"NTPC Q1 FY 2017 Earning Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to NTPC Q1 FY2017 Earnings Conference Call, hosted by Motilal Oswal Securities. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*"then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjay Jain from Motilal Oswal Securities. Thank you, and over to you, Sir!

Sanjay Jain: Yes, thanks. Good afternoon, ladies and gentlemen. On behalf of Motilal Oswal Securities, I welcome you to the first quarter FY2017 earning call of NTPC. I am honored to introduce the top management of NTPC. We have with us Mr. K. Biswal, Director, Finance; Mr. A.K. Jha, Director, Technical; Mr. U.P. Pani, Director, HR and Commercial; Mr. S.C. Pandey, Director, Projects; and Mr. K.K. Sharma, Director, Operations. Now, I hand over the floor to Mr. Biswal for the opening remarks. Thereafter, the floor will be open for Q&A. Now, over to you, Sir!

K. Biswal: A very good afternoon to everybody. I am K. Biswal, Director (Finance), NTPC Limited, and I have with me Shri A.K. Jha, Director, Technical, Shri. S.C. Pandey, Director, Projects, Shri. K.K. Sharma, Director, Operations, Shri. Sharad Anand, Regional Executive Director, Coal Mining, Shri. Sudhir Arya, Executive Director, Finance and we have with us all the finance members dealing with finance and accounts. Shri U.P. Pani, Director, HR and Commercial will be joining us shortly.

Today, the Company has announced the financial results for Q1 of financial year 2016-2017 compliant with Ind-AS in-line with the notification dated February 2015, issued by Ministry of Corporate Affairs and SEBI guidelines issued from time to time. The Ind AS has been adopted for the financial year 2016-2017 with the transition date being 1st April 2015. For the quarter ending 30th June, 2016, Ind-AS compliant financial results for the corresponding quarter ended 30th June,2015 have also been provided. On "First time adoption" of Ind AS, to enable the investors to understand the material adjustments to the statement of profit and loss, a reconciliation of its net profit for the corresponding quarter of the previous year has also been provided on account of transition from the previous Indian GAAP to Ind-AS.

The key performance highlights for the quarter have already been disclosed on both the stock exchanges.

To begin with, I will briefly touch upon some of the highlights & developments since our last interaction on May 30, this year:

Surge in gross generation of the Group by 12% in Q1 2017 as compared to previous corresponding quarter. NTPC's standalone generation increased by 9.98% in the quarter over the Q1 of 2015-2016.

In Q1 of FY 2016-2017, five coal-based power stations of NTPC were among the top 10 performing stations in the country in terms of PLF. Eight stations clocked PLF of over 85%.

During the Q1, we have added 525 MW to our commissioned capacity, of this 200 MW was added through NP Kunta Ultra Mega Solar Power project at Ananthapuram, and another 325 MW was added by way of takeover of Patratu Thermal Power Station in the state of Jharkhand. With these additions, the installed capacity of NTPC Group has reached 47,178 MW as on June 30, 2016.

Further, another 50 MW has been added on July 29, 2016 at NP Kunta Ultra Mega Solar Power Project at Ananthapuram, thus taking the installed capacity of NTPC Group to 47228 MW, as on date.

In terms of commercial capacity, during Q1, we added 775 MW. This includes 250 MW at Bongaigaon Thermal Power Station, 200 MW of solar capacity at Ananthapuram and 325 MW by way of takeover of Patratu Thermal Power Station. With this the total commercial capacity of NTPC Group reached 45,878 MW as on June 30, 2016, including 6326 MW capacity owned by our Group companies.

Further, 50 MW solar capacity of Ananthapuram project has also been declared commercial with effect from August 10, 2016, thus taking the commercial capacity of NTPC Group to 45,928 MW.

As a part of disinvestment program, Government of India offered NTPC's shares to the eligible employees of NTPC in July 2016. Under this offer, Government of India disinvested 1,75,82,590 shares. Post Employees Offer for Sale the equity holding of Government of India in NTPC stands reduced to 69.74% of the paid up share capital from 69.96%.

We have commenced trading of the un-requisitioned surplus power in the power exchanges through our trading arm NVVN from June 2016, as per the revised Tariff Policy 2016.

CSIR-Central Institute of Mining & Fuel Research, that is CIMFR, has been appointed as the nodal agency for third-party sampling on behalf of NTPC and CIL. A memorandum in this regard was signed on June 28, 2016.

Now, an update on extension of TPAs - 21 states have given their consent for extension of TPAs. RBI has also given its no objection for signing of extension of TPAs and the process is on and we are confident that we will be getting the TPA extended within the stipulated time.

Corresponding period comparison - Q1 of FY2017 versus Q1 of FY2016

NTPC maintained its spread over national PLF in Q1 FY 2016-2017 as well. As compared to national PLF of 63.56%, NTPC's PLF was 81.35%. For Q1 FY 2016-2017, coal stations, gas stations, and hydro stations clocked declared capacity of 91.91%, 92.63% and 106.55% respectively. For Q1 FY 2016-2017, NTPC's all the coal stations achieved the declared capacity of more than 83% except Farakka, Singrauli and Barh mainly on account of water shortage at Farakka and planned maintenance at Singrauli. Further, all the gas stations achieved the declared capacity of more than 85%, except Anta, which had DC of 84.68%. It just narrowly missed, but it will be made up in the next quarter.

Due to the grid restrictions, we have suffered loss of generation from both coal and gas stations. For the coal-based generation stations, the loss was 7.686 BUs in Q1 FY2017 as against 9.472 BUs in first quarter of FY 2016. Similarly, for the gas-based generation stations, the loss was 6.013 BUs in Q1 FY17 as against 5.953 BUs in first quarter of previous year.

PBT for first quarter of the current year touched Rs.3,076.13 Crore, as against Rs.1,854.61 Crore in the corresponding quarter of previous year. After adjustment of income tax refund of Rs.791.97 Crore in the last fiscal, the Q-on-Q growth is about 16%. Total comprehensive income for Q1 FY 2017 is Rs.2,339.99 Crore, as against Rs. 2,242.79 Crore in the corresponding quarter, up by 4.33%.

Gross sales for Q1 of the current year is Rs.18,939.81 Crore as against corresponding quarter gross sales of Rs.17,010.35 Crore, an increase of 11.34%. Total income for the current year first quarter is Rs.19,220.80 Crore as against corresponding quarter figure of Rs.17,333.91 Crore in the previous year, registering an increase of 10.89%. The generation income contributes to 95% of the profit before tax as compared to about 88% in the corresponding quarter of previous year. The impact of Ind AS on the final sales of the company is minimal, as may be seen in the note 5, the impact on conversion of Ind AS is an increase in the profit by Rs.107.44 Crore, mainly on account of "Reclassification of major overhaul & spares to property, plant and equipment".

I will now take you through the operational performance of Q1 of FY 2016-2017.

Coal: During first quarter of the current financial year, materialization of coal against ACQ was 97.88% as against 89.28% in first quarter of previous year. Due to the improvement in supply of coal against ACQ, the consumption of imported coal reduced by about 80% during first quarter of the current year over the corresponding quarter. Supply of imported coal was only 0.56 MMT in the current quarter as against 3.86 MMT in the previous corresponding quarter.

As a result of reduction in coal import and other measures taken by the company, the variable cost per unit for coal units has come down to Rs.1.92 per unit in current quarter as against Rs.2.04 per unit in the previous corresponding quarter. Further, the blending ratio for the imported coal also reduced to approximately 1.76% in Q1 FY2017 as against 10.32% in Q1 of previous year.

Gas: The gas consumption during Q1 of FY2017 was 5.46 MMSCMD i.e. Million Metric Standard Cubic Meter Per Day as against 5.88 MMSCMD in Q1 of previous year. The gas consumption of Q1 of the current year, procured under APM and PMT mechanism was 5.09 MMSCMD and under non-APM gas was 0.37 MMSCMD.

We entered into a long-term contract with GAIL for supply of RLNG for a period of 10 years for our Northern gas-based projects, which are Anta, Auraiya, Dadri and Faridabad. The quantity tied up was 2 MMSCMD. Since it was a long-term contract ,there was a provision for take or pay for 90% of ACQ on annualized basis. For the initial three years of the contract, RLNG was consumed in accordance with the schedule received from the beneficiaries. However, due to rise in prices of RLNG, gas-based generation could not be scheduled in the merit order. Since the contract has now become non-workable, NTPC decided to terminate the same.

Let me also give an update on various other activities.

Capacity additions:

We plan to add around 5,648 MW, including 768 MW under renewable energy projects this year. This capacity addition target comprises of 1,600 MW at Kudgi, 800 MW at Lara, 660 MW at Solapur, 660 MW at Mouda, 250 MW at Bongaigaon. Besides this, through our subsidiary companies we will add 250 MW at Nabinagar and 660 MW at Meja.

Under the renewable energy projects, we plan to add 250 MW solar at Ananthapuram, 250 MW solar at Mandsaur, 260 MW solar at Bhadla and 8 MW of mini-hydro at Singrauli. Out of this target, we have already added 250 MW solar at Ananthapuram.

Units which have been commissioned but are yet to be declared commercial comprises of 660 MW at Mouda, 250 MW at Nabinagar under BRBCL, and 390 MW at Kanti, totaling to 1300 MW.

The regulated equity as on June 30, 2016 was Rs. 42,014.63 crore.

Fund mobilization:

During first quarter of the current year we have issued bond aggregating Rs. 2072.50 Crore under two series at a very attractive coupon rate of 8.05% p.a. and 8.10% p.a. respectively. On Friday, NTPC placed bonds of Rs.800 Crore at very attractive coupon rate of 7.58% p.a. to finance the capital expenditure of its ongoing/new projects. Further, we have raised Green Masala Bonds from the international market of Rs.2,000 Crore at a coupon rate of 7.375% under our 4 billion MTN program to finance our solar and wind projects. The average cost of borrowing for Q1 FY2017 was 7.45% as compared to 7.76% in Q1 FY2016, mainly due to the reduction in base rates of banks and also due to reduction in bond yields.

Capex: In first quarter of the current year, we have incurred a capex of Rs.5,538.38 Crore. The capex by the group companies has been Rs. 1,182.78 Crore. Thus the total Group capex stands at Rs.6,721.16 Crore for the first quarter of current year. For the financial year 2016-2017, our total capex target is Rs.30,000 crore.

Coal Mining: The cumulative expenditure on coal mining is Rs.3380.53 Crore as on June 30, 2016. Techno-Commercial Bids for the appointment of MDO of Chatti Bariatu, Dulanga, and Talaipalli have been opened.Mining operations have already been commenced in Pakri-Barwadih from the western quarry with effect from May 17, 2016 and about 1.1 lakh cubic meters of overburden, top soil have been removed so far. Mining operation is also expected to start from the eastern quarry of Pakri Barwadih block shortly. NTPC has awarded contracts for overburden removal and coal extraction from eastern quarry on June 30, 2016 and August 4, 2016 respectively. For coal transportation from Pakri Barwadih, 'Bandag-Hazaribagh' railway siding is now operational.

For Mandakini-B coal block 'Allotment Agreement' has been signed with the nominated authority of Ministry of Coal on July 5, 2016 and allotment order issued on August 8, 2016. Process for acquisition of mining area land has also been initiated in Banai, Bhalumuda and Mandakini-B coal blocks, with the issue of Section 4 notifications under CBA Act by Ministry of Coal and its publication in the Government Gazette.

Renewable Energy: Projects of ~750 MW are under tendering. As far as solar projects under NSM Phase II, Tranche 1 of 3,000 MW is concerned,reverse action is completed for 2,650 MW and PSAs has also been signed for the same. Against this, PPAs has been signed for 2,060 MW.

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

Now I will briefly touch upon some of NTPC's Group companies.

NVVN, our trading subsidiary, transacted 3,658 MUs during first quarter FY2017,this includes 827 MUs traded through bilateral, 1,449 MUs of solar bundled power, 770 MUs under cross-border trading and 612 MUs traded through power exchange. NVVN has paid an interim dividend for FY 2015-16 of Rs.20 Crore during first quarter of FY2017.

Our JV Company, Bangladesh-India Friendship Power Company Private Limited signed contract agreement for Main Plant EPC Turnkey Package with BHEL, Bharat Heavy Electrical Limited, to construct 2x660 MW Maitree Super Thermal Power project on July 12, 2016.

During this quarter, NTPC also bagged various laurels and honors. I am not going into the details. These are some of the highlights I wanted to give before the question and answer session. Thank you very much.

Now, Sanjay, we can go for question and answers.

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

Abhishek Puri: Good afternoon Sir and congratulations for good set of results. Sir, couple of things. Firstly, the fuel cost has gone up on a quarter-on-quarter basis by 10%. Is there any specific reason for it? And the overall consumption is actually down, if I look at the overall fuel consumption, it is 41 million tonnes versus 42 million tonnes in the Q1 of last year.

K. Biswal: The main reason is that the prices have been increased by Coal India, as well as there is increase in clean coal cess also. These are the two factors that have impacted the coal cost.

Abhishek Puri: And why has the consumption gone down on an overall basis? It's down 3%, whereas our volumes are up 10%.

K. Biswal: I would request our Director (Operations) to elaborate.

K.K. Sharma: There has been an overall improvement in the quality of the coal supplied by Coal India, because of that the consumption has gone down. That is the basic reason.

Abhishek Puri: So would that mean that the fuel cost largely is a pass through. Has that led to better heat rate for us and incentives income has gone up because of that?

K.K. Sharma: No. Heat rate does not indicate the quality of the coal, better or lower. It is only the consumption of the coal that is specific coal consumption, which indicates that part. So, as far as heat rate is concerned, there is no drastic improvement. It is only a case of improvement in the quality of the coal being received by us.

Abhishek Puri: My next question is on the Pay Commission-related expenses. When do we expect that? I think that's from the fourth quarter of this financial year and under the current regulations, would that be immediately a pass-through or it will be with a time lag?

K. Biswal: So far as current regulations are concerned, as and when pay revisions are there, we will have to go and approach CERC and CERC will take up as per the regulations. So, there is no restriction or nothing spelt out clearly in the current regulations on the issue of pay revision.But if there is any difficulty, we are free to go to Regulatory Commission for removal of difficulty.

Abhishek Puri: Thank you Sir. I will come back for more questions.

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

Sumit Kishore: Thanks for the opportunity. Sir, my first question is related to what are the next steps in the matter of the point of GCV measurement after your review petition to CERC has been dismissed as per order dated June 30, 2016?

K. Biswal: In fact, the matter is with Honorable High Court and the Honorable High Court had asked us to go to CERC. If we are not satisfied, we can go back to Court. So, that door is still open. That option is still with us. And in the meantime, we are also, in line with CERC advice, putting the system in place at our various stations, and we will be ready to calculate GCV at unloading point by October 1, 2016.

Sumit Kishore: And so, have the mechanisms been put in place to?

K. Biswal: No, it's being put now. We have appointed CIMFR as our sampling agency and they will act as third-party sampler for both Coal India and ourselves. We are putting in place various systems for taking the samples for calculating GCV at wagon unloading points. We will be ready by October 1.

Sumit Kishore: Sir, what was the NTPC's consideration for taking over the 74% stake in this Patratu Vidyut Utpadan Nigam?

K. Biswal: See consideration will be in two parts. One is old plant and another is the new plant which is going to be installed on the 1275 acres of land which has been handed over as per the agreement. So far as the old plant is concerned, it would be based on whatever price CERC admits for the plant, so that will be the best value and accordingly the consideration will be decided.

Sumit Kishore: So far no consideration has been decided?

K. Biswal: No, it is still in fluid state.

Sumit Kishore: The last question is NTPC seems to have finalized its long-term capacity addition plan. Now, we have been reading about 128-gigawatt by 2032. What proportion of this would be renewable?

K. Biswal: Renewable, it has not been crystallized yet, but we can say that the substantial portion will be from renewable energy, because now our dependence on fossil fuels is about 87%. So, certainly we will try to reduce it to below 60% by 2032.

Sumit Kishore: Thank you so much Sir.

Moderator: Thank you. We take the next question from the line of Amish Shah from Bank of America.

Amit Shah: I have a few sets of questions. The first was if you could just comment on the under-recovery at Badarpur and Farakka plants, where declared capacity is less than 83%?

K.K. Sharma: As far as Farakka is concerned, we are expecting to cross the 83% safe zone by the end of this financial year, because ultimately the declared capacity is taken at the end of the year. As far as Badarpur is concerned, from our side units are available. Stage 1 units are available, but we are not running stage 1 as per advice of Delhi government.

Amit Shah: Secondly, very quickly, can you comment on the performance of Ratnagiri Gas Plant?

K.K. Sharma: Ratnagiri Gas Plant is generating one module as per agreement with the railways. And other capacity is lying idle as on date. We are having PPA up to March 2017. We are trying to finalize agreement with railways further and meanwhile the gas availability is also being tied up after March 2017. So based on these two inputs, further plan will be decided.

Amit Shah: So Sir, broadly what is the ROE run rate that the plant is generating right now?

K.K. Sharma: We are not aiming for any ROE. We are now aiming to make some savings on the O&M cost part. And from that we are generating some funds to pay the obligations of the lenders also.

Amit Shah: Third, very quickly, in the Analyst Meet this time, it was told that the capacity addition plan has been pushed out. So is this more because of some delays in the construction of projects on ground or because you believe that the power demand-supply gap is widening and because of oversupply of power right now, have you pushed out the capacity addition plan?

K. Biswal: Mr. Pandey will answer.

S. C. Pandey: First, this statement is not correct that we have pushed out the capacity addition program. We are on track. Right from last year we declared that 4880 MW of conventional and around 760 MW of the solar capacity will be added in the current fiscal. We are on track. In fact, the projects pre-commissioning activities are in process at Kudgi unit number 1 and 2, Bongaigaon unit number 2, Nabinagar unit number 2, Solapur unit number 1 and Mouda unit number 4. So we are certain to meet the capacity addition target of 5000 plus megawatt what has been just informed by Director (Finance).

Amit Shah: Sorry to interrupt, but I was not specifically talking about FY2017. I was talking about the total long-term plan that you have till the 13th plan end, and I was actually comparing the presentation that you made in FY2015 Analyst Meet versus the FY2016 Analyst Meet.

S. C. Pandey: So, you are talking of the projections of which period?

K. Biswal: You see, whatever 24000 MW is under construction. We are going to add this capacity in next 3 to 4 years. And this year, as already Director (Projects) has told that we are going to add 5,648 MW to be very specific.

S. C. Pandey: And in the next year, we are going to add almost 6,290 MW of conventional capacity, also in the second year of the next five-year plan, we will be adding another 6000 MW. So our 24000-capacity is on track. In the next three years, we will be completing the bulk of it.

Amit Shah: Sir, during the initial comments of the call, you mentioned that the adjusted PAT growth for the quarter was 16% YoY, is that number correct, Sir?

K. Biswal: It's PBT number. After discounting the income tax impact it is 16%.

Amit Shah: So, can you share the absolute number, sir, what is the adjusted PBT for this particular quarter versus Q1 of FY2016?

K. Biswal: Adjusted PBT was Rs.2,646.58 Crore in last previous corresponding quarter as against Rs. 3,076.13 Crore in the current quarter.

Amit Shah: Sorry, Sir. Do you mind repeating the number? I missed those numbers.

K. Biswal: You see this 16% comes from these two figures. One is, if you do not consider the refund of that Rs.700 odd crore income tax in the previous year, the PBT would have been Rs.2,646.58 Crore. As against that number, this year we have Rs.3,076.13 Crore. So, thereby the growth is about 16%.

Amit Shah: And last question from my side, sir. Very quickly, so this Kanti Bijlee project, the first unit had commissioned in FY2015, but it has not been commercialized yet. So, what is the reason for delay there?

S. C. Pandey: The basic reason for the delay was that the coal handling plant was earlier getting executed by one company. This company became financially insolvent and the contract was terminated and the new contract has been awarded this year. We are likely to declare commercial the unit number 3, that is the first 195 MW unit by the end of third quarter, that is by December.

Amit Shah: Thanks for answering my question. That is it from my side.

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

Venkatesh B: Good evening Sir. Congrats on a good set of numbers. Sir, first of all, if you could tell us what is the status of these three projects, one is Pudimadaka, second one is Barethi, and the third one is the Maitree project? What is the current status on the ground?

K. Biswal: I would request our Director (Technical), Shri A.K.Jha to answer this question.

A K Jha: The first thing is regarding Maitree project, which the Director (Finance) has given in his initial remarks that the contract has already been signed with BHEL this year for 2x660 MW Maitree project in Bangladesh. The second is Barethi, where we have everything lined up and we are waiting for the environment clearance. As soon as the environment clearance is received we will go ahead with the investment approval for the Barethi project. We expect that the environment clearance should be available during the next Expert Committee Meeting. They should clear it. So maybe by next month we would be able to get the environment clearance. As regards Pudimadaka is concerned since the use of imported coal has been minimized because of increase in domestic coal production, there is a relook at the project that whether we should go with the domestic coal and in that case, we will have to revisit our specifications and tender to suit the domestic coal requirement. So that will take some time.

Venkatesh B: So you will have to rebid the Pudimadaka equipment order, where two people have already won the boiler and the turbine?

A K Jha: It has to be revisited, depending upon because the requirement is of particular quality of coal. If that quality of coal is available domestically and if the Ministry of Coal is allocating that quality of coal, then it may be a different story. But if it is not being given, this will be a different story. So we are not seeing right now whether we are rebidding or not, it is being reviewed, that is what I said.

Venkatesh B: Sir, on the Maitree project, is the project financially closed yet?

K. Biswal: No, not yet. The financial closure is in progress, it will take, and I think, another two to three months to close it.

Venkatesh B: My last question is what was the regulated equity at the end of the quarter, if you could share that number with us?

K. Biswal: It is Rs. 42,014.63 Crore.

Venkatesh B: This regulatory equity which you share on a quarterly basis, it does not include the solar projects, correct Sir, am I understanding it correctly?

K. Biswal: Correct. Solar is not regulated.

Venkatesh B: Thank you very much Sir.

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

Bhavin Vithlani: Good evening gentlemen and congratulations for good set of numbers. A few questions. We are seeing some of the projects that are expected to commission between this year and next year, namely Kudgi, Mouda and Solapur. These could be in the higher end of the cost. So if you could highlight what could be the cost of generation estimated from these projects and measures taken by NTPC to reduce the cost of generation?

K. Biswal: You see, the project is yet to be completed now and we have not calculated the actual impact of the cost. The capital cost whatever we have already spent or tied up, it is sunk cost, we cannot change it. But so far as the variable cost i.e. fuel cost is concerned, I would like to request our Director (Operations) to elaborate.

K.K. Sharma: We have got a bridge linkage from the Ministry of Coal as a special case, because this is against the mines allocated for this particular plant, and we have got the bridge linkage from the SCCL. So, because of that the cost of transportation of the coal will come down. So, it will help us in reducing the ECR and in turn make it more competitive.

Bhavin Vithlani: Sir, you are referring for which projects, where we have got bridge.

K.K. Sharma: I am talking of Kudgi.

K.K. Sharma: And in Mouda we have already done the shifting from MCL to SCCL. We are further shifting more quantity to WCL. So, on overall basis the cost will be under control.

Bhavin Vithlani: What would be the rough estimate of the energy cost for these three projects?

K.K. Sharma: We are expecting around Rs.3.00 for the Kudgi and for the Mouda it will be around Rs.2.50.

Bhavin Vithlani: The energy charges, right.

K.K. Sharma: Yes, ECR for the Mouda will be lower. For Kudgi it will depend upon the availability of coal.

Bhavin Vithlani: And Solapur also will be similar to Mouda?

K.K. Sharma: Similar to Kudgi. Solapur is closer to Kudgi.

Bhavin Vithlani: Sir, my second question is if you could highlight which are the new projects in the conventional sector where we will award new contracts and start construction in FY 2016-2017?

S. C. Pandey: In FY 2016-2017, we have just started the construction in Telangana project, 2x800 MW. We are likely as our Director (Technical) has just informed, we are likely to award the Barethi project subject to the environmental clearance. And in the JV sector, this Bangladesh project is also likely to start after the financial closure expected to be completed within a quarter.

K. Biswal: For your information, today the Board has cleared the feasibility report for the Lara Stage II of 2x800 MW, for which we will be going ahead with the tendering and other fronts.

Bhavin Vithlani: And Sir, the Jharkhand project, Patratu, what could we expect in terms of capacity expansion, as in the call you highlighted you have excess land in that location?

S. C. Pandey: Yes, target is to add 4000 MW capacity there in two stages. The Stage I will be 3x800 MW and Stage II will be 2x800 MW. For Stage I 3x800 MW, the tenders will be out next month.

Bhavin Vithlani: So these are the projects where we could expect over the next four to five years, this would give us visibility for longer-term expansion?

S. C. Pandey: Yes.

Bhavin Vithlani: And the last question is, if you could give us some status update on the MoEF rule for the coal-based station. I understand some of the new projects we would be including the equipment, but what is the status update for existing projects?

A.K.Jha: Existing projects, as you know the timeline given is only two years and it is not possible to execute this kind of thing in two years time across the country for all the entire 200-gigawatt capacity, which is the thermal coal-based capacity. So, we have represented through MoP for reconsideration of the time duration. And this is also being looked at plants, which are pretty old and which are likely to run for next five years or seven years or 10 years, whether it is advisable to go for that kind of investment right now, which are likely to close. So maybe the final decision will be taken by the MoEF in consultation with MoP and then we will have a clear picture. So right now, what we are doing is that whatever new awards which we are placing, we are assuming that this is there and we are going ahead with the D-Sox and D-Nox facilities, like in Telangana we have already done. In Patratu and this place Barethi, we will all include these before the award.

Bhavin Vithlani: What would be we will also have to do similar D-Sox, D-Nox for the under construction projects as well, as I understand?

A.K.Jha: We will do that and for that we have sought time, because if we start doing right now, the entire thing has to be re-engineered, which will further delay the project. So that is why under construction projects we are immediately not taking up that. But once the clarity is there from the MoEF, after consultation with MoP, then we will make the roadmap to implement that.

Bhavin Vithlani: A follow-up on this. As we said, we have included the provisions of latest Environment Guidelines in the Telangana project, what is the rough increase in the cost because of complying with the new emission norms?

A.K.Jha: We are anticipating around Rs.0.8 Crore per MW, but we are yet to float the tender and get the market rates. We understand that as there are more and more volumes, these rates will come down and it will be around Rs. 0.6 crore per MW or so subsequently. But it is a ballpark figure. Right now, we cannot be sure.

Bhavin Vithlani: Thank you so much and wish you all the best.

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

Mohit Kumar: Good evening Sir. Couple of questions, Sir. Why other income has come down sharply QoQ?

K. Biswal: You see, up to last year, we have that OTSS scheme, and also cash surplus was there. With the issuance of the bonus debentures, this money has been invested in our ongoing projects. So our cash surplus has come down and the OTSS scheme has also ended last year.

Mohit Kumar: Last quarter, the income was around Rs. 428 Crore. This quarter it has come down to Rs.157 Crore.

K. Biswal: I have already explained the two reasons. If you see the cash balance, as on March 31, 2015 it was around Rs.12,000 Crore. Other Income was Rs.240 Crore in previous corresponding quarter. It has come down to Rs.157 Crore.

Mohit Kumar: Sir, I am talking about QoQ. Last quarter number was pretty high?

K. Biswal: Last quarter, you are saying. We got dividend during that quarter.

Mohit Kumar: Can you please quantify the incentive income and service income? And further to since you sold some part in the IEX, can you please quantify the trading income in the quarter?

K. Biswal: Trading income actually the power is being traded through our trading arm, NVVN. Right now, we do not have that figure. Incentive we got Rs.153 Crore this time.

Mohit Kumar: No, Sir, I am trying to figure out, since rather than selling it to procurer, we have sold it through exchanges, right, part of the generation in the quarter?

K. Biswal: Yes. Actually what happened, in any way if the quantity sold in the market whatever savings are there, that will be shared between the beneficiaries and the generator equally. And this has started in this first quarter only. So, it was actually after revision of tariff policy, we could able to start selling URS power. It has no impact in the first quarter results as power sold through URS was negligible.

Mohit Kumar: Sir, was there an impact of the ancillary services income in the quarter? So we have started scheduling some of the power plants under ancillary services.

K.K. Sharma: See, this number is very very negligible, because this is getting stabilized. So as far as ancillary services, all these numbers are very very diminishing kind of numbers, because this is becoming more and more stable, so you get very few opportunities.

Mohit Kumar: Sir, my last question. Sir, I am just trying to figure out whether all the gas PPA, has it rolled over for the next 10 years?

K. Biswal: Just come again please?

Mohit Kumar: Has all the gas PPAs has been rolled over for the next 10 years, because I believe that Faridabad is getting over I think it got over by the end of March 2016?

K. Biswal: Actually, all the gas station has been made for 25 years. Faridabad, the formal PPA, they have not signed. They have given a provisional extension for six months, which is expiring, I think, by December. Prior to that, they will sign the PPA for the balance period.

Mohit Kumar: Sir, no PPA other than Faridabad expiring in this particular financial year?

K. Biswal: All are 25 years.

Mohit Kumar: Thank you Sir.

Moderator: Thank you. We take the next question from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: Congrats for a good set of numbers. If I heard correctly, the incentive income you mentioned in Q1 is Rs.153 Crore?

K. Biswal: Yes Rs.153 Crore.

Deepak Agarwal: What was the number in previous year, Q1 FY2016?

K. Biswal: It was Rs.77 Crore.

Deepak Agarwal: What led to this kind of a high incentive?

K. Biswal: Our generation has increased, and our eight plants have gone beyond 85% PLF.

K.K.Sharma: In fact, if we go by commercial units then it is 15 units as on date. 15 commercial units are there, but number of plants are concerned, as Director (Finance) has told, it is eight.

Deepak Agarwal: And can you comment on like you mentioned that you would be doing 5,600 MW, or 4,600 MW of coal-based power plants commissioning this year, but what about the COD, like we have been seeing that the COD is getting pushed almost by a year. So what in terms of commercial capacity, how much do we expect in FY2017?

S. C. Pandey: In the year FY2017, commercial capacity of around 3700 MW, including JV Companies is anticipated. This includes two units at Kudgi, two units at Mouda, one unit at Solapur, one unit at BRBCL, then one unit at Bongaigaon, and 195 MW at Kanti. Now the trial operation-related activities are just starting at Mauda for unit number 3. BRBCL 250 MW unit is likely to be commercialized by the end of quarter two that is by the end of September or early October.

Deepak Agarwal: I missed in the opening remarks. What is the update on the solar projects for beyond FY2017, which you would be doing in your books?

A.K.Jha: We are targeting to award ~750 MW this year, which will be commissioned in FY2018, for which we have already floated the tenders.

Deepak Agarwal: I am talking beyond FY2017, for next year?

A.K.Jha: Yes I am talking beyond FY2017. So whatever tender is out now in the market, it will be ordered now and it will take one year to 15 months to commission that. So they will be commissioned in FY2018 only.

Deepak Agarwal: Which will be this project?

A.K.Jha: The 750 MW is again in Ananthapuram in Andhra Pradesh, and 18 MW is in Andaman and Nicobar Islands.

Deepak Agarwal: So with AP again it would be around Rs.5.96 per unit like in the Phase I of Kunta?

A.K.Jha: It will again depend on the EPC cost which we get, because this is a discovered price and we are very transparent with our Discoms, we share whatever EPC price comes and accordingly we fix the tariff.

Deepak Agarwal: And can you share some updates, like in your opening remarks, it was mentioned like you are looking almost 40% of the corporate plan coming from renewable sources. So apart from solar and possible wind that you are exploring, are we looking in a big way in hydro as well, because this looks to be too high a number actually?

K. Biswal: No, it is not you see, looking at the 15 years horizon, it is not a high number, because we have to reduce our fossil fuel dependence in percentage. As you see, whatever you said, from 87% it will come down. We are looking at a figure below 60% and we have to largely increase our capacity in solar, hydro, as well as in wind.

Deepak Agarwal: So anything beyond 100 MW, you are working on wind?

K. Biswal: Not right now, but we are looking out.

Deepak Agarwal: And actually my last question is, I was not clear on the other income, like, in the previous quarter we mentioned like out of Rs.450 Crore, dividend was about Rs.65 Crore?

K. Biswal: You can have the details later from our ISD team.

Moderator: Thank you. We take the next question from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.

Girish Achhipalia: Good evening Sir. Thanks for taking my question, just couple of them; firstly, if you can just elaborate on fuel costs. We're already at Rs.1.8 per unit versus where we started? So incrementally from here for the non-pitted plants, which we are already operating, how much further can we go down and if you can elaborate some examples, which can come through, I mean the variable cost savings can come through in the next couple of quarters?

K. Biswal: We hope you know that Government of India has already allowed fungibility in coal supply. We can move coal from any mine to any plant. So, also that will reduce our transportation cost and we have now stopped taking imported coal. And at the same time, we are switching over from MoU coal, e-auction coal to supply of coal at notified rates. Now, I would request K.K. Sharma, our Director (Operations) to elaborate this point.

K.K. Sharma: In fact, we are planning to shift around 8 million tonnes of coal from non-pit head stations to pit head stations. And then, overall, we have been communicated by Coal India to get another 5 million tonnes of coal. So, this kind of readjustment will help us to concentrate on the pit head stations. Right now, as on date, we are having increase from 80.33% to 81.78% in the case of pit head stations, and for the non-pit head stations from 62.66% to 66.73%. So, we have increase on both the sides, rather the increase is slightly higher on the non-pit head side, but overall there is a growth in the sector.

Girish Achhipalia: Thank you Sir that is it.

Moderator: Thank you. We take the next question from the line of Mr. Sanjay Jain. Please go ahead.

Sanjay Jain: I have one question to ask myself actually. You have given a comparison of Ind AS for the last year quarter.

K. Biswal: Yes. The result what in fact we have published is after restating the corresponding period results.

Sanjay Jain: What I want to understand is that what would have been the impact had we not adopted Ind AS?

K. Biswal: The quarterly impact would be around Rs.100 Crore.

Sanjay Jain: Positive impact?

K. Biswal: If you see, we have restated our first quarter result of previous year as per Ind-AS, and if you see the figures have gone up from Rs.2135 Crore to Rs.2242 Crore. So, the impact is around Rs.100 Crore. But if you ask us, we have not done similar type of exercise for the first quarter of the current year i.e if we had not adopted Ind-AS. So we do not know what exactly would have been the impact.

Sanjay Jain: But nonetheless, it would be a positive impact, because like capitalization?

K. Biswal: Actually, it may have been a positive impact as per Ind-AS.

Sanjay Jain: Basically, what I am trying to understand from a forecasting point of view, like we have been modeling profit for NTPC in a particular way, based on Ind AS and all, but now I see that there is more, there is some of these other operating expenses are lower and in the table you have given, like some of the items are being capitalized. So this trend should continue right, Sir?

K. Biswal: This will continue. You see, as per MCA notification, we have shifted from old accounting standards to Ind AS, and that is why we have restated the previous results as per the Ind AS, and we have compared the Q1 figure of the current year with the previous year figure. So, now we have to prepare our accounts as per the Ind-AS. So we have to state our corresponding previous numbers also as per the Ind AS.

Sanjay Jain: And in terms of assets, like which are converted into lease or something, any comments you want to make, going up in the revenue and the expenditure?

K. Biswal: We have done it at one station, Tanda. There entire power is going to UP. So it is a financial lease. So depreciation, interest, and return, it is considered as lease rent, and whereas O&M expenses and working capital interest is considered as operating income. So this is the treatment as far as Tanda is concerned. Similarly, we have operating lease in Talcher and Kayamkulam..

Sanjay Jain: Okay, thanks Sir.

Moderator: We take the next question from the line of Anirudh Gangahar from Nomura. Please go ahead.

Anirudh Gangahar: Thank you very much for taking call. Just a few clarifications, please. One, Sir, can you just help us understand the commercial capacity addition timeline for FY2017 and FY2018 as well, please? That is question one. Second is, on the fuel cost reduction question, Sir, the numbers were discussed 80.33%, 81.78%, I am sorry I could not understand the context in which these numbers were given, if you could just elaborate, please.

K. Biswal: Could you repeat your second question, please?

Anirudh Gangahar: Sir, in the fuel cost reduction, Mr. Sharma was giving us some numbers that for pitheads the things have gone from 80.33% to 81.78%, and for non-pitheads from 62.66% to 66.73%. Are we referring to the PLF or is this something else Sir?

K.K. Sharma: It is PLF.

Anirudh Gangahar: I just wanted to get clarity and other one is, if Mr. Pandey if you can help us.

S. C. Pandey: I will just explain, for the current year, including our JV Company we have got a commercial COD target of 3,725 megawatts. This excludes solar. And units, I think I have already told. If you want me to repeat I can go ahead. This includes unit at Bongaigaon, Mouda, Kudgi, BRBCL, Kanti and Solapur.

Anirudh Gangahar: And Sir, for FY2018 if you can just help us what is expected.

S. C. Pandey: FY2018 we have got a clear cut commissioning target of 6290 MW, but commercial operation target, we are yet to firm up. It is likely that it will be upward of 5000 MW.

K.K. Sharma: It is like that. The exact COD target will be decided in the fourth quarter, based on the progress on various units. So, accordingly call will be taken. It is a flexible decision.

S. C. Pandey: Normally we keep six months as per CERC for the commercial declaration post first synchronization. And that will dictate the time of synchronization and the commercial capacity addition target.

Anirudh Gangahar: Right and Sir, the 5000?

S. C. Pandey: We will be clear towards the end of March.

Anirudh Gangahar: And Sir, the 5000 MW is including the Group?

S. C. Pandey: It is Group right now.

Anirudh Gangahar: And Sir, the final question on what Sanjay actually was asking in terms of the plants, which have been declassified as gross block and therefore there is a change in the accounting. Is that primarily the reason why the depreciation is lower, because these plants are no longer being reflected in the P&L, the depreciation, all these costs?

Sangeeta Bhatia: We can also talk to you separately on this Anirudh, because you really need to understand what we are talking about in Ind AS. So we will tackle it separately, because these reasons they have already told you.

K.Biswal: Only one station has been treated as finance lease, and it has been taken out from the property, plant and equipment. The rest two stations, the amount continues to appear in the property, plant and equipment of the Company. What I am explaining is if you consider any stations as finance lease, the asset value of that particular plant would be taken out from the gross block. Only for one station it has been taken out.

Anirudh Gangahar: Thank you so much.

Moderator: Thank you. We take the next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

K. Biswal: This will be the last question.

Pulkit Patni: Sure Sir. Thanks a lot for taking my question. Most of my questions have been answered, just one. Given that the last three months have seen a pretty strong growth in terms of generation, can you throw some light on, sustainability, and where do you think the strong growth has come from, if you could just attribute a few reasons as to where the growth had really come from in the last three months?

K. Biswal: Director (Operations) would answer.

K.K. Sharma: Right now, we are sustaining the difference of the numbers, which we have achieved in this Q1. We are still maintaining a gap of 6 billion units than last year and as a Group company 8.5 billion. As far as future growth is concerned, we are expecting growth to continue, but the question of from where it has come, we would like to give credit to UDAY scheme, because that is the most important factor. And other than that, economy is growing, all those things which cannot be substantiated from our side, but what we are seeing the clear-cut impact is because of the UDAY scheme.

Pulkit Patni: You are clearly seeing that the Discoms are buying a lot more power, primarily because of the UDAY scheme, that is what you would attribute it to?

K.K. Sharma: Yes, because almost 60% of the country is covered by UDAY. So we are expecting this coverage to grow further and it will help us to have more and better growth.

Pulkit Patni: Thank you. That is it from my side.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Sanjay Jain for his closing comments.

Sanjay Jain: Thank you very much for to everyone for joining us. Thank you so much, Sir, for giving us this opportunity. Sir, would you like to make any closing remarks?

K. Biswal: Thank you very much. You have conducted this conference wonderfully, so thank you very much.

Sanjay Jain: Thanks so much.

Moderator: Thank you. On behalf of Motilal Oswal Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.