



“NTPC Q4 FY17 Earnings Conference Call”

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 MR. A.K. JHA - DIRECTOR (TECHNICAL) - NTPC LIMITED
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Moderator: Ladies and gentlemen, good day and welcome to the NTPC Q4 FY17 Earnings Conference Call hosted by IIFL Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Harshavardhan Dole from IIFL Capital Limited. Thank you and over to you Sir!

Harshavardhan Dole: Thank you. Hello everyone. On behalf of IIFL, I welcome you all to the fourth quarter FY17 earnings call of NTPC. To discuss the results in detail and share the outlook on the business going forward, along with a few relevant issues. Today, we have the entire senior management of NTPC to discuss these issues. Today, we have Mr. K. Biswal, Director (Finance), Mr. A.K. Jha, Director (Technical), Mr. K.K. Sharma, Director (Operations), Mr. A.K. Gupta, Director (Commercial), to answer all our queries. Without wasting much of time, I would like to hand the call to Mr. Biswal, who will give us a broad overview post which we can set the floor open for Q&A. Over to you Sir!

K. Biswal: A very good afternoon to everybody. I am K. Biswal, Director (Finance), NTPC Limited and I have with me Shri A.K. Jha, Director (Technical), Shri K.K. Sharma, Director (Operations), Shri A.K. Gupta, Director (Commercial) and other key members of team NTPC. Today, the company has announced the unaudited financial results for fourth quarter along with the audited annual financial results for FY2016-2017. The key performance highlights for the quarter and financial year have already been disclosed on both the stock exchanges.

NTPC’s performance for the current fiscal highlights record realization and record generation leading to volume expansion. Some of these key highlights are:

Operational highlights for FY2016-2017

1. Crossed 50 GW capacity. Today, we are 51.410 gigawatts strong.
2. Gone past the annual generation mark of 250 billion units and registered a growth of 3.45%. NTPC Group generated 277 billion units, registered a growth of 5.07% and contributing 24% to the Country’s generation.
3. Exceeded the 12th Plan capacity addition target of 11920 MW by adding 13395 MW. It is the highest-ever capacity addition in any 5 year plan by the company.
4. NTPC and Group NTPC have recorded highest-ever single day generation of 799.84 million units and 888.35 million units respectively on March 23, 2017.

5. For FY2016-2017, 4 coal stations of NTPC were among the top 5 performing stations in the Country in terms of PLF. Talcher Thermal, Sipat and Korba with PLF of 93.20%, 91.09% and 89.41% respectively were ranked 1st, 2nd and 3rd in the country.

6. 6 coal stations of NTPC clocked PLF of over 85% during this period.

7. Total capacity addition during FY2016-17 was 3845 MW. During Q4 FY2016-17, we have added Kudgi Unit 2 of 800 MW, Bongaigaon Unit 2 of 250 MW, Mouda Stage II Unit 2 of 660 MW, 260 MW of Bhadla Solar Project and Unchahar Unit 6 of 500 MW to our commissioned capacity. With these additions, the installed capacity of NTPC Group has reached 50498 MW as on March 31, 2017.

8. Total increase in the commercial capacity during FY2016-17 was 2190 MW. With this addition, the commercial capacity of NTPC on standalone basis and the Group as a whole has become 40522 MW and 47293 MW respectively as on March 31, 2017.

9. Further, during the current FY2017-18, we have commissioned Unit 1 of 660 MW of Solapur, Unit 2 of 250 MW of Bhartiya Rail Bijlee Company Ltd. (BRBCL), Nabinagar and 2 MW of wind capacity of Rojmal Wind Power Project. With this NTPC opened its account under wind energy segment.

10. Frontrunner in India's energy transition, NTPC emerged as renewable enabler by achieving 622 MW of Renewable capacity in its energy basket. During FY2016-17, Solar generation was 531 million units as compared to 163 million units generated in previous fiscal, registering a growth of about 225.77%.

11. Investment approved during current fiscal was Rs. 4,380 Crore comprising of Rs.3,004 Crore of Talaipalli Coal Mining Project, Rs.1,053 crore of Dulanga Coal Mining Project and Rs. 323 crore of Rojmal Wind Power Project.

12. In addition, BIFPCL, a 50:50 Joint Venture company between NTPC Limited and Bangladesh Power Development Board has issued Notice to Proceed to BHEL on April 24, 2017 for executing a contract for 1320 MW (2x660 MW) Coal-based Maitree Super Thermal Power Project at Rampal in Bagerhat District of Khulna division, Bangladesh on turnkey basis. The investment in the project is around USD 2 billion.

13. From Pakri-Barwadih coal mine, approximately 4 lakh MT of coal has been excavated till date and 50 rakes (about 1.70 lakh MT) of coal has been dispatched to Barh Power Plant. In FY2017-18, around 2-3 Million Metric tonne of coal is likely to be produced. As a basket source, coal will be supplied to different power stations of NTPC from this mine.

14. NTPC's first FGD was commissioned on March 27, 2017 at Vindhyachal to limit release of harmful SOx gases to the atmosphere.

Financial highlights.

- For the financial year 2016-2017, the board has recommended the final dividend @21.70% of paid-up capital i.e Rs.2.17 per share, subject to the approval of shareholders in the Annual General Meeting scheduled to be held in September 2017. As you are aware, interim dividend for FY2016-17 @ 26.10% of paid-up share capital i.e @ Rs.2.61 per share has already been paid in February 2017. Thus total dividend for FY2016-2017 is Rs.4.78 per share.
- Gross sales for Q4 FY2016-17, is Rs.20,006.49 Crore as against corresponding quarter Sales of Rs.18,184.35 Crore an increase of 10.02%. On annual basis, Gross Sale is Rs.77,475.24 Crore as against corresponding period Gross Sales of Rs.70,301.91 Crore, an increase of 10.20%.
- Total Income for Q4 FY2016-17 is Rs.20,886.85 Crore as against corresponding quarter Total Income of Rs.18,732.41 Crore an increase of 11.5%. On annual basis, there is an increase of 10.18% in the total income i.e from Rs.72,009.16 Crore in FY2015-16 to Rs.79,342.30 Crore in FY2016-17.
- Core EBITDA expanded by 21% on a Y-o-Y basis.
- PBT of Q4 of FY2016-17 is Rs.3,007.95 Crore, as against Rs.3,648.31 Crore in the corresponding quarter of previous year. On annual basis, there is an increase of 16.91% in PBT i.e from Rs.10,595.77 Crore in FY2015-16 to Rs.12,387.90 Crore in FY2016-17.
- PAT for Q4 FY2016-17 is Rs.2,079.40 Crore, as against Rs.2,792.69 Crore in the corresponding quarter of previous year. PAT for FY 2016-17 is Rs.9,385.26 crore as against Rs.10,769.60 Crores in the corresponding year. The profit for the FY2016-17 is lower by 12.85% as compared to previous financial year. The main reasons for reduction in profits are:
 - a) Substantial offset of income tax by way of refund received in previous fiscal,
 - b) Impairment losses on investment in RGPPL that is about Rs.782.95 Crore,
 - c) Increase in depreciation by Rs.748.48 Crores mainly due to declaration of Commercial Operation of one unit of 250 MW at Bongaigaon and another unit of 660 MW at Mouda- II.
 - d) Pay revision provision.

The above increase in expense is offset partially by reduction in CSR expenses and water conservation fund expenses Y-o-Y.

Further due to partial closure of BTPS, the revenues were marginally impacted. Barh station also suffered marginal under-recovery due to DC of 82.13%.

Let me also give you an update on various other financial activities:

The regulated equity, as on March 31, 2017, was Rs.44,048.91 Crore.

Total assets stood at Rs. 236,577.49 Crore as at March 31, 2017 as compared to Rs.215,138.32 Crore as at March 31, 2016. On a consolidated basis, total assets of the company stood at Rs.248,497.36 Crore as on March 31, 2017 as compared to Rs.224,571.12 Crore as on March 31, 2016.

Capital Work in Progress including advances of the company on standalone basis stood at Rs.86,912.77 Crore as on March 31, 2017 as compared to Rs.73,113.86 Crore as on March 31, 2016.

Fund Mobilization

- Average cost of borrowings for FY2016-17 was 7.4480% as compared to 7.6728% in FY2015-16, mainly due to reduction in interest rates of banks and softening of bond yields.
- Further in this year, NTPC raised 5 year Masala Bonds of INR 2000 crore at an attractive coupon of 7.25% per annum payable annually.

CAPEX:

- In FY2016-17, we have incurred a CAPEX of Rs.28,252.34 Crore as against Rs.25,960 Crore in FY2015-16. The CAPEX by the group companies has been Rs.5,739.17 Crore. Thus, the total group CAPEX for FY2016-2017 was Rs.33,991.51 Crore.
- The group Capital outlay for FY2017-18 has been estimated at Rs.28,000 Crore.

I would now take you through operational performance for the Q4 FY2016-17 and FY2016-17.

FUEL:

Coal:

- During FY2016-17, Materialization of coal against ACQ was 94.04% as against 91.19% in FY2015-16.
- Coal consumption during FY2016-17 was 162.50 MMT - this comprises 160.97 MMT tone of domestic coal and 1.53 MMT of imported coal. The coal consumption in corresponding period was 161.32 MMT, with 151.28 MMT of domestic coal and 10.04 MMT of imported coal.
- Due to improvement in supply of coal against ACQ, the consumption of imported coal reduced by about 85% during FY2016-17 over corresponding period and the blending ratio has reduced to approximately 0.93% for FY2016-17 as against 6.41% in FY2015-16.

- NTPC leads the drive to cease the import of thermal coal due to which no further orders for import of coal were placed.

Gas:

- The gas consumption during FY2016-17 was 5.17 MMSCMD (i.e. Million Metric Standard Cubic Meter per day) as against 5.20 MMSCMD in FY2015-16.
- The gas consumption of FY2016-17 procured under APM plus PMT mechanism was 4.67 MMSCMD and under Non-APM gas 0.50 MMSCMD.

Coal mining:

- Cumulative expenditure of Rs. 3,873.80 Crore has been incurred on the development of coal mines till March 31, 2017.
- Mine-Developer-cumOperator (MDO) has been appointed for Dulanga Coal block in February 2017.
- Against the NIT published for appointment of MDO for Talaipalli and Chatti-Bariatu coal blocks, techno commercial and price bids have been opened and reverse e-auction completed.
- Against the NIT published for the appointment of MDO for Kerandari coal blocks, techno commercial bids have been opened on May 16, 2017.

Commercial:

- Realized sales of Rs. 77,169.24 Crore in 2016-2017. Thus another year of 100% Realisation of sales.
- TPA has been signed with 26 states/Union Territories as on May 25, 2017.
- The trade receivable have declined from 40 days to 38 days sales.

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

- NVVN, our trading subsidiary, transacted 4588 Million Units during Q4 of FY 2016-17 as against 3803 Million Units transacted during Q4 FY 2015-16 an increase of 20.64% on Q-on-Q basis. Units transacted during Q4 FY2016-17 includes 1501 Million Units of solar bundled power, 1305 Million Units traded through Bilateral, 923 Million Units under cross border trading, 859 Million Units traded through power exchange.
- NVVN has also traded 201 Million Units of NTPC Un-requisitioned Surplus Power in Power Exchange in terms of amendment issued to Tariff Policy in January, 2016.

- Hindustan Urvarak & Rasayan Limited (HURL) a Joint Venture Company of NTPC signed MoU with Government of Jharkhand for revival of Sindri units of National Fertilizer Corporation of India Limited.
- During Q4 FY2016-2017, NTPC received dividend of Rs. 126.60 Crore from our Joint Venture Companies, of this Rs.60 Crore was received from NTPC-SAIL Power Company Limited and Rs.66.60 Crore from Aravali Power Company Private Limited.
- Out of 9 operating Joint Venture Companies, 7 companies- UPL, NASL, NSPCL, NTECL, APCPL, TELK & EESL generated an aggregate profit of Rs.1,456.28 Crore.

These are the points, I wanted to highlight and thank you very much. Let us go to the question and answer session. Thank you.

Harshavardhan Dole: Moderator please open the line for Q&A.

Moderator: Thank you Sir! Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Good afternoon Sir. Sir I have read somewhere there is a shortage of coal especially in Talcher area and some other power plants are also facing coal issues. So if you are not generating enough power there will be less incentives, so I was trying to figure out what is the situation right now especially in Talcher area?

K. Biswal: See, this is the recent development. So far Q4 of 2016-2017 is concerned. I think we had sufficient coal and our PLF was more than 85%. I would request Director (Operations) to elaborate.

K.K. Sharma: There were some local law and order problem because of that the supplies got affected and during the summer season they stop the production for around four to five hours. Now, this development is after March 31, 2017. Subsequently the action plan has been drawn by the ministry and the action plan is being monitored by highest authority in the country and we are expecting to resolve this crisis.

Mohit Kumar: Okay Sir! Thanks. My second question the employee benefit expenses, which are very high in this quarter, so is there any corresponding revenue item, which has been booked in the topline?

K.Biswal: You see the pay revision will be implemented from January 1, 2017. So we have made a provision of Rs.874 Crore, including gratuity, out of which Rs.522 crore we have created as a regulatory asset, which will be receivable from the customer.

Mohit Kumar: Sir, last question regarding NOx and SOx deadlines are approaching, I think deadline is December 31, 2017 if I am not wrong, so is there any development in this regard. Has the MOE relaxed the norms?

K. Biswal : Our Director (Technical) Mr. Jha will answer this.

- A.K. Jha:** No, they have not yet relaxed any date. But as you know, this technology is new, and the time period provided is very less. So all the utilities including NTPC has been representing and the Ministry of Power is the Nodal Ministry for that. Meanwhile, we have taken action for the FGD installation. As you know, we have already commissioned our FGD in Vindhyachal. Bongaigaon is also likely to be commissioned shortly. In case of new projects we have ordered FGD for Telangana, and for the old projects we are coming out with tender. The first tender will be out in the month of May it is still within our target and every month we will have tender for three to four projects for FGD. Meanwhile, we have approached the MoEF for giving a reasonable time period because you know that these FGD will require a lot of time in design, supply and installation and also require shutdown time for the unit. So it is not possible for the entire country to complete the whole exercise in two year time period. So I think the MoEF is also sensitive to this, but they want to see some action on the ground before they take any view on that.
- Mohit Kumar:** Thank you Sir!
- Moderator:** Thank you Mr. Kumar. We have a next question from the line of Amit Golchha from HDFC Mutual Fund. Please go ahead.
- Amit Golchha:** Sir, this time there is a large difference between consolidated and standalone numbers and given that there is a change in accounting, if you can explain in brief, in terms of what is the exact difference and which subsidiaries these are pertaining to?
- K.Biswal:** Basically, as you rightly said, it is due to implementation of new accounting standard as well as some of our JV and subsidiary companies have started commercial generation, so I would request Mr. Gautam to give the details.
- A.K.Gautam:** In our opening remarks we have stated that 7 of our JV companies made a profit for Rs. 1,456 crore.
- Amit Golchha:** Sir, you mentioned in your previous question that FGD will take some time in terms of you have to shut down the plant for some time and which cannot happen for the whole country at the same time. So Sir, what is the time required to install FGD and what is the time which these plants need to be shut down?
- A.K.Jha:** See, the time required for each, once you place the order, is normally 3 years for the completion and the shutdown will happen one unit after another unit. Therefore, there will be time gap for the entire compliance. So if you look at the country-wise or NTPC wise also, then the total time requirement will be up to the 5 years for the whole country to meet the norms and this is the practice in other countries where the FGD notification had come and there was a retrofit issue for application on the existing plants. The minimum time being given there was 5 years and it was varying from 5 years to 10 years. So we are also expecting that similar provisions will be made and meanwhile we are going ahead with it. If in a particular location a station is having 2 units shutdown period will be different. Further, in which part of the country they are operating, that will also be taken into account. So it is going to be complex decision based on a lot of factors.

- Amit Golchha:** Sir, one more thing I want to understand if you are installing FGD in one unit and when it has to be shut down due to that, what kind of time period will it involve, in terms of shutdown?
- A.K.Jha :** We are expecting around 35 to 50 days for one unit..
- Amit Golchha:** That is the only time, which you require to?
- A.K.Jha :** Yes, for a shutdown.
- K. Biswal:** Regarding your first question, that PAT on a standalone basis, it was Rs.9181.88 Crore as against Rs.10501.09 Crore on consolidated basis.
- Amit Golchha:** My question is Sir that this Rs.1400 crore odd difference, which is there between these two numbers, which subsidiary/joint venture contributed, which two or three subsidiaries have contributed significantly to this?
- K.Biswal:** APCPL, NSPCL & NTECL.
- K. Biswal:** Rs.394 Crore is contributed by APCPL, Rs.180 Crore by NSPCL and Rs.99 Crore by NTECL these are the major contributors. Small contribution has come from other Joint venture companies.
- Amit Golchha:** And Sir, what is the loss, which you have made in Ratnagiri, in terms of operational loss?
- K.Biswal:** Our operational loss. How much we have incurred in Ratnagiri? Ratnagiri have not completed their accounts. We had made provision for Rs.782.95 Crore that is against the impairment.
- Amit Golchha:** Sir, you mean to say that there is no consolidation of Ratnagiri as of now?
- Sangeeta Bhatia :** Well, regarding consolidation, we can give you the details later.
- Amit Golchha:** Okay Madam. Thank you very much.
- Moderator:** Thank you Mr. Golchha. We have next question from Shubdeep Mitra from JM Financial. Please go ahead.
- Shubdeep Mitra:** Good afternoon Sir! Just wanted to understand for an apple-to-apple comparison, would you be able to give us the adjusted profit number for the fourth quarter and for the full year and the corresponding numbers for last year?
- K.Biswal:** It is very difficult to give you an apple-to-apple comparison. For FY2015-16, adjusted profit was Rs.10,009.77 Crore as against that, this year adjusted profit is Rs.10,378.43 Crore, registering an increase of 3.68%. This is for the year as a whole and for quarter is concerned, there is an increase of 10.50% as against adjusted profit Rs.2,792.69 Crore for the FY 2015-16, this year our fourth quarter adjusted PAT is Rs.3,085.89 Crore.

- Sangeeta Bhatia:** We will give you the details later, Shubdeep.
- Shubdeep Mitra:** Understood.
- K.Biswal:** Please check the impact of Ratnagiri and employee expenses.
- Shubdeep Mitra:** Understood. So just one more point of clarification here. You mentioned that in the employee cost, we have taken a hit, so this is a onetime hit, which will not be a pass-through or a recurring number? Just wanted some clarification.
- K.Biswal:** Actually we have applied conservative principle. If you see in previous revision also, we have made a provision of 50% of whatever incremental salary or wages were estimated. We considered 50% would be recovered through the tariff. So applying that principle, we have provided for that. And as far as gratuity is concerned, because gratuity is arising out of change of law, so we presume that entire gratuity amount will be recovered from the consumers in tariff. It is onetime.
- Shubdeep Mitra:** This is a onetime hit. So going ahead, as we enter into FY2018, is there any recurring hit that we can expect on a quarterly basis.
- K.Biswal:** By that time, actually, once the pay revisions are notified, we will go to the regulatory commission and we will see that how much regulator allows. Last time also, they allowed., but we do not know how much they will be allowing and how much they will not.
- Shubdeep Mitra:** So historically, most of the component of the employee cost hike has been allowed by the regulator, am I right on that?
- K.Biswal:** Yes. This is as per the regulations because expense towards employee cost are allowed by regulator, but while making the provision, we are conservative.
- Shubdeep Mitra:** Understood. Last question from my side. Would you be able to give us any guidance in terms of which are the projects that you are expecting to commercialize in the current financial year, in FY2018?
- K.Biswal:** So for commercial operations are concerned, Bongaigaon Unit# 2, 250 MW; Kudgi Unit#1, 800 MW, Kudgi Unit# 2 800 MW, Mauda Unit#4 660 MW, Solapur Unit#1, 660 MW, Unchahar Unit#6 500 MW, Kudgi Unit#3 800 MW, Bongaigaon Unit# 3 250 MW. Total will be 4720 MW.
- Shubdeep Mitra:** This is the target for commercialization in FY2018?
- K.Biswal:** Exactly.
- Shubdeep Mitra:** Understood. Thank you so much.

- Moderator:** Thank you Sir! We have the next question from the line of Nitin Arora from Aviva Life. Please go ahead.
- Nitin Arora:** Good evening. Just one question with respect to FGD. As you said that you are coming with the tenders of FGD . Just two questions with respect to that, can you clarify that will it be a bulk tendering we will be looking at or as most of our power plants are also got built by a large PSU developer would be given some preference that's number one. Number two, what should be the incremental capex we should be working with, with respect to only FGD tendering pipeline, which you have built in for FY2018 and FY2019? Thank you.
- A.K.Jha:** No, there are no plans for bulk tendering. Individual projects will be tendered and due to competition we are expecting good response on that. So whatever the idea on the price we have with respect to the previous projects, we expect the prices to be much lower because of the good competition and lot of volume coming into market with respect to FGD. So our assumption is that it should be around Rs.0.4 Crore per megawatt, but we have to see how the market responds to the tender.
- Nitin Arora:** Thank you very much.
- Moderator:** Thank you Sir! We have the next question from the line of Venkatesh P from Citigroup. Please go ahead.
- Venkatesh P:** Sir, sorry to repeat this thing, which has already been discussed, but I am just trying to understand it properly. You said in this quarter you made a provision of Rs.874 Crores out of which Rs.522 Crore you have taken as regulated asset. Does this mean that this has actually you have passed it through in the fourth quarter sales?
- K.Biswal:** It is a regulatory asset, as it will be recovered at a later date.
- Venkatesh P:** Now last time around in 2007 when you did this wage hike, you took it as a provision, and then finally, did the regulator give you the entire thing as a passthrough?
- K.Biswal:** More or less, we got the entire thing as a passthrough.
- Venkatesh P:** The provisions, which you are making, this will again continue the whole of next year also, right?
- K.Biswal:** It depends, when we get the notification because report is already submitted. So we are expecting that at the end of next quarter, we will be getting the notification. Once we get the notification the matter will be clear, and we will take up this matter with the regulator.
- Venkatesh P:** Secondly , if you look at the effective tax rate in the fourth quarter, it is almost like 30% or so. Any particular reason why the tax rate is so high in the fourth quarter of the year?
- K. Biswal:** Tax rate should not be compared on a quarter-on-quarter basis. We can compare only on a year-on-year basis.

- Venkatesh P:** One last small question. You said commercialization target this year is 4,720 megawatts. Can you share the same data in terms of capacity addition, what is the capacity addition target and which plants you are hoping to add in the current year?
- K.Biswal:** Capacity addition, already, we have commissioned around 910 MW. Solapur Unit#2 of 660 MW and BRBCL Unit#1 of 250 MW we have added. Then we are going to add Kudgi Unit#3 800 MW, Lara Unit#1 800 MW, Meja Unit#1 660 MW, NPGCL Unit#1 660 MW, Bongaigaon Unit#3 250 MW, then Gadawara Unit#1 800 MW and BRBCL Unit#3 250 MW.
- A.K Jha :** We will also add, Solar 250 MW at Mandsaur and 50 megawatt of wind out of which we have already added 2 MW.
- A.K Jha:** So another 300. So our capacity addition would be around 5430 MW.
- Venkatesh P:** Thank you Sir!
- Moderator:** Thank you Sir! We have next question from the line of Sumangal Nevatia from Macquarie. Please go ahead.
- Sumangal Nevatia:** Thanks Sir! This is Sumangal Nevatia from Macquarie. Just one question. With respect to regrading of coalmines of Coal India, what is the cost benefit NTPC has got, I understand the cost benefits are passthrough, but what is the cost reduction due to the exercise if you have evaluated?
- K.K Sharma:** The basic difference will be coming only through tax savings. Otherwise, when we are paying the coal company, we are paying on the declared grade, and these taxes were not getting reimbursed. So that is the only advantage we will get, otherwise everything is passed through and it maybe to the tune of Rs.100 Crore plus, that is all.
- Sumangal Nevatia:** What is the per-tonne cost reduction because of this exercise from Coal India perspective?
- K.K.Sharma:** Theoretically we should be able to get a number of around Rs.800 Crore, but then there are a lot of logistic issues with the railways. We have been trying to remove the logistic issues. Let us see where we land. So what we say is a kind of open statement, which we have stated. But there is cooperation from everybody. Let us see where we reach.
- Sumangal Nevatia:** So also, we have a lot of payables outstanding to Coal India. A large part of it is disputable. So any update on that you would like to share?
- K.K.Sharma:** Actually, there is a dispute regulatory mechanism. Through ADRM it is going to be resolved and in the last meeting ADRM came out with some solutions. The draft resolution has been circulated and it will be sorted out very soon.

- Sumangal Nevatia:** And what is the quantum on the dispute, Sir?
- K.K.Sharma:** It is around Rs.3,000 Crore.
- Sumangal Nevatia:** If you can repeat, what is the capital, capex guidance for FY2018?
- K.Biswal:** Rs.28,000 Crore.
- Sumangal Nevatia:** Understood. Thank you Sir and all the best.
- Moderator:** Thank you very much Sir! We have next question from the line of Abhishek Puri from Deutsche Bank. Please go ahead.
- Abhishek Puri:** Thank you for the opportunity Sir! Firstly on the employee cost you mentioned about Rs.874 Crore has been provided for in this quarter. Can you separate the amount for gratuity because that is going to be nonrecurring?
- K.Biswal:** Gratuity is Rs.614 Crore.
- Abhishek Puri:** Right. Sir, in terms of the second question, what is the experience been for the GCV impact that we have seen? You have shifted the methodology for the last two quarters now. You mentioned that after the last quarter conference call that after Q4, you will be giving us some better sense as to how it has impacted and what are we going to say to the regulator in terms of recovery of cost?
- K.Biswal:** You see, there is a difference we are experiencing, and we are working on. CIMFR is unable to provide details for all station, but whatever difference is coming, it is manageable and it is for technical reasons also.
- Abhishek Puri:** Lastly, Sir, in terms of the number of projects that you mentioned 5,430 MW is the capacity addition and 4,720 MW is the CoD that you mentioned?
- K.Biswal:** Exactly.
- Abhishek Puri:** And this does not include the solar?
- K.Biswal:** So far the capacity addition is concerned, it includes solar. You see around 300 MW of renewable capacities will be added, solar and wind.
- Abhishek Puri:** The CoD, we will have to add 300 MW here, right?
- K.Biswal:** You can add that to CoD as well.

- Abhishek Puri:** Thank you and all the very best.
- A. K.Jha:** Solar and wind, once it is commissioned, normally CoD is not the issue.
- Abhishek Puri:** Right Sir! Thank you.
- Moderator:** Thank you very much Sir! We have next question from Anuj Upadhyay from Emkay Global. Please go ahead.
- Anuj Upadhyay:** Thanks for the opportunity. Sir my question pertains to two of your plants, which is Farakka and Kahalgaon. There was a report, which suggested that the supply from ECL could face severe strain after two or three years down the line, in fact the stock itself has come down to almost three days from 10 days earlier. And in your opening remarks, you have mentioned that the company would not be going in for the imported coal as such. So Farakka and Kahalgaon initially they had been fueling these stations through the imported coals. So what all the other alternatives through which we can fuel these stations provided the issue with the ECL continue going ahead?
- K.K.Sharma:** As far as imported coal is concerned, it is a stop-gap arrangement, it is not permanent system as such. And as regards Farakka and Kahalgaon is concerned, whenever there is shortfall in the Lalmatia, the coal is being supplemented through railways. On May 7 2017, there was a high-level committee meeting and subsequently it was held at MOC also and some action plan was drawn so the entire station's requirement is being met as far as present demand is concerned. As regards mines, there were some land acquisition issue, which has been sorted out, so we are expecting normal production to start. What you are seeing is a temporary phenomenon, which will be overcome.
- Anuj Upadhyay:** Thank you Sir!
- Moderator:** Thank you Sir! We have next question from Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.
- Dhruv Muchhal:** Sir, this is regarding the SOx, NOx norms. I was going through some of the reports filed in the regulatory committees. We are proposing to convert some of our older plants to flexi unit plants. If you can share some update I believe this is still in initial stage, but if you can share something how these structures will be, what the ROEs will be and how do you propose it to the regulator?
- A.K.Jha:** Right now, there is no structure, which is available except ancillary unit operation, which is available as per CERC. Now we are doing policy advocacy to give us some special tariff if the units are required to operate on peaking kind of thing and supporting the ramp-up, ramp-down operation. So let us see how this sector gets developed. Right now, we are , trying to make our units available on flexible operations through some international studies, a lot of countries are working with us, especially U.S., Japan, Germany, and then we are giving independent consultancy assignment at our end also. So this is a capability development

exercise, which we are doing, and we will be operating the units right now up to 55% and subsequently once the capabilities develop, we will use it for larger variations.

Dhruv Muchhal: So, the existing structure will not change, the ROE structure will not change. It will be still the ROE structure?

K.K.Sharma: It will only some compensation for the ECR part where we will be operating on the part-load operations then the costs will be higher, that is all.

Dhruv Muchhal: Sir secondly, I see the regulatory amount, the regulated, in the P&L amount, regulated deferral account is around Rs.362 Crores versus you mentioned that the employee cost amount is around Rs.552 Crores.

K.Biswal: It is because the regulated asset is created, one portion is towards salary pay revision, and the other portion is the increase in gratuity amount from 10 lakhs to 20 lakhs. And this pertains to change in law. So that is recovered from the consumer.

Dhruv Muchhal: Lastly, just quick thing, on the Chhabra acquisition, if you can update us?

K.Biswal: Yes, our Director Commercial Shri A.K. Gupta will update you.

A.K. Gupta: See as far as Chhabra project takeover is concerned, we have made basic agreement with Rajasthan Government and Rajasthan Vidyut Utpadan Nigam. They are actually taking up with Ministry of Coal, so that the coal can be allocated from the mine.

Dhruv Muchhal: I believe they already have a linkage, they are just asking for a change in delinquency is it?

A.K. Gupta: Basically for this particular Chhabra project, there is a captive mine for it. The captive mine also take care of Chhabra project as well as other projects of Rajasthan. Now they are going to MOC because if the Chhabra is hived off to NTPC then it goes to another company. So they are taking approval from Ministry of Coal to have a system, for allocating existing coal mine to NTPC under present methodology.

Dhruv Muchhal: Got it. Thank you so much Sir!

Moderator: Thank you Sir! We have next question from Rahul Murkya from Jefferies. Please go ahead.

Rahul Murkya: Thank you for taking my question. Can you help me with the PLF incentive number for approximately number for FY2017?

K.Biswal: Rs.303 Crore incentive for FY2016-17 as against Rs.271 Crore in FY2015-16.

Rahul Murkya: Thanks a lot Sir! Thank you.

- Moderator:** Thank you Sir! We have next question from Anirudha G from Nomura. Please go ahead.
- Anirudha G:** Thank you very much for the opportunity. Three major aspects on which the questions. Firstly on the employee wage, just to understand, this is a quarterly provision made and every quarter apart from the gratuity of Rs.614 Crore till the time we settle this matter, we will be providing about Rs.224 Crore going forward. Is my understanding correct, Sir?
- K Biswal:** As per our estimate, total impact would be around Rs.224 Crore and 50% of that we have accounted for as recoverable, although, we may recover the entire amount from the consumers once it is approved by the CERC. For topline conservative basis, we take a hit of around Rs.100 Crore to Rs.110 Crore every quarter.
- Anirudha G:** Right, Sir, so we are not billing the customers for this right, we are just recognizing...
- Management:** No, it is only a book adjustment.
- Anirudha G:** Right. Second question, Sir, was on account of the GCV related notes to the account. There has been a change in the notes to the account, the language, as compared to what we did in December whereby we are now saying that it is done for most plants, the switch over to wagon-top sampling, barring a few. Sir, could you let us know what is the quantum of coal involved broadly, where we still have a debate and where wagon-top sampling has not begun due to safety and other issues?
- K.K.Sharma:** No, we are not doing the wagon-top sampling in the name of safety. The only thing is CIMFR was not organized so we could not carry out wagon-top sampling at all stations. Now CIMFR has indicated they will be able to do in next one, one-and-a-half months, so once they are organized, we will do it everywhere, so safety is not the issue, whatever way we have to done some makeshift arrangement and trying to handle it. We are not going for any exemption on the name of safety. Safety is, in any case, an issue for which we are taking precautions.
- Anirudha G:** So in the notes to the accounts for whereby we have mentioned most stations barring a few on the grounds of safety issues for the quantity supplied through conveyors and roads. This matter would probably cease to exist in about by next quarter or so. Every station would be covered?
- K.K.Sharma:** Right.
- Anirudha G:** Right. Fair enough, Sir! And Sir just a final question on the Ratnagiri write off as well as the wage revision provision do we have any tax benefit that we have got on account of this Sir, any tax implications?
- K.Biswal:** No we would not have any tax benefit.
- Anirudha G:** Sir, the tax number does not need to be adjusted for anything on account of these two measures?
- K.Biswal:** It is only a provision. So no tax benefit is there

- Anirudha G:** Even for the wage part, Sir?
- K.Biswal:** Yes.
- Anirudha G:** Thank you very much for the answers and all the best Sir! Thank you.
- Moderator:** Thank you Sir! We have next question from Prakash Goel from ICICI Securities. Please go ahead.
- Prakash Goel:** Thank you for the opportunity Sir! I have two questions. One, with respect to the news article with respect to cement units, the company has got 15 firms interested, what is the plan exactly and how would NTPC monetise the opportunity going forward?
- K.Biswal:** Yes, we had issued expression of interest, and we got 15 responses. Of these responses, we are evaluating through internal system and once this exercise is over we will be able to give a definite answer on this.
- Prakash Goel:** So basically, no kind of capital will be deployed from NTPC is that the plan or is there any change, was there any flexibility in the expression of interest given to the participants?
- A.K.Gupta:** No, this was only expression of interest by which we were trying to take the data and see how many people are interested for such an alliance. Now there will be a formal request for participation will be issued, where all these things you are saying will be clarified, whether what kind of investment, what kind of possibilities are there in this business. So it will be based on this data, whatever we are reviewing today. After that, we will be issuing the RFP.
- Prakash Goel:** Is there any clarity or internal decision in terms of how we would go about it?
- A.K.Gupta:** Not yet, we are still examining the responses.
- Prakash Goel:** Second, with respect to the gas-based plant in Kerala, there was a media article of the Union Ministry of Power and Kerala Discom discussing of transfer of the project, to Kerala at the book value. Any update on that, Sir?
- A.K.Gupta:** This issue is basically discussed because there is no power being scheduled by State Government on this particular project because of the high cost of the naphtha and they have to pay the fixed charges while they are not drawing any electricity from this project. So there was a discussion going on how to really resolve this issue. One of the possibility of resolving this issue is that State Government take over this at book value, but the final decision is yet to be done on this. State Government is examining this proposal, and then after that, it has to be mutually discussed and resolved.
- Prakash Goel:** Any stance of NTPC or is the Union Ministry of Power will take the final decision on it?

- A.K.Gupta:** No, I think this decision has to be taken mutually between NTPC and Kerala Government. Of course government has to be taken into consideration.
- Prakash Goel:** Sir, and a similar question on the projects on the gas-side, which have completed 25 years. Any kind of risk, which can stem from the PPA non-continuance? As of now, we have been given to understand some of the PPAs have got extended. What is the status now in terms of the PPAs of the gas-based projects, which is completed 25 years?
- A.K.Gupta:** Generally, for all the PPAs, whether it is gas or coal, these PPAs continue even after the initial period of 25 years.
- A.K.Gupta:** Actually, perhaps you are saying previously for gas projects it was 15 years, and it has been extended recently to 25 years, so in case the utilities are not interested to continue with the project, we are not at loss. We recover our entire fixed cost over a period of 25 years.
- Prakash Goel:** Sir, but there would be like, just to highlight our concern, there would be definite impact in terms of the profitability because we are making some money on those projects. So we are just trying to be sure about it.
- K.K.Sharma:** We will make profit up to 25 years.
- Prakash Goel:** Right, so there is some return on the equity?
- K.K.Sharma:** But one very interesting development, which is coming up in this sector is because of the renewable, these units will be very useful for meeting of the ramp-up ramp-down requirement.
- Prakash Goel:** Sorry, come again, I missed the entire sentence. Your voice is not very clear, Sir. Can you say it again?
- K.K.Sharma:** Actually, that PPA can be continued after 25 years of life. Again it is mutual decision between the generator and the beneficiary. Whether beneficiaries will continue or not depends on them.
- K.Biswal:** No, let me clarify this, it is like this that as long as Ministry of Power keeps the allocation on, PPA remains in force.
- Prakash Goel:** Basically, we are seeing some of the projects have even completed 25 years. That is the reason we wanted to understand as to what has happened once those projects had completed 25 years?
- K.K.Sharma:** That is true. Like in case of Korba and other projects, even after 25 years, as long as the Ministry of Power keeps the allocation on, they continue and that is how these projects are continued.
- Prakash Goel:** Basically the difference where we see it from is that coal base are far more competitive compared to the gas base primarily because of the lower utilization and many other issues that we are aware of.

- K.Biswal:** We can take one more question before we conclude.
- Moderator:** Thank you Sir! We have the last question from the line of Murtuza Aarsiwala from Kotak Securities. Please go ahead.
- Murtuza Aarsiwala:** Yes Sir, just a couple of questions. One, if you could give the data on regulated equity as of 31st March 2017. Second, we have seen fuel costs sort of come down, some of it may be because of the third-party sampling and therefore better quality of coal that you are getting from Coal India. Has there been a further improvement in coal quality, reduction in effective fuel cost post the downgrading of coalmines from April 1, 2017, so has there been an incremental benefit over and above the third-party sampling that was happening through last year?
- K.Biswal:** So let me answer the first question. Our regulatory equity as on March 31, 2017 was Rs.44,048.91 Crore. As you know, so far this regulation of the coal is concerned, already 277 mines they have re-graded and the benefit will accrue to the consumers directly. It will be passed on to the beneficiaries and if further reduction is happening definitely it will be beneficial for the consumers.
- Murtuza Aarsiwala:** Sir, I understand that it will be beneficial, but has there been further, so there were some amount of reduction that was happening through 2017 has there been incremental, so you know that the change that has happened at Coal India's level because they have formally sort of downgraded the mines itself. So has that led to further reduction over the last two months?
- K.K.Sharma:** No, what I have said earlier, it will have an impact on NTPC fuel costs in terms of only the taxes saving. Otherwise whatever we are paying, we are getting pass-through.
- Murtuza Aarsiwala:** So whatever is there is already there in the numbers.
- K.K.Sharma:** The only advantage which you are asking on quality, there has been a reduction of 6-7% overall in the year because of the improvement in the quality and everything is ultimately passed to customer.
- Murtuza Aarsiwala:** Thank you so much Sir!
- Moderator:** Thank you very much Sir! Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. Harshavardhan Dole from IIFL Capital for closing comments. Over to you Sir!
- Harshavardhan Dole:** On behalf of IIFL I would like to thank NTPC senior management for giving us the opportunity to host the call. Sincere thanks Sir!
- K.Biswal:** Thank you.
- Harshavardhan Dole:** Thank you Sir and thank you participants for logging on to the call.



NTPC Limited

May 29, 2017

Moderator:

Thank you very much Sir! Ladies and gentlemen, on behalf of IIFL Capital Limited, that concludes this conference. Thanks for joining us. You may now disconnect your lines.