



*NHPC Results Conference Call
October 31, 2014*



“Q2 FY15 & H1 FY15 NHPC Results Conference Call”

October 31, 2014



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INSTITUTIONAL EQUITIES, ELARA SECURITIES**



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Operator:

Ladies and gentlemen, good day and welcome to the NHPC Q2 FY15 and H1 FY15 Results Conference Call hosted by Elara Securities. As a reminder, all participant 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 *, then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Agrawala of Elara Securities. Thank you and over to you, sir.

Deepak Agrawala:

Yes. Thanks. Good afternoon, everyone. On behalf of Elara Securities, we welcome you all to the Q2 FY15 Conference Call with NHPC Limited. I take this opportunity to welcome the management of NHPC Limited represented by Mr. R. S. T. Sai, the Chairman and Managing Director and Mr. Radheshyam Mina, Director, Finance and Personnel, and his team. We will begin the call with a brief overview by the management followed by Q&A. I will now hand over the call to Mr. Sai for his opening remarks. Over to you, sir.

R. S. T. Sai:

Good afternoon, ladies and gentlemen. On behalf of NHPC management, I, R. S. T. Sai, CMD, welcome all of you for this conference call. I have with me Mr. Meena, Director, Finance, Mr. Babu, Executive Director, Operations, Mr. Shiv Kumar, Executive Director, Project Monitoring, Mr. Sarkar, Executive Director, Planning and Mr. Jayant Kumar, Executive Director, Finance. So I have all the experts from various fields, so you are welcome to make your inquiries. They will try their best to explain and give you maximum satisfaction. I have pleasure to inform you that the Board of Directors of NHPC have just adopted the accounts for the half year ending 30th September yesterday evening and the same has been shared with the stock exchanges as per the applicable provisions immediately thereafter. I hope all of you might have had opportunity to look at it. The people around here will give reply to all your queries; however, I intend to just brief you over the important developments of the company which may be of interest to you.

After September 30, 2013 the company has added three new power stations of 805 megawatt capacity which have become operational. They are Uri-II, Parbati-III and Nimoo-Bazgo. Now, the total capacity of your company has gone up to 6507 megawatt which includes 1520 megawatt from its subsidiary NHPC in Madhya Pradesh. Last year we have had some constraints in operations of the power stations in Uttarakhand namely Dhauliganga and Tanakpur. This year, we have overcome the difficulty and due to good water availability in the recent monsoon we have performed well and the half year ending 30th September 2014 we have generated 15904 million units of energy which is 21% higher than the generation during corresponding period in the previous year.

The EBITDA has been Rs. 2994 crores vis-à-vis 2638 crores of the previous period. Because of provisioning in respect of the projects which have suffered prolonged interruption in construction work namely the Subansiri Lower project and TLDP-IV that is Teesta Low 4th stage we had to book 350 crores and as a result the net profit after tax has come down to 1300 crores which other



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would have been 277 crores higher at 1577crs. Against this, the profit during corresponding period in the last period is 1426 crores. In another words, the operational result in the half year has been much better compared to the previous year. In respect of Teesta Low IV stage project, I am very happy to share with you that your management has tried to sort out the problems with the civil contractors and we are hoping to start the work very shortly. The board has approved an extra financial assistance package to the contractor and I think in a week's time the work is hoped to be resumed in Teesta Low Dam IV.

As far as the 2000 megawatt Subansiri Project in Arunachal in concerned, we have not yet had a breakthrough, but we are hopeful that with the intervention of the Government of India and Government of Assam we shall achieve success in resuming the work in the coming months. We are, of course, very hopeful, but we have to be patient in this kind of situation. The most positive point is that we have been successful in getting clearances for new capacities i.e. Teesta IV 520 megawatt is in Sikkim and Tawang-II 800 megawatt is in Arunachal Pradesh. In these two projects the PIB note that is Public Investment Board approval is expected in coming month or so. The process is being initiated by Administrative Ministry.

We have another projects Kotli-Bhel-I 195 megawatt in the state of Uttarakhand. It is on the river Bhagirathi. The clearance for this project has been under fault due to the intervention of Supreme Court stay, but the silver lining is on the project per se that is Kotli-Bhel-I there is no adverse observation by any of the clearing agencies and we hope that at some point or other we shall be able to get clearance for this project as well, but we have to wait till Supreme Court comes to a conclusion on this matter. The Dibang Project which is originally planned for 3000 megawatt has also made some headway. We got the environment clearance as well as forest clearance with the stipulation that the dam height be reduced by 10 metres. The capacity plan of the project would go down by 120 megawatt. Now, the project would be of the size 2880 megawatt, which is close to Tinsukia railway point in Assam and this is going to be a major project under the portfolio of our company.

And another important development is the cabinet approval for 1000 megawatt Pakal Dul project in Jammu and Kashmir. This project will be implemented by Chenab Valley Power Projects Limited which is a joint venture company promoted by NHPC along with the state of Jammu and Kashmir. Our company will hold 49% shareholding in this special purpose vehicle. Jammu and Kashmir Government will hold 49% and the power trading corporation will hold 2% share. The cost of this project is going to be about 8112 crores and it will be implemented in about 66 months' time. The tenders for construction of this project have already been processed and the board of CVPPPL is expected to award the works shortly.

We are also actively trying to put our footprint in the renewable energy sector, the non-conventional renewable energy that is solar. We have just signed an agreement with the UPNEDA, which is Government of UP organization for setting up 50 megawatt solar project at Jalaun in the state of UP. We shall be forming a joint venture company for this purpose. NHPC



shall hold something more than 75% in this company. We expect UP to keep in with about 25 to 26%, but otherwise if they are falling short rest of the money would be put by NHPC.

The other picture regarding the receivables which we have to collect from our customers that have no doubt been a cause of concern and we have accumulated receivables particularly with the state of Jammu and Kashmir for quite some time. And the current situation in Jammu and Kashmir has also affected the position of the state finances, but due to our consistent efforts, we have been successful in getting about 600-crore cash realization just yesterday in time for the board meeting. Still the receivables position is on the higher side, but we are making our best efforts to realize the cash from our customers.

In respect of Dhauliganga Project in the state of Uttarakhand the project was affected by the devastating floods last year, but we have been able to service the blent and bring it on stream during the year. The power generation from this project was about 495 million units in the half year ending September 2014 as compared to 282 million units in the previous period. We have also made insurance claim for the damages suffered including the loss of income and the claim for Rs. 460 crores was lodged, against this we have already received 170 crores. Out of this, about 100 crores is on account of the loss of profit. We hope to settle the remaining part of the claim soon. The construction work in our balance ongoing projects in the state of Jammu and Kashmir that is Kishanganga 330 megawatt and Parbati-II 800 megawatt in the state of Himachal is gong as per schedule and things are under control and satisfactory situation prevails there. I think this is all the report from me on the state of affairs of the company. Now, I open the forum for you to shoot any questions and we are there to answer. Welcome.

Operator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Devang Patel from IL&FS. Please go ahead.

Devang Patel: Good afternoon, sir. There was this thought process within the power ministry of merging all hydro electric companies. Could you give us a thought on, you know, which areas you see this benefiting your company and what has been the progress on that proposal?

R. S. T. Sai: Well, as far as I know, it was only an idea that was under consideration. To certain point of time, there was some examination and then perhaps the issue is no longer active. So I think the status quo shall continue in the near future.

Devang Patel: Sir, if you can touch upon what areas you would have suggested to the Ministry and where it could impact us or it would benefit us?

R. S. T. Sai: See, the suggestions to the Ministry from our side were not very, very clear at any point of time because the issue is in a very vague kind of situation. So we have not come to any specifics, so that situation of us giving any suggestions really did not arise.



- Devang Patel:** Okay. Sir, the second question was on the generation of units. If you can give an outlook for the full year how, you know, monsoons are expected to impact us? Again on the MP plans the generation is quite lower on a high base of last year and the Dhauliganga plant is still not fully up, so all these three points put together how the impact is going to shape for the full year?
- R. S. T. Sai:** Yes. Let me briefly explain. The generation this year both in NHPC plants as well as the Madhya Pradesh plants of NHPC they are going to be above the design energy. This year we are expecting to produce 20% more power as compared to last year in NHPC. Even on a like-to-like basis that is the same capacity as was in operation last year vis-à-vis current year we are about 8% higher. The generation current year in NHPC is going to be 8% higher for the same power stations which were in operation last year because we have additional capacity coming up. The total generation is going to be 20% higher; that is about NHPC. Even in the Madhya Pradesh projects they are expecting to produce 1000 million units more than the design energy. Although it would be little about 1000 million units less than compared to last year in terms of generations, but really the design energy for hydro station is dependent on water availability at 90% dependency basis. So that is the basis on which design energy is calculated. But in the case of even in the NHPC plant we are going to produce something about 20% more than the design energy. So that is the good thing. So, yes, no doubt in the case of the Narmada power stations. We will be producing 1000 million units less than last year, but last year was an exceptional year.
- Devang Patel:** I understood, sir. That's all from my side. Thank you.
- R. S. T. Sai:** Yes. Thank you.
- Operator:** Thank you. The next question is from the line of Abhishek Anand from JM Financial. Please go ahead.
- Abhishek Anand:** Yes. A very good afternoon, sir.
- R. S. T. Sai:** Yes. Good afternoon.
- Abhishek Anand:** Sir, firstly, I would like to know the status on Subansiri because last time when we met in the Analyst Meet we were supposed to get clearance for the project by September, so where exactly does the project stand because we understand that the discussions are going on between central government, the state government and the protesters, but are we actually making any headway or its status quo at discussion stage?
- R. S. T. Sai:** Yes. This is a protracted process. Basically the issue is one of governance in the nation, so really the situation is not in the domain of the company. As you've rightly said, the Union Government, the state government and the civil society all the three are to be involved. Now, due to the, you know, political activity in the country namely the elections etc. The new government was formed at the centre and things are settling down. So I think the issue will get its priority in the coming month. We are trying to organize a tripartite meeting between Union of India, state and the civil



society representatives. Maybe this month that is November we hope that the event would happen and some headway we could expect thereafter. But it's true that we hope to get to the problem and solve it by September, but, you know, it's not in our control. We are patiently pursuing the matter.

Abhishek Anand: Understood, sir. Secondly, sir, on the receivable side although I see in the balance sheet at least for the first half I see certain rise in the receivable number. Any particular reason for that?

R. S. T. Sai: See, there is rise particularly because of the accumulation in the state of Jammu and Kashmir and also due to the higher turnover. See, the receivable is to be seen in so many months of the sales, so this year 20% higher turnover has been reported. To some extent, that would explain the accumulation of receivables. But apart from that, there is some increase particularly in the state of Jammu and Kashmir in the receivables. We have few other states also where this problem is there. Even in Delhi a couple of discoms they have been a matter of concern and then North East states are there and we have issues with West Bengal, but these things would be brought under control in due course. The indication is despite all the recent strand in Jammu and Kashmir. Yesterday itself we got 600 crores in one stroke from J&K. So because our beneficiaries are all government control parties the recovery is not in dull. But sometimes due to the state finance etc it may be delayed.

Abhishek Anand: Sir, can we have the breakup of receivables from J&K, Uttar Pradesh, Punjab and Delhi?

R. S. T. Sai: Yes. If we have something, you can jot it out.

Management: You can note down.

Abhishek Anand: Yes, sir.

Management: Jammu and Kashmir, as per reported figure, outstanding were 1600 crores; out of this 600 crores has been received yesterday. UP, we have 284. Punjab PSCB 244. Haryana it is 133. BSES Yamuna Delhi 113. So this is the top 5 outstanding totaling to 1900 crores, out of which 600 crs has been received yesterday.

Abhishek Anand: Sir, this is more than 60 days or total overall receivables?

Management: This is overall receivables.

Abhishek Anand: Overall receivables? Okay.

R. S. T. Sai: Including the two months.

Abhishek Anand: Okay. Okay. Fine. Thank you so much, sir.



- Operator:** Thank you. Next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Good afternoon, sir.
- R. S. T. Sai:** Good afternoon.
- Mohit Kumar:** My question pertains to, sir, what is the incentive on availability and secondly energy in this particular quarter and UI charges?
- Management:** The plant availability factor during this second quarter is 86.6% and the cumulative is 87.7% quarter. Regarding the UI the cumulative is 104 crores against last year's 36 crores. We are much ahead of the last year performance. Last year it was 36 crores; compared to that, this time it is 104 crores.
- Mohit Kumar:** 104 crores is for the quarter, am I right, sir?
- Management:** 104 for the cumulative, half year.
- Management:** Quarter it is 59 crores.
- Mohit Kumar:** Sir, second question pertains to your, sir, this Tara block which was allocated to us, am I right, sir, for IFFCO Power Plant?
- R. S. T. Sai:** Can you repeat the question loudly?
- Mohit Kumar:** Sir, this Tara coal block which were allocated actually to Chhattisgarh and we were building a power plant which are linked to this coal block.
- R. S. T. Sai:** Yes. Please continue.
- Mohit Kumar:** So based on that, sir, this all the coal block has, you know, cancelled, so Chhattisgarh is likely to get the coal block and we might see, you know, this power plant again back on the table?
- R. S. T. Sai:** Let me explain the background. The project was to be brought by a special purpose vehicle which was promoted by IFFCO which is a cooperative organization and we were in touch with IFFCO to acquire their controlling state in this SPV. So before we could get into that aspect of the deal, the judgment of the Supreme Court came and the coal block has been cancelled. Really it doesn't affect our operations. We were only exploring new possibilities for our business expansion. So at the moment we are not affected by this really speaking.
- Mohit Kumar:** Sir, what is the progress on the Pirpainti Thermal Power Plant?



- R. S. T. Sai:** That also we have not yet been able to obtain the necessary cabinet clearance for taking the investment stake in that SPV. We are processing the matter at the government level. If we get clearances, we shall go ahead with it.
- Mohit Kumar:** Sir, my last question pertains to its wind power plant and solar thermal power plant. When do we expect to be commissioned, sir?
- R. S. T. Sai:** Which one? Solar?
- Mohit Kumar:** Solar.
- R. S. T. Sai:** Solar, it hardly takes about 12 months from the date we get possession of the land, so overall timeframe including everything to be about 18 months.
- Mohit Kumar:** So already something on the wind side, sir?
- R. S. T. Sai:** Sarkar, you can take it.
- Sarkar:** Yes. I will take it. This wind we are having that MoU with Kerala Government for 86 megawatt, so we have already given that for preparation of DPR and hopefully I think we will receive in next month this DPR. Then we will go for the tendering and along with it because this is 100% we finance and that land provided by the Kerala Government.
- Mohit Kumar:** So, sir, can we expect this to be up and running by the end of the fiscal year?
- R. S. T. Sai:** Next fiscal, not this.
- Mohit Kumar:** Okay, sir. Thanks. That's my last question.
- R. S. T. Sai:** Welcome.
- Operator:** The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.
- Bhavin Vithlani:** Good afternoon, gentlemen.
- R. S. T. Sai:** Yes. Good afternoon.
- Bhavin Vithlani:** One, if you can help us what is the capital work-in-progress as on September?



- R. S. T. Sai:** It is 16,000 crores approx.
- Bhavin Vithlani:** Okay. Is it possible to classify this between Subansiri, Teesta-IV and Parbati-II?
- R. S. T. Sai:** Yes.
- Management:** Sir, one minute. We will give you. Subansiri is around 7000 crores; 6900. You wanted Parbati?
- Bhavin Vithlani:** Parbati II and Teesta-IV.
- Management:** Parbati-II is around 4700 and Teesta-IV is 1551.
- Bhavin Vithlani:** Okay. And the balance would be – Any major projects left?
- Management:** Kisanganga is around 3600 crores.
- Bhavin Vithlani:** 3600 crores? Okay. In the 16,000 crores of the capital work-in-progress what could be the debt equity mix?
- R. S. T. Sai:** It is 70:30.
- Bhavin Vithlani:** Okay. The second question is you highlighted about a few projects where we have got clearances. We have got PIB clearance and now when do we expect this CCEA clearance and the work to start?
- R. S. T. Sai:** No. No. We are yet to get PIB clearance for those pipeline projects. The note for PIB is likely to be presented in a month's time to PIB desk, so typical cycle including cabinet approval will be about 6 months for this kind of situation.
- Bhavin Vithlani:** Okay, sir. In 6 months you will get PIB approval and then how long does it take for CCEA?
- R. S. T. Sai:** No. No. No. PIB and CCEA together the expectation is about 6 months, but that would go upto one year also, but reasonable time is 6 months.
- Bhavin Vithlani:** Okay. So then we could start construction on the Teesta and the Tawang project, would that be a fair assessment?
- R. S. T. Sai:** Yes. That would be a fair assessment.
- Bhavin Vithlani:** Okay. And then maybe next in line would be Dibang and then Pakal Dul?
- R. S. T. Sai:** Yes, Dibang. And Pakal Dul will be much more sooner because Pakal Dul cabinet approval is already in place and the tenders have been already processed. So any time the board of the SPV



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may approve the contract and then work will get started. But the only thing is now the winter is there, so one can start only from May onwards.

Bhavin Vithlani: Okay. So are we planning to go the item rate contract or EPC contract in Pakal Dul?

R. S. T. Sai: Pakal Dul it will be EPC.

Bhavin Vithlani: Similar to the Kisanganga?

R. S. T. Sai: Yes.

Bhavin Vithlani: Okay. Fine, sir. That answers my question. Thank you.

Deepak Agrawala: Thank you.

Operator: Thank you. Next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Yes. Good afternoon, sir.

R. S. T. Sai: Good afternoon.

Abhishek Puri: Sir, can you give us the details regarding your incentives from the availability factor and secondary energy?

R. S. T. Sai: Yes. Mr. Batra will answer it.

Batra: This is Batra.

Abhishek Puri: Yes.

Batra: You can note down. Incentive for the current quarter is 109 crores. For the last quarter it was 114, so progressive it is 223 crores.

Abhishek Puri: Okay. 114 is for the first quarter?

Batra: 114 is for the first quarter.

Abhishek Puri: As of now we have not booked anything in the secondary energy?

Batra: Secondary energy we have booked in case of Chamera-I. The financial figure is 21.5.

Abhishek Puri: 21.5 crores?



- Batra:** Yes. It has been shown.
- Abhishek Puri:** All the projects together? So this is at the company level or this is only for Chamera?
- Batra:** Company and Chamera both same figure 21.5.
- Management:** Yes, Abhishek, there has been some changes in the accounting of design energy. So I think Mr. Batra has explained to you. That's why we see design energy on book has been in only respect of Chamera-I. There have been changes in methodology. Mr. Batra will explain to you why it is only in case of Chamera-I.
- Abhishek Puri:** Okay.
- Batra:** Actually earlier CERC regulation was allowing us billing of secondary energy along with the annual fixed charges. In the tariff regulation 2014-19, now concept has been changed. First we have to bill AFC, Annual Fixed Charges, and once we have exhausted the design energy, then we travel to the secondary energy and then we bill it. So secondary energy will generally come in the later part.
- Management:** Chamera has exceeded the design energy.
- Batra:** Chamera has already exceeded the design energy.
- Abhishek Puri:** Sir, is this method helping you to put more units into UI's mechanism?
- R. S. T. Sai:** UI is different. This methodology of CERC helps us in softer realization of the annual revenue, so it is a front-end payment for us, front-loaded receipt for us, so in that sense it is favourable to NHPC.
- Abhishek Puri:** Okay. My last question, sir, if you can give me the adjusted profit number after removing this cost and any tax adjustments if there are any for prior period items or for the sole project?
- Management:** Just one minute. Just one minute.
- Abhishek Puri:** Sure.
- Management:** Adjusted profit only adjustment on like to like basis is relating to borrowing cost and administration cost of Subansiri Lower and Teesta Low Dam IV . Adjusted profit after taxes coming to 1576. Tax adjustment is around 73 crores that we have carried out while working out the figure of 1576. This is on half-year basis. And if we are to travel on quarterly basis for the second quarter, adjusted PAT is coming to 822. That adjustment after tax is 138. Tax adjustment is around 37 crores.



Abhishek Puri: Got it, sir. Thank you very much and all the best, sir.

Management: Thank you.

Operator: Thank you. A reminder to the participants, anyone who wishes to ask a question may press * and 1 on your touchtone telephone. Next question is from the line of Anuja Jain from MK Global. Please go ahead.

Amit: Hello?

Management: Hello.

Amit: Yes. This is Amit, sir. Basically I had two questions. One is I wanted to confirm this figure of past incentives which you gave. You said 114 crores for the last quarter, can you repeat the past incentive numbers again, sir?

Management: For the last quarter ending 30th September current quarter it is 109. And for the first quarter it was 114.

Amit: Okay.

Management: That is Q1 is 114. Q2 is 109.

Amit: And this number includes UI or it is only incentives you are saying?

Management: It is only incentive.

Amit: So what is the UI number sir?

Management: UI charges we are calling by the name of the deviation charges. So for the second quarter it is 59, first quarter it was 45 and total is 104.

Amit: Okay. And, sir, is there any under-recovery in any of the plants in this quarter?

Management: So what do you mean by recovery?

Amit: Under-recovery, I mean, based on availability lower availability of the plant.

Management: You see, whatever we got around – 87.7 is our project availability. It is much above than whatever has been prospected by the CERC. So we respond the recovery so far.



Amit: So there is, you know, on any particular project also there is no under-recovery you are saying?

Management: No. There is no under-recovery in any particular plant.

Amit: Okay. And lastly, sir, this Subansiri and TLDP-IV write-off which you are taking that essentially is the borrowing cost and administration cost of the quarter which you are expensing in the same quarter?

Management: Yes. Correctly. That is right. Whatever you are telling that is correct.

Amit: Okay. All right, sir. Thank you very much.

Management: But one thing you note. In case of TLDP-IV, as our CMD has said *ki* we have taken a decision regarding continuation of work in TLDP-IV, so from next quarter the recovery on account of TLDP-IV interest & administration charges will not come.

Amit: Okay. So how much is the TLDP-IV in this and how much is Subansiri, can you...?

Management: 70 crores is for TLDP-IV is concerned taking borrowing cost and administrative together.

Amit: 70, 7-0?

Management: 7-0 crores.

Amit: Okay. All right, sir. Thank you very much.

Operator: Thank you. Next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: Sir, just one followup question. What is the regulated equity as on end of September?

Management: The regulated equity is 9800 crores as on date.

Bhavin Vithlani: Okay. Thank you. That answers my question.

Management: Okay. Okay.

Operator: Thank you. Next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Yes. I'm sorry, sir. I was just asking the same question regulated equity. My question has been answered. Thank you.

Management: It's okay. It's okay. Thank you.



- Operator:** Thank you. Anyone who wishes to ask a question may press * and 1 on your touchtone telephone. Next question is from the line of Deepak Agrawala from Elara Securities. Please go ahead.
- Deepak Agrawala:** Yes. Sir, can you comment on the timelines for the commencement of the project which you just outlined which can start in next year especially these Tawang and Teesta and Pakal Dul? And how has the CapEx followed through in terms of your actual cash outgo in FY16 and 17?
- R. S. T. Sai:** See, as far as Pakal Dul is concerned, it is 66 months from the zero date. The zero date was on 10th October. That is the date of approval of the cabinet. But it wouldn't really appear on the balance sheet of NHPC except as an investment in the balance sheet because it will be other SPV. But Tawang, you know, the project construction phase may start after a year at the least. The same thing would apply for Dibang; Dibang maybe a little longer one-and-a-half to two years. So immediate next year we are not kickstarting any of the projects expect perhaps Teesta-IV.
- Deepak Agrawala:** Okay. What is the CapEx done in first half firstly and how much is expected in the second half for this year?
- Management:** See, our total capex for this year is around 3300 crores, out of which we have spent around 1100 crores in the first half and balance we are expecting to spend in the second half.
- Deepak Agrawala:** So any CapEx that you have planned to be incurred on this renewable projects of wind and solar?
- Management:** No. Solar, certainly, solar has been cleared by our board only last month. The total project cost is 400 crores and, as CMD had said that 75% more equity will be from our side. So certainly the way it proceeds we have to expand. We have not kept any particular budget for that, but certainly the way the tender will come and work will be awarded. We will be going on with the expenditure.
- Management:** And this will also be appearing as an investment for 400 crores that will be funded in 70:30 ratio. So roughly 120 crores would be equity, out of which maybe 3 crores would be from NHPC. So really it's not a significant investment from our portfolio. So from CapEx point of view, it is not very significant
- Deepak Agrawala:** So what is the mechanism for sale of power like at what tariff? Have those discussions already been taken place?
- Management:** Yes. We have tied up the price for it with the UP government which is Rs. 7.87 per unit.
- Deepak Agrawala:** Okay. Any other solar plant which you are contemplating, let's say, because lots of companies are going in Andhra Pradesh and signing up MoUs with the state government to set up plants, so any thoughts on that?



- R. S. T. Sai:** Really they are not very, very specific at the moment. We are exploring opportunities in the state of Telangana for one. Andhra Pradesh also has a green corridor, so our Ministry would be probably taking a call on which PS used to do how much and the Solar Energy Corporation (SEC) they are the nodal agency. So at government level some education will be made. This is what we are expecting. At the moment we have no concrete idea.
- Deepak Agrawala:** Okay. Okay. Thank you. I'll come back in the queue. Yes.
- R. S. T. Sai:** Yes.
- Operator:** Thank you. Next question is from the line Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Yes, sir. First question, can you just highlight what is the arrangement that's been reached with the contractor now from TLDP-IV and how will it impact the project cost if you have made any assessment?
- R. S. T. Sai:** See, the contractor was requesting for financial assistance which is above the contract price, so we were trying to negotiate the financial security mechanism. So because of that there was a stalemate. Now ultimately he has agreed to provide a bank guarantee which would cover the principal as well as accumulated interest. We shall be providing him a loan of about Rs. 80 crores. So this would help him to complete the balance work. This is over and above the bill amount which is expected to be another 18 crores. So as per the contract, as per the rate agreed in the contract, the value of balance work is about 80 crores, so in addition to that 80 crores, we shall be paying another 80 crores as an advance. So, with this, we will be able to complete the project and I think it would be commissioned by March 2016.
- Rakesh Vyas:** March 2016? Okay. Okay.
- R. S. T. Sai:** Yes. And first unit would come earlier.
- Rakesh Vyas:** Sure. Sure. Sure. Okay. And, sir, can you just help us with the revised project cost of the under construction projects currently? And also, sir, the last date of that revision as to when was the revision estimated?
- Management:** Okay for TLDP-IV the revised cost is 1930 crs at Aug13 PL, for Subansiri the revised cost is 10667crs at Dec10 PL, for Parbati-II the revised cost is 5365crs at Aug11 PL and at last the revised cost for Kisanganga is 5497 crores Jul-13.
- Rakesh Vyas:** Okay. Got it. Thank you so much, sir. That's it from my side.
- Operator:** Thank you. Next question is from the line of Amit from MK Global. Please go ahead.



- Amit:** Yes, sir. So basically my question was on UI charges. Since the first quarter the UI charges have jumped up significantly from about 15 to 20 crores of run rate, we are now at about 50 crores run rate. So just wanted to check what is it that has changed? I mean, is there anything which is under new regulation which is helping this thing or is it related to something else?
- Management:** Yes. First of all during second quarter generation is more than the first quarter; that is the main thing. You know, during monsoon we are having the maximum generation. So the extent of generation was more, naturally the proportion is also more. Second thing is regarding the favorable conditions of the regulation charge of the regulations which is there. Previously, we were not getting any benefit if we were going for maximum UI because that is getting compensations on the fourth day. Now, that condition is withdrawn for hydro; it's a very favorable condition for hydro.
- Amit:** Can you, sir, I just didn't get the last one can you explain that?
- Management:** Previously in the UI realization the condition was that if we are generating extra against the UI today, then that much energy we have to compensate on the fourth day whatever schedule we are giving that is the UI energy generated today will be added to the fourth day of generation. So that means always it is getting neutralized them previously. Now, that condition is withdrawn. There is no need to go for the compensations on the fourth day. So whatever we are generating extra today is final.
- R. S. T. Sai:** So we get to keep that money.
- Management:** Yes.
- Amit:** Okay. So basically we can assume that this can continue going forward?
- Management:** It is quite favourable to the hydro station.
- Amit:** Okay. And, secondly, if I look at, sir, basically the tariffs in the quarter, last quarter tariffs were high versus if I look at Y-o-Y. This quarter tariffs are almost similar Y-o-Y, so is this the effect of the lower secondary energy in the first quarter and similar kind of secondary energy in the second quarter, apart from that there is no other change which has happened in the regulation, is that the correct assessment?
- Management:** The question is not clear.
- Amit:** What I'm saying is that last quarter the overall tariffs were at about, say, 2.72 versus Y-o-Y basis 2.54 last year. This quarter the overall tariff is 2.51 versus Y-o-Y 2.46. Now, so last quarter basically Q1 I'm talking about the tariffs were significantly higher Y-o-Y, but this quarter tariffs are almost similar Y-o-Y.



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Management: We will come back to you. You see, this question is not very much clear to us. You can do one thing. You can mail.

Amit: No problem, sir. I'll get back to you later on that.

Management: Thank you.

Amit: Yes. I'm done. Thank you very much.

Operator: Thank you. Next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, one clarification. Sir, we have received around 600 crores for the J&K, so have we received the surcharge and penalty on this?

R. S. T. Sai: No. Not yet. This is principal. This will be accounted as principal.

Mohit Kumar: Okay. I got it, sir. Thank you, sir. That's it.

R. S. T. Sai: Thank you.

Operator: Thank you. Next question is from the line of Mihir Shah from Motilal Oswal. Please go ahead.

Mihir Shah: Hi, sir. This is Nalin Bhatt. Sir, just wanted to confirm when this Teesta project gets into the construction now, would you reverse the charges that you have booked in the profit and loss at this point in time and...?

R. S. T. Sai: I don't think it will be possible. Whatever has been booked has been booked.

Mahir Shah: Okay. So this revise cost of 1950 crores is not including that, right?

R. S. T. Sai: Yes. That has been charged into the profit and loss account. So that is not going into capital.

Management: Hello?

Mihir Shah: I'm saying that the same philosophy will be applicable for even Subansiri Lower?

R. S. T. Sai: You see, in Subansiri not necessarily. The philosophy will be the same, but in Subansiri since it is because of some public hue and cry certainly we will make an effort with the CERC and CERC regulation provides that the uncontrollable cost covers the type of expenditure. So we can't say the same philosophy will continue in case of Subansiri also. But, of course, in Teesta whatever you are telling that is correct; we go by that.



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- Mihir Shah:** Okay. Great, sir. Thanks so much. All the best.
- Operator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Deepak Agrawala for his closing comments.
- Deepak Agrawala:** Yes. We thank Mr. Sai and his entire management team for giving us an opportunity to host the earnings call. I also thank all the participants for joining us for this call. Sir, any closing comments would you like to offer?
- R. S. T. Sai:** I thank you all for the interest and curiosity that you have shown and these were really stimulating questions which you have put up. And we are always, you know, ready to transparently share the information with our shareholders and thank you all.
- Operator:** Thank you very much.
- Deepak Agrawala:** Yes. We can close the call, Malika.
- Operator:** Sure. Ladies and gentlemen, on behalf of Elara Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.