

NTPC

Continues to Touch Greater Heights

“Your company’s confidence in its future is based upon robust fundamentals and proven capabilities. Among the comparable 25 global power companies, NTPC is # 1 in the world in capacity utilization.”

Chairman’s Statement for the year 2009-10 at the 34th Annual General Meeting, September 23, 2010

Dear Fellow Shareowners of NTPC,

I feel delighted in extending my warm greetings and welcome to all of you to the 34th Annual General Meeting of your company. It is my good fortune that I am addressing the first AGM of your company after it became a ‘Maharatra’. Conferment of this coveted status by the Government of India means greater empowerment to the Board of your company in its endeavour to expand its business in domestic and global markets.

Your company’s globally comparable stature has been captured in a benchmarking with global power peers. The benchmarking study reveals that among the comparable 25 global power companies, NTPC is : • # 1 in the world in capacity utilization • # 3 in Asia in electricity output and # 10 in the world • # 3 in the world in plant availability. Your company’s stature is an outcome of its consistently high performance over the years. The year 2009-10 witnessed your company : • **Exceeding MoU ‘Excellent’ Target of power generation** by generating 218.84 billion units (the target was 217 billion units). • Achieving over 90 per cent PLF for coal based stations for the third consecutive year. • **Occupying 7 out of the top 10 positions** among the coal based stations in the country in terms of PLF; achieving the highest ever PLF of 78.8 per cent for gas based stations. • **Realizing 100 per cent payment** against its current billing from the customers for the seventh consecutive year. • Achieving 6 per cent growth in profit, which rose from ₹ 8,201 crore in 2008-09 to ₹ 8,728 crore; paying highest ever dividend of 38 per cent.

VIBRANT ECONOMIC SCENARIO AND STRONG POWER SECTOR OUTLOOK

Indian economy happens to be one of the fastest growing economies in the world. In order to sustain the envisaged growth rate of 9 per cent, focus is required on closing the large physical infrastructure deficit, especially in the power sector. The 12th Plan capacity addition for the country is expected to be around 100,000 MW. This translates into greater opportunities for your company.

NTPC ON A HIGH GROWTH CURVE TO REMAIN SECTOR-LEADER

Your company’s present installed capacity is 32,194 MW. It has a **big pipeline of projects**. Capacity of 17,340 MW is under construction, bids have been invited for 7,092 MW (including JVs and subsidiaries), feasibility reports have been approved for 8,460 MW, feasibility reports for 5,300 MW capacity are under approval and feasibility reports are under preparation for about 13,000 MW capacity. Thus, your company is well on course to become a 75,000 MW Company by the end of the 12th Plan. **This means capacity addition at the CAGR of 13 per cent.** Your company has finalized its Corporate Plan for the time horizon 2010 – 2032. This Plan seeks to position NTPC as the **world’s largest and best power producer**. By 2032, your company plans to have a capacity of **128 GW**.

ROBUST FINANCIALS TO SUPPORT GROWTH AND PROFITABILITY

The strong balance-sheet of your company gives it an edge in terms of resourcefulness to pursue both organic and inorganic growth opportunities. Your company enjoys the **highest credit ratings** from prestigious rating agencies. It has tied up term loans amounting to ₹ 52,787 crores, out of which the amount of ₹ 25,147 crore is yet to be drawn. With a market cap of well over ₹ 1,60,000 crore, your company has continuously remained **among the largest Indian companies in terms of market capitalization** since it was listed in October, 2004. The return to the shareholders is more than three times since the time of listing.

CUSTOMER-CENTRIC COMMERCIAL STRATEGIES TO SUSTAIN NTPC’S POSITION AS THE PREFERRED POWER SUPPLIER

Your company is a **commercially attractive source of power** for its customer utilities. The average selling price was 227 paise per unit in fiscal 2010, which was among the lowest. Your company has developed a **Customer Satisfaction Index (CSI)** to assess the requirements of utilities with a view to continuously align our services to their requirements.

MOVING UP TO THE NEXT LEVEL OF GROWTH AND EXCELLENCE

Your company is giving sharper focus on the strategies to : • **Accelerate growth and project delivery** • **Sustain generation performance** • **Enhance fuel security** • **Further strengthen employee-engagement** through convergence of individual aspirations and company’s objectives • **Pursue low carbon growth** • **Have a global footprint**

ACCELERATING GROWTH AND PROJECT DELIVERY

Your company has been setting benchmarks for project completion in the Indian Power Sector. It has been continuously reducing the project cycle time and it has set a **new record of achieving**

commercial declaration of the 490 MW Dadri Unit # 5 within 39 months from investment approval. Unit # 6 of 490 MW at Dadri has set a new record of achieving commercial operation within 14 days of synchronization. While Dadri is a good example of timely project execution, in view of the huge targets ahead of the Company, there is a need to increase the rate of capacity addition. For this, the thrust areas include : • Sharper focus on land acquisition, water supply agreement, environmental clearances and fuel linkages. • Augmenting equipment supply. A joint venture company with BHEL has been formed for setting up power equipment manufacturing plant. On September 01, 2010, the Hon’ble Prime Minister has laid the foundation stone of the manufacturing facility at Mannavaram, Andhra Pradesh. • Greater empowerment of the project heads and devolution of more power to the heads of the regions for quicker decisions and results. • Developing a strong cadre of project execution professionals. • Re-orienting the internal processes to meet the challenges of tariff based bidding, devising strategies to put up aggressive bids. Your company is going to commission India’s first super critical power generation unit at Sipat during the current year.

SUSTAINING OPERATIONAL EXCELLENCE

Your company’s performance has been well above its industry peers. This is all the more commendable in view of the size and vintage of its generation fleet. Your company shall continue to endeavour for further enhancement of generation efficiency with specific programmes to improve Heat Rate, increase equipment availability and reduce costs.

ENHANCING FUEL SECURITY

By the end of the 12th Plan, our total coal requirement will be around 270-280 million tones per annum. Around 70 per cent of this requirement will be met from domestic sources, about 20 per cent from our own mines and the remaining 10 per cent will be met through imports. The company requires about 17.35 mmscmd gas for running its gas plants at 90 per cent PLF. We have tied up for supply of around 15.50 mmscmd and we are meeting the shortfall through spot RLNG. We have requested the government for allocation of about 53 mmscmd of gas for our proposed gas based projects. Your company will follow a multi-pronged fuel security strategy comprising of : • Long-term domestic coal supply agreements. • Import of coal to bridge the gap between total demand and domestic supply; focusing on importing coal directly. • Development of captive coal mines with a target of mining 47 MTPA by 2017. • Acquisition of coal mines abroad in countries like Indonesia, Mozambique and Australia. • Pursuing with Government of India for priority allocation of domestic gas for gas based power projects.

STRENGTHENING EMPLOYEE-ENGAGEMENT

Each of the approximately 25,000 members of Team-NTPC works very hard to deliver meaningful value to your company’s business. Their aspirations need to be taken care of. Your company is working to achieve greater alignment between the individual aspirations of its employees and corporate objectives. We are taking steps to address important issues in the areas of health care, education and employability of employees’ children and providing avenues of gainful engagement to the spouses of the employees in the projects and stations. Your company has been consistently ranked among the best employers in prestigious surveys and has been the only PSU to figure consistently among the top ten employers in the country.

PURSUE LOW CARBON GROWTH STRATEGY

◆ **Special thrust on Nuclear Power Development**
Your company is very keen to develop substantial nuclear power capacity and is moving ahead



NTPC Bhawan, Core-7, Scope Complex, 7, Institutional Area, Lodhi Road, New Delhi 110003. Visit us at: www.ntpc.co.in

with major strategic thrust on this area, with a target of developing 2,000 MW nuclear power generation capacity by 2017. A Joint Venture Agreement has been signed with Nuclear Power Corporation of India Ltd. (NPCIL) for developing this capacity. Going forward, NTPC could take up development of nuclear power projects on its own.

◆ **Developing Renewable Energy**
Your company has a target of developing at least 1,000 MW capacity based on renewable sources namely solar, wind, geothermal and small hydro. Your company’s thrust on non-fossil sources will eventually culminate in **as much as 28 per cent of its generation capacity of the total of 1,28,000 MW to be based on non-fossil sources by 2032.**

◆ **Contributing to Jawahar Lal Nehru National Solar Mission**
Your company’s subsidiary, NTPC Vidyut Vyapar Nigam Ltd. is the nodal agency for implementing the first phase of the Mission, wherein it shall be responsible for purchase of up to 1,000 MW of solar power and its sale after bundling it with equivalent capacity from our stations.

◆ **Adoption of more efficient technologies**
Your company is determined to remain the technology leader in the sector. It has developed a **long-term Technology Roadmap** for the period up to 2032. Your company is inducting high efficiency super critical projects and will also induct ultra super critical machines. Super critical capacity aggregating to 5,280 MW is under construction, 5,940 MW of super critical capacity is under bidding. Your company is close to commissioning the country’s first super critical power generation unit at Sipat.

◆ **Promoting research and technology development with special focus on climate change issues**

Your company is leveraging its world-class research facility NETRA (NTPC Energy Technology Research Alliance) for achieving efficiency improvement and cost reduction and combating climate change issues through research projects related to CO₂ fixation and carbon capture. Your company will take forward its efforts for development of IGCC (Integrated Gasification Combined Cycle) suitable for Indian coal. Your company has been entrusted with a **key role by the Government of India** in the research concerning advanced ultra super critical technology as part of the **National Mission on Clean Coal (Carbon) Technology.**

GLOBAL FOOTPRINT

Your company is setting up a 500 MW coal based thermal power project in Sri Lanka through a Joint Venture with Ceylon Electricity Board (CEB). Your company has signed an MoU with Bangladesh Power Development Board (BPDB) for mutual cooperation in development of power sector in Bangladesh. NTPC may set up a 1,320 MW coal based power plant in Bangladesh in Joint Venture with BPDB. Your company is pursuing with Government of Qatar for investing in NTPC’s gas projects.

HOLISTIC APPROACH WITH SUSTAINABILITY-FOCUS

People, planet and profit, the three dimensions of the triple bottom-line determine the strategic contours of your company.

SENSITIVITY TO THE ENVIRONMENT

Your company acknowledges the value of **using the ‘natural capital’ in a sustainable manner and preserving it** to the best possible extent. Generating power with minimum impact on the environment is integral to the planning and design of the power projects of your company and also to its plant operations. In order to bring more transparency in the measurement and reporting

systems, your company has provided a direct link to Central Pollution Control Board for online viewing of its ambient air quality data. Intensive afforestation by your company has resulted in development of a **sizeable carbon sink consisting of over 18.5 million trees.**

EXTENSIVE SOCIETAL OUTREACH

Your company believes in **proactive inclusion of public interest in its corporate priorities.** This is seen in the extensive engagement of your company with the society and its special focus in providing support to the physically challenged, promoting gender justice through women’s education, enhancing employability through vocational education, providing electricity to remote locations through innovative off-grid sources, health-care support and other such interventions. Your company’s special efforts were recognized in the form of **NCPEDD-Shell Helen Keller Award 2009** given by National Centre for Promotion of Employment of Disabled People (NCPEDD) in partnership with the **Shell Group of Companies for exemplary work towards helping disabled people find positions of equality and dignity in the workplace.** Your company is promoting employability of the youth in remote areas. In order to **create a large base of technically skilled work force**, your company has been adopting ITIs and setting up new ITIs.

STEPS TOWARDS ENERGY INCLUSION OF THE PEOPLE

Under the Rajiv Gandhi Grameen Viduyuktaran Yojana, NTPC Electric Supply Company Ltd (NESCL) **completed electrification of 8017 villages** exceeding GoI target of 7500 villages and **provided 8.65 lakh Below Poverty Line (BPL)** connections exceeding the target of 8.5 lakh connections for the year 2009-10. Your company is going to **build power distribution infrastructure for enabling supply of electricity to the villages within a radius of 5 kilometers of its power stations.** This promises to be a major change-driver in the socio-economic dynamics of those areas. Your company focuses on appropriate community participation as witnessed in the case of the 15 Distributed Generation Projects with a total capacity of 300 kilowatt set up by it in remote villages where these smaller power generating sets have become veritable vehicles of social transformation. This is a very satisfying example of **‘energy inclusion’** of the people.

CORPORATE GOVERNANCE AS A VALUE-DRIVER

Your company believes in **self-regulation** through proactive steps to adopt the best business practices with a view to ensuring transparency, accountability, fairness and trust. Your company’s systems and processes are widely admired by the public and private sectors alike. Special mention needs to be made of the procurement process adopted by your company which has been publicized by the Central Vigilance Commission (CVC) as the best practice for PSUs. The sound systems of checks and balances developed by your company have been further strengthened with implementation of **Integrity Pact**, adoption of a comprehensive **Enterprise Risk Management Framework** and a well-defined **Internal Control Framework.**

A STRONG AND COHESIVE COMMUNITY OF STAKEHOLDERS

We are extremely indebted to Prime Minister’s Office and Planning Commission of India for the help we have been receiving on important policy issues. We are grateful to Ministry of Power for the invaluable guidance and strong support we always get. We are thankful to Ministry of Finance, Ministry of Environment and Forest, Ministry of Coal, Ministry of Railways, Ministry of Petroleum and Natural Gas, Ministry of Commerce, Ministry of Heavy Industries and Public Enterprises, the State Governments and other agencies and authorities for their help to NTPC. We are grateful to Central Electricity Regulatory Commission, Appellate Tribunal for Electricity and Central Electricity Authority for their guidance to the sector and to the NTPC. We are thankful to the investors who have demonstrated strong faith in your company. I want to convey our sincere appreciation for the hard work put in by the employees who form the formidable ‘Team-NTPC’. This team has made a big difference to the Indian power sector. It aims to make a huge difference now. Members of Team-NTPC are ignited with the desire to see NTPC among the most admired organizations in the world.

Thank You,

Signature
Rup Roy Choudhury
Chairman and Managing Director

New Delhi
Date : September 23, 2010

Note : Excerpts from the Chairman’s Speech at the 34th Annual General Meeting held on September 23, 2010 at New Delhi. This does not purport to be a record of the proceedings of the Annual General Meeting.

