



नॉर्थ ईस्टर्न इलेक्ट्रिक पावर कॉर्पोरेशन लि.
(भारत सरकार का उद्यम)



NORTH EASTERN ELECTRIC POWER CORPORATION LTD.
(A Government of India Enterprise)

पंजीकृत कार्यालय: ब्रुकलैंड कम्पाउंड, लोअर न्यू कॉलोनी, शिलांग-793003
Registered Office: Brookland Compound, Lower New Colony, Shillong - 793 003

File No. CS/56/ 515

Dated 08-06-2018

NOTICE OF EXTRAORDINARY GENERAL MEETING

To,
All Shareholders
All Directors
Auditors
Secretarial Auditors
Debenture Trustee

Notice is hereby given that the Extra Ordinary General Meeting of the Shareholders of North Eastern Electric Power Corporation Ltd. will be held at **Conference Room of NEEPCO Office, 15 NBCC Tower, Bhikaji Cama Place, New Delhi - 110 066, on Tuesday, 12th June, 2018 from 1:00 P.M. to transact the following business:**

SPECIAL BUSINESS:

1. To issue Redeemable Non-Convertible Taxable Debentures and create security by way of mortgage and/or hypothecation of the assets of the Corporation, and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution:**

"RESOLVED THAT the issue of Redeemable Non-Convertible Taxable Debentures i.e. NEEPCO PSU Bonds to the extent of but not exceeding Rs.1000 crore during 2018-19 be and is hereby approved in terms of Rule No.14 (2)(a) of Chapter 3 of the Companies (Prospectus and Allotment of Securities) Rules, 2014.

RESOLVED FURTHER THAT creation of security by way of mortgage and/or hypothecation of the assets of the Corporation for long term borrowings of Rs.1000 crore during 2018-19 be and is hereby approved in terms of Section 180(1)(a) of the Companies Act, 2013."

By Order of the Board

Sd/-
(Chiranjeeb Sharma)
Company Secretary-cum-LA

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The relevant explanatory statement pursuant to Section 102 of the Companies Act, 2013, in respect of Special Business, as set out above is annexed hereto.
3. None of the directors of the Company is in any way related to each other.
4. This Notice has being sent pursuant to the provisions of section 101(1) of the Companies Act, 2013.



EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO.1

1. PREPAYMENT OF ECB

NEEPCO had availed a 10-year External Commercial Borrowing (ECB) of US\$ 100 million from SBI, Singapore for executing the Tripura Gas Based Power Project (101 MW) and the Agartala Gas Turbine Project – Extension (51 MW). The commercial operation date (CoD) of TGBPP was on 31.03.2017 while the CoD of the AGTP-Extension was on 01.09.2015. The Facility Agreement for the ECB was signed on 09.12.2013.

The ECB was drawn on different dates at a final average exchange rate of Rs.61.432/US\$ whereby NEEPCO received a total amount of Rs.614.32 crore. The repayment of the ECB (39 installments) started from 20.06.2014 and the last installment is due on 20.12.2023. Interest and loan repayments are quarterly on the 21st day of March, June, September and December. As on date, an amount of US\$ 58.796 million is still outstanding.

NEEPCO has also availed a bilateral loan of Euro 80 million from KfW, Germany for construction of the Pare HEP (110 MW) in Arunachal Pradesh. NEEPCO received Rs.587.07 crore against this loan which works out to an average exchange rate on receipts of Rs.73.3525/Euro. The repayment (30 installments) began in December, 2013 and the last installment is due on 30.06.2028. Interest and loan repayments are half-yearly on the 30th day of June and December. As on date, an amount of Euro 56.006 million is still outstanding.

In view of the foreign currency loans (FCLs) in its books, the Corporation has adopted a Forex Risk Management Policy which was approved by the Board in its meeting held on 10th December, 2016. As per the FRM Policy, the day-to-day management of forex risk matters has been delegated to a Forex Risk Management (FRM) Committee. A consultant, M/s Forexserve Risk Management Consultants Pvt. Ltd. has also been hired to assist the Corporation in this regard.

A report is prepared at the end of every month to assess the position of the outstanding FCLs on the basis of market information received from the consultant as well as internal benchmark calculations. The following are the three factors reported at the month-end:

1. Full hedge cost – This cost is obtained from the consultant. It is the cost of hedging the floating interest rate risk as well as the currency risks on both principal and interest payments.
2. XIRR or full swap cost - This cost is calculated by the consultant. It is the effective internal rate of return (IRR) or effective cost of the FCL which takes into consideration the past actual cash-flows and the future cash-flows assuming that the remaining principal and interest repayments are hedged at the current full hedge cost.
3. Benchmark of effective rate – This is internally calculated. It is the rate at which estimated total outflows for the FCLs drawn and the total outflows for an equivalent domestic (INR) loan are matched considering the exchange rates (i.e. RBI reference rates) available as on the month-end.
4. Incremental cost – This is the difference between the XIRR and the Benchmark rate.

As per the FRM Policy, the Corporation may hedge its borrowings provided the cost of the FCL after including the cost of hedging does not exceed the benchmark INR cost. Since the incremental cost has remained negative, the Committee had decided to maintain open positions for both the FCLs.



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Further, it is understood that the other CPSUs in the Power Sector have not hedged their FCLs as the existing Regulations 50 & 51 of the CERC (Terms and Conditions of Tariff) Regulation, 2014 allow the generator to recover either hedging costs or the losses on FERV (Foreign Exchange Rate Variation) from its beneficiaries, whichever is applicable.

The following table shows the incremental cost during the past 6 months:

As on	Particulars	SBI, Singapore US\$ 100 mn	KfW, Germany € 80 mn
31-12-2017	Full hedge cost	9.35%	9.34%
	XIRR	6.75%	6.80%
	Benchmark	6.13%	6.29%
	Incremental cost	0.62%	0.51%
31-01-2018	Full hedge cost	9.79 %	9.41%
	XIRR	6.70%	7.16%
	Benchmark	6.04%	6.94%
	Incremental cost	0.66%	0.22%
28-02-2018	Full hedge cost	9.70%	9.82%
	XIRR	7.17%	7.43%
	Benchmark	6.46%	6.99%
	Incremental cost	0.71%	0.44%
31-03-2018	Full hedge cost	9.37%	9.81%
	XIRR	7.22%	7.55%
	Benchmark	6.42%	7.19%
	Incremental cost	0.80%	0.36%
30-04-2018	Full hedge cost	9.55%	9.48%
	XIRR	7.50%	7.43%
	Benchmark	6.90%	7.40%
	Incremental cost	0.60%	0.03%
31-05-2018	Full hedge cost	9.66%	9.56%
	XIRR	7.62%	7.18%
	Benchmark	7.07%	6.89%
	Incremental cost	0.55%	0.29%

A calculation of average actual cost to the Corporation from the time of drawal of the loans upto the most recent payment date reveals the following:

SBI, Singapore ECB of US\$ 100 mn		KfW, Germany Loan of Euro 80 mn	
Recent payment date	21.03.2018	Recent payment date	30.12.2017
Weighted average 3-month LIBOR	0.59297%	Fixed Interest rate	3.46000%
Spread	3.05000%	INR Depreciation	3.37940%
INR Depreciation	5.26688%		
Actual interest paid	8.90984%	Actual interest paid	6.83940%

Note: The spread on ECB has been reduced to 2.75% w.e.f. 20.03.2018.



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Meanwhile, as reported to the Board earlier, the Committee had decided to explore the best possible method of hedging the Corporation's outstanding foreign currency loans. In this regard, the three banks, with whom the ISDA (International Swaps & Derivatives Association) Agreement has been signed, were requested to quote for derivatives they could offer for hedging NEEPCO's outstanding FCLS. The following were the quotations received in April, 2018:

	Interest Rate Swap (IRS)	Principal Only Swap (POS)		Cross-currency Interest Rate Swap (CIRS or CCIRS)		Spot rate reference	
	US\$ loan	US\$ loan	Euro loan	US\$ loan	Euro loan	Rs./US\$	Rs./Euro
1. SBI	5.45%	3.86%	6.70%	9.78%	10.75%	66.01	81.53
2. Axis Bank	5.65%	3.94%	6.93%	10.02%	11.40%	-	-
3. HDFC Bank	-	-	-	10.00%	11.40%	66.42	80.94

The above are subject to change as per market conditions. It is observed that the lowest cost of a full hedge derivative (CIRS/CCIRS) for the ECB and the KfW loan is 9.78% and 10.75% respectively as quoted by SBI. The corresponding rate in the market for 5 year 'AA' rated Bonds is around 8.92% which is lower than the full hedge cost for the FCLs.

In view of the above, the Corporation's outstanding FCL will not be hedged. Alternatively, if found feasible or more economical, it is proposed to prepay the FCLs and replace them with domestic Bonds.

The KfW loan is a bilateral loan obtained through the annual negotiations between the Government of India and the Government of Germany. NEEPCO is also incurring Guarantee Fee @ 1.20% on this loan. However, it is anticipated that prepayment of this loan may be more complex and time taking and as it would require approvals from the relevant ministries of the Government of India.

On the other hand, NEEPCO may consider pre-paying the ECB to SBI, Singapore and replacing the same with Bonds. The current RBI regulations for ECB do not allow pre-payment unless the minimum average maturity upon such prepayment is maintained at the prescribed level i.e. 5 years. This has been confirmed by the consultant, M/s Forexserve Risk Management Consultants Pvt. Ltd. As per the repayment schedule of the ECB, the required minimum average maturity of 5 years can be achieved only if prepayment is done in June, 2022 and thereafter. This means that prepayment anytime before June, 2022 will result in non-compliance of the RBI's relevant regulation. In this regard, it is proposed to approach RBI for approval for prepayment of the ECB by giving sufficient justification. The current value of the outstanding ECB is approximately Rs.400 crore.

2. CAPITAL EXPENDITURE DURING 2018-19

The Tuirial HEP has been commissioned while construction of the Kameng HEP and Pare HEP are now in the final stages. The Revised Cost Estimate (RCE) based on completion costs for the Tuirial HEP is under examination by the CEA while the RCEs of the other two projects will be presently being finalised. Although as per Budget Estimate (B.E.) Budgetary Support in the form of Equity of Rs.229.45 crore for the Pare HEP and Rs.38 crore for the Tuirial HEP totalling to Rs.267.45 crore has been approved for 2018-19, the release of further equity may depend upon approval of the RCEs. In order to ensure uninterrupted flow of funds to the projects, the Corporation may have to resort to further market borrowings during the current FY.



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As on 31.03.2018, the following are the capital expenditure (provisional) incurred on the three projects:

Rs. in crore

Particulars	Kameng H.E.P.	Pare H.E.P.	Tuirial H.E.P.	Total
Total CAPEX as on 31.03.2018	6,424.41	1,621.17	1,435.48	9,481.05
Funding required for the above CAPEX as per approved funding pattern:				
• Eligible Equity	1,927.32	486.35	215.32	2,628.99
• DONER Grant			300.00	300.00
• Subordinate Loan			291.97	291.97
• Loan / ECB	4,497.09	1,134.82	628.19	6,260.10
Funds received as on 31.03.2018:				
• Equity	871.70	172.20	137.04	1,180.94
• DONER Grant			300.00	300.00
• Subordinate Loan			291.97	291.97
• Loan / ECB	4,197.18	751.53	515.08	5,463.79
Total :	5,068.88	923.73	1,244.09	7,236.70
Balance funds required:				
• Equity	1,055.62	314.15	78.28	1,448.05
• Loan / ECB	299.91	383.29	113.11	796.31
Total :	1,355.53	697.44	191.39	2,244.36

Taking into account the actual CAPEX incurred as on 31.03.2018 an amount of Rs.796.31 crore is still required to be raised as debt for the three on-going projects. The additional loan of Euro 20 mn (around Rs.160 crore) from KfW, Germany is expected to be released in May, 2018. Therefore, the net debt required to be raised during 2018-19 is approximately Rs.630 crore. It may also be noted that as per the approved B.E. the following CAPEX is estimated during 2018-19:

Sl.	Projects	Rs. in crore
1	Kameng HEP (600 MW)	249.40
2	Pare HEP (110 MW)	56.81
3	Tuirial HEP (60 MW)	30.00
4	TGBPP (101 MW)	10.00
5	AGTP CC Extension Project (51 MW)	3.00
6	Survey & Investigation	20.79
7	Renovation and Modernisation, Kopili HEP	5.00
8	RE projects (2500 MW)	25.00
	Total	400.00

In view of the above, it is proposed keep in place an approval of the Board for raising debt upto Rs.1000 crore during the FY 2018-19 through privately placed PSU Bonds or long term INR loan(s) from Financial Institutions depending upon the market circumstances from time to time.

In case of mobilisation of funds through privately placed PSU Bonds during 2018-19, it is required to seek the approval of the Shareholders [as per the Companies (Prospectus and Allotment of Securities) Rules, 2014 notified on 27th March, 2014].

The proposed borrowings of Rs.1000 crore are also to be secured by way of mortgage/hypothecation of the Corporation's fixed assets. In view of Section 180(1) of the Companies Act, 2013, a special resolution of the Shareholders will also be required for creation of security for the proposed borrowings.

The proposed borrowing of Rs.1000 during 2018-19 together with the total borrowings outstanding as on 31.03.2018 (i.e. Rs.6659.60 crore) is well within the borrowing powers of the Board.



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The Board, in its 239th meeting held on 14.05.2018, had recommended the issue of Redeemable Non-Convertible Taxable Debentures to the extent of but not exceeding Rs.1000 crore during 2018-19 for approval of the Shareholders in terms of Rule No.14 (2)(a) of Chapter 3 of the Companies (Prospectus and Allotment of Securities) Rules, 2014.

The Board in its 239th meeting had also recommended the creation of security by way of mortgage and/or hypothecation of the assets of the Corporation against these borrowings aggregating Rs.1000.00 crore for approval of the Shareholders in terms of Section 180(1)(a) of the Companies Act, 2013.

None of the Directors or Key Managerial Personnel of the Company or their relatives is in any way, concerned or interested, financially or otherwise in the resolution.

The Board recommends the resolution for your approval.

By Order of the Board

Sd/-
(Chiranjeeb Sharma)
Company Secretary-cum-LA



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FORM OF PROXY

Name of the member	
Registered Address	
Folio no.	
Email Id	
No. of shares held	

I, being the member of _____ shares of the above named company, hereby appoint:

1	Name		Signature	
	Address			
	E-mail id			
Or failing him				
2	Name		Signature	
	Address			
	E-mail id			
Or failing him				
3	Name		Signature	
	Address			
	E-mail id			

as my/ our proxy to attend and vote (on a poll) for me / us on my/our behalf at the Extra Ordinary General Meeting of the company, to be held on Tuesday, 12th June, 2018 from 1:00 P.M. at NEEPCO Office, 15 NBCC Tower, Bhikaji Cama Place, New Delhi - 110 066, and at any adjournment thereof in respect of such resolutions as are indicated below:

No.	Resolution	For	Against
Special Business:			
1	Issue Redeemable Non-Convertible Taxable Debentures and create security by way of mortgage and/or hypothecation of the assets of the Corporation		

Signed this _____ day of June, 2018

Revenue
stamp of
Rs.1/-

Signature of shareholder _____ Signature of Proxy holder _____

NOTES:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
2. The Proxy Form should be signed across the stamp as per specimen signature registered with the Company.
3. Please put 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
4. Appointing a proxy does not prevent a member from attending the meeting in person, if he so wishes.



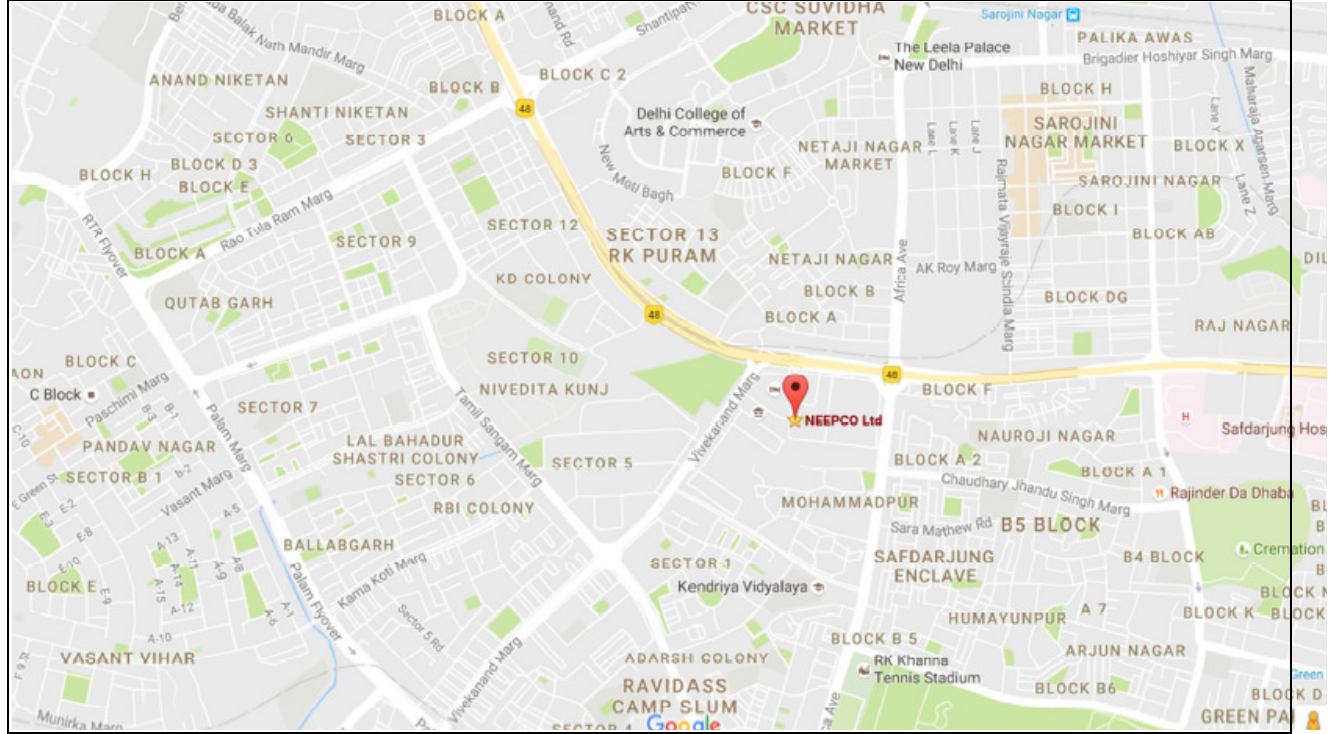
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ROUTE MAP TO THE VENUE OF THE MEETING



टेलिफैक्स सं./Telefax No.0364-2228652, ई-मेल/email - chiranjeeb@neepco.co.in

वेबसाइट/website - www.neepco.co.in

सीआईएन/CIN - U40101ML1976GOI001658