



## “NTPC Limited Q3 FY16 Earnings Conference Call”

**January 29,2016**



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**MODERATOR:** **MR. ABHINEET ANAND – SBICAP SECURITIES LIMITED**



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January 29, 2016

**Moderator:** Ladies and gentlemen, good day and welcome to the NTPC Q3FY16 results conference call hosted by SBICAP 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 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. Abhineet Anand from SBICAP Securities. Thank you and over to you sir.

**Abhineet Anand:** I welcome everyone to the Q3FY16 post results conference call of NTPC and I would like to thank the management of NTPC for giving SBICAP this opportunity to host the call. We have with us the management of NTPC represented by Mr. K. Biswal – Director (Finance), Mr. S.C. Pandey – Director (Projects) and Mr. K.K. Sharma – Director (Operations). I hand it over to the management. Over to you sir.

**K. Biswal:** Very good afternoon to everybody. I am K. Biswal – Director (Finance), NTPC Limited and I have with me Mr. K.K. Sharma – Director (Operations), Shri. Sharad Anand – Regional Executive Director (Coal Mining), Shri. Sudhir Arya – Executive Director (Finance), Shri P.M.Prasad, Executive Director (Coal Mining) & we have Sangeeta Bhatia – General Manager (Finance) and other concerned officers in finance and other disciplines, Mr. S.C. Pandey and Mr. Pani will be joining soon. Today the company has announced unaudited financial result for Q3 of FY15-16 as well as 9-month period ended on 31<sup>st</sup> December 2015. Also, the key performance highlights for the quarter and the 9 months have 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 October 29 this year. Unit one of 500 MW Vindhyachal Super Thermal project phase IV was declared

on commercial operation with effect from 30<sup>th</sup> October 2015. During the 9-month period of FY15-16, 5 coal stations namely, Singrauli, TTPS, Talcher Super Thermal, Korba and Ramagundam were among the top 10 performing stations in the country in terms of PLF. During the 9-months' period NTPC's five coal stations achieved PLF of more than 85%.

Our board has approved interim dividend at the rate of Rs. 1.60 per share for financial year 15-16. Board has also accorded investment approval for Telangana Super Thermal power project Phase-I, 2x800 MW at current estimated cost of Rs. 10,598.98 crore. All the approvals are in place. Ministry of coal has allocated Mandakini-B coal block located in Orissa for Telangana Super Thermal Power Station. Till the mines are developed, Ministry of Coal has also accorded in-principle approval for tapering linkage for Phase-I from WCL. Power purchase agreements have been signed with Southern power distribution company of Telangana Limited and Northern power distribution company of Telangana Limited.

Ministry of Environment and forest and climate change has notified new standards for thermal power stations relating to consumption of water, particulate matter, SO<sub>2</sub>, NO<sub>x</sub> and mercury. As a responsible corporate citizen, NTPC is committed to preserve the environment. We are in the process of assessing each of our projects and identify the units which would require retrofitting since each plant has its own unique features and also there is no tailor-made solution for our coal-based projects. Some of the plants are partially compliant with the revised standards. Some other units require retrofitting, however any CAPEX on meeting these environmental standards will be allowed as a regulatory asset under the 'change in law' provisions.

Let me touch up on Badarpur power station. Delhi Transco Limited in its submission to the Delhi Pollution Control Committee has stated that

BTPS forms a part of the islanding scheme for Delhi power System to supply 500 MW into the grid and closure of BTPS shall affect security and stability of grid network. We have carried innovation and modernization of ESPs for both 210 MW units of Stage-II and emissions are below 50 mg / NM<sup>3</sup>. In view of the critical importance of BTPS for Delhi power supply, NTPC has requested the Ministry of Power to allow running of BTPS.

On January 20<sup>th</sup> 2016, cabinet has approved amendments in the tariff policy. Under the amendments, a holistic view of the power sector has been taken. The amendments are also aimed at achieving the objective of UDAY. That is Ujwal DISCOM Assurance Yojana with a focus on four Es i.e electricity for all, efficiency to ensure affordable tariff, environment for a sustainable future, ease of doing business to attract investment and ensure financial viability. The details are still awaited but the key development for us is that we will be allowed to sell the surplus power from our stations and benefit from the sale of power will be shared on 50:50 between the beneficiaries and the NTPC.

Now, I will begin with the quarter-on-quarter comparison.

**Corresponding quarter comparison, October to December of FY16 versus FY15 :**

Net sales for Q3FY16 is 17,317.50 crore as against corresponding quarter net sales of Rs. 18,738.98 crore. The sales have been reduced on account of reduction in variable charges mainly on account of rationalization of fuel cost.

Total income including other income for Q3FY16 is Rs.17,657.99 crore as against corresponding quarter total income of Rs.19,371.33 crore.

PAT for the Q3FY16 is Rs. 2492.87 crore as against PAT of Rs. 3074.00 crore in corresponding quarter of previous year. PAT in the current Q3 is lower due to lower other income & lower demand.

We have calculated our adjusted PAT for the Q3FY 2016 and as per our calculations although the reported PAT in Q3FY16 has come down by 18.90% but after adjustment of various one-off items the adjusted PAT comes to Rs.2069.08 crore for Q3 of the current year as against Rs.2301.27 crore in corresponding period of the previous year registering a reduction of 10.09%. If you see the 9-month result the reported current PAT is higher by 2.45% and after adjustment the PAT is higher by 6.02%.

**Coal availability during Q3FY16:** Materialization of coal against ACQ has improved marginally from 93.36% in Q3FY15 to 93.58% in this quarter. We have received 39.70 million metric tonnes as compared to 39.61 million metric tonnes in Q3FY15. Most of our stations have coal stocks of about 18 days. In Q3/FY16 the supply of imported coal has reduced from 4.93 million metric tonnes in Q3FY15 to 1.94 million metric tonnes due to better materialization of domestic coal. NTPC is continuously striving for rationalization of coal by way of swapping of coal sources and substituting imported coal and MOU /e-auction coal with ACQ coal. This will help in reducing the cost of power aligning with the objective of UDAY scheme. You will be glad to know that the variable charge for coal has reduced to Rs.1.76 per unit as against the Rs. 2.02 per unit in fiscal 2015, a reduction of 26 paise per unit.

Let me also give an update on various other activities.

**Capacity addition:** Against the capacity addition target of 2403 MW, 1150 MW has already been added. The balance capacity addition target comprises 800 MW at Kudgi, 8 MW mini hydro at Singrauli and 195 MW

at Kanti and 250 MW at Nabinagar. We also expect to commission 50 MW out of 250 MW at Anantapur during 2015-16.

**Commercial capacity:** With COD of Vindhyachal Super Thermal power project 500 MW, commercial capacity of NTPC group is now 44,443 MW. Units which have been commissioned but are yet to be declared commercial are 660 MW at Barh, 250 MW at Bongaigaon and 195 MW at Kanti.

The regulated equity as on 31-12-2015 was Rs.39,385.31 crore.

Cash and cash equivalent as on 31-12-2015 stood at around Rs.7,566 crore including short term investment in mutual funds.

Total assets of the company on standalone basis stood at Rs.2,09,280 crore as on December 31<sup>st</sup>, 2015.

During the quarter we have raised Rs.1500 crore through issue of debentures consisting of Rs.700 crore of tax-free bonds at a coupon rate ranging from 7.11% to 7.62% and balance Rs.800 crore at a very fine coupon rate of 8.19% per annum and 8.18% per annum.

**CAPEX:** We have incurred a CAPEX of Rs.16,156.50 crore during 9 month period of FY16 as against the phased CAPEX of Rs.15,860.94 crore. The CAPEX incurred by the other group company is Rs.4635.68 crore during this 9 month period. Total CAPEX of the group for 9 month period of FY16 is Rs.20,792.18 crore.

For the financial year 2015-16, the capacity outlay of the NTPC on standalone basis has been revised to Rs.25,000 crore from Rs.23,000 crore, while for the financial year 16-17, the capital outlay of NTPC (stand-alone) has been estimated at Rs.30,000 crore with Rs.4350 crore allocated towards renewable energy projects

**Coal mining:** Cumulative expenditure of Rs.3,018.79 crore have been incurred on the development of coal mines till December 31<sup>st</sup>, 2015 including Rs.1608.07 crore on PB mine. For MDO appointment of Dulanga and Talaipalli, NITs have been issued. Stage-II forest clearance for Dulanga has been accorded. For Banai and Bhalumuda coal blocks section 4 notification for acquisition of land under CB Act has been issued on 27-January-2016.

**Renewable energy:** NTPC has conducted reverse auction for 65x4 MW that is 260 MW for its Rajasthan Bhadla II project and 50x5 that is 250 MW projects in Madhya Pradesh. Another 750 MW is under tendering for the solar project at Ananthapuram in Andhra Pradesh.

As far as solar project under NSM Phase-II, batch II are concerned projects of 1000 MW have been awarded, recently reverse auction was completed on 19 January, 2016 for 70 MW Rajasthan Bhadla Solar Park at Jodhpur. Further projects of 1680 MW are under different stages of tendering.

**Commercial:** We have been collecting almost 100% of our - sales revenue continuously for last 13 years. Average rate of return on investment of surplus fund for Q3FY16 was 8.00%. Average cost of borrowing for 9 months FY16 was 7.6342% as against 7.8510% in the corresponding period of previous year. It is expected that tripartite agreements with state DISCOMs will be extended for another 10 years. Ministry of Power is taking up the matter with Reserve Bank of India and the Ministry of Finance. Eleven States have already accorded their consent to extend the TPAs.

Now I will briefly touch-upon on some NTPC group companies.

Post allocation of 1.736 MMSCMD for subsidized RLNG, Ratnagiri Gas and Power Private Limited has started generation of 300 MW for power supply to railways in the State of Maharashtra.

For the Bangladesh-India Friendship Power Company Private Limited, the price bids for main plant of 2x660 MW were opened on December 2, 2015. The respective board of Joint Venture Company has consented for issue of NOA. Financial closure of the project is expected to be completed in 6-8 months' time.

NVVN, our trading subsidiary transacted 3101 million units during Q3 of FY16, this includes 680 million units traded through bilateral 1447 million of solar bundled power, 470 million units under cross border trading with Bangladesh and 504 million units traded through power exchange.

NTPC-SAIL Power Company Private Limited is 50:50 JV company has paid dividend of Rs.10 crore in October 2015.

NTPC has received maiden dividend of Rs. 67 lakhs from Energy Efficient Service Limited in October 2015.

Aravali Power Company Private Limited has paid maiden interim dividend to NTPC amounting to Rs.63.47 crore in January 2016.

We have also received interim dividend of Rs. 4.5 crore from UPL .

NTPC continues to win the laurels and awards in various fields and has been awarded Dun and Bradstreet, India's leading infrastructure award 2015 in power generation category, "Ascender of the Decade" Award by Platts for achieving 56<sup>th</sup> position in 2015 from 90<sup>th</sup> position in the year 2006 as a top energy company globally, Greentech CSR platinum award 2015, Central Board of Irrigation and Power award 2016 for being best performing utility in thermal power sector and setting up benchmark for the efficiency and reliability with focus on technology, World Class Indian



Maharatna PSE of the year at the second Indian Public Sector Enterprises Award for Excellence 2015.

These are the some of the highlights. Now we can take the questions. Thank you very much.

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

**Abhishek Puri:** Couple of questions. First on, as per the note 3, you have a tax refund of Rs.414 crore for the quarter, is there a sales amount reversal also of the same amount which we need to adjust?

**K. Biswal:** No. It's not that. It is one time. It's not the refund to be paid to the distribution companies.

**Abhishek Puri:** Right, okay. Sir, secondly, in terms of your cost and PLF, when I look at the 9 months results, the projects like Barh II, Dadri, Farakka, Mouda, etc have very low PLF. So, are we doing something about their costing structure so that they get scheduled in the merit order dispatch?

**K. Biswal:** Yes. We have been taking several steps to reduce the variable cost. Right from rationalization of coal and swapping the coal companies to reduce the distance of transport. So for example, as far as Mouda is concerned, coal was allocated from MCL, now we are getting coal from SCCL and also WCL. Similarly, for Barh where we are taking coal from ECL now. We are utilizing notified coal. As a result, variable cost has come down. I would request our Director of Operations, Mr. Sharma to elaborate further.

**K. K. Sharma:** Good afternoon. As far as Barh is concerned, we have already signed MOU with the ECL. We are receiving the coal supply regularly. We have also signed MOU with CCL for getting the coal supply. Now the cost

which was around Rs. 4 per unit has come down to Rs. 2.80 and we are planning to bring it further down to Rs. 2.25. As far as Mouda is concerned, we have already brought down cost to Rs. 2.49 per unit against earlier Rs. 3.80 or so. So we have made significant efforts. Position of Mouda has improved in merit order from around 48<sup>th</sup> position to 19<sup>th</sup> position. And we are hoping that it will break down the ice soon enough and we will start getting the schedule. For Barh, we are already getting schedule, so no issue.

**Abhishek Puri:** My last question on GCV order, which has come from CERC now. They have maintained their stance that you have to measure the coal GCV at the wagon tippler end rather than after the second crusher, the practice that we were following. So what is the likely scenario now, and how do we quantify the impact if at all that will be there?

**K. Biswal:** We don't measure GCV at unloading point. We do not have arrangements there and it would not be too representative of the coal we receive. We still maintain our stand that GCV should be measured at secondary crusher and what was the rejoinder filed by CERC with the honorable high court. I will ask again Mr. Sharma to clarify this matter, Mr. Sharma!

**K. K. Sharma:** Because the issue which we are trying to reiterate over a period of time is - that coal is not a homogeneous material , it's heterogeneous substance . So, until and unless the crushing takes place, we cannot get the proper representative sample, point number one. Point number two, we are getting coal from different sources, we import coal, and we are consuming the domestic coal. So, ultimately we are blending all these quantities and which is being fired in the boiler. So measurement after the secondary crusher will be more representative and that is what we have been praying. Now in view of the order, which has come from CERC, we are planning to file an appeal against the order.



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**Moderator:** Thank you. The next question is in line of Gayle Muers from Aviva Investors. Please go ahead.

**Gayle Muers:** I'm calling from Aviva Investors, the Asset Management Arm at the UK Insurance Company. We have been trying to reach you for a private meeting since October but it has proven difficult to schedule one. So, I have two questions for you. First of all, can you confirm that Mr. Rastogi and Mrs. Bhatia are the correct people to approach for private meeting? And secondly, given our focus on material short and long-term risk facing the companies and the policy action associated with controlling climate change, such as we have seen with the Global Agreement in Paris. What additional steps NTPC is taking to ensure the business is resilient to this carbon-constrained global outlook, given your dependence on coal?

**K. Biswal:** Yes, as far as the contact person is concerned, Mrs. Bhatia is the right person to contact .As regards to the climate change and other developments, as you know, India has decided a massive program of setting-up 175 GW of renewable capacity . Out of that, 100 GW will be solar, 60 MW wind and balance will be biomass and others. NTPC is playing crucial role for setting-up 10,000 MW on its own and 15,000 MW through NSM scheme where the bundled power will be available and the price to the consumer will be less. So that is how we are planning to play a major role of setting-up 25,000 MW of renewable projects in totality as far as portfolio balancing for NTPC is concerned. As regards to coal and other issues are concerned, we are of the view that coal is going to remain the base load to maintain the balancing power between RE and other sources, and over a period of time, only the coal based power plants has to capacity to go for base loading. So, for that part we are preparing ourselves.

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

**Amit Golchha:** Given that this CERC order which has come on GCV adjustment or GCV booking, basically, would you be changing your accounting till the time High Court gives a final order on this given that there has been an order from High Court that CERC is the final deciding authority and it should come back with a revised view, which is announced today. So basically, will there be any accounting change in the interim?

**K. Biswal:** As I clarified earlier, actually we do not have arrangements to measure the GCV at our unloading point. We always measure GCV at our secondary crusher plant, after crushing the coal and bringing it down to 20 mm. So now, we are going to appeal before the competent authority against the order and we will continue to account based on the GCV value at secondary crusher end.

**Amit Golchha:** Okay, so there is no case for any provision based on any estimates which you might have to account for this?

**K. Biswal:** So actually, we do not know whether there will be any change, because you see measurement at unloading point will give very erratic results. If I take a good piece of coal that will give better result. If I pick up a stone then that will give negative results. So, that is why it will not be a true representative but at the same time also, we do not have any arrangements to collect samples at unloading point and then safety issue is there because we are having over-head electric lines. The CERC order says that coal samples should be manually collected from the wagon. It is very dangerous thing. So, we are going to appeal before the competent authority that we should be allowed to take sample at secondary crusher end.

**K. K. Sharma:** And there will be additional retention of rakes, if we take samples from wagons, there will be commercial loss as we have to pay demurrage to Railways.

**Amit Golchha:** Second question is on the tax refund, which is there. For the 9 months in the notes to accounts, it is mentioned as Rs. 2454 crore for the 9 months that is the tax refund amount which you have got. And against that there is a pass through of Rs 1693 crore in the tariff. So, Rs. 414 crore roughly is for this quarter, the balance difference between the pass-through amount and the tax refund amount is for the previous two quarters. That is correct to assume sir?

**K. Biswal:** Yes.

**Amit Golchha:** And secondly, on this number itself. The Rs. 1693 crore tax which you have refunded to consumers in the nine months, do you get tax benefit on this? Basically, your sales reduce, therefore your profits also reduce with PBT and do you get tax benefit on that?

**K. Biswal:** You are mixing with two things. Actually, in case where consumer used to bear the entire tax burden, if there is any refund, I have to reduce both sales as well as the tax expenses, but in the current case, these are the cases where consumers bears only normative tax burdens. So any refund that I get, that will add to my profit.

**Amit Golchha:** No, that's correct sir. So, basically what I'm saying is that the Rs. 1693 crore which you have refunded to consumers would have reduced your sales and would have also reduced your PBT because tax refund you would be accounting below PBT right?

**K. Biswal:** That is true.

**Amit Golchha:** So that means you get tax advantage also because of this?

**K. Biswal:** Yes. I have tax advantage, you are correct.

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



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**Venkatesh B:** Firstly, I missed the part where you mentioned the adjusted PAT. Can you give the adjusted PAT for third quarter of FY16 and third quarter of FY15 again?

**K. Biswal:** The adjusted PAT of Q3/FY15 was Rs. 2301.27 crore and adjusted PAT of FY16 is Rs. 2069.08 crore. That is a reduction of 10%.

**Venkatesh B:** Now what we see is both your other income and other operating income has almost halved. Can you tell what exactly has happened and why both these numbers have become half of what it was last year?

**K. Biswal:** Other income is a very obvious thing as you know that last year we issued bonus debentures. That decreased cash balance by approx Rs. 12,000 crore including dividend distribution tax. Further, under one-time settlement scheme, the bonds were issued by the State Governments. All these bonds are periodically getting redeemed and will be fully redeemed by this year end. So that also reduces our other income.

Secondly, rate of interest on deposits has gone down.

So, basically three aspects you see. One is issue of bonus debentures out of free reserves that has reduced my cash position drastically. Second is redemption of tax free bonds issued to various state governments. Third is reduction in bank interest rate. These are the three reasons for reduction in other income.

**Venkatesh B:** Sir, now if you actually look at it, if you look at your generation, your generation is extremely weak. Now can the blame only be put on the fact that there has been a back down of demand by SEBs or the problem is also compounded by the fact that the power that you are producing is much more expensive than other IPPs who are producing power? And do you think, on a related note, once the first tranche of debt transfer happens of the SEB debt under the UDAY scheme, will the demand come back again over the next three months? Are you expecting a one-

time pick-up in demand? And if yes, who will benefit more; will it be the IPPs who are sitting with idle capacity or your power plants where the utilization levels are much lower?

**K. Biswal:** So, I'll do one thing, I will answer your first and third question briefly. Your first question is that there is a drastic reduction in PLF. As you know, NTPC's PLF is flat. There is no drastic reduction in PLF of NTPC inspite of capacity addition.

**K. Biswal:** Yes of course there is low demand and with the implementation of UDAY scheme, once the financial position of SEB's is improved and once their operational efficiency is improved and there is 24/7 supply to all consumers, industrial , commercial and domestic consumers, definitely demand will improve. Once demand is increased, everybody will be benefited, NTPC as well as private developers. Everybody will be benefited. Now, I would ask Mr. Sharma to throw more light on this aspect.

**K. K. Sharma:** As regards to your view that is cost the issue with NTPC in selling the power. In fact, you will be pleased to note that we have brought down the energy cost by 26 paise per unit in last three months in this quarter and this has benefited the customer by Rs. 307 crore per month approximately. And this has also helped in improving our merit order position in number of States. So, the issue is that whatever prices you are seeing of other producers, it is mainly because they do not have the firm PPA, so they are going for distressed sale at some locations. The entire metrics is that the capacity of the sector has increased and because of that the growth is being distributed in IPPs also.

**Venkatesh B:** Sir, on the same thing, let me put it in a different way and ask you, now if you actually see the total debt of the SEBs according to the Honorable Power Minister was around Rs. 4.5 trillion at the end of March. Now out of that 50%, if it moves over to the respective state government, so

immediately there should be a benefit of almost Rs. 300 billion in terms of interest costs, you know, reduction at an all-India level. Now, do you expect the SEBs to use that cost saving to buy more power or is it like, there will not be any immediate demand spike over there, once this debt transfer happens over the next 2-3 months or is it like a more longer-term process where a lot of other things need to improve or there will be a one shot increase, which is going to happen?

**K. K. Sharma:**

I don't expect it is going to happen in one shot. Let that part be very clear. This is going to be a gradual improvement, point number one. Point number two, if you go through the UDAY scheme, there are certain responsibilities which has been given to NTPC by the Cabinet. The responsibility of reducing the cost by Rs.8500 crore, out of that, Rs.300 crore we have already rolled out per month which will be almost equivalent to Rs.3600 crore. So, the process has already started & process will continue to further reduce the cost. As far as demand is concerned, once the paying capability of distribution company improves, which is a reflection of difference between ECR and ARR and when this gap start reducing, automatically demand will pick up, but this will not happen instantly, it will happen over a period of time.

As you rightly said, once their debt burden is reduced - their financial health will improve and at the same time if their operational efficiency improves, the situation will improve. There is another part in UDAY scheme that they have to reduce efficiency loss from 25% to 15%. So, then only they will be able to recover their entire dues from the customers and they can pay off to their generators as well as the transmission companies.

**K. Biswal:**

And one more thing you have to appreciate, NTPC over a period of time is maintaining a gap of 15% to 17% of PLF viz. a viz National PLF and that we are still maintaining. So average PLF of the country is around



62% and we are around 78%. So, we are maintaining the 16% gap and we are planning to sustain that.

**Venkatesh B:**

Sir, taking that thing forward, now given the scenario of demand and you are also expecting that this UDAY, the way it will, demand comes back, it's not going to happen in one shot, it'll be a gradual process, is there any thought in the company that you know you should possibly slow down, I mean obviously where you have already ordered out equipment, where work has already started, you continue do the work, but on new projects, which are on the anvil, perhaps you should push out project by 4-5 years. Because you might have capacity keeping on getting added, but there might not be demand and there will be the severe under-utilization. Now, is that a good thing? Is there a possibility that going forward you push out projects by 2-3 years, you take a call that let us see if demand comes back?

**K. Biswal:**

You have to understand the entire cycle of the project implementation. Right now, the cycle of project implementation is between 7-8 years. We are already constructing around 24600 MW.

**S.C. Pandey:**

Now, just you have to understand that we add a certain part of entire country's capacity addition and that is around 18% to 20%, we are trying to maintain that ratio. Now currently, we are having around 24,600 MW of capacity under construction that cannot be slowed down. However, for the 13<sup>th</sup> and 14<sup>th</sup> plan, we are planning in a manner that our capacity addition targets will be maintaining a ratio of our current share in the market and that is around 17% to 18% and we are having advantage in future because some of our capacity addition will come at a cheaper price because of the expansion provisions in our existing projects. So that advantage also we would like to utilize at the point of consideration of the future capacity. Now, the other question was that the demand pick ups with lot of initiatives of the government, if 'Make in India' happens and the industrial demand also picks up, the capacity cannot be created

overnight. Now, whatever we are planning at this point, that will materialize after seven to eight years. So, current capacity addition plans are in place for capacity addition up to 2020. So, probably we will not slow down further, but we will take a considered view, depending upon the country's requirement projection, which are being worked out in the National Electricity Plan as well.

**K. Biswal:** Moreover, we go for setting-up a plant only when we are having 5 basic elements i.e water, land, environmental clearance, PPAs and FSAs. So once we get an assured procurement from the states, then only we go for setting-up the plant.

**S.C. Pandey:** Wherever we are not getting the schedules for dispatch of energy, no way our returns are sacrificed. We are getting assured returns on our investment. So, our capacity addition targets are on course with assured returns.

**Venkatesh B:** Sir, if I could just slip in one more question. This is on the central plan allocation. I mean, the central plan allocation security for payments, has this got extended as everybody come onboard on this, what exactly is happening on that?

**K. Biswal:** Actually, it is in process. You see in my statement, I told that 11 states have already given their consent. The focus is on signing the TPAs and it will be completed before October 2016.

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

**Amit Golchha:** Sir, if you look at the previous year's sales figure, which is getting booked in the last two years post the CERC tariff regulations in FY15 and first 9 months of FY16, is about Rs.86 crore? No, that's basically taken from your notes to accounts, so that is the number. And the same figure when 2010 to 2014 regulations came, FY10 and FY11, first two

years of the regulations, was around Rs.1963 crore. For the whole 5 years the figure was Rs.5824 crores for last regulation period. So basically, I'm trying to understand that, is this a result of lesser orders given by CERC during this time period versus the last time period or is this the result of we being more accurate in terms of accounting for the numbers?

**K. Biswal:** No, you are right, the CERC, during this period have issued lesser orders as compared to previous period.

**Sudhir Arya:** And for 2014-2019, no orders has been issued so far.

**K.Biswal:** They will put on hold till these issues are decided.

**Moderator:** Thank you. The next question is from the line of Apoorva Bahadur from ICICI Securities. Please go ahead.

**Apoorva Bahadur:** I wanted to know what is the incentive income for 9M 2016?

**K. Biswal:** Apoorva, if you have other question, you can go ahead, in the meantime we will come back on this .

**Apoorva Bahadur:** Okay. Second question is regarding the new tariff policy, the amendment in the tariff policy, which states that 10% of coal capacity, has to be in the form of renewable, either you procure renewable energy or you set up renewable capacity. But I do not think the exact draft is available as of now, but the old draft says that capacity set up after specified date, so do we have any indication as in how much capacity for NTPC would fall under that. So I want to understand like how much...?

**K. Biswal:** They have not given any specified date and only after that date we have to assess our incremental capacity and based on incremental capacity, we will decide. Anyway we are going in a very big way, we are going to

add 10,000 MW capacity which takes care of 1,00,000 MW of additional capacity and that's the provision we are making.

**Apoorva Bahadur:** Okay. I wanted to understand this, because I guess this 10% is under the cost-plus model and what we are putting up is by PPA based?

**K. Biswal:** Yes.

**Apoorva Bahadur:** Okay. So will that take care of this or will there be scope for additional capital expenditure based on this renewable generation obligations?

**K. Biswal:** As I said , we are adding so much of capacity by 2022 that will take care of RGO.

**K. K. Sharma:** It will take care of all other fossil fired generation capacities. There will not be any constraints.

**Apoorva Bahadur:** Okay. I think I missed this tripartite agreement, but I am not sure whether it was discussed, so any update on that, the tripartite agreement for payment security?

**K. Biswal:** The process is already on, we have written to government & the government is in process of checking the consent of the states. 11 states have already given their consent. So, we are confident that by October 2016, that extended TPAs will be in place.

**Apoorva Bahadur:** I think there was an observation by the APERC regarding the Rs. 6.16 solar tariff that we had quoted for our plant over there. So they had actually asked whether NTPC could reduce this tariff. So what is the status of the case on that? Are we reducing it or are we going with Rs. 6.16?

**K. Biswal:** Discussion are on. In fact, they have signed the PPA based on the Rs.6.16 /unit and it is based on certain calculations. So now considering

the recent development seeking reduction in solar tariff, the case is going to be heard tomorrow in APERC.

Now, coming to your first question - Incentive income is Rs. 165.33 crores for this 9-month period.

**Apoorva Bahadur:** Okay, for six months, I think it was Rs. 167 crore. So it has remained flat?

**K. Biswal:** Yes. You have to appreciate in the falling demand kind of condition, this is a good number.

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

**Bhavin Vithlani:** My question is on the new emission norms you highlighted a bit in your opening remarks, if you could give more color on it. What exactly would be the capital expenditure required for NTPC for the existing plants, that is one. And what is going to be the impact on the capital cost for the new projects that NTPC is going to build out or the projects, which are under 24 GW which is under construction?

**K. Biswal:** So for capital expenditure, we have rough estimate around Rs.20,000 crore would be the capital expenditure and it is as I stated in my statement that these costs because it is coming under change of law, so it will be allowed by the regulators as a pass through. Mr. Sharma is going to elaborate the matter.

**Bhavin Vithlani:** Sir, just a clarification, this Rs.20,000 crore is for the existing projects of NTPC?

**K. K.Sharma:** Yes, you have to understand there are 4 categories which we have said, okay? One is before 2003, between 2003 to 2016, then going to come after 2017 and then new capacities. So, these are the 4 kind of

categories. The issue is that the norms which has been provided for a technology which has not yet matured in our country, because due to high ash content of coal, the technology is still not stabilized. So, the numbers which we are talking of Rs.20,000 crore is almost off the cuff kind of number, but when we start really working and after firming up the technological part and the layout constraint, because in so many cases, you may have to do some changes in the layout also. So taking all these into consideration, it is going to be a slightly long drawn exercise for firming up the technical and commercial part and share numbers with you.

**Bhavin Vithlani:** Sir, this Rs.20,000 crore, would it be possible to give how many MW of the existing projects are getting impacted?

**K. Biswal:** All the projects .

**Bhavin Vithlani:** Okay, sir, ballpark 50 lakhs per MW is the capital expenditure?

**K. Biswal:** Yes, roughly you can say.

**Bhavin Vithlani:** And sir, also if you can answer, what is the impact for the projects, which are under construction or projects that you are bidding now?

**K. Biswal:** I have said, the entire capacity is covered. Before 2003, 2003 to 2016, being commissioned after 2017 and projects will be conceived after that. So it covers everything.

**Bhavin Vithlani:** No, sir, my question was, if I see the last note, 6.6 crore is the capital cost for the Telangana project. What is going to be the new capital cost if we just consider the new emission?

**K. Biswal:** I have shared with you the kind of numbers. The exact number will depend upon the technology available in the world. Right now technology for SCR and these things are available for the low ash coal.

For the high ash content, it is going to be entirely different exercise for which we are in touch with manufacturers across the world, then only you can arrive at the actual numbers.

**Bhavin Vithlani:** Okay. So, by when do you expect the ordering to commence for this Rs.20,000 crore?

**K. Biswal:** It will take around 6 months for us to complete the engineering, then the process will start.

**Bhavin Vithlani:** Sir, my second part of the question was on the solar, if you can highlight what is the volume of ordering or the commissioning for FY17 and FY18 and FY19, if you can give us some color on the solar additions?

**S.C. Pandey:** In FY17, we are planning to add our own solar capacity of 1260 MW. From April 2017, capacity will start coming. Under National Solar Mission out of 15 GW, 1 GW is already awarded & another 1.6 is under tendering. NTPC is not developing the capacity being awarded under National Solar Mission.

**K. K. Sharma:** Total 2260 MW. I think that is the figure.

**S.C. Pandey:** Including NSM.

**Bhavin Vithlani:** Okay. So for our regulated equity calculation, should we take 1260 MW at Rs. 6 crore per MW and 30% equity.

**K. Biswal:** Yes, for regulated equity you can take 1260 MW only. Equity component may be lower than 30%.

**Bhavin Vithlani:** And any color if you can give on FY18?

**S.C. Pandey:** FY18, the orders are yet to be placed .

- Bhavin Vithlani:** And lastly for the balance part of this year, current fiscal, which projects are you expecting to commence commercial operations and what is the target for COD for FY17 and FY18?
- S.C. Pandey:** First up to March we are planning to get the COD of 660 MW at Barh, that is unit number 5. Then the Bongaigaon first unit 250 MW. This unit, operations for the trial operation have already started and by March we are planning to put these 2 units under commercial operation, this fiscal and in the next fiscal, we have got the plans of around 5,000 MW capacity addition, but the exact quantum of capacity which will be commercialized by March 2017 will be worked out at a later phase after the capacity addition dates are achieved.
- Bhavin Vithlani:** Okay, and for FY18?
- S.C. Pandey:** FY18, positively we will be able to get just around 5000 MW additional capacity which we will be commissioning in FY17, that will be commercialized.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** One clarification sir, have you signed all the solar PPA for 1260 MW which will be coming up in the FY17?
- K. Biswal:** We have signed only 250 MW, the other PPAs are under discussion.
- Mohit Kumar:** As a second one, in the other income what is the portion of dividend income which you have got from your subsidiary in this quarter?
- K. Biswal:** We have got dividend income up to Rs.18 crore.
- Mohit Kumar:** Only Rs.18 crore?
- Management:** Yes.



- Mohit Kumar:** Is it possible to give the breakup of the adjusted PAT?
- K. Biswal:** Yes, it has already been replied, but...
- Mohit Kumar:** No sir, I'm just talking that how we arrived at it?
- K. Biswal:** Our reported PAT is Rs.2492.87 crore in FY16 third quarter as against Rs.3074 crore in the FY15 Q3. If you take out the impact of previous year sale Rs.24.10 crore in Q3FY 16 and Rs.(-)120.82 crore in previous year same quarters. Prior period adjustment, Rs.(-)3.52 crore as against Rs. 1.43 crore in previous year's Q3. Then provisions written-back Rs. 49.91 crore against Rs.(-)32.77 crore in previous year. Interest from customer Rs.(-)34.89 crores, we have booked this quarter as against Rs.(-)16.46 crore in the corresponding quarter of the previous year. So, deferred income, income deferred tax Rs.(-)414.46 crore in the current Q3 of current fiscal as against (-653.41) crore in Q3 of previous year. So previous year's fuel which is adjusted in this current year Rs. (-)44.93 crore as against Rs. 49.31 crore in previous year. So total adjustment is Rs.(-)423.79 crore in the current year as against Rs. 772.73 crore in previous year. So after deducting these negative amounts, my adjusted PAT is Rs.2069.08 crore in Q3 of current year as against Rs.2301.57 crore in Q3 of previous year after registering a reduction of 10.09%.
- Moderator:** Thank you. We will take the next question from the line of Rahul Modi from Antique Stock Broking. Please go ahead.
- Rahul Modi:** Just wanted some more clarity on the national tariff policy that had come in. Now that the draft suggests that if actually the DISCOM is not giving us 2 days notice in advance, then it is actually assumed as deemed generation. So, any clarity on that front because the fine print was not available with us.
- K. Biswal:** Fine print is not available with us also. We are waiting for proper OM to come. Then only we will discuss this subject.

- Rahul Modi:** Sir, what is the upside that you think can be in this?
- K. Biswal:** We are looking into couple of areas for improvement; one area is that there is a possibility of selling the power to other customers based on the consent available, that is the one area. Then other area which we are touching is the use of sewerage water for the plant. So, there are couple of developments. Let us see because until the fine prints comes, it's difficult to analyze, we can come back to you after fine-print is available.
- Rahul Modi:** And sir, the last question is that Kudgi, again the cost is high and as it is far off in the South the variable cost will be high again. So how do you plan to kind of lower that cost because again it will fall below in the Merit Order of Dispatch?
- K. Biswal:** See, we have already made the approach to allocate coal from nearby source. For example SCCL, for example WCL. We are approaching the government and the government is having a favorable consideration. Hopefully, we will be able to rebalance the entire metrics.
- Rahul Modi:** Right, sir, because plants like Rihand and all, which is not probably and some more plants, which are not too far off from the mine source still the the gap between the availability and PLF is there. So when do you think and why do you think is the gap still there and when do you think that gap to narrow down?
- K. Biswal:** It is a very interesting question for which answer has to be searched over a period of time.
- Moderator:** Thank you. Ladies and gentleman that would be our last question. Management, would you like to add any closing comments? Mr. Anand would you like to add any closing comments sir.
- K. Biswal:** Okay, thank you very much.



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**Abhineet Anand:** I would like to thank the management of NTPC for the call.

**Moderator:** Thank you very much. Ladies and gentleman, on behalf of SBICAP Securities, that concludes this conference call. Thank you for joining in and you may now disconnect your lines.