



“NHPC Limited  
Q1 FY24, Earnings Conference Call”

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**Moderator:** Ladies and gentlemen good day and welcome to the Q1 FY24, Earnings Conference Call of NHPC Limited 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 “\*” then “0” 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 Mr. Sankhe!

**Rupesh Sankhe:** Good morning everyone. On behalf of Elara Securities we welcome you all for the Q1 FY’24 conference call of NHPC. I take this opportunity to welcome the management of NHPC represented Mr. Rajeev Kumar Vishnoi – Chairman and Managing Director, Mr. R.P. Goyal – Director (Finance). So, we will begin the call with a brief overview by the management and followed by Q&A session. I will now hand over the call to Mr. R. K. Vishnoi Sir for his opening remarks. Over to you Sir!

**R K Vishnoi:** Thank you Rupesh and good morning everybody who is connected to this conference. It is really my pleasure to interact with you on these quarterly financial results Q1 of FY’24 of NHPC. In fact before we really discuss the detail, let me broadly tell you that this particular quarter of FY’24, we have sustained the performance which we have achieved in the past few quarters and that is the broader impression which can be drawn. The details are available, I think all the participants must have gone through the numbers, but broadly let me tell you the major highlights. As far as generation is concerned, we have almost generated 5% lower than the

corresponding quarter in the last FY'23 and that was mainly because of lower water availability in the rivers, which is of course beyond the control of anybody is a natural resource and the plant availability factor which is the real measure of the performance of the plant, there we have performed very well and we have remained above 90% in fact 94% this quarter also. Now that shows that machines availability were there, had there been enough water in the river, we would have generated almost a similar amount of energy what we generated last year, but nevertheless in this next quarter particularly July onwards we have been generating quite a good amount of energy. So, Q2 would be much better than corresponding Q2 of last year.

As regards to the revenue, let me tell you that revenue was approximately 3% higher than the corresponding quarter last year and that was mainly because though the generation was less because we had certain arrears due to the tariff finalization of 2014-19 period and we received certain amount on account of that, so the revenue was 3% higher than the corresponding quarter last year, but we have maintained the PAT. PAT is almost the same. So, broadly as I told in the beginning that we have almost sustained the same performance as in the corresponding quarter in the last financial year. So, this was broadly on the numbers. Then, there were other achievements on the physical terms also. This quarter where we are trying to focus mainly on two things, one is that we have two major assets which we want to capitalize gradually and improve our balance sheet which are two projects. One is Subansiri and the other one is Parbati-II and second, in this financial year we are focusing more on the capital expenditure. The last year capital expenditure was of the order of something like Rs. 7700 Crore. This year, we have kept the target of

something like 25% to 30% more than that and this particular quarter what we are discussing today, we have been able to achieve the target and subsequently also, we are doing that. So, this is a big thing what we are focusing. So, this financial year we will be achieving more of capex that is by ensuring the constant uninterrupted execution of the activities at all the projects which are under construction. So, this is just a broader impression of what we achieved in this quarter. I think then Director (Finance) I have with me. In case he has to say anything, then otherwise we can hand it over to the participants for some questions or the queries.

**R.P. Goyal:**

Good morning friends. I am going to share with you quarterly set of numbers with the detailed analysis. The NHPC Board has adopted quarterly financial results for the period ended 30<sup>th</sup> June'23 in its meeting held on 11<sup>th</sup> August'23 and the same has already been communicated to exchanges.

Brief highlights of the financial results and important updates on the company are as under:

- During Q1 FY'24, our power stations have achieved generation of 7787 million units as against 8165 million units generated in corresponding period of the previous year which is about 5% lower. This is mainly due to lower water availability in Kishanganga, Loktak and Dhauliganga Power Stations.
- Our PAF for Q1 FY24, stands at 94.13% against the corresponding previous period of PAF of 98.57% which is about 4% lower. This is mainly due to less PAF in Kishanganga, Loktak and TLDP-IV Power Stations.
- For Q1 FY'24, company has earned Revenue from Operations of Rs.2571 Crore as against Rs.2491 Crore in the corresponding

previous period, which is about 3% higher. The increase in revenue is mainly due to increase in Interest from Beneficiaries on account of finalization of tariff rate 2014-19 by Rs.70 Crore.

- Other Income for Q1 FY'24 is of the order of Rs.279 Crore as against Rs.216 Crore during the corresponding previous period, which is about 29% higher. This is mainly due to increase in Dividend Income from NHDC by Rs.28 Crore and increase in insurance claim on account of Business Interruption Loss by Rs.34 Crore for Sewa-II Power Station.
- During Q1 FY'24, the Generation Expenses have gone up from Rs.270 Crore to 518 Crore i.e by Rs.248 Crore which is mainly due to applicability of Water Cess in state of Uttarakhand, Sikkim and Himachal Pradesh.
- During Q1 FY'24, the Employee Cost has come down from Rs.307 Crore to Rs.297 Crore.
- During Q1 FY'24, there has been decrease in Finance Cost from Rs.137 Crore to 115 Crore that is by of Rs.22 Crore which is mainly due to change in the average rate of interest by Rs.5 Crore and decrease due to repayment of loans by Rs.17 Crore.
- During Q1 FY'24, the Depreciation and Amortization expenses have come down from Rs.287 Crore to Rs.276 Crore which is mainly due to completion of 12 years of life of Sewa-II Power Station in FY 2022-23.
- During Q1 FY'24, Other Expenses have come down from Rs.507 Crore to Rs.370 Crore. This is mainly due to Impairment of Investment of Rs.106 Crore in respect of Loktak Downstream Hydroelectric Power Corporation Limited, a subsidiary company during corresponding previous period. Further, CSR expenses have also decreased by Rs.30 Crore in current quarter.

- During Q1 FY'24, we have earned PAT of Rs.1053 Crore as against Rs.1050 Crore of corresponding previous period which is marginally higher and the reasons for decrease increase in the line items we have just discussed.
- During Q1 FY'24, the incentive position is as under:
  - PAF based Incentive is nil in this quarter as against Rs.171 Crore in corresponding period of previous year. Deviation charges are 12 Crore as against Rs.72 Crore in corresponding previous period.
  - The PAF incentive for the quarter is nil due to change in methodology for recognizing incentive income. The PAF incentive shall be recognized once the capacity charges of a particular power station is fully recovered and thereafter, we will recognize the PAF incentive. So, the recognition of PAF will be back ended now.
- Capex during Q1 FY24 is Rs.1906 Crore as against Rs.1161 Crore in the corresponding period of previous year on consolidated basis.
- The Annual General Meeting of the company for 2022-23 is scheduled to be held on 31<sup>st</sup> August'23.
- Other major highlights of the company:
  - On realization front, NHPC has received Rs.1647 Crore from the beneficiaries against sale of energy during Q1 FY'24, as compared Rs.1357 Crore in the corresponding period of previous year. Trade receivables as on 30<sup>th</sup> June'23 stands at Rs.6736 Crore as against Rs.5887 Crore as on 31<sup>st</sup> March'23. This includes Rs.3059 Crore as

unbilled debtors as on 30<sup>th</sup> June'23 as against Rs.2757 Crore as on 31<sup>st</sup> March'23.

- The net receivables out of total reported trade receivables as on 30<sup>th</sup> June'23 are as below:

Reported Trade Receivables are Rs.6736 Crore. This includes unbilled debtors Rs. 3059 Crore, so billed receivables are Rs.3677 Crore. Out of that, debtors for bill discounting for which we have already received the amount from beneficiaries but due to accounting compulsion, we could not reduce the debtors. The amount is Rs.847 Crore on this account. Then debtor's dues converted into installments under Electricity Late Payment Surcharge and other orders of Rs.1483 Crore, so net amount of debtors dues is Rs.1347 Crore and out of that, more than 45 days are only Rs.363 Crore. So, our debtors position has improved a lot.

- Unbilled Debtors mainly include impact of AFC billed v/s AFC claimed as per regulations 2019-20 including security expenses of Rs.1584 Crore, unbilled sale for the month of June, 2023 of Rs.851 Crore and energy shortfall of Rs.347 Crore.
- Net Trade Receivables as on 9<sup>th</sup> August'23 i.e. current position of the debtors stands at Rs.1728 Crore only which includes more than 45 days dues of Rs.230 Crore. The major receivables out of billed receivables are as under:

J&K - Rs.443 Crore, UP - Rs.349 Crore, Punjab - Rs.233 Crore, Haryana - Rs.139 Crore, West Bengal - Rs.110 Crore and others - Rs.454 Crore. So, total Billed Debtors as on 9<sup>th</sup> August'23 are 1728 Crore. Out of that, more than 45 days are for J&K - Rs.156 Crore, UP - only 10 Crore and others - Rs.64 Crore. So, more than 45 days debtors are only Rs.230 Crore.

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

**Moderator:** Thank you very much. We will now begin the question and answer session. We will take the first question from the line of Mohit Kumar from ICICI Securities. Please go ahead.

**Mohit Kumar:** Good morning Sir. My first question is on what is the status of Subansiri and Parbati-II, are you on the track because I saw in the CEA that Parbati-II is slipping to FY2025, is that correct?

**R K Vishnoi:** Ya Mohit, Let me tell you first about Subansiri. Subansiri, in fact, physical progress is such that we are all set to now commission the project and we will restart the work immediately after the monsoon in the month of November and will try to complete everything including the commissioning of the unit in the month of January and February, so we propose to commission 2 units in FY'24. There seems to be no uncertainty as such in Subansiri, so this project is going to come in this FY'24.

As regards to Parbati-II, There, we had planned to commission at least couple of units in FY24, but because of the recent floods in Himachal Pradesh, now there were torrential rains and because of which, it was almost a disaster kind of a situation. This project is the one which got impacted the most and which has in fact, disturbed all the approaches, access routes, everything. So, there is certain kind of impact on the schedule and we are trying to minimize that. But yes, at the moment there is very little possibility of commissioning the first unit in this financial year but we will still try to reassess the situation next month as soon as the monsoon is over and we will try



to do something. But if it goes to FY'25, it will be early FY'25 in the month of April only.

**Mohit Kumar:** Understood Sir. My second question is on the change in accounting specific for the PAF based incentive, is it reasonable for us to change the recognition and make it more back ended now?

**R.P. Goyal:** No, there is no change in the regulations it has been changed at our own only. Actually what was happening that in first and second quarter, we were recognizing PAF incentive in some of the Power Stations, but in last quarter or third quarter of the financial year there were situations where we had to reverse the PAF incentive due to non achievement of the NAPAF. That is why, we have changed the system. We will recognize the PAF incentive in later quarters only to avoid the reversal.

**Mohit Kumar:** Sir my last question, do you see any impact of the IEGC code which expected to happen on October 1, 2023. Would it impact our earnings in any way on account of PAF or DSM?

**R.P. Goyal:** DSM has impact on our revenue due to change of the system.

**Mohit Kumar:** My question is on the IEGC code which is going to come applicable from October 1, 2023?

**R K Vishnoi:** I do not think, IEGC code is going to really impact much on this, but still I think we have to assess the situation. I think at the moment we are not in a position to comment anything on this. So we will make a statement maybe after ascertaining what exactly is going to happen.

**Mohit Kumar:** Sure Sir. Understood Sir. Thank you and best of luck.

**Moderator:** Thank you. We will take the next question from the line of Prashant Kshirsagar from Unived Corporate Research Please go ahead.

**Prashant Kshirsagar:** Good morning Sir. Just a question on the Subansiri Middle and Subansiri Upper hydro projects which you have been allotted. Just wanted to reconcile the capacity of those projects. In your press release you have stated that Subansiri Upper is 2000 megawatts capacity and Subansiri Middle is 1800 megawatts while in the annual report of yours on page 81, the capacity mentioned is Subansiri Middle is 1720 megawatts and Subansiri Upper is 1500 megawatts. Can you help us with reconciliation, how was the figure?

**R K Vishnoi:** Actually, see these two projects have been recently taken over and we are in the process of getting the DPRs also of these two projects. So, the capacities which were earlier marked for these two projects have been revised now and we foresee that we can install larger capacity at these two plants though it will be clear once we update the DPRs of both the projects. So at the megawatt, what we see is that 2000 megawatt is the upper Subansiri capacity potential and 1800 megawatt is the middle Subansiri capacity potential. So, with these two figures we are going ahead at the moment.

**Prashant Kshirsagar:** Yes, but in the annual report when you had mentioned 1500 for Subansiri upper, so what was the basis of the calculation or is it just that you did not have the data with you or how does it?

**R K Vishnoi:** I think, we need to check in what respect that has been mentioned, but this is the fact what I just mentioned to you.

**Prashant Kshirsagar:** Ok Sir, Second question is about Subansiri both Middle and Upper, Land acquisition has been done or is it because you have taken it

over from the private players, so had they done the land acquisition or just incurred the initial cost for that?

**R K Vishnoi:** So, that is an activity at a later stage. At the moment, they have done some initial activities where some investigations have been done and some kind of pre-DPR stage activities have been done. So, at that stage itself, we have taken over these two projects. So, all other things we have to complete ourselves.

**Prashant Kshirsagar:** Ok sir, Thanks a lot. That was my question.

**Moderator:** Thank you. We will take the next question from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.

**Rohit Natarajan:** Thank you for this opportunity. Sir my question is more to do with the regulated equity we guided in the last quarter that the regulated equity will be Rs.162 billion or Rs.16239 Crore by the end of FY'24, now that there are some slippages expected from Parbati how does that number look like, both for FY24, and FY'25?

**R.P. Goyal:** For the last quarter of FY'24, , there may be some addition into regulatory equity on account of Subansiri lower, otherwise it will remain at the present level.

**Rohit Natarajan:** Ok, You mean to say, it will broadly remaining at Rs.13000 as such?

**R.P. Goyal:** Yes. For the last one or two months, there may be some additions.

**Rohit Natarajan:** But you are reasonably sure that this number will be by the end of FY'25 going to Rs.22600 Crore, that number?

**R.P. Goyal:** That is for sure.

**Rohit Natarajan:** My second question is to do with the IPO or the stake sale of clean energy arm if you could just elaborate on that part Sir?

**R.P. Goyal:** There is no plan at present as such, in case we add some capacity in the solar or wind and that is transferred to our 100% subsidiary company and if we require the resources then only we will go for IPO of our subsidiary company, otherwise there is no plan as such.

**Rohit Natarajan:** My final question is on the pumped hydro storage project if you could just elaborate how much is the MoU that you have tied up till date and which are the projects that are expected to go in construction at least in the near term, what could be the timelines for it?

**R.P. Goyal:** You are asking about the Dibang pumped hydro.

**Rohit Natarajan:** Pumped hydro storage project?

**R K Vishnoi:** Pumped Hydro Storage in fact is the new business domain of NHPC where we are trying to enter very aggressively and we have recently signed one MoU for the implementation of four projects about 7000 megawatts in the State of Maharashtra. Also, we have entered into an MoU with the State of Gujarat for development of PSPs and then Government of Odisha and Government of Andhra Pradesh. So, there are four states where we have already moved ahead and this is going to be one big business opportunity for NHPC in the near future because we see the pumped storage plant is the most emerging opportunity in the power sector and you know, we try to jump on it at an early stage, so this is how we are doing now. Our all teams are there on the ground, they have started working on this. So, pumped storage is going to be the mainstay for NHPC now in the near future.

**Rohit Natarajan:** Sir if you could give us some targets, as in the projects that you are looking for in the near term as in one or two projects that will be commissioned by FY'27 or FY'28, what is the timeline that you would want to see in these projects?

**R K Vishnoi:** See any pumped storage plant once you start the construction activity on the ground, it is going to take not less than four to five years. So, that is after the start of construction activities but before that, there are certain investigation matters, there are certain clearances, there are certain compliances. So, all that we have started doing. That period is something like one to one-and-a-half years. So, what we see now is the first pumped storage commissioning maybe by the year FY'29, that is the first project which we can commission in Maharashtra. That is the vision at the moment, but not before that.

**Rohit Natarajan:** Ok, What will be the costing like, what could be the costing per megawatt, is it fairly good to say that number will be close to Rs.9 Crore per megawatt or you know there are multiple figures that are floating around, what is your assumption at this point in time?

**R K Vishnoi:** Yes, in fact if you see there are different kinds of pumped storage plant schemes. There is one which is on the main river stream where if you really make a project, it is going to cost you much more than what you are making off the stream. So, now we are focusing off the stream projects also which are costing us less. If you ask me per megawatt cost, if it is on the river stream, it is around Rs.8 Crore to Rs.9 Crore per megawatt. But if it is off the stream, then it is Rs.6 Crore to Rs.6.5 Crore per megawatt. Now depending upon the type of scheme, and then depending upon the topography, the particular outcome of the investigations there, of course this figure may vary 5% to 10% here and there, but this is broadly the number.

**Rohit Natarajan:** Sure Sir. Thank you. That is it from my side.

**Moderator:** Thank you. We will take the next question from the line of Aniket Mittal from SBI Mutual Fund. Please go ahead.

**Aniket Mittal:** Yes thank you. A few questions. Firstly in your opening remarks, you mentioned that you are planning for 20% to 25% higher capex refer FY2023 if you could one provide what that amount is for FY24, and break that up across different plants?

**R K Vishnoi:** I think, the total is Rs.10857 Crore. The Director (Finance) will give the detail.

**R.P. Goyal:** Total capex as we have planned is Rs.10857 Crore including our subsidiary and joint ventures and if you are interested in project wise numbers, I can share the same. The Parbati-II we have planned for Rs.595 Crore, Subansiri Lower we have planned Rs.787 Crore, Dibang Rs.712 Crore, then Teesta-IV our project which is under investigation Rs.25 Crore, Dugar Rs.320 Crore, then Sawalkot Rs.143 Crore, Subansiri Upper Rs.121 Crore. Subansiri Middle Rs.217 Crore, then Solar as a whole Rs.2517 Crore, then Pakal Dul in subsidiary company Rs.1215 Crore, Kiru Rs.857 Crore, Kwar Rs.220 Crore, then Lanco Teesta-VI project Rs.1151 Crore, Rangit-IV Rs.455 Crore, Ratle Rs.454 Crore. That is all.

**Aniket Mittal:** The numbers that you have given for the subsidiaries and JVs those are your share of the capex or is it the entire capex?

**R.P. Goyal:** This is entire capex.

**Aniket Mittal:** The next question was in your opening remarks you also mentioned that there are certain arrears that you have received for this quarter,

just wanted to understand what has been the total amount for, for what purpose has it come and is there any portion in that, that is sustainable in nature?

**R.P. Goyal:** That is a small number only Rs.80 Crore, which is on account of arrear sales including interest.

**Aniket Mittal:** This is like a onetime item that is coming?

**R.P. Goyal:** Yes. This is one time.

**Aniket Mittal:** Just on Parbati, I wanted to understand what is the type of work that is remaining on the tunnel, has the tunnel been completed, have we started with the lining work if you could throw some light there?

**R K Vishnoi:** Yes, the main issue was there in the Parbati was the excavation of the tunnel which was becoming too challenging and we were doing excavation by two different construction technologies. One was through tunnel boring machine, the other was through drill and blasting method. Now, while we were about to complete this excavation and this all disaster took place last month. We were left with hardly anything now, I think 65 meter is the only portion which is left for excavation now and we have made preparations to start lining immediately and we have also planned to do lining in an expeditious manner by deploying the most efficient construction technology. So, that is what we are trying to do here, but this has been a setback the floods in July in Himachal. Otherwise, in Parbati-II, everything is inline, machines are ready, the tunnel is also excavated fully almost except 65 meters, so we do not see any other uncertainty except that we get some time now to complete this excavation and start the lining.

- Aniket Mittal:** What is the amount of lining work that is remaining?
- R K Vishnoi:** It is 2900 meters, so approximately 3 kilometers you can say.
- Aniket Mittal:** Just one clarification. Sir you mentioned that there could be some amount of regulated equity addition to Subansiri as the two units are commissioned. Just to understand how the tariff get determined, would you take the entire capital cost divide that by four, how does that process work?
- R.P. Goyal:** In fact, tariff will be fixed by dividing four. In case in two units, total capital expenditure will be divided by four and tariff will be fixed accordingly. So in the initial period, tariff will be high and in the books, expenditure will be more than what we would be able to recover in tariff, but that will be for some period only.
- Aniket Mittal:** So you will essentially take the estimated project costs for Subansiri and then divide it by four let us say commissioning two units each and count that as regulated equity?
- R.P. Goyal:** Yes for tariff purpose, actual expenditure will be divided by four and the tariff will be fixed accordingly.
- Aniket Mittal:** Thank you. Those are my questions.
- Moderator:** Thank you. We will take the next question from the line of Riya Mehta from Equitas Investments. Please go ahead.
- Riya Mehta:** Thank you for giving me the opportunity. My first question is in regarding with Subansiri when do we expect it to get commissioned and what kind of cost overruns are we seeing for Parbati-II as well as Subansiri?



**R K Vishnoi:** As I said in the beginning, for Subansiri Lower, we are all set to commission the project but due to all because of this intervening monsoon season that we had to put everything on hold to commission the project. Now, we will restart the activities in the middle of October and in another three months' time, we will try to commission at least the first unit and the second unit subsequently. So as I said, as far as lower Subansiri is concerned, there is no uncertainty left now. These two units will come in this financial year.

Parbati-II, I just mentioned we had a plan to commission two units in this financial year but there has been a setback because of some floods in Himachal Pradesh. So I think, these two units will go in early FY'25.

**Riya Mehta:** What kind of cost overruns are we seeing because of this delay?

**R K Vishnoi:** Subansiri as we are doing it on schedule, hardly any cost overrun except for three to four months IDC would be there, But regarding Parbati-II, there could be some additional costs which we will be incurring on making damages good which have happened because of the floods and some other expenditures like expeditiously completing the lining and then deploying some construction technologies which are normally nonconventional. So because of that, some cost increase could be there but it is not really substantial which is going to cost much or impact much on the tariff.

**Riya Mehta:** In terms of pumped hydro storage project, what is the business model and what kind of margins should we expect from these MoUs and how long and when do we see this execution starting from?

**R K Vishnoi:** Pumped storage plants at the moment are an essential component of the grid of the country. Now this particular asset can be used in many ways but as far as our margin is concerned, of course, it will be a regulated margin but how we are going to use it, what models will we be implementing for this, there are several options like we can even combine this pumped storage plant with renewable energy assets where we can have the unintermittent power from the renewable energy, day power which we can convert into round the clock power by using the pumped storage plants and then finally supplying it to the consumers like who needs round the clock power like the railways and the other industries. The other could be that the grid stability where the transmission system particularly whether it is state transmission system or the national transmission system. Because of some kind of overload and under load conditions, if we have to either inject the power or absorb the power then these are the assets which can immediately come handy for this. There are ancillary services where we can monetize the ancillary services for pumped storage plants but what I am trying to say, it is much different from the normal hydropower project where we generate electricity and we supply the electricity. It is not only generation alone, it is the conversion of electricity from one form to the other and that could happen in many ways. It could assist the transmission system, it could assist the generators like the renewable power generators and it could also assist the DISCOMs where DISCOMs are under stress, so this is how these pumped storage plants are very useful but in what manner we are going to use it, that will of course depend upon where this particular asset is situated and what could be the best use of that asset in that particular topography.

**Riya Mehta:** What kind of margins we will be seeing in this kind of projects like per megawatt or something ROI?

**R K Vishnoi:** Per megawatt cost as I said it will vary from anything between Rs.6.5 Crore to Rs.8.5 Crore per megawatt that is the cost of development, but as far as margins are concerned.

**R.P. Goyal:** ROI will be at the rate of 16.5% as in the case of hydro project.

**Riya Mehta:** In case from Pump hydro project 16.5?

**R.P. Goyal:** 16.5.

**Riya Mehta:** These also include the escalation like we have in the normal project?

**R.P. Goyal:** That will be on cost plus basis similar to hydro project.

**Riya Mehta:** Thank you.

**Moderator:** Thank you. We will take the next question from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

**Nikhil Abhyankar:** Thank you sir. Thanks for the opportunity. Sir, we have been handed to bid out renewable project for this year. So, what is the expected bidding from our side this year and what all things are in pipeline?

**R K Vishnoi:** So in fact, there are different modes. We have already bidout capacities of something like 1000 MW under CPSU scheme, but at the moment recently we have bid out for 3 gigawatt i.e. 3000 megawatt capacity. That is a part of the total 10 gigawatt capacity which you have to roll out this particular financial year. So, 3 gigawatt we have already done it and 7 gigawatt will come

gradually. That is mandate which has been given to NHPC and as soon as, we finalize this capacity, then immediately we will roll out the further tender for this.

**Nikhil Abhyankar:** Of this 7, the entire tendering process is also yet to start?

**R.P. Goyal:** For 3 gigawatt we already started tendering process. NIT has been floated but one thing I want to clarify that there will be no capex from our side, we will be just intermediary.

**Nikhil Abhyankar:** Understood, but we are confident of achieving 10 gigawatt this fiscal?

**R.P. Goyal:** Yes.

**Nikhil Abhyankar:** Sir, any update on Sawalkot tender?

**R K Vishnoi:** Sawalkot is a project in the pipeline and there are certain last stage compliances and some kind of understanding with the state government which is almost now through. We are ready with the tender document and very shortly, we will issue the NIT for the civil works as well as the other packages for Sawalkot.

**Nikhil Abhyankar:** Sir you mentioned that the consolidated capex is around Rs.109 billion so what will be the standalone number?

**R.P. Goyal:** Rs.5700 Crore.

**Nikhil Abhyankar:** Sir just a last question if I may add. You mentioned that we might even look at monetizing ancillary services for pumped hydro storage, so how will it actually happen, so will it be on by bilateral basis, short term, medium and long term agreements or will it be through exchanges?

**R K Vishnoi:** See, the Government has issued the guidelines now and there are certain more guidelines which are in the making at the moment where the developer of pumped storage plant would be free to enter into bilateral agreement with any of the industry directly or the end user also and he is also free to convert that power into either repeat power or round the clock power and sell it through the exchanges. So, both the options are available and this has been thrown open now and this has been left to the market. So, this is how it is going.

**Nikhil Abhyankar:** Sir right now can you see, is there any traction in the ancillary market to exchanges or even say bilateral markets?

**R K Vishnoi:** Yes, already we have started filling the demand and as you know the compliances are getting stricter day-by-day. These requirement of compliances on account of ancillary services are becoming more stringent and because of which the importance and significance of this pumped storage plant asset is coming to fore.

**Nikhil Abhyankar:** Understood. Can you quantify the bids that we are already quoting in ancillary markets?

**R K Vishnoi:** Nothing of that sort has been done yet but see, first we are focusing on starting the project and then, we will focus on what model we will enter into the market.

**Nikhil Abhyankar:** Ok sir, Thank you and all the best.

**Moderator:** Thank you. We will take the next question from the line of Gopal Nawandhar from SBI Life. Please go ahead.

**Gopal Nawandhar:** Sir I want to know the renewable projects which are getting commissioned in FY'24, FY'25 and FY'26 and the projects we target to bid for our capex for the next two to three years?

**R.P. Goyal:** At present, we are working on one Kalpi solar power project (65 megawatt) in our subsidiary i.e. BSUL and then, we are working in CPSE scheme (1000 megawatt). Out of that, 300 megawatt is being constructed by Tata Power in Bikaner, that will be commissioned in the current financial year and the rest of the capacity 700 megawatt will be commissioned in FY24-25. We have just received a letter of award from Gujarat for 200 megawatt solar capacity for which we are in the process of awarding EPC contract. This is the solar capacity which is likely to come up in FY23-24 & FY24-25. One more 88 megawatt Floating Solar Project is being done by our subsidiary company i.e. NHDC. That will also come up in the current financial year.

**Gopal Nawandhar:** Any target we have in terms of the bidding for every year, for the next two to three years?

**R.P. Goyal:** Actually, we are keeping our Return on Equity at least 12%. So in case we are able to achieve this 12% ROE, only then we will take solar projects. That is why, we have not kept the higher target for solar capacity. We are doing selective projects only.

**Gopal Nawandhar:** If you can just highlight some of these regulations which are going to come for next year. How do you see impact of these regulations on NHPC, do you see any more incentives being given to hydro or is there any expectations of return being cut or something which you can just give some highlight?

**R.P. Goyal:** In nutshell, we will not be loser on account of new regulations to come. There may be some benefit, but we are waiting for the draft regulations as of now. We have given our comments. We are demanding more Return on Equity but that is to be seen.

**Gopal Nawandhar:** Sure Sir. Thanks a lot Sir.

**Moderator:** Thank you. We will take the next question from the line of Riya Mehta from Equitas Investments. Please go ahead.

**Riya Mehta:** Thank you for the followup. We have signed the Pump Storage MoUs, so any concrete plans from when these revenues will start flowing or what kind of opportunity are we seeing further on this and what will be the revenue potential from this?

**R K Vishnoi:** As I said, these are the first memorandum of understanding with the state government where we have agreed to develop these pumped storage plants in the particular state. Now, NHPC will start work on the ground and the first thing is of course the investigations, what kind of project, what kind of scheme and then how this scheme can be optimized on account of cost and timeline. So, all these things will be done and they may be completed in next one to one-and-a-half year's time. Once that is complete, then we will start the construction also but before that, of course, there will be another agreement with the state government where the permissions for starting the construction and then finally fetching the power and then operating the plant in that particular state would be there. Then the mode of operation of this pumped storage plant would also be added there. So at the moment, we are at a very early stage but yes we have already set the ball rolling.

- Riya Mehta:** Sir in terms of cost of borrowing what was your average rate?
- R.P. Goyal:** Our average rate is around 7.7% as of now.
- Riya Mehta:** So for the September since we see torrential rains in the month of July as well, do we expect little lower PAF or something like that?
- R K Vishnoi:** In fact, there were couple of plants which remained shut down for about a week or 10 days but then because of the more water availability, we generated quite a good amount of energy in the month of July. So as far as PLF is concerned, PLF is not going to go down but PAF certainly it got impacted.
- Riya Mehta:** Sorry, What was impacted I cannot hear you?
- R K Vishnoi:** PAF the plant availability factor. That seems to be available, that got impacted because the plants remain shut down for about a week or 10 days.
- Riya Mehta:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Prashant Kshirsagar from Unived Corporate Research. Please go ahead.
- Prashant Kshirsagar:** Thanks for the followup question Sir. Just wanted to clarify one thing that you will be preparing fresh DPR and technocommercial due diligence for Subansiri middle and upper now or is it that you will rely on the earlier DPRs done by professional consultant EY?
- R K Vishnoi:** See, NHPC is a very competent engineering organization. So, we will first update the DPR and review the DPR ourselves and we will try to optimize not only the cost, rather technical competence of the project also. We will update the DPR completely for both the



projects. Of course, there will be guidance from the previous DPR but not completely.

**Prashant Kshirsagar:** In the question and answer session, you mentioned the capital expenditure to be done for Subansiri middle and upper also. So, what kind of capex is this if you can help us?

**R K Vishnoi:** This is just the cost incurred and takeover of these two projects because the earlier developers have spent a lot of amount on development of these projects. So, there was a scheme of Government of India that whatever amount is visible on the site or which is meaningful at the moment can be reimbursed to them and the project can be taken over. So, it is that capex which we are proposing now.

**Moderator:** Thank you Sir. Ladies and gentlemen due to time constrains, that would be the last question for today. I would now like to hand the conference over to Mr. Rupesh Sankhe for closing remarks. Over to you!

**Rupesh Sankhe:** We thank Mr. R K Vishnoi Sir for giving us an opportunity to host this call and we also thank all the investors and analysts for joining this call.

**Moderator:** Thank you very much Sir.

**R.K. Vishnoi:** Thank you everybody who participated in this conversation.

**Moderator:** Thank you Sir! Ladies and gentlemen on behalf of Elara Securities Private Limited that concludes this conference. We thank you for joining us. You may now disconnect your lines.