



“NTPC Limited Q2 FY2018
Earnings Conference Call”

November 13, 2017

MANAGEMENT: **MR. K.BISWAL - DIRECTOR (FINANCE)**
 MR. S.ROY - DIRECTOR (HUMAN RESOURCES)
 MR. A.K.GUPTA - DIRECTOR (COMMERCIAL)

Moderator: Ladies and gentlemen, good day and welcome to the NTPC Limited Q2 FY2018 Earnings Conference Call hosted by IIFL Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by entering “*” and then “0” on your touchtone telephone. Please note this conference is being recorded. I now hand the conference over to Mr. Harshavardhan Dole from IIFL Capital. Thank you and over to you Sir!

Harshavardhan Dole: Thank you. Hello everyone. On behalf of IIFL, I welcome you all to the second quarter earnings call of NTPC. To discuss the results and share the performance outlook, today we have the management of NTPC, which will be represented by Mr. K. Biswal, Director (Finance), Mr. S. Roy, Director (HR) and Mr. A.K. Gupta, Director (Commercial). I would first congratulate the management for very good second quarter performance and place the line to Mr. Biswal for his opening remarks post which we could have the Q&A session. Over to you Sir.

K. Biswal: Thank you very much. A very good afternoon to everybody. I am K. Biswal, Director (Finance), NTPC, and I have with me Shri Saptarshi Roy, Director (HR), with additional charge of Director (Projects), and Shri A.K. Gupta, Director (Commercial), with additional charge of Director (Operations), and other key officials, ED (Finance), Mr. Arya; ED (Finance), Mrs. Bhatia; ED (Finance and Law) and Company Secretary, Mr. Gupta, ED (Fuel Management), Mr. Ravindra, ED(PP&M), Mr. Harbans Singh and other senior officials are also here.

Firstly, we would like to express our deep condolences and support for the people affected by the tragic accident in the 500 MW unit of NTPC in Unchahar on November 1, 2017. NTPC has set up a 3-member enquiry panel headed by Mr. S.K.Roy, Executive Director, to investigate the cause of the accident.

Ministry of Power, Government of India, has also constituted a committee comprising of members from CEA, Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited and Directorate of Steam Boilers, Maharashtra, to investigate the cause of the accident.

Another committee has been constituted by Ministry of Commerce and Industry comprising of members from Departments of Industrial Policy & Promotion, CEA and Directorate of Boilers, Gujarat, to enquire into the incident. Based on the report of these enquiries, we will take all remedial measures to ensure that such accidents do not occur in the future.

Now, we will touch upon the company’s operational and financial highlights for the second quarter and half-year of FY2017-18. Today, the company has announced the unaudited financial results for the second quarter and half year ended September 30, 2017. The key performance highlights for the quarter and half year have already been disclosed on both the stock exchanges.

Operational Highlights for Q2/H1 FY 2017-18

- NTPC has achieved its highest-ever commercialisation of thermal capacities in Q2 FY 2017-18 of 3065 MW. Total increase in the commercial capacity during FY 2017-18, till date, was 3615 MW. With this addition, the commercial capacity of NTPC on standalone basis and the Group as a whole has become 43692 MW and 50908 MW respectively.
- NTPC's standalone generation increased by 7.35% in Q2 FY2017-18 over the Q2 FY2016-17, represented by 4.454 Billion Units. Gross Generation of NTPC Group increased by 6.68% during this period.
- For H1 FY2017-18, 3 coal stations of NTPC were among the top 5 performing stations in the Country in terms of PLF. Talcher Thermal, Sipat and Korba with PLF of 93.62%, 92.43% and 91.34% were ranked 2nd, 4th and 5th in the Country.
- 5 coal stations of NTPC clocked PLF of over 85% during H1 FY 2017-18. All stations achieved the PAF of more than 85% except Faridabad, Mouda, Simhadri, Barh and Bongaigaon.
- During H1 FY 2017-18, PLF of coal stations was 77.81% as against the national average of 59.97%. NTPC is consistently maintaining a spread of 16% to 18% over National PLF over last two decades.
- NTPC Unchahar has set a National Record with 702 days of continuous generation by its 210 MW Unit-I surpassing Adani Power Limited Mundra achievement.
- We have still suffered loss of generation due to grid restrictions, though it has declined in comparison to previous year.
 - ✓ For the coal based generation the loss was 8.413 BUs in Q2 FY2017-18 as against 12.179 BUs in Q2 FY2016-17 and for H1 FY2017-18 the loss was 16.536 BUs as against 19.862 BUs in the corresponding previous period.
 - ✓ Similarly, for the gas based generation the loss was 6.026 BUs in Q2 FY2017-18 as against 6.628 BUs in Q2 FY2016-17 and for H1 FY2017-18 the loss was 11.986 BUs as against 12.642 BUs in the corresponding previous period.
- The generation loss on account of fuel supply in the coal based stations was 1.879 BUs in Q2 FY2017-18 as compared to 0.097 Bus in the Q2 FY2016-17.
- Total capacity addition during H1 FY2017-18 was 1210 MW. With these additions, the installed capacity of NTPC Group has reached 51708 MW as on 30th September 2017.

- NTPC has commissioned 920 MW of Renewable capacity in its energy basket. During H1 FY2017-18, Solar generation was 561 Million Units as compared to 192 Million Units generated in the corresponding previous period, registering a growth of about 192.19%.
- From Pakri-Barwadih coal mine, approximately 7.5 lakh Metric Tonnes of coal has been excavated till 30th September 2017 and has already crossed One Million Tonnes till date. Further, 140 rakes of coal have been dispatched till 30th September 2017 and 195 rakes till date. As a basket mine, coal will be supplied to different power stations of NTPC from this mine.
- NTPC Ltd. has paid final dividend @ Rs. 2.17 per share for the financial year 2016-17 on 29th September, 2017. Thus for the financial year 2016-17, the total dividend paid is Rs. 4.78 per share including interim dividend of Rs. 2.61 per share paid in February 2017.
- As you are all aware, Government of India divested 6.75% NTPC's Equity Share Capital through Offer for Sale and Employee OFS in Q2 FY2017-18. With this, the equity holding of Government of India in NTPC stands reduced to 62.99% of the paid-up capital.
- Environmental Management - Initiatives for preserving Environment:-
- For compliance of new norms and control of SO_x, first FGD has been commissioned at Vindhyachal. Procurement of FGD system packages for other stations are under process which includes capacity under implementation of 9.37 GW and NIT for 24.65 GW.
- NO_x control in coal fired plants is presently achieved by controlling its production through adopting best combustion practices. Over and above this, since tall stacks are provided in coal stations, gases emitted through stacks is widely dispersed and diluted. In gas based stations, NO_x control systems (hybrid burners or wet DeNO_x) have been provided for good combustion practices.

Financial Highlights

- Gross Sales for Q2 FY2017-18 is Rs. 19,536.59 crore as against corresponding quarter Gross Sales of Rs. 19,241.47 crore, an increase of 1.53%. On half-year basis, Gross Sales for H1 FY 2017-18 is Rs. 39,231.98 crore as against corresponding half-year Gross Sales of Rs. 38,181.28 crore, an increase of 2.75%.
- Total Income for Q2 FY2017-18 is Rs. 19,960.35 crore as against corresponding quarter Total Income of Rs. 19,588.56 crore, registering an increase of 1.90%. On half-year basis, there is an

increase of 4.36% in the Total Income i.e. from Rs. 38,809.36 crore in H1 FY 2016-17 to Rs. 40,502.28 crore in H1 FY 2017-18.

- PAT for Q2 FY2017-18 is Rs. 2,438.60 crore. On half- year basis, there is an increase of 4.55% in the PAT i.e. from Rs. 4,836.60 crore in H1 FY 2016-17 to Rs. 5,056.77 crore in H1 FY 2017-18.
- PBT for Q2 FY2017-18 is Rs. 3,222.77 crore. On half- year basis, there is an increase of 6.20% in the PBT i.e. from Rs. 6,297.41 crore in H1 FY 2016-17 to Rs. 6,688.15 crore in H1 FY 2017-18.

An update on various other financial activities:

The regulated equity as on 30th September 2017 was Rs. 48,768.69 crore and Rs.49,630 crore as on date.

Fund Mobilization

- Average cost of borrowing for H1 FY2017-18 was 7.0235% as compared to 7.4842% in H1 FY2016-17 mainly due to reduction in interest rates.
- Further, in Q2 FY 2017-18, NTPC has signed a syndicated facility agreement of US\$ 350 Million equivalent in Japanese Yen with an average maturity of 10 years and all in cost of 1.22%. Against this US\$ 250 Million (equivalent JPY 22 Billion) were raised on 12th October 2017. With this facility, NTPC has become the first Indian state owned company to complete a more than 10 year unsecured financing in the offshore Japanese loan market and has opened a new market for long tenure funding of infrastructure projects in India.

CAPEX

- In H1 FY2017-18, we have incurred a CAPEX of Rs. 9,062.79 crore as against Rs. 11,388.13 crore in H1 FY2016-17. The CAPEX by the other group companies has been Rs. 2,014.92 crore. Thus, the total group CAPEX for the H1 FY2017-18 was Rs. 11,077.71 crore as against 13,357.86 crore in H1 FY 2016-17.
- The Capital outlay for FY 2017-18 has been estimated at Rs. 28,000 crore.

The operational performance for the Q2/H1 FY 2017-18 :

FUEL:

Coal:

- During the H1 FY2017-18, Materialisation of coal against ACQ was 94.96% as against 94.93% in H1 FY2016-17.

- Coal consumption during H1 FY2017-18 was 82.79 MMT, this comprises 82.58 MMT of Domestic Coal and 0.21 MMT of imported coal. The coal consumption in corresponding period of previous year was 81.86 MMT, with 80.66 MMT of Domestic Coal and 1.19 MMT of imported coal.

Gas:

- The gas consumption during H1 FY2017-18 was 5.33 MMSCMD (i.e. Million Metric Standard Cubic Meter per Day) as against 5.27 MMSCMD in H1 FY2016-17.
- The gas consumption of H1 FY2017-18 procured under APM plus PMT mechanism was 3.98 MMSCMD, under Non-APM gas 0.70 MMSCMD and under Spot RLNG was 0.65 MMSCMD.

Coal Mining

- Cumulative expenditure of Rs. 4,209.60 crore has been incurred on the development of coal mines till 30th September 2017 and during H1 FY 2017-18 Rs.340.18 crore.

Commercial

- TPAs have been signed with 28 States/Union Territories as on date.
- 100% realization of dues till 30th September 2017.

Now, I will briefly touch upon some of NTPC's Group Companies

- NVVN, our trading subsidiary, transacted 7933 Million Units during the H1 FY2017-18 as against 7727 Million Units during the H1 FY2016-17, an increase of 2.67%. Units transacted during the H1 FY2017-18 include 2883 Million Units of solar bundled power, 1726 Million Units traded through Bilateral, 1923 Million Units under cross border trading and 1401 Million Units traded through power exchange.
- NVVN has done first time trading in Energy Savings Certificates on IEX platform and traded 10,000 ESCerts in September 2017.
- During the H1 FY2017-18, we have received dividend of Rs. 36.10 crore from our subsidiaries and Joint Venture Companies, of this Rs.30 crore is received from **NTPC Vidyut Vyapar Nigam Ltd.**, Rs. 2.50 crore is received from **Utility Power Limited** and Rs. 3.60 crore is received from **PTC India Limited** as against Rs.26.10 crore received in the corresponding period of previous year.

NTPC continues to win laurels and awards in various skills. I am not going into the details of the awards we received in the immediate past.

So these are some of the highlights I wanted to share before the question-and-answer session. Thank you very much.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Abhishek Puri from Deutsche Bank.

Abhishek Puri: Good afternoon. Congratulations for good set of numbers. Sir, two questions. First, could you give us an update on the pooling of prices that you talked about in the August Analyst Meet and where is the GCV case now? Secondly, regulated equity has grown by almost 17% on a Y-o-Y basis, while the profit growth is just about 4%. When can we see that accelerated growth in the regulated equity turning into profitability?

K. Biswal: I will take your last question first, because Mr. Gupta is here. He will answer your first two questions. Regulated equity has increased, but it is not on annualized basis. So now with the capacity addition, it has gone up, but definitely, the improvement in ROE will be seen in the next couple of quarters, regarding this GCV issue and pooling of tariff, I would request Mr. Gupta, our Director (Commercial) to reply.

A.K. Gupta: Good afternoon. Actually, as far as pooling of fixed charges are concerned, in fact, after the first presentation and last Investor Meet, we have been meeting all the stakeholders, all the state DISCOMs, who has to have a consensus on the scheme. We have completed the discussions with the states, and they had certain observations, which we are taking into account in the pooling scheme. Generally, there has been an agreement, and we had thought of discussing this issue in the Power Minister's conference, which was supposed to be held on 10th and 11th November, but has been postponed. The states are generally in agreement. Number two, with regard to GCV, this case is listed for hearing in CERC on November 21, 2017, and we hope that we will have some direction after that.

Abhishek Puri: So what is the report given by CEA?

K. Biswal: We are not aware, but CEA has recommended certain numbers.

A.K. Gupta: This recommendation of CEA has gone to Ministry of Power, and Ministry of Power has sent it to CERC and because we are the interested party, it has been communicated directly to CERC. So some numbers have been given by CEA.

Abhishek Puri: Thank you so much Sir. I will join back in the queue.

Moderator: Thank you. We have the next question from the line of Apoorva Bahadur from ICICI Securities. Please go ahead.

Apoorva Bahadur: Sir, I just missed the regulated equity figure. Was it Rs.48768 Crore?

- K. Biswal:** As on date, it is Rs.49630 Crore.
- Apoorva Bahadur:** Okay, great. Sir, can you also share the incentive income for the quarter?
- K. Biswal:** Incentive figure in just a moment, if you have any other questions, you can ask.
- Apoorva Bahadur:** Just two more questions. Sir, first year, there has been a decline in your coal cost. So is it because of the GST implementation? And secondly, the depreciation?
- K. Biswal:** Our Q2 incentive income is Rs.66 Crore.
- Apoorva Bahadur:** Okay. Sir, I was asking about the decline in coal cost. Is it because of GST?
- K. Biswal:** Yes. It is partly on GST and partly on regradation of mines. So the impact of regradation is also there.
- Apoorva Bahadur:** Okay, sir. Sir, last question from my side; depreciation has increased significantly in this quarter. What is the reason behind that?
- K. Biswal:** Commercial addition. We have declared 3300 MW this quarter. This is the highest ever-commercial addition in a particular quarter so far NTPC is concerned.
- Apoorva Bahadur:** Okay. I will join back the queue.
- Moderator:** Thank you. We have the next question from the line of Subhadeep Mitra from JM Financial. Please go ahead.
- Shubdeep Mitra:** Good afternoon Sir. Two questions from my side. Just wanted to understand that, is there any adjusted PAT number that you would be willing to share?
- K. Biswal:** Generally, we do not do that. For you, if you are interested, then if you take out the Barh impact and pay revision impact, then there is an increase of 15% on quarter-on-quarter basis.
- Shubdeep Mitra:** How much it would be, Sir, if you can just quantify?
- K. Biswal:** Barh is around Rs.416 Crore.
- Shubdeep Mitra:** Okay and the pay revision?
- K. Biswal:** Pay revision, if you see the half-yearly impact, impact is approximately Rs.400 Crore, and if you see only quarter, it is Rs.226 Crore.
- Shubdeep Mitra:** Rs.226 Crore for the quarter?

- K. Biswal:** Yes.
- Shubdeep Mitra:** Barh, the Rs.416 Crore number is also for the quarter?
- K. Biswal:** No, no, it is for the entire period of 15 months. But it has impacted the current quarter. It is also there in the notes to accounts. The order came only during this quarter. Applying conservative principles, we have considered the impact. At the same time, we have filed a stay petition before the APTEL, and APTEL has admitted our appeal. It is going to be heard on 15th November.
- Shubdeep Mitra:** Okay. Understood. Secondly, just also wanted to understand, is there anything extraordinary in the other income? On a Y-o-Y basis, there seems to be some income.
- K. Biswal:** No, we do not have extraordinary income in this quarter.
- Shubdeep Mitra:** Lastly, I think there were some articles that talked about NTPC now not looking at going ahead with any possible acquisitions, but maybe looking at some other way of charging a fee for running plants and so on and so forth. So just wanted to understand the thought process on that front?
- K. Biswal:** We have told that earlier also, Sir. We had told that we are going to acquire some state assets, like Chhabra we are acquiring. For private assets, our stance is very clear, it was there also previously that we are not going for acquisition of any private assets; rather we are interested if the assets are taken over by the bankers, we are ready to extend our assistance for O&M of the same.
- Shubdeep Mitra:** Understood. Just squeezing in one last point. If you would be willing to share what are the next plants which are in line up for commercialization, say, the rest of FY2018 and FY2019?
- A.K. Gupta:** Yes. Now if you look at the commercialization plans, as our Director (Finance) has already said that this year up till now we have added largest ever-commercial capacity of 3,615 MW. Going forward in this financial year, we are anticipating almost another 800 MW to be added to this so as to close the year by roughly around a little more than 4000 MW of commercial capacity in this financial year.
- Shubdeep Mitra:** For FY2019, if you would?
- K. Biswal:** Around 5000 MW, we can roughly say.
- Shubdeep Mitra:** Around 5000 MW and the similar run rate can be expected in FY2020, given that you have so many plants under construction.
- K. Biswal:** 4000 to 5000 MW is our target every year.

Shubdeep Mitra: Thank you so much.

Moderator: Thank you. The next question is from the line of Venkatesh from Citibank.

Venkatesh B: The first question is on Barh only. This reversal, which you have done of Rs.416 Crore, this has been done only for Unit 4 revenues, which you have booked above the fuel cost? Or this reversal is for entire Stage 2?

K. Biswal: Only that unit.

Venkatesh B: Now in that particular unit, there must be other beneficiaries also, right, other than GRIDCO. So you reverse it only for GRIDCO or the order says you reverse it for everybody?

K. Biswal: For everybody.

Venkatesh B: Okay and can you actually explain what exactly happened here? How was it possible that you actually commercialized it in 2014, and they are actually telling you, no, you take it as 2016 and reverse it?

K. Biswal: Just a moment, our Director (Commercial) with additional charge of Director (Operations), Mr. Gupta, is here. He will explain.

A.K. Gupta: See, on this particular Barh project, in fact, GRIDCO had made a petition to CERC that the trial run, which was done by NTPC, is not in line with the CERC regulations. On that, CERC has really seen all the data available to them and they have concluded that this particular unit trial operation was not in line with the regulations. NTPC has put up its own position in this regard. In many blocks, we have demonstrated full capacity, and also that this capacity has been demonstrated even after the commercial operation by having the full availability and meeting the load requirement of various states. However, in this order, what they have done is, their order says clearly that whatever revenue has been generated from this minus the actual expenditure should be used to reduce the capital cost. Now we have gone in appeal against this order. We have gone before APTEL, for the stay and to declare the COD in line with the regulation. So on the stay part and COD parts they have admitted our petition, and they will be hearing it on 15th November 2017

Venkatesh B: Sir, so basically, what you have done is, you have taken this Rs.416 Crore and you have subtracted that out of your sales number. So that is the only number, which has got impacted, and, consequently, the EBITDA, profit, everything, correct?

K Biswal: Right, it has been impacted to that extent.

- Venkatesh B:** Yes. Sir, the second question is on this Mandsaur Solar. For example, this is the latest solar plant we have commissioned. What is the tariff in this solar plant?
- K Biswal:** Mandsaur, it is at Rs.5 per unit.
- Venkatesh B:** Rs.5 per unit, okay. Sir, how are these plants? I mean, these plants are not competitively bid, right? Are they competitively bid? Like, who is the buyer in Mandsaur? It is the State Electricity Board, correct?
- K Biswal:** Right. These projects are basically set up by NTPC under solar park scheme, wherein NTPC has ownership of these plants and this tariff is based on the capital cost discovered through international competitive bidding and based on the prices which were received from the international competitive bidding and considering the norms which have been laid down by CERC, this tariff has been negotiated and agreed with the state DISCOMs.
- Venkatesh B:** Okay. But did this project have a domestic equipment requirement when it was bid out?
- A.K. Gupta:** 25% was domestic this year.
- Venkatesh B:** Sir, on that same project, again, now this Mandsaur Solar, for example, who is building this for you?
- K Biswal:** We are building ourselves. We are having a department, solar department is there.
- Venkatesh B:** And you are buying the panels, you are buying the balance of plant and you are making it on your own, correct?
- K Biswal:** No. We go for tendering generally as per the government guidelines. 25% is the DCR content. So whatever DCR content is there, we are going for domestic developers and for the balance, we go for international bidding. After setting the price bid, there is a process of reverse auction bidding. So we decide the rate through reverse auction.
- Venkatesh B:** That is what, Sir, I am asking. I am asking who is your equity developer in this project?
- A.K. Gupta:** Actually, there are, see in this particular project, we have not given EPC contract to one party because considering the capacity, there were five blocks of 50 MW each and were awarded to 5 different parties.
- K Biswal:** Okay. Thank you very much Sir.
- Moderator:** Thank you. We have the next question from the line of Deepak Agrawala from Elara Capital.

- Deepak Agrawala:** Sir, I just wanted to clarify. This Barh amount of Rs.416 Crore, you have adjusted it against the revenue or you have provided in other expenses?
- K Biswal:** Rs.248 Crore is reversal of sales and Rs.168 Crore is in other expenses.
- Deepak Agrawala:** Okay. And can you help us understand in terms of the capex, like, it was not audible, how much capex has been incurred in H1 and how much is pending in H2, if you can just recopy that?
- K Biswal:** You see the capex actually, our target for this FY2017-18 Rs.28000 Crore. We have so far done, as on September 30 2017, Rs.9062.79 Crore on standalone basis. NTPC group has done Rs.11077.71 Crore.
- Deepak Agrawala:** Okay. So are we confident of achieving the full year target?
- K Biswal:** We are confident to achieve it.
- Deepak Agrawala:** Okay. My third question is, can you help us understand, in terms of the employee pay provision, now how long this provision is expected to continue? Like, it will be there in the second half as well?
- K Biswal:** Yes. It will continue. So long as it is not approved by the Government of India. Actually, we have already sent our proposal after approval of our board. Once it is approved, then we will make the payment.
- Deepak Agrawala:** Okay. So another two quarters has the same run rate you can assume?
- K Biswal:** We are expecting one more quarter.
- Deepak Agrawala:** One more quarter at about Rs.225-odd Crore?
- K Biswal:** Yes. We will make provisions, and it will be cleared by fourth quarter of this year.
- Deepak Agrawala:** Okay. My last question is, can you help us understand, there is a disproportionate fall in the other income despite we receiving the dividend from the subsidiaries. So what is the other reason?
- K Biswal:** Actually, it was Rs.368 crore interest on the refund amount of income tax in Q1 in other income. This time it is not there.
- Deepak Agrawala:** Okay. And what was my last question is what was the incentive amount in same quarter last year?
- K Biswal:** Last year, it was Rs. 3 Crore.

- Deepak Agrawala:** That is it. Thanks a lot.
- Moderator:** Thank you. We have the next question from the line of Amit Golchha from HDFC Mutual Fund. Please go ahead.
- Amit Golchha:** Sir, this pay revision amount of Rs.200 Crore per quarter, which you mentioned, there is nothing considered positive out of this. Is that correct, Sir?
- K Biswal:** So you see, we have considered these expenses and we have created a regulatory asset of Rs.55 Crore on conservative basis. If the entire expenses are allowed by CERC, we can adjust the regulatory asset.
- Amit Golchha:** So you are saying, Sir, you have included Rs.55 Crore as a pass through in tariff?
- K Biswal:** Out of this we have created a regulatory asset, which is receivable. But the regulatory asset will be much higher.
- Amit Golchha:** Update on Chhabra acquisition?
- A.K. Gupta:** Yes. For Chhabra acquisition, there was one issue which was pending, that Rajasthan have actually acquired mines for a bulk of their projects, three projects put together including Chhabra. And the issue was whether Chhabra can take coal from these mines without acquiring the mine. Now there has been a policy change by Government of India through which it is possible for the government companies to supply coal to a project not owned by the concerned Govt. Company. Now we have made a joint application alongwith Rajasthan to MOC to allow this coal to be taken from the mine of RVUNL, so that the coal can be given to this plant. Now this is in the process and likely to be approved next month. So we would be back with the acquisition process probably next month.
- Amit Golchha:** Post that, what is pending, Sir?
- A.K. Gupta:** No. That is all. This is the only issue. That once this coal allocation issues are resolved, we will get back and there is no other issue to be resolved. And then we will get back to the process of acquisition. And then we would execute the agreement.
- Amit Golchha:** Right. Lastly, Sir, if you can brief us on performance of some of the key JVs. JV companies have been making significantly lower profits than they should have made under CERC regulations. So in FY2018, how the performance have continued? Is there any improvement in any specific JV or line item?
- K.Biswal:** So on JV company, most of the JV companies plants are under construction. But, you see, NTECL, they are doing well this year and as previous year they are going to make profits. Last

year, APCPL Jhajjar also gave dividend. NSPCL has been giving dividends continuously. NVVN, as against Rs.20 Crore last year, they have given Rs.30 Crore. Some of the projects, you see, we cannot expect profit immediately. BRBCL, Kanti, others, these plants are having certain teething trouble. But in future, they will start turning profit. You see, from last year, this year the JVs performance have been better.

Amit Golchha: Okay. And Sir, out of Rs.9200 Crores odd, which you have invested in JVs in first half, how much is operational equity out of that? Do you have that number?

K.Biswal: You see, right now, we do not have the figures. We can give you separately.

Moderator: Thank you. We have the next question from the line of Bhavin Vithlani with Axis Capital. Please go ahead.

Bhavin Vithlani: Sir, pardon me for repeating on the Barh. What is the impact on the revenues and the provisions? I missed that part.

K Biswal: Yes. We have reversed Rs.248 crore from sales and Rs.168 crore has been added in other expenses as provision. Total it is around Rs.416 crore.

Bhavin Vithlani: Okay, Sir. And do we have to adjust the tax impact?

K Biswal: It is MAT. See we are on MAT.

Bhavin Vithlani: Sir, second part is, in the results, we actually see a line item of movements and regulatory deferral balances. Pardon me for my ignorance, could you help me understand this Rs.153 Crore number?

K Biswal: Basically, this is the regulatory asset we have created, which is receivable once it is materialized. And basically, it is on account of FERV, because the accounting standards and the regulations are different.

Bhavin Vithlani: Okay. So this is part is recurring I mean just to normalize the earnings. We have to take this Rs.153 Crore as a part of operations. Is that a correct way to take it?

K Biswal: It is part of the operation actually, whatever you see, as per the books of accounts; we have to charge this to revenue. But I expect, at the same time, as per regulations, we have to get it back from the consumers. So we create a regulatory asset and in the year, it is materialized we will get it from the consumer.

Bhavin Vithlani: Okay. Sir, I am sorry to repeat this. So should we consider this as part of your recurring operations, because it will get reversed?

- K Biswal:** It is a continuing process. It is just like deferral, as depreciation. We also calculate same thing for the depreciation also. If there is a difference of rate in regulation and the Companies Act, we have to create similar type of assets and liabilities. When regulatory treatment is different from the accounting standard, we have to create such assets. If you have any further question, you can discuss separately.
- Bhavin Vithlani:** Definitely, Sir. And Sir, can you help us with an absolute number for adjusted PAT for this quarter?
- K Biswal:** Look, I cannot give any adjusted absolute numbers. You see, simply what we did, if we take out the Barh impact and pay revision impact and tax impact, then your Q2-over-Q2 increase in profit shows 15%. So similarly, if you go see the H1 versus H1, it shows increase of 10%. But we should not go by the adjusted figures and whatever figures are published, we should go by that.
- Bhavin Vithlani:** Sure, Sir. Sir, my last question is, could you help us with 5000 MW to be commercialized next year? Could help us with the projects that we are targeting to be commercialized next fiscal?
- S. Roy:** See, some of the projects for next year commercialization is Lara-I, 800 MW; Meja-I, 660-MW; Gadarwara-I, 800 MW; Bongaigaon-III, 250 MW; NPGCL at Nabinagar 660 MW and other similar projects are there. Roughly, it will work out to be around 5,000 MW.
- Bhavin Vithlani:** Okay. So we are not targeting anything in solar?
- K Biswal:** We are targeting, but you see, the state government should come forward to file PPAs, at the same time state regulators should approve the rate.
- Bhavin Vithlani:** Okay. So that can be instantaneous?
- K Biswal:** Yes. Yes. That is over and above. And we are ready. You see, for solar, we have the plan, we actually have an entire team working. So once the state government files the PPA and gets the approval of state regulator, we can go ahead. And as gestation period is very low, six months to one year, we can complete the job.
- Bhavin Vithlani:** Okay. Sir, the last thing is, in the Analyst Meet, you had a slide about awards of FGD. And Sir, could you give us a status update on that?
- K Biswal:** You see, for FGD, we have already commissioned at one of our projects. And for the remaining stations, we have to go in a phase-wise manner for procurement of FGD. Because we cannot do it together for all the stations, because that will affect the power supply. So we have issued already the NIT for certain number of projects and remaining, it has to be done in a phased manner. So we are going to take up FGD installation for our NTPC projects, one by one.

- Bhavin Vithlani:** Okay. Sir, the deadline of the emission norms was December 2017, which is like couple of months away. Any update of this getting rescheduled? Could you help us with that?
- K Biswal:** That discussion already is on between Ministry of Power and Ministry of Environment and Forests. I think before this deadline something will come out.
- Bhavin B. Vithlani:** Sure Sir. Thank you so much for taking my question.
- Moderator:** Thank you. Ladies and gentlemen, we will now take the last two questions, and then, post which the question queue will be closed. We have the next question from the line of Mohit Kumar from IDFC Securities.
- Mohit Kumar:** Sir, we have this GCV issue, which is not resolved as of now. And we are saying that it will be taken up by CERC on November 21, 2017. I am just curious, how will it work will it be applied retrospectively or only prospectively? And how does this issue get resolved for the time period when we are not measuring GCV on the post?
- K Biswal:** See, whatever has happened, has happened. My balance sheet, it has already taken the hit. So whatever is going to happen, if at all CERC is going to give any number that will be plus to us and as Mr. Gupta said that the CERC came out with order with the advice of the CEA. Now CEA, they have come out with certain numbers. They have given that number to ministry, and ministry has forwarded that number to CERC. The hearing is going to be held on November 21. We are expecting something. If anything happens, whatever number comes, that will definitely improve our bottomline.
- Mohit Kumar:** Okay, Sir. Sir, my second question pertains to the employee expenses. You had guided at the beginning of the year that, that half of the amount, which is half of the increase in employee expense is being carried through regulatory asset. But now you are saying that out of Rs.2.2 billion increase, mere Rs.55 Crore is being treated as a pass-through and the balance is affecting your profit. So which amount is true? Is it 25%?
- K Biswal:** Actually, we are creating provision for basic pay, DA plus applicable allowances. As per the previous experience, CERC has allowed in the past 50% of basic plus DA. That is why as against the provision, we have made a regulatory asset of Rs.55 Crore.
- Mohit Kumar:** Okay. Sir, one clarity on solar power plant. Are we declaring our capacity based on megawatt AC or megawatt DC? I am trying to figure out, whether this capacity which you have?
- A.K.Gupta:** In a Solar project the output is in AC. But there has to be AC-DC ratio, which is to be decided by the developer to give that output.
- Mohit Kumar:** How much is loading generally in our solar power station?

- A.K.Gupta:** See, this loading is depending on ultimate efficiency what you are looking for. And generally it used to be 1.2, now we are now going up to the level of 1.25.
- Mohit Kumar:** So the capacity which we mentioned on Mandsaur 250 MW, is 250 MW AC capacity. Am I right?
- A.K.Gupta:** Yes.
- Mohit Kumar:** Thank you Sir.
- Moderator:** Thank you. Ladies and gentlemen, we will now take the last question from the line of Abhishek Puri from Deutsche Bank.
- Abhishek Puri:** Sir, two things. If you can tell us on how you are booking the coal revenues? You have already processed 1 million tonnes of coal. And how are you taking the transfer pricing? That is one. Second, the solar plants, I think, the company has been going slow in terms of getting the new capex-based projects. So what is the plan going forward? And lastly, the status on the gas projects, PPA, if any? Lot many of them are coming for renewal in 2018-2019?
- K Biswal:** First question your coal revenues. Actually, these mines are under construction. So we are pricing the coal to the power plant, as per notified rate of Coal India. Whatever notified rate is there for the similar grade, we are pricing it at that rate. And whatever difference of amount, as it is happening in the case of infirm power, that is the profit is adjusted against the capital cost. There also in mining, whatever extra amount we generate over and above the cost, it will be utilized towards the reduction of capital cost. So it is under construction. The mines have not been declared commercial. There is a process for declaring mines commercial. So unless the mines are declared commercial, we cannot take into revenue. Second is your question regarding solar projects; solar project is as I was explaining, we are ready for putting solar plant but because the PPAs are not being signed by the state utilities, and in some cases, even if the PPAs are signed, the regulators have not given their nod. And so that is happening. And you see, for more details, I request Mr. Gupta to explain you.
- A.K. Gupta:** You see, for the solar PPA, because the prices are reducing to a very, very low level, everybody expected that this will go down further. And they were just waiting for those prices to really bottom out, then only they will sign PPA. Now the situation is that no PPA was signed, no bidding was done. And ultimately, the prices remained wherever it is. So now what is happening is that, there is a trend which has changed now in China, the prices have started going up. Now there have been one or two biddings where the prices have increased, prices have come, we expect now stability will come, and we will have some PPAs getting signed. We are ready. We have done certain NITs also. And once these PPAs start getting signed, then we will take it further. As far as gas is concerned, Faridabad gas PPA, it has already been extended. With regards to Kayamkulam, I think there was a provision of a review after five years, but that was

only to take a view in terms of scheduling power, and not in terms of a PPA. So the PPA remains.

Abhishek Puri: Anta and Auraiya are also up for renewal next year?

A.K.Gupta: I think Anta and Auraiya, the PPAs are still valid. And certain issues which were raised by UP to really get out of it, but then fundamentally, this PPA is still binding and valid.

Abhishek Puri: Okay. Sir, if I may ask one last question. The Unchahar incident has been quite unfortunate. Has there been a rethinking in terms of how you are looking at safety of your plants? And when do we expect the revival of that unit? And would that slow down commissioning for you?

K Biswal: Yes. This is a very, very unfortunate incident. And in fact, all NTPC is really grief-stricken on this particular aspect. We have taken care of all the people who have been injured to best possible manner, in which we have provided them the medical facilities in the best possible manner. But coming back to your basic question, NTPC has a very strong safety manual. We have strong safety records. And this is one-off situation, which is rarest of rare. And in fact, you are right that all the safety aspects, in fact, there were some safety audits done at the Unchahar plant just in September 2017, so all the safety precautions have been taken. And yes, you are right that after this incident and the enquiry committee report comes out, if something more is required to strengthen our safety policies and safety systems, we will certainly take care of that.

Moderator: Thank you. Ladies and gentlemen, that was the last question, and we have now closed the question queue. I would like to hand the conference over to Mr. Harshavardhan Dole for closing comments. Please go ahead, Sir.

Harshavardhan Dole: I would like to first thank the management for giving us the opportunity to host the call. And any final comments you would like to make, Sir, before closing the call?

K Biswal: Thank you. Thank you very much.

Moderator: Ladies and gentlemen on behalf of IIFL Capital Limited. That concludes this conference call. Thank you for joining us and you may now disconnect your lines.