



“NHPC Limited
Q4 FY’23 Earnings Conference Call”
May 30, 2023



MANAGEMENT: MR. R. P. GOYAL – DIRECTOR (FINANCE) – NHPC LIMITED

MODERATOR: MR. RUPESH SANKHE – ELARA SECURITIES PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the NHPC Limited Q4 FY'23 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 after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Rupesh Sankhe: Yes. So good afternoon, everyone. On behalf of Elara Securities, we welcome you all for the Q4 FY'23 Conference Call of NHPC. So, I take this opportunity to welcome the management of NHPC represented by Mr. R. P. Goyal, Director (Finance) and his team. We will begin the call with a brief overview by the management followed by Q&A session. I will now hand over the call to Mr. R. P. Goyal sir for his opening remarks. Over to you, sir.

R P Goyal: Good afternoon, friends. The NHPC Board has adopted annual financial results for the period ended 31st March'23 in its meeting held on 29th May'23 and the same has already been communicated to exchanges. By now, I hope you all would have gone through the results in the quarterly and yearly set of numbers.

➤ Detailed analysis of financial results of the company are as below:-

- During FY'23, our power stations have achieved generation of 24,619 million units as against 24,494 million units generated in corresponding period of the previous year, which is marginally higher by 125 million units.

During Q4 FY'23, our power stations have achieved generation of 2,891 million units vis-à-vis 3,378 million units generated in corresponding period of the previous financial year, which is about 14% lower, i.e. 487 million units in absolute terms.

- Our PAF for FY'23 stands at 88.75% against the corresponding previous period PAF of 88.19%.

Our PAF for Q4 FY'23 stands at 67.96% as against the corresponding previous period PAF of 76.76%.

- For FY'23, company has earned Revenue from Operation of Rs. 9,316 Crore as against Rs. 8,309 Crore in the corresponding previous period, which is 12% higher. In absolute terms, it is higher by Rs. 1,007 Crore. The increase in revenue is mainly due to better generation and sales pertaining to previous years, mainly on account of billing of third pay revision arrears of employees by Rs. 244 Crore and increase in unbilled revenue on account of effective tax rate by Rs. 344 Crore and security and other expenses by Rs. 118 Crore, which have been recognized in revenue.

During Q4 FY'23, company has earned Revenue from Operation of Rs. 1,717 Crore as against Rs. 1,506 Crore in the corresponding previous period, which is about 14% higher. In absolute terms, it is higher by Rs. 211 Crore. The increase in revenue is mainly due to increase in unbilled revenue on account of the effective tax rate by Rs. 344 Crore.

- Other Income for FY'23 is of the order of Rs. 835 Crore as against Rs. 1,026 Crore in corresponding previous period, which is about 19% lower. In absolute terms, it is lower by Rs. 191 Crore. This is mainly due to decrease in Late Payment Surcharge by Rs. 176 Crore.

Other income for Q4 FY'23 is of the order of Rs. 254 Crore, as against Rs. 502 Crore during the corresponding previous period which is about 49% lower. This is mainly due to decrease in dividend income by Rs. 97 Crore and decrease in income from insurance claim by Rs. 144 Crore.

- During FY'23, the Generation Expenses have gone up from Rs. 841 Crore to Rs. 936 Crore, i.e. increased by Rs. 95 Crore, which is mainly

due to applicability of water cess in state of Uttarakhand, Sikkim and Himachal Pradesh.

During Q4 FY'23, the Generation Expenses have gone up from Rs. 134 Crore to Rs. 152 Crore, i.e. increase of Rs. 18 Crore, which is again mainly due to applicability of water cess in the state of Uttarakhand, Sikkim and Himachal Pradesh.

- During FY'23, the Employee Cost has come down from Rs. 1,441 Crore to Rs. 1,301 Crore, resulting in saving of Rs. 139 Crore. The decrease is mainly due to superannuation of 316 employees during the year.

During Q4 FY'23, the Employee Cost has come down from Rs. 498 Crore to Rs. 417 Crore i.e. down by Rs. 81 Crore, which is again mainly due to superannuation of employees during the period.

- During FY'23, there has been decrease in the Finance Cost from Rs. 532 Crore to Rs. 476 Crore, resulting in savings of Rs. 56 Crore, which is mainly due to change in rate of interest by Rs. 22 Crore and decrease due to repayment of loans by Rs. 32 Crore.

During Q4 FY'23, there has been decrease in the Finance Cost from Rs. 133 Crore to Rs. 112 Crore, which is mainly due to change in rate of interest by Rs. 10 Crore and decrease due to repayment of loans by Rs. 8 Crore.

- During FY'23, the Depreciation and Amortization Expenses have gone up from Rs. 1,126 Crore to Rs. 1,145 Crore, net increase of Rs. 19 Crore, which is mainly due to additional capitalization in power stations.

During Q4 FY'23, the Depreciation and Amortization Expenses have gone up from Rs. 280 Crore to Rs. 286 Crore, which is again mainly due to additional capitalization in certain power stations.

- During FY'23, Other Expenses have gone up from Rs. 1,348 Crore to Rs. 1,708 Crore. This is mainly due to provision of Rs. 106 Crore against impairment of investment in one of our subsidiary company i.e. Loktak

Downstream Hydroelectric Power Corporation Limited. Also, there is increase in fair value loss on account of financial assets by Rs. 124 Crore, increase in R&M Expenses by Rs. 32 Crore and increase in the CSR Expenses, Security Expenses etc.

During Q4 FY'23, Other Expenses have gone up from Rs. 449 Crore to Rs. 486 Crore. This is mainly due to increase in R&M expenses and Security Expenses.

- Total tax Expenses for the current year is Rs. 605 Crore, as against negative tax expense of Rs. 761 Crore during the previous year. This is the cumulative impact of current and deferred tax.

Current tax expenses for FY'23 is Rs. 761 Crore as against Rs. 723 Crore for FY'22, which is due to increase in taxable income. As far as deferred tax expense is concerned, during the previous year, we have recognized MAT Credit of Rs. 1,479 Crore, while during the current year, we have recognized MAT Credit of Rs. 417 Crore, out of which we have utilized MAT Credit of Rs. 329 Crore.

- During FY'23, we have earned PAT of Rs. 3,834 Crore as against Rs. 3,538 Crore of corresponding previous period, which is up by Rs. 296 Crore and in percentage term, it is 8% increase approx. and the reasons for decrease and increase in the items we have already discussed.

During Q4 FY'23, we have earned PAT of Rs. 569 Crore as against Rs. 560 Crore of corresponding previous period, which is up by Rs. 9 Crore and the reasons for decrease and increase, we have already discussed.

➤ During FY'23, the incentive position is as under:-

- We have earned Secondary Energy of Rs. 123 Crore during current year as against Rs. 138 Crore during corresponding previous financial year. So, there is a decrease of Rs. 15 Crore in secondary energy.

- PAF based incentive, we have earned Rs. 405 Crore during current year i.e. FY'23 as against Rs. 424 Crore during corresponding previous year. So, it is again lower by Rs. 19 Crore.
- Deviation Charges are Rs. 147 Crore during current year as against Rs. 190 Crore during previous year. So, it is also lower by Rs. 43 Crore.

➤ During Q4 FY'23, the incentive position is as below:-

- Secondary Energy, we have earned Rs. 110 Crore in current Q4 as against Rs. 125 Crore in corresponding Q4 of previous year.
- PAF based Incentive, it is negative by Rs. 40 Crore in the current quarter as against Rs. 22 Crore in corresponding previous Q4.
- Deviation charges also negative by Rs. 2 Crore as against Rs. 60 Crore we earned in corresponding previous year Q4.

So, the total of incentive is Rs. 68 Crore as against Rs. 207 Crore we earned during corresponding Q4 of previous year.

- Capex of Rs. 6,961 Crore has been incurred during FY'23 against the target capex of Rs. 8,061 Crore on consolidated basis.
- The Board of Directors has recommended the payment of final dividend at the rate of 4.5%. i.e. Re. 0.45 per equity share in addition to interim dividend at the rate of 14% resulting into total dividend at the rate of 18.5% and in absolute term, it is Rs. 1.85 per equity share on the face value of paid up equity shares of Rs. 10 each for the FY'23.
- On realization front, NHPC has received Rs. 7,435 Crore from beneficiaries on account of sale of energy during FY'23 as compared to Rs. 8,691 Crore in the corresponding period of previous year.

- Trade Receivables as on 31st March'23 stands at Rs. 5,887 Crore as against Rs. 4,621 Crore as on 31st March'22. This includes Rs. 2,757 Crore as unbilled debtors as on 31st March'23, as against Rs. 1,961 Crore as on 31st March'22.

The net receivables out of total reported Trade Receivables as on 31st March is as under:-

- Reported Trade Receivables in the account is Rs. 5,887 Crore. It consists unbilled debtors to the tune of Rs. 2,757 Crore. So, billed trade receivables is Rs. 3,130 Crore. Out of that, we have already received Rs. 948 Crore on account of bill discounting, but due to accounting compulsion, we have shown it as outstanding as on 31st March. But in fact, we have already received the cash to the tune of Rs. 948 Crore through billed discounting.
- Then debtors dues converted into instalments under electricity late payments surcharge rules and other orders is to the tune of Rs. 1,619 Crore. This amount of Rs. 1,619 Crore will be received in instalments as per the orders of Government of India. So, net amount due is only Rs. 563 Crore, which consists debtors less than 45 days as well as the more than 45 days.
- Unbilled debtors mainly include Impact of AFC billed vs AFC claimed as per Regulation 2019-24 including Security Expenses of Rs. 1871 Crore, Unbilled sale for the month of March to the tune of Rs. 422 Crore, Energy Shortfall of Rs. 354 Crore.
- Net Trade Receivables as on 28th May'23 stands at Rs. 787 Crore, which includes debtors for more than 45 days to the tune of Rs. 80 Crore only and the remaining amount is less than 45 days. The major receivables out of billed receivables are as under:-

Punjab - Rs. 178 Crore which consists debtors to the tune of Rs. 10 Crore only, which is more than 45 days. J&K - Rs. 171 Crore, more than 45

days debtors are only Rs. 63 Crore. Uttar Pradesh - total due is Rs. 120 Crore and whole amount is less than 45 days. Haryana - Rs. 73 Crore, whole amount is less than 45 days and West Bengal is Rs. 37 Crore, it is again within the limit of 45 days and others are Rs. 208 Crore.

- On physical front, as we have been sharing that the active construction work at Subansiri Lower Project site is going on in full swing. Some of the major milestones have been completed towards commissioning of the project. I, alongwith other directors visited the project on 26th April'23 and reviewed the ongoing construction activities. I feel pleasure to share that in a significant step towards completion of Hydro Mechanical works of the project, 3 nos. Radial Gates which are country's largest Spillway Radial Gates in terms of hydraulic capacity, size and weight have been successfully operated.

I am very hopeful that we can commission 2 units of the project in second/ third quarter of current financial year and balance 6 units are expected to be commissioned in second quarter of the next year, i.e. FY'25. The estimated cost of the project is Rs. 21,248 Crore, out of which we have already incurred Rs. 17,985 Crore till March'23. The estimated levelized tariff based on the anticipated cost is Rs. 5.60 per unit.

- In respect of Parbati-II HE Project, the project has achieved a major milestone towards full commissioning of Powerhouse with restoration of Unit#3 and Unit#4 on 3rd March'23 and on 21st April'23 respectively. The HRT excavation progress hampered on TBM face due to encountering of schist band resulting in cavity formation which required concrete backfilling. Further, breakdown of some components of TBM resulted in complete stoppage of excavation from 11th April'23. Repairing activities are under progress. We are trying our best to complete the remaining tunnelling works to complete the project by March'24. The anticipated cost of the project is Rs. 11,135 Crore out of which we have already spent Rs. 10,513 Crore till March'23. The

estimated levelized tariff based on the anticipated cost is Rs. 6.14 per unit.

- In respect of Dibang Multipurpose Project (2880 MW), investment approval for implementation of the Project has been accorded by the Government of India on 27th February'23. Further, LOT-2 package related to infrastructure works has also been awarded. The estimated cost of the project is Rs. 31,876 Crore which includes Grant of Rs. 6,715 Crore for Flood Moderation and enabling infrastructure works to be received from Government of India. Further, estimated levelized tariff of the project is Rs. 4.46 per unit and the scheduled completion of the project is February'32.
- As shared earlier that NHPC had acquired Lanco Teesta Hydro Power Limited (LTHPL)' Teesta-VI Project (500 MW) through NCLT Route. Estimated cost of the project is Rs. 5,748 Crore out of which we have already incurred expenditure of Rs. 2,305 Crore till March'23. Estimated levelized tariff of the project is Rs. 4.07 per unit and expected commissioning schedule of the project is Aug'26.

Further, we are in the process of merger of LTHPL with NHPC. In this regard, MCA has ordered to convene the meeting of Creditors and Shareholders of NHPC and we are in the process of convening the same.

- As we have already shared that NHPC had acquired Jal Power Corporation Limited (JPCL)'s Rangit Project (120 MW) in Sikkim through NCLT route. The estimated cost of the project is Rs. 938 Crore out of which we have already incurred expenditure of Rs. 527 Crore till March'23 and estimated levelized tariff is Rs. 4.37 per unit. Further, we are in the process of merger of JPCL also with NHPC. The project is expected to be completed by August'24.
- The Ratle HE Project, UT of J&K (850 MW) is being developed by Ratle Hydroelectric Power Corporation Limited (A Joint Venture of NHPC and JKSPDC in which NHPC is having 51% share). The contract for

Turnkey execution of the project has been awarded to M/s Megha Engineering and Infrastructure Limited on 18th January'22. The estimated cost of the project is Rs. 5,282 Crore. The work has already been started at site and we have incurred expenditure of Rs. 270 Crore till March'23. Estimated levelized tariff of the project is Rs. 3.92 per unit. The project is expected to be completed by May'26.

- Presently, NHPC through its subsidiary CVPPL is executing three projects in Chenab Basin in UT of J&K.
- Construction work at Pakaldul HE Project (1000 MW) is progressing well. The estimated cost of the project is Rs. 8,112 Crore out of which we have incurred expenditure of Rs. 2922 Crore till March'23. Estimated levelized tariff of the project is Rs. 4.28 per unit and the project is expected to be completed by September'26.
- In respect of Kiru HE Project, we have incurred expenditure of Rs. 1,006 Crore till March'23 out of estimated cost of Rs. 4,288 Crore. Estimated levelized tariff of the project is Rs. 4.64 per unit and estimated completion date of Project is March'26.
- Further, Hon'ble Prime Minister of India laid the foundation Stone of the Kwar Hydroelectric Project (540 MW) on 24th April'22. Civil work package has already been awarded in May' 22 and the work has also been started at site. The estimated cost of the project is Rs. 4,526 Crore out of which we have incurred expenditure to the tune of Rs. 382 Crore till March'23. Estimated levelized tariff of the project is Rs. 4.44 per unit and the project will be completed by November'26.
- As we have shared that some of the largest Hydroelectric Projects in the Siang and Subansiri Basins have been allotted to NHPC by Ministry of Power in December'21. The Projects in Subansiri Basin viz. 2000 MW Subansiri Upper and 1800 MW Subansiri Middle shall be developed by NHPC on standalone basis while 10000 MW Upper Siang and 2700 MW Siang Lower in Siang Basin are to be developed in JV mode.

- Apart from above, NHPC is working on 03 new projects in UT of J&K viz Sawalkot (1856 MW), Uri-I stage –II (240 MW), Dulhasti stage-II (260 MW) and Dugar Project (500 MW) in Himachal Pradesh.
- In respect of Sawalkot HEP, agreement for handing over / taking over was signed between NHPC and JKSPDC in December'21 & NHPC took over the Project. Ministry of Power accorded investment approval on 12th July'22 for incurring expenditure on pre investment activities for an amount of Rs. 973 Crore at November'21 price level. Process for obtaining forest clearance has been initiated. CEA vide letter dated 27th December'22 vetted the cost estimates at completion level for an amount of Rs. 22,705 Crore including Rs. 4,593 Crore for IDC and Rs. 1,124 Crore for enabling infrastructure.
- In respect of Uri-I Stage-II Project, DPR has been concurred by CEA on 7th March'23 amounting to Rs. 2,527 Crore at December'22 price level including Rs. 249 Crore for IDC and Rs. 26 Crore for enabling infrastructure. EIA/ EMP studies for Environment Clearance (EC) is in progress. Forest clearance is also in progress.
- In respect of Dulhasti Stage – II Project, clearance of 7 out of 9 nos. of Chapters have been received and EIA/ EMP studies for Environment Clearance (EC) is in progress. No forest clearance is required and NOC has been obtained from Forest department. Further, Defence Clearance has also been accorded by Ministry of Defence.
- DPR of Dugar Project has already been concurred by CEA on 26th April'22. Approval for Forest clearance is under process. Further, Draft PIB proposal has been submitted to Ministry of Power on 13th May'23.
- To expand NHPC footprints in the neighbouring countries, an MOU has been inked with the Investment Board of Nepal at Kathmandu on 18th August'22 for development of 750 MW West Seti and 450 MW Seti

River-6 hydroelectric projects. Now, Office of Investment Board, Government of Nepal has issued Survey License to NHPC for 450 MW Seti River-6 Project, Nepal on 16th March'23. Further, the discussions for implementing 480 MW Phukot Karnali project in JV mode in Nepal are in final stages.

- NHPC has received a Letter of Intent dated 16th May'23 from Gujarat Urja Vikas Nigam Limited for 200 MW capacity Solar Power Project at a tariff of Rs. 2.73 per unit within 600 MW Solar Park at Khavda. The estimated financial implication for the said Solar Power Project would be Rs.1,007 Crore.
- NHPC bagged 1000 MW Capacity Solar Power Project at a Viability Gap Funding (VGF) of Rs. 44.90 Lakh/MW under CPSU Scheme, Phase-II, Tranche-III in the e-Reverse auction conducted by Indian Renewable Energy Development Authority (IREDA) on 23rd September'21. Further, EPC contracts have been awarded for development of the project and transmission line for power evacuation to ISTS sub-station along with comprehensive operations and maintenance for 5 years.
- An MoU has also been signed between NHPC REL and Govt. of Uttar Pradesh on 31st January'23 for setting up of 100 MW Floating Solar Power Projects in Uttar Pradesh.
- NHPC is also exploring to develop Pumped Storage Projects in the state of Andhra Pradesh, Odisha, Jharkhand, Karnataka, Madhya Pradesh and Maharashtra. We have completed Pre Feasibility Report (PFR) of Indira Sagar Omkareshwar (525 MW) Pumped Storage Scheme. Also, PFR of Tekwa-2 Pumped Storage Scheme (800 MW) has been submitted.

Further, the MOU between DVC and NHPC to “explore the formation of a Joint Venture Company (JVC) for exploring and setting up of hydropower and pumped storage project(s)” signed on 20th July'22. LOA for preparation of PFR of Panchet Hill (600 MW) PSP was issued

by DVC to NHPC on 16th November'22. PFR of Panchet Pump Storage Project (1000 MW) was submitted to DVC on 30th January'23. Observations were raised by DVC on the same which were duly replied. Some additional observations have also been received which are under process.

This is all from my side. Now the forum is open for Question-and-Answers.

Moderator: The first question is from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: My first question is, sir, when do you expect the Subansiri to get commissioned? Can we expect to get commissioned in this quarter, I mean, in next quarter?

R P Goyal: Yes. We are expecting to commission two units of Subansiri in third quarter of this year i.e. FY'24 and balance units to be commissioned in second quarter of FY'25.

Mohit Kumar: Understood, sir. Two in this fiscal year and the balance six in the next fiscal year. Is that right, sir?

R P Goyal: Yes.

Mohit Kumar: But we should be able to do it before the monsoon next season, next fiscal year. Is that right, sir?

R P Goyal: Full year benefit will be available in FY 2025-26, but part benefit, financial benefit will be available in current financial year as well as in next financial year.

Mohit Kumar: Understood. My second question on the Parbati, sir, I think you mentioned we are much ahead in terms of construction and commissioning. Can we assume that all the 4 units will be commissioned by the end of fiscal year'24? Is that a fair assumption?

- R P Goyal:** Yes. You are right. Actually, only 150 meters of excavation of HRT is left as on today and lining of 3 kilometre HRT is to be done. Otherwise, all the 4 units are already tested and commissioned and all the 4 units will be commissioned in a single day. So you can expect the commissioning of this project by end of March'24.
- Mohit Kumar:** Okay. Sir, my third question is, can you expect tender of Sawalkot in FY '24? And are you looking to start work on any of the pump storage hydro projects in FY '24?
- R P Goyal:** Actually, we are still preparing PFR and exploring the execution of pump storage projects. We have already submitted two PFR of pumps storage projects, but modalities of execution of pump storage are yet to be explored. So you can expect taking off one of the pump storage in next financial year.
- Mohit Kumar:** And what about Sawalkot are you looking to tender it out in FY '24?
- R P Goyal:** Tendering of Sawalkot is expected in the next financial year i.e. 2024-25.
- Moderator:** The next question is from the line of Rupesh Sankhe.
- Rupesh Sankhe:** Yes. Sir, a couple of questions from my side. Firstly, what is our regulated equity as on 31 March? And what are our capex target for next 3 years?
- Management:** Yes. So basically, the regulated equity as of now is Rs. 13,000 Crore. And going forward, after commissioning of Subansiri Lower and Parbati-II, it is likely to be Rs. 22,000 Crore after full commissioning of these 2 projects. Going forward, our capex will be in the range of, on an average, Rs. 8,000 Crore to Rs. 9,000 Crore. For example, current year budget estimate is Rs. 10,857 Crore.
- Rupesh Sankhe:** Sir, second question is related to, sir, recently there was a media article saying that we might merge 2, 3 public sector companies which are into hydro space. What is your thought on that, sir?

- R P Goyal:** Actually, we are at the initial stage of exploration of this possibility and nothing concrete has been finalized. We will intimate to the market in the due course of time.
- Moderator:** The next question is from the line of Abhineet Anand from Emkay Global Financial Services.
- Abhineet Anand:** Yes. Sir, can you just give us the incentive breakup for FY'23 and Q4?
- Management:** Yes. So basically, you want incentive breakup of Q4 versus Q4 of previous year?
- Abhineet Anand:** Yes.
- Management:** Yes. So Q4 FY'23, we had secondary energy of Rs. 110 Crore. PAF Incentive, negative incentive we had Rs. 40 Crore and the deviation charges were also negative to the tune of Rs. 2 Crore. So, total incentive was Rs. 68 Crore as against Rs. 207 Crore in the previous quarter.
- Abhineet Anand:** So last year, Q4 '22, we had Rs. 207 Crore and this year for Q4, we are having a negative Rs. 68 Crore.
- Management:** Yes. So last year, secondary energy, we had Rs. 125 Crore, PAF incentive Rs. 22 Crore and deviation charges of Rs. 60 Crore. So, total incentive during last fiscal Q4, it was Rs. 207 Crore. And this quarter, FY'23, we have Rs. 68 Crore total incentive.
- Abhineet Anand:** Okay. And can you also help me the yearly numbers?
- Management:** Yearly numbers? Of course. So the total secondary energy during current fiscal i.e. FY'23, it is Rs. 123 Crore, PAF incentive Rs. 405 Crore, deviation charges Rs. 147 Crore, total Rs. 675 Crore, as against secondary energy of previous year, Rs. 138 Crore, PAF incentive, Rs. 424 Crore, deviation charges of Rs. 190 Crore. So, total incentive during current fiscal Rs. 675 Crore, as against previous year's incentive of Rs. 752 Crore.

Abhineet Anand: Sir, just a small question. I mean, Q4 of this year and last year, we have a similar PAT level, incentives are lower, other income is lower. And so can you just pinpoint where the number has been additional?

Management: Yes. So basically, if you look at the NAPAF for our power station as a whole, it comes around 77%, right? During this Q i.e. Q4 FY'23, the actual PAF was 67%. So the PAF was substantially down, particularly in four projects like Rangit-IV, TLDP-III, Dulhasti and Kishanganga. That is the reason our PAF was lower in Q4 FY'23 and that is the major reason of negative incentive.

Abhineet Anand: Yes. So what I'm trying to understand is your incentive income is almost down Rs. 150 Crore for the quarter on a Y-o-Y basis from Rs. 207 Crore to Rs. 68 Crore. Your other income is also down significantly. So I mean, the PAT levels are flat. So one of the things I think employee cost would be lower, but any other thing, any one-off or something in the quarter which has led to a flattish PAT despite a lower incentive and lower other income?

Management: Yes. So major reason of this flattish PAT is basically, if you look at the tax rate, the last year tax rate was Mat rate. This year, our tax rate is normal rate. So last year, the grossing up was at the rate of 18%, whereas this quarter, we have grossed up at the rate to 28%. This has resulted additional revenue of Rs. 350 Crore and that is the main reason of our profitability, which is flattish or you can say higher.

Abhineet Anand: Finally, just for my understanding, this PAT gross up at -- while revenues might be higher because of the gross up. At the PAT level, this wouldn't impact, right? Because that's a part of a entire..

Rajendra Goyal: We have grossed up our tariff at normal rate, i.e. 28%. But by utilizing the available MAT Credit, we have paid lower tax. So, there is a mismatch between revenue and tax actually paid.

Abhineet Anand: So basically, if I understand correctly, your gross up has happened at 28%, but your levy has happened at 22%.

Management: 18%.

Abhineet Anand: So if I have to conclude that the PAT, if I have to apply the same tax rate, at PBT, which is where the grossing of revenue has happened in tax, then the profit would be lower, right?

Rajendra Goyal: Flat, you can say.

Abhineet Anand: Okay and secondly, this capex, you said that while this year, it is going to be in excess of Rs. 10,000 Crore. How much of that is going to be in RE projects?

Management: Yes, Rs. 2,500 Crore, we have kept provision for RE projects.

Abhineet Anand: And this RE project is all PPA done and not in pipeline, right, something which you have already have the PPA?

Management: Yes. So major expenditure is under CPSE 1,000 megawatt, which is now going into a construction phase. And that is the reason we have kept Rs. 2,500 Crore on renewal projects during this financial year. So basically, this is consolidated capex. Because at stand-alone, it is Rs. 5,700 Crore. In addition to that, we have many joint venture projects and subsidiary projects where our capex is also going on.

Like, out of total nine under construction projects, six projects are under JVs and subsidiaries. There also construction activities are in full swing. So that is the reason this is the higher capex you are looking at.

Abhineet Anand: And when do you expect this CPSE, 5,000 megawatt to get commissioned?

Management: CPSE 1,000 megawatt, FY'25 is our target.

Abhineet Anand: And as per your internal target, what kind of ROE you would be able to make on this project?

Management: So we have kept provision of 12.27% ROE in these projects.

Abhineet Anand: Based on the present cost that you have?

- Management:** Yes.
- Rajendra Goyal:** Cost is fixed. There is no price variation in these contracts.
- Abhineet Anand:** So you mean to say, you will be making an ROE 12%, 12.5% on this?
- Management:** Yes.
- Rajendra Goyal:** Yes, we are expecting 12% at least.
- Moderator:** Thank you. The next question is from the line of Rupesh Sankhe. Please go ahead.
- Rupesh Sankhe:** Yes. So a couple of questions, again, sir. Firstly, sir, once we commission Parbati and Subansiri projects, our PAT, which is currently at Rs. 3,800 Crore, it will go up to around Rs. 5,500 Crore, Rs. 6,000 Crore. And we had a non-cash depreciation items there will be around Rs. 7,000-odd kind of operating cash flows. And we have significant capex ahead, the large projects which are coming up. So what will be our dividend policy going ahead? And will be there a cash flow mismatch given the high capex ahead?
- Rajendra Goyal:** We will be maintaining a dividend at the current level i.e. 30% of PAT or 5% of net worth as per DIPAM guidelines. And keeping dividend level at the same level, dividend same level, we will be able to meet out our capex requirement.
- Rupesh Sankhe:** Okay. Sir, next question is related to renewable projects, sir. Is there any large pipeline project that you are thinking of in FY'25?
- Rajendra Goyal:** Actually, we are mainly focusing on hydro projects only, but we will be doing some solar projects also to support the Government of India initiative. You can say, we will be doing 80% of our capex in hydro and around 20% in solar or other renewables.
- Moderator:** Thank you. The next question is from the line of Prashant Kshirsagar from Unived Corporate Research Private Limited. Please go ahead.

Prashant Kshirsagar: Just a question that you had mentioned about the commissioning of Subansiri 2 units in the second quarter, correct me if I'm wrong. So can you indicate which months you'll be commissioning, or is it July, August or September, which month you are planning?

Rajendra Goyal: We are planning to commission two units of Subansiri in third quarter, but we will be spinning the machines in the second quarter itself. So after testing, we are expecting to commission two units in the third quarter of current financial year.

Prashant Kshirsagar: So by October or November, you are planning or how is it?

Rajendra Goyal: It may happen by November.

Moderator: Thank you. The next question is from the line of Abhineet Anand from Emkay Global Financial Services. Please go ahead.

Abhineet Anand: Yes. So if you can also help us, sir, in terms of dividend income or other income breakup in terms of dividend and other income?

Management: Yes. So this year, we have a dividend income of Rs. 375 Crore, which is higher by Rs. 75 Crore. And main sources of other income like, surcharge income has been lower by Rs. 175 Crore, but dividend income has been higher by Rs. 75 Crore. Interest on FD i.e. fixed interest on our surplus fund is also higher by Rs. 85 Crore. So, these are the major incremental thing in other income head.

Abhineet Anand: So you said, so only surcharge is lower by Rs. 175 Crore, other things are high, right?

Management: Yes, exactly.

Abhineet Anand: And just trying to understand from a commissioning perspective, let's say that in November, you commissioned, two of your units out of eight, what part of this Rs. 21,000 Crore gets commissioned? Because there are units plus, there are ancillaries combined. So I'm just trying to

understand, is it fair to assume 2/8th of the full system or even more percentage-wise?

Rajendra Goyal: Actually 60% of the capital cost will get capitalized on commissioning of two units.

Abhineet Anand: How much, sir, sorry?

Rajendra Goyal: 60% will be capitalized.

Abhineet Anand: 60?

Rajendra Goyal: Yes. 60%. Because civil works are common. Dam is common and other constructions are also common.

Abhineet Anand: So 60% gets commissioned in Q3 of this year and the rest 40% commissioning?

Rajendra Goyal: Next year, yes.

Abhineet Anand: And for Parbati, it will be a single go, right, all four units in a single go?

Rajendra Goyal: You're right. It will go in single phase.

Moderator: Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to Mr. Rupesh Sankhe for his closing comments.

Rupesh Sankhe: Yes. We thank NHPC management for giving us an opportunity to host this call. We also thank all the investors and the analysts for joining this call. Good day and take care all.

Management: Thank you so much, Rupesh. Thank you so much.

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