



“NHPC Limited Conference Call”

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Moderator

Ladies and gentlemen, good day and welcome to the NHPC Earnings Conference Call hosted by Antique Stock Broking Limited. As a reminder, for the duration of the conference, all participants' lines will be in the listen-only mode, there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Rahul Modi of Antique Stock Broking. Thank you and over to you sir.

Rahul Modi:

Thank you Inba. Good morning everyone. I welcome you all on behalf of Antique Stock Broking to discuss 1Q FY'14 Results of NHPC. We have with us the management of NHPC represented by Mr.ABL Srivatsava, Director Finance, Mr. Jayant Kumar, ED Finance and other senior people from NHPC. Now I will handover to Mr. Srivatsava for his opening remarks followed by Q&A. Handing over to you sir. Thank you.

ABL Srivatsava:

Good morning everybody. I am ABL Srivatsava this side. Along with me there is my team of senior officers ED Finance, Mr. Jayant Kumar, ED Commercial, Mr. Babu, ED Project Management Mr. Parija and ED Planning, Mr. Sarkar. Good morning once again to everybody. I am happy that all of you have shared time to have a discussion on our first quarter results. As you know that yesterday evening our Board has considered our quarterly results and approved it. It has been hosted in NSE and BSE and hopefully you all have gone through it. Just to give the highlights, I will like to say that generation, which is a bread and better for the NHPC has been 3.8% higher than the previous year. Last year our generation was 6148 million units while this year, we had generation of 6378 million units. This higher generation is in spite of the fact that one of our power stations at Dhauliganga has been affected due to current unprecedented rains in Uttarakhand and the power station at Dhauliganga has not been in operation since 17th June.

The increase in generation has been possible because of addition of three plants in the last 12 months that is Chamera III, Chutak and TLDP III, which have given a contribution of 433 million units as against 64 million units in the corresponding period this year.

On sales side, I would like to mention that as against sales of 1399 Crores in the previous year corresponding quarter this year sale has been 1601 Crores. This is mainly due to commissioning of these three plants, which I mentioned just now.

The profit of the quarter has been 720 Crores as compared to 670 Crores corresponding period previous year. On an apple-to-apple comparison basis this adjusted profit is 716 Crores as against 644 Crores in the previous year. Therefore you see that the Company's

financial performance in the first quarter both in the terms of generation sales as well as the profitability has been better than the previous year and I am hopeful that we are among the top public generation companies who has given this growth. I hope that you are aware about growth of other companies in the power sector corresponding period.

Another concern, which has been with the NHPC and other generating companies is realization side. Definitely, there is an increase in the debtors. This increase is mainly because of substantial billing of arrears of watercess done in the last six months but I am happy to note and convey that as far as outstanding above six months are concerned the position is not alarming and in spite of an increase in the billing, we have been able to maintain this figure and this has become possible with our close coordination, close contact with the beneficiaries to get the realization and our actual cash inflow is substantially higher than the previous year same quarter. This is about the profitability side. One of the concerns, which all the investor's and analysts must be having is impact of recent flood in Uttarakhand on NHPC.

In this regard I would like to mention that our Dhauliganga Power Station, which has a capacity of 280 MW has stopped functioning from June 17, 2013 and there is a major loss and we are making all efforts to restart this plant as early as possible. We have deployed additional resources from the different units to see that this plant is made operative as early as possible.

As per early indications of the work, which is to be done there will be some replacement of equipments, electrical equipments because of submergence and we are hopeful that by end of this calendar year, we should be able to restart the plant. The affect is that roughly generation of 1100 million units comes from this power station in the last year. Till the date of incident our generation in this plant was 280 million units so therefore roughly hit of 800 million units is expected from this Power station.

There is another plus point that our entire loss of 800 million units will not directly hit in our bottomline. The reason is that few years back NHPC has introduced concept of having assets in store along with the loss of profit policy and because of this policy taken, the loss will be borne by the insurance company. As per the major clauses we will get annual fixed charges from the insurance company for this period after the 14 days of loss means first 14 days loss will not be compensated and loss of the remaining nine months AFC will be available from the insurance company. Definitely we will be loosing on the secondary and UI charges we are able to generate from this power stations.

I hope that the concerns of the investor in respect of the present flood are clarified on these issues. You must have recently read in the newspaper that NHPC had already started

expression of interest for expanding the business through joint ventures in the private sector. Just to brief on this issue, I would like to mention that our endeavor is to get new business through this mode in respect of the Greenfield project where the private sector is willing to offer much stake. Till now our joint ventures had been with the state sectors only and this is the initiative and new step has been taken by the company to expand the business and to have a partnership with the private sector.

On the capacity addition point, you will definitely like to know something from us, we are hopeful that we will be able to add three projects during the remaining part of the financial year and they are Nimmo-Bazgo 45 megawatts, then Uri II 240 megawatt and Parbati III 520 megawatt. As you are aware that investment of the Parbati III, the water will not be available for the full capacity and one or two units only will be effective. Definitely, the benefit of revenue by addition of these plants will not be available for the whole year and will be available for the second half of the financial year when generation is lower but the benefit of a capacity addition of these plants will be available for full year in the next financial year.

The point is there is one matter of concern from us for which I would like to have the comments from the analysts and other that what is to be done by the company that you know that our book value is around Rs.23. When we had gone for the IPO, we had sold this price to book value of more than 2 and investors have responded more than 24 times, but yesterday the stock position was Rs.17.30 and it was ranging between Rs.17.30 and Rs.18. What are the remedial measures, which you expect from the company or what are your concerns, which you want to highlight to the company, which we should take care and make effort so that the investors confidence is improved and we are able to get fair price of our company in the market. You will appreciate that the present share price of Rs.17 or Rs.18 is much below than the real worth of the company. So, on this issue we will like to have a suggestion and points, which you can convey and definitely management is open, and will discuss and consider those issues with the open mind. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Salil Desai of Premji Invest. Please go ahead.

Salil Desai: Sir on this insurance claim for Dhauliganga so have we already approached the insurance companies and in what level of process we would be?

ABL Srivatsav: The insurance has been done by New India Insurance Company. Within the 48 hours of the incident we reported to the insurance company and that we deputed their surveyors. The survey has already been done and we are in the process of making claims as per their guidance. We have also requested them to give a lump sum advance of money pending and

10 days back only the Chairman of Insurance Company was here and we had discussed this matter and the issue is at the highest level, which is being monitored both by NHPC as well as by New Insurance.

Salil Desai: Are there any precedence wherein such events have happened and they are rare, but such consequences happened and insurance claims have gone through smoothly anywhere in the country?

ABL Srivatsav: I am not aware of any such incident. In one project few years back the entire powerhouse was submerged and they had restored in a couple of months. I am not aware whether that company had insured the power station and who were the insurance company and what was the outcome.

Salil Desai: But in your case you are confident that the insurance claim will come?

ABL Srivatsav: Definitely.

Salil Desai: Sir under the PPA the beneficiary is supposed to pay for the fixed charges in the post measure period also?

ABL Srivatsav: As clarify in my opening remarks that our insurance policy includes loss of profit clause and AFC for this period will be paid by the insurance company therefore the beneficiaries will not be liable for payment after AFC during this period.

Salil Desai: Sir final question is what is the physical extent of damage at the site how bad the things and what are the parts, which have been impacted?

ABL Srivatsav: Things are not good. One of our senior officers who was recently, recently means in the first few days of the incident, Mr. Babu is here, he will be in a better position to explain it. I request Mr. Babu who heads of Power station also a few years back on that site and presently heading the commercial division he was among the first few officers who has reached the site or visited the site. I will request him to explain.

M.S. Babu: Good morning. See the condition is that the total power station is submerged right up to the EOT crane level. Anyone can imagine that this is the maximum damage possible to any power station. The main thing is that approach to the power station is totally cut off at many locations and washing out of two to three bridges. So the main problem was that approach is difficulty, inspite of that for shifting the equipments even using helicopters or lift in the equipments, we have started the diverting and process is almost diverted. We are using the time for analyzing the loss and estimation as well as spurt in the equipments, which are supposed to be replaced there. This we are already doing it. So the thing is that planning is

in full swing but actual work can be taken up only after the connectivity is through for that we are pursuing with the concerned agency BRO (Border Road Organization) they are dealing with and it is expected that they will take some more time about a month to get the road through and the bridge restored.

- Salil Desai:** So, your December deadline is based on all of these constraints that you see today?
- ABL Srivatsav:** Yes.
- Salil Desai:** Thank you so much and all the best.
- ABL Srivatsav:** We have been joined by our Director Technical, Mr. Bhargav just to inform you and he will be also here to supplement if any information you need.
- Moderator:** Thank you Mr. Desai. Our next question is from Abhishek Anand of JM Financial. Please go ahead.
- Abhishek Anand:** Very good morning Sir. Sir a couple of questions from my side! Sir the insurance, which we have for the project Dhauliganga, it is for certain period or it could be suppose if we find that it could take another year or so or more than that so our complete AFC will be covered for the year is that the case? Secondly I would like to know the progress of Subhasri and Parbati II, at what stage we are in and what is the commissioning timeline and thirdly also I would like to know on the receivables side more than 60 days what is the position like and as compared to March where is it and specifically J&K's receivable?
- ABL Srivatsav:** I will like to respond you one by one. As far as the insurance issue is concerned as mentioned that beyond 14 days loss of profits policy is covered and AFC will be given. There are no outer limits that only up to six months or one year or nine months it will be paid. The AFC for the entire period of the restoration will be paid and it will be our endeavor to restart the recommission the project as early as possible.
- As far the Subhasri and Parbati projects are concerned these two projects is a matter of concern for all of us and work at Subhasri is yet to restart. Parbati the progress is also slow and as of now today it is not possible to give any firm date by when these commissioning of these projects will be possible.
- Abhishek Anand:** Sir just to interrupt sir in as we understand Parbati's order was supposed to be placed but it has not been awarded yet any particular reason why the contract has not been awarded?
- ABL Srivatsav:** The issue is that we are in the process of awarding and we are hopeful that in the next couple of days issue will be closed. On the receivables side, I will like to mention that as on

March 31, the outstanding beyond 60 days was 830 Crore, which has come down to 721 Crores as on June 30. Definitely J&K is an area of concern this is the only beneficiary where the default has increased but the point is that they have restarted payments and in the current four months we have received substantial amount during this period. Total realization during this period from the all the beneficiaries have been 836 Crores. As far as J&K specific position is concerned I will request Mr. Babu to explain.

M.S. Babu: There is considering improvement in the realization part. The total outstanding have further reduced from 721 to 674 Crores as on date. J&K as on the balance sheet is only 441 Crores, it has reduced drastically and the happiness is that the total collection during April to July till date is the highest ever and that collection during the monthly month July also is the highest ever for 836 Crores so the position considerably improved particularly UP was having problem of settlement of dues. Luckily their financial plan has been approved and they got the loan they have paid the entire due that is the main contribution for us.

Abhishek Anand: Sir just to understand J&K is at 441 Crores by the end of June 30, am I correct?

M.S. Babu: Yes as on date.

Abhishek Anand: This figure was how much at the end of March 31?

ABL Srivatsav: As on March 31, it was 317 as on June 30 it was 477 and as on date it is 441. The other issue my Director Technical Mr. Bhargav will like to supplement what I have told.

Bhargav: In Subhasri because of our main concerned was regarding safety of the dam. The main point of the agitation was that the dam is not safe so for that Government of India constituted a committee it is called Dam Design Review Panel. In that member from Center Water Commission, Geological Survey of India, Central Water Power Research Station and NHPC they were the members. So that report has been given by this panel and panel has constituted that the dam is absolutely safe. They have recommended certain additional measures and finalized that that with the additional measures there should be no doubt for the safety of the dam, that report has been accepted by Government and now we are having dialogues with Assam Government regarding to convince the agitators that there is no safety issue for the dam and we hope that matter should be resolved soon so that we can start the work.

Abhishek Anand: Thank you so much.

Moderator: Thank you. Our next question is from Bhavin Vithlani of Axis Capital. Please go ahead.

- Bhavin Vithlani:** Good morning Sirs and thank you very much for this opportunity. I just wanted to know what is the gross block in the regulated equity for as of June 30, 2013?
- Jayant Kumar:** The regulated equity as on June 30, 2013 is 8472 Crores.
- Bhavin Vithlani:** When you say regulated equity this has been entire number is approved or how much of that is yet to be approved from CIC?
- ABL Srivatsav:** In respect of the four power stations, the provisional tariff is being paid as on date. They are Chamara III, Teesta V, Chutak and TLD-III.
- Bhavin Vithlani:** The gross block number?
- ABL Srivatsav:** Gross block in respect?
- Bhavin Vithlani:** Yes on the total books.
- ABL Srivatsav:** This 26751 is the gross block.
- Bhavin Vithlani:** Finally, I do not know whether you touched upon this earlier, but can you also tell us the UI incentive and secondary energy charges this quarter?
- ABL Srivatsav:** This quarter we had UI of 22 Crores with secondary energy of 64 Crores.
- Bhavin Vithlani:** That is it from my side. Thank you very much for taking my questions.
- Moderator:** Thank you. Our next question is from Abhishek Puri of Deutsche Bank. Please go ahead.
- Abhishek Puri:** What is the plant availability based incentive for the quarter?
- ABL Srivatsav:** Plant availability as on for the first four months has been more than 90% it is 91.6%.
- Abhishek Puri:** So what is the incentive number?
- ABL Srivatsav:** As on June 30 it was 93.30.
- Abhishek Puri:** I am asking it in Crores of you know 43 absolute numbers that earned additional capacity charge over VST?
- ABL Srivatsav:** 94 Crores.

Abhishek Puri: Sir secondly regarding the auditors notes, which have come out regarding the Subansiri lower project what is the real issue sir in terms of the O&M cost and interest cost are they not allowing that to be capitalized?

ABL Srivatsav: The auditors have raised the concern that since the Subansiri project, which is closed from the December 16 and no major work is going therefore the borrowing cost for this period should not be capitalized. We have made them clear that it is true that no physical work is going on there but technical and administrative work is going on and in respect of the hydro project because of the local issues sometimes the work is temporarily suspended and during the temporary suspension period, the cost of the borrowing cannot be charged to the profit and loss account. This was the management view; however, the auditors had a different opinion on this issue that this can not be capitalized. Since in the opinion of the management the capitalization was necessary and is necessary work project has not been suspended therefore it should continue to be the part of the capital work-in-progress. And accordingly management has reiterated and is making provision in the capital work-in-progress for this amount. There has been a difference of opinion and accordingly the matter has gone to the CAG also for the views. The CAG has advised us to seek the opinion of expert advisory committee from the institute. So we will be taking opinion from the institute in this regard and if needed we will approach the Ministry of the Corporate Affairs also because management is of the firm view that this should be allowed to be capitalized unless the capitalization is allowed it may be difficult at subsequent period to get in the tariff. In the past NHPC have the cases where the work was closed for not only few months but for three to five years as you know in case of velocity and the competent authorities CERC and the ministry's have accepted this suspension period expenditure including interest to be capitalized. Based on the precedence we are hopeful that finally it will be possible to keep this amount capitalized.

Abhishek Puri: Sir how much are we invested on this Project Subansiri (Lower) till date?

ABL Srivatsav: Till date our expenditure is more than Rs.6000 Crores.

Abhishek Puri: Sir lastly on the Uttarakhand for Dhauliganga plant, you said the loss of profit is ensured the expenses that we will make to recover the machinery has that also been ensured and any round estimates as to how much we will be spending?

ABL Srivatsav: The insurance is taking care of the restoration cost as well as the loss of the profit to the extent it is covered in the policy. There are some deductibles in the policy naturally to that extent where NHPC will have to take a hit but that amount will not be substantial, major part of the restoration cost and the loss of the profit through AFC is covered.

- Abhishek Puri:** Sir is it true that under the PPA can you capitalize the additional expenses that we make from your balance sheet or it would not be allowed under the PPA?
- ABL Srivatsav:** There will be much expenditure in the restoration, which will be covered in the insurance and naturally if amount is covered in the insurance there is no need to claim it on the beneficiary.
- Abhishek Puri:** On debtors you said the amount outstanding currently 627. Second is on how are you approaching for the CERC approach paper, which had come out that you have been seeking governments how are you approaching this CERC regarding the next five year tariff policy?
- M.S. Babu:** The outstanding as on date is 674. It is outstanding as on date. It is of course general approach of the commission giving many options so definitely we have chosen the best option for the Hydro sector and NHPC in particular and we have submitted the detailed comment to CERC on time on 24th itself. So there are many points wherein our points are being taken care of by the commission and giving a thought to it including additional ROE for Hydro divisional tariff for Hydro, seeking tariff additional law and expenses, doing up of O&S these things where we are asking since long and commission is taking a note of it and given a thought to it so definitely further this issue will be considered as per the consolidated comments of many stake holders and I think this will come out in the draft, which is yet to come.
- Abhishek Puri:** Just comments on the specifically on the actual cost which CERC was proposing versus a benchmark based cost, which I think in the approach paper we have introduced that kind of concept?
- M.S. Babu:** Yes exactly, against this issue we have mentioned that neither it is foreseeable nor practical for standardizing the construction period of Hydro consequently the capital also. Once the construction period cannot be standardized definitely the capital cost also cannot be standardized so our approach is very clear and we are taking this time consistently.
- Moderator:** Thank you. Our next question is from Bhavin Vithlani of Axis Capital. Please go ahead.
- Bhavin Vithlani:** My question is on the new projects we were reading in article that Government of India is now becoming cautious in approving new projects for forest and environment clearance after the Uttarakhand issue could you throw more light on this and also if you can highlight which are the new projects which NHPC will start construction in current year or next year?
- ABL Srivatsav:** First thing you have mentioned is very correct that post Uttarakhand issue the Government is taking a real view. One thing before I request Mr. Sarkar, ED Planning to respond I will

like to make things very clear to all concern that there is myth among the people that the Hydro project are affecting this issue and the culprit for this rain and others things are the Hydro projects. I would like to tell that had TERI Hydro project not been there the position would have been more devastation and at least Rishikesh would have been washed out. It would have affected up to Haridwar also. Therefore I will request everybody to make the things clear that construction of the Hydro projects helps in the controlling a flood rather than increasing the flood and which has been proved in the Uttarakhand by TERI dam. TERI dam has controlled substantial part of the flood during this period so therefore this myth needs to be clarified to all concern that Hydro is culprit for the this devastation. Now I will request Mr. Sarkar to give you brief about the upcoming projects which are in the clearance stage and likely to go for construction.

Sarkar:

It is in Uttarakhand 195 megawatt all clearances are in place. A note for PIB recommendation has also been circulated two days back and we are expecting to start construction during current financial year. Another project, which is in joint venture Pakal Dul projects 1000 megawatt in J&K that is also all clearances and CIB notes has also been circulated, we are expecting to start this project during current financial year. There are some projects, which are in pipeline and likely to start during next financial year after getting all the clearances, which are Teesta IV in Sikkim on Teesta River it is 520 megawatt and a few clearances are already in place like forest clearances in place. It is near to the National Park that is NBWL clearance and environment clearances are under process, which we are expecting soon. There are two projects on Tawang River in Arunachal, one is Tawang I and another is Tawang II. In case of Tawang II, we have already received environment clearance. Forest clearance has also been recommended by FAC and the formal clearance letter is awaited. In case of Tawang I which is 600 megawatt environment clearance is in place. Forest clearance has been linked to total basins biodiversity study, which is being undertaken by North-East Field University, Shillong and tentatively it, will be completed within one year after that forest clearance of Tawang I will be processed. And incase of Diwang project we have already successfully completed public hearing, which is a prerequisite for environment clearance and submitted environment clearance proposal to MOEF. But incase of forest clearance recently FAC did not recommend the forest clearance; however, we are approaching for reviewing the decision through State Forest Department because all the inputs from State Forest Departments was not available to with the FAC for taking that decision. So we are hopeful that this decision will also be reviewed by MOES. These are all the projects, which are in pipeline.. As I have already told that Kotlibhel IA and Pakal Dul are in advance stage and we follow during next financial year.

Bhavin Vithlani:

A follow up question to this is we keep hearing about cabinet committee on investment facilitating large projects. Is not like the cabinet committee on investment facilitating restart of construction for Subansiri and Parbati projects?

- Sarkar:** Once the government has taken initiative and since the dam safety issues have been resolved, so that will start soon. Parbati also as already told that the work would be awarded in a couple of days, so that work will also restart. So, we have not approached cabinet committee on investments for these projects.
- Moderator:** Thank you very much. We will take our next question from Anup Kulkarni of Emkay Global. Please go ahead.
- Anup Kulkarni:** Good morning Sir. I missed the UI number for this quarter as well as if you can give for March quarter FY'13?
- ABL Srivatsav:** As I have mentioned to you in the opening remarks that UI charges are 22 Crores and 44 Crores in the previous quarter.
- Anup Kulkarni:** Secondly Sir, you said in case of Subansiri dam safety issues have been taken care off and you expect to restart the construction shortly. If you give some more light on that have you reached an agreement with the locals there especially looking at the Uttarakhand what has happened in Uttarakhand? Have our negotiations taken any?
- ABL Srivatsav:** Formal agreement is yet to be done. We are in the process and taking the Government of India and Assam Government into confidence.
- Anup Kulkarni:** Informally you have reached an agreement with the locals there?
- ABL Srivatsav:** We will reach. Only after the agreement is reached and Assam Government is also on the board, only then it will be possible, and we are hopeful that it will be done fast.
- Anup Kulkarni:** So, this calendar year we can restart the construction?
- ABL Srivatsav:** I said in the opening remarks itself that as of date we are not in a position to give you the firm date by which we will be able to start, but as mentioned, that Government of India is also trying to resolve this issue and has been helping us in this issue, we hope that the issue will be resolved shortly. More than this we cannot give any firm date as of now.
- Anup Kulkarni:** Thank you.
- Moderator:** Thank you. Our next question is from Mohit Kumar of IDFC Securities. Please go ahead.
- Mohit Kumar:** Good morning Sir. My first question pertains to let us say for Dhauliganga we claim an amount of X and the insurance companies give an amount of Y. Will the difference can be recovered from beneficiary and capitalized?

ABL Srivatsav: This is a hypothetical question. This will depend on what things they have decided. We cannot say it blindly that the difference will be charged to the beneficiary. It will depend upon what has been desired.

Mohit Kumar: Is there a precedent where we have the capitalization account or force major condition could be recovered from the beneficiaries?

ABL Srivatsav: As mentioned, in the opening remarks that such situation has not been faced by NHPC in the past.

Mohit Kumar: Sir, my second question pertains to the regulated equity in joint venture. Can you just give us a figure of regulated equity?

ABL Srivatsav: The regulated equity?

Mohit Kumar: I think the figure you gave us earlier was for standalone? Am I right?

ABL Srivatsav: There are two things that we are working presently with the three joint ventures. One is NHPC in M.P., another is a Loktak downstream in Manipur and then this Dul Hasti in J&K. The capital which has been infused by NHPC in NHPC is 1000 Crores, in which we are getting the returns by way of dividend while in respect of the other two projects, Loktak Downstream where our investment is 118 Crores and this J&K Projects in Naghali, where our investment is 100 Crores the projects are in the stage of initial stage and the revenue is yet to start. Therefore returns on 1000 Crores equity deployed in NHDC is only as of now a little bit.

Mohit Kumar: That is all from my side. Thank you.

Moderator: Thank you. Our next question is from Jonas Bhutta from Bank of America. Please go ahead.

Jonas Bhutta: Good morning Sir. Just wanted to get your comments on the revise date of Uri for commissioning because I understand it was about August, so are we on track or that is going to be pushed to the second half of the year?

ABL Srivatsav: I will request Mr. Parija, who is heading the project monitoring. He will be in a better position to give you the full input.

Parija: Good morning. We still expect something by August or so because the work we have assigned the problems we faced over there, the machines are already ready. So, one unit at least by August we are expecting and all by October.

- Jonas Bhutta:** Sir, my second question it is more like a maintenance question. If you can give us the total capex undertaken in all your projects which are under construction until Kishenganga as of June 2013? We have the figures as of March.
- ABL Srivatsav:** 15700 Crores.
- Jonas Bhutta:** Can I have that project wise basically?
- ABL Srivatsav:** We will mail you in an hour's time. Kindly give me your email address. We will mail it to you within an hour's time.
- Jonas Bhutta:** Sir, my last question if I can push in one was on Dhauliganga again. Just trying to understand the insurance company reimburses for us until the normative PAF. So, technically your PAF should not be impacted by this event?
- ABL Srivatsav:** As I mentioned to you that this project is under insurance, we have insurance of 1912 Crores for fire and allied and for 765 Crores for machinery breakdown. In addition to this loss of profit policy beyond 14 days is covered and during this loss of profit we will be able to recover AFC from this insurance company.
- Jonas Bhutta:** So, because I see because in the month of June our PAF for that project has dipped to 53% against the 94% odd that we have been maintaining for quite few months. So, I was just trying to understand that irrespective of that we recover our full AFC and on a consolidated level, our PAF should remain unaffected?
- ABL Srivatsav:** You know that the recovery of AFC through capacity charges, if we achieve that normative PAF of 88% we will be getting the full capacity charges. In this case we achieved the normative actual land availability within this quarter 86 as against the normative of 85. So, we got the full capacity charges, cumulative capacity charges during the quarter is 86 as against normative of 85.
- Moderator:** Thank you very much Sir. We will take our next question from Vishal Periwal from CIMB Securities. Please go ahead.
- Vishal Periwal:** Good morning. Sir, again on Dhauliganga the insurance portion, which part of the equipments or which all equipments and areas are covered under insurance and which are not?
- ABL Srivatsav:** I think all of you have a major concern about the Dhauliganga. What I will do is we will send you by mail a brief note on Dhauliganga. Although we have tried to clarify most of the issues in my opening remarks only but what I will request to you is that on this Dhauliganga

if you have whatever are the questions by any they may kindly mail us today and we will respond all those questions in the next 24 hours, because most of the reply or most of the issues maybe based on the policy, which has been taken and it will depend on the comma, or full stop of the policy.

Vishal Periwal: Basically what we were trying to understand is all the equipments and areas, which all areas near about the power stations which are covered under the insurance policy and which areas are not covered or equipments are not covered?

ABL Srivatsav: I told you, in the beginning that the entire project has been covered under the insurance policy including loss of profit and I also gave the breakup of the insurance companies by way of fire as well as the machinery breakdown. The entire main projects is covered by way of insurance, minor accessories like residential building and other things, which are beyond major or may not be covered. Normally we also get those assets ensured in that, but even there maybe very negligible part, which is not covered, may not be. Hopefully, everything is covered.

Vishal Periwal: I will send you my detailed questions. A couple of more questions; first on the receivables including unbilled revenue which was around 3400 Crores in FY13 can you give us the latest numbers for that, because I think the numbers which has been shared is for greater than six months?

ABL Srivatsav: As on date the unbilled receivables are 554 Crores as on June 30, 2013.

Vishal Periwal: Excluding unbilled?

ABL Srivatsav: I said unbilled is 554 Crores. We have debtors of 2750 Crores out of which debtors is more than six months are 380 Crores and less than six months are 2370 Crores. As mentioned we have another meeting at 11.30. Kindly try to finish as early as possible.

Moderator: We will take our last question from Alok Ramachandran of SBI Cap Securities. Please go ahead.

Alok Ramachandran: Thank you for the question. One is I would like to need some view on the tariff approach papers that CERC has put in on especially on the ROCE front. Now assuming, I guess this was same also deliberated upon in the 04/09 regulation too wherein the commission was preferring ROCE approach compared to the ROE methodology but then it felt that the debt market in the country has not been as fluid as it was then, but it was relatively now so I wanted a thought process regarding that. So, if the process of or if the ROCE methodology is undertaken and possibly the ROCE rate of return will definitely or should be lower than

the ROE approach, so will it impact and what is the view of NHPC regarding the same. So, I would like to need some comments regarding that?

ABL Srivatsav:

The commission has already considered these things during the last period also whether to go with ROE or switch over to ROCE approach, but all generators and assets relationships were against it and because of our clear view that ROE should be there for project because the equity deployment in each project varies and we have invested based on the approach of the government and the commission. Now it is changing the norms and if it is going to affect the returns definitely it is not in the interest. Consistency of tariff is a basic requirement as per as this Electricity Act and Tariff Policy. So, I do not think that at this time also commission will go for it, of course they asked for the comments, it is only a suggested approach. They have given what is the advantage of ROE and advantage of ROCE etc., definitely in stake holdings we will say all generators are of the strong view. I have got the opinion other generators including PSUs, PowerGrid, State Utilities, NTPC, they are of the clear view that ROE should be continued at the same time that should be a differential tariff and ROE rate should be commensurate with the market rate and it should be at least increased to 18%. They have argued with the data. So it is very clear that ROE approach should be continued, if at all they would like to switch over to ROCE, it should only be for the new projects, not for the old projects.

Alok Ramachandran:

Last question will primarily be on the net interest assets versus the gross sales approach. That is the new approach that the commission has deliberated upon in the new tariff sub paper. Can you just view on that because if that comes in then possibly you might get some return on the equity that you have invested in the CWIP, which you are stuck on which you are not getting any returns? So if the ROCE comes in so since that is a significant amount of around, if I am not mistaken around 8000 Crores of equity that is stuck in the CWIP, so you make an additional return on the regulatory equity out there?

ABL Srivatsav:

Just now our ED Commercial has said that our basic approach is the consistency and the returns could be consistently and we should get a consistent return on our investment. So, whatever was our approach was the gross fixed assets approach that approach will continue. So we will be preferring ROE, we have given our comment that we will go for the ROE and as he has said that these are the PSU etc., of the same view, so our reply has been submitted to regulatory authority, let us see what they come up with.

Alok Ramachandran:

Thank you so much.

Moderator:

Thank you. As there are no further questions from the participants, I would now like to hand the floor back to Mr. Rahul Modi for closing comments!



*NHPC Limited
August 01, 2013*

- ABL Srivatsav:** Before we close, I have not received the reply to my query which I had raised in the beginning that why our stock is performing so poorly as against the book value, and what are your suggestions on the issues. Incidentally none of the respondents have responded to my query. Everybody has been expecting the response from us and we have been responding on all the questions. I once again request, if you have any idea on this, kindly mail us and management will be very positive to look into those issues so that real worth of the company is reflected in the market. Thank you.
- Rahul Modi:** Thank you. Mr. Srivastav. Thank you everyone for joining on this call and a special thanks to the NHPC Management for giving us the opportunity to host the call. I will make sure at least I will mail from my side. Thank you very much Sir.
- ABL Srivatsav:** Thank you.
- Moderator:** Thank you very much Mr. Modi and members of the management team. Ladies and gentlemen, on behalf of Antique Stock Broking Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.