NTPC Limited Q3 FY18 Earning Conference Call

January 31, 2018

MANAGEMENT: MR. SAPTARSHI. ROY - DIRECTOR – (HR & FINANCE)
MR. A.K. GUPTA – DIRECTOR (COMMERCIAL)
MR. S.K. ROY - DIRECTOR (PROJECTS)
MR. P.K. MOHAPATRA - DIRECTOR (TECHNICAL)
MR. PRAKASH TIWARI - DIRECTOR (OPERATIONS)
MR. SUDHIR ARYA – CFO & ED (FINANCE)

Moderator: Ladies and gentlemen, good day and welcome to the NTPC Limited Q3 FY18 Earning Conference Call, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*"then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Modi from ICICI Securities. Thank you, and over to you, Mr. Modi.

Rahul Modi: Thank you. On behalf of ICICI Securities, I welcome you all to the Q3 earnings conference call of NTPC. To discuss the results and share the performance outlook, today we have the management of NTPC, which will be represented by Mr. S. Roy, Director (Human Resources & Finance), Mr. A.K. Gupta, Director (Commercial), Mr. S. K. Roy, Director (Projects), Mr. P.K. Mohapatra, Director (Technical), Mr. Prakash Tiwari, Director (Operations) and Mr. Sudhir Arya, CFO & ED and also other key members of finance team. I would like to hand over the call to the management for the opening remarks, post which we could have the Q&A Session. Over to you Sir. Thank you.

Saptarshi Roy: Thank you. Good afternoon everybody. Let me take this opportunity to introduce myself. I am Saptarshi Roy, Director (HR) and I am also holding the charge of Director (Finance). I am supported here on this conference with my fellow colleague directors, Mr. A.K. Gupta, Director (Commercial), Mr. S.K. Roy, Director (Projects), Mr. P.K. Mohapatra, Director (Technical), Mr. Prakash Tiwari, Director (Operations). I also have with me Mr. Sudhir Arya, Chief Finance Officer and Executive Director (Finance) and other team members of the NTPC team.

Before I take you through the major development, let me wish you all, a very Happy and Prosperous New Year on behalf of team NTPC. Today the company has announced the unaudited financial results for the Q3FY18 as well as for the nine months period ended on December 31, 2017. The key performance highlights for the quarter and nine months have already been disclosed on both the stock exchanges.

To begin with I will briefly touch upon some of the highlights and developments since our last interaction held on November 13, 2017. The major highlights for the Q3 and nine-month period in the FY18 are as under.

NTPC's standalone gross generation increased by 10.695 Billion Units to 197.239 Billion Units registering an increase of 5.73% in 9M FY18 over the corresponding period of previous year . Q3 FY18 recorded double-digit generation growth of 10.40% over the Q3 FY17, represented by 6.386 Billion units. NTPC has posted highest quarterly generation of 67.782 Billion unis during Q3 FY18, surpassing previous highest quarterly generation of 65.047 Billion Units during Q2 FY18. Gross Generation of NTPC Group increased by 10.20% in Q3 FY18 as against corresponding quarter of Q3 FY17.

Increase in the commercial capacity during Q3 FY18, was 1100 MW comprising of commercial operation of One unit of 800 MW at Kudgi, One unit of 250 MW at Bongaigaon and 50 MW of Wind Capacity at Rojmal. However, 325 MW capacity was decommissioned of Patratu Vidyut Utpadan Nigam Limited (PVUNL) (a subsidiary of NTPC Limited). With this, the commercial capacity of NTPC on standalone basis and the Group as a whole has become 44492 MW and 51383 MW respectively. With commissioning of 1210 MW during 9M FY18 the installed capacity of NTPC Group is revised to 51383 MW as on 31st December 2017.

For 9M FY18, 5 coal stations of NTPC clocked PLF of over 85% and also were among the top 10 performing stations in the Country in terms of PLF. Talcher Thermal, Sipat, Vindhyachal, Korba and Rihand with PLF of 92.15%, 88.84%,88.75% ,88.61% and 88.34% were ranked 3rd , 6th ,7th ,8th and 9th.

During 9M FY18, PLF of coal stations was 77.50% as against the national average of 59.68%. NTPC has been consistently maintaining a spread of 16% to 18% over National PLF over last two decades.

We have still suffered loss of generation due to grid restrictions, though it has declined in comparison to previous year.

For the coal based generation the loss was 6.671 BUs in Q3 FY18 as against 11.014 BUs in Q3 FY17and for 9M FY18 the loss was 23.206 BUs as against 30.876 BUs in the corresponding previous period.

Similarly, for the gas based generation the loss was 5.882 BUs in Q3 FY18 as against 6.358 BUs in Q3 FY17 and for 9M FY18 the loss was 17.865 BUs as against 19 BUs in the corresponding previous period.

The generation loss on account of fuel supply constraints in the coal based stations was 5.169 BUs in Q3 FY18 as compared to 0.252 Bus in the Q3 FY17.

NTPC Ltd.and Rajasthan Rajya Vidyut Utpadan Nigam Limited (RUVNL) have submitted a joint application to Ministry of Coal to allocate coal from RUVNL's captive mine for Chhabra Thermal Power Plant. The consent is still awaited.

RFP for possible acquisition of operational, domestic coal based power assets was floated on 25th November 2017 and the last date for receipt of proposals has been extended upto 2nd February 2018.

NTPC has commissioned cumulative capacity 920 MW of Renewable capacity in its energy basket. During 9M FY18, generation from renewables was 914 Million Units as compared to 341 Million Units generated in the corresponding previous period.

From Pakri-Barwadih coal mine, approximately 15 lakh Metric Tonnes of coal has been excavated and 365 rakes of coal have been dispatched till 31st December 2017. As a basket mine, coal will be supplied to different power stations of NTPC from this mine.

Environmental Management- Initiatives for preserving Environment:-

For compliance of new norms and control of SOx, first FGD has been commissioned at Vindhyachal. Erection of FGD at Bongaigaon is in advance stage. Procurement of FGD system packages for other stations are under process which includes capacity under implementation of 13.85 GW and NIT for 24.65 GW.

NOx control in coal fired plants is presently achieved by controlling its production through adopting best combustion practices. Over and above this, since tall stacks are provided in coal stations, gases emitted through stacks is widely dispersed and diluted. In gas based stations, NOx control systems (hybrid burners or wet DeNOx) have been provided for good combustion practices. For compliance of new norms, pilot studies based on SCR/SCNR technology are being undertaken at 9 locations.

Now, coming on to the Financial Highlights the Gross Sales for Q3 FY18 is Rs. 20,698.09 crore as against corresponding quarter Gross Sales of Rs. 19,287.47 crore, an increase of 7.31%. For 9M FY18, Gross Sales for 9M FY18 are Rs. 59,930.07 crore as against corresponding nine month Gross Sales of Rs. 57,468.75 crore, an increase of 4.28%.

Total Income for Q3 FY18 is Rs. 21,087.84 crore as against corresponding quarter Total Income of Rs. 19,646.09 crore, registering an increase of 7.34%. There is an increase of 5.36% in the Total Income i.e. from Rs. 58,455.45 crore to Rs. 61,590.12 crore in 9M FY18.

PAT for 9M FY18 is Rs. 7,417.58 crore as against corresponding period PAT of Rs. 7,305.86 crore registering an increase of 1.53%. For Q3 FY18 PAT is Rs. 2,360.81 crore as against Rs.2,469.26 crore during corresponding period of previous year.

PBT for Q3 FY18 and 9M FY18 is Rs. 2,584.78 crore and Rs. 9,272.93 crore respectively as compared to Rs. 3,082.54 crore and Rs. 9,379.95 crore respectively for the corresponding previous periods of FY17.

An update on various other financial activities:

The regulated equity as on 31st December 2017 was Rs. 50,562.54 crore.

Fund Mobilization

Average cost of borrowing for 9M FY18 was 7.036% as compared to 7.461% in 9M FY17 mainly due to reduction in interest rates.

CAPEX

In 9M FY18, we have incurred a CAPEX of Rs. 14,537.18 crore as against Rs. 17,520.68 crore in 9M FY17. The CAPEX by the other group companies has been Rs. 2,838.68 crore. Thus, the total group CAPEX for the 9M FY18 was Rs. 17,375.86 crore.

The Capital outlay for FY18 for the total group has been estimated at Rs. 28,000 crore.

Now, let me discuss the operational performance for the Q3/9M FY18.

FUEL:

Coal:

During the 9M FY18, Materialization of coal against ACQ was 97.96% as against 93.20% in 9M FY17.

Coal consumption during 9M FY18 was 126.09 MMT, this comprises 125.82 MMT of Domestic Coal and 0.27 MMT of imported coal. The coal consumption in corresponding period of previous year was 121.70 MMT, with 120.25 MMT of Domestic Coal and 1.45 MMT of imported coal.

Gas:

The gas consumption during 9M FY18 was 5.70 MMSCMD (i.e. Million Metric Standard Cubic Meter per Day) as against 5.18 MMSCMD in 9M FY17.

The gas consumption of 9M FY18 procured under APM plus PMT mechanism was 3.97 MMSCMD, under Non-APM gas 0.69 MMSCMD and under Spot RLNG was 1.04 MMSCMD.

Coal Mining:

Cumulative expenditure of Rs. 4,489.03 crore has been incurred on the development of coal mines till 31st December 2017 and expenditure made during 9M FY18 is Rs.619.58 crore.

Commercial:

TPAs have been signed with 27 States/Union Territories as on date. 100% realization of dues till 31st December 2017.

Now, I will briefly touch upon some of NTPC's Group Companies.

NVVN, our trading subsidiary, transacted 12.216 Billion units during the 9M FY18 as against 11.285 Billion units during the 9M FY17, registering an increase of 8.25%. Units transacted during the 9M FY18 include 4.372 Billion units of solar bundled power, 2.636 Billion units traded through Bilateral Arrangements, 2.737 Billion units under cross border trading and 2.471 Billion units traded through power exchange(including RECs).

NVVN has done first time trading in Energy Savings Certificates on IEX platform and traded 547,397 ESCerts till December 2017 which is the highest volume by any entity in the Country and is 57% of the total ESCerts traded on IEX.

During the 9M FY18, we have received dividend of Rs. 45.12 crore (Previous year Rs.39.49 crore) from our subsidiaries and Joint Venture Companies, comprising Rs. 30 crore received from NTPC Vidyut Vyapar Nigam Ltd. , Rs. 2.50 crore received from Utility Power Limited, Rs. 3.6 crore received from PTC India Limited, Rs.8.80 crore received from Energy Efficiency Services Ltd and Rs. 0.22 crore received from NTPC-GE Power Services Private Ltd.

NTPC continues to win laurels and awards in various fields, major awards received in Q3 FY18 are:

Presented with the Dun & Bradstreet Infra Award in the Power Generation Category.

Bagged four awards at the Annual SCOPE Corporate Communication Excellence Awards 2017.

NTPC EPF Trust has been ranked No. 1 by EPFO for the month of July 2017 out of total 1552 exempted establishment trusts.

These were some of the highlights I wanted to share before the question and answer session.

I will now leave this session open for questions and answers. Thank you very much.

Moderator: Thank you very much. We will now begin with the question and answer session. We have the first question from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Good evening Sir. Two things. First can you help us explain what will be the adjusted profits for the quarter, because I see a lot of one-time expenses in the notes to accounts, so if you can tell us whether Barh sales provision has been made in this quarter as well as was made in last quarter. Second, the previous year taxes of Rs.563 Crore and the tax recoverable of Rs.106 Crore. Is there any related income to that as well?

Sudhir Arya: For this quarter, our reported profit is Rs.2360.81 Crore as against Rs.2469.26 Crore during the corresponding quarter of previous year. Our adjusted profit for previous corresponding quarter was Rs.2067.48 Crore, the adjustments which were carried out were previous year sales of (-) Rs. 374.05 Crore, IT adjustment of (-) Rs.107.56 Crore and tax impact of adjustments of Rs.79.83 Crore. In the current quarter, the adjustments which we have carried out are, adjustment of sales due to Income Tax i.e. Rs.105.61 Crore, previous year sales (-) Rs. 11.83 Crore and we have adjusted pay revision and leave encashment items. Pay revision is due from January 1, 2017, so this year employee wage bill includes the impact of expected revised pay scales whereas in the previous Q3 it was at the old pay scales. Further, there was an abnormal surge in leave encashment by employees because of some communication from DPE, which was later withdrawn by them, but during that one week or 10 days, there was a sudden rush to encash leaves by employees, which resulted in leave encashment of more than Rs.900 Crore against which the liabilities provided were not enough. Thus leave encashment as well as wage revision has affected this quarter earnings by Rs.446.89 Crore. The next adjustment is IT adjustment of (-) Rs.563.03 Crore that was carried out in the quarter and the tax impact on the adjustments is (-) Rs.115.39 Crore. Thus, our adjusted PAT for the quarter is Rs.2223.06 Crore as against Rs.2067.48 Crore in the corresponding quarter of previous year showing a growth of 8%.

Abhishek Puri: Sir why has there been a decline from the last quarter because last quarter if we adjust for the Barh provison for Rs.416 Crore, your profit is much higher than Rs.2438 Crore which was reported. Is the Barh provision also made in the current quarter because as per notes to accounts, it seems you have made in the current quarter as well?

Sudhir Arya: No.

Saptarshi Roy: The major impact is because of the leave encashment and wage revision and second is that our new units at Solapur and Mouda have not been able to declare DC of 85% because of certain problems resulting in disincentives in these units.

Abhishek Puri: On the GCV norms case where are we on that and on fixed price pooling proposal we had said that from April 1, 2018 that could start, so any update on that side?

Saptarshi Roy: I will request our Director (Commercial) to respond to this question.

A.K. Gupta: As far as GCV case is concerned, I think I briefed you last time that there was a recommendation by Central Electricity Authority about giving pithead stations a compensation of around 85 to 100 kilocalories and for non-pithead stations 105 to 120 kilocalories, for loss between as received and as fired. Now the case is with CERC and CERC had a hearing on December 7, 2017. The next date for the hearing is yet to be fixed by CERC. I think now that the new Chairman of CERC has joined, it will be heard.

Abhishek Puri: And on the price pooling side?

A.K. Gupta: On the price pooling side, the scheme we had prepared has been discussed with all the states and they have generally concurred with it. We had received some suggestions, which we have incorporated and now we have given this scheme to Ministry of Power with a request to refer it to CERC and give a suitable direction to CERC to allow the fixed charge pooling. We are pursuing with the Ministry of Power and we will take it up appropriately with CERC after MoP refers it.

Abhishek Puri: Thank you so much Sir. I will join in the queue for further questions.

Moderator: Thank you very much. We have the next question from the line of Venkatesh B from Citi Group. Please go ahead.

Venkatesh B: Good evening Sir. I just wanted a little more clarification on what Abhishek asked you in the first question. Last time in the second quarter result your reported number was close to Rs.2400 Crore and there was a Barh sales reversal of Rs.416 Crore, so if you add it back to your second quarter profits on a recurring basis the profit was almost close to Rs.2800 Crore. From Rs.2800 Crore in the second quarter, the recurring profit now has gone close to Rs.2023 Crore, which is like a decrease of almost Rs.700 Crore on a quarter-on-quarter basis?

Sudhir Arya: From where did you arrive at this figure of Rs.2023 Crore, we have Rs.2223 Crore as the adjusted profit.

Venkatesh B: Sorry, Sir, Rs 2223 Crore, that is like a decrease of almost Rs.600 Crores, so I believe a portion of that has come because of the leave encashment effect.

Sudhir Arya: Leave encashment and wage revision.

Venkatesh B: And from the disincentives you had in power plants, which you said that you could not show availability. What were the power plants you mentioned Sir, can you repeat it, please?

Sudhir Arya: Mouda and Solapur.

Venkatesh B: Okay and can you explain why you could not show availability? What were the problems in showing availability at Mouda and Sholapur?

Saptarshi Roy: I will request our Director (Operations) to explain the reasons for not being able to declare availability.

Prakash Tiwari: This under recovery on fixed cost charges was primarily because of less availability of coal though we have tried to mitigate it by swapping coal from our stations, which have enough coal stock.

Saptarshi Roy: I will clarify a little bit more, what happened in the third quarter was that there was a lot of power demand and if you see from the results there we had an increase in generation by 10% in this quarter, and because of this higher generation, the matching coal could not be arranged because there was shortage of coal and also there were some issues related with some of the mines, so overall there was a shortage of coal and this is felt not only by NTPC but also all generating companies in the country.

Venkatesh B: Sir I understood that, now the next question is again related to this question only, first of all if you could explain what exactly has happened in India over second quarter and third quarter that suddenly there is this pickup in demand because we have spent two to three years because there was hardly any power demand now suddenly your generation is growing at 7% during last quarter and in this quarter it has grown 10%, what has happened exactly in the last six months, which has caused this demand to come through and is this demand sustainable and on a related note, at the end of third quarter, is your coal availability problem been solved or it is going to persist in the fourth quarter of this year. Also whether you might have shortage of coal to show full availability in all your power plants.

Saptarshi Roy: Actually, you are right. It is a positive sign for the power sector that the demand is growing. In fact if you look at the demand scenario for the last three months or six months and compare with the last year's corresponding period there is an increase in demand to the level of 6000 to 9000 MW and that is what is actually reflecting back in the coal generation and we firmly believe that this trend will continue.

Venkatesh B: Okay and last bit of question is over the last one year or so there was a gap, which had developed between your commissioned capacity and your commercialized capacity, now we have closed that gap. At the end of the third, quarter your commissioned capacity is equal to your commercialized capacity, now are you still confident that going ahead in next year also you can commission 4 or 5 GW or there could potentially be issues because there is no longer that buffer available which was available over the last one year?

Saptarshi Roy: We are fairly confident that whatever we are talking about we will be able to add that amount of capacity.

Venkatesh B: Sir, at the end of the quarter you have had this problem of availability of coal in the three power plants, has that problem been solved or that is still recurring problem at the beginning of January?

Prakash Tiwari: A study group has been created between Ministry of Railways, Ministry of Coal and Ministry of Power. This group meets every week and they are trying to see how to increase the placement of rakes by railways because it is not only the coal availability issue, it is also the issue of the transporting coal to the stations. This group is working very hard and we are trying that how best we can push coal to Mauda and Solapur we are expecting in near future this problem would be fully solved.

Venkatesh B: Sir, is it possible to quantify the number, you said it is much more than Rs. 300 Crore, how much is the impact of the disincentives in this quarter?

Sudhir Arya: Rs.546 Crore in this quarter.

Venkatesh B: Thank you very much Sir. All the very best. Hope the problems are solved at the earliest.

Moderator: Thank you very much. We have the next question from the line of Subhdip Mitra from JM Financial. Please go ahead.

Subhdip Mitra: Thank you, my questions have been answered.

Moderator: Thank you very much. We have the next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Good afternoon Sir. Sir, couple of questions, first, has the Unchahar Power Plant shutdown is also affecting the profit for the third quarter?

Sudhir Arya: Yes, it is, because it is no longer generating so we are not able to recover the fixed charges for that.

Mohit Kumar: But you are charging interest and depreciation for the power plant?

Sudhir Arya: Yes, it has to be charged.

Mohit Kumar: Sir, second question pertaining to status on buyout of power plants, we have floated an EOI so is there any update which you can share with us?

Saptarshi Roy: Yes, we are planning to open the bids on February 2, 2018 and I think we would be able to give you details only after that.

Mohit Kumar: Sir, my last question, what is the impact of net leave encashment in this particular quarter, is it Rs 300 Crore or more than that?

Sudhir Arya: The leave encashment impact for quarter is Rs.242 Crore.

Mohit Kumar: Thank you.

Moderator: Thank you very much. We have the next question from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: Good evening gentlemen. Two questions, one if you can help us what is the regulated equity as at end December and which are the plants that we should be expecting commercial in quarter four and the target for fiscal 2018-2019.

Saptarshi Roy: The regulated equity as on December 31, 2017 was Rs.50562.54 Crore.

S.K.Roy: In the last quarter we are going to commission two units of 800 MW each at Kudgi and Lara and one unit of 660 MW at Meja.

Bhavin Vithlani: Sir, these will be commercially added, right?

S.K.Roy: No, we are going for capacity addition, so in last quarter we will not do any commercial operation of that.

Bhavin Vithlani: Sir, similarly for fiscal year 2018-2019 if you can help us which will be the units that will be commissioned and also which will be commercially added.

S.K.Roy: In 2018-19, we will be commissioning Bongaigaon Unit III of 250 MW, then BRBCL Unit III of 250 MW, then Lara Unit II of 800 MW, Solapur Unit II of 660 MW, Meja Unit II of 660 MW, Gadarwara Unit I of 800 MW and also Darlipalli Unit I of 800 MW. These are the capacity additions we are targeting in the next financial year.

Bhavin Vithlani: Sir, out of this how much would be commercially added next year?

S.K.Roy: Around 4000 MW will be commercially added in the next fiscal year.

Bhavin Vithlani: So is it possible to share unit wise detail which units we should be expecting commercial operation next year?

S.K.Roy: Yes, Kudgi Unit III of 800 MW, Lara Unit I of 800 MW, Meja Unit I of 660 MW, Bongaigaon Unit III of 250 MW, BRBCL Unit III of 250 MW, Gadarwara Unit I of 800 MW and Solapur Unit I of 660 MW. So, that is around 4000 MW we are targeting for COD.

Bhavin Vithlani: Thank you so much.

Moderator: Thank you very much. We have the next question from the line of Deepak Agarwala from Elara Capital. Please go ahead.

Deepak Agarwala: Sir, just wanted one clarification, you mentioned the impact of plants not achieving the DC. Was it about Rs.300 Crore or Rs.546 Crore ?

Sudhir Arya: For the quarter Rs.546 Crore and for nine months the figure is different.

Deepak Agarwala: And what is the incentive that is earned from the plants who have been operating at high level of PLF during the quarter?

Sudhir Arya: Incentive for nine months is Rs.206 Crore.

Deepak Agarwala: And for the quarter.

Sudhir Arya: For the quarter around Rs.45 Crore.

Deepak Agarwala: The second question is about how you see capacity additions now. What are we planning for in terms of renewables because there are fair bit of tenders in the market invited by you, so in this 4000 MW are we planning to add another 1000-odd MW in solar or wind in next year, should we assume any such thing now?

P.K. Mohapatra: Already 250 MW of wind power is under tendering. The solar projects are held up because of PPA issues and we are waiting for some good signs in this regard and we are trying for PPAs from Karnataka and other states before we go in for the solar projects.

Deepak Agarwala: So as of now we should not assume anything for FY19, is that the case?

Saptarshi Roy: I think FY19 is a bit far now. As explained by Director (Technical), the issue is that everybody is watching in terms of falling tariff of solar and there are also proposals to put some duties on solar equipment imports and there is lot of confusion in the market in that sense so the people are unable to take a call on PPAs now. I think when the budget is presented tomorrow then there will be lot of clarity and after that I think we will be in a better position to tell you that what will be the capacity addition in terms of solar because it all depends on the buyers being ready to take this power and sign PPAs.

Deepak Agarwala: And my last question, what is the capex position, we have done only 50% of the capex of the target of Rs.28000 Crore so are we confident of achieving entire Rs.14000 Crore in the fourth quarter?

Saptarshi Roy: Upwards of 50% is a usual thing. We have already spent Rs.17000 Crore out of Rs.28000 Crore till now.

Deepak Agarwala: What is the target for FY19?

Sudhir Arya: Rs. 22300 crore.

Deepak Agarwala: This is a very sharp reduction, any specific reason because I assume you have not included the renewables in this capex.

Sudhir Arya: Renewables are not included, you are right.

Deepak Agarwala: Why there is a sharp fall in the capex next year?

A.K. Gupta: We are not adding any new units, whatever the total capex, it is from the units which are already under construction and if any new units are awarded then capex will also increase.

Deepak Agarwala: Because generally you assume a rate equal to the depreciation in your capex in terms of replacement through new capacities so that should reflect in an year-to-year capex?

A.K. Gupta: Of the plants which we are putting up in the next year, one is at Patratu. It is a 4000 MW plant but as far as capex is concerned we are only considering the equity investment because this is a JV project, had it been a NTPC project then it would have added significantly to our capex. However, as our Director (Finance) initially said in his remarks that we are looking for some acquisitions and if they come through then it would add to our capex.

Deepak Agarwala: I will come back in the queue. Thanks a lot.

Moderator: Thank you very much. We have the next question from the line of Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.

Dhruv Muchhal: Thank you, sir, just wanted to understand the accounting for the tax reversal amount of Rs.563 crore, so this reduces the tax expense and there will also be reversal of revenue, so the point is on net PAT basis there should be no impact, is that understanding right?

Sudhir Arya: No, there is slight difference in understanding. This reduction in tax is primarily because of some assessment orders we have received in the current year. The liability earlier provided was higher and so now the same has been reduced.

Dhruv Muchhal: So this will go as a pass through in the tariff or no?

Sudhir Arya: No it will not. We will retain it.

Dhruv Muchhal: So it will be retained, okay. The point is if there was a DC impact of about Rs.545 Crore and there was a leave encashment effect of about Rs.242 Crore and if I add up everything, the PAT growth will be significantly higher than probably 20%.

Sudhir Arya: Adjusted PAT growth is 8% that is what we have calculated.

Dhruv Muchhal: Yes, adjusting for the DC and the leave encashment impact.

Sudhir Arya: No, we have not adjusted DC.

Dhruv Muchhal: So but if you adjust for the DC then it will be around 20%?

Sudhir Arya: It may be, but we have not adjusted.

Dhruv Muchhal: Sir, what is adding to your PAT apart from your regulated equity? Are there some incentives, which we are getting in terms of efficiency savings besides the PLF incentives as your earnings are significantly higher if we adjust for all the abnormal items?

Sudhir Arya: There is increase in contribution and there is income from RRAs also but that we do not consider these as abnormal because they will continue in future also.

Dhruv Muchhal: Sir, second thing, whether DC impact will continue in the fourth quarter because you said there is still some coal supply issue, which is continuing?

Sudhir Arya: I think we expect this to be much lesser.

Dhruv Muchhal: But there is still some impact if I have to work with the number?

Sudhir Arya: It will not be at the same level, it will be much reduced.

Dhruv Muchhal: Sir, lastly on the acquisition side we have received a lot of tenders so what is our strategy? Are we looking okay with merchant power plants and if that is the case how do we work around those kind of things?

Saptarshi Roy: No, actually as of now we are not talking in terms of merchant plants. If you look at our RFP, the cost ceilings or the tariff ceilings have been put at Rs.1.18 for fixed charge and Rs.2 for the variable charge. We are going to buy projects below this as we expect that at this rate, we would be able to get PPAs signed and we are going to take over only when we are able to get assurance on sale of power.

Dhruv Muchhal: So effectively, you are saying we would not be buying any merchant power plant.

Saptarshi Roy: No, we may acquire plants, which may have been merchant. However, we are going to take over the assets and we are not taking over companies. So, we are taking over assets and these assets have to be offered to us at fixed charges lower than Rs.1.18 and then we would do the total due diligence of these projects. We would only take them over when we are able to find buyers for the power.

Dhruv Muchhal: Thank you so much.

Moderator: Thank you very much. We have the next question from the line of Anirudh Gangahar from Nomura. Please go ahead.

Anirudh Gangahar: Thank you for the opportunity. Sir, few questions; firstly, if I look at your reported profit after tax and simply add back the prior period tax write back of Rs. 563 Crore our normalized profit for the quarter is just about Rs.1700 Crore given the hit on account of the under recovery and the leave encashment is that calculation broadly correct, Sir?

Sudhir Arya: Send that calculation over to us then only we will be able to comment.

Anirudh Gangahar: I will do that. Secondly, Sir, how many plants are there, for nine months, where our PAF was below the 85% threshold?

Sudhir Arya: Eight of them but three of them may be able to achieve the 85% threshold by year-end, however, the rest may not, like BTPS, Mouda, Unchahar, Bongaigaon and Solapur.

Anirudh Gangahar: Sir, is there any timeline for the restart of the Unchahar unit, anything that we know in terms of the committee findings?

A.K. Gupta: The revival is under process and once final assessment is done by BHEL and NTPC jointly then only we will be able to tell the revival date.

Anirudh Gangahar: Sir, the other clarification was that you mentioned that your capex target for next year is Rs.22300 Crore that is for standalone NTPC and not for the group ventures.

Sudhir Arya: Yes, however, it includes our equity investments in JVs.

Anirudh Gangahar: Thank you very much. I will go back into the queue.

Moderator: Thank you very much. We now have a question from the line of Rahul Modi from ICICI Securities. Please go ahead.

Rahul Modi: Thank you, Sir, for the opportunity. Sir, there have been many numbers, which have been discussed what are the exact adjustments that we are talking about and what are the heads please for arriving at the adjusted PAT of Rs. 2223 Crore?

Sudhir Arya: The reported profit for Q3 is Rs. 2360.81 Crore and the adjustments are in sales due to Income Tax, that is Rs.105.61 Crore, then previous year sales of (-) Rs.11.83 Crore, pay revision and leave encashment Rs.446.89 Crore, and income tax reversal (-) Rs.563.03 Crore and then tax impact on these adjustments is (-) Rs.115.39 Crores so that gives a figure of Rs.2223.06 Crore.

Rahul Modi: Sir, out of this Rs.446 Crore, is the Rs.242 Crore that you mentioned, pertaining to the leave encashment and balance is pay revision?

Sudhir Arya: Balance is pay revision, yes.

Rahul Modi: Sir, just a follow up on which are the non-pithead plants do you think are facing coal issues and what is the situation like there?

Saptarshi Roy: Solapur & Mauda.

Rahul Modi: Barring these are you seeing stress on the coal supply in other places?

Saptarshi Roy: I think these are the projects where we are having problems. In other projects I think we are not going to have DC loss on account of coal.

Rahul Modi: Thank you so much.

Management: So that is about it, one last question or we should call it over.

Moderator: Thank you. The next question is from Rahul Murkya from Jefferies. Please go ahead.

Rahul Murkya: Thanks for taking my question. Just one question, these plants where we have DC impact,is it basically because of the rakes availability?

Saptarshi Roy: I think both, rake availability as well as coal availability.

Rahul Murkya: Sir, would this income be recoverable or once the situation is rectified or it would not recoverable going forward?

Saptarshi Roy: The availability of 85% is seen on annual basis so this number which we are sharing with you is for nine-month period but ultimately this total normalization will be done for the full year and we expect some recoveries in the last quarter.

Rahul Murkya: So there is a possibility that some amount could be recovered going forward?

Saptarshi Roy: Sure.

Rahul Murkya: Thanks a lot Sir. That is it from my side.

Management: Thank you.

Rahul Modi: If you would like to make any closing comments please go ahead.

Saptarshi Roy: Thank you very much to everyone for evincing and showing interest in the financial performance of NTPC and we look forward to your continued support in the years to come. Thank you very much.

Moderator: On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.