

It gives me great pleasure to welcome you all for the 58th Annual General Meeting of your Company.

The Audited Statements of Accounts for the year ended 31st March, 2014 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**

Coal and Lignite are the most widespread fossil fuel around the world and as much as 75 Countries have coal deposits. Coal and Lignite play an important role in delivering energy access in the form of primary source of feed stock for power generation, as the fuel is safe, reliable & relatively low cost and widely exists. The leading world economies are powered by coal. In our Country two third of production of commercial energy is through indigenously available Coal and Lignite.

Lignite deposits are available only in the States of Tamilnadu, Puducherry, Gujarat, Rajasthan and Jammu & Kashmir. As per Geological Survey of India 43.25 billion tonnes of lignite reserves are available in the Country as on 1st April 2014 of which 6.18 billion tonnes belong to proven category.

Lignite demand for the XII Plan Period has been estimated as 300.30 million tonnes by the Working Group on Coal and Lignite against which 290.16 million tonnes of production of Lignite has been envisaged. The Working Group has also projected the demand for coal in India to grow at a CAGR of around 7% and the demand is expected to reach 1373 Million Tonnes (MT) by 2021-22. Coal and Lignite based electricity brings energy access to millions of people and facilitate economic growth of the country.

Power sector in India has grown rapidly in terms of increase in the installed generation capacity as well as development of transmission systems in a big way. The total installed capacity as on 31st July 2014, is 250257 Mega Watt (MW) and generated 355.499 billion units of electricity during April 2014 to July 2014.



Power demand in India is bound to grow on account of growing population, increasing urbanisation coupled with growing standard of living and growth in industrialisation.

XII Five Year Plan has envisaged massive investments in power sector through a capacity addition of 88537 MW and during April 2014 to July 2014, 4998 MW has been added. The use of wind and solar energy is growing strongly around the world. Our Country, at present, has 31692 MW installed capacity of Renewable Energy Sources which is expected to grow further.

With a view to utilise the available opportunities, your Company has drawn up ambitious capacity addition programmes in both conventional and non-conventional energy sources.

### **PERFORMANCE HIGHLIGHTS - 2013-14**

The fiscal 2013-14 was a remarkable year for your Company. There were many significant achievements. The Company surpassed its own records in Overburden Removal, Lignite Production, Generation & Export of Power, Sales Turnover, Profit Before Tax (PBT) and Profit After Tax (PAT). The highlights of physical and financial performance during the year 2013-14 are as below:

#### **Physical**

- ✓ Overburden removal from all Mines puttogether at 1681.72 Lakh Cubic Metre (LM<sup>3</sup>) is the highest for any year since inception.
- ✓ Lignite Production from all Mines put-together at 266.09 Lakh Tonnes (LT) is the highest for any year since inception.
- ✓ Power Generation and export from all thermal power stations put together at 19988.65 Million Units (MU) and 16956.40 MU respectively are the highest for any year since inception.
- ✓ Lignite production of 15.53 LT and Power generation of 1438.24 MU from Mine and Thermal Power Plant at Barsingsar, Rajasthan are the highest for any year since inception.



## **Financial**

- ✓ The total sales of ₹ 5967.23 crore is the highest for any year since inception.
- ✓ The Profit Before Tax (PBT) and the Profit After Tax (PAT) for the year 2013-14 of ₹ 2209.13 crore and ₹ 1501.88 crore respectively are the highest for any year since inception.

## **MOU RATING**

Your Company has been provisionally rated 'Excellent' for the year 2013-14 and consistently achieved excellent rating for the last three years.

## **DIVIDEND**

I am very happy to inform you all that the Board of Directors of your Company has recommended a final dividend @ 18% (₹ 1.80 per share) for the financial year 2013-14. The total dividend for the year 2013-14 including the Interim Dividend works out to 28% (₹ 2.80 per share), involving a total cash outflow of ₹ 549.59 crore which includes Dividend Distribution Tax payable thereon.

## **PERFORMANCE IN THE CURRENT YEAR – 2014-15 (April 2014 to August 2014)**

During the period April 2014 to August 2014, your Company has achieved overburden removal of 644.54 LM<sup>3</sup> and produced 99.60 LT of Lignite as against 717.92 LM<sup>3</sup> and 103.69 LT respectively, achieved during the corresponding period of previous financial year 2013-14. The power generated (gross) during the above period is 8375.99 MU as against 8464.62 MU generated during the corresponding period of previous financial year. The power exported during April to August 2014 of the current financial year is 7094.06 MU compared to 7173.88 MU of the corresponding period of the previous financial year. I am happy to mention that the power generation at 9357 MU during the current year upto 21.09.2014 was the highest ever for any financial year during the corresponding period.



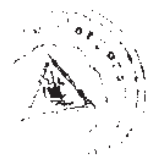
Lignite production was regulated in the beginning of the current fiscal considering the off-take by the Power Plants and the limited storage space availability due to accumulated Lignite stock in the stock yards of mines. Though Lignite production was restricted, supply to the linked power stations has been maintained to the required level. The shortfall was also due to unscheduled stoppage of systems for taking up mechanical repair works and conveyor vulcanising works. The shortfall in overburden removal to some extent was on account of short supply of explosives by the suppliers in view of certain restriction in getting the primary raw material, Ammonium Nitrate supplies after implementation of Ammonium Nitrate Rule, 2012. However, the shortfall in Lignite production during April 2014 to August 2014 is expected to be made up in the subsequent months of the current fiscal.

The shortfall in Power generation was mainly on account of forced shutdown of Unit-7 of TPS-I (100 MW), the oldest power station, between 20th May, 2014 and 13th August, 2014 due to dislodgement of HP heater, decommissioning of HP heaters in other Units as a precautionary measure and also due to certain operational problems in the CFBC Boiler of Barsingsar TPS, which is still under stabilisation. Further the power plants had to reduce the power generation on account of surrender of their share of off-take by some beneficiary Electricity Boards.

The provisional total sales and Profit After Tax during the current financial year up to 31st August, 2014 is ₹ 2455.35 crore and ₹ 495.67 crore compared to ₹ 2453.53 crore and ₹ 427.61 crore achieved respectively during the corresponding period of the previous year 2013-14.

## **POWER DUES**

Consequent to various steps taken through Government of Tamilnadu and Ministry of Coal, the dues from TANGEDCO which stood at ₹ 1331.22 crore as on 31st March, 2014 has been brought down to ₹ 530.32 crore as on 31st August, 2014. The total outstanding amount of ₹ 2206.53 crore as on 31st March, 2014 from the SEBs has been brought down to ₹ 1403.14 crore as on 31st August, 2014.



## **PROJECTS UNDER CONSTRUCTION**

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

Members may be aware that this 2x250 MW power project has Boilers of CFBC technology and such a higher capacity Unit is being implemented for the first time in the Country. Though Unit-I was first synchronised in the year 2011, the Unit could not be kept in continuous service due to technical problems including failure of tube support system in the Fluidised Bed Heat Exchanger (FBHE) and refractory.

After completion of major modification works, Unit-I was recently synchronised with the grid on 25th August, 2014 and the load is being raised gradually, however with intermittent shutdowns, COD of Unit-I is anticipated by September 2014.

In respect of Unit-II, pre-commissioning activities have already been carried out. The Unit will be commissioned after carrying out modification works in FBHEs and other improvement works as done in Unit-I. It is anticipated that commissioning of Unit-II is likely to be in October 2014.

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.

### **Neyveli New Thermal Power Project (NNTPP) (2x500 MW)**

Your Company is implementing the Neyveli New Thermal Power Project (1000 MW) at a capital cost of ₹ 5907.11 crore. Neyveli New Thermal Power Project is a replacement for the existing 600 MW oldest TPS-I.

The LOA for Steam Generator (NTA 1) package and Turbo-Generator (NTA 2) package have been issued in October 2013 and December 2013 respectively to M/s. BHEL. Detailed engineering activities are in progress. About 7000 tonnes of Structural and Reinforcement Steel has been received. Civil works for Steam Generator and Turbo-Generator have commenced.



LOA for Balance of Plant (BOP) package has been issued in April 2014 to M/s. Essar Projects Limited. Soil investigation work has been completed.

The Unit-I of the project is expected to be commissioned in October 2017 and the Unit-II in April 2018.

### **Restructuring of Mines**

Your Company is in the process of expansion of Mine-IA from 3.0 to 7.0 MTPA and restructuring of Mine-I from 10.5 to 8.0 MTPA, at an aggregate estimated cost of ₹ 1458.17 crore, thus raising the aggregate capacity by 1.5 MTPA, to meet the fuel requirement of 1000 MW Neyveli New Thermal Power Project. Preparation of Feasibility Report has been completed. MoE&F has issued 'Terms of Reference' for EIA/EMP studies and the report is under finalisation. Draft Mining Plan and Mine closure Plan have been submitted to Ministry of Coal. Application for land acquisition has been submitted to Government of Tamil Nadu.

### **Wind Power Plant (51 MW)**

With a view to develop green energy your Company has approved for setting up of a wind power farm of capacity 51 MW (34 units of capacity 1.5 MW each) at Kazhuneerkulam in the State of Tamil Nadu and towards this an order has been placed on M/s Leitwind Shriram Manufacturing Ltd., for a value of ₹ 347.14 crore. Power Purchase Agreement has been signed with TANGEDCO. The first Wind Turbine Generator has been commissioned on 29th August, 2014 and the second on 1st September, 2014. Erection and commissioning of the balance wind turbines are in progress.

### **Solar P.V. Project (10 MW)**

Further as a part of diversification into renewable energy projects, in the first phase your Company has proposed to set up a 10 MW Solar Photo Voltaic project at Neyveli. In this regard LOA has been issued to M/s. BHEL for setting up of the 10 MW Solar Power Plant. Site works have commenced. In the second phase, it is proposed to set up a 15 MW Solar PV Power Project as an expansion to the above 10 MW Plant.



Your Board of Directors has also accorded 'in-principle' approval for setting up of a 10 MW Solar Power Project in Barsingsar and Feasibility Report for this project is under finalisation.

## **JV PROJECTS**

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

Implementation of a coal based thermal power project of 1000 MW (2x500 MW) capacity at Tuticorin, through the Subsidiary Company, NLC Tamilnadu Power Limited (NTPL) formed in joint venture with TANGEDCO is in an advanced stage of completion.

The physical progress for the Main Plant package as on 31st August, 2014 is 87.93% against the target of 100% and the overall physical progress is 86.00% against the target of 100%. It is now anticipated that commissioning of Unit-I is likely to be in September 2014 and Unit-II in October 2014. Close follow up is being made to get early wildlife and forest clearances.

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

Members may be aware that your Company has proposed to set up a coal based thermal power project of 1980 MW (3x660 MW) capacity at Ghatampur in the State of Uttar Pradesh, at an estimated cost of ₹ 14,375 crore and in this regard your Company has submitted the proposal to Government of India for getting sanction for implementation of the said project with a commissioning schedule of 52, 58 and 64 months from the date of sanction by the Government for the 1st, 2nd and 3rd Units respectively. It is proposed to implement this project through the Subsidiary Company, Neyveli Uttar Pradesh Power Limited (NUPPL), a joint venture between your Company and Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL) with equity participation of 51% and 49% respectively. The Public Investment Board (PIB) has recommended the above project proposal with the observation that necessary clearance from MoE&F is to be obtained at the earliest.



Cabinet Committee on Economic Affairs (CCEA) will consider the proposal once the project gets Environmental Clearance for the Coal block. Awards for 535.8972 Ha of land have been obtained till August 2014 and compensation totalling to ₹ 77,63,18,714/- has been distributed towards acquisition of land.

Ministry of Coal has allocated Pachwara South Coal block in Jharkhand State with a reserve of 279 MT for this project. Expressions of Interest for Steam Generator, Turbo-Generator and Balance of Plant packages have been received. Shortlisting of bidders has been completed in respect of Steam Generator & Turbo Generator packages. Shortlisting of bidders is in progress for the Balance of Plant package.

### **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.

## **COAL BLOCK DEVELOPMENT**

### **Pachwara South**

Government of India has allocated Pachwara South Coal block, in the State of Jharkhand with a reserve of 279 MT, for the proposed Ghatampur Coal based thermal power project (1980 MW) in July 2013. Ministry of Coal has sanctioned the Advance Action Proposal of ₹ 19.45 crore for pre project activities of Pachwara South Coal Block. Terms of Reference (TOR) has been issued by MoE&F for preparation of EIA/ EMP reports for the Coal block. Major portion of coal block falls in the forest lands with tribal settlements. CMPDIL had engaged a contractor for exploratory drilling in the area and after drilling for one bore hole, the work had to be suspended due to law & order problems.





## **Jilga-Barpali**

Government of India has allocated the Jilga-Barpali coal block, in the State of Chhattisgarh with a total reserve of 546 MT to your Company (396 MT for 1980 MW phase-I of Sirkali Project) and Chhattisgarh State Power Generation Company Limited (CSPGCL) (150 MT).

The development of this coal block will be taken up through a Joint Venture between your Company and CSPGCL. Signing of JV Agreement is in process.

## **NEW PROJECTS**

Bithnok Thermal Power Station (250 MW) with linked Lignite Mine (2.25 MTPA), Rajasthan Members may be aware that your Company has proposed to set up a Thermal Power Plant of 250 MW capacity with a linked lignite mine of 2.25 MTPA capacity at Bithnok in the State of Rajasthan, at an aggregate estimated cost of ₹ 2,298.83 crore. Feasibility Report for this project has been completed. Environment Impact Assessment Authority, Rajasthan has issued Clearance for this project. Agreement for supply of 25 cusecs of water from Indira Gandhi Nahar Project (IGNP) canal has been entered. Work order has been issued to IFCI Ltd., New Delhi for taking up due diligence study. Land acquisition through Government of Rajasthan and diversion of forest land are being pursued. Power purchase agreement has been signed with RRVPNL Discoms.

### **Barsingsar Thermal Power Station Extension (250 MW) with linked Hadla Lignite Mine (1.9 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 at Barsingsar, Rajasthan, linked to the lignite deposits in Hadla block. The aggregate estimated cost of the project is ₹ 2041.78 crore. Feasibility Report has been prepared and Environmental Clearance has been obtained.



Your Company has paid ₹ 127.43 lakh towards reimbursement of cost of 1107 Ha for transfer of lands. Fresh mining lease application has been submitted to Government of Rajasthan. Work order has been issued to SBI Caps for taking up due diligence study. All statutory clearance for the thermal and Hadla Mine Projects have been obtained.

### **Sirkali Thermal Power Project (4000 MW), Tamil Nadu**

Your Company has proposed to set up a coal based thermal power project with a total capacity of 4000 MW in two phases at Sirkali in the coastal district of Nagapattinam in the State of Tamilnadu. The Board of Directors of your Company has accorded 'In-principle' approval for implementation of the first phase of 1980 MW at an estimated cost of ₹ 14482 crore. Your Company has identified Thirumullaivasal as the site for locating the power plant. Feasibility Report is under preparation. Application for land acquisition has been submitted and the Government of Tamilnadu has been requested to issue 'In-principle' approval for land for this project. As stated earlier, MoC has allocated the Jilga-Barpali coal block jointly to your Company and Chhattisgarh State Power Generation Company Ltd., and the coal mined from this block as per the allocation made by MoC will be utilised for this project.

### **Devangudi Mine Project (2.0 MTPA)**

In order to cater the needs of cement, paper, brick and other small scale industries in the neighbourhood, your Company had earlier proposed to develop a lignite mine of capacity 2.0 MTPA in Devangudi lignite Block of Neyveli region. A study undertaken by IIT, Chennai, indicated issues related to groundwater pumping. The Board considered the difficulties associated with this project and decided not to pursue the project further.



## **NEW INITIATIVES**

### **Coal Assets**

For the 1000 MW coal based Thermal power project of NTPL under implementation and your Company's proposed 4000 MW Coal based Thermal Power Project at Sirkali, in addition to the supply of coal under FSA with MCL & the coal from the allocated block, imported coal to the tune of 2 Million Tonnes initially and 10 Million Tonnes at a later period are required. In this regard, your Company had issued a notification seeking expression of interest for acquiring coal blocks abroad.

Offers have been received for coal blocks in Mozambique, Indonesia and Australia. Action is being taken for technical, financial and legal due diligence studies.

### **OUTLOOK**

The present installed capacity of your Company is 2740 MW. Members may be aware that your Company is implementing 500 MW lignite based TPS-II Expansion Project, 1000 MW Neyveli New Thermal Power Station (which is the replacement of existing TPS-I of 600 MW capacity) at Neyveli,

51 MW Wind power project at Kazhuneerkulam, Tamilnadu, 10 MW Solar power project at Neyveli and 1000 MW coal based power project at Tuticorin through the JV Subsidiary Company. By implementing the above power projects the total power generating capacity would increase to 4701 MW. Besides, it is proposed to consider implementing power projects (including through Subsidiary Company) of 6505 MW capacity during XII/XIII Plan periods. Regarding lignite mining, the capacity is proposed to be increased from the present 30.60 MTPA to 36.25 MTPA by the end of the same period. The coal blocks of Pachwara South and Jilga-Barpali are also expected to be commissioned at the end of XII / XIII Plan periods.



## **CORPORATE SOCIAL RESPONSIBILITY (CSR) AND GOVERNANCE**

As per Companies Act, 2013 Corporate Social Responsibility includes projects or programmes relating to activities specified in Schedule VII to the Act. Your Company has a Board approved CSR policy in place that relates to the activities to be undertaken by your Company as specified in Schedule VII to the Act.

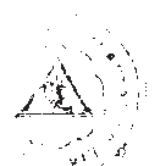
In line with the above, your Company has spent ₹ 26.30 crore which is 1.80% of Profit After Tax for the year 2012-13 on CSR activities complying with the guidelines. The CSR projects include infrastructure development works, community development, education and medical camps. The CSR projects are monitored by a Committee of Board of Directors.

Your Company has been complying with the requirements of Corporate Governance conditions falling within its purview as enunciated in the Listing Agreement and DPE Guidelines on Corporate Governance.

### **AWARDS**

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

- ✓ SCOPE Meritorious Award for 'Environmental Excellence and Sustainable Development' for the year 2011-12.
- ✓ SCOPE award for 'Excellence and outstanding contribution to the Public Sector Management' for the year 2011-12.
- ✓ National Energy Conservation award – First prize under mining domain for the year 2013.
- ✓ 14th Annual Greentech Environment award 2013 (Gold category) under thermal power sector.
- ✓ Silver shield award to Thermal Power Station–I Expansion for being the best coal/lignite based Thermal Power Stations in respect of Environment Management and Energy Efficiency for 2012-13.
- ✓ Greentech CSR award 2013 – Silver category.



## **INDUSTRIAL RELATION**

Industrial relation generally remained harmonious and cordial throughout the year.

## **ACKNOWLEDGEMENT**

I wish to record my thanks to Ministry of Coal and the Government of India for their continued support in all our endeavours and to other Ministries and Departments of Government of India. I wish to express my thanks to the Governments of Tamil Nadu, Rajasthan and Uttar Pradesh for their support and co-operation. I also wish to thank State Electricity Boards/DISCOMs and other customers and also the Joint Venture Partners, for their continued support.

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

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

