"NHPC Limited Q2 & H1 FY'19 Earnings Conference Call"

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Management: **Mr. Mahesh Kumar Mittal - Director (Finance)**
Mr. Nikhil Kumar Jain - Director (Personnel)
Mr. Janardan Choudhary - Director (Technical)

Moderator: Ladies and gentlemen good day and welcome to the NHPC Q2 and H1 FY'19 Earnings Conference Call, hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harshit Kapadia from Elara Securities Private Limited. Thank you and over to you!

Harshit Kapadia: Thanks Lasania. Good afternoon everyone. On behalf of Elara Securities, we welcome you all for the Q2 FY'19 earnings conference call of NHPC Limited. I take this opportunity to welcome the management of NHPC Limited represented by Mr. Mahesh Kumar Mittal, Director (Finance), Mr. Nikhil Kumar Jain, Director (Personnel), Mr. Janardan Choudhary, Director (Technical) and his team. We will begin the call with a brief overview by the Management followed by a Q&A session. I will now hand over the call to Mr. Mittal for his opening remarks.

M K Mittal: Good afternoon everyone. I am M K Mittal, Director (Finance) and I have with me, Mr. Janardan Choudhary, Director (Technical) and Mr. Nikhil Jain, Director (Personnel) is about to join and I have a team of all senior officers with me. I am just giving an overview about the financials of the company for the half year ended September 30, 2018. Let me tell you that the Board has adopted the quarterly and half-yearly results for the period ended on September 30, 2018 in its meeting held on November 14, 2018 and the same have already been communicated to the exchanges.

Brief highlights of the results and important updates of the company are as under:

During the current half year, our power stations have achieved generation of 16,625 MUs vis-a-vis 17,350 MUs generated in the corresponding period of the previous year, which is 4% lower. The lower generation is due to lower water availability in the first quarter of the current fiscal. For the second quarter ended September 30, 2018, power stations have achieved generation of 9589 MUs vis-a-vis 8801 MU generated in the corresponding period, which is about 9% higher. The higher generation is primarily on account of new capacity addition from Kishanganga Power Station, where generation has been 331 MUs from May 24, 2018 to September 30, 2018. Solar power plant has also generated 35 MUs during the current half year. Power stations TLDP III and TLDP IV, which were suspended during July to September last year have resumed their full generation during the current year.

Our PAF for the half year stands at 92.60% against corresponding previous year PAF of 95.80%. During Q2 FY'19, power stations have achieved PAF of 92.88% against corresponding previous year PAF of 94.40%.

For the half year ended September 30, 2018, the company has achieved sales of Rs. 4624 Crores as against Rs. 4299 Crores in the corresponding previous year period, which is about 7.56% higher. During Q2 FY'19, we have recorded sales of Rs. 2495 Crores against Rs. 1972 Crores during corresponding previous year period, which is about 26.52% higher. Increase in sales revenue in the current quarter is mainly due to base period impact i.e. Q2 FY'18 in which there was a reversal of sales revenue of Rs. 276 Crores pertaining to Parbati-III Power Station and we had impact of closure of TLDP III and TLDP IV during the two months of the last fiscal year, where the impact was of Rs.137 Crores. The total impact for Parbati-III, TLDP III and TLDP IV last year was Rs. 413 Crores during half year ended on September 30, 2017.

Other income for half year FY,19 are of the order of Rs. 584 Crores vis-a-vis Rs. 624 Crores during the previous year, i.e. decline of 6.41% approx. During Q2 FY'19, other incomes are of the order of Rs. 472 Crores vis-à-vis. Rs. 519 Crores during the corresponding period of the last year. The decrease on account of lower interest income by Rs. 11 Crores, reduction in the realization of business interruption loss by Rs. 20 Crores, reduction in reversal of provisions by Rs. 24 Crores, lower dividend income by Rs. 112 Crores which has partially been compensated by higher surcharge income by Rs. 110 Crores.

The generation expenses for the half year has come down from Rs. 539 Crores to Rs.518 Crores, which are down by Rs. 21 Crores or 3.90% primarily due to lower water cess on account of lower generation.

The employees cost during half year has come down from Rs. 765 Crores to Rs. 713 Crores which is a decline of Rs. 52 Crores or 6.80%, inspite of commissioning of Kishanganga project, primarily due to superannuation of 630 employees on year to year basis.

There has been a saving in the finance cost during half year from Rs. 477 Crores to Rs. 450 Crores i.e. by Rs. 27 Crores or 5.67% despite additional interest of Rs. 24 Crores due to commissioning of Kishanganga project, Rs. 36 Crores have been saved due to repayment of loans and Rs. 12 Crores have been saved due to refinancing of high cost debt with the lower cost debt.

During current half year, we have earned PAT of Rs. 1956 Crores vis-à-vis Rs. 1881 Crores in the corresponding period i.e. an increase in the profit by Rs. 75 Crores or 4%. During Q2 of FY’19, PAT is Rs. 1219 Crores vis-à-vis Rs. 1019 Crores in the corresponding period i.e. an increase of Rs. 200 Crores which is 19.63%. The reasons we have just discussed why the profits have been higher.

Our first Solar Power Project of 50 MW was commissioned in March 2018 in Tamil Nadu which has generated 35 MUs and has contributed Rs. 7.13 Crores PBT during the half year. Our first wind power project of 50 MW, commissioned in October 2016, has also generated 49 MUs and has contributed Rs. 14 Crores in the PBT during the current half year.

During the half year, the incentive position is as under:

PAF based incentive during the current half year is Rs. 312 Crores, last year it was Rs. 317 Crores, so more or less it is steady. Deviation charges during the current half year is Rs. 113 Crores, last year it was Rs. 89 Crores, so we have a jump of 27% in the deviation charges. Secondary energy this year it is zero, last year it was Rs. 21 Crores. The total of all these three elements this year, it is Rs. 424 Crores and last year it was Rs. 426 Crores. So more or less on the total number, we are at the same position.

CAPEX during first half FY'19 was Rs. 1245 Crores as against Rs. 1426 Crores during the corresponding period of previous year and the decline is because the CAPEX in r/o of Kishanganga project is no longer there which was there till last year.

On capacity addition front, all units of Kishanganga Project have already started commercial operation (First unit w.e.f. May 18, 2018 and Unit II and Unit III w.e.f. May 24, 2018). Construction work of 800 MW Parbati-II Project is under progress. We are expecting to get the project commissioned by FY'21. The anticipated cost of the project is Rs. 9,395 Crores, out of which we have already spent Rs. 7,058 Crore till September 2018. Two units of Parbati-II have been synchronized with the grid in the current year and are likely to be commissioned by March'19 when the water availability is expected to be sufficient for COD.

As far as Subansiri lower project is concerned, arguments on the constitution of the committee by MoEF & CC based on the application filed by Sri. Abhijeet Sharma have been completed on May 8, 2018 in the NGT and the judgment was kept reserved. The matter was listed for hearing on November 19, 2018 i.e. yesterday, in which NGT has given go ahead to the committee constituted by MoEF & CC**.** The details about the judgment is expected soon. The revised cost of the projects now stands at Rs. 19,496 Crores out of which we have incurred Rs. 10,457 Crores till September 2018. Meanwhile management has assessed the recoverability of Rate Regulated Assets and based on the assessment Rs.110 Crores have been charged to the Profit Loss Account in the current quarter.

The status of clearances of the forthcoming projects are as under –
Pre-investment clearance of Teesta-IV, hydroelectric project (520 MW) in Sikkim is already available. The FRA compliance is underway. Draft PIB memo for implementation of the project has been submitted.
In respect of Dibang Multipurpose Project 2880 MW, Ministry of Environment, Forest, and Climate Change, Government of India has accorded Forest clearance stage 1 and Environment Clearance. Reply to the various agencies on PIB memo has been furnished by MoP.
Approval for pre investment activities in respect of Tawang-II (800 MW) Project accorded by MoP and FRA compliance is underway.

This all from our side. Now the forum is open for question and answer. 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 Ashish Shah from Goldman Sachs. Please go ahead.

Ashish Shah: Thank you for the opportunity and sir congrats for good set of numbers. Sir on Parbati-III Sir, what would be the under-recovery in this quarter and by when do we expect Parbati-II to be completely commissioned?

M K Mittal: Parbati-II as I mentioned is likely to be commissioned by March 2021, but it is also informed that we have synchronized two units with the grid in this year through the water which was available through various nalas. Those have been connected to the power house and now we are hoping that this 400 MW will be commissioned by March 2019 when we will have sufficient water availability. We could have commissioned even during September-October this year, but because of the lower water availability, we may not have been able to demonstrate the full rating capacity of the unit, where we are required to have the rating demonstration for 12 continuous hours at full load. So, when the water is fully available, two units are likely to be commissioned during March 2019.

Ashish Shah: Okay and Sir under recovery because of Parbati-III?

M K Mittal: There is no under recovery, we are booking tariff which was allowed by the regulator and our final tariff petition on Parbati-III is not yet decided by CERC, but we are recovering the revenue based on the tariff which was provisionally allowed which is almost Rs.5.46 per unit.

Ashish Shah: Okay. Got it. Thank you.

Moderator: Thank you. The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: So just to understand it better. Parbati-II, when the two units come online, would you be able to charge for Parbati-III. Will you be getting the full flow and hence you can go back to CERC to claim full tariff or that will happen, when the full plant is commissioned?

M K Mittal: Yes, probably the Director (Technical) will respond.

Janardan Choudhary: Actually when the Parbati-II will be commissioned fully, that time full generation will be taking place in the Parbati-III also, and that generation of design energy will be revived, but at present the design energy is based on whatever inflow is coming, there is no doubt that design energy has been fixed by CEA/CERC and based on that design energy and the Plant Availability Factor fixed by them, the full AFC is being allowed to recover, but till date we have capitalized only three machines out of four, so we are getting the full AFC corresponding to the three machines, corresponding to the design energy & PAF fixed by the CERC. As soon as the four machines will be capitalized, the tariff will be changed and whatever water is available and based on which the design energy has to be worked out and PAF has been worked out by CERC and we will be allowed to recover the tariff from the utilities.

Abhishek Puri: Okay. I am sorry to ask this question again. This AFC is fully recovered well understood but that AFC does not have return on equity, it largely has only the cost?

Janardan Choudhary: No, AFC for three machines, it has the component for return on equity also.

Abhishek Puri: Okay.

Abhishek Puri: Right. So the second question is on Subansiri Lower Project. Why have we booked for the cost and not the regulatory income which we were booking for the last couple of years?

M K Mittal: You see as per the Accounting Standard, we had to assess the value of the asset based on the impairment analysis and till Q1 of FY 2018-2019, we were finding that there is no impairment in the Subansiri Lower Project assets. But when we assessed the impairment in Q2,FY'19 we found that the expenditure which we have incurred in Q2, FY'19 is not justified and we cannot capitalize that or we cannot show that as a Regulatory Asset because the future revenues discounted at the present value do not match with the cash outflows, which have taken place or which are going to take place on the project. So there was impairment and accordingly we have stopped putting the expenditure to the Regulatory Asset from Q2, FY'19.

Abhishek Puri: So again just to understand this little better – what is the nature of this expenditure and should we expect this to be expensed and there is no revenue booking to that effect going forward also?

M K Mittal: You see, number one the expenditure consists of the IDC, and the employees and establishment cost, which is being incurred on the project and whatever hard costs is being incurred, that is being capitalized. There is no issue on that. But the IDC and the establishment expenses which are being incurred on the project is now charged to the P&L account and secondly as soon as the project construction starts, these expenses will become a part of the capital cost of the project and will be recoverable through tariff.

Abhishek Puri: IDC if I understand is allowed as a part of the project cost right or is it not allowed when the order is given from the Government not to go ahead with the project and then we are spending money, that will not be allowed you mean to say?

M K Mittal: No. The point is as long as the project construction is going on, it is normal expenditure, it is capitalized, and in our case, we were capitalizing it through showing expenditure as a Regulatory Asset because the asset was sustainable with the tariff. Now based on the impairment analysis, we find that any further capitalization till the construction work resumes is not feasible and that is why we have charged to the P&L account.

Moderator: Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal Securities.
Please go ahead.

Sanjay Jain: Hi Sir. Thanks for taking my question. My question is same on Subansiri Lower Project. So one on this, Rs.110 Crores that we have charged to the P&L, so this is basically a quarterly expense, so should we say until we get a clearance to start work on this project once again, till that time, does it mean about Rs.440 Crores of under recoveries or there is a drag of profit after tax for the company?

M K Mittal: You are right to that extent. Annually the impact will be Rs. 440 Crores, but as we understand that the construction is going to start very soon and I think our Director (Personnel) Mr. Nikhil Jain who is looking after the legal aspects of this project, will be able to brief you of the resumption position from the legal side. I hand over the mike to him to answer your query.

Nikhil Jain: Good Morning. The NGT has allowed the committee to proceed, so the committee is to submit its report in the next one month and then it will be examined by the EAC of the MoEF within two months. So we expect a movement forward on the matter.

Sanjay Jain: Would you give us some color on the discussions, like I mean earlier this project was stopped and there would have been lot of arguments to and fro against this project and any color on this why your optimistic work will be restarted?

Nikhil Jain: You see this project, it was started with all due environmental clearances and approvals. The matter was then taken up to the Supreme Court. There again the go ahead was given for the project. Now in 2011, there were local agitations and the work got affected. The matter went to NGT regarding the environmental clearance and flood issues in 2014 and NGT had given a stay. Now on the issues almost 34 hearings have been held in the NGT and in May 2017 the matter was reserved for giving a judgment. In the judgment, the NGT noted that almost seven committees were set up regarding various issues which have been raised by people regarding design, regarding environmental clearances. The discussion on all the issues has been long drawn and it has been very widespread. The committee's recommendations have been suitably incorporated.

Sanjay Jain: Right. So you are saying that based on the arguments which had been from protestors, there has been certain design changes, which has been incorporated. So now those people are okay – is that the way we should understand or there are still lot of…?

Nikhil Jain: I would say that there is no substantive issue of discord, at least regarding the project.

Sanjay Jain: Okay Sir. Thank you so much. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Ashish Shah from Goldman Sachs. Please go ahead.

Ashish Shah: Sir thanks for the follow-up. Sir, just small clarification again on Subansiri Lower Project. Sir of that Rs.110 Crores, what would be the IDC and what would be the employee cost?

M K Mittal: You see out of Rs.110 Crores, roughly Rs.77 Crores is IDC, and Rs. 33 Crores is establishment and other expenses.

Ashish Shah: Okay. Sir and on the total investment that we have done of Rs.10,400 Crores odd in the project so far, what percentage of this would be equity that we have invested and what would be the debt taken on this project?

M K Mittal: We have taken Rs. 3500 crores approximately debt and the rest Rs. 6900 crores approx. is from equity. Ultimately, the Debt to Equity ratio is going to 70:30 only; it is a matter of time gap that we have not mobilized debt, which we will mobilize once the work resumes.

Ashish Shah: So Sir, we have around Rs. 9000 Crores of CAPEX still left to be done, and so I presume in order to ensure that debt equity ratio is maintained, we are going to take that Rs. 9000 Crores of debt going forward as we begin construction. So is it fair to assume that the interest on that Rs. 9000 Crores also would not be passed on and we will absorb that?

M K Mittal: No. You are mistaken. The entire interest on loan will be capitalized and this Rs. 19000 crores or Rs. 20000 Crores, the estimated cost of the project includes the entire IDC also.

Ashish Shah: Okay. Sir but then what makes us believe that we will be able to pass on, because currently we are saying that we are not passing on the IDC because that would lead to increase…?

M K Mittal: Because today the work is stalled and because the asset is not under construction, so that is why temporarily it has been suspended. But once the construction activity resumes that we are expecting in the last quarter of this current fiscal, we are expecting that the work will start. So the capitalization of IDC will again happen.

Ashish Shah: Okay. So it is just you are saying, it is just a couple of quarter's phenomenon and not going to last beyond this two quarters?

M K Mittal: Absolutely.

Ashish Shah: Okay. Sir and one last thing, on this project, what will be the final tariff that would come out assuming that there is no further cost escalation?

M K Mittal: You see, currently, with the normal CERC norms, tariff is more than Rs .6, but we will optimize the tariff by spreading the depreciation, by borrowing the loans for a longer tenure and making the depreciation say for 18 years or 20 years instead of current practice of 12 years, and maybe we may reduce some ROE, so that the tariff is workable and this is acceptable in the market. So we are expecting to bring down the tariff at Rs. 5 per unit.

Ashish Shah: Okay. Got it. Fair enough Sir, but we are also planning to reduce the ROE to make the flow right that is correct.

M K Mittal: No, little bit reduction in ROE also.

Ashish Shah: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Prashanth Shirsagar from Unived Corporate Research. Please go ahead.

Prashanth Shirsagar: Good afternoon Sir. Can you just tell us the status of the private sector project Teesta-VI. NHPC was interested in the field, so have they bided for the project or what is the status for that?

M K Mittal: See in respect of Teesta-VI, we have submitted our bid and we are happy to inform that we are H1 and we are very much interested in taking over this project.

Prashanth Shirsagar: So you have bidded for the project Sir and when do you expect the judgment to come on the project or...?

M K Mittal: We are expecting that the judgment may come by December 10, 2018.

Prashanth Shirsagar: December 10, 2018, okay.

M K Mittal: We are expecting, we do not know exactly.

Prashanth Shirsagar: Okay and secondly, about the status of the Jal Power Project in Sikkim, what is the status? Has NHPC done any survey or is it bidding for the same?

M K Mittal: You see the Jal Power has not so far come to NCLT. Once this project comes to NCLT, I think we may be bidding for that subject to our Board approval. Mr. Chaudhary may be able to throw some light on the project.

Janardan Choudhary: We have once visited the project just for seeing the status of the project. As rightly mentioned by our Director (Finance), it has not come to the NCLT, so once it comes to the NCLT, then we will take the call for bidding the project after getting the approval of the Board.

Prashanth Shirsagar: But would NHPC be interested in the project or is it viable for NHPC?

Janardan Choudhary: We will be interested. We will be looking for this project.

Prashanth Shirsagar: Thank you Sir. That answers my questions. Thank you.

Moderator: Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.

Sanjay Jain: Hi Sir, this is on Parbati-II, you said another two units will get commissioned during March 2019 and the two units are already completed, so I mean I remember from the previous call that we had some problem with the tunnel and let say the full commissioning will take much longer, can you give more color on this project status?

Janardan Choudhary: Actually, what we have done is, part of the tunnel is having problem, so through the balance tunnel, we have the nalas also, through those nalas, some water is coming, and nalas water has been channelized in the tunnel and we have synchronized two units based on the water available through the nalas. It has been synchronized and not yet done the COD, but only synchronized with the grid. We are generating infirm power using whatever water is available through these nallas and we are also planning to connect one more nalla through this and generations will be augmented. Our Director (Finance) has said that the balance of the work in the rest of the tunnel will be completed by FY'21 and by that time complete inflow will be available and full generation will take place and that water will be also available to the Parbati-III and the full generation from Parbati-III also would take place after the full commissioning of the Parbati- II. At present, we have synchronized the units one-by-one with the grid and we will be generating the power whatever available water through the nallas.

Sanjay Jain: From the financial impact on P&L from these projects, how does it work like in that till we fully commissioned this project?

M K Mittal: Let me first clarify your doubt that we have not commissioned or we are not going to commission all the four units. We are trying to commission only two units, which are presently synchronized and once it is synchronized that means these are connected to the grid and these are generating little bit of power, but we are planning to commission these two units in March 2019 and the remaining two units will be commissioned somewhere in March 2021, the target date for the remaining two units. Number two, once these two units are commissioned in March, we will work out the capital cost for these two units. We will file a tariff petition in the CERC and we will recover all our tariff to the extent it is feasible and approved by CERC. So, while working out the tariff we can only know how much tariff is going to be recovered and what will be the economics of the tariff.

Sanjay Jain: Right. So only two units of Parbati - II will get, so are you saying that we will be in March 2019 COD of these two units?

M K Mittal: Yes. Only two.

Sanjay Jain: Only two units, but you are not sure what ROE we will generate on this?

M K Mittal: No. when we work out the tariff and once the capital cost is available then only we will be able to know that what kind of return we will get on these two units.

Sanjay Jain: Under recovery in Parbati-III, will continue till March 2021?

M K Mittal: Yes, till then these under recovery will continue.

Sanjay Jain: Did I hear you correctly that you say on this quarter, there is no under recovery on the Parbati-III?

M K Mittal: You see whatever Rs. 5.46 per unit, we are recovering, that is the tariff, which was provisionally allowed by CERC and that we are recovering. And today the generation of Parbati-III is almost 750 MUs but once the Parbati-II gets commissioned, this station will generate approx. 1900 MUs. So there will be good profitability. Once we generate 1900 MUs We will recover the full tariff or get the full revenue that is what it is.

Sanjay Jain: So basically next jump in profit will come only in FY'2021, when you get this Parbati-II and Parbati-III fully commissioned, in the interim like there are no other projects right, so we are going to see kind of flattish profit for the couple of years?

M K Mittal: Yes. However, Solar may come up. Subansiri Lower construction will start of course and few Solar may come up. The construction of these projects may start.

Sanjay Jain: But that will not add to the profit because it will take much – I mean these projects will come latter – I mean it will be under construction for some time right?

M K Mittal: Yes, but like Subansiri the IDC, etc., will be capitalized once the construction resumes that will indirectly reduce the losses.

Sanjay Jain: Okay. Got it.

M K Mittal: And Kishanganga, once it runs at full capacity, it will increase the revenue and the profit.

Sanjay Jain: Got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Prashanth Shirsagar from Unived Corporate Research. Please go ahead.

Prashanth Shirsagar: Sir thanks for my follow-up question. Sir I just wanted to ask you a book-keeping question. Can you tell us the consolidated book value for the company as on September 30, 2018?

M K Mittal: Currently I do not have the figures available on consolidated basis. We are with the figures, which are on standalone basis. In another five to 10 minutes, we will try to answer.

Prashanth Shirsagar: Okay Sir.

Moderator: Thank you. The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Sir two data points, can you let us know what was the surcharge income and dividend income for the current quarter, you told us that it was lower by Rs. 112 Crores, so what is the absolute amount?

M K Mittal: In Q2 last year, our dividend income last year was Rs. 395 Crores and this year it is Rs. 282 Crores. So we are roughly lower by Rs. 112 Crores. The other one is the late payment surcharge income . Last year it was only Rs. 2 Crores and this is Rs. 112 Crores. So it is up by Rs. 110 Crores. So roughly it offsets each other.

Abhishek Puri: Okay and in terms of receivables, if you can give us some breakup?

M K Mittal: Receivables number, I will just give you: total receivables as on yesterday, the total receivables Rs. 2887 Crores that includes J&K Rs. 1028 Crores, UP Rs. 853 Crores. So these are the two main numbers which are there in the receivables. There is also small, small numbers and BYPL Delhi is there Rs. 255 Crores. So if you add up three, these are more than Rs. 2100 Crores.

Abhishek Puri: So despite J&K paying is surcharge their outstanding has gone up versus last year right?

M K Mittal: Yes. But we are hoping that some water cess will get adjusted within a weeks' time and there will be an adjustment of Rs. 500 Crores and the receivables will come down accordingly by Rs. 500 Crores.

Abhishek Puri: Thank you. That is useful and my last question is on Parbati-II again at Rs. 9395 Crores capital cost, what is the kind of tariff that you are expecting Sir?

M K Mittal: Parbati-III you are taking Parbati-II?

Abhishek Puri: Parbati-II.

M K Mittal: Parbati-II will be almost Rs.6.5 per unit with this capital cost.

Abhishek Puri: Sir in this project also, we will be looking to cut the return on equity?

M K Mittal: We may have to do or we may have to make a combined tariff for Parbati-II and Parbati-III because in Parbati-III, we expect a tariff more than Rs. 4 per unit once if the generation is at full swing. So we may combine Parbati-II and Parbati-III for tariff purpose and that way the tariff for both these stations put together maybe less than Rs.5 per unit.

Abhishek Puri: Going forward, most of your projects are seeing actually tariff upward of Rs. 5 per unit and that is not acceptable in the market, so is there any plan to cut on the return on equity side or extend the depreciation permanently for all of them, what do you expect in terms of the new regulations that are coming up in your discussion and how you approach that?

M K Mittal: Hydro power today at Rs.5 per unit is sellable. There is no problem. It is picking power and with more and renewable coming into operation, the hydro will be having a higher demand. When we will generate more renewals power, there will be wide gap in the grid and to match that gap hydro is the only source, which is available. So, hydro to me @ Rs. 5 per unit to Rs. 6 per unit is not a problem. If you have hydro available, it is not a problem at all. Secondly in case we find that there is any tariff issue then of course without compromising with the return on equity, we may just spread. We may make it back loading instead of frontloading.

Abhishek Puri: Okay. I understood Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.

Sanjay Jain: Any updates on new tariff you booked in 2019-2024, when are we expecting those drafts and any discussion?

M K Mittal: We have given our comments on the draft consultation paper. The consultation paper, which was issued by the CERC and thereafter there have been some meetings with the CERC, and there also we have explained our position and now we are awaiting the draft regulations, which are yet to come, and when the draft regulations come then of course again we will give our views and we will make a presentation to the CERC, but at the moment, we are hopeful that for hydro, the commission will issue positive regulations.

Sanjay Jain: Okay Sir. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, that was the last question, I hand the conference over to Mr. Harshit Kapadia for his closing comments.

M K Mittal: Just before that one question which remains unanswered, I think Mr. Prashanth asked that question. That what is the book value for the NHPC on consolidated basis and that is Rs. 29.26 per share as on March 2018.

Harshit Kapadia: Thanks Mittal, Mr. Jain, Mr. Choudhary as well as the entire team for giving us an opportunity to host the call. We have also thank all the investors and analysts who are joining for this call. Any closing remarks Sir.

M K Mittal: Thank you.

Moderator: Thank you ladies and gentlemen, on behalf of Elara Securities Private Limited. That concludes today's conference. Thank you for joining us. You may now disconnect your lines.

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