"NLC India Limited
Q4 FY2019 Results Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to NLC India Limited Q4 FY2019 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Modi from ICICI Securities Ltd. Thank you and over to you, Sir!

Rahul Modi: Thank you, Steven. On behalf of ICICI Securities Ltd, we welcome you all to the NLC India Ltd Q4 FY2019 results conference call. We have with us, Shri. Rakesh Kumar, CMD, NLC India Ltd and the Senior Management team. I would like to hand over the call to the management for the opening remarks and then move on to the Q&A.

Rakesh Kumar: Good afternoon everyone. This is Rakesh Kumar, CMD, NLC India Limited and I am accompanied by Shri. Vikraman, Director (HR), Shri Prabhakar Chowki, Director (Mines) and Shri Shaji John, Director (Power) and we are here to give you an update on the financial results of the year 2018-2019.

During the financial year 2018-2019 the company has successfully commissioned the 404 megawatt of solar power plants in Tamil Nadu and Andaman and increased its renewable energy capacity from 291 megawatt to 695 megawatt. The power generation achieved during the year is 20677 million units as against 20741 million units in the corresponding previous year. Out of the total power generation renewable power accounted for 585 million units against 200 million units in the previous year.

The power export, which is sale of power to all the EBs, we achieved a level up to 17505 million units as against 17419 million units in the corresponding previous year, the lignite sales increased by 55% from Rs.372.57 Crores to Rs.579.28 Crores in the corresponding previous year. Gross Power surrender has been reduced during the year from 3525 million units in 2017-2018 to 2872 million units

The plant load factor(PLF) of thermal power stations achieved is 73.03% and 70.52% on standalone and consolidated basis respectively for the year 2018-2019 against the national average thermal PLF of 61.07%.

The total revenue for the year 2018-2019 is Rs.8059.27 Crores as against Rs.9083.05 Crores in the corresponding previous year, the dip in revenue is mainly on account of reduction of lignite transfer price that is an impact of Rs.420 Crores, implementation of Ind-AS 115 that is Rs.658 Crores and non applicability of Clean energy cess Rs.220 Crores in the current financial year and this has no impact on the bottomline.

The profit for the year is Rs.1266.97 Crores as against Rs.1848.78 Crores in the corresponding previous year. The dip in profit is mainly on account of lower plant availability, decrease in lignite stock and implementation of VRS.

The company has achieved highest ever capex of over Rs.7000 Crores during the year 2018-2019. I would like to invite questions. Now you are requested to intimate whatever queries are there in respect of the financial results.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Apurva Bahadur from Jefferies. Please go ahead.

Apurva Bahadur: Thanks a lot Sir. Thank you for taking my question. Sir, it would be very helpful if you could provide the adjusted PAT for the quarter and the full year?

Rakesh Kumar: Adjusted PAT mean?

Apurva Bahadur: One which would be recurring, basically x of all the adjustments that we have done per year?

Rakesh Kumar: You mean to say that you want to know the regular profit after tax on the regulated income, regulated equity and what all other incomes, which have risen that you, need to know?

Apurva Bahadur: Yes Sir.

Rakesh Kumar: During this year, the total regulated equity is Rs.4762.49 Crores out of which Rs.2664.48 Crores is in respect of mines and Rs.2098.01 Crores is in thermal power station. We have earned regulated income of Rs.738.19 Crores on this because we have not achieved TPS-II Expansion up to normative level because TS-II Expansion has gone down to about 44.34% of PAF as against 75% normative level and Reduction in profit by Rs.194.60 Crores.Barsingsar plant has also not achieved the normative level of 75%. We have achieved 61.97% which has reduced our profits by Rs.46.82 Crores. So total normative level in thermal power station, Rs.241.42 Crores levels is not achieved and in mines also a marginal amount of Rs.26.50 Crores has not been achieved. Under recovery of O&M thermal power station is Rs.115 Crores and under recovery of energy charge is Rs.214.59 Crores and under recovery of lignite sales to TAQA is Rs.28 Crores, under recovery on open sale is Rs.35 Crores thereby total under recovery in respect of mines and thermal is Rs.661.18 Crores. However, because we are entitled to interest on working capital and the payment of interest to the bankers is less therefore we have earned Rs.101.38 Crores on account of that. And because of some excess equity infused in our thermal power station and mines, we could get Rs.89.62 Crores return on that excess equity. There is an element of other income which comprises of Rs.478 Crores surcharge and Rs.147 Crores interest from the loans provided to joint venture companies and we have also received during the year Rs.75 Crores interest on account of the income tax orders of course the realization is yet to take place since we have received the orders we have accounted for the interest portion. In addition to this there is a regulatory income also on account of wage revision and review of regulatory liabilities and review of the expenditure so the total net profit after tax comes to Rs.1266 Crores.

Apurva Bahadur: Sir, this regulatory income for on account of wage revision and all, this is basically a liability write back, we had earlier provided for it?

Rakesh Kumar: Yes.

Apurva Bahadur: Can you also give plant wise PAF?

Rakesh Kumar: PLF or PAF?

Apurva Bahadur: PAF?

Rakesh Kumar: Our plant wise PAF is 78.06% for TS I against a normative of 72%. TS II stage I it is 87.57% against a normative level of 80%. TS II stage II we have achieved the PAF of 90.56% against the PAF normative level of 75%. PAF TS I Expansion we have achieved 81.59% against the normative level of 80%. TS II expansion, we have achieved 44.35% against the normative of 78.7% and Barsingsar Thermal Power station, we have achieved PAF of 62.35% against the normative level of 80%.

Apurva Bahadur: Sir, for this TPS II expansion by when should we expect the stabilization and what is exactly causing these low PAFs?

Rakesh Kumar: I will request Director (Power) to reply to your question.

Shaji John: The TS II Expansion is of unique kind of what we see, a CFBC boiler of 250-megawatt, which is the first time in our country which is done by own BHEL and initially we had some teething problems and the plant load factor was around 44.35%. Basically there are certain failures happening in the refractory as well as in the pressure parts in the FBHE. That is in the fluidized bed heat exchange (FBHE) system. The refractory problems have already been resolved in the past one or two years, now we are focusing on the FBHE. Boiler tube failures are on a higher side, so with the consultation with OEM, BHEL we have already done three modifications at different levels and certain initial problems and the design problems have been attended, now still we have to complete the certain modification of hanger system which is giving trouble due to differential expansion of different material that material has already been now identified, our team with NLC as well as BHEL have worked out and those modifications are going to be carried out in the month of July in Unit 2 and in the month of November in Unit 1. With these modifications we are confident that the problems we are facing in the pressure parts FBHE shall overcome and station will improve upon the availability and the plant load factor.

Apurva Bahadur: Ok, Going ahead probably by Q2 we should expect this plant to be running at its optimum PAF?

Shaji John: Q2 we will be doing the modification and the effect of one unit we can expect by Q3 or Q4.

Rakesh Kumar: We are making all out effort to bring the plant to its normal level as early as possible. The work is going on.

Apurva Bahadur: Finally, have we executed all of our solar capacity which we had won or how much is still in execution?

Rakesh Kumar: Solar power you want to know. Solar power, yes out of the one project of 709 megawatt in Tamil Nadu we are very close to completion of the project. 709 megawatt is under execution as of March 31, 2019.

Apurva Bahadur: Sir, in this project if I am not wrong it had a deadline completion?

Rakesh Kumar: As per the agreement between TANGEDCO and NLC India Limited we have the deadline in the month of September,2019. So the work is going as per schedule.

Apurva Bahadur: So, we will achieve this execution by September?

Rakesh Kumar: From our side, we are making all out effort.

Apurva Bahadur: Thanks a lot.

Moderator: Thank you. The next question is from the line of Rahul Modi from ICICI Securities Limited. Please go ahead.

Rahul Modi: Thank you for the opportunity. Sir, just a couple of questions, if you could help us with the status of Ghatampur and how much capex have we invested and also phase I of 1000 MW what is the status like in timelines that we are targeting internally both of this if you could help us with please.

Rakesh Kumar: See, the total project cost is 17237 Crores out of which we have already incurred an expenditure up to March 31, 2019 to the extent of Rs.5681 Crores and during the financial year 2018-2019 we have incurred an expenditure of Rs.3522 Crores as against our internal target of Rs.3500 Crores and so far we (Along with the UPRUVNL) have infused total equity to the extent of Rs.1693.04 Crores out of which during the year, Rs.788.64 Crores equity has been infused by the promoters and we have also drawn loan from PFC and REC to the extent of Rs.3198.36 Crores. NLC is having a bridge loan facility and in case of any emergency, we are there to support the project; however, keeping in view these loan tie ups, we have sufficient funds to fund the project activities. The project execution is going on in full swing and we are expecting to commission the first unit as per schedule in November 2020 and other two units six months one by one thereafter.

Rahul Modi: Sir the TPS adjustment of the NNTPS , 1000 megawatt.

Rakesh Kumar: NNTPS as you are aware that on December 28, 2018 we have lighted up the unit I and commissioning activities are very close to the final synchronization and yesterday we have lighted up unit II also and commissioning activities of Unit II are under progress.

Rahul Modi: Just one question, we have seen in the TPS I expansion project, do not you feel there is a technological issue which we will face in this 1000 megawatt that will commence?

Rakesh Kumar: Technological issue with respect to?

Rahul Modi: Because in the new plant that we have recently had commissioned, we have seen that it has taken almost two years to stabilize so you will see further issues coming in TS II Expn.?

Rakesh Kumar: As our Director (Power) has elaborately explained that the technical issue is being addressed. Whatever issues we witnessed in 2017-2018 have already been addressed completely in 2018-2019 and there is no recurrence on account of those issues; however, new issues have emerged and those are under repair. We are working on that and we expect that we will be able to overcome shortly.

Rahul Modi: Sir, on the mining business, as you said, what is the total production that we achieved as against the normative? You mentioned that we had an under recovery due to is it because of generation loss at the power plants that we are under recovering there?

Rakesh Kumar: Yes, you are right that lignite mining under recovery is on account of less lignite exploration and one of the reason is less power generation of TS II expansion, but at the same time, we have reduced our closing stock from the level of 71 lakh tonnes to 55 lakh tonnes as of March 31,2019 because of the safety concerns and therefore that reduction in stock is also accountable for this reduction.

Rahul Modi: What was the reason for the under recoveries from TAQA?

Rakesh Kumar: The reason for under recovery in case of TAQA?

For TAQA actually the quantity contracted is 1.9 million tonnes out of which the lignite taken by TAQA during the year 2018-2019 is to the extent of 1.367 only. So this has resulted into under recovery.

Rahul Modi: So they do not have a fixed cost payment mandatory to you if they buy less?

Rakesh Kumar: No. Fixed cost there is no such mechanism, but the transfer price, fixed at normative level is applicable to transfer price of lignite to all our thermal power stations and to TAQA also in line with the Ministry of Coal order.

Rahul Modi: Right, what is the issue at Barsingsar that we faced this time?

Rakesh Kumar: Barsingsar plant has also witnessed forced outage during 2018-2019. I will request Direct (Power) Shri Shaji John to throw some light on this.

Shaji John: Barsingsar plant also as it was explained in TS II expansion, this is also a CFBC technology but the Barsingsar units are of lower capacity 2 x 125 megawatt. Last year, there were certain issues with refractory as well as steam cold wall there were some failures so the refractory problems currently are overhauling, last year one overhauling, we have changed the refractory material also and the tuning process also we have taken care with the experts from the same supplier and the tubes which were getting overheated have been now modified with higher grade tubes, which can withstand higher temperature. So the other unit is also taken under shutdown now. With these two modifications of the higher grade tube for steam cold wall as well as refractory modification that problem will be over.

Rakesh Kumar: Thank you Sir.

Moderator: Thank you. The next question is from the line of Vaibhav Barjatya from HNI Investments. Please go ahead.

Vaibhav Barjatya: Thanks for providing the opportunity. Sir, in the notes to accounts of the results, you have said that MOC determined transfer price for the lignite is lower than what CERC has determined. So just wanted to know what is the reason for the differences? Is it the actual cost is lower than what CERC expected or there is a difference in the markup that both the entities are assuming in transfer pricing?

Rakesh Kumar: The lignite price guidelines are issued by the Ministry of Coal for a period of five years in the instant case 2014 to 2019 and in line with the lignite price guidelines we are supposed to have two assumptions out of the total determination of the lignite price one is that the cess which is required for five years and the amount of overburden over and above the normative level, these two factors have been assumed with an escalation factor which is 11.50%. Now once we started and based on these assumptions we calculated and given the auditor certificate and submitted through MOC to CERC based on which CERC issued the approved lignite price for the next five years before the start of the tariff period 2014-2019. However, after the start of the tariff period in the second year itself, we started witnessing the surrender of power for the first time in India to our thermal power stations also and therefore we started looking at curtailing down our costs. So on account of additional capital infusion in the mines, we have envisaged to reduce our capital expenditure, in addition to this we have also been able to reduce our operation and maintenance expenses and due to the implementation of GST the compensation cess and GST was not applicable. So due to these reasons the lignite price, which was determined by CERC, we have ended up charging less than that because ultimately in case the cost is less and if we charge more then we have to return the money with rate of interest equivalent to MCLR of SBI plus 350 basis point. So accordingly we have reduced our price; however, this reduction in price has not resulted in any reduction in the returns because our return is determined based on the regulated equity and depending upon our performance and lignite mines capacity utilization we are entitled to return on equity.

Vaibhav Barjatya: I do not know if my understanding is wrong, but for the difference in price you are anyway recognizing the deferred regulatory assets, if I am not wrong?

Rakesh Kumar: You may please recall that at the time of implementation of Ind-AS during 2016-2017 Ind-AS 114 was made applicable and whereby we were required to recognize the revenue based on the rate decided by the regulator. Accordingly, we have recognized the revenue but at the same time because we have not charged this on account of lesser rates fixed by the management, therefore the regulatory liability was provided during those years; however, in 2018-2019 after implementation of Ind-AS 115 we are recognizing the revenue based on the invoiced amount.

Vaibhav Barjatya: So, what I meant to say is that if we are raising invoices based on lower rates and that lower rate is because of your lower costing of lignite mining and simultaneously because of CERC being at a higher rate, you are recognizing the regulatory assets and recognizing it as an income in P&L, anyway going forward in the next review period post 2020 or something, in truing up exercise we have to reverse that, isn't it?

Rakesh Kumar: Since we have not invoiced therefore there is no need to reverse that; however, we can always explain at the time of truing up that this is what is decided as an approved price of lignite by CERC and since we have charged at lesser cost and all the other parameters are in line with the lignite price guidelines therefore Truing up will take place as envisaged by us and we have already created liabilities on a year-on-year basis.

Vaibhav Barjatya: Last question from my side I was looking at your historical numbers and you know sometime in Q4 of financial year 2017, I am talking about Q4 of financial year 2017 there was a sharp jump in your revenue and profitability and that is because there was a sharp jump in tariffs so could you help me understand that what happened in that particular quarter that resulted in very sharp jump in profits and tariffs?

Rakesh Kumar: 2017-2018?

Vaibhav Barjatya: I am talking about Q4 of FY2017 so it would be March 2017 quarter.

Rakesh Kumar: This is exactly what happened that as we implemented Ind-AS, therefore, we have revised all the liabilities including all the CERC petitions based on one accounting policy that wherever the regulatory body has issued any orders we will account the revenue as per that and even if we have very strong footing on the grounds for which we have gone for appeal earlier we were accounting as an income based on the opinion provided; however, based on this change in accounting policy we have revised our liabilities therefore during that year we have reduced our net worth to the extent of about Rs.2500 Crores and in addition to that there has been because of the income tax, which was adjusted during the current year we saw for the first time income tax, which was Rs.214 Crores minus, which has resulted in profit of Rs.2369 Crores.

Vaibhav Barjatya: I think I will take this offline. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Priyanka Nangalia from Birla Sun Life Insurance. Please go ahead.

Priyanka Nangalia: Sir the reason for increase in receivables, we have seen a sharp increase?

Rakesh Kumar: Yes the receivables have witnessed a sharp increase because of the nonpayment of regular power dues from the electricity boards and this was aggravated on account of the fact that they were witnessing nonpayment from the lenders on account of certain reasons and out of this there has been one big claim on which few customers have disputed and gone to APTEL and on the lignite price truing up therefore the dues have mounted; however, we have taken up the matter and the lignite price issue, which is around Rs.1500 Crores out of a total amount of Rs.5545.64 Crores the APTEL has decided directed Discom's to pay the amount and for which they have referred an appeal in Supreme Court and there also Supreme Court has directed Discom's to pay in installments up to December 2019. We have already disclosed this in our notes to accounts also.

Priyanka Nangalia: If you can give a state wise breakup for the receivable?

Rakesh Kumar: Yes, this was a general trend and state wise if we see the dues Tamil Nadu as on March 31, 2019 the total outstanding worth Rs.3119.24 Crores on account of thermal dues and Kerala is Rs.146.42 Crores, Pondicherry is Rs.157.49 Crores, Andhra Pradesh Rs.316.37 Crores, Telangana is Rs.359.31 Crores, Karnataka is Rs.530.60 Crores, Rajasthan is Rs.199.16 Crores. Most of the states are in tandem and there has been a general trend, which has seen the upsurge less than 60 days is Rs.1007.02 Crores and 60 days to one year is Rs.3590.66 Crores, one to two years is Rs.19 Crores and more than two years is Rs.211.90 Crores. This is more than two years is primarily on account of the lignite price case, which is under APTEL jurisdiction now and in addition to this from Tamil Nadu we have dues on renewablesRs.302.72 Crores out of which wind is Rs.64.70 Crores and solar is Rs.238.02 Crores. We are taking up the issue with the top management of TANGEDCO from time to time and we are given to understand that they are going to consider our request as soon as they are going to receive the funding.

Priyanka Nangalia: Thank you Sir.

Moderator: Thank you. The next question is from the line of Vaibhav Barjatya from HNI Investments. Please go ahead.

Vaibhav Barjatya: You had plans for some of the stressed asset acquisitions are those plans still on or you are doing those plan and are there any near term transitions that you see happening?

Rakesh Kumar: In our corporate plan we have provided for capacity enhancement to the extent of 3000 megawatt on account of acquisition of power assets and although we have been attempting to acquire assets earlier DVC was under consideration and GMR Chattisgarh. However, at present these two transactions are not progressing and we have dropped the idea after making all out efforts from our side and right now we are working on acquisition of IL&FS for which the work is going on.

Vaibhav Barjatya: Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Abhinav Bhandari from Reliance Mutual Fund. Please go ahead.

Abhinav Bhandari: One is on this total under recovery that you mentioned of Rs.661 odd Crores how much do you think can it reduce this year FY2020?

Rakesh Kumar: Management is conscious about the under recovery therefore we will continue to make all out effort to reduce it to at the minimum level; however, as per our annual plan always we try to achieve the target of making it nil, but eventually due to some reasons in 2018-2019 this has gone to the level of Rs.661.18 Crores.

Abhinav Bhandari: Any guidance of ballpark number if you could help us with that some items of this, which looks very doable kind of stuff in terms of curtailing that under recovery, any ballpark number if you could guide that would be very helpful?

Rakesh Kumar: At present we do not have any such guidance number; however, I can give you a brief on the initiatives, which we are taking on the mining front. The mining is solely dependent on the power and to some extent on the sale outside so you know that during the year 2018-2019 we have sold lignite in the open market to the extent of 17.25 lakh tonne as against 5.01 lakh tonne only in 2017-2018, which has seen the increase by 196.14% in value terms and therefore we are focusing on lignite to outside parties. Number two on account of surrender of power because once we try to arrest the gross surrender of power, which we have been able to successfully do it during

2018-2019 from 2566.25 million unit in 2017-2018 to 1891.48 million unit and we are making the pricing more dynamic in order to cater to the market situations and we are hopeful that with these strategies we will be able to utilize our mining and power generation capacities to the optimum level. So this will definitely reduce our under recovery of the expenses. Third initiative is on account of the recruitment of manpower, as we are witnessing a retirement of executives and nonexecutives to the extent of 700 to 800 people every year against which we are recruiting only 100 to 200 people only and this has been going on for three, four years now and in the time to come we continue to work on this strategy that with the reduced number of people we want to operate the existing plant and also want to man our upcoming projects from the same manpower and recruit only bare minimum, which is essential, so this has reduced our cost of employees as a percentage to sales and total expenses.

Abhinav Bhandari: Sure. Thank you Sir for such elaborate answer. The other thing was just to understand from you in terms of commissioning in FY2020 so there is this one NNTP 1000 megawatt, which is lined up and solar 709 anything else apart from that which is lined up for commissioning this year?

Rakesh Kumar: These are the two major projects in addition to that we are progressing on the Andaman solar project of 20 megawatt, which is also under execution and we have already achieved commissioning of 2.5 megawatt in a record time of two-and-a-half months in Andaman and balance work is going on.

Abhinav Bhandari: Sure and how much would be the increase to regulated equity because of this NNTP commissioning. Solar I assume is all competitive bidding right?

Rakesh Kumar: Yes. So out of the total project cost of Rs.7080 Crores of NNTPS 30% will be the equity so Rs.2100 Crores approximately will be the addition to regulated equity in this year and in addition to that the solar project 709 megawatt, which is costing us to the extent of Rs.3035.93 Crores we have taken 20% as equity and 80% as debt so approximately Rs.600 Crores will also be added; however, as you are aware that solar power projects are not based on the regulated equity returns are not based on the regulated equity the tariffs are already frozen and you can consider that this will be the additional equity, which will start earning the returns.

Abhinav Bhandari: Sure sir and what is the capex outlook for FY2020 on various projects under construction including Ghatampur?

Rakesh Kumar: During the year 2019-2020 we are envisaging a capex of Rs4500 Crores on Ghatampur project and our total capex plan for the year 2019-2020 would be to the tune of Rs.8000 Crores plus.

Abhinav Bhandari: So remaining is what Sir, this NNTPS and solar is it?

Rakesh Kumar: Yes, balance project we are progressing on Talabira mines already all the approvals are in place and we are progressing fast on the opening of the mines. I will request Shri Prabhakar Chowki, the Director (Mines) to give some information on Talabira mines.

Prabhakar Chowki: Yes good afternoon this is basically 20 million tonne coal project in Sambalpur and Jharsuguda district of Odisha linked to both NTPL and Talabira pithead power station. All the clearances including confidence to establish and operators in place and most likely in the month of August we will be starting the actual exploration operation and for this current financial year we are expecting that we can produce about 2 million tonnes of coal, which we would be transporting into our NTPL plant and the same way we will be spending money on the acquisition of the land and improvement of the infrastructure involved and it is very much in the line of our plan and hopefully we will be doing this with the achievement of 2 million tonnes coal production.

Abhinav Bhandari: Sure. Sir one number which I needed was on the borrowings if you could help with total debt on the books including the current maturities?

Rakesh Kumar: Yes, during the year 2018-2019 our debt has increased from Rs.8719.80 Crores to Rs.13166.31 Crores and out of this we have drawn loan on account of NNTPS, solar power project 500 megawatt then solar power projects 709 megawatt and we have also drawn loan from MCL to the extent of Rs.2000 Crores and Talabira also we have drawn to the extent of 270 Crores in addition to this working capital limit has been enhanced from Rs.3000 Crores to Rs.5000 Crores therefore the draw limit utilized as on March 31, 2019 is Rs.3668 Crores.

Abhinav Bhandari: Sure and the increase in interest cost in Q4 is because of this only, there is no one off in that number?

Rakesh Kumar: Yes, increase in interest is on account of this only and in addition to that I want to inform you that we have repaid our bonds of Rs.600 Crores in the month of January 2019 and on account of repayment we have reduced our loans on existing assets by Rs.350 Crores on the loan drawn from SBI, ICICI, and HDFC and because of this we have been able to reduce our interest burden; however, during the year we have witnessed the increase in the interest rate and drawal amount is also more therefore the finance charges have increased. I just want to mention here that our debt equity ratio, which was 0.66 times/ as on March 31, 2018, has increased to 1.06 times as on March 31, 2019.

Abhinav Bhandari: Sure. Sir on this couple of projects the TPS-II Expansion and Barsingsar the technology issues that we are facing and it has been sometime just to understand all these expenditure, which is getting incurred in the revenue loss, which is happening to us is this claimable from the equipment supplier?

Rakesh Kumar: As far as TS-II expansion is concerned the supplier BHEL has been levied a LD to the maximum extent of 7.5% on the contract value under the terms of the contract and Barsingsar also we have retained LD amount as per the contract returns. There also BHEL is the supplier.

Abhinav Bhandari: So has this amount come to us or not yet?

Rakesh Kumar: This has already been retained from their payments and the final decision is in process.

Abhinav Bhandari: And just one last thing Sir on the subsidiary profitability and EBITDA if you could help for the full year FY2018-2019 for the subsidiary NTPL the EBITDA and profitability?

Rakesh Kumar: Yes our subsidiary NTPL during the year 2018-2019 the total revenue generated is Rs.2899.15 Crores as against last year almost same level of Rs.2899.83 Crores, profit before tax is Rs.425.89 Crores and previous year it was Rs.218.48 Crores, profit after tax is Rs.270.74 Crores against earlier year profit after tax of Rs.146.33 Crores. The company has decided to give dividend of 5% to the equity holders, promoters that are NLC India Limited and TANGEDCO and it is doing well although during the year we have witnessed some forced-outage for which one of the units is under repair and the repair work is progressing satisfactorily.

Abhinav Bhandari: And what has led to the sharp jump in profitability Sir year-on-year basis?

Rakesh Kumar: Because during the year we have filed a petition for the additional capex in line with the CERC regulations after discharging the liability to the extent of Rs.775 Crores we have filed a petition for the additional tariff.

Abhinav Bhandari: Got it. That is all from my side. Thank you Sir and wishing for a better FY2020.

Moderator: Thank you. The next question is from the line of Rahul Modi from ICICI Securities Limited. Please go ahead.

Rahul Modi: Thank you once again. Sir my question is that can you give your views on the new CERC regulations 2019 - 24 and in this are we getting more O&M allowances and how is our working capital going to be impacted and your comments on the same please? Thank you.

Rakesh Kumar: The new CERC regulations for the period 2019 - 24 as per the draft they wanted to change the debt equity ratio and return also, we are really satisfied that the debt equity ratio has not been changed from the earlier said debt equity ratio of 70:30 and return on equity is also 15.5%; however, on working capital front the time allowed to the EBs is now reduced from 60 days to 45 days, which is definitely going to give us a relief; however, accordingly in line with the timeline the rebate has also been reduced from 2% to 1.5% and surcharge on the delayed payment has been kept intact, which is definitely a welcome move, which would penalize the delayed payments appropriately and there is as such no further significant impact on account of CERC regulations. We are given the relief of charging security charges in addition to the O&M charges, water charges are also separately indicated in line with the 2014-2019 regulations so these are some of the relief, however, it is indicated in the CERC regulations that the price of coal and lignite guidelines will be issued by CERC in due course of time and till such time existing practice will continue therefore presently there is no change in the situation.

Rahul Modi: So you see a change in the CERC follows a very similar regime how much difference can it potentially because they had put that in the draft so if that is adopted how much different the regime and what will be the impact it is not in number at least directionally for us?

Rakesh Kumar: In respect of thermal power or lignite?

Rahul Modi: Integrated coal mining.

Rakesh Kumar: Coal mining since there is no further clue mentioned in the guidelines we have no comments on that.

Rahul Modi: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Vaibhav Barjatya from HNI Investments. Please go ahead.

Vaibhav Barjatya: Sir on this new technology CFBC technology do you have seen many larger scale plants operating on this technology are going into trouble like GMDC have one plant, which is still not able to do unexpected line. Bhavnagar is completely the unit is taking so much of time to start that plant that it has to be sold at zero value I just want to know are we facing impairment on our TS-II expansion or are we as of now just not considering any impairment on this because given the experiences with other operator I find really little hope that this can go anywhere?

Rakesh Kumar: As far as CFBC technology is concerned I agree with you that in India we are facing problems in implementation of this technology in various states and including our two plants one is Barsingsar and another is TS-II expansion at Neyveli; however, keeping in view the performance of our BTPS Rajasthan last year we could achieve a plant load sector of 75.29% and due to some technical problems this has come down to 61.97%, but our team is confident of overcoming such difficulties and they are trying to do the repair work as early as possible and TS-II expansion also keeping in view that the repair work, which has been carried out in 2017-2018 has not resulted in recurrence of those technical issues for which we had made the attempt definitely the new type of problems, which has surfaced in 2018-2019 now our team is working on that and we are reasonably satisfied that we will be able to overcome those problems. As of now we do not envisage any impairment of these two assets.

Vaibhav Barjatya: Are you considering hiring like GMDC has hired a Korean firm to handle the situation and the situation somewhat improved after that are you assessing some of the arrangement with similar Korean firms so that they can handle the situation here?

Rakesh Kumar: We are working very closely with BHEL on this issue on these problems and we are getting all the cooperation from BHEL; however, we are also exploring the possibility of seeing any other internationally reputed capable company who can take up such issue for the total repair.

Vaibhav Barjatya: Okay thank you. That is it from my side.

Moderator: Thank you. As there are no further questions I would now like to hand the conference over to Mr. Rahul Modi for closing comments. From the management do you have any closing comments Sir?

Rakesh Kumar: Yes thank you so much for joining us on this investors call on the financial results of 2018-2019. We hope that we have been able to address the queries raised by all the investors and we will continue to put our efforts to give you update from time-to-time. Thank you very much for joining this call.

Rahul Modi: We would like to thank the management for their time for such an interactive session with the investors and analysts. Thank you very much. Have a nice day.

Moderator: Thank you. Ladies and gentlemen, on behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.