



“SJVN Limited Q1 FY-16 Results Conference Call”

July 31, 2015



MANAGEMENT: **MR. R. N. MISRA – CHAIRMAN AND MANAGING DIRECTOR,
SJVN LIMITED**
MR. A. S. BINDRA – DIRECTOR FINANCE, SJVN LIMITED

MODERATORS: **MR. DEEPAK AGRAWALA – ELARA SECURITIES PRIVATE
LIMITED**



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Moderator: Ladies and gentlemen good day and welcome to the SJVN Limited Q1 FY16 Results Conference Call hosted by Elara Securities Private Limited. As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. I hand over the conference now to Mr. Deepak Agrawala from Elara Securities Private Limited. Thank you and over to you sir.

Deepak Agrawala: Thanks Vikram. Good afternoon everyone. On behalf of Elara Securities, we welcome you all for the Q1 FY16 conference call for SJVN Limited. I take this opportunity to welcome the management of SJVN, represented by Chairman and Managing Director-Mr. R. N. Misra, Director Finance-Mr. A. S. Bindra and their entire team. We will begin the call with a brief overview by the management followed by a Q&A session. I will hand over the call now to Mr. Misra for his opening remarks. Over to you Sir.

R. N. Misra: Thank you very much Deepak. During this quarter Q1 2015-16 our operational income has been 776.29 crores which is 15% more than last year's 1st Quarter. The total gross income has been 920.35 crores which is 24.53% more than the last year's quarter. The profit before tax was 594.47 crores which is 15.12% more than the last years 1st Quarter PBT. The profit after tax was 484.43 crores which is 14.17% more than the profit after tax during last year's 1st Quarter. The EPS during this quarter has been 1.17 as compared to 1.03 of the last year's quarter. The generation during this quarter has been 3375 million units as compared to 2405 million units during last year's quarter which is approximately 40% increase. The plant availability factor at Nathpa Jhakri Hydro Project Power Station is 108.03% which was 105.75% during last year's 1st Quarter and in the Rampur Hydro Electric Project the plant availability factor was 104.6% as compared to 98.52% during last year's 1st Quarter. Overall results have been quite encouraging and quite good. Thank you very much.

Moderator: Ladies and gentlemen we will now begin the question and answer session. We have our first question from the line of Mr. Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: First regarding the Note no.5 of the result. There is a mention of other income finance cost inclusion amount of 41 crores. This 41 crores is part of other income or the finance cost and can you just throw some color on this particular line item?

R. N. Misra: This 41, you are finding in the other income, the increasing the other income we have reported as 79.69 crores which consist of two parts, one is increase on account of realization of interest on the arrear billing, 29.18 crores this and other component is 41.17 crores, this component is the increase because of the exchange rate fluctuation in the foreign exchange loan which we have taken from the World Bank in the dollars on that loan it is this exchange rate fluctuation.



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- Mohit Kumar:** Is this loan for Rampur?
- R. N. Misra:** Its loan for Rampur.
- Mohit Kumar:** Is there any part of this included in the finance cost?
- A. S. Bindra:** Full amount has been included, including the finance cost also.
- Mohit Kumar:** It has increased your PAT by 41 crores, am I right?
- R. N. Misra:** Actually what has happened that when we are billing the exchange rate variation is a pass on item so in the tariff it is passed on, therefore, it comes towards as income. But when we take as cost there also this amount is reflected because this is a cost towards because of the foreign exchange rates variation.
- Mohit Kumar:** This is also accounted in top-line, also accounted in the cost?
- R. N. Misra:** Yes actually it nullifies if you see.
- Mohit Kumar:** Can you give us the breakup of the UI income and the incentives which you would have earned in this quarter?
- R. N. Misra:** In UI in case of Nathpa Jhakri project we have earned an UI of 3.76 crores and the capacity incentive which we have earned at Nathpa Jhakri project is 41.15 crores. In case of Rampur project we have on an UI of 3.79 crores and the capacity incentive of 17.86 crores.
- Mohit Kumar:** Have you accounted for any secondary energy in this quarter?
- R. N. Misra:** No secondary energy, actually secondary energy comes into play during the 3rd and 4th Quarter so the design energy has been regenerated.
- Mohit Kumar:** Is it possible to give the breakup of the revenue from Rampur and from Nathpa Jhakri and from the wind power projects, is it possible to breakup?
- R. N. Misra:** Revenue from Nathpa Jhakri 577.39 crores, from Rampur it is 184.13 crores and from Wind it is 12.70 crores. If you add all, the total it will become 774.22 crores, another 2 crores is what is shown we have earned incomes through consultancy.
- Mohit Kumar:** Right now I believe that you are booking the entire revenue for Rampur on provisional basis.
- R. N. Misra:** Yes, Rampur whatever orders we have received only provisional orders from CERC and accordingly we are doing.



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- Mohit Kumar:** Right now the annual fixed charge for the year is around 520 crores so in case if you get the full capital cost approval what would be the annual fixed charge for the FY16, is it possible to quantify that number?
- R. N. Misra:** Exactly I cannot tell you but I think it should be somewhat (+600) crores.
- Mohit Kumar:** What are your plans in the renewable sector in the FY16 and are you planning any further capacity and addition in wind, solar so likely to award tenders this particular fiscal year?
- R. N. Misra:** In FY15-16 we are trying to put one solar power plant of 5 MW at Charnaka that we are trying. Rest we are also exploring the areas like Kharaghoda, Sambhar Salt and also we have done an MoU with SECI and according to which SECI will arrange for us the land, provide us technical support and get the PPA etc done for about 500 MW of the solar power station. These are the plans and we have also committed 1000 MW solar power with the Government of India that we will be doing 1000 MW in next five years. As far as FY16 is concerned I don't expect any substantial capacity and addition but I expect that certain works will start and we should be able to make some substantial expenditure on the solar power but the capacity addition is not expected during this year.
- Mohit Kumar:** To you foresee doing any investment in the wind sector in FY-16?
- R. N. Misra:** The wind sector also we are trying to set up 150 MW wind power plant that we are trying, for that we have already invited the tender documents for consultancy, on that the work is going on, to a point the consultant and to take the things further on.
- Mohit Kumar:** What would be the location for this wind power plant?
- R. N. Misra:** So far the location we have not decided because actually in these things what happens that the consultant will provide us the support and then we will issue the tender documents and asked our bidders to identify the location as well as provide the wind turbine. Whatever locations they will give to us and we will then evaluate which is the best location for us and accordingly we will set a power plant.
- Moderator:** Thank you sir. We have a next question is from the line of Kedar Waghe from May Bank Asset Management. Please go ahead.
- Kedar Waghe:** I had two questions; can you give us the account receivables number at the end of the 1st Quarter and also a breakup by states? Second how much was the CAPEX spend in the 1st Quarter and if you can give is the budget for this full-financial year?



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R. N. Misra: Accounts Receivable at the end of the 1st Quarter is 1590.71 crores out of which 1065.71 crores is more than 60 days and 525.54 crores is less than 60 days. Actually all these amounts become due only after the expiry of 60 days. The major receivables are from BRPL, BYPL combine together about 168 crores. Then from HPSEB, Government of Himachal Pradesh, it is around 582 crores, from Jammu and Kashmir 346 crores, from UPPCL 252 crores. These are the major ones. As far as the CAPEX is concerned our expenditure during this 1st Quarter has been 45.7 crores approximately, that's all.

Kedar Waghe: And what is your estimate for the full-year for CAPEX?

R. N. Misra: Our estimate for the full-year is 1175 crores.

Kedar Waghe: And can you give a breakup of that please?

R. N. Misra: Of the 1175 crores, the major breakup is that 300 crores we are putting for Rampur project because that the work has been done but certain retention money, some supplies have come, their amount payment. Then Rs 381 crores we have put on the Buxar Thermal Power Plant is and Rs 311 crores we have put on the solar, these are the major ones. All this combined together it becomes about Rs 1000 crores. Another Rs 175 crores, they go for other projects which are the projects under development like which are under the various stages of clearances including Bhutan.

Kedar Waghe: Just a follow up question on the accounts receivables. If I look at the amount outstanding from Himachal Pradesh and from Jammu and Kashmir, is there a risk of a bad debt quarter kind of a write-off especially the Himachal Pradesh because I believe they are disputing the amount?

R. N. Misra: We don't see any risk of bad debt or write-off because the Himachal Pradesh Government, they have gone to the court and they have disputed definitely. But we are sure that this issue will get resolved and since they are also owner of the company, they have got 25.5% shares; therefore, I don't see at least any risk of bad debts from the Himachal Pradesh. As far as Jammu and Kashmir is concerned we are in continuous dialogue with them and I can tell you there are certain positive signals from them that we may be getting some money very soon. I don't see that there is any risk of bad debt from these two states.

Moderator: Thank you. We have a next question from the line of Pawan Parakh from Religare. Please go ahead.

Pawan Parakh: What is the contribution of wind project at the PAT level?

R. N. Misra: Wind PAT level contribution, the revenue from the wind has been 12.7 crores total and the PAT actually we have not calculated separately for wind.



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- Pawan Parakh:** Will that be a positive number or is that a loss?
- A. S. Bindra:** We have income of 12.70 crores from the wind and after that expenditure it is 8.33 crores is PAT from wind, compared to last year, it was only 12 lakhs.
- Pawan Parakh:** 8.33 crores is the net profit from wind?
- A. S. Bindra:** Net profit before tax. Tax has been calculated combined, PBT is 8.33 crores.
- Pawan Parakh:** The 41 crores that foreign-currency restatement that we have, the revenue portion, is it included in other income or is it included in revenue?
- A. S. Bindra:** It has been included in the other income because this will be changed every quarter because we are not building. It can be built there and can be finance cost also. After some months also it may change so we have including the other income as well as in the finance cost also in that way. But after a year it will be given in the sales value itself when it is a completing the year.
- Moderator:** Thank you. We have a next question from the line of Mr. Abhijit Vara from Sundaram Mutual Fund. Please go ahead.
- Abhijit Vara:** I have one question, your gross generation units if I see from all the three facilities, they have gone up nicely. But your top line is just increasing 15%. Was there a decline in affective realization?
- R. N. Misra:** What has happened in this top line increase when you compare this, during last year quarter 1st Quarter of June 2014-15, we had received an arrear of Rs 135 crores. That was an income which doesn't get repeated and that type of income is not during this quarter of this year. Therefore this difference is being reflected.
- Abhijit Vara:** Otherwise is it possible to give per unit realization from each of these facilities?
- A. S. Bindra:** Energy rate per unit for Nathpa Jhakri it is 1.375% and total sales of Nathpa Jhakri is 575.32 crores so if you say per unit energy rate is 1.437 and similarly if you go for Rampur total sale is 184.13 crores but in the rate per unit is 1.610 and energy rate for the wind power is 5.81 that is 12.70 crores is the total sale.
- Moderator:** Thank you sir. We have a next question from the line of Deepak Agrawala from Elara Securities. Please go ahead.



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Deepak Agrawala: Can you give us the update on the Bhutan project because we have been thinking that the construction you are planning to start sometime soon. Can you share what's the status and what is actually happening on the ground there?

R. N. Misra: In case of Bhutan project, we are going to get involved in two projects. Number one is Kholongchu whose foundation stone was laid by our honorable Prime Minister during June 2014. On this project we have already formed the joint venture company. The joint venture company has been registered in Bhutan and during next week we are going to hold our first board meeting of this company. In the meantime what we have done, we have invited tenders for infrastructure was road construction. We are expecting that very soon the works for the construction of road will be awarded and infrastructure work will start. Thereafter we are planning to do other infrastructure activities also there. In the meantime we will also prepare the detailed tender drawing, prepare the tender documents and invite tenders so that major works can be awarded and this can start in another one or one year or so or one and a half year. And in the meantime all the infrastructure development, maybe some construction of **edits 21.09** of the tunnels so that one can start the tunnel work immediately, all these things are being planned so this project is very much on track.

As far as the second project Wangchu is concerned, on that project the detailed project report has already been approved by the government of Bhutan. CE has approved the detailed project report in India. We are going for its investment decision to the government and once the investment decision we received it thereafter we will form the joint venture company on the same lines as we have done for the Kholongchu project. This also I'm very hopeful that in the Wangchu project in another six months or so we may come somewhere at the same place where we are at Kholongchu project at present.

Deepak Agrawala: We don't see much of CAPEX in this year but we will see CAPEX happening in FY17 onwards then?

R. N. Misra: One thing is there that these two projects will be developed as a joint venture project of SJVN and DGPC so you can see CAPEX only in terms of the equity contribution from us because the loan etc. will be taken over by the company which will be a separate company, joint venture company. Our contribution you will find in terms of the equity contribution which will be from our side 15% of the project cost.

Deepak Agrawala: Any update on the revised project cost?

R. N. Misra: Revised project cost is around, Kholongchu project we have done at price level of 2030, we have estimated. This is 3868.87 crores and for Wangchu project we have estimated at October 2014 price level, it is 4240.76 crores.



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- Deepak Agrawala:** And the discussions are on with whom for the debt?
- R. N. Misra:** Only preliminary discussions are going on with the financial institutions so far. But the things will become clearer only after some time. We are talking to REC, PFC and other banks also but things will become clearer after a few months.
- Deepak Agrawala:** And like ways can you share the latest update going forward for the Buxar plant?
- R. N. Misra:** For the Buxar plant we have already got approval from the government of India for the development of the infrastructure activities. After that we have approach to the government of Bihar and the government of Bihar has to raise to us a demand for the cost of the land. They are working at their level and we are hopeful that soon they will raise the demand for the cost of the land. Once they raise it we are ready to make the payment for the cost of the land which will be of the order of 360 crores or so. Ones that land cost is paid then we will acquire the land. In the meantime we are working on the DPR updation and working out the drainage plans for the connection through the railway tracks and other things, on those activities we are separately working.
- Deepak Agrawala:** When can we expect that tendering for the main boiler turbine equipment to be out?
- R. N. Misra:** The main plant you can expect coming somewhere in 2016-17.
- Deepak Agrawala:** There is kind of a delay in this project because earlier we were expecting in 4th Quarter of the current year so which is being delayed now.
- R. N. Misra:** Unless we have the land and other things, unless they are in place the tendering thing cannot take place.
- Deepak Agrawala:** One more question is on the revenue when you mentioned that on the wind you got a revenue of 12.7 crores, if you see the generations we have about 16 million units. The kind of realize relation works out to be much-much higher than the PPA tariff. Can you explain why there is so much of difference?
- R. N. Misra:** What we have got is 12.7 crores, it has got two powers. One is what we get at 5.81, energy rate is 5.81 based on that we have received about 9.82 crores. Then another we are going to get generation-based incentive that is on the order of 2.88 crores and these two put together become 12.70 crores.
- Moderator:** Thank you sir. We have the next question is from the line of Mr. Ashish us Shah from Budhrani Finance. Please go ahead.



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- Ashish Shah:** What was the actual cash CAPEX spent in FY15?
- R. N. Misra:** You want the Quarter 1 of FY15 or '14-15?
- Ashish Shah:** Entire year '14-15.
- R. N. Misra:** It is cost 515 crores.
- Ashish Shah:** This 515, the cash CAPEX is on the lower side compared to the 720 number you had earlier hinted, right?
- R. N. Misra:** Yes.
- Ashish Shah:** Secondly the CAPEX breakup that you have given for FY16 which is 1175 from which for Rampur you have indicated 300 crores, now that the Rampur is operational this 300 crores will be funded by way of debt or funded by way of internal accruals?
- R. N. Misra:** It will be both.
- Ashish Shah:** It will be a combination of both so in the ratio of 70-30?
- R. N. Misra:** 70-30 approximately.
- Ashish Shah:** On these receivables that we have, they have now remained high for a few months. Similar question to the earlier participant, do we see any risk from that?
- R. N. Misra:** This is a very dynamic process that the receivables are there but after some time they get paid also. At least at present we do not find any risk because I will tell you that on 30th of June our total receivables was 1590 crores, and just on 27th of July this has reduced by 2 crores and still we are in dialogue with our beneficiaries. According to our discussions they are assuring us that they will make the payment. We do not find that actually that there will be risk or they may turn into bad debts.
- Ashish Shah:** This first half of sales that you have recorded which is 776 crores odd, can you give us some breakup as to whom have we supplied this to, the 776 crores?
- R. N. Misra:** Of course to different utilities I think that may not be possible to give.
- Ashish Shah:** Are we still supplying to the same people where we have very high receivables that's where I was leading to.



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R. N. Misra: Yes we are supplying to all of them except to the BYPL and BRPL we had regulated the power, others we have been supplying.

Ashish Shah: While they are as receivables, are we entitled for any interest payment on those receivables as well? Can we claim anything like that or no that is not possible this?

R. N. Misra: Yes, late payments surcharge can be claimed.

Ashish Shah: Last year our cash earnings were in excess of 2000 crores, our CAPEX was 500 crores so there is a huge cash that we have accumulated, of course good part of that is being locked up in receivables. For next year again you've guided four 1175 which will again be a mix of debt and equity which means again our equity free cash flows are going to be very high. My point is, is there a room that we can improve our dividend payout ratios considering all your projects have to be funded by certain debt equity mix?

R. N. Misra: Actually what we are expecting and what we are planning, after one year the things will change. Reason being we are expecting that the work on this Arun-III projects may start in Nepal, Kholongchu, Wangchu also they will be contributing. For Buxar thermal power project also we are expecting that the work will start and we are going to make a lot of investment in the solar power. Our requirement of the total CAPEX requirements will increase and for those requirements we will require money for the equity portion. The money which we are having and this money we will be using for the financing of the equity. In coming five years or so this money will be just sufficient.

Ashish Shah: For next FY17 onwards just a ballpark number this 1175 crores CAPEX can potentially be what, just some rough number?

R. N. Misra: Rough number that in '16-17 we are expecting around 2400 crores. '17-18 we are expecting around 3500 to 3600 crores as and '18-19 it could be more than 4000 crores.

Ashish Shah: What was the CAPEX spent for our wind project?

R. N. Misra: CAPEX spent for wind project during last financial year you want to know?

Ashish Shah: No the total spend that we have done for which you have accounted 12 crores of topline this quarter, what was the total CAPEX spent on that?

R. N. Misra: Of wind project, we have spent so far 273 crores.

Ashish Shah: For Rampur I understand from the press release that 3109 crores, that's the provisional capital cost, what is the capital spend that we have done as of now on Rampur?



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- R. N. Misra:** As of now we have made a capital expenditure of 3405 crores.
- Moderator:** We have a next question from the line of Mr. Abhishek Anand from JM Financial. Please go ahead.
- Abhishek Anand:** Just on Buxar power plant, you give us a status of the power plant. But any status on the coal mine, at what stage are we at and land acquisition status of the same?
- R. N. Misra:** We are going to get the coal linkage from the Deocha Pachami coal block which is in the Birbhum district of the West Bengal. For the development of this coal block a joint venture has been already been signed amongst the six states. Its Karnataka, Tamil Nadu, Bihar, Uttar Pradesh, Punjab and SJVN and this joint venture company will go for its development and may be that we will have to appoint a mining development operator. In that connection the work is going on and West Bengal is taking the lead in this.
- Abhishek Anand:** But in terms of mining plan at what stage are we at? As I understand the main plant order for the power plants will be given in 2016-17, we can safely say that is it's likely to be completed by 2020. In terms of coal mine status's artery in sync with the 2020 kind of a commitment.
- R. N. Misra:** As far as this particular coal block is concerned we will not be able to get coal from this particular mine when the commission our project. We will have to go for tapering linkage for 2-3 years. That is allowed also. When the project is coming 2-3 years are left we will apply for the tapering linkage and we will get the coal from that source. If required we may go for the imported coal also during this period. But development of this particular coal block will definitely take some time, may be say another 7-8 years.
- Abhishek Anand:** As far as I understand from our previous interaction that the coal costs will be passed through the respective of whether it is from a coal mine or imported or linkage.
- R. N. Misra:** Is it will be all accordance with the CERC guidelines as far as PPA because the PPA which we have signed been that the tariff will be determined by the CERC.
- Moderator:** Thank you Mr. Anand. We have a next question from the line of Mr. Vishal from B&K Securities. Please go ahead.
- Vishal:** The way you have shared PBT from wind 8.3 crores, can you share PBT from your Nathpa and Rampur project.
- A. S. Bindra:** For Nathpa Jhakri we have a total income of 577.39 crores.
- Vishal:** At PBT level.



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- A. S. Bindra:** At PBT is 526.95 crores, for Rampur PBT is 98.10 crores and wind is 8.33 crores.
- Vishal:** Second you mentioned that the CAPEX plan that you have laid out till FY19, do you think that you will require incremental money from the market for the equity funding or raising up the money from the market, do you feel it's required?
- R. N. Misra:** I don't think for next 3-4 years it will not be required.
- Moderator:** Thank you sir. We have a next question from the line of Mr. Deepak Agrawala from Elara Securities. Please go ahead.
- Deepak Agrawala:** On this solar like we have already given a commitment to government of India for 1000 MW in five years?
- R. N. Misra:** Yes in five years.
- Deepak Agrawala:** As of now the plan is not yet been formed up in this direction in terms of year-to-year kind of additions.
- R. N. Misra:** What we have done, we have taken several steps. Number one that we have signed an MoU, memorandum of understanding with SECI who will help us in developing 500 MW of the project. Second thing that we are exploring and we are already in discussions with Hindustan Salt Limited at Kharaghoda, there is a land there, a vast track of land. There also we can put some power plant. We are also discussing with the Hindustan Salt Limited if we can get some land in the Rajasthan. In addition to this we are also thinking to participate in bidding, the bids are which is being invited by NTPC and also at certain places solar park are being developed. There also we are trying to get some land in those solar parks so that we can set up the plant. These are the things at present which we have done it and during '15-16 we don't expect much to come but from '16-17 onwards we expect a increasing contribution in terms of CAPEX and in terms of capacity addition from solar power will increase.
- Moderator:** Thank you sir. Ladies and gentlemen that was the last question. I would now like to hand the floor back to Mr. Deepak Agrawala of Elara Securities Private Limited for closing comment. Over to you Sir
- Deepak Agrawala:** We thank Mr. Misra and his entire management team for giving us an opportunity to host the conference call. We also thank all the participants who are joining the call.
- R. N. Misra:** We have done good. We have got very good result during this quarter. I pray that God be very graceful to us and this type of result we continue quarter after quarter, year after year and we are able to good capacity addition and help in the progress and development of the nation.



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- Moderator:** We have the last question from Mr. Arun Agarwal from Gomukhi Industries. Please go ahead.
- Arun Agarwal:** I want to know that we have gone up with the capacity utilizations over gross generation by 40%. Is it sustainable for the year?
- R. N. Misra:** Generation increased by 40%, no. It has happened this year by this percentage, the reason was that last year Rampur project we had generated 236 million units against that this quarter we have generated 718 million units, just 203% more and from wind also of course it is 123% but that is very small. This is the reason but this thing will not get repeated in future years.
- Arun Agrawal:** Naptha also you got against of 2160 units, you got 2740 units.
- R. N. Misra:** Extra but this was good so far even this quarter has been good hydrological quarter. We may not expect that better hydrological years may come, there could be increase by 5% and 10% but we cannot expect the increase by 22%.
- Moderator:** Thank you sir. Ladies and gentleman, on behalf of Elara Securities, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.