



## “NHPC Limited Q2 & H1 FY-16 Results Conference Call”

**November 10, 2015**



**MANAGEMENT:** **Mr. Jayant Kumar – Director Finance, NHPC**  
**Mr. R. S. Mina – Director (Personnel), NHPC**

**MODERATORS:** **Mr. Deepak Agrawala, Analyst, Utilities & Capital Goods, Elara Securities**

**Moderator:** Ladies and gentlemen good day and welcome to the NHPC Q2 and H1 FY16 Results Conference Call hosted by Elara Capital. As a reminder all participant 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 would now like to hand the conference over to Mr. Deepak Agrawala. Thank you and over to you sir.

**Deepak Agrawala:** Thanks Lizann. Good afternoon everyone. On behalf of Elara Securities, we welcome you all for the Q2 and H1 FY16 conference call of NHPC Limited. I take this opportunity to welcome the management of NHPC represented by Mr. Jayant Kumar-Director Finance and his entire team. We will begin the call with a brief overview by the management followed by a Q&A session. I will hand over the call to Mr. Jayant for his opening remarks. Over to you sir.

**Jayant Kumar:** Good afternoon everybody and happy Deepawali. Deepak besides me my senior colleague Mr. R. S. Mina-Director (Personnel), he is also present here so before I start I will ask Mr. Mina to speak few words and then we will start the formal con-call.

**Deepak Agrawala:** Welcome Mr. Mina.

**R.S. Mina:** Thank you very much Mr. Deepak and wish you all Happy Diwali.

**Jayant Kumar:** Besides Director (Personnel) we have our ED-PMSG who is looking after the construction project, ED HR, Mr. A. B. Agrawal, Mr. Babu-ED, O&M and other colleagues are present here. Before I start, I would like to convey all our analyst friends that their very long pending demand has been fulfilled now. Now we have got a regular CMD on our board. I remember analysts were always telling this thing that CMD is not there in this company and after a long gap we have got a regular CMD – Mr. K. M. Singh, he has already joined the board of NHPC. Besides the other directors, Director (Project) and Director (Technical) have also been selected by PESB. Mr. Balraj Joshi as a Director (Technical), he is one of our friend, he is General Manager (Design & Engg.) in NHPC already working here and Mr. Ratish Kumar, he is ED (Design-E&M). He has been selected as Director Projects. All proposals have already been forwarded to ministry and I hope that within a month or two both will be in our board so we will have the full-fledge board of NHPC.

Now I tell you that yesterday our board has adopted the half yearly accounts of NHPC. You must have seen the accounts. It is already on the stock exchange portal. I will tell you some highlights of the accounts for this half year.

During the current half year our power stations have generated around 16,600 million units of electricity vis-à-vis 15,904 million units of corresponding period. The generation has been 4% above the previous period and has surpassed the excellent MU target of 15,747 MU. This has been possible because of the excellent O&M performance of our power stations. The PAF of half year stands at 89.9% against the corresponding period of PAF of 87.7%. We have got 18

power stations at present, out of 18 power stations, 13 power stations have completed design energy. They have exceeded the design energy except 5 power stations, Baira Siul, Rangit, Chutak, TLDP- III, and Uri-II. Except these 5 power stations all other 13 power stations have exceeded the design energy.

During this half year we have earned a secondary energy of Rs. 35 crore and our incentive has been Rs 178 crore and the deviation charges of Rs 93 crore. There has been some setback in Chutak project. Now Chutak projects all units have been stored, last units have been stored in Sep'2015. The power station was under complete shutdown with effect from June 2015 due to sudden ingress of water in the powerhouse but now it has been fully restored. The net profit earned during this half year has been Rs 1948 crore vis-à-vis Rs 1300 crore of corresponding period. The profit is increased broadly due to higher generation, higher PAF, earlier years sales because of the finalization of tariff. Tariff order of four projects have been finalized and because of that the earlier year profit has been crystalized, earlier year sales have been crystalized to the extent of Rs 113 crore and rates regulated assets which we have discussed earlier also of Rs 269 crore. I also want to highlight that operational performance has been quite robust. Our EBITDA for the half year is Rs 3459 crore vis-à-vis Rs 2994 crore of the previous period. So far construction front is concerned our construction activity in Parbati-II is left out mainly with works in HRTs, dam almost we have completed, powerhouse also two machines have been erected, they have been put down so only HRT, TBM work is going on. I'm happy to share that we have resumed TBM operation. So we are making all efforts to commission this project in by Dec 2018. The anticipated cost of this project is Rs 7800 crore out of which we have spent around Rs 5264 crore till October 15. So far Subansiri project is concerned, activities are stand still due to agitation lodged by various activist. NHPC is in constant touch with the central government and state government of Assam for immediate resumption of construction activities. As decided in the meeting held in the December 2014, the project oversight committee has been constituted by MOP, ninth rounds of meeting have already taken place and the report of the POT committee is awaited. The construction activities at Kishenganga is going in full swing. Our PMSG people who are sitting here, they will give you what is the update on that and we are actively working to complete that project November 2016. TLDP-IV project in West Bengal, this is at the last leg of the construction activities, and we are expecting the two units of this will be commissioned by March 16 and balance by June 16. We have signed a MoU with West Bengal State Electricity Development Corporation for development of four Hydro projects in the Teesta Basin and the survey & investigation work for these four projects has already started.

Our debtor is a matter of little bit of concern especially JK PDD, it is still on the higher side. The September debtor is Rs 3274 crore out of which the JK PDD itself is around Rs 1362 crore. So we are making a lot of efforts with JK PDD, we are talking with them at the government level. Otherwise our debtor position is quite satisfactory.

Renewal front, we have started activities for 50 MW wind power project in Jaisalmer, Rajasthan. The active construction is going on there. The 15 units of 2 MW each have already

been erected at the site. We are quite hopeful by December these projects will be functional; so more or less this is on the NHPC front. I request our analyst friends to ask questions whatever they have on the accounts of NHPC or regarding the construction activity of NHPC. Thank you.

**Moderator:** Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Deepak Agrawala. Please go ahead.

**Deepak Agrawala:** Can you throw some light on the CAPEX journey first half and how do you see phasing out in the second half and next year?

**Jayant Kumar:** Our CAPEX is not of very high volume because presently we have got only four projects and that out of all these four projects, the activities at Subansiri are not going up very fast and other projects are at the last leg of their construction. So our CAPEX has been only Rs 4180 crore for this FY 15-16, out of that we had spent around Rs 1200 crore approx. by the first half. The balance whatever is left; we are hopeful that we will complete in the last couple of months, except Subansiri. Subansiri, we are expecting there will be a shortfall of about Rs 500 crore to Rs 600 crore.

**Deepak Agrawala:** You have spent Rs 1200 Crore so far in first half?

**Jayant Kumar:** Yeah, we have spent Rs 1200 crore approx. so far.

**Deepak Agrawala:** For FY17?

**Jayant Kumar:** For this entire 12<sup>th</sup> plan, we had a plan of around Rs 20,000 crore CAPEX to be spent. This year we have spent around Rs 1100 crore or Rs 1200 crore odd. 2017 will be the last year of this plan and we had a plan of around Rs 5000 crore approx. to be spent in the last year of this 12th plan. If we get clearance on some projects-- we have got three and four projects which are pending PIB clearances. So if we get the clearance on those projects then certainly these Rs 5000 crore will go up otherwise I feel just about Rs 5000 crore we will be able to spend in the next financial year.

**Moderator:** Thank you. Next question is from the line of Tanuj Makhija from Bank from America. Please go ahead.

**Tanuj Makhija:** Can you please explain the accounting methodology for regulatory income in respect of Subansiri Lower project in 2Q FY15?

**Jayant Kumar:** So far methodology is concerned, that is same. There is a guideline by Institute of Chartered Accountant of India that the expenditures which can be claimed afterwards from the regulator can be kept separately as a regulatory asset. The procedure is that whatever borrowing cost and administrative expenses are there which is not to be allowed, first that will be charged to the expenditure and then to that extent it will be added in the profit to be kept aside as a regulatory

asset and then it is shown as a separate line item in the Balance Sheet under the head Non Current Assets, so that is the methodology. Total expenditure on the regulator assets has been Rs 1899 crore. We have created asset of Rs 269 crore for this half year.

**Tanuj Makhija:** Just to confirm that if I look at your 2<sup>nd</sup> Quarter FY15 numbers and the rate regulated income, it shows nil so has the practice is been started by the company only from 4<sup>th</sup> Quarter FY15 onwards?

**Jayant Kumar:** Exactly, you are very correct. This practice just started only in the fourth quarter of last year and that is the reason in the previous half year this regulatory asset was not there.

**Tanuj Makhija:** In essence you have not deducted the Rs. 134 crore the quarterly expense in 2Q FY16?

**Jayant Kumar:** Yeah.

**Tanuj Makhija:** What is the company strategy for setting also renewable capacity especially, solar power capacity?

**Jayant Kumar:** We have been asked by the Government of India and we have told them, in next 5 to 7 years we will install around for 430 MW capacity under renewable. Renewable means taking together wind as well as solar. So far strategy of solar is concerned we have to search for a good location and we have to search for PPA where we can earn IRR, a respectable IRR if not 16%-17%, at least it will cover my cost of capital. So in that line, we have asked tender, we have asked quotation from different parties. We have got MoU in UP for 50 MW solar power, we have talks going on with Tamil Nadu where we have awarded a work for 50 MW solar power and some tender is also going on, so our strategy is simple. We are asking quotations from the private parties to come forward who have got availability of plant and if we get their cost is competitive we can maintain a proper IRR; we award work to them and go ahead. Of course we are not very aggressively bidding as the bidding is coming Rs 4.83 per unit or Rs 5 per unit, we are not that much aggressive. We have to take care of our IRR also so more or less that is our strategy.

**Tanuj Makhija:** At what rate has the MoU with UP and Tamil Nadu been signed at?

**Jayant Kumar:** In UP we have got MoU that maximum rate will get up to Rs 7.87 per unit. In Tamil Nadu or other we have awarded the work, now as per the solar policy of Tamil Nadu and other states we have to sign the PPA.

**Tanuj Makhija:** Just to questions from my end, firstly given that UP and Tamil Nadu have huge amount of debts, what's the compulsion from them to buy such expensive power at Rs.7.87 per unit?

**Jayant Kumar:** Compulsion is not mine; every state government has got some quota. They have to fulfill their RPO obligations. So UP there is no compulsion. They are not telling that they will purchase at Rs 7.87 per unit, they are only telling that they can purchase the power up to Rs.7.87 per unit.

So far compulsion is concerned, it is there RPO obligations for that purpose they might have signed this PPA. So far Tamil Nadu is concerned we will sign the PPA as per their solar policy rates.

**Tanuj Makhija:** Are you also looking at selling bundled power combining Hydro plus solar to bring down the cost of power in the PPA?

**Jayant Kumar:** No, presently we are not looking for this.

**Moderator:** Thank you. Our next question is from the line of Deepak Agrawala. Please go ahead.

**Deepak Agrawala:** Can you take the incentive income that you've earned during the Quarter 2?

**Jayant Kumar:** The incentive up to that half year is Rs 178 crore.

**Deepak Agrawala:** That is for availability or total?

**Jayant Kumar:** Availability and secondary energy Rs 35.12 crore and the deviation charges, although deviation charge is not incentive but it is Rs 92.86 crore.

**Deepak Agrawala:** Would you like to comments on this approximate tariff that you would be getting in the Jaisalmer project where the work is already on?

**R. S. Mina:** Now they have fixed up the tariff Rs. 5.74 per unit. Every year they are just notifying actually. This year they have notified tariff Rs.5.74 per unit for this wind power.

**Moderator:** Thank you. The next question is from the line of Pawan Parikh from Religare. Please go ahead.

**Pawan Parikh:** My question is on this tariff finalization for four projects so there is this Rs 113 crore of revenue that you booked in this quarter so is this one time in nature or how is it?

**Jayant Kumar:** Yeah it is one time in nature. What happens, whenever tariff order comes before coming of tariff order we are charging tariff at the provisional rate that is 85% of the total cost so when final tariff order comes then we book the entire, this balance is 15% what is left that we charge so it is onetime booking.

**Pawan Parikh:** And is 100% of this number is showing into your profitability?

**Jayant Kumar:** Yeah.

**Pawan Parikh:** So had it not been, the profit would have been lower by Rs 113 crore minus the tax amount?

**Jayant Kumar:** Exactly. By the time another project will come then again that balance 15% will be added so it is a process, the way it works.

- Pawan Parikh:** Which are these four projects?
- Jayant Kumar:** These four projects are Chamera-I, Baira Siul, Salal and Loktak so these power stations final tariff order for '14-19 has come and that's why we have recognized this earlier year sale.
- Pawan Parikh:** Secondly on the 50 MW project at Jaisalmer, the solar project, you said the tariff for the first year is Rs. 5.74 per unit.
- Jayant Kumar:** Number one, it is Jaisalmer, but it is not the solar project, it is the wind power project. Number two, the tariff will come from the wind power policy of the Government of Rajasthan so Rajasthan Government whatever the rates they will declare for that year so that rate will be taken for the sale rate. As our Director told you this is Rs. 5.74 per unit for the current financial year.
- Pawan Parikh:** As part of your PPA you've not got a rate which is fixed for 15 or 20 years?
- R. S. Mina:** No, every year they are announcing actually. Almost earlier this was Rs 5.64 per unit and this year comparatively it is more actually.
- Pawan Parikh:** Finally on this rate regulatory income that you've booked in this quarter about Rs 134 crores odd, how much of it is in interest expense?
- Management:** Out of the Rs 134 crore, Rs 100 crore is on account of borrowing cost and Rs 21 crores on account of employee cost and Rs 13 crores on account of other expenses. This is for quarter and for first half it is Rs 269 crore.
- Moderator:** Thank you. The next question is from the line of Tanuj Makhija from Bank of America. Please go ahead.
- Tanuj Makhija:** What was the incentive income in first half FY15?
- Management:** You want figure of FY15, Q2 or half year?
- Tanuj Makhija:** If you can provide both that would be helpful.
- Management:** Q1 FY15 secondary energy was nil, PAF based incentive Rs 114 crore, deviation charges Rs 45 crores and in Q2 FY15 secondary energy was Rs 22 crore and PAF based incentive Rs 109 crores and deviation charges Rs 59 crore.
- Moderator:** Thank you. The next question is from the line of Deepak Agrawala. Please go ahead.
- Deepak Agrawala:** Can you shed some more light on the receivables as in quantum which is more than 60 days, greater than 6 months, and what is your reading of realistic assessment of realization of these receivables over the next six months?

- Jayant Kumar:** I will give you today's data, not September's. So today the outstanding more than 60 days is Rs 1957 crore and out of this Rs 1957 crore the majority is Jammu Kashmir PDD that is Rs 1205 crores. This is the position as on date. I have been told that Rs 170 crore has been released by JKPDD; we got a message only yesterday so let us see how it materializes. Our General Manager – Commercial will tell you regarding the recovery prospect of our JKPDD.
- Chander Mohan:** we have said the outstanding for more than 60 days from J&K is Rs 1205 crore. They have issued about Rs 170 crore, yesterday we got a message so in a couple of days it will be realized, and we are expecting some more money from J&K. They are working for some money to be transferred from the central government. Some package has been announced recently by honorable Prime Minister so we are expecting by another couple of months some more money will be issued from J&K to NHPC. So we are aggressively following it up with J&K because they are the major defaulters so as far as receivables are concerned.
- Deepak Agrawala:** What about other states among the top five?
- Chander Mohan:** The BYPL is there, it is around Rs 183 crore then UP is about Rs 144 crore, these are the major defaulters, and then we have West Bengal, its Rs 177 crore. BYPL is already we have gone for this regulation. So even though the regulation is there but still the outstanding charge is not coming down. Regulation is with effect from 28 March, 15 that's still going on.
- Deepak Agrawala:** Actually if we add just these four states, if the amount is still around only Rs 1700-1800 crore and total receivables about Rs 3300 crore...
- Chander Mohan:** Yes total receivables are Rs 3295 crore so this is as on date.
- Jayant Kumar:** Deepak there are two things, the total that you are telling the data which is more than 60 days so there are two types of figures. One figure is due as on date, total dues and dues more than 60 days. So I was telling you the data more than 60 days otherwise you are very correct the total receivable as on date is Rs 3295 crore.
- Deepak Agrawala:** So UP and West Bengal number that you mentioned which is greater than 60 days and not total?
- Jayant Kumar:** Yeah it is greater than 60 days and regarding BYPL what you said, BYPL we are already going for regulation but still their amount is not coming, we have filed application to DERC for the recovery of that amount. Let us see what happens. We actively processing, we are talking to the company also—we have talked to their chairman also, we have written letter to the chairman also. So we are aggressively processing, taking with them and I hope some solution will come out.
- Deepak Agrawala:** Any development on the solar front because like you mentioned that 50 MW wind is already started. Last time also you were mentioning that your bids have already been invited and the L1 player was already there in play for the solar project so any update on that?

**Jayant Kumar:** In wind in Jaisalmer what I told you that the 30 MW has already been constructed. The project will be commissioned only by December when the entire 50 MW will be ready. So far solar is concerned, the bid has been invited. Government of UP has not signed the PPA because of their some internal contradictions so they are at different level of clearances at their bureaucratic level. So that bid which we have called had not been awarded yet, but the moment the PPA will be signed we will award it.

**Deepak Agrawala:** Any other state where you're working on where we can see like the purpose is basically the intent is why I am asking is because if we understand, is there any CAPEX element involved in FY16-17 towards solar projects?

**Jayant Kumar:** Yeah, there is CAPEX element around Rs 500 crore to Rs 600 crore involved in this renewable power component. So wind power whatever share is there around Rs 200 crore we will utilize under that CAPEX, balance as earlier investment we have rewarded the work in Tamil Nadu. So there also we are waiting for the PPA, if the PPA is signed by March then certainly the very big chunk of that CAPEX will be utilized.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Deepak Agrawala for closing comments.

**Deepak Agrawala:** We thank Mr. Jayant, Mr. Mina and his entire team for giving us an opportunity to host the conference call. We also thank all the participants for joining the call. Over to you sir for any closing remarks.

**Jayant Kumar:** Thank you Deepak. Our analyst friends have been very helpful to us. We are getting good questions from them and this gives us incentive to work harder for the next quarter. I am very much thankful to all of them. Happy Deepawali to everybody. Thank you very much.

**Moderator:** Ladies and gentleman, on behalf of Elara Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.