"NHPC Limited Audited Financial Results for the Year-ended March 31st 2015 Investor Meet"

MANAGEMENT: **SHRI R S T SAI – CHAIRMAN & MANAGING DIRECTOR, NHPC LIMITED**
SHRID P BHARGAVA – DIRECTOR - TECHNICAL, NHPC LIMITED
SHRI R S MINA – DIRECTOR - PERSONNEL, NHPC LIMITED
SHRI JAYANT KUMAR – DIRECTOR - FINANCE, NHPC LIMITED
SHRI R S BATRA – GENERAL MANAGER - FINANCE, NHPC LIMITED

Management: A Very Good Evening Ladies and Gentlemen. NHPC Welcomes You All. NHPC is a Miniratna Category-I Enterprise of the Government of India with an Authorized Share Capital of Rs.15, 000 crores. NHPC is Ranked as a Premier Organization in the Country for Development of Hydro Power with an objective to Plan, Promote,and Organize an Integrated and Efficient Development of Hydroelectric Power in all aspects.

The Analyst Meet has been organized to discuss the Audited Financial Results for the Year-ended March 31st 2015 and to appraise on the Ongoing Activities of the Company.

Now, I am pleased to introduce to you the NHPC Management Team on the dais. In the center, we have Shri RST Sai – Chairman and Managing Director; Shri – DP Bhargava, Director, Technical; Shri RS Mina – Director Personnel; Shri Jayant Kumar – Director, Finance, and Shri RS Batra – General Manager, Finance.

Now I request the Chairman and Managing Director Shri RST Sai to share the Performance Highlights and thereafter will be a Presentation by the General Manager Finance Shri RS Batra.

RST Sai: Good Evening, Ladies and Gentlemen. Welcome to this Meet. We have been following this practice of having annual conference with the analysts for sharing the annual results of our company, which helps in communicating with our analyst friends and make them aware of the operations of the company in a one-to-one direct manner. We thank you for cooperation being extended all the time and once again during this year also I hope the same spirit of cooperation will continue in future as well.

You might have seen the Results of NHPC; this year we have had a good generation the year ending 31st March 2015, 22038 MU of Electricity was generated, previous year figure 18386 MU up by about 20%, in fact we have exceeded the MoU target for excellent rating which we contracted with the Government of India, it was 21800 MU, so we have crossed that. So this higher generation helped us and coupled with certain incentives which we have earned, it has helped to increase the profit for the current year. The net profit we have shown was Rs.2,124 crores Vs previous year figure of Rs.979 crores. There has been an increase of 117% in our net profit. A part of it is due to some change in the accounting practice that we will explain later.

The enhanced profit has enabled us to declare final dividend of 60 paise per share, this includes interim dividend of 20 paise which was paid in February.

During this year, three of our new power stations that are Uri-I, Seva-II and Salal have achieved record generation so far since their commissioning… these are old stations ever since they were established this is the record generation in the current year. Uri-I generated 3077 MU, Seva-II 594 MU, Salal 3,432 MU. We have suffered a setback in Uri-II Power Station where an unfortunate fire incident took place on 28th November '14… one of the transformers caught fire and that created a disruption in the Electricity Generation. I am glad to inform that we are almost close to refurbishing the plant and maybe in another a couple of weeks we shall be commissioning may be 2-3 units and last unit also we will be completing by end of this month. The Power Station Uri-II despite the fire incident that occurred in November, it produced its targeted generation. Design Energy was 1124 MU but it produced 1188 million units by November itself that was due to good inflow of water during the last monsoon. Though the unit was down for about 4-months in the last financial year it still contributed its share of the Design Energy. The Dhauliganga Power Station it suffered an immense damage during the floods of June '13 that took place in Uttarakhand, so the power station has been brought back to operation by June 2014, and the project has generated 744 MU against the Design target of 917 MU. Our team under the able guidance of Director, Technical Mr. Bhargavahas been striving to improve the parameters of the operating power stations.

At present, we have four construction projects which have a total capacity of 3,290 MW. These projects have been having some problem or other earlier, but during the year '14-15 we could overcome most of these problems except in Subansiri. The TLDP-IV construction has picked up, we have completed construction of the RCC part of the dam, and we are slated for commissioning a couple of units by the end of the current financial year. Then we have also made some headway in Parbati-II where our tunnel boring machine got bogged down in a difficult geological zone, the treatment of the geological fault has been completed, we hope to resume the excavation of the HRT may be by end of the next month. So this is a significant development in Parbati-II which has been in standstill for almost 4-years or so. So the main critical activity that is HRT we will be resuming hopefully by July, but still independent of this geological issue, we are planning one of the partial commissioning by December '17… one-by-one units will be commissioned with the help of water that will be diverted from some local streams which will be joining the HRT, we have about four nalas what they call, so the water from these nalas would be adequate to commission the units independent of the main HRT. So with the help of this water we will be able to commission units one-by-one and be ready for full operation by I think the year 2018 the full power station will be fully operational.

The other project Kishanganga is in the State of Jammu and Kashmir, there we have made a significant headway, the HRT has been completed so that ensures all the uncertainties with project execution are overcome, so the construction activities are under control, so we hope that will be commissioned in November '16.

Then Subansiri project continues to be in a kind of suspended animation. The Government of India has constituted a committee which is termed "Project Oversight Committee."Now this committee has four representatives from various organizations of the Government of India, the Central Water Commission, Central Electricity Authority, then the Geological Survey of India and IIT Rourkee. So the experts from Earthquake Engineering is from IIT Rourkee and the Hydrology and Civil Designs are from Central Water Commission and Electrical parties from CEA, GSI is Geology, these are the four experts, plus the Civil Society Activist Groups they have nominated four academics from the State of Assam. This was set up as an institution to build confidence in the Assamese public. Now this joint committee has been sitting and scrutinizing the various technical data that we have presented to them. Earlier Government of India constituted a panel called Thatte Committee. So Thatte Committee suggested certain measures, we have accepted them and we have incorporated those features into the plant design. Now those things are to be weighted by this committee and they would say, this is okay, you can go ahead. So this we are expecting anytime, once this committee gives okay then we will be able to progress, and the project may take about 4-years once we get the go-ahead. Now this is the status of the four ongoing projects.

Now I would touch upon that issue of accounting which I have stated earlier: One of the reasons that contributed to boost the profit compared to last year is the issue of the regulated asset. Earlier when Subansiri Project was kept under suspension as per the relevant accounting standard, auditors insisted that the expenses on interest during construction and establishment of NHPC should be charged off to profit because this particular expense has not benefited the project. That was the statement in the accounting standard. Now, there is an exception to this general rule where in infrastructure projects where the regulating entities are there, for example, CERC in our case, if their rules permit the capitalization of these expenses, then an exception could be made. Now, the Institute of Chartered Accountants came up with a guidance note and we have also taken advice from the institute, what they call (EAC) Expert Advisory Committee, and as per that we have created a regulating asset in our balance sheet so that helped to reverse the entry insofar as Subansiri is concerned, and also current years accumulation of IDC, etc., that was allowed to be loaded on to the regulating asset. So that helped us to report a better profit figure.

I am also glad to share with you that we have formed a joint venture called Bundelkhand Saur Urja. This particular company almost 95% shareholding will be held by NHPC, remaining will be by UP Nada Uttar Pradesh Renewable Energy Department or Agency. So they have allotted us land at a place called Jalaun in Bundelkhand area, and there we are setting up a 50 MW Solar Project. So the contract approvals have been given by NHPC board. Now the award we are kept pending because the land transfer to the implementing agency is not yet done. So once the land is transferred, we will immediately place the contract award, this is Rs.350 crores worth of project. Then we also have ordered for setting up 50 MW Wind Power project in Jaisalmer district of Rajasthan that will come on the balance sheet of NHPC. So in addition we have also been given some projects in Kerala both Wind and Solar, these are under DPR stage. So, we are also trying for other projects in the Renewable area in the States of Tamil Nadu, Maharashtra, Andhra Pradesh, Telangana and some other states. We have also likely signing of an MoU with Government of West Bengal for Development of about 293 MW of Projects in the Teesta basin.So the Implementation Agreement has been awaited from West Bengal Government also, I think anytime it will be initialed.

So far as new projects in pipeline are concerned, we are actively pursuing the 520 MW Teesta IV-project,Implementation Agreement signed with Sikkim Government, certain processes are involved where Forest Rights Act hearings are to be held, where the tribals living in those areas will have to be given an opportunity of public hearing and then they will give their nod, then we get go-ahead from the MoEF for implementation of this project, that process is on, and in the meanwhile we have also circulated PIB proposal for investment approval of the Government of India. Then we are also in an advanced stage for 800 MW Tawang-II in Arunachal, also PIB proposal has gone to Government of India, and we have also received some certain clearances for Dibang Project, so this will also be moving ahead. And we also are pursuing Tawang-I 600 MW, but that is a little in early stage.So these are the main projects.

We have another project Kotlibhel in Uttarakhand. 24-projects Uttarakhand they were stayed by the Hon'ble Supreme Court in a PIL filed by some people.So we are actively pursuing through our advocates to get an early nod for this project.So Supreme Court has given a dead line to the MoEF to report their stand but MoEF has sought time, so the legal issue is continuing, so because of that Kotlibhelare having certain uncertainties.

The other thing which we can share with you and it is very legible from our balance sheet also is the accumulation of our sundry debtors. The problem is the retail end of the industry is in distress, it has been so for a few decades, it is nothing new, it is still dominated by the state sector, the distribution companies notwithstanding the reforms, earlier electricity boards they were divided and then Gencos, Transcos and Discoms were set up. With all that the state intervention in the tariff fixation is very strong though the state regulators are in place. The requisite professionalism hasnot developed in the retail sector. So they are in red. So once they are in red, their exact losses are high, the cash cycle is disrupted. Because the discoms are not able to collect money they are not able to pay to generating companies also. One of the major defaulters for NHPC is the State of Jammu and Kashmir. Jammu and Kashmir power development department is our main customer, it is still a departmental entity, they are not even a corporation, it is the state government own department. Now their debtors is about Rs.1,375 crores out of our total outstanding of about Rs.2,500 crores.So this is a concern.Apart from that we have some issues in Delhi also the two discoms mainly the BSES-owned discoms, they are defaulting, they have certain regulating issues and issues with the state government which doesnot allow them a workable tariff.So these are problems.Our main supplies are in the northern grid and eastern grid mainly.So we have the problems in the northern region with Jammu and Kashmir and Delhi mainly.

So I think that is it and I think now we can go ahead with the presentation. Mr. Batra will run through the figures and then we can open the house for a discussion.

RS Batra: Good Evening. We have compiled a small presentation on our Financial Figures, I will go through that. NHPC at present our paid up capital this is the present scene is Rs 11,000 crores plus. Physical snap shot of the Power Stations Projects have been explained by CMD in his address, so for avoiding repetition I would be skipping through these presentations, otherwise figures are before you.

Main thing is project in pipeline, four numbers, and individual project by status has been briefed by CMD. These are our comparative generation figures; so 2005-'06 we were at 12567 MU and '14-15 we have crossed 22000 MU;comparative figures, country generation, company generation, and what is the share of Hydro Power versus share of NHPC.

Now coming to the Financial Highlights: This year we have registered revenue from operation net sales of Rs.6,700 plus crores as against last year figure of Rs.5,300 plus crores. Other income for the current year is Rs.926 crores last year it was Rs.1,658 crores. The main reason for decrease in other income is last year we received dividend from one of the subsidiaries, last year there was buyback of the share so our average investment has gone down. Last year there was higher surcharge income, it has gone down by Rs.100 crores plus, so these all factors, last year number of tariffs were finalized, so on the late finalization of the tariff, we could get interest from the beneficiaries, this year the differential impact of this is around Rs.120 crores.

Now, coming to the expenditure side: Employee cost Rs.1,149 crores this year in comparison to Rs.1,058 crores;Rs.1,149 crores also includes the employee cost of Subansiri lower for the full year.

Accounting principles CMD has touched, I would be going in detail in my further slides, so this includes full year for Subansiri lower, last year also it was included for full year when we are comparing the figures. For TLDP-IVlast year it was for full year, this year it is for 7-months

Now coming to depreciation and amortization:So far as inclusion of Subansiri lower and TLDP-IV is concerned same which I explained with reference to the employee cost, increases because of the full year operation of the four projects which were commissioned last year – Water Usage Charges, Higher Generation, Higher Water Usage Charges from Rs.620 crores we have traveled to Rs.748 crores this year. There is a substantial decrease in other general expenses. Finance cost increase is mainly because of the full year operations of the four power stations and decrease is because of the repayments.

Now coming to the main item, Rate Regulated: Here I am simply explaining the accounting, next slide I will explain how we have actually done it. Here, just to explain Subansiri Rs.522 crores, expenditure part is included in all individual items against employee cost, depreciation and amortization every item it is included, but a new accounting concept has been brought by the Institute of Chartered Accountants of India and because of that through the route of regulatory income, we have recognized regulatory assets, the concept in brief is that accounting standards where these are not permitting capitalization of the cost, you charge it to the expense head, so there we are demonstrating compliance to the relevant accounting standard. So far as finance cost is concerned, AS16 is not permitting us capitalization of the cost during the period of suspension. All heads relevant accounting standards are not permitting us. Other heads other than finance costs are not specifically dealt in any of the accounting standards, but driving a queue from AS16 auditors covered it under last year under GAAP and we had to charge it to the natural head of account. Now, a new concept has come that if regulator in our case CERC allows you or considers such expenses for the purpose of determining the tariff or as part of the capital cost you can capitalize such expenditure as a separate line item as regulatory asset through the route of rate regulatory income. Now when we go through the CERC regulations,CERC regulation this time 14-19 have divided such delays into two parts – Controllable, Non-Controllable. For Non-Controllable CERC regulations clearly provide that such expenses would be considered by CERC for the fixation of the tariff, blockage has been kept under the definition of the non-controllable as such Subansiri is directly getting covered for recognition of the rate regulatory asset. So far as TLDP-IV is concerned, it is a border line case, it can fall under uncontrollable, it can fall under controllable.So following a conservative approach we have not created regulatory asset in case of TLDP-IV neither for this year nor for the earlier period though management is thinking ceases with this issue and we would be representing to the CERC to consider it as uncontrollable and allow us in tariff. So this is all about the current year.

Now, so far as previous year adjustments are concerned, arising out of the rate regulated, last year we charge around Rs.1,108 crores in respect of the Subansiri project to our profit & loss account relating to the year '12-13 and '13-14. A guidance note introduced by the institute contains a provision which can be exercised upon first time adoption of the guidance note. We have used that provision, that guidance note provides that all such expenses which have been charged to the revenue heads, for that also regulatory asset can be created but not through profit & loss account but through general reserves. So this year we have carried out an adjustment in the opening general reserves to the extent of Rs.868 crores after adjusting tax impact. So total charge to last year's profit & loss account was Rs.1100 crores plus after adjusting the tax impact that has been adjusted in the general reserves. So tax outgo Rs.701 crores contains both the things – current year tax as well as deferred tax.

This Slide… I have explained all, in case any of our friends have questions, that I would be taking afterwards, but I have covered all these things in my previous slide.

This year our generation is the highest 22,000 MU plus as against 18,386 MU last year. Project commissioned during the year one unit of Parbati-III. In respect of Dhauliganga unit , our insurance claims for Rs.191 crores on account of the material and asset loss has been lodged with the insurance company and Rs.292 crores has been lodged on account of the business interruption loss & against Rs.191 crores material damage we have already received Rs.70 crores and against Rs.292 crores we have already received Rs.100 crores. During the year the first two months we have further received confirmations from the insurance company and we will be getting further ad hoc payments.

So far as Wind Energy Project in Rajasthan is concerned, our CMD has already addressed this issue. JV company formed with the Government of Uttar Pradesh for Solar Power… this has also been dealt, so I am skipping this. West Bengal four projects have been dealt… I am skipping this

Debtor position in totality has been explained. This is the breakup just for your information; so outstanding debtors as on date is Rs.3,069 crores, out of this on account of sale of energy which has been built is Rs.2,462 crores, unbilled is Rs.590 crores and Rs.16 crores others.

Next Slide: We have covered top five debtor's comparative figures of both the years. As already informed to the house, our highest debtor is PDD J&K both years and next is Delhi.

In another form, we have presented the debtors details less than 60 days, more than 60 days. If you compare the figures of more than 60 days, it would be noted that current year out of Rs.1600 crores, Rs.1241 crores relates to J&K which is around 78-80%. Delhi, BSES Jamuna, BSES Rajdhani around Rs.200 crores plus, that is also more than 60-days.

Incentive Position: From last year, it is far-far better, last year total incentive which NHPC earned was Rs 329 crores and this year it is Rs 479 crores. Secondary Energy figures as against Rs 86 crores stands at Rs 137 crores, incentives Rs 171 crores to Rs 180 crores, deviation charges up to last year these were known by the name of UI charges, now deviation charges from Rs 72 crores we have moved to Rs 160 crores.

Growth in the Regulated Equity: So as on date, our regulated equity stands at Rs 10,204 crores, ROR project Rs 2624 crores.

These are the key financials which our analyst friends would be interested – Revenue, EBITDA, EBITDA margin, PAT we have discussed, share capital net worth, total debtors.

NHDC, our subsidiary which is in Generation, we have given salient feature of that. For NHDC, these are the figures.

Other Business Development: Renewable Energy… again, I am skipping. More time we leave for your questions, this has been discussed in CMD's speech.

Thermal Power in Bihar: This is the present fact of situation. Ratios… again, our analyst friends would be interested, EPS, book value, PE ratio, both we have given standalone and consolidated in comparison to last year. Market capitalization figures are as on 31st March. This is all historical data of NHPC Projects. This is historical date of our NHDC Projects, subsidiary.

Project under Construction of NHPC: These are facts of figures and historical data. I am not going through the figures because these are available on the screen.

Status of our Projects Under Clearances. Then status of our Loktak Downstream subsidiary.

Projects under Pipeline: Barsar, Dhauliganga Intermediate, Barsar is also NHPC project, Goriganga-3A.

On an Assignment: Chamkarchu – this is under discussion for formation of JV.

That is all I was to say on this now. Floor is open for questions.

Participant: Teesta-IV Unit how much will come?

R S T Sai: Yes, we will add two units of TLDP-IV.

Participant: Wind and Solar will come next year?

R S T Sai: Yes, Wind may come this year also, 50 MW. Next year our Kishanganga Project of 330 MW will be added plus two units of TLDP-IV. So 80 MW plus Solar also 50 MW, so 80, 50 and 330, so that makes 460 MW next year. Besides, we may also commission Parbati-II, I Unit by some small streams, some nalas before March '16-17, 200 MW one unit.

Participant: There is a huge gap between reported ROE and the regulated ROE. I understand some part of this would be because projects are under construction but what should we expect over the next five-years – will the gap narrow or like it remains like this?

Jayant Kumar: Certainly, this gap will narrow once the project come on stream, then ROE, whatever this regulated tariff, diluted equity is there, that come under operations. So when our construction work-in progress will transfer to the operational projects, then reported ROE will also increase equity which is under construction will come under operations. So certainly, it will increase.

R S T Sai: I simplify what he said; this is we have to see the long run scenario of the organization. Now, he has stated immediate future with the commissioning of projects, the productive assets will increase, but as an organization, we will be ploughing back retained earnings to fund the future expansion. Major projects are on the pipeline – 1400 MW, Tawang-I and II, 3000 MW in Dibang and 520 MW Teesta-IV. So gestation period in Hydro is pretty long and we continue to expand in Hydro for next 15-years or so, by that time probably the total Hydro capacity in the country will be exhausted. So in the long run the capital that would be used for expansion will be there. So to that extent that will not be earning any return. So for quite some time compared to the norm of say 15.5%, we will not be reporting the same level. So that is the fair assessment.

Participant: Is there apart from the project other reasons for the gap with the ROE?

R S T Sai: To some extent our O&M expenses are under recovered, because normative parameters of the CERC may not fully compensate, in some of the projects we think we are not able to recover the full O&M charges, so that obviously it will be met from the ROE.

Participant: What are going to be your priorities – whether it will be towards new projects, maximization of the ROE? And secondly the plan to reward the shareholders, the stock is actually virtually nothing since listing, and the shareholders are keen to understand whether there will be pickup in dividend payout so that at least some losses can be couped?

Jayant Kumar: This point has been raised by analyst earlier also, and considering that point last year we have bought back 10% of our paid up capital. And considering the profitability and this gap this year our dividend has also been increased vis-à-vis the earlier years; I think last year we had paid dividend of 3%, this year our board has recommended the final dividend of 6% including interim dividend of 2% already paid subject to AGM sanction and all those things. So we are seized with this matter. We understand that our shareholders should be given proper reward and we have started the process and I hope the way profitability goes, the coming years also we will see that our dividend payout is becoming more and more.

R S T Sai: Just to further clarify, the payout may not be very relevant in determining the price, what matters is the intrinsic worth, the perception of the investor. Now, whether the money remains as net worth of the organization or money goes into the pocket of the shareholder as dividend, it belongs to him to that extent. So either he is richer by holding higher book value of the share or his pocket gets richer with the money, either way he owns wealth. So this really in the sense of economics or finance, I do not think the payout is really relevant payout, for that matter even bonus issue if you speak of it, even that what happens, what is worth one share, now you will make it into two shares if you give some ratio. So I think what matters is the fundamentals of the organization. So, the fundamentals of the Hydro sector, I think the market has not been able to appreciate, I think we need to do some kind of improvement in the understanding of the investor community. If you make a comparative analysis of Thermal versus Hydro, or Solar versus Hydro, Wind versus Hydro, or Nuclear versus Hydro, the quality of the Hydro Power is far superior, it caters to the peak power demand. So if at all market reforms are heralded and time of the day tariff which is already in force in some limited form, it progresses further, perhaps Hydro would get much advantage. The other thing is, it is plus as well as minus for NHPC. All our power stations are committed with long-term power purchase agreements. Now that gives you a comfort that you have taken some for your power in any case. It is an advantage also in that sense. But it is a disadvantage in the sense, maybe you will not be able to charge the right price for the peak power.So it is a mixed assessment. For example, if you try to see the spot markets, it has been less than Rs.2.50, whereas some of our power stations, the customers are up taking even at the price Rs.6 also I think. So there is an advantage. Some of the power stations are very cheap, I think around Re.1 or so. These are perceptions. Now O&M angle, if you see, the amount of money which is involved in maintenance of Thermal Stations but that kind of thing we do not have, the variable cost of the power from hydro is practically zero. All our cost is for capital servicing, captive O&M charge which is 2.5 or so, practically we do not have any consumption of spares or any such thing. So these are certain very good features. Wear and tear is not there, although we charge in 35 years, these assets can perform for 200 years without much of refurbishment. So these are wonderful long-term advantages in Hydro.

Participant: What about the **rising debtors receivables.**

R S T Sai: See that I have explained to you, there is nothing which is particular for NHPC as far as this is concerned, it is the sector weakness. The retail end of electricity industry is very weak due to strong interference by the states. The tariffs are interfered by the state governments in public interest obviously, political interest obviously, so the AT&C losses are very high. So there is a disruption in the cash cycle. Now because of this, if you see the past 25 to 30-years of record, when predominantly, the industry was in the government control sector… even today retail industry is still in government control. The debts were cleared by Central Plan Appropriation-I. Then Central Plan Appropriation-II, then Montek Singh bonds, and now FRBM. So ultimately there is no free lunch in any economy, the bailouts have to come from the treasury, we all have to shell out through inflation or higher taxes or something like that. So that will be bank rolled by the rescue packages announced from time-to-time… at least in my career it is coming to a fag end now, I have seen four such debt financial reconstructions that have gone through. So, it is a governance issue, it is a political issue, it is a public finance issue. So, as a country, we improve our accountability and our financial discipline, things will improve. But, the basic fact is the electricity is an essential requirement. So whatever happens to the finance, electricity has to be produced, so it will go on, life has to go on. In our case, water comes free, so it flows through the machine, we keep producing, and a little realization from our DISCOMS will help us to pay the salaries and do our debt servicing. So that way we are better placed to adjust to financial distress in the sector. This is a feature which I hope the investors and analysts would appreciate. This is the biggest plus factor in the Hydro.

Participant: A couple of DISCOMS where we see outstanding like Delhi, UP may be not in the financial year, West Bengal, their financial liability for the DISCOM is not all that bad, have we taken action that if the outstanding is there, we are no more supplying power or we still continue to supply to Delhi and to West Bengal.

Jayant Kumar: You are very correct, so far as UP is concerned, there is not much outstanding; in case of Delhi we have regulated the power, I think the regulation is in force since March.

Participant: So no further supply.

Jayant Kumar: No further supply to them and we are selling it through PTC to the open market, and similarly Meghalaya is not paying since long and since 2014 they are not paying and there also we have gone for regulation; West Bengal is okay; their payments are up-to-date; Bihar is there, there also regulation is going on since June 2014.

Participant: So basically you are saying that once the outstanding crosses a certain level, you …?

Jayant Kumar: Once the outstanding crosses a certain level and we see that there is no intention or there is no interest from the part of DISCOM to come forward and to have an arrangement with the company to make the payment, there we go for the regulation.

Participant: J&K?

Jayant Kumar: J&K, the outstanding is around Rs.1,300 crores, and the issue in J&K, it is not that they have stopped paying, in the last '14-15 they have paid us around Rs.800 crores,the fact is that per month our billing is about Rs.30 to 40-crores on a regular basis to J&K,in this '15-16 also they have paid around Rs.12 or 15-crores in the month of April, and presently about Rs.200 crores cheque is outstanding in the treasury, what happens is, they give you a cheque, the point is that the cheque is not encashed, and so from J&K PDC point of view they will issue a cheque to NHPC, and when you go to deposit cheque, the treasury will say there is no fund from government, so wait, wait, wait. And that is why this outstanding is carrying forward.

Participant: Sir, one question on the related issue; since you talk about J&K and the outstanding there, there was a lot of talks about them having claim on some of our assets also,saying it should be transferred to the state government. Now just trying to understand since you mentioned that their DISCOM is also non-corporatized, is there a sort of relation that one can draw that in case this transfer does not happen or if they donot get the asset, then those outstanding could be at risk. So if you could just elaborate on that point? And secondly do you see similar other states also coming out and making such claims on our assets?

R S T Sai: The state governments that have signed implementation agreements so far, it was on a total ownership basis for NHPC,all the power stations that we have built were built on this basis, there is nothing called BOOT so far. In future, some of the arrangements may involve BOOT, but as of now there is none. So, in a federal arrangement, the center continues to be the owner with controlling stake in NHPC, so the strong support from the Government of India would be there, so far we have been able to hold on to our assets. But, if a political decision comes, these are issues involving some amount of political angle, we donot know how things will shape in the context of Indian Constitution, the river water is a state subject, states have in turn signed implementation agreements and entrusted, so even state governments have the authority to nationalize and take over any businesses, and central government also can take over any business…central is ruled out, because central is owning NHPC. If state invokes a legislative power and does it, we cannot predict that. So the state can invoke its legislative authority to acquire anybody doing any business in that state, is it not? But, the answer to your question is, Indian Constitution offers protection to the investors because any acquisition has to be paid, has to be paid for, they have to pay just compensation, there are judicial pronouncements. So the Indian Constitution protects the investor interest. Whenever somebody takes over an asset, he has to pay for it,the government cannot take any asset for free.

Participant: How much is the capital expenditure for FY16 and FY17? And what would you be commissioning for FY18 in megawatt terms?

Jayant Kumar: Our CAPEX for FY15-16 4000 plus crores. By '17-18 as CMD has said, we are going to commission around one Kishanganga project

R S T Sai: We will commission 660 MW in 2016-17.

Jayant Kumar: 2017-18, think Parbati-II might come about 600/MW.

Participant: Anything else?

R S T Sai: Nothing. Because Subansiri will go far behind, so nothing.

Participant: So capital expenditure in FY16 and FY17 is above Rs.4,000 crores.

R S T Sai: Rs.4,100 crores.

Participant: What are the reasons for high UI charges in FY15 compared to FY14? The FY15 numbers are pretty high, no double digits.

R S T Sai: I think the CERC changed some regulatory rules, I think that enabled higher UI.

D P Bhargava: UI charge depend on the load dispatch center giving us some schedule and if at that time the distribution company they are not adhering to the drawing schedule and they are drawing more power, then they are charged with the UI rate and UI rates are normally much higher than the normal sale rate. So it depends on when any state is in distress and they start drawing more than their scheduled quota, so they will get charged for that. So that is why we got much more and it depends on us also that how we are operating our power stations. Sometimes, when the demand is not there, we may conserve our water and when the demand is at peak we may generate power though the scheduled energy is less given by the load dispatch center. So it depends on how we are adjusting to that demand and what was our schedule.

Participant: One clarification on the Wind Power and Solar Power. Have you signed the PPA at a feed-in tariff of the state or is it a negotiated tariff?

D P Bhargava: We calculated tariff as per CERC norm, and we found that it will be around Rs.7.87 if the cost is around Rs.350 crores for 50 MW plant. So we said that we want this tariff. Now some discussions are going on this tariff, though the government has agreed for subsidizing this power, which they will draw, but final PPA is yet to be signed, so once the PPA is signed you can say it is a negotiated tariff, but we are comfortable with Rs.7.87.

Participant: What about wind tariff?

D P Bhargava: Wind, it was bid on different, whosoever gives us a higher rate of return, we will award the work to that, they have to arrange everything – land, equipment, and the power purchase agreement with the state distribution company. So with all these whosoever was offering us the highest rate of return, with that company we have awarded the work.

R S T Sai: The IRR, which would be guaranteed by the agencies that bid for it, it is 17.5 or something more than that.

Participant: When you say that vendor has guaranteed you a return on equity IRR but how can that vendor get a higher than feed-in tariff in the wind regime, and how did they get this kind of PPA from state?

D P Bhargava: The land is owned by the vendor. So probably he factored some fledging in the land price, he might have purchased it while …

Participant: I am not talking about your cost, cost he can control, he can make a loss, give you high return, it is fine, what I am saying your tariff, level of tariff you are highlighting here is substantially higher than FIT, plus also the incentives put in, total. So how is this deal arrived at is what we really want to understand, because nobody can do such a bilateral deal with a private party which is what you are claiming, that Inox Wind has got a tariff higher than the FIT?

D P Bhargava: That dynamics are interesting…

Participant: Similarly, your solar CAPEX is completely out of the market, the market has dipped to like Rs.6 crores/MW and we are still atRs.20 crores/MW.So are these updated numbers, or these are dated numbers, or how is it calculated?

R S T Sai: Our project cost is Rs.350 crores as far as solar is concerned for 50 MW, it is Rs.7 crores/MW.

Participant: Can you just go to your slide Sir? Sir this is wind. So this tariff of Rs.8 which you are claiming, again is the PPA signed?

R S T Sai: The in-principle consent we have got up to a cap of Rs.7.87,so there is in-principle commitment from the Government of UP.

Participant: So is this again under some bidding which the state conducted or …?

R S T Sai: MoU.

Participant: So as an organization, I just want to step back beyond this kind of special deals, do we see sort of sustainability of the cost structure of the company ability of the buyer to really pay, the MOUs are always there, and see if they are making average revenues of anywhere close to Rs.6 or Rs.7 for them to really pay this kind of tariffs.

R S T Sai: No, you have to understand the emerging legislative compulsions. There is renewable purchase obligations on electricity DISCOMS, so they have to make arrangements, if they donot do they are going to face penalties. Now, in a number of states the land is a constraint, particularly, in gangetic plains, Bihar, or UP, West Bengal, so much surplus land is not there, it is a fertile land, and they do not have wind potential also. So, wind is there in certain states only, for example, Maharashtra, Gujarat, and Tamil Nadu. Solar is there everywhere, but land is a constraint, but at the same time renewable purchase is a compulsion. So if some plant is there in my state, and I take my own arrangement it is much better, so they have gone for this kind of arrangement, one, and the second is, as a pioneer project, they have given a special deal for it. So this is first of its kind, the UP Government initiative that they did with NHPC and other PSUs also they are trying, but so far they have not made much progress. So this is a first of the initiatives they have taken. So they are under statutory compulsion now to go for RPO. So that is the reason why they came forward.

Participant: So we are certain that we will get our 15.5 if we are able to sign this PPA, or we will not initiate it until we get this tariff?

R S T Sai: We have a written commitment which is there right now. Now that has to be converted into a power purchase agreement. Now we have not entered into any financial commitments for this project. We will enter into financial commitments once the PPA is firmed up and land is handed over. It is a government-owned land. So subject to these two; we will go ahead with this project. So we will ensure that the risk is totally mitigated.

Participant: So it will be 15.5% return?

R S T Sai: Yes.

Participant: And just when you go to the previous slide on the Wind, and if you can just help us understand how the special tariff did happen for us?

R S T Sai: We have written Rs.400 crores, but when we bid it, we got Rs.315 crores cost, so the…

Participant: Exactly what I am saying, the market pricing is much-much lower than what we are indicating here.

R S T Sai: Overall, it will be Rs.350 crores including cost of land and our charges, though we have indicated Rs.400 crores, but it will be Rs.350 crores of solar.

Participant: How did Inox Wind really get this tariff?

R S T Sai: Some state governments have notified the tariff, that for wind this will be our tariff, now if the land and the wind potential is great in that plant, so these factors because the tariff is fixed, but output can be increased, the equipment cost can be reduced, the land cost can be changed, so all these variables combines, somebody can give higher rate of return than others, because it depends on location-to-location, somewhere the wind will be much higher, somewhere the wind will be a little lower.

Participant: My issue is not that. I can say even the vendor can make a loss and give you a return, what I am saying that money will have to be recovered from UP and not Inox Wind, right, This is FIT tariff, so this has to be UP ERC approved wind tariff, right?

R S T Sai: Yes, that is what I am saying that some state governments have notified the tariff that for Wind Power this will be the tariff, so it is not something like that, they will calculate the cost and then they will decide.

Participant: So this 5.6 what you are saying is a tariff for Rajasthan?

R S T Sai They have notified that this will be my wind tariff. Now depending on the cost of the equipment, land and the output of the wind power, somewhere it will be more million units than at other places. So all these variables and tariff fixed. So somebody can offer me higher rate of return than others.

Participant: And how much generations guarantee we have and how many years is the guarantee valid?

R S T Sai: It is for 10-years, but in Wind, it will be the same, because first they do micro citing of the site, and see the wind potential. So we do not expect that over the years the wind potential will get …

Participant: That I agree with you. There is a generation guarantee because you are saying 17.5% of the equity IRR which is guaranteed by the vendor to us, at this tariff of 5.64.So what is the guarantee or how many years have they given the guarantee for?

R S T Sai: 10-years they will maintain.

Participant: 10 years generation guarantee they have given you?

R S T Sai: Yes, and 26% capacity factor.

Participant: Generation basically is what?

R S T Sai: Generation is guaranteed.

Participant: If Generation underperforms your returns are secure?

R S T Sai: Yes.

Participant: For 10-years?

R S T Sai: Yes.

Participant: Thank you so much.

Management: Are there any more questions? Then, thank you everybody for being a part of this conference. Have a wonderful evening.