



NTPC Limited
Q3 FY2019 Earning Conference Call

January 30, 2019

MANAGEMENT: **MR. SAPTARSHI ROY - DIRECTOR (HUMAN RESOURCES & FINANCE)**
MR. A.K. GUPTA - DIRECTOR (COMMERCIAL)
MR. S.K. ROY - DIRECTOR (PROJECTS)
MR. P.K. MOHAPATRA - DIRECTOR (TECHNICAL)
MR. PRAKASH TIWARI - DIRECTOR (OPERATIONS)
MR. SUDHIR ARYA - CHIEF FINANCIAL OFFICER



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Moderator: Ladies and gentlemen, good day and welcome to the NTPC Limited Q3 FY19 Earning Conference Call, hosted by ICICI Securities 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. Rahul Modi from ICICI Securities. Thank you, and over to you Mr. Modi.

Rahul Modi: Thank you. On behalf of ICICI Securities, I welcome you all to the Q3 FY19 Earnings Conference Call of NTPC to discuss the results and share the performance outlook.

Today, we have the management of NTPC, which will be represented by Mr. S. Roy, Director, HR and Finance; Mr. A.K. Gupta, Director, Commercial; Mr. S.K. Roy, Director, Projects; Mr. P.K. Mohapatra, Director, Technical; Mr. Prakash Tiwari, Director, Operations; and Mr. Sudhir Arya, CFO and ED (Finance), along with other key members of NTPC team.

I would like to thank the management for the opportunity and hand over the call for the opening remarks, post which, we can have a Q&A session.

Over to you, Sir. Thank you.

Saptarshi Roy: Thank you very much. A very good evening to everybody. I am Saptarshi Roy, Director (Human Resources & Finance), NTPC Ltd. and I have with me Shri. A.K.Gupta, Director (Commercial), Shri. S.K. Roy, Director (Projects), Shri Prakash Tiwari, Director (Operations) and Shri



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Prasant Kumar Mohapatra, Director (Technical). I also have with me Shri Sudhir Arya, CFO & Executive Director (Finance) and other key members of NTPC team.

Today, the Company has announced the unaudited financial results for the third quarter of FY19. The Key Performance Highlights for the quarter and nine-months ended 31 December 2018 have already been disclosed on both the stock exchanges.

Operational Highlights for Q3/9M FY19

1. In Q3 FY19, NTPC's standalone gross generation increased by 2.28 Billion Units to 70.06 Billion Units registering an increase of 3.36% over the corresponding previous period. Gross Generation of NTPC Group increased by 3.32 Billion Units to 78.16 Billion Units, registering an increase of 4.44% during this period.
2. In 9M FY19, NTPC's standalone gross generation increased by 8.02 Billion Units to 205.26 Billion Units, registering an increase of 4.07% over the corresponding previous period. Gross Generation of NTPC Group increased by 10.01 Billion Units to 228.21 Billion Units, registering an increase of 4.59% during this period. NTPC has posted highest quarterly generation of 78.16 Billion units during Q3 FY19, surpassing previous highest quarterly generation of 76.91 Billion Units during Q1 FY19.
3. NTPC Group has generated 5 Trillion Units of electricity since inception till 30 November 2018, from its power stations spread across the country.
4. In Q3 FY19, 220 MW of Barauni has been added to installed capacity and 705 MW of Badarpur was decommissioned. With these, the installed



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capacity of NTPC on standalone basis and for the Group has become 45615 MW and 53166 MW respectively and the commercial capacity of NTPC on standalone basis and for the Group has become 44815 MW and 51706 MW respectively as on 31 December 2018.

5. For 9M FY19, 3 coal stations of NTPC were among the top 10 performing stations in the Country in terms of PLF. Sipat with PLF of 92.49%, Vindhyachal with 90.27% and Talcher Thermal with 88.47% were ranked 2nd, 6th and 7th respectively. 6 stations of NTPC clocked over 85% PLF.
6. During 9M FY19, PLF of coal stations was 76.09% as against the National Average of 61.12%.
7. We have suffered loss of generation due to grid restrictions.
 - ✓ *For coal based stations the loss was 6.49 BUs in Q3 FY19 and 24.27 BUs in 9M FY19.*
 - ✓ *Similarly, for the gas based stations the loss was 6.20 BUs in Q3 FY19 and 18.78 Bus in 9M FY19.*
8. The generation loss on account of fuel supply constraints in the coal based stations was 4.17 BUs in Q3 FY19 and 7.56 BUs in 9M FY19.
9. NTPC had participated in the 550 MW tender floated by Uttar Pradesh New and Renewable Energy Development Agency (UPNEDA) for grid-connected Solar projects for which the Reverse Auction held on 3 December 2018. NTPC participated for 85 MW capacity and has won the entire capacity bid by it, at a levelised tariff of Rs.3.02/unit applicable for 25 years. This solar project shall be set up by NTPC and shall add to the installed capacity of NTPC.



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10. NTPC has acquired Barauni Thermal Power Station (720 MW) in District Begusarai, Bihar from Bihar State Power Generation Company Limited on December 15, 2018. The 720 MW coal-based power station has 2 units of 110 MW each (under R&M) and 2 units of 250 MW each (under construction). The units of the power station will be progressively put under commercial operation. The project has been linked to Badam Coal Block, which is also a part of the transfer scheme notified by the Government of Bihar on June 27, 2018 and amendment dated December 14, 2018. 100% capacity of the project is tied up through Power Purchase Agreement with Bihar Power Discoms.
11. Unit#6 of 500 MW capacity of Feroze Gandhi Unchahar Thermal Power Station has been synchronized with grid after boiler restoration in December 2018.
12. Investment approval has been accorded for 160 MW Solar capacity won by NTPC comprising, Bilhaur Solar PV Project of 140 MW capacity and Auraiya Solar PV Project of 20 MW capacity.
13. NTPC RE stations recorded generation of 769 Million Units in Q3 FY19, as against 712 Million Units in corresponding previous period.
14. During the Q3 FY19, approximately 2.2 Million Metric Tonnes (MMT) of coal (Q3 FY18- 0.75 MMT) has been excavated from Pakri-Barwadih coal mine. Total 4.9 MMT coal has been excavated during 9M FY19 (9M FY18- 1.27 MMT). Cumulatively 7.6 Million Metric Tonnes (MMT) of coal has been excavated till December 2018.

1.2 lakh tonnes coal has been excavated from Dulanga coal block till December 2018.
15. NTPC has invited bids for 240 charging stations across 6 cities in 1st Phase, for creation of charging Infrastructure ecosystem. MoU has been



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signed with Assam State Transport Corporation for providing EV Bus charging stations at their Bus Depots.

16. NTPC has been registered as an overseas corporation under the Myanmar Companies Law for undertaking international business in South East Asia.

17. Environmental Management- Initiatives for preserving Environment:-

- For compliance of new norms and control of SO_x, Flue Gas Desulphurisation Systems (FGD) are under various stages of implementation in 63.82 GW of capacity. The first FGD of 500 MW has already been commissioned. FGD system package for 31.81 GW have been awarded. Award of FGD system packages for 28.05 GW capacity is under various stages of tendering.
- For compliance with NO_x control in coal-fired plants, units will require installation of appropriate DE-NO_x system, based on the emission level. 8 Selective Catalytic Reduction and 2 Selective Non-Catalytic Reduction pilot tests are being undertaken in order to assess performance on high ash Indian coal and are likely to be completed by May 19.
- Further, as part of its commitment to the environment, NTPC has taken a new initiative to utilise agro residue for power generation. The utilisation of agro residue based bio-fuel for power generation will not only reduce in-field crop residue burning resulting in lower air pollution, but will also reduce carbon footprint of coal based power plants. Up to 10% agro residue based bio-fuel co-firing with coal has been successfully demonstrated at NTPC Dadri and is operational from December 2018. With this NTPC Dadri has become first plant in the country to commercialize the biomass co-firing.



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Financial Highlights

- Gross Sales for Q3 FY19 is Rs. 24,064.47 crore as against corresponding quarter of previous year Gross Sales of Rs. 20,698.09 crore, registering an increase of 16.26%. On nine-month basis, there is an increase of 14.89% in the Gross Sales i.e. from Rs. 59,930.07 crore in 9M FY18 to Rs. 68,853.56 crore in 9M FY19.
- Total Income for Q3 FY19 is Rs. 24,308.01 crore as against corresponding quarter of previous year Total Income of Rs. 21,087.84 crore, registering an increase of 15.27%. On nine-month basis, there is an increase of 13.06% in the Total Income i.e. from Rs. 61,590.12 crore in 9M FY18 to Rs. 69,633.95 crore in 9M FY19.
- PBT for Q3 FY19 is Rs. 3,489.54 crore, as against Rs. 2,644.09 crore in the corresponding quarter of previous year, registering an increase of 31.98%. On nine-month basis, there is an increase of 2.06% in PBT i.e. from Rs. 8,950.89 crore in 9M FY18 to Rs. 9,135.35 crore in 9M FY19.
- PAT for Q3 FY19 is Rs. 2,385.41 crore as against Rs. 2,360.81 crore in the corresponding quarter of previous year, registering an increase of 1.04%. On nine-month basis, PAT is Rs. 7,399.57 crore as against Rs. 7,417.58 crore in 9M FY18.

An update on various other financial activities:

The regulated equity as on 31 December 2018 was Rs. 52,105.93 crore.

Fund Mobilization

- Average cost of borrowing for 9M FY19 was 6.85% as compared to 6.99% in 9M FY18. The decrease is on account of lower rate of interest on new borrowings.
- We have issued Bonds aggregating to Rs. 4,000 crore through private placement of secured non-convertible bonds in the nature of debentures at attractive coupon of 8.30% pa. with a door to door maturity of 10



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years on 15 January 2019. Keen interest was shown by the investors and bids amounting to Rs.12,520 crore were received in all.

- Further, in Q3 FY 19, NTPC has signed a syndicated facility agreement of US\$ 300 Million equivalent in Japanese Yen with an average maturity of 10 years and all in cost of 1.31% (without taxes). Against this US\$ 150 Million (equivalent JPY 16 Billion) were raised on 10 January 2019. With this facility, NTPC has raised 2nd low cost long term syndicated loan from Japanese Market.

CAPEX

- In 9M FY19, we have incurred a CAPEX of Rs. 17,951.43 crore as against 14,537.18 crore in 9M FY18. The CAPEX by the other group companies during 9M FY19 was Rs. 3,553.75 crore. Thus, the total group CAPEX for the 9M FY19 was Rs. 21,505.18 crore.
- The Capital outlay for FY19 has been estimated at Rs. 22,300 crore for NTPC.

Now, let me discuss the operational performance for the Q3 FY19.

FUEL:

Coal:

- During the 9M FY19, Materialisation of coal against ACQ was 97.35% as against 96.80% in 9M FY18.
- Coal supply during 9M FY19 was 128.58 MMT, this comprises 128.20 MMT of Domestic Coal and 0.38 MMT of imported coal. The coal supply during corresponding previous period was 121.35 MMT, with 121.13 MMT of Domestic Coal and 0.22 MMT of imported coal.
- Coal consumption during 9M FY19 was 129.18 MMT, this comprises 128.81 MMT of Domestic Coal and 0.37 MMT of imported coal. The coal consumption in corresponding previous period was 124.30 MMT, with 124.04 MMT of Domestic Coal and 0.27 MMT of imported coal.



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- In Q3 FY19, NTPC has awarded contract for 2.5 MMT imported coal, this will be allocated to various stations for rationalization of coal. This will help in reducing the coal shortages aligning power supply.

Gas:

- The gas consumption during 9M FY19 was 4.84 MMSCMD (i.e. Million Metric Standard Cubic Meter per Day) as against 5.68 MMSCMD in 9M FY18.
- The gas consumption of 9M FY19 procured under APM plus PMT mechanism was 2.87 MMSCMD, under Non-APM gas 0.69 MMSCMD, under Long Term RLNG 0.15 MMSCMD and under Spot RLNG was 1.13 MMSCMD.

Coal Mining

- Cumulative expenditure of Rs. 5,648.77 crore has been incurred on the development of coal mines till 31 December 2018. The total expenditure incurred in 9M FY19 was Rs.576.62 crore.

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

- NVVN, our trading subsidiary, transacted 12.96 Billion Units during the 9M FY19 as against 12.22 Billion Units during the 9M FY18, registering an increase of 6.05 %. Units transacted during 9M FY19 include 3.97 Billion Units of solar bundled power, 2.79 Billion Units traded through Bilateral Arrangements, 3.61 Billion Units under cross border trading and 2.58 Billion Units traded through power exchange.
- NVVN has signed Agreement with Nepal Electricity Authority (NEA) for supply of additional 120 MW power from December 2018 to March 2019, with this total 240 MW power is being supplied by NVVN to NEA.

NTPC continues to win laurels and awards in various fields, major awards received in Q3 FY19 are:



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- Presented with the Dun & Bradstreet Infra Award 2018 in the Power Generation Category.
- Awarded as the Best Performing Utility of the Country in the Thermal Power Sector by Central Board of Irrigation and Power(CBIP).
- NTPC has been ranked 512 in **Forbes Global 2000** list of year 2018, the ranking of the companies is based on revenues, profits, assets and market value.
- Business World Magazine has figured NTPC in the list of Most Respected Companies for the Year 2018.

These were some of the highlights, which I wanted to share with all of you. Now I will leave the floor open for the Q&A session. Thank you very much for having a patient hearing.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: Good evening. Thanks for the opportunity. My first question is, could you tell us what is the level of disincentives in the December quarter versus the 2Q level of around Rs.320 Crore and the 9-month level of Rs.825 Crore? Could you please break this up into various heads such as coal plant-wise, accident at plants, etc.?

Management: Yes, disincentive in current Q3 is Rs.279 Crore as compared to Rs.545 Crore during the previous Q3. For nine months, in the current financial year, the disincentive is Rs.1101.08 Crore as compared Rs.1038.54 Crore during previous nine months.

Sumit Kishore: How much of this is on account of coal and how much is due to plant maintenance and Unchahar and others?



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- Management:** For Unchahar, in the Q3, it is Rs. 118.97 crore and for nine months, Rs.382.30 Crore.
- Sumit Kishore:** Okay and because of coal shortage?
- Management:** Because of coal shortage, it is Rs. 284 crore during nine months.
- Sumit Kishore:** Okay. So was there any big under recovery in some plant due to coal?
- Management:** Kudgi is the main station where the figure is Rs.129 Crore in Q3, due to coal shortage.
- Sumit Kishore:** Sir, the second question is what is the interest on working capital not recoverable in PPA due to the advances given to Indian Railways? What is the figure as of nine months? At the end of 1H, the figure was about Rs.170 Crore?
- Management:** Rs.364 Crore for nine months.
- Sumit Kishore:** Okay. So the run rate seems to have gone up from 1H to, third quarter, it has been a lot higher?
- Management:** Yes. This is the total interest on working capital. It is on account of advance given to Indian Railways as well as other factors. Due to slow realization of bills also, the interest on working capital has gone up.
- Sumit Kishore:** So what is that adjusted profit for the quarter, if at all you are sharing with us? That would be useful.
- Management:** The adjusted profit for Q3 is Rs.2,184 Crore as compared to Rs.1,871 Crore for previous Q3. So there is an increase of 17%.
- Sumit Kishore:** Finally, my last question, why is the quarter-on-quarter depreciation higher as compared to September quarter to December quarter?



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Management: Yes. Naturally, it will be higher because Kudgi unit has been commercialised.

Sumit Kishore: Kudgi got commissioned in the last quarter, but maybe it operated for the full quarter this time so that is the impact?

Management: Yes.

Sumit Kishore: Okay and what is your target for the full fiscal now for capitalization and commissioning?

Management: The target for capitalization is 4880 MW for the group as a whole.

Sumit Kishore: Thank you so much.

Moderator: Thank you. The next question is from the line of Venkatesh Balasubramaniam from Citi Research. Please go ahead.

Balasubramaniam: Good evening Sir. The first question is you said total under-recovery in the quarter is Rs.279 Crore? Out of that, Rs.119 Crore was because of Unchahar. So everything else is because of lack of coal, right? I mean, what do you mean by disincentive? Disincentive because you do not have coal, correct? Or am I confusing something?

Management: We have not able to recover our full fixed charges. We have not been able to declare 85% availability and because of the lower availability, we have not been able to recover the full fixed charges, which we would have recovered had we declared 85% availability in a particular station.

Balasubramaniam: If Rs.119 Crore is the Unchahar-related under recovery, the remaining Rs.160 Crore is because of less amount of coal. So that is across various plants?

Management: Coal plus machine not being available.



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Balasubramaniam: Like for example, just a clarification, when you mean by machine not being available, that is because of standard maintenance. It is not like there has been unnatural reason why machine is not available.

Management: Yes, correct because of the overall maintenance.

Balasubramaniam: Okay, it is standard maintenance only. It is not some machine break down.

Management: The non-availability is attributable for both the reasons, for planned as well as non-planned maintenance. On both the accounts, it could be possible that the machine is not available.

Balasubramaniam: Okay. Then last year, you said Rs.545 Crore was your under-recovery. Did Unchahar contribute anything last year? But I think Unchahar under-recovery started only from fourth quarter, correct?

Management: At Unchahar, the accident happened on November 1, Rs.85 Crore was the figure in last quarter in last year.

Balasubramaniam: Now on a related note, now you have been trying to solve this coal under-recovery problem. We have seen in the press that you have given a tender of 2.5 million tonnes for importing coal. Is it possible to tell us that when will this coal supply start? Do you have plans to give more tenders? Second, we have also read newspaper reports, which suggest that you have started picking up the coal, which Coal India was offering to you, 5 million tonnes of coal through road. So can you give some kind of an update on those two things, the import of coal and picking up extra coal?

Management: About this imported coal, we had awarded contract in the month of December and we have started receiving delivery. Around 70,000 tonnes have been delivered to NTPC and it will continue. It will be followed by



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another tranche of 2.5 million tonnes. As regards, 5 million tonnes that was offered to us by Coal India, we have already lifted 1.15 million tonnes and we have plans to lift the entire 5 million tonnes of coal that was offered.

Balasubramaniam: Okay. Sir, if I could just ask one more final question, on something which you have already mentioned, where you said that because advance to Indian Railways you have taken an impact of around Rs.340 Crore as interest costs so far in nine months. Now again, you will have a number in the fourth quarter also, which might be Rs.150 Crore or Rs.200 Crore. Now this is like almost Rs.550 Crore of extra cost, which you are bearing for which you do not have a regulatory pass-through. Now what is the problem here? Indian Railways does not have money to do capex on rakes? Is that the problem and how can you be expected to give them money to do their capex?

Management: Rs.340 Crore is the total interest on working capital, which is being charged in our profit and loss account in these nine months. It is incorrect to say that it is entirely because of the advance given to Indian Railways. Because Rs.5,000 Crore was given in March that got adjusted by October and then we gave another tranche of Rs.2000 Crore, which is also getting adjusted as our monthly freight bill itself is about Rs.700 Crore to Rs.800 Crore and then freight hike has taken place in November. We are protected from that. That is one thing we have got from the advance given to Railways and our coal realization and coal logistics have also improved. So more coal has reached to our non-pithead stations. The interest on working capital has accrued partly also because our dues have mounted.

Management: Let me share two things. First thing, because of advance to Railways, we are protected from the freight hike and we are approaching CERC that this advantage should be passed on to NTPC, so that there is a



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conversion on account of this besides there is increase and improvement in our coal availability also. That is number one. Number two, as far as the payments are concerned, the conditions are tighter than last year and as on date, there are four major defaulters. Andhra Pradesh, Telangana, UP and J&K and to a smaller extent, Karnataka. We have been taking up this issue with them and Andhra Pradesh is coming out with a bond issue of Rs.2,000 Crore, which can increase by Rs.500 Crore. This is based on our continuous follow-up and insistence that this payment has to be made. At the same time with the UP, we are trying to have some discussions whether we can takeover their equity in the Meja and that will offset their dues. Telangana is also issuing bonds. Therefore, we are trying our level best to see to it that realizations take place. We have also issued a regulatory notice to AP, Telangana and Karnataka, for recovery of the dues. I think by end of February, the situation should improve drastically and in any case, just to clarify that whenever we are getting payment beyond 60 days, there is a surcharge, which is levied @ 1.5% per month and that is something. Let me clarify that whatever we are spending as interest on working capital, we are compensated by the surcharge.

Balasubramaniam: Sir, correct me if I am wrong, these payment delays by the state electricity boards, at least I am hearing after almost like a very, very long time. I mean, what exactly has happened that suddenly so many states are delaying their payments? We thought things should have improved after the financial restructuring under UDAY. So is there some difference between what we are given to understand that there is no problem with the State Electricity Boards? You have named UP. You have named Telangana. You have named Karnataka. There are quite a few states who are delaying payments. So what exactly is happening?



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Management: There are two things, which have happened in this. Number one, in last year, the payment situation had improved because of UDAY. Under UDAY, the payment position improved because lots of bonds were issued by state governments. This year, there are two things, which has happened. Number one, our billing on NSM, that is for the solar business, the payment delays are mostly on account of the payment on this renewable energy, which is a little bit costlier than our thermal power. Therefore, this is one contribution. Second contribution is that these states have taken many steps and which has really impacted them. But hopefully, with the bond issue those things will improve.

Balasubramaniam: Thank you Sir.

Moderator: Thank you. The next question is from Subhadip Mitra from JM Financial. Please go ahead.

Subhadip Mitra: My question is with regard to the under-recovery number. I think in the previous call, you had mentioned that the overall coal under-recovery that you are looking at for the full year was supposed to be somewhere around Rs.600 Crore or Rs.800 Crore number. So if you can just throw some more light as to what you are looking at the coal under-recovery number being for the full year. And how do you see that number going ahead?

Management: We have worked out a plan for this financial year 2018-2019. Compared to last year's Rs.1,400 crore under-recovery, we are hopeful that it is going to be under Rs.800 Crore and around Rs.750 Crore to be precise, which I think is quite doable with this recovery plan that we have made. The recovery plan for coal related under-recoveries comprises of imported coal and special offering by Coal India. And as far as under-recovery related to equipment outages are concerned, they are a thing of



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the past as now no major unit or machine is under outage. So I hope it will be in the range of Rs.750 Crore for the year.

Subhadip Mitra: So this Rs.750 Crore number is primarily on the coal under-recovery, right? It has got nothing to do with Unchahar. Unchahar will be over and above this?

Management: This is total coal as well as outage of plant and machinery. Therefore, it will be almost half of what was there last year. Till the end of December, it was Rs.1,100 Crore. Now it is Rs.1,035 crore and coming down at the rate of around Rs.2 Crore per day and major improvement has taken place in Solapur, Mauda and Bongaigaon. In December, it was Rs.1,101 Crore. As of today, we have already recovered a part of it.

Subhadip Mitra: So if I am to understand this correctly, the Unchahar-related under-recoveries should not be there in fourth quarter at all. Am I right in understanding that?

Management: Yes.

Subhadip Mitra: And going ahead for the next fiscal, that is FY 2020, how do you see these coal under-recoveries panning out? I mean, what is the plan for that?

Management: Yes, keeping that in view and also taking into account that 4800 MW is coming on-stream, we have made arrangements for coal from various sources. We have succeeded in increasing our agreement for coal supply from Coal India and we have planned to import almost 11.94 million tonnes of coal. Therefore, with these efforts, we are confident that the under-recoveries related with coal will not be there next fiscal.

Subhadip Mitra: Understood. Therefore, you mentioned about 11.9 million tonnes of imported coal supply in FY2020. Am I right?



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Management: Yes. Just to add, our Pakri Barwadih mine has produced 4.9 million tonnes of coal during the past nine months, as compared to 1.27 million tonnes in the same period last year. We plan to produce 8.5 million tonnes from this mine in FY20 and since this mine is a basket mine this will also help in improving our coal situation.

Subhadip Mitra: Perfect. That is it from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Could you give us the details of the projects, which are expected to get commercialized in the current financial year as well as the next financial year and incremental coal requirements for these projects?

Management: During financial year 2018-2019, the projects which will be commercialized are; we have already done Kudgi Unit-3, 800 MW; then Bongaigaon Unit-3, 250 MW; then BRBCL Unit-3, 250 MW; then NPGCL Unit-1, 660 MW; then Solapur Unit-2, 660 MW; Gadarwara Unit-1, 800 MW; Lara Unit-1, 800 MW and Meja Unit-1, 660 MW. So total COD will be 4,880 MW during this financial year 2018-2019.

Bhavin Vithlani: Which is in the next two months, sir?

Management: Yes, in the next two months, we will add 4,080 MW commercial capacity.

Bhavin Vithlani: And how much will be the incremental coal requirement for these projects?

Management: Around, 18 to 20 million tonnes.

Bhavin Vithlani: Okay. So out of that, you mentioned about 12 million tonnes will be import, which is roughly 15 million tonnes on a domestic equivalent and



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3 million tonnes will be from Pakri Barwadih and balance can come from Coal India's linkage. Is this math correct, Sir?

Management: Yes. That meets out our requirement for the next fiscal.

Bhavin Vithlani: Okay and for the fiscal year 2019-2020, how should we look at new COD of the projects?

Management: During 2019-2020, we will do COD of around 5000 MW.

Bhavin Vithlani: Okay and so would it also be more like towards the fourth quarter, so hardly any incremental coal requirement for these new projects?

Management: It will be mostly in the fourth quarter.

Bhavin Vithlani: Sir, my last question is on the CERC draft regulations, which have come out, and that speaks about reduction in the regulated equity for projects greater than 25 years and we understand about 12000-odd MW, where the regulated equity is broadly Rs.7,000 Crore gets impacted. So what is the way forward that we should look at? How is the management going to move with this change in the regulations?

Management: In fact, what has been issued is a draft regulation and all the stakeholders were advised to make their comments by January 20. We have also submitted our response and our observations to CERC and ultimately, CERC has to take the final call. We have submitted our rationale behind why we should continue with the earlier arrangement of equity. We have already taken up with the CERC and other stakeholders. We have also had discussions with the customers. So all this has been done. There is a public hearing on the February 1, 2019, where all the issues will be discussed by the CERC with all the stakeholders and I think we will also put our points across. We think that, ultimately, CERC will take a balanced stand.



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Bhavin Vithlani: Okay. Sir, my question was more like assuming the draft regulation was also the final, then how should we look at it because it would not make any economic sense for NTPC to run these plants?

Management: Actually, we should discuss this after the final regulations are out because today we have only a draft regulation and your question is a very pertinent question. But I think we should deal with this when it comes to final regulations.

Bhavin Vithlani: Okay. Fine. Sure. Thank you so much for taking my questions.

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

Abhishek Puri: Good evening gentlemen. This is Abhishek Puri from DB. My question is on the delayed payments that we are talking about. So you said NSM payment had been delayed. We understood that this was being routed through NTPC trading company, NVVN, rather than NTPC balance sheet. So would your balance sheet be exposed if the payments are delayed for solar companies?

Management: No. Most of it is through NTPC. In fact, there was a NSM first tranche, which was done through NVVN, but the second one was done through NTPC. Therefore, NTPC is the nodal agency between the developers and the DISCOMs

Abhishek Puri: Okay. For NTPC, what will be the total exposure in that case? How many megawatts or revenue terms or the billing terms if you can tell us the total bill?

Management: Roughly it was around 2,750 MW.



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Abhishek Puri: 2,750 MW, okay. Second question on the coal mining returns. So you have spent almost Rs.5,500 Crore. You are not making any returns on that plus the draft regulations also talk about FGD capex that you would be doing. It would be quite significant capex for the company as a whole, which will be 100% debt-funded and will not fetch any equity returns. So could you give us some sense as to how you are approaching this with CERC? Or you believe this will be a foregone conclusion that the debt returns will only be made here?

Management: The first one you said about the coal mining investment. On April 1, 2019, we will declare COD of Pakri Barwadih. Once the COD is done, the returns will start coming. Meanwhile, we have decided to charge as per the Coal India tariffs and whatever we have recovered is getting adjusted to project cost for the Pakri Barwadih, on which returns will start flowing from next fiscal. This is number one. In terms of number two, again, as I said these are the draft regulations, and the draft regulations talks about that for the environmental additional capitalization the ROE will be as per debt rate. Here again, it is only a draft, and we have submitted our observations on this. For the new plants, in any case, it is part of the total equity as part of the project cost, it will be a serviced at 15.5%. So let us see that the CERC will look at our submissions as well as the submissions by others and take a balanced view.

Abhishek Puri: From the previous participant question regarding railways, if you can give us how much is the advance outstanding, how much more we have to provide them and what would be the interests expected for this year and next year.

Management: There is no commitment for next year. As of today, last instalment of advance of Rs.2,000 crore was paid, a portion of which has already got adjusted as mentioned earlier. So that is the only advance.



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Abhishek Puri: So it is getting offset against the monthly payments?

Management: Yes. I think approximately Rs.1,000 Crore will be the advance to Railways, which will get adjusted.

Abhishek Puri: And in that case, the other interest amount should not be that high, no more than Rs.170 Crore?

Management: It will be hardly Rs.150 Crore, Rs.160 Crore. That is the back of envelope calculation.

Abhishek Puri: Because Rs.364 Crore for nine months is a very significant amount, which is being under-recovered. So how would you approach CERC? How have they taken a view on this? Because it is on a reducing balance basis, and the amount looks to be Rs.364 Crore, it looks like. If I assume at 8%, 8.5% interest cost for you, outstanding amount can be pretty significant in that case.

Management: We are earning 1.5% surcharge on a monthly basis. So, 18% interest per annum is to be given by the beneficiary on bills which they do not pay on time. So there should not be any concern on the realization as such. The sales have also gone up. Let me also tell you, it is always the last quarter, in which customers deliver.

Abhishek Puri: Right. We wish for that Sir. All the very best.

Moderator: Thank you. The next question is from Rahul Modi from ICICI Securities. Please go ahead.

Rahul Modi: Just a quick question. Sir, can you just repeat the adjusted PAT for this year nine months versus last year and three months, if you can?



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Management: Yes. Reported PAT is Rs.7,399.57 Crore this year as against Rs.7,417.58 Crore. The adjusted profit is Rs.7,199.49 Crore for the current year as against Rs.7,019.84 Crore for previous corresponding period.

Rahul Modi: And sir, for three months?

Management: For three months, the adjusted PAT for current Q3 is Rs.2,184.58 Crore as against Rs.1,871.55 Crore in the previous Q3, an increase of 17%.

Rahul Modi: Sir lastly, are you regulating the payments towards these NSM developers in the renewables space? Because you are getting payments delayed from the DISCOMs. So are you passing this delay on? Or do you think that you will be doing that in the coming time?

Management: We have an agreement with developers to pay a certain amount at certain period and we get a rebate if we pay on time. At the same time, we have a back-to-back agreement with DISCOMs on similar terms. We are allowed to pay within 60 days but we are actually making maximum rebate out of this. So ultimately, it is a financial thing that we are able to get the rebate when we pay on the same day, and that is what we are doing internally.

Rahul Modi: Sir, there is a net positive impact then what you are saying?

Management: We have the surcharge. That will be a net positive.

Management: We get upfront rebate of 2%, and we get the surcharge of 1.5% per month.

Rahul Modi: Yes. But until now, the impact that we have been talking about in terms of working capital then, there should not be a negative carry, right?

Management: No. I think I will just give some bit of clarification, while our endeavor is not to earn money by delayed payments, but at the same time, we are



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making all possible efforts to see to it that our dues are realized in time. However, we have modeled our agreements in such a manner that the loss is mitigated.

Management: In fact, there are many states who pay us on the 1st. At the same time, they take rebate from us. Therefore, it is not that we are only earning surcharge.

Rahul Modi: Sure. Thank you and all the best.

Moderator: Thank you. The next question is from Murtuza Arsiwalla from Kotak Securities. Please go ahead.

Murtuza: Just a few data points. One is you decommissioned the Badarpur plant this quarter, and you have acquired Barauni. Can you give us the regulated equity of each of these plants and the closing regulated equity for the quarter? Also, in terms of the acquisition of Barauni, if you could give us the overall asset value etc., that you have acquired?

Management: For Barauni, capacity of 220 MW has been added, but there is no revenue as such because this unit is not running as of now and is under R&M. Therefore, there is no revenue, and there is no regulated equity for Barauni.

Murtuza: Yes and the closing regulated equity, Sir?

Management: Rs.52105.93 Crore.

Murtuza: Thank you.

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



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Mohit Kumar: Good evening Sir. I have two questions. The first one on Kudgi; why do you have an issue with the availability at Kudgi? And is the issue resolved completely? Can we expect more than 85% PAF for the fourth quarter?

Management: Yes, yes. Since the beginning of January, all machines are available and we have also started receiving imported coal. Therefore, this has led to improvement for Kudgi.

Mohit Kumar: My second question is pertaining to receivables. How much receivable is greater than 60 days right now? And are we supporting the payment for NSM through our balance sheet?

Management: The total outstanding for more than 60 days as on January 29 is Rs.7,490 Crore and our total billing as on date is Rs.75,868 Crore. So more than 60 days is something like 10% of total billing done this year. Further, as far as NSM is concerned as NTPC is the purchaser, it is from our balance sheet.

Moderator: Thank you. The next question is from Lavina Quadros from Jefferies. Please go ahead.

Lavina Quadros: No, hi, thanks. My questions have been answered.

Management: Thank you very much for being with us and supporting us in terms of our entire growth journey. We look forward to your continued support in the times to come. Thank you very much.

Moderator: Thank you very much. On behalf of ICICI Securities that concludes the conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines