



“NTPC Limited Q3 FY20 Earnings Conference Call”

February 7, 2020

MANAGEMENT: MR. A.K. GAUTAM - DIRECTOR (FINANCE)
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NTPC Limited
February 07, 2020

Moderator: Ladies and gentlemen, good day and welcome to the post results conference call of NTPC Limited hosted by B&K Securities Private 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 pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kunal Sheth of B&K Securities Private Limited. Thank you and over to you Sir.

Kunal Sheth: Sure. Thank you, Shalini, and I would like to welcome the management of NTPC Limited on the call. From the management, we have Mr. A.K. Gautam, Director (Finance); Mr. S. Roy, Director (Human Resources); Mr. A.K. Gupta, Director (Commercial & Projects); Mr. Prakash Tiwari, Director (Operations); and Mr. R.S.V. Muthumani, Executive Director (Finance). Sir, I would request you to give us some opening remarks and then we will open the floor for Q&A. Over to you Sir.

A.K. Gautam: A very good evening to everybody. I, A. K. Gautam, Director (Finance), welcome all of you to Q3 FY20 Con Call of NTPC Ltd. and I have with me Shri. S. Roy, Director (Human Resources), Shri. A.K. Gupta, Director (Commercial & Projects) and Shri Prakash Tiwari, Director (Operations). I also have with me Shri. R.S.V. Muthumani, Executive Director (Finance) and other key members of NTPC team.

Today, the Company has announced the unaudited financial results for the third quarter of FY20. The Key Performance Highlights for the



NTPC Limited
February 07, 2020

quarter and nine-month ended 31 December 2019 have already been disclosed on both the stock exchanges.

Operational Highlights for Q3/9M FY20

1. NTPC's standalone gross generation in Q3 FY20 is 61.21 Billion Units and in 9M FY20 is 191.35 Billion Units as compared to 70.06 Billion Units and 205.26 Billion Units respectively in the corresponding previous periods.

Gross Generation of NTPC Group in Q3 FY20 is 68.88 Billion Units and in 9M FY20 is 214.18 Billion Units as compared to 78.16 Billion Units and 228.21 Billion Units respectively in corresponding previous period.

NTPC Hydro and RE stations recorded generation of 4.26 Billion Units in 9M FY20, as against 3.87 Billion Units in corresponding previous period.

2. In Q3 FY20, we have added 1460 MW to our commercial capacity, comprising 800 MW at Lara and 660 MW at Tanda.

With these additions, the commercial capacity of NTPC has become 47985 MW on standalone basis and 56446 MW for the Group as on 31 December 2019.

3. NTPC has already commissioned 920 MW of RE projects under EPC mode. 1062 MW of solar projects are presently under implementation and 1942MW are under various stages of tendering.

4. For 9M FY20, 4 coal stations of NTPC were among the top 10 performing stations in the country in terms of PLF including Singrauli



NTPC Limited
February 07, 2020

with 87.04%, Rihand with 85.92%, Korba with 85.81% and Vindhyachal with 85.53%.

5. During 9M FY20, PLF of coal stations was 67.13% as against the National Average of 55.84%.

6. We have suffered losses due to grid restrictions and fuel supply:

- The generation loss due to grid restrictions in Coal based stations was 53.58 Billion units in 9M FY20. For the gas based stations the loss was 21.51 Billion units in 9M FY20.
- The generation loss on account of fuel supply constraints in the coal based stations was 6.67 Billion Units in 9M FY20.

7. Status of Fuel Supply:

- During the 9M FY20, Materialisation of coal against ACQ was 91.45% as against 97.11% in 9M FY19.
- Coal supply during 9M FY20 was 123.03 MMT, this comprises 120.88 MMT of Domestic Coal and 2.15 MMT of imported coal. The coal supply during corresponding previous period was 128.28 MMT, with 127.90 MMT of Domestic Coal and 0.38 MMT of imported coal.
- Coal consumption during 9M FY20 was 123.77 MMT, this comprises 122.28 MMT of Domestic Coal and 1.49 MMT of imported coal. The coal consumption in corresponding previous period was 129.18 MMT, with 128.15 MMT of Domestic Coal and 1.03 MMT of imported coal.

8. During the Q3 FY20, 2.53 Million Metric Tonnes (MMT) of coal (Q3FY19- 2.16 MMT) has been excavated from Pakri-Barwadih coal mine. Cumulatively 16.76 MMT coal has been excavated till 31 December 2019.



NTPC Limited
February 07, 2020

0.45 MMT coal has been excavated from Dulanga coal block in Q3 FY20 (Q3 FY 19- NIL).

Cumulative expenditure of ₹ 6,738.48 crore has been incurred on the development of coal mines till 31 December 2019. The total expenditure incurred in 9M FY20 was ₹ 869.42 crore.

9. Cabinet Committee on Economic Affairs (GoI) has given in principle approval for strategic sale of entire GoI stake in THDC & NEEPCO to NTPC. A transaction advisor has been appointed by DIPAM, MoF, for the same. In this regard, NTPC has also appointed M/s SBICAPs for providing transaction advisory services for acquisition. Due Diligence and other modalities for acquisition are under progress.
10. NTPC Limited and Siemens, India have signed a Memorandum of Understanding (MOU) envisaging large scale generation of Green Hydrogen using Renewable Energy which shall be used by Industries, Re-electrification (Round the Clock Power), Energy Storage, Fuel Cell Electric Vehicle Mobility etc. with the ultimate goal of reducing the dependence on Hydrocarbons in India.
11. NTPC has signed a MoU for cooperation in power sector in Zimbabwe with Zimbabwe Power Corporation.
12. Environmental Management- Initiatives for preserving Environment:-
 - Flue Gas Desulphurisation Systems (FGD) are under various stages of implementation in 64.85 GW of group capacity. FGD of 920 MW has already been commissioned. FGD system package for 46.87 GW have been awarded. Awards of FGD system packages for 17.06 GW capacity are under various stages of tendering.



NTPC Limited
February 07, 2020

- For compliance with NOx control, Combustion Modification has already been implemented at 4 units with 2 GW of Thermal Power capacity, awards for contracts for supply and installation of low NOx combustion system for 19 GW of capacity have been awarded. Awards of De-NoX systems packages for 44 GW are under process.
- Further, in its endeavour towards more sustainable power generation, NTPC, has started utilising agro-residue-based pellets to co-fire its power plants along with coal. NTPC Dadri power plant has been co-firing close to 70-80 tons of agro-residue fuel along with coal. The company is in the process of procuring around 20,000 tonnes per day stubble for its other power plants located across the country as well.

Financial Highlights for Q3/9M FY20

- Gross Sales for Q3 FY20 is ₹ 23,357.67 crore as against corresponding quarter of previous year Gross Sales of ₹24,064.47 crore. On nine-month basis, there is an increase of 1.95% in the Gross Sales i.e. from ₹ 68,853.56 crore in 9M FY19 to ₹ 70,193.78 crore in 9M FY20.
- Total Income for Q3 FY20 is ₹ 24,022.62 crore as against corresponding quarter of previous year Total Income of ₹ 24,308.01 crore. On nine-month basis, there is an increase of 3.68% in the Total Income i.e. from ₹ 69,633.95 crore in 9M FY19 to ₹ 72,199.66 crore in 9M FY20.
- PBT for Q3 FY20 is ₹ 3,422.04 crore, as against ₹ 3,489.54 crore in the corresponding quarter of previous year. On nine-month basis, PBT is ₹ 10,082.15 crore as against ₹ 9,135.35 crore in 9M FY19 registering an increase of 10.36%.



NTPC Limited
February 07, 2020

- PAT for Q3 FY20 is ₹ 2,995.14 crore, as against ₹ 2,385.41 crore in the corresponding quarter of previous year registering an increase of 25.56%. On nine-month basis, PAT is ₹ 8,860.37 crore as against ₹ 7,399.57 crore in 9M FY19 registering an increase of 19.74%.

An update on various other financial activities:

The regulated equity as on 31 December 2019 was ₹ 56,570.82 crore.

Fund Mobilization

- During Q3 FY20, NTPC has signed a term loan agreement of ₹5,000 crore with State Bank of India.
- Average cost of borrowing for 9M FY20 was 6.86% as compared to 6.92% in 9M FY19.
- Further, NTPC has signed a syndicated facility agreement with consortium of three banks viz. State Bank of India (SBI), Sumitomo Mitsui Banking Corporation Singapore Branch (SMBC) and Bank of India, Tokyo Branch (BOI) for JPY equivalent of US\$750 million with two tranches having door to door maturity of 11 years. This facility is the largest ever syndicated JPY loan raised by any Asian Corporate from offshore Samurai loan market. It is also the highest ever single foreign currency loan raised by NTPC.

CAPEX

- In 9M FY20, we have incurred a CAPEX of ₹ 15,236.33 crore as against ₹ 17,951.43 crore in 9M FY19. The total group CAPEX for the 9M FY20 was ₹ 22,085.41 crore.
- The Capital outlay for FY21 has been estimated at ₹ 21,000 crore for NTPC.



NTPC Limited
February 07, 2020

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

- NVVN, our trading subsidiary, transacted 10.90 Billion Units during the 9M FY20 as against 12.96 Billion Units during the 9M FY19.
- During Q3 FY20, we have received dividend of ₹ 5.10 crore from our subsidiaries and Joint Venture Companies as against ₹ 4.24 crore received in the corresponding period of previous year.

NTPC continues to win laurels and awards in various fields, major awards received in Q3 FY20 are:

- NTPC has been awarded the ‘Golden Peacock Award for Sustainability’ 2019 during the 19th International Conference on Corporate Governance & Sustainability. .
- Awarded Best Performing Power Generation Company at the Dun & Bradstreet Infra 2019 Awards.

These were some of the highlights I wanted to share before the question and answer session.

Thank you.

Moderator: Thank you very much. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: My first question pertains to the under recovery in 9-month FY2020 and has it gone up or is it same like H1 FY2020. Second question is as to why other expenses and other income is way too high? Can you explain?



NTPC Limited
February 07, 2020

Management: Yes. First with respect to your question regarding AFC under recovery for the 9-month period, in the 9-month period of FY2019, disincentive was Rs.1,101 Crore and disincentive in the current 9 months is Rs.380 Crore. So we have gained around Rs.721 Crore. Now the second question, which regarding the other expenses. Other expenses for the 9 months is higher by Rs.1,122 Crore and out of that an increase on account of ERV is Rs. 438 Crore. Increase because of the ash utilization and marketing expenses is Rs.204 Crore. However, in respect these expenses corresponding regulatory deferral account has been created under movement in regulatory deferral account balances. So effectively increase would be Rs.480 Crore. Out of this the increase is mainly towards provision for tariff adjustment amounting to Rs.344 Crore.

Mohit Kumar: It is a one-off, Rs.344 Crore?

Management: Yes and out of this Rs.326 Crore is consequent to CERC order for sharing of efficiency gains, for the previous tariff period.

Mohit Kumar: Rs.326 Crore pertains to the 2014-19 tariff period?

Management: Yes.

Mohit Kumar: Sir, what is the commissioning target for FY20 and FY21?

Management: We target to achieve 5290 MW during FY20 and for FY21 our target is 4490 MW.

Mohit Kumar: Sir, what is the reason for increase in other income?



NTPC Limited
February 07, 2020

Management: Other income in Q3FY20 is higher by Rs.338 Crore in comparison with Q3FY19. This is mainly because of increase in the surcharge income by Rs.318 Crore. For the 9-month period, the other income is higher by Rs.1197 Crore, which is again because of an increase in surcharge income by Rs.1022 Crore. Against this surcharge income, we have got a corresponding increase in the finance costs that is related to the interest on working capital amounting to Rs.941 Crore.

Mohit Kumar: Understood Sir. Thank you. Wish you all the best.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.

Viraj Kacharia: Just had 3 questions. First pertains to a mention in the budget that plants, which are older and where the emission norms have not been updated, could be potentially closed. So, for us when we say lot 1 and lot 2, especially how is the FGD implementation of those going on there?

Management: As I discussed in my opening remarks about the FGD implementation, I am repeating again that the flue-gas desulphurization systems are under various stages of implementation in 64.85 GW capacity of the group. FGD of 920 MW has already been commissioned. FGD system packages for 46.87 GW have already been awarded. Award for 17.06 GW capacity are under various stages of tendering.

Viraj Kacharia: Sir, in the lot 1 and lot 2, how is the implementation and is there any risk of retendering and also are there issues on availability of specialized steel with what is going on in China. Also are we seeing any delay in implementation?



NTPC Limited
February 07, 2020

Management: As of now because of the structural steel, we do not see any delay. But I think it is a dynamic situation when there is a project execution. We expect that we will be able to meet the deadline given by the Supreme Court.

Viraj Kacharia: How are we seeing in terms of ordering by state governments? Have you seen any traction there?

Management: No, I would not be able to answer you for the FGDs being done by states. I can only talk about what NTPC is doing.

Viraj Kacharia: Last question what was the capex for the year?

Management: The capex incurred till December 2019 is Rs.15,236.33 Crore.

Viraj Kacharia: Thank you.

Moderator: Thank you. We move to the next question from the line of Subhadip Mitra from JM Financial. Please go ahead.

Subhadip Mitra: Firstly, if you could please give us the adjusted PAT number for the quarter adjusted for all one-offs and prior year items?

Management: Okay. Third quarter reported PAT is Rs.2995.14 Crore. If you reduce previous year sales of Rs.443.61 Crore, provision for the CERC order on sharing gains Rs.325.93 Crore, tax related to earlier years minus Rs.1.30 Crore, tax impact on the above adjustment amounting to Rs.77.51 Crore. The adjusted profit comes to Rs.2,953.67 Crore as compared to Rs.2,184.57 Crore in Q3FY19.



NTPC Limited
February 07, 2020

Subhadip Mitra: I am just repeating the numbers. So the final adjusted PAT number would be Rs.2,953.67 Crore is that right?

Management: That is correct.

Subhadip Mitra: Understood. Sir, secondly, the fixed cost under recovery number you mentioned was it Rs.380 Crore for 9-months?

Management: Yes, as compared to Rs.1,101 Crore in the corresponding 9-month period.

Subhadip Mitra: What was that number for H1 FY2020?

Management: Rs.448 Crore.

Subhadip Mitra: So from Rs.448 Crore it has come down to Rs.380 Crore and if I remember correctly I think we had a target of getting it below Rs.200 Crore for the full year.

Management: Yes, that is the target we are aiming at.

Subhadip Mitra: Last question from my side. With regard to the tax rate, that seems to be quite high because I think there is an increase on the deferred tax side, etc., so are we expecting the tax rate to normalize in Q4 or for the full year?

Management: We are under MAT regime, for the October to December quarter our current tax is Rs.672 Crore as against Rs.786 Crore in the corresponding period of the previous year. There is a reduction of Rs.114 Crore. Our deferred tax for the third quarter is Rs.1,353 Crore as against Rs.781 Crore. Deferred tax in the current quarter has



NTPC Limited
February 07, 2020

increased mainly due to certain assessment orders, which we have received. It is important to mention that the deferred tax has been accounted for as a regulatory asset also so there is no net increase on account of that in comparison with corresponding previous period.

Subhadip Mitra: Is there any one-off component in this which you have already included in your adjusted PAT calculation?

Management: No.

Subhadip Mitra: Understood. So the adjusted PAT number of Rs.2,953 Crore would take care of most of these other adjustments?

Management: Correct.

Subhadip Mitra: Commissioning target of 5290 MW for FY20 and 4490 MW for the next year, these would be for the group or standalone?

Management: It is for the group.

Subhadip Mitra: If you can also mention the standalone targets please?

Management: I think the number, which I gave you earlier was basically for commissioning what I think is you are interested for commercial operation numbers.

Subhadip Mitra: Commercial operations, yes.

Management: I gave you the number earlier from the point of view of the commissioning. So now if you take commercial capacity numbers we have so far added 4240 MW capacity and we are going to add in total



NTPC Limited
February 07, 2020

5950 MW by the end of this year, this is for the group. For the standalone it should be 4630 MW.

Subhadip Mitra: Out of that 5950 MW?

Management: Yes absolutely.

Subhadip Mitra: For FY21 similar numbers?

Management: In FY21 we are targeting to add 5290 MW commercial capacity for the group as a whole and out of that 3720 MW will be on standalone basis.

Subhadip Mitra: Got it. Perfect Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Sir, this is on THDC and NEEPCO acquisition. So what is the expected time line and the valuation and will these entities be merged with NTPC or they will become subsidiaries?

Management: As far as valuation is concerned, it is under process and I can come back to you only after the same is finalized. Now coming back to the merger of these companies with NTPC. Government of U.P. has a share in THDC, so it would be a standalone in any case because we are not going to have 100% share. As far as NEEPCO is concerned, decision will be taken later keeping in view overall commercial benefits.



NTPC Limited
February 07, 2020

Atul Tiwari: My second question is how much was the overdue receivables from DISCOMs at third quarter end?

Management: Rs.17,514.69 Crore as on December 31, 2019.

Atul Tiwari: But Sir just to confirm if you are not seeing further buildup of receivables. So whatever you are billing post July 31, 2019 you are getting paid for that, right?

Management: Let me answer the question in a different way. You see, if you look at the performance in terms of realization from last year, Rs.22,000 Crore was outstanding on February 6, 2019, but if you look at it today we are having an outstanding of Rs.17,196 Crore. So actually year-on-year we have less outstanding than what we had in last year. Now out of this Rs.17,196 Crore today, around Rs.12,000 Crore is delayed beyond the due date. So I think after the LC mechanism has come into place the payment position has improved.

Atul Tiwari: Thanks a lot.

Moderator: Thank you. The next question is from the line of Sumit Kishore from JPMorgan. Please go ahead.

Sumit Kishore: Could you please tell us details of the projects, which are under tendering and what is their award time line?

Management: As far as projects under tendering are concerned, most of the projects, which are in tendering now are basically solar projects.



NTPC Limited
February 07, 2020

Sumit Kishore: Sir, Lara and Singrauli were supposed to be awarded in this financial year. Are we on track or is it probably going to happen in the next financial year now?

Management: We are waiting for the environmental clearance for these 2 projects and once we have the environmental clearance we will be in a position to award.

Sumit Kishore: In terms of your captive coal mine production, what appears to be the likely production now for FY21 & FY22? When will the scale-up happen?

Management: In fact, if you look at this financial year we are going to do something like 10.5 MT and in FY21, we are going to enhance it to around 18 MT and in FY22 to 29 MT.

Sumit Kishore: Out of the 29 MT, basically Pakri Barwadih and Dulanga would be the bulk of it?

Management: Yes, you are right but we have also opened Talaipalli and we are in a very advanced stage for Pakri Barwadih West, which is another 3 MT mine and we are also working in Chatti Bariatu. These numbers which I am giving is a mix of all these mines.

Sumit Kishore: Got it and just a follow-up on one of the earlier questions. You were talking about some adjustment of Rs.3.26 billion, which was for 2014-19 tariff period. What was that related to and is it a positive or a negative adjustment?



NTPC Limited
February 07, 2020

Management: CERC order has been received in which the methodology for calculation of sharing of gains has been changed by CERC from annual basis to the monthly basis. So this is with respect to the tariff period 2014-19. We are in the process of challenging this award before the APTEL, but on a conservative basis we have made a provision.

Sumit Kishore: So it has led to a reduction in profit by Rs.326 Crore?

Management: Yes, but we are approaching APTEL against this order of CERC.

Sumit Kishore: The adjusted profit that you had given of Rs.29.53 billion had taken care of this CERC order-related provision?

Management: Yes.

Sumit Kishore: Got it. Thank you.

Moderator: Thank you. The next question is from the line of Apoorva Bahadur from Jefferies. Please go ahead.

Apoorva Bahadur: Sir, I wanted some clarity on the Jhabua acquisition. There were media reports that because we have stake in Ratnagiri, we would not be able to pursue this. So what is happening over there?

Management: Yes. We had submitted our bid for Jhabua, identifying and very clearly bringing out the issues related to Ratnagiri. Now as far as we are concerned, we have not defaulted after the demerger of these 2 companies, the RGPPL and KLPL. We have also not defaulted on any payment to banks. So this NPA, is just a technical NPA and we have taken up with RBI and other bankers to review this NPA.



NTPC Limited
February 07, 2020

Apoorva Bahadur: Sure Sir. Sir, lastly, on NVVN. The trading volumes have gone down in these 9 months versus the previous 9 months so is that because of backing down by Andhra?

Management: Not really. Actually the margins are going down, so we are not interested in the kind of businesses where margins are single paisa or half a paisa, instead we would be only doing the business when it makes some sense to us in terms of returns or profitability.

Apoorva Bahadur: Got it Sir. Lastly, again, hearing that the Railways is in need of working capital support at the beginning of the year. So any plan on that? Have you been approached by them for any similar arrangement like last year?

Management: As of now, we have not received any such proposal.

Apoorva Bahadur: Thank you so much. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal: Sir, the deferred tax amount seems pretty high at Rs.1350 Crore but you said there is also an offset?

Management: Yes. The corresponding figure will appear under the regulatory movement in regulatory deferral account balances so it will not have any impact on the profitability.

Dhruv Muchhal: Secondly, the surcharge income is about Rs.417 Crore for the quarter versus Rs.650 Crore in Q2FY20. Although the over-dues have not decreased, so how has the surcharge income declined?



NTPC Limited
February 07, 2020

Management: In the current quarter, we have done certain bill discounting because of which it has come down.

Dhruv Muchhal: So you have mentioned the 9-month cost of over-dues and if you can give the third quarter number too?

Management: Yes, it is Rs.281 Crore.

Dhruv Muchhal: The interest cost impact?

Management: Yes, interest on working capital.

Dhruv Muchhal: Thank you so much.

Moderator: Thank you. The next question is from the line of Shashank Khetawat from Tata AIA. Please go ahead.

S. Khetawat: Can you please give the interest on working capital for Q2?

Management: It is Rs.329 Crore.

S. Khetawat: Thank you.

Moderator: Thank you. The next question is from the line of Manjeet Buaria from Solidarity Investment Managers. Please go ahead.

Manjeet Buaria: Sir, I wanted to understand on a longer-term basis what are the strategic disadvantages if the government's stake falls below the majority mark?

Management: As of now, the government of India's stake in NTPC is 51.02%, so we hope that the government will continue with this holding.



NTPC Limited
February 07, 2020

Manjeet Buaria: Sir, but I mean, just to understand, are there any debt covenants, which get triggered or probably the right of use of coal mines would go away in case the government is not a promoter?

Management: It will depend if government's holding falls below 51% directly or indirectly.

Manjeet Buaria: Thank you.

Moderator: Thank you. The next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.

Abhishek Puri: Congratulations on the good set of results, Sir. Sir, 2 things, first this Rs.326 Crore, which has come in, this is because of the cap that the regulator has put in and I was reading there is a 7 paisa cap on this sharing of gains now?

Management: This is because of the CERC order, which they have given in the case of TANGEDCO, wherein they have said that these gains are to be calculated on a monthly basis instead of an annual reconciliation. So on a conservative basis we have made provision in the accounts, but we are approaching APTEL for this.

Abhishek Puri: Sir, but I did not understand. Because if this is done on an annual basis, why 2014-19 gains should be reversed back now because that would have been reconciled annually?

Management: That is what we are going to the APTEL for.

Abhishek Puri: In the latest CERC regulations, I was reading that the gains have been capped at 7 paisa now as a trading gain from intraday sale of power?



NTPC Limited
February 07, 2020

- Management:** Yes. That is a different thing. That is the trading margin.
- Abhishek Puri:** Right. Understood. Sir, secondly on the under-recovery part. Since for the first half of the year we already had Rs.448 Crore odd under-recovery and for 9 months it is Rs.380 Crore, would that mean that we have gained about Rs.68 odd Crore in the current quarter?
- Management:** That is correct Abhishek.
- Abhishek Puri:** Lastly, on the auxiliary consumption looks to be extremely high at about 8.5% because obviously the demand was lower in the current quarter, is there any disincentive related to that in the current numbers? Typical standard is about 6.5% so we are at 8.5%. I am just trying to understand on that.
- Management:** The actual auxiliary power consumption is much lower than the figure indicated by you. CERC norms for APC are different for different stations.
- Abhishek Puri:** Thanks a lot and all the best.
- Moderator:** Thank you. The next question is from Pulkit Patni of Goldman Sachs. Please go ahead.
- Pulkit Patni:** Sir, just one more question. We are one of the few companies that are actually installing emission equipment today vis-à-vis a lot of other competitors that are not doing it. Now, if you were to look at the next 2 years, do you expect any differential treatment to plants, which have emission equipment versus the plants that do not install and how do



NTPC Limited
February 07, 2020

you think that is there any advantage that we have other than what we are contributing to the environment in general?

Management: The stations where we install flue gas desulphurization units may get priority in scheduling, and in this way we will be benefited. As per the guidelines by the Honorable Supreme Court, every station in the country, has to meet environmental norms by December 2022. We hope after that period, whoever does not meet those norms would either t have to pay some penalty or they may not be allowed to operate. So, as we have mentioned that FGD is already under implementation at all our stations and we would definitely be in an advantageous position as compared to the other generators.

Pulkit Patni: Sure Sir. That is useful. Thank you.

Moderator: Thank you. The next question is from the line of Prashant Kothari from Pictet. Please go ahead.

Prashant Kothari: So the question is about the generation numbers going down by about 12 to 13% for the quarter and about 6 to 7% for the 9 months, can you just help me understand is this the weakness in demand or is it that we are losing share to some cheaper generation sources?

Management: It is primarily because of less demand that the generation is down, when we compare quarter-to-quarter and also for the 9-month period.

Prashant Kothari: So what are we doing to reduce the cost so that we can become more competitive?



NTPC Limited
February 07, 2020

Management: We are using the policy of flexibilization of usage of coal in a big way to reduce the cost of generation in some of our plants like Kudgi, Solapur, Mouda and Gadarwara. This policy is coming in handy for us to reduce the energy charges and we are therefore, getting schedule for these stations now. At the same time, since the middle of January we find that the energy demand is also increasing. Because of these 2 factors combined, we are now able to generate more.

Prashant Kothari: So how has the cost of power changed for us compared to last year?

Management: Cost of power for 9-month period ended December 31, 2019 is Rs.3.81 per kWh and for the corresponding period in the previous year it was Rs.3.47 per kWh. It is an overall rate.

Prashant Kothari: Okay. So any targets we have in terms of how much we want this cost to go to?

Management: Fixed cost has gone up marginally due to capitalization of new units and since the Railways have also increased their freight by around 8%, it has also led to an increase in the cost of transportation to our rail fed stations. These are the factors behind the increase in cost, but definitely we are trying to keep overall costs under control using the flexibilization and SCED scheme.

Prashant Kothari: Just one small question on coal consumption. It seems that despite lower production we have ended up consuming more coal. Is coal usage efficiency somehow reducing?

Management: There are 2 things. In recent months, we have received coal which was not up to the mark as far as quality was concerned. Then, in the first



NTPC Limited
February 07, 2020

quarter of this financial year, we had consumed a lot of our old stock of the coal, which obviously was slightly in deteriorated condition. So these 2 factors have led to the marginal increase in our specific coal consumption.

Prashant Kothari: So are we able to claim back from Coal India, if the coal coming in is not as per our specifications?

Management: Yes. We have introduced this system of measuring quality of coal at both the ends, loading and unloading end, and if we receive inferior coal for whatever reasons, it duly reflects in the payment that we make to Coal India. So the financial implications are bare minimum, but it definitely reflects in the specific coal consumption.

Prashant Kothari: Thank you.

Moderator: Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you Sir.

Management: Thank you very much and we hope we continue to meet the expectations of our stakeholders. Thank you.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of B&K Securities India Private Limited. With this we conclude the conference call. Thank you for joining us. You may now disconnect your lines.