

NOVEMBER 08, 2016

CARE ASSIGNS 'CARE AAA' RATING TO THE BANK FACILITIES OF NLC INDIA LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	481	CARE AAA (Triple A)	Assigned
Total Facilities	481 (Rupees Four hundred and Eighty One crore only)		

CARE has adopted its Rating methodology for Private Power Producers for assessing NLC India Limited.

Rating Rationale

The rating assigned to the long-term bank facilities of NLC India Limited (NLC) derives strength from the company being a 'Navratna' Public Sector Enterprise with 90% stake held by Government of India (GOI), its long operational track record of around six decades, assured offtake of power (by virtue of being one of the lowest cost producers largely due to high operational efficiency and depreciated nature of its plants), presence of own lignite mines with adequate resources resulting in guaranteed fuel supply, its strong financial position characterized by highly favourable capital structure along with high profit margin and consistently healthy internal accruals. These credit strengths are offset to an extent by delay in realization of receivables from one of its major customers (TANGEDCO) leading to elongated working-capital cycle. In view of the large capex projected for the next 3 years (FY17 to FY19 - refers to the period April 1 to March 31), the ability of the company to complete the projects without any time and cost overrun would be the key rating sensitivity.

Background

NLC, formerly Neyveli Lignite Corporation Limited is a Public Sector enterprise with 'Navratna' status and is engaged in mining of lignite (30.6 Million Metric tonnes per annum) and generation of electricity (3253.5 MW as on March 31, 2016). The company, established in 1956 by Government of India (GoI) following the discovery of lignite deposits in Neyveli, Tamil Nadu, is one of the major power generating sources in South India. It operates under the administrative control of Ministry of Coal and GoI, who has 90% stake in NLC.

During FY16, NLC generated PAT of Rs.1,044 crore on a total income of Rs.8,375 crore as against PAT of Rs.1,579 crore on a total income of Rs.6,777 crore during FY15.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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