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Operator: Good day, ladies and gentlemen, and welcome to the NLC Earnings Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mohit Kumar. Please go ahead sir.

Mohit Kumar: Thank you, Barbara. On behalf of IDFC Securities, welcome you all to the NLC India Q2 FY20 Results Conference Call. We have with us, Shri Rakesh Kumar, CMD, NLC India, holding additional charge of Director Finance, along with senior management team of NLC India. I would like to hand over the call to the management for the opening remarks, and then we'll move onto Q&A. Over to you, sir.

Rakesh Kumar: Thank you very much. I am Rakesh Kumar, CMD, NLC India Limited. And in this conference call, our Directors are joining. Director HR, Shri. R. Vikraman; Director P&P, Shri. NNM Rao; Director Mines, Shri. Prabhakar Chowki; and Director Power, Shri. Shaji John. Two Directors, Director Power and Director HR, are joining through video conferencing with us from Neyveli and our team of finance and accounts and other related areas.

I welcome you all in this conference call for the Q2 financial results. The total income of the company during the quarter and half year ended 30<sup>th</sup> September 2019 was Rs. 2,217.85 crore and Rs. 4,121.88 crore, respectively, as against Rs. 1,881.07 crore and Rs. 3,722.18 crore in the corresponding period of the previous year, registering a growth of 17.90% and 10.74%, respectively, in both the periods.

Profit after tax for the quarter and half year ended 30<sup>th</sup> September 2019 was Rs. 336.78 crore and Rs. 659.82 crore, respectively, as against Rs. 327.72 crore and Rs. 647.35 crore in the

corresponding period of the previous year registering a growth of 2.76% and 1.93% respectively in both the periods.

Power generation during the quarter and half year ended 30<sup>th</sup> September 2019 was 5,273.03 million units and 10,332.13 million units, respectively, as against 4,772.62 million units and 9,656.61 million units in the corresponding period of the previous year, registering a growth of 10.48% and 7%, respectively, in both the periods.

Commissioning of 358 megawatt of solar power plant has resulted an increase in solar power generation during the quarter and half year ended 30<sup>th</sup> September 2019 to 325.59 million units and 590.30 million units, respectively, as against 121.43 million units and 202.52 million units in the corresponding period of the previous year.

Power export during the quarter and half year ended 30<sup>th</sup> September 2019 was 4,512.63 million units and 8,818.11 million units, respectively, as against 4,004.95 million units and 8,116.86 million units in the corresponding period of the previous year, registering a growth of 12.68% and 8.64% respectively in both the periods.

The EBITDA for the quarter ended 30<sup>th</sup> September 2019 was Rs. 908.73 crore as against Rs. 719.01 crore, registering a growth of 26.39%. The EBITDA for half year ended 30<sup>th</sup> September 2019 was Rs. 1,663.21 crore as against Rs. 1,451.83 crore, registering a growth of 14.56%. Average plant load factor of thermal plants achieved during the quarter and half year ended 30<sup>th</sup> September 2019 was 69.31% and 69.41% respectively, as against 64.02% and 65.69% in the corresponding period of the previous year.

Average thermal tariff of H1 is Rs. 3.29 in the current year as against Rs. 3.53 in the corresponding period of the previous year. During July-September 2019, the company has commissioned another 358 megawatt out of 709 megawatt solar project. And with this

commissioning, whole of the 709 megawatt project was commissioned by 24<sup>th</sup> September, which is one day before the scheduled date allowed by the TANGEDCO to NLC India Limited.

The total renewable energy capacity is 1,403.56 megawatt as on 30<sup>th</sup> September 2019. The company has achieved a renewable footprint level of more than 1,000 megawatt and stand first among CPSE in the country.

So now I welcome the questions from all the analysts.

Operator: Okay, thank you. If you'd like to ask a question at this time, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, to ask a question, please press star one. We will pause for a moment to assemble the queue. Okay. There are no questions in the queue at this time. But again as a reminder, please press star one to ask a question. So we will take our first question today from Akhilesh Bhandari from ICICI Prudential. Please go ahead.

Akhilesh Bhandari: Sir, thank you for taking my question. Firstly, what is the status of COD of NNTPS 1,000 megawatt? The earlier guidance was that the project will be commercialised by September but that hasn't been the case. Firstly, what is the reason for the delay? And what is the revised timeline for achieving the COD?

Rakesh Kumar: Yes, NNTPS, the schedule which we mentioned was September for Unit I and December for Unit II. But Unit I, while completed all the works and achieved the full load on 29<sup>th</sup> September 2019 to the extent of 510 megawatt for the first time. However, due to initial teething problems such as choke mechanical breakdowns and problems in lignite filling system which are being attended to on a war footing basis and the requisite spares from UK have already reached the site and team is working round the clock.

We are hopeful that this Unit I, we will be able to commission by the end of this month and Unit II also is progressing well and we are hopeful that Unit II will also be commissioned in the fourth quarter of this current year.

Akhilesh Bhandari: Sir, just – since we have faced these problems of bunker choke I think and you said that with the lignite filling system, are we sure that such problems will not happen again and there will be no stabilisation issues which might come up because earlier also we have had two, three plants where simply we've not been able to achieve the normative PAF because some of the other issues which keep happening.

Rakesh Kumar: There is no doubt that the technology front we are more comfortable as against CFBC technology. This plant is in pulverized technology. And although this is the biggest size boiler ever installed on lignite fuel in India for the first time, but the teams has shown very good results over the past and that is why we have been able to witness 510 megawatt on 29th September. And with the developments taking place, we are reasonably confident that we will be able to run this unit or this plant in much more stable manner.

Akhilesh Bhandari: Sir, like what is the challenge we are facing in Tuticorin because the PAF in H1 FY20 just 48%. I understand that there was some turbine issues which were there, but the PAF improved in August and September, but again in October it has declined around 40%. So what is the issue which we are facing?

Rakesh Kumar: On operational front, after the rotor which broke down and we got it repaired from BHEL Haridwar in a reasonably short period of time and it was reinstalled and operations were resumed. But after some time we have not encountered any operational difficulties in the plant. But we have faced reserve shutdown from the state / from the regulatory authority. But it is resumed now.

In such situation, the fixed charges for the plant are secured. It is only because of the technical issues and because of the tariff differential regard to this. However, this shutdown is also now over.

Akhilesh Bhandari: Sir, but are we hopeful that for the full year, we'll be able to achieve PAF which is higher than the normative level?

Rakesh Kumar: Yeah, we are hopeful that we will not be affected because of reserve shutdown. That portion we will be able to get the fixed charges and plant availability will be not affecting as adversely on profitability front.

Akhilesh Bhandari: So what has been under recovery as a result of lower PAF for all the plants, if you just can share the same for me/

Rakesh Kumar: Yeah. During the six months so far under recovery of TS-II expansion – Barsingsar and TS-II stage 2 has been the tune of Rs.165.02 crore.

Akhilesh Bhandari: Sir, what was the level in FY19 H1?

Rakesh Kumar: As against corresponding period, we will just inform you.

Akhilesh Bhandari: Sir, then what is the under recovery in Tuticorin plant?

Rakesh Kumar: Under recovery in NTPL had been Rs.127.89 crore.

Akhilesh Bhandari: Sir, and if you can also give me the numbers for Tuticorin for last year also, that'll be helpful.

Rakesh Kumar: Last year Tuticorin, we will come back to you on this.

Akhilesh Bhandari: Sir, and the last question from my side is, what is the status of Ghatampur and has there been any progress in signing the PPA for the balance 25% of the capacity?

Rakesh Kumar: The progress on Ghatampur plant is satisfactory. We have been able to achieve the physical progress of Ghatampur NUPPL. Up to 30<sup>th</sup> September 2019 physical progress was 47.08% and financial progress recorded was 43.66%. With these figures, we are reasonably confident that we will be able to achieve the schedule of first unit to be commissioned by November 2020.

And as far as the balance 25% power is concerned, the consent of UP has also been obtained and the case has been forwarded to Ministry of Coal through Ministry of Power. And they have asked for the consent or no objection from the other states. And I understand that most of the states have given the requisite information to Ministry of Power and it is likely that we may get the approval for tying up the balance 25% shortly.

Akhilesh Bhandari: Thank you. That's it from my side.

Operator: Thank you. Again as a reminder, to ask a question, please press star one. We will now take our next question from Rakesh Vyas of HDFC. Please go ahead.

Rakesh Vyas: Yeah, hi. I have few questions. First one after the mandatory implementation of LC mechanism, what has been experience so far if you can highlight that.

Rakesh Kumar: After implementation of LC mechanism, the government of India has issued the instructions to give the power with effect from 1<sup>st</sup> August 2019 only when the requisite LC

amounts are in place. And we have ensured that the requisite LCs are in place and the power supplied during the month of August, which is billed in, in the first week of September and the payment becomes due on 15<sup>th</sup> October and later, depending upon the date of the invoice, we have seen that all the payments from all the EBs have been received.

Rakesh Vyas: Sir, the debt receivable on the balance sheet is close to 7,300-odd crore, which has increased in last six month as well. So if you could just highlight what is the reason for that and what steps are we taking to ensure that this liquidation happens sooner? Also, I would just highlight, I mean, if we look at NTPC last year, they did the discounting mechanism to bring liquidity onto the balance sheet. Why is that we are not contemplating this similar kind of approach, if you can just highlight that as well?

Rakesh Kumar: Yeah. You are very right that the mounting dues is a big concern to us and the total outstanding on a consolidated basis has crossed Rs7,000 crore – it is Rs.7299.81 crore. But as far as current dues are concerned, first and foremost is that we are now able to realise on a month-to-month basis, the current billings are as for the LC mechanism.

Number two, the main reasons or main reason for mounting the dues was the biggest claim of lignite prices with effect from this new tariff period of 2014-19, which was decided in 2017 by CERC and TANGEDCO has gone in for appeal in APTEL.

The claims, which is amounting to some Rs. 1,283 crore on account of lignite and plus surcharge due which amounts to approximately Rs. 1,500 crore for TANGEDCO alone, the case is very strong and the matter has been referred to Supreme Court also and they have committed to Supreme Court that they will be paying these in 15 instalments and first instalment they have paid recently. And we are hopeful that we will be able to liquidate these old disputed dues also.

At the same time, we are meeting the top management of all the EBs to give us their plan for liquidating the past dues. And at the same time, we are very actively exploring the possibility of similar kind of discounting arrangements as NTPC has done. We are talking to the bankers. And we are hopeful that we will also be able to resolve this issue in peace manner.

Rakesh Vyas: Sir, these receivables amount to almost nine to ten months of our billing essentially. So I'm just trying to understand what should one look at this trade receivable by end of this particular fiscal, the 7,300-odd crore based on the efforts that the management is putting through, where do you think it would settle down at by March ending?

Rakesh Kumar: Depending upon the negotiations and depending upon the paying capacity of the EBs, for liquidating the past dues, we will be able to liquidate these dues to some extent. Definitely this level is going to come down.

Rakesh Vyas: And sir, how hopeful are we that discounting should / would probably bring in 3,000 crore, 4,000-odd crore of cash flows on the balance sheet easily. So how hopeful are we of achieving that by – before this fiscal end?

Rakesh Kumar: it is difficult to ascertain the level by which we will achieve by the end of this year. But at the same time we are making all-out effort to liquidate as much as possible.

Rakesh Vyas: Okay. Sir, my second question pertains to the TPS-II Expansion, the CFBC technology, etc. So I mean, it's been more than four years now, the plant still continues to underperform compared to the normative norms. However, similar technologies are used by GIPCL, even JSW has similar technology in place. You also are doing some in Barsingsar. Sir, I'm just trying to understand, four years have passed through, we have not been able to stabilise the plant. So what is it that we are doing to ensure that we get to stabilisation ASAP? Secondly, can I just suggest why – if the issues pertain to something that we are not able to address on our



own, why don't we get experts from these kind of companies to help us stabilisation because it's really painful to see that four years have passed through and we still continue to under recover on the fixed cost.

Rakesh Kumar: Yeah, very right. This plant we are continuously trying to resolve one problem after another and the forced outages is higher than the Q2 of the previous year. Last time it was 29.87% but this time it is 39.87% during the Q2 and the performance of the power plant was affected heavily due to FBHE coil puncture and water wall puncture and loss due to refractory failure resulting in low station availability and low PLF.

We are also on the same line of thinking that based on our efforts in the past and since the plant has not been able to perform at the expected level, we are also thinking of going out of the way to bring in expertise at the international level and definitely we will come out with some solution in the time to come.

Rakesh Vyas: I'll also probably apart from international, sir, I'll also probably suggest within India, I mean, the company that I referred to and I know for sure, sir, operating these plants or similar kind of plants for a long time at a reasonably higher availability. So if you can just take their inputs as well, it would probably help us in overcoming the issues. So I'll probably leave it at that. Thank you so much.

Rakesh Kumar: The plant – I think you are referring is JSW – which company you are talking about?

Rakesh Vyas: Sir, Gujarat Industrial Power has similar CFBC technology for their lignite in Surat. Similarly, JSW has Barmer project on similar technology. Both of these companies are operating at very high utilisation and availability historically.

Rakesh Kumar: Actually those units are 125 megawatt and similar to our Rajasthan units. And now in Rajasthan, the performance of our Rajasthan plant is better. It is more than 65%. But TS-II expansion is 250 megawatt each unit and of course we are very much conscious that unless and until we bring in some new thinking and new outlook and that will happen, in our view, by roping in some bigger party who has experience of CFBC boilers running, maintaining or manufacturing.

Let us see. We will explore this possibility also. We will see that if they also come and visit and give us the proposal, we will explore that possibility also.

Rakesh Vyas: Great. Thank you so much and best of luck.

Rakesh Kumar: Thank you.

Operator: Thank you. We will now take our next question from Bharani Vijayakumar from Spark Capital. Please go ahead.

Bharanidhar Vijayakumar: Yes, sir. Sir, good afternoon and thank you for the opportunity. You had mentioned the under recoveries for TPS-II Barsingsar and for NNTPS. What about the under recoveries on lignite sales, energy charges and all the others? Could you give the full figure for the first half?

Rakesh Kumar: Yeah. On all the mine front, the total under recovery is Rs.18.76 crore.

Bharanidhar Vijayakumar: Okay. Okay, so apart from the TPS-II NTPL only the mine thing is there. There is no energy charges related under recovery?

Rakesh Kumar: Yeah, yeah.

Bharanidhar Vijayakumar: Understood. And when I look at your results for the quarter and for the first half, I can see in the segmental results, the segment results is much higher than the same period last year. Is there any accounting changes because of which it is the case?

Rakesh Kumar: Segmental results, as compared to the last year, definitely the outcome is because of the increase in power generation and export and the addition of the solar capacity resulting to increase in solar power generation also. Further lignite price guideline was not issued in Q1.

Now there is one regulatory changes which has happened that in line with the directive issued by Ministry of Coal that the new guidelines for lignite price have been issued with the approval of Board of Directors. As the power has been vested to NLCIL Board, this matter has been referred to NLC India Limited Board.

Accordingly, by following the same process and based on the consultation with the EBs, the guidelines for lignite price have been issued with the approval of Board of Directors. And since the new guidelines have come into effect, with effect from 1<sup>st</sup> April, accordingly the accounting has taken place for this H1 accordingly.

Bharanidhar Vijayakumar: So it seems to be there only as segment results but it is not flowing through to the PAT. So what I'm trying to say is – and correspondingly there is a big jump in interest costs. So is there an offsetting item in the interest cost?

Rakesh Kumar: Yeah, yeah. As we can see that the dues are mounting and our working capital component is funded by enhanced limit of working capital, therefore the interest component in our financial results is increasing. But at the same time, as we are entitled to the surcharge applicable at the rate of 1.5%, which is also accounted correspondingly.

Bharanidhar Vijayakumar: So the surcharge income would be part of other income?

Rakesh Kumar: Yes, surcharge income is part of the other income, whereas the interest is accounted in the operating cost.

Bharanidhar Vijayakumar: And finally, can you give us the dues or receivables at the end of September quarter

Rakesh Kumar: Pardon me? Hello?

Bharanidhar Vijayakumar: Can you give the receivables from DISCOMS can you hear me sir?

Rakesh Kumar: September quarter dues. Yeah, sure. As on 30<sup>th</sup> September, if we talk about NLC India Limited on a standalone basis, the total thermal dues are Rs.5502.96 crore, out of which Tamil Nadu is accounting for Rs. 3,656.22 crore, Karnataka EB is Rs.615.04 crore, Kerala Rs.190.97 crore, Andhra Pradesh RS.237.28 crore, Telangana is Rs.421.96 crore, Pondicherry is Rs.171.61 crore and Rajasthan is Rs.209.89 crore.

Apart from this, we have renewable dues from TANGEDCO to the extent of Rs.478 crore approximately, and Andaman also we have started operating 2.5 megawatt since 1<sup>st</sup> January this year. So some Rs.80 lakh rupees dues are there, which are pending approval of the regulatory mechanism and the process is already on. In addition to this –

Bharanidhar Vijayakumar: So this 5,500 revenues will –

Rakesh Kumar: Hello?

Bharanidhar Vijayakumar: Yes, sir. Go ahead.

Rakesh Kumar: Hello? Yeah, in addition to the –

Bharanidhar Vijayakumar: Yes sir, I can hear you sir. Go ahead.

Rakesh Kumar: Yeah, TAQA to whom we are supplying lignite dues as on 30<sup>th</sup> September 2019 amounting to Rs.171.59 crore.

Bharanidhar Vijayakumar: Okay. So all this amounts to Rs.7000 crore at the consolidated level, right?

Rakesh Kumar: The total of this comes to Rs. 6,153.25 crore. And once we see the NTPL dues, balance portion is NTPL dues which are almost in the same proportion.

Bharanidhar Vijayakumar: Understood sir. Understood. Thank you for answering and all the best.

Rakesh Kumar: Yeah.

Operator: Thank you. We will now take our next question from Rahul Modi from ICICI.

Rakesh Kumar: Before we go to the next question, I just wanted to inform the under recovery of thermal power plants in the last year for the corresponding period is approximately Rs.311 crore as against Rs.165 crore this year. And in case of NTPL, the current year Rs.127.89 crore and last year NTPL under recovery was Rs.71 crore, out of which corresponding period was Rs.24.74 crore. Yes, please next question.

Operator: Thank you. We'll now take our next question from Rahul Modi. Please go ahead.

Rahul Modi: Good afternoon sir. Sir, just a couple of questions. Again, back to the question which I think someone asked about receivables. Sir, can you help us because now the receivable days have been mounting quite significantly and just wanted your view that it should – from an investor point of view it should not hit the cash flows to an extent that dividends would be impacted I believe.

Rakesh Kumar: So far we have not reached a stage where the dues realisation is going to adversely affect our dividend payment plans for the future. Broadly, I can tell you that. And however, since the company is in a high growth trajectory and many of our projects are now getting executed at a fast pace, we have very ambitious corporate plan and therefore our capital expenditure on projects is increasing.

In the last few years it has touched a CAGR of more than 60%. Therefore, the funds required for funding the CapEx will definitely be one important factor. However, we are governed by the guidelines issued by government of India. So accordingly, we will be taking a decision for dividend payment.

Rahul Modi: Sure. Sir, because currently means as per what – how our P&L has changed over the years is that we were a very cash rich company and we used to make very good operational income prior to the fact that TPS-II expansion got commissioned. Now almost 50% of our income comes through other income, which is primarily consisting of surcharge. Ideally, it's not the best mix. So from that point of view because as investors, there is now a growing concern that almost touching 300 days is the highest in the industry actually. So it is appreciated that TNEB is a very stressed DISCOM itself but if you could provide some kind of roadmap on liquidation because the macro news on the sector is definitely not good. So as a company how we are trying to mitigate that if you can give some roadmap will be very helpful sir.

Rakesh Kumar: I agree with you that from cash rich – cash surplus company, we are now not having any surplus cash. But the whole situation can be seen from this perspective also that we were not able to optimise on the leverage, financial leverage and our debt equity ratio, which was 0.23 some few years back has now reached a level of 1.26

Rakesh Kumar: So this 1.26 is also a very healthy debt equity ratio. And this has been because of our execution of projects capacity has been added. We have become number one CPSE in renewable by executing 1,350 megawatt of solar and wind is also there. In addition to that, we are very close to commissioning of the NNTPS two units which will add 1,000 megawatt and replace our oldest plant or TS-I.

So with the NNTPS commission this year, the total capacity of power generation is going to be more than 6,000 megawatts, whereas when we were cash rich and we were not able to execute the projects and we passed those projects were not there in hand, that time the capacity was 3,000-odd.

So the surplus cash has been partly and mainly utilised to augment the capacity addition and project execution. I don't think that the situation should be viewed negatively. I feel that these projects now are going to add to the bottom line as well as on the top line in a significant way, which should definitely be liked by investors.

Rahul Modi: Sir, just a couple of follow-ups on this. It's been a while in terms of full stabilisation of Tuticorin. We've seen the stabilisation phase being in a very topsy-turvy trajectory, means we've not had – if I'm recollecting correctly, we've not had even one year where there's no under recovery as such. How do you see the technical issues with that plant now and how confident are you in recovering fixed costs, at least in FY21? We've lost some ground this year. But how do you see that in the next two years sir?

Rakesh Kumar: As far as the NTPL project is concerned, except for this major breakdown of rotor, which has affected these two years, our plant has performed more than 80% of PAF. And NTPL company has been contributing by way of dividend for the last two years. This year also they have given a dividend to the extent of Rs.97 crore to NLC. So therefore, we cannot conclude that this plant will not be stable.

In this particular year '19-'20 the PAF of NTPL has been 81.64% in spite of facing the problem. I think we will be able to see a stable operation of this plant in the time to come.

Rahul Modi: Sure. And sir, lastly about TPS-II expansion. Sir, what is your target? You had mentioned in the last call that up to September, we expect September end, we expected major issues to be resolved. So sir, going ahead over the next six months, sir, what is your realistic timelines of this operating at 75% to 80% plant availability at least achieving that?

Rakesh Kumar: I think expecting the normative level or PAF or PLF or more than 70%, 75% within next six months is looking to be difficult. However, in the next one-year time, we can target to resolve these problems.

Let me try to get Director, Power, on board from Neyveli on this issue. He is connected through VC. And let us hope that he is able to give his views from there if it is audible. Mr. Shaji John, Director, Power, NLC India Limited.

Shaji John: Thank you. I'm Shaji John, Director, Power. Am I audible?

Rakesh Kumar: Are you able to get his voice?

Rahul Modi: Yes sir.



Rakesh Kumar: Very good.

Rahul Modi: Yes.

Shaji John: Yeah. So we have already discussed about the TS-II expansion. It's better than the last year, the performance of the unit was plant availability factor, that was at the range of 35% in the last quarter or 30% up to the last quarter. But this year in the first quarter the performance was low. And when the – up to this quarter the plant availability factors is 36% but we have carried out the modification as were in the company in consultation with OEM, BHEL. Some problems which we were facing in the second part are for FBHE coil, some material expansion problems were there which were identified and we have replaced it. And we have some problem in the second plant also that also has been replaced. So the plant load factor or plant availability factor what we are seeing in first quarter and second quarter is mainly because of under shutdown for carrying overhauling where we have taken on 45 days to 50 days for carrying out this modification.

After carrying out the modification in the last one month, the number of plant availability has gone up to 64%. Now there is only barely running up to 20, 22 days is now continuously for 35 days. What I'm trying to say is this modification has yielded results.

Now we are able to operate the plant availability for 65% for the current month and we are expecting it to be 70% or 75% but still as CMD was telling by end of the year we maybe somewhere around 60% or 60% itself is good target. But while beyond that, we will reserve to look at it in a holistic way with international expertise bringing in which we are training going on with discussion with other OEMs, BHEL so that we are already going to get international players or players who have got expertise. In that, by next year we will be able to give a much better results.

Rakesh Kumar: Thank you. Thank you, Shaji John.

Rahul Modi: Sure. Just wanted – thank you, Mr. John. Just one follow-up question to you is that in your experience this is a BHEL problem or is it related to the quality of lignite that is there and operational problem because if it's a BHEL problem then because we've lost more than Rs.700 crore, to Rs.800 crore over the last few years. So do you think it is worthwhile raising a claim on them for this?

Rakesh Kumar: As far as – yeah. If you want –

Shaji John: Yeah, in fact as it was discussed earlier also, this is a first of its kind of this design for 250 megawatt unit for CFBC Boiler in India because we have 125 megawatt CFBC units which are stable. But in this 250 megawatt unit, BHEL had made some design where the FBHE coils are taken out in first pass. It is modified version. But expected to have a better design FBHE when they are taken the second pass at high second pass temperatures, vibrations are high. So it is basically a design problem. BHEL also was doing this kind of modification in design for the first time. So that is why addressing problems in design though number of modifications have already been carried out and we are still addressing those problems, and yet it needs to get still further modification as we discussed before.

Rakesh Kumar: And as far as recovering the compensation from BHEL, we have already lodged our LD. LD has been retained and BHEL has also understood to have agreed to full amount of LD. We are working out the modalities. The maximum LD has been imposed and we are hopeful that with the working on solution on technical front should yield better results probably in the next year.

Rahul Modi: Thank you and all the best.

Rakesh Kumar: Thank you.

Operator: Okay, thank you. We will now take our next question from Apurva Bahadur from Jefferies. Please go ahead.

Apurva Bahadur: Hi guys. Thank you and apologies for being repetitive may be before I joined the call. Sir, if you could please share the regulated equity numbers of our combined business and the under recoveries for quarter?

Rakesh Kumar: Not able to get the question clearly. But is it regarding the regulatory details.

Apurva Bahadur: No, the regulated equities.

Rakesh Kumar: Yeah, and the returns, right?

Apurva Bahadur: And the under recoveries.

Rakesh Kumar: Under recovery, yes. The regulated equity in mines is amounting to Rs. 2,835.95 crore. And in case of thermal power stations, the regulated equity is Rs. 2,057.67 crore amounting to total a regulated equity of Rs. 4,893.62 crore, which should yield profit at normative level to the extent of Rs.379.26 crore. However, we have faced under recovery of Rs.165.02 crore on account of thermal as against Rs.311 crore in the corresponding period last year. And on mining front, Rs.18.76 crore in these six months as against Rs.15 crore in the corresponding period last year.

Apurva Bahadur: Okay. Sir, you said that the new lignite prices have been notified for this year. So how much are we forgoing? I mean, are we forgoing anything on the variable cost side for scheduling?

Rakesh Kumar: We are – as per scheduling, we are not forgoing any variable cost.

Apurva Bahadur: Okay. So we are putting the entire lignite price?

Rakesh Kumar: Yeah, yeah. As per the new guidelines, we are entitled to the full variable price.

Apurva Bahadur: Okay. And sir, lastly if I may know when – by when do you expect to tender out Talabira power plant?

Rakesh Kumar: Talabira plant, already the tender process is on and recently public hearings has happened for this plant on 13<sup>th</sup> November amicably and we are hopeful to get the minutes. And the tendering process is also being expedited. Very shortly, we will come out with the tender.

Apurva Bahadur: Okay. Sir, by '21 we should expect that?

Rakesh Kumar: The tender should be – in this current year or itself we will be able to take out the tender.

Apurva Bahadur: Okay, thank you so much sir.

Rakesh Kumar: Thank you.

Operator: Thank you. We will now take a follow-up question from Rakesh Vyas from HDFC. Please go ahead.

Rakesh Vyas: Yeah, hi sir. Can you go and sort of highlight what is the status of Talabira mine and what kind of ramp up can we expect from it? Can you just throw some light?

Rakesh Kumar: Yeah, I will just request Shri. Prabhakar Chowki, Director Mines, NLC India Limited to give some information on that.

Prabhakar Chowki: Good afternoon. Thank you for the question. We are about to start the Talabira project at any moment. There has been eyes across the nation. Some resistance from the land users but almost all everybody every stakeholder is now onboard. We expect to start the mine almost within a month. We are schedule to produce more than 1 million tonne this year and we are still hopeful we'll produce that amount of estimated quantity this year.

Rakesh Vyas: What kind of ramp up should we expect, sir, maybe?

Prabhakar Chowki: Next year onwards, we'll be going not less than 4 million to 5 million tonnes and by 2025 the project would achieve its peak capacity of 20 million tonnes, the normative capacity.

Rakesh Vyas: Sorry, which year you mentioned, sir?

Prabhakar Chowki: By 2025-26, we expect that it would achieve 20 million tonnes.

Rakesh Vyas: Okay. Sir, just for clarity next year you are saying 5 million tonne and 20 million tonne will progressively be reached after four years.

Prabhakar Chowki: Yeah. That is how the project has been planned and things are in place for the project. Basically, this is a project where the industry is already existing. So the other logistics are in place and things are on all the other verticals like railway siding, like the acquisition of the

land and like the other consumers to be on board to take this coal. Everything is in place. So we expect that the ramp up would take seamlessly.

Rakesh Vyas: Okay, thank you so much.

Prabhakar Chowki: Sure.

Operator: Okay, thank you. And we have a question – follow-up question from Akhilesh Bhandari from ICICI Prudential. Please go ahead.

Akhilesh Bhandari: Sir, thank you for taking my question. Is there any O&M under recovery this year like last year or that has now completely gone away?

Rakesh Kumar: Yeah, as I have informed you earlier, O&M under recovery of thermal power station for the first six months is 165.02 crore. O&M, okay, sorry. Sorry, Akhilesh. There is no under recovery of O&M expenses.

Akhilesh Bhandari: Sir, then since will be commission – we expect to take out 4 million to 5 million tonnes of Talabira of coal mine while the Talabira thermal plant is still sometime away, what is the cost of production, what will be the – what is the expected sales price and how much profit can we actually make from external lignite sales, if you can throw some light on that?

Rakesh Kumar: Actually, the coal initially from Talabira mines will be transported and given to NTPL project, our NTPL project, which is now drawing coal from MCL. And in the time to come as the capacity is augmented, as the ramp up is resulting into more coal than what is required in NTPL, we will be either able to get the requirement from other places or we have another alternative mechanism in place as per the coal block allocation that we can sell this coal to Coal India Limited accordingly.

Akhilesh Bhandari: So, but next year we won't be going for –

Rakesh Kumar: Regarding pricing, it is expected that CERC will be formulating the guidelines or the prices for this mine as in case of other mines, which are available for end use plants. So we are expecting that by the time CERC will also be able to firm up the prices for this coal, and the profitability will be decided accordingly.

Akhilesh Bhandari: Sir, and what is the amount which you have spent so far on this mine?

Rakesh Kumar: On this Talabira mine, we have spent Rs.81.02 crore in this year in current half year

Akhilesh Bhandari: Sir, and what is the progress of South Pachwara coal block?

Prabhakar Chowki: Yes, thank you for the question. South Pachwara, we are supposed to file the geological report in December 2019. We completed the exploratory drilling. We have crossed the 10,000 metres of drilling in Dumka, South Pachwara block, and GR(Geological Report) is almost to be finalised the geological report. We are facing – we are progressing very positively in this front and by 2022, mid of that financial year we are able to commence the operations for coal production. We are on good front in this project.

Rakesh Kumar : Just want to add on the cost of Talabira II and III. We have spent Rs.547.81 crore so far cumulative expenditure on the project after adding Rs.81.02 crore for the first six months of the current year.

Akhilesh Bhandari: Thank you, sir.

Operator: Okay, thank you. We will now take our next question from Mohit Kumar. Please go ahead.

Mohit Kumar: Yeah, good evening sir. Sir, I have two, three questions. First is on the, sir, top line. What is the top line for renewables for H1 FY20, revenue, EBITDA and PAT?

Rakesh Kumar: Yeah. Revenue top line from the renewables in these six months is Rs.211.03 crore. And if we see the profitability, I think, we have made a profit before tax to the extent of Rs.50.27 crore. But this does not include 709 megawatt because the commissioning stage we have not considered for this reporting.

Mohit Kumar: And how much the debt that the – on the renewables project right now?

Rakesh Kumar: As on date, the debt component for 51 megawatt wind, 10 megawatt solar, 130 megawatts solar, 500 megawatt solar and Andaman 2 X 10 megawatts, the total debt component is Rs.2383.96 crore. And for 709 megawatts, the total project cost is Rs. 3,035 crore and debt component is Rs. 2,428 crore.

Mohit Kumar: Okay. And second question sir, you said that the Board has formulated guidelines on the lignite transfer pricing. I understand the CERC also has some jurisdiction, right? So how does – does it mean that once the CERC notifies the new regulations, you will be regulated by the CERC?

Rakesh Kumar: It is – till such time CERC firms up the price for coal and lignite. Whether those guidelines will be applicable for the existing mines or not, these guidelines will be in place. And finally, whatever regulatory authority decides, we will go by that.



Mohit Kumar: Okay, sir. And thirdly on, sir, I think there were two power plants where we are working, right, NLC Talabira and there was something called supercritical power plant next to our mines of 1320 megawatt. Are we – is the 1320 megawatt still on? And what is the capacity of NLC Talabira? Is it 1,600 megawatt or 2,400 megawatt?

Rakesh Kumar: Yeah. The pit-head power plant, we envisaged for using the coal from Talabira mines is 2,400 megawatt in the first phase, which is 3 X 800 megawatt and in phase-II we will be adding 800 megawatts. So the total capacity of the pit-head power plant will be 3,200 megawatt.

Mohit Kumar: And what about the other power plants, sir, which was coming up next in Neyveli, 1,320 megawatt?

Rakesh Kumar: Neyveli, we are planning to have 660 megawatt two units as TS-II second expansion. And in the Phase 2 further expansions can also be thought off with similar kind of capacity.

Mohit Kumar: When do you expect the tender for NLC 1320 megawatt to be out?

Rakesh Kumar: As we are progressing this NNTPS will be replacing TS-I. And in the time to come, we will be replacing our old plant, which by the time these new capacity additions will take place the existing TS-II plant will – may also become old and that time we take a decision accordingly.

Mohit Kumar: And sir, how much was the lignite sales in the half year and how much you expect to produce it in the next two quarters? And will it exceed the normative production and will you earn any incentive income on the sale of such lignite? I believe that the mines production was on the lower side in FY19. Do you expect it to be higher than FY20 – or FY19?

Rakesh Kumar: Yeah. Actually the outside sales in the H1 2019-20 was only 4.54 lakh tonnes as against 9.98 lakh tonnes in the last year corresponding period. Yes, we have faced some competition because of the imported coal declining prices. However, we are building a power strategy to augment lignite sales in the second half. But at the same time, in case of TAQA, who is also lignite consumer for the power plant, they have been able to consume 6.41 lakh tonne in the first half as against last year 5.84 lakh tonnes only in the corresponding period.

Mohit Kumar: Sir, one last question. Sir, how much you will pay to your MDO operator for Talabira mines in first – in FY20 for every tonne of coal produced?

Rakesh Kumar: As per the contract entered into with MDO, approximately Rs. 220 per tonne plus free supply of diesel, which should be another Rs. 100. So approximately Rs. 320 equivalents will be the payment to MDO and diesel, plus taxes. In addition to that, we will be incurring capital expenditure on land acquisition, R&R efforts and other miscellaneous expenditures.

Mohit Kumar: Sir, can you give out the break out of the pricing, what kind of pricing expect for the coal produced? And will this coal can be transported to your Ghatampur power plant given the fact that NTPL already has a linkage, so why do we need to use our own mines?

Prabhakar Chowki: Yes, I'm Prabhakar. Thank you for the question. As we all know, it is 5 million tonnes for NTPL and then 15 million tonne for our pithead power plant and end use plants. Since the Talabira pithead plant will come little later, we are planning to give to Ghatampur also because Talabira project, coal-mining project is expected to produce more than the requirement of the NTPL. We are approaching the government and hopefully we may get linkage for Ghatampur.

Mohit Kumar: Okay, understood sir. Thank you.

Operator: Okay, thank you. That concludes today's question and answer session. At this time, I would like to turn the conference back over to your host for any closing or additional remarks.

Rakesh Kumar: I, on behalf of NLC India Limited, thank all the participants for this meeting and we will be regularly having such interaction in future also. Thank you.

Operator: Okay. So I understand that today's conference is now concluded. Thank you for your participation. Ladies and gentlemen, you may now disconnect.