

NHPC Q2FY14 EARNINGS CONFERENCE CALL

– **MODERATOR - MELISSA**

- Ladies and gentlemen, good day, and welcome to the NHPC Q2FY14 Earnings Conference Call hosted by Prabhudas Lilladher. As a reminder all participants' lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and 0 on your touch tone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Rupa Shah from Prabhudas Lilladher. Thank you and over to you.

– **MS. RUPA SHAH – PRABHUDAS LILLADHER PVT. LTD.**

- Yeah hi. Thanks Melissa. Good afternoon everyone. I welcome you to the Q2FY14 conference call of NHPC. We have with us Shri A.B.L. Srivastava who is a Director Finance of NHPC and his team members who will take us through some initial highlights on the results and then we can proceed to the Q&A. Over to you sir.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

- Good afternoon A. B. L. Srivastava this side. I have a team of senior officers with me. Mr. Shivkumar who is looking after the project management, Mr. Sarkar who is looking after the planning, Mr. S.K. Agarwal who is looking after our power stations. Then Mr. Kukreja and Mr. Jayant Kumar, our ED Finance, and other officers from the commercial and other divisions, to respond to your queries if any.
- To begin with, I would like to express my apologies for not being with you yesterday when we actually declared the result day before yesterday evening. Unfortunately due to my pressing engagement earlier I had to be out. Therefore we kept this conference call with the break of one day.
- As you are aware that NHPC has declared half yearly results, and probably it is one of the few public sectors, who have got this account on audited basis, rather than on limited review basis. With a view to have a good corporate governance, the NHPC management has taken this initiative of having audited results on half yearly basis. And management has also decided to go ahead with this practice for the next years to come. The profit of the NHPC for first half has been slightly lower than the previous year corresponding period. Last year we had profit after tax of 1454 crores, while this year is 1426 crores. Generation side we had a setback and in spite of the first year additions of the few plants, our generation

has been lower than the corresponding period of previous year. The main reasons have been as you are aware, that one of our power stations, Dhauliganga, which is situated in Uttarakhand, has faced closure from the middle of June because of the heavy floods there. And that power station is still closed. We are making all efforts to restart the major work. For restart it has been awarded to various agencies. We are also taking support from the BRO to get the roads etc. prepared and have planned in such a manner that by the end of the current financial year, the project is restarted. And our efforts are there in this line. Just as a matter of reminder that the effects of the Dhauliganga project along with other power station projects has been insured by the NHPC as per the policy adopted from 2008 and this insurance policy includes, loss of business also. Therefore the major losses which are likely to be affected in this project will be covered. Definitely a part of the hit will be on NHPC side. As on date the insurance agency has given us lump sum 35 crores on account payment and the balance payments will come as and when the claims are filed and they are assessed by them. The other thing is that although the profit of the company as a whole during this period has been less than the profit in the corresponding period, but there are few receipts which have led to this slight reduction that I would like to share with you. One is that there were some contingent liabilities issued, continuing for a long time in respect of the J&K. they had various claims of more than 300 crores and we have settled those claims. Part of that around by way of settlement is going to the profit & loss account, which is affecting the bottom line by 58 crores. This is the one reason for being the overall reduction in the profit from the corresponding period. Secondly in the last year, there were some incomes of about 80 crores, relating to the previous year that abnormal income has not come. But this is not an excuse for having less profit. Definitely our generation which we were expecting as per our MoU entered with the Ministry of Power and as per our expectations, have not been to the desired extent because there was less availability of water in respect of many power stations, that is Baira Siul, Chamera I, Chamera II, Chamera III, these power stations which are situated on the Rabi River. And 586 million units shortfall in respect of Dhauliganga.

- Similarly the new power stations which were added during the year, that is Chutak and TLDP III, the generation has not been as per the design energy, and unfortunately we had been able to generate only 143 million units in respect of these power stations.
- On the expenditure side I would like to say that there is no abnormal increase on the expenditure side. And as per the last year in spite of having 2-3 power stations there has only been a major increase in depreciation which is because of the new additions of the power stations.

- One more thing which I would like to share is that CERC while fixing the tariff, takes the provisional cost in respect of those projects where the cost has not been approved by the competent authority. In respect of our five power stations, i.e. Chamera II, Chamera III, Sewa II, and Chutak, and the fifth TLDP III, the revised cost estimates are yet to be approved by the competent authority. Pending the approval thereof, we have recognized the income under provisional basis and we are hopeful to add a profit of 180 crores once these cost estimates are approved. The company has been adopting the prudent practice while recognizing the revenue and therefore this about 180 crores billing which we are hopeful that it will be available post our revised cost estimates approval has not been accounted for.
- You must be definitely concerned and willing to know about the progress of the Subansiri project. As all of you are aware that the physical work on this project is stopped from the 16th of December 2011 because of the agitations and our efforts are on to resolve the issue as early as possible. The matter has been taken up at the highest level by the Ministry of Power and the Government of India. Today also there is a high level meeting at Guwahati with the Chief Minister where the Secretary Power, Government of India is there. And we are hopeful that this issue will be resolved very shortly and NHPC will be able to restart the work soon.
- There has been a news sometime back about the Dibang project that the MoEF has rejected clearance. On this front I would like to update that the matter was taken up at an appropriate level through the Ministry of Power. And Ministry of Environment and Forest has given us consent under which they will reconsider the clearance issue. They have advised certain steps to be taken before they restart reassessment and reconsideration. Those issues are being prepared and will be submitted to MoU shortly. We are hopeful that Dibang MoU clearance which has been denied, will be reconsidered favorably and some decision will come.
- The next issue which has been concerning everybody including NHPC is the issue of the recoverable from the beneficiaries. The position as far as recoverable is concerned, it has substantially improved over the previous quarter except in respect of the one state, i.e. J&K, where our dues are more than 900 crores. We are hopeful to resolve this issue as early as possible and I mentioned in the earlier remarks that there were certain issues of disputes of more than 300 crores which were raised long back and have since been resolved with mutual satisfaction, and against which the provisioning has also been made. So we are quite hopeful that consequent upon the resolution of these issues, the J&K government will start making payments of the over dues and these over dues will be paid shortly.

– **MODERATOR – MELISSA**

– Ladies and gentlemen we have the line of the management back. Thank you.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Thank you. Sorry. Because of technical reasons we have not been having interaction for a few moments. I was just going to sum up on the profitability side that our new power plant Chamera and Chutak have added to the profitability. To sum up on the conference I will just like to tell you about tax free bond issue which has just closed. With the public participation we have got excellent response. The issue was over-subscribed in all the categories within the three days and within 20 days we have been able to complete the transaction from opening till listing. That is one of the record time lines which has been done by any issuer of the tax free bond in the country. To be first in the country again, NHPC in respect of the buyback the Government of India in the March 2012 has opted that all the companies should have the enabling provision in their articles to have a provision for buyback. The NHPC did it in September'13 and NHPC board approved the buyback. The government has also agreed for the participation and 8th

November record date has been fixed. We have already filed the document with the SEBI and we are hopeful that in a day or two we should get the clearance and be able to complete the SEBI buyback transaction by middle of next month. Let me inform you that our Director Technical, Mr. D.P. Bhargava has also joined the conference and he is available to answer your questions if any. Now I hand over the mike to you for the questions.

– **MODERATOR – MELISSA**

– Thank you. Ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touch tone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking your question. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have the first question from the line of Vishal Periwal from CIMB Securities. Please go ahead.

– **MR. HARISH BIHANI – CIMB SECURITIES**

– Hello sir good afternoon.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Good afternoon.

– **MR. HARISH BIHANI – CIMB SECURITIES**

- Sir, Harish Bihani from CIMB Securities. My first question is on the contingent liability. You mentioned that the liability was 300 crores and we settled it at 58 crores. I wanted to understand the exact nature of this liability A, B what was the accounting treatment that was done for this particular liability in terms of the PBT impact if you can help us with that.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- The issue raised by the J&K government with respect of the power consumed by our Dulhasti project while in construction from the Salal power station. This had raised the various bills over the years of 300 crores. There was a high level meeting in the ministry and it was finally resolved that only 96 crores is payable and out of this 96 crores, 58 crores pertains to the post construction period. This 58 crores includes the interest component. So that 58 crores you are taking to the profit and loss account, while the remaining 38 crores which pertains to the construction period that will be capitalized.
- **MR. HARISH BIHANI – CIMB SECURITIES**
- Just to understand this better sir, what was the accounting treatment that we had earlier and how we have changed this right now?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- There was no accounting treatment. It was shown as a contingent liability.
- **MR. HARISH BIHANI – CIMB SECURITIES**
- Ok so that 58 crores was shown as contingent liability and now you have provided for that.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Yes. That's why it is coming to the profit and loss account.
- **MR. HARISH BIHANI – CIMB SECURITIES**
- Ok sir. And my second question is on the other income. Can you give us the breakup of the other income for the quarter and first half? The reason for asking this is if you see last year FY13, for liability provisions, return back was almost 200 crores and your interest in provisional billing was 140 crores. So total of almost 500 crores came from those two items. So what was that in the first half of this particular year?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- In the first half, other incomes are 458 crores. And the breakup of 450...do you want the breakup of 458 crores?

– **MR. HARISH BIHANI – CIMB SECURITIES**

– Yes sir broad break up to understand what is recurring and what will not flow in.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– We can bifurcate other incomes into two. One is the income relating to the beneficiaries and other relating to the operating side. As far as the interest on the beneficiaries is concerned, which is in respect of the dues, it has come down from 55 crores to 6 crores because incidentally the default has been less. So therefore this is less. And in respect to the contracts and projects management, it has come down by....it has increased by 6 crores. And the major increase in other incomes is from the interest on deposits.

– **MR. HARISH BIHANI – CIMB SECURITIES**

– So was there any FMP income in which maturity happened in the first half and probably will not happen....

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– No, no we don't have fixed maturity plan investments. We have investments in bank deposits and income is accounted for in accrual basis.

– **MR. HARISH BIHANI – CIMB SECURITIES**

– Sure sir. Thank you so much.

– **MODERATOR – MELISSA**

– Thank you. The next question is from the line of Jonas Bhutta from Bank of America. Please go ahead.

– **MR. JONAS BHUTTA**

– Hello?

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Yes?

– **MR. JONAS BHUTTA**

– Good afternoon sir. I had three questions. Firstly on Dhauliganga since you've already started receiving some sort of payments from the insurance company, could you highlight to us what is the total claim as in what is the total claim that you've put forward A on loss of profit and B just physical damage to the plant? The second question was more on this probational billing or tariff that you're claiming on Sewa, Chamera, Chutak and TLDP III, and you mentioned that there

could be an incremental impact of about 180 crores and this I presume will be on earnings. And the last question was if you could give us a break up of receivables greater than 60 days. What are they now and what were they about a quarter back?

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– For Dhauliganga issue I am requesting Bhargava saab to reply and the rest two I will be responding after this.

– **MR. D.P.BHARGAVA – DIRECTOR TECHNICAL, NHPC**

– Yes I am Bhargava, Director Technical. Regarding this Dhauliganga, for the achievement restoration, the claim is around 150 crores. And for business interruption it will be around something like 220 crores.

– **MR. JONAS BHUTTA**

– 220 crores for business disruption. So total claim of about 370 crores.

– **MR. D.P.BHARGAVA – DIRECTOR TECHNICAL, NHPC**

– Yes, yes.

– **MR. JONAS BHUTTA**

– Of which we've already received 35 crores.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– On account payment.

– **MR. D.P.BHARGAVA – DIRECTOR TECHNICAL, NHPC**

– For restoration work.

– **MR. JONAS BHUTTA**

– I presume that you're not....the current quarter numbers do not include any billing on account or any claim on account of Dhauliganga?

– **MR. D.P.BHARGAVA – DIRECTOR TECHNICAL, NHPC**

– Yes.

– **MR. JONAS BHUTTA**

– It's not even billed at normative.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Yes we are not billed at normative. As mentioned that as far as the income is concerned, we are always accounting for on conservative basis. We will be accounting for the Dhauliganga income in the annual accounts. By that time we are hopeful that there will be clarity from the insurance company that how much amount they are going to give us towards the loss of the business.

– **MR. JONAS BHUTTA**

– So if I get it right, quarterly profit of about or ROE of about 18-19 crores is what we earn on Dhauliganga. So there could be an element of lump sum in Q4 where 3 quarter billing of Dhauliganga could come in.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Yes definitely.

– **MR. JONAS BHUTTA**

– Ok.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– It will not be to the extent of entire earnings which we normally used to get from Dhauliganga. But definitely the major part of that will be covered.

– **MR. JONAS BHUTTA**

– Ok.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Because insurance will not compensate 100%. There will definitely be some hit which the company will be taking. But major part of the hit will be covered from insurance company.

– **MR. JONAS BHUTTA**

– No sir, what I meant was you will bill on normative basis. At least that is what you show CERC that despite the plant being closed.....

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Point is in the business loss policy first 14 days loss is to our account. Those 14 days will be to our account.

– **MR. JONAS BHUTTA**

– Ok so excluding that everything else will be billed.

- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Yes. On accounting issue, as mentioned that cost is yet to be approved and we had made an income on a provisional basis. This 180 crores will be on the positive side. That is our assessment that if the cost as claimed by NHPC is approved, there will be an additional billing of 180 crores and that will be on the positive side.
- **MR. JONAS BHUTTA**
- This will be on our part. Is this additional ROE of 180 crores or this is just overall revenues will go up by 180 crores?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Overall revenues will be recognized. Billing will go by that.
- **MR. JONAS BHUTTA**
- Ok so revenues will go up by 180 crores.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- On the receivable side I will say that as on date the total dues which are of 1900 crores, I am talking of as on date, and out of which about 1100 crores is more than 60 days.
- **MR. JONAS BHUTTA**
- So what was it in Q1?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- In Q1 I will let you know separately, just a minute.
- **MR. JONAS BHUTTA**
- Sure sir.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- In Q1 it was 1200.
- **MR. JONAS BHUTTA**
- And of this 900 crores is from J&K alone.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Yes 900 crores is from J&K.

– **MR. JONAS BHUTTA**

– Alright. Thanks a lot sir. That's it from my side and all the best.

– **MODERATOR - MELISSA**

– Thank you. The next question is from the line of Abhishek Anand from JM Financial. Please go ahead.

– **MR. ABHISHEK ANAND – J.M. FINANCIAL**

– Sir very good afternoon to you. Sir my first question is why is actually our RCE, basically revised cost estimate getting delayed in Sewa as well as Chamera? Do these have been two years, almost 2 to 3 years old projects. Why exactly is the final tariff application getting delayed?

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– The issue is as per the guidelines issued by the Ministry of Finance, where there is a cost overrun, that cost overrun is to be assessed by a standing committee in the administrative ministry. And once the administrative ministry is agreed, and has examined in detail the proposal that is forwarded to PIB and CCEA etc. In our case what happens, that when the company has formalized its revised cost, it has made the estimate and submitted to the Ministry of Power which is the administrative ministry in our case, they are sending it for rechecking and vetting to the CCEA. which sometimes takes time. And then the standing committee which is headed by a senior officer of the ministry, and that has representative from the Ministry of Power, project implementation, CCEA and so many other departments. They also examine and then give the final recommendation. This process is taking some time and sometimes it is unreasonable delay. So we are taking up this matter and have taken up the matter at an appropriate level in the ministry, and they have been requested that this process may be expedited.

– **MR. ABHISHEK ANAND – J.M. FINANCIAL**

– So are we seeing any proposal from government's end to actually hasten up the process? Because at the end of the day, beneficiaries too have to pay interest on whatever higher historical tariffs we have to charge. So is there any proposal in the pipeline?

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– We have already applied to the Ministry of Power and they are working out on some solution how to reduce this timeline. Definitely there will be some time gap between the provisional and final but our effort is to reduce this gap and I fully agree with you that whatever the differential in the billing is, the interest on the reduced billing has to be borne by the beneficiaries.

– **MR. ABHISHEK ANAND – J.M. FINANCIAL**

- So just another related question. We were hearing that in the Chutak project we have actually proposed to lower our equity contribution to some 21% in order to reduce the tariff to end users. Is there any reason why we are actually proposing for 21% equity contribution?

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

- You know that equity has a cost of 15.5% as per CERC guidelines. Return on equity is to be provided at 15.5% and 16.5% depending upon the category of the project. While the debt component is costing less. Secondly the Chutak project is already complete. Therefore there is now no involvement of cost during construction period which is already over. There cannot be any change. It has been felt that with a view to keep the tariff lower, the 80% of the cost maybe made from the borrowings and only 20% may remain with equity. That is a proposal which is yet to be agreed by the competent authority. CERC guidelines provide that the equity can be up to 30%, and if it is more than that, then only the normative will be provided on that basis. It can be lower than that. So therefore the proposal is to have 20-80. But it is yet to be approved by the competent authority.

– **MR. ABHISHEK ANAND – J.M. FINANCIAL**

- Sir have we actually proposed it or has the Ministry of Power or the beneficiaries actually come out and proposed this kind of debt to equity structure?

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

- There is no proposal from the beneficiary side. This is basically the discussion between the Ministry of Power and NHPC.

– **MR. ABHISHEK ANAND – J.M. FINANCIAL**

- Ok. Sir just on the book-keeping side, could you share with us the incentive numbers, secondary energy numbers and UI numbers for the quarter?

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

- As far as first 6 months is concerned, the secondary energy is Rs. 84 crores and UI charges are Rs. 34 crores.

– **MR. ABHISHEK ANAND – J.M. FINANCIAL**

- UI is sir...sorry?

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

- UI is 34 crores. Secondary energy is 84 crores for first 6 months.
- **MR. ABHISHEK ANAND – J.M. FINANCIAL**
- Ok, ok, fine. I will join back in the queue if I have more queries. Thank you so much.
- **MODERATOR – MELISSA**
- Thank you. The next question is from the line of Amish Shah from Credit Suisse. Please go ahead.
- **MR. AMISH SHAH – CREDIT SUISSE**
- Hi sir good afternoon. I have two questions sir. One you mentioned that two projects of yours, Nimmo Bazgo and Chutak are generating much lower than the designed energy. Sir one can you explain what are the technical complications there and how will it impact your energy charge and secondary energy incentive?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- And the second question?
- **MR. AMISH SHAH – CREDIT SUISSE**
- And the second question just wanted to understand what is the plant availability factor incentive.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- In these two projects?
- **MR. AMISH SHAH – CREDIT SUISSE**
- No sir, overall for the company in this quarter.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Bhargava saab is responding to the Nimmo Bazgo and Chutak issues.
- **MR. D.P. BHARGAVA – DIRECTOR TECHNICAL, NHPC**
- On Nimmo Bazgo and Chutak there is no grid, northern grid or all India grid. The load is to come from the local population only, that is from Leh and surrounding area and Kargil and surrounding area. So there right now the load has to increase gradually because till now it was through diesel generation. So they have their limitation in providing load and connecting new connections and so many other things. So that's why the load is not there. And it will increase gradually.

- **MR. AMISH SHAH – CREDIT SUISSE**
- Sure. And how does it impact your energy charge and secondary energy incentives in that case?
- **MR. D.P. BHARGAVA – DIRECTOR TECHNICAL, NHPC**
- Well there is no secondary energy in these projects because secondary energy can come only when we have generated up to design energy. So here even we are not generating design energy. So there is no question of secondary energy charges. But the annual fixed charges, they have been provided by the CERC. So the tariff is quite high. That's why attempts are being made to reduce the tariff.
- **MR. AMISH SHAH – CREDIT SUISSE**
- Ok so AFC will still be set assuming that the design energy for the project is the same?
- **MR. D.P. BHARGAVA – DIRECTOR TECHNICAL, NHPC**
- Yeah because then it is called deemed energy generation and for deemed energy generation we have to get the tariff as per the CERC regulation.
- **MR. AMISH SHAH – CREDIT SUISSE**
- Sure sir. And secondly can you just provide the availability based incentives.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- PF based incentive is 186 crores as against 159 crores previous year corresponding period.
- **MR. AMISH SHAH – CREDIT SUISSE**
- For the 6 months you mean right sir?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Yes, yes.
- **MR. AMISH SHAH – CREDIT SUISSE**
- Ok sure. Thank you sir.
- **MODERATOR – MELISSA**
- Thank you. Ladies and gentlemen if you have a question, you may press * and 1 on your touch tone telephone. The next question is from the line of Anujay Jain from Emkay Global. Please go ahead.

– **MR. ANUJAY JAIN – EMKAY GLOBAL**

– Yeah good afternoon sir.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Good afternoon.

– **MR. ANUJAY JAIN – EMKAY GLOBAL**

– First question is on the same follow up question on the last one. You said the new accounts in Chutak was because of the load from the local people there. Also you mentioned that TLDP III is also having the energy generated lower than the design energy. So if you can explain what is the reason there.

– **MR. D.P. BHARGAVA – NHPC, DIRECTOR TECHNICAL**

– In TLDP III there were some constructional issues. Some problem in hydro mechanical gates was there. So we have to take shut down to rectify all those problems. So we will take shut down of this plant in December and January. So thereafter the plant will run normally. Because of water leakage and some other technical issues we could not generate full power.

– **MR. ANUJAY JAIN – EMKAY GLOBAL**

– Ok, sir, availability itself was lower you are saying. Hello? Hello?

– **MODERATOR – MELISSA**

– Please stay online. We've lost the line for the management. Mr. Jain please go ahead. We have the line for the management connected.

– **MR. ANUJAY JAIN – EMKAY GLOBAL**

– Basically what you're saying is the availability itself was lower in the quarter.

– **MR. D.P. BHARGAVA – NHPC, DIRECTOR TECHNICAL**

– Not the water availability.

– **MR. ANUJAY JAIN – EMKAY GLOBAL**

– Machine availability.

– **MR. D.P. BHARGAVA – NHPC, DIRECTOR TECHNICAL**

– Machine availability you can say plant availability because of too many technical reasons.

– **MR. ANUJAY JAIN – EMKAY GLOBAL**

- So how much was the availability sir in TLDP III?
- **MR. D.P. BHARGAVA – NHPC, DIRECTOR TECHNICAL**
- It will be around 42%.
- **MR. ANUJAY JAIN – EMKAY GLOBAL**
- Ok. And do you expect this to normalize from January-February?
- **MR. D.P. BHARGAVA – NHPC, DIRECTOR TECHNICAL**
- From February it will be ok. But for the whole year we have anticipated considering that there will be two months shut down also. So overall availability will be only 42% for this year.
- **MR. ANUJAY JAIN – EMKAY GLOBAL**
- So we will under-recover in TLDP III this year.
- **MR. D.P. BHARGAVA – NHPC, DIRECTOR TECHNICAL**
- Yes, yes.
- **MR. ANUJAY JAIN – EMKAY GLOBAL**
- Ok. Secondly sir in case of Chutak you mentioned that you are lowering the equity. Is it only for Chutak or you are considering this for the other projects also? And what is the reason exactly if you are only doing it for Chutak?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Regarding equity as of now it is only one power station which is under discussion.
- **MR. ANUJAY JAIN – EMKAY GLOBAL**
- So if it's possible to brief on why this project? Not other projects.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- The revised cost estimate of this project is under deliberation.
- **MR. ANUJAY JAIN – EMKAY GLOBAL**
- Ok. So there could be equity deductions in other projects also as and when they come up.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Possibility is not ruled out.

- **MR. ANUJAY JAIN – EMKAY GLOBAL**
- Ok sir. And thirdly sir you said that this contingent liability is there for Dulhasti from J&K. That there would have been some other projects also in construction in J&K in recent years. So is there that issue also? They have raised that issue?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- No.
- **MR. ANUJAY JAIN – EMKAY GLOBAL**
- It is only for this project?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Yes.
- **MR. ANUJAY JAIN – EMKAY GLOBAL**
- Ok. And lastly sir the other income looks to be...you explained the break up but if you look at from YoY basis or QoQ basis, looks slightly on the higher side. Also considering the fact that the interest from consumers was on the lower side. So what exactly was the reason? Because cash was almost similar, QoQ or YoY.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- You know that deposits sales are gone up.
- **MR. ANUJAY JAIN – EMKAY GLOBAL**
- Ok. Alright sir thank you very much.
- **MODERATOR – MELISSA**
- Thank you. The next question is from the line of Abhishek Puri from DB Equities. Please go ahead.
- **MR. ABHISHEK PURI – DB EQUITIES**
- Yeah good afternoon sir.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Good afternoon.
- **MR. ABHISHEK PURI – DB EQUITIES**

- Sir firstly regarding this Chutak, the proposal that you've given, has the...what's been the actual equity spending in this project? Is it almost 30% or in reality it is 20% only?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- As of now it is almost 30%. It is almost 30%. In case it is finally decided to have only 20%, then a part of the equity will be replaced by debt.
- **MR. ABHISHEK PURI – DB EQUITIES**
- Part of equity will be replaced by debt.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Yes.
- **MR. ABHISHEK PURI – DB EQUITIES**
- Ok. Which would mean that higher debt will be deployed into this project.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- You know that this project has an element of subordinate debt, and Chutak and Nimmo Bazgo have an element of subordinated debt. So once there is a reduction of having equity reduced, then debt component will come. Then the question will, next question will come whether this debt component is to come from the subordinated debt or from the commercial debt. So these are the issues which are yet to be resolved and finally decided. Only then the issue of 20-30 and the breakup of the debt will be decided. So till it will be decided we are funding it.
- **MR. ABHISHEK PURI – DB EQUITIES**
- So which would mean that further debt will be given by the government or the existing subordinate debt will be considered as 10%?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- No, no, the point is for the cost overruns, this additional debt component, whether it is to come from the government or the subordinated debt, are to be by way of a commercial debt that is yet to be finalized.
- **MR. ABHISHEK PURI – DB EQUITIES**
- Ok understood. Sir can you give us a break up on the receivables side also which are the other states which are not paying right now?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

- I am giving the position as of 30th September. As on 30th September.....the cumulative outstanding dues more than 60 days as on September has been 1002 crores as mentioned, out of this Himachal is having 25 crores, UP is having 100 crores, Delhi has 56 crores and J&K has 754 crores. The remaining have less than 10 crores. So more than 75% is from J&K.
- **MR. ABHISHEK PURI – DB EQUITIES**
- Ok. And for other receivables is there any bigger state which stands out?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- No.
- **MR. ABHISHEK PURI – DB EQUITIES**
- Over the last 6 months have you seen the debt or the receivable payment cycle getting better from the states?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Except J&K, it has improved in respect of others. J&K we have to make a breakthrough.
- **MR. ABHISHEK PURI – DB EQUITIES**
- Right. Sir my last question. You would have had discussions with CERC regarding their new draft proposals for tariff regulations 2014-19. So could you throw some light as to what has been discussed lately and is CERC looking forward to giving differential returns to the hydro sector.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Basically the issues are still under deliberation. Nothing can be firmed up, and it will be premature to comment on this issue. As regard deferential treatment is concerned, you know that the CERC has already agreed in principal having a deferential rate of return in respect of the hydro. And in the last year few months back they have increased 1%. Therefore in principal there is an agreement what is going to be in the next 5 year plan. By way of actual increase, let us wait and watch, and also have a final verdict of the CERC after hearing from all the concerned.
- **MR. ABHISHEK PURI – DB EQUITIES**
- Ok. Sir if I can add one more question. The insurance amount that you mentioned for 35 crores, for the restoration work, has that been included anywhere in the P&L?

- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- No. As I mentioned, this amount has been received as on account payment towards the restoration work.
- **MR. ABHISHEK PURI – DB EQUITIES**
- Right. So....
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- It is not an item to affect the profit and loss account.
- **MR. ABHISHEK PURI – DB EQUITIES**
- For the insurance amount that will come as the loss of profit?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- That will be...
- **MR. ABHISHEK PURI – DB EQUITIES**
- That will be for P&L.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Yes.
- **MR. ABHISHEK PURI – DB EQUITIES**
- And why the insurance company has not given that, because that is ascertainable. You can calculate that amount for the first 6 months or 3 months that we have lost.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- The point is they have made only lump sum payment, adhoc payment of 35 crores in the month of October.
- **MR. ABHISHEK PURI – DB EQUITIES**
- Ok.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- The final amounts and other things are in the process. Insurance companies also before giving the money they want certain documentation to be done. We have made claims, documentation has been done, documentation is going on. Naturally this is a big claim and nobody will give you so easily.

– **MR. ABHISHEK PURI – DB EQUITIES**

– Correct, correct. Right sir. Thank you so much and all the best.

– **MODERATOR – MELISSA**

– Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

– **MR. MOHIT KUMAR – IDFC SECURITIES**

– Good afternoon sir.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Good afternoon.

– **MR. MOHIT KUMAR – IDFC SECURITIES**

– Sir have we calculated adjusted PAT as you used to do earlier?

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Yes we have done adjusted PAT. And the adjusted PAT is slightly better than the corresponding PD in the previous year. The exact position is as against 1323, last year corresponding period, it is 1472.

– **MR. MOHIT KUMAR – IDFC SECURITIES**

– It is for half year.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Yes I am talking of half year basis.

– **MR. MOHIT KUMAR – IDFC SECURITIES**

– What is for the quarter?

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Quarter basis I don't have a figure by the way at the moment.

– **MR. MOHIT KUMAR – IDFC SECURITIES**

– And sir can you please quantify the impact on profitability on account of Dhauliganga?

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

- On a half yearly basis, Dhauliganga has given a negative result. And the negative is 15 crores as of now.
- **MR. MOHIT KUMAR – IDFC SECURITIES**
- Third question was regarding Parbati II. Have we awarded all the construction packages?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- There are two packages to be awarded for this. One package has been awarded, second is under finalization. And we are hopeful to award within this month.
- **MR. MOHIT KUMAR – IDFC SECURITIES**
- And sir my last question was regarding plant availability factor for this quarter. This is I think you told it is around 94% am I right?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- No, no, it is not 94%. It is 89.3% for 6 months.
- **MR. MOHIT KUMAR – IDFC SECURITIES**
- And that is excluding Dhauliganga am I right?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Yes.
- **MR. MOHIT KUMAR – IDFC SECURITIES**
- Ok that's it sir. Thank you.
- **MODERATOR – MELISSA**
- Thank you. The next question is from the line of Vishal Periwal from CIMB Securities. Please go ahead.
- **MR. VISHAL PERIWAL – CIMB SECURITIES**
- Yes sir my question once again is on Chutak. What is present rate per unit? How much will it go down to if we reduce our debt equity to 80-20. What is the benefit to the company and shareholders by doing so? And since we are doing this for one particular project, there will be lingering doubt in the minds of shareholders that this is going to happen for other projects also. So have thought about that? Thank you.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

- The data with respect to this will be given to you by Mr. Sarkar. He will respond. On this policy issue I will just only say that this is the issue under deliberation. Any finality is yet to come. This is one of the options being discussed in the standing committee for reducing tariff. There is no finality as of now.
- **MR. VISHAL PERIWAL – CIMB SECURITIES**
- But from a shareholder's standpoint, is it good or bad? From a company standpoint are we also considering that? Or is it probably from a ministry directive we have to do that.
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- There is no ministry directive in this regard. The only thing is the moment we reduce the equity, the balance equity will be available to us for deployment in our other options. And the quantum is not very high. It is hardly 50-60 crores. On the figures I would request Mr. Sarkar to give an update.
- **MR. SARKAR – NHPC, PLANNING**
- Actually in case of Chutak project, there is a subordinate debt which is carrying interest at the rate of 2.5%. Whereas the return on equity will be around 15.5%. and the tariff as on date, it is coming at around Rs.8 and it is considerably high considering the localized load and all the load will be absorbed there. If we reduce the equity by 10%, the tariff will get reduced by around Re.1. It is still under discussion. No decision has been taken on these issues.
- **MR. VISHAL PERIWAL – CIMB SECURITIES**
- Ok. But in future, say Subansiri, again work starts on Subansiri and also in terms of Parbati where there are delays in projects and equity cost is going to increase, there could be similar such cases where at least investors will have in their mind. This is just a feedback that we would want to give to the company.
- **MR. SARKAR – NHPC, PLANNING**
- In case of other projects, even after cost increased.....
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Ok thanks for the update from the investors.
- **MODERATOR – MELISSA**
- Mr. Perival do you have any more questions?
- **MR. VISHAL PERIWAL – CIMB SECURITIES**

- No thank you so much.
- MODERATOR – MELISSA
- Thank you. The next question is from the line of Alok Ramchandaran from SBI Cap Securities. Please go ahead.
- **MR. ALOK RAMCHANDARAN - SBI CAP SECURITIES**
- Hello?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Yes Alok.
- **MR. ALOK RAMCHANDARAN - SBI CAP SECURITIES**
- My question is regarding.....
- **MODERATOR – MELISSA**
- Mr. Ramchandaran I am sorry to interrupt. We cannot hear you clearly.
- **MR. ALOK RAMCHANDARAN - SBI CAP SECURITIES**
- Now can you?
- **MODERATOR – MELISSA**
- Yes please go ahead.
- **MR. ALOK RAMCHANDARAN - SBI CAP SECURITIES**
- I would like to ask you on the claim on Dhauliganga. Will there be about 220 crores on the business disruption does it include the 14 day loss or is it excluding. And what is the amount of the 14 day loss that is incurred by the company?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- As mentioned, this Dhauliganga loss or the profit and other issues are yet to be freezed. And the claim of 210 crores is on lump sum basis. It has been lost. And the final calculations are to be made jointly by NHPC and insurance company. The 14 day period has not been included.
- **MR. ALOK RAMCHANDARAN - SBI CAP SECURITIES**
- Has not been included. Alright. And my second question is on the...if I am not mistaken you had mentioned that the water flow on the River Rabi is back to lower this quarter. Just wanted to know again the name of the projects that are having affected. One is TLDP III and....

- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- No, no. Under Rabi I mentioned 4 projects. That is Baira Siul, Chamera I, Chamera II and Chamera III.
- **MR. ALOK RAMCHANDARAN - SBI CAP SECURITIES**
- Can you come again on that sir?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Baira Siul, Chamera I, Chamera II and Chamera III.
- **MR. ALOK RAMCHANDARAN - SBI CAP SECURITIES**
- So has generation been affected out here again?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- Yes in this generation has been less than the last year because of the less availability of water.
- **MR. ALOK RAMCHANDARAN - SBI CAP SECURITIES**
- Alright. Thank you sir, that's my question.
- MODERATOR – MELISSA
- Thank you. Ladies and gentlemen we will take the last two questions. Participants please limit your question to one. The next question is from Anujay Jain from Emkay Global. Please go ahead.
- **MR. ANUJAY JAIN – EMKAY GLOBAL**
- Dhauliganga in which you will have to bear the loss of 14 days, and also part of the claim which is not settled by insurance company, is there any option available to us to enforce major in our PPA and to get the recovery of the debt part also?
- **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**
- The point is that amount will not be possible to recover from the PPA because the insurance will give us the losses which are covered in the policy. There appears to be no chance of getting this loss recovered from the PPA.
- **MR. ANUJAY JAIN – EMKAY GLOBAL**
- Alright sir. Thank you very much.
- **MODERATOR – MELISSA**

– Thank you. The last question is from the line of Anuj Upadhyay from ICICI Direct. Please go ahead.

– **MR. ANUJ UPADHYAY – ICICI DIRECT**

– Good evening sir and thanks for the opportunity. Sir could you state what is the regulated equity of the company and the capital work in progress?

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– The regulated equity is around 8500 crores and capital work in progress as on September is 19550 crores.

– **MR. ANUJ UPADHYAY – ICICI DIRECT**

– 19550 crores.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Yes

– **MR. ANUJ UPADHYAY – ICICI DIRECT**

– And what are the projects which are likely to get on steam over next 18 months.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Next 18 months we are expecting Parbati III.

– **MR. ANUJ UPADHYAY – ICICI DIRECT**

– 520 Megawatts?

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– 520 Megawatts. But you know that because of non-commissioning of Parbati II, all the four units will not be working. Two units will be working. The remaining two units of Uri II we are expecting to add. Then we are targeting to add TLDP IV.

– **MR. ANUJ UPADHYAY – ICICI DIRECT**

– 160 Megawatts.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

– Yeah. Is there anything else?

– **MR. ANUJ UPADHYAY – ICICI DIRECT**

– No, thank you.

– **MODERATOR – MELISSA**

- Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor back to Ms. Rupa Shah for closing comments. Please go ahead.

– **MS. RUPA SHAH – PRABHUDAS LILLADHER PVT. LTD.**

- Yeah thanks Melisa. I would like to thank Mr. Srivastava and his team for taking time out to interact with the investors and thank you all the participants. Have a nice day.

– **MR. A.B.L. SRIVASTAVA – NHPC, DIRECTOR FINANCE**

- Thank you all.

– **MODERATOR – MELISSA**

- Thank you. Ladies and gentlemen on behalf of Prabhudas Lilladher, that concludes this conference call. Thank you for joining us and you may now disconnect your line. Thank you.