NLC India Limited

April 16, 2019

Summary of Rated Instrument:

Instrument	Rated Amount (Rs. crore)	Rating Outstanding
Long Term, Term Loans	1,400.00	[ICRA]AAA(stable)
Long Term, Borrowing Programme	2,000.00	[ICRA]AAA(stable)
Total	**3,400.00**	

Material Event

NLC India Limited had announced on March 30, 2019 that the power purchase agreement (PPA) for its TPS-I[1] plant (600 megawatt (MW)) with Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) has expired with effect from April 1, 2019. TPS-I was the oldest power plant of the company, operational since 1962. Considering the age of the plant, a new power plant , Neyveli New Thermal Power Plant (NNTTP) of 1000 MW (2x500 MW) capacity is being set up. The PPA with TANGENDCO for TPS-I was valid till March 31, 2019 or till NNTTP commences operations, whichever was earlier. However, since there were some delays in commencement of NNTTP, which is now expected to commence operations in FY2020; the company had requested TANGEDCO to extend the PPA till September 30, 2019. However, TANGDECO did not agree to the proposal for extension of existing PPA.

Impact of the Material Event

The ratings remain unchanged at the earlier rating of [ICRA] AAA (stable), since the impact of the expiry of PPA is expected to be limited since, while the revenue contribution of TPS-1 was ~15% in FY19, the share of operating profit was moderate at ~5% due to the plant's age. The impact is further mitigated as the company is selling power produced by TPS-I to the power exchange, although at a lower price. Further, the commissioning of NNTTP in the current fiscal will also support the cash flows and the financial profile

The previous detailed rating rationale is available on the following link: Click here

[1] Thermal Power Station

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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