



“NTPC Limited Q3 Financial Year 2015 Results  
Conference Call

January 30, 2015

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**MR. K.K. SHARMA, DIRECTOR (OPERATIONS)**  
**MR. S. C. PANDEY, DIRECTOR (PROJECTS)**  
**MR. AJIT KUMAR, EXECUTIVE DIRECTOR (COMMERCIAL)**  
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*NTPC Limited  
January 30, 2015*

**Moderator:** Ladies and gentlemen, good day and welcome to the NTPC Limited Q3 FY15 Results 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 pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harsh Dole from IIFL Capital. Thank you, and over to you Sir!

**Harsh Dole:** Thank you Margreth. Hello everyone. On behalf of IIFL I welcome you all to the 3<sup>rd</sup> quarter FY 2015 Earnings call of NTPC. Today NTPC would be represented by the senior management which comprises of Mr. K. Biswal, Director (Finance), Mr. I. J. Kapoor, Director (Commercial), Mr. S. C. Pandey, Director (Projects), Mr. K.K. Sharma, Director (Operations) along with the IR representatives. First the management would make an opening comment on the performance of the quarter gone by and would share outlook on the key issues. Without much of a delay I hand over the call to you Sir.

**K. Biswal:** Very good afternoon to everybody, I am K. Biswal, Director (Finance), NTPC Ltd. and I have with me Shri K.K. Sharma, Director (Operations), Shri Ajit Kumar, Executive Director (Commercial), Shri Sharad Anand, Executive Director (Coal Mining), Shrimati Sangeeta Bhatia, General Manager (Finance), and Mr. Sreekant, General Manager (Finance) and other members from finance team. Mr. Pandey and Mr. I.J. Kapoor would be joining a little later.

Today, the Company has announced the unaudited financial results for the 3<sup>rd</sup> quarter of financial year 2014-15 as well as for the nine-month period ended on December 31, 2014. The key performance highlights for the quarter and nine-month period have been disclosed on both the Stock Exchanges.

To begin with, I briefly touch upon some of the highlights of Q3 FY15: With a view to reward the Shareholders of the Company we will issue one Bonus Debenture of face value of Rs. 12.50 against each equity shares of Rs. 10.00. We are trying to close the transactions in the current fiscal subject to approval of the Shareholders, Creditors and the Ministry of Corporate Affairs. This issue will improve the leverage as well as the reported ROE of the Company. In addition to this, we have declared an interim dividend for the financial year 2014-15 at the rate of 7.50% i.e. 75 paise per equity share. The dividend will be paid on February 13, 2015. Thus, the Shareholders will get

a benefit of Rs. 13.25 per share this year. This is in addition to Rs. 1.75 per share of final dividend what we paid this year for the last year.

Unit I of 660 MW of Barh project was declared on commercial operation with effect from November 15, 2014.

15 MW of solar capacity at Singrauli was commissioned and declared for commercial operation with effect from December 31, 2014 taking the total installed solar capacity of the Company to 110 MW. We are developing world's largest solar power project of 1000 MW at a single location in Anantpur District of Andhra Pradesh in a phased manner. In the first phase, NIT has been issued for 250 MW solar power projects i.e. 5 blocks of 50 MW each. Technical-commercial bids are under evaluation. Price bids will be opened shortly. Further to kick-start domestic manufacturing cycle, another NIT of 750 MW solar PV has been issued. Out of this project of 250 MW each will be set-up in the state of Madhya Pradesh, Telengana and Rajasthan. We are also taking development of offshore wind power projects through a joint venture company, a MOU was signed on October 1, 2014 amongst MNRE, National Institute of Wind Energy and consortium of partners consisting of NTPC Ltd., as lead partner.

To finance the capital expenditure of the Company two large ticket borrowings were tied up- (i) Eurobonds of USD 500 million are placed on November 26, 2014 and (ii) a term loan agreement for Rs. 10,000 crore signed with State Bank of India on January 15, 2015.

NIT has been issued in November 2014 for long term tie-up of imported coal for sustained generation. NIT issued on 29.12.2014 for procurement of imported coal for Pudimadaka Super Thermal Power Project of 5x800 MW for an annual requirement of 14 Million Metric Tonne.

**I will begin with quarter-on-quarter comparison:** PAT for Q3 FY15 is Rs. 3,074 crore as against Rs. 2,861.28 crore in corresponding previous quarter registering an increase of 7.43%. The PAT for Q3 FY15 is the highest ever profit earned in Q3 by the Company. For nine-month period of FY15 PAT is Rs. 7,346.83 crore as against corresponding nine-month period PAT of Rs. 7,881.20 crore. Net Sales for Q3 FY15 is Rs. 18,738.98 crore as against corresponding quarter Net Sales of Rs. 18,779.39 crore. For the nine-month period of FY15 Net Sales of Rs. 53,407.81 crore is up by 5.41% against corresponding nine-month period sales of Rs. 50,664.55 crore. Total Income for Q3 FY15 has remained at the same level as it was in Q3 FY14 due to the previous

period sales recognized during the Q3 FY14 and also due to reduction in Other Income. For nine-month period FY15, Total Income is Rs. 55,476 crore as against previous corresponding nine-month period Total Income of Rs. 53,039.83 crore registering an increase of 4.59%. ROE has improved in nine-month period of FY15 from H1 FY15 due to more stations achieving cut off availability of 83%. In H1 FY15 out of 16 coal stations, 5 coal stations were performing below Availability Factor (DC) of 80% while one was in the range of 80-81%. In nine-month period, out of 17 coal stations only 2 coal stations i.e. Mouda and Barh were performing below 80% DC, while 4 stations were performing at AVF(DC) between 82-83%. Thus, there is further room for improvement in ROE in Q4. On overall basis, Availability Factor of coal stations in Q3 was 91.04% as compared to AVF(DC) of 76.79% in Q2 FY15.

We are confident enough that by the end of the 4<sup>th</sup> quarter we will be achieving AVF(DC) of 83% for both Mouda and Barh.

For the nine-month period of FY15, 9 coal stations of NTPC have featured among the top 25 stations of the Country in terms of PLF. PLF of the coal based stations was 80.79% for Q3 FY15 as against 82.43% for Q3 FY14, due to higher plant maintenance scheduled during the period of Q3. For the nine-month period of FY15, the PLF was 79.41% as against 79.14% during nine-month period of FY14, an increase of 27 Bps. Due to better ACQ materialization, coal availability improved and that resulted in additional generation of 9.414 BUs from the coal based stations in nine-month period. 170.590 BUs generated in nine-month period for FY 2015 as against 161.176 BUs in corresponding previous period. For the nine-month period of FY15, all NTPC stations were having DC around 83% except Mouda and Barh. For both Mouda and Barh we are expecting to have DC of 83% by the year end. DC of coal based stations was 91.04% for Q3 FY15 as against 95.12% for Q3 FY14. There has been a marked improvement in DC in this quarter as compared to 76.79% in Q2 FY15 representing an increase of 14.25%. DC of gas based stations was 93.15% for Q3 FY15 as against 99.85% for Q3 FY14.

**Sequential quarter comparison** (Q3 FY 2014-15 versus Q2 FY 2014-15): In Q3 FY15 PLF of coal based stations shoot up to 80.79% from 73.20% in Q2 FY15. Net Sales of Rs. 18,738.98 crore for Q3 FY15 is up by 13% from the Net Sales of Rs. 16,582.364 in Q2 FY15. Similarly, Total Income of Rs. 19,339.37 crore in Q3 FY15 is up by 12% from the Total Income of Rs. 17,267.32 crore in Q2 FY15. Q3 FY15 PAT

of Rs. 3,074 crore is up by more than 48% from the PAT of Rs. 2,071.63 crore in Q2 FY15.

I will now take you through the operational performance of 3<sup>rd</sup> quarter of current financial year i.e. 2014-15.

**Capacity Addition:** As on December 31, 2014, the total installed capacity of NTPC Group was 43143 MW which includes 6001 MW capacity owned by our Joint Venture and Subsidiary Companies. During current financial year, till date 35 MW solar capacity has been added comprising of 20 MW at Rajgarh and 15 MW at Singrauli. During Q4 FY15, we will synchronize 660 MW unit at Barh II. At Koldam, impounding work is under progress and has reached a level of 600 meters. We are confident of adding 400 MW this year. 195 MW unit of Kanti Bijlee Utpadan Nigam Limited will also be added in current fiscal. Boiler light-up work for 250 MW unit of Bongaigaon was done in November 2014 and we may also commission this unit by March 31, 2015.

**Operational Performance:** As on December 31, 2014 the commercial capacity of NTPC group stood at 42643 MW. Unit commissioned but yet to be declared commercial is 500 MW at Vallur (under JV Company of NTECL). Pending issue of provisional / final tariff order under Regulations, 2014 by the CERC and disposal of the petition filed by us challenging certain provisions, the financial statements for Q3 FY14 have been prepared in accordance with said Regulations. The pleadings are still continuing and next hearing is set on March 10, 2015.

Let me now give an update on various other activities: The Regulatory Equity as on December 31, 2014 was Rs. 36,617.67 crore. Cash and cash equivalent as on December 31, 2014 was Rs. 15,574.99 crore. In addition, an amount of Rs. 3,422 crore is invested in Mutual Fund Schemes.

**Fuel:**

**Coal** – The overall domestic coal received in Q3 FY15 has improved by 4.21%. We have received 39.61 Million Metric Tonne as compared to 38.01 Million Metric Tonne in Q3 FY14. For the nine-month period of FY15, the supply of domestic fuel was 109.97 Million Metric Tonne as compared to 106.41 Million Metric Tonne during the corresponding nine-month period of FY14, an increase of 3.35%. Materialization of coal against ACQ in Q3 FY15 has also been improved to 93.18% as against 91.32% in

Q3 FY14. On nine-month basis, the materialization level has improved from 87.11% in FY14 to 90.22% in FY15. The supply of imported coal in Q3 FY15 was 4.93 Million Metric Tonne as against 1.20 Million Metric Tonne in Q3 FY14. For the nine-month period FY15 the supply of imported fuel was 11.49 Million Metric Tonne as compared to 8.55 Million Metric Tonne during the corresponding nine-month period of FY14. Even after adding 2160 MW of coal based capacity, the generation loss due to coal supply during the nine-month period of FY15 was 9 BUs as against 8.12 BUs in the corresponding period of FY14. The blending ratio for imported coal stands at equivalent to 9.93% for Q3 FY15 as against 3.72% in Q3 FY14.

**Gas** – In Q3 FY15, gas stations consumed 6.12 MMSCMD (Million Metric Standard Cubic Meter per Day) as against 6.95 MMSCMD in Q3 FY14. Gas procured under APM plus PMT mechanism and Non-APM gas during Q3 FY15 was 6.03 MMSCMD and under Long Term RLNG is 0.09 MMSCMD.

**Capital Expenditure:** We have incurred a CAPEX of Rs. 13,448.88 crore during nine-month period of FY15. The corresponding amount during the nine-month period FY14 was 10,289.31 crore, an increase of 31%. The CAPEX by the other group companies have been Rs. 2,921.16 crore during nine-month period FY15 as against Rs. as against Rs. 2,428.75 crore during the corresponding period of FY14. The total group capex for nine-month period of FY15 was Rs. 16,370.04 crore. The outlay for 2014-15 is Rs. 22,400 crore for NTPC on standalone basis and Rs. 6,709.67 crore for other group companies and for 2015-16 the outlay is Rs. 23,000 crore for NTPC on standalone basis.

#### **Coal Mining:**

**Expenditure towards coal mining** – Cumulative expenditure of Rs. 2,415.74 crore has been incurred on the development of coal mines till December 31, 2014. Bids have been received for appointment of MDO in Pakri-Barwadih block and the same are under evaluation. It is expected that MDO will be appointed by March 2015. For allotment of other 4 mines, the modalities have been issued by the Ministry of Coal. These mines are likely to be allotted by February 2015.

**Commercial:** 100% realisation of sales is continuing in the 12<sup>th</sup> year also. Average rate of return on investment of surplus fund on nine-month basis is, for FY15 9.37% as against 9.45% in FY14. Average cost of borrowings for nine-month period FY15 was 8.0445%.

**Group NTPC Activities:** A brief highlight of joint venture and subsidiary company is

**NVVN:**

**Power Trading** – During Q3 FY15, NVVN transacted a business of 2478 MUs out of which the Solar bundled power was 1332 MUs. During this period 15.01 lakh metric tonne of fly ash was sold.

**Cross Border Trading With Bangladesh:** NTPC had commenced the supply of 250 MW power from NTPC stations to Bangladesh from October 5, 2013 through NVVN. During the Q3 FY15, NVVN has supplied 453 MUs to Bangladesh.

**Awards:**

NTPC is amongst top 10 companies of the Country in Annual Business Week 500 List 2014. NTPC has ranked No. 8 in Top Non-Financial Companies Category and No. 5 in Top PSU's category. NTPC has been awarded as World Class Maharatna PSE of the year at India Public Sector Enterprise Award for Excellence-2014. NTPC bagged the Best Performing Thermal Power Utility award from Central Board of Irrigation and Power and recently I am glad to inform you that we got a letter from the Institutes of Chartered Accountants of India, they are going to award NTPC for excellence in financial reporting for the Financial Year 2013-14.

These are some of the highlights I wanted to give before we start the question and answer session. Now, Mr. S.C. Pandey, our Director (Projects) has also joined us. Now we can start question and answers.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Hardik Shah from ICICI Securities, please go ahead.

**Prakash Goel:** Hi Sir, this is Prakash Goel here, Congratulations on a good set of numbers. I have two questions one with regard to what has been the adjusted profit and incentive accounted during the quarter and the nine months.

**K. Biswal:** We have not calculated any adjusted profit this time. Incentives figure I will give you. You know, under current Regulations, incentive arises only when the PLF goes beyond 85% and the incentive rate is 50 paisa per unit. Incentives linked to PLF are Rs. 85.53 crore for the nine-month period.

- Prakash Goel:** What is the number for the quarter?
- K. Biswal:** We will give you the number.
- Prakash Goel:** So I will move to the next question and will wait for the answer for the first. The second question is with regard to the R&M of the old units, we have read the CERC Regulations in this regard, so what is the stance on that because fuel availability likely to be improve in the system and NTPC plants, at least the plants, with less than 250 MW, for them the efficiency level has to improve to make then efficient in terms of the merit based dispatch order, so any stance of the company on that.
- K.K. Sharma:** As far as our efficiency part is concerned we have recorded the heat rate of 2378 in Q3 FY15 improving from 2397 of Q3 FY14. In the auxiliary consumption we got an improvement of 6.44% from 6.69% and in specific oil consumption we have recorded improvement to 0.35 from 0.47.
- Prakash Goel:** Sir, some of this improvement would also be happening because you are getting more and more newer capacity. I was more focused on the old capacities because your units will be evaluated on individual basis.
- K.K. Sharma:** It is a comprehensive figure of the entire Company.
- Prakash Goel:** Sir, I will repeat my question. My question was to understand like given that the fuel availability is improving in the system, for the old units which are of less than 250 MW, what would be the strategy of the Company to improve the efficiency, like would you go for significant R&M activities to boost the efficiency in the old plant?
- K.K. Sharma:** We are going by the Regulations, once we put money there, we have to also think of how to recover that money with return. Now the CERC Regulations says that if we are not going to them for structured R&M activities then we can take Rs. 7.5 lakh Per MW Per Annum as special allowance and we can continue with the older plant, so within that available limits we are going to take up our R&M activities and as you know we renovate our plants at regular intervals, so we do not need huge capital expenditure after the plant out lives its regulatory life.



- Prakash Goel:** Fair enough, one part is the viability part which I completely appreciate, I was trying to understand accrual of Regulated Equity on the incremental capex, so that would not be happening, so basically your return will be Rs. 7.5 lakh Per MW Per Annum irrespective to the amount you spend and obviously you will be judicious in terms of taking up the budget only in those cases where you make this much money to go for extension.
- K.K. Sharma:** Also you see if I continue with older plants then the equity invested would continue to get return, if I am not going for a structured R&M then my old equity will continue to earn.
- Prakash Goel:** I was trying to understand that the new capex will not earn regulated return that will give a lump sum 7.5 lakh per MW.
- K.K. Sharma:** Some kind of allowance being paid out of that from which we have to make the expenditure based on accumulation.
- Moderator:** The next question is from the line of Sumit Kishore from JP Morgan, please go ahead.
- Sumit Kishore:** Good evening Sir, my first question is going back to the PLF linked incentives, in the 1<sup>st</sup> quarter you had said that PLF linked incentives was of Rs. 130 crore and in 2<sup>nd</sup> quarter it was around Rs. 40 crore, so would you like to once again tell us the Q3 number and the nine-month number?
- K. Biswal:** The H1 plus Q3 number for incentive is Rs. 85 crore.
- Sumit Kishore:** Okay, so the numbers given post 1<sup>st</sup> quarter and 2<sup>nd</sup> quarter results were incorrect?
- K. Biswal:** No, it is not like that, this is accumulated number based on the cumulative performance, the numbers continued to be adjusted, suppose in the first month the XYZ number then next month based on the accumulation the numbers will be continuously adjusted. You are right in Q1 it was Rs. 130 crore, in H1 it was Rs. 53 crore and in the H1 plus Q3 it is Rs. 85 crore.
- Sumit Kishore:** Are there any other incentives that you would like to indicate besides PLF incentives which were booked in the quarter and the nine-months period?
- K. Biswal:** If we do better on the efficiency parameter than the benchmarks, we get some money but that is to be shared with customer on 60:40 ratio.

- Sumit Kishore:** Is there any segregation that you have, of how much amount has come in the nine-month period on the efficiency linked savings?
- K. Biswal:** That will be reflected at the end of the financial year as it is given on cumulative basis because if I talk today it will be hypothetical figure.
- Sumit Kishore:** Sir, although you are not giving adjusted PAT numbers, are there any incomes of one-off nature that you would like to highlight so that we can appreciate the Q3 results better?
- K. Biswal:** This time we have not calculated the adjusted PAT, only thing we can say is that we have considered this Income Tax Refund of about Rs. 650 crore in this quarter and it is also reflected in the Notes to Accounts.
- Moderator:** The next question is from the line of Venkatesh B. from Citibank, please go ahead.
- Venkatesh B.:** Sir, the first question is this Bonus Debentures that you are giving, what is the treatment for it, it will reduce the reserves by the number of Bonus Debentures you are giving of Rs. 12.50 per share into the number of shares, from your Net Worth but then it will go in and sit in your Long Term Liabilities, is it?
- K. Biswal:** Correct.
- Venkatesh B.:** Sir, as you correctly hinted it actually improves your reported ROE, now is this like a one-off thing that you have done in the current year or is there a possibility that you might announce a similar Rs. 12.50 next year and the year after also?
- K. Biswal:** No, it is one time reward we are giving to the Shareholders, it will, as you rightly said, reduce my Net Worth and will increase my Long Term Debt, but this money would be utilized for capex as you know we are not allowed for more than 30% of equity in any project, once I convert this surplus into debt capital I can put it in my new projects and thereby I will pass on the cost to the projects and the redemption period is 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year and the coupon rate whatever we are paying is also tax deductible, at the same time it is deemed dividend and I am paying dividend distribution tax on these bonus debenture, the Shareholders are not required to pay any tax on this Bonus Debentures, but if they sell it at a premium they have to pay tax on the differential amount.
- Venkatesh B.:** Sir, what was your Availability Based Incentive in the 3<sup>rd</sup> quarter of last year?

**K. Biswal:** DC based incentive was there but because this year the incentive is based on scheduled Generation only so that comparison will not be correct because the entire rules of the game has been changed.

**Venkatesh B.:** Yes sir I understand that so I was just asking you what was the number for last year 3<sup>rd</sup> quarter because you shared it for the 1<sup>st</sup> and 2<sup>nd</sup> quarter of the last year when you reported the 1<sup>st</sup> and 2<sup>nd</sup> quarter results of current year, so I generally asked you what was the number for 3<sup>rd</sup> quarter, if you can share?

**K. Biswal:** I don't have it readily available with me.

**Venkatesh B.:** Sir, there were 3 projects where you were supposed to give you equipment orders, Katwa, Khargone and Barethi, can you tell me the status of each of these projects, what is the preparedness in terms of environmental clearance, land, is there any issue in any of these projects, these were all supposed to be ordered out before March 15, now when do you think these orders will be given out and I think in Katwa you had opened it up for bidding also and somebody had already won the bid and then you have re-issued the bid, why has that happened?

**K. Biswal:** We are waiting for the environmental clearances in case of Katwa and Khargone.

**Venkatesh B.:** When do you think this Katwa, Khargone and Barethi equipment ordering will happen?

**K. Biswal:** It is linked with the availability of the environmental clearance.

**Venkatesh B.:** So that should happen in the next 6 months?

**K. Biswal:** We expect so.

**Venkatesh B.:** Thank you very much Sir. All the very best.

**Moderator:** Thank you. The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

**Abhishek Puri:** Good evening Sir. Congratulations for good set of results. Sir, firstly I think, in the first half you mentioned that the special allowance or the incentives were not accounted for in the first half. Have we accounted for them in the 3<sup>rd</sup> quarter?



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*NTPC Limited  
January 30, 2015*

**K. Biswal:** It is a fact that capital spares are not being accounted for as revenue this time. Since the same can be done after completion and at the time of truing-up. We have advised our sites to maintain separate records for the same.

**Abhishek Puri:** Capital spares is still not accounted for in the current quarter?

**K. Biswal:** Yes, that is true.

**Abhishek Puri:** So, it will be accounted for after the tariff period or it will be accounted by end of this year for the full year?

**K. Biswal:** Actually Regulations says that year-wise details of actual capital spares consumed should be submitted at the time of truing-up. But, we feel that it should be after the completion of tariff year.

**Abhishek Puri:** Sir, my next question will be on Mauda power plant. I think there was some news in the media recently regarding the coal swapping agreement that you have done and hence you will be able to meet your coal requirements at a cheaper rate. So can you give us some statistics of that?

**K. Biswal:** Our Director (Operations), Mr. Sharma will elaborate.

**K.K. Sharma:** I will give you the entire background. There is no case of swapping in this case. What has happened is, we have the original linkage of the Unit II with WCL. With WCL we have a provision of paying on the cost plus basis. So, we were expecting some revision of the cost because of that the downward revision has taken place in the cost and then we have signed the FSA with WCL for 0.5 million tonnes of coal. We are expecting to sign further some quantity to cover the entire linkage in the next couple of months. That process is on. We were getting the coal from alternate sources tied up by us and the plant was made available for the generation.

**Abhishek Puri:** Sir, as of now we have 0.5 million tonnes from WCL and is there any other quantity from SCCL also?

**K.K. Sharma:** There are quantities from SCCL. The quantity is low. The balance quantity is from MCL. MCL and WCL are the main suppliers and the balance some small quantities from SCCL.



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*NTPC Limited  
January 30, 2015*

- Abhishek Puri:** What is the total FSA here? Since you are saying that in 4<sup>th</sup> quarter you will be able to meet 83% availability here?
- K.K. Sharma:** We have tied up the coal from alternate sources. We have imported coal and also have some quantity against FSA from MCL.
- Abhishek Puri:** Sir, my last question is on the coal mine auctions coming up. Would you be willing to trade your linkage for say a plant like Jhajjar where your cost to production is Rs. 4.50 or cost to supply is Rs. 4.50 for a coal mine?
- K.K. Sharma:** Again, Jhajjar is our JV plant and we have different management there as the State Government is involved. The Board of Aravali Power Company has to take a decision. So here you can ask question on NTPC.
- Abhishek Puri:** Mouda plant in that case? Mouda you have a linkage because the cost of production is on the higher side. It is about Rs. 3.50?
- K. Biswal:** As Director (Operations) said on earlier questions, we are going to have MoU with Western Coal Companies, that will reduce the cost because the MOU will be under the cost plus contract, this will be going to reduce the cost by Rs. 99 per tonne. So the landing cost at the power station will be around Rs. 2,500 per tonne. So that is expected to be a substantial reduction in the cost of the coal which we are going to burn in Mouda plant. Any additional fuel requirement will also be sourced from WCL, that process is also tied up.
- Abhishek Puri:** So in that case wherever you have a linkage you will not be willing to give out that for coal mines?
- K. Biswal:** We are not going to give up linkage to coal mines because we are comfortable with our linkage?
- Abhishek Puri:** Do you participate in the auctions going forward or no? That is what I wanted to know. Some 23 operating mines have come up, for bidding?
- K. Biswal:** Please understand, the first priority for us is to tie-up for the coal where the original linkages was from our own captive mines. So we are focusing on that part and subsequently once we have the larger picture in control then we will play the games if required.

- Abhishek Puri:** Thank you and all the very best Sir.
- Moderator:** Thank you. The next question is from the line of Bhavin Vitlani from Axis Capital. Please go ahead.
- Bhavin Vitlani:** Good evening gentlemen and congratulations for great set of numbers. Sir, I have a couple of questions. One is, when we look at the first half numbers and the third quarter numbers, as you highlighted, in first half there were certain plants below the 80% PLF, which means there would be under-recoveries and that 5 number of plants have gone down to 2 number of plants. Is it that there has been a recouping of under-recoveries of these 3 plants and if yes, what is the value?
- K. Biswal:** We are expecting no under recoveries by the end of Q4.
- Bhavin Vitlani:** No, sir, my question was that there would be certain under-recoveries by the end of first half and we have recouped some of the under-recoveries by the end of nine months. What is that recouping number?
- K. Biswal:** We had around 14 commercial units having under-recovery at the end of first half. Now it has come down to 7 as on today, it will go by the end of the month to 5 and by the end of the quarter we are expecting it go to 2 and at the end of the financial year it will go down to zero.
- Bhavin Vitlani:** Sir, can I have the Rupee crore number of what is that recouping of under-recoveries by the end of nine months, which we have booked in the third quarter?
- K. Biswal:** That number is not available right now.
- Bhavin Vitlani:** Sir, the second thing is, in the case of Bonus Debentures, would CERC allow pass-through of the interest cost in the under-construction project?
- K. Biswal:** Sure. You see what CERC wishes is that whatever assets you are creating, how it is funded and they say that equity should not go beyond 30%. If balance amount is funded through debt capital, they have no issues.
- Bhavin Vitlani:** Sir, in this Bonus Debentures, which is an accounting entry, but is physically the cash is lying with NTPC?
- K. Biswal:** Yes.

- Bhavin Vitlani:** Okay. But we will be earning?
- K. Biswal:** Bonus Debenture is taken as debt capital and for all purpose it is debt for me and I have to service it at the rate of 8.5% or whatever G-Sec plus 50 basis points coupon rate works out. The money actually should be spent for the project. If money is spent, they have to see what is the source whether it is equity or loan. If it is equity then it will be serviced at 15.5% and it is limited to 30% and balance is debt capital. So I do not understand why CERC will raise questions.
- Bhavin Vitlani:** And, sir, my last question is on the solar, which you highlighted in your opening remarks. What is the MW which can get commissioned in fiscal 2015, 2016 and 2017 and what would be the capital cost on this?
- K. Biswal:** We are planning to add 3333 MW by FY2018-19.
- Bhavin Vitlani:** What would be in 2014-15, 2015-16?
- K. Biswal:** You can see it is already 110 MW we are having.
- K.K. Sharma:** In 2014-15, we have done 35 MW.
- K. Biswal:** In 2015-16 we may had around 250 to 500 MW and in 2016-17 again it is around 750 to 1000 MW.
- Bhavin Vitlani:** So what should be the rule of thumb on a capital cost that should be used?
- K. Biswal:** It is around Rs. 6.5 to 7 crore per MW.
- Moderator:** Thank you. The next question is from the line of Girish Nair from BNP Paribas. Please go ahead.
- Girish Nair:** Thanks for taking my question. I just need a clarification. In Note 4 you said you have recorded a tax refund of Rs. 663 crore. So was this already recovered in revenue in a previous period? Or you have passed on this benefit, this tax refund to customers in this quarter itself?
- K. Biswal:** It has already been passed on to the customer.



A Maharatna Company

*NTPC Limited  
January 30, 2015*

- Girish Nair:** That was in the previous quarter. I mean, do the revenues need to be increased by Rs. 663 crore for this quarter because of this refund?
- K. Sreekant:** No. The amount passed on to the customers is found in Note 2(c). The amount of tax which is relating to the previous year is in Note 4.
- Sangeeta Bhatia:** It is just the two. Girish, look at Note 4. Note 4 says, the provisions of current tax for quarter and nine months included tax related for the earlier year is so much respectively.
- Girish Nair:** Yes.
- Sangeeta Bhatia:** And then you have to adjust what we have passed on to the customers from Note 2 (c).
- Girish Nair:** I see that. Thanks for that. And the second clarification is regarding Note 3, is this an expense related to the current quarter, or this is related to the prior to says March 31?
- Sangeeta Bhatia:** That was there in the last quarter as well. It is the same thing continuing this time. It is recognized from prior period sales. So it has been put in the expenses.
- Sangeeta Bhatia:** Expense has been reduced to that extent from “other expenses”.
- Girish Nair:** Great. Thanks a lot for taking that questions.
- Moderator:** Thank you. The next question is from the line of Gaurav Khandelwal from Emkay Global. Please go ahead.
- G Khandelwal:** It is a clarification on the previous question. In Note 3, there is Rs.208 crore, depreciation write-back, is it something which is going to continue in the future quarters as well?
- K. Biswal:** It will not continue in the future quarter, may be next year it may continue. You see we have kept certain provisions, for the advance against depreciation, if my actual depreciation is higher than the regulated depreciation what I am getting back from the tariff then to that extent I am amortizing that provisions.
- G Khandelwal:** So the amount is almost similar to what was there in Q2. So this is similar in Q3 as well and it will continue to be similar going forward as well. You are doing it in installments. That is what you are saying.



- K. Biswal:** This figure is up to March. Whatever depreciation we charge to our profit and loss account on actual basis and how much we got from the tariff as per the CERC regulations and this differential amount is Rs. 208 crore up to March 2014 and we wrote it back. For 2014-15 if there is any difference for depreciation i.e. actual depreciation versus the regulated depreciation, if the actual depreciation is more then we can write back to that extent from the funds available to us. That is what we have did.
- G Khandelwal:** Sir, it's not clear, you did write-back in Q2 and you didn't do that in Q3. That write back was only once done in this?
- K. Biswal:** This write back will continue till the end of this year on cumulative basis.
- G Khandelwal:** No Sir. So what you did actually is that you wrote it back in Q2, not in Q3?
- K. Biswal:** We have re-worked the calculation of depreciation which has been charged in the books of accounts and the advance against depreciation which we received under CERC Regulations. That exercise up to March 31, 2014 has been carried out and the difference amount of Rs. 208 crore was written back in September accounts. So that figure will be continue up to March 2015 also.
- G Khandelwal:** Thank you. Sir, second question is on tax refund that this amount also is continuing since almost last four quarters.
- Sangeeta Bhatia:** As and when the assessment happens, it will be accounted for.
- G Khandelwal:** No, no, that is correct, Madam. So just I wanted to understand is that in previous quarters, you used to pass on this amount to consumers as well and this quarter?
- Sangeeta Bhatia:** This time also. Look at Note 2(c).
- G Khandelwal:** Yes, that is Rs.10 crore which you have passed on.
- Sangeeta Bhatia:** But for cumulative, for three quarters, it is more, it is Rs. 1399 crore, right?
- G Khandelwal:** Yes. So that was already done in Q1 and Q2, and similar tax refund was there in those quarters.
- Sangeeta Bhatia:** Correct, but now these need to be adjusted from Note 4 as well.



A Maharatna Company

*NTPC Limited  
January 30, 2015*

- G Khandelwal:** Yes, I got it, Madam. So Rs. 663 crore of tax. So this will remain with NTPC, this is not a pass-through amount?
- Sangeeta Bhatia:** Yes. The net of that will remain with NTPC.
- G Khandelwal:** Last question is on the funding part, which you had explained, just a clarification on that. The debenture which you would be using for funding the future projects, it will be used as the debt funding, not the equity funding?
- Sangeeta Bhatia:** It is a debenture.
- G Khandelwal:** No, Madam, actually people use debt as equity as well in this sector, so just wanted to clarify that.
- Sangeeta Bhatia:** It is a non-convertible debenture and will be used as debt.
- G Khandelwal:** If I may ask one small question, the materialization number which you gave, 93% and 91% for last year. Do you have the breakup of that in terms of plants, if it's possible?
- Sangeeta Bhatia:** It is not readily available.
- G Khandelwal:** Thank you very much for the answers.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Good evening Sir. Thanks for taking my question. My first question pertains to the Bonus Debentures issue, what is tentative timeline of issuing the Bonus Debentures? Will it be completed by March 31? And what are the approvals required further apart from the Shareholders' approval?
- K. Biswal:** You see, this new companies act had no clarity in provision. So we are banking on the old act i.e. Section 391 to 394 of the Companies Act, 1956. As per the provision of the Companies Act, Bonus Debentures has to be issued through a Scheme of Arrangement. That Scheme of Arrangement in case of private companies should go through High Court route and as we are Government Company, for us the judicial authority is MCA, Ministry of Corporate Affairs. We have taken the approval to the Board, we have filed the Scheme of Arrangement with Ministry of Corporate Affairs and they have heard the first hearing. We have given notices to all these Shareholders and our Shareholders

Meeting is going to be held on February 10. Once it is held, then Ministry of Corporate Affairs will have another hearing on February 13, then if they so required they may call a creditors meeting or they may allow us to take the NOC from the creditor or they can waive it up also and the timeline is end of February we will get the final order from the MCA and as per our timeline by March, we will be issuing the Bonus Debentures and we will be listing it in both BSE and NSE.

- Mohit Kumar:** And do we need the approval of High Court for this arrangement?
- K. Biswal:** No, for us it is the MCA, Ministry of Corporate Affairs.
- Mohit Kumar:** The second question pertains to the acquisition, we understand that NTPC have shortlisted plants for acquisition. So my question pertains to whether NTPC will finalize the acquisition by this March end?
- K. Biswal:** We are now working on two state owned plant, like Patratu and Sarni. But let us see. We are expecting that before March, we can close the deal.
- Sangeeta Bhatia:** KPMG has not yet submitted their report also.
- Mohit Kumar:** Apart from Katwa and Khargone, which are the tenders which are opened till now, is it?
- K. Biswal:** No tender is open, for Khargone and Katwa we are going for re-bidding.
- Mohit Kumar:** So what about Barethi and Pudimadaka in Andhra Pradesh? Pudimadaka Power Project in Andhra Pradesh, have you issued the tender or will it take time?
- K. Biswal:** Not yet. We have not issued. Only for coal requirement, we have issued tender.
- K.K.Sharma:** We have asked for 20 year tie up for the long-term requirement so that expression of interest has been published. The deal is still not closed.
- Mohit Kumar:** My last question pertains to the Barh-II, Sir, do we have the linkage for Barh-II? I think the coal was supposed to come from Pakri Barwadih, am I right in saying that?
- Sangeeta Bhatia:** Chatti-Bariatu.

- Mohit Kumar:** Chatti-Bariatu, so are we looking for some sort of short-term arrangement with Coal India?
- K. Biswal:** We have already made the short-term arrangement. We are getting the coal from ECL, NCL, imported coal and then we are going to get some coal from CCL also. We have the provision of transferring some coal against our existing power station as per requirement. We are utilizing that. So there will not be any shortage as far as coal is concerned.
- Mohit Kumar:** Thank you Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Falguni Dutta from Jet Age Securities. Please go ahead.
- Falguni Dutta:** Good evening Sir. Though you said that you have not yet computed the adjusted PAT, but if you could just help me with these two numbers. From the current quarter as regards Note 3 and Note 4, I am supposed to reduce this Rs. 663 crore from PBT and as regards Notes 2(c), I will have to reduce Rs. 639 crore from topline of Q3 last year and Rs.120 crore from topline of Q3 this year. Am I right in that?
- Sangeeta Bhatia:** Not Rs. 639 crore. You have to reduce Rs. 10.19 crore and Rs.1399.42 crore.
- Falguni Dutta:** No, like Note 2(c) which states corresponding previous quarter Rs. 639 crore. So that Rs. 639 crore has to be reduced from topline of Q3 of FY14, because it is pertaining to previous year and from the current quarter, from the top line Rs.121 crore.
- Sangeeta Bhatia:** But you know Falguni, you should also see this previous year sales for NTPC is a very routine and regular phenomenon.
- Falguni Dutta:** Yes, I know, Madam. But what I was saying is, if I reduce these numbers then the current quarter's profit looks better, which should be the fact.
- Sangeeta Bhatia:** It does.
- Falguni Dutta:** So just to appreciate the numbers better, I feel that if we adjust these, may be the current quarter's numbers will look better than what actually they appear to be.
- Sangeeta Bhatia:** Yes.



A Maharatna Company

*NTPC Limited  
January 30, 2015*

- Falguni Dutta:** Sir, if you can do, in your later concalls, can you give us the adjusted PAT, may be there is a limitation of time you need not go through the details, but just the numbers then it helps a bit.
- K. Biswal:** While calculating the adjusted PAT then we have to consider the tax impact. That is why these figures would be misleading figure. That is why we have not, if for anybody wants we can give the details.
- Falguni Dutta:** No, no, sir, what we are interested in, is the true profit for this quarter, so as to appreciate the numbers better. I mean whatever help?
- K. Biswal:** Anyway your suggestion is well taken. We will consider next time.
- Falguni Dutta:** Madam, what I am saying is, if I adjust those numbers, this year's profit looks better than what it is actually looking. So that's why I was.
- Sangeeta Bhatia:** You can separately talk to me and we will take you through.
- Falguni Dutta:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen due to time constraints that was the last question. I would now like to hand the floor over to Mr. Harsh Dole for closing comments.
- Harsh Dole:** Thank you. I would like to thank the management for their time and the valuable comments. Thanks all the participants. Thank you.
- Moderator:** Thank you. On behalf of IIFL Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.