

Case Study

On

Creating Awareness, Research and Engagement Of/On Bonds

ESG IS BECOMING CENTRAL TO CORPORATE PROCESSES SEEKING FINANCE, RAISING FUNDS; FINANCIERS ON THE OTHER HAND HAVE DUE DILIGENCE FRAMEWORKS THAT SUITS THEIR FUNDING REQUIREMENTS. BUT HOW FAR ESG DUE DILIGENCE & FINANCING IS ABLE TO SECURE BETTER ENVIRONMENT, HEALTH, LIVELIHOOD SECURITY AND WELL BEING OF COMMUNITIES!

A FEW GLIMPSES FROM THE INFORMATION IN PUBLIC DOMAIN



Public Analysis of Investments and Sustainability Evaluation

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Case Study- NLC India

Section I - Introduction/ Background NLC

NLC India (NLCIL) formerly known as Neyveli Lignite Corporation, is a central government public sector undertaking (PSU) that is under the administrative control of the Ministry of Coal. Electric power generation contributes 83% of the total turnover! They are engaged in mining lignite, coal and power generation using lignite as well as other renewable energy sources. The company sells electricity to state DISCOMS in Southern India and Rajasthan. NLC also has interests in various mining and power generation projects under the implementation phase. The company has power plants and mines in Tamil Nadu, Andaman and Rajasthan. Incorporated in 1956, NLC was wholly owned by the Government of India. A small portion of its stock was later on sold to the public in the year 1986¹

The company produces 30 million tonnes of lignite annually from the open cast mines in Neyveli state of Tamil Nadu and Barsingsar in Bikaner district of Rajasthan. The restructuring plan for lignite suggests that the aggregate mining capacity will increase to 40.10 MTPA by 2030. The mined lignite is used in pithead thermal power stations of 3640 MW installed capacity to produce electricity. The company has set a target of 20,000 MW capacity by 2025 through various projects that are currently under construction. The company forayed into its first ever coal mine in Odisha in the year 2016-17 - Talabira II & III coal mine, with a capacity of 20 MTPA. MDO for the mine is Talabira (Odisha) Mining Private Limited (a subsidiary of Adani Enterprises Limited).

Interestingly, Adani's other subsidiary 'Raipur Energen Limited (REL)' also operates the Talabira - I mine which is in the vicinity of Talabira II & III mine. Both these mines had a murkier past, from environmental damages to overproduction than the stipulated capacity. NLC is also developing the Pachwara South coal Block allotted to it in Jharkhand (9 MTPA). It might foray into commercial coal mining shortly. Thus, its total coal mining capacity may be around 40 MTPA in a few years. Its project to convert Lignite to Methanol under the coal gasification target of 100MT by 2030, is minuscule in capacity (0.40 MTPA) but high in cost (Rs. 4394 Crore). It has plans to venture into green hydrogen production too.

They have diversified into renewable production and installed a 141 MW solar plant to produce electricity from photovoltaic cells and 51 MW of electricity from windmills. The company² is also setting up 1209 MW Solar Power Projects at Tirunelveli, Virudhunagar and Ramanathapuram districts of Tamil Nadu, of which, 300 MW have been commissioned. NLC is aiming to achieve a total renewable energy capacity of 4251 MW.

Joint Ventures:

NLC Tamil Nadu Power Limited (NTPL), is a joint venture company of NLC India Ltd and M/s Tamil Nadu Generation and Distribution Company (TANGEDCO) incorporated under the Company Act. The Equity participation between NLCIL and TANGEDCO is at the ratio of 89:11.

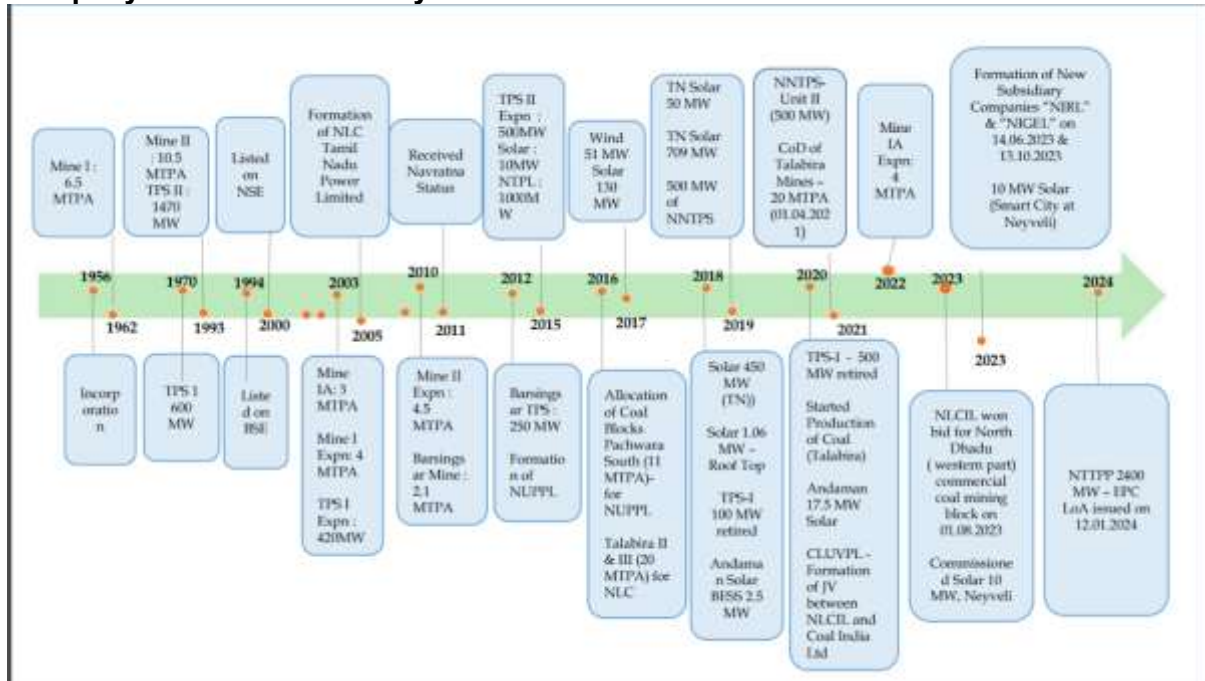
Neyveli Uttar Pradesh Power Limited (NUPPL) is a joint venture between NLC India and Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited, Ghatampur in the State of Uttar Pradesh, for setting up of 3 x 660 MW power project. The Equity participation between NLCIL and

¹ <https://www.business-standard.com/company/nlc-india-2303.html>

² https://www.nlcindia.in/new_website/profile.htm

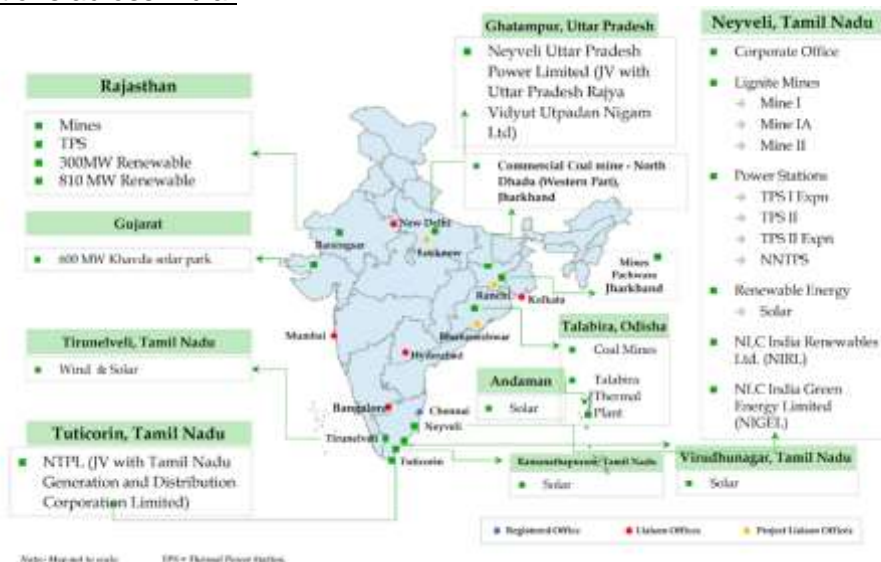
UPRVUNL is at the ratio of 51:49. MoC accorded approval for the transfer of 20% equity out of 49% equity share held by UPRVUNL in NUPPL in favour of Government of Assam on 31.05.2023. Coal Lignite Urja Vikas Private Limited (CLUVPL) is a joint venture of NLCIL & CIL. "Coal Lignite Urja Vikas Pvt Ltd" was incorporated on 10.11.2020 with equity participation of 50:50.

Company's Evolution and Key Milestones-



Source: [NLC Investor Presentation](#)

NLC Operations across India



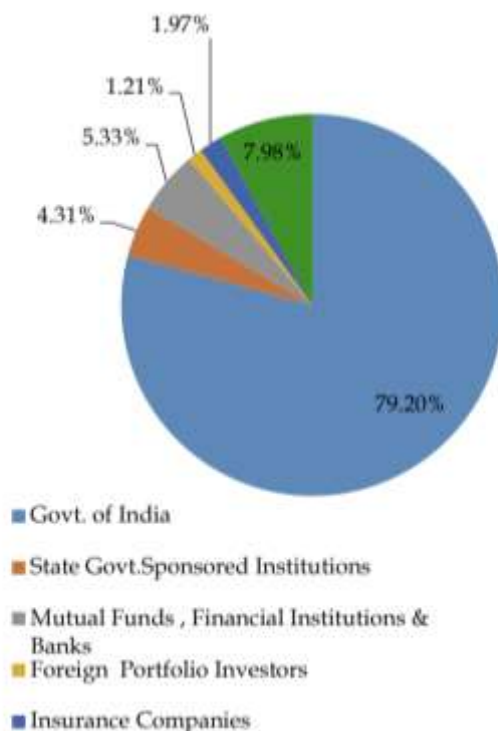
Source: [NLC Investor Presentation](#)

Sections II - Shareholding and Financial Performance

The majority shareholder in the company is the Government of India at 79.20%. In addition, the state government institutions hold 4.31% and other investors hold 16.49% which include insurance companies, employees, mutual funds etc. The Nippon Life India Trustee

Ltd. (Under Different Sub accounts) holds 3.53%, the State Industries Promotion Corporation of Tamil Nadu holds 1.94%, the Life India Corporation and Tamil Nadu Industrial Development Corporation Limited hold 1.08% each..

Shareholding patter of NLC India:



Source: [NLC Corporate Presentation](#)

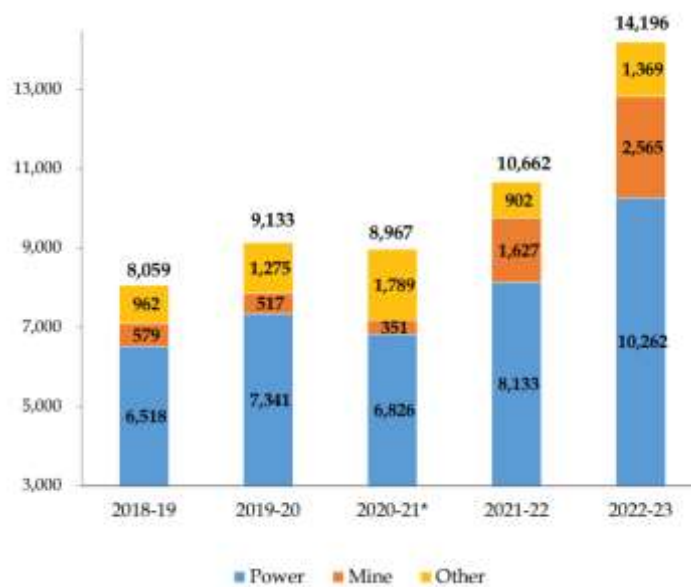
The company’s revenue increased by 31% (YoY) at Rs. 12,995 cr. for FY 23. The return on equity was at 8.81% and the Return on Capital Employed was at 9.27% during the same period. The company's market capitalisation also witnessed an increase of 23% as of March 31, 2023. The business also generated Rs. 6085.74 Cr in cash. The debt-to-equity ratio was reduced from 0.75 to 0.64 with a minimum reliance on debt and a focus towards the financial position. The company overall has AAA/Stable credit ratings from CRISIL, FITCH, ICRA, CARE, Infomercs Ratings and Acuite Ratings & Research. From the table below we can also see that NLC India has had a steady rise in their revenues over the last 5 Financial Years. It can also be observed that the operating costs have more than doubled, the wage and employee benefits have come down showing lower employment opportunities available despite expansions. Similarly the payments to the government have a drastic downward trend and community investments are also on the decline.

Sl.No	Particulars	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
A	Direct economic value generated (₹ Crore)					
1	Revenue	11,903	10,936	9,281	9,138	8,919
B	Direct economic value distributed (₹ Crore)					
2	Operating costs	5,154	3,265	2,615	2,180	2,356
3	Employee wages & benefits	2,526	2,624	2,689	2,805	2,964
4	Payments to providers of capital	1,172	1,200	1,119	1,981	1,197
5	Payments to Government	5	802	219	378	405
6	Community investments	43	41	47	76	49
A-B	Economic value retained	3,003	3,003	2,592	1,719	1,947

Source [Annual Report](#)

The company's net worth has increased steadily over the years to Rs. 14369 Cr in 2022-23 from Rs. 13693 cr in 2021-22. The loan outstanding during the same period reduced to Rs. 9348 cr. in 2022-23 from 10239 cr. in 2021-22. The income stream from power was at Rs. 10262 cr. in 2022-23 up from Rs. 8133 cr. in 2021-22. A similar trend was also observed from the income from the mine stream which was at Rs. 2565 cr. in 2022-23 up from Rs. 1627 cr. in the 2021-22 period. Net book value (NBV) is the value at which a company reports an asset on its balance sheet for thermal remains to be the highest at Rs. 9868 cr. followed by Renewable at Rs. 5375 cr. and Mines at Rs. 2925 cr. during the 2022-23 period.

NLC Total Income 2018-2023 in Rs. Cr.



Source: NLC Corporate Presentation

Future Plans laid out by the company:

In their diversification plan, NLC have earmarked a capital expenditure of Rs. 4397 cr for Over Burden (OB) to Sand and Lignite to Methanol Projects. The total capital expenditure over the period from FY 2021-22 to FY 2029-30 has been projected to be Rs. 70,985 Crore and the same are proposed to be funded by debt of Rs. 51,974 Crore, internal accruals of Rs. 17,902 Crore, and equity of Rs. 1,109 Crore from new JV partners. The CAPEX from FY 2022 to FY 2030 and means of finance are shown in the table below.

Particulars (Rs. Crore)	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Total
Borrowings	1,554	2,345	7,394	12,508	11,659	6,730	5,317	2,818	1,649	51,974
Internal Accruals	385	672	2,391	4,168	4,209	2,527	1,921	995	634	17,902
Equity from JV Partners	281	238	345	209	36	0	0	0	0	1,109
Total Capex	2,220	3,255	10,130	16,885	15,904	9,257	7,238	3,813	2,283	70,985

Source: [Corporate Plan](#)

Section III - NLC Bonds:

NLC issued bonds to debt fund their company's operations. In the need to know more about investors in their bonds, we wrote to them seeking information about their institutional and

non-institutional bondholders. The following are details about the bonds that are currently in force and their ratings by the credit rating agency.

Bonds:

Bond Series	ISIN	Face value	No of bonds	Rs. Crore (as of March 2023)	Listing date	Maturity Date	Credit rating	Coupon rate	Credit Agency	Bond Trustee Name
Secured										
Series I 2019	INE589A07037	1000000	14750	1475	07-Jun-2019	29-May-2029	AAA/stable, AAA/stable	8.09	ICRA & IND	SBICap trustee Co Ltd
Series I 2020	INE589A07045	1000000	5250	525	07-Feb-2020	25-Jan-2030	AAA/STABLE, AAA/STABLE	7.36	[ICRA] IND	SBICap trustee Co Ltd
Unsecured										
Series II 2020	INE589A08027	1000000	5000	500	10-Aug-2020	11-Apr-2025	AAA/Stable, AAA/Stable	5.34	CRISIL / BWR	IDBI Trusteeship Services Limited
Series I 2021	INE589A08035	1000000	11750	1175	16-Feb-2021	12-Feb-2026	AAA/Stable, AAA/Stable	6.05	CRISIL & BWR	IDBI Trusteeship Services Limited SBICap Trustee Co Ltd
Series II 2021	INE589A08043	1000000	5000	500	22-Dec-2021	13-Apr-2032	AAA/Stable, AAA/Stable	6.85	CRISIL / BWR	IDBI Trusteeship Services Limited
Total				4175						

No bonds issued during FY 2022-23

Source: [NLC](#), RTI

The purpose of these unsecured bonds issued was to augment the resources of the company for business activities, refinancing of pre-closed loans, repayment of existing high-cost loans, funding of FGD and other business activities. What it also clarifies is that bonds as a financing instrument are being used largely for fossil-based energy generation and operations, a very little is being used for renewable energy development. It is yet to be seen if an entirely non-fossil-based issue will be brought up in the near future.

Bond Series	Purpose of Utilisation
Series I 2019	₹ 749.22 Crore and ₹ 234.98 Crore has been used towards unlocking of Equity of TPS II Expansion Project (2 X 250 MW) & Wind 51 MW respectively and balance was used for operational requirement.
Series I 2021	INR 1175 Cr was used for replenishment of funds to working capital facility availed from SBI which in turn was utilised as stop gap arrangement for pre-closure of term loan from HDFC Bank
Series II 2021	INR 295.60 Cr was used for funding the untied portion of the Pre-closed HDFC bank term loan. INR 204.40 Cr was used towards working capital requirements

The purpose of these bonds issued was to fund the expansion of thermal plants and for general business or working capital requirements. The rating agency assesses the ongoing company's operation

- NLC India is a strategic company for the Government of India and a nodal agency for lignite mining in India. The government is supportive of foreign currency borrowing and provides any need-based support.
- NLC's operations have long-term purchase power agreements (PPAs) that have a regulated two-part tariff structure which ensures recovery of all fixed expenses.
- NLC's ownership of lignite mines mitigates the risk of availability and price of fuel that has allowed the company to operate above the normative levels. The financial risk profile of NLC seems to be healthy despite the ongoing capital expenditure. This is on the backdrop of unutilised bank lines of Rs. 1150 cr. and a bank utilisation limit of Rs. 4000 cr. both as of March 2020.
- The company is exposed to collection risk where the key consumers are primarily state distribution companies. Nearly half the power generated is sold to TANGEDCO who have heavy debts, poor performance and absence of periodic tariff revision due to loss from operations.
- NLC's exposure to implementation risk with the ongoing large capacity expansion program may face the risk of delay in clearances, equipment supply, technical issues and thereby leading to cost overruns.

Bond Series I & II 2021

The initial institutional bondholders of the Series I 2021 series with a value of Rs. 1175 cr. and were largely the insurance companies/ corporations and pension and gratuity trusts of the central and state government bodies.

Sl. No.	Name of Bondholder	No. of Bonds	Percentage of Holding (total bonds – 11,750)
1	TSNPDCL PENSION & GRATUITY TRUST.	50	0.43
2	EMPLOYEE STATE INSURANCE CORPORATION A/C SBIFMPL.	3,250	27.66
3	EMPLOYEES STATE INSURANCE CORPORATION.	4,500	38.30
4	NPS TRUST AC LIC PENSION FUND SCHEME CENTRAL GOVT.	1,000	8.51
5	NPS TRUST AC LIC PENSION FUND SCHEME STATE GOVT.	2,000	17.02

Similarly, information was obtained on the current institutional bondholders to understand if there are changes. As of April 21,2023 the holders are still insurance and pension funds of the government.

Sl. No.	Name of Bondholder	No. of Bonds	Percentage of Holding (total bonds – 11,750)
1	EMPLOYEES' STATE INSURANCE CORPORATION A/C UTI ASSET MANAGEMENT COMPANY LIMITED.	4500	38.30
2	EMPLOYEES' STATE INSURANCE CORPORATION A/C SBI FUNDS MANAGEMENT PRIVATE LIMITED.	3250	27.66
3	NPS TRUST- A/C LIC PENSION FUND SCHEME - STATE GOVT.	2000	17.02
4	NPS TRUST- A/C LIC PENSION FUND SCHEME - CENTRAL GOVT.	775	6.60
5	NPS TRUST- A/C LIC PENSION FUND SCHEME - Atal Pension Yojana (APY).	100	0.85
6	NPS TRUST A/C - LIC PENSION FUND LIMITED - NPS LITE SCHEME - GOVT. PATTERN	50	0.43
7	NPS TRUST - A/C LIC PENSION FUND SCHEME - CORPORATE CG.	50	0.43
8	GUJARAT HOUSING BOARD PENSION FUND TRUST	50	0.43
9	TSNPDCL PENSION AND GRATUITY TRUST.	50	0.43
10	NPS TRUST- A/C LIC PENSION FUND SCHEME C - TIER II.	25	0.21

The Series II 2021 with a value of Rs. 500 Cr, the initial institutional bondholders were largely private finance companies, banks and a couple of mutual funds.

S.No	Investor Name
1.	BHARAT BOND ETF
2.	CBT - EPF-05-F-DM
3.	ICICI SECURITIES PRIMARY DEALERSHIP
4.	IDBI CAPITAL MARKETS AND SECURITIES LIMITED
5.	A K CAPITAL SERVICES LIMITED
6.	A K CAPITAL SERVICES LIMITED
7.	TRUST INVESTMENT ADVISORS PVT. LTD.
8.	GENEV CAPITAL PRIVATE LIMITED
9.	ICICI BANK
10.	ICICI SECURITIES PRIMARY DEALERSHIP

The current bondholders (as of April 2023) of the above series included mutual funds, and pension schemes of state governments, provident funds and private companies.

S.No	Investor Name
1.	BHARAT BOND ETF - APRIL 2032
2.	CBT-EPF-05-F-DM
3.	NPS TRUST- A/C LIC PENSION FUND SCHEME - STATE GOVT
4.	NPS TRUST- A/C SBI PENSION FUND SCHEME - STATE GOVT
5.	WELSPUN INDIA LIMITED
6.	JHARKHAND STATE ELECTRICITY EMPLOYEES MASTER TRUST
7.	INDIAN OVERSEAS BANK STAFF PROVIDENT FUND

Some of the main funders of fossil projects are the various pension schemes of state and central governments. The investment in a PSU-issued bond seems to be the safest option for these investors in a very uncertain environment. However, the risk of investment in fossil fuel especially one which is expanding its operations in thermal plants needs to be factored as a major risk. NLC has planned and proposed investments to turn green but again it is simultaneous with its expansion towards coal-led energy generation.

Section IV: State of ESG

NLC has an Environment, Social and Governance (ESG) Policy since 2023 applicable to all establishments including JVs and subsidiaries. As per the policy,

NLC India Limited (NLCIL) places strong emphasis on conducting operations in an Environmentally sustainable and socially responsible manner, aiming to mitigate the substantial risks and enhance the opportunities associated with its Eco-value chain. With a dedicated focus on Environmental, Social, and Governance (ESG) factors, NLCIL strives to achieve the following objectives:

- 1. To contribute to the greener growth and development of the nation.*
- 2. To promote enviro-friendly sustainable development practices across the value chain*
- 3. To engage with society and proactively address the emerging ESG issues*

The policy has extensive clauses on protection and preservation of the environment and communities. However, there are several instances where the company has been found wanting in the implementation of this policy. Some instances are produced below;

- **Discharge of Effluent outside Plant:** The fate of affected people can be gauged from the fact that now people have no choice and depend on treated effluent³ of the thermal power plants for irrigating their fields for their livelihoods. In January 2023⁴, NLCIL sought an amendment to its Environment Clearance (EC) which was granted in year 2010 for the expansion of thermal power plant by adding (2x500MW) units. The amendment was sought in January 2023? As per general condition in the EC, the company was asked to recirculate the treated effluent in the process. There shall be no discharge outside the plant except monsoon season. The company gave a justification that ‘Around Neyveli, Project affected persons who had given their land for Mines and Thermal Power Station were living in nearby villages. Projected affected persons had given their representation to let out the treated water from NNTPS to their Agricultural lands for their livelihood.’ The amendment was denied by the expert appraisal committee of the MoEFCC as there was nothing to prove that the discharge will not harm the agricultural lands. The committee also asked for the certified compliance report as it was not provided during deliberations.
- Further, the statement “The treated effluent conforming to standards is being used for dust suppression and green belt development. Treated effluent is being discharged out of plant premises for agricultural activities as per the request by farmers. NNTPS is in the process of obtaining EC amendment in this regard” the April 2023 monitoring report⁵ by regulatory authority indicates that even after the EAC denied an amendment to discharge treated water outside the premises of thermal power plant (as per January 2023 minutes), the company continued to discharge outside the premises of the company and it is claiming to obtain amended EC for the purpose.
- **Green belt not developed as required:** It was observed that no adequate greenbelt has been developed as stipulated in the condition. Green belt is being developed in and around the plant where vacant space is available. The total plant area is 160 Ha.

³ <https://timesofindia.indiatimes.com/city/chennai/tamil-nadu-nlc-plea-to-let-effluents-to-fields-rejected/articleshow/98420929.cms>

⁴ https://environmentclearance.nic.in/writereaddata/Form-1A/Minutes/1302202348749869Final_MOM_36_EAC_thermal_25_Jan_23.pdf

⁵ https://environmentclearance.nic.in/writereaddata/Monitoring/56803999_NLC%20Thermal%20Power%20plant%202023_compressed.pdf

33% of the total area is 52.8 Ha. The greenbelt was developed in only 16.5 Ha. The PP informed that, another 23.5 Ha has been identified for greenbelt development and it is being carried out in phased manner.

- The whole issue presents weak ESG application in the context of regularly adding mining and power generation capacity thereby making people devoid of natural resources and depend on the company for even irrigating their fields. Environment compliance is also a business responsibility but the compliance report indicates that discharge was being done outside the company premises without sanctions and thus non-compliance.
- **Heavy Metal pollution in vicinity of plants' operation:** Neyveli Corporation mines lignite and also produces electricity by burning lignite in thermal power plants. Resultantly, the waste streams consist of toxic gases, fly ash and bottom ash and presence of heavy metals in the waste streams cannot be ruled out. In a news report dated 09.08.2023, it was alleged that heavy metal pollution is present in and around 8 kms of NLC. The National Green Tribunal (NGT) took up the matter suo moto and the hearings are taking place. The tribunal called for a water analysis report undertaken by two organisations viz. Poovulagin Nanbargal and Manthan Adhyayan Kendra. The respondents like the Pollution Control Board, Water Supply Department, NLC etc. have done their own analysis and presented before the court. The next date of hearing is on 26.02.2024. (Refer Case in NGT OA No. 107 of 2023)
- **Lack of Safety Concerns:** NLCIL witnessed two fire incidents during FY 2020-21 which have been reported in the Annual report 2021⁶. After these incidents, safety protocols across the company were reviewed exhaustively and measures were taken to strengthen the safety systems to avoid such mishaps in future. Despite these reviews and measures taken, a bunker where crushed lignite is kept to feed the boiler underwent a blast⁷ in December 2022 which took the lives of many workers and injured several workers. A case was filed in the NGT. A committee was formed to undertake a field visit and study the incident. The following were the observations of the court;
 - The report shows that the cause of the incident is failure of the staff handling the situation which did not have the knowledge of the SOPs and of the process. The staff was not given due training and requisite work permits. Thus, the Occupier, the Head of the Operation and Maintenance and the Safety Officer are mainly responsible for the accident. There is violation of safety norms under Section 38 of the Factories Act, 1948. There is also violation of the Manufacture, Storage, Import of Hazardous Chemicals Rules, 1989. In the process, the hazardous gases are generated, attracting the said Rules. It is mandatory to prepare on-sight and off-sight emergency plan and holding of mock drills once in six months. Standard operating procedure has not been followed nor appropriate training given to the staff handling the process. Safety protocols have not been followed. It would have been desirable that the standards operating procedures were duly explained to the handling staff in vernacular language as a part of process of awareness.

⁶ <https://www.nlcindia.in/investor/AnnualReport2021.pdf#page=24>

⁷ <https://timesofindia.indiatimes.com/city/chennai/worker-dies-in-bunker-blast-at-neyveli-new-thermal-power-station-in-tamil-nadu/articleshow/96430077.cms>, <https://indianexpress.com/article/india/neyveli-boiler-blast-live-updates-tamil-nadu-6484721/>

- Thus, the laxity of the company management in following strict safety protocols and not providing training to the workers and making them acquainted with the SOP is a huge failure leading to loss of life and property.

Section V: Observations and Comments

- About BWR Ratings- In October 2022, SEBI cancelled the licence of Brickwork Ratings which is one of the important credit ratings agencies which assessed the NLC Bonds. They were directed to wind down operations within six months for alleged violations in the rating process, due diligence, reporting of conflict of interest, and correct disclosures. However, this order was revoked in September 2023 by the Securities Appellate Tribunal directive to SEBI to relook at their earlier order of cancellation, “While affirming some of the violations, the tribunal remitted the matter to SEBI to issue a fresh order on the quantum of penalty⁸.”

When the credibility of the rating agency is in doubt, even their ratings for bonds need to be looked at carefully. Their ratings provided for various companies need a critical review and assessment. The regulator in this case SEBI needs to re-evaluate the mechanism of rating so that such issues don't arise in the future.

- The company has not yet implemented zero liquid discharge which is one of the sustainability measures in order to reuse process water. The reuse of water to some extent is being attempted. Given high water consumption 69.41 million kilolitres in FY 22, implementation of zero liquid discharge will save immense water resources. By not implementing (ZLD), pressure on surface waters will remain.
- Development of green belt is a must in terms of environmental responsibility and environmental compliance which is still to be complied in case of NNTPS. Non-compliance by a Navratna company is setting a bad precedent by not implementing the conditions of its environment clearance.
- In the past, there have been violations regarding compliance with revalidation⁹ of environment clearance of its mines as per EIA notification 2006. The company was to revalidate environment clearance by October 2018 but it did not take steps and it was in 2020 that it took a step towards it. A proactive approach is required to keep regulatory compliances at priority and report the correct facts in various reportings including BRSR.
- During the pandemic, several news¹⁰ highlighted drastic steps taken to uproot trees to make way for its greenfield venture of coal mining in Talabira II & III mines in Odisha. Several news reports confirm that forestry clearance and uprooting of trees has not even considered pending forest rights claims. A sensitive approach is required to settle down the unresolved issues of people who will have nothing to gain from the mine. As far as ESG principles are concerned, It throws a negative light on the approach.
- The climate strategy needs to complement the overall energy generation activities by rationalising and reducing diversion of forests and prioritising non-renewable resources over fossil fuel resources. In certain cases, the removal of last remaining

⁸ <https://www.thehindubusinessline.com/markets/sebi-revokes-wind-up-order-against-brickwork-ratings/article67305832.ece>

⁹ <https://science.thewire.in/politics/government/psu-operates-neyveli-coal-mine-without-revalidating-environmental-clearance/>

¹⁰ <https://www.newsclick.in/talabira-odisha-over-40000-trees-removed-pave-way-adani-mine>

forests and green covers like those, e:g in Talabira or other mines show a gap in policy and implementation. Upfront measures are needed to take a call on reducing the climate footprint by adopting policies in sync with protecting rights and resources. It may then align with ESG in true sense.

- In the Business Responsibility and Sustainability Report dated 07.09.2022¹¹, a description provided regarding dealing with disasters under Leadership Indicator 7 which is reproduced below for reference. The fire accident/blast incident indicates several flaws thus portraying lack of processes in place showing lack of business responsibility.

7. Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web link.

Yes, NLCIL has a disaster management plan whose primary objective is to safeguard the life of the persons working on the plant. Other objectives include to attend the emergency with clear and focused action, to minimize damage to the environment, to minimize loss of assets of the plant as well as the neighbourhood, rescue operations and treatment of the injured. The disaster management plan covers natural disasters like geological, hydrological and Climatic & atmospheric and man-made disasters like sociological and technological. The purpose of a plan is to evolve a more proactive, holistic and integrated approach of strengthening disaster preparedness, mitigation and emergency response in the event of disaster taking place. The 'Crisis and disaster management Plan for power sector' provides a framework and direction to the utilities in the power sector for all phases of the disaster management cycle.

12. Describe the measures taken by the entity to ensure a safe and healthy workplace.

Standard operating procedures have been established for all the activities of the mines and thermal and are strictly implemented. SOPs are reviewed from time to time. SOPs are available in local language for better understanding and implementation.

These claims in BRSR and actual observations by legal forums and news reports confirm that much more is required to be done to justify the principles or sustainability, responsibility and ESG.

There are many compliances that NLC is yet to meet, and the true nature of its operations is hardly captured in different sustainability reports. The company has only exposed itself to more legal scrutiny and risked the money of the investors. Even if bonds are considered to be the safest option for investment and issued by a government company, they are always at risk with their operations in the fossil fuel sector.

¹¹ <https://www.nlcindia.in/investor/Letter%20dt.%2007.09.2022%20-%20Business%20Responsibility%20&%20Sustainability%20Report.pdf>