



“SJVN Limited Q1 FY18 Earnings
Conference Call”

August 14, 2017



Management:

Mr. R.N. Mishra, Chairman & Managing Director, SJVN Ltd
Mr. A.S. Bindra, Director (Finance), SJVN Ltd

Analyst:

Mr. Deepak Agrawala, Sr Vice President, Elara Securities



August 14, 2017

Moderator: Ladies and gentlemen good day and welcome to the SJVN Limited Q1 FY18 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 “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Deepak Agrawala from Elara Securities Private Limited. Thank you and over to you Sir!

Deepak Agrawala: Thanks Janice. Good morning everyone. On behalf of Elara Securities India Private Limited, we welcome you all for the Q1 FY18 conference call of SJVN Limited. I take this opportunity to welcome the management of SJVN represented by Mr. R.N. Mishra, Chairman & Managing Director, Mr. A.S. Bindra, Director (Finance) and Mr. Soumendra Das, Company Secretary and their team. We will begin the call with a brief overview by the management followed by Q&A session. I will now hand over the call to Mr. Mishra for his opening remarks. Over to you Sir!

R.N. Mishra: Good morning everybody. I welcome all of you. The results of Q1 2018 of SJVN have been declared, which reflects consistency and excellent performance of the company. During Q1 2018, the generation of power has been 3498 million units against 3113 million units during the same quarter last year registering an increase of 12.29%. All our operating plants have registered increase in generation. I would like to emphasize the generation during this quarter has been the highest in the history of SJVN from all power plants. Our operational income during Q1 2018 was Rs.701.78 Crores against Rs.740.76 Crores during same quarter of last year. Gross total income was Rs.812.44 Crores against Rs.886.68 Crores during last year. The depreciation was Rs.91.64 Crores against Rs.170.05 Crores during the same quarter of last year. Profit before tax was Rs.587.68 Crores during this quarter of this year against the same quarter of last year Rs.588.07 Crores almost at the same level.

Profit after tax during Q1 2018 is Rs.451.37 Crores against same quarter of last year Rs.479.96 Crores. The major reason for decrease in the topline is the predetermination of annual fixed cost of Nathpa Jhakri Hydro Power Station, which has decreased by approximately Rs.300 Crores and the depreciation amount at this project has reduced as the plant has completed 12 years after COD and during the first 12 years the 60% of the depreciation amount is charged and balance 30% is charged during the balance 23 years. The major reason for decrease in the bottomline on account of deferred tax, which was negative during last year and positive during this year. We have added income for another stream that solar power though a small, but it shows a good beginning considering the nature of business and the regulatory mechanism, the overall performance has been excellent and has been maintained, which is reflected from the figures of profit before tax being almost at the same level. Just one thing that Mr. Soumendra Das is not with us at this conference only myself and Mr. A.S. Bindra, Director of Finance are attending this conference. Thank you Deepak!



August 14, 2017

- Moderator:** Thank you. Ladies and gentlemen we will now begin with the question and answer session. We take the first question from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.
- Nagraj Chandrasekar:** Good morning Sirs and thank you for taking my question. Just wanted to understand if there is any effect on the realizations of the lower plant load factors that will be allowed going forward, you used to operate at 104%, 105% and you will only be allowed to operate at 100% is that also a reason why realizations are lower this quarter?
- R.N. Mishra:** We had come up with a regulation just it came during last May when they said that the plants will be operated at the 100% capacity. It means that the plant availability factor, which we used to keep more than 100% that we were operating on overload that will not be allowed because they want to keep this overload capacity, extra capacity for the purpose of stabilizing the grip; however, in case of the high month season flow season if we declare higher **(inaudible) 6:54** plant availability factor then that will be allowed, so of course because of this particular change, the plant availability factor for Nathpa Jhakri project has decreased it has impact and overall the year it will have that impact.
- Nagraj Chandrasekar:** Is it possible to quantify that for the quarter or the year your estimate for this?
- R.N. Mishra:** In this quarter, the plant availability factor of the Nathpa Jhakri has been 103.56, for the next quarter we expect that this will be again it will all depend upon that to how the facilities they are, how much the plant we are able to operate, but overall as I told you this thing we cannot just predict the exact figure of what will happen every quarter or during the total year, but one thing definitely we can say that we still maintaining very healthy plant availability factor.
- Nagraj Chandrasekar:** On the Rampur throw a petition to the CCEA any update on that Sir getting it approved by them?
- R.N. Mishra:** For Rampur as you know that public investment board has already recommended and the process for getting approval of CCA is on, the fact that certain agenda note, etc., to be got approved and this process is going on and we are hopeful that it should happen within a month or so.
- Nagraj Chandrasekar:** Lastly the CERC rules on declines in allowed ROEs in hydro project, would you have any more clarity on the timeline and the actual allowed ROEs that you would be able to get going forward?
- R.N. Mishra:** As on date what we have that ROE is 15.5% and the project with the storage or pond 16.5%. Whether there will be a decline or not we do not have any information at present, neither any consultation paper also has been so far issued on that, some indication is there, only when something comes up then we will be able to react on this.
- Nagraj Chandrasekar:** Thank you so much.



August 14, 2017

- Moderator:** Thank you. Next question is from the line of Chirag Vekaria from Budhrani Finance. Please go ahead.
- Chirag Vekaria:** Some numbers can you give the energy generated from Nathpa Jhakri and Rampur?
- A.S. Bindra:** From Nathpa Jhakri during this quarter we have generated 2719.17 million units and from Rampur we have generated 755.38 million units.
- Chirag Vekaria:** Similarly can I have the plant availability factor, UI charges capacity incentive in each of them?
- A.S. Bindra:** Plant availability factor during this quarter from Nathpa Jhakri was 103.56% and that of Rampur was 102.33%. Now coming to UI charges and capacity incentive UI charges from Nathpa Jhakri was Rs.15.22 Crores, capacity incentive from Nathpa Jhakri was 25.70 Crores. UI charges from Rampur was 7.12 Crores and capacity incentive from Rampur was 16.23 Crores.
- Chirag Vekaria:** Just wanted to know the energy generated has been good in Q1, so could we extrapolate that even Q2 would be better in terms of energy generation given the monsoons are good?
- A.S. Bindra:** We should expect like that, but the one thing is there that when the monsoons are more it means that discharge is more, **(inaudible) 11:48** quantity is more we have to shutdown our plant that sometimes impact, but still I hope that Q2 you should get more generation than Q1.
- Chirag Vekaria:** What has been the revenue from the solar segment and debt and cash on books and the debtor position?
- A.S. Bindra:** From solar segment the revenue was Rs.64 lakhs during this quarter because we commissioned this project on March 31, 2017 and the total generation was **(inaudible) 12:51** million units.
- Chirag Vekaria:** The debt and cash on books and the debtors?
- A.S. Bindra:** Debtors as on June 30, 2017, the total receivables are Rs.722.41 Crores and our cash balance Rs.4509 Crores.
- Chirag Vekaria:** Debt on books?
- A.S. Bindra:** Debt on books is Rs.2339 Crores, Rs.2340 Crores you can say.
- Chirag Vekaria:** Thank you Sir! That is it from my side.
- Moderator:** Thank you. We take the next question from the line of Deepak Agrawala. Please go ahead.
- Deepak Agrawala:** Sir few questions and few investors have messaged me to ask some of these questions. First is on can you give us some update on the capex for FY2018 because earlier we have guided for about



August 14, 2017

Rs.1070 Crores for this year, so how do we see five months down the line, how much we can expect in this year?

A.S. Bindra:

The capex you are very right that for this FY2018 was Rs.1068 Crores that we have kept and few developments have taken place in between and the development is like that for this Naitwar Mori project the public investment board meeting is going to take place day after tomorrow on August 16, 2017, so after its recommendation this will be approved jointly by the Finance Minister and the Power Minister, so we expected approval very soon and on the Arun-III project we are having some issues with the forest and I had been to Nepal recently and we are very hopeful with the discussion that this issue is also going to be sorted out very soon, so we should be able to award the work of one package very soon and other package also after that, so all these things are very positive, which has taken place and as you know that Sadla Wind Power Plant is going on, there the work is going on and for this Buxar also we are pursuing the PIB, so at present the conditions are, we are still maintaining and trying to achieve the capex as we have planned and however during next two months as the events take place, as the things take place then we will be able to tell you whether we are going to make any revision upward or downward, at present we are maintaining it.

Deepak Agrawala:

Sir next question is on debtors you mentioned about Rs.722 Crores, so we still have the highest chunk from Himachal Pradesh, can you just update on amongst the top five states for this debtor and any development that has happened in this quarter?

A.S. Bindra:

From Himachal Pradesh the debt was on June 30, 2017 it was Rs.315 Crores, at the end of July it has reduced to Rs.289.

Deepak Agrawala:

Rs.289?

A.S. Bindra:

From J&K it was Rs.103 Crores, it has also reduced to Rs.92 Crores. From UP it was Rs.87.53 Crores, it has increased to Rs.115.74 Crores and DYPL it stands at 86.26, 87.91, they are not making the payment and their power is also regulated and then the other one is from Punjab this was Rs.43 Crores, it has increased to Rs.51.41 Crores in July 2017. So as on June 30, 2017 it was Rs.722.41 Crores and it has marginally increased to Rs.731.70 Crores. So as far as the Himachal Pradesh is concerned, there is a reduction and the matter is being followed up. We expect that during this year it should get reduced further and as far as others are concerned they are almost, during the March, the last week a lot of money is given, so on other words it appears to be under control as compared to the earliest years that it is much better.

Deepak Agrawala:

My last question is what is the guidance, what is the MoU target with MoP for this year?

A.S. Bindra:

2120 Crores of the income.

Deepak Agrawala:

In terms of volume generation?



August 14, 2017

- A.S. Bindra:** Volume generation it is 8950 million units.
- Deepak Agrawala:** All the best Sir! That is it from my side.
- Moderator:** Thank you. Next question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.
- Nagraj Chandrasekar:** Thank you Sir again. Just on the Buxar plant given how tariffs are now seeking for solar below Rs.3 and how even wind feed-in tariffs are now at similar Rs.3.5 in the recent central auction, does your tariff of around 3.5 make sense and do you think there is a risk at the state PPA, which has been signed, but not honour such a tariff just wanted to understand the surety behind that 85% PPA that you have, when tariffs for alternative sources are going even lower as we speak?
- R.N. Mishra:** Yes Mr. Chandrasekar your question and your concerns are very genuine, but I would like to just say a few things. Number one the power purchase agreement is in place. This Buxar Power Plant development is not only putting up a thermal power plant in an area it means something more than this and what is that the local area development. The Buxar as you know that area is quite backward and when such a big power plant comes, such a big investment comes, it changes the socioeconomic condition of the people there. Many small scale entrepreneurs are created. Many people get jobs either with contractors or otherwise. Many people are able to sell they get some small, small shops they are able to open and many families start getting fed, so this size of power plant it is not only the power generation are getting this has got a lot of other impacts and effects on the society. As far as the Bihar Government is concerned, I tell you they are very positive about this project because we are interacting with them regularly, they are very positive and they are supporting the project, therefore, I do not see or do not foresee or I do not anticipate any way that the government will go back or not purchase the power and moreover after four-and-a-half years at that time when the plant comes up you do not know what will be the condition of this tariff, what may be the demand in the country. Maybe by that time the industrialization and the requirement demands increases and so I have a very positive outlook for this project and since we are using it for going for supercritical plant you are taking care of all emission norms prescribed by environment ministry, so we are very hopeful and very positive about this project.
- Nagraj Chandrasekar:** Thank you and then earlier Sir you had mentioned on the last call that given the cash generation, the net cash, and the capex requirement, you are working on preparing a buyback policy was being considered by the board, so any update on this after that?
- R.N. Mishra:** On this we are working, we are working on it, as soon as we finalize or we are ready to go to the market we will let you know.
- Nagraj Chandrasekar:** Thank you Sir!



August 14, 2017

- Moderator:** Thank you. We take the next question from the line of Vipul Shah, individual investor. Please go ahead.
- Vipul Shah:** I just wanted to know what is the average coupon rate on our debt?
- R.N. Mishra:** Most of our debts are 1.2% if you see, so average coupon will be around I will say less than 3%.
- Vipul Shah:** Less than 3%?
- R.N. Mishra:** Because most of the debt is on the world bank loan that is 1.02% and only Rs.300 Crores is from **(inaudible) 24:16** that is 8.1%, so average will be less than 3%.
- Vipul Shah:** Sir what is the capacity addition we are likely to see over the next two years from hydro side and alternative side both separate?
- A.S. Bindra:** You see in the next two years the capacity addition what will happen from hydro side no capacity will be added, from thermal side no capacity will be added. The capacity addition will be only in wind and solar. In wind we are going to add 50 megawatt very soon for that our project at Sadla Wind Power Plant is under construction and during this financial year we will try to put another 50 and during the next financial year we will have capacity addition of 100 to 150 megawatt.
- Vipul Shah:** Sir regarding this Buxar suppose if there is a power purchase agreement in place, but suppose if they do not buy it then do you have any little recover or little remedy whereby you can force them, is there any penalty for breach of contract or something like that?
- A.S. Bindra:** When the power purchase agreement is signed all the power purchase agreements are on the basis of take or pay all the power purchase agreements are on this basis and you know that we are also a government entity, the person who is going to purchase they are also government entity, so such a condition should not arise, but only thing I can tell you that power purchase agreement whatever we signed they are on take or pay basis.
- Vipul Shah:** No, my question is in the case of a default what is the legal remedy available to you that is my question?
- A.S. Bindra:** Suppose anybody defaults what happens number one we can regulate the power. I am talking in general what is going to happen. We can regulate the power. When we regulate the power we sell the power in the exchange. Whatever money we realized realize, rest of the money becomes outstanding against the person who has signed PPA with us and that is the pole position and that is how the agreements are made and that is what the rules framed by CERC.
- Vipul Shah:** Sir my last question can you explain this mechanism of UI charges and this capacity incentive how it works?



August 14, 2017

- A.S. Bindra:** UI charges mechanism and capacity incentive how it works. You know that unscheduled interchanges they work in case of the change in the frequency as you know in the grid it depends upon what is the condition of the grid and depending upon that we are able to earn money. As far as capacity incentive is concerned in hydropower project, for Nathpa Jhakri our normal plant availability factor is 90%, for Rampur it is 82%. Whatever percent we run above that we get the incentive for that additional plant availability factor.
- Vipul Shah:** Understood. Thank you very much and all the best for the future Sir!
- Moderator:** Thank you. We take the next question from the line of Chirag Vekaria from Budhrani Finance. Please go ahead.
- Chirag Vekaria:** Sir I wanted to know for FY2018 what projects are expected to come on stream is it only the wind or is there anything on the solar side?
- A.S. Bindra:** Chirag we are certain to have the wind project of 50 megawatt during FY18. Additional capacity may come for which we have already issued tenders in wind, but from other sides I do not expect in FY2018.
- Chirag Vekaria:** Thank you.
- Moderator:** Thank you. That was the last question. I would now like to hand the floor over to Mr. Deepak Agrawala for his closing comments.
- Deepak Agrawala:** Yes we thank Mr. Mishra, Mr. Bindra and his team for giving us an opportunity to host this conference call. We thank all the analysts and investors for participating in this call. Over to you Sir for any closing comments.
- R.N. Mishra:** Thank you very much Deepak. I am thankful to all the participants that they asked questions and we had an opportunity to explain the various things about the company and to explain them that how the company is performing and our performance remains excellent despite all the odds and we have been serving the nation, society, our shareholders, and we will continue to do so. We need your good wishes and we need your blessings. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.