



“NTPC Conference Results Call”

October 27, 2011

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*NTPC Limited
October 27, 2011*

Moderator: Ladies and gentlemen, welcome to the NTPC Q2 FY 2012 conference call hosted by Tata Securities Limited. As a reminder for the duration of the conference call all participant lines are 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 an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. Joining us on the call today are members of the senior management team at NTPC. At this time I would like to hand the conference over to Mr. Jayesh Sundar of Tata Securities Limited. Thank you and over to you Sir.

Jayesh Sundar: Thanks. Good afternoon everyone. First of all I would like to wish the NTPC management team and all the participants a very Happy Diwali. From the NTPC senior management team we have with us today Mr. A.K. Singhal, Director (Finance), Mr. I. J. Kapoor, Director (Commercial) and Mr. N. N. Misra, Director (Operations). I would request Mr. Singhal to give us a brief highlights for the quarterly results after which we can take some questions. Over to you Sir.

A.K. Singhal: Thank you Jayesh. Good afternoon to everybody. At the outset, I would like to convey the Deepavali greetings from NTPC to all our stakeholders. I am A. K. Singhal, Director (Finance) NTPC and I have with me my colleagues Mr. I. J. Kapoor, Director(Commercial) and Mr. N. N. Misra, Director (Operations).

On October 25, the company announced its financial results for the Q2 Financial year 2011-12 and six months period ended on September 30, 2011. I will briefly mention some of the financial highlights before we discuss the performance in detail. Net sales of the Q2 ended September 30, 2011 has reached Rs.15,378 Crores registering an increase of 18.39% over previous year's sales of Rs. 12,989 Crores.

Total income for Q2 FY 2011-12 is Rs.16,387 Crores up 20.39% over last year total income of Rs.13,612 Crores. Profit after tax for Q2 FY 2011-12 is Rs.2,424.12 Crores up by 15.03% over last year PAT of Rs. 2,107.38 Crores.

On half yearly basis net sales for the period ended September 30, 2011 have reached Rs.29,549 Crores registering an increase of 13.94% over previous year sales of Rs.25,934 Crores. Total income for first half year 2011-12 is Rs.31,555 Crores up 16.32% over last year, total income of Rs.27,128 Crores.

PAT for the six months of financial year 2011-12 is Rs.4,499.90 Crores, up 13.94% over last year PAT of Rs.3,949.27 Crores. I would now take you through the performance for the Q2 of financial year 2011-12 and six months period ended on September 30, 2011. The total capacity of group NTPC commissioned so far is 34,854 MW, including 3364 MW capacity owned by our joint venture companies. Except for one unit of 500 MW commissioned at Farakka Super Thermal Power the balance capacity of 34,354 MW is under commercial operation and we expect that the Farakka unit of 500 MW, will be declared commercial by the end of this month or first half of next month.

Now let us discuss some details of NTPC power project. Total capacity as on September 30, 2011 is 31,490 MW. As on September 30, 2010 it was 29,330 MW. Therefore, we have added almost 2,160 MW of capacity comprising of three units of 500 MW each at Korba, Farakka and Simhadri and one unit of 660 MW added at Sipat. Our commercial capacity as of September 30, 2011 stood at 30,392 MW as against 29,392 MW, resulting in additional commercial capacity of 1,000 MW. This was on account of two units of 500 MW each at Korba on March 21, 2011 and Simhadri on March 16, 2011.

It is for your information that we had declared 660 MW first for super critical unit of NTPC at Sipat Stage I, commercial on October 1, 2011 leaving behind only 500 MW units at Farakka to be declared as commercial.

Now coming on to the generation data, for Q2 and the first half year of current year details are as follow: Gross generation for quarter ended September 2011 50.861 billion unit, commercial generation 50.316 billion units, energy sent out 46.922 billion units as against in the corresponding quarter of previous year gross generation was 52.221 billion units, commercial generation was 52.194 billion units, energy sent out was 48.755 billion units.

For the six months period, our total energy generated gross generation was 105.460 billion units, commercial generation was 104.882 billion units, and energy sent out was 97.972 billion units. For the six months period ended on corresponding period, 107.932 billion units was gross generation, commercial generation was 107.905 billion units, and energy sent out was 101.026 billion units. Gross generation as well as commercial generation for the quarter is down by 2.60% and 3.60% respectively as compared to the corresponding quarter of previous fiscal. This is mainly on account of grid restriction and backing down by beneficiaries caused by higher generation by nuclear and hydro projects.

The nuclear generation up to September 2011 was 16.012 billion units, up 47% over corresponding period of previous year and hydropower generation up to September 2011 was 80.079 billion units, up 23% over corresponding period of previous year. The total unit loss for the quarter on this account i.e. grid restriction and backing down on beneficiary is 5.413 billion units. Similarly, losses due to fuel supply was 1.944 billion units. It is totally on account of coal and there was no loss on account of gas nonavailability. Similarly, for six months period it is 3.174 billion units. Loss for the six months period on account of grid restriction was 9.247 billion units.

If you look at PLF data which is as follows: PLF thermal all India quarter ended September 2011 was 66.22% in comparison to 67.71%, lower by minus 1.49 points. Similarly, for six months period ended September 2011, the PLF of thermal was 71.28% as against 72.10% for the corresponding period resulting in reduction of 0.82 points. As far as NTPC is concerned, PLF of coal station for the quarter ended was 78.38% as against 82.91% in the corresponding period. For gas station it was 60.84% as against 68.01% for the corresponding period. Similarly for six months period, it was 82.58% for the current period in comparison to the corresponding period of

86.17%. For gas station it was 61.70% as against 74.21%. PLF for coal station decreased by 3.59% during the current fiscal over corresponding half year in the previous fiscal and reduced by 4.53% in Q2 of current year over Q2 of previous year. This was primarily due to increase PLF of hydro and nuclear generation. It may be noted that the state sector has shown an improvement in PLF of thermal capacity in the half year ended September 30, 2011 as against thermal PLF of 62.22% up to September 30, 2010; the corresponding PLF in the current year is 64.37%.

As far as private sector is concerned, the thermal PLF for IPP has declined from 81.99% to 71.68% that is minus 10.31point, which is much higher in comparison to NTPC low PLF of 4.53 point. We do not say that we have reduced there or reasons for lower PLF in case of NTPC although our availability has been higher than what PLF we have achieved. For private utilities from 82.95% to 77.43%.

Further our All India PLF of thermal plant has shown a marginal decline. There was a substantial increase in PLF as I stated earlier of nuclear capacity, which increased from 54.32% in 2010-11 to 76.27% in 2011-12 for half year ending September of respective year. As mentioned earlier as per the provisional data available on CEA's site, the nuclear generation up to September 2011 was 16.01 to billion units up 47% over corresponding period of previous year. In fact nuclear generation up to September 2011 was 125.75% of the planned figure for the period. Similarly, hydropower generation up to September 2011 was 80.079 billion units up 23% over corresponding period of previous year and was 125.01% of the planned figure for the period.

As far as plant availability is concerned, while the PAF for coal station has declined, there has been an increase in availability of gas station. The plant availability sector of our station is as follows: For the quarter ended September 2011 it was 83.44%. For the gas based power station it is 92.27%. For six months period for the gas based station it is 86.67% as against gas-based station of 91.06%.

Now, I come to the financial performance. Our net sales of the quarter ended September 2011 was Rs.15,378 Crores in comparison to quarter ended September 2010 of Rs.12,989 Crores. Other income has increased to Rs.1,009 Crores in comparison to Rs.623 Crores for the corresponding period. Our gross total income for the quarter ended September 2011 is Rs.16,387 Crores in comparison to Rs.15,375 Crores for the corresponding period resulting in a profit after tax of Rs.2,424 Crores for the quarter ended September 2011 in comparison to Rs.2,107 Crores for quarter ended September 2010.

Similarly for six months period ended 2011 we have achieved a profit after tax of Rs.4,500 Crores as against Rs.3,949 Crores resulting in a change of Rs.551Crore. If you look at, based on certain one off items if adjusted from our reported PAT we would instead of achieving a quarter-to-quarter growth of 15.03%, had achieved a growth of 20.60%. Similarly for the six months period we would have achieved a growth of 10% as against 13.94%.

From the reported profit, we have made adjustment on account of previous year sales, prior years' adjustment, interest on income tax refund, provision for bad and doubtful debts, provision

written back, interest provision written back, income or deferred tax of previous year, RLDC charges, fixed charges, interest on customers. The total adjustments resulted in adjusted PAT of Rs.1609.92 Crores for the quarter ended September 2011 as against adjusted PAT of Rs.1,334.92 Crores for the quarter ended September 2010. Similarly for six months period, the adjusted PAT would work out to Rs.3,549.54 Crores as against Rs.3,223.76 Crores.

The net profit after tax for the quarter ended September 2011 is higher by Rs.316.74 Crores and for the half year ended September 30, 2011 is higher by Rs.550.63 Crores as compared to the corresponding period of the previous year.

Let me now give an update on various other activities. Fuel receipts: Domestic coal receipts for Q2 of current fiscal was affected due to combination of factors such as excessive rainfall in later part of first half of the year as well as Telangana stir in Andhra Pradesh. There was reduction of about 11% in receipt of domestic coal as the quantity received fell from 28.88 million metric tonne in Q2 of financial year 2011 to 25.67 million metric tonne in Q2 of financial year 2012.

The materialization of coal against ACQ for the half-year ended September 2011 was 91.17% as against 94.49% in the corresponding period in 2010-11. During the second quarter of current fiscal, 29.54 million metric tonne of coal was received as against 31.75 million metric tonnes during the same period last year registering a decrease of 6.95%. Imported coal received during this period is 3.87 million metric tonne as against 2.87 million metric tonne during the corresponding quarter of previous year. That is an increase of 34.84%.

For the first half year of current fiscal, 63.553 million metric tonne of coal was received as against 64.957 million metric tonnes during the same period last year, registering a decrease of 2.16% imported coal received during this period is 7.236 million metric tonne as against 6.187 million metric tonne during the corresponding period of previous year registering an increase of 16.95%. That is one of the factors, if you look at our loss due to non-availability of fuel is not as it is being envisaged, we have lost only 1.944 billion units which in comparison to our overall generation would work out to somewhere around 1.5% of the total generation. For the half-year ended, it is 3.174 billion units only.

During the second quarter of current fiscal, 31.96 million metric tonne of coal was consumed as against 32.949 million metric tonne during the same period last year. For the six months period, the coal consumption is 66.413 million metric tonne during the current fiscal as against 67.381 million metric tonne during the previous year. It is for your information, that we have been able to sign FSAs for the balance stations commissioned before April 1, 2009 for supplying of coal equivalent to 16 million metric tonne to Ramagundam, Kahalgaon and Farraka projects.

During the Q2 of current fiscal, gas station received 12.63 MMSCMD as against 13.45 MMSCMD received during the previous year.

Gas procured on spot basis during Q2 of current fiscal is 0.77 MMSCMD, fall back and long-term RNLG is 1.24mm MMSCMD, KGD6 gas is 2.18 MMSCMD and balance 8.51 MMSCMD

was received under APM and PMT mechanism. During the first six month of current fiscal gas station received 12.34 MMSCMD as against 14.3 MMSCMD received during the corresponding period previous year. GOI allocated 4.46 MMSCMD of KGD6 gas to NTPC existing NCR gas based power station. Out of 4.46 MMSCMD 2.30 MMSCMD has already been contracted, balance 2.16 MMSCMD is being discussed for tie up.

Further, NTPC has sought allocation of 54.025 MMSCMD of domestic gas for nine gas based power station totaling 10,650 MW. Ministry of Petroleum and Natural Gas has allocated 0.82 MMSCMD additional domestic gas (non APM) for NTPC's existing gas based power station for ONGC nominated field GAIL will supply and market this gas.

Coming on to coal mining, Ministry of Coal has given an in-principle approval for allotting five coal blocks for four new stations of NTPC. These are Unchahar 500 MW in UP, Kudgi 1600 MW in Karanataka, Barethi 3960 MW in MP and Gajamara 69 MW in Orissa. With respect to the deal allocation mines of NTPC, the Ministry of Coal is reviewing the decision and based on reports which are being published on the basis of statement made by the Honorable Coal Minister, we are confident that these coal blocks will be reallocated. Although we have not received official communication, but we are confident that we will get back and we have continued to spend money on these coal block to ensure that we do not get a set back on account of the early statement, whereby these coal blocks have been deallocated.

The status of progress of coal mines is as follows: Cumulative expenditure of Rs.565.28 Crores has been incurred on the development of five months allocated to NTPC up to September 30, 2011. On Pakri Barwadhi the environment and forest clearance for mine have been received and the MDO has appointed. All notification under CB Act as well as under LA Act has been completed. Till date payment has been made for 4205.86 acres of land and land in physical position is 2595 acres. Agreement signed with Jharkhand State Government for private land acquisition, the work of felling of trees has been completed in CHP I and II areas and is under progress in the MDO and infrastructure area.

Contracts for both the coal handling plants have been awarded and work on the same and have also started. Conditional in principal clearance of FR for railway sighting/elevated conveyor corridor has been received from ECR. Master policy for payment of annuity has been finalized with LIC. Geological report prepared for unexplored area. Cumulative expenditure incurred till September 2011 is Rs.419.28 Crores.

Chatti Bariatu coal mining - After receipt of stage one forest clearance compliance report on the same has been forwarded to MOEF by state government on August 12, 2011.

The price bid for appointment of MDO has been opened recently on October 21, 2011 and the same are under evaluation for award. All notification under CBA has been completed along with Section 4 notification under the LA Act (for Township, R&R colony infrastructure) Payment has been made for 646.828 acres of land. Cumulative expenditure incurred till date 2011 is Rs.55.01 Crores.

Kerandari - Final feasibility report has been received and financial appraisal done, environment clearance have been received and land acquisition rate has been finalized, the stage I forest clearance proposal has been forwarded to MOEF by the State Government and site inspection by the regional office of MOEF has also been done in September 2011. Notification under CBA Act have been completed and compensation payments are under progress, so for payments towards for 48.37 acres of land has been made. Bid document for appointment of MDO under finalization, cumulative expenditure incurred till 2011 is Rs.59.76 Crores.

Dulanga coal block is no longer on the NO-GO list of the MOEF, thus paving way for mine development. Initial discussions held with EAC, MOEF, and enumeration of trees and demarcation of forest completed. Forest proposal under process of DFO and notification under CBA Act for mining area have been completed and the land rates are under finalization with the District administration. For land under LA Act, land assessment done by IPICOL has been forwarded to IDCO, which in turn has submitted the same for administrative approval of department of Steel and Mine and also submitted Section 4 application to DLAO in September 2011. Transportation study has been completed cumulative expenditure incurred till September 2011 is Rs.16.15 Crores.

Talaipalli - Final feasibility report received and environmental clearance proposal has been discussed in EAC meeting and compliance to the MOM submitted. Enumeration of trees and demarcation of forest completed. Composite forest proposal has been cleared by DFO, CF and CCF. Notification under CBA Act completed and land rate finalized Section 4 notification under LA Act is under finalization. Rehabilitation Action Plan approved by NTPC board. Agency appointed for preparation of DPR and Detailed Engineering of MGR. Cumulative expenditure incurred till September 2011 is Rs.15.08 Crores.

Chatti-Bariatu South - Mining plant prepared and submitted to MOC for September 2011. The same has been returned pending revocation of deallocation of the mine. Preparation of feasibility report, Nalla diversion, EIA/EMP studies, slope stability and social economic survey are under progress. Brahmini and Chichro-Patsimal - these blocks has geological reserves of 1900 million tonne and 356 million tonne respectively. These blocks have been earmarked by Ministry of Coal for 50:50 JV between NTPC and CIL. CIL-NTPC Urja Private Limited, a JV company incorporated on April 27, 2010. The job of detailed exploration and preparation of geological report assigned to CMPDIL on July 13, 2010.

Commercial – as in the past 100% of the amounts billed to the customers have been realized thus maintaining the trend of full realization of dues. The servicing of bonds under the one time settlement scheme is made on time as per the schedule. The principal amount of Rs.825.73 Crores was paid by beneficiaries along with interest amounting to Rs.347.24 Crores due for the first half year of 2011-2012.

The sundry debtors of Rs.11,156.15 Crores outstanding as on September 30, 2011 are equivalent to 69 days sales as compared to 33 days sales for the debtors outstanding as on September 30,

2010 of Rs.4,710.36 Crores. So, there has been increase in the number of days there has been no default by any beneficiary despite the financial constraint phase by them.

During the Q2, a new term loans agreement of Rs.2,000 Crores were entered into, with this cumulative amount of domestic loans tied up till September 30, 2011 is Rs.57,644.35 Crores. During the Q2, NTPC has issued USD \$500 million fixed rate senior unsecured notes. The notes carry a coupon rate of 5.625% per annum payable semi annually. We also issued bonds amounting to Rs.75 Crores to Army group insurance funds to finalize the capital expenditure of our projects. Average cost of borrowing for the first half year financial year 2011-2012 is 7.06% on our revenue as compared to 6.42% for the corresponding period of last year.

Coming on to capacity addition, Dadri Stage II (2 x 490 MW) has been declared winner of International Project Management Excellency Award Silver category mega size project by IPMA international. Work on all units under construction amounting to 14,088 MW is going on in full swing to meet the scheduled target of this current year target is 4,320 MW comprising of two units of 660 MW each at Sipat and 6 units of 500 MW each at various projects. Unit 2 of 500 MW Jhajjar has been test synchronized on October 21 and is anticipated to achieve full load soon. Technical evaluation of 800 MW bulk tender was completed and price bids opened. These are under evaluation for award purposes as mentioned earlier in-principal approval for allocation of coal blocks for projects including the bulk tender of 800 MW projects has been received. This ensures fuel linkage to all 800 MW projects under bulk tendering. Work is also going on for obtaining the balance environmental and other clearances. The award for main plant SG package for 660 MW bulk tender shall be awarded as soon as a favorable ruling from Honorable Supreme Court is received.

Coming on to JVs and subsidiaries of NTPC, NTPC has received total dividend of Rs.75.36 Crores for the financial year 2010-11 from its Joint Venture and Subsidiary Companies. The increase of Rs.47.30 Crores over previous year marks a healthy trend in the future growth of these ventures.

Pan-Asian Renewable Private Limited, a joint venture company incorporated on October 14, 2011, amongst NTPC, Asian Development Bank and Kyuden International Corporation a wholly owned subsidiary of Kyushu Electric Power Company of Japan to develop renewable energy projects and initially establish over a period of three years a portfolio of about 500 MW of renewable power generation resources in India.

Unit 2 of Aravalli Power Company was test synchronized on October 21 as I said. MOU signed on September 27, 2011 with Mahanadi Coal Limited for supply of 1 lakh tonne coal to NTPC Tamil Nadu Energy Company Limited, where unit I boiler light up was achieved on August 28, 2011 and chemical flushing of the same completed on September 11, 2011.

Coming on to international business, a joint venture agreement between NTPC and CEB has been signed on September 6, 2011 in Colombo for setting up 2 x 250 MW coal based power project in Trincomalee. Subsequently, JV Company has been incorporated in Colombo on

September 26, 2011 by the name “Trincomalee Power Company Limited”. An MOU has also been signed between NTPC and Bangladesh Power Development Board (BPDP) on August 30, 2010 for cooperation in power sector. On January 31, 2011, NTPC board has approved the joint venture agreement finalized with BPDP. Clearance from Bangladesh side is awaited. In Bhutan, the 7th India-Bhutan Empowered Joint Group meeting was held on September 22 and 23, 2011 in Delhi. DPR for Amochhu reservoir project in Bhutan has been prepared and shall be submitted to Bhutan as per schedule.

Besides this, we have won number of awards like best employer in India 2011, AON Hewitt Best Employer in Asia Pacific, Best Company to work for 2011, then NTPC adjudged as the Top Liner Maharatna for Highest Sales Growth in 3rd DSIJ PSU award 6 employee of NTPC were awarded Prime Minister’s Shram Bhushan awards announced by Ministry of Labour. NTPC Talcher unit received the Golden Peacock Award in 2011. These are some of the highlights. Now I would like to leave the floor open for Q&A. The question to be answered by me and my colleague Mr. I. J. Kapoor and Mr. N. N. Mishra. Thank you very much.

Moderator: Thank you, very much Sir. Our first question is from the line of Rajesh Panjwani from CLSA. Please go ahead Sir.

Rajesh Panjwani: Good afternoon sir, my first question is on, have you seen any change in the payment behaviour from SEBs. I understand that collection remains at 100%, but earlier most of these SEBs used to avail for initial discount for timely payments. Has that percentage changed or because RBI has made it more difficult for SEBs to get the funding from banks, has it resulted any change there?

A.K. Singhal: I would say that it has changed but it has resulted in some benefit to NTPC also. As per the scheme we have to give them 2% discount. When we get this money by giving them 2% discount, we invest this money, which earn an interest rate of 9 to 9.5%. Instead of paying 12% we were losing 3% on this account. Although, initially we used to get about 60% to 70% on the first day itself of the billing to avail the 2% discount. Now instead of 65% it has become about 30% to 40% on the first date and the balance 60% 65% has pushed on to the last. On the 60th day we found that instead of remaining 5% to 10% it has become now about 20% to 25%. That is the kind of time change but in no case there has been any signs where any of the SEBs has shown reluctant for making payment to NTPC. Mr Kapoor can add here.

Mr. I. J. Kapoor: I would supplement what has been said. Yes, what you are talking about, the problems now with the SEB is there, but nevertheless on our payment scenario there has been like a date of presentation some percentage has gone down there but then we have a robust rebate mechanism where even greater rebate is there. So the SEBs have incentive, if they are not making on the date of presentation they even make on 10th date they gain in terms of the discount there but the delay which we anticipate in all it is not in our case at least we are able to ensure the entire payment is made in the due period of 60 days wherever the PPA is signed.

Rajesh Panjwani: Is there any, do you measure like what was the average payment earlier and what it is now?



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- A.K. Singhal:** If you look at the average payment days, it was, roughly about, our sundry debtors used to be somewhere around 20 days to 35 days. Now that has gone up from, 50 days to 65, 66 days. That is the kind of difference. We used to get payment in a period of 15 to 30 days, now we are getting that payment between 50 to 65 days.
- Rajesh Panjwani:** Do you see that worsening further?
- A.K. Singhal:** I do not think so, you must be reading in the newspaper both Central Government and State Government have become conscious. I was reading today in the newspaper they are talking about that they want to securitize those debt by issuing the bond of equivalent to Rs.1,00,000 Crores. If that does not happen and everybody has now started talking whether the tariff of the State Electricity Board have to go up, there is no other option. These two actions have to be initiated for the purpose to keep the power sector vibrant and healthy and I am confident that it will happen.
- Rajesh Panjwani:** My second question is you mentioned the availability level was 83.4% in the second quarter 2012, if I am right it was 86.5% in the second quarter last year?
- A. K. Singhal:** It was availability you were talking about, why do want to go into the corresponding period you should look at the current period and the circumstances, those data is already available with you.
- Rajesh Panjwani:** It is down roughly 3% point in year on year in that case right?
- A. K. Singhal:** I would say that to the extent the resources were available, we have shown the availability of the plant.
- Rajesh Panjwani:** That is definitely there, what I want to know is second quarter is the quarter in terms of better availability for NTPC.
- A. K. Singhal:** Let us not try to remain concentrated on second quarter; let us wait for Q3 and Q4 to come. You see that because of certain issues we switched over to plant outages, if you look out our plant outages numbers, they are much bigger than what planned outages was there in the corresponding period. So, let us wait for Q3 and Q4 quarter to happen.
- Rajesh Panjwani:** Based on what the plant outages?
- A. K. Singhal:** Let us not analyze that we will be able to give you separately, let us not analyze based on the Q2 performance of availability. Let us wait for the Q3 and Q4 also. Because once we have taken outages the possibility of outages is not there at all during the Q3 and Q4. We have already lined up sufficient fuel, we have lined up imported coal and you have seen that so far as physical availability of imported coal is concerned it is just 7%, you should feel comfortable that we have been able to materialize up to 92% of coal of ACQ which we have signed with Coal India. Which other company has been able to get that much of coal quantity? Despite so much of problem happening in and around the coal mine area we have not suffered on that account.



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- Rajesh Panjwani:** Let me put it in other way. If you look at last full year leaving the Q3 your coal plant availability was roughly 92% what would you expect this year for the whole year?
- A. K. Singhal:** We definitely hope to reach at that level, 92% or rather we are looking at, and we should go beyond 92% availability.
- Rajesh Panjwani:** Despite of coal shortages and all that you still?
- A. K. Singhal:** There was a coal shortage during that period and due to fuel losses we have lost only 3 billion units and 3 billion units if you look at in the entire availability it is not much. In a total generation of, if you look at, 230 billion units 3 billion unit is just 1.2% and this 1.2% loss in the first half can be taken care of in the second half when the temperature is better and now all the coal mine are producing and this issue has been scaled up at the highest level everybody is concerned now, you must have read in the newspaper they are going to earmark the e-auction coal for NTPC. The minister himself has made a statement that we will give preference to NTPC for supply of coal.
- Moderator:** Thank you. Our next question is from the line of Atul Tiwari from Citi Group. Please go ahead.
- Atul Tiwari:** I have a question on your notes to accounts 1(d) Sir, this Rs.1262 crores of write back of earlier write off of receivable as I understand it has been booked as part of sales in P&L?
- A.K. Singhal:** What has happened that the transaction, which you are talking about, earlier we had created provision for doubtful debts, subsequently CERC has issued tariff orders for these amounts. Now, instead of showing as provision for doubtful debts we have shifted this amount from provision for doubtful debt to provision for tariff adjustment so it has not impacted on profit and loss account. It is merely an adjustment whereby we have shifted the amount from provision for doubtful debts to provision for tariff adjustment. That is how, if you look at net debtors they are lower to that extent.
- Atul Tiwari:** Okay, so sir but your provisions also have not gone up that much in this quarter so, if I remember correctly at 2011 end it was roughly around Rs.2,700 crores and now it is only Rs.3,200 crores so, why is that, because the provisions would have gone up for Rs.1200 crores right?
- A.K. Singhal:** Because some of the provisions for tariff adjustments, which we did on March 31, 2011 have been shifted to the sales and this additional provision has come here. There is a clear increase of Rs.700 Crores tariff adjustment provision. There was some tariff adjustment provision which we made has resulted in the current quarter as sales. Because some provisions which we made based on the orders which we have received during the first quarter of the current year which was almost Rs.400- Rs.500 Crores, for that we have already made provision for the tariff adjustment in the previous year by adjusting in the same. Those have removed and this new provision has been shifted from doubtful provisions for tariff adjustment

- Atul Tiwari:** Sir I have just one more question in this note, actually the last line the reason that this provision has been created to the extent of impact of say the issues recognized as sales that is why I was asking this question; there is no impact on the sales number in this quarter?
- A.K. Singhal:** This is because we recognized the sales in the earlier year. Originally it was about three years back when we recognized this as a sale.
- Moderator:** Our next question is from the line of Michael Parker from Sanford Bernstein. Please go ahead.
- Michael Parker:** Thank you. Couple of questions. First one I want to confirm your coal imports and what you said there, you went from 6.2 million to 7.23 million, about 17%. One, could you comment about way you think the coal rate is going over the rest of the year and what is the constraint on importing more coal specifically if you saw coal go 10% cheaper with that increase in imports and if say by how much? Second question could you confirm your capacity expansion. I think I heard you say 4,320 MW for the year? Thank you.
- A.K. Singhal:** So far as importing the coal is concerned, we do not foresee any problem in importing the coal, we are in the process of issuing a tender for additional 4 million tonne of coal to be imported and preparing for next year where we will be almost importing 13-14 million tonne of coal to bridge the gap. Logistically, we did not find any problem in movement of coal that is why in my communication I have said that our imported coal receipt have gone up almost by 35% during the quarter. Coming back to your second question for the capacity addition, yes we will achieve 4,320 MW, we are making all efforts and confident that we will be able to achieve 4,320 MW.
- Moderator:** Mr. Parker, have you got any more questions?
- Michael Parker:** I just have one more question, what are the constraints on importing more coal? Is there any constraint on importing more coal?
- A.K. Singhal:** That is what I said we have constraints because if you look at the entire East Coast and West Coast of India there are number of minor ports, which have come up and there most of the coal is being handled and there is a rail linkage available and we have been able to move it out. We would not deny that there may be issues, problem will keep on coming. We are handling and ensuring that coal movement continues. Mr. Misra can add to that.
- N. N. Misra:** Today we estimate a shortfall of about 10% of our requirement, which accounts for about 14-15 million tonne and we are lined up that. In case we anticipate slightly more, we will take necessary actions, but as on date the shortfall is of this order, which we have already taken action. There is no issue on logistics. There is availability of imported coal in all the stations so there has been no shortfall of coal as far as imported coal is concerned.
- Moderator:** Our next question is from the line of Prakash Goel from ICICI Securities. Please go ahead.

- Prakash Goel:** Thank you, Sir. Couple of questions Sir, the adjusted PAT for the quarter in case I heard the number Rs. 1609 crores, how much is the impact of under recovery of fixed charge because of the lower PAF if you can quantify that?
- A.K. Singhal:** There is no under recovery of fixed charges. Our availability has been more than 85% so therefore we have recovered the full capacity charges. Except for some under recovery may be in case of Farraka and Kahalgaon, but it is not substantial.
- Prakash Goel:** So there would have been like you know earlier you would have been getting incentive for a higher PAF there would you have compromised on incentives due to lower PAF, is that an right way to look at?
- A.K. Singhal:** Definitely if you look at there is a lower PAF about 3% in the first and second quarter, to that extent we would have lost but parallely our PAF has increased in gas station. So partly it got compensated from that, whereas I would not say how much but that loss is not such a huge loss which we feel bad about. Then we are confident that we will be able to cover it in the second half year, like declaring a higher availability, ultimately as we said our overall availability is going to be 92%, so higher incentive would be available in the second quarter.
- Prakash Goel:** Can you confirm that the adjusted PAT number, it is Rs 1,609 crores right?
- A.K. Singhal:** Yes, that is right. The number, which you have said, is right.
- Prakash Goel:** Last question that I had is any SEBs taking more than 60 days because your weighted average is 69 days we were just wondering if any particular?
- A.K. Singhal:** 69 days is because of provisional tariff order which was issued by CERC, as this was a long-term payment it cannot be collected immediately, there is a provision in the regulation itself that this payment can be collected over a period of six months time, so we have allowed that, because of that it is 69 days and none of the payment is beyond 60 days.
- Prakash Goel:** That is all from my side. Thank you sir and wish you all the best.
- Moderator:** Our next question is from the line of Amrish Shah from Credit Suisse. Please go ahead.
- Amrish Shah:** Hi good evening Sir. Sir you mentioned the ACQ versus actual receipts for first half 2012, can you just give us a similar number for the Q1 2012?
- A.K. Singhal:** So you want those numbers?
- Amrish Shah:** Yes Sir.
- A.K. Singhal:** Just wait, During the second quarter of the current fiscal it was 29.54 million metric tonne of coal received as against 31.75 metric tonne during the same period last year. For the first half year

current fiscal 63.553 million metric tonne coal received as against 64.957 million metric tonne. Now you can work out what was in the first quarter and what was in the second quarter.

- Amrish Shah:** You mentioned about Farraka, Kahalgaon and Ramagundam FSAs, can you just quantify at what our threshold levels this has been signed?
- A.K. Singhal:** Our threshold is 90%.
- Amrish Shah:** Sir, if I remember correctly, you have filed one petition with the CERC for increase in the current production of coal asking for 27 million metric tonne of coal and you mentioned that the ACQ has been signed for 16 million tonne for all these projects put together so I was not able to reconcile those numbers?
- A.K. Singhal:** That is only for Farraka and Kahalgaon, you cannot include Ramagundam. For Ramagundam, we have been able to sign for the total 90% for the stages which has been commissioned before 2009. There we have 95%. Kahalgaon and Farraka our requirement is higher but to secure the coal, we have signed this agreement and we continue to protest with Coal India, that we should be provided 90%. For these two stations we are compensated by imported coal, by buying the e-auction coal, by getting a bilateral arrangement and the coal through that. That is why we have gone and signed Inland waterway agreement for taking coal through the waterways to Farraka.
- Amrish Shah:** So sir you are saying basically for the Ramagundam it is 90% of ACQ and for Kahalgaon you are signed for?
- A.K. Singhal:** For the stages, which has been commissioned before March 31, 2009. But for Ramagundam at 90% in because this project was commissioned before 31st March 2009?
- Amrish Shah:** I understand that Sir, but that is what Ramagundam and for product lines the projects which are commissioned before March 2009, your time is there, but you are still working out on the threshold level, is that right?
- A.K. Singhal:** Yes, it is not working at the threshold level but to meet the gap between the two we are compensating through this methodology.
- Amrish Shah:** So would that mean that the petition that you have filed for in the Coal India with CERC does that does not hold anymore or is this?
- A.K. Singhal:** It will hold, why should it not be? That continues to. What we are saying is that we are not provided coal because of problem at the end of Coal India. They are not able to produce that much coal, which we require for Farraka and Kahalgaon. So therefore that is why we are talking about the combined availability for Farraka and Kahalgaon instead of individual project availability.
- Amrish Shah:** Sir my last question is, are we entering into similar FSA for the projects beyond March 2009?

- A.K. Singhal:** Definitely we are, we are putting all pressure on Coal India to sign those agreements and even now the ministry is also putting pressure on Ministry of Coal.
- Amrish Shah:** Right Sir, I understand, one more last question sir, since you are saying that the availability of your coal based project is about 83.4% in this quarter and I understand in your overall portfolio for the project only 1.5% of your total generation has got impacted because of the coal unavailability, but if I just do the math apart from your Kahalgaon Project also the availability for some of the projects should have fallen below 85% and that should have impacted the collection of your incentive, is that understanding it correct?
- A.K. Singhal:** Why you are just going into the hindsight and talking about. That is what we said that so far as our availability for the entire year is concerned it is going to be more than 92%. Let us not start comparing on quarter-to-quarter and daily basis, because it is an industry where we have to do the planned outages as well. We cannot continue to operate 24/7 and 365 days. That cannot happen. There has to be 5%-6% planned outages, which has to happen. Those planned outages we have taken during the first half of this current fiscal.
- Moderator:** Our next question is from the line of Vishal Birair from Baltiwala and Karani Securities. Please go ahead.
- Vishal Birair:** Have we grossed up using MAT rate or the corporate tax rate for the quarter?
- A.K. Singhal:** It is based on the normal tax rate.
- Moderator:** Our next question is from the line of Avinash Gupta from Globe Capital. Please go ahead.
- Avinash Gupta:** I have two small questions one I believe there are fair amount of actions with respect to BSES Rajdhani for the non payment? Have we been required to take these kinds of action of giving notices that we just cannot supply the power in case of nonpayment?
- A.K. Singhal:** If would say, it's an ongoing process and wherever we find the utility is not, making payment where we see a potential risk definitely we will use this methodology, which is available under Electricity Act, as well as tripartite agreement. Let us say if you have issued a cheque and your banker does not honor your cheque. What will you do? Potentially you will take action against him. Therefore there has not been default in making payment, we have taken the action against BSES for that matter we will take against any other SEB it is the within the four walls of the law which is available to us and for that we have a fundamental right to take that action.
- Avinash Gupta:** Right, absolutely fine, that is not my issue. What you have done again is required, for any other organization would do the same thing.
- A.K. Singhal:** We have not done against any other.



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- Avinash Gupta:** Any other commercial organization will also do the same thing, only thing I wanted to understand, since your number of collection days are increasing has anything gone beside BSES, you have been required to serve such notices?
- A.K. Singhal:** No we have not served to anybody else.
- Avinash Gupta:** Another thing, under the new coal-mining bill has there been any clarity with respect to base company, which is at their own coal mine whether that increased liability will also pass through?
- A.K. Singhal:** We are still evaluating and we will come back to you. I am confident that whatever additional liability comes in it has to be passed through other than it is below the line.
- Avinash Gupta:** So that is what I wanted to know.
- A.K. Singhal:** That we do not know unless the finality comes in only then we can comment on that.
- Moderator:** Our next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.
- Abhishek Puri:** Good evening Sir. Thanks for taking my questions. Sir first of all on the grossing of ROE on the normal tax rate, if i remember correctly, first quarter was at MAT rate?
- A.K. Singhal:** No, first quarter was also at normal rate.
- Abhishek Puri:** So for this full year we continue to do it on the normal tax rate?
- A.K. Singhal:** Yes.
- Abhishek Puri:** Right, secondly regarding the generation target we had given 235 billion units for the full year. If I do the mathematics based on your first half results, I think for the second half you need to generate at a 15% yoy growth. Do you think that is possible given the coal constraint environment currently?
- A.K. Singhal:** Let us wait, let us hope that we will achieve that. Why should we presuppose at this stage. We still have five and a half months of the second half, to pass through.
- Abhishek Puri:** Right sir, basically by imports would it be feasible from our existing capacities to achieve our targets?
- A.K. Singhal:** Definitely that is what the Director (Operations) said that we have a shortfall of 10% to the extent that we want to achieve 236 billion unit, to that extent we are importing.
- Abhishek Puri:** So with the current materialization rate you will still be confident of achieving the target?
- A.K. Singhal:** Yes, that is what we are trying to do and our machines are operating well, because whatever maintenance part that we have to do, we have done it.



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- Abhishek Puri:** Sir if I may ask, is there any availability targets also in the MOU, which we signed with the government?
- A.K. Singhal:** No.
- Moderator:** Our next question is from the line of Satyam Thakur from Morgan Stanley. Please go ahead.
- Satyam Thakur:** Good evening Sir. Could you share what adjustments have been made to arrive at the adjusted PAT number of Rs.1609 crores?
- A.K. Singhal:** I told that on certain accounts, which we have made. It is a detailed statement. We can give you separately what adjustments have been made.
- Moderator:** Our next question is from the line of Amit Golcha from Emkay Global. Please go ahead.
- Amit Golcha:** Good evening, first question is on the other operating income in the quarter the other operating income is slightly higher 323 Crores versus 64 Crores YOY, so just I wanted to understand what has increased in this?
- A.K. Singhal:** This is primarily on account of higher earnings on the surplus fund. Last year weighted average earning was about 6.60%. This year we have almost earned 9.26%-9.40%, so that is 3% additional earning has resulted and another thing is that we have got a refund of income tax on which we have earned an additional, we got our interest from the income tax department and the third income is that because of the tariff orders, which have come in from 90%-95% as per the regulation, we can recover this amount along with an interest of 12% per annum and the rate of interest is applicable. So these are the three major reasons for the increase in the other income.
- Amit Golcha:** The interest I suppose is in the interest because it is written in the notes to these accounts?
- A.K. Singhal:** All the three are Rs.151 crores is on account of interest for the tariff which we have recovered, 60 Crores is on interest on income tax refund and the balance will be surplus interest, which we have earned on surplus funds, about 3%, 300 basis points additional income which we have generated will be roughly about Rs.125 Crores.
- Amit Golcha:** Secondly, in the case of provision for doubtful debts of Rs.1263 crores which we have converted now for being tariff adjustment, I was just wondering as and when Supreme Court order is there on this and if it is in our favour, this would be converted into sales or it would be reversal only?
- A.K. Singhal:** It would be converted into the reversal of provision; we have already paid tax on this, so it will be addition purely income to that extent.
- Amit Golcha:** Totally for the profit?



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- A.K. Singhal:** Yes totally for the profit, no income tax is payable on that.
- Moderator:** Our next question is from Salil Desai from IDFC. Please go ahead.
- Salil Desai:** Sir if I look at the fuel cost on the quarter-to-quarter basis and year-to-year basis there is a very substantial increase. This I presume is because of the large quantity of imported coal which is being used?
- A.K. Singhal:** It is not because to the imported coal, the domestic coal also as the Coal India has increased the prices.
- Salil Desai:** Because even compared to Q1 there is almost a 30 paisa per unit increase in fuel cost and any idea on why that would be?
- A.K. Singhal:** It is primarily, the coal cost, the average rate of coal cost in the corresponding quarter last year was somewhere around Rs.2100 per metric tonne, this quarter rate has become Rs.2651 per metric tonne almost Rs.600 increase per metric tonne increase in the coal cost.
- Salil Desai:** Sir is there any component of the fuel cost increase, which we have not either billed to customers, which has not taken into account?
- A.K. Singhal:** In the current quarter one more element which is primarily responsible that MP government imposed on the coal and for the last two years, we have counted them as a sale as well as an expenditure during the current year, which amounts to almost around 695 Crores, which has an impact on the overall basis about 6 paisa for the generation till date. So that maybe giving you some sort of aberration with the coal cost in the first quarter and the overall six months.
- Salil Desai:** So this 6 paise is in the costs but not in the revenue?
- A.K. Singhal:** It is in the revenue also because it is the same, the revenue and the cost is the same.
- Salil Desai:** Second, you mentioned about the e-auction coal being diverted to NTPC, now is there some direct communication that you have received that it has happened, and why this has happened? Why would the government probably put NTPC in a priority order for this? Why would other IPPs has not objected?
- A.K. Singhal:** See the biggest advantage here is that we are the Maharatna Company of Government of India and you can see the kind of generation which we are doing no entity is doing, the kind of efficiency and dedication we are serving this nation for the last 35 years. Our motto is to serve to the people and second thing that I would like to supplement the e-auction coal. Coal India normally allocates 10% of their production to e-auction and during this adverse condition when the production went down due to flooding in the mines and damage to the mining equipment the government has as a principle to boost up the coal supply to the power sector and they decided to offer this coal, at the notified price basis to the power sector and in the power sector since NTPC

is the biggest consumer and we were needing that coal where plants were available, so it was offered to us on a first come first serve basis. So there is a direct communication from the Coal Ministry to NTPC and the coal lines from various mines if it suitable for our use and it is possible for us to transport it also. So we are looking at this.

- Moderator:** Our next question is from the line of Abhishek Anand from JM financial. Please go ahead. Please go ahead sir. We will take our next question from Vishal Birair from B&K Securities. Please go ahead.
- Vishal Birair:** Could you help us with the availability of the first half?
- A.K. Singhal:** You want the availability of the first half? I gave you the numbers for the availability for this first half. Our availability for the first half was 86.67%.
- Vishal Birair:** The decline in availability on the YOY and in the quarter is mainly due to the plant outages, because you said that coal has been available?
- A.K. Singhal:** Mainly it is because of the plant outages.
- Vishal Birair:** Sir in the concall transcript for Q4 2011, the last year you had mentioned that we have taken substantial plant outages in the fourth quarter hence FY'12 first half should not suffer because of plant outages?
- A.K. Singhal:** We do not have one unit, which has to be operated; we have got almost about 125 units of various sizes and I would request Director (Operations) to give a brief on this.
- N. N. Misra:** See this is dependent on our year-to-year strategy, last year we had deferred our plant maintenance due to Commonwealth Games, if you would recollect that. So that was put on the last part of the last financial year. This year because of the good anticipated and good hydro generation we had planned lot of plant maintenance in this quarter also. So that is why you will see a plant maintenance in the last quarter and this quarter was pretty high because we felt based on year to year statistics the grid frequency demands higher generation in the second half of the year, so this is how we have planned for this year.
- Vishal Birair:** Sir one more question pertaining to operations, on the Korba plant. This is a plant that has been running for the past 15-20 years and has never seen any issue with the ash dam. So that this is the first time we have seen an issue any specific reason and also plants have been subject to?
- N. N. Misra:** These will keep on happening and we are keeping on resolving those issues. Let us not take one out of many issues as an issue. It could happen because suddenly earthquake comes, what can you do? You have to bear with that situation and handle it. This is basically not of ash, this was basically due to heavy rainfall in that region in the ash pond where there was flooding, the ash water has to overflow the embankment because of heavy rain water in that catchment area.



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- Moderator:** Our next question is from the line of Amit Golcha from Emkay Global. Please go ahead.
- Amit Golcha:** Sorry to come back to the same question, of interest just wanted to check how much is the total interest you have earned in this quarter due to tariff orders?
- A.K. Singhal:** Rs. 110 crores
- Amit Golcha:** Rs.110 crores? There is an item mentioned in notes to accounts, which is Rs. 198 Crores which is included in the interest and finance charges, which is an income which you have earned of reversal of backlog order reversal of the interest payable to the beneficiary as per the backlog order, so this is basically different from this amount?
- A.K. Singhal:** Yes this is different, both are independent Rs. 198 crore is separate and Rs.110 crore is separate.
- Amit Golcha:** Rs. 110 crore will you have included in the income and the Rs.198 crore in?
- A.K. Singhal:** It is used from the expenses.
- Moderator:** Our next question is from the line of Anirudh Gangahar from Nomura. Please go ahead.
- Anirudh Gangahar:** Good evening Sir and thank you the opportunity. Three questions Sir. Our normalized interest expenditure for this quarter adjusting for the Rs.198 Crores is significantly higher on quarter-on-quarter if you could just let us know what is the reason for that and secondly just a clarification, you mentioned that the e-auction priority has been given to NPTC, is it only for 4 million diversion or is it the something that is going to be consistent for the rest of the year as well?
- A.K. Singhal:** First of all for your first question our normalized interest and finance charges are lower by 29.80%. If we exclude new capacity and all other adjustment and for the half year it is lower by 18.56% which is clearly evident it is on account of repayment of loans, which has happened, and our weighted average cost of money as I said is 7.06% for the first half year and 6.42% for the corresponding half year. Coming to the e-auction, it has to remain as the continuous process We will not stop, wherever the coal is available we will take the coal.
- Anirudh Gangahar:** Sir, just a clarification, but the priority, which has been given on the official communication for this October month so far, we can expect the same thing going ahead? Is that what we understand?
- A.K. Singhal:** Hopefully it will happen.
- A.K. Singhal:** Can we take a last question one more?
- Moderator:** Sir we do not have any further questions, I will hand the conference over to Mr. Sundar for closing comments.



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Jayesh Sundar:

I would like to thank the NTPC team for taking time out for this conference call and for giving us an opportunity to host this call. Thank you and all the best.

Moderator:

On behalf of Tata Securities Limited we conclude this conference. Thank you for joining us. You may now disconnect your lines.