



“SJVN Limited Q3 and 9M FY17  
Earnings Conference Call”

February 15, 2017



**MANAGEMENT:** Mr. R. N. Mishra, Chairman & Managing Director  
Mr. A. S. Bindra, Director (Finance)  
Mr. Kanwar Singh, Director (Civil)  
Mr. R K Bansal, Director (Electrical)

**MODERATOR:** Mr. Deepak Agrawala, Elara Securities Pvt. Ltd.



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**Moderator:** Ladies and gentlemen, good day and welcome to SJVN Limited Q3 FY17 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. Deepak Agrawala from Elara Securities Private Limited. Thank you and over to you Sir!

**Deepak Agrawala:** Thanks Stanford. Good afternoon everybody, on behalf of Elara Securities, we welcome you all for the Q3 and nine-month FY17 conference call for 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 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. Mishra for his opening remarks. Over to you Sir!

**R.N. Mishra:** Good afternoon everybody. With me, our Director (Finance), Mr. A.S. Bindra and our Director (Civil) Mr. Kanwar Singh are also present.

Revenue from operations during Q3 FY17 was 495.40 Crores against 482.13 Crores and the total gross income during Q3 FY17 was 616.13 Crores against last year corresponding quarter of 554.78 Crores, it means there is an increase of 11.06% in the gross total income. The profit before tax during the Q3 FY2017 is Rs.310.70 Crores against Rs.250.68 Crores during corresponding quarter of the last year, it means that there is an increase of 23.94 Crores in the profit before tax. Similarly, profit after tax during the current quarter, Q3 FY2017 is 260.51 Crores against 211.41 Crores during the corresponding quarter in FY16, registering an increase of 23.23%.

If we come to the total generation, total generation has slightly dropped. During this quarter, it was 1228.44 million units against 1084.68 million units during corresponding quarter of the last year, but the plant availability factor of both the projects have shown good increase that the Nathpa Jhakri Hydropower Station has shown a plant availability factor of 108.51% against 102.81% during the corresponding quarter of last year and Rampur project has shown a plant availability factor of 107.29% against 98.17% during the corresponding quarter of last year. So, the results during this quarter have been quite encouraging and the dividend, which we have declared, is Rs.2.25, this is the interim dividend. This is what I have to brief and now over to you for your questions. In the meantime, Mr. Rakesh Bansal, our Director (Electrical) has also joined us.

**Moderator:** Thank you very much. We will now begin with the question and answer session. Anyone who wishes to ask a question may press "\*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue you may press "\*" and "2". Participants are requested to



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use only handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles. We take our first question from the line of Nagraj Chadrashekhar from Laburnum Capital. Please go ahead.

**Nagraj Chadrashekhar:** Thank you for the call and for good set of results, congratulations. Could you give us the numbers for debtors by state SEB as of the end of the quarter and as of now one-and-a-half months into the current quarter like you did during the previous con-call?

**R.N. Mishra:** You want to know the state-wise information about the outstanding. During this quarter, the total outstanding is 1343.62 Crores. I am telling the figures. Major one I should tell, from DYPL it is 81.50 Crores. We have already regulated their power since September 2013. From Tata Power, 63.57 Crores, from Haryana it is 23.83 Crores, from Himachal Pradesh it is 1123.21 Crores, from Jammu and Kashmir it is 65.70 Crores, from Punjab is 67.46 Crores, from UP it is 270.41 Crores, then from Uttarakhand it is 19.28 Crores, Ajmer is 12.08 Crores, Jaipur Vidyut Vitran Nigam Ltd. 26.11 Crores, from Jodhpur Vidyut Vitran Nigam Ltd. it is 9.27 Crores.

**Nagraj Chadrashekhar:** Thank you Sir. What would be the amount as of now, sort of movement during the quarter? Secondly, the Himachal amount you had mentioned that the state had signed on for Uday and you would see a sequential decline in the amount. We have not really seen that so far. Do you see that happening going forward and when do you see this happening?

**R.N. Mishra:** If you see that thing, on 30th of June, the total outstanding was 1440 Crores, which increased in September 2016 at 1720 Crores. It has come down to 1343.62 Crores as on 31st of December. As far as Himachal Pradesh is concerned, of course there is a slight decrease. When we talked about the last September it was 784 Crores, now it is 723 Crores. Of course, they could not make the payment because there were certain agreements to be signed, those agreements have been signed and we expect that things should come up now. Because we understand that Himachal Pradesh has 25% equity share also. They are the owners also of the company, so at some point of time they will try to liquidate it. The other thing I would like to tell you from Rajasthan the figures, which I have given as on 31st of December, they have liquidated all outstanding amounts. Himachal has already signed the Uday, which I told you earlier. So, we expect that Himachal also they should reduce.

**Nagraj Chadrashekhar:** Also I wanted to ask your other income figure was high this quarter. What would be the breakup between investment income on surplus funds and late surcharge?

**R.N. Mishra:** The other income has increased. Last year it was 72.65 Crores. It is 120.73 Crores. It has increased because we have received late payment surcharge from Jammu and Kashmir approximately 32 Crores, that is the major contributor for this.

**Nagraj Chadrashekhar:** Okay, thank you Sir.



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- Moderator:** Thank you. We take the next question from the line of Chirag Vekaria from Budhrani Finance. Please go ahead.
- Chirag Vekaria:** Good afternoon Sir. I wanted to have some numbers. Can you give the breakup of energy generated from Nathpa Jhakri and Rampur, and similarly the UI charges, capacity incentives?
- R.N. Mishra:** From Nathpa Jhakri, during this quarter that is Q3 FY17, the energy generated was 955.05 million units and from Rampur project it was 271.18 million units. Coming to the UI charges, from Nathpa Jhakri during this quarter, the UI charges which we got were 1.19 Crores and capacity incentive was 42.96 Crores. For the Rampur project, the UI charges were 0.33 Crores and the capacity incentive was 20.34 Crores.
- Chirag Vekaria:** Can you give cash and debt on books?
- R.N. Mishra:** Cash is 4900 Crores and debt is 2500 Crores.
- Chirag Vekaria:** Just one thing I wanted to understand. This time the snowfall was quite good in those regions, would that translate into higher energy generation or would we see that impact in Q4 or how would that come?
- R.N. Mishra:** During Q4, there could be an impact of increase in the energy generation, but these months are normally lean period. During lean period, the snow which had been deposited does not melt because of the low temperature, so there could be an increase but it will not be a substantial increase, you cannot say that the increase could be abnormal, it is not so. There could be some increase as compared to last year, but normally the order will be almost same.
- Chirag Vekaria:** Okay, got it. That is it from my side. Thank you.
- Moderator:** Thank you. We take the next question from the line of Dimple Kotak from SKS Capital & Research Pvt. Ltd. Please go ahead.
- Dimple Kotak:** Thanks for taking my question. You said the SEB outstanding is 1443 Crores?
- R.N. Mishra:** 1343 Crores.
- Dimple Kotak:** What was it in the corresponding previous quarter and the last year?
- R.N. Mishra:** Corresponding previous quarter it was 1720 Crores. Before that, it was 1440 Crores.
- Dimple Kotak:** Okay. Has there been a decrease in the UI charges? Because last quarter you said there had been decline because of lower BLS.



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**R.N. Mishra:** You see that UI charges depend upon the grid condition. We will get the UI charges only when the frequency in the grid, suppose the frequency is increasing and I withdraw, I do not generate. When the frequency is decreasing, I put my machines for generation, you need those conditions. If the grid is more stable, though the grid is operating at 50 hertz, there will be no UI charges. It all depends upon what is the grid. Less UI charges show that grid conditions were much better and for the health of the system it is always good to have less UI charges.

**Dimple Kotak:** Okay. What is the outlook for Q4 and the year ahead?

**R.N. Mishra:** For Q4, I cannot predict revenue and other things, but only thing I can say considering that whatever generation is going on and other things, it should be like last year quarter at least. We do not expect any degeneration at least. That is what I can say. Next year also you see that whatever we have generated this year it all depends upon what type of monsoon we get and those things. Second thing is that we are expecting that our 5-megawatt Charanka power plant to get commissioned next month. That will add something. Moreover we have already awarded the work of 50-megawatt wind power project, which may get commissioned sometime during the next financial year, it will also add to some generation. This is only what I can say.

**Dimple Kotak:** Okay. I joined the call late, what are the generation units?

**R.N. Mishra:** Total generation is 1228.44 million units. From Nathpa Jhakri, we had 955.05 million units. From Rampur, it was 271.18 million units.

**Dimple Kotak:** Okay. Last year it was 1868 million units?

**R.N. Mishra:** Last year the corresponding generation was 1284.68 million units. It means that generation has slightly decreased.

**Dimple Kotak:** Okay. That is all from my side Sir. Thank you so much.

**Moderator:** Thank you. We take the next question from the line of Mohit Kumar from IDFC Securities Ltd. Please go ahead.

**Mohit Kumar:** Good afternoon Sir. Just a couple of questions regarding renewable plan for the FY18, is the 50 megawatt is that all right now which you have or are you trying to put up more wind power plant in FY18? Secondly, what is the capital cost of 50 megawatt, is there any **(inaudible) 16:49** for that?

**R.N. Mishra:** For FY18, this 50-megawatt wind power plant will get commissioned. We have also invited tenders for 60-megawatt wind power plant and we are expecting that tender also we should be able to put the order in the next three months or so. This may also add to some generation



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capacity during next financial year. Also, as we were in discussion for one solar power plant for 50 megawatt in Kanpur, that also we are pursuing and we are very hopeful that orders for that power plant also we should be able to place in the next financial year. This is position of the renewable plan what we have already thought. Capital cost of the 50 megawatt is 320 Crores.

**Mohit Kumar:**

Okay. Can you update the status of the other project which you said there will be some progress in FY18? What would be the capital cost and breakups on all those projects?

**R.N. Mishra:**

Our Kholongchhu hydropower project in Bhutan, which we are doing in the JV with Druk Green Power, is 600 megawatt. On this project, a lot of road network has been already created. Some inside structure work is going on. Tenders for three packages have been invited. They are due for opening on 30th of March. This is about the Bhutan Kholongchhu project. The cost of the project is approximately 4000 Crores, I am giving round figures, not exact figures. Arun-III is 900 megawatt project, the cost is around 5700 Crores. On this project, the roadwork is going on and 16 to 17 km of road has been done. We have already invited tenders for one package and the tender evaluation has been done, technical evaluation. For the other package also, we are inviting tenders. It has been issued for the powerhouse package also. For this project we are expecting that the other package also we should be able to award by September and this package maybe in another two to three months' time. Coming to other projects in Himachal Pradesh, we have Luhri, hydroelectric project, this is to be constructed in three stages. For stage I we have already prepared the DPR and submitted to CEA. For the other two stages, investigation is being taken up. Our Devsari project is 252 megawatt, on this forest advisory committee has recommended the project but we are yet to receive the forest clearance stage I, which we are processing and hoping that it should happen maybe next month. Thereafter, we should get the environment clearance also. Our Naitwar Mori project is 60 megawatt. We have all the clearances. The matter is with the government for the investment decisions. This Naitwar Mori project cost is 675 Crores. For Devsari, the estimated cost is 2240 Crores. Our Jakhol Sankri project is 44 megawatt, the cost is estimated approximately as 440 Crores. In this, we were supposed to get the no objection certification from the national board for wildlife because it is near Govind Pashu Vihar. We have received that. Our environmental studies are going on and we have to do further additional investigation which we are carrying. I have already told you about the solar power project. There is one project that is Doimukh of 53 megawatt in Arunachal Pradesh. On this project, we have submitted our detailed project report to the CEA. There is a thermal project of 1320 megawatt, Buxar Thermal Power Plant. For this plant, environmental appraisal committee has recommended this project for environment clearance. We have already acquired the plant area and we will be moving now for the investment decision. I think that is what I have to tell you.

**Mohit Kumar:**

One last question Sir. In this particular last fiscal year, you have declared interim dividend of Rs.2.25. Should we consider this as a new normal for the future years and are there any proposal of buyback, which you are considering?



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- R.N. Mishra:** I cannot say what would be the norm for future or what will happen in the future, neither I can predict nor I have any such methodology to say so. Moreover this is a decision to be taken by board. Therefore, I will not speak anything on this. As far as the buyback, buyback issue was there under consideration, but still we have not come out.
- Mohit Kumar:** Okay, thanks for answering my questions.
- Moderator:** Thank you. We take the next question from the line of Pawan Nahar from Religare. Please go ahead.
- Pawan Nahar:** Sir I have a question on the dividend. Now the dividend is very good, thank you for that. On this there is a dividend tax that you are paying, which would be ballpark equal to 12% of your FY16 full year profit, 189 Crores I would think. Was there any thought in your mind to have saved this amount by doing a buyback? This is a big amount, which every shareholder including the government would have benefitted from. I understand the tax goes to the government, but valuations improve when you do a buyback instead of the dividend, more so in such a large amount.
- R.N. Mishra:** It is all that when we sit together or we put our minds and we find that what is good and how we can, because we were being asked earlier also by shareholders and many investors, they were saying why don't you give more dividend since you are having money. So, we have given the dividend and as far as buyback is concerned, buyback is a decision, which is to be taken separately, and this decision so far we have not zeroed on this.
- Pawan Nahar:** I respect that. All I am trying to communicate is a very simple point. You paid a very large amount to shareholders via dividend. You could have added 186 Crores to it and done a buyback, which would have cost you nothing, so everybody would have benefitted. So I hope next time you will keep this in mind and government companies are already doing buybacks.
- R.N. Mishra:** In the buyback, there is a dividend distribution tax is also there. You can go through and some taxation liability comes there also, because whatever you pay you will pay from your profit, whatever you pay extra from the cost that will come as a dividend distribution tax.
- Pawan Nahar:** Thank you so much for this. I am reasonably sure that should not be the case, but thank you for your clarification.
- Moderator:** Thank you. We take the next question from the line of Vipul Shah from Sumangal Investments. Please go ahead.



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**Vipul Shah:** Congratulations for good set of numbers. I just wanted to know what is our hydro capacity right now and after three to four years what will be our capacity, and what will be the Capex for FY18-19 purely for hydro projects?

**R.N. Mishra:** Our hydro capacity at present is 1912 megawatts. In the next four years, hardly there will be any increase, but Naitwar Mori project we are thinking that project may come in a four-year term. As far as the other projects, they are having gestation period of five years or six years, therefore they will come in later. The hydro capacity addition will not be too much within this period. The addition will be in terms of renewable energy like wind power and solar power. Total Capex will be approximately 1500 to 1600 Crores for hydro.

**Vipul Shah:** What will be the renewable Capex?

**R.N. Mishra:** If we take other segments, it could be around 3000 Crores.

**Vipul Shah:** So, total Capex next year will be 4500 Crores, right?

**R.N. Mishra:** Next year Capex is 1068 Crores for 2017-18. I am giving the figure of 2018-19 the total Capex will be 3000 Crores.

**Vipul Shah:** Okay. What is the logic of going in thermal power project when we have so many projects in the pipeline in hydro and renewable? Can you explain the logic for diversifying into thermal power project?

**R.N. Mishra:** If you see three years back, in 2013 itself we had done. Now it is four years. The logic is number one, we are going for supercritical power plant and we will be following the new emission norms, so that these projects are greener than what used to be the earlier thermal power projects. Number two; we have diversified so that we are not keeping all our eggs in one basket. At present, our project is on Sutlej River. We have to go from here and our Luhri project is also coming on Sutlej River. Two other projects are outside and the projects, which are coming, are of small value, so we should have something to do where we can see that my risk is also diversified. In that case, thermal of 1320 megawatt was one of the options. Second thing is the tariff from this project, which we expect it would maybe on the order of Rs.3.80 or something. There is a PPA with the Government of Bihar that they will take 85% power from us. So considering all these things, it would be a wise decision to make one thermal power project.

**Vipul Shah:** Okay. When is it likely to become operational?

**R.N. Mishra:** Somewhere in 2021-2022.

**Vipul Shah:** Okay, thank you Sir and all the best for the future.



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- Moderator:** Thank you. We take the next question, a followup question, from the line of Chirag Vekaria from Budhrani Finance. Please go ahead.
- Chirag Vekaria:** I wanted to understand this wind project; it has generated lower energy this time around. Is it in continuation with last quarter that there has been an operational maintenance shutdown and would we be receiving any compensation, can you throw some light on that during the last quarter?
- R.N. Mishra:** The lower generation is because of the same reason what we had told last time. As far as the compensation and other things are concerned, they all will be governed by the contract, which we have with the contractors.
- Chirag Vekaria:** When would we be receiving the compensation?
- R.N. Mishra:** Compensation from the contractor will be in accordance with the provisions of the contract, which we had entered with the contractor.
- Chirag Vekaria:** Fair enough. In FY18, what will be the commissioned project?
- R.N. Mishra:** This 50 megawatt what we have already given order that will get commissioned. One more 50 megawatt we are going to order and that may also come we think. So you can consider at present we are aiming at 100 megawatt of the wind power commissioning during the next financial year.
- Chirag Vekaria:** 100 megawatts wind and nothing on the solar side right?
- R.N. Mishra:** As I told, Kanpur Dehat we are going to get 50 megawatt, we will do. About the certainty, now I cannot tell you how certain it will be, but some of the parts will get commissioned on that project also, but 50 megawatt we are venturing in that also.
- Chirag Vekaria:** So, 100 plus 50, right?
- R.N. Mishra:** Yes, approximately.
- Chirag Vekaria:** Okay, thank you.
- Moderator:** Thank you. We take the next question from the line of Sachin Mehta from Centrum Broking Limited. Please go ahead.
- Sachin Mehta:** Good evening Sir, I have two questions. One is I wanted to understand what is the status on the tariff petition? What are we hearing from CERC? When do we see it coming forward for Nathpa and Rampur?



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- R.N. Mishra:** We are expecting that during this coming March.
- Sachin Mehta:** Okay. My second question was something to do with what you had mentioned that buyback was also under consideration, but we have not zeroed it down. I wanted to understand whether it is still an option that we are evaluating or it is something that we are no more evaluating or considering maybe not this year, maybe not even next year, if you could probably throw some light on that?
- R.N. Mishra:** We had considered it, but we have not closed the chapter.
- Sachin Mehta:** Okay. So it is still an option available with us to evaluate going ahead if both the co-promoters, the Himachal Pradesh Government and the Government of India are fine with it?
- R.N. Mishra:** My answer is we have not closed that.
- Sachin Mehta:** Okay, that is from my side. Thanks a lot.
- Moderator:** Thank you. We take the next question from the line of Deepak Agrawala from Elara Securities Private Ltd. Please go ahead.
- Deepak Agrawala:** Couple of questions from my side before we close. First is I just missed the number on Capex that you have already done in the nine months and how much is we expecting for FY17 and FY18 number?
- R.N. Mishra:** In nine months, we have done a Capex of 264 Crores. I say that it was not very good. Our expenditure has been less. During FY17, we have revised our target, we are targeting for about 600 Crores. We thought of spending balance 350 in the Q4. We have to make some payments in Rampur; some payments will go for the wind power project, which we have already awarded. Something from the other projects will get distributed. The major expenditure will be done on these two places. For FY18, it is 1068 Crores we have planned.
- Deepak Agrawala:** Okay. My next question is you mentioned that you have invited tender for wind of 60 megawatt?
- R.N. Mishra:** We have given a range. It is from 56 to 64, something like this we have given.
- Deepak Agrawala:** Okay. I just have one bookkeeping question. If you see the revenue, we have the volume numbers coming down, but our revenue is up, so basically in terms of per unit our tariff has gone up, but our cost is also fixed, so any reason why we have seen a tariff increase in this quarter on a Y-o-Y basis?
- R.N. Mishra:** As you know the tariff for the hydropower it is fixed on the basis that one is annual fixed cost. Annual fixed cost is for the entire year. Capacity charge is 50% towards the energy charges. This



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energy charge is up to the designed energy. If we generate any energy beyond the design energy we get 90 paise per unit on that. That is called secondary energy. But there is no secondary energy incentive in nine months. Second thing is we get incentive for keeping our plant availability factor. If the plant availability factor in case of Nathpa Jhakri is more than 90%, then for every percentage I get the capacity incentive. This quarter it was 108%. For Rampur, it is 82% and 107%, so I get the capacity incentive on that thing. That is the reason why you see that the volume has increased because of the better plant availability factor, though there is a decrease in generation that is marginal, not too much, 454 million units compared to last year.

**Deepak Agrawala:** But my other expense is down. Actually my expenses have come down, but my revenue per unit is up. Any one-of thing is there in other expenses?

**R.N. Mishra:** In other expenses, miscellaneous expenses have come down only by 6 Crores, depreciation has increased by 4.5 Crores. I do not think that there are other expenses, which have really impacted too much. The finance cost has increased.

**Deepak Agrawala:** Okay, fine. Last thing on the debtors that you mentioned, can you share how much would be greater than six months out of 1343 Crores?

**R.N. Mishra:** I have got these figures, these are outstanding. Out of these 1343 Crores, 464 Crores is less than two months.

**Deepak Agrawala:** Okay, and the balance are all greater than two months.

**R.N. Mishra:** Because we consider giving two months' time, we feel that when two months passes only then we will say it has become due.

**Deepak Agrawala:** Okay, fine.

**Moderator:** Thank you. We take the next question from the line of Vipul Shah from Sumangal Investments. Please go ahead.

**Vipul Shah:** Can you explain the incentive system, how it works?

**R.N. Mishra:** Whatever is the annual fixed cost, 50% goes towards the capacity charge. Cost is divided into two heads, one is capacity charge and the other is energy charge. 50% is capacity charge and 50% is energy charge. Energy charge is corresponding to the design energy, which is stipulated for every project. Capacity charge is corresponding to the normative plant availability factor. If the plant availability factor beyond that or decreases, correspondingly the capacity charges increases or decreases. In case of energy charges, if we go beyond design energy then in that case we get secondary energy for that we get only 90 paise per unit.



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- Vipul Shah:** 90 paise for any additional generation beyond design energy. So, hypothetically, Rs.3 is the CERC mandated tariff, you will get only 90 paise for the additional generation right, if I have understood correctly?
- R.N. Mishra:** CERC does not give the tariff in terms of Rupees per unit. It is fixed cost. This is all calculated as what I explained to you and accordingly the billing is done. There is a procedure, which is established in the regulation on how the billing will be done. In the entire year I should get this amount. Therefore, sometimes it may appear that the tariff is high; sometimes it may appear the tariff is low. That is not the way I am selling the electricity at Rs.2 or Rs.3. When we sell the electricity, the overall average figure comes.
- Vipul Shah:** Okay, thank you, understood.
- Moderator:** Thank you very much. Ladies and gentlemen, that was the last question. As there are no further questions from the participants, I would now like to hand the floor to Mr. Deepak Agrawala for his closing comments.
- Deepak Agrawala:** We thank Mr. Mishra, Mr. Bindra, Mr. Singh, Mr. Bansal, and their entire team for giving us an opportunity to host this call. We also thank all the investors and analysts for joining this call. Sir any closing comments would you like to offer?
- R.N. Mishra:** Thank you very much Deepak and everybody who joined this conference call. It was very enjoying to have questions from you, to answer you. Hopefully, I expect that this type of performance will get repeated again and again, and the company will be a good company in the eyes of our shareholders and everybody will be happy, and we need your blessings and good wishes. Thank you very much.
- Moderator:** Thank you very much. On behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.