



“NTPC Limited Q2FY14 Earnings Conference Call”

October 30, 2013

MANAGEMENT: DR. ARUP ROY CHOUDHURY
CHAIRMAN & MANAGING DIRECTOR

SHRI I. J. KAPOOR
DIRECTOR (COMMERCIAL)

SHRI N. N. MISRA
DIRECTOR (OPERATIONS)

MR. S.C. PANDEY
DIRECTOR (PROJECT)

MR. G. K. SADHU,
EXECUTIVE DIRECTOR (FINANCE)

MR. SUDHIR ARYA
EXECUTIVE DIRECTOR (FINANCE)

MS. SANGEETA BHATIA
GENERAL MANAGER (FINANCE)

MR. K. SREEKANT
GENERAL MANAGER (FINANCE)

MODERATOR: MR. HARSH DOLE
VICE PRESIDENT, RESEARCH, INSTITUTIONAL EQUITIES, IIFL



NTPC
October 30, 2013

Moderator: Ladies and gentlemen good day and welcome to the NTPC Limited Q2FY14 earnings conference call hosted by IIFL Institutional Equities. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harsh Dole of IIFL. Thank you and over to you sir.

Harsh Dole: Thank you and hello to everyone. I welcome you all to the second quarter FY14 earnings call of NTPC. Today we have with us the senior management of NTPC represented by Dr. Arup Roy Choudhury, Mr. N. N. Misra, Mr. I. J. Kapoor and Mr. S.C. Pandey who would be taking us through what has happened during the quarter and how do they see the subsequent quarters in times to come. Now without wasting much of time, I would like to hand over the call to the senior management of NTPC. Over to you sir.

Arup Roy Choudhury: Good afternoon to all of you. I hope all of you can hear me. I have with me Mr. N. N. Misra, my Director (Operations), Mr. I. J. Kapoor, my Director (Commercial). To my left, I have Mr. Sadhu, our Executive Director (Finance), Ms. Sangeeta Bhatia who is well known to all of you and then Mr. Sudhir Arya, Executive Director (Finance) and Mr. Sreekant, General Manager (Finance) and team of other people also. Well I thought that as you all know Mr. Singhal has joined the regulatory commission and this normally used to be a talking to him after the quarter results. This time I am here to talk to all of you and I thought that I will take this opportunity to also see some of you with whom we could establish contact and take you through 2Q. I must tell you that this quarter has been extremely good for the company. In fact the first two quarters of this year has been extremely good for the company. So I welcome you all with this background and I also thought that we will put our statement on the web so that rather than me reading out too many things, you all can actually then question us. I highlight a few points and then we can go to the Q&A straight away.

Let us say on the financial results, if you look at our financial results closely, you will find, the availability factor of our machines what we call as DC, on quarterly basis, has actually increased to 87.51% against 80.14% of last year and the net sales has also increased by 1%. The profit after adjustment has increased by 9.36%. The adjustments are on account of previous year sales and interest from customer which is both adding up to more than Rs. 420 crore. Then if you look at the CAPEX expenditure, we also exceeded Rs. 6,200 crore as of now. We also have a very ambitious plan of exceeding Rs. 20,000 crore this year also. We almost touched Rs. 20,000 crore last year you know that very well and I think I must also tell you some of the normal questions that I need to answer all the time. The capacity addition is going on as per schedule. Mr. S. C. Pandey, our new Director (Projects) has just joined us. I must tell you the gross generation has increased by 3.41%. The commercial generation has increased by 3.9%. The availability factor of our machines have increased by 7.37%. The domestic coal supply has increased by 5.52% and the imported coal supply has increased by 123%. So overall, this is the

result that we have put up. I think without much more one-sided dialogue from my side, I would leave it for questions and answers to begin straight away. Thank you so much for listening to me.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from Rajesh Panjwani of CLSA. Please go ahead.

Rajesh Panjwani: Thanks for posting the details of the operations ahead of the call, that is a good start. My key question was on the availability. You mentioned that availability has improved and it has gone up by almost 7% each point and you have started the transportation of coal by waterways. So can you give us a little bit more detail on that and how this can help availability in the future as well? Thanks.

Dr. Arup Roy Choudhury: On the waterways, as you rightly pointed out, the transportation on the waterways has started. The barges have started moving from the high seas. Within the next 48 hours, they are supposed to reach Farakka station. But let me tell you, in Farakka and Kahalgaon, there has been substantial improvement. Now we are going to get the imported coal and this is going to further improve the performance of these two stations. As regards the availability, the actions that we are taking to improve the availability and how we are quite confident that we will have much more availability of our stations than previous year, I will ask my Director (Operations) Mr. Misra to say a few words.

N. N. Misra: Basically we were constrained by the fuel availability. This year Coal India has already given us about 101% of the ACQ quantity and we hope that this trend not only continues, but improves in the coming 6 months. This year the imported coal availability has been consistent right from the first quarter itself. This has resulted in making available all the units which are on barges. In addition to that, in our running units forced outage has also come down drastically except in one station. So these few parameters have helped us to control the non-availability part of the component and made the machines available more.

Rajesh Panjwani: Last year you have struggled to meet your targets for coal imports, are those issues now sorted out and going forward would you be able to meet those targets?

Dr. Arup Roy Choudhury: I think that is what the Director (Operations) said that this year there has been no shortage of imported coal at our stations. We are constantly placing orders as per our requirement and we expect that the imported coal will be available in all stations to make the machines available at all times. We already see in the result statement, that we have posted, that there has been a 123% increase in the supply of imported coal, that would reinforce our commitment that imported coal will be available at our stations at all times.

Moderator: Ladies and gentlemen may we please request you to limit your questions to one per participant. Time permitting, we will come back to you for a follow-up question. We will take our next question from Tien Doe of GIC. Please go ahead.

Tien Doe: Your capacity additions this year, next year, I can see that you won't give of an exact figure, but the range of capacity additions that you would do for in this financial year and next year, what would that range be?

Dr. Arup Roy Choudhury: Did you ask the question on the capacity addition program?

Tien Doe: Yes, what your expectation this year be?

Dr. Arup Roy Choudhury: As you would be seeing that our capacity addition program is in full stream and we have put special emphasis on the capacity addition program. You would know that this year already 500 MW of Rihand has been commissioned; Barh 660 MW, first unit, has already been synchronized, it will be commissioned very soon; Kanti 110 MW unit has also been synchronized, it will be commissioned very soon; Vallur 500 MW we are looking at Q4, plus we are looking at a Solar of about 100 MW this will bring us to about 1875 MW that we are talking about as capacity addition in this fiscal.

Tien Doe: And what would you hope for the following fiscal year?

Dr. Arup Roy Choudhury: See our total plan for XII Plan Period capacity addition is 14038 MW. For that, we have 20,000 MW plus already under execution and in the first year, we delivered 4170 MW. So we are well on stream to achieve this target and probably do a little bit more.

Moderator: Thank you. Our next question is from Pallavi Desai of Premji Invests. Please go ahead.

Pallavi Desai: Sir as you mentioned that Farakka and Kahalgaon are already improved. Now with the infrastructure for water-led transport of coal also ready and domestic coal also available, do you think there might be transporting more coal than required in these two stations and is it possible to divert the domestic coal available to some other stations?

Dr. Arup Roy Choudhury: Let me request my Director (Operations) to reply this.

N. N. Misra: Farakka and Kahalgaon, you are all aware that the link mines are still not been developed even after more than a decade of commercial operation. NTPC year-after-year had been making special efforts to see that the coal is delivered through alternative routes. Alternative route available to us was the Indian Railway System which was already constrained and that section was already overloaded to absorb additional coal moving rakes to Farakka and Kahalgaon. So NTPC has been continuously thinking how to do in innovative way and we were the first ones to start these waterways, but your question is since we have done it, will this coal add to our availability. The simple answer is yes, anything we declare more than 85% to our availability figures; we are entitled to get incentives on the same as per the CERC regulations. So yes we will try to improve further than what we are today.



NTPC
October 30, 2013

- Pallavi Desai:** So my question is that when you said that Farakka and Kahalgaon are already improved even before you started transporting on the waterways, the coal that was being supplied was that a domestic source coal or was that imports but through railways?
- N. N. Misra:** Those are both, domestic and imports.
- Pallavi Desai:** My question is that, infrastructure that you build for import on waterways, but does not kind of duplicate any necessity that you are already getting coal from domestic sources, but through railways?
- N. N. Misra:** No, it will not duplicate anything, but it will free some of the domestic coal for usage in our other plants.
- Pallavi Desai:** So that diversion is possible, right. That is what the question is.
- N. N. Misra:** Yes because that will relieve the railway constraints of the coal mines to Farakka and Kahalgaon and we have a provision in the fuel supply agreement to divert coal from one station to any other station within the NTPC basket.
- Moderator:** Thank you. Our next question is from Sheena Barbosa of T. Rowe Price. Please go ahead.
- Sheena Barbosa:** I just wanted to understand the regulated equity block now. What is it now? Versus same period last year to know the year-on-year growth and how does that compare to the earnings growth?
- Dr. Arup Roy Choudhury:** Our regulated equity as of now is about Rs. 32,600 crore and what was your second question on that?
- Sheena Barbosa:** So it was basically, what it was last year, so we can see the year-on-year growth.
- Dr. Arup Roy Choudhury:** I think I will request Mr. Sadhu to tell you all that.
- G. K. Sadhu:** My regulated equity as of March 2013 was about Rs. 32,576 crore. There has been a very marginal increase to Rs. 32,611 crore primarily because of truing up and certain add cap which have taken place. No fresh unit has been declared commercial in this period as yet. So it is static from March to date as now.
- Sheena Barbosa:** In the same period, the same quarter last year, you have that.
- G. K. Sadhu:** In Q2 this thing, it was Rs. 30,088 crore. Now you need to compare this on the basis of an adjusted PAT to get a true picture.
- Sheena Barbosa:** Right, adjusted PAT was up 9.3%, is that right?
- G.K. Sadhu:** Yes. So then you will get a more comparable picture.

- Moderator:** Thank you. Our next question is from Vishal Biraria of B&K Securities. Please go ahead.
- Vishal Biraria:** Sir third party sampling has been almost settled at the Kahalgaon and Farakka plant. So when will we settle the contingent liability, if at all?
- Dr. Arup Roy Choudhury:** The GCV issue with Coal India had been settled, but to give you exactly the settlement position, you will have to bear with us for one quarter more. Next time I will sit with you we will be able to give you a position. The decision is thus, Coal India has been now made to appoint a third party quality auditor and the third party is measuring the quality of the coal at Coal India end regularly. We are also appointing the same third party to measure the quality of coal at our own station. Now this will be continued by Coal India. For resolving the GCV issue, 3 months average will be taken, October, November, December and in January the GCV issue will be resolved based on the data which is actually available on the field, but having said that, let me also tell you here that whatever has been the amount which has been sort of adjusted on account of poor GCV by NTPC and if after the adjustment, it requires any fraction of that amount requires to be paid, NTPC will have the liberty of recovering the same from the State Governments. That is the condition because the credit also has been passed on to them and therefore it is total pass-through for us having no effect on our account statement.
- Moderator:** Thank you. Our next question is from Akshen Thakkar of Fidelity. Please go ahead.
- Akshen Thakkar:** I had two questions. Firstly if you could just name your adjusted PAT figure because you mentioned it is up 9.3%, but then last year number and this year number is slightly different. So just for sake of simplicity if you could just name adjusted PAT figure both for Q2 this year and Q2 last year?
- Dr. Arup Roy Choudhury:** Adjusted PAT, you have to take in two numbers, which you may kindly note down, Rs. 318 crore on account of previous year sales and the interest from customers of Rs. 105 crore. These two were for the current half-year and if adjusted you will get that numbers. For the quarter it was Rs. 117 crore and Rs. 74 crore, Mr. Sadhu will tell you.
- G.K. Sadhu:** There are two key differences vis-à-vis last year. The first is that we have previous year's sales additionally last year of about Rs. 906 crore and interest from customers of about Rs. 135 crore. Together this variation adds up to about Rs. 1,041 crore. So my adjusted PAT in the current quarter is Rs. 2,304 crore versus Rs. 2,107 crore in last year translating to an increase of 9.36%.
- Akshen Thakkar:** Versus last year your regulated equity is up 8%, your plant availability is up 700 bps. So then your profit growth would have been a lot higher, but it is only up 9% which means versus last year certain incentives are not materializing as per the trend last year. So are there any incentive particularly that you would like to point out it is not coming out as per what your expectations.
- G.K. Sadhu:** Mr. Thakkar, one is, there is unit of ours which was declared commercial recently and that is under disincentive primarily because the railway transportation networks were not ready We lost around Rs 250 crore at Mouda due to this.



NTPC
October 30, 2013

Akshen Thakkar: My final two questions are there any guidance that you would like to give on the full year plant availability factor?

Dr. Arup Roy Choudhury: Our target is to do much better than last year; I will leave it at that.

Akshen Thakkar: My last question is what is the uptake on your captive mines?

Dr. Arup Roy Choudhury: Captive mines. I just quickly request my Director (Operations) who look after my mining operation to give you a brief.

N. N. Misra: As far as the first mine is concerned that is Pakri Barwadih, we are ready for opening the mine. Due to certain law and order issues and certain other issues as far as encroachers are concerned, we are waiting for the decision from the Jharkhand Government on this. The day it happens, within the next 48 hours, we should be able to start our activity and we expect this to happen anytime, while we are going ahead with other activities like rail connectivity from this mine to the rest for the railway system, those actions by Indian Railways and by NTPC is going on. So this part we expect to start anytime and the next mine which is Chatti Bariatu which is adjacent to it, already we have ordered the MDO. The preliminary engineering work has been done by the MDO. The engineering phase is going on and we hope to start ground activity in this financial year itself.

Dr. Arup Roy Choudhury: Actually I just want to top up what he said. As you know now we have almost 5 billion metric ton reserves of the coal mines which are allocated to us and we are growing at a very brisk pace to get into a situation where we will have about 100 million tonnes of our coal by the next 7 years or 8 years. At the moment, Pakri Barwadih, I wish we were little more lucky, the coal was supposed to have come out on 24th and today I could have told you the coal has come out. That is the level of advanced position that we are in and Director (Operation) has just explained to you that it can happen any day. So may be you will hear very hear soon that the coal production has started.

Moderator: Thank you. Our next question is from Rakesh Vyas of HDFC Mutual fund. Please go ahead.

Rakesh Vyas: I have two questions actually. First one relates to this RGPPL, can you give us update on what is happening there because we are hearing lot of media reports on that likely to default and that could also impact our consolidated results. So if you can update on that and second just book-keeping question. Our other expenses this year in second quarter has increased by almost 11% and employee cost is down 7%. So if you can highlight any specific reason for these. Thank you.

Dr. Arup Roy Choudhury: The second question first, I think I will ask Mr. Sadhu to reply to your other expenses and the RGPPL, my Director (Commercial) Mr. I. J. Kapoor will give an answer.

I.J. Kapoor: RGPPL, you would have seen from the press reports also is not generating because there is no gas available. Now for making the gas available, 1967 MW is stranded, so we are taking it up

at all the possible levels and we have taken it up at the Chief Minister Maharashtra, we are taking it up at the Petroleum Minister here and somehow it is now coming nearer to some solution, but the second point comes out is that on payments which were there from Maharashtra, we have checked up with them, talked to them and expediting those payments and in the last 3 months, good thing which has happened is CERC order which definitely defined our designated fuel as any fuel that would remain as RLNG. So as far as availability is concerned, we have RLNG available there and we will be claiming the availability as per regulations 09-14, but the plant is not operating. So our second concern is to see this plant comes into operation and it is a big capacity, 1967 MW stranded, so for that, we are making all kind of moves and putting persuasion so as to see that we get the gas for Ratnagiri.

Dr. Arup Roy Choudhury: Just to add there, the CERC order has already come in our favor. It is a matter of implementing it which is going to happen soon. The Petroleum Ministry has recently promised us to look at putting this gas supply at par with fertilizer. There are minutes of EGoM meeting to that effect and they are looking at implementing that. So that is the status as of today and as Mr. Kapoor explained every day we are on this, we are trying our best to find a solution but our LNG terminal is also there. So it is a very good plant.

G.K. Sadhu : The reason about the other expenses having gone up is two folds. One is my repair and maintenance of existing units has gone up. Second is other expenses have gone up because I have had capacity addition totaling round about of 3800 MW or at least on an average I would say it is round about 2700 MW with the comparable period last quarter because I had some capacity which was operating only for partial period of last quarter and the capacity which has been added up in H2 of last year is fully available in this quarter. So because of that, the other expenses have gone up.

Rakesh Vyas: And sir the employee costs are down Y-o-Y, any specific?

G.K. Sadhu: Employee costs are down for another reason, last year we have to make substantial provisions for performance related pay pertaining to previous years in fact of two years or three years which had an impact of nearly Rs. 130 odd crore and since that provisioning is not at this year in this quarter or in this half year, to that extent the employee cost has come down.

Rakesh Vyas: And sir just one last clarification. This 101% of the ACQ received from Coal India in this particular quarter is largely pertaining to our pre 2009 FSA. Is that correct understanding sir?

N. N. Misra: No, it is total. We have signed the FSA.

Rakesh Vyas: So this is on the old as well as new FSA, the 101% of ACQ for the first?

N. N. Misra: But one thing I want to highlight here itself is ACQ has no meaning for NTPC because ACQ is only for an equivalent PLF of about 78% or availability, I can declare availability with this ACQ of 100% of about 78%. So it is important that we have our other supply chain for coal including coal from imported source, including coal through other mode given by Coal India

like e-auction, like special MoUs, bilateral MoUs with the coal subsidiaries and we still remain the preferred customer of Coal India. So that is one of the major reasons why we are at this state of FSA.

Rakesh Vyas: If you may clarify for the post 2009 FSAs, the ACQ is defined for 65% or is it for 80% for Coal India?

N. N. Misra: The trigger level is 65% .

Moderator: Thank you. Our next question is from Avinash Agarwal of Sundaram Mutual Fund. Please go ahead.

Avinash Agarwal: In terms of Pakri Barwadih, you said that the railway line has been connected. By when do you expect that to happen?

N. N. Misra: Physical work is more or less complete except a few areas of track lying and that blast tamponing. So as per the latest commitment from Indian Railways, it is likely to be completed in the month of November itself.

Avinash Agarwal: And how much production are we expecting from Pakri Barwadih this year?

N. N. Misra: 3 million tonnes is what we are committed.

Avinash Agarwal: Sir just to understand on the scenario in the industry, are we looking at acquiring certain assets which may be kind of completed or close to completion and which may be close to our existing plants are we looking at ..?

Dr. Arup Roy Choudhury: We have already said on several occasions that we are looking at inorganic growth also and we are open to look at plants which are not able to perform. Stranded may not be the right word to use, but it is very important for us to do a proper due diligence as to what is the position of the plant, what is the quality of the equipment, what is the PPAs that they have and what kind of coal linkage that they have. So some of them has approached us, we are doing due diligence. So at this moment, I would only like to say that we are open to it, but I cannot say whether we are acquiring anything in the moment.

Avinash Agarwal: Any particular fuel or type that we are looking Hydro or coal related?

Dr. Arup Roy Choudhury: It would be mainly coal because that is the fuel we have in the country today.

Moderator: Thank you. Our next question is from Venkatesh B of Citi. Please go ahead.

Venkatesh B: Sir my first question is on this, it was mentioned that in the first half you lost roughly Rs. 300 crore because of disincentives in Mouda. Now has this problem got solved as of now and today.

So if it is solved, does it mean that it will automatically add around Rs. 150 crore to your profit from the third quarter onwards at least?

Dr. Arup Roy Choudhury: Director (Commercial) will reply to this.

I.J. Kapoor: What was talked by Director (Operations), there was a problem, now this problem has been stop there. We have been able to technically rectify and the other coal which we talked that is also ensured. So in the days to come, it is going to improve and as we said it will be definitely adding that to our kitty.

Venkatesh B: Sir the second question is you mentioned that one of the other exceptional items in your numbers was interest from customers. I did notice that last year you had a very large number. Could you throw little more light in terms of what exactly this was and why it was high last year and is that the primary reason why your other income is down on a YoY basis and also could you also explain why the other operating income is down on a YoY basis?

G.K. Sadhu : The basic operating income difference of Rs.120 crore is because of interest on customers. You need to link this with the tariff orders of previous year's sales which I had last year. If that figure has gone down dramatically this year, the interest on customers will be commensurately would come down. The other income has come down on two accounts. One is that my treasury returns have dipped a bit because the interest rate regime has come down. The second is redemption of OTSS bonds, the one-time settlement scheme bonds are being redeemed and to that extent that was the interest income reduces.

Venkatesh B: My final question is more general kind of a question. Now if you actually see most other generating companies who are reporting number, they are reporting very bad numbers. Now in this current environment, NTPC is relatively doing very well, but if you look at the valuations of NTPC, if you look on a historical basis since the time of the IPO, NTPC is PE multiple price to whatever multiple we use, NTPC has never been this cheap. So is the company planning to do something to address this thing because are you evaluating anything like a buyback or something like that what NHPC is doing or may be increasing dividends to possibly increase the dividend yield and increase the return on equity, is the management thinking anything on these lines.

Dr. Arup Roy Choudhury: We already have very ambitious expansion plans. We have 100,000 MW of PPA signed. We have done a very close financial structuring to see how we need that money, at what stage. We do not want to also expose our shareholders to an uncertain situation by taking some decisions which may result in constraints tomorrow. Further our entire financing is on balance sheet finance. Our average cost of raising money is very low. So it is also important that we maintain a very strong balance sheet for this purpose and last year we have already given the highest dividend. So we have maintained a good record of paying dividend. So at the moment we have not really considered what you are saying; however if you have any specific proposal, kindly send me an e-mail, I am willing to look at it.

- Moderator:** Thank you. We will take our next question from Bhavin Vithlani of Axis Capital. Please go ahead.
- Bhavin Vithlani:** Sometime back Coal India, some of the mines were allowed to increase the production by 25%. If you can highlight how it has helped NTPC and if you can name some of the stations where it has helped?
- Dr. Arup Roy Choudhury:** I would like my Director (Operations) to reply to that, but whether they have at all increased, I have my doubts. Yes, there was a talk of allowing them 25% increase, but the modality of revising the environmental clearance and the modalities of doing the compensation to the land losers; I think that is still under discussion. I am not too aware of this, but I will request my Director (Operations) if he has any more information.
- N. N. Misra:** I think you would have seen figures both the first quarter and second quarter as far as the physical production target of all the coal subsidiaries. Nowhere you would have seen more than couple of percent growth where the question of 25% extra capacity coming into the market. So it is a process as explained by the Chairman has just started. There are certain issues involved in it. They are also struggling to overcome those issues and hopefully these issues are overcome, we will see the result in the coming year.
- Bhavin Vithlani:** My last question is book-keeping question. If you can let us know what was the rebate to the customers in the current quarter and the first half and how was it on a YoY basis?
- G.K. Sadhu :** I have the half-year figure. It is Rs. 251 crore for the first half of this year as opposed to Rs. 254 crore in the previous year half-year. This is Rs. 251 crore versus Rs. 254 crore in the current half year and previous half year.
- Bhavin Vithlani:** And for the quarter?
- G.K. Sadhu :** Rs. 122 crore and Rs. 129 crore last year and current year respectively.
- Moderator:** Thank you. Our next question is from Girish Nair of BNP Paribas. Please go ahead.
- Girish Nair:** I just had a question on the CERC draft tariff regulations. There were talks about tightening the normative parameters, but my question is there a case to tighten the norms because if you look at the operating expenses and the employee expenses, they have grown much higher than the 5.72% per annum that is prescribed by CERC. That is one and the second part is that PLFs are going to be lower, then the heat-rate would deteriorate. So is there a case for tightening these parameters. Actually I would feel that based on the last 5 years performance; there is a case for easing the norms. What has been your position on CERC regulations at the draft point?
- Dr. Arup Roy Choudhury:** Our Director (Commercial) will answer to that.

I.J. Kapoor: Rightly said by you if it is there it is the case, straight to easing the norms, this is on the technical parameters, but what CERC does that is up to the CERC, but in our policy advocacy we have been very clear in our mind that we are the only company which is in operations for 35 years and while doing it, you have to take the vintage also into the consideration. Should not happen that is somebody who has operated a plant of 5 years and he has given some auxiliary power consumption, some heat rate, some kind of thing he has given that cannot form the basic and I hope in our policy advocacy we conveyed our point. Secondly, while we doing our things, we also find it in some of the stations it is very difficult, though all our efforts have been put in on day-to-day basis on our generation data and our improvisation of the parameters, but still it is sometimes we really find it is difficult to match those figures which have been there at 09-14. So we are also on a policy advocacy for easing the norms rather than tightening it and we as engineers here do not advocate because it is not possible and if they do it, then in that case probably we will take it up with higher authorities.

Dr. Arup Roy Choudhury: I just want to add here you must understand that we are only 18% installed capacity in the Country. Any regulation that CERC does is also applicable or becomes applicable in the state generating companies also. As it is today whatever parameters CERC has said, they are finding it very difficult to maintain it and they are asking for relaxation. The CERC is further a body which has been constituted to encourage the growth of power sector in the Country and I do not think they can take any decision which will be detrimental to the operation of the most efficient and the largest generator of power in the Country. We generate almost one-third of India's energy, although we have only 18% capacity. So therefore rather than relaxation as Director Commercial explained, rather than considering issues like water etc. which has been long pending, we only see a situation where it will become easier and more lucrative for us.

Girish Nair: Thanks. The second question that I have is, in your presentation as always mentioned that you have contracted about 14 MMSCMD of APM and PMT gas. Against this, you are receiving only 6 MMSCMD of gas, what is the reason for the decline in gas availability from ONGC or some of these gas fields?

N. N. Misra: As far as gas is concerned, there has been a marginal decline as far as APM and PMT gas is concerned while the major decline has occurred in the D6 gas.

Girish Nair: But your dependence on D6 is hardly 2 MMSCMD. Of that, 2 also you have not received anything so far. 14 MMSCMD is only from APM and PMT, so is there a drop from non-RIL sources?

N. N. Misra: No, there is no major drop. That was the gas availability, but the availability of reduced year-after-year and the last couple of years, it has been hovering around 8 to 9 MMSCMD. Against that, we have bought about 7 point some odd MMSCMD. So there has no major change in the last couple of years as far as availability of APM and PMT is concerned.

Girish Nair: So that does not mean that there has been a diversion of gas from NTPC to other gas plants or to the fertilizer sector. Is it just the decline in the gas field production?



NTPC
October 30, 2013

- N. N. Misra:** It is only in the production of gas. There has been no diversion.
- Moderator:** Thank you. Our next question is from Deepak Agarwal of Elara Capital. Please go ahead.
- Deepak Agarwal:** Couple of questions. First can you throw some light on the fresh tendering for BTG for the upcoming plants like North Karanpura and secondly what is your outlook on the demand environment because we have seen that there is a considerable slowdown in most part especially the western India as far as power is concerned. Thanks.
- Dr. Arup Roy Choudhury:** Let me tell you that North Karanpura, the NIT is already being floated. As of now, we are very optimistic to award this contract by Q4. On the demand and matching that with our capacity addition, we feel that this reduction in demand as of now is only temporary because if you look at the per capita consumption of power in our country, there are about 800 units as against the world average is almost 3000 units. So we are way below the world average and we are way below US and other who are almost 10,000, 11,000, 12,000 units. So energy is required for development of the country and therefore we cannot stop adding capacity in the country because as the development goes, the energy requirement will increase.
- Moderator:** Our next question is from Sumit Kishore of JP Morgan. Please go ahead.
- Sumit Kishore:** My first question is on the status of land acquisition for Pakri Barwadih, Chatti Bariatu and Kerandari mines, could you please update us on the status and what could be the realistic captive mine production target for next fiscal that is FY15.
- Dr. Arup Roy Choudhury:** Director(Operations) will reply.
- N. N. Misra:** As far as land acquisition is concerned in Pakri Barwadih, we have out of 8000 acres, about 4000 acres we have physical possession and it is adequate for the first phase of mining operation including the buildup of infrastructure facility and similar is the state in the next mine that is Chatti Bariatu and Kerandari and your second part of the question is about production in the mine in FY14-15. As far as Pakri is concerned, the production is expected to ramp up to 15 million tonnes as per the approved mine plan in 3 years' time. So we expect a ramp up from about 3 to about anywhere between 8 or 9 million tonnes in the second year and 15 million tonnes in the third year and hopefully we would like to improve on that, but it all depends on how we plan out things in the first couple of years.
- Deepak Agarwal:** Are there any law and order issues that you are facing at Chatti Bariatu and Kerandari which are similar to Pakri Barwadih?
- N. N. Misra:** The issues are common which are prevailing in Pakri Barwadih, the same issues are prevailing in Chatti Bariatu and Kerandari.

Deepak Agarwal: And my second related question on fuel security for FY15, in your last presentation you mentioned a target of importing 21 million tonnes of coal. So with a couple of tenders yet to be awarded for FY14, how do you see the timelines?

Dr. Arup Roy Choudhury: Let me first tell you how we proposed to import the coal and why you feel that the tenders are in process. See we have to keep into consideration the availability of infrastructure for coal handling, the availability of railway infrastructure for moving this coal and match it with the requirement of our stations and therefore we place orders station wise as per requirement and our orders are more or less if you see every 3-4 months we place the orders because then we recoup the stock which has earlier been ordered. As far as the importing is concerned, yes we are importing coal, but the number that you are quoting is that of equivalent Indian coal. So the quantity remains lower, the quantity remains about 16 or so, but the number that you quoted is that converted to equivalent of Indian coal. That is why your number is very high.

Deepak Agarwal: Sir in your previous presentation you had mentioned equivalent imports was 21 million tonnes in FY15. I will check with investor relations team once again.

Dr. Arup Roy Choudhury: That is next year. This year is only 16. Going forward, we are going to 22 also in FY15-16. I think that is not have an issue at all.

Moderator: Thank you. Our next question is from Kaushik Poddar of KB Capital Markets. Please go ahead.

Kaushik Poddar: With the production with imported coal, your cost obviously goes up and do you face any resistance from the SEBs purchasing from you?

Dr. Arup Roy Choudhury: The point is, you must understand again, that the imported coal cost increase, domestic coal cost increase, railway transportation cost increase, these are all in my business model pass-through. What I need to do is provide my machines to be available. Based on my availability, my commercial operation is based. We already stated in the beginning of discussion that our availability has increased by 7.2% and therefore that is what we concentrate on, in making available our stations. The fuel happens to be our responsibility. That is why we are talking of a projection that we need to give on our fuel security and this is what we were discussing. As far as the health of the SEBs is concerned, you are aware that there is some restructuring package has already been done. Some 8-9, SEBs have already adopted, it is only a matter of time where they have to adopt this because it is not possible for any State to develop without power being available.

Kaushik Poddar: And with the SEBs, do you have a take or pay or some clause like that so that even if you are making power available and if they do not lift that power, you get the money.

Dr. Arup Roy Choudhury: No, if we make the power is available, we will get our fixed cost, this is the business model. It is as good as take or pay.

Moderator: Thank you. Our next question is from Sheena Barbosa of T. Rowe Price. Please go ahead.

- Sheena Barbosa:** Just wanted to understand your progress of import tenders for FY14, against first half has been met with 7 million tonnes, the balance has it already been tendered?
- Dr. Arup Roy Choudhury:** I think 7.7 million tonnes is already being delivered. 2.5 million, the order further has been placed so that makes almost 10.5 of the 16 that we planned. Another 5 million tender is under process which will happen to deliver coal in Q4. So there is absolutely no issue. We have all the imported coal lined up.
- Moderator:** Thank you. Our next question is from Anirudh Gangahar of Nomura. Please go ahead.
- Anirudh Gangahar:** Sir the question is that in terms of COD, which stations are we targeting in FY14 and in FY15 if you could just help us with that?
- Dr. Arup Roy Choudhury:** My Director (Projects), Mr. Pandey, will reply to this.
- S. C. Pandey:** Of the current year that is FY13- 14, we are targeting a capacity of 1500 MW with one unit of 500 MW Rihand, Vindhyachal and Mouda to be covered under COD and for the next year, we will be having approximate capacity of around 1460 MW which will brought under the commercial operation.
- Anirudh Gangahar:** Sir could you help us with which plants are we talking about, Barh and are we not including Koldam in this?
- S. C. Pandey:** For the next year, it will include the Koldam capacity as well as the Barh-II.
- Anirudh Gangahar:** Koldam and Barh II, only one unit of Barh?
- S. C. Pandey:** Yes.
- Anirudh Gangahar:** And Bongaigaon will not be coming sir?
- S. C. Pandey:** Bongaigaon will be commissioned and we are including one unit of Bongaigaon as well, 250 MW. But there are certain issues of law and order at that location and that is why we have got the other capacities which are mentioned.
- Anirudh Gangahar:** Sir we are sure of 14-15, which is the Barh and Koldam?
- SC Pandey:** Yes.
- Anirudh Gangahar:** And sir just to relate it to this, is that the impounding for Koldam begun as scheduled in October?
- S. C. Pandey:** The civil work of the dam has been completed and we are expecting the environmental clearances for the dam impounding in the first fortnight of November and in November third week we are expecting to start the impounding of the Koldam.

- Anirudh Gangahar:** And sir just one final clarification. What is the plant availability factor in October overall.
- Dr. Arup Roy Choudhury:** Pardon.
- Anirudh Gangahar:** The PAF for coal fired plant this month sir, if you can provide us with any color?
- Dr. Arup Roy Choudhury:** Why are you interested in October my dear?
- Anirudh Gangahar:** Just to understand sir that..
- Dr. Arup Roy Choudhury:** We are giving you the quarter result. It keeps on changing due to various reasons. If you ask me today, I can give you today's number also, but does that affect you. We have said that we will achieve our availability factor much more than last year and believe in me they will do that. We have already started doing it compared to last year. If you want, send me your e-mail, I will send you daily basis availability factor.
- Moderator:** Thank you. Our next question is from Lavina Quadros of Jefferies. Please go ahead.
- Ankit:** My question is just a followup, we understand that there have been delays in the Koldam and the Bongaigaon plants in terms of capacity addition. So as you said Koldam will be coming in FY16 and Bongaigaon in FY15 or 16?
- Dr. Arup Roy Choudhury:** I ask my Director (Projects) to reply, but let me tell you both the projects that you have named are difficult projects. Bongaigaon is in Assam. We have been having lot of problems in the bodoland area and in Koldam, recently we got into a jam with the environmental clearance and now the committee which gives the clearance has been dissolved, the new committee is coming in, but let the Director (Projects) reply to you about when they are coming.
- S. C. Pandey:** We are hopeful that we will get the impounding clearance in the month of November and we will be able to start the impounding and the process of dam filling will take almost 6 months because it is a gradual monitored process during which the stability of the dam is also checked and with that we are planning commission the units somewhere in the second and third quarter of the next fiscal. That is for the Koldam. We do have a plan of one unit commissioning at Bongaigaon, but the current situation remaining at Bongaigaon is making difficult. We will be definitely attending the commissioning of one unit at least at Bongaigaon, but as our Chairman has just directed we are facing certain law and order problems in the Kokrajhar area.
- Moderator:** Thank you. Our next question is from Prakash Goyal of ICICI Securities. Please go ahead.
- Prakash Goyal:** Sir I have a question with regard to your gap between PLF and PAF over the years. Could you elaborate a little as to what are the reasons, how much of this can be attributed to the back down by SEBs?
- G.K. Sadhu :** This year, my PLF is about less than 40 for gas stations and whereas my availability is 90.

- Prakash Goyal:** I am not talking about gas based plant, I am focusing on the coal based plant.
- N.N. Misra:** Basically the gap is increased because you see the data which is available, the schedule given to the plant which are available is going down day by day and it is happening across all States, across the length and breadth of the Country. It is not limited to some specific states. It is across the Country which covers even our plants which stands first in the merit order rating of that State.
- Prakash Goyal:** Just to for my understanding like plant which are coming very high in merit order dispatch, those plants not getting planted, when does it happen just for us to understand.
- N.N. Misra:** When does this happen, this happens when there is a good monsoon and when the States feels that it cannot schedule power and does not affect the consumers of that State.
- Prakash Goyal:** How much unit or how much PLF percentage you have lost because of the back down during the quarter and for the first half?
- N.N. Misra:** 11 billion units,
- Dr. Arup Roy Choudhury:** That does not affect my commercial performance.
- Prakash Goyal:** How much units have lost, 11 billion units?
- N.N. Misra:** 11 billion units extra over the last year.
- I. J. Kapoor:** The another point which Director (Operations) said about is if you are seeing this is the frequency regime in the last 6 months and if you see even the October if you see in the year 2012-13, the frequency was hovering around 49.4 today the frequency is 50. It would mean that this power is not acquisition. It is landing into a URS. So it is as said by Director (Operations) it is throughout the country.
- N.N. Misra:** I will just add to this data of frequency, last year the frequency remained below 50 Hz for more than 50% of the time. This year, the frequency is above 50 Hz for more than 60% of the time.
- Prakash Goyal:** Sir I just wanted the data if it is possible to get the total unit lost last year same quarter and this year same quarter on account of back down? That is how I used to compare the number.
- I. J. Kapoor:** The figure which you see is, you will appreciate, in the last quarter which we are talking about 12 billion units as on account of grid loss as against 5 billion units in the same period last year. So that is where the problem comes.
- Prakash Goyal:** So does it include gas based or is just a coal based?
- I. J. Kapoor:** Together.



NTPC
October 30, 2013

- Prakash Goyal:** Can you just give us the coal based data so that we can do a better comparison.
- I. J. Kapoor:** This is quarter 2, ending September, this is 7.2 billion coal and 4.9 billion gas as compared to 2 billion of coal and 2.9 billion of gas last year.
- Prakash Goyal:** Related question is that with improving generation, the generation linked incentive which is the heat rate advantage because of the higher efficiency of the plant, Company gains decent amount of incentives through that. So we would like to know going forward when things like the demand improve, would it not add to the profitability going forward or how much would it.
- I. J. Kapoor:** Very right. If I operate my machine at the optimum level, definitely I generate a very high efficiency. Besides that, I will have very good parameters. Now having done through the partial loading, so all of us understand is that will definitely affecting my profit there, but the second point comes out is on an availability, the incentive which I get beyond 85% that is regulator has taken care of us that is a reasonable figure there. So we gained there and might not doing it on partial loading, we will lose on certain parameters. So in the event if we will get optimum load, our profit line would definitely improve.
- Prakash Goyal:** We were like how much money you make through the generation, would it be fair to say that close to 40-50 kcal per unit of power if the saving happens on account of heat rate between normative and extra consumption?
- I. J. Kapoor:** That is again station-to-station it depends on the quality of coal which I get and we at NTPC are very cautious about this giving you separate plant-to-plant I don't think it is something we do.
- Prakash Goyal:** Just to have a ballpark number?
- G.K. Sadhu:** No. This is our commercially sensitive information and we would not like to share.
- Moderator:** Thank you. Ladies and gentlemen due to time constraints, that was our last question. I now hand the floor back to Mr. Harsh Dhole of IIFL for closing comments.
- Harsh Dhole:** On behalf of IIFL I thank the senior management of NTPC for giving us the opportunity to host the call and thanks to all the participants who have logged in. Thank you very much.
- Moderator:** Thank you. On behalf of IIFL Institutional Equities that concludes this conference. Thank you for joining us and you may now disconnect your lines.