



“National Hydroelectric Power Corporation (NHPC)  
Limited Q1 FY15 Results Conference Call”

**August 06, 2014**



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**Moderator:** Ladies and gentlemen, good day and welcome to the NHPC Q1 FY 2015 results conference call hosted by Elara Securities Private Limited. 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 "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Agrawala from Elara Securities. Thank you and over to you Sir!

**Deepak Agrawala:** Good morning everybody. We have from the NHPC represented by Mr. A. B. L. Srivastava, Director Finance and his team over there. This is the call to host the Q1 FY'15 results. Without wasting any time, I will hand over the call to Mr. Srivastava.

**A. B. L. Srivastava:** Good morning everybody and sorry for being late by 10 minutes because these electronic media people delayed by their schedule by 10 minutes. They were supposed to finish their interview by 09:55 but unfortunately that shot up by 10 minutes. Sorry for that. I am joined by my team from Finance, Engineering, Operations, Projects and everybody is here to reply the queries if any are there from your side.

First to mention as you must have gone through the results, I must say that at June 13, when we met you our installed capacity was 4182 megawatts, while as on date, it is 4987 megawatts. In the last 12 months, we have added a capacity of 805 megawatts.

When we met in July last year, we had given an intimation that one of the power station Dhauliganga has been washed away because of the heavy floods in the Uttarakhand, and that has raised a question mark that whether we will be in a position to restart the projects.

I am happy to announce that by June itself all the four units of the Dhauliganga Power Station have been recommissioned in a record time of less than one year. Two units were completed within less than one year and two within less than 13 months. So, this is one of the rare achievements for any hydro sector units, which had faced such a heavy devastation.

On the generation side with the addition in the capacity, as well as with the support of the nature, we had been able to generate 7546 million units in the first quarter, which is a record generation by NHPC in any quarter since inception. This is also 18% percent increase over the previous year corresponding period. This generation of about 1100 plus million units over the previous year has given us revenue of 418 Crores. The breakup of the increase in the generation is partly in the existing power stations, where last year it was 6294 and this year it is 6679 and roughly 800 million units because of the new capacity additions.



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Definitely, there will be a reasoning and area of query in your mind, why the profit of the NHPC has gone down in spite of substantially good generation by the company. I would like to tell you that there are two to three main factors, which have resulted in this issue. As far as we see the profit before tax is concerned, it is higher than the previous year of the corresponding period.

Last year it was Rs.926 Crores while the current year it is Rs.978 Crores, but after the impact of Subansiri project and TLDP IV projects, where because of the accounting compulsions, we have to make a provisioning of Rs.175 Crores. The resultant net profit is lower than the previous year. This is the main reason because of the funding requirements. I would also like to tell you members that normally there you had been raising the question about the plant availability factor.

The plant availability factor in the first quarter has been 88.7%. You will appreciate that such a high plant availability factor is one of the rarest when the new capacity has been added. It is through the new capacity which had been added during the last 12 months, the plant availability factor is more than 100%, because you will see that when any new project is started, there are always some initial problems. 89% is only because of the initial problems being faced in some of the new power stations.

Another area of concern, which you will normally ask is about dues. If we come to that receivables side, the position is that as on June 30, 2014 the total receivables have been Rs. 3315 Crores. This includes the unbilled amount of Rs. 503 Crores. So critically, you can say the receivables are Rs. 2812 Crores, against which the bills had been raised. Out of which, less than four months are Rs. 2374 Crores. The only one beneficiary, we have a problem where the substantial dues are beyond six months and that is JKPDC. The other one is Meghalaya, but the amount is less than Rs. 10 Crores. Therefore, although amount wise it is high, but since the quantum is negligible, we are not taking it as a serious concern.

On the area of the new business, you will definitely like to know, but some progress is going on in our thermal projects. We have also making all the efforts for the wind and solar. The next question you must be definitely asking about the developments of the Subansiri. On this issue I can tell you that the matter has since been taken up by the highest level and Honorable Power Minister is personally monitoring the issue and meeting all the stake holders, just now 10 minutes back I have received a message from him asking us to have a meeting of all the stake holders to resolve the issue on September 12. I am very much hopeful that on September 12 we are going to meet all the stake holders and definitely, some resolution would come.



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With this opening remarks, I leave the floor to you for any questions, myself and my team is there to reply you on any issues, which may be raised. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Vishal Periwai from B&K securities. Please go ahead.

**Vishal Periwai:** Thanks for the clarification on Subansiri. I need a clarification, while appearing from media you have mentioned that Unit 1 for Parbati - II will be coming in FY 2016. So, just wanted to check, have you revised the schedule to earlier, what you have said like in the last meet?

**A. B. L. Srivastava:** We have not revised the schedule. The issue is that there is one Nala coming from nearby that is called Jiwa Nala. Since our electric power house will be ready by that time, we are making all efforts that we are able to divert the water of Jiwa Nala to this power station and at least one unit can be made operative. The other units will be operative only when the entire system is ready.

**Vishal Periwai:** The second one on the PAF you mentioned it has been upward of 88%. So if you can help with what exactly the incentive income we have received secondary energy plus UI?

**A. B. L. Srivastava:** I would like to clarify two things on this issue. You know that as per the CERC guidelines recently, they have made that first billing will be made up to the design energy and only when the design energy capacity has been exhausted then the billing will be made for the secondary energy. Therefore, no income by way of secondary energy has been booked in the first quarter of current year as against Rs.63 Crores booked in the previous year. Incentive income in the first quarter is Rs. 114 Crores.

**Vishal Periwai:** Basically look at, like last quarter we have drawn something like Rs.94 odd Crores.

**A. B. L. Srivastava:** Rs.94 Crores was the incentive and Rs.63 Crores was the secondary energy. As against this we have got an incentive of Rs. 114 Crores. The AFC, which we recovered last year, was Rs. 1154 Crores as against that AFC of Rs. 1501 Crores have been received.

**Vishal Periwai:** Can you please clarify once again, I missed on the thing you mentioned. My query is, the PAF how it has changed vis-à-vis new norms like; just wanted a colour on that. The PAF incentive plus there is an increase in the normative incentive or because the same period last quarter we have received a PAF incentive of Rs. 94 Crores. It has gone up, so what exactly on a year basis one should look at it?

**A. B. L. Srivastava:** On the year-to-year basis we do not expect that there will be any substantial gap.

**Vishal Periwai:** The AFC has increased, that is why on the higher base the PAF that is like my query was?



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- A. B. L. Srivastava:** PAF has increased it is only because the secondary energy has decreased.
- Vishal Periwal:** You are saying that Rs.94 Crores in the last quarter it includes the secondary energy too.
- A. B. L. Srivastava:** No, it does not include secondary energy. Secondary energy and incentive together constitute Rs. 158 Crores as against that, this year it Rs. 114 Crores.
- Vishal Periwal:** Sure I will come back in the queue for further questions.
- Moderator:** Thank you. The next question is from the line of Abhishek Puri from Deutsche Equities. Please go ahead.
- Abhishek Puri:** Good morning Sir. Sir first of all TLDP-IV and Subansiri expenses you are booking through the P&L, how long will this continue sir until it is approved by the Ministry to start the projects and then we will start capitalizing and this previous expenses which we have booked in Q4 and Q1 of this current year will they be capitalized later on and reversed from P&L?
- A. B. L. Srivastava:** You have said a question about the probability and the probability can be both ways as you know. I will come to the first point definitely till we get any amendments in the AS-15 guidelines, for which we are making all efforts the entire expenditure of TLDP-IV and Subansiri till the project is reached at it for construction will be charged to the profit and loss account. I think it replies your first point. #2, your second point is that whether it will be written to profit loss account. The point is definitely we are presently making these entries and making a mirror entry ready and the memorandum system ready for the cost purposes we will definitely claim through the CERC and the moment the cost of this period is agreed by the competitive authority, it will be reversed back to the profit and loss account. There is always a probability in the future. It may be in our favour, may not be in our favour, but we are hopeful that looking to the peculiar circumstances there the circumstances are beyond the control of the developer at least in the case of the Subansiri we should be able to reserve this amount. There may be question mark about the TLDP-IV that whether it is beyond the control of the management or not beyond the control, but as far as Subansiri is concerned it is a open end case that the circumstances are beyond the control of management.
- Abhishek Puri:** Sir if you can help us understand and reconcile as to with the new tariff regulations if we can get an example of existing project what was the tariff in Q1 last year and what is the current tariff, so that will help us to understand the impact because I think overall your tariff have moved up by 8% if I take the average tariffs?



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**A. B. L. Srivastava:** As you know that revised tariff guidelines for 2014-2019 have been received and the petitions are to be filed by August 31, 2014. We have filed petitions and till date we have not received any final approval through any of the petitions. The approval will take normally one year. Therefore as of now exact what will be the increase in the tariff is exactly not known, but you are correct that you will do roughly 7% to 8% increase in tariff.

**Abhishek Puri:** 7% to 8% increase in tariff?

**A. B. L. Srivastava:** Yes, your assessment is very correct.

**Abhishek Puri:** This is despite you billing on the secondary energy side?

**A. B. L. Srivastava:** Yes, despite that we are billing on the secondary energy side.

**Abhishek Puri:** Would the assessment be correct that in third quarter and fourth quarter you will see a significant jump in incentive because of the secondary energy billing?

**A. B. L. Srivastava:** Yes.

**Abhishek Puri:** Along with the fixed cost recovery?

**A. B. L. Srivastava:** Yes of course. We are hopeful that this change in the policy will have overall positive impact at the end of the year.

**Abhishek Puri:** My last question regarding your capex plan and new capacity addition over the next one to two years if you can give us some details on that?

**A. B. L. Srivastava:** The point is capex plan for the next one and two years, the first one is TLDP-IV we expect that in the next 12 months we should be able to commission the TLDP-IV and the next two years we should be able to commission in one unit of Parbati - II.

**Abhishek Puri:** Capex plan?

**A. B. L. Srivastava:** Capex plan is roughly 3200.

**Abhishek Puri:** That is for the current year?

**A. B. L. Srivastava:** Because we are struggling for getting clearances for the new projects. The moment clearances are received this capex will go up and as you are aware and we have a sufficient internal resources to meet the capex plan and then we will be able to take care. Any increase in the capex because of clearances.



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- Abhishek Puri:** The 3200 Crores does not include any capex for thermal plant or for their new build energy or the other wind and solar projects that we have purchased?
- A. B. L. Srivastava:** We have included wind and solar in which we have signed the Memorandum of Agreement in UP, but it does not include thermal except the total amount for initial amount that is not a substantial amount.
- Abhishek Puri:** If I may ask just last thing that Uri income for the current quarter would be?
- A. B. L. Srivastava:** Uri-II sales for the current quarter is Rs. 151.50 Crores.
- Abhishek Puri:** Thank you. All the very best.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.
- Bhavin Vithlani:** Sir I just want a clarification on what was the cash capex on Subansiri and TLDP-IV and after this write off what would be the book value, or have we wiped off entire amount of this project?
- A. B. L. Srivastava:** We have not written off entire amount of this project. We can clarify that administrative cost and borrowing cost for the period from the date of suspension on the work has been charged to the profit loss account. The cumulative administrative & other cost amount in case of the Subansiri is 378 Crores and while in case of the TLDP-IV it is 82 Crores.
- Bhavin Vithlani:** Actually I was also referring to the cash that we took on P&L in Q4, so if we include that then have we written off entire amount invested in Subansiri?
- A. B. L. Srivastava:** No I am making it clear we have invested more than 6000 Crores in Subansiri. We have charged only administrative cost and borrowing cost for the period when suspension has been done from December 16, 2011 in case of Subansiri and March 2013 in case of TLDP-IV.
- Bhavin Vithlani:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Few questions from my side. First can you clarify why the other income low this quarter compared to the earlier trend? The second question also is related to this borrowing cost



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expense that we have charged in P&L, so are we paying the interest to the lenders currently or this is just a book entry?

**A. B. L. Srivastava:** NHPC has been never a defaulter.

**Rakesh Vyas:** What I am trying to understand Sir, most of the time this interest is IDC and capitalized in the project cost?

**A. B. L. Srivastava:** IDC is being paid on the cash basis. We are making payment to the lenders on the due date and whatever the borrowing cost we have charged to the profit loss account, it has been paid in cash or approved for accrual amount till the date of the next payment, so there is no book entry for the purpose.

**Rakesh Vyas:** There will always be a gap between what is the project lenders total amount versus what is being charged off in our account, right?

**A. B. L. Srivastava:** Yes.

**Rakesh Vyas:** So what happens to the difference on the interest on that? I am just trying to understand as and when this situation gets reversed and you are allowed to write back the expenses that you have made because you are already paying it?

**A. B. L. Srivastava:** I think you are little confused. I am sorry to say. As I clarified that we have made all payments to the lenders up to the date when the amount has fallen due and provided it in the books including the accrued amount. For example, in any case the interest is due on April 30, 2014 for example on the AB bond series. Interest up to April 30, 2014 has been paid in cash while interests for the two months have been provided for in the books as accrued interest.

**Rakesh Vyas:** As and when it get reserved the overall amount will have no impact that is what I am trying to understand?

**A. B. L. Srivastava:** Definitely once it is reversed. Regarding the case in other income it is because of so many factors like payment of the bonds, reduction in the interest in the term deposit and dividend income over the previous years. These are the nonoperational incomes which sometimes go up and go down.

**Rakesh Vyas:** So per se there is no surplus cash that has been paid back to lenders at all on these two projects? The cash that is available with us has not been paid back because I think loan would probably get restructured because of the delay?





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**A. B. L. Srivastava:** We are making payments on due dates. We have not requested for restructuring of the loan or nor we have prepaid the loans.

**Rakesh Vyas:** Can you just then clarify if this situation does not resolve by the time when the actual COD was to happen as per lenders agreement. The principle repayment will also start and you will not ask for restructuring of that loan?

**A. B. L. Srivastava:** We will replace from other lenders. Other than asking for the restructuring if needed we will borrow fresh from somewhere. We will maintain that equity ratio.

**Rakesh Vyas:** Any update on the proposed FPO?

**A. B. L. Srivastava:** There is no FPO proposed.

**Rakesh Vyas:** So we have not received any letter so far?

**A. B. L. Srivastava:** There is no FPO proposed in the near future.

**Rakesh Vyas:** Thank you.

**Moderator:** Thank you. The next question is from the line of Anujay Jain from Emkay Global. Please go ahead.

**Amit:** Good morning. This is Amit here. I have two questions. Sir first question is on Subansiri equity which you have invested before the suspension of the work date what happens to debt equity sir? Would we write off debt also? Second question is on Parbati - III and Parbati - II, you mentioned earlier that you might be able to start in two years from now and in case of Parbati - III as well there would be one or two units where the water availability would be not there till the time Parbati - II system is there. So would not it be better that if we use that water for the first whatever for III or IV of the Parbati - III. If you can explain a bit in detail about Parbati - III and Parbati - II exactly what is the water availability status?

**A. B. L. Srivastava:** On the Subansiri issue I will explain that we are not writing off the equity. I have been making it very clear every time and just now earlier also that we are providing for in the books only to the extent of the borrowing cost and administrative expenses. There is no question of writing off to equity, which has been invested. The accounting standard provide only for borrowing cost. There is no question of writing off the equity and regarding the Parbati - II and Parbati - III my colleague will just explain you in detail.

**Ratish Kumar:** I am Ratish Kumar, Executive Director talking from Operation. Regarding water availability of Parbati - III we have already got the approval for operating this project on a



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standalone basis for which design energy has been notified at 700 million units and against that target we have already generated around 222 million units which is more than the target. Regarding Parbati - II, Parbati - II as our Director Finance has already intimated that we have a plan to commission one unit through Jiwa Nala which can generate or which can be the water from Jiwa Nala will be sufficient to run one machine on park load, the safe zone. Rest of the system of Parbati - II will be commissioned and will be in operation where whole of the system, water conductor system is ready.

**Amit:** The first question is that auditor's qualification which has been there in case of Subansiri is it only for the borrowing cost charging to the P&L or is it for the full capital cost?

**A. B. L. Srivastava:** It is only for the borrowing cost and administrative expenses, kindly read the documents.

**Amit:** Last question is on profits of this quarter. You mentioned that PBT has increased YoY on the like-to-like basis after adjusting for Subansiri and TLDP-IV write off 560 Crores YoY. If I am comparing with the same quarter last year, is that a correct number Sir?

**A. B. L. Srivastava:** My friend Mr. Batra will be responding you.

**R. S. Batra:** I am R. S. Batra.

**Amit:** Sir basically there is 60 Crores increase in the PBT YoY. Now if I look at the change in regulations and the new system you are right now booking AFC which essentially will increase your revenues significantly versus if you would have booked second year basis. Because you would have booked secondary energy at 0.90 paisa and AFC would have been much higher therefore the profits in the third and fourth quarter would be significantly lower and first and second quarter would be significantly higher, is that a correct understanding Sir?

**R. S. Batra:** Yes this is marginal effect on the sales revenue in the third and fourth quarter.

**Amit:** About 805 megawatts in last 12 months which as per my calculation should have given us about 80 to 100 Crores of additional PBT in this quarter and apart from that the AFC change, so both of them put together should have impacted by about 130 to 140 Crores and the impact is only 60 Crores. So can you help me reconcile this Sir? Is it anything which is happening in case of any of the plants?

**R. S. Batra:** Actually so far your reconciliation is concerned outrightly we are not holding the data, we can revert back to you subsequently.

**Amit:** Okay so if you can answer this question is there any under recovery in any of the plants?



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- R. S. Batra:** In the first quarter there is no under recovery.
- Amit:** Thank you very much all the best.
- Moderator:** Thank you. The next question is from the line of Aakash Fadia from SBI Cap Securities. Please go ahead.
- Aakash Fadia:** Sir regarding the other expenses if I removed the Subansiri and TLDP expenses, the other expense has gone up by around 33% almost, so from 317 Crores to around 400 Crores, so there is under recovery to that extent in that other expenses?
- R. S. Batra:** It is because of the water sales of the new power station. The increase is mainly because of the water cess of the new power station that is amounting to 70 Crores.
- Aakash Fadia:** Thank you.
- Moderator:** Thank you. As there are no further questions I would now like to hand the floor over to Mr. Deepak Agrawal for closing comments.
- Deepak Agrawala:** Thanks a lot everyone. I would hand over to Mr. Srivastava for any closing comments.
- A. B. L. Srivastava:** Thanks to everybody for participation. Thank you all.
- Moderator:** Thank you. On behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.