"NTPC Q2 FY 2017 Earning Conference Call

October 28, 2016

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MANAGEMENT:	**MR. K. BISWAL - DIRECTOR, FINANCE - NTPC LIMITED** **MR. A.K. JHA, DIRECTOR, TECHNICAL & DIRECTOR, COMMERCIAL - NTPC LIMITED** **MR. K.K. SHARMA - DIRECTOR (OPERATIONS) - NTPC LIMITED**

Moderator: Good day and welcome to NTPC Limited Q2 FY17 Earning Conference Call hosted by Batlivala and Karani Securities India Private 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Charanjit Singh from Batlivala and Karani Securities India Private Limited. Thank you and over to you Sir.

Charanjit Singh: Thank you. Good afternoon everyone. We would like to welcome you all to the Q2 FY17 earnings call of NTPC. We are honored to introduce the top management of NTPC. We have with us Mr. K. Biswal, Director, Finance; Mr. A.K. Jha, Director, Technical & Director, Commercial; Mr. S.C. Pandey, Director, Projects; and Mr. K.K. Sharma, Director, Operations. Now, I would like to hand over the floor to Mr. Biswal for his opening remarks. Thereafter, we will open the floor for the question-and-answer session. Over to you, Sir.

K. Biswal: Okay, very good afternoon to everybody. I am K. Biswal, Director (Finance), NTPC Limited and I have with me Shri. A.K. Jha, Director, Technical; he is also holding additional charge of Director, Commercial; Shri. K.K. Sharma, Director, Operations, and I have Executive Director, Coal Mining, Finance, Internal Audit, Commercial and we have General Manager, Ms. Sangeeta Bhatia and other General Managers and AGMs.

Before I take you through major developments, let me wish you all on behalf of the team NTPC, a very Happy Diwali. Today, the Company has announced the unaudited financial results for the second quarter of FY16-17, as well as for the six months period ended on September 30, 2016. The key performance highlights for the quarter and half year have already been disclosed on both the stock exchanges. To begin with, I'll briefly touch upon some of the highlights, developments since our last interaction on August 22, 2016.

NTPC's stand alone generation increased by 5.29% in H1 FY16-17 over H1 FY15-16, represented by 6.293 billion units. Gross generation of NTPC Group increased by 7.57% in this period.

For H1 of FY16-17, four coal stations of NTPC were among the Top 5 performing stations in the country in terms of PLF. Further Tanda Thermal Power Station of NTPC and Bhilai Thermal Power Station operated by NSPCL, a joint venture company of NTPC were also placed at number seven and eight respectively. Thus six stations out of eight top performing stations belonged to NTPC in terms of PLF.

Five coal stations of NTPC clocked PLF of over 85% during H1 FY16-17.

NTPC stations generated highest ever generation of 782.95 million units on September 9, 2016, surpassing previous best 767.53 million units on June 3, 2016. On the same day, NTPC Group generated highest ever day generation of 866.47 million units, surpassing the previous best of 846.10 million units on June 3, 2016. Further, we seek to achieve 1 billion units generation per day in the near future.

During Q2, we have added 50 MW to our commissioned as well as commercial capacity through NP Kunta Ultra Mega Solar Power Project at Ananthapuram. With this, installed capacity and commercial capacity of NTPC Group has reached 47,228 MW and 45,928 MW respectively.

We paid final dividend @ Rs.1.75 per share for the financial year 2015-2016 on September 30, 2016. For the FY15-16, the total dividend paid is Rs.3.35 per share, including interim dividend of Rs.1.60 per share paid in February 2016.

Koldam Hydro Power Station achieved PLF of 107.27% in the month of July 2016. This was the highest PLF among the central and state power stations of the country for that month.

Solar generation registered a quantum jump during H1; 192 million units were generated in H1 FY16-17 as compared to 80 million units generated in H1 FY15-16.

NTPC has signed bilateral agreement with CSIR and Central Institute of Mining and Fuel Research (CIMFR) for sampling of coal at unloading point and have started sampling at unloading end for all the stations with effect from October 1, 2016 as per CERC Regulations.

As of now, 24 states & union territories have given their consent for the extension of TPAs. Consent of seven states is awaited as the same is under various stages of approval at state level. Extension of the TPAs is under active considerations with Ministry of Power.

Corresponding period comparison-Q2 FY17 versus Q2 FY16

Gross generation, including generation from solar and hydro units during Q2 FY16-17 was 60.593 billion units as against 60.160 billion units in Q2 FY16. Commercial generation and energy sent out during Q2 FY16-17 were 60.581 billion units and 56.476 billion units, respectively.

For Q2 FY16-17, coal stations, gas stations and hydro stations clocked declared capacity of 89.75%, 96.97% and 107.99% respectively.

For Q2 FY16-17, PLF of coal-based stations was 74.65%. The PLF of coal-based stations for H1 FY16-17 was 77.98% as against 77.43% in H1 FY15-16. The National PLF during H1 FY16-17 period was 59.04%. Thus, NTPC stations improved the differential PLF spread to 18.94% over the National average. All India PLF fell from 61.32% to 59.40% during this period.

We have suffered loss of generation for both the coal and gas stations due to grid restrictions. For the coal-based generation the loss was 12.178 billion units in Q2 FY16-17 as against 7.672 billion units in Q2 FY15-16. The loss for H1 FY16-17 was 19.865 billion units as against 17.143 billion units in H1 FY15-16.

Similarly, for the gas-based generation, the loss was 6.628 billion units in Q2 FY16-17 as against 6.406 billion units in Q2 of previous year. On half-year basis the loss was 12.642 billion units and 12.362 billion units in H1 FY16-17 and H1 FY15-16 respectively.

For H1 FY16-17, all the coal stations of NTPC achieved declared capacity of more than 83% except Barh, mainly on account of planned maintenance. Further, all the gas stations achieved the declared capacity of more than 85%.

Gross sales for Q2 FY16-17 is Rs.19,241.47 crore as against corresponding quarter gross sales of Rs.17,748.23 crore, an increase of 8.41%. On half-year basis, gross sales for H1 FY16-17 is Rs.38,181.28 crore as against corresponding half-year gross sales of Rs.34,758.58 crore, an increase of 9.85%.

Total Income for Q2 FY16-17 is Rs.19,588.56 crore as against corresponding quarter total income of Rs.18,218.16 crore, an increase of 7.52%. On half-year basis, there is an increase of 9.16% in the Total Income that is from Rs.35,552.07 crore in H1 FY15-16 to Rs.38,809.36 crore in H1 FY16-17.

PBT for Q2 FY16-17 was Rs.3,258.02 crore as against Rs.2,312.68 crore in the corresponding quarter of previous year, an increase of about 41%.

PAT for Q2 FY16-17 is Rs.2,495.97 crore as against Rs.3,039.23 crores in corresponding quarter of previous year.

On adjusted basis, the PAT for Q2 FY16-17 is Rs.2,341.02 crore as against Rs.2,158.24 crore in previous corresponding quarter, an increase of 8.47%. On half year basis adjusted PAT for H1 FY16-17 is Rs.4,680.10 crore as against corresponding half year adjusted PAT of Rs.4,254.26 crore, an increase of 10.02%.

I will now take you through the operational performance for the Q2 FY16-17 and H1 FY16-17.

Fuel:

Coal:

During H1 FY2016-17, Materialization of coal against ACQ was 97.80% as against 91.33% in H1 FY15-16.

Coal consumption during H1 FY16-17 was 82 million metric tonne comprising of 80.99 million metric tonne of domestic coal and 1.01 million metric tonne of imported coal. The coal consumption in corresponding previous half year was 80.22 million metric tonne with 73.30 million metric tonne of domestic coal and 6.92 million metric tonne of imported coal.

Due to improvement in supply of coal against ACQ, the consumption of imported coal reduced by about 85% during H1 FY16-17 over corresponding half year. Supply of imported coal was only 0.82 million metric tonne in the H1 of FY16-17 as against 6.42 million metric tonne in the previous corresponding half year. With the improvement in supply of domestic coal, the blending ratio for the imported coal was reduced to approximately 1.23% for H1 FY16-17 as against 8.63% in H1 FY15-16.

Gas:

The gas consumption during H1 FY16-17 was 5.28 MMSCMD (Million Metric Standard Cubic Meter per Day), as against 5.50 MMSCMD in H1 FY15-16. The gas consumption of H1 FY16-17 procured under APM plus PMT mechanism was 4.84 MMSCMD and under non-APM gas was 0.44 MMSCMD.

Let me also give an update on various other activities:

Capacity Addition:

As already discussed in detail during our last conference call, in the current year, we plan to add around 5,648 MW including 768 MW under renewable energy projects. We are progressing well to achieve this target. As you know, out of the above target; we have already added 250 MW solar at Ananthapuram.

The regulated equity as on 30.09.2016 was Rs.42,307.17 crore.

Fund Mobilization during Q2 FY16-17

During the Q2 FY 2016-17, we have issued Bonds aggregating to Rs.1,470 crore under two series at a very attractive coupon rate of 7.58% and 7.47% per annum.

Further, we have raised “Green Masala Bonds” of Rs.2,000 crore at a coupon rate of 7.375% under our $4 billion MTN programme, to finance the Solar and Wind projects of NTPC. These Masala Bonds are listed on London Stock Exchange and Singapore Stock Exchange.

Average cost of borrowing for H1 FY16-17 was 7.4842% as compared to 7.6729% in H1 FY15-16, mainly due to the reduction in base rates of banks.

CAPEX:

In H1 FY16-17, we have incurred a CAPEX of Rs.11,388.13 crore. The CAPEX by the other group companies has been Rs.1,969.73 crore. Thus the total Group CAPEX for H1 FY16-17 was Rs.13,357.86 crore. For the financial year FY16-17, the CAPEX outlay of NTPC is Rs.30,000 crore. The CAPEX for FY2017-18 has been estimated at Rs.28,000 crore.

Coal Mining:

Cumulative expenditure for Rs.3,510.96 crore has been incurred on development of coal mining till September 30, 2016.

For the appointment of MDO for Talaipalli, Dulanga and Chatti Bariatu coal blocks, Techno-Commercial bids have been opened for all the three blocks and the price bid have also been opened for Dulanga and reverse e-auction has been conducted. The investment approval process has been initiated.

In Pakri-Barwadih, mining operations have commenced on the western quarry with effect from May 17, 2016 and about 2.18 lakh cubic meters of overburden, topsoil have been removed so far. From October 25, three shifts of operations has commenced.

Mining operation is also expected to start from the eastern quarry of Pakri Barwadih block shortly. NTPC has awarded contracts for the overburden removal and coal extraction from eastern quarry on June 30, 2016 and August 4, 2016 respectively. Site survey work is in progress.

For coal transportation from Pakri Barwadih, Bandag-Hazaribagh railway siding is now operational.

Renewable Energy:

Projects of 1,008 MW are under tendering. That is Ananthapuram 750 MW, Pavagada 250 MW and Chidiya Tapu 8 MW.

Tenders have been issued for 100-MW wind turbine power project in the state of Gujarat.

As far as solar projects under NSM Phase-II, Tranche 1 of 3,000 MW is concerned, reverse e-auction is completed for 2,750 MW and PSAs has also been signed for 2,650 MW. PPAs has also been signed for 2,650 MW.

Commercial: 100% realization of sales is continuing in the 14th year also.

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

NVVN, our trading subsidiary, transacted 4,061 million units during Q2 of FY16-17 as against 2,853 million units transacted during Q2 FY15-16, an increase of 42% on QoQ basis. Units transacted during Q2 FY16-17 includes 1,472 million units of solar bundled power, 769 million units traded through bilateral, 737 million units under cross-border trading, 712 million units traded through power exchange and 371 million units traded through Swap.

NVVN has traded 37.5 million units of NTPC Un-requisitioned Surplus Power in the power exchange in terms of amendment issued to tariff policy in January, 2016.

During Q2 FY16-17, we have received dividend of Rs.3.10 crore from our joint venture companies, of this Rs.2.50 crore received from Utility Powertech Limited and Rs.60 lakh is received from NTPC Alstom Power Services Private Limited. We have also received Rs.3 crore as dividend from our investment in PTC India Limited. In addition, NSPCL has paid final dividend of Rs.10 crore in this month.

NTPC continues to win laurels and awards in various fields. Major awards received in Q2 FY16-17 are:

NTPC's Dadri station has bagged the Top Plant 2016 Award in the coal-fired generation category by prestigious Power Magazine of USA.

NTPC bagged first prize for Product/Model display at the Coal Summit and Expo.

NTPC Ramagundam received the prestigious GREENTECH Safety Gold Award-2016 among the thermal power stations in India for "Best Safety Practices".

These are some of the highlights I wanted to give before the question and answer session. Thank you very much.

Moderator: Thank you. We will now begin with the question-answer-session. The first question is from the line of Abhishek Puri, Deutsche Bank. Please go ahead.

Abhishek Puri Yes, good afternoon, Sir and congrats for a good set of results.

K. Biswal: Thank you, Abhishek.

Abhishek Puri: Sir, two questions. First, what has led to this profit growth? If I look at the adjusted profit, it's up almost like 13% whereas our generation growth is only 1%. So is there any under recovery of past period, which has come in or we have earned higher incentives in this quarter?

K. Biswal: Actually you see, our capacity has increased by 4.38%. Basically it is due to capacity addition we have recovered fixed charges from the consumers.

Abhishek Puri: And in terms of the regulated equity, you mentioned, that also has the equity for solar projects?

K. Biswal: No.

Abhishek Puri: Sir, secondly on the GCV issue, since you started collecting data from October 1, from wagons, what has been your experience so far and is there any material difference or the difference is very miniscule, in GCV from wagons versus secondary crusher?

K. Biswal: I would like to request our Director, Operations to clarify it.

K.K. Sharma: There is a cycle of three to four weeks to get the data analyzed and compiled, so it will take some time for us to reach on any judgment.

Abhishek Puri: And in terms of the CERC order, we are still billing the end consumer on GCV after secondary crusher?

K.K. Sharma: Up to September 30, yes, and we have given commitment to the CERC that we will start billing on the basis of the GCV at unloading point. So from October onwards, we will be billing as per the GCV at unloading point.

Abhishek Puri: Sir, if I can ask one more question, the debtors have increased as per the latest balance sheet to almost 50 days now versus 40 days as of the last balance sheet. So is there any delay in payments that you're facing?

K.Biswal: Except one state that is J&K; we are able to recover our dues from other states.

Abhishek Puri: So the reason for debtors' increase would be?

K.Biswal: Basically we have outstanding dues with J&K of around Rs.2,200 crore. I would like to ask Mr. Jha Director in charge of Commercial, to explain this.

A. K. Jha: We have received from J&K Rs.317 crore in the month of October. And another government order has been issued for Rs.582 crore by the J&K government and we are likely to receive that money also pretty soon.

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

Sumangal Nevatia: Couple of questions. First, we have been increasingly replacing coal imports because of higher availability from Coal India. So on a landed cost comparable basis, is Coal India's coal for that specific grade cheaper than imports at current prices?

K. Biswal: Broadly, the Coal India price is cheaper than imported coal, but you see it depends upon the location of the plant. If you compare the coal cost of Simhadri, perhaps the imported coal, would be cheaper than the domestic coal what we get from ECIL. Due to transportation, the cost of domestic coal would be higher than the imported coal cost. But on an average, if you see, for NTPC as a whole, certainly, the domestic coal is much cheaper than the imported coal.

Sumangal Nevatia: But is it because of the cost or is there any government directive to replace?

K. Biswal: No, no, it is because of the cost.

Sumangal Nevatia: Okay, understand.

K. Biswal: And when we are getting the coal at a cheaper price, why we should go for the imported coal.

Sumangal Nevatia: Next, what is the outstanding payable to Coal India and how much of that is under dispute?

K. Biswal: We have around Rs.2,000 crore disputed amount and we do not have any outstanding. Only the disputed amount is there. We are reconciling the amount with Coal India. Once reconciliation is over, we will settle the matter.

Sumangal Nevatia: And the dispute will largely be towards quality issue, that's right?

K. Biswal: Basically quality.

Sumangal Nevatia: Now we read about Coal India rationalizing supply, basically converting plant level ACQs to company level, so has that started and how do we see that, if you could throw some thoughts on that?

K. Biswal: It has started now; I would request Mr. Sharma, our Director, Operations to throw light on this matter?

K.K. Sharma: We are working towards achieving the objective of company level ACQ, but that stage has not yet come. So initially we have started with a subsidy method to the individual plant, and the entire metrics has been worked out. One thing we have been able to achieve is that the joint venture and subsidiary coal supply has also been rationalized and we are expecting a saving of around Rs.800 crore because of this exercise, which will be passed onto consumer. This will help us to improve the generation and maintenance of our operational position of the Company as a whole and for the respective stations.

Sumangal Nevatia: So this Rs.800 crore is calculated on an annual basis?

K.K. Sharma: Yes, it is on annual basis of the company as a whole, Group Company, rather I would say.

Sumangal Nevatia: And just to end, out of this Rs.800 crore, how much will be freight saving and how much is lower incentive payments to Coal India?

K.K. Sharma: It is not linked with the incentive payment; it is linked with the transport savings. As far as incentive part is concerned, that metrics is still in position; we are trying to work out on company basis, which is yet to materialize.

Sumangal Nevatia: One last question, just repeating the previous question asked by someone else. On quality issues, after crushing and third party sampling, is the situation improved or still the same?

K.K. Sharma: As I have said last time, it is too early to draw a conclusion. We are only complying with the direction of CERC and let us see what results come. As said, it takes around three to four week cycle to get the results and talking on one or two results will be premature. It has to be compiled and hopefully, in next conference call, we can share a lot of information.

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

Amit Golchha: Sir, fuel cost in this quarter has increased. So this cost includes the price hike by CIL and also the railway freight increase impact. So is there anything which is still pending to come into this cost?

K. Biswal: No, if you see, the overall cost has come down. Due to coal rationalization the cost has also come down. So while some factors i.e. increase in rates by Coal India and the increase in railway freight has increased the cost, at the same time due to coal rationalization, the cost has come down.

K.K. Sharma: In fact if you have an entire picture in hand there are three factors, which have worked. One is the coal cess; other is the railway cost increase and third is the Coal India rate revision. With these combined impacts, the numbers are varying from project to project, but it's around Rs.0.20, Rs.0.22 per unit on an average and balance will be the savings, which Director Finance, has shared.

Amit Golchha: Sir, so you mean to say Rs.0.20, Rs.0.22 of incremental cost has been negated by the incremental savings, which have come in?

K.K. Sharma: Yes, exactly.

Amit Golchha: And broadly, the cost has remained same?

K.K. Sharma: No, the cost has come down. Overall cost has come down, but if you see these are the three factors which has negated the decrease in cost.

Amit Golchha: Sir, if I look at Ind-AS and GAAP comparison, in all quarters ,essentially there is about Rs.100 crore to Rs.120 crore difference?

K. Biswal: We have impact of around Rs.100 crore to Rs.120 crore.

Amit Golchha: So, this difference is essentially because of the capitalization of spares, which you are doing. So I just wanted to understand, Sir, these spares, as per CERC in which revenue item, these are included. I mean is it allowed as a part of O&M or is it allowed as a pass-through in terms of special allowance or R&M allowances or anything else?

K. Biswal: It is partly to O&M and also now, separately CERC is giving capital spares. So, a part will go under capital spares and part will go under O&M.

Amit Golchha: But, in both the cases, both are appearing already in the revenue currently, is that correct sir?

K. Biswal: As per the old regulation, it is appearing, but now it is a separate item. CERC will consider the same in the next regulation.

Amit Golchha: This impact will be considered in the next regulation, you are saying?

K. Biswal: Yes.

Amit Golchha: So essentially CERC will reduce the normative by this, or capacity charges by this amount?

K. Biswal: No, it will increase.

Amit Golchha: No, sir, the expenses would remain same, but it is just the accounting part of it. I just want to understand basically, what we are doing because of the Ind-AS impact is essentially, we are booking the revenues?

K. Biswal: You can compare apple-to-apple, however, regulatory accounting is different from Generally Accepted Accounting Principles. It is not apple-to-apple. Sometimes, you see whatever expenditure I'm incurring; CERC allows me the fixed cost, which is increased by six percentage every year. So, that is whatever extra, actual expenditure is incurred, it is different from what CERC is allowing me. For next regulations, I will have to be submit actual expenditure and also capital expenses for the tariff period to CERC. CERC will decide what will be allowed.

A. K. Jha: Right now, this will give advantage; capital expenses will give us advantage. That is all.

Amit Golchha: And lastly Sir, there was an interview few days back of Finance Minister, in which he had mentioned that some of the PSUs will be taking over stressed plants. So, would it be possible for you to comment on it?

K. Biswal: It is not possible on my part to comment on it.

Moderator: Thank you. The next question is from the line of Venkatesh P from Citigroup. Please go ahead.

Venkatesh P: Sir, most of my questions has been answered. Just, one remains. I guess, from fourth quarter onwards, you will have to start making provisions for the Seventh Pay Commission. Now what happens, you get a pass-through immediately, it gets pass-through or you need to, there will be a period of delay where it will have an impact on your numbers before the pass-through actually shows up and it doesn't have any impact?

K. Biswal: No, immediately, I cannot pass, it is not allowed unless the CERC accepts that. I am not allowed to pass on it to the consumer but the impact I have to assess and go to CERC to allow me as a pass-through from last quarter onwards. Let us see how CERC is going to decide on it.

K.K. Sharma: And it is further dependent when the revision comes.

Venkatesh P: For example, what happened in 2007, it started impacting your numbers negatively and then later it got passed through or you started showing higher sales?

K. Biswal: In 2007, so far our knowledge goes, we had gone for, with a separate petition to CERC and CERC, then, they allowed us from the date it was implemented, but after a certain gap of time.

Venkatesh P: So there will be a period of time which could be six months, one year, whatever in your case, where these numbers will be?

K. Biswal: Will be allowed retrospectively.

Venkatesh P: Sir, in the first quarter, I think you had PLF incentives of, I think Rs.153 crore or something like that. Is there a number you can provide us for the first half, if possible?

K.K. Sharma: I can only share one thing that some of our plants are under the incentive zone. These numbers will go on fluctuating and ultimately numbers will finalized by the end of the year.

K. Biswal: So, quarterly figure has no meaning.

K.K. Sharma: My request to you will be to take the comfort from the information that 11 units are under the incentive zone, which will further improve, as generation improves. As far as accounting is concerned, please take the final view at the end of the year.

Venkatesh P: And is any plant under recovering, as of now, how many plants are under recovering today?

K.K. Sharma: The same principle applies for this also, because the units go under overhaul shut downs and then at the end of the year, at any position, you will find some units are under comfort zone, some units are improving and some units are already expected to be improving in the next quarter. So, there will be three, four commercial units, which are in the verge of getting into green zone.

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

Anirudh Gangahar: A few clarifications, first, in your opening remarks sir, you mentioned that all stations are above 83% apart from Barh, is that correct Sir?

K. Biswal: Yes. There also we will achieve, 83% by the end of the year.

Anirudh Gangahar: Second clarification, sir is that the capital spares when you were taking about next regulations, it is allowed as on actual basis in the current regulation, but you were not booking it historically because of some clarifications that were required. Is that still the case if capital spares are not being recovered on actual basis so far?

K. Biswal: For Capital Spares in this regulation, there is some controversy regarding whether it will be recovered between the regulations or whether it is in the next regulation, we have asked for clarification from CERC.

Anirudh Gangahar: And my next question would be on our labor cost, this time around, employee expenditure, it's the lowest in the last probably eight quarters or so, any Sir, write back that has happened this time around, because about Rs.850 core versus an average of around Rs.900 crore for the last seven, eight quarters?

K. Biswal: Yes, because last year, some provisions were there. We are having that pension provisions where we transferred some amount of higher amount, so that is not in this quarter.

Anirudh Gangahar: Is there any prior year write back in this number?

K. Biswal: There is no write back, but there is some one-off items, which were there in second quarter of previous year, that amount is not there this quarter.

Anirudh Gangahar: Sir, my final question would be that if I look at the solar PLF, it is quite below what typical norms are. Are we sir, making profit on our solar capacity? I know the number maybe miniscule, but are we at least making any ROE so far?

K. Biswal: We are making profit, but so far as the PLF is concerned, Mr.Jha will explain.

A. K. Jha: Right now we are having H1 PLF of 14.64%. As far as this last quarter is concerned, it is expected to be always low because of the rainy season. Now, in the third and fourth quarter, it will go up. We are expecting to lend around 18% to 19% PLF of the solar and which will further improve. It is a reflection of experience curve also, where the practices will stabilize and we will go on improving.

Anirudh Gangahar: So sir, 18% to 19% for the full year is what we'll be able to achieve?

A. K. Jha: That is what we are expecting.

Anirudh Gangahar: And it is fairly profitable to that extent.

A. K. Jha: That's right.

Moderator: Thank you. The next question is from the line of Kumar Singh from HSBC. Please go ahead.

Kumar Singh: Sir, my question was about the coal used per unit, so it has fallen below 600 kilograms per unit and that is from, if I look at 4Q 2015, it was almost 750 with a GCV of almost 10% from imported. So, do you see this as a more sustainable number going forward as well?

K.K. Sharma: I would like to share some of the numbers with you. The coal consumption which you are talking, in H1, it has improved from 0.715 kilograms per unit to 0.695 kilograms per unit, that is the actual number Improvement that has been observed in the quality of domestic coal which is reflected in the overall reduction in the specific coal consumption. As far as import coal is concerned, as we have said, we are only having 1% imported coal this year and so ultimately, it is not having any major impact on the specific coal consumption.

Kumar Singh: And sir, couple of housekeeping questions, so I missed the numbers on effective regulated equity and adjusted PAT. If you can share that please?

K. Biswal: Our regulated equity as of 30.09.2016 is Rs.42,307.17 crore.

Kumar Singh: And sir adjusted PAT for the second quarter?

K. Biswal: Adjusted PAT for the second quarter is Rs.2341.02 crore.

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

Mohit Kumar: Sir, are we on track for commissioning of 5 gigawatt for this year and what is the target for commercialization for FY17?

K. Biswal: FY17.

K.K. Sharma: It is 3,725 MW.

Mohit Kumar: 3,725 MW, commercialization right. My second question is, since already two and half year has been passed in this tariff period, so, will there be a true up of tariff for time period FY15 and FY16 to determine the sharing with the consumer?

K. Biswal: True up, generally if you go by the regulations, they do true up at the end of the tariff period. Now CERC in the process of truing up petitions for the 2009-14 regulation period.So, that is a continuous thing and CERC is doing it.

Mohit Kumar: When do you expect the first true up to start happening?

K. Biswal: What happens, once the tariff period is over, you see, within six months, we have to submit our true-up petitions?

Mohit Kumar: So are you saying that this will happen after FY19?

K. Biswal: So far this 2015-2016 and 2016-2017 is concerned, true up will start after FY19.

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

Bhavin Vithlani: The 3725 MW target commercialization in this fiscal. Is it possible to break up between solar and coal?

K. Biswal: This is excluding solar.

Bhavin Vithlani: So over and above this, how much is the solar commercialization should we expect?

K. Biswal: We have already commercialized 250 MW solar this year and the balance of 510 MW more will be commercialized by March 17.

Bhavin Vithlani: And one clarification of Rs.42,300 crore of regulated equity excludes solar. So what will be the regulated equity of solar, which is capitalized till date?

K.K. Sharma: There is no regulated equity in solar.

K. Biswal: Solar is not regulated, so if you ask what equity is deployed in solar business, we can give it separately.

Bhavin Vithlani: And one last clarification is, in our balance sheet, the investment number of Rs.8,682 crore, is this largely investments in our joint ventures and subsidiaries?

K. Biswal: Right.

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

Sanjay Jain: There are two questions basically that I am looking for answers. One is on the status of the projects like Kudgi and Mouda commercialization, that's the first one?

K. Biswal: What is your second question?

Sanjay Jain: The second is about coal inventory decline, I think if we go by CEA data, if our numbers are correct, inventory of coal at NTPC plants has come down significantly to 5.24 million tonne.

K. Biswal: Let Mr. Reddy answer your first question.

S.K.Reddy: Kudgi unit 1, 800 MW, we are commercializing this year.

Sanjay Jain: When are we commissioning?

S.K.Reddy: Commissioning, we are planning in this quarter.

Sanjay Jain: So in this second half, this will be one unit commissioned and commercialized as well. And what about the second unit?

S.K.Reddy: Second unit, we are planning for commissioning in the next quarter.

Sanjay Jain: And commercialization will be next year?

S.K.Reddy: Next year.

Sanjay Jain: What about other projects, Mouda? I mean, we are saying 3,700-odd MW right, but so far it's been quite low?

S.K.Reddy: Yes, see commercialization this time, we have planned for the last quarter. this In so far we have already done 250 MW in Bongaigaon unit 1 and we are planning for Mouda in this quarter unit 3. Next quarter, the balance units we are planning.

K. Biswal: Inventory, Mr. Sharma, our Director, Operations is going to answer second question.

K.K. Sharma: It's a normal cycle the coal stock goes down at the end of monsoon. We have touched the highest coal stock and now we have come down to 5.29 million tonnes as you are saying, which is very normal. So this is a normal process, so the coal stock fluctuates. Normally, coal stocks are maintained high before monsoon and after monsoon it is at a lower level.

Sanjay Jain: So I mean, should we expect restocking in third and the fourth quarter or like I mean, I was just trying to understand is it because, just because of the monsoon or there are other factors which may have contributed because we're trying to do lot of rationalization of linkage, etc?

K.K. Sharma: When we talk of the monsoon, we have to understand the monsoon affects mines also. So when mines start picking up the production, we maintain the stock as per norms, that is 15 days for pit-heads and 30 days for the non-pit heads. Now based on the individual mines' history of supplying the coal, we slightly go down and maintain lower stock also, so it is a dynamic condition which we take decision as in any business it is taken.

Moderator: Thank you. The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Sir, first, the 80IA benefits are ending by this financial year-end. Is there any plan in terms of commissioning the assets faster because the tax benefits will obviously mean that the tariffs are lower for you?

K.K. Sharma: We wish we had that kind of option of expediting and achieving particular date to suit the tax incentives . It depends on the commissioning condition of individual plant accordingly things are achieved.

A. K. Jha: Abhishek, why don't you advice our beloved Finance Minister to extend it further.

K. Biswal: We are now under the MAT.

Abhishek Puri: Sir, secondly on the closure of the plants we were reading in the newspapers that couple of your plants have been shortlisted for closure. One is, Bhadanpur in next one to two years and Tanda in next five years. Would that be correct or it's just media speculation?

K.K. Sharma: In Tanda plant we have done the R&M and we've to sustain that period of R&M, I think that is up to 2022 or more. Then the call will be taken. As far as Badarpur is concerned, Badarpur is a part of islanding scheme of Delhi. Once Delhi government gives the clearance, and then we will take a final call on the subject. Right now, the schedule indicated is 2018-end. Let us see what comes on the way.

Abhishek Puri: My last question will be on the GCV issue again, so you have already clarified to CERC that from October 1, you'll be taking new GCV mechanism. But what's the negotiations for the prior period, so from April 14 to October 16? So if there were a difference at all, so how would that be taken care of or that period will be written off?

K. Biswal: You see now we are going to collect the data and once we see the data, we have requested CERC that let it be applicable prospectively and we still reserve our right that we will go to the Higher Court and take a decision on this issue. And if at all, it is applicable retrospectively and if there is a difference, certainly it should not be to the account of NTPC. Some mechanism has to be evolved by CERC how to take care of this loss,if there is any.

Abhishek Puri: So still there is no settlement, we are still negotiating with CERC?

K. Biswal: Definitely, the matter was heard by the honorable High Court and honorable High Court on October 20, they have asked certain additional information, some data from CERC.

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

Girish Nair: My first question is regarding the as-fired versus as-received issue, once you have the systems in place effective October 1, will you be giving up the case in the High Court against the CERC? Because if I read your footnote, it says that the difference is not really material. So it won't have much of an effect, if we switch from as fired to receive? So I'm just confused about why was this case filed in the first place if you wanted to put the systems in place in the first place?

K. Biswal: You see, we have various reasons apart from this; we have mentioned that from practical point of view that when I am getting coal, we are getting coal at different sizes, heterogeneous size with varied materials. My submission is that and also there is safety and security issue and already in one of the stations Simhadri railways have said that they are not going to switch off the power supply. So because of this we said that in order to get homogeneous coal which will be true representative of the coal consumed in the boiler, it should be rather than taking from unloading front let it be taken from the secondary crusher that was our only submission and we have gone to High Court, along with this, there are several other issues like 80IA benefits, like your incentives etc.

Girish Nair: And my second question is in terms of the target of 3.75 gigawatt for this year commercialization, this looks too aggressive, because I haven't seen any news about commissioning of the plants that are under construction also. So, do you think that 3.75 GW is achievable this year?

S.K.Reddy: Yes, we are planning for it.

K.K. Sharma: You, see why the doubt is coming because you see half of the year is over.

Girish Nair: Yes, exactly.

A.K.Jha: But you know the power project has a long cycle and when the project will be commissioned is decided on when the order was placed so, it so happens that these plants are due for commissioning and commercialization during the last quarter. Therefore you are having this doubt, but we are pretty sure that we will be able to achieve.

Girish Nair: So, you are referring to 3.75 gigawatt for commissioning or is it for COD.

A.K.Jaha: It includes both the capacity, some of the units which are already commissioned they will commercialized, some of the units which are not yet commissioned will be commissioned also and commercialized also, so there are different figures for unit to be commissioned and different figures for unit to be commercialized.

Girish Nair: My final question is, is it possible for you to break down the fuel cost by how much is coal cost and how much is gas and how much is naphtha?

K. Biswal: Per unit.

Girish Nair: Just the total, if you see the total fuel cost, this quarter was $119 billion, so just want a break up in terms of how much of that is coal, how much of that is gas?

K. Biswal: Yes, wait a minute. Our coal is Rs.11,185 crore. Rs.550 crore is gas and Rs.102 crore is oil.

Girish Nair: How much was naphtha sir?

K.K.Sharma: Naphtha consumption is not there, so it will not be reflected here. So, we are maintaining stock to declared DC.

Girish Nair: Sure, okay, so nothing in naphtha, so, the rest is gas?

K. Biswal: We have not consumed naphtha, this quarter.

K.K.Sharma: We have not consumed any naphtha this quarter; we did not get any schedule.

Girish Nair: And final question I have, you talked about Rs.2,000 crore of disputed amount with Coal India. Which period does this relate to and is this linked to the as received versus as-fired issue?

K. Biswal: You see, as received, as fired, it is a regulatory term or norm, whatever you can say.Whenever there is a in grade slippage, it is a comparison between loading and unloading point and wherever there is a grade slip, we have to raise these points before the Coal India. And these disputes pertain to last two years.

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

K. Biswal: We can take two more questions after this.

Apoorva Bahadur: Couple of housekeeping questions, could you please share with me the blending ratio that you are planning for this year? And the traded volumes for NVVN?

K.K. Sharma: We have reduced the Coal Import and its is about 11% of last year import. But as far as blending ratio is concerned, it's almost going to be almost nil at the end of the year.

Apoorva Bahadur: Okay, sir.

K.K. Sharma: Maybe 1%, basically that's all. As of now it is 1%.

Apoorva Bahadur: Okay Sir.

K. Biswal: And NVVN transacted 4,061 million units in this quarter as compared to 2,853 million units in the corresponding quarter of previous year. So, they've registered growth of 42% on QoQ basis.

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

Amit Golchha: Sir, this is regarding the 80IA benefit. So next year the 80IA is not extended, is there any chance that will go into the full tax rate?

K. Biswal: We wish that it is extended, but it is up to the government because now government is planning to reduce corporate tax. So, when they are going to reduce corporate tax, there is very little chance, that they will extend it. But we wish and government should extend it further.

Amit Golchha: Sir, if it is not extended, then will we go into the full tax rate again? It does not make much difference for us, because it is a pass-through, but just want to understand?

K. Biswal: We will be on the MAT only because of our capitalization.

Amit Golchha: So this is due to the depreciation benefit, which we will be getting?

K. Biswal: Yes.

Moderator: Thank you. Well, that was the last question. I now hand the conference over to Mr. Charanjit Singh for his closing comments. Over to you, Sir!

Charanjit Singh: Yes, I would like to thank everyone for joining us in the conference call. We would like to thank the management for sparing their precious time for the call and giving us the opportunity to host the call. We would like to wish everyone a very Happy Diwali. Over to you Sir, for any closing remarks.

K. Biswal: Yes. Thank you very much and also we all wish all of you, a Happy Diwali, thank you.

Charanjit Singh: Thank you Sir.

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