

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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CAG AUDIT REPORT ON NLC INDIA SUBMITTED

Comptroller and Auditor General of India Report No. 35 of 2025 - Union Government - Ministry of Coal - Performance Audit (Commercial) was laid on the table of Rajya Sabha on 9th February 2026 and on the table of Lok Sabha here today. The Audit Report contains results of the Performance Audit on 'Operational Performance of NLC India Limited' covering the period from 2017-18 to 2022-23.

Synopsis of the Report

NLC India Limited (NLC India), a Government of India enterprise under the Ministry of Coal, operates major open-cast lignite mines and pit-head thermal power stations, primarily at Neyveli (Tamil Nadu) and Barsingsar (Rajasthan). As of March 2023, lignite mining capacity and power generation capacity of NLC India was 27.10 MTPA and 3,640 MW respectively. Audit included assessment of lignite production of three lignite mines at Neyveli viz. Mine-I, Mine-IA and Mine-II and review of the operational performance of TPS-I Expansion, TPS-II and TPS-II Expansion located at Neyveli. The major audit findings are as given below.

Impact of Non-Availability of Adequate Land for Mining Operations

NLC India possessed 9,180 hectare out of the 12,835 hectare of land identified for mining in Neyveli, with merely 46.19 hectare land left for active mining after accounting for mined out and dumping areas. This small area held only estimated 44.10 million tonnes of lignite, sufficient for about 20 months (till November 2024) against the annual requirement of 26.66 million tonnes. The land shortage resulted in short supply of 2.77 million tonnes of lignite in 2022-23, causing a potential revenue loss of ₹338.62 crore. Further, in Mine-IA, the inability to acquire land in the eastern side forced mining on dumped-soil areas, leading to an additional expenditure of ₹364.80 crore.

(Para 2.4)

Mining Operations without Environmental Clearance

Mine-II was operated without a valid Environmental Clearance due to NLC India's delay in applying for revalidation following the Order of Hon'ble Supreme Court of India in August 2017 and Notification of Ministry of Environment, Forests and Climate Change (MoEFCC) in April 2018. Lack of coordination between the Corporate Environment Cell and Mine-II Planning Department caused the lapse. As a result, Mine-II was operated without a valid EC and it restricted NLC India from production and sale of minor minerals.

(Para 2.5)

Dumping of Overburden Beyond EC Norms

NLC India violated Environmental Clearance conditions by exceeding the permissible overburden dump heights and slopes in both Mine-I and Mine-II. Dump heights reached up to 50 metre in Mine-I against the limit of 20 metre and 120 metre in Mine-II against the limit of 65

metre. These violations led to soil sliding, blockage of drainage and damage to agricultural lands, prompting farmer protests. NLC paid ₹2.18 crore in compensation and spent ₹14.98 crore on clearing soil from drains and farmlands up to September 2023.

(Para 2.6)

Non-Achievement of Normative Plant Availability Factor

TPS-IE, TPS-II and TPS-IIE failed to achieve Central Electricity Regulatory Commission's (CERC) prescribed Plant Availability Factor due to extensive outages caused by repeated Fluidized Bed Heat Exchanger (FBHE) failures in TPS-IIE, fire and equipment failures in TPS-II and turbine bearing failures in TPS-IE. This shortfall resulted in a major revenue loss of ₹2,353.99 crore in capacity charges.

(Para 3.2)

Forced Outages

There were 742 forced outages across the three stations, resulting in 62,857.43 hours of shutdown and a generation loss of 14,538.66 Million Units (MU). Major causes included inherent design deficiencies in TPS-IIE's FBHE system, repeated turbine thrust bearing failures in TPS-IE, tube punctures, lignite shortages, maintenance lapses, and major fire incidents in TPS-II, particularly in May and June 2020.

(Para 3.3)

Partial Load Loss Operations

Partial load operation across the stations led to a generation loss of 1,594.77 MU and under-recovery of ₹360.52 crore. Contributing factors included poor mill performance in TPS-II due to ageing equipment and delayed procurement of conveyor belts, lignite feeding issues in TPS-IIE, and inadequate protection of lignite storage yards, causing wet lignite during monsoons in TPS-II and TPS-IE.

(Para 3.4)

Excessive Auxiliary Power Consumption

Auxiliary Power Consumption (APC) exceeded CERC norms, especially in TPS-IIE where consumption was 15 to 17 per cent against the norm of 10 per cent, while TPS-IE and TPS-II also exceeded norms in few years. The main reasons were lack of equipment-level energy monitoring systems, delayed implementation of energy audit recommendations and operational inefficiencies arising from outages and partial load operations.

(Para 3.5)

High Specific Oil Consumption

Specific oil consumption was consistently above norms in TPS-IIE due to frequent forced and planned outages. TPS-II Stage-II also exceeded norms in 2020-21 and 2021-22 because of repeated shutdowns. In 2022-23, inadequate supply and poor-quality lignite increased oil usage across TPS-II. However, TPS-IE operated within the prescribed norms.

(Para 3.7)

Deficiencies in Safety Measures

Serious safety lapses were observed in TPS-II, which experienced recurring fire incidents, including major accidents in May and July 2020 that caused 20 fatalities, several injuries and long outages. Investigations attributed these incidents to accumulated hot lignite dust and possible ignition of flammable gases. Despite earlier incidents and Incident/ Trip Analysis committee recommendations, essential housekeeping measures such as regular dust removal were not followed.

Best Practices as noted by Audit in NLC India

NLC India successfully reclaimed 2,188 hectares of mined-out land, planted nearly 28 lakh native saplings, created 52 water bodies and developed eco-tourism and high-tech cultivation on reclaimed land, enhancing biodiversity. In thermal operations, NLC India achieved 100 per cent fly ash utilisation since 2013, supporting sustainable waste management through supply of fly ash to industries.

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