

NLC INDIA LIMITED – OFFER FOR SALE

7th March, 2024

OFFER BACKGROUND

The President of India, acting through the Ministry of Coal, Government of India (the "Seller") proposes to sell 5% of the paid-up equity share capital of NLC India Ltd (the "Company") (equivalent to 69,331,830 equity shares having a face value of Rs. 10/- each) ("Base Offer Size") on March 07, 2024 ("T day") (for non-Retail Investors only) and on March 11, 2024 ("T+1 Day") (for Retail Investors and for non-Retail Investors who choose to carry forward their un-allotted bids)(with an option to additionally sell up to 27,732,732 equity shares i.e. 2.00% of the paid up equity share capital of the Company (the "Oversubscription Option"), (hereinafter be referred to as "Offer Shares".) In case the Oversubscription Option is not exercised, the equity shares forming part of the Base Offer Size will hereinafter be referred to as "Offer Shares" through a separate, designated window of the BSE, collectively representing 97,064,562 equity shares which is 7.00% of the total paid up equity share capital of the Company as on December 31, 2023 (held in dematerialized form in one or more demat accounts with the relevant depository participant) in accordance with the OFS Guidelines(such offer for sale hereinafter referred to as the "Offer").

THE SYNOPSIS OF THE OFFER FOR SALE IS AS FOLLOWS:

Name of the Seller (Promoter /Promoter Group)	The President of India, acting through the Ministry of Coal, Government of India (the "Seller")
Name of the company whose shares are proposed to be sold and ISIN	NLC India Limited
Name of the stock exchanges where orders shall be placed	BSE and NSE
Name of the designated stock exchange	BSE
Date and time of opening and closing of the sale	Date: March 7, 2024 for Non-Retail; Open: 9.15am; Close: 3.30 pm Date : March 11, 2024 for retail; Open : 9:15am; Close : 3.30pm
Total number of equity shares being offered in the Sale	6,93,31,830 Equity Shares (representing 5% of the total issued and paid-up Equity Share capital) with an option to additionally sell upto 2,77,32,732 equity shares (representing 2% of the total issue and Paid-up Equity share capital).
Name of the broker(s)	ICICI Securities Limited DAM Capital Advisors Limited
Retail Discount	No discount
Floor Price	Rs. 212
Allocation Methodology	The allocation shall be at or above the Floor Price on price priority method at multiple clearing prices ("Clearing Prices") basis in accordance with the SEBI OFS Circulars.

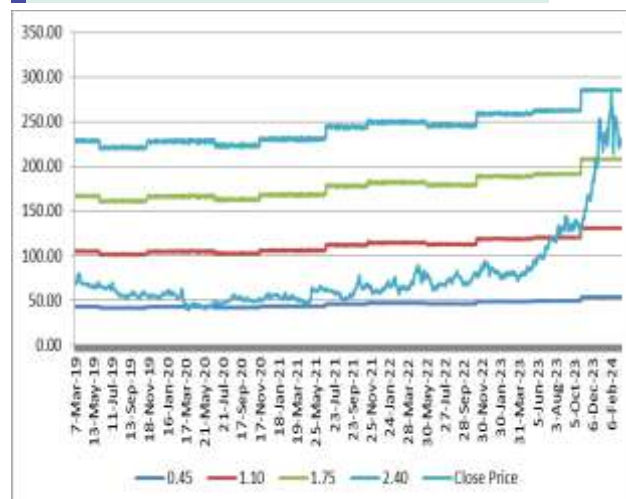
Stock Data

Latest Data as on March 06, 2023	
Latest Equity(Subscribed)	1386.64
Latest Reserve	15104.33
Latest EPS -Unit Curr.	18.57
Latest Bookvalue -Unit Curr.	118.93
Face Value	10.00
Stock Exchange	BSE
Latest Market Price--Unit Curr.	226.70
Latest P/E Ratio	12.21
Latest P/BV	1.91
52 Week High -Unit Curr.	293.60
52 Week High-Date	05/02/2024
52 Week Low -Unit Curr.	69.79
52 Week Low-Date	28/03/2024
Market Capitalisation	31435.05
Dividend Yield -%	1.54

Price Chart



Valuation Chart (Based on Book Value)



Key Findings

- A 'Navratna' CPSE incorporated in 1956. Under the administrative control of Ministry of Coal.
- NLC India Limited is engaged in the business of mining of lignite, coal and generation of power by using lignite as well as renewable energy sources and consultancy. The Company's segments include Mining and Power generation. The Company is engaged in lignite mining, with a capacity of approximately 30.1 million metric tons per annum (MTPA) and coal mining, with a capacity of 20 MTPA. Its mining operations encompass a diverse portfolio, including one open-cast coal mine, Talabira II and III and four open-cast lignite mines, namely Mine I, Mine II, Mine IA and Barsingsar Mine. The Company is operating five lignite based thermal power stations, four at Neyveli, in Tamil Nadu and one at Barsingsar, in Rajasthan, with an aggregate capacity of approximately 3,640 megawatts (MW). Its renewable energy capacity is approximately 1,421.06 MW out of which 1,370.06 MW is derived from solar energy and 51 MW is harnessed from wind energy sources.
- Robust Financial Performance in Revenue, Profit and Net worth. Highest domestic credit rating . Consistent track record of Dividend. The company reported consolidated net profit of Rs 250.42 crore in Q3 FY24 as compared with net loss of Rs 406.74 crore posted in corresponding quarter last year. Revenue from operations declined 14% YoY to Rs 3,164.40 crore in Q3 FY24.
- On the development front, NLC India incorporates NLC India Green Energy for RE projects. The company said that it has won 600 MW solar power project in the GSECL Khavda solar park tender floated by Gujarat Urja Vikas Nigam (GUVNL) through competitive bidding process. In line with the policy of developing renewable energy (RE) projects under the green energy wholly owned subsidiary, the project development has been vested with NIGEL.
- NLC India Green Energy (NIGEL) has signed the power purchase agreement with (GUVNL) for the proposed 600 MW solar power project in the GSECL Khavada Solar Park, Bhuj, Gujarat. The entire power from the project will be procured by GUVNL. The project is set to offset approximately 35.5 million metric tons of carbon dioxide emissions during its entire
- Moreover, during Feb 2024, it has announced 300 MW Solar Power Project in Barsingsar, Rajasthan. This landmark project, under MNRE's CPSU Scheme and awarded by IREDA on 04. 10 .2021, marks a significant stride towards bolstering India's renewable energy portfolio and fostering sustainable development. The total project cost is estimated at Rs. 1,756 crore, with scheduled commissioning in September 2024, demonstrating NLC India Ltd's commitment to delivering projects of national importance within stipulated timelines.
- Major Projects:-
 - ✓ Unit 1 (660 MW) successfully synchronized with the Grid of Ghatampur Thermal Power station, NUPPL, a subsidiary of NLCIL on 04th Nov 2023.
 - ✓ NLCIL Mines has been awarded with 13 Star rating by Ministry of Coal on 20th Dec 2023, with NLC Mines rated as Best Mines in the country consistently for two years.
 - ✓ Awarded EPC Contract to BHEL for setting up (3 x 800 MW) pit head ultra super critical Talabira Thermal Power Project in Odisha on 12 th Jan 2024.
 - ✓ On 3 rd Feb 2024, Honorable Prime Minister has laid foundation stone for 3 x 800 MW pit head ultra super critical Talabira Thermal Power Project in odisha.
 - ✓ Capex achieved till Jan 2024 Rs. 3,493 Crore against Annual Target of Rs. 2,880 Crore i.e. 21 % more than the Annual Target.
 - ✓ NLCIL incorporated a new wholly owned Subsidiary NLC India Green Energy Ltd (NIGEL) to undertake green projects / initiatives
- ICRA said that the rating reaffirmation continues to factor in the strategic importance of NLC India (NLCIL), a Navratna public sector undertaking (PSU), to the Government of India (GoI) in the mining and power generation sectors and the majority shareholding (79.2%) of the GoI. This provides strong financial flexibility to the company and ability to access funds at competitive rates.
- The rating also draws comfort from the NLCIL Group's strong business risk profile in lignite mining, coal mining and power generation. Lignite from mines is used as fuel for pit-head thermal power plants, providing continuous demand for the mining segment, thereby leading to low fuel risks and supporting the tariff competitiveness of the thermal power plants.
- Further, the risk of fuel availability for its coal-based plants is also mitigated through long-term fuel linkages with the subsidiaries of Coal India Limited (CIL) and the supply from the 20-MTPA Talabira coal mines and the 9.0 MTPA Pachwara South coal block in Odisha.
- The long-term power purchase agreements (PPAs) with the state discoms limit the demand risks for the power generation assets and the cost-plus tariff structure ensures steady profitability, resulting in comfortable debt coverage metrics. The rating also considers NLCIL's diversification into renewable power generation with an operating portfolio of 1,380-MW solar and 51-MW wind power units, and plans to add 300-400 MW annually over the medium term.
- ICRA also takes note of the additional revenue potential through the sale of coal in the open market as the production output at the Talabira coal mines improves.
- The rating is, however, constrained by NLCIL's exposure to financially modest discoms such as Tamil Nadu Generation and Distribution Corporation Ltd (TANGEDCO) and the discoms in Telangana, Andhra Pradesh, Karnataka, Kerala and Rajasthan, leading to delays in receiving payments.
- The rating also considers the execution risks associated with the sizeable capex programme as the company is planning a capital expenditure of Rs. 25,000 crore over FY2024 to FY2027 to develop new thermal and renewable power projects and coal mining projects in Odisha and Jharkhand. The completion of the under-construction projects on time and within budgeted costs and the subsequent approval of the tariffs by the CERC without any major disallowances will be a key rating monitorable

Conclusion

The company is doing well and it envisages to enhance its lignite mining capacity to 40.10 MTPA by the year 2030 while coal mining capacity (including of its Subsidiary) to 44.0 MTPA. Recognizing Company's commitment to excellence in mining, the Ministry of Coal awarded four Mines of NLCIL with 5 Star rating and one Mine of NLCIL with 4 Star rating. Neyveli Lignite Mine II was ranked No.1, the best among 199 mines in Base Year 2020 - 21 and similarly Mine I was ranked No. 1, the best among 206 mines, in Base year 2021-22. Looking ahead, in keeping with its Corporate Plan, the management of the company (including Subsidiaries) aims to raise its total thermal power generating capacity to 11,140 MW and the renewable power generating capacity to 6,031 MW by 2030. It continued to bag hybrid wind and solar power projects and solar projects during the year, it has initiated establishing a wholly owned subsidiary to undertake future renewable power projects, subject to the approval of the Government of India. We expect the stock to see a price target of Rs.288 in 8 to 10 month time frame on an expected P/Bvx 2.40 of and FY25 (BVPS) of 119.90. it may give 30% return from current market price of Rs.222.10

View : Fundamentally good for long term purpose

Size of offer for sale: : Rs.1470 crore if oversubscribed Rs.2058 crore

Shareholding Pattern (%)

Description as on	% of Holding 31/12/2023	% of Holding 30/09/2023	% of Holding 30/06/2023	% of Holding 31/03/2023
Total Foreign	1.38	1.12	1.04	0.91
Total Institutions	8.84	9.18	8.02	6.89
Total Govt Holding	4.31	4.31	4.31	4.31
Total Non Promoter Corporate Holding	0.46	0.56	0.68	0.90
Total Promoters	79.20	79.20	79.20	79.20
Total Public & Others	5.81	5.63	6.76	7.79

Shareholding of securities of persons belonging to the category Public and holding more than 1% of the total number of shares

Description as on	% of Holding 31/12/2023	% of Holding 30/09/2023	% of Holding 30/06/2023	% of Holding 31/03/2023
Life Insurance Corporation Of India	1.08	1.08	1.51	1.51
Nippon Life India Trustee Ltd (under Different Sub Accounts)	3.53	3.8	2.62	2.01
State Industries Promotion Corporation Of Tamilnadu Ltd	1.94	1.94	1.94	1.94
Tamilnadu Industrial Development Corporation Ltd	1.08	1.08	1.08	1.08

Allocation methodology	<p>A minimum of 25% of the equity shares being offered in the Sale shall be reserved for allocation to mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended ("Mutual Funds") and insurance companies registered with the insurance Regulatory and Development Authority under the Insurance Regulatory and Development Authority Act, 1999, as amended ("Insurance Companies"), subject to receipt of valid bids/orders at the Clearing Prices.</p> <p>In the event of any under subscription by Mutual Funds and Insurance Companies, the unsubscribed portion shall be available to the other bidders.</p> <p>No single bidder other than Mutual Funds and Insurance Companies shall be allocated more than 25% of the size of the Sale.</p>
Oversubscription option	<p>In case the Oversubscription Option is not exercised, the equity shares of the Company forming part of the Base Offer Size will hereinafter be referred to as "Offer Shares") through a separate, designated window of the BSE Limited (the "BSE") and the National Stock Exchange of India Limited ("NSE", and together with the BSE, the "Stock Exchanges").The Offer shall be undertaken exclusively through the Seller's Brokers named below on a separate window provided by the Stock Exchanges for this purpose.</p>
Conditions for withdrawal of the Sale	<p>The Seller reserves the right to not to proceed with the Sale at any time prior to the time of opening of the Sale on the Sale Date.</p> <p>In such a case, there shall be a cooling off period of 10 trading days from the date of withdrawal before an offer is made again. The Stock Exchanges shall suitably disseminate details of such withdrawal.</p>
Conditions for cancellation of the Sale	<p>In the event (i) the aggregate number of orders received in the Sale at or above the Floor Price is less than the total number of Sale Shares or (ii) of any default in settlement obligations, the Seller reserves the right to either conclude the Sale to the extent of valid bids / orders or cancel the Sale in full. The decision to either accept or reject the Sale shall be at the sole discretion of the Seller.</p>
Conditions for participating in the Sale	<p>Non-institutional buyers shall deposit 100% of the order value in cash up-front with the Clearing Corporation at the time of placing bids for the Sale.</p> <p>In case of institutional investors who place orders with 100% of the order value deposited upfront, custodian confirmation shall be within trading hours.</p> <p>In case of institutional investors who place orders without depositing 100% of the order value upfront, custodian confirmation shall be as per the existing rules for secondary market transactions.</p> <p>The funds collected shall neither be utilized against any other obligation of the trading member nor co-mingled with other segments.</p> <p>Modification or cancellation of orders would be allowed during the duration of the offer only for:</p> <p>(i) Orders placed by institutional investors and by non-institutional investors, with 100% of the order value deposited upfront: Such orders can be modified or canceled at any time during the trading hours.</p> <p>(ii) Orders placed by institutional investors without depositing 100 % of the order value upfront: Such orders cannot be modified or cancelled by the investors or stock brokers, except for making upward revision in the price or quantity.</p> <p>The buyer shall also be liable to pay any other fees, as may be levied by the Stock Exchanges, including Securities Transaction Tax.</p> <p>In case of any permitted modification or cancellation of the order / bid, the funds shall be released/ collected on a real-time basis by the clearing corporation.</p> <p>In case of default in pay-in by any investor, 10% of the order value shall be charged as penalty from the investor and collected from the broker. This amount shall be credited to the Investor Protection Fund of the stock exchange.</p>

QUARTERLY PERFORMANCE

	Qtr Ending Dec.23	Qtr Ending Dec.22	VAR %
Total Income	3164.4	3679.01	-14
OPM (%)	28.59	-7.66	
OP	904.65	-281.81	LP
Other income	148.87	303.48	-51
PBIDT	1053.52	21.67	4762
Net Finance Charges	205.37	232.43	-12
PBDT	848.15	-210.76	LP
Depreciation	446.11	459.72	-3
PBT	402.04	-670.48	LP
Tax expense	147.97	-273.99	
PAT	254.07	-393.32	LP
Minority Interest	3.68	10.39	-65
Share of Profit of Associates	0.03	0.14	-79
Profit after Minority Interest and Share of profit of Associates	250.42	-406.74	LP

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