"NTPC Limited Q4 FY'16 Earnings Conference Call"

# May 30, 2016

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**SHRI K.K. SHARMA DIRECTOR (OPERATIONS), NTPC LIMITED**
**SHRI SUDHIR ARYA -- EXECUTIVE DIRECTOR (FINANCE), NTPC LIMITED**

**MODERATOR:** **MR. HARSHAVARDHAN DOLE – IIFL CAPITAL**

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the NTPC Q4 FY'16 Earnings Conference Call hosted by IIFL Capital Limited. 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 this conference call, please signal the 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. Harshavardhan Dole from IIFL Capital. Thank you and over to you sir.

**Harshavardhan Dole:** Thank You and Hello! to Everyone. On behalf of IIFL, I Welcome You All To The Fourth Quarter Earnings Call Of NTPC. Today, we have with us the entire senior management of NTPC, represented by Mr. K. Biswal – Director (Finance); Mr. A.K. Jha – Director (Technical); Mr. U.P. Pani – Director (HR) & Director (Commercial); Mr. **S.C. Pandey** – Director (Projects) and Mr. K.K. Sharma- Director (Operations).

First, I would like to hand over the call to Mr. Biswal who will explain to us how the quarter has gone by and his key outlook for the forthcoming year. Thereafter, the floor will be open to Q&A. Over to you, sir.

**K. Biswal:** Thank you. A Very Good Afternoon to Everybody. I am K. Biswal - Director (Finance), NTPC Limited and I have with me Shri A.K. Jha – our Director (Technical); Shri S.C. Pandey – Director (Projects); Shri K.K. Sharma – Director (Operations) and Shri Sudhir Arya - Executive Director (Finance), we have team from Finance as well as Coal Mining, Mr. Partha Mazumder is there from Mining side. Shri U.P. Pani – Director (HR) and Director (Commercial) will be joining soon.

Today, the company has announced the Financial Results for the Fourth Quarter along with the Audited Annual Financial Results for Financial Year 15-16. The Key Performance Highlights for the Quarter and Financial Year have also been disclosed on both the stock exchanges.

To begin with, I will briefly touch upon some of the highlights/developments since our last interaction on January 29th this year. For FY'15-16, in terms of the PLF, the top three Coal stations in the country belong to NTPC. These stations are Talcher Thermal, Singrauli and Talcher Kaniha. Six Coal stations of NTPC were among the top ten performing stations in the country and these have achieved PLF of over 85%. During Q4, we have added 1,105 MW to our commissioned capacity, of this 660 MW was added at Mouda Super Thermal Power Station, 250 MW was added at Nabinagar Thermal Power Station of Bhartitya Rail Bijlee Company Limited, one of our subsidiary company and 195 MW was added at Muzaffarpur Thermal Power Station of Kanti Bijlee Utpadan Nigam Limited, another subsidiary of the NTPC Limited.

In terms of commercial capacity, during Q4, we added 660 MW at Barh Super Thermal Power Station.The total commercial capacity added during FY'15-16 was 1960 MW. With this, the total commercial capacity of NTPC Group reached 45,103 MW as on 31st March 2016 including 6,001 MW capacity owned by our group companies.

For NTPC standalone basis, an amount of Rs.11,623 crore was capitalized during FY 2015-16 due to commencement of commercial operations of additional units.

NTPC's Board of Directors have approved investment approval for Mandsaur Solar PV Projects of 5x50 MW in the State of Madhya Pradesh and Bhadla Solar Project of 4x65 MW in the State of Rajasthan at an appraised estimated cost of Rs.1,502.77 crore and Rs.1,601.27 crore respectively.

As you are aware, Government of India disinvested 5% of NTPC's equity share capital through offer for sale in February 2016. With this, the equity holding of Government of India in NTPC stands reduced to 69.96% of the paid up share capital from 74.96%.

**Recent Highlights**:

During current financial year 2016-17, as per the schedule we have added 200 MW to our commissioned capacity to NP Kunta Ultra Mega Solar Power Project at Anantapuram.In addition, 250 MW of commercial capacity was added at Bongaigaon Thermal Power Station. We have also added 325 MW to our commercial capacity by way of takeover of Patratu Thermal Power Station in the State of Jharkhand. With this, the commercial capacity of NTPC Group reached 45,878 MW.

On May 17 this year we have opened Pakri-Barwadih Coal Mining Project from Western Pit. We are also pleased to inform that Bandag Railway Siding has been commissioned and coal rakes from CCL Amrapalli Mines to our Barh Station has been dispatched from Bandag Siding.

CIMFR has been appointed as nodal agency for third-party sampling on behalf of NTPC and CIL. A tri-partite MoU will be signed between CIMFR**,** Coal India and NTPC shortly**.**

Now, an update on extension of TPAs- 19 states have given their consent for extension of TPA. RBI has also given its no-objection for signing of extension of TPAs.

Another Update on MoEF's Notification regarding New Standards for Thermal Power Stations-as you are aware, the notification deals with three categories – plants installed before 31st December 2003, after 2003 up to 31st December 2016 and beyond. NTPC has written to CEA indicating that it may not be possible to implement revised standards in older plants due to space constraints. Further, this will increase the tariff considerably that is up to 50 paise/kWh upon implementation.

**Corresponding period comparison Q4 of FY'16 Vs Q4 of FY'15 and FY'16 Vs FY'15 year as a whole:**

NTPC maintained its spread over national PLF in FY'15-16 as well.As compared to national PLF of 62.28%, NTPC's PLF was 78.61%.

For Q4FY'16 Coal stations, Gas stations and Hydro stations clocked declared capacity of 95.24%, 98.20% and 88.93% respectively. For FY'15-16, the declared capacity was 91.94%, 97.30% and 95.41% for the Coal stations, Gas stations, Hydro stations respectively.

For FY'15-16, NTPC's all the Coal stations achieved declared capacity of more than 83% except Farakka and Badarpur, similarly, all the 7 Gas stations declared capacity of more than 83%. Due to grid restrictions, we have suffered loss of generation from both the Coal and Gas stations. For the Coal based generating stations, the loss was 10.497 billion units in Q4FY'16 as against 9.717 billion units in Q4FY'15. On annual basis, the loss was 37.758 billion units and 23.113 billion units for FY'16 and FY'15 respectively. Similarly, for the Gas-based generating stations, loss was 7.085 billion units in Q4FY'16 as against Rs.5.954 billion units in Q4 of FY'15 and on annual basis the losses were 25.529 billion units and 20.798 billion units for FY'16 and FY'15 respectively.

Coming to the Financial Figures: PBT for Q4FY'16 is Rs.3,571.24 crore as against Rs.3,122.20 crore in corresponding previous quarter, it is up by 14.38%.On full year basis PBT is Rs.10,058.67 crore as against 10,546.65 crore in the previous year; PBT for the year is lower by around 5% as compared to previous year. Though the profit from the generation has increased by 8%, however, the same is offset due to reduction in other income due to reduction in cash balances owing to issue of bonus debentures.

The generation income contributes to 88% of the PBT as compared to about 80% in the previous year.

Net sales for Q4FY'16 is Rs.17,990.09 crore as against corresponding quarter net sales of Rs.19,229.94 crore. For FY'15-16, net sales is Rs.70,049.18 crore as against FY'14-15 net sales of Rs.72,637.75 crore. The reduction in sales is however primarily on account of reduction in fuel cost.

Total income for Q4FY'15-16 is Rs.18,560.70 crore as against corresponding quarter total income of Rs.19,879.38 crore. For FY'15-16 total income is Rs.71,696.07 crore as against Rs.75,337.36 crore in previous year.

However, the generation in current year seems promising on all India level; Thermal generation has increased by 20%, corresponding with this increase, the generation of NTPC has also increased by 9%.

I would now take you through the Operational Performance of Q4FY'16:

**Coal:** During Q4FY'16 materialization of Coal against ACQ has improved marginally from 86.66% in Q4FY'15 to 88.70% in this quarter.

Materialization of Coal against ACQ in FY'16 was 91.18% as against 89.39% in FY'15.

Due to marginal improvement in the supply of Coal as against ACQ, the consumption of imported Coal reduced by about 34% during 2015-16, resulting in a reduction in blending ratio from 9.32% in FY'15 to 6.41% in FY'16.As a result, the energy charge reduced by 9.65 paise per unit. Further, the blending ratio for imported Coal also reduced to 2.89% for Q4FY'16 as against 10.64% in Q4FY'15.

**Gas:** The outlook of Gas supply is expected to improve. Domestic Gas price has reduced for APM as well as non-APM Gas. The basic price of APM Gas was reduced from USD 4.66 per MMBTU to USD 3.82 per MMBTU during FY'15-16. The company is continuously engaging with the beneficiaries to see how offtake of Gas-based generation can be improved. The Gas consumption during Q4FY'15-16 was 3.80 MMSCMD as against 5.62 MMSCMD in Q4 FY'14-15. On annual basis, the Gas consumption in FY'16 was 5.20 MMSCMD as against 6.41 MMSCMD in FY'15. The Gas consumption of Q4FY'16 procured under APM plus PMT mechanism was 3.20 MMSCMD, under non-APM Gas 0.38 MMSCMD, under long-term RLNG 0.17 MMSCMD and under spot RLNG 0.05 MMSCMD.

**Let me also give an update on the other activities:**

**Capacity additions during FY'16:**

We have added 2,255 MW in our installed capacity, surpassing the MoU target of 2,145 MW. So as on 31st March 2016, the total installed capacity of NTPC Group was 46,653 MW which includes 6,641 MW capacity owned by our joint venture and subsidiary companies. In the current financial year that is 2016-17, we plan to further add around 4,880 MW. This capacity addition target comprises of 1,600 MW at Kudgi, 800 MW at Lara , 660 MW at Solapur, 660 MW at Mouda, 250 MW at Bongaigaon. Besides this, through our subsidiary companies we will add 250 MW at Nabinagar and 660 MW at Meja. Units which have been commissioned, but are yet to be declared commercial comprise of 660 MW at Mouda, 250 MW at Nabinagar under BRBCL and 390 MW at Kanti totalling to 1,300 MW.

**Dividend:** For the financial year 2015-16, the board has recommended the final dividend @ Rs.1.75 per share, that is 17.50% of paid up share capital, subject to approval of the shareholders in annual general meeting scheduled to be held in September. As you are aware, interim dividend for the FY'16 @Rs.1.60, that is 16% of paid up share capital had already been paid in February 2016, thus total dividend for FY'15-16 will be 33.50% of the paid up share capital.

**The regulated equity** as on 31st March 2016 was Rs.41,420.42 crore as compared to Rs.36,916.27 crore as on 31st March 2015.

**Total assets** of the company crossed Rs.2,00,000 crore mark this year and on a standalone basis stood at Rs.2,14,619.26 crore as on 31st March 2016 as compared to total assets of Rs.1,97,134.72 crore as on 31st March 2015.

**Capital work-in progress** including capital advances of the company on standalone basis stood at Rs.73,616.97 crore as on 31st March 2016 as compared to Rs.64,214.18 crore as on 31st March 2015.

**Fund mobilization during Q4FY'16**

We have raised Rs.655 crore through private placement of debentures at a very attractive rate of 8.33% p.a., we have also raised US$500 million at a coupon rate of 4.25% through issue of senior fixed rate notes under our 4 billion MTN program. In addition, we have also tied up a loan facility of Rs.2,000 crore with ICICI Bank during this quarter.

**CAPEX:**

We have incurred CAPEX of Rs.25,737.59 crore during FY'16 against the revised target of Rs.25,000 crore, thus achieving 102% of target utilization. The CAPEX by the other group companies has been Rs.6,131.29 crore, thus total group CAPEX for FY'16 was Rs.31,868.88 crore.

For the financial year 20116-17, the CAPEX outlay of NTPC standalone is Rs.30,000 crore and by other group companies is Rs.8,965 crore.

**Coal Mining:**

Cumulative expenditure on Coal mining to the extent of Rs.3,201.49 crore has been incurred till 31st March 2016.

We have opened bid documents for MDO appointment of Chatti Bariatu, Dulanga and Talaipalli and for Banai Coal block GR has been received from CMPDIL on 13th April 2016 and now it is under approval at Ministry of Coal.Other mines like Bhalumada, Mandakini B are under different stages of approval. The OB removal of Pakri-Barwadih has already started.

**Coming to the Renewable Energy**: In addition to 250 MW under operation/ execution at Anantapuram award for 125 MW will be placed after the signing of the PPA with Discoms.

As far as Solar projects under NSM Phase-II Batch-II are concerned, projects of 1,520 MW have been awarded, 1,000 MW at Ghani-Sakunala Solar Power in Andhra Pradesh and 425 MW at Bhadla Phase-II in Jodhpur, Rajasthan and 100 MW solar capacity in Uttar Pradesh.

Further, reverse auction was completed for 1,000 MW project at Rajasthan, Telangana and Karnataka.Projects of 480 MW are under different stages of tendering.

**Commercial:**

100% realization of sales is continuing in the 13th year in a row.

Average rate of return on investment of surplus funds for FY'16 was 8.37%,

Average cost of borrowing for FY'16 was 7.6728%.

**I can now go to our Group Companies**:

**NVVN**, our trading subsidiary, transacted 3803 million units during Q4FY'16, this includes 975 million units traded through bilateral, 1514 million units of Solar bundled power, 584 million units under cross-border trading and 730 million units traded through Power exchange. NVVN has also signed PPA with Bangladesh Power Development Board for supply of 100 MW Power from Tripura State Electricity Corporation Limited and with Nepal Electricity Authority for supply of upto 80 MW Power.

**Ratnagiri Gas & Power Private Limited** is awarded 2.319 MMSCMD subsidized RLNG for Phase-III of PSDF scheme.

**For the Bangladesh-India Friendship Company Private Limited**, NOA issued to BHEL on 31st January 2016 for main plant package of 2x660 MW.

From the Group Companies, NTPC received dividend of Rs.134.40 crore on cash basis during FY'15-16, i.e., from APCPL Rs.63.48 crore, NSPCL Rs.60 crore, UPL Rs.7 crore; EESL Rs.68 lakh, NASL Rs.60 lakh and PTC Rs.2.64 crore. In addition, NVVN has paid interim dividend for '15-16 of Rs.20 crore in April 2016.

Out of nine operating joint venture companies, five companies UPL, NASL, NSPCL, APCPL and EESL registered profit of Rs.997.21 crore.

NTPC continues to win the laurels in various fields; **Major Awards** received in Q4 are Chanakya Award for National Achievers-2016 in the category of Excellence in Project Management by PRCI, Maharatna of the Year Award in the manufacturing category from leading Investment Journal Dalal Street, NTPC has been conferred with the prestigious Research Investor Communication Award amongst the Large Corporates category for following transparent, fair communication practices and good investor relations practices.

So, this is all from our side. Now, we can go for Question-and-Answer Session.

**Moderator**: Thank you very much. We will now begin the Question-and-Answer Session. The first question is from the line of Venkatesh Balasubramaniam from Citi Research. Please go ahead.

**V Balasubramaniam:** Sir, the first question is other than the prior period sales of around Rs.156 crore and Note-9A says that there are other expenses lower by around Rs.53 crore and depreciation, amortization is less than Rs.10 crore and because of that the profits are higher by Rs.63 crore. Is there any other exceptional item in these numbers in the fourth quarter?

**K. Biswal:** Fuel adjustment is there; it was a positive figure for the last quarter of FY'15, negative figure is there for Q4 of FY'16, because last year we had addressed the fuel dispute with Coal India, so some portion was paid last year. Further, some additional expenses related to fuel came in last quarter of the previous year. Apart from that, I do not think there is any other item.

**V Balasubramaniam:** In a different way if I could ask, what according to you is the company's adjusted profits for the fourth quarter of the current year and for the fourth quarter of last year?

**K. Biswal:** Actually, we have not calculated that.

**V Balasubramaniam:** Is it possible for you to share the gross generation, commercial generation and the energy sent out in this current quarter?

**K. Biswal:** We have posted the data, for your benefit I can read out; for the quarter gross generation is 62.332 billion units, commercial generation is 61.9 billion units and energy sent out is 57.953 billion units; for the year as a whole the gross generation is 241.975 billion units, 240.778 is commercial generation, and 224.926 billion units is energy sent out.

**Moderator**: Thank you. The next question is from the line of Amit Golchha from HDFC Mutual Fund. Please go ahead.

**Amit Golchha:** Your cash balance has come down significantly at the end of the year. So, is this because of the debentures which we issued last year and against which we did not raise debt in this year, is that the sole reason for this?

**K. Biswal:** That is one of the major reasons and there is reduction in cash balance due to lesser other income. Had that not been the case our profitability would have gone up by Rs.500 crore at least, we can say that our generation income has increased because of capacity addition and addition of new commercial units and because of addition of our Hydro units and you know in a regulated set up, we are not allowed to make super profit. So, whatever cash balance is there, that is there.

**Amit Golchha:** To the previous question sir, you have mentioned the fuel adjustment number which was mentioned, can you explain a bit in terms of what is the quantum of that number and what is the impact on the profit because of that number?

**K. Biswal:** Right now that figure is not with me. We will get back to you with the details.

**Moderator**: Thank you. The next question is from the line of Mr. Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:** Sir, first question relates to incentive and savings on account of auxiliary, heat rate, etc., in the year. Can you please quantify that?

**K. Biswal:** Rs.271.50 crore for full year. There is an increase of Rs.82.89 crore over previous year.

**Mohit Kumar:** My second question pertains to this GCV issue which has been lingering on for long time. Just trying to figure out since you have retained the note that there should not be any GCV drop in the Coal from unloading point to the secondary crusher, the distance is short. So why are you filing a review petition in CERC? This Note-3(b) says that we have filed review petition with respect to the CERC order on 1st March 2016. So where we have filed review petition and why?

**K. Biswal:** We are having both Director ( Commercial) and Director (Operations), they will clarify it. The thing is that we have filed review petition against CERC orders. As you rightly said the difference between unloading point and the secondary crusher is hardly few furlongs. So immediately after Coal is unloaded at the track it is taken to the secondary crusher and crushed there and it is reduced to a size, it is better to take sample at secondary crusher. That is our argument. Moreover, we do not have mechanism to take samples at unloading point so far as domestic Coal is concerned and there is also safety issue. All this we have pointed out to CERC and we have gone for review petition. So now, I would request our Director, Operations to elaborate this.

**K.K. Sharma**: Basically the time duration from the unloading of the Coal & reaching secondary crusher is 2-3-minutes, not more than that and the only advantage we get is the product which is of heterogeneous in nature becomes slightly homogenous in nature, because the Coal which we are receiving is of the size of 200mm and above also. So when it gets crushed the representative sample comes out and the readings are more reliable. That is the issue we are trying to convince Hon'ble CERC with our petition that technically it is more in the larger interest of the consumer, error of omissions and deletions will be less, that is all.

**Moderator**: Thank you. We now have a follow up question from the line of Amit Golchha from HDFC Mutual Fund. Please go ahead.

**Amit Golchha:** Sir, the incentive number which you mentioned is for Q4FY'16 or is it for the FY'16 as a whole?

**K. Biswal:** It is for the year as a whole.

**Amit Golchha:** Sir, just want to check a bit more a reason for the quantum of fuel adjustments, so can you explain a bit in terms of what has led to this. you mentioned that there is some extraordinary or one-time item in terms of fuel adjustment?

**K. Biswal:** See, we have not calculated adjusted PAT this time. Somebody asked me about the adjustments. He mentioned that prior period sales are there, in addition to that what would be the other items. My answer is that we have not calculated adjusted PAT. Figures are not available with us. In our kind of regulated business, prior period sales and fuel adjustments are routine in nature.

**Amit Golchha:** I am not asking for the quantum sir, I am just asking the reason for the adjustment of fuel expense, so you paid extra money to Coal India and that is why you have adjusted something in fuel or what is the reason?

**K. Biswal:** This is not the Coal, it is related to Gas, this is related to take or pay liability.

**K.K. Sharma**: The reason is that we are having a tie up for the Gas plant to achieve the declared capability of 85%. So we have got three categories of Gas – one is the APM and PMT Gas and other we have tied up the RLNG Gas which is a Qatar Gas and third, we call fall back arrangement i.e. spot purchases. So, when the particular quantity is not used, there is a take or pay clause. Now, with the larger agreement reached with the Government of India and Qatar government, the liability has come down and that has been adjusted against 2014 which is a prior period.

**Amit Golchha:** So basically you have reduced the fuel expenses there?

**K. Biswal:** Yes.

**Moderator**: Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal. Please go ahead.

**Sanjay Jain:** Sir, one request for you: In your opening remarks, you share a lot of useful information, it is really useful. Is it possible that prepared speech can be given in a press release because we miss out…?

**K. Biswal:** Transcript will be uploaded on NTPC's website and you can access that.

**Sangeeta Bhatia:** Whatever is spoken is being recorded on Bloomberg. You can take extract from there.

**Sanjay Jain:** First question is Coal India announced result, they have made provisions of about Rs.7 billion and when we ask them the reason behind that they mentioned that there is an adjustment with NTPC of debtors. So has that affected our P&L in the fourth quarter or it has affected the balance sheet? Coal India have made provision of Rs.700 crore in the P&L and they said they were overdue more than three years, so they had…

**Management:** The amount what we disputed has neither been taken in our sales side nor we have charged to the consumers. So as and when it is due then it will affect both the sides, it will not affect my profitability.

**K. Biswal:** As far as we are concerned, Coal India issue remains settled till last financial year.

**Sanjay Jain:** I missed out this capitalization figure for the year. Can you just…?

**K. Biswal:** Rs.11,623 crore.

**Sanjay Jain:** Are you giving any guidance for capitalization in FY'17?

**S.C. Pandey:** We will talk in terms of capacity which we will be doing commercialization for the group and NTPC. So that target is around 3,760 MW. We have to calculate the exact figure how much the CAPEX will get capitalized. It will be upward of Rs.20,000 crore.

**Sanjay Jain:** So this number is for standalone or for the group?

**S.C. Pandey:** No, group capacity I have mentioned; 3760 MW is a minimum number, this will include subsidiary and JV also.

**K. Biswal:** This number may even go up.

**Sanjay Jain:** This we are talking of commercial addition?

**Management:** Commercial addition and this is exclusive of Solar capacity.

**Moderator**: Thank you. The next question is from the line of Mr. Deepak Agarwal from Elara Capital. Please go ahead.

**Deepak Agarwal:** Sir, my first question is regarding this incentive income which you mentioned is Rs.82.89 crore, this is for full year, actually during the Q2 call you mentioned that you made about Rs.89 crore incentives. So has there been a negative incentive for full year?

**K. Biswal:** See our revenue is Rs.72,000 crore and now because of change in regulation they have linked the incentive to PLF i.e. 50 paise/unit on achieving PLF of above 85%. So, naturally this income would be negligible. Our incentive annual income for '15-16 was Rs.271.50 crore as against Rs.188.61 crore of previous year, that is an increase of Rs.82.89 crore.

**K.K.Sharma:** Normally, incentives are calculated at the end of the year only. Till then it is provisionally booked.

**Deepak Agarwal:** Just a clarification; you mentioned you have received about Rs.134 crore dividend from the subsidiaries. Everything is booked in this quarter in Q4 in other income?

**K. Biswal:** No.

**Deepak Agarwal:** What was the similar number last year in Q4?

**K.Biswal:** We can tell you that separately, Deepak.

**K. Biswal:** Rs.134 crore is for the entire financial year.

**Deepak Agarwal:** How long do you think this Solar projects one in M.P. and another in Rajasthan, what is the timeline for commissioning of these two assets?

**A.K. Jha**: Timeline is March ’17 for both the projects.

**Deepak Agarwal:** PPA has been signed for both of them?

**A.K. Jha**: Yes, PPA has been signed for both the projects.

**Deepak Agarwal:** At what tariff if you can share some details in terms of PPA and debt-equity structure?

**A.K. Jha**: The tariff is Rs.5 per unit for both the plants. For Solar Projects debt-equity is 80:20.

**Deepak Agarwal:** When is the last 50 MW getting operational in this AP Kunta project?

**A.K. Jha**: It is scheduled to be operational in October 2016, but we are hopeful to do it two months ahead of schedule.

**Deepak Agarwal:** The tariff is still at 6.16. It is not getting revised?

**A.K. Jha**: So far not.

**Deepak Agarwal:** How much do you think we will do Solar in FY’18 in NTPC’s own balance sheet?

**A.K. Jha**: FY’18 is difficult to project right now, because we have to order, whatever we order in FY’17 will be commissioned in FY’18 given a time period of 12-15-months for Solar plants and that will again be dependent on signing of the PPA and the land availability. But right now 750 MW at Anantapur we will be ordering maybe this financial year and we will also order something from Karnataka. So roughly 1,000 MW order this year which is likely to be commissioned next year.

**Moderator**: Thank you. The next question is from the line of Anirudh Gangahar from Nomura. Please go ahead.

**Anirudh Gangahar:** First question is you mentioned 3760 MW is something that we are looking at a minimum number of COD this year. Could you just help us understand which projects are we referring to in this?

**A.K. Jha**: We plan for Kudgi Unit #1 which we are likely to commission in a month's time, then Mouda Unit #3 we hope to start activities towards the end of June and commercial declaration in the next month, then Unit #4 we want to commission by December and the commercial operation by March. BRBCL Unit #1 we want to commercialize somewhere September within the stipulated CERC guideline of 6-months. KBUN Kanti Unit #3 in December and the other unit by Jan-Feb. Bongaigaon Unit #2 we want to commission by November and commercialize by March. Solhapur Unit #1 commissioning we are planning towards November and commercialization by March.

**Anirudh Gangahar:** The deferred tax recoverable as compared to provided in this quarter is much higher and also the non-operating income or the other income is much higher if you compare to the December quarter while our cash balances have only been reducing. So could you just help us why the other income is looking much better than it was for the last few quarters and the reason for the higher deferred tax recoverability as compared to what is provided, other income has two components – Rs.244 crore and Rs.96 crore in the third quarter and this number is Rs.448 crore and Rs.122 crore in the fourth quarter. So it has definitely gone up quarter-on-quarter. Just wanted to understand what is the reason for the same?

**K. Biswal:** We got Rs.115 crore dividend, we got surcharge from customers amounting to Rs.90 crore.

**Moderator**: Thank you. The next question is from the line of Murtuza Arsiwalla from Kotak Securities. Please go ahead.

**Murtuza Arsiwalla:** While a little early, would it be possible to give guidance on FY'18 commercialization of assets?

**S.C. Pandey**: FY'17-18 it is difficult to check at this stage, but roughly we will be doing in the same tune, because our bulk tendering projects are under commissioning, around 4,500-5,000 we will be trying in FY'17-18.

**K. Biswal:** We will have around 4,500-5,000 MW.

**S.C. Pandey**: Our commissioning will be to the tune of 5000 MW for the next year and we will try to commercialize the units which are getting commissioned towards the last quarter of this year and first, second quarter of the subsequent year by March '18.

**Murtuza Arsiwalla:** How is the progress on the bulk tendering projects of the 800 MW?

**S.C. Pandey**: The first 800 MW unit at Kudgi is now slated for commissioning within this quarter. The issue was that initially we had difficulty of getting water from the Almati as when we completed the line there were restrictions put on availability of water from the Almati because of the drought situation. Now the streamlining is going on, it is getting completed and by June we want to commission this unit at full load. The first unit of bulk tender of the 660 MW was commissioned in the March that is at Mouda.

**Murtuza Arsiwalla:** The follow up units, have we managed to resolve this situation at Kudgi for the entire capacity?

**S.C. Pandey**: Kudgi Unit #2 is slated for commissioning towards the end of third quarter that is by December.

**Moderator**: Thank you. The next follow up question from the line of Venkatesh Balasubramaniam from Citi Research. Please go ahead.

**V Balasubramaniam:** My question is on this fuel cost again sir, because it looks like for example if you see on a quarter-on-quarter basis your gross generation has gone from around 60.7 billion units to 62 billion units, but your fuel cost have fallen by almost Rs.4 billion on a quarter-on-quarter basis. Now, obviously there must be an element of the fact that you have been reducing fuel cost under the new policy, all those things is understandable, but…

**K. Biswal:** But previously we were utilizing imported Coal and MoU Coal, we have shifted to notified Coal, then similarly if you see we have reduced imported Coal use and at the same time wherever possible we are trying to …

**K.K.Sharma:** We have brought down the stock also, so we have consumed around 15 lakh tons from the stock, so this all total together has brought down the fuel cost.

**V Balasubramaniam:** Is there any element of an exceptional item in the fuel cost is what I am asking because that RasGas related contract, have you reduced the fuel cost by a certain amount for some past period items?

**K. Biswal:** Yes in Gas based stations.

**V Balasubramaniam:** What is the amount that you have reduced in the fuel cost because of the RasGas contract which is an exceptional item in the fuel cost?

**K. Biswal:** It is about Rs.250 crore.

**V Balasubramaniam:** If this exceptional was not there, this fuel cost should have been higher by Rs.250 crore, correct?

**K. Biswal:** Yes, in Gas based stations.

**Moderator**: Thank you. The next question is from the line of Mr. Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:** A couple of questions: Lot of Power plants are participating in ancillary services. So will it affect our income materially in Q1FY'17?

**K.K. Sharma:** This is the item for which things are evolving. So it is not correct on our part to guess figures at this juncture, because it depends upon the kind of operating conditions, varying conditions in the grid and other related factors. So I would refrain from giving any statement at this juncture.

**Mohit Kumar:** My second question pertains to wind Power capacity. Do we have any plans to put up any wind Power capacity in FY'17 & FY'18?

**A.K. Jha:** Yes, we have plans to put up wind capacity. How much? I cannot tell you right now. But we have already floated tenders for wind capacity and we have a target of coming next year with the tenders depending upon what is the response, because you know that wind has also now come in the competitive bidding route as compared to the feed-in tariff route. So there is a transition which is going on. It is very difficult to say at this juncture what will be the response of the bidders with respect to the wind when we call the bid under the EPC contract, because you know at NTPC, all the renewable energy we are doing under the EPC, we are not going for the tariff-based bidding.

**Moderator**: Thank you. We have the next question from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.

**Girish Achhipalia:** A couple of questions: Firstly, on the capacity charge, you mentioned there are two plants which did not hit the DC target this year. Just missed the names of those plants.

**Management:** Badarpur and Farakka.

**Girish Achhipalia:** What is the plan going forward on DC - do you think next year you will be able to recover DC for all the plants?

**K.K. Sharma:** So far Badarpur is concerned, it is an old Power station, almost all the fixed costs have been recovered so far the capital cost is concerned. So far the plant has not been closed down. We have to keep that plant running. We have to keep manpower, consumables and we have to do all the maintenance. We have to keep this plant running and for which we need to discuss. We have filed before CERC and we have claimed fixed charges for this plant. If we are asked to close down this plant, we can close down the plant and we can shift manpower and other stores to other plants. We have to understand the entire situation in a manner that it is having 3x95 MW units and 2x210 MW units. These 210 MW units are running, we have invested money in the ESP and other area. Because of the pollution requirement of Delhi, they asked us not to run. So we are asking for recovery of fixed charges and we are hopeful that things will come in our favor. As regards non-recovery of the fixed charges at Farrakka, in the month of March, all of sudden Ganga flow came down, because of that international treaty with Bangladesh we started getting less amount of water. Although we were in the green zone in the first week of March, we became red and we lost a couple of crore rupees at Farakka. We are confident this year to recover cost in all the Power stations.

**Girish Achhipalia:** Next question is on performance at subsidiaries and JVs. The last year we had losses at Dabhol and Vellore. If you can just highlight the yearly number for fiscal '16.

**K. Biswal:** Dabhol has posted a loss of Rs.1100 crore and NTECL Rs.274 crore.

**Girish Achhipalia:** With the Railways PPA coming in and I think there were more talks about more PPAs likely to come through, should Dabhol be turning around next year?

**K. Biswal:** The losses are coming down; this year it is Rs.1,100 crore and if we are able to supply Power from two blocks at least, then perhaps we will be in better situation.

**Girish Achhipalia:** Thirdly, you mentioned in the SOx and NOx computation initial assessment of Rs.20,000-odd crore. Is there any revised estimate that you would have right now at this stage on your existing capacity?

**A.K. Jha:** No, we will not venture into guessing any figures right now, because there are certain plants where this retrofitting is not possible and there are certain plants where the technology for the NOx or for the Indian Coal is not available. So we have represented to the Ministry of Environment and Ministry of Power. Once we know the plants where still this has to be done necessarily then only we can tell you any figures. But roughly if we have to do that, then it will be costing around Rs.0.8-1 crore per MW the retrofitting cost will come wherever we have to do. Now, which are the plants where we have to do? That will be clear only when this discussion between Ministry of Power and Ministry of Environment crystallizes that where has to be done and what period because two years in any case is an impossibility, nowhere it has been done.

**Girish Achhipalia:** Ordering pipeline for new plants in the next 12-months, which plants are we expected to order out?

**A.K. Jha:** Actually we have Barethi in the pipeline for which we are awaiting environmental clearance and once that is given then we can go ahead with Barethi immediately. Other than that we will be having Solar plants which I told you we would be ordering 750 MW in Anantapur and another 250 MW either in Karnataka or anywhere else. So 1,000 there and 2,640 here, so roughly 3,500 plus MW we will be ordering this year.

**Moderator**: Thank you. We have the final question from the line of Mr. Deepak Agarwal. Please go ahead.

**Deepak Agarwal:** Pakri-Barwadih how much do you see we can ramp up this year and next, and what will be the corresponding reduction in the energy charge rate in terms of Coal production?

**K. Biswal:** Our projection this year we are going to produce 1 million ton and next year will be 2 million tons. Fuel cost saving will add up to our basket, either we produce or we procure, then cost will be passed on to the consumer, but it is a positive note that we have started our own Coal mining and that will bring us fuel security.

**Deepak Agarwal:** Out of Rs.6,200 crore, how much was related to this mine because we will start earning ROE?

**K. Biswal:** It's Rs.3,200 crore, for Pakri it is around Rs.1,700 crore.

**Deepak Agarwal:** We will start running ROE on this, right, from this year onwards?

**K. Biswal:** No, it is under development now. There are two parts – one is construction period and another is operation period. So now whatever Coal we produce that will be charged to development. For commercial operations, we have to wait.

**Deepak Agarwal:** So right now there would be any profit attributable from…?

**K. Biswal:** No profit attributable. Whatever Coal we will provide, we will consume it in our projects. But the Coal cost whatever we recover that will reduce the total capital expenditure of the projects, just like in Power. After synchronization and before COD, whatever Power we generate any profit out of that is utilized towards reduction of CAPEX. Similar treatment would be there.

**Moderator**: Thank you very much. I would now like to hand the floor to Mr. Harshavardhan Dole for any closing comments.

**Harshavardhan Dole**: Firstly, I would like to thank the management for giving us the opportunity to host the call. I also thank all the participants for logging on to the call.

**K. Biswal:** Thank you, Harsh, for conducting this.

**Moderator**: Thank you. Ladies and Gentlemen, on behalf of IIFL Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.