



" NTPC Q2 FY11Conference Results Call"

October 27, 2010



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Moderator: Ladies and gentlemen, welcome to the Q2 FY 2011 post results conference call of NTPC hosted by Motilal Oswal Securities Limited. As a reminder for the duration of this conference all participant 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. If you should need assistance during this conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Satyam Agarwal of Motilal Oswal Securities Limited. Thank you and over to you Sir.

Satyam Agarwal: Thank you Marina. Good Evening everyone, we have with us the senior management team of NTPC comprising of Mr. A.K. Singhal, Director, Finance, Mr. I.J. Kapoor, Director, Commercial and Mr. N.N. Misra, Director, Operations. We would first start with a briefing by Mr. Singhal on the second quarter performance and then would move over to the Q&A session. Over to you Sir.

A.K. Singhal: Thank you Satyam. Good afternoon to everybody. I am A.K. Singhal, Director, Finance NTPC and I have with me my colleagues Mr. N.N. Misra, Director, Operations who has recently taken over as Director, Operations. He is the second batch Engineering Executive Trainee of NTPC and has been with NTPC for the last 35 years, I also have with me Mr. M.K.V Rama Rao, Executive Director, Commercial in place of Mr. I.J. Kapoor who is away on leave. Yesterday, the company announced the unaudited financial results with limited review carried out by the statutory auditors for the second quarter as well as for the half-year ended on September 30, 2010. I would now take you through the performance of the second quarter and first half year of 2010.

Operational performance - the total capacity of the group NTPC synchronized so far is 32,694 MW including 3364 MW capacity owned by our JV companies. Except for one unit of 500 MW synchronized at Indira Gandhi Super Power Project Jhajjar, Haryana, the entire capacity of 32194 MW is under commercial operation. Now let us discuss some details of NTPC power projects. Our total capacity as on September 30, 2010 is 29,330 MW in comparison to 28,350 MW as on September 30, 2009. We have added 980 MW of capacity during one-year period comprising of unit 5 and unit 6 of 490 MW each at our Dadri project on 25th December 2009 and 16th July 2010 respectively. We have commercial capacity of 29,392 MW as on September 30, 2010 in comparison to 27,912 MW as on September 30, 2009. This increase is due to addition of 1480 MW commercial capacity comprising of one unit of 500 MW at Kahalgaon which was declared commercial on March 20, 2010, two Units of 490 MW each at Dadri, which were declared commercial on January 31, 2010 and July 31, 2010 respectively. The total generation during Q2 and first half year of current fiscal is as follows:- Gross generation for the quarter ended September 2010 is 52.221 Billion Units, for quarter ended September 2009, it was 50.381 Billion Units, up by 3.65%, Commercial generation is 52.194 Billion Units for quarter ended September 2010 in comparison to 50.306 Billion Units for corresponding previous quarter, up by 3.75%. Energy sent out is 48.755 Billion Units versus 47.086 Billion Units, up by 3.54%. Similarly for six months period ending September 2010, we have generated 107.932 Billion Units as against



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105.859 Billion Units, up by 1.96% and ESO has increased to 101.026 Billion Units as against 99.226 Billion Units, up by 1.81%. Gross generation is up for first half year of current fiscal by 2.073 Billion Units i.e. higher by 1.96% as compared to corresponding half year of last fiscal. Similarly commercial generation has also shown an increase of 2.01% during first half year of current fiscal as compared to corresponding period in previous fiscal. For Q2 of current fiscal, the gross generation is up by 1.840 Billion Units Commercial generation has also shown an increase by 3.75% during Q2 of current fiscal as compared to corresponding period in previous year. The increase in generation is mainly on account of additional commercial capacity contributed by two Units of 490 MW each added at Dadri and one unit of 500 MW at Kahalgaon project. Due to increase in plant maintenance, the impact on generation in the first half-year period was 7.2% as compared to 6.9% in the corresponding period last year. The PLF for coal stations has increased marginally by 0.49% during Q2 in the current fiscal over corresponding quarter. One of our stations, Talcher Thermal Power Station registered its highest ever PLF of 92.12% for the first half of the year. That is a long way from 18.7% PLF at the time of takeover of this station in the year 1995. However, due to low-demand schedule on account of unprecedented heavy rains, the PLF of gas stations has declined during Q2 over the corresponding quarter. During the first half year the PLF registered marginal reduction due to the same reason. This is also evident by the fact that on an all-India basis the hydro generation for the first half year was higher by 5.21%. Hydro generation was 65.11 Billion Units during the first half of 2011 as compared to 61.886 Billion Units during first half of 2010. It may also be noted that there has been a decline in all-India PLF in Q2 as well as H1 as compared to the corresponding period in the previous fiscal. For the quarter ended September 2010, PLF for all India was 67.56% in comparison to 72.26% on September 2009, registering a reduction of 4.7% whereas the PLF of coal stations in NTPC was 82.91% in comparison to 82.42% in the corresponding period registering an increase of 0.49%. Similarly during current fiscal, for six months period PLF has come down to 72.02% at all India level from 75.95% which includes the capacity of NTPC as well. In case of NTPC it has slightly reduced to 86.17% from 87.62%. Generation has picked again during the month of October 2010 and till October 26, the company has achieved a generation of 15.840 Billion Units as compared to 14.737 Billion Units in the corresponding period registering an increase of about 7.5% and PLF for the corresponding period is 88.25% as compared to 86.04% last year and we expect that we would be able to maintain the same level of generation in the current quarter and improve further in the future. Under the new CERC regulation, the incentives have been linked to plant availability factor both for coal as well as gas stations. Both coal and gas stations registered improved AVF during Q2 as well as first half-year period as compared to corresponding quarter and H1 in the last fiscal. The AVF on declared capability for our coal and gas station is as under; availability factor for coal for September 2010 quarter has been 86.48% as against 82.53% for September 2009. For gas it has been 92.07% as against 88.22% in the corresponding period. For the six months period it has been at 88.29% for coal station as against 88.07% for the corresponding period. Similarly for gas stations, it is 89.02% in comparison to 87.09% in the corresponding period.

Now I will take you through to the financial performance of the company.



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Net sales for the quarter ended September 2010, was Rs. 12,989 crore in comparison to Rs. 10,783 crore in the corresponding period. Other income has been at Rs. 615 crore as against Rs. 741 crore, thus resulting in a total income of Rs. 13,604 crore as against Rs. 11524 crore. We have written back depreciation during the current year based on the change in the accounting policy for charging depreciation in line with the CERC guidelines and as advised by the Comptroller and Auditor General of India. Thus by adding Rs. 1763 crore to Total Income, Gross Total Income for the quarter ended September 2010 is Rs. 15367 Crore rupees as against Rs. 11523 crore. Profit after tax for the quarter ended September 2010 is Rs. 2107 crore as against Rs. 2152 crore registering a minor decrease by about 2% on Quarter-to-Quarter basis. Similarly for six month period, our Gross Total Income has been Rs. 28,896 crore as against Rs. 24,302 crore and Profit after Tax has been Rs. 3949 crore in comparison to Rs. 4346 crore in the corresponding period registering a decline by about 9%. If we remove one off items from the profits which we have declared, our adjusted Profit after tax for the quarter July to September is at Rs. 1851 crore as against Rs. 1835 crore in the corresponding period thus registering an increase of about 1% as against decline of 2.07% in reported profit after tax. Similarly for the half-year period, the variation in the adjusted profit remains at the same level with our adjusted profit arriving at Rs. 3715.38 crore for April to September in comparison to Rs. 4092.07 crore for April to September 2009. For the purpose of computing Net Sales, MAT based ROE has been considered for current Q2 as compared to normal tax rate considered for previous corresponding quarter. Other income including other operating income has declined due to fall in interest from investment of surplus funds deposited in banks and also due to progressive reduction of tax-free bonds. The amount of Tax-free bonds outstanding as on September 30, 2010 is Rs. 9821.75 crore. In line with opinion expressed by C&AG, there is a depreciation write back of Rs. 1020.68 crore in Q2 as well as H1 during the current fiscal. Accordingly depreciation is now provided in accounts as per the rates notified by CERC instead of the rates as specified under the Companies Act. The salvage value of the assets has been considered as 10% of capital cost of the assets and balance, 90% is to be depreciated over the useful life of the asset. This change is effective from 01/04/2009 i.e. the date of implementation of 2009-14 regulation.

Further, Advance Against Depreciation has been reassessed due to change in depreciation policy and an amount of Rs. 742.63 crore has been recognized as prior period sales during Q2 and H1 of current fiscal. A sum of Rs. 1262.68 crore included in debtors on the basis of certain APTEL orders in favor of the company have been fully provided for during the quarter and shown as provisions. Profits before tax for Q2 has increased by 9.34% over corresponding Q2. Overall tax has increased primarily on account of increase in deferred tax by Rs. 235.85 crore due to reworking of deferred tax assets, deferred tax liabilities and deferred tax recoverable from beneficiaries resulting from accounting of depreciation. Cash and cash balances as on September 30, 2010 is Rs. 19,173 crore.

Let me now give an update on various other activities. The coal supply position was satisfactory during the six months period April to September 2010. 65.11 million metric tonnes of coal was received as against 63.35 million metric tonnes during the same period last year registering an increase of 2.77%. During Q2 in the current fiscal the coal receipt was 31.91 million metric



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tonnes as against 30.47 million metric tonnes in the corresponding quarter last year. During six months period, from April to September 2010, 67.34 million metric tonnes of coal was consumed as against 64.52 million metric tonnes during the same period last year. This included imported coal of 6.26 million metric tonne consumed during April to September 2010 as against 4.39 million metric tonne consumed during the corresponding period. 9.92 million metric tonnes of imported coal from old import orders will be utilized during the current fiscal. We have also requested CIL to import 4 million tonnes of coal on nomination basis for us. Further, a letter of intent has been issued to STC for import of 12 million metric tonne of coal for which supplies will arrive, sometime from January 2011 onwards. For the next fiscal, Ministry of Power is expected to finalize coal requirement for NTPC which we will be communicating to you in the next con call. We are also preparing ourselves to import the coal during the next fiscal based on the requirements indicated by the Ministry of Power. Generation at Farakka and Kahalgaon is expected to improve shortly since we have discussed with Railway authorities who are making arrangement for additional movement of two number of railway rakes per day. This would improve generation level by about 500 MW. During the first six months of the current fiscal, gas stations received 14.33 MMSCMD as against 13.39 MMSCMD received during the same period of the previous year. Gas procured on spot basis during the current fiscal is 1.47 MMSCMD, fall back and long-term LNG is 1.90 MMSCMD, KG D-6 gas is 1.83 MMSCMD and balance gas i.e. 9.13 MMSCMD was received under APM and PMT mechanism.

The development of project Pakri-Barwadih coal mining is progressing well. The mining plan was approved by the Ministry of Coal on August 25, 2006 and Ministry of Environment and Forests accorded environment clearance for project on May 19, 2009. All notifications under the Coal Bearing Area Act as well as Land Acquisition Act have been issued. Forest clearances have also been issued. Payment of land compensation is in progress. We are very close to appointing the Mine Developer cum Operator for this mine. Bids have been received and are under evaluation for CHP package. Bids are also under evaluation for construction of 200 priority dwelling Units for rehabilitation colony.

Mining plans for CB CMP and KD CMP were approved by MOC on June 27, 2008 and August 4, 2008 respectively. Bids were opened on August 25, 2010 for appointment of MDO for CB block. NIT was issued for construction of R&R colony under CB block. Mining plan for Dulanga coal mining project has also been approved on September 30, 2009. EIA studies have been completed for Tallaipalli block. Mining plan has also been approved on March 31, 2010 for this block. Public hearing is scheduled on 10/12/10. NTPC-SCCL Global Joint Venture Limited has been appointed as MDO on nomination basis.

Coming to commercial performance, during this quarter also we have realized 100% of the amounts billed to the customers. We are making an effort to sign PPAs for 75,000 MW before January 2011. We have already signed PPA for 62,000 MW and we are confident that we would be able to sign the balance PPA for 13,000 MW before the competitive bidding conditionality is made applicable to NTPC as well.



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So far as funding is concerned, we have already tied up term loans amounting to Rs.56,787 crore with banks and Indian financial institutions. As against this, Rs. 29,640 crore has been drawn till date and during the current year we have drawn Rs. 3000 crore till date. Therefore, we already have loans amounting to Rs. 24,147 crore for financing the capex from tied loans. In addition, loans amounting to Rs. 1492 crore are also available from undrawn portion of foreign loans raised under ECB route. Besides, we are in a position to place bonds to extent of Rs. 25,000 crore. The Budget Estimate for 2010-11 is Rs. 22,350 crore. Till date, we have spent Rs. 4274 crore. In addition, an amount of Rs. 1985 crore has been spent by JVs and subsidiary companies.

Unit I of 500 MW of Indira Gandhi STPP Jhajjar was synchronized with coal on October 10, 2010. In addition to commissioning of unit 6 of 490 MW of NCTPP (Dadri) and unit 1 of 500 MW at Indira Gandhi STPP, it is expected that 3160 MW consisting of following projects will be commissioned during the balance period of the current fiscal i.e. Korba stage III unit 7 of 500 MW, Simhadri stage II Units 3 and 4 of 500 MW each, Farakka stage III unit 6 of 500 MW, Sipat stage I unit 1 of 660 MW, Jhajjar Unit of 500 MW. All efforts are being made to see that these capacities get commissioned before March 31, 2011. Unless otherwise there are some unforeseen circumstances, which may force us not to commission this capacity, we will be able to achieve this capacity. So far as bulk tendering is concerned two separate NITs for bulk tendering for SG and TG for 11 Units of 660 MW consisting of 9 Units for NTPC and its joint ventures plus two units for DVC was issued on October 16, 2009 on ICB basis. Under TG packages five bids were received. The price bid for this package has been opened on 8th of this month and is under evaluation. We are hopeful that by the end of next month, we may be in a position to award the TG package. For SG package after retendering, four bids have been received on September 25 this year and the same are under evaluation. We have also executed an MOU with the Government of Punjab and Punjab State Power Corporation Limited on October 7, 2010 for setting up 2640 MW coal-based thermal power project at Gidarbaha. This project shall be set up as regional power project and shall be first power project in the State of Punjab by NTPC. We have also executed an MOU with the Government of Madhya Pradesh on October 22, 2010 for setting up 3960 MW coal based thermal power project near village Bareti in district Chhatarpur for the benefit of Bundelkhand region of MP. An MOU has been signed between NTPC and Bangladesh Power Development Board on August 30, 2010 for cooperation in power sector. A high level delegation from NTPC visited on 29 and 30 September 2010. It has been agreed to prepare the feasibility report for the site(s) at Khulna and Chittagong by January 2011. BPDB has placed consultancy award on NTPC for preparation of feasibility report for setting up power project at Khulna and Chittagong. An agreement in this regard was signed in Dhaka on September 30, 2010.

Twelve NTPC employees from Ramagundam station received the Pratham Shreni and Druthiya Shreni Vishwakarma Award of Government of India on September 27, 2010. These are some of the highlights I want to give before the question and answer session begins. Thank you very much.



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- Moderator:** Thank you very much Sir. We will now begin the question and answer session. The first question is from Shashikiran Rao from Standard Chartered Capital Markets. Please go ahead.
- Shashikiran Rao:** Thank you sir for taking my question. My first question is on the availability. Can you go through the numbers again; I missed some of the numbers?
- A.K. Singhal:** I will give you the availability factor for the quarter, for coal based power stations it has been 86.48%, for gas station it is 92.07%, for six months cumulatively it is 88.29% for coal stations and gas stations, it is 89.02%.
- Shashikiran Rao:** Corresponding numbers for the same quarter last year I think were lower for coal, 82% you mentioned.
- A.K. Singhal:** 82.53% for the quarter, for coal and gas it is 88.22%.
- Shashikiran Rao:** We heard that you had taken a substantial amount of maintenance shutdown in this particular quarter ahead of the Commonwealth Games, in spite of this your availability has been higher, how is this, can you throw some light on that?
- A.K. Singhal:** It is primarily because of, say backing down because of the heavy rains as I have covered in my opening remarks. The backing down was to the extent of almost about 1 million units more in comparison to the corresponding period in the last quarter. If you look at up to the half year period, this year we have a backing down of almost 4 Billion Units as against 2 Billion Units which was there in the corresponding period. This means that we have lost generation because of backing down by the State Electricity Boards, a generation to the extent of 2 Billion Units. In turn, we have lost marginal contribution on these 2 Billion Units.
- Shashikiran Rao:** Just to clarify this point, because of backing down you have generated less but because you have taken a maintenance shutdown, you have taken more maintenance shutdown in this particular quarter than in the same quarter last year, the availability would also be lower?
- A.K. Singhal:** We have not taken more shutdowns during this quarter. Our overall planned outage if you look at it last year was 9.06% and this time it is 8.65%.
- Shashikiran Rao:** Your operating expenses have been substantially higher in this particular quarter as compared to the same quarter last year, about 45% higher and even sequentially it is about 16% higher, is it because of higher R&M or is it some other reason?
- A.K. Singhal:** There are two reasons for that. One reason is that water charges have increased in all the Western /Northern region projects particularly Vindhyachal, Rihand, Korba, Sipat etc. The water charges in the corresponding period have gone up by about Rs. 41 crore. Similarly there has been increase in the security expenses by about Rs. 22 crore because of the wage revision and also due to the fact that we have to provide additional security at our stations and insurance cost has also gone up by around Rs. 11 crore. Other than these, repair and maintenance cost has also gone up



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during the half year as well as during the current quarter because we have taken majority of our maintenance which was to be done and the next two quarter you will find that the expenditure on this account which has already been incurred, there may be a reduction in comparison to the corresponding period in the previous quarter. Please look at this expenditure in totality for the entire year and not for the quarter/ half year, so on overall basis when we look at it we would be really assessed whether there is an increase in the maintenance cost and other station overheads. There is also increase in salary and wages, which is not in our control. If the inflation is higher, DA rate has goes up. During the corresponding period in the current year DA has gone up by about 18%, which reflects in salary / wages. However we are making an effort that we curtail our expenditure during the next two quarter on account of our repair and maintenance. For water charges, we cannot do much but at an appropriate time we will approach regulator for compensating us for the additional cost on this account.

Shashikiran Rao: The Rs. 662 crore that you have had the O&M cost, it may actually get repeated or you may stabilize at this level even in the subsequent quarters, am I right in getting that?

A K Singhal: Definitely, that is what our effort is. If we would not even stabilize at this level, maybe some of the additional cost and which is one time cost may not be there in subsequent quarters like we have made provision on account of Commonwealth Games, which will not be there in the next quarter.

Moderator: The next question is from the line of Atul Tiwari from Citigroup.

Atul Tiwari Good evening sir. I have two questions first is that you grossed up ROE by MAT rates compared to the full tax rates earlier, I just wanted to understand that in more detail, has there been a regulatory order to that effect and are you likely to continue this practice from now on?

A.K. Singhal: As per the 2009-2014 regulation it is clearly mentioned that those entities which are under the normal tax regime will gross up ROE with the normal tax rates and those who are under the MAT have to gross up with the MAT rates. Last year we grossed up our revenue with the normal tax rate as we were not falling under MAT. In the current year with the capacity which we are commissioning, our normal tax liability will be lower than the MAT tax liability, as per the Income Tax Act thus we have to make payment of tax under the MAT. Therefore, accordingly we have grossed up our revenue based on the MAT and in the future, when Direct Tax Code gets implemented, at that stage we will be knowing the real impact. It is only for 2010-11, from 01/04/2011, that we have grossed up ROE on MAT rates. There is no such requirement of regulatory order for converting from the normal tax rate to the MAT rate since the 2009-14 regulation is clear on this point.

Atul Tiwari: If I very roughly calculate the current tax rate it is actually substantially more than 19% MAT rates, so there is some part of income on which you are paying the higher tax, the full tax, but most of the income now will come under the MAT rate, is that the right understanding?



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- A.K. Singhal:** When you are looking at the overall tax in fact it includes the deferred tax liability also. Since we have written back the depreciation because of the depreciation write back and Rs. 1263 crore provision which we have created, on that the deferred tax liability has been absorbed by us, that is how it is appearing to you that it is more than 19% because the deferred tax liability on account of write back of the provision is about Rs. 235.85 crore.
- Atul Tiwari** So, out of Rs. 278 crore of deferred tax, this Rs. 235.85 odd Crore refers to the price?
- A.K. Singhal:** Rs. 235.85 crore is on account of deferred tax.
- Moderator:** Thank you. The next question is from Shankar K from Edelweiss. Please go ahead.
- Shubadeep:** Sir, this is Shubadeep from Edelweiss. My question was with regard to the fact that now in this year that we are falling under MAT we would not be getting the benefit of the tax grossing up that we were getting until last year?
- A.K. Singhal:** It will depend on how much capacity we are able to declare commercial this year. Based on the present projection, we will be falling under MAT.
- Shubadeep:** Under the assumption that things remain the same even under DTC, under that assumption we would be falling under MAT for the foreseeable future as well?
- A.K. Singhal:** Under DTC, definitely, because you are charging off from your profit for entire capital expenditure incurred during the year. I find a little remote possibility of coming back in to the normal tax regime in DTC.
- Moderator:** Thank you. The next question is from Parag Gupta from Morgan Stanley. Please go ahead.
- Parag Gupta:** Good evening Mr. Singhal. Just a couple of questions, firstly can you give us some idea on what is happening on Loharinag-Pala given after the project has been scrapped what is the government telling you on the amount you have invested and the recovery of the same?
- A.K. Singhal:** The government has clearly mandated that we will get back our money. It has been told in various forums that this money will be reimbursed to us.
- Parag Gupta:** So you do not expect any write off on NTPC profit and loss statements.
- A.K. Singhal:** Not at all, we are sure there is not going to be any write off from P&L account.
- Parag Gupta:** What would happen with that thermal project where you are going to be looking at relocation is that going to be an incremental cost that you will capitalize or would that also be reimbursed by the government.



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- A.K. Singhal:** It has to be capitalized; definitely we will be setting a project at North Karanpura, why should we at this stage think that we are not going to have project at North Karanpura?
- Parag Gupta:** Lastly could you give us some idea on what was this provision of debtors that you have made off about Rs. 1,262 Crore or so, could you give us some background on this?
- A.K. Singhal:** Are you happy with that or unhappy with that?
- Parag Gupta:** Well, I am unhappy with that, so just wanted to understand what is the background for it?
- A.K. Singhal:** Why should you be, I would say that we are prudent that we are making a provision of Rs. 1,262 crores; it is not with the intention that we are not contesting our case. It is the revenue, which we recognized in the year 2006-2007. Still the case is going on in Supreme Court, awaiting the decision, we have made this provision. We have not reversed the sales.
- Moderator:** The next question is from Ravindranath Nayak from B&K Securities. Please go ahead.
- Ravindranath Nayak:** Regarding again the Rs. 1,262 crore provision that you have made in this quarter, because the case is pending since 2007 whether the company is anticipating an adverse ruling from the Supreme Court due to that you have provided in this quarter?
- A.K. Singhal:** We are not expecting any adverse decision from the honorable Supreme Court. We are rather more confident in getting the order in our favor on the issues, which have been addressed. As a matter of policy in the company any dues which remain unrealized for more than three years we try to see that we make provision in our accounts. It is a prudent measure so that we do not continue to show debtors, which remain unrealized for a period of more than three years. There are no feelers that we are not going to get back this amount. This is like realization of DESU period dues of Rs. 835 crore which have been fully provided for. It has already been discussed at various levels in the government that this amount is payable to NTPC. Whenever we get this money, our profit is going to go by Rs. 835 crore as principal plus interest thereon. Similarly in this case also whenever the honorable Supreme Court gives us the order, we will get this money back along with interest because as per the CERC regulation, if it is related to the earlier period whenever the orders are passed we will recover this amount from the day when it was due.
- Ravindranath Nayak:** If the ruling is against you then what will happen?
- A.K. Singhal:** Nothing will happen; we have made a provision already. You should be happy that we are more conservative and prudent. First of all, let us not think of that ruling would be against us, even if it were, we have already made a true and fair representation. Being conservative is always better.
- Moderator:** Thank you. The next question is from Michael Parker from Sanford Bernstein, please go ahead.
- Michael Parker:** Two questions; could you go through the composition of the fuel cost increase this quarter and the second question can you provide any update on foreign acquisition to coal resource?



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- A.K. Singhal:** So far as coal cost increase is concerned, as you know that in case of Indian environment the increase in the coal cost is a pass through and during the second quarter there has been a variation in the total cost by about Rs. 2,000 crore. This is on account of increase in the price of the coal as well as gas, as the average price during the second quarter of 2009-2010 was Rs. 1503 per tonne whereas in the second quarter of 2010-11 it is Rs.2095 per tonne. Similarly gas price, which was Rs. 8405 per MMSCMD in Q2 of previous year has become Rs.10774 for Q2 in current year. Similarly for naphtha, which was Rs. 36131 has increased to Rs. 38652 per tonne. So the major increase in the fuel cost is due to increase in the fuel prices. Similarly for the half year also the increase in the price is on account of increase in the fuel prices. And position regarding the coal acquisition, we are negotiating with various companies who are ready to sell part of their equity. We are watchful and possibly may acquire some coal mine during next 3-6 month period.
- Moderator:** Thank you. The next question is from Abhishek Puri from JM Financial. Please go ahead.
- Abhishek Puri:** Sir, just one question regarding the MAT rate gross up, that has been done in the first quarter or in the second quarter only?
- A.K. Singhal:** That has been done in the first quarter as well as second quarter both. In the current year we have done with the MAT only.
- Abhishek Puri:** Okay, that is why our profitability has been on the lower side. For the full year the impact would be about Rs. 1,000 Crore in your mind?
- A.K. Singhal:** It would be roughly around that or less than that, but there will be definitely corresponding reduction in the income tax since "other income" will also attract MAT rate as against attracting the normal tax rate.
- Abhishek Puri:** Fair enough. For the next 3-4 years we have about 4000-5000 MW being added every year, so that would keep us under MAT rate for the next at least 3-4 years?
- A.K. Singhal:** Definitely unless the regulation is revised by the regulator.
- Abhishek Puri:** That would be after 2014?
- A.K. Singhal:** Yes.
- Moderator:** Thank you. The next question is from Abhishek Tyagi from CLSA, please go ahead.
- Abhishek Tyagi:** Sir, I just wanted to know just because of grossing up of by MAT in the current quarter vis-à-vis the corporate tax rate in the previous quarter, last year, how much has been the impact on the profitability?



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- A.K. Singhal:** As we said that for the entire year it will be roughly about Rs. 900-1000 crore. We will get an advantage on other income, we will be paying the tax lower by about 13% or 14%, so to that extent we have a loss in our total revenue.
- Abhishekh Tyagi:** Okay sir. Second thing, now the depreciation, which you will be charging to the P&L would be as per CERC so the reported earnings should actually get a boost because of that?
- A.K. Singhal:** Yes, definitely partly, it will be roughly about Rs. 200-250 Crore per annum.
- Abhishekh Tyagi:** May I know the commissioning of Farakka and Korba, the timelines for both these projects?
- A.K. Singhal:** For Korba, we are expecting that it will achieve full load sometime by end of November and we may look at declaring it commercial sometime in January. Farakka is likely to achieve full load by the end of February.
- Moderator:** Thank you. The next question is from Prashant Kothari from ICICI, please go ahead.
- Prashant Kothari:** Sir, if you can just explain again the impact of DTC as and when it comes and also is there any impact of IFRS?
- A.K. Singhal:** We are still working on IFRS but as it appears we may not have much of impact because of IFRS on our accounts because foreign exchange variation is a pass through. We expect the life of the assets as 4 years instead of 25 years as per the CERC regulation. This is going to give further increase to our profitability that is the position of IFRS. So far as Direct Tax Code is concerned I feel that 15 years period, which has been allowed for carry forward of the MAT benefit, will be beneficial for us. We would be able to take advantage of MAT credit in subsequent years, there may be some period during the year where we may fall into the normal tax liability, which may be higher than the MAT rate and we would be able to take advantage of it.
- Moderator:** Thank you. The next question is from Vijay Kumar from Spark Capital, please go ahead.
- Vijay Kumar:** Sir, you have Rs. 1,262 crore of provision in the quarter, has there been any tax impact on this or this is completely a reduction from the bottom line?
- A.K. Singhal:** It is completely a reduction from the bottom line rather it has an impact on our MAT as well as on the deferred tax liability also because for the purposes of calculation of tax liability under MAT, provisions are not allowed as deductions from the book profit. So I have taken a hit on my MAT tax liability as well as deferred tax liability as well. There has been some deferred asset because of the tax liability. Ultimately on net-net basis I think it has neutralized with the deferred tax liability and the MAT liability, which has come on account of the provisions written back.
- Vijay Kumar:** And your entire reduction in debtors, I see that debtors has also gone down by a similar number, this would largely pertain to the provisions, which you have taken out?



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- A.K. Singhal:** Yes, definitely.
- Vijay Kumar:** Okay. Continuing on this by when do you expect a decision from the Supreme Court. Is that something you would be aware of?
- A.K. Singhal:** We are following it up with the Honorable Supreme Court and we have even filed an application for expediting our case and dates have been there and next date is sometime in November, 11th November to be precise and we will see to it that decision comes as quickly as possible and we have a very strong case, it is not that we have just made a provision, as I said in my communication that this has been done as a matter of policy. For any debts, which remain outstanding for more than 3 years we are making provision and that is why we have made provision for that.
- Moderator:** Thank you. The next question is from Rupesh Kumar from KR Choksey, please go ahead.
- Rupesh Kumar:** Sir, your depreciation rate has been lowered due to your change in accounting policy. You are now following the rate notified by CERC. Could you please help me to understand its impact on the Advance Against Depreciation as well?
- A.K. Singhal:** You see once when the rate of depreciation has been lowered what we have done earlier to the extent it remain unabsorbed, they have given us part of our revenue and whenever the depreciation, which we have collected as revenue and is charged as an expenditure if there is a mismatch between the two we have recognized as a revenue, so similarly in this case when there is a mismatch to that extent we have to charge it to revenue, which we were to charge as revenue once when the entire asset gets charged off as we had already taken in the revenue.
- Rupesh Kumar:** Okay, but for your second part of depreciation do you also have to write back the revenue that you have earlier recognized as AAD?
- A.K. Singhal:** We have not done, we have not written off any revenue, which was recognized as AAD. Rather we have recognized AAD, which was not recognized earlier, about Rs.742 Crore, which we have given in our notes also that has been recognized in the second quarter as well as the half year and the major reason is because earlier as per The Companies Act we have to maintain a salvage value of 5% now we have to take a residual value of 10% and because of that reason the balance amount has been taken as revenue.
- Rupesh Kumar:** Okay. Sir, on the other operating income side, which has also reduced from Rs. 470 odd crore to 361 Crore.
- A.K. Singhal:** It is due to interest earned on the surplus money. Last year we have earned an interest of about 8.15%, which has come down to about 6.36% in the current half year.
- Rupesh Kumar:** Sir, I am talking about other operating income.



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- A.K. Singhal:** That is other operating income.
- Rupesh Kumar:** Okay, that includes the interest.
- Moderator:** Thank you. The next question is from Rohit Borwal from Analec Infotech, please go head.
- Rohit Borwal:** Sir, your Talcher plant and Kahalgaon plant from last six months your PLF is lower than 85% due to coal shortage and shortfall of the coal?
- A.K. Singhal:** We are making all effort to bring in more coal and hopefully during the next two quarters you will find an improvement; our effort is that we should reach to the level of 85% of availability on overall year basis so that there is disincentive on these two projects.
- Rohit Borwal:** Sir, could you give me what is the fuel consumption per kwh in million during this quarter and the first half of 2011 like coal cost how much tonnes you are using for generating kwh in million approximately what could be the number, if you can give any highlights then it will be better?
- A.K. Singhal:** I do not know how many chapati I ate for dinner and how many chapati I ate for lunch today.
- Moderator:** Thank you. The next question is from Rakesh Vyas from HDFC Mutual Fund, please go head.
- Rakesh Vyas:** Sir, couple of questions largely around the Farakka and Kahalgaon projects; you mentioned that the railways are going to give you two more rakes for coal supply, can you just throw some light as to when the supply is likely to increase?
- A.K. Singhal:** I think it would be any time it would start increasing the supply and what we are doing another way is we have talked to the inland waterways, so we are augmenting the supply to Farakka through inland waterways also and from there we will use our own MGR, which is available from Farakka to Kahalgaon to further increase the supply of coal at these two locations.
- Rakesh Vyas:** But these two rakes would ideally give you an additional generation of 500 MW total or at these locations?
- A.K. Singhal:** At these two locations 500 MW additional.
- Rakesh Vyas:** Sir, is there any under recovery from these two in the fixed charges that has been accounted for in the first half or in the second quarter itself?
- A.K. Singhal:** Definitely we have accounted to the extent that we have not been able to make the plant available. Fixed charges are based on availability.
- Rakesh Vyas:** Can you throw some number sir, if possible?



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- A.K. Singhal:** I may not be able to tell those numbers but definitely in these two stations there have been proportionate reduction in our fixed charges. We are making effort so that by 31st March 2011 we reach at the threshold number of 85% on year-to-year basis.
- Rakesh Vyas:** Any progress on the higher blending on at least one of the projects.
- A.K. Singhal:** Technical innovation is going on and very soon we will come out that how we can increase the imported blending with a percentage of 30%-35% from present 15%-25%.
- Rakesh Vyas:** Sir, currently even in the first two quarters the blending was only 15%-20% sir?
- A.K. Singhal:** Kahalgaon we have tried to increase it, but it has been increased to between 15%-25% depending upon the quality of the coal. Farakka we can use a higher quantity because quality of the coal is not that good as it may be at other places so therefore sometimes we have increased the higher blending and we will continue to do that.
- Moderator:** The next question is from Ravikiran Surana from Alchemy Shares, please go ahead.
- Ravikiran Surana:** Sir, you said PAT on a recurring basis is Rs. 1,851 Crore for the quarter; can you list down the major adjustment, which you have done for the reported PAT to arrive at this number?
- A.K. Singhal:** This includes previous year sales, of Rs. Minus 181 crore, prior-period adjustment is Rs. minus 1,769 crore, depreciation current year is Rs. Minus 106 crore minus and the increase in the one time expenditure by Rs. 115 crore, the provision of Rs. 1,262 crore, tax impact of Rs. 162 crore and then reduction in fixed charges due to MAT is Rs. 235 crore. So all these put together makes it Rs. 1,851 crore, there may be some small items also of about Rs. 100 crore that makes the entire as Rs. 1,851 crore. Similarly in the corresponding period we have made adjustment on these accounts.
- Moderator:** Thank you. We have a followup question from Prashant Kothari from ICICI, please go ahead.
- Prashant Kothari:** Sir, you mentioned provision of Rs. 1,262 crore is because it is three year since this was in debtors and therefore you have to provide deferred tax as per the company policy, but when we look at debtors more than six months we do not find that amount in the annual report, so where is the mismatch sir?
- A.K. Singhal:** This amount is appearing under other unsecured debts under "sundry debtors".
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to handover the conference back to Mr. Satyam Agarwal for closing comments.
- Satyam Agarwal:** We thank the management of NTPC for giving us the opportunity to host the conference call. We also thank the participants for their participation. Thank you everyone.



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- A.K. Singhal:** Satyam before you go I would like to ask a question why you have given so much of beating to our stock it should not have been if you look at – based on the concall the numbers are very good.
- Satyam Agarwal:** Right, sir, the concall was not during the market hours, it happened post market.
- A.K. Singhal:** Okay, it has happened but tomorrow it should improve.
- Satyam Agarwal:** Right, we hope so.
- A.K. Singhal:** Okay, thank you Satyam.
- Satyam Agarwal:** Thank you very much sir.
- Moderator:** Thank you very much. On behalf of Motilal Oswal Securities limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.