



Q4 Financial Year 2015 Earning Conference Call

May 29, 2015

MANAGEMENT:

- SHRI K. BISWAL, DIRECTOR (FINANCE)**
- SHRI S.C. PANDEY, DIRECTOR (PROJECTS)**
- SHRI K.K. SHARMA, DIRECTOR (OPERATIONS)**
- SHRI D.K. SOOD, EXECUTIVE DIRECTOR (COMMERCIAL)**
- SHRI S. N. GANGULY, EXECUTIVE DIRECTOR TO CMD**
- SHRI. SHARAD ANAND, EXECUTIVE DIRECTOR (COAL MINING)**
- SHRI. SUDHIR ARYA, EXECUTIVE DIRECTOR (FINANCE)**
- MRS. SANGEETA BHATIA, GENERAL MANAGER (FINANCE)**
- SHRI. A.K. GAUTAM, GENERAL MANAGER (FINANCE)**



*NTPC Limited
May 29, 2015*

Moderator: Ladies and gentlemen, good day and welcome to the NTPC Limited Q4 FY15 Earnings Conference Call hosted by IIFL Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harsh Dole from IIFL Capital. Thank you, and over to you Sir!

Harsh Dole: Thanks. Hello everyone. On behalf of IIFL, I welcome you all to the 4th quarter earnings call of NTPC. Today, we have with us the senior management of NTPC represented by Mr. K. Biswal, Director (Finance), Mr. S. C. Pandey, Director (Projects) and Mr. K. K. Sharma, Director (Operations). I request the management to first take us through the key operational details for the 4th quarter as well as for the entire year and their growth outlook post which, we can have a detailed Q&A. 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 Shri S.C. Pandey, Director (Projects), Shri K.K. Sharma, Director (Operations), Shri D.K. Sood, Executive Director (Commercial), Shri S. N. Ganguly, Executive Director to CMD, Shri Sharad Anand, Executive Director (Coal Mining), Shri Sudhir Arya, Executive Director (Finance), Mrs. Sangeeta Bhatia, General Manager (Finance), Shri A.K. Gautam, General Manager (Finance) and other members from finance and commercials teams.

Today, the Company has announced the financial results for the 4th quarter along with audited annual financial year results for FY 2014-15. The key performance highlights for the quarter and the financial year have also been disclosed on both the stock exchanges. To begin with, I will briefly touch upon some of the highlights since our last interaction.

During March 2015, the Company issued bonus debentures amounting Rs. 10,306.83 crore to its shareholders. The allotment was made in the ratio of one fully paid-up debenture of face value of Rs.12.50 each for every equity share of face value of Rs.10. These debentures carry a fixed interest rate of 8.49% per annum payable annually and shall be redeemed at the end of 8th, 9th, and 10th year in the ratio of 20:40:40. Bonus debentures are listed at NSE and BSE.

For the FY2015, all NTPC stations achieved DC of or above 83%.

The Board has accorded investment approval for: Khargone Super Thermal Power Project (2x660 MW) at an appraised current estimated cost of Rs. 9,870 crore. This is in addition to investment approval of Rammam Hydro Project at Rs. 1,382 crore and Tanda Stage-II at Rs. 9,189 crore approved earlier in the financial year 2014-15. Thus, the total investment approved during the year is Rs. 20,441 crore. During April 2015, Anantapur Solar PV Project Stage-I (5x50 MW) at an appraised current estimated cost of 1,779 crore.

During the Q4 FY15, we have commissioned 660 MW at Barh and 195 MW through our Subsidiary Company at Kanti. Also, in Q4 FY15, we have debuted into hydro generation with the commissioning of Unit-2 of 200 MW of Koldam Hydro Power Project on 30.03.2015. Unit-1 and Unit-3 of 200 MW each of Koldam project have also been commissioned on 31.03.2015 and 10.04.2015 respectively. In all during FY 2014-15, we commissioned 1290 MW of capacity. Just to clarify, 400 MW of hydro capacity we commissioned in 2014-15 and 200 MW was commissioned in the current year.

During Q4 FY15 Unit-3 of 500 MW at Vallur Thermal Power Project of NTPC Tamilnadu Energy Company Limited, a JV Company of NTPC and TANGEDCO was declared on commercial operation. This is in addition to one unit of 660 MW of Barh Stage-II declared commercial on 15.11.2014.

The Board accorded approval to the proposal for NTPC's commitment to Government of India for setting up 10000 MW renewable energy projects during the next five years. Government has approved setting up 15000 MW grid-connected solar power projects through NTPC under the National Solar Mission. The projects will be implemented in three tranches by 2018-19. Tranche I - 3000 MW, tranche II – 5000 MW and tranche III – 7000 MW. The execution of the first phase would entail an investment of Rs. 18,000 crore.

On March 24, 2015, Ministry of Coal has announced re-allotment of five coal mines to the NTPC namely, Chatti Bariatu along with Chatti Bariatu (South), both are combined together as a single project, Kerandari, Dulanga and Talaipalli. Allotment agreements for these coal blocks have also been signed between NTPC and Government of India and bank guarantees have been furnished.

Formal allotment letter has been received from Government of India for Banai, Bhalnuda and Kudanali-Luburi coal blocks. Kudanali-Luburi coal block has been allotted jointly to NTPC and Jammu Kashmir State Power Development Corporation.

The Company has signed Memorandum of Agreement with Government of Jharkhand, Jharkhand Urja Vikas Nigam Limited, Jharkhand Urja Utpadan Nigam Limited and Jharkhand Bijli Vitran Nigam Limited for performance improvement and capacity expansion of Patratu Thermal Power Station under a Joint Venture Company to be promoted by NTPC and Jharkhand Bijli Vitran Nigam Limited with 74:26 equity participation. The JV Company will take over the Patratu Thermal Power Station with all its assets and build 2400 MW (3x800 MW) in first phase followed by second phase of 1600 MW (2x800 MW). With this, 1234 acres of land will be transferred to JV Company on outright sale basis on mutually agreed value for Phase-I.

Now, I will begin with the quarter-on-quarter comparison: PAT for Q4 FY15 is Rs. 2,944.03 crore as against 3,093.54 crore in corresponding previous quarter. For FY 2014-15 PAT is Rs. 10,290.86 crore as against Rs. 10,974.74 crore in FY 2013-14.

Net Sales for Q4 FY15 is Rs. 19,229.94 crore as against corresponding quarter Sales of Rs. 20,938.08 crore. For FY 2014-15, Net Sales is Rs. 72,637.75 crore as against FY 2013-14 Net Sales of Rs. 71,602.63 crore. Net Sales for FY 2014-15 would have been Rs. 74,037.17 crore without considering the tax credit of Rs. 1,399.42 crore passed on to the beneficiaries.

Total income for Q4 FY15 is Rs. 19,886.37 crore as against corresponding quarter sales of Rs. 21,624.78 crore. For FY2014-15, Total Income was Rs. 75,362.37 crore as against Rs. 74,664.61 crore in FY2013-14.

Gross Generation, including generation from solar units, during Q4 FY15 was 61.313 BUs as against 62.623 BUs in Q4 of previous year. On yearly basis, Gross Generation increased by 3.42% from 233.284 BUs in FY14 to 241.261 BUs in FY15. Similar trend was also reflected in Commercial Generation as well as in Energy Sent Out.

The Year-on-Year increase in generation is attributable to the coal based generating stations as the generation from the gas based generating stations could not take up pace due to the higher grid restrictions.

Generation from solar stations during Q4 FY15 was 38 MUs against 7 MUs in Q4 FY14.

PLF of coal-based stations was 82.68% for Q4 FY15 and for the FY2014-15, the PLF was 80.23% as compared to the National PLF of 64.46% for the year.

For FY2014-15, 4 coal stations of NTPC have featured amongst the top 10 stations of the Country in terms of PLF.

Due to grid restrictions we have suffered loss of generation from both the coal and gas stations. For the coal based generation, the loss was 9.717 BUs in Q4 FY15 as against 5.681 BUs Q4 FY14. On annual basis, the loss was 23.113 BUs and 23.083 BUs for FY15 and FY14 respectively. Similarly, for the gas based generation loss was 5.954 BUs in Q4 FY15 as against 5.351 BUs in Q4 FY14 and on annual basis the loss was 20.798 BUs and 20.652 BUs for FY15 and FY14 respectively.

I would now take you through operational performance for the 4th quarter of FY15.

Capacity Additions: As on March 31, 2015 the total installed capacity of NTPC group was 44398 MW, which includes 6196 MW capacity owned by our Joint Venture and Subsidiary Companies. In the current financial year i.e. 2015-16, we plan to add around 2653 MW. This capacity addition target comprises of 500 MW at Bongaigaon, 500 MW at Vindychal, 400 MW at Koldam, 800 MW at Kudgi and 8 MW hydro at Singrauli. Besides this, through our Subsidiary Companies, we will add 195 MW at Kanti and 250 MW at Nabinagar. From the current year

target, we have already added 200 MW at Koldam thus taking our current installed capacity to 44598 MW.

Operational Performance: As on date, the commercial capacity of NTPC group stood at 43143 MW. Units commissioned but yet to be declared commercial are of 1455 MW. This comprises 660 MW at Barh, 600 MW at Koldam and 195 MW at Kanti.

CERC Update: Pending issue of provisional / final tariff order under Regulations, 2014 by CERC and disposal of the petition filed by us challenging certain provisions, the financial statements for the financial year 2014-15 have been prepared in accordance with the said Regulations. The pleadings are still continuing and next hearing date is 16.07.2015.

Let us know give you an update of various other activities.

Dividend: The Board has decided to make the dividend payment for the financial year 2014-15 at the rate of 25% of paid-up share capital. Accordingly, Board has recommended the final dividend of Rs. 1.75 per share at the rate of 17.5% of the paid-up share capital. Interim dividend for FY2014-15 of Rs. 0.75 per share at the rate of 7.5% of the paid-up share capital has already been paid in February 2015. The payment of final dividend will be made after the approval of shareholder in Annual General Meeting scheduled to be held on September 18, 2015. For the financial year 2014-15, the shareholders have benefitted by Rs.15 per share including the bonus debenture of Rs.12.50 per share.

The regulated equity as on March 31, 2015 was Rs. 36,916.27 crore.

Cash and Cash Equivalent: As on March 31, 2015, Cash and cash equivalent was Rs.12,878.81 crore. In addition, an amount of Rs.226.60 crore is invested in mutual fund schemes.

Coal: The overall domestic coal received in FY15 has improved by 0.81%. We have received 151.03 MMT (Million Metric Tonne) as compared to 149.81 MMT in FY14. For Q4 FY15, the supply of domestic fuel was 41.06 MMT as compared to 43.39 MMT during Q4 FY14.

Materialization of coal against ACQ in Q4 FY15 was 86.66% as against 92.93% in Q4 FY15. On annual basis, the materialization level was 89.39% in FY15 as against 96.26% in FY14.

The supply of imported coal in Q4 FY15 was 4.89 MMT as against 2.30 MMT in Q4 FY14 registering an increase of 113.12%. On annual basis, the supply of imported coal was 16.38 MMT in FY15 as compared to 10.84 MMT during FY14, an increase of 51.12%. Thus, overall coal supply position has improved marginally on account of imported coal. The blending ratio for imported coal stands are 10.64% in Q4 FY15 as against 5.58% in Q4 FY14. On annual basis, the blending ratio was 9.32% in FY15 as against 6.66% in FY14.

Gas: On gas front, the fuel availability was adequate, however, due to grid restrictions the same cannot be fully utilized. The gas consumption during Q4 FY15 was 5.62 MMSCMD (Million Metric Standard Cubic Meter per Day) as against 5.99 MMSCMD in Q4 FY14. On annual basis, the gas consumption was 6.41 MMSCMD as against 6.87 MMSCMD in FY15 and FY14 respectively. The entire gas consumption of Q4 FY15 was procured under APM plus PMT mechanism and Non-APM gas.

In line with the Government scheme for utilization of gas based generating capacity, the Company has successfully bid for the supply of subsidized e-bid RNLG for its two projects i.e. Dadri and Auraiya. With these measures the variable cost is expected to be within Rs. 5 per unit. Further Rs.1.96 per unit will be provided as subsidy from Power System Development Fund by the Government. This measure will improve the utilization by 5% to 7% and is aimed to achieve target PLF of 35%

Capex: We have incurred a capex of Rs. 22,883 crore during FY15 as against the target of Rs. 22,400 crore. The capex by other group companies i.e. our Subsidiary and Joint Venture Companies has been Rs. 5,050 crore. The total group capex for FY15 was Rs. 27,933 crore.

For the financial year 2015-16, the capex outlay is estimated as Rs. 23,000 crore on standalone basis and by the other group companies as Rs. 6,429 crore.

Coal Mining: Expenditure towards coal mining - cumulative expenditures of Rs. 2,484.42 crore has been incurred on the development of coal mines till March 31, 2015. In the case of Pakri Barwadih mines, for the appointment of MDO, the commercial evaluation has been completed and price bid will be opened shortly. In case of other re-allocated mines, the appointment of MDO is under tendering.

Commercial: 100% realization from sale is continuing for 12th year also.

Average rate of return on investment of surplus funds of FY15 was 9.26%, while Average cost of borrowing for FY15 was 8.0746%.

Now I will briefly touch upon NTPC Group Companies:

Our trading arm NVVN transacted 2846 MUs during Q4 FY15 including 1491 MUs of solar bundled power. If you go by the full year, the total units stand at 10421 MUs including 5175 MUs of solar bundled power. Cross border trading with Bangladesh was 479 MUs during the quarter and for full year it was 1745 MUs.

All 3 operating subsidiaries – NVVN, KBUNL & NESCL have earned profit during FY2014-15. Out of 9 operating Joint Venture Companies, 6 companies – UPL, NASL, NSPCL, APCPL,

NBPPL & EESL registered a profit of Rs. 445.12 crore. From the group companies, NTPC received dividend of Rs. 119.01 crore during FY2014-15.

NTPC continues to win laurels in various fields, during the Q4 FY15. NTPC Ltd. has been awarded:

- D&B Corporate Award 2015 for exemplary performance as leader in the power sector.
- “Excellence in Financial Reporting” in Infrastructure and Construction Sector (Turnover more than Rs. 500 crore) category for the financial year 2013-14 by the Institute of Chartered Accountants of India.
- Maharatna of the Year- Manufacturing by the premier Investment Journal Dalal Street.
- Greentech Platinum Award 2014 for CSR in Thermal Power Category.

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

Harsh Dole: Operator, just open the line for Q&A please.

Moderator: Ladies and gentleman we will now begin the question and answer session. We have the first question from the line of Arun Kumar from HSBC. Please go ahead.

Arun Kumar: Hello Sir, congratulations for a very good result in this quarter. I had couple of questions. First was on the solar thing, you mentioned about 250 MW, the order being awarded if I understood correctly, what is the status and what is the timeline for the first 250 MW to be completed and what is the status on the balance capacity which is in the planning stages by NTPC that was one and second was on the issue of the green bonds. Can you just give us a sense of what is the possibility in that area and what is the likely regulation which we are expecting?

K. Biswal: Let us take the first question that is 250 MW of solar capacity. The timeline for completion is 12 to 18 months as far as this 250 MW is concerned and we are already planning for another 250 MW, the tender issuance is in process and your second question is about rupee denominated bonds is that right?

Arun Kumar: Right sir.

K. Biswal: We have taken the Board’s approval for raising bonds from the international market, in fact we are planning to go for Global INR bond or Offshore INR bond, but as you know the RBI is yet to notify the guidelines for Global Offshore bond and at the same time we wanted some clarification about withholding tax, what would be the percentage of withholding tax for these Global INR bond. We are in readiness, once we get the clarification from RBI or RBI notifies

their guidelines for Global INR bond, we will be going forward and raise Global INR bonds. So far these global INR bonds are concerned, foreign currency risk is borne by the investor, so this is most suited for our solar investment, because in solar plants, it is not passed through as per the Regulations. We may go for Global INR bonds as well as Green Bonds for renewable energy projects.

- Moderator:** The next question is from the line of Prakash Goel from ICICI. Please go ahead.
- Prakash Goel:** Thank you for the opportunity Sir. Prakash Goel here. I would like to know what has been the incentive that has been accounted during the quarter and the full year, PLF level is concerned?
- K. Biswal:** Just a moment. Do you have any other question?
- Prakash Goel:** The second question is with respect to the deferred tax accounting, we have seen a sharp reversal much higher reversal than the deferred tax stood during the quarter? What has been the reason for the same, almost Rs.700 crore additional write back has come on account of deferred tax. These are the two questions that I had.
- K. Biswal:** So far this incentive is concerned we have got Rs. 200.96 crore in financial year 2014-15.
- Prakash Goel:** Out of this how much is in Q4?
- Sangeeta Bhatia:** It is on annual basis, so figure cannot be given for individual quarter.
- Prakash Goel:** Okay.
- K. Biswal:** You have second question on taxation?
- Prakash Goel:** Right sir. The question is the deferred tax reversal during the quarter is higher by Rs.700 crore compared to the deferred tax charge? What have been the key reasons behind this?
- A.K. Gautam:** You are asking provision for deferred tax as against deferred tax asset.
- Prakash Goel:** Basically the question is, net-net the tax rate for the quarter is around 5% primarily because of the deferred tax reversal. So, what has been the cause of the deferred tax reversal?
- A.K. Gautam:** Actually for the deferred tax liability as per Regulations up to FY2009, we are entitled to recover deferred tax whenever it materializes. As per the Regulations for 2014-2019, we have to gross up the return on equity based on the effective tax rate. Then this deferred tax liability which we are creating now will be reversed in the future period. So it will be accounted as deferred tax asset, so combined under both the Regulations 2009 and 2014, this has been accounted as asset. I think that answers your question.

- Prakash Goel:** But why the reversal has been high that was what I was trying to understand.
- A.K. Gautam:** This is as per the Regulations, the liability will be provided as per the principles laid down and the asset will be created based on the various benefits available under the tax laws, so it could be higher.
- Prakash Goel:** Okay, I will try to understand it from the IR team later, that's all from my side and all the best for your future quarter.
- Moderator:** Thank you. The next question is from the line of Venkatesh Balasubramaniam from Citi Research. Please go ahead.
- V. Balasubramaniam:** Very good afternoon Sir. Firstly you said that PLF incentive in the year was roughly around Rs. 200.96 crore, correct Sir. Now, is it like the incentive for the full year is actually recognized in the fourth quarter and not in the first three quarters, in the profit and loss statement, does the entire incentive come in the fourth quarter?
- K.K.Sharma:** We booked the incentive all along the financial year, but at the end of the year when final number comes in terms of plant load factor from various stations then this is firmed up and it is accounted for on annual basis.
- K. Biswal:** The incentive is linked to PLF and of course in the earlier quarters we are considering certain amounts on provisional basis but the firm figure comes only when the year is completed.
- V. Balasubramaniam:** I understood that Sir. Now when you did this exercise, is there a big number in fourth quarter? I mean a majority of the Rs. 201 crore, is it in fourth quarter or the fourth quarter number is a smaller number?
- K. Biswal:** See, the number is on annual basis as already discussed.
- V. Balasubramaniam:** Sir let me ask this question a little differently; now your reported profit is Rs. 2944 crore. Can you tell me what is your adjusted profit? Is it the same number? Is there any exceptional item, which we need to adjust in the result?
- K. Biswal:** Actually this time we have not calculated any adjusted figure because as you know that in previous year in 2013-14 or 2012-13, there are certain orders we got pertaining to the previous years, so we have to knock out all the figures to find out the real result of that respective quarter. If you see this quarter, we do not have any previous year orders, so there is no point of calculating any adjusted figure.

- V. Balasubramaniam:** So you are saying there is no exceptional item in this quarter. Sir, the next question is if you could repeat the Regulated Equity, which you mentioned in the start of the call, I think I missed that number.
- K. Biswal:** It is Rs. 36,916.27 crore.
- V. Balasubramaniam:** Is it possible for you to share what was the Gross Block on the Standalone basis at the end of the year, the Capital Work in Progress and the Construction Stores?
- Sangeeta Bhatia:** What do you want? You want Gross Block, CWIP or Net Assets.
- V. Balasubramaniam:** I want Gross Block, CWIP and Construction Stores. These three line items, that is all.
- A.K.Gautam:** Gross block as on March 31, 2015 is Rs. 1,28,477.59 crore, accumulated depreciation is Rs. 49,628.52 crore, Net Block is Rs. 78,849.07 crore and Capital Work in Progress is Rs. 56,493.49 crore. All figures are including Intangible Assets.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Good afternoon Sir. What was the saving in the heat rate parameter, how much you accounted?
- K. Biswal:** We do not declare these parameters and under the current Regulations the operation norms are tightened, so we do not have any savings this time.
- Mohit Kumar:** Also, where is the court case that you have filed in Delhi High Court?
- K. Biswal:** It was to be heard yesterday, but again it is postponed to July 16, 2015.
- Mohit Kumar:** Sir, couple of other questions. Why has depreciation risen sharply in this quarter Q-o-Q and why the non-current investment has declined?
- K. Biswal:** Depreciation has increased because of the capitalization of Barh and non-current investment declined because of the repayment of OTSS Bonds.
- Mohit Kumar:** How much capacity we are expecting to add in FY2016, FY2017?
- S. C. Pandey:** As already informed by our Director (Finance), it is 2653 MW capacity expected to be commissioned in the current fiscal, but we are sure of adding 2403 MW in the current fiscal in thermal and hydro, the differential 250 MW capacity we are trying at Bongaigaon, but this is not a certainty at this moment, so on firm basis we will be able to add 2403 MW in the current fiscal

in hydro and thermal and the solar is likely to materialize after the current fiscal, part of the 250 MW can come.

Mohit Kumar: Sir is it right that you have floated 1000 MW of Solar PV tender and have you signed the PPAs for all of them?

K. Biswal: Only for Anantapur 250 MW we have signed PPA.

Mohit Kumar: The tariff is based on the CERC rate, am I right?

K. Biswal: For this 250 MW, the tariff is fixed at Rs. 6.16 and is not based on CERC rates.

Mohit Kumar: Did you win this order in some bidding?

K. Biswal: No. We have called bids for execution of work on EPC basis. Tata Power was the L1 then other bidders were asked to match the Tata Power price, so Tata Power got 2 blocks out of 5 and 1 block each was awarded to Lanco, BHEL and Sterling and Wilson, so actually it is a transparent tender process through which we have awarded the contracts and entire power would be supplied to Andhra Pradesh.

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

Rakesh Vyas: Good afternoon to everyone, sir, just one question. Can you highlight, the generation Y-o-Y was lower this year, so was that on account of lower coal or lower demand?

K. Biswal: It is strictly on lower demand. Our Director (Operations) will elaborate further. We are in readiness for generation but due to sluggish demand the generation has come down.

K.K. Sharma: We have lost more than 23 BUs in coal area and more than 20 BUs in the gas area. Overall loss was 8.09% and in the case of gas it is 59.07%.

Rakesh Vyas: Sir, I got your point, but I'm also trying to understand the coal supply position, this quarter as compared to last year shows a reduction of 2.3 MMT supply from domestic sources, despite Coal India increasing production and higher dispatches this year Y-o-Y. So any specific reason why we received lower coal than last year, as against what the normal trend has been in the nine months?

K. Biswal: The coal supply is dictated by the kind of schedule which we are getting. Right now our coal stocks capacity at all projects is full, so we are receiving as much as we want.

- Moderator:** Thank you. The next question is from the line of Girish Nair from BNP Paribas Securities. Please go ahead.
- Girish Nair:** Thanks for taking my question. I just wanted to ask about, after the new Government took over last year, are you seeing any improvement in terms of getting Government clearances or expediting land acquisition? Is that something that you are noticing? Is there a distinct improvement?
- K. Biswal:** Definitely we can see the change. All the coal mines, we got back and there is an improvement in Jharkhand, so things are improving and environment clearance also we are getting timely.
- Girish Nair:** You said that in RLNG bids you participated that was only for Dadri and Auraiya. Did you participate for Ratnagiri as well?
- K. Biswal:** Ratnagiri also.
- Girish Nair:** So, I just wanted to know whether you are able to find buyers at the Rs. 5.5 tariff?
- K. Biswal:** So far Ratnagiri is concerned, the entire power will go to Railways.
- Girish Nair:** Finally I just wanted to know the gross fixed asset number for the consolidated operations. I guess you gave the number for the standalone, so I just wanted the number for the consolidated?
- Sangeeta Bhatia:** We will give you that number separately after the call.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.
- Bhavin Vithlani:** I have two questions. One is if you can highlight in the Fiscal 2016, can we expect the 4 MMT coal mining from the captive as you had guided earlier?
- K. Biswal:** 4 MMT may be, this time in 2015-16 we are going to produce coal, but whether it is 4 MMT, 2 MMT, 3 MMT, we cannot say, but this year we are going to open the mines and going to produce coal.
- Bhavin Vithlani:** Has the law and order situation improved?
- K. Biswal:** It has improved a lot and now we have made up our mind that this year we will be producing coal.

- Bhavin Vithlani:** The second question is that, if you can highlight FY 2016 and FY 2017, which projects we are expecting commencement of commercial operations and if you can also give us some flavor on the projects that you are expecting to award, so we can have improved visibility on new projects?
- S.C. Pandey:** For the current fiscal we are going to put under commercial operation our entire capacity of Koldam hydro projects i.e. 800 MW, 660 MW of Barh Stage-II, then we will be also commercializing the unit after commissioning at Vindychal 500 MW, we are also planning to commercialize the unit at Bongaigaon 250 MW, then we will be commissioning the unit at Kudgi but commercial operation will go in the next fiscal. In the joint venture companies the Kanti Unit-3 of 195 MW will be commercialized, BRBCL Unit-1 is likely to be commercialized in the last quarter of 2015-16. These are the units tentatively planned for the commercial operation in this fiscal.
- Bhavin Vithlani:** Next fiscal?
- S.C. Pandey:** Next fiscal i.e. 2016-17, the left out capacity out of the capacity of 2403 MW which we will be adding in the current fiscal will go in the next fiscal for commercial operations besides other units which will be commissioned in the first two quarters of the next fiscal will get commercialized by March 2017.
- Bhavin Vithlani:** What is the ballpark number of commercial operation for fiscal 2016-17?
- S.C. Pandey:** It would be around 2500 MW.
- Bhavin Vithlani:** Also if you can give us some flavor of project award as the equipment suppliers are talking about significant ordering by NTPC, so if you can give us some flavor on which projects and quantum of MW?
- S.C. Pandey:** In the current fiscal we have already ordered the project at Tanda in UP of 2x660 MW and 2x660 MW at Khargone. We are in advanced stage of ordering for Barethi 4x660 MW. Our projects at Telengana and Pudimadaka are also tendered. These are the projects likely to be awarded in the current fiscal.
- Bhavin Vithlani:** What size would be Telengana and Pudimadaka?
- S.C. Pandey:** Initially, Telengana will be 2x800 MW and Pudimadaka will be 4x1000 MW.
- Moderator:** Next question is from the line of Ihab Dalwai from ICICI Prudential Mutual fund, please go ahead.
- Ihab Dalwai:** Good afternoon Sir. My question was partly answered but Sir I just wanted to understand that 10000 MW of solar capacity addition which you are doing, the tariff determination for it would

be it discovered through reverse bidding or would it be negotiated with respective State or is it a cost plus ROE mechanism for determining the tariff?

K. Biswal: You see this 10000 MW, solely it would be developed by NTPC and as you know the capital cost of the project would be determined through a transparent process besides capital cost is a prime factor for tariff determination, then the rate would be decided with the respective State on mutual agreement and there is also another option that we can go for bundling of the solar power tariff with our old plants, those who have already outlived their normative life, that is also another possibility we have taken up with the Government. Tariff would be based on the capital cost as may be discovered through competitive route and accordingly tariff would be decided through mutual agreement.

Ihab Dalwai: Is there any ROE assumption which you are building in the tariff, range if you can provide sir?

K. Biswal: ROE we are looking at 15.5% at least.

Moderator: The next question is in the line of Amit Sinha from Macquarie, please go ahead.

Amit Sinha: Hi Sir, thank for the question now. Sir my first question is on the acquisition, which you were targeting at Patratu and Sarni what is the status of that?

K. Biswal: For Patratu we have signed Memorandum of Agreement with the Government. Within 90 days we have to complete our financial appraisal, technical due diligence. At the same time also State Government will notify in their official gazette for transfer. The Joint Venture Company has to be formed and all the assets have to be transferred to the Joint Venture Company and then we can move forward. In the JV Company, NTPC will hold 74% stake and rest 26% would be held by the Jharkhand Government. Regarding Sarni we have started our technical due diligence. Through similar process JV Company is going to be formed. NTPC will have major stake around 51% and above and rest would held by the MP Government. We are going to sign MOA with the MP Government soon.

Amit Sinha: In the longer term what would be our strategy given that we are going aggressive in ordering our new plants, are we still looking for acquiring plants more than 5 to 6 GW or we are more interested in setting of Greenfield projects?

K. Biswal: We are more interested in setting up Greenfield projects. Our hands are full so far as Greenfield projects are concerned. In addition to that we are looking for the plants owned by the State Government, we feel that we can turn around the plant and immediately we can get to the additional generation from that plant.



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- Amit Sinha:** Lastly on PLF, the fourth quarter PLF was significantly down and you explained that it was mainly because of lower demand from the States, in the current quarter are we seeing any improvement or our situation of the demand remains the same.
- K.K. Sharma:** See, the conditions are not improving, as such we have a generational loss of around 11% and more because of the grid as against 5% last year, so the conditions are not improving, last year we had a PLF of 85.6% as on date right now we are running around 79.4%, so percentage is low as far as PLF is concerned.
- Moderator:** The next question is from the line of Pavan Parikh from Religare Capital Markets. Please go ahead.
- Pavan Parikh:** Congrats on good set of numbers. See, if I look on a full year basis I think we have reported a loss of about Rs. 300 odd crore in the subsidiaries, so which are these subsidiaries, JV or subsidiaries?
- K. Biswal:** Basically Ratnagiri. In Ratnagiri we have incurred huge loss and other companies where we have incurred loss are TELK and NTECL.
- Pavan Parikh:** Sir, can you break this off specifically for Ratnagiri for NTPC?
- Sangeeta Bhatia:** It is mainly Ratnagiri, and Ratnagiri you know the problems, you are all based in Bombay, so you know the problems better than us for Ratnagiri.
- K.K. Sharma:** In fact the performance of in NTECL is going to be far better than now because all three units are commercialized, the coal supply portion is also more comfortable this year. Demand is also there. We are expecting better performance of NTECL. Ratnagiri also we have participated in reverse bidding, so we are expecting improvement there also.
- Pavan Parikh:** Sir, my second question is on the tax rate, specifically for this quarter, the effective tax rate is very low at about 5%.
- K. Biswal:** Generally our effective tax rate is 21 to 22% and because of the tax refund in this fourth quarter tax liability has come down.
- Pavan Parikh:** Sir, lastly lot has been talked about in the call about power being backed down by States. It is specific to few States in the Country. How is it?
- K. Biswal:** It is a general scenario. We cannot name any State for this purpose. The basic issue is that we have 22500 MW plus addition in the last financial year and the Country's capacity is almost touching 268000 MW. So, that kind of demand is not generated, so it is affecting the sector as a whole.



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- Pavan Parikh:** Sir, if you look at FY2016, coal supplies likely to improve and on a Pan-NTPC basis do you think this PLF will look better than what it is for FY 2015?
- K. Biswal:** See this will be speculative right now if we give some numbers or figures, but right now what we can do as a Company, we have made our coal position comfortable. We have tied up import coal. We have tied up additional coal quantity and are ready to meet the demand in the sector.
- Moderator:** The last question is from the line of Sumit Kishore from JP Morgan. Please go ahead.
- Sumit Kishore:** Sir, my first question is with reference to Notes 3(c) to our accounts, the sales for the year ended March 31, 2015 include Rs. 679.6 crore pertaining to previous year recognized based on the orders. This amount was Rs. 441 crore at the end of nine-months of FY2015. So the difference of Rs. 238.6 crore would be adjusted in your profit while arriving at the adjusted number.
- Sangeeta Bhatia:** Sumit, we have been giving you adjusted PAT all the time but as it looks our business is like that. There will be swings, some years we are booking Rs. 500 crore as previous year sales sometimes it is Rs. 200 crore, so that is our routine business, because there is always a lag in tariff notifications. So, we are doing adjustments and it is up to you to look at that.
- Sumit Kishore:** At the end of the first half of the year I remember you had said that the core ROE for the Company was in the range of about 17% for the first half of the year, what does that number look like on a full year basis when we look at the core ROE?
- Sangeeta Bhatia:** It looks the same, little better. We will talk about it after the call.
- Sumit Kishore:** My next question is in relation to what we have been reading about plans to acquire projects of DVC, acquisition of third party projects, is there any progress that you would like to share with us.
- K. Biswal:** So far it is in a very nascent stage, for DVC plant management is discussing and we have not taken any decision yet.
- Sumit Kishore:** Neither for third party project and nor is there any target?
- K. Biswal:** No.
- Sumit Kishore:** Lastly on Note number 6 to account, which project is being referred to here, where the investment of Rs. 8,732 crore that been made?
- K. Biswal:** Kudgi.
- Sumit Kishore:** Kudgi. What is the issue there?



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- K. Biswal:** NGT has given some order from environment point of view against NTPC but the order was stayed by Supreme Court, the case is pending with Supreme Court.
- Sumit Kishore:** So the construction is happening as usual?
- S.C.Pandey:** Construction is happening and we are going with the commissioning plan of first unit of this project in this fiscal.
- Moderator:** Thank you. I now hand the conference over to Mr. Harsh Dole for his closing comments.
- Harsh Dole:** I would like to thank the senior management of NTPC for giving this an opportunity to host the call. Thank you very much sir and I would also thank all the participants to logging in. Thank you very much.
- Moderator:** Thank you very much members of the management, ladies and gentleman, on behalf of IIFL Capital that concludes this conference call. Thank you for joining us and you may now disconnect your line.