"NTPC Limited - Q3FY14 Earnings Conference Call"

January 29, 2014

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the NTPC Ltd Q3FY14 Earnings Conference Call hosted by UBS Securities India Private Limited. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions once the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pankaj Sharma of UBS Securities India Private Ltd. Thank you. And over to you sir.

Pankaj Sharma: Thank you. Hi, good afternoon everyone, and a very warm welcome to NTPC 3Q Earnings Call. Today, we have with us from NTPC management – Mr. Biswal – Director (Finance), Mr. N.N. Misra – Director (Operations) and other senior management from NTPC. Without wasting any more time, I would just hand it over to Mr. Biswal. Over to you, Sir.

K. Biswal: Good afternoon to everybody. I am K. Biswal, Director (Finance), NTPC Limited, and I have with me Mr. N.N. Misra – Director (Operations), Mr. Ajit Kumar – Executive Director (Commercial). In addition, I have with me, my entire finance team – Mr. Sadhu, Ms. Sangeeta and Mr. Sreekant**.**

Yesterday, the Company had announced the unaudited financial results for the third quarter of FY14 and nine months period ended 31st December 2013. The key performance highlights for the quarter and nine months along with corresponding previous figures have already been disclosed to facilitate efficient use of time. I will briefly touch upon some of the recent developments and financial highlights before we discuss the performance in detail. Against, CBDT, Ministry of Finance allocation of tax-free bonds amounting to Rs. 1,750 crore, NTPC successfully placed the entire amount through public issue. The issue was fully oversubscribed on day one itself due to the overwhelming response to the issue showing high degree of investors confidence. The issue was pre-closed on 3rd day itself on oversubscription in each of the categories. The issue was oversubscribed by 3.7 times of the base size of Rs. 1,000 crore.

The Board of Directors of the Company at their meeting held on January 16, 2014 approved the investment for Darlipali Super Thermal Power Project, having 2 units of 800 MW each i.e. 1600 MW capacity, at an appraised current estimate cost of Rs.12,532.44 crore. This is subject to environmental clearance of the Ministry of Environment and Forest. Environmental clearance of Darlipali Super Thermal Power Project has been recommended by Expert Appraisal Committee of MoEF. Formal communication is expected by mid of February 2014.

Yesterday, the Board of Directors has also approved investment approval for North Karanpura Super Thermal Power Project, having 3 units of 660 MW each i.e. 1980 MW capacity, at an appraised current estimated cost of Rs. 14,366.58 crore pending physical possession of main plant land and revalidation of environmental clearance.

On January 25, 2014, NTPC Limited entered into, with the Japan Bank of International Corporation, a term loan of US$ 350 million, to finance the supplies and services from Japan as well as India for the Kudgi Super Thermal Power Project, Stage-I, which has a capacity of 2400 MW. The second loan of JPY 8,021 million was signed to finance the renovation and modernization of gas turbine at NTPC's Auraiya Gas Power Station.

On December 18, 2013, NTPC tied up a fixed interest term loan facility for EURO 55 million with KfW, Germany to part finance the capital expenditure on electrostatic precipitator and other selected packages of its Mouda Power Project, Stage-II.

Rs. 2,351 crore has been realized on 23rd January 2014 towards settlement of dues of erstwhile DESU from Government of NCT of Delhi.

Corresponding quarter comparison – 3rd quarter October-December FY 14 versus 3rd quarter of previous year:

Availability factor i.e. declared capacity of coal-based power stations was 95.12% for Q3 of FY2014 as against 88.56% for Q3 of corresponding period of previous year, registering an increase of 656 basis points. It is the highest ever availability factor in Q3 in the last four years. Availability factor i.e. declared capacity of gas-based stations also increased to 99.83% for Q3FY14 as against 93.80% for Q3FY13, registering an increase of 603 basis points. Net sales for Q3FY14 were Rs. 18,779.39 crore against corresponding quarter of Rs. 15,774.91 crore, registering an increase of about 19.05%. Total income for Q3FY14 is Rs. 19,554.07 crore as compared to total income of Rs. 16,541.04 crore recognized in previous corresponding quarter, up by 18.22%.Profit after tax for Q3 of this year is Rs. 2,861.28 crore as against Rs. 2.596.76 crore, registering an increase of 10.19%. Let me emphasize this is also the record profit for Q3 so far. After giving the effect of previous year's sales, fuel and other one-off items, the adjusted PAT for Q3 of current financial year is Rs. 3,089.60 crore as compared to Rs.2,565.80 crore of Q3 of previous year, registering a growth of 20.41%.

Sequential quarter comparison:

If we compare the figures of Q2 versus Q3 of this financial year, the availability factor in respect of coal station has improved from 87.51% to 95.12%, an increase of 761 basis points. Availability factor in respect of gas stations has also improved during Q3 of current year as compared to Q2 of current year i.e. from 87.11% to 99.83%, an increase of 1272 basis points. Total income in Q3 as compared to Q2 has increased by 14.62%, similarly, the PAT of Q3 has increased by 14.78%.

I would now take you through the operational performance for the 3rd quarter of FY14 and nine months period ended December 31, 2013:

Capacity addition: On December 31, 2013 the total installed capacity of the NTPC group was 42454 MW which included 5474 MW capacity owned by our joint venture and subsidiary companies. Further, during the FY2014, as against the target of 1875 MW, we have already commissioned 1270 MW, and today we have commissioned 10 MW, so taken together it is 1280 MW, which includes one unit of 500 MW at Rihand, commissioned on October 7, 2013, one unit of 660 MW of Barh commissioned on November 30, 2013, and another unit of 110 MW at Muzaffarpur Thermal Power Station Stage-I of Kanti Bijlee Utpadan Nigam Limited commissioned on September 14, 2013. Another unit of 500 MW at Vallur, a joint venture with TNEB, is to be commissioned in February this year.

Operational Performance:

The commercial capacity of the NTPC Group is 40356 MW as on December 31, 2013. The main achievements are:

During FY14 we have declared 1110 MW capacity on commercial operation, which includes one unit of 500 MW each at Jhajjar and Vallur and one unit of 110 MW at Kanti. So, this leave us with 2160 MW capacity which is commissioned, but yet to be declared commercial. This includes one unit each of 500 MW at Vindhyachal, Mouda, and Rihand and one unit of 660 MW at Barh. It is expected that 500 MW each at Vindhyachal, Mouda and Rihand will be declared commercial in this quarter.

Coming to the generation, on quarter-on-quarter basis, gross generation from coal-based capacity has increased by 2.22%. The gas-based gross generation has however declined by 43.10% owing to grid distribution. On December 7, 2013, NTPC generated 672.44 Million Units with 100.19% capacity availability from its coal station, which is the highest ever daily generation achieved by NTPC coal station in the current financial year. Total generation i.e. coal plus gas on that particular day stood at 710.54 Million Units which is also the highest ever daily generation achieved by the Company in the current financial year. On Quarter-on-quarter basis, plant availability factor (DC) for coal as well as gas station has increased approximately about 6% or 600 basis points. On quarter-on-quarter basis, 12 out of 16 coal stations had achieved plant availability factor (DC) more than 90% with Dadri station having a highest plant availability factor (DC) of 104.04%. In gas station, all the seven stations had achieved PAF (DC) of more than 94%. PLF picked up in Q3 of financial year 2013-14, and clocked at 82.43% as compared to national PLF of 65.53%.

Adjusted PAT - Our reported PAT is Rs. 2,861.29 crore for this quarter as compared to Rs.2,596.76 crore in the corresponding period of previous year, registering a growth of 10.19%, but if you take out the one-off items adjusted PAT would be Rs. 3,089.60 crore as compared to Rs. 2,565.80 crore in corresponding quarter of the previous year, registering a growth of 20.41%. Similarly, if you see the 9-month result, against the reported PAT of Rs. 7,881.21 crore after adjustment of one-off items, PAT would be improved to Rs. 7,683.40 crore as against adjusted PAT of corresponding period of previous year Rs. 6,889.65 crore, registering a growth of 11.52%.

Coming to dividend, in adherence to company's policy of balancing dividend payout with requirement of deployment of internal accruals for its growth plan, we have declared an interim dividend for FY2013-14 @40% i.e. Rs. 4 per equity share. This is the highest ever interim dividend by the company, preceded by 37.5% interim dividend paid in previous year. The dividend will be paid on February 10, 2014.

Let us discuss about Fuel:

Coal - The overall domestic coal received in Q3 of this current year is 38.04 MMT as compared to 38.24 MMT in Q3 of previous year. For the 9-month period of the current year the supply of domestic fuel was 106.45 million tonnes as compared to 104.07 million tonnes during the corresponding 9-month period of previous year, registering an increase of 2.29%. Materialization of coal against Annual Contracted Quantity (ACQ) in Q3FY14 was 91.40% and 97.28% for the 9 months period of FY2014.

The supply of imported coal in Q3 of current year was 1.21 MMT as against 2.82 MMT in Q3 of previous year. For the 9 months period of the current year, the import was 8.50 MMT as against 7.16 MMT in the corresponding nine months period of the previous year.

The blending ratio for imported coal stands at 3.72% for Q3 of this year as against 6.49% of Q3 of previous year. Blending ratio for 9 months period of the current year was 7.05% as against 6.29% in 9 months period of previous year. In the month of March 2013, NTPC entered into multiple station-based agreements with contractors for the supply of 7 MMT of imported coal which was later supplemented by another 0.45 MMT with the provision of further enhancing the quantity by 10%. Against these agreements the total coal received, till date, is 7.51 MMT. Another set of contract for supply of 2.45 MMT of imported coal was entered in November 2013. Against this agreement the total coal received till 23rd January 2014 at power station is 1.378 MMT and another 0.418 MMT is lying at the port. Further, five packages of 5.375 MMT of imported coal have been awarded on 22nd January 2014, packages for balance 1.875 MMT are under approval process. During Q3 FY14, we began the coal transportation through the inland waterways to Farakka Super Thermal Power Station in West Bengal. Till date, 1.25 MMT of coal has been received through inland waterways.

Gas - In Q3 of the current year, gas station consumed 6.9 Million Metric Standard Cubic Meter per Day (MMSCMD) as against 10.73 MMSCMD in Q3 of previous year. Gas procured under APM and PMT mechanism and non-APM gas during Q3 of the current year is 6.89 MMSCMD and under Long Term RLNG is 0.06 MMSCMD. During the 9 months of the current year, gas stations consumed 7.18 MMSCMD as against 11.61 MMSCMD in the corresponding period of FY2013.

CAPEX:

Our Company has incurred a CAPEX of Rs. 10,289.31 crore till December 2013. In addition the CAPEX by the other group companies has been Rs. 2,428.75 crore. Thus, the total group CAPEX was Rs. 12,718.06 crore during the 9 months period of the current year.

The Expenditure towards Coal Mines - Cumulative expenditure of Rs. 1,836.33 crore has been incurred on the development of six mines, allocated to NTPC, up to December 2013. Ministry of Coal, Government of India, vide letter dated July 25, 2013 have allocated 4 more coal blocks namely Bhalumuda, Banai, Chandrabila and Kudanali-Luburi, with a combined mineable reserve 1995 MT. Kudanali-Luburi coal block is allocated jointly to NTPC and Jammu & Kashmir State Power Development Corporation Ltd. We have discussed with Jammu & Kashmir State Power Development Corporation for forming a joint venture.

Commercial:

As you know, we have been realizing 100% of sales for the last 11 years.

Fund mobilization:

As on December 31, 2013, the cumulative amount of domestic loan tied up was Rs. 59,889.35 crore. The cumulative drawal up to 31st December 2013 was Rs. 46,404.35 crore including the drawal of Rs. 2,650 crore made in current financial year. Therefore, we have un-drawn balance of Rs. 13,485 crore from the loans tied up with domestic banks for financing the CAPEX. During the current financial year, we have signed loan agreement with Central Bank of India for Rs. 490 crore and with Bank of India for Rs. 2,000 crore.

International Business:

The Indo-Bangla Power Grid interconnection was inaugurated on 5th October 2013 and power supply from NTPC station commenced through NVVN, one of our subsidiary company.

A thermal power project having capacity of 1320 MW is being implemented under a company named Bangladesh-India Friendship Power Company Limited (BIFPCL) in joint venture with 50:50 equity stake between NTPC Limited and Bangladesh Power Development Board. The seed capital of Rs. 6.12 crore has been paid by NTPC Limited as equity contribution. Expression of Interest has been invited from international consultants for providing Owner's Engineer Services to BIFPCL. RPF has been issued to shortlisted parties, fencing work for the main plant area awarded to Bangladesh Diesel Plant Limited and fabrication work is under progress. First Annual General Meeting of BIFPCL held in Dhaka on 31st December, 2013.

Sri Lanka:

A joint venture company was incorporated on September 26, 2011 with Ceylon Electricity Board, with 50:50 partnership to implement a coal-based power project having a capacity of 2x500 MW in Trincomalee, Sri Lanka. NTPC's contribution in paid-up share capital is Rs. 6.72 crore.

Now these are some of the highlights I wanted to give before the question session. Thank you very much.

Moderator: Thank you very much Sir. Participants, we will now begin the question-and-answer session. We have the first question from Harish Bihani from CIMB, please go ahead.

Harish Bihani: My question is that if you look at the coal supply position for the quarter, there is a decline in the overall supply position. For the nine months there is a marginal increase versus the plant availability factor where there is a sharp jump. Similar is happening for gas, there could be certain reasons which we are aware of, but if you can explain this in greater detail that will be of great help?

K.Biswal: Our Director (Operations), Mr. Misra will explain it.

N.N. Misra: If you see the coal supply position on a quarter-to-quarter basis, there is a very marginal decline. So basically what has happened is that there has been an overall supply chain improvement that means there has been a consistent coal supply where we could maintain our availability on a consistent basis. So, if you see on a 9 month basis also, it is approximately the same. Secondly, the imported coal supply has also been fairly consistent, as far as availability in the plants are concerned. So we could maintain a very low blending ratio compared to last year and this has resulted in a higher availability factor. Is it clear?

Harish Bihani: Overall, coal supply position is better this particular year. But with the quantum of jump in the coal supply position, we were just trying to understand a little more in detail, because what could happen is as we move ahead into 2015 and 2016, this issue is going to grow.

N.N. Misra: The problem is, if you could go into plant wise details, it will have its own nuances, but on an overall scenario we do not foresee any deterrent on the coal supply scenario. In fact, we still remain the preferred supplier of Coal India who has supplied around 110% of ACQ in Q3 and Q4 of FY 2013-13. For the first 2 quarters in current year the materialization has been above 100%. So going forward also, we do not foresee any problems in this. In fact, we only see improvement in the situation, may be 110% might become 115%.

Harish Bihani: So given the trend, what is the PAT number that you are looking at for full year 2014 and 2015 for the coal-based plant?

N.N. Misra: We will be the best, as far as, the international scenario is concerned. There is no astrology involved in this, but internationally we will be comparable to whatever the best figure is available to you. This year we will be definitely better than last year, but I would not predict a final figure, but it will be definitely a benchmarking figure compared to international standards.

Harish Bihani: And my second question is on capacity addition for 2014-15. So if I look at Vindhyachal, 500 MW and Mouda Unit-2, although it got commissioned in March, but as per the regulatory announcement, so far you have not made this announcement of it being commercial. So I was wondering whether it has got commercial and what were the dates?

K.Biswal: Mr. Ajit Kumar, our ED (Commercial) will answer this question.

Ajit Kumar: As Director (Finance) told in his information, they will be made commercial definitely by March 2014.

Harish Bihani: So basically these will be commercial by March. And will it be safe to assume that Barh Stage-II Unit-1 and Rihand Unit-6 will get commercialized in FY15?

Ajit Kumar: Rihand will also be done commercial by March, so one unit of 500 MW each at Rihand, Mouda and Vindhyachal will be done by March, however Barh may be declared commercial in the first quarter of 2015.

Harish Bihani: Then for Koldam, we have recently got that clearance from EAC and Supreme Court for the forest land. Some newspaper reported certain issues today. So, what is the COD status like for Koldam and also for Tapovan Vishnugad?

K. Biswal: So far as Koldam is concerned, actually it is scheduled for commissioning in the next year, and we are expecting in the fourth quarter of next year that is going to be commissioned.

Harish Bihani: And for Tapovan Vishnugad?

K. Biswal: Tapovan Vishnugad is expected to be commissioned in FY 2015-16.

Harish Bihani: And on, 1980 MW Barh Stage-I, we still have some issues with TPE. So is it going to get delayed beyond FY16 and for the bulk order, Solapur and Meja, where orders are placed on BGR Hitachi, and there were certain supply issues. So what is the status over there?

N.N.Misra: As far as Barh, Stage-I is concerned, whenever we execute the project we are continuously interacting with the supplier, issues do crop up in project management, but we are constantly endeavoring to resolve it, and we are sure that it should be commissioned as per the schedule given by us in the last 'Analysts Conference.' Presently, we do not have any major issue as far as supplies are concerned for Barh, Stage-I, first unit, work is going on. The second question you asked about was the Solapur and Meja. As far as Solapur is concerned, everything is on track, there was a review recently where the total project review was taken by the Chairman, and everything appears to be on track as on today, and we are very confident that it will be commissioned as per the schedule given.

Harish Bihani: But BGR and Hitachi, are they going ahead or they have certain issues with them and so this might be re-ordered?

K.Biswal: No, there is no question of re-ordering. We are constantly in dialogue with them to work out a solution to this, and we are confident that there is an intention of both BGR and Hitachi to go ahead with the contract and we have not only got this in writing, we also feel it when we discuss with them on a regular basis, so we are confident that this will work out and the things will go ahead as per schedule.

Moderator: Thank you. The next question is from the line of Tien Doe from GIC, Singapore, please go ahead.

Tien Doe: Just wondering what is the status of Pakri Barwadih now, when you would expect volumes to come to you rather than being illegally mined that they are at the moment? And the second question is just on BHEL. There are rumors in the market that NTPC might have to buy a stake in BHEL, I wonder if you have any comment on that?

K.Biswal: Mr. Sadhu, Our ED (Finance) will answer your question.

G.K. Sadhu: There is no basis to your second query. We have absolutely no information on NTPC buying any stake in BHEL. As regards your first question about PB mine, I request our Director (Operations) to please respond.

N.N. Misra: As far as, what you quoted, newspaper reports about illegal mining, there was an incident, but today as far as NTPC is concerned, we are ready to start mining in that area, there are certain issues of law and order, which we are getting resolved through the State and Central Government machinery, and within, I think, this financial year, we had promised to all you earlier also, we hope to start mining in that area. But for your kind information in Pakri Barwadih mine and Chatti Bariatu mine, the MDOs are in place. They are not only in place, they are physically present at site also, and a lot of infrastructure work is going on like the coal handling plant, and conveyor system to transport this coal to the railway siding, silo construction at the railway siding, are going on at full speed.

Moderator: The next question is from Abhishek Puri from Deutsche Securities, please go ahead.

Abhishek Puri: Sir, a couple of things. Firstly, can you give us the breakup of the adjusted profit that you said I think Rs. 3,089 crore that you mentioned?

K. Biswal: Yes, if you see the quarter-on-quarter comparison for this, our reported profit is Rs. 2,861.29 crore, pension impact is Rs 346.56 crore, and provision written-back is Rs.7.88 crore. The Previous year sales figure was negative Rs. 639.55 crore. Pension impact is positive and provision is also positive, then interest from and to consumer, the interest impact is Rs.35.82 crore, it is negative. We have recovered this much of interest from the consumer for the previous year. And if you take out the fuel cost that is essentially that amount we paid to the coal industry that is Rs. 549.24 crore, positive.

Abhishek Puri: This is pertaining to previous year?

K.Biswal: It is a positive figure. So total adjustment would be a positive figure, Rs. 228.31 crore. Taking together for Rs. 2,861.29 crore plus Rs. 228.31 crore, it would be Rs. 3,089.60 crore. If you take the adjusted figure of the previous year corresponding period, the sales impact was Rs.29.92 crore, and provision impact is Rs.16.19 crore, it is positive, interest impact is 17.23 crore, again it is negative, so total impact is -30.96 crore. So my adjusted PAT comes down from Rs. 2,596.76 crore to Rs. 2,565.80 crore in previous year 3rd quarter.

Abhishek Puri: The 95% availability is what we have got in the current quarter, I presume the bigger contribution is coming from Farakka and Kahalgaon. Would it be possible to share the incentive numbers from availability this quarter?

G.K. Sadhu: We will not get into project wise details, Abhishek.

Abhishek Puri: Can you elaborate on the defense that you have given to CERC in writing maybe for the incentive mechanism just shifting from PAF to PLF now, I mean as per their proposal?

K.Biswal: We are submitting today, we still assume that the same regulation what was there in the current tariff period, the 2009-14, should continue. Incentives should be linked to PAF instead of PLF.

Moderator: The next question is from Abhishek Tyagi from CLSA, please go ahead.

Abhishek Tyagi: Sir, on that Rs. 1,000 crore payment which you have made to Coal India, you mentioned that Rs. 549 crore is pertaining to 2013. Sir, is that part of your Rs. 639 crore sales which is…?

K.Biswal: Absolutely right.

Abhishek Tyagi: But the note reads that the Rs.639 crore is actually pertaining to CERC and APTEL order only. So I was wondering whether there is some…

K.Biswal: As we said, everything flows from the CERC orders only, whatever we collect from the consumers.

Abhishek Tyagi: Sir I actually missed what you said about the DESU dues. Have you received the cash during the current fiscal?

K.Biswal: We have received cash after deducting TDS.

Abhishek Tyagi: And sir the last question from my side is on the Bongaigaon Project that is one unit is you are targeting for commissioning in FY15, and the work has been stalled there for a very long time. Are you still targeting that unit can come through in next fiscal year, sir?

G.K. Sadhu: You know the situation. It is very difficult but we are still going ahead and things are progressing. In fact you will be pleased to know that we have charged the bus bars today. All the buses have been charged today and there has been no problem. So we are still confident that we should be able to commission it in the next financial year at least the first unit.

Abhishek Tyagi: Can you share the regulated equity figure?

K.Biswal: Regulated equity is around Rs. 32,600 crore.

Moderator: Thank you. The next question is from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: My first question is on the pace of coal imports that we have seen so far in the nine-month period. Is it in line with your plans to meet the targeted number for the year? And the second question on fuel is again given the delays you are seeing in captive coal production for reasons beyond your control, how are you looking at your fuel security for FY15 and FY16 now, and what would be your scale down target for coal production for these years captively?

N.N. Misra: I will start with your first question. As far as imported coal is concerned we are on target for this year's requirement that is financial year 2013-14 and for financial year 2014-15 already we have now made the estimate, in fact this estimate is collated at the Ministry of Power level for all the utilities across the country, so that the railway logistics and other facilities are worked out. We are already on that number and we will be floating the tender in the month of February itself for FY14-15.And as far as the second question is concerned you see these captive mines are very specific to a particular project. It is not that it is linked to any of the running plants itself. But, yes, any additional quantity that we mine from these captive mines will be sent to the existing power plants of NTPC. But, as you all know that the railway infrastructure to take this coal from the captive mines is yet to be built. I think in a couple of days back it was in the press that the Cabinet Committee on Investment has taken a serious view of this and they are reviewing this project for the railway infrastructure in this area itself. So these things will take some time to come in place. But, as far as our operating and to be commissioned plants are concerned, we foresee no issues as far as coal supply is concerned. If there is any variation in the domestic coal supply it will be filled up by imported coal supply. You would have seen our blending ratio. It is pretty low, and we would like to keep it low. So I do not foresee any problem in financial year 2014-15 and 2015-16 on this.

Sumit Kishore: And just a follow-up question. For the captive coal that you produce, would the usage be fungible in your other projects as well, provided the railway lines are available?

K.Biswal: Yes, we can.

Sumit Kishore: And so based on the current infrastructure, rail infrastructure projections that you may have internally, how many million tonnes of coal could you possibly evacuate from your Chhattisgarh mines particularly, Pakri Barwadih?

N.N.Misra: Pakri Barwadih is not in Chhattisgarh, it is in Jharkhand. It is linked with the Tori-Shivpur-Kathotia line, and it is not only meant for NTPC, I think there are 20 mines there including Coal India subsidiary and private sector mines. So the infrastructure is being planned for much more coal to be evacuated, much higher than NTPC's coal mined out of PB block.

Sumit Kishore: The question was that over the next say, 24 months, assuming what your internal assumptions on rail infrastructure are, what kind of coal could you possibly evacuate from that mine, will it be ready in 24 months?

N.N.Misra: Prior to 24 months if we start mining as I mentioned a little earlier. We are also working out on the alternative modes of transportation.

Moderator: Thank you. The next question is from Arun Kumar from HSBC. Please go ahead.

Arun Kumar: I had two questions. First was regarding the Mouda project. I believe the availability was good in November, but it definitely has dropped in December, is that correct? And if that is so, what is the reason, why the availability after improving has dropped? And second question was the PAF availability which has improved, is there a way to understand that what would be the contribution of the improved PAF in the higher revenue or higher PAT, for that matter for this quarter?

G.K.Sadhu: Taking your second question first, the PAF or DC in excess of 85% and earns the incentive. I will not put a figure to that amount which we get and I will request our Director (Operations) Misra Ji to respond to your first query regarding Mouda.

N.N. Misra: I can supplement that mostly whatever increase you see in my PAF, that is attributable to DC only. As far as Mouda is concerned, as you mentioned that the availability was high in November, we had a couple of boiler tube failures in the month of December. In fact, we are now trying to work out the logistics for the second unit. One is already on. There is no issue as far as Unit-I is concerned.

Arun Kumar: So this technical issue will be resolved in January or it has been resolved in…?

N.N. Misra: It is back on track. Today, I think we have declared 95% availability in Mouda, Unit-1.

Arun Kumar: The one-time staff cost which has been taken in this quarter, will the regulator allow you to true-up the future petition in the tariff or will that not be allowed?

K.Biswal: In the new regulation, the commission has already clarified that whatever employee cost is there, due to pay revision or due to DP guidelines, whatever pay hike is there that will be considered in the tariff.

Arun Kumar: So you will get a future true-up?

K.Biswal: Yes, it is a pass through.

Moderator: Thank you. The next question is from Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: Can you just specify some reasons why there is so high dividend payout given the substantial CAPEX requirement of NTPC. Are we seeing some slowdown in the CAPEX or there is some government push to get as much dividend as possible?

K.Biswal: Our dividend payout is not so high. We have kept pace with the previous year's declaration. Last year my interim dividend was 37.5%, now we increased to 40%. At the same time also I have achieved my future CAPEX plan whatever resources are there. After ensuring that, consciously the Board has taken a decision to declare 40% interim dividend this time.

Deepak Agarwal: My second question is that the timeline between the commissioning and COD is just not coming down. Like even for these couple of projects you are ready for almost last 10 months. So, any specific reasons because I believe that there would be some restriction on the regulatory side that you cannot exceed beyond six months or something post the commissioning. So why is it taking so much time?

N.N.Misra: As far as the gap between synchronizing and commercial operation, yes, the regulator has given us a time period of six months but there are certain issues which develop beyond the control of NTPC, and we have gone back to the regulator seeking special exemption for this, and the regulator has said that he will consider it after I do the commercial operation. So it is in our interest that we do the commercial operation at the earliest and all the units that we have stated right now at the beginning which are scheduled for commercial operation will be done in this last quarter of this financial year, and in future we do hope that all the next generation units in the bulk tender we will able to do the commercial operation within the stipulated period as given by the regulator.

Deepak Agarwal: My last question is on the coal supply situation like, what makes you so confident of maintaining so high availability even in FY15 because similarly the capacity increase is also expected. So can we expect a similar or 95% kind of availability in FY15 sir?

N.N.Misra: We do not foresee any problem. If you are saying it is with respect with coal availability, in fact, I have stated in my earlier response also the domestic coal availability is likely to increase, today it is 110%, I am expecting 115% by the end of March the ACQ requirement.

Deepak Agarwal: In the eventuality of the CERC, you decided to go ahead with a PLF criteria for incentive, then how would you position your future strategy in that case because the PLF is forever under pressure around 80%?

Ajit Kumar: We will cross the bridge when we come to it. We are confident that, as our Director (Finance) has stated that the regulator will definitely consider our views where we are saying that we should go back to the earlier rules of the game.

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

Bhavin Vithlani: My question is on the other mines. If you can give us an update on besides the Pakri Barwadih and what is the progress on the other mines because we understand Odisha, the environment is getting a little better?

N.N.Misra: Pakri, I had mentioned it is already the MDO is in place, and Chatti Bariatu the MDO is in place, in the third mine Kerandari tenders are likely to be floated in the month of February for the MDO because this mine was de-allocated, and that is why we had stopped all activities and after reallocation we have restarted that is why the MDO tender is going out now. As far as Chatti Bariatu is concerned, the MDO is already appointed. It is a joint venture between NTPC and Singareni Collieries. They have started work, in fact, physically the site office has been established and they are looking at how to go about things, in fact, the railway siding and all the work has started. About next mine, Dulanga in Odisha which was a no-go. Now, after clearance even the Environment Ministry has recommended its clearance. So we are also going ahead with the tender immediately after Kerandari for the MDO of Dulanga also.

Bhavin Vithlani: For Kerandari and Dulanga you have got stage-1 FC and EC?

N.N.Misra: Kerandari we have got both, and Dulanga, yes, we have got stage-1 but stage-2 we are expecting any day now.

Bhavin Vithlani: What is the progress on acquisition of land?

N.N.Misra: Dulanga, the land acquisition has started. Last week physical possession has been taken and we are disbursing money on a daily basis to the landowner. So there is no problem at present for Dulanga.

Bhavin Vithlani: If you can put up tentative timelines on production start from the other mines besides Pakri Barwadih and Chatti-Bariatu?

N.N.Misra: We will come back to you in the next quarter once we float the tenders for the MDO.

Bhavin Vithlani: And last question what is the target for coal import for current fiscal '14 and next fiscal '15?

N.N.Misra: Targets have no meaning as far as imported coal is concerned, because imported coal is a high cost commodity which we cannot store in our plant for indefinite period, because it loses calorific value, the volatile matter will go away. So, we take the requirement based on the need. It is the most critical part, as far as imported coal is concerned, is to balance the supply chain management so that it comes just in time or little ahead of time. So this year there has been no loss of availability due to lack of imported coal, and next year also we have planned things in such a manner that we will not have any lack of availability due to imported coal. Next year, we have tentatively kept for ourselves a target of 16 million tonnes and this year also it was 16 million tonnes but we will not be able to consume 16 million tonnes. So there will be spillover. So may be next year's target we have to revise going midway.

Moderator: Thank you. The next question is from Anujay Jain from Emkay Global. Please go ahead.

Anujay Jain: Basically, can you give us the coal stockwhich was there at the end of the quarter? Second question basically is, you have basically recovered about Rs.198 crore of tax in the revenues. Against that, is there a similar amount of expense also in the tax expense?

N.N.Misra: The coal stock as on the last year at this point 31st December we had about 5-1/2 days of coal stock.

Anujay Jain: Million tonnes if it is possible?

N.N.Misra: Between 3.5 million plus, we have about 6 days coal stock as on 31st December.

K.Biswal: Second question, this is based on an assessment. We have to pay this additional amount. We have paid to the beneficiaries as per regulations 2004.

Anujay Jain: Basically if I then reconcile these two numbers and remove this Rs.198 crore from the current tax, the tax is actually below 20% MAT rate. So, I am not able to reconcile this figure. Is it in the current period, or it was recognized in the previous period and revenue is recognized now?

K.Biswal: This has been recognized as tax in the current period.

Anujay Jain: Then Rs. 853 crore minus Rs. 198 crore, almost Rs. 200 crore is Rs. 653 crore?

K.Biswal: There has been something else also, there which has got adjusted there. There are so many adjustments in between and that is why the figures are not matching.

G.K.Sadhu: It will be much better if you take an annualized figure for the tax calculation rather than quarter-on-quarter because there could be refund, there could be some demands, and there will be peaks and troughs which are to be ignored.

Moderator: Thank you. The next question is from Alok Ramchandran from SBI Capital. Please go ahead.

Alok Ramchandran: I just want to ask you a question primarily on account of a variable cost per unit. Now that has gone up by nearly Rs.1.86 to Rs.2.00 per unit. Now given the quantum of imported coal blending has been lower this quarter, has Coal India's prices been higher in this quarter, is the reading right?

K.Biswal: Yes, your reading is right.

Alok Ramchandran: Is there a higher grade of coal at which higher prices being paid by Coal and by NTPC for this coal, right?

K.Biswal: It is not a higher grade of coal. The rate has been increased for the particular grade and in addition to that the Rs. 1,000 crore which we have added to that variable cost.

Alok Ramchandran: So the fuel cost has to be adjusted for the Rs. 1,000 crore for the…?

K.Biswal: Yes.

Alok Ramchandran: My second question is despite the capacity addition of nearly 2,000 MW during the last one year or so, why the interest cost has been lower; has there been some pre-payments of loan disbursements?

K.Biswal: Our loan basket has domestic loans as well as foreign loan component. The foreign loan component has increased and on some of the loans the rate of interest that is also a bit decreased, and we also have floating rate loans which is a combination of all these effects.

Alok Ramchandran: No, because on a Y-o-Y basis the depreciation is up significantly.

K.Biswal: Interest is not increased. There will be a reduction in case of repayment.

Alok Ramchandran: But then is there a prepayment of debt that is the question from me?

Sangeeta Bhatia: No prepayment has been made.

Moderator: Thank you. The next question is from Anirudha Gangadhar from Nomura. Please go ahead.

Anirudha Gangadhar: First question is on the coal materialization under the ACQs. There was a comment made that we are at around 110% now, but in Q3 it was 91.4% and for nine months it is 97%. Did I get it right that, sir?

N.N.Misra: Yes.

Anirudha Gangadhar: And just to clarify, this ACQ is now on the expanded FSAs that is in the new and the old FSAs?

N.N.Misra: Yes.

Anirudha Gangadhar: So the materialization has been very good even under the new FSAs as well?

N.N.Misra: Yes.

Anirudha Gangadhar: Second question, sir, is that on Barh-I, to my mind, we do not have a coal linkage as of now and it was supposed to be commercialized using coal from Pakri Barwadih. Given that Pakri Barwadih is a bit delayed as compared to what we had envisaged, is Barh still on track to be declared commercial in the first quarter of next year, and if so, how that plant to get coal supply?

N.N.Misra: Barh-I there is a coal linkage from Coal India itself. So Barh-I is not an issue. I presume you are referring to Barh-II which is getting commercial earlier.

Anirudha Gangadhar: Yes, my apologies. Unit-1 of Barh Stage-II?

N.N.Misra: That linkage was at Chatti Bariatu, that Chatti Bariatu was deallocated, now it has been reallocated, so we are working on it and we are working on other avenues how to get the coal to Barh. As per our FSA provisions, we have a flexibility to take coal from any other coal subsidiaries and divert it to any of our NTPC plants.

Anirudha Gangadhar: That may be an alternative which may be utilized.

N.N.Misra: There are so many alternatives we are working on. There is another parallel activity which we are undertaking after we have tasted success in Farakka. That Inland Waterways we are extending up to Barh. The Inland Waterways Authority had floated the tender, the tender is presently under evaluation for transporting imported coal in the waterways right up to Barh.

Anirudha Gangadhar: Till when can that be expected, if at all everything goes smoothly?

N.N.Misra: That should happen in the next financial year.

Anirudha Gangadhar: The final clarification which I was wanting was that realistically, sir, how much million tonnes of coal can we expect to be available from Pakri Barwadih next year, now that things have been a bit delayed, but we expect to start production…?

N.N.Misra: It should be around 2-3 million.

Anirudha Gangadhar: And that will be available to us, not just produce, evacuation for 2 million, 3 million tonnes would be possible?

N.N.Misra: Yes.

Moderator: Thank you. We will take a final question from Abhineet Anand from Quant Capital. Please go ahead.

Abhineet Anand: Sorry, if I have missed this number. Can you help me with the YTD PLF and PAF of the coal stations?

K.Biswal: PLF, from 81.78% of corresponding period of previous year it has come down to 79.14% and for gas station is concerned from 60.36% it has come down to 35.74%. Are you interested in PLF or DC?

Abhineet Anand: Actually, I asked for both the numbers.

K.Biswal: As far as DC is concerned we have improved a lot. The DC has increased from 85.71% to 89.18%, registering a growth of 347 basis points in FY2014 as far as coal is concerned. In gas station, it has increased from 92.22% to 93.78%.

Abhineet Anand: And can you also help me with the PLF for the quarter for both the coal and gas?

K.Biswal: 82.43% is the PLF for the quarter for coal, and for gas it is 33.47%.

Sangeeta Bhatia: These are already there on BSE and NSE website and also on Company's website.

K.Biswal: Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of UBS Securities India Private Limited we conclude this conference. Thank you for joining us. You may now disconnect your lines.