



“SJVN Limited Q3 and Nine Months Financial Year
2015 Earnings Results Conference Call”

February 05, 2015



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Moderator: Ladies and gentlemen, good day and welcome to the SJVN Limited Q3 and 9MFY 2015 Earnings Conference Call hosted by Elara Capital. 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 “*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Agrawala of Elara Capital. Thank you and over to you Sir!

Deepak Agrawala: Thanks. Good afternoon everyone. On behalf of Elara Securities, we welcome you all for the Q3 and 9MFY 2015 conference call for SJVN Limited. I take this opportunity to welcome the management of SJVN, represented by the Chairman Mr. R. N. Misra, Director Finance Mr. Bindra, Director Electrical and his entire team. We will begin with call with a brief overview by the management followed by the Q&A session. I will hand over the call to Mr. Mishra for the opening remarks. Over to you Sir!

R. N. Misra: Okay. Good evening. During the quarter the income from operation is Rs.546.79 Crores and there is an increase of Rs.159.35 Crores against the same quarter of last year. Profit before Tax during this quarter is Rs.321 Crores and there is an increase in the Profit before Tax by Rs.69.5 Crores. Profit after Tax during this quarter is Rs.270.60 Crores and there is an increase as compared to the last year 59.67 Crores. The EPS during this quarter is 0.65 which was in the last year it was 0.51.

During this quarter, we have commissioned the last unit of Rampur Hydro Electric project. So the all the units are Rampur Hydroelectric project had been synchronized. They have come under commercial operation. Also we have signed project development agreement for 900 MW Arun III project with the government of Nepal. Earlier we were not paying any interim dividend but considering the financial position, we are paying interim dividend during this year and the amount is 0.63 per share.

I think now you take your questions please.

Moderator: Thank you Sir. Anyone who wishes to ask a question please press “*” and “1”. The first question is from the line of Vishal Parivan from B&K Securities. Please go ahead.

Vishal Parivan: Sir thanks for the opportunity. First question is on Rampur, now given that normative plant availability is revised to 82% can you share like how has been the PAF for this quarter or year till date?

R. N. Misra: Yes, the plant availability factor has been fixed by 82%, during this quarter our plant availability factor of Rampur was 97%.



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- Vishal Parivan:** How it has been year till date, any number if you share?
- R. N. Misra:** Will you repeat your question please?
- Vishal Parivan:** How has been this PAF year till date for the Rampur?
- R. N. Misra:** Plant Availability Factor to date is 97%.
- Vishal Parivan:** Okay, so and the third quarter?
- R. N. Misra:** For the Q3 this figure is 99.12%.
- Vishal Parivan:** Similarly on Nathpa what we have seen is from the last four – five months the generation has been bit on the lower side year-on-year, is that seasonal or if you can share the availability factor for this plant also?
- R. N. Misra:** The generation has decreased because of less availability of water. It is one thing that there is a seasonal factor also because this was a lean period but at the same time this year we are getting less inflow of water. As far as the plant availability factor is concerned, the plant availability factor in fact has increased and this quarter our plant availability factor for Nathpa-Jhakri was 108% and during the last year this figure was 104% so the plant availability factor has actually increased but because of the less inflow of water the generation has decreased.
- Vishal Parivan:** So basically it will impact the generation, the secondary incentives but on a **(indiscernible) 6.12** base numbers are intact.
- R. N. Misra:** Yes, you are very correct.
- Vishal Parivan:** Second like you mentioned and you touched briefly on the dividend policy, we are paying a dividend, interim dividend is paying around any changes in terms of payout that one can see for the full year or the payout will remains same, it is just that we have bifurcated the dividend into two parts?
- R. N. Misra:** This information that whether there will be change in the payout, I cannot just exactly tell you but since we are paying 0.63 at present and definitely there will be some changes but what will be that amount that I cannot estimate or tell you, but there will be definitely some change.
- Vishal Parivan:** So I mean some change in the sense on the positive side you are saying I believe?
- R. N. Misra:** Yes on the positive side.



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Vishal Parivan: Some couple of housing keeping, one if you can share the PAF and incentives in Rupees, Million and UI incentive?

R. N. Misra: PAF incentive as far as during this quarter is concerned, our PAF incentive was 41.89 Crores and if we take up to this entire if we take the first nine months of this financial year then PAF incentive is 148.59 Crores and the pickup of this 148.59 Crores between Nathpa-Jhakri and Rampur is like this, Nathpa-Jhakri accounts for 123.93 Crores and Rampur accounts for 24.66 Crores.

Vishal Parivan: This is the 148 Crores is year till date right Sir?

R. N. Misra: Yes.

Vishal Parivan: For the UI if you can just give the numbers?

R. N. Misra: UI charges this year it is 3.80 Crores for this quarter and if we take the entire all nine months then it is 13.39 Crores.

Vishal Parivan: That is helpful. That is it from my side. Thanks.

Moderator: Thank you. The next question is from the line of Kedar Wagle from MayBank. Please go ahead.

Kedar Wagle: Thank you. I had a few questions. Firstly, going back to the Rampur project, you have mentioned in the notes that the provisional tariff petition has been decided on a capex estimate of 3109 Crores, if I am not mistaken the total capex spend for this project the actual has worked out to 3800 Crores right, so I just wanted to check on that whether I was right and if so would there be a final revision in the capex budget for this project at a later point and you would get the final tariff based on that so that is one? Second is coming back to the normative PAF for Rampur why is it 82% when for Nathpa-Jhakri it is 90%, so in other words would it be revised at a later point?

R. N. Misra: As far as your first question is concerned, you are right, that we have been spent around 3800 Crores but the capex, which has been given it is 3109 Crores and the reason is that we had filed a petition for 3658 Crores it is 55% has been allowed provisionally and later on there will be revision when we file another petition there will be some revision. As far as the second what you are saying that why 82% has been done, why not whereas the Nathpa-Jhakri is 90%, the reason is that during, we have just started Rampur project. There will be certain teething problem. This is a new project and in order to take care of teething process problem during initial year, before all the machines gets stabilized there is another issue that we are doing tandem operation, tandem operation is being done first time anywhere in India. So these are, this is a peculiar project so we expect that first two years at least these problems may exist, so 82% has been allowed, and now the question whether it is increased, what will be the further figures and how will be what



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changes will come, that will be seen by CERC when they see our petition or whenever they fix the figure later on.

Kedar Wagle: I had one more question, your account receivables can you give us some number for the account receivables and can you also tell us , both for Nathpa-Jhakri and Rampur how much you have not built, so which is embedded in the account receivables but you have not built in?

R. N. Misra: As far as the account receivables are concerned more than 60 days this figure is 860 Crores, less than 60 days it is 674 Crores total becomes 1534 Crores and as that to, what we have not built so far I think our Director Finance would be able to tell you.

A. S. Bindra: For Nathpa-Jhakri we have built everything. For Rampur project just the CERC has given the order only two days ago so we have not billed so all the figures of 173 Crores revenue during the year that has not been billed. The revenue is not billed 174 Crore is for the Rampur project and approximate 58 Lakhs is on account of the wind power so it will be 174.5 Crores you can say unbilled amount.

Kedar Wagle: Thank you.

Moderator: The next question is from the line of Naresh Patariya from Money Curves. Please go ahead.

Naresh Patariya: Thank you Sir for taking the question. I had a question on the plant we have envisaged Arun III at Nepal so when are we expecting, how many years go live for Arun III?

R. N. Misra: It will have, you see that at present we are expecting it may go live 7 to 8 years.

Naresh Patariya: Sometime till we get into the revenue and also the recent solar initiative with Hindustan Salts, we saw that it was almost 5000 MW or something. What will be our share I mean will we become more of a solar company, solar and wind rather than a hydropower or what should be the trajectory of that investment and the revenue generation from there?

R. N. Misra: That we are now a power company, we are a power company so we are doing hydro, we will be doing solar as well as wind and also thermal. The question is this thing that you are asking what will be the, whose share majority would be there, majority will obviously that of the hydro, hydro will still will continue ruling, will have the major share. As far as the solar and wind is concerned or thermal is concerned their shares will be less as compared to **(indiscernible) 14.20**.

Naresh Patariya: So when can we expect any contribution from the Hindustan Salts MoU, what is the envisaged go live?

R. N. Misra: That the MoU which we have signed after that we have to identify the assess the solar potential there, we have to assess the wind potential there or which we are already we are initiating, we are



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taking actions and also when we go for this park for the development of the park, a number of activities will have to be done like civil works and other things. It takes some time and I think if the things go well still one year will be the time for development and thereafter only that we will be able to put some plants there.

- Naresh Patariya:** Thank you Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Sir my question pertains to, have you trying the PPA for the wind power plant?
- R. N. Misra:** Yes, for the wind power plant we have got 56 units out of them we have signed PPA for 53 units.
- Mohit Kumar:** You are getting the tariff of 5.81 am I right?
- R. N. Misra:** Yes, getting tariff of Rs. 5.81 per unit.
- Mohit Kumar:** Sir second question pertains with all revised cost estimate for Nathpa-Jhakri and Rampur have taken approval by the Ministry of Power or is it pending?
- R. N. Misra:** Yes, the revised estimates for Rampur as well as Nathpa-Jhakri are yet to be approved by Ministry of power.
- Mohit Kumar:** What is the gap between the final capital cost of Nathpa-Jhakri and the current capital cost which we are booking revenue?
- A. S. Bindra:** The final cost is 8775 and already we have allowed 8725 so there is a gap of only 58 Crores.
- Mohit Kumar:** For Rampur the gap is around **(indiscernible) 16.47**
- A. S. Bindra:** Rampur gap is there because Rampur they have allowed 3109 Crores and our expected cost will be 3800, so there will be gap of 700 Crores.
- Mohit Kumar:** That is it from my side Sir. Thank you.
- Moderator:** The next question is from the line of Pawan Parakh from Religare Capital Market. Please go ahead.
- Pawan Parakh:** Sir my question is on the Rampur capital cost, so we are expecting the whole 3800 Crores to be approved by the CERC and if not the whole what could be the reason if why this whole 3800 Crores is not been approved?



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- R. N. Misra:** See the amount we are telling that will get approved. Tell me why it should not be approved?
- Pawan Parakh:** Secondly Sir your international projects like Arun-III and other that are under planning what are the ROEs that we are looking at on these projects?
- R. N. Misra:** Normally whenever we are planning our projects to calculate the tariff, what we expect approximately 16% return on equity. You asked what ROEs we expect. Our expectation is around 16%.
- Pawan Parakh:** Thanks Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Jonnathan Blucork from UEM. Please go ahead.
- Jonnathan Blucork:** Can you confirm that there is no arrears but for Nathpa-Jhakri in Q3 and secondly on the dividends it is very welcome to see an interim dividend. Can you please give us guidance somewhere that is going to be continued for the coming years where we get an interim and the final dividends and what triggered the decisions more is it you are accumulating excess cash on your balance sheet looking to return is it the timing of the projects and how are you guiding your return? Is it going to be linked to EPS or is it going to be a progressive payouts in absolute terms similar to what you have been doing for the last few year's space?
- R. N. Misra:** That the question which you have asked all this will be decided by the Board of Directors as the situation arise every year. We cannot just tell that what will be the trend and what will be the amounts next year, every year the Board our Board of Directors will see and sensing this situation in that year.
- Jonnathan Blucork:** But historically it has been a progressive increase not necessarily linked directly to you earnings per share. Is this something we should expect to continue?
- R. N. Misra:** That the Board will decide. We cannot just give you anything, whether it will be a progressive increase or it could be because you see that as far as we are concerned, we are looking ahead. The company is every year fairing very well and we are showing the results which are better every year to year the results are getting better so we expect this trend to continue. What will actually happen that will be decided by the Board of Directors considering the overall situation?
- A. S. Bindra:** If you see our history, we are increasing every year dividend also. But that you can forecast whatever you want.
- Jonnathan Blucork:** On Nathpa-Jhakri arrears are there any in Q3?
- R. N. Misra:** Can you repeat your question please?



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- Jonnathan Blucork:** Where there any arrears booked in Q3 for Nathpa-Jhakri?
- A. S. Bindra:** Already we have booked the arrear in Q2 itself, 31 Crore there was a total arrears that we have already booked in the Q2 itself so there is no arrears in the Q3.
- Jonnathan Blucork:** So there is nothing further coming in from there. Thank you.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Bhudhrani Finance. Please go ahead.
- Ashish Shah:** I had a question on the capex. Can you please let us know what is the capex spent in the nine months and what is your guidance for next year on that? Thank you. Sir, how much has already been spent in nine months?
- R. N. Misra:** During nine months, we had spent 434 Crores and our revised estimate for this year is 720 Crores.
- Ashish Shah:** Sir any initial thoughts on capex guidance for next year?
- R. N. Misra:** For next year we have put our budgeted estimate at 908 Crores.
- Ashish Shah:** What is the thought I think you are taking from the question the earlier participant who also asked if you look at your capex plan for this year and next year looks like you are going to have substantial free cash flows this year and next year while I appreciate both going to take a call on the dividend payout but it could be helpful if they would have been some more clarity on a payout ratio or something?
- R. N. Misra:** You see that whatever you are seeing the capex this year and next year our many projects are coming up like in Bhutan two projects, in Nepal Arun III and even the project in India and we are diversifying also in the solar and also thermal projects. So our expenses after one year are going to increase abnormally, our capex will increase manifold. So what you think that we will have a lot off free cash, the situation may not be like that and we will require the money and for that this money will be used. But as far as that what dividend will be given definitely it will be decided by Board , payouts will be decided by Board on that I cannot just tell you or I cannot just estimate or forecast anything at the present moment.
- Ashish Shah:** Sir just one last query, you know the receivable number is fairly high so you see that coming down by year end?
- R. N. Misra:** Receivables are quite high but we are expecting during this last quarter of this year. We normally expect that some money is paid by our beneficiary and we are hopeful that at the final



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figure for this year should be lesser, should go down that is what our expectation and we are hopeful of that.

Ashish Shah: Okay Sir, thank you very much.

Moderator: Participants you may press “*” and “1” to ask a question at this time.

Deepak Agrawala: Sir meanwhile I have few questions, first question is can you give what is the progress that has happened on the Buxar Thermal Power Plant and it seems that you have signed an joint venture also with the States for the goldmine, so can you throw some light on that?

R. N. Misra: Yeah, we have signed the JV agreement, States are there Karnataka, West Bengal, Bihar, Punjab, Tamil Nadu and Uttar Pradesh, this has been signed for the Deocha-Pachami Coal Block. As far as the Buxar Thermal Power Plant is concerned there we have already moved to a government for the getting certain approvals so that we can do make some expenditure on FI structure, we are going ahead with getting this environmental clearance. We have already given the work of updation of DPR is in progress and this we have given this job we have given to NTPC. Private land acquisition is also in progress and this is been done by the government of Bihar. Visibility study report for Railway siding has been completed and it has been submitted to Railway Authorities for clearance. This is the position at Buxar Thermal Project.

Deepak Agrawala: So when do we expect the actual physical construction to start?

R. N. Misra: Actual physical construction to start I think it will depend upon when we get the investment approval for the infrastructure activity but what we expect that, okay we may give **(indiscernible) 26.51** period of six to eight months time something should happen.

Deepak Agrawala: I missed the plant availability factor the number for Nathpa-Jhakri can you repeat that number what was there for Q3 and nine months?

R. N. Misra: For Nathpa-Jhakri the plant availability factor for Q3 was 108.1% and for the nine months from April to December it was 107.92% so say 108% almost.

Deepak Agrawala: And on the receivable side the break up that you gave is less than 60 days and greater than 60 days so what was the similar number as on September?

R. N. Misra: Similar number for September, I think this figure I may not be having at present handy.

Deepak Agrawala: Okay I take it later on, no problem and my last question is on the tariff for Rampur now what is the way forward in terms of, now what will be the process like will you file a new petition to get the final approvals in place, because the now the plant is fully operational and the order is based



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on the petition that you have filed few months back, so when can we expect this process to be over?

R. N. Misra: We will file a new petition may be that another 3-4 months time, in about two months time we will be able to consolidate all our figures because we have to come to the cost to the completion at all the figures get it off and ticket it and thereafter file a new petition, another two months time.

Deepak Agrawala: Sir my last question is the progress, when can we expect for the Bhutan project because there is sometime that the JV has been formed and you also signed the share purchase agreement and all, shareholders agreement so when can we see EPC contract getting award and you hit the ground starting construction?

R. N. Misra: The shareholders agreement was signed thereafter the company is to be registered. Now registration of the company is in progress we have already formed certain articles of association and that is under discussions with different authorities in Bhutan, we are expecting this company to be registered very soon, in the meantime we have invited tenders for roads, road work, this evaluation is being done and once the company is formed if it is registered we will issue orders to whoever comes as successful tenderer for the roads. As far as the major works are concerned this activity will follow because first we have to develop the infrastructure and see that other things are in place, in the meantime we are on the job to prepare our tender documents for the major works another things but that thing will take sometime say about six to eight months.

Deepak Agrawala: Thank you. That's it from my side.

Moderator: The next question is from the line of Vishal Parivan from B&K Securities. Please go ahead.

Vishal Parivan: Sir two follow ups, on renewable Government of India has a plan of funded these awards and I understand there is a portion of it has to be done by PSU- Public Sector Units so is there any allocation that we have on that 100 gigawatt or we have to ask like Hindustan Zinc JV, is it part of it or it is **(indiscernible) 30.59**.

R. N. Misra: As far as allocation no allocation has been made to us. We are planning that at the first stage we will give around 1000 MW we will put on from our side to as our contribution in this scheme of One Lakh MW.

Vishal Parivan: When that can come in terms of, when the construction can start and probably what is the capex figure have you envisaged?

R. N. Misra: That as I told you that, as far as this Hindustan Salt Limited land is concerned on that this may take sometime as I told that their development and other things will take sometime may be



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around a year but we will also look for from other places also, if we can have some other places where we can put some solar plants we are on lookout for that also.

Vishal Parivan: Last on this Government of India stake sale I mean probably six months down the line when the list was out the Defence and Investment Ministry has mentioned 10 names and SJVN was part of it so any hint that we are getting from the Ministry when it is planned and when the paper will be coming in the market?

R. N. Misra: At present I cannot say anything to you on this subject. I cannot comment, we have not received nothing from the Government that something is to done by such and such date.

Vishal Parivan: Okay fair enough sir, that's it from my side. Thanks.

Moderator: Thank you. The next question is from the line of Abhishek Anand from JM Financial. Please go ahead.

Abhishek Anand: Sir just to remind this Sir, in Buxar Thermal Plant the Coal Block which were allocated what is the status of that and how are you proceeding with that?

R.N. Misra: As far that Coal Block we have already signed a Joint Venture agreement where the six States are involved, Karnataka, West Bengal, UP, Bihar, Punjab and Tamil Nadu. The joint venture has been signed now the joint venture company will be formed and thereafter further action will be taken because for doing the further exploration and to appoint some mine development operator or there will be some lead partner who will be doing some job all these things are under discussions.

Abhishek Anand: Sir, what is the rough timeline for the Coal Block to commence production?

R.N. Misra: It's a very difficult question you are asking me that what will be the timeline, but still I cannot, I can just only guesstimate for this may be another four five years.

Abhishek Anand: Sir that points that I am trying to see here is whether the company is trying to match the timeline between the Power Plant and the Coal Block, are we trying to do that or we have fine that the Power Plant coming up first and then subsequently may be the Coal Blocks to come?

R.N. Misra: If we don't have Coal then what we will be do of the Power Plant, definitely we will have to see that both things have to be matched and we will match whatever way is possible of course that when power plant comes at that time it will be seen, we hope that by that time the coal should be available and if it is not available from one source we have to find out the another source but it has to be matched.



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Abhishek Anand: Sir secondly on the capex side, I think we have more or less completed the capex for Rampur project is my assessment correct?

R.N. Misra: I think some amount next year we will have some amount to be spent but minor amount.

Abhishek Anand: Sir it will be really helpful if you could give us the breakup of these 910 Crores that we are planning for the next year?

R.N. Misra: See that what we have done here the major part is being taken around in Buxar Thermal Plant around 400 Crores and around 250 Crores are something for Rampur and then we have the number of projects under which clearances are coming up **(indiscernible) 36.30** on all these things we will be spending money and we are expecting this year we are putting around 45 Crores on Solar Power Plant, we are constructing an office building also on that also we will be spending some money around Rs.30 Crores it is how that entire thing is made up of.

Abhishek Anand: This office building Sir, is it part of any project or its more on the corporate level?

R.N. Misra: It will be our part of project.

Abhishek Anand: So we will get a pass through for this office building?

R.N. Misra: Yeah.

Abhishek Anand: That's it from my side. Thank you so much.

Moderator: The next question is from the line of Ashish Shah from Bhudhrani Finance. Please go ahead.

Ashish Shah: Sir just a question again on the receivables while you did clarify that they will come off by the year end till the number seems very high from a historical perspective so anything to reason to that and why the numbers so high this year?

R.N. Misra: Yeah, the numbers are high because like from J&K where we used to get the money regularly but this year we have not received the amount and there are certain receivables which have increased. And the other issue was that we got the CERC orders as arrears and this billing was done, arrears has also caused a little, it has increased our amount of receivable because that the beneficiary you have to pay it from there their outgo has increased.

Ashish Shah: Sir this arrears would you be able to give the some breakup in terms of value what would be for arrears and what would be the receivables from J&K?

Bindra: Total arrear was 571 Crores.



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- R.N. Misra:** And out of that in the arrears J&K I will not be able to give the exact amount out of that how much arrear is for J&K but the total arrears were Rs.517 Crores.
- Ashish Shah:** Thank you Sir.
- Moderator:** The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Have we arrived at the break up of the capital cost for Buxar and is there a break up available between the mines and the power plant and what would the number be?
- R.N. Misra:** As per whatever capital capex I have informed you that is of the power plant and the mines we have not put any amount so far, we have not allocated but considering the progress of work we will allocate some amount to this if required.
- Mohit Kumar:** Do you have any ballpark number on the mines?
- R.N. Misra:** Pardon.
- Mohit Kumar:** Do you have any ballpark or rough estimate of
- R.N. Misra:** Not done reason being that the JV agreement has been signed before the work on mining starts some exploration detailed exploration will have to be done all those things will be required so in the next year we really do not point that anything really may come up some extra expenditure may be involved, some small expenditure is involved we will spend that. Therefore we have not actually factored with cost so far in your capex.
- Mohit Kumar:** And my last question pertains to what is the cash on the books as the end of December 2014?
- R.N. Misra:** Rs.2520 Crores.
- Mohit Kumar:** Thanks a lot for answering my question.
- Moderator:** Thank you. I would like to now handover the floor back to Mr. Deepak Agrawala for closing comments.
- Deepak Agrawala:** We thank Mr. Mishra and his entire management team for giving us an opportunity to host the call. We also thank to all the participants who are joining us in this call. Sir any closing comments would you like to make?
- R.N. Misra:** We are progressing well and we are hopeful that our future will be very good and we will contribute to the prosperity of the nation and we will get your support and good wishes always. Thank you very much.



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Moderator: Thank you. On behalf of Elara Capital that concludes this conference, thank you for joining us and you may now disconnect your lines.