

## Letter to Shareholders

### Dear Shareholders,

We are in the midst of a global public health crisis which is threatening the entire humanity. The spread of COVID-19 virus has presented extraordinary challenges to the global economy and human livelihood. Our Government has taken steps for containing the spread of COVID-19. Everyone has been rightfully applauding the front line Corona warriors including medical professionals and essential service providers. Your Company is also provider of essential services.

Electricity is an essential part of our lives. Its importance has further increased during this period as it is critical in providing emergency services and facilitating lifesaving equipment. Electricity supply along with internet services has been the key to keep the businesses, hospitals, schools and offices running as a majority of people have started working from home. This has clearly brought additional responsibility on your Company and the work being done at the power stations to keep up the generation is noteworthy and needs to be acknowledged and applauded.

At the same time, your Company has taken all the measures to keep the generators on bar to meet the grid demand while complying with the required protocols as specified by the Government of India, State Government and local administration where we have operations and the situation is being reviewed on a daily basis. Further, your Company has maintained constant communication and dialogue with all the stakeholders. Your Company has also taken proactive measures to prioritize the health of its employees and their families.

As a responsible organization, your Company has extended support to Government agencies in every possible manner. This has been done by supplying essential food items for the needy as well as providing medical equipment and hospital facilities to the local authorities.

Before presenting the performance highlights, I would like to say thanks to each one of you for your continued support and investment in NTPC. This is also wishing that all of you stay safe and healthy.

### Physical Performance:

Your Company had shown outstanding performance in FY'20 as well and achieved several milestones in operations, new capacity addition and on the renewable energy front.

Your Company has set a new benchmark by adding 5,290 MW of commercial capacity, which is the highest ever achieved in any year since inception. Another important event has been the acquisition of Government of India's stake in NEEPCO and THDC which has added substantial hydro capacity to your Company's portfolio. Even during the COVID period, 984 MW of commercial capacity has been added, which demonstrates NTPC's inherent resilience. With all these, your Company has become a 63 GW Company.

On the generation front, the Company's group generation stood at over 290 BUs in FY 20. There is slight decrease in the total generation when compared to previous year due to reduction in demand and extended monsoon season. However, we could significantly reduce the under recovery of capacity charges when compared to previous years and improved machine availability. In FY20, your Company's PLF has consistently maintained a positive difference of over 12% as compared to the National PLF. Company's coal stations achieved a PLF of 68.20% during the year 2019-20 as against National PLF of 55.89% and four stations of NTPC figured in top ten stations list of the country in terms of PLF.

Your Company has recorded the highest ever single day generation of 977.07 MUs on July 28, 2020. Additionally, your Company's 1<sup>st</sup> and the oldest Unit, Singrauli Unit#1 which was put to commercial operation in 1982 has registered a PLF of 101.96% in Q1 FY21, which is the highest in the country. The feat achieved by the 38 years old Unit strongly reflects the Operation and Maintenance practices being adopted by your Company and the competency of people operating the Units.

### Financial Performance:

In FY'20, your Company recorded a profit of ₹ 10,112.81 Crore. The profit before tax is ₹ 14,465.92 Crore as against ₹ 12672.52 Crore in the previous year, registering an increase of 14.15%. The total income has crossed ₹ 1,00,000 Crore for the first time and the Company declared dividend of ₹ 3,117 Crore to shareholders. This is the 27<sup>th</sup> consecutive year that the Company has paid dividend.

In FY'20, your Company incurred capital expenditure of ₹ 36,618 Crores (including ₹ 11,500 Crores for acquisition of Gol stake in THDC and NEEPCO).

### Renewable Energy:

Your Company has changed its focus completely and is pursuing renewable capacity addition aggressively. We have taken the decision not to acquire any further land for thermal projects in near future and the entire focus will be on carbon free sources.

Contracts have been awarded and work has started for adding over 2 GW of solar PV capacity during the year by winning various tenders through competitive bidding. Currently over 2,400 MW of RE projects are under construction including 237 MW of floating solar projects on water bodies within NTPC's existing power stations. In order to get access to large tracts of land for RE projects, discussions are in progress with State Governments for allocation of land parcels for setting up of renewable projects. These would be developed under Ultra Mega Renewable Energy Power Parks scheme of the Government of India.

Further, your Company is working on partnerships with agencies like National Investment and Infrastructure Fund (NIIF) and ONGC (a Maharatna Company and India's largest crude oil and natural gas Company) who have shown interest in working with your Company in renewable space.

To optimize cost, improve competitive edge, bring synergy in operations and to add renewables with a focused approach, your Company has taken decision for formation of a separate subsidiary Company for carrying out renewable energy business. **By 2032, your Company is aiming to add 32 GW of renewables both by organic and inorganic route and targeting to become the largest renewable energy Company in India.**

### Sustainability:

Your Company has taken a major leap and adopted integrated reporting for sustainability performance disclosure along with financial disclosure. Your Company is committed to bring fundamental changes in the way of operating business to transform ourselves as the most sustainable power producer and a supplier of choice. Aligned with its sustainability priorities, your Company has formed its board level Sustainability committee to oversee ESG and climate change related issues.

In its quest to deliver sustainable and affordable energy, your Company's recent acquisition gave access to large operational hydro capacity. With this, the total zero-carbon based energy capacity reached 7%. Your Company is targeting to achieve 30% capacity through non-fossil sources by 2032. Further, with targeted RE addition, we anticipate to reduce our specific CO<sub>2</sub> emissions substantially over next few years.

Your Company is enhancing resource efficiency through reduced coal consumption by adopting co-firing with biomass and optimization of water consumption. Your Company is committed to championing the circular economy. Ash utilization has improved by 16% when compared to previous year. Significant thrust is being put on further increasing ash utilization effectively on a sustained basis. Further, your Company is also focusing on developing Waste-to-Energy plants and significant action has already been taken.

Your Company is diligently following ESG principles and have implemented strong ethics, fair corporate governance, effective risk management, extensive stakeholder engagement and stringent safety measures at all of its establishments.

Corporate Social Responsibility has been another focus area of your Company. Several initiatives are being taken to improve the socio-economic condition of people living nearby NTPC's plants.

An example of highly effective corporate governance practices at your Company is the fact that your Company has been adjudged as the winner of the prestigious CII-ITC Sustainability Award 2019, a great feat reflecting utmost transparency and integrity and following sustainability practices diligently.

### Coal Mining:

Coal mining has been another important area, your Company is actively pursuing to reduce its dependence on coal suppliers, optimize the cost of generation, ensuring maximum dispatch of power and thereby increasing generation share.

In FY20, your Company extracted 11.15 MMT of coal from its captive mines, registering an increase of 52.5% over previous year. Coal production has started at one more mine, Talaipalli. With this, three mines are under operation and mining operations at two more mines are also in advanced stage. To further speedup the mining activity, a separate mining subsidiary, NTPC Mining Limited has been incorporated. **By 2030, your Company is aiming to meet 40% of its coal requirement from captive mines.**

### Inorganic Growth:

Pursuing inorganic growth path – your Company acquired Government of India's stake in NEEPCO and THDC which gave access to 3,294 MW capacity, out of which 2,625 MW is hydro and 142 MW renewables. The acquisition helps your Company in balancing its portfolio.



Your Company has also participated in bidding for acquisition of stressed assets admitted through NCLT and has emerged as winner in 600 MW Jhabua bid. It is expected that the transaction will be completed soon.

#### Fund Raising:

In its endeavor to become a 130 GW Company by 2032, your Company has envisaged an aggressive capital expenditure plan which is also aligned with the National Infrastructure Pipeline of the Government of India. An action plan has been prepared by your Company for capital expenditure of over ₹1 lakh crore for the period of 2019-2024.

Your Company has adopted a dynamic debt strategy for raising long term debt at optimal cost for meeting its capital requirement. Your Company is also putting emphasis on a proactive refinancing strategy to leverage the market conditions for availing low cost debt. The success of this strategy can be gauged by the decreasing weighted average cost of borrowings which stood at 6.81% for FY20 and is expected to reduce further.

In FY20, your Company mobilized external commercial borrowings of JPY Equivalent to USD 750 Million, which was the largest ever syndicated JPY loan raised by any Indian Corporate from offshore Samurai loan market under automatic route of RBI and also the highest ever single foreign currency loan raised by your Company.

#### Market Environment:

Many power sector reforms are being introduced by the Government for bringing efficiency and discipline in the sector. Along with this, new market mechanism designs have been under discussion to promote competition thereby providing affordable power to the consumers.

Real Time Market (RTM) has been introduced w.e.f June 01, 2020. With this, generators will get opportunity to sell the on-bar surplus power and Discoms will get opportunity to meet any incremental power requirement. This scheme will provide the generators an opportunity to dispatch more power and at the same time generate additional revenue.

With the success of Security Constrained Economic Dispatch scheme on pilot basis, the scheme has been further extended till March 2021 covering all the willing generators so that the cheaper power will be scheduled first. This will ensure optimal dispatch in the country benefitting the customers.

Under Atmanirbhar Bharat Abhiyan, the government has facilitated Discoms with loans for clearing their dues of the generators. This is a mutually beneficial scheme as it will reduce the interest liability of the Discoms and at the same time increase the liquidity for the generators.

These are expected to bring positive changes and help in long-term sustainability of the power sector.

#### New Business Areas:

Your Company is actively pursuing new business areas and exploring various options for diversification of its business operations to maintain the growth trajectory.

Your Company is actively pursuing green hydrogen portfolio which aligns well with NTPC's large renewable growth plans. Your Company is working with various agencies who are pioneers in hydrogen technology and aims to have a significant share in hydrogen economy. Your Company is focusing on carbon free mobility solutions including EV charging, EV transportation / Hydrogen FCEV transportation. Your Company is also actively looking at power distribution, Waste-to-Energy, Consultancy Business and increasing global footprint.

With acquisition and participation in the bidding process for stressed assets, we have opened a new avenue for growth.

#### Digital Initiatives:

Your Company is taking various digital initiatives to simplify various processes, bring efficiency, speed and transparency. PRADIP (e-office) has been launched for faster processing, transparency and to avoid paper consumption. Your Company is also considering AI/ML tools for power plant operation to increase efficiency, safety, cost optimization and reduce downtime.

#### International Business:

Your Company is actively considering increasing geo-strategic reach. Offices were opened in Myanmar and Kenya. With this, your Company has started operations in three countries abroad.

I am pleased to inform you that your Company has received Project Management Consultancy contracts for setting up of solar projects at Togo and Mali through International Solar Alliance (ISA). Discussions are also underway with various countries for setting up solar capacity up to 10 GW through ISA platform.

Your Company is actively looking at the Middle East and African continent for business opportunities. Agreements were made with various countries for cooperation in the power sector and it is expected that we would be able to materialize few contracts.

#### Looking Ahead:

Since inception, your Company has maintained leadership in all aspects of power generation business. Your Company is working on adopting the latest tools and technologies to maintain leadership.

Needless to mention that the competition has become part of your Company's culture. Your Company is continuously working on increasing market share to retain leadership. Steps are being taken for bringing cultural changes to respond quickly to changes in the power sector.

Tireless efforts are underway for maximizing profitability. Steps have been taken for eliminating under recovery by ensuring fuel availability and controlling equipment forced outage. Various optimization and technological measures are being taken for resource utilization and keeping expenses under control.

On behalf of the NTPC family, I assure you that your Company will continue to put tireless efforts for maximizing profitability and bring value to its shareholders. I once again assure you that your Company has a great future ahead.

I take this opportunity to place on record my sincere thanks and gratitude to the Government of India, particularly Ministry of Power, Ministry of Coal, Ministry of Railways, Ministry of Environment, Forest and Climate Change, Ministry of New and Renewable Energy, DIPAM, CERC, CEA, CAG, State Governments, our valued Customers, Auditors, Vendors, other authorities and agencies that provide unstinted support.

I convey my appreciation to my colleagues on the Board for their invaluable contribution in strengthening the Company. I express my special thankfulness to the investors and shareholders for their sustained support to the Company.

With best wishes,

Yours sincerely,



(Gurdeep Singh)  
Chairman & Managing Director

