

NTPC

Q3FY17 Post Result Conference Call Transcript

Representative:

Mr. K. Biswal - Director (Finance)

Mr. A.K.Jha - Director (Technical)

Mr. S.C.Pandey - Director (Projects)

Mr. K.K.Sharma - Director (Operations)

Mr.A.K.Gupta-Director (Commercial)

PL Rep.:

Kunal Sheth - +91-22-6632 2257

Date: February 8, 2017

Moderator

Ladies and gentlemen, good day and welcome to the NTPC Limited Q3 FY `17 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kunal Sheth from Prabhudas Lilladher. Thank you and over to you sir.

Mr. Kunal Sheth – Prabhudas Lilladher

Thank you Stanford. I would like to welcome the management of NTPC on the call and would like to thank them for giving us the opportunity to host the call. The management is represented by Mr. Biswal, Director (Finance), Mr. Jha, Director (Technical), Mr. Pandey, Director (Projects) and Mr. Sharma, Director (Operations). So I would like to ask the management to give some opening remarks after which we'll open the floor for Q&A. Over to you sir.

Mr. K. Biswal – Director Finance, NTPC

A Very good afternoon to everybody. I am K. Biswal, Director (Finance) NTPC Limited and we have with us Mr. S.C. Pandey, Director (Projects), Mr. K.K. Sharma, Director (Operations) and Mr. A.K. Gupta, Director (Commercial) who has joined the board on February 3, 2017 and other key members of NTPC team. Mr. A.K. Jha, Director (Technical) will be joining soon. Before I take you through major developments I would like to wish all of you on behalf of team NTPC a very Happy New Year.

Today the company has announced the unaudited financial results for the third quarter of FY16-17, as well as for the 9 month period ended December 31, 2016. The key performance highlights for the quarter and nine month have already been disclosed on both the stock exchanges.

To begin with, I will briefly touch upon some of the highlights and developments since our last interaction on October 28 last year.

- NTPC's standalone gross generation increased by 6.905 billion units registering an increase of 3.84% in 9 months FY 16-17 over the corresponding period of 9 months FY 15-16. Gross generation of NTPC group increased by 5.92% in this period.
- The growth in generation over a 9 month period for NTPC without solar generation is 3.72% and same is commensurate with growth in capacity, without solar, of 3.72%. In comparison the country-wide growth in generation of 5.19% trails

behind growth in capacity of 6.97%, both without solar.

- If you see for 9 month FY 16-17, 4 coal stations of NTPC were among the top 5 performing stations in the country in terms of PLF. Talcher Thermal, Sipat and Korba with PLF of 91.66%, 89.73% and 87.31% respectively are ranked 1st, 2nd and 3rd in the country. Further, 6 NTPC coal stations were among the top 10 performing stations of the country in terms of PLF.
- 5 coal stations of NTPC grossed PLF over 85% during this period.
- Talcher Thermal Power station achieved its highest ever single day generation of 11.496 million units of electricity at 104.73% of PLF on November 23, 2016. The station entered into 50th year of its operation yesterday.
- On November 30, 2016 NTPC board accorded investment approval for its first wind generation project namely Rojmal Wind Energy Project having capacity of 50 MW in the state of Gujarat at an estimated cost of Rs.323.35 crore.
- A MoU was signed on December 16, 2016 between NTPC Limited and National Aluminium Company Limited (NALCO) to setup a JV company between NTPC and NALCO to supply 2400 MW power from proposed coal based power project at Gajmara, Dhenkanal, Odisha for meeting the captive power requirement of NALCO.
- Investment approved for Dulanga Coal Mining Project having rated production capacity of 7 million tonnes per annum and at an appraised estimated cost of Rs.1053.41 crore. NTPC board has also approved appointment of MDO for this mine today.
- NTPC Limited has signed a non-binding MoU with Rajasthan Rajya Vidyut Utpadan Nigam Limited and Rajasthan Urja Vikas Nigam Limited for takeover of Chhabra Thermal Power Plant Stage-I (4x250 MW) and Stage-II (2x660 MW) of Rajasthan Rajya Vidyut Utpadan Nigam Limited.
- During Q3 FY 16-17 we have added Kudgi Unit 1 of 800 MW to our commissioned capacity. With this addition, the installed capacity of NTPC group has reached 48,028 MW.
- We also declared commercial operation of Unit-I of 250 MW of Nabinagar Thermal Power Project of Bhartiya Rail Bijlee Company Limited (a subsidiary of NTPC Limited) on January 15, 2017 and another unit of 660 MW of Mouda Super Thermal Power Station Stage-II on February 1, 2017. With this addition, the commercial capacity of NTPC and NTPC group has become 40,262 MW and 46,838 MW respectively.
- Solar generation registered a quantum jump during the nine-month period, 341 MUs were generated in 9 months FY 16-17 as compared to 118 MUs generated in 9 months FY 15-16 registering a growth of about 189%.
- Mining operations commenced at Pakri Barwadih. The coal transportation from Pakri Barwadih mine to Bandag railway siding has commenced. 1.5 lakh tonne of coal is estimated to be produced by March, 2017.
- On November 22, 2016 Government of India accorded approval for signing of TPA's for 10/15 years. As of now 29 states and union territories have given their consent for the extension of TPAs. TPAs have been signed with 17 states as on January 31, 2017.
- First Euro denominated bond issue amounting to Euro 500 million was made on January 25, 2017 at a coupon of 2.75%. This is the first ever 10 year Euro denominated bond issuance by an Asian utility. The bonds have been listed at Frankfurt and Singapore stock exchanges. The issue was oversubscribed around 4.5 times and saw participation from more than 125 accounts across the globe.

Corresponding period comparison- Q3/ 9 month FY 16-17 versus Q3/ 9 month FY 15-16

- Gross generation, Commercial generation and Energy sent out have been uploaded for quarter on quarter as well as 9 month period.
- For Q3 FY 16-17, PLF of coal based stations was 77.21%. The PLF of coal based stations for the 9 month FY 16-17 was 77.72% as against the national PLF of 59.64%. Thus, NTPC stations registered a differential PLF spread of 18% over the national average. All India PLF fell from 61.97% to 59.64% during this period.
- For 9 month ended December 31, 2016 coal stations, gas based stations, hydro stations clocked declared capacity of

90.29%, 94.32% and 107.28% respectively.

- We have suffered loss of generation for both the coal and gas stations due to grid restrictions. For the coal based generation the loss was 11.015 BUs in Q3 FY16-17 as against 10.118 BUs in Q3 of previous year. The loss for 9 month period ended December 31, 2016 was 30.876 BUs as against 27.261 BUs in corresponding period of previous year.
- Similarly for the gas based generation the loss was 6.357 BUs in Q3 FY16-17 as against 6.085 BUs in Q3 FY15-16. On nine month basis the loss was 18.999 BUs and 18.444 BUs in 9 month FY 16-17 and 9 month FY 15-16 respectively.
- The generation loss on account of fuel supply in the coal based stations was 0.252 BUs in Q3 FY 16-17 as against 0.093 BUs in Q3 FY 15-16.
- For 9 months FY 16-17, all the coal stations of NTPC, achieved the declared capacity of more than 85% except for Barh which is expected to recover by March end. Further all the gas stations achieved the declared capacity of over 89%.
- Gross sales for Q3 FY 16-17 is Rs.19,287.47 crore as against the corresponding quarter Gross Sales of Rs. 17,358.98 crore, an increase of 11.11%. On nine month basis, Gross Sales is Rs. 57,468.75 crore as against corresponding period Gross Sales of Rs. 52,117.56 crore, an increase of 10.27%.
- Total Income for Q3 FY 16-17 is Rs. 19,646.09 crore as against corresponding quarter Total Income of Rs. 17,724.68 crore, an increase of 10.84%. On nine month basis, there is an increase of 9.72% in the Total Income i.e. from Rs. 53,276.75 crore in 9 month FY 15-16 to 58,455.45 crore in 9 month FY 16-17.
- Profit before tax for Q3 FY 16-17 is Rs. 3,081.86 crore as against Rs. 2,790.11 crore in the corresponding quarter of the previous year, an increase of about 10.46%. On nine month basis, there is an increase of 34.97% in the PBT i.e. from Rs. 6,947.46 crore in nine month FY 15-16 to Rs. 9,376.70 crore in nine month FY 16-17.
- PAT for Q3 FY 16-17 is Rs. 2,468.72 crore as against Rs. 2,668.77 crores in the corresponding quarter of previous year due to increase in tax provision by Rs 482 crore owing to increased earnings and favourable orders issued by the Appellate pertaining to previous years. PAT for 9M FY2016-17 is Rs. 7,303.30 crore as against Rs. 7,976.91 crore in the corresponding nine month.

I would now take you through operational performance for Q3 FY 16-17 and 9 month FY 16-17.

Fuel:

Coal:

- During 9 month FY 16-17, Materialization of coal against ACQ was 97.04% as against 91.39% in 9 month FY 15-16.
- Coal consumption during 9 month FY 16-17 was 122.04 MMT, this comprises 120.77 MMT of domestic coal and 1.27 MMT of imported coal. The coal consumption in corresponding period of nine months was 120.29 MMT, with 111.54 MMT of domestic coal and 8.77 MMT of imported coal.
- Due to improvement in supply of coal against ACQ, the consumption of imported coal reduced by about 85% during 9 months FY 16-17 over corresponding nine months. Supply of imported coal was only 0.94 MMT in the nine months FY 16-17 as against 8.35 MMT in the corresponding nine months.
- With the improvement in the supply of domestic coal, the blending for imported coal also reduced to approximately 1.1% for nine months FY 16-17 as against 7.60% in nine months FY 15-16.

Gas:

- The gas consumption during 9 months FY 16-17 was 5.18 MMSCMD (i.e Million Metric Standard Cubic Meter per Day) as against 5.70 MMSCMD in 9 months FY 15-16.
- The gas consumption of 9 months FY 16-17 procured under APM Plus PMT mechanism was 4.71 MMSCMD and under the Non-APM gas 0.47 MMSCMD.

Let me also give an update on various other activities:

Capacity Addition:

- We are committed to add 4 GW of capacity in the current fiscal. Out of which 1.375 GW capacity has already been added. In addition, we will further add 510 MW of solar capacity at Bhadla and Mandsaur.

The regulated equity as on December 31, 2016 was Rs. 42,482.20 crore.

Fund Mobilization during the Q3 FY 16-17

- During the Q3 FY 16-17, we have issued Bonds aggregating to Rs.5,325 crore under 3 series at attractive coupons.
- Average cost of borrowing for 9 months FY 16-17 was 7.4612% as compared to 7.6342% in 9 months FY 15-16. The reduction in the rate is mainly due to reduction in base rates of banks.

CAPEX

- In 9 months FY 16-17 we have incurred a CAPEX of Rs.17,520.68 crore as against Rs. 16,156.50 crore in 9 months FY 15-16. The CAPEX by the other group companies has been Rs. 3,588.14 crore. Thus, the total group CAPEX for the 9 months FY 16-17 was Rs. 21,108.82 crore.
- For the financial year 2016-17, the Capital outlay of NTPC is Rs. 30,000 crore.
- The Capital outlay for FY 17-18 has been estimated at Rs. 28,000 crore.

Coal Mining

- Cumulative expenditure of Rs. 3,649.18 crore has been incurred on the development of coal mines till December 31, 2016.
- Against the NITs published for appointment of MDO for Talaipalli and Chatti-Bariatu coal blocks, techno-commercial and price bids have been opened and reverse e-auction completed.
- Geological report of Bhalumuda coal block has also been received from CMPDIL on December 26,2016 and submitted to MOC on January 13, 2017.

Renewable Energy

- Projects of 1008 MW are under tendering.
- PPA signed with Gujarat Urja Vikas Nigam Limited for wind power to be generated from Rojmal Wind Project of 50 MW capacity on December 3, 2016 and NOA issued on December 5, 2016.
- As far as our Solar Projects under NSM Phase-II, Tranche-I of 3000 MW is concerned, reverse auction is completed for 2750 MW as well as PPAs have also been signed for 2650 MW.

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

- NVVN, our trading subsidiary, transacted 3582 Million Units during the Q3 FY 16-17 as against 3101 Million Units transacted during the Q3 of previous year, an increase of 15.51%. Units transacted during the Q3 FY 16-17 includes 1489 Million Units of solar bundled power, 901 Million Units traded through Bilateral, 744 Million Units under cross border trading, 448 Million Units traded through power exchange.
- NVVN has also traded 111 Million Units of NTPC Un-requisitioned Surplus Power in the Power Exchange in terms of the amendment issued to Tariff Policy in January, 2016.
- NVVN had signed PPA with Nepal Electricity Authority (NEA) on December 22, 2016 for supply of up to 160 MW power from January to May 2017 through 400 kV Muzafferpur-Dhalkabar transmission line. Further MoU between NVVN and Cement Corporation of India Limited was signed on December 22, 2016 for setting up 6 MW Solar Power Plant in Tandur Telengana.
- During the Q3 FY 16-17, NTPC has received dividend of Rs. 13.39 crore from our Joint Venture Companies, of this Rs. 10

crore is received from NTPC-SAIL Power Company Pvt. Limited and Rs. 3.39 crore from Energy Efficiency Services Limited.

- Government of India has accorded approval to NTPC to exit from Transformers and Electricals Kerala Limited a JV of NTPC, where NTPC holds 44.6% stake.

NTPC continues to win laurels and awards in various fields, major awards received in Q3 FY 16-17 are:

- NTPC has been awarded as Leading Infra Company in the Power Sector at Dun & Bradstreet Infra Awards 2016 for Excellent Financial and Operational Performance in Power Generation Category.
- NTPC awarded as the Best Thermal Power Utility of the Country by Central Board of Irrigation and Power.
- NTPC NETRA was awarded for Institutional Research, Training and Excellence in Academia at the 10th Enertia Awards.

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

Moderator

We will begin with the Q&A?

Mr. K. Biswal – Director Finance, NTPC

Start Q&A.

Moderator

Ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touch tone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles. To ask a question you may press * and 1.

We take the first question from the line of Prakash Goel from ICICI Securities. Please go ahead.

Mr. Prakash Goel – ICICI Securities

Thank you for the opportunity sir. I have two questions. One with respect to the recent media article wherein ministry of power has been quoting that NTPC in principle has agreed to decommission 11 GW capacity which is older than 25 years. What is the view of the management on that?

Mr. K. Biswal – Director Finance, NTPC

Mr. Jha, our Director (Technical), will answer this.

Mr. A.K. Jha – Director Technical, NTPC

See we have already lined up for award of contract for 2x660 MW at TTPS and 2x660 MW at Singrauli to start with.

Mr. Prakash Goel – ICICI Securities

Okay.

Mr. A.K. Jha – Director Technical, NTPC

We'll go gradually as per the requirement of the power scenario and things like that. So right now we are concentrating on these two in the current year for which we will be floating the tenders and going for the awards by the end of calendar year 2017.

Mr. Prakash Goel – ICICI Securities

So basically the question is sir with respect to decommissioning, are you suggesting that only when we get the PPA for the new capacity, and gradually once the new capacity comes, then only we will decommission the existing capacity?

Mr. K.K. Sharma – Director Operations, NTPC

See PPA is one of the key requirements for any capacity addition in the country.

Mr. Prakash Goel – ICICI Securities

Exactly.

Mr. A.K. Jha – Director Technical, NTPC

Right now we are going to change over from 460 MW at TTPS and 1000 MW at Singrauli and before going for investment approval PPA signing is compulsory.

Mr. Prakash Goel – ICICI Securities

Sir basically we should look the entire decommissioning as a package that once the state government or the relevant SEBs' agree for the new capacity then only we will go for the entire exercise i.e. NTPC has agreed in principle to do this exercise subject to approval from the SEBs.

Mr. A.K. Jha – Director Technical, NTPC

Yeah.

Mr. K. Biswal – Director Finance, NTPC

We will be going for adding new capacity there only after getting the consent from the beneficiaries.

Mr. Prakash Goel – ICICI Securities

Right. So should you – in case the beneficiaries does not give you consent for the new capacity, the old capacity would not be decommissioned. That is the way to look at it?

Mr. A.K. Jha – Director Technical, NTPC

You see when we take investment decisions for any new capacity, PPA is the prerequisite. So we will not take investment decision unless there is a PPA. Number one. Number two, that I will not decommission the old capacity unless the new capacity is commissioned because I am not dismantling the old capacity. I have land available where I am putting new capacity first and once it is commercial then I dismantle the old capacity.

Mr. Prakash Goel – ICICI Securities

That's really very helpful sir. It actually clarifies a lot of our doubts on the industry.

Mr. K.K. Sharma – Director Operations, NTPC

And one of the key requirements apart from PPA is the environment clearance. Environment clearance has to be made available. As you know in NTPC we take five factors: Land, Coal, Water, Environment Clearance and PPA. So until and unless all these 5 factors are available we do not invest any money.

Mr. Prakash Goel – ICICI Securities

Right, as long as the decommissioning and commissioning are interlinked we have no concern.

Mr. A.K. Jha – Director Technical, NTPC

It is certainly interlinked.

Mr. Prakash Goel – ICICI Securities

The second question is with respect to change of sampling points implemented during this quarter. How has been the experience sir? Because when we're looking at the fuel cost there is no change on quarter on quarter basis. So what has changed exactly on ground?

Mr. K.K. Sharma – Director Operations, NTPC

You have to understand the entire process behind this. As far as payment of the coal is concerned we are making the payment on the same ground as we were making earlier. Only a third party analysis is being done which is giving us better results in terms of grade slippage. Secondly as far as the billing is concerned to the consumer, we are doing on the basis of sampling. So these are the two aspects because of that the coal cost has not changed. As far as internal experience is concerned we are stabilizing the process. There are certain issues for which we have gone to CERC and are talking to them. Let us see where we go from here.

Mr. Prakash Goel – ICICI Securities

Perfect. So basically the impact is not reflecting as primarily the costing part has not changed. Only the sampling point has changed. So whatever is the impact, that will be there on the Coal India billing and so far as the NTPC billing is concerned whatever Coal India is billing will reflect into the NTPC billing.

Mr. K.K. Sharma – Director Operations, NTPC

Yes and only thing is that it may have certain methodology or process related part regarding efficiency and other things which in any case we have to apply correction as per requirements.

Mr. Prakash Goel – ICICI Securities

Perfect and just a last point which is related with this. The CERC is okay with the new method which you have implemented?

Mr. K.K. Sharma – Director Operations, NTPC

We are implementing what they are saying.

Mr. Prakash Goel – ICICI Securities

Okay so basically there is no disconnect between what CERC is asking you to do and what you are doing on ground.

Mr. K.K. Sharma – Director Operations, NTPC

I will have slightly different perspective. In our case we synchronize a machine for giving power to the grid. So we have tried to synchronize our machine with CERC.

Mr. Prakash Goel – ICICI Securities

Okay, okay. Thanks a lot sir and all the best for future quarters. Thanks a lot.

Moderator

Thank you. We take the next question from the line of Venkatesh B from Citigroup. Please go ahead.

Mr. Venkatesh B - Citigroup

Yeah first of all good evening gentlemen.

Mr. K. Biswal – Director Finance, NTPC

Good evening.

Mr. Venkatesh B - Citigroup

Sir over the last one year have you had scenarios where your capacity has come online but the state electricity board is telling don't commercialize because I don't have demand for power. If you commercialize I will have to start paying you the fixed cost which I am not prepared to pay.

Mr. K. Biswal – Director Finance, NTPC

We have not experienced that situation.

Mr. Venkatesh B - Citigroup

Or have you had situations where you are actually constructing capacity but the SEB says please go slow on capacity additions because there is no demand. There is no hurry to add.

Mr. S.C. Pandey – Director Projects, NTPC

I will just clarify. When we take up a project construction and investment approval is done, then we are bound to construct the capacities as per the schedules tied up in the investment approval. No beneficiary can ask us to proceed slow and fast. We try to expedite the project construction as fast as we can. But there is no question of reducing the speed of construction or delaying the

project on the requirement of the beneficiary. So such questions do not arise for NTPC capacity addition program.

Mr. Venkatesh B - Citigroup

Okay. Sir the key reason I was asking this was because you know obviously the demand for power has been much lesser. So that is the context of asking this question. But the other reason why I was asking is if you go back to say 7 or 8 years back, at that point in time when you were ordering there was a bottleneck in terms of manufacturing capacity in the country. Today there is no bottleneck. There are so many people who have put up manufacturing capacity of equipment. But when we had the analysts meet in FY 16, our target for addition for capacity for the current year was around 4.88 GW.

Mr. S.C. Pandey – Director Projects, NTPC

If the question is emanating from the target which was indicated to you in the analysts meet, we are on course of adding more than 4000 MW this year. Though we have just currently added only 800 MW at Kudgi. Our two machines are on the verge of synchronization within a week's time and 4 other machines are at the final stages of steam blowing and commissioning activities. So we are on course and as it has been narrated in the script that we will be commissioning more than 4000 MW conventional capacity and in addition to that 510 MW solar capacity will also come.

Mr. Venkatesh B - Citigroup

Okay, okay sir. Sir that answers my first question. Sir secondly regarding this Chhabra acquisition, now any sense you can give in terms at what kind of valuations you have acquired. How much it can add to our regulated equity and also is it possible to say how much Patratu added to our regulated equity?

Mr. K. Biswal – Director Finance, NTPC

You see as far as Chhabra is concerned, I can say now due diligence process is going on. We have not zeroed on the value of the assets to pay to the Rajasthan Utility. Our Director (Commercial) is here. He will add to it.

Mr. A.K. Gupta - Director Commercial, NTPC

See we are in the process of doing a due diligence of the Chhabra project and we expect that we will be able to conclude with them the binding memorandum of agreement and this will be after due diligence.

Mr. Venkatesh B - Citigroup

Sir did Patratu add to your regulated equity and if you could share the regulated equity at the end of the quarter.

Mr. K. Biswal – Director Finance, NTPC

Actually Patratu is a subsidiary. We hold 74% of stake in Patratu. It will not figure in our regulated equity. On standalone basis our regulated equity is Rs. 42,482.20 crore.

Mr. Venkatesh B - Citigroup

Okay, okay sir. Sir you said Rs. 42,482 crore correct? Regulatory equity at the end of the third quarter?

Mr. K. Biswal – Director Finance, NTPC

Rs. 42,482.20 crore.

Mr. Venkatesh B - Citigroup

Sir thirdly this is again a question on the newspaper reports about decommissioning of 11000 MW of capacity.

Mr. K. Biswal – Director Finance, NTPC

Already both Director (Technical) and Director (Operations) have answered it. Again at the cost of repetition I would request Mr. Sharma to answer this question.

Mr. Venkatesh B - Citigroup

Sir this is a slightly different question. Because what I remember initially our plan was that when we were adding solar capacity and these power plants which are more than 25 years old, it's almost all depreciation is over all interest cost is over so the tariff is lower. So when the SEB has to renew the PPA, they will have to buy solar power from us because we will blend it with the solar power. That is how you were planning to bring down the cost of solar power as it was to be blended with these old plants. Now if capacity gets decommissioned then there are no old plants with low tariff to blend with. So won't the cost of the solar power which you are trying to sell become more expensive? So is that something which has been thought through?

Mr. A.K. Jha – Director Technical, NTPC

There are two things to this. One is that the new environment norms have come in between which warrants to do some substantial expenditure in order for the plant to be within the environment norms and secondly tariff for the solar has come down drastically. So going by the rate I don't see any of the states are keen on bundling of the old thermal power with the new solar power. So they have not shown keen interest on that and therefore the future solar PPA which we are signing are on standalone basis and not on the bundling basis.

Mr. A.K. Jha – Director Technical, NTPC

In fact, we started with this model for Singrauli and we were supposed to get the beneficiary on board. We could not find beneficiary on the board so this model got stuck up and it has not proceeded further.

Mr. Venkatesh B - Citigroup

Okay, okay. Sir last small little question, on this change in the way you're measuring GCV. Now has it had any impact on your numbers, profit numbers in this quarter? I mean if you had continued with the old norms would our numbers been slightly higher or it actually didn't have any impact on our numbers?

Mr. K.K. Sharma – Director Operations, NTPC

See you know that coal cost is pass through. So you see it will have hardly any impact on my bottom line. But we had said earlier that we have started measuring GCV at un-loading point. It will take some more time to stabilize the system but it will not have any impact on our profitability.

Mr. Venkatesh B - Citigroup

Thank you very much sir. All the very best.

Moderator

Thank you. We take the next question from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Mr. Abhishek Puri – Deutsche Bank

Yes good evening sir. Sir firstly on the previous question you know on the GCV side, if you could explain has there been any impact on the under-recovery part? Because what we understand is that as per the notes to accounts you have mentioned that you have applied to the Delhi High Court for recovering whatever the under-recoveries are there in terms of the change in norms and you have also filed a petition with CERC as well. So if you can give some color if there is some under-recovery on that part in few of the plants.

Mr. K.K. Sharma – Director Operations, NTPC

We have not figured out that total amount because the system is undergoing stabilization and in most of the stations we have not started analysis at both the points. So now it is very difficult to tell the figure. But the process is on. We can at the end of the year be able to present out what would be the, if of course there is any difference we can find out the difference at the end of this financial year and as an NTPCian our approach has always been to ensure that we do not enter into dark tunnels. That's all.

Mr. Abhishek Puri – Deutsche Bank

Okay. That's heartening to know. So just to understand that the note number 5A and 5B that you have mentioned, so you are billing to the end consumer at the same rate that you are accounting for in the financial statements.

Mr. K. Biswal – Director Finance, NTPC

Yes.

Mr. Abhishek Puri – Deutsche Bank

Okay. And my second question is for the old projects. For TTPS are you looking to shut down the plant immediately?

Mr. K. Biswal – Director Finance, NTPC

You see I think we have already clarified it is linked with the commissioning of new unit then only present units will be shut down. So for TTPS the CERC has given life extension up to 2021 and for which we have invested around Rs. 780 crore. So that entire money would be recovered by 2021. So then only we can think of whether we should go for decommissioning or not.

Mr. Abhishek Puri – Deutsche Bank

Okay my question was linked to the environmental norms that are coming through from December '17. So whether those norms are being followed strictly now or there is an extension of timeline expected to meet with these norms.

Mr. A.K. Jha – Director Technical, NTPC

Expected yes. Because the entire sector agrees that the timelines given are practically not possible to achieve. The entire sector will go to darkness because in 2 years you cannot just replace 198 GW of coal based power stations with all desox and denox norms. So we expect the timeline to be extended.

Mr. Abhishek Puri – Deutsche Bank

But the norms will not be changed.

Mr. A.K. Jha – Director Technical, NTPC

As far as the norms are concerned I do not see much change. But as far as the denox is concerned because the technology is not proven for Indian coal so we are doing some experiments with the known technology providers. We have already signed an MoU with 11 technology providers. On 9 stations they will conduct the experiment which will happen during the year and by end of 2017 we will be able to clearly see that with Indian coal what kind of denox level can be achieved and then we will share that information with the MOEF and then there will be a call taken that what should be the new norms.

Mr. Abhishek Puri – Deutsche Bank

Understood. That's helpful sir. Sir lastly on the new capacity addition for next year what is the target and your fuel supply agreement for Lara because I was reading on environmental ministry's website that they have denied clearance for road transportation of coal. So what is the alternative arrangement in that case?

Mr. S.C. Pandey – Director Projects, NTPC

There are alternatives available that can be tied up. So that is one thing. And as far as you have said for all these capacities which are linked with the captive mines bridge linkage has been given. So there is no issue as far as fuel security is concerned. There will not be major issue for the initial operation and for the bridge linkage operationalisation. The commissioning activities of the project are moving in right direction.

Mr. Abhishek Puri – Deutsche Bank

That's great. And which are the projects which are targeted for next year if you can just highlight?

Mr. S.C. Pandey – Director Projects, NTPC

You can take this list from us separately.

Mr. Abhishek Puri – Deutsche Bank

I'll take it separately. Thank you so much and all the best sir.

Moderator

Thank you. We'll take the next question from the line of Sumit Kishore from JP Morgan. Please go ahead.

Mr. Sumit Kishore – JP Morgan

Hi good evening sir. My first question is once again on Chhabra. Could you please elaborate on what sort of timelines you are looking to close the transaction and what sort of funding mechanism would you follow? Would it be all debt or what else could you look at?

Mr. K. Biswal – Director Finance, NTPC

So far as funding is concerned certainly it would not be all debt. As you know as per CERC regulations the interest cost is a pass through. So I will not do any charity here. I will have to earn some money so profit will come only when I put equity. So I will have to put equity. But how much equity will put there only after due diligence we can say that. So far as timeline is concerned I would request Director Commercial to elaborate.

Mr. A.K. Gupta - Director Commercial, NTPC

We are hopeful that for Stage-I 4x250 MW we should be closing the deal by March 2017 provided our due diligence is positive.

Mr. Sumit Kishore – JP Morgan

Okay and the balance two units on commissioning.

Mr. A.K. Gupta - Director Commercial, NTPC

Stage-II has two units of 2x660 MW. That we intend to takeover unit by unit after its completion.

Mr. Sumit Kishore – JP Morgan

Okay and this acquisition of 4x250 MW be EPS accretive to begin with?

Mr. K. Biswal – Director Finance, NTPC

Yes. It will. These are operating assets. These machines are already operating. It will immediately start giving returns.

Mr. Sumit Kishore – JP Morgan

Sure. Sir my second question is on the adjusted profit for the third quarter of FY '17 after adjusting for the period or any exceptional items that you have. If you could also do the same for 3Q of FY '16 given that now reporting is in IND-AS.

Mr. K. Biswal – Director Finance, NTPC

Our PAT for third quarter is Rs. 2,468.72 crore as against Rs. 2,668.77 crore in previous year's corresponding quarter. So after adjustment our adjusted profit would be for third quarter FY 16-17, Rs. 2,244.77 crore as against Rs.2,233.49 crore, registering an increase of 1%. Similarly if you see 9 months results, the adjusted PAT for nine month ended 31st December 2016 is Rs. 7,144.39 crore as against Rs. 6,995.36 crore, registering a growth of 2%.

Mr. Sumit Kishore – JP Morgan

Okay. Okay. Lastly what are the projects that you are looking to award at both standalone level as well as the JV projects which are coal based? So you mentioned 2x660 MW at TTPS and Singrauli which are being repowered. But what are the projects – is any of the Barethis or Pudimadakas on the anvil?

Mr. A.K. Jha – Director Technical, NTPC

Not right now. We are concentrating on pit head stations more than the load center stations. That is the power scenario presently. So we will be going ahead with these two which we have mentioned. And the others are in basket. As and when the power situation changes we will go ahead with that.

Mr. Sumit Kishore – JP Morgan

Okay so roughly around 2.6 GW is what you would be looking to award in 2017.

Mr. A.K. Jha – Director Technical, NTPC

Hopefully subject to getting all the clearances.

Mr. Sumit Kishore – JP Morgan

Yeah sure. Thank you so much and wish you all the best.

Mr. A.K. Jha – Director Technical, NTPC

Thank you.

Moderator

Thank you. We take the next question from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Mr. Bhavin Vithlani – Axis Capital

Good evening gentlemen. My question is when I look at the core profit taking out the other income, it is down to about 30 paisa per unit from the last 5-6 quarters the average of about 40 paisa per unit. So I was wondering whether this coincides with the shifting to as received basis from as fired basis.

Mr. K. Biswal – Director Finance, NTPC

I think it has got no relation with that. If you can clarify your question I will be able to reply more categorically.

Mr. Bhavin Vithlani – Axis Capital

Okay. So if I look at the profit after tax and taking out other income tax adjusted, the last 5 quarters average was about 40 paisa per unit. Whereas the profit in this quarter after taking out the other income tax adjusted, it has come down to 30 paisa per unit. So there is a drop of about 10 paisa per unit.

Mr. K. Biswal – Director Finance, NTPC

It cannot be linked to per unit. It has got no linkage with that.

Mr. Bhavin Vithlani – Axis Capital

So we are looking at the energy sent out data given by the press release.

Mr. K. Biswal – Director Finance, NTPC

Anyway unless we see your calculations we cannot comment on this. You can send an email along with the calculations and we will validate. But we are confirming you it has got no correlation.

Mr. Bhavin Vithlani – Axis Capital

Okay I understand. That's helpful. The second is if you could highlight which are the units which will be commissioned in this quarter.

Mr. S.C. Pandey – Director Projects, NTPC

Okay. I will just tell you. First to go on stream will be Kudgi Unit number 2, 800 MW. Bongaigaon unit number 2, 250 MW. Solapur unit number 1, 660 MW, Mauda unit number 4, 660 MW. BRBCL unit number 2, 250 MW. We are also attempting LARA unit number one, 800 MW and to cover up some delay in Meja we are bringing one unit of 500 MW at Unchahar expansion by March end. So these are the units we are targeting for the current quarter.

Mr. Bhavin Vithlani – Axis Capital

Sir these are commissioning or commercial?

Mr. S.C. Pandey – Director Projects, NTPC

These are commissioning. These are commissioning and also we are trying for the commercial operations of Kudgi unit number 1 which was commissioned earlier. We are also trying for the commercial operation of Bongaigaon 250 MW, Solapur 660 MW. We will also attempt commercialization of Mauda 660 MW, where most of the fuel and coal and ash related jobs have already been done or are in advanced stage of completion.

Mr. Bhavin Vithlani – Axis Capital

Okay fine. Sir another question linked to when we are talking about replacement of the old units, just talking about more on a theoretical basis, because the old units have been designed on an old design of 40-50 years old, hypothetically speaking at the same location can the capacity be 2X or 3X of the current size?

Mr. A.K. Jha – Director Technical, NTPC

It will be naturally. For the new units it will be 660 or 800 MW minimum and the space requirement for these units will also be relatively less. Two machines of 800 MW will take less space compared to 5 units of 200 MW.

Mr. A.K. Jha – Director Technical, NTPC

Moreover, wherever we are going for replacing old assets we will construct new assets first as we are having sufficient land there. You see for example Talcher and also Singrauli. We will go for new units first and after that we will decommission the old ones. But land requirement will be lesser.

Mr. Bhavin Vithlani – Axis Capital

Okay. Sir Talcher this is 460 MW that is...

Mr. A.K. Jha – Director Technical, NTPC

We have 60x 4 and 110x2, 460 MW and we are going to put 2x660, 1320 MW there.

Mr. Bhavin Vithlani – Axis Capital

Okay so likewise in case of Singrauli also.

Mr. A.K. Jha – Director Technical, NTPC

200x5, 1000 MW is getting replaced with 2x660 MW. We will first commission 2x 660 MW. Then we will decommission 5x200 MW and then we may add more units there for 660 or 800.

Mr. Bhavin Vithlani – Axis Capital

Understand. And my last question is in the earlier conference call you highlighted that you were also looking at 3x800 MW awarding at the Patratu Jharkhand. So is this now being put on a backburner?

Mr. A.K. Jha – Director Technical, NTPC

Not at all. The tenders are out and bids will be opened very shortly. And that is the target for award in this calendar year. Maybe first half hopefully.

Mr. Bhavin Vithlani – Axis Capital

Okay. So that means if I were to say the pipeline of potential new projects which you will start is the 2400 MW Patratu and 2x660 MW each at Singrauli and Talcher.

Mr. Bhavin Vithlani – Axis Capital

Okay fine. Thank you so much for taking my questions.

Mr. A.K. Jha – Director Technical, NTPC

Thank you.

Moderator

Thank you. We take the next question from the line of Murtuza Arsiwalla from Kotak Securities. Please go ahead.

Mr. Murtuza Arsiwalla – Kotak Securities

Hi sir. Well my questions on fuel and decommissioning have been sufficiently discussed. Can you give the big picture target of capacities you're looking to commission and commercialise in FY '18 and FY '19?

Mr. K. Biswal – Director Finance, NTPC

That is there in our analysts' meet presentation and we are sticking by that.

Mr. S.C. Pandey – Director Projects, NTPC

We will be having a target of commissioning at least 4500 MW in the next fiscal that is '17-'18 and in '18-19 we can to the same tune. We will be commercializing also 4000 MW at least.

Mr. Murtuza Arsiwalla – Kotak Securities

Sure, thank you so much sir.

Moderator

Thank you. We take the next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mr. Mohit Kumar – IDFC Securities

Good evening sir. Sir what is the impact of the pay commission on the fourth quarter on the employee expenses? Are we going to provide from this quarter itself?

Mr. K. Biswal – Director Finance, NTPC

Yes we will provide from this quarter only. We have not estimated it but we will provide in this quarter. It gets due from 01.01.2017 and we are well aware about that. We will make an estimate and provide in the fourth quarter.

Mr. Mohit Kumar – IDFC Securities

Are we going to push CERC to increase the O&M expense of the cost.

Mr. K. Biswal – Director Finance, NTPC

Definitely, definitely.

Mr. Mohit Kumar – IDFC Securities

Again sir on the GCV issue what are the issues right now and what are we petitioning CERC for? What is the exact issue?

Mr. K. Biswal – Director Finance, NTPC

See as already explained we have implemented wagon top sampling from 1st October 2016. Now we have faced certain difficulties in implementing this in terms of stations where there is an overhead line connections which are required to be switched off and switched on and some other minor difficulties which we need to take up with CERC and tell them and share with them that these are the problems being faced and they will look for a favorable solution.

Mr. Mohit Kumar – IDFC Securities

Sir what are the kinds of solutions possible in that case?

Mr. K. Biswal – Director Finance, NTPC

I think this we will need to discuss with them.

Mr. Mohit Kumar – IDFC Securities

And sir my last question sir is regarding wind power plant. Are you going to commission the wind power plant by the end of this fiscal because all the incentives will go away post FY'17?

Mr. K. Biswal – Director Finance, NTPC

We will not be able to commission fully but partly yes.

Mr. Mohit Kumar – IDFC Securities

Okay so we will not commission the wind power plant in this fiscal is it correct?

Mr. K. Biswal – Director Finance, NTPC

We will commission but not 100%. Out of 50 MW we may commission 30 MW or so.

Mr. Mohit Kumar – IDFC Securities

Okay. Thank you, thank you for answering my questions sir.

Mr. K. Biswal – Director Finance, NTPC

We can take two more questions.

Moderator

Sure sir. We take the next question from the line of Sanjay Jain from Motilal Oswal. Please go ahead.

Mr. Sanjay Jain – Motilal Oswal

Hi. This is regarding analysing the adjusted PAT that you have mentioned that you talked about Rs. 2,244 crore of adjusted PAT in the third quarter. Whereas you had also mentioned in the second quarter the adjusted PAT was Rs. 2,341 crore. So it's approximately a decline of Rs. 100 crore in the adjusted PAT. What I wanted to understand is that like other income is almost similar as the second quarter. And then what could be the reason – and the regulated equity has marginally increased. So what would be driving this reduction in adjusted PAT?

Mr. K. Biswal – Director Finance, NTPC

Right now we don't have that analysis because income tax impact has also not been considered fully. We can answer this separately.

Mr. Sanjay Jain – Motilal Oswal

Can you give a reconciliation of reported PAT and adjusted PAT for the third quarter? Because in the notes to account there are two items of Rs. 374 crore and there is another item of Rs.107 crore.

Mr. K. Biswal – Director Finance, NTPC

Right. Which is income tax adjustment.

Mr. Sanjay Jain – Motilal Oswal

Right, right.

Ms. Sangeeta Bhatia- General Manager Finance, NTPC

We can answer this separately as there are some other adjustments towards fuel and Oil & Gas Exploration costs.

Mr. Sanjay Jain – Motilal Oswal

Okay, yeah. Okay I will give you a call. Thanks.

Moderator

Thank you. Ladies and gentlemen we take the last question. We take the question from the line of Anirudh Gangahar from Nomura. Please go ahead.

Mr. Anirudh Gangahar – Nomura

Thank you for the opportunity and good afternoon. Sir one clarification first up. You mentioned that as far as under-recovery is concerned we yet don't know whether there would be or not and we will know it by the end of the year, did I hear that correctly?

Mr. K. Biswal – Director Finance, NTPC

Yeah, yeah. Actually under-recovery on account of this change in goal post, what we were discussing that we have started measuring GCV of coal at unloading point. So on account of that the question was what is the under recovery on account of shifting. So we said we have not yet calculated what would be the addition and reduction in the amount of billing due to change in sampling point. That was the answer.

Mr. Anirudh Gangahar – Nomura

Okay one other clarification sir. There have been reports of Chhabra incurring losses previously. Now we're saying it's going to be EPS accretive for us from day one. Is there something that we'll be doing or already we have seen improvement into better coal supply over there?

Mr. K. Biswal – Director Finance, NTPC

You know the NTPC business model. Whenever we take over the plants, we go by the value of the assets approved by CERC. That is the prerequisite that whatever the value accepted by CERC I will go by that. So that's why that assures me my entire fixed cost. Means it includes my O&M as well as return at the rate of 15.5%. You see if we are covered under CERC regulations and if my plant is available, then I will recover my entire fixed cost including return. So far as coal supply is concerned, that plant is having coal linkage. And in case it comes under the NTPC I have the flexibility to move around the coal, I can supply coal from any source to that plant. And due to our intervention there is a remarkable improvement that SHR has come down from 2800 to 2500. So we are sure that once it is taken over then it will add to our bottom line from day one.

Mr. Anirudh Gangahar – Nomura

Right sir. And the final question, sir on the non-extension of the 80 IA benefit how does it impact us in any manner?

Mr. K. Biswal – Director Finance, NTPC

See actually we are on MAT and more over 80 IA benefits if you go by the CERC regulations the entire benefit is allowed to pass through to the consumers. So it is a loss to the consumers.

Mr. Anirudh Gangahar – Nomura

Right, right, thank you very much sir.

Moderator

Thank you. Sir can we take one last question please?

Mr. K. Biswal – Director Finance, NTPC

Okay, okay.

Moderator

Sure. We take the question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Mr. Pulkit Patni – Goldman Sachs

Sure. Thanks a lot for taking my question sir. Most of my questions have been answered. First could you just highlight over the next 2 years what is the kind of coal production that can be expected from your various mines?

Mr. K. Biswal – Director Finance, NTPC

See next year we are expecting 2 to 3 million tones and next to next year around 5 million tonnes.

Mr. Pulkit Patni – Goldman Sachs

And this year you mentioned by March would be about?

Mr. K. Biswal – Director Finance, NTPC

1.5 lakhs tonnes.

Mr. Pulkit Patni – Goldman Sachs

1.5 lakh tonnes. Okay. Sir thanks for that. Just one last question from my side. You know given this CEA report which talked about non-requirement of capacity addition, could you just highlight given that we have a long term plan, does it in any meaningful way after 2 years change our capacity addition plans for the company?

Mr. K. Biswal – Director Finance, NTPC

You know that we have already 23000 plus MW under construction. So in any case we are going to complete those projects in time. And looking at the future requirements of the power, the per capita consumption in India, the 24X7 power to all, and the Uday scheme, I see that going forward the demand will only increase. So right now we are concentrating on converting these capital work in progress of 24000 MW into commercial assets. And we also keep on adding certain megawatts like we discussed that 3x800 MW Patratu we are ordering, 2x660 MW TTPS we are ordering. So we will keep on ordering at a pace where we feel confident that the demand will keep on increasing.

Mr. Pulkit Patni – Goldman Sachs

Sure okay.

Mr. K. Biswal – Director Finance, NTPC

Solar in any case we will keep on adding. We have a target of adding 10000 MW in 4 years. So that this year we are already at 760 MW.

Mr. Pulkit Patni – Goldman Sachs

Sure sir that's useful. Thank you.

Moderator

Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to the management of NTPC for closing comments.

Mr. K. Biswal – Director Finance, NTPC

Thank you very much.

Moderator

Thank you very much. On behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.