

Chairman's Statement at the 57th Annual General Meeting held on September 06, 2013

DISTINGUISHED SHAREHOLDERS,

I extend a warm welcome to all.

The Audited Statements of Accounts for the year ended 31st March, 2013 together with the Auditors' Report and Comments of the C&AG and the Directors' Report have already been sent to you and with your permission, I take them as read.

SECTOR SCENARIO

India has an abundant resource of coal and lignite. As per the exploration data, the coal and lignite reserves as on 1st April, 2013 are 298.91 Billion Tonnes (BT) and 43.22 BT respectively, out of which 123.18 BT and 6.18 BT are under proven category. The report of the Working Group of Coal & Lignite for the XII Five Year Plan projects the coal demand in India to grow at a CAGR of 7.1% till the year 2016-17 and expected to reach 980.5 Million Tonnes (MT) per annum under realistic demand. The report also states that considering a CAGR of 7%, the demand for coal is expected to reach 1373 MT by 2021-22. As regards lignite, the demand projected at the terminal year of XII & XIII Plan are 71.96 MT and 108.62 MT respectively. Thermal power generation in the country depends mainly on coal and lignite.



The all India installed capacity of power as on 31st July, 2013 is 225,793 Mega Watt (MW). Government of India has drawn up ambitious plans to have 88,537 MW capacity additions through thermal, hydro and nuclear power during the XII Plan period and out of the same, Thermal Power generation constitutes 81.71% while hydro and nuclear constitute 12.31% and 5.98% respectively. The power generation in the Country has increased manifold over the decades. The demand for power continues to rise due to growth in population & industrial activities, increase in per-capita usage and rapid urbanization etc., thus widening the gap. The Government of India has taken a number of policy initiatives such as enactment of Electricity Act, 2003, bringing out National Electricity Policy 2006, launching of Ultra Mega Power Projects and Accelerated Power Development & Reforms Programme etc., in order to accelerate the growth in the power sector.

Your Company is fully geared up to meet the challenges and utilise the opportunities and has drawn up number of ambitious programme for capacity addition of its mining and power generation.

PERFORMANCE IN THE YEAR 2012-13

I am happy to share with you that your Company has once again surpassed its records set in Overburden Removal, Lignite



Production, Generation & Export of Power, Sales Turnover, Profit Before Tax (PBT) and Profit After Tax (PAT) for the year 2012-13. The highlights of physical and financial performance during the year 2012-13 are as below:

Physical

- ✓ Overburden Removal of 1674.85 Lakh Cubic Metre (LM3), Lignite Production of 262.23 Lakh Tonnes (LT), Power Generation (gross) of 19902.34 Million Units (MU), Power Export of 16841.51 MU are the highest ever achieved by the Company.
- ✓ Mine-II recorded the highest ever Lignite production of 139.44 LT.
- ✓ TPS-II recorded the highest ever generation and export of Power of 11238.09 MU and 9455.81 MU respectively.
- ✓ TPS-I Expn. achieved more than 90% Plant Load Factor.

Financial

- ✓ The Sales Turnover of Rs.5590.07 crore registered is the highest ever achieved by the Company.
- ✓ The PBT of Rs.2047.65 crore and the PAT of Rs.1459.75 crore recorded are the highest ever achieved by the Company.



DIVIDEND

I am very happy to inform you all that the Board of Directors of your Company have recommended a final dividend @ 18% (Rs.1.80 per share) for the financial year 2012-13.

The total dividend for the year 2012-13 including the Interim Dividend paid during the year 2012-13, works out to 28% (Rs.2.80 per share), involving a cash outflow of R548.31 crore which includes Dividend Distribution Tax payable thereon.

PERFORMANCE IN THE CURRENT YEAR - 2013-14 (April 2013 to July 2013)

During the above period your Company has removed Overburden of 575.35 LM3 and produced 83.26 LT of Lignite as against 511.11 LM3 and 84.91 LT respectively, registered during the corresponding period of previous financial year 2012-13. The power generated (gross) and exported during the above period is 7022.16 MU and 5965.93 MU respectively as against 6773.51 MU and 5751.45 MU respectively of the corresponding period of the previous financial year.

The total sales and profit after tax during the current financial year up to 31st July, 2013 is Rs.2031.43 crore and Rs.360.53 crore compared to Rs.1791.36 crore and Rs.404.06 crore registered respectively during the corresponding period of the previous year



2012-13. The decrease in the profit is on account of provision for Rs.62.05 crore being the Income-tax claimed earlier from one of the beneficiaries which is not recoverable as per CERC order and also because of additional depreciation to the tune of Rs.50 crore on account of Exchange rate variation.

POWER DUES

The total outstanding amount from the State Beneficiaries as on 31st August 2013 is Rs.2772.05 crore and out of which an amount of Rs.1921.96 crore is due from TANGEDCO. During the previous year, as on 31st August 2012, the dues outstanding was Rs.4351.83 crore including surcharge. Due to vigorous persuasion and various steps taken through Government of Tamil Nadu and Ministry of Coal, the Company was able to realize a part of the dues from TANGEDCO and thus the amount due from TANGEDCO is reduced from Rs.3496.52 crore to Rs.1921.96 crore as on 31st August 2013.

OUTLOOK

Your Company presently has a generating capacity of 2740 MW. With the implementation of 500 MW of lignite based TPS-II Expansion Project, 1000 MW of Neyveli New Thermal Power Station (which is the replacement of existing Thermal Station I of 600 MW capacity), 1000 MW of coal based power project at Tuticorin, 51 MW wind power project and 10 MW solar power

project, the total power generating capacity would increase to 4701 MW. Besides, it is proposed to consider power projects of 6495 MW capacity during XII/XIII Plan periods.

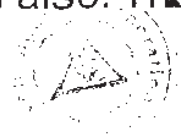
PROJECTS UNDER CONSTRUCTION

Thermal Power Station-II Expansion (2 x 250 MW)

I am very much pained to inform that the commissioning of the Circulating Fluidized Bed Combustion (CFBC) based Units of TPS-II Expansion project could not be commissioned as envisaged, notwithstanding the several steps taken by your Company.

The Unit-I which was synchronized earlier is under shutdown since 25th November, 2012 for rectification of refractory in Seal pots and also for modification of Super Heater/Re-Heater coil supports in all the four Fluidized Bed Heat Exchangers (FBHEs). BHEL, the Main Plant Package Contractor has taken up the modification works and has committed to commission the Unit-I in December 2013.

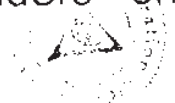
With respect to Unit-II, erection of boiler, turbine & generator and auxiliaries including electrical and C&I have been completed. Boiler was lighted up on 22nd May 2013 and chemical cleaning steam blowout operations have been completed. As in Unit-I, BHEL has to carry out the FBHE modification in Unit-II also. This Unit is expected to be commissioned in January 2014.



Members may be aware, that the 250 MW power project with CFBC technology is being implemented for the first time in the country. Though stabilization of any new technology takes a while, it is very much disheartening to note that this is getting prolonged. The problems now impeding the commissioning of the Units are purely technical in nature and these are being attended to. I would like to assure the Members that early completion of the project has been given utmost priority and the progress of the project is being reviewed at various levels including at the inter-ministerial level. I would like to share that in the meeting convened by the Ministry of Heavy Industry, assurances have been given by BHEL to commission the Units at an early date.

Neyveli New Thermal Power Station (2x500 MW)(NNTPS)

Government of India (GOI) has sanctioned the Neyveli New Thermal Power Project (1000 MW) at a capital cost of Rs.5907.11 crore in June 2011 with a commissioning schedule of 48 months and 54 months for Unit-I & II respectively, from the date of sanction. This power project when commissioned would replace the existing 600 MW TPS-I which is in operation since 1962. Tenders have been floated for Steam Generator, Steam Turbine-Generator and Balance of Plant Packages. In respect of Steam Generator Package, short-listing of bidders on



Pre-Qualification & Techno-commercial conditions has been completed and the price evaluation is in process. As regards Steam Turbine Generator Package, price evaluation has been completed and the order will be placed shortly. Tender for Balance of Plant Package has been issued and the evaluation of offers is in process.

Restructuring of Mines

In order to meet the lignite requirement of NNTPS, your Board of Directors has accorded approval for Restructuring of Mine-I (including Mine-I Expn.) from 10.5 to 8.0 MTPA and expansion of Mine-IA from 3.0 to 7.0 MTPA, at an aggregate estimated cost of Rs.1458.17 crore, thus raising the aggregate capacity by 1.5 MTPA. Activities to implement this Project have commenced.

Wind Power Plant (51 MW)

I am very happy to inform you that your Company has recently placed an order for a value of Rs.332.52 crore for setting up of a wind power farm of capacity 51 MW at Kaluneerkulam in the State of Tamil Nadu. The project is scheduled to be commissioned in June 2014. This will be your Company's first step foraying into the renewable energy sector.



Solar P.V. Project (10 MW)

The Board of Directors of your Company has accorded approval for setting up of a 10 MW Solar Photo Voltaic project at Neyveli at an estimated cost of R.85 crore in the first phase. Tendering activities are in progress to set up the project. It has also been proposed to set up 15 MW Solar PV Power Project, in the 2nd phase, as an expansion to the above proposed 10 MW capacity. The Board has also accorded 'in-principle' approval for setting up of a 10 MW solar power project in Barsingsar and the details are being worked out.

JV PROJECTS

Coal based Thermal Power Plant (2x500 MW) at Tuticorin

Your Company is presently implementing the coal based thermal power project of 1000 MW (2 x 500 MW) capacity at Tuticorin, through the Subsidiary Company, NLC Tamilnadu Power Limited (NTPL) formed in joint venture with TANGEDCO. Hydro test of both the boilers has been completed and the works related to boiler light up are in progress. Concreting of chimney shell and cooling tower shell have been completed. The works in Switchyard and Power Transformers and the Coal Handling System are nearing completion. As per the present status of the project, Unit-I is expected to be commissioned in December 2013 and Unit-II in March 2014.



Coal based Thermal Power Station (3x660 MW) at Ghatampur

Your Company has submitted the proposal to Government of India for sanction for implementation of coal based thermal power project of 1980 MW (3 x 660 MW) capacity at Ghatampur in the State of Uttar Pradesh, at an estimated cost of Rs.14,375 crore. As per the proposal submitted to the Government, the Project is expected to be commissioned within 52 months from the date of sanction by the Government.

The above project is proposed to be implemented through the Subsidiary Company, Neyveli Uttar Pradesh Power Limited (NUPPL) formed in joint venture with Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL) with equity participation of 51% by your Company and 49% by UPRVUNL. The Public Investment Board (PIB) has recommended the above project proposal with the observation that necessary clearance from Ministry of Environment & Forest (MoE&F) is to be obtained at the earliest. Public hearing for the Project has been completed and necessary application has been filed with MoE&F.

Notifications under Sec. 4 & 6 of the Land Acquisition Act, 1894 have been issued for acquisition of land for the project. Government of Uttar Pradesh has allocated 80 cu.secs of water for the project. Ministry of Coal has allocated Pachwara South Coal block in Jharkhand State with a reserve of 279 MT for this project.



Tenders have been floated for the Main Plant Packages viz., Steam Generator Package and Steam Turbine Package and for the Project Consultancy.

MNH Shakti

MNH Shakti Limited is a Joint Venture Company (JVC) promoted by Mahanadi Coalfields Limited (MCL) holding 70% stake, Hindalco and your Company, each holding 15% stake. The JVC is implementing a 20.0 MTPA coal mining project at Talabira, Odisha and MCL being the majority stakeholder is piloting the above project.

NEW PROJECTS

Bithnok Thermal Power Station (250 MW) with linked Lignite Mine (2.25 MTPA), Rajasthan

Your Company has proposed to set up a Thermal Power Plant of 250 MW capacity with the linked lignite mine of 2.25 MTPA capacity at Bithnok in the State of Rajasthan, at an aggregate estimated cost of Rs.2,298.83 crore. Land acquisition through Government of Rajasthan and diversion of forest land is being pursued. Obtaining environmental clearance from (MoE&F) is in process. In this regard Madras School of Economics has prepared a Social Cost Benefit Analysis Study Report which has been sent to MoE&F for issue of environment clearance for

Bithnok Mine project. Power purchase agreement has been signed with the Discoms.

Barsingsar Thermal Power Station Extension (250 MW) with linked Hadla & Palana Lignite Mine (2.5 MTPA), Rajasthan

Your Company has also proposed to set up a new power plant with a capacity of 250 MW as an extension of the existing power plant linked to the lignite deposits in Hadla & Palana blocks. The aggregate estimated cost of the project is Rs.2041.78 crore.

Your Company is facing difficulty in progressing with the Palana Mine as the area is thickly populated and hence as a parallel course, it is being planned to expand the existing Barsingsar Mine along with Hadla Mine. All statutory clearance for the Thermal and Hadla Mine Projects have been obtained.

Sirkali Thermal Power Project (4000 MW), Tamil Nadu

The Board of Directors of your Company has accorded 'in-principle' approval for setting up a coal based power project with an overall capacity of 4000 MW in two phases at Sirkali in the coastal district of Nagapattinam in the State of Tamilnadu. The present cost estimate for the project is Rs.14482 crore for phase-I of 1980 MW. Your Company has identified Thirumullaivasal as the site for locating the power plant. Government of Tamilnadu has been requested to issue "in-principle" approval for land for



this project. Ministry of Coal has allocated Jilga-Barpali coal block (396 MT) in the State of Chhattisgarh for this project. Issue of tenders for preparation of Feasibility Report and EIA/EMP report are in process. Other preliminary project activities are in progress.

NEW INITIATIVES

Devangudi Mine Project (2.0 MTPA)

Your Company has proposed to develop a lignite mine of capacity 2.0 MTPA to exploit Devangudi lignite Block, situated about 18 Km. from the Neyveli region, at an estimated cost of Rs.542.67 crore to cater to the needs of cement, paper, brick and other small industries in the neighbourhood. Tamilnadu Agricultural University (TNAU), Coimbatore has been assigned to prepare the report on “Technical opinion on large scale acquisition of agricultural land for mining in Devangudi”.

Coal Assets

Your Company has floated ‘Expression of Interest’ (EOI) for acquiring coal assets abroad and for long-term supplies for the upcoming power plants. The offers received in response to the above EOI are under evaluation. Acquisition of coal assets by your Company would ensure fuel security for the present as well for the future coal based power projects.



CORPORATE SOCIAL RESPONSIBILITY (CSR) AND GOVERNANCE

The Department of Public Enterprises, Government of India has brought out a new guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises (CPSE) to enable creation and distribution of wealth for the betterment of its stakeholders, through the implementation and integration of ethical systems and sustainable management practices. Under the revised guidelines, CPSEs are expected to formulate their policies with a balanced emphasis on all aspects of CSR and Sustainability – equally with regard to their internal operations, activities and processes, as well as in their response to externalities. Keeping in view of the above broad policy framework on CSR, your Company has spent more than 1% of Profit After Tax for the year 2012-13 on CSR activities. The CSR projects are identified as per the methodology prescribed by DPE and are monitored periodically by the Sub-committee constituted by the Board of Directors. As a good Corporate Citizen, your Company adheres to the corporate governance requirements and compliances of the same have been detailed in the report of Directors, which is a part of the Annual Report sent to Members of the Company.



AWARDS

I am happy to share with the Members that your Company has received the following awards:

- ✓ Gold Trophy of “SCOPE Meritorious Award for Environmental Excellence and Sustainable Development” for the year 2011-12.
- ✓ Indira Gandhi Paryavaran Puraskar Award 2009 (Organisational Category) instituted by Union Ministry of Environment and Forests appreciating the outstanding contribution in the area of environment conservation and creating environment awareness.
- ✓ ‘Performance Excellence Award’ for the year 2011-12 instituted by Indian Institute of Industrial Engineering.
- ✓ *India Power Award 2012* instituted by Council of Power Utilities for developing the energy sector.
- ✓ ‘IPE CSR Corporate Governance Award’ instituted by Institute of Public Enterprise for the dedicated service to the society.
- ✓ ‘Excellence in Cost Management’ under the category of “Public Manufacturing Organisation (Large)” for the year 2012 instituted by the Institute of Cost Accountants of India.



- ✓ "Safety and Quality Award" from the Institution of Engineers – India (IEI).
- ✓ "Organisation with Best HR Strategy in line with Business Award" instituted by the Institute of Public Enterprise in HR Leadership Awards 2012.
- ✓ National Level Environment Award 2010-11 for TPS-I Expn., among coal/lignite based Thermal Power Stations instituted by Ministry of Power, Government of India.
- ✓ 'Golden Peacock Occupational Health & Safety Award-2013' for TPS-II instituted by Institute of Directors.

INDUSTRIAL RELATION

Industrial relation scenario was generally cordial during the year excepting certain disturbances during the month of July 2013 against the disinvestment of shares by Government of India. Thrust on participative culture continued during the year and the industrial relation in various Units and Service Divisions of your Company remained harmonious and cordial.

ACKNOWLEDGEMENT

I wish to record my thanks to Ministry of Coal and the Government of India for their continued support in all our endeavors and to other Ministries and Departments of



Government of India. I wish to express my thanks to the Government of Tamil Nadu for their support and co-operation. I also wish to thank State Electricity Boards/DISCOMs and other customers for their continued support.

I wish to place on record appreciation for all executives, supervisors and workmen for their hardwork and dedication. I also thank Associations and recognized Unions for their whole-hearted co-operation in maintaining good and cordial industrial relations.

I express my sincere thanks to my colleagues on the Board for their valuable contribution.

Last but not the least, I take this opportunity to express my sincere thanks to all Investors who have reposed faith in the Company and continued to be its stakeholders.

Thank you.

