

NLC India Limited

January 13, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,200.00 (Reduced from 1,650.00)	CARE AAA; Stable	Reaffirmed
Long-term / Short-term bank facilities	772.00	CARE AAA; Stable / CARE A1+	Reaffirmed
Commercial paper	6,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities and commercial paper (CP) program of NLC India Limited (NLC) continues to factor in stable operational track record of the company as evident from plant availability factor (PAF) of 68% in FY25 (PY: 64%) and 61% in Q1 FY26 for its thermal portfolio of 5.3 GW. While the PAF is lower than normative PAF leading to some under recovery of capacity charges, the company is taking corrective measures to improve it. Ratings also factor in commissioning of 1320 MW (2*660 MW) out of 1980 MW capacity under Neyvelli Uttar Pradesh Private Limited (51% subsidiary of NLC), mitigating execution risk to some extent. The third unit is expected to be commissioned in Q4FY26. Coal production from Talabira mines has increased to 17.2 million MT in FY25 (PY: 12.6 million MT), while the lignite production remained stable at 24.1 million MT (PY: 23.7 million MT), mitigating fuel risk to some extent. Ratings continue to derive strength from the company being a 'Navratna' Central Public Sector Enterprise (CPSE) with majority ownership by the Government of India (GoI, 72.2% as on September 30, 2025).

Ratings continue to draw comfort from the assured off-take of power from its lignite and coal power projects under long-term power purchase agreements (PPAs) with power distribution companies (Discoms), on a cost-plus basis per Central Electricity Regulatory Commission (CERC) tariff regulations, leading to stable cash flows subject to the company meeting normative operating parameters. Presence of captive lignite and coal mines for its thermal capacity of 5.3 GW at competitive rates mitigates fuel price and availability risk to a large extent. The company has also set up renewable power projects with an operational capacity of 1.6 GW with long-term PPAs with state distribution utilities leading to diversification by counterparty and fuel source. The company continues to maintain a strong financial profile with healthy cash accruals owing to the cost-plus nature of its thermal capacity and associated mines, moderate gearing, and satisfactory debt coverage indicators. Ratings also favourably factor in significant liquidation of its built-up receivables recently as states have cleared past dues per the late payment surcharge (LPS) scheme as evident from debtor days of 76 in FY25 (PY: 113).

However, CARE Ratings Limited (CareEdge Ratings) considers counterparty credit risks emanating from exposure to Discoms, which have a weak-to-moderate financial profile, and large-sized debt-funded capex plans, exposing the company to underlying project implementation and stabilisation risks. The company's ability to commission under construction projects without material cost and/or time overrun and satisfactory operational performance in line with normative parameters shall be a key rating monitorable. Material disallowance in capital cost approval by CERC may adversely impact return on capital invested owing to cost plus nature of the projects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

Not applicable

Negative factors

- Dilution of GoI's stake in NLC to below 51% and/or change in support philosophy and strategic importance of GoI towards NLC.
- Larger-than-envisaged debt-funded capex, resulting in a significant increase in leverage levels and deterioration in projected coverage metrics.
- Significant elongation in receivables on a sustained basis
- Deterioration in operational metrics of the underlying power plants, resulting in lower-than-envisaged cash flows.

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

Analytical approach: Consolidated

The rating factors in NLC strategic importance to the Government of India (GOI) and its role as the largest lignite mining company in India. CareEdge Ratings has considered NLC's consolidated financials for arriving at the rating considering significant operational and financial linkages between the parent and subsidiaries due to similar line of business. Entities consolidated with NLC are listed under Annexure-6.

Outlook: Stable

The stable outlook on the long-term rating reflects CareEdge Ratings opinion that the company is likely to operate underlying capacity with operational parameters being in line with the past trends and receive payments in a timely manner from off-takers.

Detailed description of key rating drivers:
Key strengths
Majority ownership by the GoI

NLC was established by the GoI in 1956, following the discovery of lignite deposits in Neyveli, Tamil Nadu. With a 72.20% stake as on September 30, 2025, GoI is majority owner, providing financial flexibility to access banking and capital markets for raising funds at competitive rates. The company was accorded 'Navratna' status in 2011, which grants greater autonomy to Central Public Sector Enterprises (CPSEs) in investment decisions. The company also acts as the Nodal Agency for lignite mining, appointed by the Ministry of Coal (MoC), and holds a majority market share in lignite mining in the country.

Established track record of operations

NLC has an operational track record of nearly six decades in lignite mining and power generation. The company has been engaged in coal mining from FY20 (FY refers to April 01 to March 31). For power sales, it entered long-term PPAs for its thermal capacity with state distribution companies (discoms) of Assam, Odisha, Rajasthan, Uttar Pradesh, and southern states on cost plus tariff per CERC tariff regulations.

On a consolidated basis, NLC operates seven thermal power stations and renewable power plants with an aggregate power generation capacity of 6.7 GW as on March 31, 2025, including NTPL's thermal power plant of 1,000 MW, NUPPL's thermal power plant (unit one) of 660 MW, solar power plants of 1,380 MW, and wind power plant of 51 MW. 660 MW of Unit II of NUPPL was commissioned in December 2025. Renewable energy capacities provide healthy diversification and stability to earnings before interest, taxation, depreciation, and amortisation (EBITDA). In FY25, NLC generated 27,866 million units (MUs) of power against 27,106 MUs in FY24 on a consolidated basis primarily owing to commissioning of 660 MW Unit I of NUPPL in December 2024. In FY25, weighted average PAF stood at 68% compared to 65% in FY24 (normative PAF of 80-85% for plants) mainly due to technology issues in TPS II expansion and TPS II overhauling. Lower PAF resulted in under-recovery of capacity charges in the past.

Two-part tariff structure and presence of long-term PPAs ensuring steady profitability and revenue visibility

All existing power plants of NLC (thermal, wind and solar) have long-term PPAs of 25 years with the state power Discoms in southern India and Rajasthan. The tariff structure for the coal and lignite thermal power plants of NLC is fixed by the CERC and for lignite mines by the MoC on cost plus tariff. Tariff structure of every thermal power plant of NLC comprises capacity charges linked to plant availability and energy charges linked to actual generation. Capacity charges comprise operation and maintenance, return on equity, interest on term loan, interest on working capital and depreciation and are paid if the plant meets normative parameters. Energy charges for lignite mines are determined by CERC on cost plus basis with post tax return on equity of 14%. The plants' operation at normative parameters fixed by the CERC would result in complete recovery of the eligible capacity charges ensuring healthy profitability for the company. The renewable power projects have been awarded via competitive bidding and typically have a single part tariff linked to actual generation.

Presence of captive lignite mines and coal mines with adequate resources resulting in guaranteed fuel supply

Of the seven thermal power plants operated by NLC, five plants are lignite-based power generation plants and the remaining two plants are coal-based. The lignite-based power plants mostly operate as pithead power stations, which have access to captive lignite mines with capacity of 30.10 MMTPA as on March 31, 2025. This ensures adequate fuel supplies and gives stability to its operations. With respect to coal-based power plant, NTPL has entered a fuel supply agreement (FSA) with Mahanadi Coalfields Limited (MCL) and Eastern Coalfields Limited (ECL) for the supply of 2.56 MMTPA and 1.30 MMTPA of coal, respectively. However, since September 2021, NTPL has also started receiving coal from captive Talabira mines of NLC with capacity of 20 MMTPA also NUPPL has assured domestic coal supply through NLCIL's captive Talabira mines and south pachwara coal block, materially reducing fuel-availability and price risk. Availability of captive mines reduces fuel availability risks.

As on March 31, 2025, NLC operates four opencast lignite mines (three in Tamil Nadu and one in Rajasthan) with an aggregate capacity of 30.10 million metric tonne per annum (MMTPA). Production of lignite stood at 23.7 million metric tonne (MMT) in FY24 and 24.1 MMT in FY25. In April 2020, the company began coal mining at its Talabira II and III opencast mines (capacity 20 MMTPA) in a phased manner and ramped up production to 17.2 MMT in FY25 (12.6 MMT in FY24). These mines supply coal to the existing power plant of NLC Tamil Nadu Power Limited (NTPL; rated CARE AA+: Stable/CARE A1+), upcoming Odisha pithead thermal power plant, and Neyveli Uttar Pradesh Power Limited's (NUPPL) Ghatampur plant (until South Pachwara mines are commissioned). The company also won North Dhadu (capacity 3 MMTPA), Machhakata (capacity 30 MMTPA), and New Patrapada (South) coal mine (capacity 12 MMTPA) via bidding, which will sell coal in the open market.

Financial performance marked by improvement in gearing

In FY25, NLC's total operating income (TOI) increased to ₹15,368 crore from ₹13,043 crore in FY24 on a consolidated mainly from commissioning of Unit I of NUPPL and stable PAF and PLF of operational capacity. Its profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin improved to 31.7% in FY25 (FY24: 27.3%). In H1FY26, on a consolidated basis, TOI stood at ₹8,004 crore (H1FY25: ₹7,036 crore), which improved mainly from commissioning of Unit I of NUPPL. On a consolidated basis, NLC's PAF remains stable to ~68% in FY25 compared to ~65% in FY24, however PAF was still below the normative parameters leading to under-recovery of fixed cost to the tune of ~₹991 crore in FY25 (₹915 crore in FY24) on a consolidated basis.

In FY25-end, NLC's overall gearing improved at 1.03x (FY24: 1.17x), whereas its total debt (TD) to PBILDT and TD to gross cash accruals (GCA) stood at comfortable at 4.6x (FY24: 6.3x) and 5.1x (FY23: 8.7x) respectively on a consolidated basis. TD/PBILDT is expected to increase in the medium term owing to high capital expenditure plans of the company on consolidated basis, which shall be funded by a mix of debt and equity.

Significant improvement in receivables

On a consolidated basis, NLC's total receivables reduced significantly from ₹7,522 crore as on March 31, 2021 to ₹3,772 crore as on March 31, 2025, considering receipt of funds by the Discoms under the LPS scheme and power sector reforms availed by the company. Average collection period improved from 289 days in FY21 as 85 days in FY25.

Key weaknesses

Continued counterparty credit risks due to weak profile of off-takers

NLC remains exposed to counterparty credit risks due to weak-to-moderate financial profile of state power distribution companies (Discoms).

As on June 30, 2025, on a consolidated basis, Tamil Nadu Generation and Distribution Corporation (TANGEDCO) accounted for ~54% of total outstanding receivables of NLC. As on June 30, 2025, of NLC's consolidated power generation capacity of 6,731 MW, ~50% was contracted with TANGEDCO, whereas ~52% of power sales in Q1FY26 were made to TANGEDCO. PPAs for all upcoming thermal power plants of NLC have been signed with off-takers having weak to moderate financial risk profiles, which means NLC's exposure to weak counterparties is expected to increase further. However, with commissioning of the Neyveli Uttar Pradesh Power Limited (NUPPL) thermal power plant and upcoming renewable capacity, the company's dependence on TANGEDCO is expected to decline.

Large-size debt-funded capex plans exposing the company to cost and time overruns and stabilisation risks

NLC's present power generation capacity and mining capacity are 6.7 GW and 50.10 million metric tonne per annum (MMTPA) respectively. NLC plans to increase its power generation capacity and mining capacity to 20.1 GW (10 GW of thermal and 10 GW of renewable) and 104.35 MMTPA respectively by FY30. It also plans to install flue gas desulphurisation (FGD) in its thermal power plants. NLC envisages a capex of ~₹1,17,000 crore till FY30. Historically, actual capex deployment has remained disciplined, with management consistently deferring non-discretionary projects and incurring only committed capex. per CARE ratings estimate ~₹70,000 crore of capex is committed and remaining can be phased in line with equity availability, consistent with the company's past execution approach

The capex will be spread across setting up (i) thermal power plant under NUPPL, (ii) thermal power generation project in Odisha and Tamil Nadu, (iii) renewable power generation capacities, (iv) mining, and (v) lignite-to-methanol project and FGD capex. The renewable power projects shall be funded in a debt-to-equity ratio of 80:20 while the other projects shall be funded in a debt-to-equity of 70:30. Given that all power generation projects are undertaken after signing PPAs for majority capacity, revenue visibility post commissioning is satisfactory for majority capital expenditure being undertaken. However, the company is exposed to cost and time overruns in these ongoing projects and stabilisation risks post commissioning the plants. NLC incorporated a wholly

owned subsidiary named NLC India Renewables Limited (NIRL) in June 2023. Existing operational renewable assets of 1.4 GW of NLC and all future renewable projects will be consolidated under this subsidiary and NLC has plans of raising funds via IPO of the entity. The company has also incorporated multiple joint ventures (JVs) for renewable energy, which will reduce its equity requirement burden.

NLC's overall gearing on a consolidated basis improved to 1.03x at FY25 end (FY24: 1.17x). The management has stated that it will calibrate its debt-funded capex programs to keep the overall gearing under 2x on a consolidated basis. Larger-than-envisioned debt-funded capex or acquisitions, leading to breach of this guidance will be a key rating sensitivity.

Liquidity: Strong

NLC's liquidity is marked by strong cash accruals against its debt repayment obligations and availability of free cash and cash equivalents of ~₹742 crore as on September 30, 2025, on a consolidated basis. NLC also has total cash credit limit of ₹4,000 crore on a standalone basis, there was nil utilisation for 12-months ending August 2025. The company has access to capital market issuances with total CP limits of ₹6,000 crore on a standalone basis. In the next four years, the company has internal accruals requirement of capex in the range of ₹2,000-7,000 crore per annum. Being a 'Navratna' CPSE, the company has strong financial flexibility to raise additional debt at competitive rates.

Environment, social, and governance (ESG) risks

Environmental: Environmental risks in case of thermal power plants such as NLC emanate from high emission of polluting gases and significant consumption of water. To mitigate environmental risk, NLC is incurring capex towards installation of FGD. NLC also has rainwater harvesting on its premises. Apart from thermal capacities, NLC is also setting up renewable power generation capacities.

Social: To mitigate social risk, NLC has a Rehabilitation and Resettlement (R&R) policy in place, per which compensation is given to the project-affected persons. NLC also provides employment opportunities to project-affected persons through skill development and contractual employment apart from engagement in agriculture and farming.

Governance: From a governance point of view, NLC's Board is diversified with independent directors. Quality of financial reporting and disclosures is adequate.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Government Support](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Thermal Power](#)

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

NLC (formerly Neyveli Lignite Corporation Limited) is a CPSE with 'Navratna' status and is engaged in mining lignite (30.10 MTPA) and generation of electricity (6,731 MW) as on March 31, 2025. The company is also into mining coal (20 MTPA capacity). The company, established in 1956 by the GoI, following the discovery of lignite deposits in Neyveli, Tamil Nadu, is one of the major power generating companies in southern India. It operates under the administrative control of the MoC, GoI, which has 72.20% stake in NLC as on September 30, 2025.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (UA)
Total operating income	13,043	15,368	8,004
PBILDT	3,557	4,872	2,334
Profit after tax (PAT)	1,868	2,714	1,564
Overall gearing (x)	1.17	1.03	1.05
Interest coverage (x)	4.19	5.23	3.97

A: Audited UA: Unaudited; Financials have been adjusted per CARE Ratings' criteria.

Note: these are latest available financial results

Status of non-cooperation with previous CRA: Vide its press release dated January 22, 2025, Brickwork Ratings continues to classify it under the issuer non-cooperating category considering inadequate information and lack of management cooperation.

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper- Commercial Paper (Standalone)	-	-	-	7 days to 1 year	6000.00	CARE A1+
Fund-based - LT-Term Loan	-	-	-	September 30, 2024	1200.00	CARE AAA; Stable
Non-fund-based - LT/ ST- Bank Guarantee	-	-	-	-	772.00	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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	1200.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Oct-24)	1)CARE AAA; Stable (07-Nov-23) 2)CARE AAA; Stable (04-Apr-23)	1)CARE AAA; Stable (27-Dec-22)
2	Commercial Paper-Commercial Paper (Standalone)	ST	6000.00	CARE A1+	-	1)CARE A1+ (30-Oct-24)	1)CARE A1+ (07-Nov-23) 2)CARE A1+ (04-Apr-23)	1)CARE A1+ (27-Dec-22)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	772.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (30-Oct-24)	-	-

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	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	NLC Tamil Nadu Power Limited (NTPL)	Full	Subsidiary
2	NLC India Green Energy Limited (NIGEL)	Full	Subsidiary
3	NLC India Renewables Limited (NIRL)	Full	Subsidiary
4	Neyveli Uttar Pradesh Power Private Limited (NUPPL)	Full	Subsidiary
5	Coal Lignite Urja Vikas Private Limited	Moderate	Joint Venture
6	MNH Shakthi Limited	Moderate	Joint Venture

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.

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