



“NLC India Limited  
FY2021 Results Conference Call”

July 26, 2021



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**Moderator:** Ladies and gentlemen, good day, and welcome to the NLC India Conference Call hosted by DAM Capital Advisors 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 DAM Capital Advisors Limited. Thank you and over to you Sir!

**Mohit Kumar:** Thank you Mallika. On behalf of DAM Capital, I welcome you all to the NLC India 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 Mohit Ji. I am Rakesh Kumar, CMD, NLC India Limited and joining you for this call from Delhi and along with me Shri. Shaji John, Director (Power) and Shri. Jaikumar Srinivasan, Director (Finance) are joining with me from Delhi and Director (HR), Shri. R. Vikraman and Shri. Prabhakar Chowki, Director (Mines), both are joining from Neyveli. I welcome you all for this conference call and I would like to mention few highlights that the power generation for the year 2021 is 19322 million units as against 21922.98 million units in the corresponding period of the previous year in spite of fire incident in TS-II during COVID pandemic period. Power export for 2021 is 16723.92 million units as against 18840.84 million units in the corresponding period of the previous year, a decline of about 11% in spite of the results mentioned above.

The generation in thermal power station II expansion has registered a growth of 29.61% during the current year compared to previous year even though the new CFBC technology facing various technology issues since its inception. Solar power generation registered a growth of 40.20% during the year 2021 compared to the previous year. The total income of the company for 2021 is Rs.8966.51 Crores as against Rs.9133.28 Crores in the corresponding period of the previous year. Profit after tax for 2021 is Rs.1041.79 Crores as against Rs.1413.85 Crores in the corresponding period of the previous year. Some of the major highlights during the year are that Unit-II of NNTPS was commissioned on February 10, 2021 and company has started coal mining business by commencing coal production and sale from Talabira coal mine Odisha, and our subsidiary NTPL has generated the highest power generation in the year with PAF about 90% with 5290.58 million units.



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Our Ghatampur thermal power project mock light up of Unit-I was done on March 26, 2021 in spite of facing the pandemic situation and many challenges on account of the workforce availability. The company has increased its generating capacity beyond 6000 megawatts during the year by adding 517.5 megawatt of power generation, Unit-II of NNTPs 500 megawatt and 17.5 megawatt Andaman solar.

NLCIL has been performing well in the RTM market by holding 9.89% market share (including NTPL) in 2021 and NLCIL has also increased its total mining capacity from 30.60 million tonne to 50.06 million tonne by commencing the production of coal from the Talabira mines and green power generation is up by 38.7%. On account of the collection, our collection has been 114% in 2021, it was Rs. 11,377 Crores against the total billing of Rs.10,007 Crores for the NLCIL and NTPL together, and company has been able to sustain expansion with results despite the pandemic effect and fire accident in TS-II and we have been able to reduce the finance cost by adopting market oriented instruments to the extent of 172 Crores and refinancing of loan by issuance of bond of Rs.1675 Crores and after announcing 10% interim dividend Board has recommended 15% final dividend for the year 2021. I will request you to invite for the questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Akhilesh Bhandari from ICICI Prudential Asset Management Company. Please go ahead.

**Akhilesh Bhandari:** My first question is if you can give me the under recovery details plant wise for FY2021 and FY2020 and also what has been the under recovery in mining that will be really helpful?

**Rakesh Kumar:** Our under recovery for the year 2021 has been to the extent of Rs. 737.83 Crores for all thermal power stations, plant wise if you see the TS-II Stage II under recovery is 223.04 Crores, NLC TS-I expansion is Rs.22.43 Crores, NLC Barsingsar plant Rs. 54.24 Crores and TS-II expansion is Rs.285.24 Crores and NNTPS is Rs.152.88 Crores so this is the under recovery of all thermal power stations. Would like to know the previous year under recovery also?

**Akhilesh Bhandari:** Yes Sir.

**Rakesh Kumar:** So previous year we have the under recovery of NLC TS-II Stage II Rs.0.03 Crore, Barsingsar plant Rs.40.91 Crores previous year, TS-II expansion which was Rs.381.21



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Crores and NNTPS was Rs.33.07 Crores, total under recovery of thermal power stations was 455.21 Crores in the year 2019-2020. In case of mines under recovery is Rs.319.54 Crores for mine 1 and Rs.388.86 Crores for mine 2. For Barsingsar mine it was Rs.22.49 Crores and the total under recovery was coming Rs.726.68 Crores after adjusting the surplus of Rs.4.21 Crores for mine 1.

**Akhilesh Bhandari:** What was the mining under recovery last year?

**Rakesh Kumar:** We will get you the figures very shortly, just go ahead with the next question please.

**Akhilesh Bhandari:** Sir my question is related to the under recovery only so I understand that in case of plants like Barsingsar and the other CFBC developed plants where the company was having some issues in stabilizing the plant but the NNTP is a normal lignite plant and it is a new lignite construction why the under recovery for the NNTP plant, why is it still continuing?

**Rakesh Kumar:** See any power plant in the initial phase it does not operate at normative level in the beginning of the period immediately after commissioning, it take some time to stabilize the power generation although the technology is proven and as compared to other plants we are seeing that NNTP is performing better than other plants and we could see that cumulative PLF was 67.26% during the year which is much above the national average when compared. Director (Power) would like to add something here.

**Shaji John:** Thank you. Good evening, I am Shaji John, Director (Power). As CMD rightly pointed out any new unit once it is commissioned we may have some teething problems, stabilizing problems and we are getting stabilized on it, a few segments where commissioning was pending also because of the COVID issues and the technology basically you have to get the OEM supports from Germany so there were some delays in getting and commissioning a few of the equipments which are vitally required for the full load operation, so now those hiccups we are coming out of it and then now these days we have started declaring the DC fully. So that was initial period when the under recovery was going on, it will take a few more days or maybe another two, three months, by the time we will be able to come out with a stabilized operation.

**Akhilesh Bhandari:** Sir should we expect a similar stabilization period for the recently commissioned Unit-II as well that it could also take a one-and-a-half year to stabilize?



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- Shaji John:** Not exactly one-and-a-half years, because of the COVID period and all the technology issues which was to come from Germany and all it took some time for the Unit-I, but Unit-II definitely would not take that much time maybe in another four or five months we will be able to bring it into the full load operation.
- Rakesh Kumar:** Yes, and as we were getting the information for under recovery of mines please note down the information it is Mine-1 Rs.148 Crores and this Mine-II is Rs.26 Crores. So after adjusting the surplus of Rs. 99 Crores of Mine-IA total under recovery was Rs. 75 Crores for the Neyveli mines and Barsingsar mine 19 Crores so total under recovery last to last year was Rs. 94 Crores.
- Akhilesh Bhandari:** Sir I understand that in the notes to accounts to the Q4 results there is a comment about the lignite pricing given that there has been a petition filed by KSEB challenging the lignite price transfer price guidelines it was issued by NLC and the CERC has told the company to consider a billing rate of Rs. 2132 per tonne since FY2021 so wanted to understand what is the impact of the same on the company and how much under recovery is expected in the mining operations as a result of this?
- Rakesh Kumar:** Yes, I would like Director (Finance) to take this question.
- J Srinivasan:** Yes, this is Jaikumar Srinivasan, Director (Finance). As CMD Sir mentioned that it is mentioned in the notes to the accounts that our lignite transfer price guidelines was challenged on certain aspects by the KSEB and in this particular aspect the case is still to be decided on merits but based on the prima facie, CERC has asked us to keep the transfer price guidelines under abeyance and bill it on the basis also under earlier transfer price guidelines which is applicable for 2014-2019, so accordingly from the month of February onwards we have started billing as per the pre-revised rate. but the case is yet to be settled on merits, our pleading is on the matter of principles but based on the fallout of the thing, final thing will be taken on that particular account.
- Akhilesh Bhandari:** What is the difference between the actual transfer price Rs. 2132 versus, based on the cost and the ROE which the company is entitled to, what is the difference between this price Rs. 2132 and the actual cost of the company and what is the under recovery on a per tonne basis?



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- J Srinivasan:** Rs.1950 was the price at which we have started billing based on the price that was prevalent as on for March 1, 2019, and the cost to the company would be somewhere around it varies between Rs.1950 to around Rs. 2000.
- Rakesh Kumar:** I would like to add here that prior to this order we were charging Rs.2050 plus tax and this provisional price which was directed by CERC is resulting into Rs.100 less towards that. Again these are subject to final acceptance, final determination as you all aware that CERC will go through the records and they will finally give the order for this year.
- Akhilesh Bhandari:** This Rs.100 per tonne difference is this being accounted as a regulatory asset or are you not accounting for that at all?
- Rakesh Kumar:** No, it will not be treated as regulatory asset because once the CERC has given a provisional order downsizing the rate, we have reduced our revenue accordingly.
- Akhilesh Bhandari:** What is the commissioning schedule for the big Ghatampur project, if you can give it unit wise it will be really helpful?
- Rakesh Kumar:** Actually prior to the second wave we were keeping Unit-I the tentative schedules November 2021 and March 2022 as Unit-II and July 2022 as Unit-III commissioning for the three units of the Ghatampur power project but after this second wave the workforce has reduced from 8000 plus workmen at site to 2500 approximately and then after sometime after bouncing back our oxygen cylinders were taken by the state government for COVID management and our workman were also they having lot of issues with their family and friends and they had to leave for their native later then we brought them back and now at present the workforce is more than 7000 people. I think there is a delay in these anticipated commissioning time we will try to catch up, 2 to 3 months' delay can be anticipated but we will try to catch up as much as possible.
- Akhilesh Bhandari:** While in the last year in FY2021 you mentioned that the collection has been 114% but still on a consolidated basis the receivable level of the company is extremely high considering the revenue of the company is almost close to the revenue of the company for the full year so wanted your thoughts on how soon you see this receivable level going down and normalizing, so what we see for other power sector companies your peers like NTPC, NHPC, SJVN, so just wanted your thoughts on that?



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**Rakesh Kumar:** On the realization of power dues we have made lot of efforts, we have been talking to the beneficiaries, the top management, state governments and this Aatma Nirbhar scheme has also helped us and during the year we have been able to realize Rs.4044 Crores for NLC under the Aatma Nirbhar scheme itself and on NTPL we have got Rs. 1088 Crores so total Rs.5132 Crores we got under the Aatma Nirbhar scheme. We have also resorted to bill discounting and we could knock up Rs.1542 Crores in this discounting. I would like to request Director (Finance) to add on this issue.

**J Srinivasan:** Just to repeat what CMD Sir said that a substantial amount of Rs.5132 Crores has been knocked up under the Aatma Nirbhar. In this Aatma Nirbhar scheme it is getting released in tranches so we have got the benefit of one tranche and our major customer the Tamil Nadu TANGEDCO for instance is yet to get the tranche to release, and some portion of dues are also awaited for other beneficiary, so accordingly we would expect to have substantial release in the second tranche which they have already filed, I suppose and we are expecting a lot of releases under the second tranche. Added to this there are some of policy measures also which is quite helpful that Ministry of Power has recently come up with some regulatory framework whereby there will be a mandatory maintenance of security through letter of credit and in case the security is not maintained adequately the deterrent is here that the generator can upload this fact about the inadequacy of the LC with a state dispatch center and to that extent the power will be regulated to the defaulting state, not only that the state then would not be able to access any other source of power through the exchanges so this is a sufficient deterrent and because of these measures we have seen a very steady collection at least about the current dues, right since February the collection efficiency is almost 100% and from the Aatma Nirbhar whatever is the pending balances which we hope to knock up when the releases happens particularly for TANGEDCO under the second tranche. So with these two measures of Aatma Nirbhar also the security mechanism which has been given to us, we expect to get a substantial amount of this will be reduced during the current year. Thank you.

**Akhilesh Bhandari:** Sir any expectation of the quantum which you can receive under the tranche two.

**Rakesh Kumar:** No, actually at this point of time we do not have much clear picture on the figures because how they are taking the decision and they are giving the feedback to Ministry of PFC and REC and how those claims are processed with some guidelines, so we are not having exact picture about what could be the exact quantum as of now.

**Akhilesh Bhandari:** Thank you I will get back in the queue.



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

**Dhruvam:** Sir could you please repeat the number for mining under recovery for this year, full mining under recovery for this year?

**Rakesh Kumar:** Yes mining under recovery for the year 2021 is Rs.726.68 Crores you would like to have mine wise too?

**Dhruvam:** No Sir. Sir last year it was Rs.94 Crores this year it is Rs.700 Crores why has it increased so significantly?

**Rakesh Kumar:** Basically see our mining operations are to support our power generation and as you are aware that last year we have witnessed decline in power generation and export due to TS-II incident and due to pandemic situation the demand for power has also decreased and once the power generation is less, there were many other reasons also for small quantum decrease. TPS-I Expn. also witnessed some outages, so these numbers had the effect on lignite production as well because we cannot store the lignite for long, there was no constraint on mining operations where the capacity was available but as you know that in case of mining, in case the production is not taking place if the capacity utilization is less then it becomes a direct hit, in case of power generation the power surrender by beneficiary, our fixed charges are protected, but in case of mining operations if the capacity utilization is less then it is a direct hit on the revenue and the bottom line.

**Dhruvam:** Sir we thought that if there is a power every mining operations are lower because there is a surrender of power by the DSICOMs, you still get the full recovery even in mining, the fixed charges recovered fully in mining, I mean it is based on availability i.e deemed availability where if the power is surrendered but is that not the case I thought it was based on availability even if surrendered?

**J Srinivasan::** In fact under the regulation, under the lignite transfer price regulation that is the position we had taken majorly of course it was subject matter of discussion; however, right now as per the extent regulation that is the indication available that this fixed cost on the mining side will not be protected so in fact we are representing that to CERC in various forums that this being an integrated mine whatever is the philosophy that is applicable to a power plant as part of a two part tariff that if the demand is going down, your investment which you have made in the plant has to be protected, similarly in case of integrated mine, the mine also has





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a huge amount of investment in terms of fixed investments and also a lot of fixed charges in terms of labour force that has been employed so even these needs to be done, we are hopeful for some more considered position on this particular thing but right at the moment we are not reckoning coverage of this if the demand goes down below 85%.

**Dhruvam:** Was there any document which says that this has to be changed, I thought we were earlier accounting based on availability now we have changed it to based on actual production so is there any regulations by the regulator?

**J Srinivasan:** Yes, I would say that this is more necessitated because as the earlier speaker from ICICI Prudential was asking about the KSEB order, the KSEB order right now has asked us to keep the lignite transfer price guidelines under abeyance, but the latest guidelines had this provision that whatever is the surrendered power the capacity charges will be protected and we were billing them separately; so this is a matter which we are taking up, pleading because this is still to be determined on the merits. so we are still in the process of taking up this matter telling them that whatever is the philosophy which CERC has applied for power, there is no reason why a mining business should be denied of the same kind of thing because the mines and the power station in both huge investment have been done on the premise that it is on a cost plus principle, so the basic philosophy of cost plus principle is that your fixed charges investment has to be protected particularly if it is a long-term PPA with somebody so this matter is still this but right at the moment on a conservative basis we are not considering this revenue.

**Dhruvam:** So if you get a favorable order in the KSEB case you will recover this pending amount in the next year whenever the case is settled?

**J Srinivasan:** Yes, we will be restored to our original position

**Rakesh Kumar:** That time we will take a call on this.

**Dhruvam:** Until the KSEB order comes this Rs.100 of under recovery at the rate of about 30 million tonne will also be there so about Rs. 300 Crores of addition under recovery will be there.

**Rakesh Kumar:** Yes, actually the last year lignite production was 19.26 million tonnes in 2021.

**Dhruvam:** The other thing was also related to the under recovery. Now I believe on Barsingsar we were trying to get some resolution and even for TPS-II we were trying to get some



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resolution in terms of the plant issue, where are we on that phase and I believe there were some equipment issue which we were trying to resolve for hire someone else and do all those things?

**Shaji John:**

Yes, as you rightly said in fact the Barsingsar unit and our TPS-II expansion unit at Neyveli the CFBC technology, there are still some problems to be resolved. As far as Barsingsar is concerned there were certain issues on the boiler pressure parts as well as on the refractory; over the past two, three years we have stabilized to the problems in the pressure parts area so now the breakdowns in the boiler pressure parts have been controlled and they are okay. Now the refractory problems are still there and we are going to convert into the refractory based so the studies are going on, it may take one or two steps of planned shutdown. In another two years' time we will be able to stabilize the refractory problems in the Barsingsar also and coming back to TS-II expansion at Neyveli as we have seen compared to 2019-2020, 2020-2021 was a better performance and we have already started having expression of interest from the world leaders in the CFBC technology they have already responded and we are in touch with them to complete the consolidated comprehensive steady with the modification. So that we will be coming out with a proposal for that, meanwhile our own in-house i.e, our own team along with the BHEL or OEM are working on it and with certain operational and maintenance practices we have started improving the performance of the TS-II expansion as on now. Right now we can see some improvement in that unit and performance level are improving at the TS-II expansion also on the CFBC. This is the present status and we are expecting. For example in the first quarter of this year we could see almost around 71% plant availability factor in TS-II expansion with our own internal teams and the BHEL, some improvement in the operational procedures, so if we can sustain on that we will be much better positioned in this year but still we are in touch with and in consultation with the world leaders in the CFBC technology.

**Dhruvam:**

Sir you have already reached 70% you mentioned 70% plus?

**Shaji John**

This quarter of 2021-2022 we touched 71% plant availability factor, but we have to see whether it is sustainable or not because we have done some operational modifications, now we will examine it how does it sustain throughout the year then we will take a call.

**Dhruvam:**

Next question was on NTPL if you can probably give us the PAT number there and also the availability there for FY2021?



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**Rakesh Kumar:** NTPL power generation was 5290.58 million units as against the 4844.40 million units last to last year 2019-2020 and if we consider the surrender also so the gross power generation including surrender figures should be 8032.58 million units which results into plant availability factor of more than 90% and PLF has also been more than 60% during the year 2021. The revenue generated from NTPL was Rs.2629.46 Crores, profit before tax was Rs. 560.41 Crores, profit after tax was Rs.363 Crores and NTPL has also Board has recommended dividend of 10% for the year 2021, which will be put forward in AGM.

**Dhruvam:** Sir that means given the PAF was more than 90% there was no under recovery this year in NTPL?

**Rakesh Kumar:** Yes.

**Dhruvam:** Sir there was no under recovery in NTPL this year?

**Rakesh Kumar:** No under recovery in case of NTPL.

**Dhruvam:** Sir the PAT derivation that you give in the earlier call you used to give how much of the PAT is coming from regulated income, how much is dragged because of under recovery, how much is other income and all those solar how much is coming from that ,you have given earlier if you have it readily?

**Rakesh Kumar:** Because of the commissioning of NNTPS Unit-II our regulated equity has increased which is Rs.3762.41 Crores regulated equity for thermal power stations and Rs.2830.78 Crores regulated equity for mines and at normative level ROE becomes Rs.568.43 Crores from the thermal power stations and mines Rs.531.62 Crores, now here the biggest factor is that the NNTPS Unit-II was commissioned on February 10, 2021 and which leaves the very small tenure during the year 2021 for getting the return although regulated equity was down as on particular date, but still if we consider that factor and we could see the numbers so against the regulated income which would have come to the tune of Rs.1100 Crores we have suffered a capacity charge loss of Rs.737.83 Crores which is due to the pandemic situation, TS-II incident and the NNTPS. If we see the reconciliation our interest on excess equity is amounting to Rs.156.23 Crores and interest on working capital is Rs. (93.26) Crores and other income accounts for something like Rs.1716.88 Crores. Our profit from renewable assets is Rs.137.76 Crores and since TS-I was discontinued during the year so the loss on account of TS-I was Rs.131.22 Crores and there we got some favourable orders from CERC which gave us the regulatory income to the extent of Rs.314.72 Crores and because of the



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variation in stock level we are getting Rs.54.47 Crores addition and other sales accounted for Rs.72.19 Crores and as a prudent practice we have started providing for the expected credit loss, this provisioning amounting to Rs.322.76 Crores we have provided and this provisioning in NLC started in last year only although there is no such practice in the industry but this is just to have a prudent financial practice. Next is that we got exceptional items Rs.46.79 Crores, we have incurred CSR expenditure of Rs.46.74 Crores and mine closure previous year claim on order of coal controller Rs.31.74 Crores so this is the total reconciliation and which results in the PBT of Rs.1753.4 Crores.

**Dhruvam:** So all the number that you gave at is PBT level?

**Rakesh Kumar:** Yes.

**Dhruvam:** You mentioned interest on working capital was negative Rs.93 Crores does that mean we are now borrowing for funding the working capital?

**J Srinivasan:** Basically the whole power business model is like that that we have to bill and we have to recover it in 45 days. Now anything beyond that has a financial implication in terms of I have to resort to working capital borrowings to fill the gap if there are delayed recoveries so to that extent we had been billing them surcharge which is purely in terms of the extent CERC regulation and also as per the power purchase agreement signed with that and then on the cost side it will have a implication of delayed recovery and reliance to that extent incremental borrowing on working capital which is beyond what is normatively allow to us in the tariff as a passthrough for the 45 days lag between the date of billing to the date of recovery so to that extent in the reconciliation we have shown what is the extra borrowing I have done beyond the normative levels that is the calculation we have done just to show since we are starting from regulated return on equity so if you show the deviations we are taking what is going out of my pocket in terms but however that will be more than offset by the surcharge which I am levying on the beneficiary.

**Dhruvam:** Sir is it possible to share what is the closing loan on account of working capital, how much of the loan that you have in books on account of working capital if you have a split like that?

**Rakesh Kumar:** Slightly over Rs.3000 Crores.

**Dhruvam:** This is just for working capital right this does not include project loans or anything?



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- Rakesh Kumar:** No it is purely working capital.
- Dhruvam:** Last one quick question is on the NNTP the new project that we have commissioned is the capital cost approved for Unit-I or that is still pending by CERC?
- Rakesh Kumar:** No, our capital cost has not yet been finally approved by CERC.
- Dhruvam:** So we are booking the revenue based on what 90% of the actual capital cost or we are booking at 100% right now?
- Rakesh Kumar:** See we are getting the provisional order by CERC based on the 85% of the capital cost and during the year 2021 the energy charge is Rs.2.22, capacity charge Rs.1.983 and total tariff worked out Rs.4.203.
- Dhruvam:** On the P&L you are booking at the rate of 85% of the capital cost so once you get the full approval that amount will be a dealt accordingly?
- Rakesh Kumar:** That is right we are booking based on the order issued by CERC this is our accounting policy based on the regulatory orders we book on the account for the revenue and in case of any claim which we have lost we will not recognize the income to such time we get the order favorable to us.
- Dhruvam:** So this is not even in the regulatory deferral account, so once you get the order only then the preferential 15% will be accounted in the P&L?
- Rakesh Kumar:** No other accounting.
- Dhruvam:** Great Sir. Thank you so much Sir. That is all from me. Thanks.
- Moderator:** Thank you. The next question is from the line of Chirag Sureka from DSP Mutual Fund. Please go ahead.
- Chirag Sureka:** Sir my question was on the receivables which you mostly address in the previous questions, but just a followup you said that at a consolidated level the sanctioned limit under Aatma Nirbhar package is around Rs.5000 Crores and you have just received tranche one so could you sort of quantify how much did you receive under tranche one and any sort of guidance which you can give if this year you expect a higher amount of disbursement comes under the Aatma Nirbhar package?



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**J Srinivasan:**

I can give you the breakup of the amount received under Aatma Nirbhar. From AP DISCOM I am giving you consolidated figure for both NLC plus NTPL that AP DISCOM for NLC is at Rs.105 Crores and NTPL figure is Rs.205 Crores so Rs.310 Crores is the amount received from AP DISCOM. Telangana we have received Rs.257 Crores for NLC, Rs.320 Crores for NTPL, which amounts to Rs.577 Crores. Karnataka we crossed Rs.659 Crores for NLC, Rs.268 Crores for NTPL, totals to Rs.927 Crores. Rajasthan we have got for NLC Rs.3 Crores, NTPL is not **supplying** to that DISCOM. Pondicherry NLC Rs.13 Crores, total Rs.13 Crores. TANGEDCO Tamil Nadu NLC got Rs.3006 Crores and for NTPL it is Rs.296 Crores that totals to Rs.3302 Crores. KSEB has not subscribed to Aatma Nirbhar theme they are preparing to make the payment directly so that is the reason they are not under Aatma Nirbhar so the gross total is NLC has got Rs.4044 Crores under Aatma Nirbhar and Rs.1088 Crores as far as NTPL is concerned, so both put together Rs.5132 Crores is the figure. Now coming to what we are expecting further as far as expectation is concerned whatever is the remaining amount which was there because this scheme extends to June 30, 2020 this scheme pertains to the arrears that was outstanding as on June 30, 2020, earlier it was March 31, 2020 it was extended to June 30, 2020 and whatever would be the surcharge on that, that would be covered under the Aatma Nirbhar scheme so balance amount applicable to June 30, 2020, position Rs.4435 Crores (For NLC & NTPL together) is the amount which is outstanding pertaining to that period which is covered under Aatma Nirbhar so we are expecting something around this figure in that they can tranche from all the DISCOMs mostly the TANGEDCO that this is our kind of amount although somehow this amount at the proposal stage DISCOMs are not sharing with the beneficiary so we are unable to tell with great certainty but this is the amount based on informal discussion with them we have given to understand that this will be due to us.

**Chirag Sureka:**

Sir just a followup in terms of the current billing which is as of June 30, 2021 are we receiving on a current basis from all these states including TANGEDCO?

**Rakesh Kumar:**

Yes, predominantly what is happening is after this new security mechanism is there that is the tool under which they are more compliant than before and the promptitude of payment has vastly increased and the other thing is that we have also given the state of affair as you all know that the DISCOMs generally speaking they are hard pressed on cash flow particularly in the last 12 months, 15 months with the onset of the COVID the pandemic their retail collection also taken a hit so our current dues collection is close to 90% which is quite good compared to the previous thing after the security mechanism has done, despite the COVID the collection efficiency of the current billing is close to 89% to 90%. So an amount of Rs.1935 Crores has been collected as against Rs.2166 Crores which I would



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regard unprecedented and only thing is that although one can appreciate that this kind of a tool is available to us given that pandemic condition, the fact that their collection is also facing a problem, state governments are also issuing advisories for being lenient with certain sector socially certain sectors agriculture, residential, lower income, so these foresee measures are not being taken by them also and we are also sensitive to this issue that we are also not very, may I say trigger happy in invoking this LC clause and doing that so when the situation normalizes we are confident that the current billing will be greatly taken care of and we will only have to deal with the past due and for which we are expecting a substantial part from the Aatma Nirbhar scheme and also there will be other measures which we will be taking. We are continuously in touch with all the beneficiaries wherever possible we have spoken to them for giving installments to ameliorate their position and also we are now offering them the bill discounting facility, the buyers credit arrangement whereby we are extending the strength of our balance sheet in providing a recourse on the bill discounting and giving them a good rate at which they are able to avail this credit because given the state of affairs banks are not too forthcoming extending the credit directly to the DISCOM so this is a win-win situation we have persuaded them to follow this and which has in fact greatly helped them in clearing their dues so with combination of all this thing the Aatma Nirbhar, the bill discounting and also the new security mechanism. we are only to hope very good collections going ahead and the past dues position will also be greatly realized with the Aatma Nirbhar second tranche. Thank you.

**Chirag Sureka:**

Thanks that is all.

**Moderator:**

Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.

**Rahul Modi:**

Just a couple of questions. Sir you mentioned that there is a gap between the PLF and the plant availability in the Tuticorin plant NTPL so post the commencement of the Talabira mines have we started using that coal at the Tuticorin plant and what is the variable cost of the energy charge that is getting booked for that plant?

**Rakesh Kumar:**

Yes, so far we have not started supplying coal from Talabira to NTPL but already the arrangement is in place and work is going on very shortly we will be starting the coal supply from our Talabira mine.

**Rahul Modi:**

So how are we booking is it on a cost plus basis or are we booking profits for the sale from Talabira currently?



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**Rakesh Kumar:**

Yes, I would like to request Director (Finance) to elaborate.

**J Srinivasan:**

Just to give you a background that NTPL plant at Tuticorin is one of the beneficiary identified as the end use plant although the mine allotment is to NLC so NLC is owning the mine and NTPL is the end use plant, so we are mandated to deliver this coal so from that point of view the coal will be moving and as far as the commercial part is concerned essentially it will be operated on a cost plus principle only and you all maybe aware that now there is a regulation which is yet to be notified officially but it is the CERC regulation on integrated plants defines a various terms and conditions under which the coal, lignite, everything will be allowed as a passthrough for the end use plants, so it will broadly be operated on a cost plus principle and most of the parameters are much the same as you may find in the power regulation also and it has also provisions for giving treatment in terms of cost which are being incurred in a MDO model because essentially the Talabira mines is being developed under the MDO model where a substantial portion will be investment by the MDO so NLC's investment to that extent would be minimal compared to the larger investment so that would be allowed as a passthrough subject to all the prudence we check and also subject to the normative parameters specified and our administrative cost, our investment, our overheads, the land cost, all this will be allowed as a cost plus principle after applying the prudence checked by the CERC, so this is the framework under which it will be done. Thank you.

**Rahul Modi**

: Sir what is the ramp up, how much have we produced in FY2021 and targeted ramp up of production?

**Rakesh Kumar:**

Last year we produced around 1 million tonne from Talabira and this year although as per the mining plan we have a target of 4 million tonne during the year but internally we have now targeted to take the production up to 6 million tonne.

**Rahul Modi:**

That is great and so how will this go beyond FY2022?

**J Srinivasan:**

FY2022 we have a mining plan and we have the year wise ramp up as per the mining plan; however, our mining capability because of the MDO is also quite enabled to ramp up the production even beyond the mining plant figures we are getting the support and approval from Ministry of Coal from time-to-time and we are hopeful that we will be able to do better than what figures have been catered in the mining plan.





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**Rahul Modi:** What is the cost per tonne that is coming out with transfer pricing on a cost plus basis that we are coming to?

**Rakesh Kumar:** Costing details I will get back to you as of now I do not have figures because of the MDO contract and compensation plus working capital spreads, we have interest on the loans and all these things we will work out and so far we have not firmed up the costing details and it is varying depending upon the compensation and as per the regulatory framework we are planning to declare the COD of this mine on April 1, 2022 or thereafter then only we will come to know exactly after applying the regulatory framework what will be the cost because whatever revenue we are getting now by sale of coal to the customers that will be adjusted against the project cost like from power so we will have a clear discussion by the beginning of this year.

**Rahul Modi:** Finally, from my side just a question on your strategy on renewables so we have got a good capacity going on right now so what is the targeted additions that you look for over the next three to five years in terms of capacity addition in the renewables?

**J Srinivasan:** We have plans to bid for the various tenders now as you are aware that where the tender of CPSE, VGF is also available we are going to apply to bid for that, In Rajasthan there is a solar power project where the tender is already in place and we are trying for that also, hybrid power project is also there and there are couple of other tenders in the pipeline so this CPSE tender is for 5000 megawatt and this hybrid tender floated by SECI is 1785 megawatts and Koppal tender is 1200 megawatts. We are in the process of bidding, we want to add the power generation by solar to the tune of around 2000 megawatts and depending upon the success we may go up to 3000 megawatts.

**Rahul Modi:** How much are you bidding in CPSE?

**J Srinivasan:** For CPSE tender we are bidding for 500 megawatts.

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

**Moderator:** Thank you. The next question is from the line of Sanjay Shah from Sanjay Enterprises. Please go ahead.

**Sanjay Shah:** We are slightly disappointed in terms of the dividend declared this year; can we see any improvement in the coming years?



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**Rakesh Kumar:** Sanjay Ji thank you very much on your question. Actually as you are aware that 2020-2021 was an exceptional year in terms of pandemic situation and unprecedented fire incidents which were very strange reasons which we were not able to plan for, this has resulted into reduction in our revenue, bottomline also is very much affected therefore, but at the same time even if the net profit after tax has reduced to Rs.1041.79 Crores as against Rs.1413.85 Crores we have to see our projects funding going on, we are adding capacity, we have to keep these projects going on, but at the same time in order to respect our sentiments of our shareholders we have declared the dividend to the extent of 25%, but this year cannot be expected to be replicated because of these reasons may not be good for the current year as we are already witnessing the unprecedented times in the power demand and our power generation capacity has increased and generation has also improved so we do not think and as of now we do not expect this to be replicated in the next year. So 2019-2020 we honour the sentiments of our shareholders and declared a dividend of 73.60% and in the time to come I think we will be able to do better.

**Sanjay Shah:** Thank you Sir for that.

**Moderator:** Thank you. The next question is from the line of SK Damani from SKD consultants. Please go ahead.

**SK Damani:** Sir actually I am a individual investor and have been investing into Neyveli since last 20 years sometimes I am in and sometimes I am out but now I want to make a general request that if you can kindly make a presentation for investors to understand clearly the activity of the company in the sense that you have a plant in Tamil Nadu, you have a plant in Rajasthan, you have now solar energy also, you have a UP facility also coming up, so if a small, small note is prepared about all this and presented the ordinary investors who are now taking very active interest in the share market will be able to understand these things very clearly so that is my one request, has it reached you Sir?

**Rakesh Kumar:** Yes, it is fair Damani Ji. Let me inform you that we upload a corporate presentation on our website also.

**SK Damani:** I know Sir you are doing a lot, but they are not chronologically done suppose Neyveli Lignite so this much total capacity of installed capacity then we have mining, mining this much capacity you have got and can you explore more, then as far as Rajasthan plant is concerned we had lot of difficulties initially it was reported that we have not been able to stabilize so today also my question was about Rajasthan only that are we now totally



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stabilize there, are we growing there as lignite based power plant or we have stopped at the given level only and what are the prospects of Rajasthan plant also?

**Rakesh Kumar:**

Sure I will request Director (Power) to give you some information on Rajasthan facility lignite based power generation where our tariff is rated as number one on the merit orderly stand. year-by-year we are improving our performance and we are getting a better control on the operation.

**Shaji John:**

Thank you Damani Ji. Actually our Barsingsar project it was also briefed before also but yes I will repeat it in fact the project is now getting stabilized yes while we say getting stabilized the earlier initial problems have been resolved now, now these units are able to perform on a sustainable basis or a performance level of the above 67% plant availability factor to the tune of 70% that availability it is stabilized now, further improvement we are already planned taking actions we had certain problems on the pressure part side as well as on the refractory side now that pressure part problems are resolved now we are looking at the problems which we have been facing in these CFBC unit this refractory is an issue which we are still working on it to get it stabilize. So now we have more or less come to a level where almost 70% we have achieved, in another one or two years we have got plans to further streamline the problems with refractory and we are sure to increase the performance, but yes having said this the CFBC technology as such have got a long time to get stabilize and further new units we are not encouraging or we are not looking for the CFBC technologies. Of course our lignite maybe if the thermal power plant at Rajasthan is one of the cheapest power in the country with a variable charge of hardly just above Rs.1 and in the merit order position also it is always at the best position and there are few months when the units are stabilized we are able to generate more than 90% also the plant availability factor, but other new projects whichever are coming up now will have to look at the feasibility because other mines everywhere the mine transfer price were at a very affordable price here but when we go for expansion the tariff may not be comparable with the new generation of 800 megawatt super critical units and all so the feasibility also we will have to see when we go for further expansion or further units in this Rajasthan thermal side because of this we are not now going ahead with this new unit as far as the lignite based units in Rajasthan is concerned. Thank you.

**SK Damani:**

What are the prospects of lignite based power plant in coming days because as such you yourself have moved to the solar facility and I presuppose that the extra land that is available with you I think is being utilized for putting up power plant and I also presuppose



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that you must be putting up solar in Rajasthan as well as Neyveli site also so can you kindly confirm it to me Sir?

**Shaji John:**

Yes, as far as the lignite based power generation the future of lignite based power generation is concerned, as far as our Rajasthan and Neyveli operations are concerned, as of now Rajasthan is number one in the merit order rating and in case of Neyveli mines and NNTPS recently commissioned 1000 megawatt power plant comprising of two units of 500 each this plant is also appearing at number two of the merit order rating based on the energy charges, so these are pithead power plants and as of now they are performing very well but you are right that there are concerns that in the long run coal based and lignite based thermal power stations will definitely face more challenges and although we are going ahead with the tendering process of Talabira power pithead power plant of 2400 megawatt in the first phase, but again this maybe because of the silver lining that our overburden ratio in Talabira mine is only 1.09 which makes the coal production very competitive and since the pithead power stations offers very competitive power because of the freight element is not there, transportation charges not there which is very costly for many of the power stations where charges has been allocated away from the mine, but at the same time whatever capacity is already installed, whatever capacity is already under operations, the solar projects no doubt they are penetrating and the growth is very high in our country we have been able to be given solar power projects at a very fast pace, but at the same time we are also understanding that solar power capacity resulting into power generation of around 17% to 19% of the CUF of the capacity whereas thermal power station they generate power to the extent of 60% to 70% even sometimes 80% so that is a very big difference. Number two solar power is only available during the daytime and storage capacity is still very costly so since this time the storage capacity is costly so I feel it will take a lot of time for the solar or other sources of power generation to really significantly affect the thermal power generation capacities and whatever capacities are under operations as of now I do not think they will be significantly affected or they will become financially unviable in a short period of time they will continue to be sustained, only silver lining is that we should continue to reduce our cost and that makes the thermal power generation more competitive and try to come up with the sustained generation and power trading is also offering some opportunities to keep the thermal power generation capacities to be at least at sustained level so we will definitely keep monitoring the market situation and as a strategic move because renewable energies and penetrating the power industry power market in India we have also moved along with the industry and we have mitigated our risk because of the entry of renewable power in India.



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- SK Damani:** Thank you very much Sir for the reply. Thank you very much Sir I am obliged.
- Rakesh Kumar:** Damani Ji we have taken note of your requirement of elaborate presentation to give more information to the valued investors like you we will make our presentation more elaborate and more informative.
- SK Damani:** Easy to understand because like the word that you use overburden for which we do not understand anything out of what is overburden and you have got my point perhaps certain word that is critical word which we do not understand much.
- Rakesh Kumar:** Yes, in addition to our future effort of making the presentation more elaborate I request you to send your specific query by e-mail we will try to address, we will value our investors and we will try to satisfy you by giving the reply in the future also.
- SK Damani:** Thank you very much.
- Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to Mr. Mohit Kumar from DAM Capital advisors Limited for closing comments.
- Mohit Kumar:** Thank you everyone for participating in the call. Sir do you have any comments to make before we close the call?
- Rakesh Kumar:** Yes, I would like to mention that 2020-21 should not be taken as a trendsetter, we have faced unprecedented challenges as the corporate world has faced but at the same time being in the infrastructure industry, power generation we continued our operations without fail for a single day and now since the capacity is getting ramped up the operations are getting stabilized, the power demand is going up and we are getting better picture of realization of dues, government policies are helping, the power industry in general and our company in particular we still expect to progress in the current year and in spite of the pandemic situation our project execution has also been although affected but now our team has bounced back and we are able to address the issues very effectively. In the time to come we will be hoping to perform better and better. Thank you.
- Moderator:** Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.