



“SJVN Q3 and 9M FY 2016 Results Conference Call”

February 4, 2016



MANAGEMENT:

**MR. R. N. MISRA – CHAIRMAN AND MANAGING
DIRECTOR – SJVN LIMITED**

**MR. A. S. BINDRA - DIRECTOR (FINANCE) - SJVN
LIMITED**

ANALYST:

MR. DEEPAK AGRAWALA – ELARA CAPITAL



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Moderator: Ladies and gentlemen good day and welcome to SJVN Q3 and nine months FY'16 results 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 the 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. Deepak Agarwal from Elara Securities. Thank you and over to you Sir!

Deepak Agrawala: Thanks Ali. Good afternoon everyone. On behalf of Elara Securities we welcome you all for three-month Q3 and 9M FY16 results of SJVN Limited. I take this opportunity to welcome the management of SJVN represented by Mr. R N Misra, the Chairman and Managing Director and Mr. A S Bindra, Director Finance. We will begin the call with a brief overview of the management followed by Q&A session. I will now hand over call to Mr. Misra. Over to you Sir!

R.N. Misra: Good afternoon Deepak and everybody. During this quarter ending December 2015 our income from operation was 482.32 Crores against the income of 546.7 Crores during the corresponding quarter of last year. This drop is on account of one fact that during this quarter of last year that is December 2014 quarter we had received arrears of 72.44 Crores for the Rampur hydroelectric project and if we remove that amount then in that case here is an increase in the revenue because this year no arrears have been received.

The gross total income during this quarter has been 572.78 Crores against the last year figure of 642.94 Crores for the same quarter, again there is a drop of 70.16 Crores but it is for the same reasons that last year we had received 72.44 Crores as arrears for Rampur project, if that amount is taken out then you will see that there is actually increase in the gross total income. During this quarter the total generation from the Nathpa Jhakri, Rampur and wind power project has been 1284.64 million units against 1173.48 million units during the same quarter of last year meaning that there is an increase in generation by 111 million units which comes to be 9.48%. During this quarter the plant availability factor of Nathpa Jhakri hydropower project has been 102.81 against last year's 108.1. It is on account of the reason that during this year we have undertaken our maintenance from the month of November itself and last year the maintenance was taken in the month of January and for Rampur project during this quarter the plant availability factor has been 98.17 against last year's 99.12% which is a marginal decrease and this is again because of the reason that this year we have taken up the maintenance little early.

Coming to the nine months figure this year total revenue from operation is 2112.65 Crores against last year 2431.25 Crores showing a drop of 316.60 Crores by 13% but it is again I would like to tell that is



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during last year during those nine months we have received an arrear of 571.25 Crores. If that arrear is not considered it means that if you try to compare the similar thing but we cannot compare April to April, then last year revenue from operation was 1860 Crores without considering arrears and against that this year revenue from operation is 2112.65 Crores, it means there is an increase of 13.58% in the revenue from operation.

Coming to the total income this year nine month total income is 2570.78 Crores against last year income of 2653.97 Crores showing a decrease of 83.19 Crores but here again we have to not forget that during last year we had received an arrear of 570.25 Crores and if I do not consider that arrear during last year figure then there is an increase in the gross total income of 488 Crores, 23.43%. The profit after tax for nine months this year is 1231 Crores against last year's 1491 Crores, here there is an impact of the revenue of the last year which I already explained and coming to the generation during these nine months the total generation from our plants has been 8559 million units against last year generation of 6182 million unit which means there is an increase in the generation by 2377 million units. Coming to the plant availability factor during this year in the nine months it is 105.85% against last year 107.92% which is a marginal decrease which is on account of taking maintenance little early and the Rampur project this plant availability factor is 101.92% which was last year 98.1%. Rampur project plant availability factor in the last nine months have increased. In case of Nathpa Jhakri which has decreased because of the reason that we have taken the maintenance of the plant little early. So this is from my side about the results. Thank you.

Moderator: Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Mohit Kumar from IDFC Securities.

Mohit Kumar: Sir what is the cash position as at end of December 2015?

A.S. Bindra: 3573 Crores as on December 31, 2015.

Mohit Kumar: Sir how much is the receivable?

A.S. Bindra: Receivables is 1495 Crores.

Mohit Kumar: Sir, can you just tell us which are the states which have not paid where the dues are more than six months, what is the amount and break up state wise?

R.N. Misra: Out of these total dues at the end of the quarter December 2015 is 1495 Crores out of which 994 Crores is more than six months and balance is around 500 Crores and less than two months, more than two months is 994.72 Crores and balance 500 Crores is less than two months.



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- Mohit Kumar:** When will it take the entire dues to be cleared of 990 Crores, which are the states which have not paid you?
- R.N. Misra:** If you just compare the position with respect to September 2015 in September 2015 our total outstanding was 1675 Crores and this has reduced by approximately 180 Crores and from most of the states we have received the money and this has reduced a little; from Himachal Pradesh last quarter September quarter it was 708 Crores it has become now 652 Crores. From J&K of course it is almost at the same level 280 Crores had become 293 Crores and UP it was 299 Crores it has reduced to 239 Crores. If you see there is a decrease of 150 Crores it means that the current billing is being paid and from the earlier one 180 Crores have been liquidated.
- Mohit Kumar:** Sir do you think the participation of the states in the UDAY scheme will accelerate these dues to be paid in a couple of quarters?
- R.N. Misra:** We hope that this will accelerate. Four discoms have already signed and Rajasthan and UP are the discoms to whom we are supplying the power, they have already signed and this will have definitely a positive impact.
- Mohit Kumar:** Sir regarding capex how much have you incurred till date and what is the capex plan for FY'17 and FY'18 if you can give some color on which projects you are likely to spend?
- R.N. Misra:** FY 2015-2016 our capex was 800 Crores, out of that we have already spent 642.87 Crores it means 80% we have already spent. For FY 2016-17 we have planned a capex of Rs.1000 Crores.
- Mohit Kumar:** What about FY'18 and can you give us the breakup of the where the capital is spent and which projects. I am asking the breakup, I am also looking the number for FY 2018, also a breakup of the capital costs for FY 2016, 2017, 2018, which are the projects where there is some progress?
- R.N. Misra:** You can put other question in the meantime we are getting the figure for you on that from '16-'17 breakup and for '17 - '18 what is the capex.
- Mohit Kumar:** Sir what is UI income and incentive income during the quarter?
- R.N. Misra:** Yes, UI income during the quarter was 4.73 Crores.
- Mohit Kumar:** What is the incentive income sir on account of higher availability?
- R.N. Misra:** For the capacity incentive this figure is 42.57 Crores.



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- Mohit Kumar:** Okay So UI income is 4.73 and incentive is 42.57.
- R.N. Misra:** Yes.
- Moderator:** We will take the next question from the line of Amit B from HDFC Mutual Fund.
- Amit B:** Sir the first question is on the solar capacity you have a target of I think 47 MW by 2020 or 2022 so how are you planning to scale up that and out of this capex figures you are sharing of that how much is on the solar capacity and we are basically planning to go under which model, are we bidding in the current bids?
- R.N. Misra:** Amit, as far as solar is concerned what we have done is we have started already installing a project of 5 megawatt in Charanka, Gujarat. We hope that it will be completed in another two months to three months, it will start generating power. We have a plan for about 200 MW coming next year approximately we will be trying to put work on 200 MW of the solar power that entire capacity may not come into this thing but we will start working on that. Then the question is this thing that how we are planning for the solar, our plans are that number one we are identifying land like in Rajasthan we have already signed one MOU with the Rajasthan Saur Urja Company Limited and they have identified land in Jodhpur and Jaisalmer for a total capacity of 300 MW, so there we are identifying the land and they are putting up our plant and for that we will be inviting EPC contracts and putting up the plant and then assigning PPA and putting some methodologies to sell power to the discoms. Second thing is that there are certain bidding processes which are going on and there we are going to participate, the bidding which is being done by the states or the NTPC or FICCI, there also we will participate which means that we will be following both the methods. Next year for solar project of course we have put a figure of about 333 Crores but I told you that we will be working towards 200MW.
- Amit B:** Okay Sir out of 1000 Crores 333 Crores is only solar?
- R.N. Misra:** Yes solar.
- Amit B:** This is the total capex you are sharing not the equity part of it right?
- A.S. Bindra:** As far as project we are participating as a **(inaudible) 17.28** just like in Kholongchu Wangchu we have included only equity participation.
- Amit B:** Sir in case of wind if I look at this quarter of nine months you have done a revenue of I think 30 Crores for the nine months for the full year I think revenues will be somewhere around 33-34 Crores



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now if I look at 506 Crores of the capital invested in this business I think similar should be your depreciation cost assuming that this is complete equity, so there will be no interest cost, does that mean that you are not making any money on wind?

R.N. Misra: We are not losing in case of wind; our profit before tax is 14.59 Crores up to this December 2015 quarter.

Amit B: But sir then at what rate you are charging the depreciation on this asset.

R.N. Misra: Depreciation what we have charged in the wind, during these nine months we have charged a depreciation of 12.68 Crores.

Amit B: Last question is on Rampur project, I think CERC has given you a provisional order of 3109 Crores and the actual capital cost is 3890 Crores so wanted to check with you.

R.N. Misra: Actual capital cost will be approximately 4233 Crores.

Amit B: But you have filed the petition of 3890 Crores right?

A.S. Bindra: Other will be the capex additional capex that we booked.

Amit B: That you will be submitting the petition now for additional capitalization, so now basically are you recognizing the revenues based on what CERC has given you in terms of 3109 Crores or recognizing on the actual cost?

A.S. Bindra: We are recognizing the revenue on 3109 Crores and expenditure has been utilized on the actual cost.

Amit B: So that means Sir basically you losing out of 15.5% ROE some part of it because of the cost on the.....

A.S. Bindra: As per accounting principles whenever the actual income comes we will release that, the order there after only income will be decided. As far as expenses is concerned we are already recognizing the expenses, whatever billing will come that will be additional income.

Moderator: The next question is from the line of Mithun Patel from Laburnum Capital.

Mithun Patel: Thank you very much, two questions, one is our receivable cycle currently is about 7 to 8 months and I was just wondering if the all the discom reforms, UDAY and everything we read about would you expect in the coming few years that we might be able to shrink that and if so would that have a



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financial impact I mean when people delay payments to us is there interest that they have to pay if it is delayed beyond a certain point and second any evolution on the dividend policy or it continues sort of change in terms of visibility as far as we can see right now?

A.S. Bindra:

First question is regarding the receivables. As far as CERC guidelines are concerned it is very clear if the amount is not paid within 60 days they have to pay the interest also and after this some of the states have already joined UDAY, we are hoping that receivables will come down and of course whatever amount we are till today receiving everybody is paying the interest also. So there is no doubt that whatever the receivable will come it will come with the interest also.

Regarding dividend policy there was a Government of India guideline that infrastructure should pay minimum 30% of the PAT as a dividend. So we are paying much more than that in the last year. That is the dividend policy of Government of India for all the infrastructure sector last year and we are following that policy but whatever the board of director will decide dividend is paid by the board of directors.

Moderator:

We will take the next question from the line of Deepak Agrawala from Elara Securities.

Deepak Agrawala:

Sir can you give an update on each of the project on Buxar as well as both the Bhutan project what has been the development during the quarter that you would like to share and what is the visibility in terms of start of construction the capex that we are incurring in this in the next two years.

R.N. Misra:

In case of Buxar project during last quarter we have made payment for the land around 360 Crores for acquisition of land and this payment has reached to the level of district magistrate and the payment disbursement has already started and we are expecting that during this current month we should get the land in our possession that is what is our expectation. Once we get the land thereafter we will start or we will go for fencing the boundary and setting up temporary infrastructure and other offset of updation at DPR and other things are going on concurrently.

Regarding our Bhutan project in the Kholongchu project four packages of routes had been awarded and by now more than 60% of the formation part of the routes has been done. Two patches for bailey bridges have been awarded. Now we are making all the effort, documentation, making drawings and everything in an attempt to award the major works also during this year 2016 itself. So we expect that in another 12 months or so the major work at the Kholongchu project should start. There is another project Wangchu project. On that the JV agreement, shareholders agreement is yet to be signed between SJVN and Druk Green Power on that the discussions are going on.



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Deepak Agrawala: There is a fair bit of delay that we are seeing in starting a construction. So does it mean that that is the reason why the capex target has been curtailed for the next two years?

R.N. Misra: Not next two years you see that because of certain delay definitely it will have some impact on the capex target but next year capex targets are 1000 but next year what capex target is 3545 Crores and because most of the work we are expecting the work will be awarded then during next year our capex requirement will be quite high and the things will start taking shape.

Moderator: We will take the next question from the line of Jonathan Grocock from UEM. Please go ahead.

Jonathan Grocock: Three questions in the account place. First a simply one, could you give us the output in million units per plants for Nathpa Jhakri, Rampur and wind. Secondly are you going to seek a PPA before proceeding with the books of plants given the situation within India where you have many plants which do not have PPA and are struggling to sell the electricity generation, are you going to try and get this before proceeding with construction and finally with the cash accruing on the balance sheet is it not a case for the dividend payout to be greater than 30%. Thank you.

R.N. Misra: Could you repeat the first question?

Jonathan Grocock: The first question was with regards to the thermal plants on land acquisition. Are you going to get the PPA before signing EPC contracts and spending capital on the plant?

R.N. Misra: As far as running plants are concerned Nathpa Jhakri, Rampur and wind power on all these plants there is no issue of land acquisition. PPA is already signed. There is no problem about that. On Buxar Thermal Power project the land acquisition is going on and expected to be completed during this month, entire money has already been paid to the state government. PPA, we have already signed with the Government of Bihar. It will take this power at the CERC determined rate, 85% of power they will take it and next question was that because of the surplus there may be a case of dividend payout of more than 30%. This issue will be deliberated in the board and only then we will be able to tell we will be able to come up, of course this will be seen with respect to what may be our requirements of the future projects, how much money we require and from where that money will come because in your future project they require equity and we do not get any support from any other place. We have to do from internal resources. So for that infusion of the equity for our future projects we may have to keep the money with us but we are already paying more than 30% of the PAT as dividend, it can increase, what will be the figure that will be decided by the board at the opportune time.

A.S. Bindra: In the past year also we have paid much more than 30%. That was the record also. You can see that.



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- R.N. Misra:** We have been almost paying every year we have been paying more than 30% of the PAT. Last year it was 31.42% before that 36%, so the figure will be more than that.
- Jonathan Grocock:** I was more thinking towards 40% to 50% plus given you have very, very strong net cash balance sheet.
- R.N. Misra:** I cannot comment on this at this moment. It all will be decided in the board meeting. They have the authority to decide it.
- A.S. Bindra:** We are paying the same interim dividend of the last year even if the profit is less than the last year. Interim dividend is the same.
- R.N. Misra:** Interim dividend, we have declared 63 paisa that was the same we had declared last year also.
- Jonathan Grocock:** Thank you and also if you have the outputs for plants please. How many million units we generated?
- R.N. Misra:** During the last quarter 999.39 million units were generated at Nathpa Jhakri hydropower station, 281 million units were generated at Rampur hydropower station; 3.83 million units were generated from our wind power plant. If we take the entire nine months in that case from the Nathpa Jhakri we have generated 6700.7 million units, from Rampur we have generated 1814 million units and from wind we have generated 44.41 million units.
- Moderator:** We will take the next question from the line of Neeraj Dardia from Multi-Act Equity Research.
- Neeraj Dardia:** Hello, thanks for the opportunity, I had just one small question on debtor side. Basically we have 650 Crores as receivable from Himachal Pradesh. How long will it take for us to get majority of our dues and as I can recall last time you had said that by March 2016 we should be getting most of our dues. So is it on track?
- R.N. Misra:** We hope so. We have been discussing and during discussions they have told that they are going to liquidate it, we hope so.
- Neeraj Dardia:** Most of this could be greater than six month right outstanding for more than six months.
- R.N. Misra:** 554 more than two months.
- Moderator:** We will take the next question from the line of Mohit Kumar from IDFC Securities.



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- Mohit Kumar:** Couple of clarification Sir. On Nathpa Jhakri are you booking sales on provisional basis, in the sense what we are billing are we booking like what we are charging at the end of March 2014 or are we booking as per CERC tariff regulation of 2014-19?
- A.S. Bindra:** We are booking the amount as per the CERC regulation 2014-19 on the amount cost of Rs.8.28 Crores that is whatever has been given by the CERC till today. Whatever petition we have filed that is not taken into consideration while booking the tariff.
- Mohit Kumar:** What is the status of final tariff order for Nathpa Jhakri and Rampur for 2014-19?
- A.S. Bindra:** 2014-19 for Rampur also we have already filed petition for 4233 Crores 3837 Crores which is going to be revised to 4233 Crores which is already with the approval CA has already verified cost and it is with CERC and for Rampur also there was one petition, already there was a date last month also. Next date has been fixed as 25th for Nathpa Jhakri. On that day it will be decided. We can say within this month within this financial year or maximum next year in the beginning itself it may be decided for the Nathpa Jhakri.
- Mohit Kumar:** Do we have the PPA for solar capacity of 200 megawatt which is putting up in Rajasthan?
- A.S. Bindra:** Till date no.
- Mohit Kumar:** If we sign PPA how tariff will be decided?
- R.N. Misra:** Number one with the state government we have to talk with them. They may agree for certain figures which are acceptable to both that could be the figure. For these projects some bids are being invited there we can bid and then that will form the basis of the PPA.
- Mohit Kumar:** What was P90 and P75 for the wind power and are we falling short of what we have envisaged that if I remember the figure correctly that say that we will the P90 were roughly around 85 MoU but we have generated till date MoU from the entire capacity.
- R.N. Misra:** Yes for wind our estimated generation was 85 million units and this year it has been only 44 million units. The reason is that what happened that during this year because of certain weather conditions during that area because there have been very less rainfall and therefore wind availability was also less and because of the less wind availability the generation of the power from the wind turbine have been less. So we were not able to achieve that 85 million units of the estimated generation this year.
- Mohit Kumar:** What is the P90 and P75 figure for the wind energy capacity?



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- R.N. Misra:** We normally have the estimated figure of 975 that we use in case of hydro but not in case of wind.
- Moderator:** We will take the next question from the line of Chirag Vekaria from Budhrani Finance.
- Chirag Vekaria:** Sir just wanted to know what is the PAF UI charges that capacity incentive for Nathpa Jhakri, Rampur and Khirvire projects for Q3 2016 and Q3 2015, both the model Q3 2016 and Q3 2015?
- R.N. Misra:** Q3 2016 for Nathpa Jhakri the PAF for this just last quarter was 102.81% which was in the earlier year it was 108.10%. UI charges for this year what you call Q3 2016 2.87 Crores and in Q3 2015 it was 3.80 Crores and you are interested in knowing subsidy incentive that for Nathpa Jhakri for Q3 2016 it is 29.64 Crores which was 41.88 Crores in Q3 2015.
- Chirag Vekaria:** Sir similar for Rampur and Khirvire project?
- R.N. Misra:** For Rampur for Q3 2016 the plant availability factor was 98.17% which was in Q3 2015 99.12%. The UI charges during Q3 2016 is 1.86 Crores which was 1.53 Crores in Q3 2015 and the capacity incentive during Q3 2016 is 12.93 Crores which was 11.80 Crores in Q3 2015 for Rampur.
- Chirag Vekaria:** Do we have that number for Khirvire?
- R.N. Misra:** For Khirvire there are no such plant availability factor or UI or incentive charges. There we get a totally energy figure of energy rate of Rs.5.81 per unit generated and GBI generation based incentive.
- Chirag Vekaria:** Sir cash and debt on books as on December 2015.
- A.S. Bindra:** As I already told you as on December 2015 cash 6573 Crores and inventory is that the pay receivable is 1495 Crores.
- Chirag Vekaria:** Debt position?
- A.S. Bindra:** Total long term borrowing is 2477 Crores.
- Moderator:** We will take the next question from the line of Deepak Agrawala from Elara Securities.
- Deepak Agrawala:** Sir did you get the breakup of the capex which you were mentioning in the earlier part of the call.
- R.N. Misra:** Capex for next year we have planned 155 Crores I will give you the major figure. 55 Crores for Rampur project some of the payments which are left out, 200 Crores for Buxar thermal power plant and 333 Crores for solar power plant and 60 Crores for construction of our office building, 70 Crores



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for wind power plant we are going to bid for that and 53 Crores for Devsari projects for which we are expecting the clearances may come quickly.

Deepak Agrawala: Nothing for Bhutan?

R.N. Misra: For Bhutan we have kept 19 Crores for Kholongchu and 9 Crores for Wangchu but this figure may increase.

A.S. Bindra: This is only equity portion

Deepak Agrawala: Sir what has been the progress on the case that is pending with Himachal Pradesh for the receivables?

R.N. Misra: That issue is in the court and I think next date is somewhere in the month of February, then it will come before court and this will be decided, so far the same status that you know is continuing.

Deepak Agrawala: When is the next hearing scheduled?

R.N. Misra: I do not know I do not remember the exact but it is in the month of February.

Moderator: As there are no further questions I now hand the conference over to Mr. Deepak Agrawala for closing comment.

Deepak Agrawala: We thank Mr. Misra and Mr. Bindra for giving us an opportunity to host this call. We also thank all the participants for joining this call. Over to you Sir for any closing comments.

R.N. Misra: Thank you very much. We are performing in a manner so that we give good power, clean green power to the country and also we keep our financial position sound and looking at the growth of the company coming up with new project in the renewable sector and we need your good wishes for our growth, prosperity and progress. I thank all of you for being with us during this conference. Thank you very much.

Moderator: Thank you. On behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.