



“NHPC Limited
Q2 FY2020 Earnings Conference Call”

November 19, 2019



ANALYST: MR. RUPESH SANKHE – ELARA CAPITAL

**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. MAHESH KUMAR MITTAL – DIRECTOR (FINANCE)
- NHPC LIMITED**

**MR. JANARDAN CHOUDHARY – DIRECTOR
(TECHNICAL) - NHPC LIMITED**



NHPC Limited
November 19, 2019

Moderator: Ladies and gentlemen, good day and welcome to the NHPC Limited Q2 FY2020 Earnings Conference Call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen mode only and there will be an opportunity for you to ask questions after the presentation concludes. If you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference call is being recorded.

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

Rupesh Sankhe: Good morning, everyone. On behalf of Elara Securities, we welcome you all for the Q2 FY2020 Conference Call of NHPC Limited. I take this opportunity to welcome the management of NHPC represented by Mr. Balraj Joshi - Chairman and Managing Director.

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. Joshi for his opening remarks. Over to you, sir.



NHPC Limited
November 19, 2019

Balraj Joshi: Thank you Rupesh and Good morning friends. I am supported here by my board colleagues Mr. Mittal, Director (Finance), Mr. Ratish Kumar - Director (Projects); Mr. Janardan Choudhary -- Director (Technical) and Mr. Nikhil Kumar Jain – Director (Personnel) and other officials.

The Board has adopted the half-yearly financial accounts ended September 30, 2019 in the meeting held on 11th November, 2019 and the same has already been communicated to the exchanges. By now I hope you would have gone through the quarterly and half yearly set of numbers and at the outset let me first touch major highlights and then a detailed analysis shall be discussed by the Director (Finance), Shri, Mittal.

Now during half year FY2020, our power stations have achieved generation of about 17719 MUs vis-à-vis 16625 MUs generated in the corresponding period of the previous year which is about 6.58% higher. This is broadly due to better water availability and full half year impact of Kishanganga power station which has generated 654 MUs this year as against 334 MUs last year.

So during the half year FY2020, company has earned revenue of Rs. 5027 crores as against Rs. 4637 crores in



NHPC Limited
November 19, 2019

the corresponding previous period, which is also about an 8% higher.

During the half-year FY2020 we have earned PAT of Rs. 2221 Crores vis-à-vis Rs. 1956 Crores of corresponding period and is up by Rs. 265 crores i.e. 14% approximately.

On project front, construction work of 800 MW Parbati II project is under progress and we are expecting to get the project commissioned by FY2022. Let me also say here that all the four units of Parbati II have already been synchronized by using the intermitted drain waters.

Regarding Subansiri Lower project, it is to share that after clearance of the Subansiri Lower project by Honorable NGT vide its order date July 31 2019, active construction work at the site has resumed with effect from 15th October this year and the project is expected to be commissioned by Q4 FY2024.

NHPC has completed the formalities for taking over 500 MW Teesta VI project by making payment against the consideration of Rs.897.50 crores. Lanco Teesta Hydro Power Limited is therefore now a wholly owned subsidiary of NHPC.



NHPC Limited
November 19, 2019

I am also happy to share that MOU has been signed on September 25, 2019 with Government of Himachal Pradesh for execution of 449 MW Dugar H.E. Project in Chamba District of Himachal Pradesh.

So this is from my side, now I request Director (Finance) Shri. Mittal to discuss the detailed results.

M. K. Mittal: Good morning. I will go through the brief highlights of the financial results and important updates of the company which are as under:

During half year of FY2020, our power stations have achieved generation of 17719 MUs vis-à-vis 16625 MUs generated in the corresponding period of the previous year which is about 6.58% higher or 1094 MUs broadly due to better availability of water and full year impact of Kishanganga Power Station, wherein we have generated 654 MUs this year as against 334 MUs during the same period of last year.

During Q2 of FY2020, our Power Stations have achieved generation of 9138 MUs vis-à-vis 9590 MUs generated in corresponding period of previous year, which is about 5% lower or 452 MUs broadly due to lower water availability in second quarter in some of the power stations, shutdown of two machines in Chamara II Power Station for repair



NHPC Limited
November 19, 2019

and maintenance from 7th August, 2019 and ongoing renovation and modernization of the Bairasiul Power Station.

Our PAF of the half year FY2020 stands at 90.49% against the corresponding previous year PAF of 93%. Decline in PAF is mainly due to shutdown of the Bairasiul Power Station towards ongoing R&M and shut down of Chamera II Power Station due to repair and maintenance.

Our PAF for the second quarter of FY2020 stands at 90.02% against corresponding previous year PAF of 92.90%. Decline in PAF is mainly due to shutdown of the Bairasiul Power Station towards the ongoing renovation and modernization and shutdown of Chamera II Power Station due to repair and maintenance.

For the half year of FY2020, company has earned revenue of Rs. 5027 crores as against Rs. 4637 crores in the corresponding previous period, which is about 8% higher i.e. Rs. 390 crores. The increase in revenue is mainly due to commissioning of the Kishanganga Power Station where we have got Rs. 105 crores additional revenue, tariff revision of Kishanganga Project where we have booked Rs. 57 crores and the trading revenue of Rs. 41 crores, revenue recognized on account of wage revision of Rs.



NHPC Limited
November 19, 2019

107 Crores, O&M expenses of Rs. 88 crores and we have realized 20 crores on account of GST and there is a higher water cess of Rs. 53 crores, higher secondary energy of Rs. 36 crores, which is partly offset by lower PAF based incentive of Rs. 57 crores, lower deviation charges of Rs. 61 crores and impact of effective tax rate including reduction in MAT rate of Rs.78 Crores.

During Q2 FY2020, company has earned revenue of Rs. 2605 Crores as against Rs. 2499 Crores in the corresponding previous period, which is about 4% higher i.e. 106 Crores. The increase in revenue of Kishanganga power station (Rs. 49 crore), Tariff Revision of Kishanganga Project Rs 57 crore, trading revenue of Rs. 41 crore, revenue recognized on account of wage revision of Rs.107 crore and O&M Expenses of Rs.44 crore, higher water cess of Rs. 10 crore, higher secondary energy of Rs. 36 crore etc. which have been partly off-set by lower PAF based incentive of Rs. 43 Crore, lower deviation charges of Rs. 13 crore, lower energy charges of Rs. 145 crore due to lower generation in second quarter, impact of effective tax rate including reduction in MAT rate of Rs.75 crore.

Other income for the half year of FY2020 is of the order of Rs. 586 Crores versus Rs. 571 Crores during corresponding previous period i.e. increase of Rs. 15



NHPC Limited
November 19, 2019

Crores. The increase is mainly due to higher income from late payment surcharge.

Other incomes for the second quarter of FY2020 is of the order of Rs. 499 Crores vis-à-vis Rs. 467 Crores during corresponding previous period. Increase of Rs. 32 Crores is mainly due to higher interest income.

During half-year of FY2020 the generation cost has gone up from Rs. 518 Crores to Rs. 578 Crores i.e. an increase of Rs. 60 Crores and this is primarily due to the higher water cess on account of higher generation in J&K projects.

During Q2 of FY2020 the generation cost has gone up from Rs. 278 Crores to Rs. 291 Crores i.e. an increase of Rs. 13 Crores primarily due to higher water cess on account of higher generation in J&K projects.

During half year of FY2020, the employee cost has gone up from Rs. 713 Crores to Rs. 734 Crores i.e. an increase of Rs. 21 Crores which is primarily due to commissioning of Kishanganga Power Station and increase in salary & wages on account of increased DA, promotion, annual increments, etc., for 57 Crores, regularization of pay scale for Rs. 15 Crores and there has been an offset by saving



NHPC Limited
November 19, 2019

due to superannuation of employees to the extent of Rs. 67 Crores.

During Q2 of FY2020 the employee cost has gone up from Rs. 361 Crores to Rs. 376 Crores i.e. Rs. 15 Crores higher and it is mainly due to commissioning of Kishanganga Power Station (Rs. 4 crore), increase in salary & wages due to increments, promotions for Rs. 35 crore, the regularization of pay scales for Rs. 8 crore and it is offset by superannuation of employees by 32 Crores.

During the current half, the depreciation and amortization expense has gone down from Rs. 777 Crores to Rs. 772 Crores i.e. a reduction of Rs. 5 Crores. This is primarily due to decrease in depreciation cost by Rs. 40 crore on account of increase in useful life of power stations from 35 years to 40 years in respect of those power stations which have completed 12 years in operation, partly compensated by increase in depreciation cost due to commissioning of Kishanganga Power Station (Rs.35 crore).

During Q2 FY'20, the depreciation & Amortization expenses has gone down from Rs. 404 crore to Rs. 386 crore i.e. by Rs. 18 crore primarily due to decrease in depreciation cost due to increase in useful life of power stations from 35 years to 40 years in respect of those



NHPC Limited
November 19, 2019

power stations which have completed 12 years in operation.

During the current half FY2020, other expenses has gone up from Rs. 506 Crores to Rs. 593 Crores i.e. increase of 87 Crores, broadly on account of on O&M expenses due to commissioning of Kishanganga, increase in security expenses and increase in repair and maintenance expenses and other line items.

During half year of FY2020, there has been increase in the finance cost from Rs. 450 Crores to Rs. 489 Crores i.e. increase of Rs. 39 Crores mainly on account of the commissioning of Kishanganga project (impact is Rs. 16 Crores), interest in respect of Wind power and Solar power project (impact is Rs. 16 Crores) and Subansiri Lower Project (impact is Rs. 4 Crores).

During Q2 FY'20, there has been increase in the finance cost from Rs. 228 crore to Rs. 252 crore i.e. by Rs. 24 crore mainly on account of interest in r/o of Wind & Solar Power Project (Rs. 8 crore) and borrowings for Kishanganga and Subansiri Projects for the expenditure already incurred.

During half year of FY2020, we have earned PAT of Rs. 2221 Crores vis-à-vis Rs. 1956 Crores in corresponding



NHPC Limited
November 19, 2019

period and is up by Rs. 265 Crores of 14% approx. and the reasons for increase or decrease in the line items have already been discussed.

During Q2 of FY2020 we have earned the PAT of Rs. 1339 Crores vis-à-vis Rs. 1219 Crores in the corresponding period of the previous year and the profit is higher by Rs. 120 Crores, which is almost 10%. The reasons for increase and decrease in the line items have already been discussed.

During half year FY2020, the incentive position is as under:

Secondary energy Rs. 36 Crores, last year it was nil. So there is an increase of Rs. 36 Crores. PAF based incentive this year it is Rs. 255 Crores, last year it was Rs. 312 Crores. So there is a decrease of Rs. 57 Crores and as already mentioned that there has been a decline in the PAF due to shutdown of Baira Siul for R&M and shutdown of two machines in Chamera II power station. The deviation charges have decreased from Rs. 110 Crores last year to Rs. 53 Crores this year, so the decline is of Rs. 57 Crores and this is primarily on account of amendment in the deviation settlement regulations, which has subsequently been restored. So in the last year the total incentive



NHPC Limited
November 19, 2019

received in the first half was Rs. 421 Crores, this year we have received Rs. 344 Crores and overall the decline in the incentive is roughly Rs. 77 Crores.

Members of the company in its meeting (AGM) held on 23rd September, 2019 had approved final dividend of 75 paisa per equity share making a total dividend payout of Rs.1.46 per share for FY 2018-19 (including interim dividend of 71 paisa declared in February 2019).

Capex during first half of FY2020 was Rs. 1623 Crores as against Rs. 1245 Crores in the previous year.

Construction work at 800 MW Parbati-II project is under progress and the project is expected to be commissioned by FY2022. The anticipated cost of the project is Rs. 9997 Crores out of which we have already spent Rs. 7643 Crores till September 2019. The estimated levelised tariff based on the estimated cost is Rs.5.79 per unit.

So far as Subansiri Lower Project is concerned, in our last concall we have mentioned that the clearance to the Subansiri Lower Project was given by the Honorable NGT on July 31, 2019 and thereafter the active construction has resumed w.e.f. 15th October 2019. Accordingly, capitalization of hard cost, IDC & IEDC shall resume from the next quarter of FY 2019-20. The revised cost of the



NHPC Limited
November 19, 2019

project now stands at Rs. 19,496 crore out of which we have already incurred Rs. 10989 crore till Sep' 2019. The estimated levelised tariff based on the anticipated cost is Rs. 5.30 per unit.

Status of clearance of the fourth coming projects is as under:

NHPC completed the formalities for the takeover of 500 MW Teesta VI HEP by making payment against consideration of Rs. 897.50 crore. Lanco Teesta Hydro Power Limited is now a wholly owned subsidiary of NHPC Limited. Earlier CCEA in its meeting held on 07.03.2019 had given its approval for investment sanction for acquisition of M/s Lanco Teesta Power Limited and execution of balance works of Teesta VI H.E. Project 500 MW (4 x 125 MW) in Sikkim by NHPC Limited with an estimated completion cost of Rs. 5748.04 crores and anticipated levelised tariff of Rs. 4.07 per unit.

In respect of Dibang Multipurpose Project (2880 MW), investment approval towards pre-investment activities for Rs. 1600 crore has been accorded out of which we have already released Rs. 629 crore. Further, Ministry of Environment, Forest & Climate Change, Govt. of India has already accorded Forest Clearance (stage-1) and



NHPC Limited
November 19, 2019

Environment Clearance. The anticipated cost of the project is Rs. 28080 crore out of which Rs 4627.80 crore is to be met from Grant towards flood moderation. Levelised tariff based on the anticipated cost (net of grant) is Rs. 4.64 per unit.

Pre investment clearance for Teesta IV HEP (520 MW) in Sikkim is already available. The FRA compliance is underway. The anticipated cost of the project is Rs. 5879 crore and estimated levelised tariff based on the anticipated cost is Rs. 5.23 per unit.

Other major highlights of the company during half year are as under:

MOU signed on 25th September 2019 with Government of Himachal Pradesh for execution of 449 MW Dugar H.E. Project located in Chamba District.

On realization front, the NHPC has received Rs. 3603 Crores from beneficiaries against sale of energy during half year as compared to Rs. 2864 Crores in the corresponding period of previous year. Trade receivable as on September 30, 2019 stands at Rs. 3697 Crores as against Rs. 2685 Crores as on 31st March 2019. The major receivables are from PDD J&K which is Rs. 1391 Crores,



NHPC Limited
November 19, 2019

UPPCL Rs. 1156 Crores, Punjab Rs. 227 Crores, BSES Yamuna Rs. 155 Crores and JDVNL Rs. 128 Crores.

On joint-venture front with Government of J&K, Pakaldul 1000 MW is already under active construction with estimated cost of Rs. 8112 Crores and Kiru 624 MW has already received investment sanction from Government of India with estimated cost of Rs. 4288 Crores. We have planned to invest Rs. 250 Crores for Pakaldul and Kiru towards our equity contribution during the current financial year.

We have already signed MoU with JKPDD and JKSPDC for execution of Ratle H.E. Project 850 MW and the proposal for investment approval submitted to MOP with the estimated cost of Rs. 5282 Crores and the levelised tariff of this project is Rs.3.80 per unit.

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

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



*NHPC Limited
November 19, 2019*

Mohit Kumar: Sir, I have three questions, first is Sir can you give me the secondary energy & PAF incentive for the Q1? I have the number for H1 and also the income from the UI for Q1.

M K Mittal: Can you repeat?

Mohit Kumar: Can you give me the secondary energy, PAF incentive and UI income for Q1 FY2020?

M K Mittal: Yes, in Q1 FY2020 there was no secondary energy, PAF based incentive was Rs. 142 Crores and deviation charges were Rs. 19 Crores so total incentive in Q1 FY20 was Rs. 161 Crores.

Mohit Kumar: Secondly as far as Subansiri is concerned I believe the work has started and expected to be complete by Q2 FY2024 am I right?

Balraj Joshi: Yes Sir.

Mohit Kumar: Sir all the tenders have been already awarded or is this still to be tendered out?

Balraj Joshi: As you know that there was only one tender which was to be awarded that was the work which was being done by L&T and since L&T had walked out of the contract, the power house and the associated tunnels related tender is yet to be decided, but for other works contractors are



NHPC Limited
November 19, 2019

already in place. The main contract which is the dam contract is being done by M/s. Soma and they have started the work on 15th of October and we have placed about 7000 cubic meter of concrete also in the main dam. So the only contract which remains to be awarded is the power house contract which is actually not on the difficult path but the tenders have been received and we are in the process of finalization of the same.

Mohit Kumar: Sir Teesta VI which was Lanco Teesta Hydro Power Limited it is now subsidiary, do you want to merge the company with yourself going forward? And when do think the tender could be placed?

Balraj Joshi: As far as the tenders are concerned we have already floated the tenders and they are already in the process. We have not yet decided whether to merge this company with the main NHPC per se, so far. Till the work stabilizes and all these formalities are completed this company would run as a 100% subsidiary of NHPC only.

Mohit Kumar: Sir what is the trade receivable for more than 45 days at the end of September 2019.

M K Mittal: See the trade receivables I am giving you the latest position as on 16th November. The trade receivables o/s more than 45 days is Rs. 2208 Crores and this includes Rs.



NHPC Limited
November 19, 2019

1244 Crores from PDD J&K, Rs. 759 Crores from UPPCL (UP), Rs. 69 Crores from PSPCL (Punjab), Rs. 61 Crores from UPCL (Uttarakhand) and Rs. 13 Crores from Bihar, Rs. 11 Crores from Meghalaya, Rs. 10 crore from TANGEDCO and some other miscellaneous is around Rs. 20 Crores.

Mohit Kumar: Last question sir on the Parbati II H.E. Project. You said that the units have been synchronized, why it has taken time for it to get commissioned?

Balraj Joshi: As you know this project has got a longest tunnel which is about 31 kilometers, out of that 31 kilometers about 2.5 kilometers is yet to be completed. So that is the place where we are stuck up in a geological environment which is not very conducive to tunneling. We have placed a TBM there and TBM is supposed to give us a progress of about 200 meters a month till the condition that were good but we are not able to get more than 20 to 30 meters per month. We are crossing to a shear zone which is in the simple language, a very rare geology which would require continuous supporting. So, that is the reason why this tunnel is still to be completed on our part. However, we have decided to take 1.5 kilometers tunneling work from the other end through drill and blast method which is also not a very, very productive kind of a proposition, but to the



NHPC Limited
November 19, 2019

circumstances that appears there, it is going to help us. So we are in the process of finalization in their tender also.

Mohit Kumar: Thank you Sir.

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

Prashant Kshersagar: I just missed a point can you tell me the estimated date of completion for Subansiri Lower Project?

Balraj Joshi: Subansiri, we have said FY2024, in fact we have started the work on 15th of October 2019 and by the current estimates we believe that we shall be able to complete the project in three and a half years.

Prashant Kshersagar: Secondly Sir what should be the capital expenditure for Subansiri in FY2019, 2020 and 2021?

M K Mittal: For FY2019-20 we have provisioned about Rs. 1092 Crores for Subansiri Lower Project.

Prashant Kshersagar: I did not get the figure can you repeat the figure Sir?

M K Mittal: Rs. 1092 Crores for FY 2019-20 and for FY 2020-21 we have provisioned Rs. 2400 Crores for Subansiri Lower Project.



NHPC Limited
November 19, 2019

Prashant Kshersagar: Sir just next question is on Teesta VI Lanco project.

Can you give us the estimated date of completion ?

Balraj Joshi: The time of completion we have kept is 5 years and the reason for keeping it 5 years is because it has two tunnels which are to be constructed through poor geology. So the question could be asked that since the project is already half done why should we take 5 years more to complete it, so that is the reason. But we are optimistic and I think we will be able to complete it before the estimated time of 5 years.

Prashant Kshersagar: Sir does not this project has the risk of earthquake because Lanco faced this risk so would you comment on that?

Balraj Joshi: Yes, I will certainly clarify the things. Basically one project Teesta III which is lined up much upstream of Teesta VI, that project suffered some kind of disruption. There were some landslides etc. and we have our own project Teesta V which is having a dam of about 102 meter high and the seismogenic source was very close to that dam, but I am happy to share with you that no damage to any structure was there during Sikkim earthquake. Now coming to Teesta VI, this is further much away from that seismogenic source and Teesta VI is having a small



NHPC Limited
November 19, 2019

barrage only and in any case, all these structures are very well designed to take care of the maximum probable earthquake, which can occur in these areas. So, there is absolutely no fear or no worry on account of earthquake on this structure.

Prashant Kshersagar: So there should not be any hurdle on this front for this project?

Balraj Joshi: Not at all.

Prashant Kshersagar: Third question, can you comment on the Jal Power Project in Sikkim at what stage it is?

Balraj Joshi: I think the bid has been invited and it is expected to be received by November 28, that is the last date.

Prashant Kshersagar: That is it from my side. Thank you Sir and all the best.

Moderator: Thank you. The next question is from the line of Anuj Upadhyay from Emkay Global. Please go ahead.

Anuj Upadhyay: Thanks for the opportunity. Sir the deviation charge for the Q2 was also down by Rs. 234 Crores I believe in comparison to Rs. 48 last year in the Q1. We can understand because of DSM in the Q1 there was an impact of DSM but in the second quarter we were expecting



NHPC Limited
November 19, 2019

things to get normalized or we are expecting a higher return on deviation charges, any reason why it was down in Q2 as well?

M K Mittal: You see last year in Q2 our deviation charges was Rs. 48 Crores and this year it is Rs. 34 Crores and the decline is primarily due to the grid frequency, and capping. There is a capping on the deviation charges.

Anuj Upadhyay: Capping on the deviation charges?

M K Mittal: Yes, there is a capping on deviation charges. Last year it was open, now there is a capping, so there is a little bit decline because of that and the grid efficiency has also improved.

Anuj Upadhyay: Sir you gave CAPEX guidance for Subansiri Lower Project. Can you give the CAPEX guidance for the full company with bifurcation?

M K Mittal: You want for FY2019-2020.

Anuj Upadhyay: For both Sir 2020 and 2021 I mean FY2020 and FY2021.

M K Mittal: I am reading the numbers for FY2019-20, for Parbati II it is Rs. 769 Crores, Subansiri Lower Project Rs. 1092 Crores, Kishanganga (DTPH) 24 Crores, for Dibang it is Rs. 302 Crores, for Teesta IV it is Rs. 344 Crores, for



NHPC Limited
November 19, 2019

Tawang II it is Rs. 51 Crores, for Teesta VI it is Rs. 418 Crores, for Wind power Rs. 49 Crores, for Chenab valley projects we have provisioned Rs. 300 Crores and for Baira Siul R&M it is Rs. 141 Crores and for R&M of Loktak we have provisioned 20 Crores and total estimated CAPEX for FY 2019-2020 it is Rs. 3806 Crores. For FY 2020-21, Parbati II Rs. 1000 Crores, Subansiri Rs. 2400 Crores, Dibang Rs. 850 Crores, Tawang Rs. 430 Crores, for solar & wind projects we have provisioned Rs. 500 Crores, for R&M of BairaSiul & Loktak we have provisioned Rs. 100 Crores, for Chenab valley we have kept Rs. 500 Crores, for Teesta VI it is Rs. 400 crore others and that way our total investment expected is around Rs. 6500 Crores.

Anuj Upadhyay: Thank you Sir.

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

Dhruv Muchhal: Sir, any stoppage in Subansiri Lower work, any issues that you have faced ?

Balraj Joshi: It is better than what we had planned for. We have planned for about 5000 cubic meters of concrete and we had ended up depositing about 7000 cubic meters of concrete. So no disruptions were experienced by us.



NHPC Limited
November 19, 2019

Dhruv Muchhal: So any likelihood that we can complete this project before this 3.5 year or 4 years?

Balraj Joshi: We would be trying our level best. I think 3.5 years is a very optimum period for this project considering the size of the project and the size of the river. So 3.5 years is a optimum period. Every company tries to do it as fast as they can and that is what we can try but to my mind it appears that 3.5 years is the most optimum time.

Dhruv Muchhal: Sir on Parbati II, you mentioned that you are facing the issue but this is not an incremental thing this was already built in your estimate when you are planning to commission it by FY2022?

Balraj Joshi: No, practically what happens is that we are able to estimate the location of this shear zone from the surface geology because this is not possible for us to drill from the top and go to the terrace, therefore some kind of estimations we made, but all our estimates regarding geology they do not come true, many times for example the shear zone we had estimated to be about let us say 80 meters but it turns out to be 140 meters, so that 60 meters delay the estimate.

Dhruv Muchhal: The guidance for FY2022, will that see some delay or that is in your revised numbers you are building?



NHPC Limited
November 19, 2019

Balraj Joshi: No, we have now gone up the schedule based on the experience which we had in this tunnel in various type of zone as shear zones so I think the FY2022 takes care of all those unformatted which we have experienced so far.

Dhruv Muchhal: Sir thirdly on the CAPEX, now CAPEX with Subansiri Lower Project will increase, so in FY2020 it is Rs. 3806 crore and next year about Rs. 6500 crore, so could there be an impact on dividend payout given that your PAT run rate for the next few years will remain about Rs. 3000 odd Crores or will you be borrowing more given that earlier we are funding only equity.

M K Mittal: Yes, as you rightly mentioned we have already Rs. 4000 crore additional equity investment in Subansiri Lower Project. So CAPEX of Rs. 2400 Crores for Subansiri can be funded out of loan and there is no need to increase any equity, so that way the cash situation to pay the dividend payment maybe normal and we do not foresee any dividend cut in the next year as well.

Dhruv Muchhal Lastly on Baira Siul Project now that R&M work has started, I believe in this quarter you would have some impact because of the shutdown so if you can share the number for Baira Siul and also what would be the impact for Loktak once the R&M starts there.



NHPC Limited
November 19, 2019

Ratish Kumar: We are running two machines and common works have been completed. Two machines are running now and around 325 MUs has been kept for FY2019-2020 for Baira Siul.

Dhruv Muchhal: So will there be any under recovery on account of this or this is not very evident?

M K Mittal: No, there is no under recovery. See in Baira Siul Project we are already recovering the O&M expenses during the R&M period, there is no loss. It is just that we are not getting any profit.

Dhruv Muchhal: Sir lastly the capital cost approval for the five projects I think Kishanganga is done, about the remaining projects?

M K Mittal: You see, Uri II and Sewa II are already with the CCEA and similarly the TLDP III is also discussed under PIB and it has to go to the CCEA. So out of five, three are more or less clear from all angle, it is at the higher level in the Government. For Chamera III, I think we have discussed the proposal in the Government and is already under discussion. For TLDP IV the committee in the Ministry has already called a meeting and the proposal will be discussed and thereafter it will go to PIB. Kishanganga is already cleared from all angle and we have got the tariff order also.



NHPC Limited
November 19, 2019

Dhruv Muchhal: For the five projects, there was some change in the procedure, I mean you could get the board approval and one off the CCEA or PIB or any one of the approvals and get the clearance. So are not you getting it ?

M K Mittal: Yes, you see based on the change in methodology by CERC we had already filed our tariff petitions and the CERC has already issued the order for Kishanganga Project and in respect of the TLDP III, Sewa II, Chamera II and Uri II, the hearings have been completed and the orders are reserved. They told us that the orders are being prepared, so preparation of orders also take some time and we are expecting orders in the next two months or so for all these projects.

Dhruv Muchhal: So we will not be waiting for the CCEA approval, I mean even before that you can?

M K Mittal: CCEA approval is an administrative approval but so far as tariff is concerned CERC is going to allow based on the modalities which they prescribed and which we have already complied. So revenue of almost Rs. 1400 Crores is going to be approved in the next two months or so.

Dhruv Muchhal: Cumulative Rs. 1400 crore.

M K Mittal: Yes for all these five projects.



NHPC Limited
November 19, 2019

Dhruv Muchhal: And sir lastly if you can give the NHPC subsidiary numbers for H1 and Q2 FY20.

M K Mittal: Which subsidiary?

Dhruv Muchhal: Sir, NHDC.

M K Mittal: For Q2, PAT is Rs. 350 Crores and for half year it is Rs. 469 Crores.

Dhruv Muchhal: Thank you so much.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC. Please go ahead.

Mohit Kumar: Sir what is the capital cost of Uri II, Sewa II, Chamera III, and TLDP IV and which was the fifth one where the final tariff order is not in place. My question is that what CAPEX you are booking the tariff order right now and what we get final CAPEX of all these five plants put together.

M K Mittal: Capital cost allowed for Sewa II Project is Rs. 1058 Crores and the RCE is Rs. 1109 Crores, Chamera III capital cost allowed is Rs. 2039 Crores and the RCE is 2048 Crores, TLDP III capital cost already allowed by CERC is Rs. 1866 Crores and capital cost now claimed is Rs. 1973 Crores, Uri II capital cost allowed by CERC is 2162



NHPC Limited
November 19, 2019

Crores and the capital cost now being claimed is Rs. 2290 Crores.

Mohit Kumar: Can you come again sir on Uri II?

M K Mittal: For Uri II is Rs. 2162 crore and Rs. 2290 crore, TLDP IV Rs. 1061 crore and Rs. 1782 crore, Kishanganga Rs. 4543 crore and Rs. 5658 crore.

Mohit Kumar: Sir can you come again on Kishanganga sir how much the number?

M K Mittal: Rs. 4543 crore was earlier allowed now it is Rs. 5658 crore.

Mohit Kumar: So does the tariff in the Q2 reflect the new number for Kishanganga?

M K Mittal: Yes.

Mohit Kumar: Understood Sir and secondly Sir Pakaldul and Kiru, are we in the process of tendering? Will it be put out in the next four to five months?

Balraj Joshi: Let me say that Pakaldul Project work is already on and the work on the power house as well as the dam is already started and the tenders for the headrace tunnel are still under discussion and negotiation because the contractors



NHPC Limited
November 19, 2019

had reported very high rate last time and we have to cancel those tenders now. We have reinvited so the tunnel package in Pakaldul is only one which is left, all other contracts have been awarded and the work is going on. For Kiru Project also the tenders have already been finalized and they are just to be awarded by the Board, the only catch was that J&K was asking for some kind of subordinate debt to be given by Government of India in addition to the equity which is already given by Government of India so that decision is yet to be taken by Government of India and the moment this is taken, the tenders are ready to be issued any time.

Mohit Kumar: And what about Ratle sir?

Balraj Joshi: For Ratle Hydro Project we have just signed an MoU and the process for the PIB memo has been circulated from all the departments. I hope that in coming months we should be able to get a date from PIB for the meeting.

Mohit Kumar: Thank you Sir. That is great.

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

Prashant Kshersagar: Thanks for the opportunity. There is an increase in the capital expenditure from Rs. 3806 crore for FY 2019-



NHPC Limited
November 19, 2019

20 to Rs. 6500 crore for FY 2020-21. What should be the reason for the increase in the capital expenditure?

Balraj Joshi: For Dibang as you know that we have already got the pre-investment approval from the Government of India, which is for Rs. 1600 Crores and the timeframe which was given to us at that time was that you have to spend this money is one year and then come back again for the main PIB so to say that the Government of India has already made up its mind to go with the project and then the schedule which we had drawn at that time according to that the same picture it has worked out. As far as Tawang is concerned we have certainly shown this capex targets based upon the existing schedules only and we have been trying our level best to get the forest clearance for this project also. We have been assured by the State Government on number of occasions that the issues are being tackled, that is why we had not made any changes to that, they gave a stand as of now but I think Tawang I & II would put in a slightly doubtful category. However, Dibang certainly will be able to meet the targets of CAPEX.

Prashant Kshersagar: We will be able to meet the targets and can you give us the capital expenditure figure for in 2021 for Teesta VI ?



NHPC Limited
November 19, 2019

M K Mittal: It is Rs. 400 Crores.

Prashant Kshersagar: That is less than the 2019?

M K Mittal: During FY 2019-2020 we have paid the purchase consideration and that is why it is Rs. 900 Crores and next year it is against the works which are going to take off primarily the mobilization advance which will be paid against the placement of the orders. So that is why next year it is Rs. 400 Crores only.

Prashant Kshersagar: Thanks a lot. That answers my question. Thanks a lot Sir.

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

Dhruv Muchhal: Sir the wage increase which you mentioned is part of revenue I mean the wage is Rs. 107 Crores, your revenue is increasing because of that that does not flow through your PAT that is routed through the regulatory deferral account is that right?

M K Mittal: Yes, it is a reclassification, earlier this amount was shown as a part of the regulatory deferral account. Now because we have filed the tariff petition in CERC for recovery of this amount, we have booked into revenue. So basically it is an offsetting item, it has nil impact on the P&L.



NHPC Limited
November 19, 2019

Dhruv Muchhal: Sir since August 1, have you seen any improvement in your payment cycle after this LC thing?

M K Mittal: Because of the LC, there is no current default. We are getting all the dues whatever we are billing that is being paid in time and there is no encashment of LC and because of that current realization has improved but the old dues before the LC implementation remains outstanding.

Dhruv Muchhal: Sir but I understand that dues have to be settled on first come first go basis. I mean the older dues will be set-off first along with the late payment surcharge?

M K Mittal: No, actually the Ministry mandate was that any power supply from August 1 will be against LC and you should get payment against all those supplies. However, customers requested us to accept the payment against the current supply and just to accommodate them and to ensure that there is no interruption, we have adjusted the payments against the current supplies only and we will deal the earlier dues separately. We are going for the bill discounting like we did in case of UP for Rs. 300 Crores, similarly we did bill discounting of Rs. 150 Crores for Rajasthan in the last month and we did around Rs. 40 Crores plus for TANGEDCO and we are expecting a water



NHPC Limited
November 19, 2019

bill adjustment of Rs. 450 Crores for J&K, so all these are being adjusted against the earlier dues.

Dhruv Muchhal: Sir if all incremental payments you are adjusting I mean now payments are getting adjusted on incremental basis the older dues you will keep accumulating the surcharge?

M K Mittal: Certainly, it will keep accumulating surcharge, we will apply as per the CERC regulations.

Dhruv Muchhal: Sir lastly the other income you mentioned there was a dividend income I think I missed that amount?

M K Mittal: Yes, about Rs. 260 Crores as dividend from NHDC, so other income includes Rs. 260 Crores.

Dhruv Muchhal: Last year it was.

M K Mittal: Last year it was Rs. 278 Crores.

Dhruv Muchhal: Thank you so much.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC. Please go ahead.

Mohit Kumar: Sir only one question so what are the late payment surcharge booked in the Q2 compared to last year same quarter I mean?



NHPC Limited
November 19, 2019

M K Mittal: Late payment surcharge last year it was Rs. 127 Crores and this year half year it is Rs. 153 Crores.

Mohit Kumar: What was the number for quarter two?

M K Mittal: I am giving for the half year last year it was Rs. 127 Crores and this year it is Rs. 153 Crores. For quarter two last year it was Rs. 114 Crores and this year it is Rs. 110 Crores.

Mohit Kumar: Thank you Sir that is it.

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

Pulkit Patni: Sir I do not know if you covered this already because I joined late but can you talk about any thought on asset monetization or an InVIT kind of a structure that you also have been thinking about?

M K Mittal: You see, we have assigned a study on the asset monetization to CRISIL last month and they are studying the asset monetization model and based on the outcome of study we will see whether that is feasible or it is suitable in our case or not. It is too preliminary to say anything on this and after the study is completed then only we may be able to comment anything on this.



NHPC Limited
November 19, 2019

Pulkit Patni: Sir what would be the timeline of the study getting completed?

Balraj Joshi: Study may take another one, one and a half months.

Pulkit Patni: Thank you Sir.

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

Rupesh Sankhe: Sir I just wanted update on the pilot scheme II. When do we expect the entire finalization of PPA?

M K Mittal: Pilot scheme II PPA, we had been trying to finalize the PPA with Kerala, Telangana and Tamil Nadu and the allocation was also made to them by the PFC based on the commitments to buy the power given by the states but now because the prices have gone down significantly in the power exchange and the people are offering discount, the discoms in these states are reluctant to buy the power under pilot scheme II and we are in discussion with the PFC as well as with the MOP to revisit the scheme and to see whether there can be a rebidding so that the prices can be again rediscovered based on the current market situation. So at the moment there is an uncertainty on pilot scheme II.

Moderator: Mr. Sankhe, are you done with your questions?



NHPC Limited
November 19, 2019

Rupesh Sankhe: Thank you.

Moderator: Thank you. As there are no questions from the participants, I now hand the conference over to Rupesh Sankhe for his closing comments. Over to you Sir!

Rupesh Sankhe: Thanks 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 so much for taking time for us and it was very heartening to note that our activities are being monitored by you people in a very, very intensive way. Thank you so much.

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