NTPC Q1 FY 2014-15
Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to the NTPC Limited Q1 FY15 Earning Conference Call hosted by Motilal Oswal Securities 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 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 over the conference to Mr. Nalin Bhatt from Motilal Oswal Securities Limited. Thank you and over to you Sir.

Nalin Bhatt: Thank you. Good afternoon everyone. At this moment, I take this opportunity to welcome the management of NTPC on the call and at the same time thanks them for giving us an opportunity to host it. We have with us the management of NTPC represented by Mr. K. Biswal, Director (Finance), Mr. I. J. Kapoor, Director (Commercial) and Mr. N. N. Misra, Director (Operations) along with the senior people from IR team. We will begin with the briefing by the management on Q1 FY 2015 results followed by Q&A. I will take this opportunity to hand over the call to Mr. Biswal for opening remarks. Over to you Sir.

K. Biswal: A very good afternoon to everybody. I am K. Biswal, Director (Finance), NTPC Limited and I have with me my colleague Shri N. N. Misra, Director (Operations). Shri I. J. Kapoor is not here, but we have Mr. Ajit Kumar, Executive Director (Commercial) and Mrs. Sangeeta Bhatia, GM (Finance), Mr. Sreekant, GM (Finance) and other finance team members.

The Company had announced the financial result for first quarter for FY 2014-15. The key highlights for the quarter along with the corresponding figures have already been disclosed yesterday to facilitate efficient use of time.

To begin with, I will briefly start upon some of the highlights and developments since our last interaction during the conference call of Q4 FY 2013-14, before moving on to detailed discussion.

Gross generation increased by 10.75% in Q1 FY 2014-15 as compared to gross generation of Q1 FY 2013-14. Gross generation was 63.133 Billion units in Q1 of FY 2014-15 as compared to 57.005 Billion units in Q1 FY 2013-14.

During the Q1 FY 2014-15, 10 out of 16 coal stations have achieved PLF of more than 85% with Talcher station having the highest PLF of 99.58% and for the previous corresponding quarter 8 stations achieved PLF of more than 85%.

Commissioned as well as declared commercial, a capacity of 20 MW Solar PV at Rajgarh Project. With this Rajgarh solar project achieved its full capacity of 50 MW.

Invited Main Plant tenders for Khargone Project of 1320 MW and Barethi Project of 2640 MW. With this 6800 MW of capacity is under tendering including Tanda of 1320 MW, Katwa 1320 MW, Rammam Hydro 120 MW and wind projects 80 MW.

Out of 17 Million Metric Tonne of coal import target for FY 2014-15, as approved by the Board of Directors earlier, tender for 13 MMT of coal has been invited under multiple packaging concept. Out of this, 7 MMT has been approved for award by the Board of Directors in yesterday's meeting. 1 MMT is under evaluation and for 5 MMT NIT was issued on July 2, 2014.

Expression Of Interest for acquisition of coal based thermal power plant was made in February 2014. Received proposal of about 55000 MW from 34 developers against the EOI.

On quarter-on-quarter basis, capex has increased by 98% i.e. from Rs. 2,144.67 Crore during Q1 of FY 2013-14 to Rs. 4,246.92 Crore in Q1 of FY 2014-15. The capex of Q1 FY 2014-15 has exceeded the phased capex for the period by Rs. 246.92 Crore.

During the month of May 2014, as per the terms of CCEA's approval Offer for sale of equity shares to NTPC employees by Government of India was successfully concluded. 34,83,320 number of equity shares were allotted to employees. Post issue the shareholding of Government of India in NTPC stands reduced to 74.96% from 75.00%.

I will begin with the quarter-on-quarter comparison. PLF of coal based station was 84.29% for Q1 FY 2014-15 against 79.12% for the Q1 of FY 2013-14. Availability Factor (Declared Capacity) of coal based station was 89.29% for Q1 FY 2014-15 as against 84.85% for Q1 FY 2013-14, an increase of 444 basis points. Availability Factor (DC) of gas based station was 90.09% for Q1 of FY 2014-15 against 94.40% for Q1 of FY 2013-14, a decrease of 431 basis points.

Net Sales for Q1 FY 2014-15 is Rs. 18,086.47 Crore as against corresponding quarter sale of Rs. 15,612.89 Crore, registering an increase of 15.84%.

I would like to clarify here that this net sales figure has come down due to adjustment of Rs. 754 Crore of income tax i.e. the refund we got for previous periods, which we have to pass to the consumers and that is why this adjustment has been made in our sales figure.

Total income for Q1 FY 2014-15 is Rs. 18,885.14 Crore as compared to the total income of Rs. 16,391.00 Crore recognized in previous quarter, up by 15.22%. However, the PAT for Q1 FY 2014-15 is Rs. 2,201.20 Crore as against Rs. 2,527.02 Crore in corresponding quarter of previous year.

Coming to the capacity addition, as on June 30, 2014, the total installed capacity of NTPC Group was 43128 MW, which included 6001 MW capacity owned by our Joint Venture and Subsidiary Companies. During the current financial year, till date, 20 MW solar capacity added at Rajgarh. Capacity addition target for FY 2014-15 is around 1800 MW to 2000 MW, this includes Barh-II 660 MW, Bongaigaon 250 MW, Koldam 400 MW – we may try for 600 MW, Singrauli Solar 15 MW, Rajgarh Solar 20 MW, which is already commissioned, Singrauli Hydro 8 MW and 445 MW under subsidiary companies (250 MW from BRBCL and 195 MW from KBUNL).

As of June 30, 2014, the commercial capacity of NTPC Group stood at 41968 MW.

Other details are - Units commissioned but yet to be declared commercial are 660 MW at Barh-II and 500 MW at Vallur, under joint venture company - NTECL.

Coming to the generation, on quarter-on-quarter basis gross generation from coal based capacity has increased by 11.86%. The gross generation from gas based stations has a decline by 5.29% owing to restricted gas supply and grid restriction.

During Q1 FY 2014-15, 9 out of 16 coal stations had achieved Plant Availability Factor (DC) of more than 90% with Simhadri station having the highest PAF(DC) of 100.08%. In gas stations, 3 out of 7 stations have achieved Plant Available Factor (DC) of more than 90%.

We have filed a petition before Hon'ble High Court of Delhi contesting certain provision of Tariff Regulations, 2014. Pending issue of provisional/final tariff orders under the Regulations, 2014 by CERC and disposal of the petition, the financial statements for Q1 FY 2014-15 have been prepared in accordance with the said Regulations.

Let me now give an update on various other activities. The Regulated Equity as on June 30, 2014 was Rs.35,208.53 Crore, Cash and Cash Equivalent as on June 30, 2014 was Rs.13,860 Crore.

The overall domestic coal received in Q1 of FY 2014-15 was 36.00 MMT as compared to 34.59 MMT in Q1 FY 2013-14, an increase of 4.08%.

Materialisation of a coal against ACQ in Q1 FY 2014-15 was 85.62% as against 99.71% in Q1 FY 2013-14. The lower ACQ materialisation is mainly because of the fact that in the Q1 of previous year the ACQ quantity was less as new FSAs were signed after the first quarter, so this has increased ACQ quantity thereby the percentage of materialisation have come down.

Further there was less production from the coal mine because of the various reasons such as labour strike, equipment failure, delay in linked mines due to R&R issues, etc. In the absolute terms, coal supply remained at the same level as in the corresponding quarter.

The generation loss due to fuel supply for the quarter ended June 2014 was 0.813 Billion units as against 4.814 Billion units for the quarter ended June 2013 and 0.117 Billion units for the quarter ended March 2014.

The supply of the imported coal in first quarter of FY 2014-15 was 3.58 MMT as against 3.79 MMT in first quarter of previous year. The blending ratio for the imported coal stands at 8.62% in first quarter of FY 2014-15 as against 8.50% in first quarter of previous year.

In first quarter of current year, gas stations consumes 7.30 MMSCMD (Million Metric Standard Cubic Meter per Day) as against 7.93 MMSCMD in previous year first quarter. Gas procured under APM plus PMT mechanism and non-APM gas during first quarter of current year is 7.23 MMSCMD and under Long Term RLNG 0.07 MMSCMD.

As mentioned in the highlights, in the first quarter of the current year our Company has incurred a capex of Rs. 4,246.92 Crore as against Rs. 2,144.67 Crore during the first quarter of previous year, an increase of 98%. The capex by the other group companies has been Rs.772.08 Crore in first quarter of the current year as against Rs. 735.32 Crore during the first quarter of the previous year. The total group capex in first quarter of the current year was Rs. 5,019.00 Crore.

The capex outlay for FY 2014-15 is Rs. 22,400 Crore for NTPC standalone and Rs. 6,709.67 Crore for rest of the group companies.

Coal Mining - We have been allotted with 10 coal blocks, with geographical reserve of over 5 billion tonnes and production potential of about 100 million tonnes per annum, which can cater the requirement of 20000 MW capacity of NTPC.

Expenditure towards coal mine - Cumulative expenditure of Rs. 2,237.96 Crore has been incurred on the development of these mines till June 30, 2014.

As you know we had realized the 100% of our sale value and this quarter also we have realized 100%. Average rate of return on investment on surplus fund for the first quarter was 9.58% as compared to 9.49% in first quarter of previous year.

Fund mobilization - As on June 30, 2014 the cumulative amount of domestic loans tied up was Rs. 64,174.35 Crore, this excludes amount reduced due to short closure of loans in line with agreements. The cumulative withdrawal up to June 30, 2014 was Rs. 53,504.35 Crore including withdrawal of Rs. 2,000 Crore during the first quarter of the current year. Therefore we have undrawn balance of Rs. 10,670 Crore from loans tied up with domestic bank for financing the capex.

During the current year, till date, we have signed two loan agreements of Rs. 500 Crore each with State Bank of Mysore and Dena Bank.

Average cost of borrowing for first quarter of FY 2014-15 was 8.0776% as compared to 7.7699% in Q1 of the previous year, primarily due to increase in debt raised from the domestic sources.

Asset Acquisition - A committee of the NTPC's Board of Directors namely "Committee for Inorganic Growth" is formed to guide the Board in the process of collecting data, evaluation, due diligence in respect of proposed acquisition of certain distressed thermal power projects and for making recommendation for acquisition of assets. We have issued Expression Of Interest in February 2014, against which, we have received bids for 34 companies who have offered to sell their coal based project for about 55000 MW.

We are hopeful of finalizing these proposals by the end of 2014. The projects will be evaluated on quality of equipment of the project, the level of clearances they have received and coal availability and sourcing the fuel in case of non-availability. Capital Cost / Cost of Generation will also be considered while evaluating such proposals.

Now I am going to discuss about the activities of our Joint Venture and Subsidiary Companies.

NVVN - Power Trading - During first quarter of FY 2014-15, NVVN transacted a business of 2497 million units out of which the solar power is 1227 million units. The 1227 million units of solar power has been supplied to all the 5 Electricity Regions of India covering the State of Punjab, UP, Odisha, West Bengal, Karnataka, Rajasthan, Andhra Pradesh, Tamil Nadu, Maharashtra, Assam and also to DVC. During this period, 13.63 lakhs MT of fly ash was also sold.

Other areas - Under Phase II, Batch II of Jawaharlal Nehru National Solar Mission, Minister of Power has agreed in-principle to allocate 1500 MW of unallocated quota of NTPC coal power station for bundling with 1500 MW of solar power. MNRE is in the process of finalizing the guidelines for the scheme and the bidding process and implementation is proposed to be handled by NVVN as in Phase I of JNNSM.

Cross border trading with Bangladesh - NTPC has commenced the supply of 250 MW power from NTPC stations to Bangladesh from October 5, 2013. During the first quarter of the current year, NVVN has supplied 453 million units to Bangladesh.

NESCL - In May 2014, Government of Odisha has conveyed its acceptance for NESCL (i.e. NTPC Electric Supply Company Limited) proposal to undertake distribution of electricity in 5 KM areas around Talcher Kaniha. Detailed Project Report was made and Financial Appraisal is being taken up.

Under Rajeev Gandhi Grameen Vidyutikaran Yojna work was done on 30 projects and now all the projects are at the closure stage. A cumulative summary of work done is as under:

Un-electrified / De-electrified Villages - Scope was 14742 Villages, progress made 14732 Villages and Villages energized 14686. Partially Electrified Villages - Scope was 20575 Villages, progress made 19450 Villages and Villages energized 19079. Electricity connection to Below Poverty line Households - Scope was 25,50,817, progress made 25,40,889 and Households energized 20,24,901.

NESCL Board as well as Department of Public Enterprises has desired that it should participate in bidding for Distribution Franchisee opportunities. Further, keeping in view that GOI has approved the scheme for financial restructuring plan of State owned Discoms to enable their turnaround and to bring long term viability, various States including Rajasthan, Uttarakhand, Madhya Pradesh, Bihar, Uttar Pradesh are likely to open up distribution business for private public participation. NESCL finds opportunity in entering into distribution business through Distribution Franchise / Public Private Partnership mode. NESCL expects that around 15 to 20 such openings are likely to materialize over next one year.

NTPC-SAIL Power Company limited: NSPCL is in expansion mode. Board of NSPCL has approved FR and DDR for 2x20 MW projects at Durgapur. NSPCL has paid dividend of Rs. 86.28 Crore for FY 2013-14 of which NTPC's share is Rs. 43.14 crore as we hold 50% share in NSPCL.

Energy Efficiency Service Limited - EESL has been awarded work for energy saver installation at Bangalore and Mysore from Karnataka Group. Sample energy saver installed and 23% energy saving achieved.

TELK - During the first quarter of the current year received order for Rs. 20.84 Crore for transformer.

Now I think I have covered all the aspects which has happened during this first quarter and these are some of the highlights I wanted to brief all of you and I must thank all of you for hearing, now we can switch over to question and answer session.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have first question from the line of Jay Kakkar from Standard Chartered. Please go ahead.

Jay Kakkar: Thanks for taking the question. My first question is trying to understand the impact of the new regulations on your fuel and the incentives. Sir have you booked your fuel cost on "as fired basis" or on the "as received basis".

K. Biswal: If you see the counter affidavit filed by CERC before the Hon'ble High Court, they have said that what they understand by "as received" by taking sample after secondary crusher. If you take sample after secondary crusher it means you take the coal after crushing the coal to 6 MM size and straightaway either it will go to the mill or to the stock. Generally in our case the coal straight away goes to the mill. So our technical team says that there is no difference between the coal received at second crusher end and the coal fired.

Jay Kakkar: Just to validate my understanding as per your view, in your case "as fired" and "as received" has no difference?

K. Biswal: No difference.

Jay Kakkar: Sir my other question is on incentive, can we get a number that you booked this quarter on PLF incentive?

K. Biswal: This year we have received incentive of Rs. 130 Crore.

Jay Kakkar: Is there any interest booked during the quarter based on the final tariff orders and what is the amount?

K. Biswal: Rs. 180 Crore.

Jay Kakkar: My last question is can you give us adjusted PAT for the quarter and the details?

K. Biswal: The adjusted PAT for this quarter is Rs. 1,947.06 Crore as against Rs. 2,291 Crore of the first quarter of previous year.

Jay Kakkar: What are the key adjustments that you have taken?

K. Biswal: We received a tariff order for Talcher during this period, so we have taken out the tariff impact of the orders we received for the previous tariff period and also interest on those.

Sangeeta Bhatia: Jay, if you will look at Note No.2(c) of the published quarterly financial results, figures are appearing there and if you reduce those figures you will get the adjusted PAT figure.

Moderator: The second question is from the line of Abhishekh Tyagi from CLSA. Please go ahead.

Abhishekh Tyagi: Good evening. Sir a couple of question, one was regarding what is the key point of contention which you are challenging in the High Court on CERC regulations?

K. Biswal: The main challenge is that the operating norms what we got in the 2009-14 Regulations, based on which we have made our investments got changed. One cannot implement the operating norms from retrospective effect, that is one. So what we said, if at all these are applicable we can apply it on new projects, new capacity additions that would come after the promulgation of new tariff regulations. It should not apply for the existing as well as to projects, which are under construction. We have challenged all the provisions of Tariff Regulations, 2014 before the Hon'ble High Court.

Abhishekh Tyagi: On the fuel cost, your point of view is that it cannot be evaluated?

K. Biswal: Our Director (Operations) is with us, he will clarify in a better way, I will just ask him to clarify.

N. N. Misra: The measurement of GCV was not clear in the original regulation notification that is what we have challenged in the High Court. Now subsequently they have submitted affidavit to the High Court clarifying what they meant by GCV "as received". The point of measurement also they have defined, if that is accepted by the High Court, we have no issue as far as GCV is concerned, it will be implemented in letter and spirit.

Abhishekh Tyagi: Sir that is basically status quo as what was being done before, will that make any changes actually for you?

N. N. Misra: Except a small hitch on this, this is when there is a direct unloading of the coal from the wagon tippler to the mills. However when we have to take stacked coal, we will have to make some provision for it depending on how much stacked coal we have used during a particular timeframe during one shift or during one day, we will work out a system and a procedure for it to be implemented in a transparent manner.

Abhishekh Tyagi: There are no major financial implications on this?

N. N. Misra: No major financial implication on this.

Abhishekh Tyagi: Sir second question was regarding Barh, I think I missed if you mentioned commissioning date of that project and also the fuel tie up for it?

N. N. Misra: It is already commissioned. We are waiting for the commercial operation declaration. So any day we hope to declare it commercial. Second part of the question was about fuel tie up. This project is linked to our Chatti-Bariatu Coal Mine for which we expect coal production to start this year. It got delayed because it was de-allocated and re-allocated subsequently after two years, but in spite of that we hope to start coal production in this financial year but there are other logistic constraints like transportation to Barh, so till that time we are procuring coal from Coal India through other modes like special Memorandum of Understanding, through e-auction and blending it with imported coal.

Abhishekh Tyagi: Thanks a lot.

Moderator: Thank you. We move on to the next question from the line of Abhishek Puri from Deutsche Equities. Please go ahead.

Abhishek Puri: Good afternoon Sir. First of all this Farakka and Kahalgaon, have you seen reduction in PAF and PLF after the fantastic performance last year, I think in May or June it has come off, is there any specific reason for that?

N. N. Misra: It was based on the schedule from the beneficiaries. There is no other issue.

Abhishek Puri: But that has led to reduction in PAF as well?

K. Biswal: PAF, because the units were to be taken under maintenance overhaul.

Abhishek Puri: Sir my next question would be on the new regulations, is there a full recovery of fuel cost given the tightening of heat rates?

K. Biswal: We have not recovered. There is a negative impact on recovery of fuel cost.

Abhishek Puri: Is it because of heat rates only?

K. Biswal: It is combination of heat rate…. Mr. Mishra will elaborate.

N. N. Mishra: We have two parameters which have directly affected our financials one is the heat rate and second is auxiliary power consumption and both of these in certain plants which are old plants where we cannot really reengineer them at this stage without capital infusion. So in those cases we are trying to do our best by having the best operating norms by reviewing our mode of operations, reducing auxiliary power consumption to the extent possible and see that our heat rates and auxiliary power consumption, if not better, at least they are able to match the norms which are given by the CERC, but in the very old plants it appears to be impossible that is what Director (Finance) mentioned that in certain cases there will be a negative contribution and that is why we had pleaded before the Hon'ble High Court that for plants for which financial closure has been done under old parameters, it is not correct to have retrospective regulations on them, as this requires capital infusion and great deal of reengineering.

Abhishek Puri: But if I see your coal consumption it is flat versus last year and your coal based generation is up 12% which means the efficiency of equipment or heat rate indirectly has actually improved by at least 8.5% to 9%?

N. N. Misra: One of the major parameter which has helped us to achieve this was better loading factor in this quarter. You would have seen our PLFs are much better and due to that our heat rates have improved and we are in a better position to at least catch the CERC norms, if not improve on it.

Abhishek Puri: Sir one last question if I may ask what is the ACQ quantity currently?

K. Biswal: ACQ quantity is 39.896 MMT.

Abhishek Puri: The ACQ, which has been signed under the coal supply agreements?

N. N. Misra: ACQ is 39.896 MMT. See as far as ACQ is concerned, we have two groups. One is Pre 2009 and another Post 2009 and the combined ACQ for all this is 150.330 MMT. The 150 MMT for the whole year and you are aware of the coal companies distribution, they do not supply in a linear manner of 25% in each quarter, they have a distribution pattern, so our whole year target is 150 MMT approximately, but as seen in the recent past we hope to get a slightly more about 105% to 106% of the ACQ.

Moderator: Thank you. The next question is from the line of Vaishnavi J from Citi Group. Please go ahead.

Vaishnavi J: I just had a few question, what is the status of the CERC Regulations case in the High Court?

N. N. Misra: It has been shifted to August 28th, the date has been deferred. Next hearing date is August 28, 2014.

Vaishnavi J: Do you intent to appeal this case in the Supreme Court in case the ruling is unfavorable at the High Court level?

N. N. Misra: Surely, we will go if we are not satisfied with the High Court, definitely that the recourse is available to us.

Vaishnavi J: Thank you.

Moderator: Thank you. We have the next question from the line of Shirish Rane from IDFC. Please go ahead.

Shirish Rane: Just a couple of questions. First is Sir there is one clarification, how much incentive you have booked on the PLF in this quarter?

K. Biswal: It is Rs.130 Crore.

Shirish Rane: Has there been any saving on account of controllable parameter?

K. Biswal: What controllable parameter are you referring to?

Shirish Rane: I am talking about the auxiliary consumption and gross station heat rate?

K. Biswal: There is a negative figure if you take NTPC as a whole but there are certain plants where we have saved and there is a couple of them where we have lost.

Sangeeta Bhatia: We have already told you about the PLF, we have told you that 10 stations have performed better than 85% in all.

K. Biswal: Our all the norms have improved, but the CERC's provision are so stringent, that in some stations we could not able to achieve the task.

Shirish Rane: Sir my third question is regarding Pakri-Barwadih mine, have you appointed the MDO and is there still any problem with law and order?

K. Biswal: We are floating the tender shortly. In the month of August we are hopeful the NIT will be out. The law and order situation still seems to be a big challenge for us, so let us see if things improve.

Shirish Rane: What is your target now for production?

N. N. Misra: That will be in FY 2015-16, Chatti-Bariatu we are planning to start in this financial year.

Shirish Rane: Thank you. That is it.

Moderator: Thank you. We have next question from the line of Arun Kumar from HSBC. Please go ahead.

Arun Kumar: Thanks a lot for taking my questions. I just had one question, this is basically the Rs.18,000 odd Crore revenue, which we have booked, will you be in a position to tell us that what is the breakup between the 15.5% Return on Equity. Regulated Return on Equity which we booked and the remainder of the other factors, can you help us in that?

N. N. Misra: Right now we do not have the detailed figure.

Sangeeta Bhatia: We can calculate it separately if you really want it.

Arun Kumar: That would be helpful because then it will help us to understand, how much has been impacted under the new regulations?

Sangeeta Bhatia: We will give you all those breakups on annual basis. Let the quarters pass as such.

Arun Kumar: That is all my question. Thanks a lot.

Moderator: Thank you. The next question is from the line of Amit Sinha from Macquarie. Please go ahead.

Amit Sinha: Thanks for taking my question. My question is on the Brownfield expansion, which you guys are targeting. Are there any capacity number in mind and any timelines on that?

Sangeeta Bhatia: Do you want to know the breakup only for Brownfield?

Amit Sinha: Only for Brownfield.

N. N. Misra: We have Talcher, we are going for 1320 MW.

Sangeeta Bhatia: Ramagundam 4000 MW. Telangana Government asked NTPC to take-up this project.

N. N. Misra: We are working out the details. You will see there are lot of things which are happening on the coal sector and in the recent Telangana-Andhra bifurcation. So we are really reworking our strategies that on which of these areas we can do a fast work, so that the MW is available at the earliest by reallocating the coal, but the coal supply is not going to take a quantum jump in the near future. So I think we will have a more clearer picture during this quarter and we will share with you in the next interaction.

Amit Sinha: Actually my question was on the acquisition target Sir, I mean any capacity figure you have from the acquisition perspective?

N. N. Misra: We are examining this. We got a good response. We are doing the due diligence and it is still under evaluation stage, so after clarity emerges on the outcome of this process we will definitely share this with you and you would appreciate that NTPC has its own strict standards to evaluate all this and once it passes our filter it should be a good bet for us.

Inderjeet: This is Inderjeet from Macquarie. My related question recently there was a media article that audit committee of NTPC Board has actually opposed move to acquire new power plants given certain issues, can you comment on that and my second question is what kind of capacity orders are we likely to place this year? Thanks.

N. N. Misra: You are talking of a press clipping about the deliberation in Audit Committee?

Inderjeet: Yes.

K. Biswal: We are not aware of any such deliberations with any of our Audit Committee. We can confirm that no such deliberations had taken place in the Audit Committee.

Inderjeet: How much order you are likely to place this year?

N. N. Misra: We are going to place order for Khargone for 1320 MW, Barethi for 2640 MW and we may go for Tanda it is 1320 MW and for Katwa 1320 MW and for Rammam Hydro 120 MW. So these are the projects for which we may place the orders.

Sangeeta Bhatia: Ordering in current year.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: Good evening. One clarification, Mr. Misra highlighted that CERC has filed certain affidavit in the High Court regarding the GCV of coal received, if you can elaborate further on this? One statement was made that in the Delhi High Court CERC has filed affidavit regarding the point of calculation for the GCV and certain other parameters which I actually missed, if you can elaborate further on this?

K. Biswal: Actually earlier it was not clear what would be the point of received for calculating GCV, will the point of received is plant boundary or before crushing or after crashing, after first crusher or after second crusher or at what, that was not clear. But the matter is well cleared by CERC in their affidavit to Hon'ble High Court, that you see these are "on received basis" and should be calculated after second crusher.

Bhavin Vithlani: Now we believe that with this clarification there would not be any substantial loss on that…

K. Biswal: Exactly.

Bhavin Vithlani: This was one of the major contention, which is now been resolved is that the right understanding.

K. Biswal: We feel so.

Bhavin Vithlani: A second bit of clarification if you can help us with, you highlighted that there are certain plants where there are under recovery can you elaborate little further that what is it that NTPC is trying to do to mitigate that under recovery due to the heat rate and the auxiliary consumption.

N. N. Misra: See we are trying to reassess our operating methods, like reduction of auxiliary power to the extent possible by reviewing our start up procedures if we can start a unit without running a motor driven boiler feed pumps, so a lot of technical work is going on. The results will only be achievable by the end of the year. We will definitely share with you the details and the financial implication after the end is reached. These are still early days we are experimenting, each plant is unique, each plant will have a unique solution. So I do not have a readymade answer which will fit into all the plants.

Bhavin Vithlani: One more thing is, if I actually annualize the core Return on Equity on the regulated equity in this quarter comes to roughly around 20% would this now looks like a sustainable core return on equity.

Sangeeta Bhatia: That is your call.

Bhavin Vithlani: Last question is, if you can give us the guidance on coal production from the captive mines for current year as well as next year?

K. Biswal: As our Director (Operations) said that from Chatti-Bariatu we are expecting production by this year end and for other projects in next year.

Bhavin Vithlani: If you can help us quantify.

K. Biswal: See as far as Chatti-Bariatu is concerned we have targeted 1 MMT in this financial year. If the law and order situation improves by then in Jharkhand we hope to reach about 3 MMT next year.

Bhavin Vithlani: This will be the only mine where we expect the production to start in the next two fiscal?

K. Biswal: Chatti-Bariatu in 2014-15, Pakri-Barwadih in 2015-16. We have floated tenders for MDO for Dulanga and Kerandari, for Talaipalli will be floating tender shortly so as to line up all these mines in FY 2016-17.

Bhavin Vithlani: What could be the production if everything goes as expected?

K. Biswal: This is about 10-12 MMT because they do not ramp up to the full capacity in the first year itself. It will take about three to five years to reach the mine capacity.

Bhavin Vithlani: That answers my question. Thank you so much.

Moderator: Thank you. We have next question from the line of Vishal Biraia from B&K Securities. Please go ahead.

Vishal Biraia: Thanks for taking my questions Sir. One clarification you mentioned negative impact of fuel cost from certain plants is that possible to quantify it?

K. Biswal: The figure is not available with us we can take up this matter separately if you are really interested in that figure.

Vishal Biraia: I will take it off line. Second on the incentive you mentioned for this quarter it has been Rs. 130 odd Crore so can you share your previous quarter numbers for comparison?

K. Biswal: Previous quarter it was about Rs. 278 Crore.

Vishal Biraia: So unlike any comparison that we have done for a full year basis how is the incentive goes for FY 2015 vis-à-vis FY 2014.

K. Biswal: Well FY 2013-14 was a golden year for so far incentive is concerned because it is linked to the plant availability but if you see our previous five years period that from 2009-10 to 2013-14 our average incentive was around Rs. 500 to Rs. 600 Crore. So we are expecting that much of incentive in this year.

Vishal Biraia: No, because in this quarter it has been a pretty lower?

N. N. Misra: You would have seen the trend of the last regulation period that is 2009-14 discount 2013-14 the average incentive has been of the order of Rs. 500-600 Crore and as explained by our Director (Finance) we are confident that we will reach this average figure of Rs. 500-600 Crore this financial year also. Now what has happened is that in this quarter the loading factors were good so we could achieve Rs. 130 Crore in the coming quarters if the PLF is sustained on this basis we might surpass this average figure also. So we do not foresee any negative impact on our bottomline as far as this parameter is concerned.

Vishal Biraia: Just a clarification, last question when you say incentive it is based on your PAF or it is PLF incentive now?

N. N. Misra: Yes. It is a PLF incentive.

K. Biswal: We are comparing PAF incentive of the last regulation period with PLF incentive of this regulation period. They are not comparable apple-to-apple.

Vishal Biraia: Yes that is why just for a comparison.

Moderator: Thank you. Next question is from the line of Anirudh Gangadhar from Nomura. Please go ahead.

Anirudh Gangadhar: Thank you very much for the opportunity. Sir we talked about bit of under recovery on an overall basis on the fuel side was there any under recovery in the O&M charges as well for this quarter under the new norms?

K. Biswal: For the under recovery of O&M expenses the figure is not available right now with me. Anyway we can, if you are interested, share this figure separately.

Anirudh Gangadhar: Yes that would be good to know Sir because at least gives us comfort that under new O&M norms we are not making any losses, it is just CERC norms which are creating a bit of a problem on the profitability. Sir the second question was that did Mauda was available to the extent for recovery full fixed cost and if not what was the under recovery in this quarter?

Sangeeta Bhatia: Can you just repeat your question Anirudh?

Anirudh Gangadhar: On Mauda, Madam the Availability Factor was still a bit low I was just understanding if you could quantify what was the under recovery of fixed cost in this quarter on account of Mauda?

N. N. Misra: Anirudh, I would like to respond to your first question also about the under recovery in O&M cost in the new regulations. We have not worked out that so far because this will only emerge at the end of the year, because there is a component of plant maintenance, if maintenance is not done in the first quarter you do not have under recovery, if the maintenance is deferred to the third quarter that quarter will have under recovery so it has to be annualized and then we will have a look at it, but if you have seen the new regulation it provides for a better margin for us. So we do not foresee any threat on this parameter. It should be business as usual. Now coming to Mauda yes there was a under recovery on the fixed cost, there were some issues in Mauda but things have looked up as on today the Mauda has given a full availability of 100% as on today as we are speaking now Mauda is given availability of 100% so things have picked up and hopefully at the end of the year I think I told you last time also that at end of the year none of our plants will have under recovery as far as the fixed cost is concerned. Mauda is better than last year.

Anirudh Gangadhar: Thank you Sir. Just one other clarification on the comment that you had made as coal block production is concerned and Sir you mentioned that Pakri-Barwadih would come in next year but you mentioned that other than Chatti-Bariatu all the coal production would be in FY 2016-17 including Talaipalli and Pakri-Barwadih which we were expected to come up in FY 2016, am I missing something Sir or could you just clarify that please?

N. N. Misra: No, Chatti-Bariatu is this year, and Pakri is next year that is 2015-16.

Anirudh Gangadhar: Talaipalli?

N. N. Misra: Talaipalli will be in last part but I would say 2016-17 is a more realistic date.

Anirudh Gangadhar: Thank you Sir. Thank you very much for the clarification.

Moderator: Thank you. We have next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Most of my questions have been answered. Thanks a lot.

Moderator: Thank you. We have next question from the line of Amit from Emkay Global. Please go ahead.

Amit: Good evening Sir basically my first question is on generation part, given that Coal India's fuel supply issues have resolved looking at the Q-o-Q coal reduction, the generations is more is it due to the impact of better quality coming from Coal India in terms of coal or is it because of the efficiency improvement because of that condition has gone up?

K. Biswal: It is for both. We got better coal as well as our efficiency improved.

Amit: So we were just wondering that the last quarter we had achieved a PLF of almost 88% and this quarter was at 84% so the efficiency would have been there in the last quarter as well so the difference between Q-o-Q numbers Q4 FY 2014 and this quarter is it mainly to do with the quality of the coal?

K. Biswal: It can be attributed to quality also, you can say that they are more conscious and they are supplying more quality coal, they have good crusher, they have good surplus miner to supply good coal to the NTPC.

Amit: Secondly Sir there is an item in the Notes of accounts which is the settlement with Coal India the amount mentioned is about Rs. 455 Crore can you clarify sir out of that how much is belonging to this quarter and how much is the previous years number?

K. Biswal: Certainly all for previous year.

Sangeeta Bhatia: It is very categorically written also Amit.

Amit: I was just wondering Madam basically this amount is where in the revenues in the normal revenues or in the previous year sales?

Sangeeta Bhatia: This amount is taken in the sales as well as in the coal cost.

K. Biswal: It appears in both side.

Sangeeta Bhatia: In the current year only.

Amit: Correct Sir what I am asking is that whether in the sales it is there in the current sales or is it there in the previous year sales?

K. Biswal: It is in current sales. That is about previous transaction but it has been accounted in this quarter only.

Sangeeta Bhatia: That is why we have given this note otherwise why would this note be there at all.

Amit: No madam just a bit of confusion what I am asking is that in this quarter there are two items of revenues one is current revenues and second is pervious year sales. So what I am asking is that these Rs. 455 Crore, is there in the current revenues or in the previous year sales item which is Rs. 230 Crore?

K. Biswal: The transaction was for previous year. The amount is settled in this quarter so it has been considered in current year's revenue at the same time it has been also considered in the fuel cost.

Amit: The Rs. 230 Crore of previous year sales is completely a previous year sales not related to coal cost?

Sangeeta Bhatia: The previous year sales is on account of orders received from CERC which have accounted.

Amit: One last small question is basically on the PLF incentives, suppose hypothetically going forward in any of the plants if the PLF goes down below the normative levels whether this incentive would be reversed?

K. Biswal: Actually it is a monthly tariff, but annually it will be trued up. If annual PLF goes down definitely it will have impact, but we do not foresee that annual PLF will go down. If you have seen historically the Q1 and Q2 PLFs have been low because of lower demand, machines under overhaul and all those issues, the real rate starts in Q3 and Q4 so the good period is still to come.

Anujay Jain: Correct Sir. I understand that. Thank you very much and all the best.

Sangeeta Bhatia: Just one or two questions more please.

Moderator: We have next question from the line of Alok Ramachandran from SBI Cap Securities. Please go ahead.

Alok Ramachandran: Can I have the adjusted sales and the adjusted PAT for the quarter and with the orders that to be done in during this year I guess Tanda was there and what are the others as well?

K. Biswal: Adjusted sales, now the sale is Rs. 18,086 Crore you can add Rs. 754 Crore if you see that we got for the previous year, it is coming to Rs. 18,840 Crore.

Alok Ramachandran: Adjusted PAT?

K. Biswal: Adjusted PAT is Rs. 1,947.06 Crore.

Alok Ramachandran: The orders that are going to be done this year BTG orders?

Sangeeta Bhatia: BTG orders we have already told you. There is Barethi project and there is also Tanda, Katwa, and Khargone.

Alok Ramachandran: Sorry Sir this Tanda 1320.

Sangeeta Bhatia: Tanda 1320, Katwa another 1320, Barethi 2640, Khargone 1320 again.

Alok Ramachandran: Thanks. You except to be closed this year itself all these orders?

Sangeeta Bhatia: That is what the expectation is.

Alok Ramachandran: Thank you so much I guess I am done.

Moderator: Thank you. Mr. Nalin Bhatt you may go ahead with your question please.

Nalin Bhatt: Thanks Madam. Actually I had a couple of questions. The first was you said that 35 companies have approached you with 55 Gigawatt of project portfolio on the acquisition side could you give us a split as to how many on these projects are from the state side and or there that everything coming from private side?

K. Biswal: I want to clarify no project from State side all are private own projects.

Nalin Bhatt: Sir my second and last question was pertaining to the core ROE for this quarter I guess you said that this regulatory asset base as of June is close to Rs. 35,000 odd Crore. So what is your view in the current regulated ROE that you want this quarter. I am looking at a total number?

Sangeeta Bhatia: Rs. 35,208 crore, is the Regulated Equity as on June 30.

Nalin Bhatt: I am asking as to what is the regulated return that you have booked in the current quarter, total regulated return, in the current quarter.

Sangeeta Bhatia: You can calculate yourself, the rate is 15.5%.

K. Biswal: You can calculate whether my return is more or less than the regulatory return.

Nalin Bhatt: I just wanted to know the percentage so anyway I will take it offline.

Sangeeta Bhatia: Nalin once we have given you the regulated equity, I think we have given everything after that what is that we are not giving you.

Nalin Bhatt: Thank you so much for giving us the opportunity.

K. Biswal: Thank to all of you who have all participated in the conference call.

Sangeeta Bhatia: Thank you.

Moderator: Thank you very much. On behalf of Motilal Oswal Securities that concludes today's conference. Thank you for joining us. You may now disconnect your lines.