

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to welcome you all to this 18th Annual General Meeting of your Company.

FY 2016-17 was a remarkable year for NSPCL with its entry in to the second growth phase with the award of EPC packages for both Rourkela PP-II Expansion Project (1x250 MW) and Durgapur PP-III Project (2x20 MW). Work on both these projects is in full swing and all out efforts are being put to complete these projects by Dec'18 and Apr'19 respectively. NSPCL's capacity shall increase by about 36% after commissioning of these projects.

Further, SAIL had provided the opportunity to NSPCL for development of 200 MWp solar capacity at its various locations. NITs for EPC packages of Durgapur Solar PV Power Project (20MWp) and Salem Solar PV Power Project (50MWp) were issued in May'17 and both the packages are targeted for award in current year.

Operational Highlights

With a combined capacity of 314 MW, CPP-IIs at Bhilai, Durgapur and Rourkela have operated at an availability factor of 93.27% and generated 2331 MU in 2016-17. Bhilai PP-III (2x250 MW) had generated 3651MU, with a DC of 100.77%. This was achieved in spite of about 673 MU (15.37%) loss due to low schedule from grid. During 2016-17, NSPCL achieved a total Generation of 5982 MU compared to 5909 MU in 2015-16.

For Bhilai PP-III, NSPCL had achieved highest ever coal receipt of 2.27 MMT coal from SECL in 2016-17 which is around 95% of ACQ and about 0.044 MMT was procured through other sources (SCCL) in MOU route. In view of the improvement in domestic coal supply, there was no need for imported coal procurement in 2016-17 leading to reduction in Coal cost. This is reflected in reduction of Energy Charge Rate of the Station from Rs. 2.15/kwh in 2015-16 to Rs. 1.80/kwh in 2016-17.

Your Company's continued thrust on cost reduction had resulted in achievement of some best ever operational parameters in 2016-17. Lowest ever specific oil consumption was achieved by Rourkela and Bhilai PP-III stations in 2016-17. Bhilai PP-III achieved 29,244 No. of Energy Saving Certificates approved by MOP under PAT cycle-I. The Company had earlier taken a series of proactive measures to improve efficiency and ensure sustainable & reliable operations of machinery. Lowest ever Forced Outage of 0.38% in Bhilai PP-III during the year is a reflection of the high standards and maintenance practices adopted by your Company.

Financial Performance

FY 2016-17 was an outstanding year for NSPCL with a record growth in its profit. The company achieved a record Total Comprehensive Income of Rs. 386.78 Crs. against Rs. 251.95 Crs in 2015-16 with a growth rate of over 53%. Your company achieved a total income of Rs.2630.40 Crs. during 2016-17 against Rs. 2513.09 Crs. in 2015-16, with an increase of about 5%. This was possible largely due to the excellent operational performance by Bhilai PP-III as well as CPP-IIs.

Annual Accounts of NSPCL for 2016-17 have been prepared in line with Ind AS guidelines. A total dividend of Rs. 140 Crs was paid to the Promoters in 2016-17. Thus, over Rs. 910 Crs. has been returned to Promoters by NSPCL through Dividends till date and this constitutes to about 93% of paid up capital of the Company.

100% realisation of Energy bills was achieved in 2016-17 for the power supplied to various beneficiaries from Bhilai PP-III (2x250 MW) as was the case in previous year. CERC vide tariff order dated 02.08.16 for the period 2014-19 has determined the provisional tariff of Bhilai PP-III. I am happy to inform you that CERC allowed truing up of additional capitalisation of Rs. 24.44 Crs for Bhilai PP-III. Trading of URS power (of DNHPDCL) started from 03.08.16 at IEX and 130.34 MU was traded during 2016-17.

I am delighted to inform that your company had been converted from a Private Limited Company to a Public Limited Company w.e.f 17.03.2017. It gives me immense pleasure to share with you that NSPCL had been successful in raising Rs. 500 Crs through Private Placement of 5 year Bonds with a highly competitive coupon rate of 7.72%. This will facilitate reduction of high cost debt for Rourkela PP-II Expansion leading to reduction in project cost.

NSPCL's unblemished track record of obtaining 'NIL' comments from CAG had been maintained after completion of statutory CAG audit for 2016-17 accounts.

Corporate Plan 2025

Keeping in view the challenges posed by an evolving energy landscape, rapidly changing business scenario, regulatory dynamics, and the government's increased focus on renewables, Preparation of NSPCL Corporate Plan 2025 was assigned to PricewaterhouseCoopers (PWC). NSPCL Corporate Plan 2025 document has been approved by NSPCL Board in July'17.

As per the above Corporate Plan 2025, NSPCL's cumulative capacity is targeted to be 2330 MW i.e. almost three times the present capacity. Various strategies/recommendations have been identified by the consultant and the same shall be taken up for implementation/adoptions in due course.

Growth Momentum

2016-17 has been a momentous year of growth and new opportunities for NSPCL. EPC packages of two coal based projects of 290 MW capacity i.e. Rourkela PP-II

Expansion (250 MW) and Durgapur PP-III (40 MW) have been awarded to BHEL and ISGEC respectively and are presently under construction.

Boiler erection for Rourkela Power Plant II Expansion (1x250 MW) was started on 30.03.2017 and Drum lifting is targeted in 2nd quarter of 2017-18. Work for the project is in full swing and the unit is scheduled for commissioning in FY 2018-19.

EPC package of Durgapur PP-III (2x20 MW) Project was awarded on December 13, 2016 and subsequently NTPC has been appointed as engineering consultant. Work for the project is in progress and the project is targeted for completion in 2019-20.

In line with the opportunity provided by SAIL, your Company is working for development of 200 MW solar capacity at various locations of SAIL. Two Solar PV Power Projects at Salem (50 MWp) and Durgapur (20 MWp), with total capacity of 70 MWp are under tendering and are targeted to be awarded in 2017. In addition, FR for Bhilai Solar Plant (7 MW) has already been approved and FR for Kulti Solar (25 MW) is under approval. Balance Solar capacity is under various stages of assessment by NSPCL.

Environment management

Sustainable growth remains the cornerstone of our work. Care and commitment to the environment is a high priority area for sustainable development and recognizing its importance, our company has taken several pro-active measures. Continuous Emission Monitoring System (CEMS) and Effluent Quality Monitoring System (EQMS) are under operation in all NSPCL plants since 2015-16. Dry ash collection system at Bhilai, Rourkela & Durgapur are under operation. Major up-gradation of ESP was completed in Rourkela and the same is under implementation at Durgapur. A total of 40,400 no. trees have been planted by your Company in 2016-17 and more than 3,93,000 trees have been planted by your Company till 31.03.2017. With special thrust on Ash Utilisation, NSPCL's ash utilisation had remarkably improved from 80.8% in 2015-16 to over 120% in 2016-17 and 100% ash utilisation was achieved in all the four power plants of NSPCL in 2016-17.

Your company is fully committed to ensure and provide safe and healthy work environment. Special focus has been put on adherence to safety practices in construction projects, right from the beginning. No major accident has taken place in any of the Sites.

Employee Development

The development of employees is one of the most important factors for the progress and growth of the organization as our people are the most valuable resource and asset of the Company. Your company has been constantly working on four HR Building blocks viz. Competency Building, Commitment Building, Culture Building and System Building.

NSPCL had put a lot of thrust on training, competency mapping & individual development plans and succession planning. Leadership development programmes are organised for senior management as well as junior management in association with reputed Management Institutes along with other planned interventions. NSPCL had achieved 6.2 training man-days per employee in 2016-17.

16 EET's and 08 Diploma Trainee (Civil) were recruited during the FY 2016-17 as a part of NSPCL cadre building. During 2016-17, NSPCL cadre strength had increased by 1.24% and crossed 77%.

Corporate Social Responsibility

Implementation of CSR activities in line with the approved CSR policy is overseen by CSR subcommittee of NSPCL Board so as to ensure that the benefit reaches the targeted segment of the society. Your Company achieved CSR expenditure of Rs. 10.32 Crs. in 2016-17 which resulted in more than 100% budget utilization. CSR efficacy survey also carried out at all locations to assess benefits to the targeted group and gap analysis for further improvement. 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.

Corporate Governance

Maintaining high standards of transparency has been the corner stone of NSPCL's Corporate Governance philosophy and taken several initiatives for the same. Various policies namely "NSPCL Safety Policy", 'NSPCL Ash Utilization Policy' and 'NSPCL Environment Policy', Enterprise Risk Management, Banning of Business Dealings, e-Waste management, handling & disposal, IT Security Policy etc. are under implementation. In line with CVC guideline, high value contracts are monitored by Independent External Monitor in your Company.

Awards and Accolades.

Persistent high achievements by your Company in different areas have brought many awards and accolades in 2016-17. NSPCL has been bestowed with India Pride Award 2016 -17 for Corporate Social Responsibility/ Environment Protection & Conservation on 27th March 2017. NSPCL was conferred Award for 'Outstanding & Noteworthy Accomplishments' in 9th India Power Award 2016 ceremony organized by Council of Power Utilities (CPU) on 25.11.2016 at New Delhi. NSPCL, Rourkela was awarded the prestigious 7th Kalinga Safety Award 2015 of Odisha on 24.09.16 at Bhubaneswar during the Odisha State Safety Conclave 2016.

Our Gratitude

Ladies and Gentleman, before concluding, on behalf of the Board of Directors, I would like to express my sincere appreciation and gratitude to one and all, who have helped in making all the above possible.

I thank -

- Our Promoters NTPC and SAIL for their consistent support and guidance
- Ministry of Power, Ministry of Coal, and Ministry of Steel, Ministry of Environment and Forests and other stakeholders for their continued support.
- State Governments, Local State Administration, Police Department and other agencies for their uninterrupted support to the Company.
- Central Pollution Control Board, State Pollution Control Boards, Factory and Boiler Directorates for their constant support to the Company.
- 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.
- Comptroller and Auditor General and Statutory Auditors of the Company for their astute observations and suggestions.
- Financial Institutions, Banks and other Lenders and Investors who continue to be very valuable stakeholders in our journey for their trust, cooperation and continued support.
- To our esteemed Customers for their trust and confidence and being the backbone of our progress.
- To our valued Vendors and their associates for being a part of our progress.
- Media and Public at large around our establishments for their steady support.
- Employee's Representatives for their steady support to the company's growth.
- Our Employees – our biggest asset - without the passion and commitment of them none of the achievements would have been possible. I am confident that our employees will rise to the occasion with full zeal, hard work and commitment to harness the opportunities for growth as well as to meet the challenges.
- My Colleagues on the Board for their unconditional cooperation and support.

We remain committed in acting as trustee to create long term value for all our stakeholders. I am confident that our Company shall overcome the forthcoming challenges and continue to scale greater heights in near future.

Once again, thank you to everyone for your support.



(Kaushal Kishore Sharma)

Chairman

DIN: 03014947

Date: July 18, 2017

Place: New Delhi