



“NTPC Limited’s Q4FY’13 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the NTPC Limited's Q4FY'13 Earnings Conference Call, hosted by IIFL Institutional Equities. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal the operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Harsh Dole from IIFL. Thank you and over to you sir.

Harsh Dole: Thank you. Hello, everyone. On behalf of IIFL, I welcome you all to the fourth quarter FY-'13 earnings call of NTPC. Today, we have with us the senior management of NTPC, represented by Mr. Singhal; Mr. I.J. Kapoor; and Mr. Misra, who are here to share what has happened in 4th quarter in general, and what is the broader outlook for FY'14 and times ahead. Without further delay, may I hand over the line to Mr. Singhal. Over to you sir.

AK Singhal: A very good afternoon to everybody. I am A.K. Singhal – Director Finance, NTPC Limited, and I have with me my colleagues, Mr. I.J. Kapoor – Director Commercial; and Mr. N.N. Misra – Director, Operations.

At the outset I would like to mention some of the significant developments which have taken place since December 2012; (1) Government of India decided to disinvest 78,32,62,880 shares, equivalent to 9.5% of paid up equity capital in February 2013 by way of Offer-For-Sale. The OFS opened for bidding on February 7, 2013 at a floor price of 145 per share. Bids for 132,84,55,619 shares were received from 14,666 investors for a value of Rs.19,383 crore, thus accounting to 1.7 times of the offer size. Net proceeds of Rs.11,457.54 crore were credited to the Government of India's account and with this divestment shareholding of GoI in NTPC come down to 75%. (2) Government of India, Ministry of Power vide its letter dated February 5th, 2013, directed Government of NCT of Delhi to release payment towards settlement of dues of erstwhile DESU, amounting to Rs.835.97 crore as principal and Rs.1,684.11 crore as interest. (3) Ministry of Coal vide letter dated January 23, 2013 restored back to the company, deallocated Chhatti Bariatu Kerandari and Chhatti Bariatu South coal blocks. (4) On March 4, 2013, MoP informed that cabinet committee on investment decided that North Karanpura having 3 units of 660 MW each is to be constructed on the present proposed site with the

condition that the power plant to be dismantled 35-years after the date of completion of the project and land to be made available for coal mining activities. In-principle approval has also been accorded for restoration of original coal linkage granted to the project with the stipulation that coal supplies will commence during the 13th Five Year Plan.

(5) During the Financial Year '12-'13 NTPC group has added 4,170 MW in installed capacity, 3,170 MW of NTPC's own capacity and 1000 MW under joint venture companies, which is the highest ever capacity addition by NTPC in any Financial Year since inception. This also accounts for about 30% of 12th Plan capacity addition target of 14,038 MW of NTPC.

(6) During the year '12-'13 the company declared 4,830 MW for commercial operation, which is the highest ever capacity declared commercial in a single year. (7) As of March 31st, 2013, the capacity under construction was 20,009 MW which is the highest ever capacity under construction since inception at any given point in time. This includes 5,381 MW of capacity awarded during Financial Year 2012-'13 at an estimated investment of Rs.26,554.57 crore on account of projects owned by NTPC Ltd.; Lata Tapovan Hydro 171 MW, Lara 1600 MW, Gadawara 1600 MW, three solar projects of 10 MW each at Ramagundam, Unchahar and Talcher and another Rs.13,624.02 crore on account of Nabinagar project being executed along with BSEB. The regulated equity as on 31.03.2013 stands at Rs.32,575.57 crore. NTPC continues to realize 100% of its dues from the SEBs within the stipulated timeframe for the 10th year in succession. Trade receivable as on March 31st, 2013 are Rs.5,365.52 crore including provision for doubtful debts. This translates to 30-day sales as compared to 40-day sales as on March 31st, 2012 as well as on December 31st 2012.

Let me now touch upon the guidance given in analyst meet on August 1, 2012. We have commissioned 4,170 MW as against promised 4,160 MW. Awarded all bulk tendered units except Darlipali which could not be awarded due to non-availability of land from Odisha government. Achieved 94% utilization of CAPEX target of Rs.20,995 crore during the year '12-'13, capital expenditure of Rs.19,751.09 crore was incurred. In addition, an amount of Rs.5,200.09 crore has been incurred at JV and subsidiary companies. Thus Group NTPC made an investment of Rs.24,951 crore during 2012-'13.

Withdrawal of deallocation of mines, Ministry of Coal restored back the de-allocated Chatti Bariatu Kerandari and Chatti Bariatu South coal blocks which have an aggregate annual mining capacity of 13 million tonnes per annum.

Regulated equity of Rs.32,575 crore is higher by Rs.144 crore against the promised Rs.32,431 crore.

PAF for coal stations for Financial Year '12-'13 is 87.63% as compared to Financial Year '11-'12 PAF of 88.35%, there is a marginal decrease of 0.73% due to non-availability of fuel.

Now, let me come to the results for the Financial Year '12-'13 and 4th quarter January to March '13. I will now briefly mention some of the financial highlights before we discuss the performance in detail. **Corresponding quarter comparison 4th quarter January to March**, net sales for the 4th quarter ended March 31st '13 is Rs. 16,461.84 crore as against corresponding quarter sales of Rs.16,263.56 crore, registering an increase of 1.22%. Total income for Q4 Financial Year '12-'13 is Rs.18,233.19 crore, up 6.99% over Q4 of previous financial year, total income of Rs. 17,042.71 crore. PAT for Q4 of Financial Year '12-'13 is Rs.4,381.61 crore as against Rs.2,593.44 crore, registering an increase of 68.95% over Q4 of previous year.

Corresponding 12 months comparison (April-March): For the year ended March 31st, 2013, net sales have been at Rs. 64,316.38 crore as against 61,144.89 crore in the previous year, registering an increase of 5.19%. Total income for the period ended March 31st 2013 is Rs. 68,775.51 crore as against Rs.64,841.88 crore in the previous corresponding period, an increase of 6.07%. PAT for the year '12-'13 is Rs.12,619.39 crore as compared to Rs.9,223.73 crore in the previous year, registering an increase of 36.81%.

Sequential quarter comparison (Q4 vs Q3 of FY 2012-13): Net sales in Q4 of Financial Year '12-'13 is Rs.16,461.84 crore, is higher by 4.35% as compared to Q3 ended December 2012, Rs.15,774.91 crore. Corresponding variation in total income is 10.31% (i.e. Rs. 18,233.19 crore vs. Rs. 16,529.55 crore) PAT in Q4 is up, 68.73% when compared to the previous quarter Rs.4,381.61 crore versus Rs.2,596.76 crore.

Coming on to the operational performance, as on March 31st 2013 the total installed capacity of NTPC Group was 41,184 MW which included 5,364 MW capacity owned

by our joint ventures and subsidiary companies. The commercial capacity of NTPC Group stood at 39,246 MW as on March 31st 2013. Further, during the current Financial Year '13-'14 Unit III of 500 MW at Jhajjar has been declared on commercial operation, thus taking the total commercial capacity of NTPC Group to 39,746 MW as on May 10, 2013. Capacity commissioned but yet to be declared commercial is 1500 MW, which include 1 unit each of 500 MW at Vindhyachal, Mouda and Vallur.

The gross generation for the year 2012-13 is 232.028 billion units as against 222.068 billion units of Financial Year '11-'12, an increase of 4.49%. The commercial generation as well as energy sent out also shows a similar trend of growth. Commercial generation has increased by 4.67% i.e. from 220.696 billion units to 230.993 billion units and energy sent out has increased by 4.47% i.e. from 206.682 billion units to 215.922 billion units. Gross generation in the 4th quarter of Financial Year '12-'13 is 60.271 billion units as against 60.197 billion units in Q4 of Financial Year '11-'12, an increase of 0.12% and against Q3 of financial year '12-'13 the growth is 0.18% from 60.160 billion units. Commercial generation for Q4 '12-13, Q4 Financial Year '11-'12 and Q3 Financial Year '12-'13 is 60.233 billion units, 59.660 billion units and 60.152 billion units respectively and energy sent out for these periods is 56.375 billion units, 56.073 billion units and 56.279 billion units respectively.

Losses due to grid restriction: We lost 7.271 billion units in the quarter-ended March 2013 as against 4.731 billion units in Q3 and 4.166 billion units in the 4th quarter of the previous year '11-'12. On an annual basis, loss due to grid restriction for the period Financial Year '12-'13 is 20.432 billion units as compared to 16.108 billion units for Financial Year 2011-'12, an increase of 26.84%. The generation loss due to fuel supply in Q4 ended March 2013 is 3.113 billion units as against loss of 0.926 billion units in Q4 of Financial Year '11-'12 and 3.566 billion units in Q3 of Financial Year '12-'13. The entire loss is attributable due to shortfall in coal supply. On annual basis, the loss is 12.966 billion units in Financial Year '12-'13 as against 7.884 billion units in Financial Year '11-'12. Had these losses in generation not been there, the growth would have been 7.87% as against the actual growth of 4.49%.

PLF for coal station in Q4 of Financial Year '12-'13 was 86.87% as against 84.08% of Q3 Financial Year '12-'13 and 91.09% of Q4 of Financial Year '11-'12. On annual basis the PLF has shown a marginal decline from 85% of Financial Year '11-'12 to 83.08% of Financial Year '12-'13. Due to high price of gas, there was a substantial

reduction in PLF of gas station. In Q4 of Financial Year '12, the PLF of gas station was 66.97% which has reduced to 42.59% in Q4 of Financial Year '13. The PLF of gas station for Q3 Financial Year '13 was 58.83%. For the full year, the PLF of gas station was 55.98% as against 65.22% in the previous year.

The Q4 Financial Year '12-'13 PAF for coal based station was 92.66% as against 88.56% in Q3 Financial Year '12-'13, and 94.71% in Q4 of Financial Year 2011-'12. On annual basis PAF of coal station was 87.63% as compared to 88.35% for the previous year.

For gas based station PAF was 95.94% in Q4 of Financial Year '13 as compared to 98.65% in Q4 Financial Year '12 and 93.80% in Q3. On annual basis PAF of gas station was 93.14% as compared to 93.81% for Financial Year '12.

As far as financial numbers are concerned, on quarter-to-quarter basis we have achieved a growth of 68.95% in our profit and on annual basis, it is 36.81%.

Based on the increase in the profit after tax, the Board of Directors have recommended for the first time in the history of our company, a special dividend payment of 12.50% being Rs. 1.25 per equity share. In addition, the Board of Directors have also recommended a final dividend of 7.5% being Rs. 0.75 as final dividend for Financial Year '12-'13, thus making the total dividend for Financial Year '12-'13 at 57.50% (including special dividend of 12.50%) in comparison to 40% declared last year. The payment of dividend is subject to approval of members of the company.

Now, coming on to the fuel: Since the beginning of 2012, fuel especially coal has been in news for multiple reasons, such as new pricing mechanism i.e. switching over from UHV to GCV, based pricing of coal, new FSA for plants commissioned after 31.03.2009, coal pool pricing and quality of coal. As far as NTPC is concerned it is getting coal from CIL and SCCL under existing FSA for plants commissioned up to 31.03.2009 and MOU route for plants commissioned after 31.03.2009. After 31.03.2009, NTPC has added 7,960 MW of capacity up to 31.03.2013.

With respect to the signing of FSA for projects commissioned after 31.03.2009, the issue with CIL are being discussed.

The overall domestic coal receipts in Q4 Financial Year '13 was 41.87 million metric tonnes as compared to 38.24 million metric tonnes in Q3 of Financial Year '13 and 39.57 million metric tonnes in Q4 of Financial Year '12, an increase of 9.50% and 5.81% respectively for the fiscal year '12-'13. The supply of domestic fuel is 145.94 million metric tonne as compared to 128.98 million metric tonne during previous fiscal, an increase of 13.15%. Materialization of coal against ACQ in Q4 of '12-'13 was 107%, previous year Q4 106% as against 110% in Q3 of '12-'13 and for the year as a whole the materialization against ACQ stood at 105% as against 98% in '11-'12. The supply of imported coal in Q4 was 1.93 million metric tonne as against 2.823 million metric tonne of Q3 and 2.15 million metric tonne in Q4 of Financial Year '12. For the whole year coal import in '12-'13 stand at 9.10 million metric tonne as compared to 12 million metric tone in FY12. Due to higher receipt of domestic coal, the blending ratio for imported coal has come down. This stands at 5.99% for Financial Year '13 as against 8.51% in Financial Year '12. Blending in Q4 Financial Year '13 was 5.18% as against 5.34% in Q4 Financial Year '12 and 6.49% in Q3 Financial Year '13.

In the months of August and November, NTPC entered into multiple stations based agreement for supply of 5 million tonnes of imported coal. Against this agreement the total coal received at power stations during '12-'13 was 4.80 million metric tonne. Further during '13-'14, 0.39 million metric tonne of coal was received, thus making the total supply under this agreement 5.19 million metric tonne. With this the supply under these contracts have been completed. In the month of March '13 NTPC entered into multiple station based agreement for supply of 7 million metric tonne of coal. Against these agreement, the total coal received at power stations during '12-'13 was 0.02 million metric tonne. Further during '13-'14, 0.61 million metric tonne of coal was received thus making the total supply under these agreement 0.63 million metric tonnes and balance 6.37 million metric tonne will be delivered in the future months. Further, another contract for import of 0.5 million metric tonne coal on CIF basis for Simhadri is under approval stage. Regarding progress on transport of coal to Farakka through inland waterways, transshipper has been procured by operator and it is placed in high seas near sand-heads. 19 numbers barges have also been procured for the project. Construction activities at Farakka site for jetty and conveyor system is in full swing and is expected to be completed in the next few months and project is expected to become operational by end of first quarter of '13-'14.

Gas: So far as gas is concerned, in Q4FY12 gas stations received 7.871 mmcmd as against 10.73 mmcmd in Q3 of '12-'13 and 13.41 mmcmd in Q4 of previous quarter. Gas procured on spot basis during Q4 Financial Year '13 is 0.17 mmcmd. Long-term RLNG is 0.84 mmcmd. KG-D6 gas is 0.11 mmcmd, 6.75 mmcmd was received under APM plus PMT mechanism and non APM gas. During the fiscal '12-'13 gas station received 10.67 mmcmd as against 13.09 mmcmd in previous quarter.

Coal mining: Cumulative expenditure of 1,441.87 crore has been incurred on the development of 6 mine allocated to NTPC up to March '13. The status of progress of coal mine is as follows: **Pakri Barwadih** -Annuity scheme of R&R plan cleared in the meeting of council of Advisors to Hon'ble Governor of Jharkhand and approved by Governor on 15th February '13. State of Jharkhand approved R&R plan issued by revenue department, Government of Jharkhand on 27th February '13. Revised RAP was approved by NTPC Board on 26th March '13. Establishment of Hazaribagh-Banadag railway link: construction of balance work started by ECR. Embankment work is under progress. Of the total land requirement of 8,503.64 acre, we have 2,596.14 acres in our possession. Cumulative expenditure incurred till March '13 is Rs. 955.73 crore. **Chatti Bariatu:** The Board of Directors accorded the investment approval of Chatti Bariatu coal mining project on February 26th 2013 at an estimated cost of Rs. 1,314.57 crore. After withdrawal of de-allocation of this block by Ministry of Coal vide letter dated 23rd January 2013 and subsequent sanctioning of funds by Ministry of Power, payment disbursement for land compensation recommenced from 25th February 2013. For land acquisition, all notification has been completed under CB Act. Messrs BIL BLA GSC, a JV consortium has been appointed as mine developer cum operator on 22nd March 2013. For coal evacuation from Chatti Bariatu and Kerandari mines work is awarded to Messrs RITES for feasibility study for Shivpur Chatti Bariatu service line. Of the total land requirement of 1638.30 acre, payment has been made for 718.20 acres of land. Cumulative expenditure incurred till March '13 is Rs. 90.24 crore. Kerandari -- subsequent to withdrawal of deallocation of this block by MOC and sanctioning of funds by MOP payment disbursement recommenced from 22nd March '13. Compliance of Stage-1 submitted to DFO Hazaribagh on 28th February '13. Stage II proposal is under process at DFO Hazaribagh for appointment of MDO, NIT has been issued and BOD is scheduled shortly. Of the total land requirement of 2,862.19 acre, payment has been made of 1,092.38 acres of land. Cumulative expenditure incurred till March 2013 is 108.13 crore. Dulanga forest -- proposal cleared by Forest Department, Government

of Odisha and forwarded to MOEF of New Delhi on 7th March, 2013. Accordingly, MOEF of New Delhi instructed MOEG of Eastern Regional Office Bhubaneswar to conduct site inspection. Site inspection has been conducted on 10th April 2013. Mining plan was revised by MOEF for considering this block in go area and submitted to MOC on 17th October, 2011. Revised mining plan has been approved by MOC. For acquiring land all notification under CBA Act have been completed, payment of land compensation will be started after finalization of land rates by district administration. Cumulative expenditure incurred till March 2013 is Rs. 52.13 crore. Talaipalli -- MOE has accorded an environmental clearance on 2nd January, 2013. NPB of forest land and compensatory afforested charges deposit to MOEF on 15th February, 2013. For acquisition of land all notification completed under CBA Act and RAP approved by the NTPC Board. Cumulative expenditure incurred till March 2013 is Rs.235.60 crore. Chatti Bariatu South -- upon withdrawal of deallocation of this block by Ministry of Coal, 23rd January '13, NTPC has resubmitted the bank guarantee to coal controller's office on 4th March 2013 and mining plant to MOC on 29th January '13. This mine will be taken up only once the Chatti Bariatu mining is complete because Chatti Bariati is a deep mining area. Cumulative expenditure incurred till March 2013 is Rs. 0.04 crore. Brahmini & Chichro Patsimal these blocks have been earmarked by Ministry of Coal for 50-50 JV between NTPC and CIL. CIL-NTPC Urja Pvt Ltd a JV company incorporated on 27th April, 2010. These coal blocks were deallocated on 14th June and tentatively assigned to CIL vide MOC letter date 21st June '12 and asking CIL to submit the timeframe in which these blocks will be brought into production. NTPC as well as MOP are pursuing with MOC for withdrawal of de-allocation of these coal blocks and restore them to JV Company.

Commercial: The servicing of bonds under one-time settlement scheme is being made on time. During the year bonds to the tune of 1,622.46 crore were redeemed. The outstanding bonds as of March 31st 2013 are 4,910.88 crore. As per the scheduled the interest amounting to Rs.312.14 crore and Rs.277.67 crore due on April 1st 2012 and October 1st 2012 were received in time. An amount of Rs.243.19 crore due towards interest up to March 31st 2013 has also been received on April 2nd 2013. Average rate of return on investment of surplus funds of Financial Year '12-'13 is 9.91% as compared to 9.77% for the previous year.

During the year, we have mobilized funds as per requirement. As on date, we have about 15,945 crore tied up loan from domestic banks which are yet to be drawn. Our

average cost of borrowing for Financial Year '12-'13 is 7.8008% as compared to 7.7649% for the previous year.

On to the renewable energy, the company made its foray into renewable energy by declaring 2 solar units of 5 MW each at Dadri and Andaman and Nicobar Islands on commercial operation during the Q4 of Financial Year '12-'13. This is in line with our strategy of diversifying fuel mix and towards achieving our plan to have capacity portfolio of above 1000 MW capacity through renewable energy by 2017.

Other highlights of renewable energy area of Q4 '12-'13 are 3 solar PV projects have been awarded that is Ramagundam 10 MW, Unchahar 10 MW and Talcher Kaniha 10 MW. NIT was floated for 2 solar PV projects at Faridabad 5 MW and Singrauli 15 MW. MOU has been signed with Chhattisgarh Renewable Energy Development Agency to explore the potential of geothermal resources and subsequently to implement geothermal power project at Tattapani in Chhattisgarh.

JVs and subsidiary companies: NTPC Board of Directors had approved the scheme of amalgamation of NHL Ltd with NTPC Ltd in their meeting held on 10th May 2012 after the approval of the proposal of amalgamation by the Ministry of Power vide letter dated 10th April 2012. As a further development in this regard, Ministry of Corporate Affairs in their order dated 20th December 2012 and 21st January 2013 has directed NTPC Ltd to convene a meeting of its equity shareholders to consider and approve this scheme of amalgamation of NHL Ltd and NTPC Ltd. Accordingly, a meeting of equity shareholders of NTPC is scheduled to be held on May 24, 2013. **Aravali Power Company Ltd.**, the III Unit of 500 MW declared commercial on operation w.e.f. 24th April 2013 after its commission on 7th November 2012. **Nabinagar Power Generating** got the investment approval by NTPC Board on 21st January 2013, TG and SG awarded on 31st January, 2013 to BHEL and BF-Alstom respectively. **NTPC Tamil Nadu Energy Ltd** II unit of 500 MW commissioned on 28th February, 2013. **NVVN:** During the year '12-'13 the company transacted business with various state electricity boards and traded 8.38 billion units of electricity in comparison to 8.53 billion units traded in the previous year. The target for the year '12-'13 was 6 billion units. For Financial Year '12-'13 the company transacted solar energy with various Discoms and traded 1,590 million unit of solar bundled power in comparison to 329 million unit traded in previous year.

Other areas – cross border trading with Bangladesh, the power purchase agreement for supply of 250 MW from NTPC station has been signed between NWN and BPDP on 28th February 2012. The power supply under the PPA will commence from July 2013. Under the Jawaharlal Nehru Solar Mission 468 MW of solar PV capacity has been commissioned. Further around 500 MW Solar PV projects are scheduled for commissioning during 2013-14.

International business -- Bangladesh. After signing of a joint venture agreement between NTPC and Bangladesh Power Development Board on 29th January 2012, 50-50 joint venture company between NTPC and Bangladesh Power Development Board has been incorporated on 31st October 2012 under the name Bangladesh-India Friendship Power Company Private Limited. The company is currently working on 2x660 MW Thermal Power Project at Khulna, Bangladesh. Supplementary joint venture agreement, power purchase agreement, implementation agreement of 1320 MW Khulna project were signed in Dhaka on April 20, 2013.

Awards: Besides, NTPC is selected as “One of the India’s Best Companies for Rewards and Recognition in 2013,” a study conducted by Great Place to Work Institute. NTPC was awarded as a “Business Leader in the Power Sector” at “NDTV Business Leadership Awards.” NTPC has been awarded as the “Most Efficient Maharatna in Manufacturing for the Year 2012 in DSIJ 4th Award Ceremony”. NTPC Limited was awarded the “Pride of India Award” for its leadership and contribution to power sector. NTPC Limited has been conferred Golden Peacock Award for Excellence in Corporate Governance.”

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

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from Venkatesh Bala of Citigroup. Please go ahead.

Venkatesh Bala: Sir, my first question is regarding this DESU received settlement which has happened, there is an item of doubtful debt which has been written back of around Rs.835 crore. Now where is this in the financials? Is it a part of the other operating income?

A.K. Singhal: Yes, it is part of other operating income.

- Venkatesh Bala:** The second question is why was generation growth so weak in the fourth quarter? Because this comes as a surprise given that in the first three quarters, generation growth was quite good between 4% to 7%. So what exactly did not work out in the fourth quarter?
- A.K. Singhal:** I would say primarily the basic reason was non-availability of imported coal which we could not procure because there was some technical difficulties we faced in awarding for procurement of imported coal.
- Venkatesh Bala:** So this had nothing to do with the fact that Coal India was regulating coal to NTPC because of the...
- A.K. Singhal:** There is nothing with that. That is why I said. Otherwise, why should there have been a materialization level of 105% of the coal and for Q4 our materialization is at 110%, highest ever and we have received close to 145 million tonnes of coal. It is primarily because we could not get the imported coal as we could not place the award. Although we have invited the bid, we could not open the bid and award it. There were certain technical reasons and commercial reasons which we cannot share with you.
- Venkatesh Bala:** Now this dispute with Coal India, will it have an impact on the first quarter result? Because they did start regulating coal in the eastern part of the country.
- A.K. Singhal:** I do not think it will have an impact on the numbers. If it happens, you will know once the first quarter is closed. Let us wait for the first quarter to be closed and then we come back to you.
- Moderator:** Thank you. The next question is from the line of Rakesh Vyas of HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** I have few questions. First, on the payment that is due to Coal India, around Rs.2,500-odd crore, if you can highlight what is the amount which is pertaining to the ungraded coal which was classified under UHV and now it is not under GCV?
- A.K. Singhal:** First of all, we have not classified. We have withheld the payment on account of GCV which we have measured at our end and GCV what they have shown in their bill. This amount is on account of that only, 2531.10 crore.

- Rakesh Vyas:** So, it has nothing to do with the lower GCV coal that was received, below the earlier grading?
- A.K. Singhal:** It has no connection. It is for the current period when we have done the measurement at our power plant and found there is a variation in the GCV what they have billed and what we have collected.
- Rakesh Vyas:** And this pertaining from January 2012?
- A.K. Singhal:** It is from October 2012 to March 2013.
- Rakesh Vyas:** Secondly, why is the consolidated profit lower than the standalone? Because I presume...
- A.K. Singhal:** Primarily, there is one reason which we can share with you. Earlier, as per the pay package system, 30% of the salaries is to be allocated to the retirement benefit like provident fund, pension benefits, post retirement medical scheme, etc. What we were doing earlier, we were recovering from them based on the actuarial valuation. But as per the system, we should have recovered 30% of that. Therefore in the current year, we have recovered the amount related to period from 1.1.2007 till date. Therefore that amount has affected the performance of the joint venture, particularly of the subsidiary company. In the joint venture company, yes, Dabhol Power Company is the one company where we have incurred during the current year loss, otherwise, all other joint venture companies like, we have NSPCL, we have Aravali; Aravali have earned a profit of almost close to 200 crore during the current year. NSPCL has also earned a profit of Rs.250-270 crore. It is only for Ratnagiri, where we have incurred a loss of Rs.375 crore that too again because of the non-availability of gas. Other than that, our most of the joint venture and subsidiary companies are in black, and they have shown profit. Because of these adjustments we have done, it has shown losses. In one of the subsidiary companies, NVVN, till last year we have encashed some bank guarantees from the solar power developer. Those bank guarantees we treated as our income. The government said that this money belongs to them. We treated in the earlier years as our income. Now, in the current year we have debited that also to profit & loss account and transfer it to the reserve account. Otherwise, so far as performance of the subsidiary companies and joint venture companies which are in operation is concerned, they are doing well.

- Rakesh Vyas:** What was the total impact of this employee cost?
- A.K. Singhal:** We have gained in our balance sheet Rs.75 crore.
- Rakesh Vyas:** If you can highlight why the other expenses also increased in this particular quarter?
- A.K. Singhal:** The other expenses have primarily increased because of the increase in water charges by the state government. That is the main reason for increase in other expenses. Otherwise, there is no other reason. In some cases it is on account of we have to carry out repairs and overhaul activities. These are the two major reasons. Major contributory factor for increase in the other expenses is the water charges.
- Moderator:** Thank you the next question is from the line of Sumit Kishore from JP Morgan.
- Sumit Kishore:** First question is on fuel. It is heartening to know that you received 105% of ACQ in FY13. Could you also give us how much coal you received against the MoU target for FY13? At the same time for FY14, what is your coal import target now?
- A.K. Singhal:** Our coal import target for FY14 is 24 million tonnes. 10 million tonnes we have got the approval from the Board for placement and then depending on the requirement of the coal we will go ahead and import the coal. Although we have initially targeted about 25 million tonnes, now as the supply from the Coal India is improving, so we may be required to import a lower quantity of coal.
- Sumit Kishore:** Given that you imported about 9 million tonnes in FY13, do you see any logistical problems in meeting your target of 24 million tonnes?
- Management:** At present we do not foresee any logistical problems, because we have worked out some advance actions like inland waterway system to Farakka, we are planning to take that route about 3 million tones of coal and Railways is also looking at issues at their end.
- Sumit Kishore:** And against MOU, how much coal did you receive?
- A.K. Singhal:** Total coal we do not have numbers, we can share with you those numbers subsequently.

- Sumit Kishore:** Post 1H, you had given us the adjusted profit numbers. Could you do the same thing for fourth quarter adjusted profit for the one-offs and for third quarter of FY13 as well?
- A.K. Singhal:** Actually, we have not yet worked out those numbers. Once we have worked out, we can share with you separately.
- Sumit Kishore:** My last question is on the net block given in the balance sheet for FY13. Could you give us the gross block and CWIP as it stands at the end of FY13?
- A.K. Singhal:** Gross block is 1,02,876.14 crore and CWIP is 37,109.42 crore. (excluding capital advances and intangible assets)
- Moderator:** Thank you. The next question is from the line of Vishal Biraia from B&K Securities. Please go ahead.
- Vishal Biraia:** Could you quantify the impact of lower PLF on the lower ROEs that we earned in this quarter and for the full year?
- A.K. Singhal:** As I said always that for 1 billion units, we lose only Rs.5 crore. So even if 10 billion units we have generated lower, our loss will be Rs.50 crore which is very, very insignificant in comparison to the overall. So, it will not impact our ROE. Our ROE is related with the availability of the plant. That is where I said that availability has marginally come down by about 0.72%. Both for gas based station and coal based station, we have been able to maintain our ROE level.
- Vishal Biraia:** If you operate on substantially lower PLF, would it not impact the assets or also the O&M expenses and that impact would be actually substantial?
- A.K. Singhal:** As I said that my recovery of the capacity charges is based on availability and part of O&M recovery is part of my fixed charges. It is not that O&M charges recovery is based on plant load factor. It is based on availability and it is part of our fixed charges.
- Vishal Biraia:** Other question was pertaining to the coal carpet adjustment that you provided for about Rs.20 crore.
- A.K. Singhal:** We have changed the policy. We have not adjusted. What we were doing earlier, whenever we were commissioning a unit, the carpet coal being used was considered as revenue expenditure in the year of commissioning. Now, we are considering that carpet

coal as part of the coal handling plant and we are capitalizing along with the coal handling plant.

Moderator: Thank you. The next question is from the line of Anup Kulkarni from Emkay Global.

Amit: This is Amit. Two questions. One, can you give us the imported coal and domestic coal stock which is available at FY13 end?

Management: I will come back to you with these figures.

Amit: Secondly, is it correct to assume that we have received about 140 million tonnes of coal against the FSAs FY09 plants at 107% of materialization, is that correct?

Management: Yes, it is correct.

Amit: So does that mean that we have only received about 5.94 million tonnes for the plants which were commissioned after FY09?

Management: Yes.

Amit: So the materialization there against MOUs seems to be very low because the requirement there would have been something like 23 million tonnes. So there we are only receiving 25%, 30% of coal from Coal India, is that correct?

Management: As far as the MoU is concerned, for plants commissioned after 1/4/09, the coal that we have received is equivalent to around 50-55% PLF. That corroborates with what numbers you are stating.

A.K. Singhal: You are asking for the closing stock of coal?

Amit: Yeah.

A.K. Singhal: At the end of March 2013, we have domestic coal stock of 4.138 million tonnes and imported coal of 78,000 tonnes, total coal stock available with us was 4.216 million tonnes.

Amit: And similar figure is available for FY12?

A.K. Singhal: You want the opening stock?

- Amit:** Opening stock, yeah.
- A.K. Singhal:** FY12 closing stock was 4.7 million tonnes. We have consumed more from the opening stock as well.
- Amit:** Coming back to the second question, this 5.94 million tonnes of coal which you have received for post FY09 plants corresponds to about 55% of coal materialization according to you. That is what you are saying?
- A.K. Singhal:** No, 55% of plant load factor, not materialization. As you know that based on our technical requirement we can blend up to 30% of imported coal. So therefore with this kind of coal available we would have declared availability of our station to ensure that we recover our fixed charges.
- Amit:** But actually I am not getting the maths here, because the plants commissioned after FY09 is about 7,000 MW as of now, and at the start of the year it was about 3,140 MW in the standalone books. So on an average we were having around 5,000 MW of capacity post-09, for which we would have minimum required about 22 million tonnes. And against that we have received only 5.94 million tonnes. So that 55% PLF maths is not working out here, so I am not able to reconcile the numbers.
- A.K. Singhal:** We will reconcile the number and come back to you.
- Amit:** This plant availability factor of 88.3% in FY12, the number which you gave, but the annual report states that the plant availability was about 89.7% in FY12. So is it a different number or...?
- A.K. Singhal:** For FY12 the availability was 88.35% and in FY13 it is 87.63%.
- Amit:** Just wanted to check that the annual report number was 89.7%. Is there a calculation method difference between what you are giving it in the call...?
- A.K. Singhal:** That was the technical availability.
- N.N. Misra:** Just to clarify that what we stated was the declared capacity on which we get a financial number. But machine on bar, what we call it as availability factor, last year it was 89.73% what figure you were stating, this year we are better than that, we are 90.2%.

- Amit:** So the difference between these two numbers is basically because of the fuel we have not declared availability?
- N.N. Misra:** Yes, the fuel that we could not get.
- Moderator:** Thank you. The next question is from the line of Rabindra Nayak from SBI Securities. Please go ahead.
- Rabindra Nayak:** My question pertains to Note No. 6 that is the contingent liability that you had provided Rs.2,531 crore. If it materializes, will we get the pass-through in the tariff?
- N.N. Misra:** This figure actually relates to the amount I am providing for the difference between my GCV measured at station end versus what was billed by Coal Company. I have not billed this amount to the beneficiary. In the event any of this amount or part amount is payable to the coal company I shall bill my beneficiary then realize the sales.
- Rabindra Nayak:** My second question pertains to the short-term provisions, that it has gone up by around 45% on YoY basis from Rs.3,200 crore to Rs.7,000 crore in the balance sheet?
- A.K. Singhal:** Increase in short term provision is due to higher provision for final dividend including special dividend and dividend tax as compared to last financial year and provision incidental to land acquisition.
- Rabindra Nayak:** What is the gross up rate for this year?
- A.K. Singhal:** It is normal corporate tax rate.
- Moderator:** Thank you. The next question is from Mohit Kumar of IDFC Securities. Please go ahead.
- Mohit Kumar:** Which are the power plants likely to be awarded this year?
- A.K. Singhal:** The plant likely to be awarded in the current year are Tanda, Darlipali, North Karanpura, and Unchahar. We do not award any power plant unless we have the land, water, FSA and environment. So far as PPA is concerned, we have enough PPA available with us. We do not have to worry about.
- Mohit Kumar:** Can you please quantify the losses at Ratnagiri?

- A.K. Singhal:** Rs.375 crore.
- Mohit Kumar:** Last question I have. Could you tell us the availability as on date for FY14?
- A.K. Singhal:** We do not have numbers at this stage. We will come back with these numbers.
- Moderator:** Thank you. The next question is from Abhishek Puri from Deutsche Bank. Please go ahead.
- Abhishek Puri:** A couple of things. Firstly, on the minority interest is carrying the RGPPL loss? Would that be correct or we do line-by-line?
- A.K. Singhal:** We do line-by-line and based on our share of interest in the joint ventures on this.
- Abhishek Puri:** I missed out on a couple of numbers that you mentioned. The materialization rate you said is how much?
- A.K. Singhal:** For the last quarter it is 110% and overall company has a whole 105%.
- Abhishek Puri:** This is on 125 million tonnes contract?
- A.K. Singhal:** Yes.
- Abhishek Puri:** Just one more thing on the coal supply. Last couple of quarters you have given some data on domestic coal availability and imports. If you can provide the same data please for Q4?
- A.K. Singhal:** During the quarter ended March '13 we have received domestic coal of 41.87 million tonnes, in corresponding period 39.57 million tonnes and imported coal of 1.93 million tonnes versus 2.15 million tonnes in the corresponding period. Total 43.80 million tonnes versus 41.72 million tonnes.
- Abhishek Puri:** I think we have not billed for the Rs.25 billion of extra money which has been disputed amount with Coal India.
- A.K. Singhal:** Yes, definitely, we have treated that as contingent liability. This amount is as per our version, it is not payable to Coal India.
- Abhishek Puri:** And this has not gone through our P&L also?

- A.K. Singhal:** Yes. If it goes through P&L it has to come to revenue as well as expenditure.
- Abhishek Puri:** My last question, the inland waterway system you mentioned, when is that system starting up?
- A.K. Singhal:** We expect in June or July.
- Abhishek Puri:** And in terms of the coal mining, I think the CMD mentioned in one of the interviews that it is starting up in a month or so.
- A.K. Singhal:** Our target is to start in the current calendar year.
- Moderator:** Thank you. The next question is from Harish Bihani of CIMB. Please go ahead.
- Harish Bihani:** My question is once again related to PAF. Is it possible for you to share the PAF for plants pre-2009 and post-2009?
- A.K. Singhal:** Once when we sit with you we would be able to share with you.
- Harish Bihani:** Any indicative kind of broad kind of a difference?
- A.K. Singhal:** Except 3 or 4 stations, out of 16 coal-based stations, I would say 4 stations have availability of more than 93%, about 4 stations have availability between 88% and 92%. There are four stations between 84-85% and three stations less than 82%.
- Harish Bihani:** Two stations, Kahalgaon and Farakka is where we would be probably be less than 82%?
- A.K. Singhal:** Yes.
- Harish Bihani:** So it is only these two plants where we had some kind of under recovery, remaining plants we are more or less okay...?
- A.K. Singhal:** Under recoveries are at other stations also. Anything which is less than 85% are under recoveries, but not to an extent as it will be in Farakka and Kahalgaon.
- Harish Bihani:** My second question is on the technical difference which you were explaining on the PAF 89.73% which was declared last time. On which number do we calculate our incentives?

- A.K. Singhal:** We calculate our incentives on the numbers which I have given you.
- Harish Bihani:** So it would be somewhere around 88% last year is what you have shared?
- A.K. Singhal:** Yes and this year, 87.63%.
- Harish Bihani:** Is it possible for you to share the capital advances number which would be there in the loans and advances? And in receivables, unbilled revenue which would be there in other current assets, is it possible for you to share that number? And loans number which would be there in other current liabilities?
- A.K. Singhal:** Capital advances is 6,927.35 crore. Unbilled sundry debtors are 6,000 crore. 4892.42 crore of loans due in one year are included in other current liabilities.
- Moderator:** Thank you. We have a follow up question from Rakesh Vyas of HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Just wanted to understand why has the other current asset increased so much because last year, the unbilled revenue was Rs.5,600 crore and this year you are saying it is Rs.6,000 crore, whereas from YoY, the difference is almost like Rs.3,000 crore on the other current asset?
- A.K. Singhal:** That could be for other reasons also. DESU amount because we have not received cash, we are showing it as recoverable from the government, that is how this 2,520 crore is on account of that, and 130 crore is on account of what is the difference between previous year and the current year relating to Lohari nagpala
- Rakesh Vyas:** And similarly we have not received the amount for Lohari Nagpala as well?
- A.K. Singhal:** Now, that the budget has been approved by the parliament, we will get that money of 530 crore shortly.
- Rakesh Vyas:** Secondly, on this contingent liability if I may ask, how is this likely to get resolved? And if there is any revenue or the cost that we have to pay for the difference in GCV, will there be interest cost, and that interest cost will also be passed through to beneficiary?

- A.K. Singhal:** These are commercial issues, which should not be discussed. You are already recording the concall. These are confidential issues. We cannot discuss. You leave it to us how we are going to resolve.
- Rakesh Vyas:** If you can highlight, is it just pertaining to the eastern region or it is for the full of...?
- A.K. Singhal:** Entire Coal India.
- Moderator:** Thank you. The next question is from Bhavin Vithlani of Axis Capital. Please go ahead.
- Bhavin Vithlani:** In the fiscal 13, what would be the amount for grossing-up of tax on RoE? It used to be in the region of 700 crore to 800 crore?
- A.K. Singhal:** How much would be I have given you the regulated equity amount. On that you can work out how much return is there and how much tax liability we are providing, you can easily work out, and you can effectively work out what is the effective rate and what is the rate applicable to corporate. Corporate rate today is 32.445. So based on that you gross up Rs.32,000 crore and see the tax liability on other income. I am giving you a simple arithmetic, you can work out.
- Bhavin Vithlani:** Whether this benefit will continue in 2014 as well?
- A.K. Singhal:** I had at least told a number of times that it will continue in '13-14 as well.
- Bhavin Vithlani:** And '15 as well?
- A.K. Singhal:** Still regulations have not been announced. That for FY15 we will commit once the regulations for FY'14-15 comes in.
- Moderator:** Thank you. The next question is from the line of Anirudh Gangahar of Nomura. Please go ahead.
- Anirudh Gangahar:** Two queries from my side. Firstly, could you just let us know the sequential rise in the employee costs and even the depreciation? It has been quite high even though we have not seen commensurate COD of projects. And second, what is our expected capacity addition and if you can break it down project wise for FY14 and perhaps for FY15 what we have in the pipeline?

- A.K. Singhal:** Our employee cost has increased by Rs.258 crore on year-to-year basis which is about 8.33%. It is because of new capacity. Last year, the new capacity contributed only Rs.39 crore, this year new capacity has contributed to Rs.200 crore. If we adjust this, the increase in employee cost is only of Rs.97 crore which is just 3.13%.
- Anirudh Gangahar:** The query was mostly on sequential quarter-to-quarter between 3Q and 4Q of last year.
- A.K. Singhal:** Like quarter-to-quarter there is an increase of Rs.73 crore in the employee cost which is 8.13%. If we adjust for the new capacity, last quarter it was 20 crore and this quarter it is 74 crore. The existing units, the employee cost has increased by 20.42 crore which is just 2.30%. I look at employee cost as a whole. It is ranging from 4.7% to 5.2% of the total revenue which is well within the parameters of assessing the employee cost part.
- Anirudh Gangahar:** I am okay with the percentage in terms of the contribution from the new units. I am just looking at the number of Rs.691 crore as the cost of employees in the quarter ending December 2012, and Rs.981 crore in the last quarter. And that is about 40% increase in the employee cost quarter-over-quarter. That was the query.
- A.K. Singhal:** Last quarter, we made some adjustments in the employee cost, particularly some excess provision which we made in the corresponding period earlier. That adjustment was made. That adjustment was of almost close to Rs.200 crore. So if you add that Rs.200 crore in the third quarter of '12 that cost will become close to Rs. 891 crore, which will be by and large based on the present cost. If you want those details, we would be able to provide you separately.
- Anirudh Gangahar:** On the capacity addition part, you mentioned 1875 MW to the Government of India for this year. If you can just help me what projects are we including here?
- A.K. Singhal:** This 1875 MW comprises of Rihand III 500 MW, Vallur JV 500 MW, Barh II 660 MW, Muzaffarpur JV is 195 MW and 20 MW is Solar PV.
- Moderator:** Thank you. The next question is from the line of Vishal Biraia of B&K Securities. Please go ahead.
- Vishal Biraia:** What is the development on the FSA issue for the plants after 31st March, 2009?

- A.K. Singhal:** We are in the process of discussing with CIL. As we have told you during the concall earlier also.
- Vishal Biraia:** But any timeline that you could assign to it?
- A.K. Singhal:** As soon as we resolve the issue, we will do it.
- Vishal Biraia:** Has Coal India agreed to measure the coal quality at your end?
- N.N. Misra:** The coal quality at our end is being measured by us because Coal India is still saying it is not as per FSA, but we have agreed to a joint sampling by a third-party.
- Vishal Biraia:** At the mine site or at your end?
- N.N. Misra:** At the mine site. And we are asking the same third-party to do the sampling and analysis at our end also. So it was to start on 6th, it has just started today.
- Vishal Biraia:** Has commenced at all the plants?
- N.N. Misra:** No, on a pilot basis it was started at ECL.
- Moderator:** Thank you. The next question is from Abhineet Anand of Quant Capital. Please go ahead.
- Abhineet Anand:** I just wanted to know about this DESU principal and interest of closer to Rs.2,500 crore. If we adjust it in the current quarter, what is the tax impact on the same?
- A.K. Singhal:** Tax impact will be only on the interest portion. That is 1,684 crore. Whatever average tax rate applicable on our total income tax will be there.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities.
- Mohit Kumar:** A couple of clarifications. The first was you said Ratnagiri loss was 375 crore. Is this our portion or it is the entire company?
- A.K. Singhal:** It is entire company.
- Mohit Kumar:** And as per media reports there was some issue with coal supply at Talcher. Has it resolved or?

- A.K. Singhal:** It has been resolved. The 3 Kms railway line has been connected and we have started getting supply in Talcher.
- Moderator:** Thank you. The next question is from Lakshmi Narayanan of Standard Chartered. Please go ahead.
- Lakshmi Narayanan:** My first question is I will break it to two. My first question is- how you are feeling about this entire fuel security issue. So what are the things that you are doing to kind of address them? And second, what would be your target availability factor for fiscal 14 for the coal plant?
- A.K. Singhal:** Target availability which we have agreed in our MoU is 89% (on bar) for the coal station and gas station. So far as coal availability is concerned, that strategy we cannot discuss on a con-call. That we will frame our strategy and ensure that we reach the availability level of 89%.
- Lakshmi Narayanan:** But how confident are you that say going into the second half of fiscal 14 at least some of the headwinds that you have faced should actually be receding?
- A.K. Singhal:** Our past experience will demonstrate that how we plan and achieve our target.
- Moderator:** Thank you. The next question is from Salil Desai of Premji Invest. Please go ahead.
- Salil Desai:** One clarification. These DESU receivables, so you have not received the cash you said, right? Only you made the provision for the receivables?
- A.K. Singhal:** Cash will be received. Already the government has paid to Delhi and anytime we may get this cash.
- Salil Desai:** But the tax impact on this has been provided for...?
- A.K. Singhal:** That we have paid. Definitely, we will have to pay the tax. We have deposited the advance tax also. So to that extent it will be inflow to our cash whenever we get cash.
- Salil Desai:** Pakri Barwadih, are we holding on to the target of coal production date?
- A.K. Singhal:** Yes. Current calendar year.

- Moderator:** Thank you. The last question is from Abhishek Tyagi of CLSA. Please go ahead.
- Abhishek Tyagi:** Two questions. Earlier Koldam and Bongaigaon were also targeted for commissioning in FY14. So has that been changed?
- A.K. Singhal:** What happened is that Koldam, still we are making an effort to bring in, in the current Financial Year. But the reason is that because impounding has got delayed. Had the impounding happened sometime in October and November '12 we would have definitely done it. Now, impounding will start sometime in July or August. It is happening, whether it is July, August or September. Although logically if you see that it can be commissioned in March but we have to see a lot many things, particularly in hydro, we have to be little careful before commissioning the project unless all the clearances are given by the consultant we will not start. So maximum it will go into the first quarter of FY15.
- Abhishek Tyagi:** And Bongaigaon, one unit earlier was being targeted?
- A.K. Singhal:** Because of the unrest we have not been able to complete the work in Bongaigaon. We are still making an effort, we will still complete.
- Abhishek Tyagi:** There was one question regarding your coal supplies from Coal India. So, what proportion of your coal actually, you are using your own MGR for getting coal from Coal India's lines.
- A.K. Singhal:** We do not have at the moment those numbers. But you know 10 out of 16 stations are our own rail-fed MGR system.
- Moderator:** Thank you. I would now like to hand the floor back to Mr. Harsh Dole for closing comments. Please go ahead.
- Harsh Dole:** Thank you everyone for joining on this call and special thanks to the NTPC management for giving us the opportunity to host the call. Thank you very much sir.
- Moderator:** Ladies and gentlemen on behalf of IIFL Institutional Equities that concludes this conference. Thank you for joining us and you may now disconnect your lines.