

Y 2010 Earnings Call

Participants

- Abhishek Puri, J. M. Financial Institutional Securities Pvt. Ltd
- A. K. Singhal, Director (Finance), NTPC Ltd.
- I. J. Kapoor, Director (Commercial), NTPC Ltd.
- Chandan Roy, Director (Operation), NTPC Ltd.

Presentation

Operator

Ladies and gentlemen, good evening and welcome to the NTPC Fourth Quarter Results Conference Call hosted by J.M. Financial Institutional Services Private Limited. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. [Operator Instructions]. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Abhishek Puri. Thank you and over to you, sir.

Abhishek Puri, J. M. Financial Institutional Securities Pvt. Ltd

Yes. Good afternoon, everyone. On behalf of J.M. Financial, I welcome you all to the NTPC fourth quarter and FY10 conference call.

To represent the company, we have the senior management team from NTPC comprising of Mr. A. K. Singhal, Director (Finance) and Mr. I. J. Kapoor, Director (Commercial). We'll start off with a brief overview of the company for the fourth quarter and FY10 results followed by

company's outlook for the coming year and finally the Q&A session.

So, sir, you can take up from here.

A. K. Singhal, Director (Finance)

Thank you very much. A very good afternoon to everybody. I'm A. K. Singhal, Director (Finance), NTPC and I have with me my colleague, Mr. I. J. Kapoor, Director (Commercial) and Mr. Chandan Roy, Director (Operations) joins the conference from Hyderabad.

I'm sure many of you would have had a look at the financial year '10 results announced by us.

I'll give you a snapshot of some of the financials:

- Rs. 7,523 crore increase in net fixed assets and CWIP, CWIP up by 22% over last year.
- Rs. 10,591 crore increase in net fixed assets and CWIP . CWIP up by 22% over last year in group NTPC as well.
- Sales up by 10.49% over last year,
- Total income for the year is Rs. 49,247 crore, up by 8.84% over last year.
- Profit after tax for the year is Rs. 8,728 crore, up by 6.42% over last year.
- On consolidated basis, profit after tax for the year is Rs. 8,838 crore, up by 9.21% over last year.
- We have declared highest ever dividend of 38%.

I would now like to take you through the performance of Q4. So far as commercial generation is concerned, there is an increase of 2.65% in Q4' year 10 over corresponding Q4' year 09. We have generated 58.361 billion units in comparison to 56.855 billion units in the corresponding

period. Our ESO has been 54.958 billion units corresponding to 53.702 billion units in the corresponding period registering an increase of 2.34%. However, if we look at the generation in comparison to Q3 year' 10, the growth has been 7.48% in place of 2.65% for Q4 year'10 over Q4 of year' 09. Similarly, increase in energy sent out has also grown at 7.96% in Q4 year'10 in comparison to Q3 year'10. So far as availability is concerned, coal station availability has slightly come down to 98.28% from 99.25%. Our gas stations availability has improved substantially from 83.9% to 95.38%. PLF for gas station has gone up by 9.39% points from 73.90% to 83.29%. Coal station PLF achieved for Q4 year' 10 is 97.47% as against 97.73% for Q4 year'09.

Coming back on to the sales, sales has gone up to Rs. 12,353 crore for the current quarter as against corresponding quarter sales of Rs.11,446 crore, registering an increase of 7.93%. The other income has come down substantially from Rs.1,009 crore during the Q4 of '09 to Rs.628 crore during Q4 year'10, a decline of 37.80%. This is primarily on account of a reduction in the interest income on deposits parked with banks and also on account of the income tax refund which we collected during the Q4 last year. Our total income has grown up by 4.23% for Q4 and we have achieved a Profit after tax of Rs.2,018 crore as against Rs.2,113 crore in the corresponding period in year'09. There is a marginal reduction of 4.53% in our profit which is primarily on account of reduction in interest income of more than Rs.300 crore and some CERC orders which we received and adjusted during Q4. Otherwise our profit would have been slightly better.

Profit before tax for Q4 has increased by 5.98% which is however not in line with increase in sales. The reason as I have explained you for this is decline in other income by Rs. 381 crore on

account of lower interest earning from deposits held with banks and also due to reduction in interest earned on tax free bonds on account of their progressive redemption. Profit after tax for Q4 has reduced by, as I said, 4.53% compared to corresponding period, primarily on account of income tax refunds received during corresponding quarter of previous fiscal and also on account of the lower interest income in the current quarter.

I would now briefly take you through the performance of the company for the year. As regards operational performance for the year '09-'10, our installed capacity has increased from 27,850 megawatt to 28,840 megawatt. So, we have added 990 megawatt during the current year into our commercial capacity. This installed capacity does not include our joint venture capacity of 2,864 megawatt for the year 2009-10. Commercial capacity has increased from 27,912 megawatt to 28,902 megawatt. During the entire year, we have generated highest ever energy of 218.439 billion unit, which is almost equivalent to 29% of the country generation as against our installed capacity of less than 20%. For the previous year, the generation is 206.156 billion unit. Thus during the year 2009-10, generation registered an increase of 5.96%, Energy sent out has increased by 5.89%, increasing to 205.091 billion units from 193.688 billion units last year.

Availability factor on an average basis for the entire year for coal is 91.41% and for gas 90.64% as against 92.23% and 84.02% respectively in the corresponding period. For the current year, Plant load factor for coal stations is at 90.81% as against 91.14% during the previous year and for gas stations, PLF is 78.38% as against 67.01% last year. If you look at all India plant load factor, that has been 77.48% for the current year as against 77.19% in the previous year.

Our gross generation is up for the year ended 31st March, 2010 by 11.900 billion unit as

compared to the previous fiscal which is 5.75% higher. Similarly, commercial generation has also shown an increase by 5.96% during current fiscal as compared to previous year. The increase is mainly on account of units which were declared commercial, namely two units of 500 megawatt each at Sipat II (declared commercial with effect from June 20, 2008 and January 01, 2009) and two units of 500 megawatt each at Kahalgaon II (declared commercial with effect from August 01, 2008 and December 30, 2008), have contributed to generation for the entire year ended 31st March, 2010, as compared to the contribution for part of year in the corresponding previous fiscal. The increase in generation is higher also due to higher power generation from gas station due to improved gas availability, commercial declaration of 500 megawatt of Kahalgaon (unit number seven), on 20th March, 2010 and 490 megawatt Dadri (unit number five) on 31st January, 2010. As regards gas stations, due to improved supply of gas, PLF of gas station for the year has shot up from 67.01% to 78.38%, an increase of 11.37 percentage point. Improved supply has resulted mainly from increased fall back RLNG arrangement, purchase of gas on spot basis, commencement of supplies of KG-D6 gas and also due to improvement in APM gas supply. The PLF of coal station of NTPC is marginally down by 0.33% for the year ended 31st March, 2010 as compared to corresponding period of previous year due to reduced generation on account of outages.

Coming back to the financial performance, our sales for the entire year has grown by 10.49% from Rs.41,924 crore to Rs.46,323 crore. Similarly, other income has come down from Rs.3,322 crore to Rs.2,924 crore, registering a decrease in other income by 11.98%. Our total income has increased by 8.84%.

When we look at our profit after tax, it has increased by 6.42% from Rs.8,201.30 crore to

Rs.8,728.20 crore. If we look at the adjusted profit, excluding one-off items from our reported profit, our adjusted profit growth would work out to 14.58%. As against the profit of Rs.8,728.20 crore for FY 2009-10, we have achieved adjusted profit of Rs.9,249.28 crore. The previous year's adjusted profit is Rs.8,072 crore.

The reduction in other income is mainly due to reduction in interest earning due to low interest rate regime on surplus cash parked with banks. During the last financial year, we also received interest on income tax refund amounting to Rs. 220 crore (gross), which is not there in the current year.

Employee cost has gone down by 2.06% over last fiscal since there was a requirement of additional provision for gratuity amounting to Rs. 414 crore made during the year 2008-'09 for the past period due to increase in ceiling of gratuity payment by Government of India from Rs.3.5 lakh to Rs.10 lakh.

Generation and administration expenses have gone up by Rs. 275 crore, an increase of 15.11% over last year. Interest and finance charges has reduced by Rs. 187.3 crore, decrease of 9.38% over the last year mainly on account of adverse FERV charged to P&L account during 2008-'09. The depreciation has increased by 12.08 % over last fiscal mainly due to additional capitalization of 990 megawatt amounting to Rs. 3,832 crore on account of 500 megawatt of Kahalgaon and 490 megawatt of NCTPP, Dadri, which have been capitalized during 2009-10.

The Board has recommended a final dividend of 8% of the paid up capital, which together with interim dividend already paid would result in a dividend of 38% of the paid up capital for the year 2009-10 as against the dividend of 36% paid in previous year. This would amount to dividend payout of 35.9% of the profit as against 36.19% in the previous year.

During the year '09-'10, capacity of 1560 megawatt was added to company's installed capacity consisting of Kahalgaon (500 MW) Stage II, Dadri Stage II (490 MW), RGPPL Block-I (460 MW) and Kanti Stage I of 110 megawatt. An amount of Rs. 10,137 crore was spent on capital expenditure of various ongoing and other schemes as against to Rs. 13,225 crore spent last year. In addition, capital expenditures of Rs. 3,865 crore has been incurred on projects under execution by joint venture and the subsidiaries. Thus the total capital expenditure incurred during 2009-10 by NTPC Group Companies was Rs. 14,002 crore.

An expenditure of Rs.22,350 crore has been earmarked as Capex for NTPC Ltd for the year 2010-11. In addition, JVs and subsidiaries are expected to incur capital expenditure of about Rs 6,754 crore. Thus the total Capex plan for Group NTPC during 2010-11 is around Rs 29,104 crore. During 2010-11, it is expected that 4,150 MW consisting of following projects is likely to be commissioned. Sipat Stage I Unit 1,660 MW, Dadri Stage II Unit 6, 490 MW, Korba Stage III Unit 7, 500 MW, Jhajjar Unit 1 & 2, 1000 MW, Simhadri Stage II Unit 3 & 4 1000 MW, Farakka Stage III Unit 6 of 500 MW.

Coming on to the bulk tendering, NIT for bulk tendering for SG and TG for 11 units of 660 MW for five projects have been issued on 16th October '09 on ICB basis, with bid opening date as 28th January 2010 which was extended up to 12th February 2010. The stage I techno commercial bids were opened on 12th February, 2010 and are under evaluation. Proposal has been initiated for second phase of bulk tendering of nine 800 MW units at four locations at Lara, Darlipalli, Kudgi and Gajamara.

1,490 megawatt capacity has been commercialized for the NTPC Group during 2009-2010. I have already talked about 990 MW that has been commercialized. Besides 990 MW, two units

at Bhilai of 250 MW each have also been commercialized.

First unit of 490 megawatt of Dadri stage II has commenced commercial operations as per normative schedule given by CERC and is eligible for additional 0.5% return on equity as per CERC Tariff Regulations. Tariff petition for 2009-14 has been filed before CERC for all stations. The Company was able to realize 100% of the amount billed from its customers during the year 2009-10 . We have signed PPAs with 13 beneficiaries for new project of 8,442 MW capacity during 2009-10. We have signed supplementary agreements with all our beneficiaries to provide escrow arrangements to secure payment for power supply beyond 2016, when payment security under Tri-partite Agreement would not be available.

The servicing of bonds under one time settlement scheme is being made on time. As per the schedule, the principal amount of Rs.1,652 crore was paid by beneficiaries during 2009-10. The amount of tax free bonds outstanding as on March 31, 2010 was Rs.9,822 crore. During the year 2009-10, interest amounting to Rs.1,010 crore on the bonds was received. The outlay for 2010-11 amounting to Rs.22,350 crore is to be financed by debt funding amounting to Rs.12,818 crore. With a low gearing ratio of 0.61, the DSCR of 3.92, an interest coverage ratio of 13.64 coupled with an excellent debt service payment record we continue to enjoy “preferred borrower” status amongst our lenders. Average cost of borrowing for financial year 2009-10 is 7.1576% as compared to 7.1618% last year.

Coming onto fuel availability - as far as coal availability is concerned the coal based station of the company consumed 135.10 million metric ton of coal as against 129.49 million metric ton consumed in the previous year. This includes 6.76 million metric ton of coal which was imported as compared to 4.71 million metric ton of coal imported last year. The total imported

coal received in the year 2009-10 includes balance at port of 7.68 million metric ton. Out of this, 6.33 million metric ton of imported coal was received at the station in 2009-10 as against 5.41 million metric ton during 2008-09. Till 30th April, 2010 another 1.02 million metric ton of coal was received at the power stations.

In order to ensure uninterrupted coal supply, following additional tie ups were made during the year 2009-10 - additional tie up of 2 million metric tons coal for Farakka and Kahalgaon from Raniganj coal fields, additional tie up from Singareni Collieries Co. Ltd. of 1 million metric ton coal for Farakka and Kahalgaon, 1 million metric ton coal for Dadri & Sipat and 2.5 million metric ton coal for Ramagundam. We had also procured 0.58 million metric ton of coal through e-auction conducted by CIL for Farakka and Kahalgaon. We will continue to resort to this mechanism for procurement of coal.

Coming on to the development of our PB Coal Mining Project allotted in the year 2004. The development of this mine is progressing well. Environment clearance for the project was accorded by Ministry of Environment and Forest on 19th May, 2009. MoEF on 13th May, 2010 conveyed the Forest Advisory Committee recommendation for diversion of forest land for coal mining. With regard to R&R activities, rehabilitation action plan has been prepared and the same has been approved by NTPC's Board of Directors. For land acquisition, all notifications under CB Act have been completed for mining area land and disbursement of compensation has commenced from 30th March 2010 and is under progress.

For supply of power to the project, an agreement has been signed with our wholly owned subsidiary NESCL on January 4, 2010. Mining plans for CB CMP and Kerandari were approved by MOC on 27.06.08 and 04.08.08 respectively. Environment clearance approvals have been

accorded by MOEF for CB CMP & KD CMP on 22 September '09 and 31st March 10 respectively. Forestry clearance is under process for both the project. With regard to R&R activities, rehabilitation plans for both the projects have been approved by NTPC Board of Directors. For land acquisition, all notifications with CB Act have been completed for mining area land and disbursement of compensation is under progress for both the projects. 1594 acres of land has been acquired in Chatti Bariatu. The Company has completed detailed exploration for Talaipalli and Dulanga coal blocks in a short span and prepared the geological reports. EIA and EMP study have been completed for both the projects and application(s) for the environment clearance submitted to respective SPCBs. For Dulanga coal mine project, section 4 and 7 notification under CBA Act has been issued by MoC for land acquisition of mining area while section 9 notification is under progress.

In case of Talaipalli coal mining projects all notifications under CBA Act completed for mining area land. A joint venture company was formed with Coal India Ltd on April 27, 2010 under the name “CIL NTPC Urja Private Limited” to carry on the business of acquisition in part or full, of green field or operation coal/ lignite mine blocks in India and abroad and development of all kinds of coal / lignite mining for supply of fuels to the company. Another JV company International Coal Ventures Private Limited formed with Steel Authority of India Ltd, Coal India, RINL and NMDC Limited is pursuing three thermal coal mines in Australia, Indonesia, and South Africa.

Coming on to the gas availability, the gas supply for the year was 13.88 MMSCMD as against 10.75 MMSCMD in the previous year an increase of 29.12%. This includes 3.88 MMSCMD of spot and fall back RLNG compared to 2.02 MMSCMD last year. This year we also received 0.35

MMSCMD of KGD6 gas. The increased supply is reflected in the increased PLF of gas station to 78.38% during the current year. For ensuring fuel security, NTPC has executed gas sales agreement with GAIL for supply of 2.5 MMSCMD of RLNG for a period of 10 years till 31-12-2019 for our station –at Anta, Auraiya, Dadri and Faridabad. RLNG quantities for NCR stations of 2 MMSCMD on firm basis and 0.51 MMSCMD on fall back basis or 10 years. Supplies under this agreement have started with effect from 01.01.2010.

During the year 2009-10, 11 rounds of tendering have been undertaken for procurement of spot RLNG wherein, around 887 MMSCM, an average supply of 2.43 MMSCMD of RLNG was taken from various supplies.

We've also entered into agreements on fallback basis with GAIL, IOCL, BPCL for supply of RLNG on “pooled price” basis to gas stations on reasonable endeavor basis. During the year 2009-10, we received about 529 MMSCM of RLNG from GAIL, IOCL, BPCL. During the year 2010-11, considering the actual APM/ PMT gas supplies, the likely gas/RLNG availability scenario, will be approximately 15.54 MMSCMD. With these tie-ups and additional fall-back/ spot tie-ups/ arrangement, NTPC will be in a position to meet the full gas requirement of its existing gas stations.

So far as our Group companies are concerned, all the Group companies are moving forward and performing well. And those which are into the commercial operation have shown improved performance. During the year, we have closed down one of our subsidiary companies namely Pipavav Power Development Company, for which we have filed necessary declarations with the Registrar of Companies for striking off its name under section 560 of the Companies Act, 1956.

I think these were the some of the highlights I wanted to give before the question and answer session. Now the floor is open to all of you for question and answer. Thank you.

Questions And Answers

Operator

Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. [Operator Instructions]. The first question is from the line of Mr. Rajesh Panjwani from CLSA. Please go ahead.

Rajesh Panjwani

Good evening Sir. Thanks for the update. First question, your last quarter published results show the prior period sales because of the orders from regulator as plus Rs.268 crore and for Q4, it is, if I am not wrong minus Rs.600 crore. So first can you elaborate on this a bit why this change and in any specific orders which have led to this shift from a positive figure to a negative figure in a last quarter? And second question is, you mentioned about supplementary agreements with state utilities for payment security beyond 2016, again can you elaborate on that? Third question as far as Pakri-Barwadih mine is concerned you said that you have already acquired over 6700 acres of land. How much more land do you need to acquire for this mine? And last question is that, does the recent Supreme Court order on Reliance Gas has any implication on your dispute with Reliance Group?

A. K. Singhal, Director (Finance)

Coming back to your first question regarding the reduction in sale in the fourth quarter, this is mainly because of CERC order pertaining to previous years because of which we have recorded an adverse sales of Rs.73.60 crore during current quarter as against favourable sale of Rs. 323.81 crore during corresponding quarter of FY 09. Further, sales for current year include Rs.720 crore on account of income tax payable to customers as per CERC Regulations, 2004.

Rajesh Panjwani

But the first point, which you mentioned which is CERC order because of which it became positive Rs.268 crore upto Q3 to a negative. What was the amount you mentioned?

A. K. Singhal, Director (Finance)

It was Rs.73.60 crore.

Rajesh Panjwani

Okay, so in the last quarter basically there was a order which lead to roughly at Rs 342 crore reversal in sale?

A. K. Singhal, Director (Finance)

Yes.

Rajesh Panjwani

Okay. but what about Rs.323.8 crore, what was that relating to?

A. K. Singhal, Director (Finance)

Those were related to mainly tariff orders received for the gas projects we received during the last quarter of the previous year.

Rajesh Panjwani

Okay sir nothing specific.

A. K. Singhal, Director (Finance)

Coming back to your Pakri-Barwadih question, the land rights under section 11 of Coal Bearing Area Act have been vested with NTPC to acquire 6735 acres of land. Physical possession will be handed over to NTPC after making payment towards land compensation and rehabilitation grant by NTPC. These payments have now commenced. Now almost all the hurdles are cleared for going with awarding the Mine Developer Cum Operator (MDO contract). As I said during my last conference call, generally a coal mine takes about six to seven years from the date of allotment. We are well within the international benchmark period during which we will start operating our coal mine activities.

Coming back to payment security mechanism for the period beyond 2016, I'll give it to my colleague Mr. I. J. Kapoor .

I. J. Kapoor, Director (Commercial)

Tri-partite agreements are valid up to 31st October, 2016. For the period beyond October 2016, the supplies which will be made to state utilities, the same shall be covered by escrow arrangement. We have taken up the matter with all states and signed the supplementary

agreement with all state utilities, vide which they will keep a first charge on their revenue streams for NTPC supplies. Under the Supplementary Agreement, the state utilities have agreed to provide payment security through execution of the Hypothecation Agreement and the Default Escrow agreement. So this is the Payment Security Mechanism, which we'll have for all our supplies to be made after 31st October, 2016. Further, this will be over and above the LC requirement of 105% of average monthly billing.

Rajesh Panjwani

And then sir are you saying that this is, when they earn their revenues.

I. J. Kapoor, Director (Commercial)

Yeah.

Rajesh Panjwani

NTPC have the first charge on the revenue?

I. J. Kapoor, Director (Commercial)

Yes,

Rajesh Panjwani

Okay. and the last question was on the Supreme Court order impact?

A. K. Singhal, Director (Finance)

We would not like to talk on that order since the matter is subjudice.

Rajesh Panjwani

Okay, fine, perfect. Okay thanks a lot.

A. K. Singhal, Director (Finance)

Thank you.

Operator

Thank you. The next question is from the Ravindranath Nayak from B&K Securities. Please go ahead.

Ravindranath Nayak

Thank you sir and very good afternoon. Sir my first question is relating to the capital expenditure. Your targeted capital expenditure is around Rs. 22,000 crore for NTPC standalone entity, how much is going to be invested in the joint ventures and subsidiaries?

A. K. Singhal, Director (Finance)

It would be roughly in my view about Rs.3000 crore if I am not wrong.

Ravindranath Nayak

Okay.

A. K. Singhal, Director (Finance)

This is in the form of equity which will be contributing towards the joint ventures and

subsidiaries.

Ravindranath Nayak

Okay. Sir, if we go into balance sheet figures that you have disclosed along with the results, it shows that your incremental debt is around Rs.3,200 crore and your equity investment in the total balance sheet is around Rs.6,900 crore. It is largely due to the investment -

A. K. Singhal, Director (Finance)

Could you please repeat your question?

Ravindranath Nayak

Sir your total investment in the capital expenditure is around Rs.10,000 crore. Right?

A. K. Singhal, Director (Finance)

Yeah.

Ravindranath Nayak

And out of that your incremental debt is around Rs.3,000 crore. It is rough figure and the equity investment is around Rs.6,900 crore. Sir, because I am assuming that your investment in equities is largely due to the investments associated in the joint ventures this year, that's why your incremental debt has come down as compared to last two years?

A. K. Singhal, Director (Finance)

Incremental debt, would also come down due to the repayments of debt during the year.

Ravindranath Nayak

Okay.

A. K. Singhal, Director (Finance)

Therefore, the incremental debt would appear to be lower in comparison to otherwise, we are funding our project with the debt equity ratio of 70:30.

Ravindranath Nayak

Okay, okay and maintaining that

A. K. Singhal, Director (Finance)

Yeah, we are maintaining and wherever it is equity contribution, definitely it will go out of our internal accruals.

Ravindranath Nayak

Okay. Sir another thing, surprisingly you mentioned that the payment has been 100% from the state utilities. But if you see the balance sheet of this year, your debtors have gone up by 86% in this year from around Rs.3584 crore to Rs.6651 crore. So, can you please mention what is the reason behind that, whether this is going to be a concern going ahead?

A. K. Singhal, Director (Finance)

You see if you correctly remember, we had an incentive scheme earlier, whereby we were providing the customers 0.25% additional incentive on the amount credited to company's

account on the first day of the month. This additional incentive gets reduced by 0.05% for each day upto 5th of the month. Generally, 1st April used to be a banking holiday. Most of the states in order to avail that additional 0.25%, were paying us on 31st March itself. With this practice, on 31st March, we used to collect almost 65% of our amount. Our average billing on monthly basis is roughly about Rs.4200 crore. So if we take Rs.2400 crore, which we were able to realize as on 31 March 2009, and a similar amount could not be realized this year on 31st March due to withdrawal of rebate. Now only the CERC rebate continues. The additional rebate has been withdrawn due to lower interest earned on deposits held with banks. So, therefore we have consciously decided not to continue additional rebate scheme. You would be glad to know even after changing our incentive scheme in the current year, we have been regularly receiving our money as per schedule. Our realization for the month of March billing has 100% been realized.

Ravindranath Nayak

Okay. So do you mean to say....

A. K. Singhal, Director (Finance)

You were asking about the investment in equity.

Ravindranath Nayak

Okay.

A. K. Singhal, Director (Finance)

Next year our investment in equity in joint venture and subsidiary will be Rs. 2,700 crore.

Ravindranath Nayak

Okay.

Ravindranath Nayak

Okay sir. And sir, regarding this difference, should we consider that this as a percentage of sale, can we say that it will remain constant going ahead?

A. K. Singhal, Director (Finance)

It could be because of another factor. You will notice that in the first note in our published results we've said that, we've provisionally recognized the revenue on the basis of principles enunciated in the Tariff Regulations 2009. There is a gap of Rs. 700 crore between amount billed and revenue recognized. That is also being reflected in our sundry debtors which have gone up due to sales amount not yet billed. This will get billed only once we get the CERC tariff order so to that extent there is a possibility that our debtors position may improve once the CERC tariff orders come.

Ravindranath Nayak

Okay. Thank you, sir.

A. K. Singhal, Director (Finance)

Thank you.

Operator

Thank you. The next question is from the line of Mr. Vishal Biraia from B&K Securities. Please go ahead.

Vishal Biraia

Good afternoon, sir.

A. K. Singhal, Director (Finance)

Good afternoon.

Vishal Biraia

Sir, could you elaborate on the status of the three hydro project that we have?

A. K. Singhal, Director (Finance)

So far as our hydro project at Koldam is concerned, we have taken certain initiatives to discuss various issues with the contractor and work is progressing satisfactorily. We are hopeful that we would be able to commission the project during the 11th plan period. Coming back to Tapovan Vishnugad, the work is going on. You must have read in the newspaper that there was some issue of water coming out of the tunnel. Let me inform you that the rate of water ingresses has come down from 700 liters per second to somewhere around 175-220 liters/second. We have started constructing a bye-pass tunnel to overcome the problem.

Coming back to Loharinag Pala, we have already given a note in our published results, and we are awaiting for the decision from the government.

Vishal Biraia

Other than this, there are any R&R issues in the other two projects?

A. K. Singhal, Director (Finance)

No, we don't have any R&R issues.

Vishal Biraia

That's all from my side, sir. Thank you.

Operator

Thank you. The next question is from the line Mr. Sachin Trivedi of UTI Mutual Fund. Please go ahead.

Sachin Trivedi

Hello.

A. K. Singhal, Director (Finance)

Hello.

Sachin Trivedi

Yeah, hi. Sir, first question is regarding the tendering for the current year. What is the likely tendering in megawatt terms for the FY11?

A. K. Singhal, Director (Finance)

That is what we have said that already 11 units of 660 MW is under tendering and for another 9

units of 800 MW tendering proposal has been initiated. We are also considering adding 500 MW units in expansion projects and looking at adding one more unit to at Vindhyachal, and another unit may be added at Singrauli. Tendering for the same will take place during the current year.

Sachin Trivedi

Okay and sir in terms of CapEx, you highlighted that Rs.22,000 crore is the target for the company. Do we also sign some MoU for these targets?

A. K. Singhal, Director (Finance)

Definitely once it is a target, the same is forwarded to Ministry of Power.

Sachin Trivedi

Sir the point I was trying to make was that in the past there have been slippages from these targets.

A. K. Singhal, Director (Finance)

The target slippage happens because we plan to place a bulk order but if that does not happen in that particular year, the payment against advances for these orders slips slightly. Now in this case, we have already issued NIT for 11 units of 660 MW which is 7260 MW including 2 units of DVC in the 1st phase of bulk tendering. We have also initiated the proposal for 7200 plus megawatts to be ordered in 2nd phase of bulk tendering. The aggregate capacity to be ordered is roughly about 13140 megawatt for NTPC and its group companies for both the phases.

Sachin Trivedi

Okay. And sir the last question is with respect the CERC guidelines which have come in. According to that guideline, all the new projects which are under section 80-I will be probably not paying any tax but as a company NTPC will be a tax paying entity. Have the tax benefits accounted for new units?

A. K. Singhal, Director (Finance)

Yes, we have.

Sachin Trivedi

So we have started getting the benefit on the new units?

A. K. Singhal, Director (Finance)

Definitely. In the eyes of law, there is only one NTPC, there cannot be 22 NTPCs.

Sachin Trivedi

Okay. Thanks a lot, sir. Thank you very much.

A. K. Singhal, Director (Finance)

Thank you.

Operator

Thank you. The next question is from the line of Subhadeep Mitra from Edelweiss Securities. Please go ahead.

Subhadeep Mitra

Good afternoon sir, Subhadeep here.

A. K. Singhal, Director (Finance)

Good afternoon, Mr. Subhadeep

Subhadeep Mitra

Sir, my question pertains to, what would be the adjusted tax figure that we would be looking at for Q4?

A. K. Singhal, Director (Finance)

It is almost the same level.

Subhadeep Mitra

I see. So, there would not be any adjustment for the taxation, since there has been some kind of tax refund I believe?

A. K. Singhal, Director (Finance)

As I said , the adjusted profit growth for the year is around 15% and adjusted PAT growth for Q4 is a little lower at (-) 4.6%.

Subhadeep Mitra

Okay, Sir, what would be the capital WIP that would be there on our work in progress?

A. K. Singhal, Director (Finance)

It is roughly about Rs. 32,000 crore .

Subhadeep Mitra

Rs.32,000 crore , and sir, what about our regulated equity and cash figures, if that's possible?

A. K. Singhal, Director (Finance)

We will tell you separately.

Subhadeep Mitra

Fine. And sir, moving on, as of now we would have about close to 16 to 17,000 MW that are under construction.

A. K. Singhal, Director (Finance)

We have 17,830 MW under construction.

Subhadeep Mitra

That is under construction, right. Now sir for this entire 17,830 MW, have we signed the PPAs ?

A. K. Singhal, Director (Finance)

Yes. We have all the five inputs in place that is land, water consent, environmental clearance, PPAs and Fuel.

Subhadeep Mitra

Fuel is tied-up. So, since the PPAs are signed, am I to understand this would continue under the 2009-14 Regulations of CERC?

A. K. Singhal, Director (Finance)

It has to be. CERC is not going to deviate from its role of fixing tariffs unless Government – decontrols the entire power sector.

Subhadeep Mitra

No, I completely understand that. It's just that I believe Jan 2011 will be a deadline for deciding non-PPA based electricity selling.

A. K. Singhal, Director (Finance)

We do not know, let us wait for 2011.

Subhadeep Mitra

I understand sir. Fine sir. That's it for myself.

Operator

The next question is from line of Mr. Madan Gopal from Centrum Broking. Please go ahead.

Madan Gopal

Hello sir.

A. K. Singhal, Director (Finance)

Yes, hello.

Madan Gopal

Sir, my first question is on adjusted PAT of Rs. 9249 crore compared to reported PAT of Rs.8728 crore. The difference is Rs.521 crore. What is the immediate adjustment that we are talking here?

A. K. Singhal, Director (Finance)

The major adjustment is on account of wage revision for workers Wage settlement which is to be finalized shortly.

Madan Gopal

Okay. Sir if you can run through the adjustments again.

A. K. Singhal, Director (Finance)

Rs.304 crore is for the workers wage revision and for additional incentive we have made a provision of Rs. 208 crore and also there is a deferred tax liability of Rs.209 crore which has come for the first time due to 2009-14 Tariff Regulation which was not there in the corresponding period. These are the three major elements, besides these, there was the previous year's sales of Rs. 119 crores minus which we have recorded in the current year. In the corresponding period, previous year's sale was Rs. 1020 crore minus. Similarly, wage revision in the corresponding period was Rs. 958 crore, this year it is Rs. 304 crore; additional incentive last year was Rs.105 crore this time it is Rs. 208 crore. Prior period adjustments was Rs. 108

crore in the previous year and this year it is minus Rs. 79 crore. There was some contractors' liability of Rs.106 crore which was accounted in the previous year. We received interest on income tax refund which was Rs.145 crore and there was income tax impact of minus Rs.240 crore in the previous year. So these are some of the adjustments after which we finally adjusted in profit after tax. After these adjustments PAT would have been Rs.9249 crores in the current year and Rs.8072 crore in the previous year.

Madan Gopal

Okay. Sir , my second question is on how much capacity is targeted on merchant basis now and what is the % of this capacity available for the state government?

A. K. Singhal, Director (Finance)

As regards Korba and Farakka, each with 500 MW Unit, 35% of capacity will be sold on PPA basis and 65% on merchant basis.

Madan Gopal

Okay. I am through with the question thanks. I will come back later.

A. K. Singhal, Director (Finance)

Okay thank you.

Operator

Thank you the next question is from the line of Mr. Girish Nair from BNP Paribas. Please go

ahead.

Girish Nair

Good evening sir and thank you for taking my question. My first question is could you break up the fuel cost by gas, coal and naphtha and if possible the fuel cost?

A. K. Singhal, Director (Finance)

Do you need those figures?

Girish Nair

Yes.

A. K. Singhal, Director (Finance)

You need for the entire year?

Girish Nair

Q4, preferably standalone.

A. K. Singhal, Director (Finance)

You want the Q4 not the full year?

Girish Nair

Yeah.

A. K. Singhal, Director (Finance)

Okay. Coal cost for the current quarter January to March '10 is Rs.6,545 crore.

Girish Nair

Okay.

A. K. Singhal, Director (Finance)

Except the coal numbers, I don't have other numbers now.

Girish Nair

Okay sir. I'll take it later on. The second question is regarding super critical project. Whether settlement with the Russian equipment vendors involves any extra payment we made? What's the settlement, could you elaborate on the way of the settlement?

A. K. Singhal, Director (Finance)

It's a commercial matter and we'll take care of it within the parameters of the contract.

Girish Nair

Okay. Thanks sir I will jump back into the queue.

A. K. Singhal, Director (Finance)

Thank you.

Operator

Thank you. The next question is from the line of Mr. Bhavin Vithlani: ENAM Securities. Please go ahead.

Bhavin Vithlani

Good evening sir.

A. K. Singhal, Director (Finance)

Good evening.

Bhavin Vithlani

Sir one question - if you can help me out for the adjusted profit from Rs. 8728 crore to Rs.9250 crore, please give the line wise items for the adjustments?

A. K. Singhal, Director (Finance)

Previous year sales reduction of Rs.119.33 crore. FERV adjusted to interest Rs.0.04 crore plus, FERV adjustment minus Rs.31.88 crore, prior period adjustment of minus Rs.77.84 crore. Wage revision Rs. 304.23 crore, additional incentive of Rs.208 crore. The interest charged to revenue for one of our projects is Rs.28.75 crore, deferred tax impact of Rs.209.10 crore.

Bhavin Vithlani

Okay, sir, if you can help out for the last year as well?

A. K. Singhal, Director (Finance)

Previous year sales adjusted to reported PAT is minus Rs.1020.10 crore. We have adjusted Rs.187.70 crore of FERV to interest cost, FERV adjustments minus Rs.189.40 crore, Prior-period adjustments of Rs.108.32 crore, pension/gratuity of Rs.957.88 crore. Additional incentive of Rs.104.76 crore, there was a contractors' liability of Rs.106.90 crore on account of arbitration award issued against the company, Interest on income tax refund minus Rs.145.20 crore and income tax refund of minus Rs.240 crore,

Bhavin Vithlani

Okay. Thank you so much.

A. K. Singhal, Director (Finance)

Thank you.

Operator

The next question is from the line of Mr. Ashwin Sharma from IndiaBull Securities. Please go ahead.

Ashwin Sharma

Good afternoon sir.

A. K. Singhal, Director (Finance)

Good afternoon.

Ashwin Sharma

Just one question first 660 megawatts super critical order is to be placed by July. Has Ansaldo India put in the place the manufacturing facility? If not when it will have to do that

A. K. Singhal, Director (Finance)

Why are you asking this question?

Ashwin Sharma

Just to know sir. I'm curious.

A. K. Singhal, Director (Finance)

We can separately discuss this issue, because these are very, very sensitive issues, confidential issues.

Ashwin Sharma

Okay sir. No problem. Thanks.

Abhishek Puri, J. M. Financial Institutional Securities Pvt. Ltd

Thank you. Can we take up the last couple of questions?

Operator

Sure. The next question is from the line of Mr. Pankaj Sharma from UBS Securities. Please go ahead.

Pankaj Sharma

Good afternoon sir.

A. K. Singhal, Director (Finance)

Good afternoon.

Pankaj Sharma

Sir, the 17, 800 MW which is currently under construction, when is it expected to be commissioned?

A. K. Singhal, Director (Finance)

Like current year we have plan to commission about 4150 MW.

Pankaj Sharma

Right sir.

A. K. Singhal, Director (Finance)

Next year we are planning to commission around 6500MW to 7000 MW, so, balance will be commissioned next to next year.

Pankaj Sharma

So all of it would be commissioned by FY13 end.

A. K. Singhal, Director (Finance)

Yes, that is what we are planning.

Pankaj Sharma

Okay great sir. Thanks, very much.

Operator

Thank you. The next question is from the line of Mr. Shashikiran Rao from Standard Chartered Capital Markets. Please go ahead.

Shashikiran Rao

Thanks for taking my question sir. Just to clarify a bit on, what is the exact capacity that you added in this year?

A. K. Singhal, Director (Finance)

990 megawatts.

Shashikiran Rao

Any other units?

A. K. Singhal, Director (Finance)

Besides this, we have commercialized 2 unit of 250 MW each at Bhilai, one of our joint venture company.

Shashikiran Rao

So at the group level, and on consolidated level we have added to 1490 MW.

Shashikiran Rao

For the year 2009-2010, you commissioned 1560 MW. What would be the target for 2012 because that will be a critical year being the last year of the 11th plan.

A. K. Singhal, Director (Finance)

That is why we are saying that we will work out and give you the numbers.

Shashikiran Rao

Okay thanks a lot.

Operator

Thank you ladies and gentlemen that was the last question. I would now like to hand the floor back to Mr. Abhishek Puri. Thank you and over to you, sir.

Abhishek Puri, J. M. Financial Institutional Securities Pvt. Ltd

So, thank you so much for taking out time and address the questions of the reference and thank you all the participants. Thanks for attending the conference call.

A. K. Singhal, Director (Finance)

Thank you, Abhishek.

Abhishek Puri, J. M. Financial Institutional Securities Pvt. Ltd

Thank you, --.

I. J. Kapoor, Director, Commercial

Thank you --.

Operator

Thank you. On behalf of J.M. Financial Institutional Securities Private Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

A. K. Singhal, Director (Finance)

Thank you, bye. Good evening.