



## एसजेवीएन लिमिटेड

(भारत सरकार एवं हिमाचल प्रदेश सरकार का संयुक्त उपक्रम)  
एक 'मिनी' रत्न शेड्यूल 'ए' पीएसयू आईएसओ 9001:2015 प्रमाणित कंपनी  
सीआईएन: L40101HP1988GOI008409

# “SJVN Limited Q2 & H1 FY-19 Results Conference Call”

**November 12, 2018**



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**Management:** Mr. N. L. Sharma – Chairman & Managing Director  
Mr. A. S. Bindra – Director (Finance)

**Analyst:** Mr. Harshit Kapadia – Elara Securities



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**Moderator:** Ladies and gentlemen, good day and welcome to the SJVN Limited Q2 & H1 FY19 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 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.

I now hand the conference over to Mr. Harshit Kapadia from Elara Securities Private Limited. Thank you and over to you, sir.

**Harshit Kapadia:** Thanks, Vikram. Good afternoon everyone. On behalf of Elara Securities, we welcome you all for the Q2 FY19 conference call of SJVN Limited. I take this opportunity to welcome the management of SJVN represented by Mr. N. L. Sharma – Chairman & Managing Director; Mr. A. S. Bindra – Director-Finance and his team

We will begin the call with a brief overview by the management followed by a Q&A session. I will now handover the call to Mr. Sharma for his opening remarks. Over to you, sir.

**N. L. Sharma:** Good afternoon. Let me tell what the business profile and portfolio of SJVN first. We are in all the verticals of power basically hydro, wind, solar, thermal and transmission. In India as well as in two other countries Nepal and Bhutan. Earlier we had the portfolio of around 6,020 megawatt power project in hydro, thermal, wind, solar and transmission also.

Let me start first that an additional project 780 megawatts hydroelectric project has been decided to be given by Government of Himachal Pradesh one of which is joint venture with Government of India in the SJVN, 780 megawatt Jangi-Thopan-Powari project has been decided to be given to SJVN. So, it increases our portfolio of projects to around 6,800 megawatt project.

Regarding projects under operation we have a capacity of 2,003 megawatt installed capacity; hydro, wind and solar apart from one transmission line which we are operating in a joint venture mode with Power Grid, ILFS and Nepal Electricity Authority. So, our portfolio of projects has increased from 6,020 megawatt to 6,800 megawatts.

Basically, the present portfolio of projects under operation of 2,003 megawatt, 1912 megawatt comes from hydro which is in Himachal Pradesh in the Sutlej River basin. Regarding the Q2 results there is a positive signal of improvement in hydrology as compared to the corresponding quarter of the last year. This quarter the generation from various projects under operation has registered an increase of 4.7% that is generation of power has increased to 3,936 million units as compared to 3,760 million units last year in the corresponding quarter.

Similarly, the revenue from operations has increased by about 14.5%. Last year it was Rs. 830 crores, this quarter we have earned a revenue of Rs. 951 crores. We have found a decrease in the expenditure which has come down from Rs. 236 crores last year last quarter to Rs. 232 crores.

On the front of receivables there is a considerable recovery in the receivables and receivables have come down in the last corresponding quarter of the last year the receivables were Rs. 891



crores and this quarter ending 30 September 2018 the trade receivables are Rs. 661 crores. So, there is 25% decrease in the trade receivables.

However there is marginal decline in the profit in the margins. Profit after tax has registered a marginal decline of around Rs. 5 crores last year last quarter corresponding quarter the profit after tax was Rs. 434 crores now this quarter this year it is Rs. 429 crores. There is an improvement in the plant availability factor in the project which has slightly increased from 98.47% to 99.29% for Nathpa Jhakri Hydropower station where as for Rampura Hydropower station there is a little decrease in the plant availability factor it is on account of the shutdown of the project during the monsoon season due to high slit in the river.

Regarding the capacity incentives, capacity incentives have marginally declined from Rs. 33.91 crores to Rs. 32.10 crores. So, despite increased generation we have encountered marginal decrease in the profit margins. So, that is the brief which I would like to give to the investors at the onset.

**Moderator:**

Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

We have the first question from the line of Chirag Vekaria from Budhrani Finance. Please go ahead.

**Chirag Vekaria:**

Sir, just wanted to get a sense from you. Note number 6 which mentions that the Arunachal Pradesh Government has withdrawn the Doimukh Hydro Project. What is the reason for the same?

**N. L. Sharma:**

The reason for withdrawal of the project because this project after all survey and investigation activities it was found unviable. Initially this project was of 80-megawatt capacity. After all the detailed survey and investigations, the latest guidelines from Ministry of Environment and Forest regarding the environment flow. The capacity of the project was reduced to 52 megawatts from the allocated 80 megawatts capacity.

So, due to decreased capacity and some variations in the components of the project longer HRT this project was found unviable and we requested the Government of Arunachal Pradesh not to go with the project due to its non-viability. So, that is why the Government of Arunachal Pradesh withdrew the project.

**Chirag Vekaria:**

So, sir, what happens to the CAPEX already incurred we have written off to the P&L account is there any scope of recovery from the government?

**N. L. Sharma:**

There is no scope of recovery. It has to be waived off so we have already taken a decision about to waive off this expenditure of Rs. 15.68 crores.

**Chirag Vekaria:**

And sir, some numbers if you can share the energy generated from the Nathpa Jhakri Rampur and the PAF UI and CI, capacity incentive all that details?



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**N. L. Sharma:** Regarding the generation from Nathpa Jhakri hydro power station the generation this quarter is 3,039 million units and from Rampur hydro power station it is 853 million units. And from the wind project Khirvire project it is 31.95 million units and there is another project Sadla which we are executing in Gujarat the energy generated from this project is 10.06 million units.

And the solar project at Charanka Gujarat is 1.10 million units in this quarter. And plant availability factor Nathpa Jhakri hydro power station is 99.29% and Rampur hydro power station is 99.40% plant availability right there.

**Chirag Vekaria:** And sir, the UI charges and capacity incentives?

**N. L. Sharma:** Regarding the UI charges from Nathpa Jhakri hydropower station is Rs. 18.15 crores and from Rampur Hydropower station this is capacity incentives is Rs. 18.15 crores Nathpa Jhakri and Rs. 13.95 crores from Rampur Hydropower station and total is Rs. 32.10 crores from both these stations.

Regarding the UI charges in this quarter Nathpa Jhakri hydropower station is Rs. 6.15 crores and Rampur hydropower station is Rs. 4.42 crores. Total UI charges for this quarter comes to Rs. 10.57 crores. And both put together capacity incentives as well as UI charges the income in this quarter is Rs. 42.67 crores.

**Chirag Vekaria:** Sir, just the volume generated from Nathpa Jhakri was 2339 million units, right?

**N. L. Sharma:** 3039.94 million units.

**Moderator:** Thank you very much, sir. We have the next question from the line of Keerthi Jain from Sundaram Mutual Fund. Please go ahead.

**Keerthi Jain:** Sir, the Buxar awarding is on schedule?

**N. L. Sharma:** Yes, we have already received various clearances and the tendering process is on and the activity of investment approval is with the Government of India. We have already submitted the matter to the Government of India and the date for PIV approval is to be fixed by the Ministry of Expenditure.

**Keerthi Jain:** So, sir, what is the revised CAPEX, are we looking at full level, sir for the Buxar in excess of Rs. 10,000 crores?

**N. L. Sharma:** CAPEX for this year?

**Keerthi Jain:** No, for Buxar project?

**N. L. Sharma:** Buxar project the total investment is around Rs. 10,000 crores.



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- Keerthi Jain:** Sir, any plan or are you looking on the acquisition side, anything what we are looking on the acquisition side given that acquisition cost per megawatt might be relatively lower than the putting a Greenfield project?
- N. L. Sharma:** We are eyeing at acquiring or having some stressed projects under NCLT. We are already participating in one of the projects under NCLT, hydro project. So, let us see the outcome what outcome comes. We have already submitted a bid for that.
- Keerthi Jain:** How much is the outlay?
- N. L. Sharma:** For that project?
- Kirti Jain:** Yes.
- A. S. Bindra:** Till the bid is opened we cannot disclose the amount.
- Keerthi Jain:** No, like how much is the megawatt sir, in terms of like?
- N. L. Sharma:** It is 500-megawatt project.
- Keerthi Jain:** So, it is under construction or it is like ready thing?
- N. L. Sharma:** It is under construction. Substantial part of the project has already been completed. But for one reason or the other the construction on that project has come to a standstill for the last three, four years.
- Keerthi Jain:** Sir, there are like market talks are there with regard to the merger with NTPC. So, any thoughts you would like to share to the investors what is the roadmap?
- N. L. Sharma:** Sorry, we cannot comment on the issue.
- Keerthi Jain:** And like the capital allocation program sir, will you be continuing with the dividends or like buyback would be the route to return the money to the investors?
- N. L. Sharma:** We have already resorted to buyback this year 2018 March, 5% shares have been brought back and the decision to be taken at the appropriate level and at what time we have the decision are to be taken so we will comply to the decisions taken at the appropriate level by the competent authority.
- A. S. Bindra:** But buyback cannot be again it will take unless 12 months have been passed. So, up to March 2019 there will be no buyback.
- Keerthi Jain:** Because we are currently relatively under levered balance sheet we are having so that is what the reasoning I was saying that how we will improve our ROEs that is what I was saying?



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- A. S. Bindra:** Let us wait but buyback cannot be there as per the Government of India guidance.
- Moderator:** Thank you, sir. We have the next question from the line of Harshit Kapadia from Elara Securities. Please go ahead.
- Harshit Kapadia:** I have few questions. Could you let me know the CAPEX for the FY19 its breakup sir?
- N. L. Sharma:** The CAPEX for FY19 is Rs. 900 crores, total Rs. 935 crores including JV. So, Director Finance Mr. Bindra will give the break up.
- A. S. Bindra:** Rs. 935 crores consist of Rs. 353 crores consist of the project in the existing project whatever we have Luhri project and the other projects. And Rs. 500 crores is for the Arun-III hydroelectric projects that is in Nepal. For the Buxar project it is only Rs. 50 crores for this year and Rs. 35 crores is Kholongchu for the Bhutan project. So, these are comes through the Rs. 935 crores during this 2018-19.
- Harshit Kapadia:** And Sir, second question is could you also let us know the status of these plants which are under construction in Nepal, Bhutan?
- N. L. Sharma:** Yes, right now we have two hydro projects under construction. Around three projects in Nepal and another is Naitwar Mori project 60 megawatt in Uttarakhand, India. Regarding the progress on around three projects in Nepal, we have already awarded all the major packages Civil, Hydro, Mechanical and electromechanical projects packages. And the work on both the civil packages have already begun. Contractors have mobilized.
- As on date more than 1,000 persons are working on the site. On the package one which comprises of them and part of HRT they have already started work on the diversion tunnel. We have reached both the inlet and outlet of the diversion tunnel and we have already started constructing portal for the outlet of the diversion tunnel. Similarly, for the HRT, hybrid tunnel we are activating edit 1 which is in the package one.
- We have already excavated about 100 meters of the edit 1 and work on the other infrastructure activities have also started. Contractors have already constructed the camps for the laborers and for the army also because in Nepal the blasting activities for the purpose of excavation is under the supervision and control of the Nepal Army. So, we have already constructed barracks for the army and the magazine to store the explosives at the site.
- Now the army has moved to the barracks and explosives are being also shifted to the magazine. So, now the excavation and other activities will start in full swing. Similarly, for the second package, civil package in Arun-III project which comprises of around 8 kilometers hybrid tunnel and the powerhouse complex comprising of power house, transmission hall and all these components.
- A road of around 29 kilometers approaching the powerhouse is through now just few days back, two, three days back they have reached the site through that road newly constructed road. Now



the work on various main access tunnel to the powerhouse work will begin. So, the activities on around three projects have already gained momentum and pick it up.

Regarding the second project which is in India 60 megawatts this Naitwar Mori project all the fronts are available infrastructure, roads have already been constructed and work on all the fronts whether it is desalting divergence channel or the main access tunnel or added we are already working on all these fronts. So, there is a substantial progress on both these construction projects.

**Harshit Kapadia:** And sir, what would be the timeline for completion of these projects both the projects?

**N. L. Sharma:** The timeline for Arun-III projects will be five years period. There will be by the end of 2023 we are hopeful that unless some geological surprises or some other contingencies arose, we will be able to complete it within that time. Similarly, for Naitwar Mori project in Uttarakhand the time period is four years. And that will be completed by the end of 2021.

**Harshit Kapadia:** And just one question on what has been the status on the equipment ordering side for the Buxar project?

**N. L. Sharma:** Tendering process is on for that project simultaneously we are going on. On the one side the approval process of investment is under process with the Government of India and we have already floated the tender. By the time we get the investment approval we will be able to award the contracts.

**Harshit Kapadia:** And sir, just one final question. On CAPEX that you have said of Rs. 935 crores how much has been incurred till date?

**A. S. Bindra:** Rs. 354 crores has been incurred up to October 2018.

**Moderator:** Thank you, sir. We have the next question from the line of Chirag Vekaria from Budhrani Finance. Please go ahead.

**Chirag Vekaria:** Sir, wanted to know if you can share some details on the 780 megawatts Jangi-Thopan project. If you can share some details when will it start and what is the CAPEX some idea on the project?

**N. L. Sharma:** It is a new project in the upstream of our Nathpa Jhakri project. Earlier these projects Jangi-Thopan and Thopan-Powari projects. In the year 2006 it was allocated to one private company. For one reason or the other some litigation and other developments that could not materialize and now the State Government has decided to give project to the Central PSU. Since we are assuming is having the joint venture of Government of India and Government of Himachal Pradesh so Government of Himachal Pradesh in the last cabinet meeting decided to give this project to SJVN.

It will be 780 megawatts project and it requires survey investigation both hydrology and geological investigation and then various project components will be decided what is hydrology and various capacity 780 megawatt or less or more that will all depend we will be able to freeze



it after doing all the survey investigation works. So, it takes considerable time before we actually start and find the project that it is a doable project.

It is a quite big project and we will be starting as and when we receive communication from Government of Himachal Pradesh and enters into an MOU with them for implementing this project. The other activities will be finalized after that. And we will do it as early as possible. We are already located their established their and for SJVN this will not be a difficult project. We have already experience of executing megaprojects in the Sutlej river basin.

**Chirag Vekaria:** So, this implementation you could see that it could take about a year time to just get it implemented?

**N. L. Sharma:** Yes, definitely it will take some time because initially we have to do investigations both geological and hydrological investigations. Only and only then we will be able to prepare the DPR, DPI will be got approved and appraised by the Central Electricity Authority and thereafter all the clearances, environment and forest clearances the process of land acquisition all these processes go side by side.

**Moderator:** Thank you, sir. As there are no further questions I now hand the conference over to Mr. Harshit Kapadia from Elara Securities for closing comments. Sir, over to you.

**Harshit Kapadia:** Thanks, Vikram once again. We thank Mr. Sharma, Mr. Bindra and his team for giving us an opportunity to host this call. We also thank all the investors and the analysts for joining for this call. Any closing remarks, sir.

**N. L. Sharma:** Thank you. We are trying to diversify and expand the portfolio of SJVN. We have already two projects in hand which are under construction; five projects are under operation; and number of other projects under surveyor investigations. So, we are trying that the activities of dumping these projects are expedited and we are able to expand the portfolio diversify the portfolio of the company in a better way. Thank you very much.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Elara Securities Private Limited, that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.