



“NHPC Limited
Q2 FY’24 Earnings Conference Call”
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MANAGEMENT: **MR. R. P. GOYAL – DIRECTOR (FINANCE) – NHPC LIMITED**
MR. R.K. CHAUDHARY – DIRECTOR (TECHNICAL) – NHPC LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to the NHPC Limited Q2 FY'24 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 touch-tone 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: Good afternoon everyone. On behalf of Elara Securities, we welcome you all for the Q2 FY'24 Conference Call of NHPC. So, I take this opportunity to welcome the management of NHPC represented by Mr. R.P. Goyal, he is the Director (Finance), Mr. R.K. Chaudhary, he is the Director (Technical). 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 management for opening remarks. Over to you, sir.

RP Goyal: Good afternoon, friends. The NHPC Board has adopted a Half Yearly financial results for the period ended 30th September'23 in its meeting held on 6th November'23 and the same has already been communicated to exchanges. By now, I hope you all would have got a good chance to go through the quarterly and Half Yearly set of numbers. The detailed number analysis of financial results of the company is as follows:-

- During the Half Year FY'24, our power stations have achieved generation of 16,797 million units as against 18,303 million units generated in the corresponding period of the previous year, which is lower by about 8% i.e. 1,506 million units. This is mainly due to lower water availability and intense rain and flood in some parts of Himachal Pradesh in August'23, which has impacted the generation in the region, especially the outage of all units of Parbati-III Power Station.

During the 2nd quarter FY'24, our power stations have achieved generation of 9,010 million units as against 10,138 million units generated in the

corresponding period of the previous year, which is lower by about 11% or 1,128 million units due to reasons that I have just shared with you.

Parbati-III Power Station is now fully operational. However, you may be aware that on the night intervening 3rd and 4th October'23, our power stations/ projects in the Teesta Basin were unfortunately hit by unprecedented flash floods in North Sikkim. As such, our 510 megawatt Teesta-V Power Station and 500 megawatt Teesta-VI HE project, which is under construction, have suffered damages. This has impacted TLDP-III and TLDP-IV Power Stations also leading to forced outage. We have made every efforts possible to restore these projects. TLDP-IV has already been made operational and TLDP-III is likely to be restored very shortly. Restoration of Teesta-V Power Station is being planned in the shortest possible time, which may be completed in around one year period. However, the assets and business interruption loss of power stations are fully insured under mega-insurance policy, which has been taken from New India Assurance Company. As such, financial implications of this calamity on NHPC would not be much.

- PAF for Half Year FY'24 stands at 91.93%, corresponding previous period of 99.23%, which is about 7% lower. This is mainly due to lower water availability and outage of some of power stations like Parbati-III, Kishanganga and Chamera-II.

Our PAF for 2nd Quarter FY'24 stands at 89.78% against the corresponding previous period PAF of 99.87%, which is about 10% lower on account of same reasons.

- For Half Year FY'24, Company has earned Revenue from Operations of Rs. 5,056 Crore as against Rs. 5,327 Crore in the corresponding previous period, which is about 5% lower or by Rs. 271 Crore. The decrease in revenue is mainly due to lower generation.

During Q2 FY'24, Company has earned Revenue from Operations of Rs. 2,485 Crore as against Rs. 2,836 Crore in the corresponding previous period, which is about 12% lower by Rs. 351 Crore. The decrease in revenue is again mainly due to lower generation.

- Other Income for Half Year FY'24 is of the order of Rs. 408 Crore in comparison to Rs. 332 Crore during the corresponding previous period, which

is about 23% higher by Rs. 76 Crore. This is mainly due to increase in Dividend Income by Rs. 37 Crore and increase in realization of Business Interruption Loss against insurance claim of Sewa-II Power Station by Rs. 34 Crore.

Other Income for Q2 FY'24 is of the order of Rs. 129 Crore in comparison to Rs. 115 Crore during the corresponding previous period, which is about 12% higher by Rs. 14 Crore. This is also mainly due to increase in dividend income by Rs. 9 Crore.

- During Half Year FY'24, the Generation Expenses have gone up from Rs. 637 Crore to Rs. 915 Crore means by Rs. 278 Crore, which is mainly due to applicability of Water Cess in Uttarakhand, Sikkim and in Himachal Pradesh. However, this has no impact on profitability of the company as this is a pass-through item from our end.

During Q2 FY'24, the Generation Expenses have gone up from Rs. 367 Crore to Rs. 397 Crore means by Rs. 30 Crore, which is again mainly due to applicability of Water Cess in Uttarakhand, Sikkim and in Himachal Pradesh.

- During Half Year FY'24, the Employee Cost has gone up from Rs. 598 Crore to Rs. 619 Crore means by Rs. 21 Crore. The increase is mainly due to increase on account of increment, promotion, etc. by Rs. 30 Crore, which is partly offset by decrease in expenditure on account of superannuation of employees.

During Q2 FY'24, the Employee Cost has gone up from Rs. 291 Crore to Rs. 321 Crore means by Rs. 30 Crore, which is mainly on account of increment, promotion, etc.

- During Half Year FY'24, there has been decrease in the Finance Cost from Rs. 244 Crore to Rs. 229 Crore means by Rs. 15 Crore, which is mainly due to change in rate of interest.

During Q2 FY'24, there has been increase in the finance cost from Rs. 107 Crore to Rs. 115 Crore means by Rs. 8 Crore due to higher interest on short-term loans.

- During Half Year FY'24, the Depreciation and Amortization Expenses have come down from Rs. 571 Crore to Rs. 553 Crore means by Rs. 18 Crore, which

is mainly due to completion of 12 years of life of Sewa-II Power Station in FY 2022-23.

During Q2 FY'24, the Depreciation and Amortization Expenses have come down from Rs. 284 Crore to Rs. 277 Crore means by Rs. 7 Crore, which is again mainly due to completion of 12 years of life of Sewa-II Power Station in FY 2022-23.

- During Half Year FY'24, Other Expenses have come down from Rs. 858 Crore to Rs. 725 Crore means by Rs. 133 Crore, which is mainly due to impairment of investment of Rs. 106 Crore in respect of Loktak Downstream Hydroelectric Power Corporation, a subsidiary company during corresponding previous period. Further, CSR Expenses have also decreased by Rs. 39 Crore.

During Q2 FY'24, Other Expenses have gone up from Rs. 352 Crore to Rs. 355 Crore showing marginal increase.

- During Half Year FY'24, MAT Credit of Rs. 529 Crore has been recognized and MAT Credit of Rs. 175 Crore has been utilized during the period. This has resulted in a positive impact of Rs. 354 Crore on the PAT of the Company.

During Q2 FY'24, MAT Credit of Rs. 519 Crore has been recognized and MAT Credit of Rs. 77 Crore has been utilized during the period. This has resulted in a positive impact of Rs. 442 Crore on the PAT of the Company.

- During Half Year FY'24, we have earned PAT of Rs. 2,500 Crore as against Rs. 2,483 Crore of corresponding previous period, which is up by Rs. 17 Crore or 1% approx. And the reasons for decrease and increase in the line items, we have just discussed.

During Q2 FY'24, we have earned PAT of Rs. 1,447 Crore as against Rs. 1,433 Crore of corresponding previous period, which is up by Rs. 14 Crore or 1% approx. and the reasons for decrease and increase in the line items, we have just discussed.

- During Half Year FY'24, the Incentive position is as under:-

We have earned Secondary Energy to the tune of Rs. 6 Crore as against zero in the corresponding previous period. PAF based Incentive is zero against Rs. 353 Crore in the corresponding Half Year. Deviation Charges are Rs. 21 Crore

as against Rs. 119 Crore in the corresponding previous period. So, total of three incentives during current Half Year is Rs. 27 Crore as against Rs. 472 Crore in the corresponding previous Half Year.

During Q2 FY'24, the incentive position is as under:-

We have earned Secondary Energy of Rs. 6 Crore as against zero in the corresponding previous period. PAF based Incentive in the current quarter is zero against Rs. 181 Crore in the corresponding previous period and Deviation Charges are Rs. 10 Crore against Rs. 47 Crore in the corresponding previous period. So, total of three incentives is Rs. 16 Crore as against Rs. 228 Crore in the corresponding previous period.

The PAF based Incentive for the quarter and Half Year is nil due to change in methodology for recognizing incentive income. The PAF Incentive shall be recognized once capacity charges of a particular power station is fully recovered. So, it will be back-ended.

- CAPEX of Rs. 4,095 Crore has been incurred during Half Year'24 against target CAPEX of Rs. 10,857 Crore for FY'24 on consolidated basis.
- Other major highlights of the company are as under:-

On realisation front, NHPC has received Rs. 5,065 Crore from the beneficiaries against sale of power during Half Year FY'24 as compared to Rs. 3,800 Crore in the corresponding period of previous year. Trade receivables as on 30th September'23 stands at Rs. 5,970 Crore as against Rs. 5,850 Crore as on 30th September'22. This includes Rs. 2,685 Crore as Unbilled Debtors as on 30th September'23 as against Rs. 2,751 Crore as on 30th September '22.

The net receivables out of total Reported Trade Receivables as on 30th September'23 are as under:-

Total reported Trade Receivables are Rs. 5,970 Crore. Out of that, Unbilled Debtors is Rs. 2,685 Crore. So, balance billed receivables are Rs. 3,285 Crore. The break-up of bills receivable is as under:- Debtors for bill discounting is Rs. 965 Crore for which we have already received the cash but due to accounting compulsion, it will be reversed in the coming period on repayment of the instalment by the discoms. So, it is coming as outstanding as on date. Debtors'

dues converted to instalments under the Late Payment Surcharge Rules, it is Rs. 1,132 Crore. This amount is being realised in instalments as per the Ministry of Power orders. So, net amount due is only Rs. 1,188 Crore and out of that, dues more than Rs. 367 Crore.

Unbilled debtors mainly include Impact of AFC billed as against AFC claimed as per Regulation 2019-24 including Security Expenses of Rs. 1314 Crore, Unbilled sale for the month of September of Rs. 744 Crore and Water Usage charges of Rs. 469 Crore etc. So, all these three items will be billed in the coming period.

Net trade receivables as on 5th November'23 stands at Rs. 1,124 Crore, which includes more than 45 days dues of Rs. 142 Crore only.

- On physical front, as we have been sharing that the active construction work at Subansiri Lower Project site is going on in full swing, I am very hopeful that we can commission two units of the project in fourth quarter of current financial year and remaining six units are expected to be commissioned one-by-one by May '25. The estimated cost of the project is Rs. 21,248 Crore out of which, we have already incurred Rs. 19,459 Crore till September'23. The estimated levelised tariff based on the anticipated cost is Rs. 5.6 per unit.
- In respect of Parbati-II HE project, we have achieved a major milestone towards full commissioning by the day lighting of 31.5 km long Head Race Tunnel of the project. We are trying our best to complete the project by September'24. The anticipated cost of the project is Rs. 11,063 Crore out of which we have already incurred Rs. 10,686 Crore till September'23. The estimated levelised tariff of this project will be around Rs. 6.09 per unit.
- In respect of Dibang Multipurpose Project, lot 1, lot 2, lot 4 and lot 6 packages have already been awarded to different contractors related to package for design engineering and infrastructure work, construction of HRT and works have already been awarded. The balance packages which are yet to be awarded are relating to civil work of dam and three packages of hydro-mechanical works. These packages will also be awarded in current financial year itself. The estimated cost of the project is Rs. 31,876 Crore, which includes grant of Rs. 6,735 Crore from Government of India for flood moderation and enabling infrastructure works, out of which we have already incurred Rs. 2,268 Crore

till September'23. Further, estimated levelised tariff of the project is Rs. 4.46 per unit and the scheduled completion of the project is February'32.

- In respect of Lanco Teesta Hydro Power Limited consisting Teesta 6 project of 500 megawatt, work was progressing well at site. However, due to flash flood in the region on 4th October'23, the work was affected to some extent. However, all assets and works of the project are ensured under Construction All Risk Policy. The estimated cost of this project is Rs. 5,748 Crore, out of which we have already incurred expenditure of Rs. 2,974 Crore till September'23. Estimated levelised tariff of the project is Rs. 4.07 per unit and expected commissioning schedule of the project is August '26. Further, we are in the process of merger of Lanco Teesta Hydro Power Limited with NHPC and second motion application has already been filed with MCA.
- Jal Power Corporation Limited consisting Rangit IV project of 120 megawatt is also progressing well. The estimated cost of the project is Rs. 938 Crore out of which we have already incurred expenditure of Rs. 792 Crore till September'23. Estimated levelised tariff of the project is Rs. 4.37 per unit. Further, we are in the process of merger of this company also with NHPC. The project is expected to be completed by August'24.
- In respect of Ratle HE project, UT of J&K of 850 megawatt capacity, that work is going very well at the project site. The estimated cost of the project is Rs. 5,282 Crore and we have incurred expenditure of Rs. 431 Crore till September'23. Estimated levelised tariff of the project is Rs. 3.92 per unit and the project is expected to be completed by May'26.
- Presently, NHPC through its subsidiary company i.e. CVPPPL is executing three projects in Chenab basin of UT of J&K. Construction work at Pakal Dul 1,000 megawatt project is progressing very well. The estimated cost of the project is Rs. 8,112 Crore out of which we have incurred expenditure of Rs. 3,410 Crore till September'23. Estimated levelised 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 624 megawatt, we have incurred expenditure of Rs. 1,314 Crore till September 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 of the project is March'26.

In respect of Kwar hydroelectric project of 540 megawatt capacity, the work is progressing very well at site. The estimated cost of the project is Rs. 4,526 Crore out of which we have incurred expenditure of Rs. 497 Crore till September'23. Estimated levelized tariff of the project is Rs. 4.44 per unit and the project is likely to be completed by November'26.

Apart from above under construction projects, NHPC is also working on some projects such as Teesta-IV 510 megawatt, Sawalkot 1,856 megawatt, Uri-I, Stage-II 240 megawatt, Dulhasti. Stage-II 260 megawatt, Kirthai II 930 megawatt and Dugar project 500 megawatt which are at different stages of clearances.

- In respect of our hydroelectric projects in Nepal, DPR preparation is under progress for 750 megawatt West Seti project and the Inception Report submitted by NHPC has been accepted by Investment Board of Nepal in respect of 450 megawatt Seti River-6 hydroelectric project. Further, an MoU has been signed with Vidhyut Utpadan Company Limited, Nepal on 1st June'23 for development of Phukot Karnali Hydro Electric Project 480 megawatt in Nepal.
- PPAs for all under construction projects of NHPC including its subsidiaries have been signed or consent has been received from the discoms for the same.
- In respect of 1000 megawatt capacity solar power project, the work is progressing very well in respect of 300 megawatt project in Bikaner, Rajasthan and land acquisition is in progress in respect of 600 megawatt project in Gujarat and 100 megawatt project in Andhra Pradesh.
- NHPC is also exploring to develop some Pumped Storage Projects in the state of Andhra Pradesh, Odisha, Jharkhand, Madhya Pradesh, Gujarat, and Maharashtra. Following progress has been achieved by the NHPC in PSP so far:-

In Madhya Pradesh, Government of Madhya Pradesh has already allotted the Indra Sagar Omkareshwar 525 megawatt PSP to our subsidiary company i.e. NHDC on 7th June'23 and PFR has been submitted by NHPC to Central Electricity Authority on 13th June'23. Further PFR of Tekwa-2 Pumped Storage Project of 800 megawatt has also been submitted to Government of MP and CEA.

In Maharashtra, MoU has been signed with Department of Energy, Government of Maharashtra on 6th June'23 for the development of pump storage schemes and other renewable energy source projects in the state of Maharashtra. The MoU envisages development of four pump storage projects aggregating to 7,350 megawatt namely Kalu of 1,150 megawatt, Savitri 2,250 megawatt, Jalond 2,400 megawatt and Kengadi of 1,550 megawatt and other renewable energy source projects in the state. PFR of Savitri PSP has been submitted to Government of Maharashtra and CEA on 11th and 20th September'23 respectively and preparation of PFR of other three PSPs are under process.

In Odisha, MoU has been signed between NHPC and Government of Odisha through GRIDCO Limited on 23rd June'23 for development of pump storage projects and renewable energy in the state of Odisha. The MoU envisages setting up of self-identified pump storage projects of at least 2,000 megawatt and setting up of renewable energy projects which consists ground mounted as well as floating solar projects of 1,000 megawatt or above in the state.

In Andhra Pradesh, MoU has already been signed between Government of Andhra Pradesh and NHPC on 4th March'23 for investment for development of 2,000 megawatt PSPs in Andhra Pradesh in joint venture mode. In line with above MoU, NHPC signed an MoU on 27th August'23 with Andhra Pradesh Power Generation Corporation Ltd. for implementation of pump hydro storage projects and renewable energy projects under joint venture mode of Andhra Pradesh. The MoU envisages implementation of two identified pump storage projects namely Kamlapadu 950 megawatt and Yaganti 1,000 megawatt PSP in the first phase.

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

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is in the line of Marsal Lewis, an individual investor. Please go ahead.

Marsal Lewis: Yes, sir. Can you please advise that how much is our renewable portfolio? Currently, how much project we are executing? How much is already live? And what's our vision for the next two years, by the end of fiscal year'24-25?

RP Goyal: As of now, we have commissioned only two renewable energy projects, one 50 megawatt solar project and another 50 megawatt wind power project. We are in the process of construction of 1,000 megawatt solar project as of now at our own balance sheet and 65 megawatt is being developed in one of our subsidiary companies, i.e. Bundelkhand Saur Urja Limited. Another 88 megawatt is being developed in another subsidiary, i.e. NHDC. And we have just won a bid for 200 megawatt in Gujarat. So this is our portfolio as of now, which is under construction in the renewable sphere.

And we are not much aggressive on renewable energy front. We are basically a hydro company. But keeping at least 12% ROE, we will be taking solar or wind projects. Otherwise, we will not take up solar or wind project.

Moderator: Thank you. The next question is on the line of Krishna Duttar, an individual investor. Please go ahead.

Krishna Duttar: My question is regarding the dip in revenue in this quarter. Can you please explain?

RP Goyal: Dip in revenue?

Krishna Duttar: Yes.

RP Goyal: Our generation during this quarter was 9,010 million units against 10,138 million units in corresponding previous quarter. So it was down by 1,128 million units. That is why our revenue was lower in the current quarter – second quarter of current year.

Moderator: The next question is from the line of Marsal Lewis, an individual investor. Please go ahead.

Marsal Lewis: Yes, sir. Can you please advise regarding our portfolio of hydro, how much capacity is already live, how much capacity we are in the execution mode, and how much is, for example, in the pipeline for which the project is not yet awarded? And then can you also give, for example, what is the cost of project or cost of funds? Sorry, like total project cost, how much? And then whether everything is tied up or not?

RP Goyal: Mr. Lewis, we have already commissioned 6,971 megawatt in hydro and we are likely to commission our Parbati-II of 800 megawatt and Rangit-IV 120

megawatt in FY'24-25 and 2,000 megawatt will be added in FY25-26 by commissioning our Subansiri Lower Project 2,000 megawatt with 624 Kiru Project also in FY'25-26. In FY'26-27, we will be commissioning Pakal Dul 1,000 megawatt, Kwar 540 megawatt, Ratle 850 megawatt, and Teesta-VI 500 megawatt. And thereafter in hydro, we will commission our Dibang Project of 2,880 megawatt in 2031-32. So by end of 31-32, our total installed capacity in hydro will be 16,285 megawatt.

Marcel Lewis: And sir, how much is the existing capacity?

RP Goyal: Existing is 6,971 megawatt of hydro.

Marcel Lewis: And how much we are going to install during the current year, FY23-24, and FY'24-25? Remaining like you can say, remaining two quarters and FY'24-25?

RP Goyal: By March end, we will be commissioning two units of Subansiri but revenue will come in next year.

Marcel Lewis: No problem. I just want to know about the megawatt. So how much more megawatt you will commission during this year?

RP Goyal: By end of March 24, we will be commissioning 500 megawatt in respect of Subansiri Lower Project and rest units will come in FY'25-26.

Marcel Lewis: So 24-25, how much you will commission 24-25?

RP Goyal: By end of 24-25, we will be commissioning around 2,500 megawatt.

Marcel Lewis: So means, no, like other than this for 25-26, you said 2000 one and 644 one. So that is separate?

RP Goyal: This comes in 800 megawatt Parbati-II, Rangit-IV 120 megawatt, and 6 units of Subansiri. 6 units means 1,500 megawatt. So 1,500, 800 and 120, it will be around 2,420 megawatt.

Marcel Lewis: Okay, sir. And then, sir, what about this, the cost of funds, like the entire funding is tied up or like do you see any, for example, okay, let me take one more question. So for example, the project under execution, which will be commissioned during 2023-2024, 2024-2025, 2025-2026, whether the entire required project cost has been funded, has been sanctioned?

RP Goyal: As per CERC regulation, our funding pattern is 70-30. 70% is Debt and 30% from our internal accruals, equity part. So, we raise loans on our balance sheet strength and there is no issue of financing. We have complete tied up for loan part, and we have sufficient internal accruals for infussing equity part. So, there is no issue of funding.

Marcel Lewis: So, sir, like regarding, because see now we need to go very, like, you know, fine-tune our cost. So since you have got many projects in the hand, so are you able to secure some better interest rate like for the new loan you are getting?

RP Goyal: We are raising loans at the cheapest rate. Recently we have raised Rs. 2,000 Crore loan at the rate of 7.54% per year, and that is variable. And we are keeping clause regarding prepayment at any time without any repayment charges. So, we are able to raise the loan at the cheapest rate in the market.

Marcel Lewis: What rate did you say, sir? Like, a little bit of a disturbance, I couldn't hear. What was the interest rate?

RP Goyal: Interest rate is 7.54%.

Marcel Lewis: Oh, very good, very good, very good, beautiful, beautiful. And then this, other than this, any cost escalation? Any cost escalation? Just like, let me finish, let me finish, one second.

RP Goyal: Cost escalation is generally pass through in the tariff.

Marcel Lewis: Okay, very good, sir, very good. So like one suggestion, sir, your PPT is not available in the stock exchange. Since you are such a big company having thousands of megawatts of like power projects, I think PPT, if you can give, we can get all information with PPT, sir.

Management: Yes, so basically PPT is available at our website, nhpc.co.in. Even for 10 years, you can access those PPT.

Marcel Lewis: Sir, I tried, every time we are trying, Yes, it's not very user-friendly also. So what is the harm if you can send one PPT copy?

Management: Yes, Yes, Yes, we have been...

Marcel Lewis: Everybody send them, sir.

- Management:** No issue. We have been sharing with BSE, NSE also and this time also we'll share, don't worry.
- Marcel Lewis:** No, no, I'm saying please share this before the commencement of
- Management:** We have noted your suggestion and it will be done.
- Management:** Immediately after con-call, we'll share our PPT.
- Marcel Lewis:** Not after con-call, you should -- you must do before it, so that we can read it and then we can ask only basis of that.
- Management:** Okay, noted.
- Moderator:** Thank you. The next question is from the line of Dhruv Machal from HDFC, AMC. Please go ahead.
- Dhruv Machal:** Yes, sir. Thank you so much. Sir, the first question is, the levelized tariff for two projects have increased marginally although, but have increased despite the project cost remaining the same versus what you were communicating last two quarters. So what's causing this increase?
- Management:** So basically, you see, Parbati-II, it was earlier 6.14. It has been decreased now to coming around Rs. 6.09. So there is slight reduction in the capital cost of Parbati-II.
- Dhruv Machal:** Okay. 6.09. I thought it is 6.9. It is 6.09.
- Management:** 6.09. And Subansiri, we have been sharing at the same level. So, there is not much change in Subansiri, per se.
- Dhruv Machal:** And sir, the second question is the unfortunate thing with Teesta VI, I think now. So you have already spent Rs. 2,900 Crore and I think a large part of that will, you'll have to reconstruct is what our basic understanding is. So do you get the whole amount from insurance company or how does this work?
- RP Goyal:** Mr. Dhruv, there is no loss to our already constructed part of the project. Only loss is in shape of filling up debris in our reservoir, our tunnel and washing out of our one of the stores. So there is no much loss. We estimate the loss at around Rs. 250 Crore and it is fully insured through our Contractors All Risk Policy.

- Dhruv Machal:** Okay. So the loss of Rs. 250 is insured and you will recover that amount?
- RP Goyal:** Yes.
- Dhruv Machal:** And sir, the last question is on the MAT credit. So you have a negative tax amount this quarter. So, does it lead to a benefit on PAT or it becomes a pass-through in tariffs?
- RP Goyal:** No. It will be in the benefit through PAT. MAT pertains to NHPC only. It is not a pass-through to beneficiaries.
- Dhruv Machal:** Okay. But I thought whatever tax impact you have to ultimately get effective tax, it does not become a pass-through in tariffs?
- RP Goyal:** Generally, MAT credit or any tax item is pass-through in the tariff. But the tariff period for 9-14, there was a clause that whatever tax you have taken, that is final. So in 9-14 period, we had paid higher tax for MAT. That's why we are able to recognize MAT credit and taking benefit of that.
- Dhruv Machal:** Okay. Probably, I will understand this better, sir, from you later. Thank you so much and all the best. Thanks.
- Moderator:** Thank you. The next question is from the line of Abhishek Khanna from Kotak Securities. Please go ahead.
- Abhishek Khanna:** My all questions answered. It was on the MAT credit only. It's been answered. Thank you.
- Moderator:** Thank you, sir. The next question is from the line of Abhineet Anand from Kriti Investments. Please go ahead.
- Abhineet Anand:** On the pump storage hydro, any of the projects where elementary study has been done and what tariff does it imply?
- RP Goyal:** We have prepared our PFR for Indira Sagar and Omkareshwar Project and the tentative tariff for generation, it is coming around Rs. 5 per unit and the pumping cost will be additional.
- Abhineet Anand:** What that number could be, sir?
- RP Goyal:** You can take Rs. 2.75 maximum.

Abhineet Anand: So, effectively, the overall tariff will be anywhere like Rs. 8. And this is for what period, sir? I mean for four hours, is there something like that count?

RP Goyal: Six hours.

Abhineet Anand: Six hours of peaking?

RP Goyal: Yes.

Abhineet Anand: Okay. Thanks. That was my question.

Moderator: Thank you. The next question is from the line of Bhavesh Patel from Patel Investments. Please go ahead.

Bhavish Patel: Thank you for the opportunity and good performance. My question is about confirmation on our cost of equity. We expect in terms of the return on the equity around 12% or so. And the second part is overall general La Nina condition, do we expect similar situation even next year? And will that impact our generation? In case you can answer, that will be good. Thank you.

Management: Yes, certainly. So, you see, if you look at the cost of equity of the company, so that is basically your perspective, how much what you call the market rate of return. If you take 10 years, 15 years, accordingly it will vary. Accordingly, if you consider five years beta or one year beta, so accordingly it will vary. But broadly, I can share with you the cost of equity, you can consider about 12%.

Bhavish Patel: Okay. Thank you. And about La Nina condition, because people are expecting that even next year, the water or the rain might be lesser. So, will that impact our generation like it has done this year?

Management: Yes. So, if you look at the design energy, it is designed in such a way that if in any particular financial year, we are not able to achieve the design energy, there is a provision in CERC regulation to claim shortfall of energy also. So, if generation is not more than design energy, certainly there will be loss of incentive. So, broadly, whatever return on equity we are earning as of now, which is broadly 16% to 16.5% and if you add on incentive, that goes up to 19% to 20% also. So, in case of water availability is an issue, that much return cannot be achieved, but 16.5% kind of insulated return you can.

Bhavish Patel: All right. That helps. Thank you very much.

Management: Sure.

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

Rupesh Sankhe: Yes. Sir, couple of questions from my side. Firstly, in the last two quarters, our incentive income is almost nil. So, how do we see the incentive incomes in the coming quarters? Because we do see that availability factor will be lower than the last 2Q FY23. That was the first question.

And secondly, sir, now we have a huge pipeline on the renewable energy side, as well as the hydro projects, pump hydro storage. So, how do we see the equity contribution? Are we comfortable position to have for equity contribution? Or we need to have some equity dilution going right?

Management: Yes. So, first question regarding incentive, Rupesh, we have been sharing that the accounting or method of recognition of incentive has been changed. Earlier, we used to recognize the PAF incentive also on monthly basis. So, we found that in later half of the year, when PAF is basically lower than even the trend of PAF in first six months, So negative numbers even goes in negative. So, that does not show the true picture of the incentive number. That is the reason we changed our accounting. Now, we will start recognizing incentive income. Definitely, incentive income would be there depending upon our actual PAF. But that will come in second half year of the financial year. Because in first half year, our focus is on recovery of capacity charges. In the same line, if you remember earlier, we used to recognize even secondary energy also simultaneously but we changed it. Once design energy achieved for a power station, then we started recovering secondary energy. So, in the similar line, now accounting for PAF incentives also has been changed. Are you clear with that?

Rupesh Sankhe: Yes, sir. On the capex side? Yes.

Management: Now, capex side, you see, as of now, our average capex is in the range of Rs. 8,000 to Rs. 10,000 Crore, right? It is on consolidated basis. And in most of our projects under subsidiaries, like we have already contributed 100% equity in Teesta-VI, 100% equity in Rangit-IVs, 100% equity in Pakal Dul, Kiru.

So, going forward, our equity contribution in our subsidiary companies are not much. Even at a standalone level, if you look at the equity requirement, it will

vary between Rs. 2,500 to Rs. 3,000 Crore max. That much equity is freely available with NHPC even after having discharge obligation of repayment of loan and dividend distribution to the shareholder. So, NHPC is quite comfortable so far equity component is concerned.

Rupesh Sankhe: Okay, sir. On the pump hydro storage that JV we have formed with Andhra Pradesh, how it will be the economics there in terms of return on equity?

RP Goyal: Return on equity will be as per hydro projects only, and it will be 16.5%.

Rupesh Sankhe: Okay, thank you, sir.

Moderator: Thank you. We will move to the next question that is on the line of Mohit Surana from Monarch Network Capital. Please go ahead.

Mohit Surana: Hello, sir. My question is more general and related to realizations. In years when we have generation more than the design capacity, the extra energy that we produce, does that go at the same realization at the same average selling price set by the regulator? I mean, the tariff or the tariff would be very low for the extra generation.

RP Goyal: No, no, secondary energy, which is beyond the design energy, it goes at the rate of maximum Rs. 1.20 per unit or the energy charges, whichever is lower. So, it is not the same rate.

Mohit Surana: You said Rs. 1.20 per unit.

RP Goyal: Maximum. If the energy charges are low, then it will be at the rate of energy charges only.

Mohit Surana: Understood. Thank you.

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. So, 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. And happy Diwali to everyone.

RP Goyal: Thank you. Thank you, Mr. Rupesh, and happy Diwali to you and all the investor community. Thank you.

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

Management: Thank you so much.