



“NHPC Limited Q1 FY-21 Earnings Conference Call”

September 01, 2020



MANAGEMENT: **MR. A. K. SINGH – CHAIRMAN & MANAGING DIRECTOR**
MR. RATISH KUMAR - DIRECTOR (PROJECTS)
MR. NIKHIL KUMAR JAIN – DIRECTOR (PERSONNEL)
MR. MAHESH KUMAR MITTAL – DIRECTOR (FINANCE)
MR. Y. K. CHAUBEY – DIRECTOR (TECHNICAL)

MODERATOR: **MR. RUPESH SANKHE – ELARA SECURITIES PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, good day, and welcome to the NHPC limited Q1 FY21 Earnings Conference Call hosted by Elara Securities Private Limited. As a reminder, all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. If you need any assistance during the conference call, please signal the operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Rupesh Sankhe of 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'21 Conference Call of NHPC. I take this opportunity to welcome the management of NHPC, represented by Mr. A. K. Singh – Chairman and Managing Director and other Directors who are present. So, we will begin the call with a brief overview by the management, followed by a Q&A session. I will now hand over the call to Mr. A. K. Singh for his opening remarks. Over to you, sir.

A. K. Singh: Good afternoon Friends. I sincerely hope that you all and your family are keeping yourself healthy and safe these days amid the global health crisis and let's hope that the entire world gets rid of this at the earliest. Friends, the Board has adopted Q1 Financial Results for the period ended 30.06.2020 in its meeting held on 31st August'20 and the same has already been communicated to Exchanges. By now, I hope you all would have got chance to go through the quarterly set of numbers.

First, I will just touch upon major highlights and then detailed analysis of the results shall be discussed by our Director (Finance), Shri Mittal.

During Q1 FY'21, our Power Stations have achieved generation of 8113 MUs vis-à-vis 8581 MUs generated in corresponding period of the previous year excluding infirm power of 94 MUs for Parbati II Power Station during Q1 FY 21 which is about 5% lower (i.e. 468 MUs) which is mainly due to shut down of Two Units of Chamera II Power Station which are under restoration and lower water availability.

Our PAF for Q1 FY'21 stands at 90.98% against the corresponding previous period PAF of 90.97%, which is almost flat. During Q1 FY'21, Company has earned revenue from operation of Rs. 2519 crore as against Rs. 2421 crore in the corresponding previous period which is about 4% higher (i.e. Rs. 98 crore).

During Q1 FY'21, we have earned PAT of Rs. 723 crore vis-à-vis Rs. 881 crore of corresponding period which is down by Rs. 158 crore i.e. 18% approx.

On physical front, as we had shared, the active construction work at Subansiri Lower Project has been fully resumed w.e.f. 15.10.2019 after clearance by Hon'ble NGT on 31.07.2019. However, due to COVID-19 complete lockdown, work at site was on hold during the period 24th March 2020 to 20th April 2020 and again resumed w.e.f. 21.04.2020 with deployment

of required manpower. However, we are trying our best to complete the project by FY 2024.

We have already shared that Unit I & II of Parbati II H.E Project were got resynchronized on 28.04.2020 & 29.04.2020 respectively. Further, Unit III & IV (200 MW each) of Parbati-II H. E. Project were also re-synchronized with the Grid on 06.07.2020 & 07.07.2020 respectively. We are trying to complete the remaining tunneling works with the help of TBM and DBM both to complete the project by FY 22.

In respect of Dibang Multipurpose Project (2880 MW) where Forest Clearance stage-II approval has been granted & investment approval towards pre-investment activities for Rs. 1600 crore obtained, PIB memo for implementation of project stands submitted to MOP on 10.07.2020.

In respect of Jal Power Corporation's Rangit project (120MW) in Sikkim where NHPC has emerged as successful bidder with a bid of Rs 165 crore, NHPC requested Resolution Professional to explore the possibility of expediting the matter with Hon'ble NCLT Hyderabad, for approval of resolution plan. In this regard, application for urgent hearing was allowed by NCLT on 26.06.2020. In the recent hearing held on 31.07.2020, the matter was discussed in detail but the order has been reserved. Reply to the comments of various agencies on draft PIB memo for implementation of the project stands submitted by NHPC.

An MoU has been signed on 22.06.2020 with Hydropower Investment and Development Company Limited (HIDCL), Nepal for development of hydropower projects in Nepal. Further, NHPC is also keen to participate in the proposed Dorjilung (1125 MW) and Sankosh (2585 MW) H. E. Projects in Bhutan.

In the respect of Ratle Hydroelectric project J&K 850 MW, an MoU was signed on the 03/02/2019 for implementing through a JV between NHPC and JKSPDC. In this regard, PIB meeting already held on 9th March, 2020 and recently meeting was conveyed by adviser to Honorable Prime Minister on 1st August, 2020 and discussed the issue associated with implementation of Ratle Hydroelectric project. Again, a meeting has been fixed on 7th of September for the PIB.

An MoU was signed on 25.09.2019 with Govt. of Himachal Pradesh for execution of Dugar HE Project (449 MW) by NHPC on BOOT basis for a period of 70 years. The DPR of the project, prepared by earlier developer of the project i.e. M/s DHPL, has been taken over and joint site visit has been conducted recently by officials from NHPC and M/S DHPL. The updation of DPR is under process and is expected to be prepared & submitted by end of this year.

NHPC has diversified its portfolio to include solar power business and has given letter of award to solar power developers for interstate transmission system; ISTS grid-connected photovoltaic projects aggregating to 2000 MW

installed capacity. A power sale agreement has been signed on 28th August, 2020 with Madhya Pradesh Power Management Company Limited, MPPMCL for procurement of 1000 MW solar power at the tariff Rs. 2.55 per kilowatt hour for 25 years on long-term basis. NHPC has signed PSA for 1,300 MW power with state DISCOM(s) out of 2000 MW and PSA for balanced power is likely to be signed shortly. NHPC are trading margin at the rate on Rs. 0.07 per kilowatt hour during the contract period.

NHPC has signed PPA with EDEL Renewable Passy Private Limited for 300 MW and Altra Xergi Power Private Limited for 380 MW solar power on 31st August, 2020.

PPA for 66 MW Loktak Downstream Hydroelectric Project has been signed with the Government of Manipur by our subsidiary company, Loktak Downstream Hydro Electric Power Corporation Limited yesterday only.

NHPC has been allotted the State of Telangana, Odisha and J&K for development of floating solar power projects under Ultra Mega Renewable Energy Power Parks scheme of MNRE. MoU signed with the Odisha for 500 MW on 20 July 2020 and MoU with the Telangana for 500 MW is under consideration for approval.

Besides above, we are also in the process of development of 50 MW floating solar power project in Kerala, 140 MW solar power park in Odisha and 600 MW ground-mounted solar project in the state of Rajasthan.

We are also in discussion with State Government of Rajasthan for development of solar power project of 1200 MW capacity in the state under UMREPP.

This is all from my side, now I will request Director (Finance), Shri Mittal, to discuss financial results in detail.

M. K. Mittal: Good afternoon, friends. I am going to share with you the detailed quarterly set of numbers. As you know, the Board has adopted the Quarter 1 ending June 2020 financial results in its meeting held on 31st August, 2020 and the same was communicated to the Exchanges. The brief highlights of the financial results of the company are as under;

During Quarter 1 FY'21, our power stations have achieved generation of 8113 MUs as against 8581 MUs generated in the corresponding period of previous year, which is about 5% lower. This is mainly due to shutdown of two units of Chamera-II Power Station, which is under restoration and because of the lower water availability in the other power stations.

Our plant availability factor stands at 90.98% against the corresponding previous period of PAF of 90.97%, which is almost flat. As you know that NAPAF as per the CERC norms is 77.35% and our performance is almost 18% higher than the CERC norms.

For Q1 FY'21, the company has earned a revenue from operations of Rs. 2519 crore as against Rs. 2421 crore earned

last year in the corresponding quarter, which is almost 4% higher and the increase is primarily due to the trading revenue of Rs. 211 crore.

Other income for Quarter 1 FY'21 is of the order of Rs. 86 crore as against Rs. 87 crore during the corresponding period, which is almost flat.

During Quarter 1, the generation expenses are Rs. 291 crore as against Rs. 287 crore last year. So the expenses are more or less flat and little bit increase is on account of higher water cess which is paid in the state of J&K depending on the generation.

During Quarter 1, the employee cost has come down from Rs. 357 crore last year to Rs. 326 crore in the current quarter, which is Rs. 31 crore down and this is mainly because of the superannuation of employees.

The depreciation and amortization expenses in Q1 have come down from Rs. 387 crore to Rs. 330 crore, which is down by Rs. 57 crore. This is because of two reasons: one is because the Dulhasti Power Station has completed 12 years of operation and the depreciation after 12 years falls drastically, so the impact is of Rs. 55 crore and there is a little bit impact because of the increase in the life of the hydropower stations from 35 years to 40 years.

During Q1, other expenses are Rs. 274 crore as against Rs. 273 crore last year. So, this is also flat to the figure of the last year.

During Q1 FY'21, there has been decrease in the finance cost from Rs. 237 crore to Rs. 147 crore and the decline is Rs. 90 crore. This is because in the current year, we have capitalized the finance cost of Subansiri Lower Project (Rs. 69 crore) post resumption of active construction whereas in the last year this amount was booked in the PL account. The balance decrease of Rs. 21 crore is because of the repayment of loan and refinancing of loans etc.

During Q1, an exceptional item of Rs. 185 crore on account of onetime rebate which has been allowed to DISCOMs for the COVID-19 has been factored and because of this, the profit has declined to that extent. Although the end result on the bottom line is lesser than Rs. 185 crore, the total decline in the profit is only Rs. 158 crore.

During Quarter 1, we have earned PAT of Rs. 723 crore as against Rs. 881 crore last year, which is down by Rs. 158 crore and the reasons for the decrease in the various line items which is resulting into the decline of PAT by 158 crore have just been discussed.

The incentives position are as under: Plant Availability Factor based incentives, last year it was Rs. 142 crore and this year it is Rs. 148 crore. So, there is an increase of Rs. 6 crore. Deviation charges, last year it was Rs. 19 crore, this year it is

Rs. 35 crore. So, there is an increase of almost Rs. 16 crore. So, our total incentives are higher by Rs. 22 crore as compared to the corresponding quarter of the last year.

Our CAPEX in the Q1 is Rs. 646 crore as against Rs. 334 crore in the corresponding period of the previous year.

The anticipated cost of Parbati-II project is Rs. 9997 crore for which we have already sought a revised cost sanction from the Government and out of this; we have already spent Rs. 8260 crores till June, 2020. The estimated levelized tariff based on the anticipated cost of the project is Rs. 5.61 per unit.

The revised cost of Subansiri Lower Project is Rs. 20369 crore out of which we have already spent Rs. 12326 crores till June, 2020. The estimated levelized tariff based on the estimated cost is Rs. 5.17 per unit.

The status of receivables: we have collected Rs. 997 crore from the DISCOMs against sale of energy as compared to Rs. 1385 crore during Q1 of the last year. Trade receivables as on 30 June 2020 stands at Rs. 4672 crore as against Rs. 3818 crore as on 31st March, 2020. So roughly, there is an increase of almost Rs. 850 crore in the trade receivables. The major dues are from J&K Rs. 1,843 crore which includes dues of Rs. 1753 crore for more than 45 days. UPPCL Rs. 1380 crore which includes dues of Rs. 1257 crore for more than 45 days. Punjab Rs. 305 crores which include Rs. 256 crore overdue for more than 45 days, West Bengal Rs. 170 crore which includes Rs. 110 crore dues for more than 45 days

period and there are others of Rs. 836 crore including 251 core for more than 45 days.

So with this, now the forum is open for question and answers. Thank you very much.

Moderator: Thank you very much Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Anuj Upadhyay from Emkay Global.

Anuj Upadhyay: Just need an update on the infirm power of Parbati II. In the last call, you had mentioned that probably the infirm power in the current fiscal would be much higher compared to the previous fiscal because of the linking of another nala. So how has the status been during the Q1? I guess DF sir has mentioned the number, but I missed it and how things are panning out till August?

A.K. Singh: In the nala work, there is an approach tunnel, where geology is very poor. That is the worst geology ever we have faced in NHPC. It is now only 3.2 meters balanced. Hopefully, today, we'll be able to do 1 meter, then next day 1 meter, so by 3rd of September tunneling part will be over, then we'll be doing lining and we are planning to complete it by end of October. Therefore, the waters can be discharged into the tunnel in the October itself if everything goes well there. Thereafter, definitely, the water will be more from both the nalas, Jeeva nala and Hurla nala and we'll try to go for the COD of the project depending upon the water availability during the

October-November because it is a winter season, so we'll be waiting for the discharge to come. That is going to add generation in Parbati-III also. Even if it's a 1 cubic of water that is going to add good size of generation in Parbati-III. That is the progress at present now.

Anuj Upadhyay: And what was the infirm power, you mentioned about some number in the opening remark? I missed that number. If you could just repeat it, it would be helpful.

A.K. Singh: 94 MUs.

Anuj Upadhyay: How much, sir?

A.K. Singh: 94 MUs.

Anuj Upadhyay: 94?

A.K. Singh: Yes.

Anuj Upadhyay: This is versus last year, how much was that?

A.K. Singh: Last year, it was not there because some preparation was going on in the tunnel and to your information, by this date, we have already done 160 MUs.

Anuj Upadhyay: 160 or 116?

A.K. Singh: Yes, 160 MUs.

Anuj Upadhyay: So any year-end targets, sir, which we are looking for, especially like the linking of the nala is now taking much higher time than what we had anticipated in the beginning of

the year. So we were targeting somewhere around 50%-60% kind of incremental in the infirm power from this. So what targets are we looking at now as the linking would happen probably by October, as you mentioned?

Ratish Kumar: After joining Hurla nala to Parbati-II, we are targeting to generate around 325 MUs from Parbati-II.

Anuj Upadhyay: This is the annual number you are saying, right?

Ratish Kumar: Yes, annual number.

Moderator: The next question is from the line of Rupesh Sankhe from Elara Securities.

Rupesh Sankhe: A couple of questions from my side. Firstly, over the next 2 to 3 years, what will be the equity, which will be required in the ongoing projects and secondly an update on Parbati-II, how is the work progressing there?

A.K. Singh: We have planned to complete the project by March FY'22. Work is going on in Head Race tunnel from both the sides. Agency has already been mobilized at the site. So if everything goes well, definitely, we're going to complete by March '22. This is for the physical progress of Parbati II and for the CAPEX, DF will tell.

M. K. Mittal: You see the equity requirement in 2020-21 is Rs. 2067 crore based on our CAPEX target of Rs. 5255 crore. Next year, our target is Rs. 7618 crore, which includes investment in JVs of Rs. 1,100 crore. So, the entire Rs. 1,100 crores will go out of

equity plus we have our own direct CAPEX which is Rs. 6500 crore. So against this Rs. 6500 crore our equity requirement is 30%, so it will be Rs. 1950 crore. So, if you add both, next year, our requirement becomes Rs. 3050 crore for equity. That means in 2021-22, the equity requirement is going to be Rs. 3050 crore. In 2022-23, our investment in JVs will be Rs. 845 crore which includes Lanco Teesta our subsidiaries Chenab Valley and other like Jal Power etc. and our direct investment in the CAPEX will be Rs. 7,300 crore. So 30% of that will be roughly Rs. 2190 crore plus Rs. 845 crore, that means our equity requirement will be Rs. 3035 crore in 2022-23. So I have given you the equity requirement for 3 years, the current year Rs. 2067 crore, next year Rs. 3050 crore and thereafter it will be Rs. 3035 crore.

Moderator: The next question is from the line of Rahul Modi from ICICI Securities.

Rahul Modi: Of late, you have made some very interesting announcements with regard to renewable projects as a company, you would like to set up along with announcements in Ladakh and as you mentioned in Rajasthan also. So can you give a road map as to how much capacities are we targeting, which are the legs that we are looking at across the country in terms of renewable capacity?

A.K. Singh: Actually, at present, we are targeting for around 6000 to 7000 MW and discussions are going on because number of schemes are there. Mostly, we are talking for the Renewable Energy

Power Project scheme, where we take the land and develop the solar park and go as a trading business and other things. In small-small patches, 100 MW, 50 MW at number of places we are targeting as a developer mode. So everywhere, the things are moving in a good direction. We are talking with UP Govt. also. Even today, there was a meeting in the Ministry of Power for some PPA with UP Govt. With Odisha, we have already signed the MoU and there are some discussions going up for signing of the joint venture. Similarly, in the Eastern UP also, land is there, we have surveyed and the land is around 10,000 acres, we can develop more than 1,000 MW there also. So, we are talking and in discussion with a number of states going on and at present, around 6000 to 7000 MW we are targeting.

Rahul Modi: This will be mostly on a trader mode, is it?

A.K. Singh: Mostly on the trader mode but definitely out of 6000 to 7000 MW at least 600 to 700 MW, we are targeting at the capacity less than 100 MW in the development mode.

Rahul Modi: What about the Ladakh program?

A.K. Singh: Regarding Ladakh, we have discussed for 50 MW project and the Ladakh Government have not yet decided whether they want to give it. However, the things are on the card and we are pursuing with them. So 50 MW we were focusing in Ladakh, not more than that now.

Rahul Modi: Just one more question on the Parbati II and the Subansiri Lower Project, where you mentioned that the levelized tariff is above Rs. 5 per unit, any dialogue with CERC, how to reduce the tariff while protecting our ROE?

A.K. Singh: I think the PPA has already been signed for the Subansiri Lower Project.

Ratish Kumar: For Subansiri Lower Project, PPA has already been fully signed with the DISCOMs except around 113 MW, which is to be signed by Delhi Government and which is being pursued.

Rahul Modi: And Parbati II?

Ratish Kumar: Yes for Parbati-II also we have signed the PPA with the beneficiaries for the full power.

Moderator: The next question is from the line of from Keyur Asher from Reliance Nippon.

Keyur Asher: So I have the question on the receivables. So, we have seen receivables increased from about Rs. 3800 crore to about Rs. 4700 crores. Just wanted to understand how has the experience been in July-August? Has the number come down? And the PFC, REC DISCOM loans they have started flowing and thoughts on that?

A.K. Singh: With REC and PFC, discussion is going on and hopefully, very soon we are going to get around Rs. 1800 crore. We have discussed with Chairman of PFC and Chairman of REC also.

Some formalities have to be done by the UT of J&K. So, it is on the card and very soon, we are going to get that money.

Keyur Asher: The number as on July-August, if you could share receivables number?

M. K. Mittal: The current number is Rs. 4415 crore. So roughly, it is Rs. 250 crore down than what was as on 30th June.

Moderator: The next question is from the line of Ankur Deora from Bank of America.

Ankur Deora: I have two questions. First is on the receivables. You did share the number as on June end as well as the current number of around Rs. 4415 crore. Can you share how much of this is the overdues greater than 45 days?

M. K. Mittal: This Rs. 4415 crore include overdue of Rs. 2879 crore.

Ankur Deora: The second question I have is, there was some approval from the regulator pending for CAPEX over run at about four of your power plants; Chamera-II, TLDP-III, Sewa-II and all of those of about Rs. 10 billion, if I'm not wrong. Is there any update on that? Has that approval been received?

M. K. Mittal: Except for TLDP-IV, all other approvals have been received before March 2020 and those were booked in the accounts in the last year itself. For TLDP-IV, we have a pending approval, there we are expecting an additional revenue of almost Rs. 600 crore. So, that is still pending.

Moderator: The next question is from the line of Anuj Upadhyay from Emkay Global.

Anuj Upadhyay: Just a follow-up question related to the equity investment, which you mentioned for the next 3 years. Please correct me, you mentioned the total equity investment would be Rs. 2067 crore for FY21; for '22, it would be Rs. 3050 crore and for FY'23 it would be Rs. 3035 crore right?

M. K. Mittal: Absolutely right.

Anuj Upadhyay: So on stand-alone, it would be somewhere close to Rs. 6000 odd crore, the balance Rs. 2000 crore would be for JV equity investment?

M. K. Mittal: I mean to say, in the current year also, there is an equity investment of Rs. 600 crore for JVs and subsidiaries. The 2000 crore include Rs. 600 crore for JVs and subsidiaries. So along with JVs and subsidiaries, it is roughly Rs. 2550 crore taken together for 3 years. Yes, Rs. 600 crore plus Rs. 1100 crore plus Rs. 845 crore, so it is around Rs. 2550 crore for JVs and subsidiaries.

Anuj Upadhyay: And secondly there were some pending award related to the Subansiri Lower Project, which we initially were targeting to tender it out in the month of August or by the end of July, any progress on that front?

A.K. Singh: Only one package was there for the civil works and this week only we are going to award this package.

Moderator: The next question is from the line of Rupesh Sankhe from Elara Securities.

Rupesh Sankhe: Just wanted to know, is there something pending related to Chenab Valley power projects? And wanted to understand the investments you're doing in Dibang? Is it related to some sort of preliminary activities because the project will take 2 to 3 years to commission and we are investing so much of money, so just wanted to know about the status?

Ratish Kumar: Regarding Dibang multipurpose project, as we have already said, the pre-investment approval by the Government of India for Rs. 1600 crore has already been given. This is against Land acquisition including R&R works, NPV of Forest land, essential roads and bridges, compensatory afforestation, catchment area treatment plan and wild life management etc. and around Rs. 690 crore have already been paid against this and balance amount is for the acquisitions of the land. So, this is one of the processes we have to complete. Further, we have submitted PIB for the full investment of the project in MoP in the month of July itself. Also for your information, we have already gone through the tendering of this project and one package, which is most critical that is diversion tunnel package has already been finalized and this is pending for award subject to the approval by the Government. The day we receive the approval from the Government, we will award this package and the project will take off from that day itself.

Rupesh Sankhe: What is the regulated equity as of June '20, both on stand-alone and consolidated basis?

M. K. Mittal: On a stand-alone basis, it is almost Rs. 12800 crore as on June, 2020 and on a consolidated basis; NHDC is having a regulated equity of almost Rs. 2000 crore. So you can say it is almost Rs. 15000 crore on a consolidated basis.

Moderator: As there are no further questions, I now hand the conference over to Mr. Rupesh Sankhe for his closing comments.

Rupesh Sankhe: We thank Mr. A. K. Singh for giving us an opportunity to host this call and we also thank all the investors and the analysts for joining this call. And good day and take care all.

Moderator: Thank you. 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. Thank you.