

June 2, 2010

**CARE ASSIGNS 'CARE AAA(SO)' TO THE BANK FACILITIES OF
NLC TAMILNADU POWER LTD****Rating Assigned**

Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Term Loans	3437	'CARE AAA(SO) [Triple A (Structured Obligation)]	Assigned
Total Facilities	3437		

Rating Rationale

The rating is based on the credit enhancement in the form of Letter of Comfort given by Neyveli Lignite Corporation Ltd (NLC) to the proposed term loan of NLC Tamilnadu Power Limited (NTPL).

The credit profile of NLC draws comfort from the company(NLC) being a Public Sector enterprise & a Mini Ratna operating under the administrative control of Ministry of Coal with Government of India holding 93.56% of shares, long operational track record of NLC in power generation for over 4 decades, assured offtake of power given that NLC is one of the lowest cost producers largely due to the operational efficiencies and depreciated nature of the plants, presence of own lignite mines with adequate reserves resulting in guaranteed fuel supply linkages and strong financial position of NLC characterised by consistently healthy cash accruals, high level of networth, low gearing and net debt position consistently remaining nil due to the high level of cash balances. The rating also takes note of the various projects being undertaken by NLC.

Company Profile

NLC Tamilnadu Power Limited (NTPL) is a joint venture company between NLC and Tamilnadu Electricity Board (TNEB) to implement the 1000 MW thermal power project in Tuticorin, Tamilnadu. The company was set up consequent to a MoU entered into by NLC with Government of Tamilnadu in 2003 and a joint venture agreement between NLC and TNEB in June 2005. The shareholding of NLC in NTPL is 89% and the rest of the shares are held by TNEB. The project is classified as a mega power project and the Gol gave sanction for the project on 12/05/2008 with the approved project cost of Rs.4909.54cr.

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

About NLC

NLC Ltd, a Public Sector enterprise and a Mini Ratna is engaged in mining of lignite and generation of electricity. The company, established in 1956 by Government of India(GoI) following the discovery of lignite deposits in Neyveli, Tamilnadu, is one of the major power generating source in South India. NLC presently operates three open cast lignite mines with a aggregate capacity of 24 MTPA of lignite production and three thermal power stations with aggregate capacity of 2490 MW. The fuel requirements of the power generation plants of NLC are completely met by the lignite excavated from the mines operated by the company. The generated power is mainly used by the southern states of Tamil Nadu, Andhra Pradesh, Karnataka, Kerala and Union Territory of Pondicherry.

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Press Release

CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

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