



## **NHPC Limited**

### **Q2 & H1 FY17 Earnings Conference Call**

**November 22, 2016**



**Management:** **Mr. K M Singh, Chairman and Managing Director**  
**Mr. Jayant Kumar, Director (Finance)**  
**Mr. R S Mina, Director (Personnel)**

**Moderator:** **Mr. Deepak Agrawala, Sr. Vice President,**  
**Elara Securities**

**Moderator:** Good day welcome to the NHPC Q2 and H1 FY2017 Results Conference Call hosted by Elara Securities Private Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Agarwala from Elara Securities Private Limited. Thank you and over to you Sir!

**Deepak Agarwala:** Thanks Janis. Good afternoon everyone. On behalf of Elara Securities, we welcome you all for the Q2 and H1 FY2017 conference call of NHPC Limited. I take this opportunity to welcome the management of NHPC represented by Mr. K M Singh, Chairman and Managing Director, Mr. Jayant Kumar, Director (Finance), Mr. R S Mina, Director (Personnel) and their 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. Singh for his opening remarks, over to you Sir.

**K M Singh:** Thank you Mr. Deepak. NHPC in second quarter has recorded hike in profits by 28%. It is Rs.1555 Crores. Of course generation has also recorded hike of 169 million units during quarter two. Also the dues realization from J&K during the half year ended FY'17 has been Rs 677 Crore. In addition, our billing realization against sale of power during the half year is Rs.3100 Crore (approx.).

Regarding generation as I have already told you, we have received 8940 million units which is 170 million units higher than the corresponding previous quarter .These are the main highlights of the second quarter of FY'17.

**Moderator:** Thank you. Ladies and gentlemen we will now begin with the question and answer session. We take the first question from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

**Abhishek Puri:** Good afternoon Sir and congratulations on good set of results. Sir a couple of things one if you can give us the breakup of the other income because this time it looks to be quite high Rs. 929 Crores and my second question will be if we are on track to deliver Kishanganga Project in the second half of this year because we have been reading a lot regard in the

media regarding the treaty in this water treaty with Pakistan and what is the status over there?

**K M Singh:**

Mr. Abhishek, I think if I am not wrong, Kishanganga Project is suffering due to law and order problem which started in Kashmir Valley since July 9, 2016. However, we have continued the work at dam side and we have done a lot of work and work is near to the completion of the dam. In the powerhouse side which is very near to Bandipora, there we could not do any work after July 9, 2016. Now since few days, law and order situation is improving. We hope that we will start the work very soon within a week or two in the Kishanganga Project. Due to delay in the work and the stoppage of work during these four months of a law and order problem, Kishanganga commissioning is of course slipping and there is very less chance to complete the project in such a way during this financial year. But in addition to that, what we are planning in Parbati-II 800 megawatt project which is as per schedule i.e. November-December 2018, we are tapping the Nalla and from the Nala's we can commission one machine within this financial year. We may slip 330 megawatt of Kishanganga Project, but we hope to add 200 megawatt of Parbati-II Project.

**Jayant Kumar:** Abhishek regarding that other income you are very correct we have got some dues from JK and that is why our other income is on the higher side. Our GM (Finance) will give you the exact data.

**R P Goyal:** Break up Other Income during Q2 FY'17: Late payment surcharge is Rs. 471 Crores, dividend income is Rs. 205 Crores, claim received in respect to Uri-II is Rs. 50 Crores, interest on term deposit is Rs. 120 Crore, other income is due to the commission of TLDP IV is Rs. 7 Crore & rest is others.

**Abhishek Puri:** Sir this claim of Rs. 50 Crore pertains to which project?

**Jayant Kumar:** Uri-II Rs. 50 Crore. Basically we are getting piecemeal payment from the insurance so this quarter we got Rs. 50 Crores on account of insurance in respect of Uri-II.

**Abhishek Puri:** And could you also share sir dividend number from NHDC last year.

**K M Singh:** Yes, last year we have received Rs. 120 Crores from NHDC. This year we have received Rs. 204 Crores so a difference Rs. 84 Crore.

**Abhishek Puri:** My last question would be if the payout ratio sir last year was about 68% with higher dividend coming in

from the subsidiary company could one expect to retain the payout ratio at the same level.

**K M Singh:** As on date Mr. Abhishek we certainly will retain it.

**Abhishek Puri:** Thank you and all the very best Sir.

**Moderator:** Thank you. We take the next question from the line of Abhinnet Anand from SBI Cap Securities. Please go ahead.

**Abhinnet Anand:** Hi sir just wanted to have whatever the incentive incomes can you preferred and also the breakup of this year.

**Jayant Kumar:** Incentive for this quarter.

**Abhinnet Anand:** Yes sir.

**Jayant Kumar:** PAF incentive is Rs. 143 Crore, deviation charges Rs. 40 Crores & secondary energy is a small amount of Rs. 2 Crores.

**Abhinnet Anand:** Can you just repeat the first number Sir?

**Jayant Kumar:** First number is Rs. 143 Crores towards PAF incentive.

**Abhinav Anand:** Second is we had this renewal energy plan of adding wind and solar what is our current plan and how do we intend to go forward on that.

**K M Singh:** You see, we have already commissioned 50 megawatt wind power project in Rajasthan, Jaisalmer and further, our planning is to go for 88 megawatt on wind power i.e. 72 megawatt in Kerala and 16 megawatt in Andhra Pradesh. In addition, we have already signed PPA for development of 50 megawatt solar power project with TANGEDCO, Tamil Nadu and in UPNEDA we have made a JV since almost two years back. Now within a week or two we will get the land. Both the renewal Power project, 50 MW solar power in Kerala & 16 MW Wind Power in Andhra Pradesh is under tendering and we hope within a year we will be completing soon 100 (50+50) megawatt solar Power project and 88 (72+16) megawatt winds Power project.

**Abhinav Anand:** So this is for the year-end do we have a slightly concrete plan for the renewable energy addition in the medium-term next two or three years do we have a target set?

**K M Singh:** See we have committed for development of 430 MW of renewable energy projects during the five year

period of 2015-19 and out of that we are doing the work.

**Abhinav Anand:** Thanks a lot. Those were my questions.

**Moderator:** Thank you. We take the next question from the line of Prashant Shivsagar from Unived Corporate Research. Please go ahead.

**Prashant Shivsagar:** I just wanted to ask you some housekeeping questions one is this provision for Bursar will be this will be the last provision or there will be some more provisions coming in the next quarter?

**Jayant Kumar:** See Bursar last year we have made the major provision and this year by September work has been completed there. We have closed the site whatever work is there that is being done at the corporate office. So there will be some nominal provision going on, on Bursar project otherwise most of the provision has been made.

**Prashant Shivsagar:** But will be a nominal one coming in the next quarter also?

**Jayant Kumar:** Yes some nominal one will coming in the next quarter also, because till we get the clearances some little work will be going on because we have to go to CEA, we have to file reply, we have to submit some reports

etc. So some nominal work will be going on and accordingly a small amount will be charged in due course.

**Prashant Shivsagar:** In this other income there is a recovery of payment surcharge that is some Rs. 440 Crores that is from which utility you mentioned it earlier?

**K M Singh:** Yes, this is mostly from J&K.

**Prashant Shivsagar:** And in the notes we have written 369.26 Crores pending that also is from J&K only?

**Jayant Kumar:** See we have got some pending dues from J&K as well as UP and Rajasthan also but whatever receipt has come that has come mostly from the J&K. Pending are there from a few DISCOM that is why this has been given in my notes.

**Prashant Shivsagar:** Sir the last question is what is the status of the projects in the Northeast especially the Dibang Project and Subansiri of course the management has answered but Dibang?

**K M Singh:** Mr. Prashant, in r/o Dibang project we have revised our DPR after getting the MOEF clearance subject to reduction of the height of the dam by 10 meter. Since height of the dam was reduced by 10 meter, we have to revise the DPR. We have revised the DPR and

submitted on 4th of this November, 2016 that DPR has been accepted by CEA for examination. That is the position of the Dibang Multipurpose project. Of course we are going to acquire the land for colony also for at Dibang Project.

Regarding Subansiri Lower, NGT case is there and almost the report of the POC made by the Government of India has been accepted by the government and this NGT case some few points is there and again next month date is given on December 14<sup>th</sup> 2016 and we hope early to resolve it soon.

**Prashant Shivsagar:**And about other such projects Teesta and Teesta-IV.

**K M Singh:** In Teesta-IV, FRA activities is going on and out of 10 villages we have completed FRA in 7 villages and for one village tomorrow is the scheduled date and for other village, it is on 25th Nov'16. I hope by 15<sup>th</sup> December'16 we will complete it.

**Prashant Shivsagar:**So you expect the clearances to come through in this quarter or the next quarter.

**K M Singh:** See after that forest stage II clearance is required and that will be processed by the state government then we will get clearances from the MOEF. That may take time one or two months after FRA.

**Prashant Shivsagar:** Sir about the Tawang-I and Tawang-II what is the status?

**K M Singh:** Again Tawang-I and Tawang-II FRA is to be completed and you might have heard there was some law and order problem at site and the state authority have taken hard step. This is cooling time and the matter is being pursued at the level of the government and within a week we can start the FRAs again. We are getting full support of the state government.

**Prashant Shivsagar:** Sir last one is that Loktak Downstream Hydroelectric Corporation which is one of your subsidiaries what is the status of that project?

**K M Singh:** Regarding TEC of Loktak Downstream, we have received recommendation of CEA on 4th November'16. There was a meeting on 4th November in CEA and CEA has also accepted Dibang DPR for examination. We have already tendered the two packages, one for Civil and Hydro-mechanical works and other is for E&M works for construction of the project. Both tender has been issued.

**Prashant Shivsagar:** Sir there was one more thing that private sector projects in the North East there was a report that they may be hand over to you any this thing progress on that or is it just in the conceptual space?

**K M Singh:** See we have received a letter and discussion is going on but problem is the cost, until and unless they are ready to take the dent on the expenditure they incurred on the project we cannot accept it. Our condition is if tariff of the power generated from these projects is going beyond Rs.5 per unit then we will not accept it. So many projects means by Jindal, by Reliance has been offered even in Sikkim Teesta-VI and Rangit-IV project is on the advance stage of discussion with the government of Sikkim. Government of Sikkim wants to give it to NHPC, but our condition is, if it is coming under viability then we can take it.

**Prashant Shivsagar:** Sir any comment on this Siang Upper Stage-I Project of NTPC any is there any discussion?

**K M Singh:** Yes, you see the Siang Upper Project is not under the NHPC. NEPCO is doing it presently.

**Prashant Shivsagar:** So any discussion on that or no?

**K M Singh:** It is very preliminary discussion.

**Prashant Shivsagar:** Thank you Sir. That is it from my side.

**Moderator:** Thank you. We take the next question from the line of Murtuza Arziwala from Kotak Securities. Please go ahead.

**Murtuza Arziwala:** Thank you so much for taking my questions. Two questions from my side, a) any colour on progress the deadlock on Subansiri, any colour on that how things are progressing on the ground? Is there any breakthrough that has been made? Two if one were to look at the next three years or so could you give us some outline as to which are the capacities three to four years timeframe which are the capacities which one could look at getting it commissioned?

**K M Singh:** Thank you Mr. Murtuza. Regarding lower Subansiri project, both state governments and the center is positive & dialogue is going on. The question is only NGT, because it is a subjudice matter that's why we are waiting for the clearance from the NGT. Otherwise we have got the clearance from the state government to proceed with the project, that is about the Subansiri lower project. Regarding Parbati-II Project, as I have already told here to somebody against some questions, we are going to commission one machine with the water from the various Nalla's. We are tapping three to four Nalla's and before March'17 we will commission 200 MW i.e. one unit of this Parbati-II project and that will enhance the generation from Parbati-III also. That is the planning we are doing and it is very easy to commission it before March'17, Parbati-II I am saying.

**Murtuza Arziwala:** Thank you so much Sir.

**Moderator:** Thank you. Next question is from the line of Vinod Malviya from Flourine tree Advisors. Please go ahead.

**Vinod Malviya:** You said that Sikkim government has approached you for a lot of projects hydro projects to be taken by NHPC so can you provide which are the projects the Sikkim government is offering you and what is the status of all these projects which they have offered you?

**K M Singh:** Thank you Mr. Vinod. The Sikkim government has approached us for Teesta-VI 500 MW project. That project is being done presently by Lanco, in addition to that they have also approached for Rangit-IV 120 MW project that is being done by Jal Hydro. But again same thing if project cost is under viable condition then we can take it, they have to take the dent either the Sikkim government revive it or company who are doing the work, but we cannot put any money if it is not viable.

**Vinod Malviya:** And what about Teesta Urja, have you approached for Teesta Urja to do?

**K M Singh:** You see Teesta Urja has already been revived by the state government and project was started with the help of consultancy from NHPC. NHPC is providing project execution management and three machine has already been commissioned. Some problem is there in transmission line of 500 meter and after that three commissioned machines can be synchronized and one-by-one all six machines can be synchronized, there is no problem.

**Vinod Malviya:** So that the COD for that project is March 2017 I see that will come on stream will be say by March 2017.

**K M Singh:** Maybe before that, 500 meter transmission line is nothing.

**Vinod Malviya:** Would you be interested in that progress there is someone wants to exit because here are apart from the Sikkim government there are some other private players as well as some other investors?

**K M Singh:** You see, cost of the project has already gone very high and we are not interested. But as per the instruction from our power minister, we are expecting that one joint venture company between government

of Sikkim and NHPC will be formed but again question comes who will buy the power from the private sector means Teesta Urja. If that is sorted out then only it will be beneficial otherwise they are not able to recover their cost also if they are supplying to the exchange but presently they are facing that problem also, no PPA has been signed for that power.

**Vinod Malviya:** They already have a PPA right for the entire 1200 megawatts. PTC is the trader over there and in terms of PTC?

**K M Singh:** See, exchange rate at IEX is Rs.2.50 per unit to Rs.3 per unit. It varies between Rs.2 per unit to Rs.3 per unit, you can say and due to high construction cost of Teesta-III project, Rs.2 per unit or Rs.3 per unit is very less.

**Vinod Malviya:** So considering the cost overrun what should be the tariff rate as per your translation for Teesta Urja.

**K M Singh:** I cannot comment on that one, because that is other process.

**Vinod Malviya:** My second question was on the IEX front we have seen NHPC selling their power on the IEX in the month of June, July and it has discontinued in the month of August, September and October so any

particular strategy which NHPC has or it was just the surplus power which was generated in the month of June and July which was sold on IEX?

**Jayant Kumar:** No, there was no such strategy. Basically we have regulated the power which we were supplying to BYPL in the Delhi DISCOM. So what happened, DERC has allotted all the power which we were supplying to BYPL in favour of BRPL for the another two years till March 2018. They had said that whatever power is being given to BYPL that will be given to the BRPL. So that is the reason presently. All those power which were earlier going to an exchange, now going to the BRPL. So that is the reason you might not be seeing that no power is going to exchange from this side.

**Vinod Malviya:** That was helpful Sir. Thanks.

**Moderator:** Thank you. We take the next question from the line of Ashwani Sharma from B&K Securities. Please go ahead.

**Ashwani Sharma:** Thanks for the opportunity. Sir my first question is what was the PAF during the quarter.

**K M Singh:** Mr. Ashwani PAF during this quarter is 95.2% and earlier it was 92.6% hence we recorded 2.6% higher than the previous quarter.

**Ashwani Sharma:** Sir secondly any comments on the management on the recent demonetization scheme by the government Sir.

**K M Singh:** See that is not affecting us. That is the government policy. We are not affected anyway.

**Ashwani Sharma:** Any comment on the sector Sir.

**K M Singh:** No how we can comment on the government policy and which is not related to hydro business.

**Ashwani Sharma:** Thanks a lot.

**Moderator:** Thank you. We take the next question from the line of Dhruv Muchal from Motilal Oswal Securities. Please go ahead.

**Dhruv Muchal:** Sir a quick one can you share the regulated equity number for 2Q?

**Jayant Kumar:** This is Rs 11178 Crores.

**Dhruv Muchal:** And in 1Q it was.

**Jayant Kumar:** It was Rs. 11196 Crores.

**Dhruv Muchal:** Thank you so much.

**Moderator:** Thank you. We take the next question from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

**Abhishek Puri:** Thank you for the opportunity again. Can we have the breakup of CWIP 17000 Crores?

**Jayant Kumar:** For Subansiri Lower project we have already incurred Rs. 8700 cr, for Parbati-II the expenditure as on September 30 is Rs. 5900 cr and for Kishanganga we have spent Rs. 4700 cr. So this is largely the breakup of three construction projects.

**Abhishek Puri:** This survey & investigation project does not go into CWIP now they are expensed off in the P&L?

**Jayant Kumar:** It is also part of CWIP only but it is not the major part. Mr. Goel will give you the breakup of S&I.

**R P Goyal:** Total expenditure on Survey & Investigation is Rs. 1131 Crore, out of that we have already provided for Rs. 567 Crores and balance is carried over.

**Abhishek Puri:** And if I can ask this quarter the EBITDA or the operating income has been slightly lower than what it was last year.

**Jayant Kumar:** Yes you are correct this is basically if you see on generation side we have got a marginal increase in generation on account of TLDP-IV and what has

happened the tariff of TLDP-IV is provisional but so far booking of expenditure is actual. So you must be understanding, being analyst, that our revenue is on the lower side but expenditure is on the full side. Full expenditure is booked and that is the reason the EBITDA is a little bit suppress and than the earlier so you are very correct.

**Abhishek Puri:** So provisional tariff is what 60%, 70% or more than that.

**Jayant Kumar:** No, the provisional tariff, this time, they have given is based on DPR cost. See this time they have taken a stand what was it originally in the DPR. So they have given the DPR based tariff. I see it was somewhere Rs.2.70 paisa, Rs.2.80 paisa per unit and once RCE is approved then CERC will give the final tariff.

**Abhishek Puri:** Sir if you can give the details as to how much would be the DPR tariff I think as of COD the cost that you have spent on TLDP is about 2900 Crores and can you explain original sanction for touch the DPR?

**Jayant Kumar:** No, you see we have spent around Rs. 2000 Crores and the original sanction was somewhere Rs.1060 Crores. That is why the gap is there & we have already submitted the RCE to the CEA.

**Abhishek Puri:** Sir there were some incentives being talked about for the hydro sector and study is being conducted to include that in the renewable energy portfolio what can be expected out of it is there any gain for the hydro sector going forward from that?

**K M Singh:** Mr. Puri we cannot say anything now but if it is going in renewable then we can expect, whatever benefits is being given to the others means solar and others renewable power we will get the same. Our main motto is to get away the infrastructure construction cost from the main project cost because infrastructures roads etc. just to access the site because the hydro projects are mostly in remote and some other benefits from renewable we may get it.

**Jayant Kumar:** Abhishek as you asked about that renewable benefit, basically you have to see once hydro power is declared as a renewal power then there are benefits which have been given in wheeling charges and so far RPO is concerned. So basically what will happen, the cost of procurement of Discom's will be reduced. So suppose the hydro tariff is Rs.6 per unit or something and over and above the Discom's had to incur a wheeling charges and then RPO obligations are there. If hydro is declared as a renewal then those cost of Discom's will be reduced which ultimately will

reduce the effective purchase cost of DISCOM so far hydro is concerned. So once it is declared as a renewal power, it indirectly will benefit the hydro power. There would not be any direct benefit to the hydro power that's because if you declare it as a hydro power then the cost of a hydro power will come down that is not the case. The case is that the effective procurement cost of Discom will go down & hydro sector will get the benefit once it falls in the renewable sector.

**Abhishek Puri:** Could you get access to any priority sector loans or cheaper funding cost can be looked at or longer tenure of bonds can be looked at if you get the HPO benefit here or other renewable sector stature or these are already available to you?

**Jayant Kumar:** You see these things are under discussion. These things will be known once we get the status. So certainly once we get a status we can look into all those things.

**Abhishek Puri:** Thank you so much sir and all the best.

**Moderator:** Thank you. We take the next question from the line of Deepak Agarwala. Please go ahead.

**Deepak Agarwala:** Sir just few questions from my side. First can you give us breakup of the receivables which has increased versus June quarter possibly because of the higher billing itself but which are the top five states if you can share?

**Jayant Kumar:** Yes, Deepak basically our receivable against sale of power as on September 30 is around Rs. 2900 Crores and the top five would be like J&K Rs. 825 Crores, UP Rs. 580 Crores, BSES Yamuna Rs. 257 Crores, Punjab Rs. 250 Crores, and West Bengal Rs. 175 Crores so these are broadly top five debtors.

**Deepak Agarwala:** Initially you mentioned that you see Rs. 440 Crores from J&K towards late payment surcharge that is 825 is after factoring for that?

**Jayant Kumar:** No this is basically position of September 30' 2016 against sale of energy. Surcharge payment we have received after September'16. We have received it in October'16. So that's does not include that.

**Deepak Agarwala:** My second question is on the note number #17 where you have highlighted that you have around Rs. 519 Crores towards Bursar and Kotli Bhel so if I recollect till Q4 we have done about 360 odd Crores towards this project and in the first half we have done additional 30 Crores so that means around 390 and

this is mentioning of 519 so where is the balance 130 Crores that we have booked for.

**Jayant Kumar:** Mr. Goel will give you the breakup of all Rs. 519 Crores.

**R P Goyal:** Breakup of Rs. 519 Crores is: Rs. 296 Crores towards Kotli Bhel 1A, 1B and Rs. 222 Crores towards Bursar Project.

**Deepak Agarwala:** Next question is do we in terms of this dividend policy now we are moving to instead of 30% payout we also have the 5% networth so can you be more help us to understand what we can expect going forward?

**K M Singh:** Mr. Deepak, dividend guideline has been provided by government of India. 30% of net profit and 5% of networth, whichever is more, we have to provide and certainly we will go along with the policy given by the Government of India so far profit supports it.

**Deepak Agarwala:** My third question is like in the earlier concalls you have mentioned that this we have not going ahead with the UP and Tamil Nadu solar project but as the Chairman Sir mentioned in initial remark that they are indeed they are going ahead so what has change and because the tendering was already completed last year

so what is the status and we going ahead with new tenders?

**Jayant Kumar:** You see in the earlier concall we had said about the UP. We had said we have done the tendering but there was some issue in land allotment. We could not get the land, which was originally assigned for us. That is the reason the tender has been cancelled and we said presently that we are not going ahead, we will first go for the land and then we will go for tendering. So Chairman has just said that. See, the matter is being sorted out with the UP and we are expecting that in the next 10 to 15 days, the land at some other place, not at the original place would be allotted to us, so we will take the physical position of the land and then we will start the tendering process so for UP is concerned. Similarly in Tamil Nadu, initially we had gone for the tendering but PPA could not be signed, so those tendering has been cancelled and this is what was told in the last concall. In Tamilnadu, NHPC is leasing land for implementation of project & PPA has been signed with TANGEDCO on 5<sup>th</sup> Oct'16 & the tendering is underway. UP land is being assessed, once land comes within 10 to 15 days then we will go for the tendering. This is the situation.

**Deepak Agarwala:** So next year we will see this 100 megawatt in addition to Kishanganga.

**Jayant Kumar:** Yes I am hopeful that in the next con-call we will be able to tell you formally about these two 50 megawatts in Tamil Nadu and 50 megawatts in UP.

**Deepak Agarwala:** That is it from my side. Thank you. Janis if there are no further questions.

**Moderator:** There are no further questions Sir. Over to you!

**Deepak Agarwala:** We thank Mr. Singh, Mr. Kumar, Mr. Mina and their team for giving us an opportunity to host this call. We also thank all the investors and analysts for joining this call. Sir any closing remarks if you can offer.

**Jayant Kumar:** Mr. Deepak, myself along with the entire management team, we are very much thankful to you and our analyst community because analyst community they give us the ideas, they pinpoint our deficiency and we always try to improve it and I expect the support will carry on in future also. Thank you very much.

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