



A Maharatna Company

NTPC Limited Q1 FY2015-16 Earnings Conference Call

July 30, 2015

MANAGEMENT: **SHRI K. BISWAL, DIRECTOR (FINANCE)**
SHRI A. K. JHA, DIRECTOR (TECHNICAL)
SHRI S.C. PANDEY, DIRECTOR (PROJECTS)
SHRI K.K. SHARMA, DIRECTOR (OPERATIONS)
SHRI SHARAD ANAND, RED (COAL)
SHRI SUDHIR ARYA, ED (FINANCE)
SHRI D.K. SOOD, ED (COMMERCIAL)
MS. SANGEETA BHATIA, GM (FINANCE)

Moderator: Ladies and Gentlemen, Good day and welcome to the NTPC's Q1 FY 2015-16 earnings conference call hosted by Antique Stock Broking. As a reminder, all participants' line 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. Thank you and over to you sir.

Rahul Modi: Thank You. Good Afternoon everyone. I welcome you all on behalf of Antique to the NTPC Q1 FY2015-16 earnings conference call. I would like to take this opportunity to welcome the management of NTPC on the call and also thank them for giving us the opportunity to host it.

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, Director (Technical); Shri S.C. Pandey, Director (Projects); Shri K.K. Sharma, Director (Operations); Shri Sharad Anand, RED (Coal); Shri Sudhir Arya, ED (Finance); and Mrs. Sangeeta Bhatia, GM (Finance) and other members from the finance team. We also have members from commercial team and technical team, commercial team is lead by Shri D. K. Sood, ED (Commercial).

Today, the Company has announced the financial results for the first quarter of FY2015-16. The key performance highlights for the quarter have also been disclosed on both the stock exchanges. The most significant achievement in this fiscal so far is making a foray into hydro generation. On July 18, 2015, all the 4 units of Koldam, of 200 MW each, were declared on commercial operation. I am happy to inform that all these units are presently running at a PLF of over 100%.

Along with 110 MW of solar capacity, we now have 2% of renewable capacity in our basket coupled with gas-based capacity, 6894 MW of our capacity now accounts for "Clean Energy", which is around 15% of installed capacity.

As we go forward, the Clean Energy will account for 21% of fuel basket by 2022 with 17713 MW of installed capacity since "Solar is the way" and significant emphasis being paid by the Government of India in this direction. This is also in line with our commitment to reduce Green House Gas emissions under our Environment Mission policy which states "Going Higher on Generation, lowering GHG intensity" i.e. GHG versus GHG.

Looking forward on solar energy orbit, Government of India has decided to bundle solar capacity with NTPC's old plant which have completed 25 years of life. Singrauli is the first such project where 1700 MW of capacity, excluding 15% unallocated share, is to be bundled with 3000 MW of upcoming Solar capacity where PPAs are yet to be signed. This move is very beneficial for the Company as it provides extension of payment security mechanism for another 25 years since (1) PPAs have to be entered by the respective States for the purchase of bundled

power; (2) creates a ready and certain market for solar capacity being set up by NTPC; and (3) ROEs/IRR in solar capacity are better than coal based stations due to much shorter gestation periods.

In addition, we plan to bundle and sell 15000 MW solar capacity in country under National Solar Mission by bundling coal-based power generation with solar generation projects being set-up by other power developers.

So far in the current year, we have commissioned 650 MW i.e. 400 MW at Koldam and Unit #1 of 250 MW at Bongaigaon Thermal Power Project on June 22, 2015. We are now preparing for commissioning of Unit#13 of Vindhyachal. We are confident of achieving commissioning target of 2403 MW this fiscal.

A Joint Venture company is being promoted by NTPC and Jharkhand Bijli Vitran Nigam Limited with 74:26 equity participation to take over Patratu Thermal Power Station for performance improvement of existing capacity of 840 MW de-rated to 770 MW and expansion in two phases i.e. 2400 MW in first phase followed by 1600 MW. The Joint Venture Agreement in this regard has been signed yesterday.

We signed an agreement with Jammu and Kashmir State Power Development Corporation Limited for promoting a joint venture company with 67:33 equity participation for undertaking exploration, development and operation of jointly allocated Kudanali-Luburi Coal Block at Odisha by Ministry of Coal.

Efforts to revive stranded Dabhol project, has got a boost as NTPC's joint venture company RGPPL has been allocated 'e-bid RLNG' under the Government of India Scheme. PPA is under finalization with Indian Railways for sale of electricity. NTPC's Auraiya and Dadri Gas Stations have also been allocated 'e-bid RLNG'.

During Q1, 6 coal stations of NTPC were among the top 10 performing stations in the country in terms of PLF. In spite of weak demand in Q1, 6 coal stations achieved PLF of over 85%.

Now, I will begin with the quarter-on-quarter comparison: Net sales for Q1 FY16 is Rs. 17,018.69 crore as against corresponding quarter net sales of Rs.18,086.47 crore. The sales is lower due to reduction in generation by about 6% mainly due to planned maintenance taken up in the first quarter and also due to fall in PLF.

Further, last year around this time, the PLFs were very high owing to general election in the country and also due to delayed monsoon. Going forward, with hydro generation coming on stream, and also, with pick-up in industrial cycle, the generation is expected to be higher in the next quarter. The initiatives undertaken by Government of India under 'Make in India' program especially in Railways, Ports, Road, building 100 Smart Cities, "Digital India" etc., we are very optimistic that the demand for the energy will pick-up.

Total income for Q1 FY16 is Rs. 17,323.30 crore as against corresponding quarter total income of Rs.18,869.31 crore. Profit After Tax for Q1 FY16 is Rs.2,135.35 crore as against Rs.2,201.20 crore in corresponding quarter. There is a decline of Rs.576 crore in the PBT on Q-o-Q basis as well primarily due to reduction in “Other income/Other operating income” which accounts for Rs.478 crore. The main reason of reduction is conversion of short-term surplus cash into long-term debt in the form of Bonus Debentures which are progressively being deployed as debt to finance capital expenditure. Pre-tax decline in earnings due to the interest on bank deposits/mutual funds is around Rs.222 crore, Interest on OTSS bonds is Rs.36 crore and interest received from beneficiaries also declined by about Rs.184 crore in this quarter.

We have earned an incentive of Rs.78 crore in this quarter.

The decline in non-generation income has been compensated by refunds received from the Income Tax Department and therefore the impact in PAT is not that much on Q-o-Q basis.

Gross Generation, including generation from solar and hydro units, during Q1 of FY16 was 58.696 BUs as against 63.157 BUs in Q1 FY15. The commercial generation and energy sent out during Q1 FY16 were 58.482 BUs and 54.475 BUs respectively. Coal stations and gas stations clocked declared capacity of 91.61% and 96.58% respectively.

PLF of coal-based stations was 77.58% for Q1 FY16 as against PLF of 84.29% for Q1 FY15. The National PLF for Q1 FY16 was 61.80% as against 67.33% in the corresponding quarter of previous year. Due to grid restrictions, we have suffered loss of generation from both coal stations and gas stations - for the coal-based generation, the loss was 9.477 BUs in Q1 FY16 as against 3.364 BUs in Q1 of previous year. Similarly, for the gas-based generation, the loss was 5.953 BUs in Q1 of FY16 as against 4.376 BUs in Q1 FY15. The good news is that during Q1, there was no loss of generation on account of fuel supply. Sufficient coal is available at all our coal stations.

Coal: The overall domestic coal received in Q1 FY16 was improved by 6.14%. We have received 38.39 MMT (Million Metric Tonne) as compared to 36.17 MMT in Q1 of FY15. In line with incremental production by CIL, materialization of coal against ACQ has also improved in Q1 FY16 and was 91.54% as against 85.96% in Q1 FY15.

The supply of imported coal remained almost same, 3.86 MMT in Q1 FY16 as against 3.67 MMT in Q1 of previous year. The blending ratio for imported coal stands at 10.32% for Q1 FY16 as against 8.62% in the first quarter of the previous year.

For the first time in the country, third party sampling of Coal has commenced at all the NTPC stations except for Ramagundam. For Ramagundam STPP also, the third party sampling is expected to commence from next month after approval of the Board of SCCL.

Gas: On Gas front, the fuel availability was adequate, however, due to grid restrictions the same could not be fully utilized. The gas consumption during Q1 FY16 was 5.88 MMSCMD (Million Metric Standard Cubic Meter Per Day) as against 7.30 MMSCMD in the corresponding period of previous year. Out of the gas consumption of the first quarter of the current year, 5.42 MMSCMD gas was procured under APM plus PMT mechanism, 0.45 MMSCMD gas was procured under Non-APM gas and 0.01 MMSCMD gas was through long-term RLNG.

Let me now give you an update on various other activities:

Capacity Addition: During the first quarter, the total installed capacity of the NTPC Group crossed 45000 MW and today it is 45048 MW including 6196 MW capacity owned by our Joint Venture and Subsidiary companies.

As against the capacity additions target of 2403 MW, 650 MW has already been added. The balance capacity addition target comprises of 500 MW at Vindhyachal, 800 MW at Kudgi, 8 MW Hydro at Singrauli and 195 MW at Kanti and 250 MW at Nabinagar will be added to through subsidiary companies.

Commercial Capacity: As on date, the commercial capacity of NTPC Group stands at 43943 MW. Unit commissioned but yet to be declared commercial are 1105 MW comprising 660 MW at Barh, 195 MW at Kanti and 250 MW of Bongaigaon.

The Regulated Equity as on 30.06.2015 was approximately Rs.36,900 crore. With the CoD of all 4 units of Koldam HEPP, an estimated amount of Rs.1,700 crore would be added to Regulated Equity and the impact of the same on the financial numbers would be reflected in second quarter. Cash and cash equivalents as on 30.06.2015 stood around Rs.9,100 crore including short term investments in mutual funds. Cash is now more productively deployed in projects under construction due to transfer of Rs.10,306.83 crore to 'Bonus Debentures' in March 2015. As a result the gearing ratio has also improved to 1.02 times as on 30.06.2015 as compared to 0.78 times as on 30.06.2014.

Fund Mobilization: No fresh debt has been mobilized in Q1FY16 since proceeds from 'Bonus Debentures' are being deployed progressively to finance the CAPEX. So for an amount of Rs.8,287 crore has been deployed.

The Board of Directors has also approved upsizing of the nominal amount of USD 2 Billion MTN program to USD 4 Billion and issue of a notes amounting up to USD1 Billion. The Board has also approved the borrowing of USD100 Million through term loan facility for refinancing to take the advantage of lower interest rates. Further, CBDT, Ministry of Finance has allocated Rs.1,000 crore Tax-free Bonds to NTPC to finance its capital expenditure relating to renewable energy.

With regards to CERC case, we are having hearing today and the hearing is continuing. You may be knowing that the case is before Hon'ble High Court.

CAPEX: We have incurred CAPEX of Rs.5,850 crore during Q1FY16 against the phased CAPEX target of Rs.3,992 crore. The CAPEX incurred by the other group companies have been Rs.2,028 crore during this quarter. Thus, the total group CAPEX for the first quarter of FY16 was Rs.7,878 crore. For the financial year 2015-16, the CAPEX outlay of NTPC (Standalone) is Rs.23,000 crore and by other group companies is Rs.6,429 crore.

Expenditure towards coal mine: A cumulative expenditure of Rs.2,793 crore has been incurred on the development of coal mines till 30th June 2015. Further, in case of Pakri Barwadiah mine, price bid for appointment of MDO is under evaluation. For PB coal mining block, Mine Opening Permission has already been received from Coal Controller and Directorate General of Mines Safety.

As a parallel action for opening PB Block, we are trying to open the block from eastern pit for which we plan to award short term contracts for removal of over burden, coal extraction and transportation upto railway siding so that coal can be evacuated.

The railway line between Banadag to Koderma via Hazaribag is ready for operation as trial runs by Railways have successfully completed.

In case of other re-allocated mines, the appointment of MDO is under tendering.

Commercial: 100% Realisation of sales is continuing in 13th year also. Average rate of return on investments of surplus funds for first quarter of current year was 8.73%.

Average cost of borrowing for first quarter of the current year was 7.76% as against 8.08% in first quarter of the previous year. The cost of borrowing has also come down due to deployment of low cost Bonus Debentures after adjusting for income earned on proceeds parked as short term investment.

Now, I will briefly touch upon some of the NTPC Group Companies:

The main plant package of 2x660 MW for Bangladesh-India Friendship Power Company Private Limited, a 50:50 joint venture company between NTPC and Bangladesh Power Development Company is under tendering.

In the other subsidiary Companies like NVVN and NESCL, the Company is under consolidation phase.

In order to enhance fly ash utilization, considering market potential in the vicinity of power plants and local issues at stations, better revenue realization through sale of fly ash and cenospheres and to have better co-ordination between potential fly ash users, the Board of NTPC decided to transfer ash business and sale of cenospheres to itself which was earlier carried out by NVVN. NVVN will now concentrate only on trading of power.

NVVN transacted 3.009 Billion Units during the Q1 FY16, this includes 1.030 Billion Units traded through Bilateral, 1.444 Billion Units of solar bundled power, 459 MUs under cross border trading with Bangladesh and 76 MUs traded through power exchange.

In case of NTPC Electric Supply Company Limited, a wholly owned subsidiary it has been decided to transfer the existing business of deposit and consultancy works under RGGVY from NESCL to NTPC. This subsidiary is also dis-associating with the business of retail distribution of power in various industrial parks developed by Kerala Industrial Infrastructure Development Corporation (KINFRA), through its Joint Venture Company namely KINESCO Power and Utilities Private Limited.

NTPC continues to win laurels in various fields and has been adjudged as The Best Company to Work for 2015 in the Public Sector Category and also rated as The Best Company to Work in Energy, Oil and Gas Industry in the study carried out by the Great Place to Work and Economic Times. NTPC was also ranked 431st largest company in the world in the Forbes Global 2000, 2015 Rankings. As per the Forbes Global 2000, 2015 Rankings NTPC is 20th among the Global Electric Utilities and 4th among the Asian Electric.

So, these are some of the highlights: Now, we can take the questions. Thank you very much.

Moderator: Thank you very much. We will now begin the Question-and-Answer Session. The first question is from the line of Hardik Shah from ICICI Securities. Please go ahead.

Prakash Goel This is Prakash Goel. I have primarily two questions. One, with regard to 'Other Income'. 'Other Income' for the quarter is Rs.238 crore. Any specific reason for the same?

K. Biswal: As I had already explained, we have deployed a large portion of our surplus cash as Bonus Debentures and this surplus cash was previously earning some interest but now it is deployed as debt to finance the capital expenditure. Second reason is that the bonds issued to us in 2002 under the 'One Time Settlement Scheme' are approaching final redemption in October 2016. As the amount is being repaid by the State Utilities, the interest is coming down. These are the two reasons for which our 'Other Income' has come down.



A Maharatna Company

NTPC Ltd
July 30, 2015

- Prakash Goel:** The second part of the answer is well understood. I would like to focus on the first part, How have you done the accounting basically, when you issue the Bonus Debentures, the liability of Bonus Debenture you are saying that you have off-setted against other income, the interest on that?
- K. Biswal:** Generally, once Bonus Debenture is issued, it is considered as a long-term loan and instead of taking loan from the market, we deployed that in our various capital projects. So, the interest on the bonus debenture which is payable to the debenture holders would be capitalized after netting-off the income earned on the unutilized portion of Bonus Debentures. As the unutilized portion of Bonus Debentures is not a Company's fund, so income thereon will not be considered as the Company's income.
- Prakash Goel:** Basically, what you have done is that part of the cash, which was available, you have placed that in a fund and now accounting it against that bonus debenture and not reflecting that money in the P&L. Is that the right understanding?
- K. Biswal:** Right.
- Prakash Goel:** I will actually get in touch to understand that in greater detail, because I am not able to understand how the accounting-wise it is possible. Second question is with regards to the news article today and you mentioned that 15% solar PPAs, the PPAs to be re-bundled in a manner wherein the 15% of solar can be also sold to the SEBs. Is there a concurrence from the SEBs side or is it yet to be discussed with the SEBs?
- K. Biswal:** The Government has come out with a notification on 15th July 2015 that henceforth the plants which had outlived their life, which is after completion of 25 years, the power generated by these thermal power plants would be available for bundling with the solar generation. We are having with us Mr. Jha, our Director (Technical) and In-Charge Solar, he will elaborate it.
- A. K. Jha:** Our original PPAs with the SEBs are for 25 years. So the moment the 25 years is over, that PPA is supposed to have lapsed, but we were continuing with the supply. Now the Government of India has come with the scheme that wherever the plants have outlived their original life, the power generated from such plants will be allowed to bundle with the solar power and it will be sold to the same beneficiaries in the same proportion, if they are willing to buy that. The idea is that we have tried to keep the tariff, so that increase is not more than the 75% of the original coal tariff. Therefore, in case of Singrauli if the present tariff is Rs.1.80, then the bundle tariff will be only Rs.3.12 or Rs.3.15. So it will be as good or cheaper than the current thermal power which is available in the market.
- Prakash Goel:** So you are saying Rs.1.80 to become Rs.3?
- A. K. Jha:** That means 1700 MW of Singrauli power will be bundled with 3000 MW of Solar and the combined tariff will be Rs.3.12.



A Maharatna Company

*NTPC Ltd
July 30, 2015*

- Prakash Goel:** What was the tariff before the expiry, like 25 years?
- A. K. Jha:** The tariff before the expiry was Rs.1.80.
- Prakash Goel:** So that will go up meaningfully from Rs.1.80 to Rs.3.12?
- A. K. Jha:** Naturally, when you are bundling with the solar it will naturally go up. It will still be lower than the tariff for the new plants which are coming in the market.
- K. Biswal:** Basically, we are trying to create affordability of the solar power in the market. That is the intention.
- Prakash Goel:** Is there any legal obligation on these, like earlier when we were signing the contract and renewing, we were been given to understand because this project has been constructed with an intent to supply to SEBs, this flexibility never used to exist because we had this option even...?
- K. Biswal:** Actually, the contract is for 25 years. Once the 25 years contract is over, I think there is no legal hurdle because against whatever I invested and tariff is determined based on that capital expenditure, the plant has extended full services over a period of 25 years, so once the life is over, I do not think there will be any legal right. Moreover, the beneficiaries are not disturbed. Only, beneficiaries are told that if they want to avail the cheaper power, they have to also take the solar power and it is backed by Government notification duly approved by the Cabinet.
- Prakash Goel:** No, sir, what I was trying to understand while this idea sounds very good and brilliant we could have done the similar thing even before and could have made much more money than what we make in a plant which has passed 25 years. I am just trying to understand, would there be any issues with SEBs, or what has been the response of SEBs to the Singrauli thing we propose to them.
- K. Biswal:** We are not making money. We are supplying power for Rs.1.80 for Singrauli power and whatever cost I am incurring for the solar, I am simply bundling it.
- A. K. Jha:** I am not selling Rs.1.80 power at Rs.3.12 and making a profit of Rs.1.32. That Rs.1.32 is compensating for the Rs.6 tariff of the solar. So, therefore, it is basically cross-subsidizing in solar power. NTPC is not making any extra money out of this.
- K. Biswal:** For any clarification, you can contact Ms. Bhatia.
- Moderator:** Thank you. The next question is from the line of Sumit Kishore from JP Morgan. Please go ahead.



A Maharatna Company

NTPC Ltd
July 30, 2015

Sumit Kishore: My first question is, what led to the steep reduction in the Other Operating Income on a year-on-year basis in the June quarter, from Rs.250 crore last year to about Rs.66 crore in this quarter?

K. Biswal: Actually, last year we have received CERC order for prior period and due to which we had accounted for around Rs.183 crore towards the interest from customers because the customers have to pay interest for the delayed period. So, in the current year, we do not have any such items in the first quarter. This is the reason.

Sumit Kishore: My second question is, in NTPC standalone, did all your power projects cross the PAF threshold of 83% for capacity charge and ROE recovery, and if not which were these plants, and what was the extent of under recovery in Q1?

K. Biswal: If you go by our overall DC, it has gone up in comparison to DC of corresponding period of previous year. As I told in my speech, at some stations we have gone for planned overhaul and there we lost some DC, but that would be recovered over the remaining period of time. I would request our Director (Operations), Mr. Sharma to elaborate.

K.K. Sharma: The 83% figure which we talk of for the under-recovery or recovery, is on yearly basis. In the first quarter the machines are subjected to overhaul and machines will continue to be put under overhaul during remaining quarters also as per the planned maintenance schedule. In the case of first quarter the impact is slightly higher for example if we have two machines and one machine is taken out, impact will be 50%. But on an overall period of time, at the end of the year, as we have done last year, 100% recovery of the fixed charges was ensured and we are committing ourselves for the same thing this year also.

Sumit Kishore: Could you give us the Regulated Equity at the end of June, 2015 for NTPC standalone?

K. Biswal: Rs.36,900 crore.

Moderator: Thank you. Our next question is from the line of Venkatesh Balasubramaniam from Citi Bank. Please go ahead.

V Balasubramaniam: Sir, if we remove the tax write-back in this quarter that is previous year taxes of around Rs.841 crore, then the provision for taxes in this quarter is around Rs. 414 crore. The tax rate works out to be extremely low. Why is that?

K. Biswal: I would ask Mr. Gupta to explain.

K.P.Gupta: It is a negative figure, it is not positive, it is a receivable, and it is not payable.

V Balasubramaniam: If you remove previous year taxes of Rs.841 crore, this is like payable Rs.414 crore for the quarter?



A Maharatna Company

NTPC Ltd
July 30, 2015

- K. Biswal:** Yes, you are right.
- V Balasubramaniam:** Now this Rs.414 crore seems like an extremely low tax number. It is below the MAT rate also. So why is that?
- K. Biswal:** 80IA benefits are there, in some new projects, as you see, for the next 10 years we are availing the 80IA benefits. So, if we are availing 80IA benefits then the average effective tax rate would be less than the normative tax rate.
- K.P.Gupta:** Effective tax rate is 23.9%. How your number has come, which is very low?
- V Balasubramaniam:** No, because you have to adjust for the other prior period items like income tax receivable, recoverable...?
- K.P.Gupta:** Everything is covered in calculation, see this credit is available to me, because of assessment done by the income tax department in current financial year, otherwise, effective tax rate has not come down, it is not in MAT rate.
- K. Biswal:** Generally, our effective tax rate, if you see in the past year also it is almost 23% to 24%. It is a little bit higher than the MAT rate. And it is typically due to the 80IA benefits.
- V Balasubramaniam:** Can you give us what is your calculation of your recurring profits for the current quarter and the same quarter of last year?
- K. Biswal:** There are certain items we have adjusted, but that does not give a correct picture. We have done it say, if my PAT is Rs.2,135.35 crore as against Rs.2,201.20 crore, if you take out ~~this~~ previous year sales, prior period adjustments, provisions write back, interest from customers, income/deferred tax and previous year's fuel, then the adjusted profit would be Rs. 1,947 crore for Q1 of previous years and Rs. 2,133 crore for the Q1 of current year, that shows an increase of 9.56%, but it is not the correct approach to see in this way. So that is why we have not discussed it. We are not discussing what would have been the adjusted profit. We discuss only the reported numbers.
- Moderator:** Thank you. Our next question is from the line of Arun Kumar from HSBC. Please go ahead.
- Arun Kumar:** I have two questions; first question is regarding the solar thing which you briefly talked about. I just want to understand how the mechanism will work, any solar project anywhere in India you are doing, will it be attached to Singrauli or it will be set up around Singrauli?
- K. Biswal:** I would again request Mr. Jha to elaborate.
- A. K. Jha:** The mechanism is that, we would prefer to have the solar project in the State of the respective beneficiaries like Singrauli project is located in the northern region and it is for the benefit of



A Maharatna Company

*NTPC Ltd
July 30, 2015*

the States of the northern region. So, in all probability, the Solar project will be located in any of the States of northern region and similarly we might take a project in the western region, like Korba, then the solar project could be located in Madhya Pradesh or Chhattisgarh or anywhere in the western region.

Arun Kumar: What is the status on the other Solar projects which are currently in the process of executing like in Andhra Pradesh, Telangana?

Management: In Andhra Pradesh for 250 MW solar project already the work has commenced in April, the foundation work is going on. It is supposed to be commissioned in April, next year and it will be commissioned by that time.

Arun Kumar: The plan was more than 1500 MW?

Management: No, NTPC plan was 1000 MW in Andhra Pradesh, out of which 250 MW is already ordered and for 750 MW tenders will be coming out in the month of August.

Arun Kumar: And when that commissioning is expected?

K. Biswal: For 750 MW tender will come in August, so we will be placing the order sometime by November or December, and after that it could take another one and a half year to commission.

Arun Kumar: On the average realization per unit, because the number of units generated is known, we see that average realization has come down and a part of that could be because of the average fuel cost has also come down, but even average EBITDA per unit has come down over the last 2-3 quarters. So any specific reason beyond the fuel cost reduction, why the average realization per unit came down?

K. Biswal: It is due to the tax refund.

Sangeeta Bhatia: Arun, if you look at the notes for accounts, it is very explicitly mentioned, the numbers are there, if you add them back, your realization per unit will match.

Arun Kumar: So basically you are saying that the reduction is mainly on account of the tax refund and that is not build up, so when you build up the tariff, you accordingly adjust it down for the tax refund?

K. Biswal: It is a one-off item.

Moderator: Thank you. Our next question is from the line of Sachin Dinesh Trivedi from UTI Assets Management. Please go ahead.



A Maharatna Company

NTPC Ltd
July 30, 2015

- Sachin D Trivedi:** This is with respect to the solar notification been issued by the Government of India. So when we say any solar plant, basically what I am trying to understand here is that, we will be selling only our solar units or it can be aggregated from any?
- K. Biswal:** It is NTPC only.
- Sachin D Trivedi:** How many old units more than 25 years age we have?
- S.C. Pandey:** We have at Singrauli 2000 MW and at Korba 2100 MW and the Rihand, Stage-I, will complete 25 years in January 2016, Ramagundam will complete in April 2016 and Vindhyachal, Stage-I in February 2017. So we have a lot of such units which are completing 25 years life. So as per our commitment to the Prime Minister for adding 10000 MW, our portfolio will all get bundled through this scheme.
- Sachin D Trivedi:** When we are trying to bundle it, we are working on a +15% model?
- K. Biswal:** It is a question of bundling the end product, that is all. ROE will be calculated for the project separately and accordingly solar tariff will be calculated and it will be bundled with the thermal tariff.
- Sachin D Trivedi:** Do we have to sign the fresh PPA with the States for this?
- A.K.Jha:** Yes, we will have to, because some of the States may not want that power, then they will also not get that cheaper thermal power. That option is with them.
- Moderator:** Thank you. Our next question is from the line of Mohit Kumar from IDFC securities. Please go ahead.
- Mohit Kumar:** In notes 2(b), there is a statement which says that pending disposal of the petition, energy charges in respect to the coal-based stations for the quarter been recognized based on the GCV as received at a secondary crusher, Sir what would have been the impact had it been otherwise?
- K. Biswal:** More or less, you see, it is one and the same, at boiler end or when the coal is crushed at secondary crusher end, it is reduced to 6 mm down, and straight away it go to mill, so practically there should not be any difference between the GCV received at boiler end and the coal received at the secondary crusher end.
- Mohit Kumar:** Is there any difference with the CERC regulation in this?
- K. Biswal:** We are fighting this case, today the case has been heard by the Hon'ble High Court. Do remember we have gone to High Court against the CERC regulations. In past CERC told Hon'ble High Court that GCV of coal as received at the secondary crusher end. Now they are changing their stance. So against that we have gone to the High Court, the matter is sub-judice,

we have been following this method consistently, we will be billing and accounting as per the coal received at a crusher end until it is finalized by the Hon'ble High Court or until any decision is taken by CERC after decision of the Hon'ble High Court.

- Mohit Kumar:** Is it possible to quantify the impact had we followed this CERC Regulations?
- K. Biswal:** No, we have not quantified. Last time also we explained this, while presenting the accounts of FY2014-15 it was disclosed.
- Sangeeta Bhatia:** In all Con-calls we have been telling you that this is what we have been applying.
- Mohit Kumar:** On the acquisition of power plants, sir, have you shaped a plan to acquire any private IPPs?
- K. Biswal:** No, we are not going for private IPPs, we have closed down that idea.
- Mohit Kumar:** Anything with Jharkhand or let us say, in Rajasthan?
- K. Biswal:** Yes, in my speech I told that, we have just started, we have signed agreement with Jharkhand Government and we are interested for plant in Madhya Pradesh and also talks are on for DVC, Raghunathpur Plant and Rajasthan is also interested to give their thermal power plants to NTPC. So we are interested in state-owned thermal power plants.
- Mohit Kumar:** Will we get any revenue through O&M to maintain the whole power plants?
- K. Biswal:** No, the entire plant is taken over. The model for which we are going for is that the plant would be taken over either directly by NTPC or through a JV and the tariff would be determined through CERC regulations.
- Mohit Kumar:** What was the incentive income this quarter compared to last year same quarter?
- K. Biswal:** Rs. 78 crore we have got as against Rs.130 crore.
- Moderator:** Thank you. Our next question is from the line of Murtuza Arsiwalla from Kotak Securities.
- Murtuza Arsiwalla:** Just wanted to check a couple of things. One is there were certain articles by Maharashtra GENCO offering a certain proportion of equity to NTPC. So could you elaborate on what that plan is? Second, in terms of your overall capacities under construction, could you quantify as to what quantum of capacities are currently under construction? As far as the solar plant goes, you may have highlighted this previously, but what is our total plan for Solar and what proportion of that is under construction right now?
- K. Biswal:** So you have three questions if I understand correctly. The first question I cannot answer because it is news for me also. As far we are concerned, nothing has been discussed in NTPC Board regarding the acquisition of Maharashtra GENCO. Second question regarding our under

construction capacities, we have 23504 MW under construction, this year we will be adding 2403 MW, next year around 5000 MW and in 2017-18 we would be achieving around 8,000 MW, this is our capacity addition plan. Coming to the solar, I would like to request Mr. Jha, our Director (Technical) to elaborate.

A.K. Jha: Our total commitment for solar capacity is 10000 MW and in the first go we are attempting to do 3000 MW, out of which 1000 MW will be set up in Andhra Pradesh, out of that for 250 MW works have already started at site, for 750 MW tenders will be floated next month and the work will commence sometime in December. 260 MW we are doing in Rajasthan right now for which land has been allotted to us by the Government and the tender is already in the market. Another 250 MW is being done in Madhya Pradesh for which also the tenders are in the market. Further going as and when we are getting the land from various State Governments, we will be taking up the new projects so that we can first complete the 3000 MW and then we will come to balance 7000 MW to complete our 10000 MW.

Murtuza Arsiwalla: The 3000 MW, do you have a timeline by which you want to complete this.

A.K. Jha: We want to complete by 2019.

Moderator: Thank you. Our next question is from the line of Girish Nair from BNP Paribas Securities. Please go ahead.

Girish Nair: My question is about the SEBs, I guess last month RBI in its 'Financial Stability Report' highlighted that the 7 Discoms that participated in the FRP, their moratorium period has expired and again they are in default to the Banks. Now, my question is, have you heard of any measures that the Government has proposed to bail out the Discoms and remedy the situation?

K. Biswal: So far we are concerned, as I told you in my speech that we have been collecting 100% of our dues so far, we are also equally concerned about the financial health of the Discoms. But, we are not competent to comment on this statement.

Girish Nair: That means that you have not heard anything from the Government in terms of what they propose to do or anything?

K. Biswal: Even if the Government speaks, it will speak to the SEBs.

Girish Nair: Can you break out the fuel cost this quarter by coal, gas and the others?

K. Biswal: Girish, our fuel cost for Coal is Rs.10,585 crore.

Sangeeta Bhatia: If you want any further details we will give you separately.



A Maharatna Company

*NTPC Ltd
July 30, 2015*

- Moderator:** Thank you. Our next question is from the line of Ankit Fitkariwala from Jefferies. Please go ahead.
- Ankit Fitkariwala:** Just wanted to have an understanding of, after the gas pooling, we also bid for certain plants, but in the June PLF that CEA puts out, I see that there has not been too much of improvement in Ratnagiri. So, can you just give an idea which plants are benefiting from it and which are not?
- K.K. Sharma:** Right now, the scheme could not be implemented because of the requirement of some relief from the State Government. In our case we are supposed to get for the RGPPL, some relief from the Maharashtra Government regarding taxes, that process is on. For our Auraiya and Dadri stations we are supposed to get relief from the U.P. Government. So these processes are on. We are expecting to come out with the results shortly.
- Ankit Fitkariwala:** Just a follow-up on this, Auraiya PLF has improved in June compared to May. So is it like a normal thing, except this, what has happened in the gas pooling or it has included that?
- K. Biswal:** It has got no relation with the gas pooling, because gas pooling is yet to be implemented. It is just a reflection of demand.
- Ankit Fitkariwala:** Sir, but it was from June to September. So we have already missed close to 2 months of it. So will we be able to make?
- K. Biswal:** Government is extending the time period. Okay?
- Moderator:** Thank you. Our next question is from the line of Anirudh Gangahar from Nomura. Please go ahead?
- Anirudh Gangahar:** Two questions from my side; one is a follow-up on the comment which was made relating to the CERC case. You mentioned in the first rejoinder, CERC mentioned about the second crusher which was pretty much fine and now did you mention that they have now retracted that comment and now they are saying something else?
- K. Biswal:** In the matter we are following consistent approach and the matter is sub-judice now.
- Anirudh Gangahar:** Secondly, the question is that, one of the plants that we have, which we are hoping to commission is Kudgi this year or may be early next year. Sir, how do we propose to have coal delivered to this plant from where?
- K. Biswal:** For this, I would request our Director (Projects), Mr. Pandey to explain.



A Maharatna Company

NTPC Ltd
July 30, 2015

- S C Pandey:** The Coal will be coming from Mahanadi. Plant erection activities are on track and we are likely to light up the boiler for the first unit in the month of September and hopefully, will be bringing the first unit in the month of March in the current fiscal.
- Anirudh Gangahar:** These are supposed to be on captive coal. Have you got any other linkage from Coal India?
- S C Pandey:** It was from Pakri Barwadih, but alternatively we will be getting the coal from MCL.
- Anirudh Gangahar:** On the Pakri Barwadih you mentioned we are going to start mining from the east side. By when can expect the Coal production to begin?
- K. Biswal:** We expect coal this year. Let us see.
- Moderator:** Thank you. Our next question is from the line of Sanjay Jain from Motilal Oswal. Please go ahead.
- Sanjay Jain:** My question is regarding bundling of solar power with a power plant with more than 25 years old. What I want to understand is, is it just a sales, marketing and financial bundling or is there also an operational bundling, in the sense that when there is a power generation during the day, the thermal power plant will have to ramp down to balance the total supply or these things are not at all linked?
- K. Biswal:** It is only a commercial arrangement, so that whatever power is generated, is are feed into the beneficiaries, both from solar and thermal. That would be billed at a defined ratio so that the average rate of energy comes down.
- A.K.Jha:** It is a cost bundling, not the product bundling.
- Sanjay Jain:** There is no operational bundling?
- A.K.Jha:** No, not operational, only it is a cost bundling.
- K. Biswal:** Power will flow independently. End product cost is bundled, but as far as supplies are concerned, it will be determined based on technical requirements because solar power requirement will be different, thermal power requirement will be different. So, at the end of the day, suppose in a month I have supplied 100 units from Solar and 300 units from the thermal, so both will be bundled for billing etc.
- Sanjay Jain:** Can you give some outlook on PLF, like we are adding new and new capacity, on the other side we are facing demand side issues. So when should we see the PLF bottoming out?
- K. Biswal:** What we are experiencing is, that addition of capacity in the country is at a slightly higher rate than the demand is growing. Because of that we have observed slight slump in the demand. We



A Maharatna Company

*NTPC Ltd
July 30, 2015*

are expecting demand will be picked up and we are hopeful because the coal production in the country has already gone up by 12% and the total outlook of the economy is also very fine. Under these circumstances what we are experiencing today is temporary phase and will be overcome.

Moderator: Our last question is from the line of Deepak Agrawala from Elara Securities. Please go ahead.

Deepak Agrawala: One question on this bundling of power. Now PPA is getting expired after 25 years. So the new terms of the PPA for the next 25 years for the thermal, will it be on the same CERC guidelines with 15.5% ROE?

K. Biswal: The return will be calculated based on the 15.5% ROE and while determining the tariff of the plant we will follow the same methodology. Only thing is that we are bundling solar power, the cost of which as you know is determined through the separate regulations, which is not directly determined by CERC.

Deepak Agrawala: Are you willing to say that when you are signing the new PPA for the older units, for next 25 years, so you are committing that the power plant will run for 50 years, theoretically then?

K. Biswal: 15 years, we are committing.

K.K.Sharma: There are units in the world, running for 45 years. We are already operating units at Talcher Thermal Power Station which is plus 40 years old and is operating at number one position in the country.

Deepak Agrawala: Yes, definitely that you are operating, which we are aware of, but my question is that tomorrow if the plant failed to generate, what is expected at least, say in one of the years in next 20 years, but here you are committing for next 25 years, rather than committing for 5 years, 10 years and then you can again have a relook because the R&M cost or the cost of renovating a plant itself could be prohibitive then?

K.K.Sharma: Yes, in fact there is a provision of re-look at after 15 years, there is a provision of reimbursement of the R&M expenditure also.

Deepak Agrawala: So the PPA could be 15 years plus 10 years kind of thing?

K.K.Sharma: That review can be done.

K. Biswal: I want to clarify; we can make PPAs for 25 years. So far thermal unit is concerned it will be reviewed after 15 years.

K.K.Sharma: As far as solar PPAs are concerned, it will be for 25 years.



A Maharatna Company

*NTPC Ltd
July 30, 2015*

- Deepak Agrawala:** And the R&M costs that you would incur to improve the life of the plant with the same level of efficiency as that of new plants would be considered positive?
- K.K.Sharma:** It will be capitalized.
- Moderator:** Thank you. Ladies and Gentlemen, due to time constraints that was the last question. I would now like to hand the floor back to the management for closing comments. Thank you and over to you sir.
- K. Biswal:** Thank you, everybody.
- Moderator:** I would like to thank all the participants especially the management for given us time for the call. It was a very useful call. Thank you very much, gentlemen.
- Moderator:** Thank you. Ladies and Gentlemen, on behalf of Antique Stock Broking that concludes this conference. Thank you all for joining us and you may now disconnect your lines.