

CHAIRMAN'S STATEMENT

Ladies and Gentlemen,

It is my privilege to welcome you all to the 17th Annual General Meeting of your Company.

FY 2015-16 and 2016-17 had been a remarkable year for NSPCL as its second phase of growth trajectory had begun. During the Financial Year 2015-16, Rourkela PP-II Expansion Project (1x250 MW) had been accorded investment approval and EPC Package award was placed on BHEL in May '16. Further during the year, NSPCL had started working with SAIL to develop 200 MW Solar capacity at its various locations. The Salem Solar Power Project (50 MWp) is under advance stage of Investment Approval/Award. Development activities for Durgapur PP-III (40 MW) are also under progress. The requisite Environment Clearance for the Project had already been obtained.

Fiscal 2016 was also a challenging year for your company because of Bhilai PP-III Unit Generator earth fault in March, 2016 impacting generation. The SAIL was provided 118.5 MW Power from U#2 as special arrangement with other beneficiaries.

Operational highlights

CPP-IIs at Bhilai, Durgapur and Rourkela with a combined capacity of 314 MW, have operated at an availability factor of 93.48% and generated 2359.40 MU in 2015-16. Bhilai PP-III (2x250 MW) had generated 3549.64 MU, with a DC of 95.17%, in spite of about 514 MU loss due to low schedule from grid and 160 MU loss due to Generator earth fault failure in U#1. NSPCL's total Generation was 5909.04 MU in 2015-16 compared to 5670.13 MU in 2014-15.

In line with FSA signed in September, 2013, SECL had supplied about 1.98 MMT coal to Bhilai PP-III in 2015-16 and about 0.38 MMT was arranged by your company through other sources. FSA coal supply in 2015-16 had shown a marked improvement and it was about 84% of overall supply against about 72% in 2014-15. The improved domestic coal supply facilitated considerable reduction of imported coal procurement in 2015-16 by 87% from previous year i.e from 4,83,148 Tons in 2014-15 to 62,412 Tons in 2015-16 thereby saving in foreign exchange equivalent to Rs 263.76 Crs.

Further your company's focus on cost reduction had led to achievements of best ever operational parameters in 2015-16. Durgapur and Bhilai PP-III stations have recorded lowest ever specific oil consumption in the year. Further Rourkela and Bhilai PP-II stations have achieved lowest ever DM water consumption in 2015-16. Bhilai PP-III also achieved lowest ever annual APC of 8.00%. The Company had taken series of proactive measures for efficiency improvement and sustainable & reliable operation of machinery. It is a matter of satisfaction that there was no boiler tube leakage in PP-III in the entire year which is a reflection of sound maintenance practices adopted by your company.

Financial Performance

Your Company recorded a total income (incl. cost of PP-II coal) of Rs. 2376.13 Crs during 2015-16 against Rs.2325.93 Crs. in 2014-15, with an increase of 2.16%. Net Profit achieved by your company in 2015-16 was Rs. 246.84 Crs. which was 8.54%

more than Rs. 227.41 Cr. achieved in 2014-15. This had become possible due to excellent operational performance by PP-IIs and stable performance by Bhilai PP-III.

An interim dividend of Rs. 100 Crs. had already been paid. Final dividend of Rs. 20 Crs. is proposed for approval in AGM. Total cash out flow on account of dividend and tax amounts to Rs.144.43 Crs. (58.51% of Net profit).

Realisation was 100% in 2015-16 with full collection of energy bills of Rs.1394.27 Crore from various beneficiaries of Bhilai PP-III (2X250 MW) along with PP-II bills which were also fully realised from SAIL. I am happy to inform you that CERC had passed an order on 29.12.2015 truing up tariff for the period from 21.10.2009 to 31.03.2014 for Bhilai PP-III.

Corporate Plan 2015-2025

Anticipating fast changing sectorial scenario and macroeconomic environment, your company had awarded Consultancy work for preparation of Corporate Plan 2015-25 to M/s PWC India. Draft Plan is under finalisation and the same is targeted to be completed in the current year.

Growth Momentum

As stated earlier, EPC Package for Rourkela Power Plant II Expansion (1x250 MW) was awarded to M/S BHEL on 11.05.2016 after Investment Approval. Detailed Engineering is in progress and the Commercial Operation Date (COD) of the Unit is targeted in Dec'2018. Further as stated earlier, Salem Solar Power Project (50 MWp) is under advance stage of Investment Approval/Award and development activities for Durgapur PP-III (40 MW) are also under progress.

In line with the thrust being put on Renewables by the entire Nation, your company is diversifying into Solar Power sector. As informed already, your company is working with SAIL to develop 200 MW solar power capacity at its various locations by 2019. Salem Solar Power Project (50MW) is being taken up in the first phase and is under advance stage of Investment Approval/Award. Further action is under various stages for preparation of Feasibility Reports for other sites.

Environment Management

Environment management is a high priority area for sustainable development and recognizing the importance, your Company has taken numerous pro-active measures for improvement in this area. Continuous Emission Monitoring System (CEMS) and Effluent Quality Monitoring System (EQMS) in all NSPCL plants have been commissioned in 2015-16. Dry ash collection systems at Bhilai, Rourkela & Durgapur are under operation. Major up-gradation of ESP at Durgapur is under implementation. More than 54,000 trees have been planted by your company in 2015-16 and more than 3,36,000 trees have been planted by your company till 31.03.16. With special thrust on Ash Utilisation, NSPCL's ash utilisation had remarkably improved from 34.86% in 2014-15 to 80.8% in 2015-16.

Employee Development

With special focus on employee development, your company had put a lot of thrust on training, competency mapping & individual development plans and succession planning. NSPCL had achieved 6.2 training man-days per employee in 2015-16. The company had successfully recruited 78 personnel in various disciplines e.g. Engineering, Finance,

Chemistry etc in 2015-16 as a part of NSPCL cadre building up and replacement of retired manpower. During 2015-16, NSPCL cadre strength had increased by 3.33% to about 76%. As on 01.09.16, NSPCL cadre strength is 77.1%.

Corporate Social Responsibility – Touching Lives

NSPCL has a well-defined CSR policy and for ensuring that the benefit reaches to targeted segment of the society, CSR implementation is overseen by CSR subcommittee of NSPCL Board. Your company achieved CSR expenditure of Rs 4.83 Crs in 2015-16 which resulted in more than 100% budget utilisation. This reflects company's proactive approach to contribute to the society as the amount was spent in various areas namely Women Empowerment, Education to Underprivileged Children, Vocational Skill Development, Preventive health care, Rural Sports Promotion etc. Your company is also proud contributor to Swachh Bharat – Swachh Vidyalaya Abhiyaan of Govt. of India by coordinating construction of 722 toilets around Rourkela and Durgapur areas on behalf of NTPC.

Corporate Governance

Your Company believes in maintaining high standards of transparency and had adopted prescribed Corporate Governance practices. Various new policies namely "NSPCL Safety Policy", "NSPCL Ash Utilisation Policy" and "NSPCL Environment Policy" have been approved and are under implementation in addition to existing Policies like Enterprise Risk Management, Banning of Business Dealings, e-Waste management, handling & disposal etc. In line with CVC guideline, high value contracts are monitored by Independent External Monitor in your company.

A Model Case for Academic Deliberations

It is a matter of great pride that the success of your company had been captured as a Case Study named "Business Transformation through Joint Venture: The Case of NTPC-SAIL Power Company Private Limited (NSPCL)" by IIM, Indore and PMI, NTPC for academic discussion in the Institutes.

Awards and Accolades

Your Company's achievements in different areas have brought many awards and accolades in 2015-16. In April'16, the company received prestigious Scope Excellence Awards of Gold Trophy and Commendation certificate in Institutional category III (other profit making PSEs) for year 2011-12 and 2013-14 respectively. Rourkela had received the prestigious "Prashansa Patra" from National Safety Council of India (NSCI) under the Manufacturing Sector Award of Ministry of Labour and Employment, GOI for 2015. Bhilai PP-III had secured 2nd rank in prestigious Energy Efficiency Awards given by Chhattisgarh Renewable Energy Development Agency in less than 1000 MW category. NSPCL was also conferred the Award for Diversity and Human Resources under 24th Global HR Excellence Awards at World HRD Congress 2016. All three stations viz. Rourkela, Durgapur and Bhilai PP-III have received Greentech Safety Gold Awards in Thermal Power sector category for 2015.

Acknowledgements

Ladies and Gentlemen, before I conclude, on behalf of the Board of Directors, I would like to express my sincere gratitude to our promoters (NTPC Ltd. and SAIL), Ministry of Power, Ministry of Coal, Ministry of Steel, Ministry of Environment and Forests and other stakeholders for their immense support. We are indebted to the Central Pollution Control Board, State Governments, State Pollution Control Boards, Factory and Boiler

Directorates, Local State Administration, Police Department and other agencies for their continuous support to the Company. We are also thankful to the Central Electricity Regulatory Commission, Central Electricity Authority, Western Region Power Committee, Western Region Load Dispatch Centre and Eastern Region Power Committee for their valuable role. We also thank and appreciate Comptroller and Auditor General and Statutory Auditors of the Company for their observations and suggestions.

Financial Institutions, Banks and other lenders and Investors are our valuable stakeholders and I express my sincere gratitude for their trust and continued support. I wish to thank our esteemed customers, valued vendors and associates who are part of our progress. I take this opportunity to thank my colleagues on the Board for their unconditional cooperation and support.

On your behalf, I would like to acknowledge the dedicated efforts of our employees, our prized asset. I also thank employee's representatives, media and public at large around our establishments for their support. The growth phase has tremendous challenges. I am confident that our employees will rise to the occasion with full zeal, dedication and hard work and your Company shall overcome the challenges and reach new heights in near future.

Thank you,

Place: New Delhi
Date: 19th September, 2016



(Kaushal Kishore Sharma)
Chairman