

Letter to Shareholders

Dear Shareowners,

You will be delighted to note that Financial Year 2015-16 turned out to be yet another year of robust performance by your Company. Your company maintained its strong leadership position in the country. Facts and figures amply demonstrate your Company's excellent performance. With its strong overall performance, your Company is expected to retain the "Excellent" rating for the MoU signed with the Government of India for Financial Year 2015-16.

Your Company contributed to the growth of power sector by commissioning 2,255 MW during Financial Year 2015-16 and added 1,960 MW to its commercial capacity. With this, the installed capacity of NTPC (including JVs and Subsidiaries) stood at 46,653 MW and the commercial capacity was 45,428 MW as on 31.03.2016.

Investment approval for 2,360 MW new capacities was accorded during Financial Year 2015-16. This includes 1,600 MW coal based capacity and 760 MW of solar capacity. Your Company has over 24,000 MW capacities under construction and it is committed to delivering these projects in time. Your Company achieved an all-time high capex of ₹ 25,960 crore (standalone basis), exceeding the MoU target of ₹ 23,000 crore. This underlines the brisk pace of project delivery by your Company.

The coal based stations of your Company achieved a plant load factor (PLF) of 78.61% as against the all India PLF of 62.29%. Three stations recorded PLF of more than 90%, which is a commendable achievement even by international standards, and were ranked the Top 3 stations in the country. Eleven stations of NTPC Group figure amongst the top 25 stations in the country. Very significantly, your Company was able to activate its hydro portfolio by commissioning its first hydro project of 800 MW at Koldam. This is a major milestone and provides the necessary diversification to the generation portfolio.

Government of India recently issued a policy allowing flexibility in use of coal. This policy allows linkages given to the different power stations of your Company to be allocated in a single basket to the Company and allows full flexibility in utilizing coal from this single basket in the entire fleet of power stations in the most economical and efficient manner. Your Company is uniquely positioned to maximize the benefits arising out of this policy by utilizing coal in a manner which provides operational flexibility on the one hand and also reduces freight costs on the other. Rationalization of coal linkages and reduction in use of imported coal has led to reduction in fuel cost. During Financial Year 2015-16 the total fuel bill of your Company came down to ₹ 43,793 crore as compared to ₹ 48,834 crore in Financial Year 2014-15, a reduction of over ₹ 5,000 crore, in spite of generation remaining at similar levels.

Apart from power project development and plant operation, your Company took an important step in building the third pillar of its growth strategy by commencing coal mining operations from its first mine. Your company opened Pakri Barwadih mine in May 2016 and removal of top soil and overburden has already begun. Mining of its own coal will provide further impetus to the operations of the Company.

Your Company has always focused on operational as well as commercial efficiency to ensure that the Company remains financially strong in a sustainable manner. In pursuance of this goal, 100% realization of current bills has been made for the thirteenth year in a row. Further, your Company is pursuing with the Government of India to extend the Tripartite Agreements with the States to ensure the continuity of timely realization of bills.

Although power generation increased, your Company's total revenues for Financial Year 2015-16 decreased to ₹ 71,696 crore from ₹ 75,337 crore in Financial Year 2014-15 mainly on account of lower fuel costs. This clearly demonstrates the improvement in the operational performance of your Company. Your Company was able to maintain the net profit at ₹ 10,243 crore as compared to ₹ 10,291 crore last year.

Your Company's management has always believed in maximizing shareholders' wealth. The Company has already paid an interim dividend of ₹ 1.60 per share and has recommended a final dividend of ₹ 1.75 per share for 2015-16, subject to your approval.



Government of India divested 5% of equity share capital of the company by offer for sale through Stock Exchange mechanism in February 2016. It enabled the Government to garner ₹ 5,015 crore. Subsequently, the Government allowed sale of 0.25% equity to the employees. Through this offer, Government earned ₹ 203 crore. After these divestments, the holding of the Government in your Company stands at 69.74%.

During Financial Year 2015-16, your Company spent ₹ 492 crore on CSR activities, well above the mandated threshold of 2% of PAT, which demonstrates its proactive approach towards contributing to the society. Among the major initiatives undertaken was completion of about 29,000 toilets as part of the Swachh Bharat – Swachh Vidyalaya Abhiyaan.

Your Company's achievements in various spheres have earned it a number of awards and accolades. The Company has been awarded 1st Corporate Governance Excellence Award in listed PSUs category for the year 2014-15 by ASSOCHAM. It has been ranked No.2 Independent Power Producer and Energy Trader Globally in the Platts Top 250 Global Energy Company Rankings, 2015. It has also been ranked 4th among the Asian electric utilities in 2016 rankings as per Forbes Global 2000. It was awarded with Dun & Bradstreet Corporate Awards 2016 for Best performing company in India in Power Sector. Your Company has been adjudged as the "Best Company to work for" in Public Sector category in the survey carried out by Great Place to Work and Economic Times.

I assure you that Team NTPC shall continue to put its best efforts in sustaining the leadership position of your Company and thereby ensure sustained returns to its stakeholders.

With best wishes,

Yours sincerely,



(GURDEEP SINGH)

Chairman & Managing Director

