

“NHPC Limited Analyst Meet”

30th May, 2019

Management: Mr. Balraj Joshi – Chairman and Managing Director, NHPC Limited

Mr. Ratish Kumar – Director (Projects), NHPC Limited

Mr. Nikhil Kumar Jain – Director (Personnel), NHPC Limited

Mr. M. K. Mittal – Director (Finance), NHPC Limited

Mr. J. Choudhary – Director (Technical), NHPC Limited

Mr. H. S. Puri – Chief General Manager (Finance), NHPC Limited

Moderator: Good evening ladies and gentlemen. My name is Ashwini and I'll be the host for this evening. So on behalf of NHPC Ltd. I welcome you all in the Analyst Meet 2019.

The top management of the Company is sitting on the dias and you will have an opportunity to interact with them. I have the privilege to introduce the dignitaries on the dias. We have Shri Balraj Joshi, the Chairman and Managing Director, Shri Ratish Kumar, Director (Projects), Shri N. K. Jain, Director (Personnel), Shri M. K. Mittal, Director (Finance), Shri Janardan Choudhary Director (Technical) and Shri H. S. Puri, Chief General Manager (Finance). Thank you so much Sir. At the outset, I request Chairman and Managing Director, NHPC to give the opening speech to the audience.

Balraj Joshi: Thank you very much. Am I audible there?

Well, I welcome you all to this Investors Meet on behalf of NHPC, all my colleagues sitting here on the dias and all our financial stalwarts who are sitting in the front row. I have reasons to be happy because we are now seeing almost kind of turn around in the hydro sector. The duly adopted financial accounts for FY'19 ended 31st March 2019 has already been communicated to the Exchanges and I'm sure that all of you must have a good look on that.

Brief highlights are like during FY'19 our Power Stations have achieved a generation of 24,410 MUs viz-a-vis 22,973 MUs generated in the last year which is about 6% higher and this is on account of better water availability and addition of Kishanganga Power Station to our kitty. The PAF stands at 84.84% against corresponding previous period of 85.32%. The sales of the company have increased from Rs. 6,938 crores to Rs. 8,161 crores which is about 18% higher. We have earned PAT of Rs. 2,631 crores viz-a-vis Rs. 2,769 crores which is Rs. 138 crores down i.e. 5% down and as we go through the presentation we will know the reasons for this.

On the capacity additions front, we have already said that all units of Kishanganga Power Station were commissioned and the project was duly dedicated to our Nation by our honourable Prime Minister in May'18 last year. Construction work for 800 MW Parbati II Project is going at a slow pace. We will like it to be rather faster and towards that end we have decided to take out a part of the tunnel contract from the other end also which is actually giving us problems from the start. Why this was not possible earlier because we didn't have quite good availability of the technology. As you know that in our country a number of longer tunnel are being constructed and we have access to those kinds of fans which are providing the kind of ventilation which is required. So I am sure that with this particular measure now the Parbati II Project which is 800 MW in the state of Himachal Pradesh will also see the light of the day and we expect it to complete by December'21.

So far as Subansiri Lower Project is concerned I was very happy to note the concerns of our investor friends and analyst friends and really it gives me a great I would say boost to know that people know so much about the project now. It's a national project and so much of interest it has generated. It is also I would say one of the integrating factors for our country that you know we all of us are concerned if sitting in Mumbai here we are worrying what a project in Arunachal Pradesh and Assam and in quite good measure. So let me say that the good news is that the Subansiri Lower Project is almost through now as far as the litigation part was concerned. The NGT, as you know that, it had cleared this project in October 17 saying that ok we are clearing it but then let the committee go into the details of the technicalities involved because the judge at the time said that I do not find any reason why this project should not be built.

So a three member committee was formed which was objected to by the local group and Assamese NGOs saying that they are biased people. The reason for their biasness was that two people from that committee they had earlier sometimes served in the organization, which are our regulators like Central Water Commission and Geological Survey of India.

So NGT have taken the cognizant of this suspect. They said no you cannot call a person biased just because he was working in that department which is a regulatory department. So they dismiss those petitions but these petitions went to the Supreme Court and they requested the Hon'ble Supreme Court to ask the NGT to give a speaking order, which Supreme Court has done and in the intermediate period Supreme Court did not impede the working of the Committee and this committee was supposed to give a report to the EAC which is the Environmental Appraisal Committee of MOEF. So the Committee continued to work, completed its report and given to EAC. EAC also has considered that report and they have given the recommendations to the Ministry of Environment and Forest. Now MOEF which is on the behalf of Government have to take a call. In the meantime, NGT has given 25th of July as the date of speaking order.

So now we are hopeful that since the NGT has already cleared this Project earlier and they said that the Committee is not biased So, we are hopeful that on 25th of July we will get the good news that we are going to start the work. As regards as our preparation at site are concerned, major contractor M/s Soma is already at site. We have been able to hold him so long and they are fully mobilized. It is a very large project and I invite some of you if you can go and have a look at the project yourself to know how important and how big the project is. We have been able to hold the contractors so far and I am sure that the same contractor will be completing the work now after NGT clears it in July. We are ready and the moment we get a green signal we will start constructing the main dam. Also hitherto we have been doing some project protection works actually required because we had placed large cuts on the hills for accommodating dam as well as for some tunnels. So these rocks if we do not support them they start to collapse. So they have to be supported and then NGT was quite aware of this fact and they allowed us to do that though that's the work which is going on in Subansiri and ultimately that work is not extra, is going to be assimilated in the main works itself. So the work is already going on for the downstream protection works, downstream in the sense that there was an apprehension by the locals that once such a large dam is constructed in the downstream

there can be fluctuations which will damage the banks. So we were supposed to provide protection works downstream which we have already done. We have spent about Rs. 142 crores on those projects. There are some works, which are still going on. So, I am sure that after this monsoon is over we will be able to take up those works again after the works restarts. As far as the contractors are concerned, somebody asked me that how many contracts have actually gone away. Only one contractor has gone away that was M/s L&T. Other contractors are still with us and they are working for the project.

Regarding a project called Teesta VI in Sikkim, as you know that NHPC has acquired it. We had bid for this through NCLT and our bid was the highest one and we had also applied to the Government simultaneously and we got approval from the Government also for execution of Teesta VI Project. This project is of 500 MW and the final order is going to come on the 30th of June. So the moment this order comes we are ready with the tenders. So we will be starting work on this project also.

And as you know that Honourable Prime Minister had laid the foundation stone for 624 MW Kiru Project which is being done by us through a Joint Venture Company called Chenab Valley Power Projects Pvt. Ltd where we own 49% equity. We already have a project, Dulhasti Power Station which is just in the vicinity. So we are quite known to the area and the moment a decision by the Government of India to fund the Government of J&K's equity. Govt of J&K is asking, for the Equity to be funded by Government of India. So I am sure that the Government of India will be seeing it positively and once the equity decision is taken we will be able to start work on this Project also. Tenders already have been done and finalized.

We have also signed one MOU with the J&K Government for development of 850 MW Ratle Power Project. MOU was signed in the presence of our Hon'ble Prime Minister Mr Narendra Modi and a new joint venture company will now be shortly formed after we get the CCEA approval. Now. Lastly I would say that NHPC has been appointed as an aggregator for the pilot scheme II of the Ministry of Power where NHPC will procure 2500 MW of thermal power from the selected generators through bidding route and sell the same to DISCOMS for next three years. So in this regard we will talk in details of this particular scheme. So we have been the successful bidder in this competitive sector which has seen some good competition coming till now. So I hope that through power trading also we will be able to generate

some revenues. So that is all from my side. Thank you so much and I will hand it over back to you.

Moderator: Thank you so much Sir for the valuable information and I now request Shri H. S. Puri Chief General Manager (Finance) to give Investor Presentation.

H.S. Puri: At the start, I extend a warm welcome to all the financial analyst and investors who have made it convenient to attend this analyst meet. Respected CMD, NHPC Shri Balraj Joshi Ji, Director (Projects) Shri Ratish Kumar Ji, Director (Personnel) Shri Nikhil Kumar Jain Ji, Director (Finance) Shri M. K. Mittal ji and Shri Janardan Choudhary Ji Director (Technical).

Now in this presentation we are sharing the important financial numbers as well as the growth plan of NHPC. So I will request that our analysts and investors who are present here may please see to it and any questions coming to their mind out of it will be subsequently answered by the management who is present here.

So we have divided our presentation into five parts. NHPC today, Financial Highlights, Financial Ratios, Other Business Initiatives and projects at a glance.

Now coming to the initial of the company when it had started, it started in 1975 with authorized share capital of Rs. 200 crores and now at present it has rose to Rs. 10,045 crores paid up capital. It has the status of Mini Ratna Category I PSU since April 2008. Our presence is there in 11 States, which is graphically given at the right side.

On country basis, we have 15% of Share of installed hydroelectric capacity in India, as of now. That is 6,971 MW out of 45,399 MW.

Now coming to the physical snapshot. We have 22 Power Stations. Our 2 Power Stations are with subsidiaries having 1520 MW. Total operational projects including our subsidiary are 24 numbers i.e. 7071 MW. Projects which are under constructions are 4 numbers including our joint venture which is in Jammu that is Chenab Valley Power Projects Private Ltd where we have a stake of 49%. That is 4,424 MW total of four construction projects.

Now projects, which are awaiting clearances. We have divided it into four categories. One is standalone 5 number of projects having capacity of

4,995 MW, in Joint Venture 3 numbers with 2160 MW, Subsidiary one number with 66 MW and one number of 500 MW project which we are going to acquire through NCLT. Project which is under pipeline is 800 MW. Now it is very clear from this that we have a very ambitious growth plan.

Now standalone generation slide, in 2009-10 it was 16,960 MUs and in 2018-19 it is 24,410 MUs. Of course during the period we have commissioned projects. Now actual versus actual on country basis we have given on the right side of the slide and as on date, share of NHPC (hydro) standalone is 18%.

Now coming to financial highlights. In this financial year, we have a Revenue from Operation of Rs. 8,161 crores, Other Income of Rs. 925 crores. Total income is Rs. 9,086 crores. Now coming to the PAT it is Rs. 2631 crores and from last year it is bit down, last year it was Rs. 2769 crores. Now coming to our breakup of expenditure you will see from the right side pie chart that employee cost is 28%, generation expenses is 13%, depreciation is 26%, financial charges is 14% and other expenses is 19%. Now from income side sale from energy is 90%. Now our revenue Vs. net profit which is tabulated here and you will find that dividend rate is 14.60% and it is almost consistent with the previous year dividend rate of 14%.

Now coming to assets and liability slide. Our Shareholder funds is Rs. 29,215 crores and our asset altogether is Rs. 59,609 crores consisting of Property, Plant and Equipment (incl. Investment Property) of Rs. 22,945 crores. Now coming to our debtor slide which are mostly state DISCOMs only. Trade receivables as on a 31st March 2019 is Rs. 2,623 crores and The Debtors which are more than 60 days are Rs. 1,575 crores. Actually in our previous regulation up to 60 days no late payments surcharge was leviable to DISCOMS. That is why mostly these DISCOMS whose financial condition were not that good, they hold the payment for 60 days and they make the payment after 60 days only. Now our major debtors receivables are from PDD J&K Rs. 977 crores, UPPCL Rs. 780 crores plus this delhi DISCOM BSES Yamuna Rs. 241 crores. Besides our regular share we are earning incentives in terms of our CERC guidelines. That's comprises of secondary energy, incentives and deviation charges. Now for the total financial year 2018-19. Our Incentive income is Rs. 789 crores and it is on increasing side, in previous year it was Rs. 643 crores.

Now at the bottom we have indicated some of our projects we have achieved the excellence in certain fields like Uri II Power Station achieved highest PAF incentive, Sala Power Station has achieved the highest deviation charges, Power station giving best generation is Chamera I, Power station with highest PBT is Dulhasti Rs. 557 crores, NHPC profit per MW: Rs. 47 lacs & NHPC profit per employee: Rs. 39 lacs.

Now coming to Key Financials, our total income for FY'19 is Rs. 9,086 crores, EBITA Rs. 6,151 crores, EBITA margin is 68%, PAT is Rs. 2,631 crores, profit margin is 29% and dividend payout is Rs. 1.46 per share. We have paid Rs. 0.71 per share as interim dividend and Rs. 0.75 per share has been recommended as a final dividend.

Now coming to Balance Sheet data : The paid up share capital is Rs. 10,045 crores, Net worth is Rs. 29,215 crores, Long term debt is Rs. 17,045 crores, Cash and bank balance Rs. 391 crores, Gross Block is Rs. 39,610 crores and CWIP is Rs. 14,898 crores. Now at the bottom of this slide we have indicated the PAT viz-a-viz our dividend. So. You will see that previously we have paid the dividend of 52% of the PAT and this time it is 56%. So we are giving on the higher side. Now shareholding pattern, after a buyback in the January 2019, GoI holding is 73.33%, FII is 4.90%, DII is 16.21%, Individual/HUF is 5.36% and Others is 0.20%.

Now here we are in this slide we are sharing the important ratios.

EPS - earnings per share is Rs. 2.57, Earning Yield is 11.15, Dividend per share Rs. 1.46, Dividend yield 6.33, Book value per share is Rs. 29.08, PB ratio is 0.79, PE ratio is 8.97, Return on net worth is 9%, Market capitalization is Rs. 23,154 crores and our debt equity ratio is 0.71. Previous year corresponding figures we have indicated just at the right of this slide.

Now coming to our subsidiary i.e. NHDC in Bhopal. Here share holding pattern is 51:49. 51% with NHPC and 49% with Government of MP. Installed capacity is 1,520 MW, design energy is 2,120 MW, generation is 1921 Mus and PAF is 93.89%. Last year the PAF was 90.64%. Revenue from the operations is Rs. 805 crores in this year previously it was 785 crores. PAT this year it is Rs. 491 crores previously it was Rs. 553 crores. Physical & the financial performance of NHDC we are sharing at the right side.

In this slide we are telling that as on date our regulated equity is Rs. 12,902 crores. Now that is the equity of our operating power stations on which we are earning RoE as per CERC norms. If we move further in 2021-22 with the hopeful commissioning of Parbati II Project, our regulatory equity should rise to Rs. 15,721 crores and expected additional PAT shall be Rs. 465 crores. Now with the commissioning of Subansiri Lower Project, our regulatory regulated equity will roll up to Rs. 21,570 crores and additional PAT shall be Rs. 965 crores.

Now coming to our CAPEX plan, in last year it was Rs. 2,213 crores and this year we are planning to incur Rs. 3,806 crores.

Now coming to the major highlights, some of which have been shared by our worthy CMD also. CCEA has given the investment approval for acquisition of Lanco Teesta Power limited and execution of the balance work of Teesta VI project. This is 500 MW project in Sikkim. It has the estimated cost of Rs. 5,748 crores. Investment expenditure of Rs. 1600 crore in respect of Dibang multi-purpose project has been recommended by PIB for pre-investment activities of the project. A MOU has been signed between NHPC, JKPDD and JKSPDC for execution of 850 MW Ratle hydroelectric project, in the august presence of Prime Minister of India on 3rd February'19. Further, 624 MW Kiru hydro-electric project foundation stone has been laid in February 2019. This project is owned by Chenab Valley Power Project Private Ltd. It is a joint venture of NHPC, JKSPDC and PTC. Company has completed the buyback of 21.43 crore number of equity shares at the rate of 28.00 per share with total issue size of Rs. 600 crores. Unit 1 and 2 of 800 MW Parbati II hydroelectric project have been successfully synchronised with the grid on 14th September 2018 and 22nd September 2018 respectively. All units of Kishanganga H.E. project has been put under commercial operation with effect from 24th May 2018. An MOU has been signed with the Indian Army for construction of underground caverns and semi underground bunkers at various locations in India on turnkey basis. NHPC has been appointed as the Aggregator under Pilot Scheme II of Ministry of Power, where NHPC shall procure 2500 MW thermal power from the selected generator through bidding route and sell the same to DISCOMS for next 3 year.

Now coming to our other business initiatives, NHPC is developing 32 MW solar power project in Jalaun, Uttar Pradesh which is JVC of NHPC and

UPNEDA namely Bundelkhand Saur Urja Ltd where the share of NHPC is 74%. Now coming to the current status:

Signing of PPA is under process and 63.491 hectare land got transferred from UPNEDA and mutation of the land in favor of BSUL finalized. Further NHPC is in process of development of 10 MW floating solar power project in Kollam, Kerala and 100 MW solar power in Odisha. MNRE conveyed in principle approval for setting up of one solar park of capacity of 100 MW in Odisha by NHPC. 40 MW shall be developed in first phase at the identified land in Ganjam district.

Coming to the current status, signing PPA and connectivity approval in process. Action for EPC bidding initiated.

On wind power side, 8 MW wind power project is in Palakkad district of Kerala. Order has been issued from KSEB to purchase power from 8 MW wind project at the rate of Rs. 4.53 per unit or tariff fixed by KSERC whichever is lower. Signing of PPA by KSEB is awaited.

Now these are the projects which are under operation, we have indicated their installed capacity, design energy, year of commissioning, Capital cost, Tariffs, Type of project. So from that it is seen that our weighted average rate of tariff is Rs. 3.38 per unit.

Now coming to NHPC Project in renewable energy, 50 MW Wind Power, Jaisalmer. It has design energy of 94.25 MUs. It was commissioned in year 2016. It has a capital cost of Rs. 330.26 crores and tariff of Rs. 3.69 per unit.

50 MW Solar project, Tamil Nadu: It has design energy of 105.96 MUs. Year of commissioning is 2018, capital cost Rs. 286 crores and tariff is Rs. 4.41 per unit.

Operational project with subsidiary i.e. NHDC. It has its two projects. One is Indra Sagar project of 1,000 MW and the other is Omkareshwar Project of 520 MW.

Indra Sagar project has a design energy of 1442.70 MUs. Year of commissioning is 2005. Capital cost of Rs. 4615 crores and Tariff is 4.29 per unit. It is a storage type project.

Omkareshwar project (520 MW) has a design energy of 677.47 MUs, year of commissioning in the year 2007, capital cost of Rs. 3013.85 crores and tariff of Rs. 6.65 per unit.

Now, NHPC projects under construction which were indicated in the physical snapshot slide also. These are two projects: 2000 MW Subansiri Lower Project and 800 MW Parbati II Project. As on date provisional expenditure upto March 2019 on these projects is Rs. 17,968 crores. Now project under construction with joint venture: 1000 MW Pakal Dul Project and 624 MW Kiru Project. Expected commissioning for both the JVs is FY 2023-24 (Q2).

Now our standalone projects which are under clearance:

Kotli Bhel -IA 195 MW, Teesta IV 520 MW, Dibang Project 2880 MW, Tawang I 600 MW & Tawang II 800 MW.

Their status we have indicated there side by side and their capital cost expected, Design energies also shown.

Now Joint ventures under clearance: 540 MW Kwar Project, Rattle: 850 MW, one foreign assignment project i.e. 770 MW Chamkarchu which has a design energy of 3344 MUs and capital cost of Rs. 6,187 crores. Subsidiary under clearance: 66 MW Loktak Downstream and its capital cost is Rs. 1,392 crores.

Now project coming under NCLT: we are in the process of acquiring 500 MW Teesta VI Project and it's capital cost is Rs. 5,748 crores.

Projects which is in pipeline: 800 MW Burser Project in J&K.

So that's all we have to share from our side with our Investors and analysts. Thank you.

Moderator: Thank you so much Sir for this informative presentation and now the house is open for question and answer session. So request you all to put your questions to the management one by one.

Analyst - Sir I am Ramesh from Mehta and Wakil.

Two questions basically. This current financial year how many MWs we will be adding to our operational on an accrual to the top line and bottom line basis. And second again are we seeing some realization higher per unit than what we got in the last year?

M K Mittal: So far as the capacity addition is concerned, we have two projects currently under construction. One is Parbati II H.E. Project which we are envisaging to be commissioned by FY22. The other is Subhansari Lower Project which will take almost 3 to 4 years once the works take off. As of now the work is not yet restarted and we hope that in the next 6 months or so the work should commence and thereafter it will take three and half years.

Further, we are hopeful that we will be taking up some solar and wind projects which are already in the pipeline and we may be able to commission within a year once the work starts. The second part is that how much revenue per unit we are going to have. Currently last year we had a revenue of Rs. 3 and 8 paise. Under the CERC norms now that there are new norms and where we will be getting an additional benefit for almost Rs. 110 crores with the existing power stations and that will be our additional income.

Analyst : Thank you and all the best.

Analyst - My name is Berus. I would like to ask you that the IPO had come out at the rate of Rs. 36. You made a buyback at the rate of Rs. 32. Subsequently you made a buyback at the rate of Rs. 28. Now the share price has gone down below Rs. 23. So what you did in spite of such a good performance. Our share price is not going up so we should take initiative to. Sir what about NCLT and Jayprakash Hydro which has totally gone bankrupt, so whether we have taken over or GSW Energy has taken over?

Balraj Joshi - Well about the share market you know better than me. How does it behave and how does it operate. I have a small correction that our share price was Rs. 25 not Rs. 23 but of course that is not as what it is. We are trying our level best to see that our performance improves and we are able to give more value to the shareholders definitely. As you guys said, JP hydro power was not acquired by us it was acquired by GSW energy.

We have acquired through NCLT for which we are expecting an order on 30th of June for Teesta VI. It was being built by one other company not JP but by Lanco Teesta Power Limited you know. So since it is lying in the vicinity of a project Teesta V which we have been operating already, so it was all natural for us to bid for this project because we can share the establishment and infrastructure which is available to us. That's how we have gone ahead with this.

Analyst - My name is Prashant: In your opening remarks, you had said about the Subansiri Lower Project. You said the NGT will give oral order by 25th of July and if my understanding is correct after that the MOEF will take a call or it will be simultaneously? How or what time frame they will take a call.

Balraj Joshi –No, MOEF will take a call on the recommendation of the EAC report, which is already available.

Analyst - So they will take a call after the NGT Oral Order.

Balraj Joshi - NGT in the original order had said that after the committee study the project, shall give this report to the EAC then he has said yes he will put up to MOEF and they will take a call on this....right. So that call process is already on. EAC has already given its recommendations to Ministry of Environment and Forest and because of the election and that thing was pending.

N K Jain - You're right the MOEF will take a call after the decision of the NGT on the 25th of July.

Analyst - So what time frame you expect for them to take a call after the NGT.

N K Jain - The EAC has already taken a decision. They have agreed with the views of the expert committee which had been set up. Now the views of the expert committee could not be made public because of the pendency of the issue in the NGT.

Now the NGT has already cleared the issue of biasness earlier about three months back and the Supreme Court had asked for it to reconsider on the basis that it did not pass the speaking order. So I mean You know how things work. But then the time lag should be minimum. I mean to expect may be optimistically in the month of August itself.

Analyst - Thank you.

Analyst - Dhruv here from Motilal. Sir you have taken a prior period revenues of about Rs. 500 crores in the quarter. What is this relating to? And is this for the five pending projects with the capital cost is pending. So any details on this?

M K Mittal – Rs. 500 crore of revenue which we have recognized in Q4 includes Rs. 210 crore for Sewa II. In respect of Sewa II, we filed a revised petition based on the revised cost. But the revised cost component is very small. In fact the CERC had allowed Rs. 50 crore per annum as additional expenses for Sewa II which we have claimed now. Rs. 50 crore per annum into 5 years, so almost Rs. 250 crore. That is one thing. Secondly we have recognized some revenue for TLDP IV also. In TLDP IV we were recognizing the revenue at the rate of Rs. 2.90 per unit based on the old tariff order. There had not been a subsequent order on that due to pending approval of the revised cost estimate. Now we have filed a tariff petition based on RCE. And our auditors wanted that we should not recognize the loss in TLDP IV because Rs. 2.90 per unit is a very low tariff. At least we should record a revenue that is equivalent to the break even. Therefore, we have now recognized the revenue at Rs. 3.70 per unit. Although our filed tariff is Rs. 5.20 per unit. But we have recognized only Rs. 3.70 per unit. Rs. 1.50 per unit is the profit we have not recognized which we will be recognized after getting the tariff order. Therefore, this is adding another Rs. 100 crore. So roughly, Rs. 250 crore is from Sewa – II and Rs. 100 crore from TLDP IV. Tariff regulation says that if there is a shortfall in energy generation below the designed energy, that shortfall can be recovered subsequently by filing a petition provided it is on account of lesser water availability due to hydrology factors. So we have filed petitions for last four to five years where we will get revenue of Rs. 150 crore on approval basis and we have claimed Rs. 55 crore as GST implication from July 17 till March 19 and that is a change in law. And in operational projects that implication was Rs. 55 crore for roughly 21 months so that we have factored in March 19 for which a tariff petition is also filed.

Analyst – Sir, so we had five projects which were pending due to capital cost approval, where the incremental delta in terms of revenue was Rs. 300 to Rs. 400 crores if the project were likely to get approved the capital cost. So of that you have recognised Rs. 100 crores for TLDP IV. Is that right?

M K Mittal – Yes, in fact we had pending approvals for seven projects. Now we have got the RCE approval for Parbati III and we have got the tariff order and for which we have got an additional revenue of Rs. 20 crore which we have booked in March 19. Now we have still pending approval of RCE of six projects, where the tariff approval is also pending. These are Uri II, Sewa – II, Chamera- III, TLDP-III, TLDP- IV and Kishanganga H.E. Project. There we have unrecognized income of Rs. 1246 crore and this

include Rs. 249 crore for FY 18-19. So roughly recurring income is going to be there once these RCEs are approved and once these petitions are approved, which are already filed in CERC. The additional revenue which is going to come to the company will be around Rs. 250 crore per annum.

Analyst - Sure Sir, secondly on the CAPEX. CAPEX as we are getting Rs. 3800 crore from Rs. 2200 crores last year. What is driving this significant increase?

M K Mittal - Basically we are targeting that there will be substantial expenditure in Subansari Lower Project where we are projecting around Rs. 1100 crore. Rs. 800 crore we are projecting in Parbati II where the work is now progressing at a great pace. Then we are anticipating some good CAPEX in Dibang Project where the some work has already started and the land acquisition, etc. is happening. Further, we will be making payment of almost Rs. 900 crore for Teesta VI. Some CAPEX will be there for Teesta IV also, where the work may start this year and the tenders are already under finalization. Rs. 300 crore is for Chenab Valley. So in total this is going to be around Rs. 3800 crore.

Analyst - Sure Sir, thank you.

Analyst - Sir just a follow up question on the Subansiri Lower Project. Assuming that it gets cleared, what should be the total expenditure on the project?

Balraj Joshi – Anticipated project cost is Rs. 19,500 crores and out of that approx. Rs. 10,700 stands incurred already.

Analyst – Any update on Dibang Project.

Balraj Joshi - Pre investment approval from the PIB has been recommended for pre investment activities. The CCEA approval is yet to come. So as you know that a pre-investment approval means that you can deposit the NPV which is the net present value of the forest land which is going to be submerged and also the other compliances which are required by the forest, for the forestry resources which includes the compulsory forestation compensatory NPV and some road construction and the land cost. So these are pre investment works. The moment CCEA approval is given which I am sure that after the formation of the new government it is going to come out very soon.

Analyst - After the clearances received for Dibang? How much time it should take?

Balraj Joshi - As I said it is a pre investment work and only some small works are allowed to be done. Initially when we formulated the project, we had two years for the infrastructure and seven years for the construction so nine years in total.

Analyst - And was there any thought given for what sort of expenditure would be required for Dibang.

Balraj Joshi – Approx. Rs. 28000 crores.

Analyst - So that is a lot of funds. So how will we be raising the funds for such.

Balraj Joshi - We will be raising it from the market, after you write good reports on this. We will raise it from the market.

Analyst - But for Subansiri say Rs. 9000 crores. Would you be requiring funds from external sources or from the internal debt would be enough?

Balraj Joshi - See typically it's a 30% equity and 70% from loan. So we will deploy 30% equity and 70% fund through the loan taken from the market.

Analyst - So loans only and no external funding.

Balraj Joshi - No.

Analyst - OK. Thank you.

Analyst - This is a follow on question on the same thing. You know you have substantial CAPEX lined up for future. So what will be the impact on your dividend distribution? Have you done any projection in terms of fund required and you know assuming 70% debt is raised like that?

Balraj Joshi - I think I would request Director (Finance) for the details but let me tell you that whenever we go to the Government for approval of a new project this is a normal question which is asked by them. How are you going to have, what kind of finances you have, what dividend are you going to give, from where are you going to raise the money. So we have the entire thing worked out. So if Director (Finance) has some figures, you can share.

M K Mittal - I will share with you the broader numbers like we have a PAT of almost Rs. 2600 crore. Our depreciation is approx. Rs. 1,600 crore. So cash accrual is approx. Rs. 4200 crore and we have a CAPEX plan of say 4000 crore. So 30% of Rs. 4,000 crore i.e. 1,200 crore is going to be funded out of equity. Still we will have Rs. 3,000 crore as cash surplus because out of Rs. 4000 crore CAPEX, Rs. 2,800 crore is going to be met through bonds only which is 70%. So balance Rs. 3,000 crore takes care of the entire loan repayment as well as the dividend payout requirement. We can have a consistency in the dividend payout.

Analyst - So since it seems that you have some extra surplus funds available. Could I request you to initiate some sort of buyback program. I am not recommending, doing a buyback at a very high price. But if you can have a regular buyback from the market it will reduce your equity, improve your return ratios.

M K Mittal - See, buy back depends on the cash situation. We don't have more than the required cash. The cash is just sufficient to make the loan repayment obligation as well as the dividend payment obligation and we have a lot of CAPEX lined up, so in that situation we don't foresee a buyback.

Analyst - So as I can see your debt equity ratio is hardly 0.72 and you know power project as you said are allowed 70:30.

M K Mittal - Right.

Analyst - And as we can see that you know you being the Government of India Enterprise you raise debt at a cheaper rate. So there you could do some sort of refinancing. Equity market expects a return of at least 16% on the equity. So this is a request you know, work it out, raise, do some refinancing and do some buybacks, pick up shares cheap from the market which will help all the remaining shareholders who stay along with you.

M K Mittal - That is fine but the point is when we constructed the project we funded it in the ratio of 70:30 and over a period of time, the loan repayment has taken place and some of the projects have become debt free. Now you can't re-borrow the money again for those projects. Those projects are now funded out of equity only. You can't re-borrow against the same project because the regulator will not allow you the interest because that has already been allowed. So you can't have a double borrowing. So

that can't happen. On a straight forward looking at the balance sheet, you can say 0.71 is a very low debt equity ratio. But, otherwise you know the projects have been funded in the prescribed debt equity ratio only. So I mean to say whatever you are suggesting is not feasible.

Balraj Joshi - But I think to some extent refinancing had been done by us.

M K Mittal - Refinancing means replacing the existing loan with cheaper loan and that happened and because of that, you must have seen that in our P&L that we have a decline in the interest expenses. Every year in the last three four years, in spite of addition of new plants, you know the interest cost being charged to the P&L is declining.

Analyst - Thank you Sir.

Moderator - Thank you so much sir and do we have any questions. Okay. So thank you so much. I thank you all on behalf of NHPC for joining the event and a request you all to have dinner on the floor. Thank you.