

Price: 250

Recommendation: Buy

Industry: Power Generation

Sector: Utilities

Report Date: 03-Apr-2025

NLC India Limited is advancing its energy portfolio with new initiatives and strategic directions. The company has increased its power generation capacity to 6731 MW with the NUPPL Ghatampur Thermal Power Station and is enhancing its coal capacity. NLCIL is also focusing on renewable energy, aiming for 10 GW by 2030. Despite challenges in project execution, its adaptive strategies and innovative projects underscore its commitment to sustainable growth and technological advancement.

| Sales | | Profit & Loss | | Profitability Matrix | |
|--------------------|----------|---------------------------|----------|-------------------------|----------|
| Current Year | 10492 Cr | Operating Profit(Year) | 2330 Cr | Operating Profit Margin | 22.2 % |
| Previous Year | 12955 Cr | Operating Profit(Quarter) | 736 Cr | EBITDA Margin | 37.63 % |
| Current Quarter | 2775 Cr | PAT (Year) | 1162 Cr | Net Profit Margin | 11.0 % |
| Previous Quarter | 2139 Cr | PAT (Quarter) | 408 Cr | EPS | 10.2 |
| Revenue (QYoY) | 2516 Cr | | | | |
| Valuation Matrix | | Growth(YoY) | | Growth(QoQ) | |
| Trailing P/E | 24.5 | Sales Growth | -11.7 % | Sales Growth | 29.73 % |
| PEG Ratio | -12.1 | PAT Growth | -44.75 % | Sales Growth QYoY | 10.29 % |
| EV/EBITDA | 10.5 | EPS Growth | -23.31 % | PAT Growth | 20.35 % |
| P/B | 2.09 | Dividend Yield | 1.20 | PAT Growth QYoY | 84.62 % |
| Capital Allocation | | Holdings | | Leverage | |
| RoE | 7.59 % | Promoter | 72.2 % | Debt/Equity | 0.45 |
| RoA | 3.30 % | FII | 2.86 % | Debt | 7445 Cr |
| RoCE | 10.4 % | DII | 14.5 % | Market Cap | 34705 Cr |
| RoIC | 7.52 % | Public | 6.17 % | Enterprise value | 41409 Cr |
| | | No of Shares | 139 Cr | Cash Equivalents | 741 Cr |

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent concall, NLC India Limited outlined several new initiatives and strategic directions. The company has successfully commenced commercial operations of the NUPPL Ghatampur Thermal Power Station, increasing its installed power generation capacity to 6731 MW. This marks the first unit of ultra-supercritical technology for the group. Additionally, NLCIL has executed a Coal Mine Development and Production Agreement for the New Patrapara South Coal Mine Project, enhancing its cumulative capacity to over 100 million metric tons. The company is also advancing its renewable energy portfolio, with joint ventures in Rajasthan and Assam for lignite-based thermal and solar power projects, respectively. These initiatives reflect NLCIL's commitment to expanding its energy mix and enhancing operational efficiency.

The company's diversification strategy includes innovative projects like the OB to Sand initiative, which aims to convert overburden into M-sand for construction, addressing environmental concerns and market demand. NLCIL is also exploring critical mineral block auctions to leverage its mining expertise. The company is pioneering in green hydrogen and battery energy storage, with a pilot project underway in Neyveli. These efforts underscore NLCIL's focus on sustainable growth and technological advancement. The company has been recognized for its performance in mining innovation and environmental initiatives, further solidifying its reputation as a leader in the energy sector.

Looking ahead, NLCIL is poised for significant growth, targeting a renewable energy capacity of 10 GW by 2030, a sevenfold increase from its current capacity. The company plans to add substantial thermal capacity, aiming to double its current 4.6 GW to 10 GW by 2030. Key projects include the expansion of the Talabira thermal plant and the development of new coal blocks. NLCIL's strategic focus on renewable energy and efficient resource utilization positions it well for future scalability and resilience in a rapidly evolving energy landscape.

While NLCIL's initiatives are promising, challenges remain, particularly in project execution and resource availability. Delays in module supply for solar projects and under-recovery issues in certain plants highlight areas for improvement. The company's proactive measures to address these challenges, such as securing cost-plus tariffs for projects in low solar intensity regions like Assam, demonstrate its adaptive strategy. Overall, NLCIL's robust pipeline and strategic initiatives offer a positive outlook, though continued focus on execution and resource management will be crucial for sustained success.

NLCINDIA Daily Closing One Year Price Chart



| Name | Mar Cap (Rs. Cr.) | P/E | ROE | Sales(G) QoQ | Sales(G) QYoY | PAT(G) QoQ | PAT(G) QYoY |
|------------------|-------------------|-------|--------|--------------|---------------|------------|-------------|
| JSW Energy | 92361.18 | 49.18 | 8.40% | -24.67% | -4.09% | -81.55% | -31.94% |
| NTPC | 347865.00 | 15.83 | 13.62% | 0.80% | 5.21% | -4.02% | -1.80% |
| NLC India | 34704.68 | 24.49 | 7.59% | 29.71% | 10.29% | 20.33% | 84.82% |
| Power Grid Corpn | 278229.57 | 17.90 | 19.00% | -0.40% | -2.74% | 1.81% | -4.14% |
| Adani Power | 203857.95 | 15.82 | 57.06% | 2.49% | 5.23% | -10.84% | 7.38% |

| Aspect | Commentary |
|----------------------|---|
| Revenue | The company experienced a decline in annual revenue, with a decrease from 12955 Cr to 10492 Cr, indicating a challenging year. However, quarterly revenue showed improvement, rising from 2139 Cr to 2775 Cr, suggesting a potential recovery or seasonal boost in sales performance. |
| Profit & Loss | Annual operating profit stood at 2330 Cr, with a net profit of 1162 Cr, reflecting a solid operational performance. Quarterly figures show a healthy operating profit of 736 Cr and a net profit of 408 Cr, indicating consistent profitability despite annual challenges. |
| Profitability Matrix | The company maintains a strong operating profit margin of 22.2% and an EBITDA margin of 37.63%, showcasing efficient cost management. A net profit margin of 11.0% and EPS of 10.2 highlight robust profitability, supporting shareholder value. |
| Valuation Matrix | The trailing P/E ratio of 24.5 suggests moderate market expectations. A negative PEG ratio of -12.1 indicates potential growth concerns. EV/EBITDA of 10.5 and P/B of 2.09 reflect a balanced valuation, aligning with industry standards. |
| Growth (YoY) | Year-over-year growth metrics reveal a decline, with sales dropping by 11.7% and PAT by 44.75%. EPS also fell by 23.31%, indicating a challenging year. However, a dividend yield of 1.20 provides some return to investors. |
| Growth (QoQ) | Quarter-over-quarter growth shows positive trends, with sales increasing by 29.73% and PAT by 20.35%. Sales growth QYoY at 10.29% and PAT growth QYoY at 84.62% suggest a strong recovery, highlighting improved operational performance. |
| Capital Allocation | The company demonstrates prudent capital allocation with RoE at 7.59%, RoA at 3.30%, and RoCE at 10.4%. RoIC of 7.52% indicates effective use of invested capital, supporting sustainable growth and shareholder returns. |
| Holdings | Promoter holding is strong at 72.2%, indicating confidence in the company's prospects. Institutional investors hold 17.36%, with public holding at 6.17%, reflecting a stable ownership structure conducive to long-term strategic planning. |
| Leverage | A debt/equity ratio of 0.45 suggests moderate leverage, balancing risk and growth potential. Total debt is 7445 Cr, with a market cap of 34705 Cr and enterprise value of 41409 Cr, indicating a solid financial position with manageable debt levels. |

Analyst viewpoint: NLC India Limited presents promising prospects as evidenced by its significant quarter-over-quarter growth metrics. With sales surging by nearly 30% and PAT escalating over 20% this quarter, the company showcases strong operational performance and a robust recovery trend. The strategic expansion into renewable energies, reinforced by their innovative projects such as the NUPPL Ghatampur Thermal Power Station, positions NLCIL advantageously in an evolving energy landscape. Their valuation metrics, with a trailing P/E of 24.5 and a steady EPS, suggest investor confidence bolstered by its sound capital allocation strategies that enhance shareholder returns. Moreover, NLCIL's keen focus on technology and sustainability, exemplified in its aim for 10 GW renewable capacity by 2030, pins its future growth trajectory high on the map amid intense peer competition.

Nevertheless, while the potential is clear, challenges related to project execution and delayed solar module supplies remain areas requiring attention. This operational hurdle serves as a mild caveat in an otherwise optimistic outlook, underscoring the need for continued strategic resource management. Despite this, the company's commitment to innovation and an adaptive strategy ensure that NLCIL is well poised for sustained positive growth in the short to mid-term financial forecast.

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