

Week Gone

- ⇒ In the week ended on Friday, 29 April 2022, the Sensex fell 136.28 points or 0.24% to settle at 57,060.87. The Nifty 50 index slipped 69.40 points or 0.40% to settle at 17,102.55.
- ⇒ The BSE Mid-Cap index shed 280.33 or 1.14% to settle at 24,418.04.
- ⇒ The BSE Small-Cap index lost 636.06 points or 2.17% to settle at 28,611.92.

Week Ahead

- ⇒ Volatility is likely to remain high amid the ongoing Russia-Ukraine crisis.
- ⇒ Trend in global stock markets, the movement of rupee against the dollar and crude oil prices will dictate trend on the bourses in the near term.
- ⇒ Investment by foreign portfolio investors (FPIs) and domestic institutional investors (DIIs) will be monitored.

Technical Overview

Index opened the week with gap down and remained volatile throughout the week ending the week near the opening price. Index has ended the week below 20WEMA and has formed inside bar which indicates indecisive price action and squeeze in volatility. Going ahead sustenance below 16900 shall call for further decline towards 16600-16200. While on the higher side resistance is present at 17350-17570-17880.

Nifty 50 Index, 1W, NSE 17102.55 -142.50 (-0.83%)

EMA (20, close, 0, SMA, 5)



Source: Falcon, BP Equities Research

Weekly Wealth

DOMESTIC INDICES

Index	29-Apr-22	22-Apr-22	Weekly % Chg
Nifty 50	17,102.5	17,172.0	-0.4
Nifty Next 50	42,534.0	42,934.6	-0.9
Nifty 100	17,457.2	17,541.1	-0.5
Nifty 500	14,783.3	14,894.9	-0.7
NIFTY MIDCAP 100	29,880.4	30,315.9	-1.4
S&P BSE SENSEX	57,060.9	57,197.2	-0.2
S&P BSE 100	17,574.5	17,652.4	-0.4
S&P BSE 200	7,485.5	7,527.7	-0.6
S&P BSE 500	23,551.7	23,715.2	-0.7
S&P BSE MidCap	24,418.0	24,698.4	-1.1
S&P BSE SmallCap	28,611.9	29,248.0	-2.2

WORLD INDICES

Index	29-Apr-22	22-Apr-22	Weekly % Chg
Nikkei Index	26,847.9	27,105.2	-0.9
Hang Seng Index	21,089.3	20,638.5	2.2
Kospi Index	2,695.0	2,704.7	-0.4
Shanghai SE Composite	3,047.0	3,086.9	-1.3
Strait Times Index	3,356.9	3,361.1	-0.1
Dow Jones	32,977.2	34,191.5	-3.6
NASDAQ	12,334.6	12,963.5	-4.9
FTSE	7,544.5	7,521.6	0.3

FOREX

Currency	29-Apr-22	22-Apr-22	Weekly % Chg
US\$ (Rs.)	76.5	76.2	0.4
GBP (Rs.)	96.1	99.4	-3.3
Euro (Rs.)	80.6	82.6	-2.4
Yen (Rs.) 100 Units	58.0	59.0	-1.7

NIFTY TOP GAINERS (WEEKLY)

Scrip	29-Apr-22	22-Apr-22	Weekly % Chg
Hero MotoCorp	2506.7	2294.3	9.3%
Hindustan Unilever	2234.9	2127.0	5.1%
Kotak Mahindra Bank	1790.8	1727.8	3.6%
Bajaj Auto	3729.6	3642.5	2.4%
Asian Paints	3237.2	3164.4	2.3%

FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
29-Apr-22	9,263.8	12,912.1	-3,648.3
28-Apr-22	12,333.9	11,590.7	743.2
27-Apr-22	6,385.6	10,450.1	-4,064.5
26-Apr-22	7,340.5	8,514.5	-1,174.1
25-Apr-22	4,932.3	8,235.1	-3,302.9
MTD	40,256.0	51,702.6	-11,446.5

NIFTY TOP LOSERS (WEEKLY)

Scrip	29-Apr-22	22-Apr-22	Weekly % Chg
Coal India	182.9	202.2	-9.5%
Coal India	248.2	269.7	-8.0%
BPCL	362.6	393.4	-7.8%
ONGC	160.5	174.0	-7.8%
Axis Bank	728.6	780.6	-6.7%

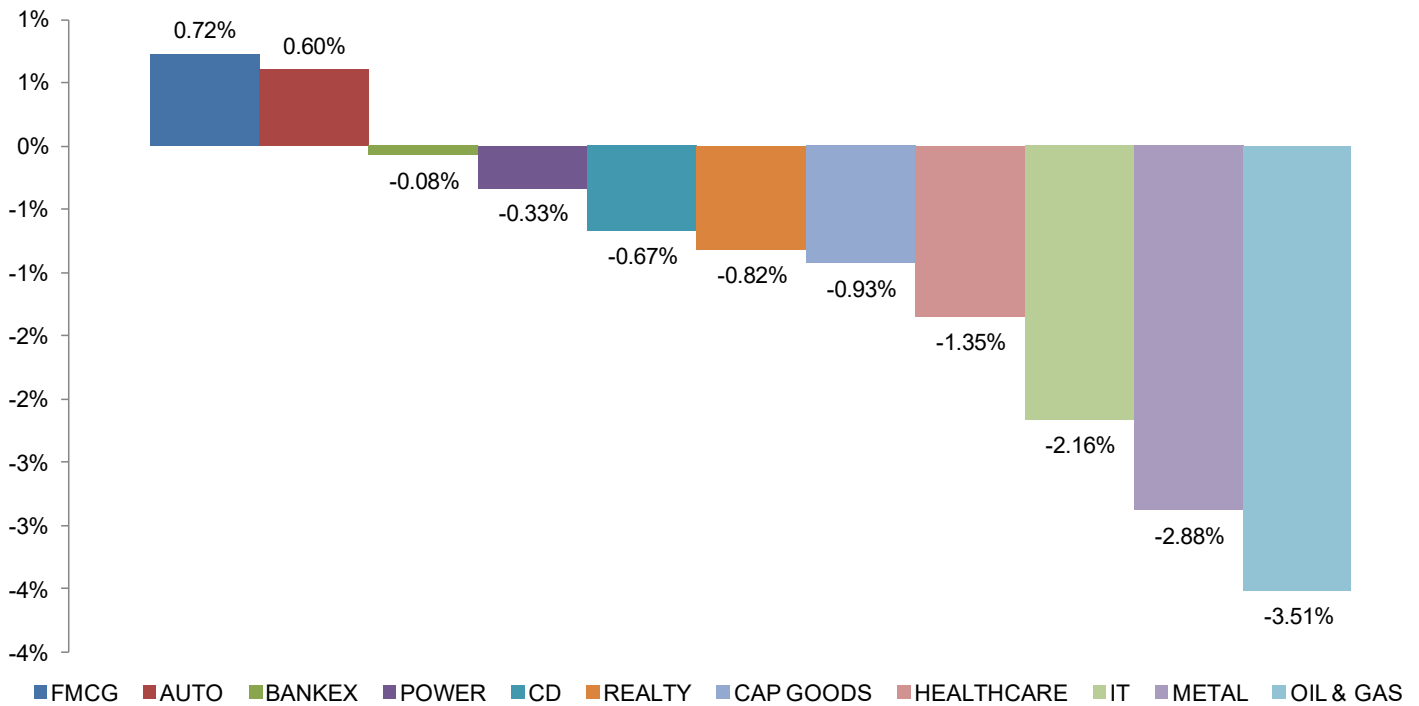
DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
29-Apr-22	8,426.3	4,936.0	3,490.3
28-Apr-22	5,746.0	4,965.1	780.9
27-Apr-22	7,425.5	5,508.0	1,917.5
26-Apr-22	6,818.1	5,174.3	1,643.8
25-Apr-22	6,432.1	4,561.6	1,870.5
MTD	34,848.0	25,145.0	9,703.0

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	22/04/22	29/04/22	Weekly % Chg	13/04/22	22/04/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
ADANI PORTS	873.5	860.5	-1.5	43572500	76770000	76.2
HINDALCO	515.5	485.0	-5.9	22945875	37562650	63.7
DALBHARAT	1,617.9	1,525.3	-5.7	835000	1329500	59.2
WIPRO	538.0	509.8	-5.2	23084000	35039200	51.8
ATUL	9,863.3	8,858.3	-10.2	119400	179925	50.7

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	13/04/22	22/04/22	Weekly % Chg	13/04/22	22/04/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
HDFC	2,204.0	2,231.7	1.3	20436300	14991000	-26.6
METROPOLIS	2,415.6	2,349.6	-2.7	378600	292000	-22.9
ONGC	174.5	161.1	-7.7	59297700	46269300	-22.0
HONAUT	40,816.6	39,877.7	-2.3	6135	5010	-18.3
TATA CONSUM	815.0	820.1	0.6	7456050	6176250	-17.2

Company Background

NLC India Limited (NLC; erstwhile Neyveli Lignite Corporation Limited), a public sector undertaking incorporated in November 1956, is involved in lignite mining and power generation. The company, at present, has a lignite mining capacity of 30.6 million tonnes per annum (MTPA), coal mining capacity of 20 MTPA and installed power generation capacity of 6,061 MW as on date. Its power stations cater to the five southern states of Tamil Nadu, Andhra Pradesh, Telangana, Kerala and Karnataka, union territory of Puducherry, as well as Rajasthan through its thermal plant in Barsingsar. The Gol holds a ~79% stake in the company. It works under the administrative control of the Ministry of Coal, the Gol. In April 2011, the Gol declared the company as a 'Navratna' enterprise.

Investment Rationale

Integrated mining & power generation operations lead to low fuel supply risks

The integrated and regulated cost-plus nature of NLC's operations, the presence of long-term power purchase agreements (PPAs) and its successful diversification into renewables. NLC's captive lignite mines lower the fuel availability risk. Even for coal-based projects, NLC has largely followed an integrated model with each of the new thermal projects having a mine tie up. NLC's Talabira mine is linked to NTPL and Odisha Thermal Power Plant. NLC is also undertaking an INR18 billion capex to be funded in a debt:equity ratio of 70:30 for the Pachwara South coal block (JV, mining capacity: 11mt), to supply coal to NUPPL. Until the Pachwara South block is developed, NUPPL will rely on supplies from Coal India limited (CIL), similar to the NTPL project, which sources a bulk of its coal from CIL. The tariff orders for the control period FY20-FY24 and the true up exercise for the period FY15-FY19 are pending with the regulator.

Diversified through renewable energy generation provides stability to EBITDA

NLC's 1,420MW of operational renewable energy capacity generated a healthy EBITDA of INR6.8 billion during FY21 and is likely to generate a similar EBITDA in FY22. NLC's renewable portfolio is skewed towards solar projects, which provides it relatively more generation stability compared to wind power generation which is more prone to the vagaries of wind pattern and speeds. Additionally, the weighted average of the portfolio stood at INR3.6/kwh, thus making it competitive. However, 1,400MW of the capacity is tied up with Tamil Nadu Generation and Distribution Corporation Limited and hence, exposes the company to single counterparty risk. Of the total debtors outstanding at end-9MFY22, nearly INR11 billion-12 billion was towards the renewable projects.

Valuation outlook

NLC is a strategically important company owned by the GOI, which is expected to continue to underwrite NLC's operation in the future especially in the current situation of rising global coal prices. Over the next three years, NLC is likely to execute the 1,980MW NUPPL and another 660MW renewable project and the South Pachwara coal block (project cost: INR18 billion) along with a ramp up of Talabira mines to 20mtpa. We believe NCL to report strong operational numbers owing to i) a reduction in debt on account of a decline in debtors, ii) stable EBITDA generation from the renewable plants, iii) better performance from the lignite division on account of higher lignite production, iv) lower under-recoveries in the power business given improved performance. On the valuation front, we valued the company based on 7.0x of FY24e earnings and arrived at a target price of INR 101 (24% upside from CMP) with a 12 months investment horizon.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	82
Target Price (INR)	101
NSE Symbol	NCLINDIA
BSE Code	513683
Bloomberg	NLC IN
Reuters	NELG.BO

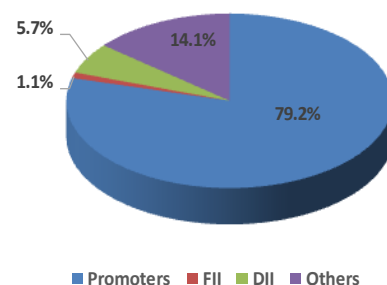
Key Data

Nifty	17,102
52WeekH/L(INR)	86/47
O/s Shares (Mn)	1,386
Market Cap (INR bn)	113
Face Value (INR)	10

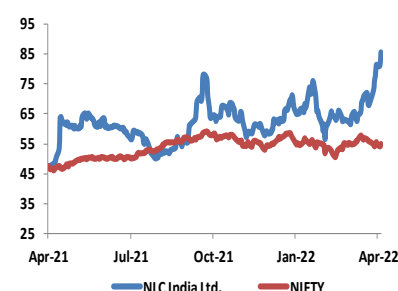
Average volume

3 months	6,751,620
6 months	5,032,810
1 year	5,863,540

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials						
YE March (INR. Mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenue	98,709	1,03,206	98,461	1,13,033	1,24,223	1,36,149
<i>Revenue Growth (Y-o-Y)</i>	<i>(12.5%)</i>	<i>4.6%</i>	<i>(4.6%)</i>	<i>14.8%</i>	<i>9.9%</i>	<i>9.6%</i>
EBIDTA	19,190	32,821	27,465	39,222	41,491	46,018
<i>EBIDTA Growth (Y-o-Y)</i>	<i>(39.2%)</i>	<i>71.0%</i>	<i>16.3%</i>	<i>42.8%</i>	<i>5.8%</i>	<i>10.9%</i>
Net Profit	15,077	13,160	13,411	15,599	17,640	20,014
<i>Net Profit Growth (Y-o-Y)</i>	<i>(22.5%)</i>	<i>(12.7%)</i>	<i>1.9%</i>	<i>16.3%</i>	<i>13.1%</i>	<i>13.5%</i>
Diluted EPS	10.9	9.5	9.7	11.2	12.7	14.4
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>(22.5%)</i>	<i>(12.7%)</i>	<i>1.9%</i>	<i>16.3%</i>	<i>13.1%</i>	<i>13.5%</i>
Key Ratios						
EBIDTA margin (%)	19.4%	31.8%	27.9%	34.7%	33.4%	33.8%
NPM (%)	15.3%	12.8%	13.6%	13.8%	14.2%	14.7%
RoE (%)	10.9%	9.0%	8.4%	81.4%	90.4%	100.4%
RoCE (%)	5.9%	8.3%	6.7%	125.3%	131.4%	144.1%
Valuation Ratios						
P/E (x)	7.5x	8.6x	8.5x	7.3x	6.4x	5.7x
EV/EBITDA	15.5x	10.9x	13.0x	3.2x	3.0x	2.7x
P/BV (x)	0.8x	0.8x	0.7x	5.9x	5.8x	5.7x
Market Cap. / Sales (x)	1.1x	1.1x	1.2x	1.0x	0.9x	0.8x

Source: Company, BP Equities Research



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Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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