



“NHPC Limited Q1 FY’20 Earnings Conference Call”

August 14, 2019



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MR. RATISH KUMAR -- DIRECTOR (PROJECTS), NHPC LIMITED
MR. MAHESH KUMAR MITTAL -- DIRECTOR (FINANCE), NHPC LIMITED
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MODERATOR: **MR. RUPESH SANKHE – ELARA CAPITAL**



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Moderator: Ladies and gentlemen, good day and welcome to the NHPC Limited Q1 FY'20 Earnings 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 questions at the end of today's presentation. If anybody need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference call is being recorded.

Now, I hand over the call to Mr. Rupesh Sankhe from Elara Securities Private Limited. Thank you and over to you, Sir.

Rupesh Sankhe: Good morning, everyone. On behalf of Elara Securities, we welcome you all for the Q1 FY '20 Conference Call of NHPC Limited. I take this opportunity to welcome the management of NHPC Limited represented by Mr. Balraj Joshi -- Chairman and Managing Director; Mr. Ratish Kumar -- Director (Projects); Mr. Mahesh Kumar Mittal -- Director (Finance) & Mr. Janardan Choudhary -- Director (Technical).

We will begin the call with the brief overview by the management followed by Q&A Session. I will now hand over the call to Mr. Balraj Joshi for his opening remarks. Over to you, sir.

Balraj Joshi: Thank you Rupesh, Good Morning friends. I, Balraj Joshi, welcome all of you to this Q1 FY' 20 con-call. By now, I hope



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that you must have got a whiff of the quarterly set of numbers. First, I will take you through major highlights and after that, I would request Mr. Mittal, Director (Finance) for the detailed results.

So, during Q1 FY'20, our power stations have achieved a generation of 8581 MUs vis-à-vis 7036 MUs in the corresponding period of the previous year. So generation during Q1 FY'20 is about 22% higher as compared to previous year.

Our PAF i.e. Plant Availability Factor for Q1 FY'20 stands at 90.97% as against 92.47% and the marginal decline in the PAF is mainly due to shut down of Baira Siul Power Station where renovation and modernization of the plant is underway.

As regards the revenue, we have earned a revenue of Rs. 2421 crores as against Rs. 2138 crores, which is about 13% higher than previous year. The increase in revenue is due to increase in generation.

Now regarding ongoing construction projects, we are very happy to share that Hon'ble NGT on 31st of July 2019 has upheld the Expert Committee constituted by Ministry of Environment Forests and Climate Change (MOEF & CC) for Subansiri Lower project and has also observed that the project must be taken ahead in the public interest.



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You all be knowing that MOEF & CC had already accepted the recommendation of the committee subject to the clearance by NGT, which also has now been received. As such, there is no hurdle in the resumption of work and all the decks have been cleared. I would also like to mention here that one of the major contractors M/s Soma is already mobilized at site with all paraphernalia and is carrying out certain protection works. But the main work of the dam will be started after monsoon as the river is currently flowing over the dam. Whereas another package which was earlier being done by L&T had to be cancelled as L&T had backed out of the project due to suspense, is also going to be awarded very soon.

Further, about 95% of electro mechanical and hydro mechanical equipment has been received at site & we are fully geared up to take up the project. As far as the underground works are concerned, some work is already going on for their protection.

Regarding the 800 MW Parbati-II which is also under progress and some good progress has been achieved in last one month and we hope that we shall be able to commission this project by FY '22. As you have also must be aware that NHPC's bid for Lanco Teesta Hydro project in Sikkim, has been approved by NCLT with a bid amount of Rs. 907 crores minus some losses which comes to about Rs. 897 crores and this project already has been approved by the CCEA in a



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meeting held on 7th of March 2019. So, this is the project we are going to tender very shortly.

Another big development which happened is regarding the Dibang Multipurpose Project - Cabinet Committee on Economic Affairs (CCEA) have given a go ahead for the pre-investment activities of the project amounting to Rs. 1600 crores which basically comprises of NPV, land acquisition, R&R works etc.

So, I think these are the major highlights, now I would request Mr. Mittal to take you through the detailed analysis of the results and updates, Mr. Mittal.

M. K. Mittal: Good Morning, everyone. As you know that Board has adopted the Q1 FY'20 financial accounts for the period ended 30th June, 2019 in its meeting held on 9th August, 2019 and the same have already been communicated to the exchanges. The brief highlights of the financial results and important updates of the company are as under:

During Q1 FY'20, our Power Stations have achieved generation 8581 MUs Vs 7036 MUs generated in the corresponding period of previous year. This is broadly due to better water availability and addition of Kishanganga Power Station, which was commissioned in Q1 in the last year.

Our PAF of Q1 FY'20 stands at 90.97% as against corresponding previous period PAF of 92.47%. Decline in



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PAF is mainly due to shutdown of Baira Siul power station towards ongoing renovation and modernization.

For Q1 of FY'20, we have earned a revenue of Rs. 2421 crores as against Rs. 2138 crores during corresponding previous year which is about 13% higher i.e. 283 Crores. The increase in revenue is mainly due to higher generation (Rs. 148 crores), commissioning of Kishanganga Power Station (Rs. 56 crores), higher O&M expenditure because of the new tariff regulations (Rs. 43 crores) and higher water cess of Rs. 43 crores.

Other incomes for Q1 FY'20 is of the order of Rs. 87 crores vis-à-vis Rs. 104 crores during the corresponding previous period. The decrease of Rs. 17 crores is mainly due to lower interest income.

During Q1 FY'20 the generation cost has gone up from Rs. 240 crores to Rs. 287 crores i.e. by Rs. 47 crores which is mainly due to higher water cess on account of higher generation in J&K project.

During Q1 FY'20, the employee cost has gone up from Rs. 352 crores to Rs. 357 crores i.e. by Rs. 5 crores and it is primarily due to the commissioning of Kishanganga Power Station because now the employee cost of Kishanganga project is being charged to the profit and loss statement.

During the quarter, the depreciation and amortization expense has gone up from Rs. 373 crores to Rs. 387 crores i.e. by Rs.



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14 crores which is primarily due to commissioning of Kishanganga Power Station (Rs. 35 crores) and there is a decrease in the depreciation by Rs. 20 crores due to increase in the usual life of the power stations from 35 years to 40 years because of the new tariff regulations.

During Q1 FY'20, other expenses has gone up from Rs. 247 crores to Rs. 273 crores i.e. by Rs. 26 crores, which is broadly on account of commissioning of Kishanganga Power Station (Rs. 8 crores) increase in the security expenses (Rs. 12 crores) and overall increase of Rs. 8 crores in R&M expenses.

During Q1 FY'20 there has been increase in the finance cost from Rs. 221 crores to Rs. 237 crores i.e. by Rs. 16 crores mainly on account of additional interest towards Kishanganga, Wind and Solar power Station.

During Q1 FY'20, we have earned PAT of Rs. 881 crores as compared to Rs. 738 crores during the corresponding period of the previous year. There is an increase of Rs. 143 crores in the PAT i.e. about 19% and the reasons of increase have already been explained for each item.

During Q1 FY'20, the incentive position are as under:

PAF based incentive in Q1 FY'20 is Rs. 142 crores vis-à-vis Rs. 156 crores last year, there is a decrease of Rs. 14 crores. As I mentioned, this is because of the Baira Siul power station. Deviation charges in Q1 last year was Rs. 62 crores, this



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quarter it is Rs. 19 crores i.e. decline is Rs. 43 crores and as we know that there was a change in the deviation settlement regulation compared to FY 2019 but that change has been re-modified by the regulatory commission and is effective from 3rd June, 2019. So, in the coming quarters onwards, this decline will not happen.

Board of Directors in the meeting held on 27th May, 2019 had recommended a final dividend of 75 paise per share giving a total dividend of Rs. 1.46 per share for FY 2018-19 and the same shall be placed before the shareholder in the next AGM scheduled on 23rd Sep, 2019.

CAPEX during Q1 FY'20 was Rs. 334 crores as against Rs. 470 crores in the corresponding previous period.

Construction work of 800 MW Parbati-II project is under progress and we are expecting to get the project commissioned by FY '22. The anticipated cost of the project is Rs. 9395 crores out of which we have already spent Rs. 7400 crores till June 2019. The estimated levelised tariff on completion cost basis comes to Rs. 5.58 per unit.

So far as Subansiri Lower project is concerned, our Hon'ble CMD has already shared with you, the updates. So, I am not repeating anything further. But just to mention that the completion cost is Rs. 19,496 crores and the levelized tariff would be Rs. 5.29 per unit. Further during the current quarter,



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the management has carried out the assessment of the recoverability of carrying value of the Assets including regulatory deferral account balances, in respect of Subansiri Lower project and based on such assessment borrowing cost and administration cost amounting to Rs. 97 crores incurred on the project during the quarter ended 30th June 2019 have been recognized for creation of RDA balances.

Status of clearance of the fourth coming projects:-

In respect of Dibang Multipurpose Project (2880 MW) investment approval towards the pre investment activities of Rs. 1600 crores has been accorded. Further the Ministry of Environment, Forests & Climate Change has already accorded forest clearance (stage one) and environmental clearance. The anticipated cost of the project is Rs. 28,007 crores and the estimated levelized tariff would be Rs. 4.32 per unit.

Pre investment clearance for Teesta IV project in Sikkim is already available and the FRA compliances underway. The anticipated cost of the project is Rs. 5,879 crores and the estimated levelized tariff based on this cost comes to Rs. 5.21 per unit.

Other major highlights of the company till Q1 FY'20:-

NHPC's bid for the Lanco Teesta Hydro Power Ltd. has been approved by the National Company Law Tribunal. This is the



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first time that a state run organization has bagged a project under Insolvency and Bankruptcy Code (IBC). CCEA in its meeting held on 7th March, 2019 had already given its approval for investment sanction of this project. The estimated completion cost of this project is Rs. 5,748 crores and the levelised tariff comes to Rs. 4.07 per unit.

On the realization front, NHPC has received Rs. 1,385 crores from beneficiaries against sale of energy during Q1 FY'20 as compared to Rs. 1,243 crores in the corresponding previous period. Trade receivable as on 30th June, 2019 stands at Rs. 3,262 crores as against Rs. 2623 crores as on 31st March, 2019. The major receivables are J&K Rs. 1304 crores as on 30.06.2019 compared to Rs. 977 crores as on 31st March 2019. UPPCL Rs. 960 crores as on 30.06.2019 as compared to Rs. 780 crores as on 31st March 2019.

As you are aware, NHPC has obtained a license from CERC for trading under Category - 1 that was taken in April 2018. Further, NHPC has been appointed as an aggregator under Pilot Scheme - II notified by the Ministry of Power and we will be supplying 2500 MW power in three years by purchasing from the shortlisted generator through PFC Consulting Limited at a tariff of Rs. 4.41 per unit and out of these 2500 MW, we already tie-up around 1200 MW and for the balance, we are in talks with number of DISCOMs.



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On joint-venture front with Govt. of J&K, Pakaldul (1000 MW) is already under active construction phase with estimated cost of Rs. 8,112 crore and Kiru (624 MW) has received investment sanction from Govt. of India with estimated cost of Rs. 4,288 crore. We are planning to invest Rs. 250 crore for Pakaldul and Kiru towards our equity contribution during the current fiscal 2019-20.

We have already signed MOU with JKPDD (J&K Power Development Department) and JKSPDC (J&K State Power Development Corporation) for execution of Ratle H.E. Project (850 MW) and proposal for investment approval submitted to MOP with estimated cost of Rs. 5282 crore and levelised tariff of Rs.3.92 per unit.

This is all from our side. Now the forum is open for question and answers.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, my question is on DSM impact. Sir how was the DSM impact in the Q4 FY'19 and Q1 FY 20 and what are the changes, which had affected us adversely?

M. K. Mittal: Which impact you are talking about?



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Mohit Kumar: Sir, I am talking about deviation settlement mechanism impact.

M. K. Mittal: You see, we have deviation settlement regulations issued by CERC and these regulations were modified by CERC which were effective from 1st January 2019, wherein the UI charges or the charges for the deviated power were lower down quite a bit. Because we supply higher quantum of power during peak hour as compared to the scheduled energy and we were earning almost Rs. 50 crores per quarter which have come down to almost Rs. 20 crores in Q1 FY'20. So basically there was a substantial decline in the earnings and because of that we made several representations to the CERC and the CERC ultimately considered our representations and they have remodified or amended the DSM regulations and now the amended regulations have been made effective from 3rd June 2019. We foresee that our revenues which were accruing earlier that will continue to accrue and the further loss would be avoided.

Mohit Kumar: Okay sir. I have a second question regarding to some medium-term tender. Sir, do we have the approval for 1500 MW from all the procurers, and when do you expect the agreement to be signed?

Balraj Joshi: See, we have demand for 1200 MW from four DISCOMs and we are sending a proposal to PFC for allocating this power to DISCOMs and once the PFC allocates power, we will be



signing the power supply agreements say within a month. We have time up to 30th September for tying up the balance 1300 MW and if required, we will seek further extension. But we are hopeful that by 30th September we may be able to tie-up the balance 1300 MW.

Mohit Kumar: Okay Sir, my last question, what are the PAF incentive during the quarter?

M. K. Mittal: PAF incentive during the quarter is Rs. 142 crores.

Mohit Kumar: And what are the number last year sir?

M. K. Mittal: Last year it was Rs. 156 crores. As I mentioned the decline in the PAF was because of the shutdown of the Baira Siul power station.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from Motilal Oswal. Please go ahead.

Dhruv Muchhal: Sir, firstly on the Subansiri Lower. Now we see that you are starting to recognize the regulatory balance again. So, if the project started, would not you be capitalizing it rather than creating regulatory asset?

M. K. Mittal: You see the NGT order has come in July month and now from this quarter onwards, we will be capitalizing it. Because NGT order came in Q2 FY'20 not in Q1 FY'20 we have put into the regulatory asset after having a discussion with the auditor and now onwards we will be capitalizing it.



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Dhruv Muchhal: And sir, one reason for not creating a regulatory asset, earlier was also that the you are failing the impairment test I think, because the tariff was pretty high. So, if there is an escalation in cost now would that situation arise again?

M. K. Mittal: No, now because of the NGT order we have been able to fix up the end date of the project and that is one of the reasons and the secondly, because of the interest rates have gone down, our discount rate has also gone down and there is an impairment reassessment and we have found that the NPV of the project is still quite viable with a levelised tariff of around Rs. 5.29 per unit and because of that we have been able to recognize the regulatory asset.

Dhruv Muchhal: Sir, two more questions on Subansiri Lower Project. Now, how do you see the project progressing in terms of construction? Do you see there is local support because I think, that was also an issue earlier? Although the court has approved it, there was still some local hesitation, I think. secondly on the tariff Rs. 5.8 per unit or Rs. 5.5 per unit, do you think you will have to cut the ROE or relax the depreciation norms or something else to make it viable?

Balraj Joshi: Okay. First of all, let me say that NGT has very comprehensively dealt with the entire issues raised by the local support groups and technical, social and other objections raised by the local populace in the technical fraternity. They have been duly addressed by various committees Every



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question has been actually duly answered. Now Still, if some people are there who have apprehensions, we will certainly take them in confidence. But right now, the feelings which we have got from the locals are that they are not against the project, they are certainly going to help us. We have allocated Rs. 320 crore towards downstream development works which people were not aware of and out of that we have launched community development and the livelihood interventions. This have been done very scientifically and we have given fillip to the piggery in that area. And this was also one of the recommendations of expert group that piggery as well sericulture and handicraft would be promoted. So, we have allocated about Rs. 320 crores out of which Rs. 9 crores we have already spent. So, people are seeing reason now and as we were expecting that after this particular decision by NGT, there will be huge protests. But it was nothing like that very sporadic protests were there. But they have been contained and they have been explained. Now, we also proposed to embark upon larger public awareness program for which also we have already kept about Rs. 5 crores. I am sure that with the contractors already in place for us as I told you that the dam contractors are already fully mobilized, moment the flood subsides, we can start construction of the dam. This is only a technical hitch because of the flood, otherwise, we are fully mobilized. All the construction materials are in place, the construction equipment is there. So, I do not see any reason why we should not start the construction of the project



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right now. So, that is the status as far as the construction part is concerned and what was the second part of your question, I just forget.

Dhruv Muchhal: The tariff, can there be a risk to the ROEs of 16.5% and probably will extended the depreciation, charge probably a lower depreciation initially?

Balraj Joshi: All right, this power sector is very dynamic. Few weeks ago, we signed a PPA with Punjab, Rajasthan and U. P. for a project, which is generating power at about Rs. 5.16 per unit. So apprehension that such high tariffs are not be taken by the market is not correct, people are just looking for a stable kind of power, reliable power, which hydropower provides. Therefore, the moment we finish Subansiri Lower Project after about three and half years, the time schedule we have kept, hopefully we will be able to get the project commissioned by that time. The scenario is going to be totally different from what it is today. The ROE are going to be an issue in a very big measure and the reliability part will be on premium. So, I do not see any reason why we should not be able to sell Subansiri Lower power even at Rs. 5.29 per unit.

M. K. Mittal: Just to add couple of points that the levelized tariff is Rs. 5.29 per unit and this is for a period of 40 years. Now, from today onwards, if you look at 40 years and if you can buy power at Rs. 5.29 per unit, it seems to be very attractive because thermal will be costlier down the line and at Rs. 5.29 per unit,



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it will be much cheaper than the thermal, number one. Number two, there is a hydro policy which have been issued in March 2019 and we see that there is a hydro purchase obligation for all the new hydro projects and because of that HPO there will be an advantage for this hydro project and besides that there is a clause for tariff moderation in that new policy. So, we can have a back-loading tariff instead of front loading. So, power can be sold without compromising with ROE.

Dhruv Muchhal: Sir, because Rs. 5.29 per unit is the levelized tariff. So, the initial tariffs will be probably around Rs. 6 per unit, the first few years tariffs will be around Rs. 6 per unit. So that was the question.

M. K. Mittal: Moderated without compromising on the IRR.

Dhruv Muchhal: Sure Sir, last on the CAPEX, if you can guide on the CAPEX now because Subansiri is also and Teesta also you won, so on the CAPEX for FY 2020 and FY 2021?

M. K. Mittal: I have the number for FY'20 and as of now, our annual plan is of Rs. 3,806 crores and where we have kept Subansiri at Rs. 1100 crores. So, may be we will be reviewing it in a couple of months and then we will be able to give you the revised number. But at the moment it is like this only.

Dhruv Muchhal: Okay sure. So, probably there will be some increase, right?



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M. K. Mittal: There can be. We will have to see the construction schedule and likely CAPEX because of the revised construction schedule.

Moderator: Thank you. The next question is from the line of Rupesh Sankhe from Elara Securities. Please go ahead.

Rupesh Sankhe: A couple of questions from my side, firstly on the Jammu and Kashmir resolution Article 370, how do you see the hydro potential in that? And secondly, an update on 2.8 gigabyte of this Dibang Multipurpose Project in terms of CAPEX?

Balraj Joshi: Let me take Dibang first, I have already said that, it is 2880 MW project for which the Cabinet Committee on Economic Affairs has already given us a clearance for Rs. 1600 crores. Rs. 1,600 crores is a pre-investment expenditure and this comprises of NPV, land acquisition and the catchment area treatment plan and R&R and some roads and bridges also, these particular activities have already been taken up. Now, out of Rs. 1600 crore, Rs. 380 crores is NPV which straightly goes to the CAMPA, this is a one-time payment, similarly Rs. 500 crores towards the land acquisition process which is under process. So, as far as Dibang CAPEX is concerned we will be spending the Rs. 300 crores this year. And now coming to the J&K, let me say I feel very happy when you say that in J&K, whatever socio-political conditions would have been, NHPC have always been getting local support and we have been able to established projects and run projects despite all the turmoil



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which have been going on for all the last 20 years - 25 years. So, therefore, per se this change in the political scenario does not affect us at all. The only advantage probably would be that since we have a large backlog of payments, this probably now be smoothed and we might get these payments cleared by the new dispensation faster. Other than that, we have been getting very good local support. We have been working with them and all our projects, even during this turmoil also have been performing to the fullest capacity.

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

Prashant Kshersagar: Just a question on Subansiri Lower Project. After the NGT order, which permissions you will require say from Ministry of Environment and Forest from the center and any other permissions required because the main permission has been obtained?

Balraj Joshi: No, the permissions were already there, it was only because of certain protest that this works are on hold. Now, we do not need any permission from anybody and in fact, we have already mobilized our site quite nicely. As I said in the beginning that due to monsoon river is flowing over dam at this time, so, the dam concreting is not possible. Otherwise, all of the works pertaining to electro mechanical, in other words, which can be attended to are being done.



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Prashant Kshersagar: Okay. Second thing is, sir, in these large projects, as you said, there are hesitations against the project or whatever. So, can you tell us exactly now what is the situation? Because what has happened is, as per the press reports the local parties have started questioning the NGT order and from August 10 there was a blockade planned and also in September, there is a blockade plan for the construction of the project. Can you elaborate or can you just?

Balraj Joshi: Yes, I can just tell you whatever information I have with me that the referred protest of 10th of August as you might have seen in the papers also was planned with great pomp and show. But ultimately, not many people turned up because people have now realized the importance of Subansiri Lower Project in their life and also thanks to the downstream protection work which we have done, which is costing about Rs. 145 crores. They have seen that NHPC has come to their rescue and help in such difficult conditions and also the livelihood interventions which we have embarked upon, this has been seen very positively. So far Rs. 124 crores we have spent there as a part of CSR. So, I think these protests are now basically just for the sake of protestors only. But it does not have that kind of steam, which was there earlier. People have now realized that all these questions have been duly answered by the NGT order.

Prashant Kshersagar: So, you do not expect protest to be there in September also, which they have planned actually ?



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Balraj Joshi: See, in a democracy everybody has got a right to protest to say their things and we also will be saying our things. Ultimately, the project has to come up with the help of the locals only that we are very clear about this. We are very clear and whatever interventions are required for their benefit, NHPC certainly will be not restricting itself in helping the local peoples and making the project acceptable to them. Subansiri is basically a gateway for the Northeast, we have 50,000 MW of hydro power just lying untapped, so, this is our bigger, bigger, I would say cause for the nation, that Subansiri Lower Project must be built.

Prashant Kshersagar: Okay Sir, the second question is on the Jal Power Project in Sikkim 120 MW, any further progress on that, sir?

Balraj Joshi: We have submitted our LOI and we have been shortlisted as a prospective company. There are a number of companies coming up now after we have set an example after buying Teesta VI in Sikkim. So, there are about six or seven companies including NTPC, SJVNL and some private entities also. So far, we have not submitted our resolution plan. I think we are still trying for that to submit. But we will certainly be submitting a plan.

Prashant Kshersagar: Okay. And sir, some bookkeeping questions, can you tell us the shareholder funds in on standalone and consolidated basis as on 30th June?



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- M. K. Mittal:** Rs. 30,000 crores approx.
- Prashant Kshersagar:** Rs. 30,000 crores is the exact figure?
- M. K. Mittal:** The net worth is Rs. 30,081 crores.
- Prashant Kshersagar:** Rs. 30,081 crores that from standalone basis?
- M. K. Mittal:** Standalone basis.
- Prashant Kshersagar:** And consolidated?
- M. K. Mittal:** Consolidated we have not been able to work out so far. But it may be around Rs. 32,000 crores.
- Prashant Kshersagar:** Rs. 32,000 crores and regulatory asset figure as on 30th June, can you just say?
- M. K. Mittal:** Regulatory balance is Rs. 6,691 crores.
- Prashant Kshersagar:** Rs. 6,691 crores, okay. And sir, can you share some view on the debtors position because these dates state DISCOMs are not paying up. So, your view in times to come basically?
- M. K. Mittal:** Yes, as on 30th June 2019, the total receivables including the late payment surcharge was Rs. 3,397 crores and primarily it included JKPDD (Rs. 1,289 crores), UPPCL Rs. 1,042 crores, BYPL Delhi (Rs. 208 crores), Punjab (Rs. 184 crores) and then Rajasthan (Rs. 175 crores); and then small, small numbers are there.



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Prashant Kshersagar: So, do you have any view on the recovery part, sir because it has been increasing a lot.

M. K. Mittal: Regarding J&K PDD, we have already submitted a proposal for adjustment of water charges of Rs. 310 crores and they have paid Rs. 49 crores two days earlier, so some money is also coming in. Besides that, the water charges will be adjusted, so, that number will come down. Regarding UPPCL, we have submitted a proposal for discounting of bills of Rs. 300 crores and we are awaiting the response. But otherwise they are paying, little amount on a day-to-day basis. We are pursuing them for payment of bigger amounts and the money will come.

Balraj Joshi: And I just add to this one. Recently, as you know that Ministry of Power has issued an order saying that all the DISCOMs have to give an LC upfront and LC have been given by all the DISCOM expect for J&K. We are just waiting and are hoping that the DISCOMs will not like this LCs to be encashed. So, let just wait for about 15 days - 20 days' time, after this it will be clear whether this LC mechanism is working and to what extent.

Prashant Kshersagar: Sir, the last question is after the recent developments in Jammu and Kashmir, do you feel the Bursar project will be revived and NHPC which has written-off around Rs. 360 crores will be able to write back?



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Balraj Joshi: Unless the Government of India puts in about 90% of the grant, the project was not becoming viable. It has nothing to do with the local situation. The economics of the project are not working out, we are still requesting the Government of India that if at all this project is to be build, the sizable amount of grant has to be given. I think, to the extent over Rs. 10,000 crores.

Prashant Kshersagar: But sir, if you combine the irrigation part and the power project together, would not NHPC be able to execute the project?

Balraj Joshi: Yes, we started with that frame only, as you might be knowing this was termed as a National Project and for all the National Projects, 90% of the irrigation part was being given by Government of India as a grant. But now, here since the power component was involved then we were told that no, you have your generating power and also your further downstream projects are also going to be augmented by these flows. Therefore, you must bear the entire cost of the project. So, it is not becoming viable, however, we are still in the talks with the Government, we have not written it off completely and for the irrigation part, J&K state has to devise a strategy and also have to have required infrastructure. Right now, that kind of installed infrastructure is not available. Further, the potential from this particular project for irrigation in J&K is only in the low-lying near Jammu not in the project vicinity. There is also push in the treaty that whatever storage we creates on the



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tributary of Chenab and equal in command can be developed in Jhelum. So, it is a very larger issue actually with the J&K has to fully come in and have discussion with scheme on the paper, which they have not been able to give us so far.

Prashant Kshersagar: Sir, the last question is on the NHDC's project in Madhya Pradesh. How is the working sir now because earlier there was a news that the water was not being released for the for the project. So, can you help us with that?

Balraj Joshi: Yes, as you know that we have these two projects totaling 1520 MW, namely Indira Sagar Project and Omkareshwar Project. Prime aim of these projects remains irrigation in Madhya Pradesh and also in the downstream area. Irrigation demands for water to be released is in a particular pattern. So, it was only when the water was supposed to be released to the downstream that these machines could run. But now I am very happy to share with you that with the recent monsoon, we have got all these reservoirs completely almost completely filled up now and the generation is now going on full swing.

Moderator: Thank you. The next question is a follow-up question from the line of Dhruv Muchhal from Motilal Oswal. Please go ahead.

Dhruv Muchhal: Sir, you said for Rs. 43 crores incremental revenue has come because of O&M expenses under the new regulations, is that right on a Y-o-Y basis?



M. K. Mittal: Yes, absolutely right. We have got around Rs. 43 crore because of the additional O&M expenses as per the new regulations.

Dhruv Muchhal: If I understand correctly, our O&M under recovery was about Rs. 500 crores - Rs. 600 crores. So, incremental is only Rs. 160 crores that means will still be left with about Rs. 300 crores of under recovery is that right?

M. K. Mittal: We have filed the tariff petition based on the revised cost and because you know O&M expense for the new project are certain percentage of the cost of the project, so that under-recovery is likely to be made good on the approval of the revised cost of the project. So, under-recovery may be very little.

Balraj Joshi: Let me also add here that the so-called under recovery also comprised of certain expense like CSR, etc., which are not basically O&M expenses. So, to that extent, we should discount it.

Dhruv Muchhal: Okay, sure. And sir, what would be the annual impact of Baira Siul now under R&M in terms of the overall revenue? What will be the impact ?

M. K. Mittal: No, it will generate the revenue as was envisaged earlier. The revised tariff of the Baira Siul project on a levelized basis comes to Rs. 3.76 per unit and the first-year tariff after renovation will be Rs. 3.10 per unit.



Dhruv Muchhal: So, I was more talking about what will be the impact when it is under R&M. So, for one - two years, it is under R&M what is the revenue loss?

M. K. Mittal: As far as P&L is concerned, there would not be any loss because the O&M expense which we are incurring is recoverable from beneficiaries during R&M period.

Dhruv Muchhal: Only ROE is not allowed, rest all is allowed.

M. K. Mittal: ROE will be not allowed and depreciation will not be there because there is R&M and there is no interest cost because the loan is fully repaid. So, only revenue shortfall will be towards ROE.

Dhruv Muchhal: Okay, sure. And sir, when do we expect the tariff order of five projects whose capital costs is to be approved? It has been pending since some time now.

M. K. Mittal: We are expecting the orders by 30th September 2019. We discussed with CERC recently and they assured us that all the backlog order will be cleared by 30th September.

Dhruv Muchhal: Okay, sure. And sir, lastly Pilot Scheme you mentioned 1200 MW is already which you have work commitments for. Now assuming that this remains at 1200 MW, just for information, how is it allocated between the bidders? Between the generators is it allocated proportionately or how does that happen?



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M. K. Mittal: As per the discussions we had with PFC, they mentioned that the bidder who was the L1 will be given the first preference, then the second who matched L1 then the third, there is a priority which is given by PFC. So, it will go in that order.

Moderator: Thank you. Ladies and gentlemen, as there are no questions from the participants, I now hand the conference over to Mr. Rupesh Sankhe for closing comments.

Rupesh Sankhe: We thank you Mr. Joshi for giving us an opportunity to host this call. We also thank all the investors and the analyst for joining for this call. Thank you.

Balraj Joshi: Thank you very much.

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