



# “NLC India Limited Q1 FY2021 Earnings Conference Call”

September 25, 2020



**ANALYST: MR. MOHIT KUMAR – RESEARCH ANALYST – IDFC  
SECURITIES LIMITED**

**MANAGEMENT: MR. RAKESH KUMAR - CMD - NLC INDIA LIMITED  
MR. R. VIKRAMAN - DIRECTOR (HR) - NLC INDIA LIMITED  
MR. N N M RAO - DIRECTOR (P&P) - NLC INDIA LIMITED  
MR. PRABHAKAR CHOWKI - DIRECTOR (MINES) - NLC INDIA  
LIMITED  
MR. SHAJI JOHN - DIRECTOR (POWER) - NLC INDIA LIMITED  
MR. JAIKUMAR SRINIVASAN - DIRECTOR (FINANCE) - NLC  
INDIA LIMITED**



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**Moderator:** Ladies and gentlemen, good day, and welcome to NLC India Limited Conference Call hosted by IDFC 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 over the conference over to Mr. Mohit Kumar from IDFC Securities. Thank you, and over to you, Sir.

**Mohit Kumar:** Thank you, Nirav. On behalf of IDFC Securities, I welcome you all to the NLC India Q1 FY2021 results conference call. We have with us, Shri. Rakesh Kumar, CMD, NLC India along with senior management team. I would like to hand over the call to the management for the opening remarks followed by Q&A. Over to you Sir.

**Rakesh Kumar:** Thank you very much. First, I welcome all our valued investors to this conference call on Q1 Financial Results. I am Rakesh Kumar, CMD, NLC India Limited with me my colleague Directors, Shri. R. Vikraman, Director (HR), Shri. N N M Rao, Director (P&P), Shri. Prabhakar Chowki, Director (Mines), Shri. Shaji John, Director (Power) and Shri. Jaikumar Srinivasan, Director (Finance), also with me are our core team of finance and other areas.

Let me give a brief to all on the quarter one financial results of our company. Power generation during the quarter ended 30th June 2020 is 5698.60 Million Unit as against 5059.11 Million Unit in the corresponding period of the previous year registering a growth of 12.64% mainly on account of commissioning of unit one of NNTPS 2x500 megawatt and 709 megawatt solar project in previous third quarter of the previous year.

Power export during the quarter ended 30th June 2020 is 4962.67 Million Unit as against 4305.88 Million Unit in the corresponding period of the previous year registering a growth of 15.25%. The total income of the company for the quarter ended 30th June 2020 is Rs.2386.86 Crore as against Rs.1904.03 Crore in the corresponding period of the previous year registering a growth of 25.36%.

Profit before tax for the quarter is Rs.455.42 Crore as against Rs.429.12 Crore in the corresponding period of the previous year registering a growth of 6.13%. Profit after tax for the quarter ended 30th June is 292.54 Crore as against 323.04 Crore in the corresponding period of the previous year.

The EBITDA excluding exceptional item for the quarter ended 30th June



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2020 is Rs.1075.48 Crore as against Rs.755.55 Crore registering a growth of 42.34%.

During the quarter the company recognized as an exceptional item, the onetime rebate of Rs.42.09 Crore to DISCOMS on account of COVID-19 pandemic based on the guidelines issued by Ministry of Power, Government of India.

Now I just wanted to brief on the impact of COVID-19 on our company. The company is engaged in the business of mining and power generation which are classified as an essential service. Company has ensured the availability of its thermal and solar power plants including the subsidiary plant to generate power and has continued to supply power during the period of lockdown.

Talabira II and III OCP mines Odisha has commenced its production on 26th April 2020 and we could commission the remaining 17.5 megawatt out of the total 20-megawatt solar project in Andaman Island along with 8-megawatt Hr battery systems on 30th June 2020 despite COVID restrictions.

The construction and commissioning of Unit II of new Neyveli thermal power project NNTPP in Neyveli and Ghatampur thermal power project in UP of our subsidiary company NUPPL are getting delayed as the majority interstate migrant workers left the construction site to their native states. However all-out efforts are being made in bringing them back and work is now progressing gradually.

With these words I welcome the questions from the participants. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Dinesh B from CBS. Please go ahead.

**Dinesh B:** Regarding this pending project with this Neyveli and Uttar Pradesh so what is the new timeline any timeline when this will get completed, I know this is the Covid situation but any tentative timeline?

**Rakesh Kumar:** Yes in case of NUPPL Ghatampur project Unit I, which was schedule to be commission in November 2020 we will be able to commission within the current financial year and the overall project schedule we will try to match the same original schedule of Unit III therefore there will not be any delay in the overall project schedule and in case of NNTPS Unit II is expected to get commissioned in the next month.



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**Dinesh B:** Okay thank you.

**Moderator:** Thank you very much. Next question is from the line of Dhruv M from HDFC Asset Management. Please go ahead.

**Dhruv M:** Sir firstly my focus was more on the FY2020 numbers. So, if you can probably start with the split of PAT between say regulated ROE the under recoveries and the other income if you can provide the split that will be helpful?

**Rakesh Kumar:** I will just hand over this to our Director (Finance).

**Jaikumar Srinivasan:** Can you repeat your question for better...

**Dhruv M:** Yes, so for FY2020 standalone operation, if you can help us with the PAT split between the regulated ROE how much was from regulated ROE at the rate of 15.5% then what was the rate come, the other income probably I can see, the under recoveries on say O&M on fixed charges and other things. So, if you can help us with that split?

**Rakesh Kumar:** Yes, regulated ROE will be, the equity regulated equity in case of mines was 2830.72 Crore and in case of thermal regulated equity was 2841.55 Crore and ROE on mining was 438.76 Crore and in case of thermal it was 350.48 Crore.

**Dhruv M:** And sir the under recovery you might have had on fixed under recovery or lower PAF operations?

**Rakesh Kumar:** We faced under recovery in case of Barsingsar power plant Rs 34.67 Crores and TS-II expansion Rs 381.22 Crores and in case of NNTPS Rs 56.47 Crores, the total under recovery was Rs 472.36 Crores.

**Dhruv M:** And sir any under recovery in the mine?

**Rakesh Kumar:** In case of mines we will come back to you.

**Dhruv M:** Sir NNTPS you mentioned under recovery, but NNTPS I thought was commissioned very, recently right?

**Rakesh Kumar:** Yes, it was commissioned in the month of December 2019 and because it is in the initial phase of operations therefore the plant is not expected to reach the optimal efficiency or



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PLF.

**Dhruv M:** Sir any guidance on when can we expect, what is the current PAF level at Unit I and when can we expect it to achieve the normative PAF of 85%?

**Rakesh Kumar:** Yes, I will just hand over to Director (Power).

**Shaji John:** Unit number I of NNTP is now able to generate at the level of 80% to 85% PLF now, so there are certain technical points to be cleared. So, the normative operations will be achieved in another two, three months time and we will be able to achieve the normative PLF level of 85%.

**Dhruv M:** And sir current is about 80% PAF level availability level is currently 80%?

**Rakesh Kumar:** No, the first quarter it has reached at 78% PAF.

**Dhruv M:** And sir are these, the regular startup related issues or some serious issues?

**Rakesh Kumar:** No, no, there is no serious issue these are expected problems in the commissioning and after commissioning, so these are being handled very efficiently by our team.

**Dhruv M:** Sir and so for NNTP now probably you are almost reaching at the commissioning of the project so what would be the project cost and how much would you expect the regulator to finally approve?

**Rakesh Kumar :** NNTPS total project cost is 7980.79 Crore.

**Dhruv M:** And sir should we expect from under recovery here given the project cost, I mean, will the regulator approve the full cost, or should we expect some provisioning there?

**Rakesh Kumar :** we will try our level best we have our full justification we will claim full project cost, we will try but we cannot assure on behalf of regulatory body that they will have their own decision making but we will try our level best as we have justified from our point of view and in the meantime I have got the under recovery of mines for the year 2019-20 Mine I is Rs 12.44 Crore, Mine II Rs 3.88 Crore, and Barsingsar mine Rs 1.86 Crore, total under recovery of Mines Rs 18.18 Crore.

**Dhruv M:** Sir when we say mine under recovery, so how does it works sir. So for



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example you might be given 85% you have to achieve say your total capacity is about 30 million tonne so you have to achieve 80% filled rate and that is how you recover your fixed charge so how does it work, I mean so what is the impact if there is a lower recovery how does the math work?

**Rakesh Kumar:** So basically the normative level of mine we have to recover the total cost then only if we are not able to operate the mine at the normative level which is 85% not 80% in case of thermal power stations it is 80% but mines it is 85%, so but in case of Barsingsar mine it is 78%.

**Moderator:** Participants please stay connected the line for the management has dropped. Ladies and gentlemen, thank you for your patience, we have the line for the management connected back to the call. Sir please go ahead.

**Rakesh Kumar:** Yes, I apologize for the interruption, the under recovery in case either we are not able to operate up to the normative level or we are not able to restrict our expenditure to the normative level of expenditure then in that case under recovery happens.

**Dhruv M:** Sir so what would be the total annual fixed charge for all your mines put together, that you have to recover say at 85% normative level, the absolute amount?

**Rakesh Kumar:** It is estimated amount of some Rs 3800 to 4000 Crore for all the mines together.

**Dhruv M:** Rs 3800 Cr is that you must recover at total mines?

**Rakesh Kumar :** Yes Rs 3800 to 4000 Crores, the exact number is not available right now with me I am just giving you a feel.

**Jaikumar Srinivasan:** Predominantly it would be O&M cost and well there is some element of return on equity and interest and depreciation.

**Dhruv M:** So, if this is at 85% PAF level, 85% normative level right. 85% for another is 80% and Barsingsar is 78%.Based on that you must recover so basically about 26 million tonne you have to recover 3800...

**Rakesh Kumar:** Sorry for mines it is 85% so I am sorry it is 85% for thermal stations it is 80%.

**Dhruv M:** So almost on 26 million tonne you have to recover this Rs 3800 Crore so any



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shortfall on that 26 million tonne that will become a cost to it that becomes an under recovery, but you can sell this remaining portion you can sell it in the open market lignite you can sell in the open market right sir?

**Rakesh Kumar:** Yes, but in the new regulatory mechanism the guidelines are still being prepared, so CERC is formulating the guidelines for pricing of lignite therefore it is not certain. These are true for the previous tariff periods and in this tariff period we have formulated the guidelines with the approval of board of directors in line with the delegation given by Ministry of Coal and which is on the similar lines almost, but it is expected that CERC may review /revise the guidelines and pricing of lignite which will be effective from 1st April or whatever decision is given by CERC in this regard.

**Jaikumar Srinivasan :** If I may add that there is some peculiarity as far as the fixed cost recovery of integrated mine is concerned because these are not the mining is per se not on a commercial basis it is to link the power station, so if there is some kind of a lower production on account of some surrender of power in the linked power station so to that extent this is treated as a capacity charges so the two for 85% however there are production shortage because of reasons attributable to the company it is then there could be some under recovery, but otherwise if it is on account of lower cost demand which necessitated the surrenders then we will get the amount

**Dhruv M:** So even if the so for example for Barsingsar for instance if your PAF is or your PLF is 60% but still you will recover the mines full AFC even though you have produced at only 60% PLF so you will recover the full unit of the mine?

**Jaikumar Srinivasan :** No as I said that for the recovery if the under production is below the normative level is on account of surrender then we can recover not otherwise.

**Dhruv M:** And sir one probably last thing if I join the queue sir any O&M related under recovery that you had in FY2020 besides the one we have discussed any O&M related under recovery?

**Rakesh Kumar :** O&M related under recovery okay we will get back to you. You wanted to know FY2019-20 isn't it ?

**Dhruv M:** For FY2019-20.

**Jaikumar Srinivasan :** I will just explained that structure that there is no separately O&M related under recovery, if you are referring to the O&M cost then O&M cost falls part of the capacity charges so if there is a capacity charges under recovery to that extent O&M charges is subsumed under



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that. Have I made myself clear.

**Dhruv M:** Yes, so I was referring to what would be the normative O&M if I club all your plant and what is the actual O&M, so the difference probably become the under recovery so that what...

**Jaikumar Srinivasan:** Okay you are talking about normative versus actual not on account of underproduction

**Dhruv M:** Yes, not on account of that. So, there could be some difference between what the let us say regular is approved as a normative O&M cost to you and what is your actual O&M cost is?

**Rakesh Kumar:** Yes, we will come back to you on this.

**Dhruv M:** Perfect sir, I will join the queue sir. Thank you so much.

**Moderator:** Thank you very much. Next question is from the line of Parag Chavan from UTI Mutual Fund. Please go ahead.

**Parag Chavan:** So, continuing the FY2020 numbers and PAF and with the under recovery so for the new Unit I where you said there was a major under recovery in FY2020 what was the PAF reported in FY2020 for this unit.

**Rakesh Kumar :** There are some disturbance can you just repeat the question and name please.

**Parag Chavan:** I am Parag from UTI. I wanted to basically check you said that in FY2020 the major under recovery which came from our NNTPS Unit I which was basically commissioned in December, just wanted to understand in that three, four months what is the PAF reported by that unit?

**Rakesh Kumar:** TS-I there was I think PAT of the nominal amount.

**Parag Chavan:** Not PAT sir I was talking about the PAF.

**Rakesh Kumar:** Okay. TS-I was not under the PPA as the PPA was not renewed after 31st March so PAF was not applicable for TS-I.

**Parag Chavan:** No sir I was talking about the new unit which we commissioned?





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- Rakesh Kumar:** So PAF for NNTPS Unit I was 51.24% in FY2020.
- Parag Chavan:** And which is now already reached about 80% you are saying right?
- Rakesh Kumar:** Now, in this first quarter 78%.
- Parag Chavan:** And if it basically causes 80% then we get the full normative fixed cost recovery?
- Rakesh Kumar:** No in case of NNTPS it is 85%.
- Parag Chavan:** It is 85% only?
- Rakesh Kumar:** Yes.
- Parag Chavan:** Okay, and we expect that to happen in another couple of months?
- Rakesh Kumar:** Yes, we are expecting to reach shortly in this current year itself.
- Parag Chavan:** And then the Unit II which you are saying will get commissioned in maybe next month or a couple of months, of that how do you think the PAF were to reach that 85% PAF. Should this take similar time or now since we already have the experience of Unit I, reaching the 85% unit II should be much faster?
- Rakesh Kumar:** In the normal course we should be able to achieve the normative level of PAF by another six months after commissioning.
- Parag Chavan:** Okay right about 6 months right okay that is it, and by adding this Unit II what kind of regulated equity we will add?
- Shaji John:** Regulated equity the total project cost of NNTPS is around 8000 Crore so 30% is the equity
- Parag Chavan:** 8000 Crores is for both the unit sir?
- Rakesh Kumar:** Yes, for both the units, so another 1200 Crore will be added to the regulated equity.
- Parag Chavan:** And similarly, the Barsingsar unit, I mean that is always they are facing



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problems what is the PAF there for FY2020 and is Q1 FY2021?

**Rakesh Kumar:** PAF of Barsingsar in FY2020 is 70.56%.

**Parag Chavan:** And Q1 FY2021?

**Rakesh Kumar:** And in Q1 PAF of Barsingsar this is 75% PAF.

**Parag Chavan:** So, it is also clearly inching, up do we think that this year it can also reach a 78%/80% and what is the normative level is e have for Barsingsar?

**Rakesh Kumar:** Normative PAF of our Barsingsar Thermal Plant is 80% and we are very near to it.

**Parag Chavan:** So basically, then in this year under recovery should be very less as compared to last year?

**Rakesh Kumar:** Yes, we are expecting that it will be minimized.

**Parag Chavan:** And on for this COVID-19 related basically the rebate Rs 42 Crore. Is this the full amount which you have given in Q1 or some amount will come in Q2 also?

**Rakesh Kumar:** No, this amount has not been passed on so far. We have mentioned that we have provided for this amount but we are discussing with the beneficiaries, there are certain issues and we are just trying to pass on this with the mutual consent basis and agreement basis, it is a onetime benefit which is in line with the Ministry of Power Guidelines.

**Parag Chavan:** Right, no, what I was trying to understand the 42 Crore will be the final amount or will there be something more which will be then provided in the future amounts also?

**Rakesh Kumar:** It all depends on the final negotiations, but it is the estimated amount based on the guidelines.

**Parag Chavan:** Understood. That is, it from my side for now, I will get back into the queue.

**Moderator:** Thank you very much. Next question is from Dhruv from HDFC Asset Management. Please go ahead.



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**Moderator:** Thank you very much. Next question is from Dhruv from HDFC Asset Management. Please go ahead.

**Dhruv:** Sir as you mentioned the PAF for others can you also help with TPS II expansion what was the PAF in FY2020?

**Rakesh Kumar:** Yes TS-II expansion our PAF for TS-II expansion was 38.11% in 2019-20.

**Dhruv:** And what is it now?

**Rakesh Kumar:** In the first quarter the PAF for TS-II expansion was 48%.

**Dhruv:** This remains an issue so any thought on what is the progress there and how fast we can expect to achieve the normative PAF?

**Rakesh Kumar:** Actually as you may kindly recall my earlier sharing on this project we are going to resort to the major overhaul and we are inviting the bids at a international competitive bidding with the limited parties that process is on and we will be resorting to major overhaul of these two units and we are expecting that after that, after understanding the problem and getting the proposals from the competent very reputed parties we will be able to go for major overhaul and then we will be able to resume the operations efficiently.

**Dhruv:** And is it, can you share any thoughts on what the project mining because the cost of the overall would be as I understand this will be a bidding process so you cannot share complete details but from the range of cost that you are expecting?

**Rakesh Kumar :** No, it depends on the, we are staging this whole process into two parts one is that they will be understanding the problem coming and studying this issue and after that thy will be giving a proposal that what is the problem they have understood and what is the scope of work they will be carrying out and in the second phase they will be quoting for that scope and then we will be opening the bids . This is going to be a unique tendering is not going to be a simple tendering therefore we are consulting our consultants also in this regard and in a very focused way we are having regular follow up meeting and progressing satisfactorily on this assignment.

**Dhruv:** And sir you have already started the NNTP Unit I so any thoughts on the initial run up since the PAF is okay, but the last few plant that we have commissioned have been



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some issues so should we view worry on that time that in the new plant there could be some issues even now that has started?

**Rakesh Kumar:** No, NNTPS is a proven technology, it is a pulverized technology ,so it is proven, and we do not expect any surprise and we are going ahead as expected.

**Dhruv:** So moving to our plant NTPL the subsidiary sir last year there seems to be I was just looking at the numbers it seems there was some impact there also so any on the PAF level if you can share the PAF level there for NTPL and what is it now?

**Rakesh Kumar:** Yes, NTPL FY2020 we have in case of current year, current year the, you are asking PAF or PLF.

**Dhruv:** The PAF availability factor, I believe there was some under recovery there also?

**Rakesh Kumar:** Yes, this quarter it is very, very good level 98%.

**Dhruv:** PAF level is okay great. And sir last year there will be some under recovery, got it.

**Rakesh Kumar:** Last year because one of the units was under major repair there was some explosion and rotor was sent to BHEL for repair it took more than 5 months that is why it happened.

**Dhruv:** Sir coming to TPS-II now there was an unfortunate incident there the Unit II incidence so any thoughts on the future of this plant will it remain shut the work that you are doing there if you can share anything on that will be helpful sir?

**Rakesh Kumar:** Yes sure. Yes the incidents happened in TS-II were quite unfortunate and it was, these incidents were not expected in the normal course, the incidents happened not in the plant not in the furnace not in the boiler it was in the structure which was supporting the boiler so these structures are called girders, now these girders are made up of big steel and the structural design is such that over a period of time the lignite dust has got accumulated and very strangely the dust particle accumulated in this structure emanated the explosive gasses inside the girder and the incident which has happened especially the July 1st incident it was in the course of taking the rectification measures remedial measure which was suggested by the high level committee headed by Mr. Bakshi on the 7th May incident, and while carrying out this remedial measure, in the third unit after carrying out in two units successfully, peacefully without any problem and the third unit it happened when the



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plant was not in operation therefore it was not expected and it is the second incident which was examined by another committee headed by ex-Director Technical of NTPC who has given the report that this is a unique phenomena which has happened rarely which can happen, in India such type of structural support system is not there in any of the plant and such type of issue has never arisen so this unique incident which has happened, it is after the incident, we have taken all these safety measures, we have got the safety audit of the plant done, we have got this examined by the explosive experts and we are also undergoing the review of the structural strength of the particular unit, Unit number V and only after ensuring that all the safety measures we are going to restart the units out of the four units of stage II, unit number VII has already been started on 31st August 2020 which is after taking all the precautions and it is expected that in a short period of time, we will be able to resume the operations after satisfying all these statutory authorities also and these units are very healthy units, they can perform, they have been winning the awards at the national level their performance has been recorded as one of the best plants in the country and we do not see any problem in running these operating these units in the time to come.

**Dhruv:** Ok.And sir this when you refer you are mentioning for all these 7 units and we have got 7 units?

**Rakesh Kumar:** Yes 7 units means the phase I first three units we did not face any problem they were not stopped because of this the regular maintenance activities are going on and they are running perfectly alright and we have not witnessed any problem in those first three units.

**Dhruv:** Okay by end of the year probably we could expect that?

**Rakesh Kumar:** Yes, one unit we have already started and other units gradually this month end another unit is going to start so one by one we will be able to resume the operations.

**Dhruv:** And sir coming to the next thing on the receivable, they have accumulated quite a bit now I believe in FY2020 you had also done some discounting of bills. So will the PFC/REC scheme are you seeing that money coming in and are you also recovering the late payment surcharge on that amount and anything that you can share here, I was talking totally Tamil Nadu also in that unit TN Government of the total in Tamil Nadu?

**Rakesh Kumar:** Yes, so first of all I agree with that there is an unprecedented increase in the dues and these dues have reached the level of more than Rs.10,538 Crore including NLC and NTPL and but you are right that we have adopted a new mechanism LC in the process this, LC mechanism and through Bill discounting, we have been able to get the realization to the extent of some 600 Crore and another set of realization has come from the Atma Nirbhar Scheme announced by government of



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India so far we have been able to realize the 571.82 Crore out of that also. But the recovery is slow the dues have reached till the unprecedented level it is very big worry for us also and we are making all out effort to touch based upon with all the top management of the EBs their CMDs, Director Finance, regular meetings are going on and we are making efforts to realize. Because of the COVID situation and because of the non recovery of the power dues by EBs from their customers also and some soft cent announced by government of India we are also contending with the slow recovery but it is expected that with the passage of time especially under Atma Nirbhar Bharat we are expecting good realization in the time to come.

**Dhruv:** So, can you tell the total 10000 in the Tamil Nadu and total 10000 I believe some part is disputed also if you can share the disputed amount?

**Rakesh Kumar:** Yes, I will just handover this to Director Finance to give you further details.

**Jaikumar Srinivasan:** Just to add to what t CMD sir has said out of this 10000 we have to consider a one and a half months of dues 45 days is still not overdue but to that extent 10000 is on accrual basis which at the movement you bill it your accounting for that so if you really see what is the overdue that would be close to 8500 Crore now out of this of course there are certain amounts which the beneficiaries have represented to the appellate tribunal. Those things are being looked into and we are pretty sure that what we have billed is purely as per the lignite pricing guidelines so we are quite hopeful about that particular thing and coming back to the recovery part, under the Atma Nirbhar Scheme we have been watching the progress about the loan status, loan sanctioning status we have got around 350 Crores put together under such scheme but many of the states now have the guarantees in place. Tamil Nadu which forms a largest beneficiary in terms of both this thing there Tamil Nadu had a little problem regarding their exposures with PFC and REC and so it took them sometime to get the consent or the clearance from the Ministry of Power. So, I think going ahead in the next one month or one and a half months we should see a lot of recovery and substantial chunk we are expecting to get it.

**Dhruv:** So, of the total how much is the disputed amount if you can tell that amount that is under liquidity?

**Jaikumar Srinivasan:** Disputed is around, would be around close to 2000 Crore I would say.

**Dhruv:** And sir the like given that we are significantly dependent on or work with Tamil Nadu should we expect that you will recover the late payment surcharge that you are accumulating on these receivables or there will be some waivers to that?



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**Jaikumar Srinivasan:** No, see whatever late payment surcharge we are billing them is squarely as per the agreed terms of the PPA, however we should realize that since the state electricity boards the discounts in general and Tamil Nadu in particular had their own inherent problem in terms of delay and release of their subsidy and delay in recovery more so during this COVID period, So first of all we are targeting the recovery of principal amount but however these are legitimate billing in terms of agreed PPA, whether they will be paying this of course they will be paying it but we should also be prepared for some kind of a because under this Atma Nirbhar Scheme, since they will be settling a lot of things in bulk by taking loans, so depending on their raising of loans and clearance of payment, we will look at the possibility of some giving some relief to them, so considering the fact that the surcharge we are billing them is at a rate which is deterrent 18%, so to some extent we will try to give some relief to them but that also depends on what is the kind of loans they bring to the table and clear it.

**Dhruv :** Sir my urge would be as an investor or as an external guy would be that it would be very helpful that you put the ultimate pressure on the DISCOMs because this is a perpetual issue with them and if you give a relief to them for once I would say now probably they will come back to you later also to give them a relief and it does not help you because this amount cost you in terms of balance sheet in terms of hidden interest cost, hidden ROE cost, because you are funding this amounts your equity amount and thereby also impacting a dividend payout ratios so sir it would be it is an earn that you probably recover the full amount from them so that they are also understand that this cannot be, this is not a light issue and it is a serious issue ultimately the state governments are responsible for what the DISCOM will pay and for that a publically listed company should not be suffering for that.

**Jaikumar Srinivasan:** We will take your suggestion in the right spirit, in fact that would be our endeavor, our endeavor were to collect everything but under the Atma Nirbhar Scheme when they are proceeding ahead and doing well I was also hinting you that the ministry the Government of India has also been kind of advising that some kind of a relief should also be given to them since there also because ultimately at the end of the day we are cash flow is more preponderant consideration here so all these billing should translate into cash, so whatever it is requires safeguarding our companies interest on the bottomline and investors interest will be taking a position.

**Dhruv:** Sir, we understand the COVID situation it is an exceptional situation and probably for that you might consider something but at least for the old dues you should try to recover the full amount because ultimately these are state government backed entities so they will never be defaulting you probably you just have to force them a lot more I understand you being a PSU it has some restrictions but this the most that you can do that will be helpful sir. Thank you so much sir.

**Rakesh Kumar:** Yes, Dhruv yes, we take your point of view and we are working on those lines only.



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**Dhruv:** Okay sir thank you so much.

**Moderator:** Thank you very much. Next participant is Dinesh B from CBS. Please go ahead.

**Dinesh B:** Is there any anticipated revenue loss in coming Q2 and Q3 of your whole as a general due to this COVID situation?

**Rakesh Kumar:** COVID situation is continuing as we know that this is there is a impact on the demand, there is an impact on the progress of the project so but it is minimizing we are progressing well and we are catching up on not only the operations but also on the projects but the general demand supply scenario, that we have to see and regulatory changes are also happening but these are not part of the COVID situation. So the situation is dynamic we are also monitoring the dynamics and taking all these reasonable steps to mitigate the difficulties and risks but definitely improvement is going to be witnessed as compared to Q1.

**Dinesh B:** Thank you.

**Moderator:** Thank you very much. Next question is from Parag Chavan from UTI Mutual Fund. Please go ahead.

**Parag Chavan:** Sir in terms of the renewable side so is there now I mean all our projects which are under construction already commissioned or is there some pipeline remaining for the renewable project and what is the outlook?

**Rakesh Kumar:** All the projects, 709 megawatt they are all commissioned so there is no project which is not commissioned as of now so, 10-megawatt, 120-megawatt, 500-megawatt, 709 megawatt and Andaman 20 megawatt all the projects are commissioned.

**Parag Chavan:** And going ahead, are there any new projects which we are planning to take up on the renewable side?

**Rakesh Kumar:** Yes, we have an ambitious target of enhancing our portfolio of renewable. In this current year we have signed an MOU and joint venture has also been signed between coal India and NLC for setting up the solar power project to the extent of 2000 megawatt and we are exploring the possibility not only for setting up the solar projects on the mining land of coal India but also participating in the tender of solar energy corporation of India.





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**Parag Chavan:** Got it, thank you sir.

**Moderator:** Thank you very much. Next question is from Mohit Kumar. Please go ahead.

**Mohit Kumar:** Sir I have few questions sir. First is sir what was the cost of 20 megawatt solar power which you commissioned in Andaman and Nicobar Island with battery energy storage so what is the cost and how much you can store, and can you store 100%, 20%, 30% can you just let us know the number and what is the expected cost per unit?

**Rakesh Kumar:** Yes, I will request Director P&P, Shri. N N M Rao to give you the replies on this. This is a unique project which with our right and it has been commissioned now Mr. Rao will brief you on this.

**N N M Rao:** Regarding Andaman project, it is a 20 megawatt solar project with 8 megawatt hour battery, means it comes to around half an hour battery backup will be there that also during day time, actually this battery storage meant for the smoothening of the power it is basically a storage system though it is called as a storage system because as you know that in the Andaman there is a lot of clouds will come very often so during that time to avoid the grid disturbance this battery storage will be helping, so for five minutes, ten minutes when that cloud cover will go again generation will start, during that cloud cover time this battery will support, so in this, this is a half an hour backup for the total system and regarding the cost, total cost of the project is Rs.130.77 Crore and expected tariff is around Rs.6 after we got the VGF from the MNRE around 25% regards the VGF from the MNRE so tariff will be around Rs.6.

**Mohit Kumar:** Is it the Lithium-ion Battery or is for some of the lead acid battery?

**N N M Rao:** No, it is not lead acid it is a Lithium Battery only.

**Mohit Kumar:** Who was the manufacturer?

**N N M Rao:** It is from South Korea LG.

**Mohit Kumar:** Second is on sir Talabira II and III so I believe the coal must be getting supplied to the NTPL or some other power plant so what is the ramp up plan and what is the kind of the fixed cost recovery or ROE expected from the mines, how much is equity invested?

**Rakesh Kumar:** Talabira project, it is the total project cost is Rs.2401.07 Crore and so far we were spent Rs.737.86 Crore and the coal production is going to gradually start ramping up to the



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maximum level that is the peak rated capacity, I will request our Director Mines, Shri. Prabhakar Chowkiji to throw some light on this.

**Prabhakar Chowki:** In fact, this Talabira II and III coal project is expected to reach its peak level of 20 million normative and for that matter 23 million the capacity by 2025-26. This year we have targeted for 1.25 million tonnes and next year and the year 2021-22 it would be producing 4 million tonnes and there on it will be 6 million tonnes and so on. So in certain place all infrastructure facilities that are being built up are in place like railway lines handling rapid loading system and the clearances that are required to ramp up the production with regard to environmental clearance with regard to forest clearance everything is in place, so we are on the right front we believe that the project would progress well, that is what is on mining front.

**Mohit Kumar:** Sir the question is will we recognize any profit from these mines in this financial year as we go forward, or will we wait for the commercial operation to the commercialization of mines to declare to recognize any profit?

**Rakesh Kumar :** The project is under capitalization and the coal has started being explored and we are tying up, till such time we are having the, all the contracts in place for transportation of coal from Talabira to NTPL. We have signed an MOU with Mahanadi Coalfields limited in line with the agreement with Ministry of Coal to sell the coal to MCL and they will be auctioning the coal, So as the coal is going to be sold where already agreement is signed so the first auction is expected shortly and after this, realizable value of coal price definitely we are expecting some profit in this financial year also.

**Mohit Kumar:** So, this is not is a cost plus mine sir so that by CERC we can earn only 14% am I right in my understanding or is it something I am missing?

**Rakesh Kumar:** No, the pricing of the coal again will be decided by CERC so it is expected that regulatory body will also allow some return to the mining company, on that basis I am just mentioning this, we will wait for the regulatory body, CERC to come up with the guidelines, based on that we can finalize the figure, that we can get the clear picture in next few months.

**Mohit Kumar:** And on this Talabira II and III and all our lignite mines will be covered by the new CERC regulation am I right sir?

**Rakesh Kumar:** Yes, all the lignite mines of Neyveli and Talabira and South Pachwara are expected to be covered by CERC regulations.



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**Mohit Kumar:** Sir, so on this NNTP of the new power plant of 1000 megawatt sir are we will we recognize the tariff of provision basis for time being till the time the CERC gives us the tariff or it is based on expected as a fixed cost?

**Rakesh Kumar:** Basically we have filed the petition of NNTPS and based on the filing till such time CERC gives the decision we will be charging the tariff as per our filing and based on the final order from CERC we will be truing up or adjusting the same.

**Mohit Kumar:** Sir firstly on this renewable you can just give us a topline EBITDA and PAT contribution for FY2020 for the entire capacity of renewables?

**Rakesh Kumar:** Yes, in case of renewable, this is the initial phase of the renewable which is taking a stall how they will get connected to the grid, how it will be commissioned, their initial problems therefore the profit cannot be expected from the renewable in a much expected level. So, in , FY2020 our profit before tax from the total renewable projects was Rs.35.77 Crore.

**Mohit Kumar:** Sir about topline and EBITDA that you have this number with you?

**Rakesh Kumar:** I think our revenue was Rs.517.92 Crore and we will be giving you the EBITDA figure shortly.

**Mohit Kumar:** Sure, that is fine, that I will take it offline sir. Sir last question is on the RTM market, I saw that the NLC is participating in a peak manner compared to the other generator. Sir does the RTM market has added positively to your profit in FY in June and in Q2 and why your reliance or reliance that RTM market has gone up compared to the other power plants?

**Rakesh Kumar:** Basically this RTM mechanism has come as a good support silver lining for us because we are uniquely positioned that in case of our both the businesses which are regulatory in nature, we are able to have some flexibility on the pricing, so from 1st June this RTM trading has started and up to 25<sup>th</sup> September today we have traded 331 million unit which has generated revenue of Rs.76 Crore and in June itself we achieved 111.2 million unit earning a revenue of Rs.24.12 Crore so average traded price is Rs.2.27 per unit, per kilowatt hour and our net realization is Rs.2.10 per unit per kilowatt hour.

**Mohit Kumar:** Thank you sir.

**Moderator:** Thank you very much. Ladies and gentlemen, that was the last question for today, I will now hand the conference over to Mr. Mohit Kumar for closing remarks.



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**Mohit Kumar:** Thank you everyone for participating in the call and sir do you have any comments to make sir before we close the call.

**Rakesh Kumar:** Yes before closing I just wanted to thank all the our valued stakeholders, our investors for the opportunity given. On behalf of senior management of NLC India Limited, I just want to assure that we are committed and we will continue to progress on the professional lines and try to achieve the high trajectory of growth which has been set already in our corporate plan and we will continue to try our best to meet the expectation of the shareholders. Thank you very much.

**Moderator:** Thank you very much. On behalf of IDFC securities Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.