEdge 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 Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge 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, CareEdge 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. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

Disclaimer:

This disclaimer pertains to the ratings issued and content published by CARE Ratings Limited ("CareEdge Ratings"). Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. Any opinions expressed herein are in good faith and are subject to change without notice. The rating reflects the opinions as on the date of the rating. A rating does not convey suitability or price for the investor. The rating agency does not conduct an audit on the rated entity or an independent verification of any information it receives and/or relies on for the rating exercise. CareEdge Ratings has based its ratings/outlook on the information obtained from reliable and credible sources. CareEdge Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. The users of the rating should rely on their own judgment and may take professional advice while using the rating in any way. CareEdge Ratings shall not be liable for any losses that user may incur or any financial liability whatsoever to the user of the rating. The use or access of the rating does not create a client relationship between CareEdge Ratings and the user.

CAREEDGE RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, TO THE EXTENT PERMITTED BY APPLICABLE LAWS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE.

Most entities whose bank facilities/instruments are rated by CareEdge Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CareEdge Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. CareEdge Ratings does not act as a fiduciary by providing the rating. The ratings are intended for use only within the jurisdiction of India. The ratings of CareEdge Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades. CareEdge Ratings has established policies and procedures as required under applicable laws and regulations which are available on its website.

Privacy Policy applies. For Privacy Policy please refer to https://www.careratings.com/privacy_policy

© 2025, CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information. Any use or reference to the contents herein on an "as-is" basis is permitted with due acknowledgement to CARE Ratings. Reproduction or retransmission in whole or in part is prohibited except with prior written consent from CARE Ratings.

**For detailed Rating Report and subscription information,
please visit www.careratings.com**