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**SUB: Transcript of conference call held with Investors and Analysts to discuss the financial results for the second quarter ended 30<sup>th</sup> September, 2022**

Sir/Madam,

In compliance with regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find attached herewith transcript of conference call held with Investors and Analysts on Friday, 11<sup>th</sup> November, 2022 to discuss the financial results for the second quarter ended 30<sup>th</sup> September, 2022.

Kindly take the above information on record and oblige.

Thanking you,

Yours faithfully,

(Soumendra Das)  
Company Secretary



## “SJVN Limited Q2 FY23 Earnings Conference Call”

**November 11, 2022**



**MANAGEMENT MR. NAND LAL SHARMA -- CHAIRMAN AND  
MANAGING DIRECTOR, SJVN LIMITED  
MR. A. K. SINGH -- DIRECTOR (FINANCE), SJVN  
LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the SJVN Limited Q2 FY23 Earnings Conference Call, hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode. 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 touch tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rupesh Sankhe from Elara Securities. Thank you, and over to you, sir.

**Rupesh Sankhe:** Good afternoon, everyone. On behalf of Elara Securities, we welcome you all for the Q2 FY23 conference call on SJVN. I take this opportunity to welcome the management of SJVN represented by Mr. N. L. Sharma, Chairman and Managing Director; Mr. A. K. Singh, Director of Finance. So, 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. N. L. Sharma for his opening remarks. Over to you, sir.

**Nand Lal Sharma:** Good evening to all investors and analysts present over there, the brief of quarter 2 results and along with the half yearly results of SJVN, we are here.

Before I come to the actual numbers of Q2 and H1, here are few major achievements, which I would like to share with all of you. First is on the capacity addition front. SJVN has started commissioning of Parasan 75-megawatt solar project in Uttar Pradesh. The commissioning started in the last week of October, and so far we have synchronized about 31 megawatt of solar capacity out of 75 megawatt. And in a couple of weeks, we will complete the commissioning of total 75 megawatt of Parasan solar project.

Second achievement, yesterday we bagged another floating solar project in Omkareshwar Reservoir that is 83 megawatt floating solar project and now we have already also bagged 90-megawatt capacity earlier also and which we are awarding in a couple of weeks right from now. So, we will be having 173 megawatt floating solar project in Omkareshwar Reservoir.

On the generation front, last, this quarter 2 is termed as monsoon quarter. So, on the generation side, the figures are quite encouraging. Most of the generation, about 40% or more generation happens during the months of monsoon being the majorly a hydro company. But at the same time, the construction activities during the monsoon months is slightly hampered. So, we then make up this loss in the coming months. So, generation, we have already achieved I think more than 7,000 million in sub generation out of 8,700 design capacity for the entire year till quarter 2.



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On generation side, there are few significant achievements. Highest ever generation by all the projects of SJVN, hydro, solar and wind, in the month of September, SJVN has achieved highest ever, that is 1,339 million units from its projects in the month of September. In the month of September in the previous years in any year, this generation was not recorded, but this year, this is the highest ever generation recorded so far. Both the projects, Nathpa Jhakri and Rampur recorded the highest generation too.

Then on the other front, we are going to add 1 more hydro project shortly. The forest clearance Stage-2 for the Sunni hydroelectric project 382 megawatt, Rs. 2,614 crore investment, where forest clearance Stage-2 has already been granted now. Now, we are waiting for approval of the Cabinet Committee on Economic Affairs for the investment (Inaudible) (0:04:53) the L1 bidder contractor has already been identified through a competitive bidding, and as and when the investment approval is achieved, we will aware the project shortly and this project will also start the construction.

Then there is another significant achievement in the sector of hydro, the project we are doing abroad. In Nepal, there is 669 megawatts Lower Arun project and it's DPR had been technoecnomically approved and vetted, concurred by the Central Electricity Authority. So, this is in record 11 months that any hydro project DPR has been cleared by CEA and we are now moving for the investment approval, and as and when the investment approval is achieved, I think it will take another 3-4 months. We will start construction of another hydro project in Nepal.

Parasan, I have already shared with you. Then Raghnesda solar project 100 megawatt in Solar Park in Gujarat, we have already awarded the project construction to the contractor, Tata Power Solar System is the contractor and construction has started now. Similarly, on Gurah and Gujrai solar power projects, total this is about 125 megawatt projects both. So, construction has already been started, both have been awarded.

Then the power purchase agreement for the Omkareshwar project, which we are going to start construction signed between SJVN and MP Power Management Company Limited. The tariff is Rs. 3.26, so PPA has been signed with them. Then SJVN also bagged 200 megawatts solar power project on build, own and operate basis through inward auction in Maharashtra, the tariff is Rs. 2.90.

Then MOU has already been signed with the GUVN, Gujarat Urja Vitran Nigam Limited for 260 megawatt project in Gujarat. Then MOU has been signed with an entity of Assam for developing 1,000 megawatt floating solar power projects in Gujarat. MOU has been signed in the presence of the honorable Chief Minister on 17th of October.



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Then SJVN has also bagged 105-megawatt solar power projects in Maharashtra also at a tariff of Rs. 3.93. So, SJVN is aggressively marching ahead in the capacity addition front, as well as in the operation front. Another news which I would like to share with you that hydro project in Naitwar-Mori 60-megawatt hydro project will be commissioned during the financial year in the month of February-March '23. And then capacity addition of over 60 megawatt, similarly, we are also going ahead with the construction of the Bagodara solar power project in Gujarat.

Then coming to the numbers of quarter 2 and H1 of FY '23. Quarter 1, as I have already shared, the generation from all the projects is quite high, out of 8,700 million units design energy, the achievement in this quarter is 4,327 million units against 4,404 million units last year. So, there is a slight decline in the generation. But you know that we have already achieved that maximum. So, there is slight decrease because of this reduction in the water discharge in the river, as well as less wind blows flowing in the wind projects. So, there is a slight 1.7% decrease in the generation. But overall generation during the half year, if we take into account the quarter 1 and quarter 2, there is an increase of 223 million units against 6,840 million units during the last half year. This year generation is 7,062 million units, that is around 3.2% higher than the last year.

So, in this quarter profit after tax, there is increase, but in other parameters, there is slight or marginal decrease or decline in that generation, there is 76 million units reduction in generation, that is about 1.7%. So, consequently, there is a reduction in the revenue from operations. Revenue from operations registered an achievement of Rs. 880.74 crore against the Rs. 883 crore. So, there is a decrease of around Rs. 3 crore in the revenue from operations and the total income also decreased by about Rs. 5.73 crore. This year, in quarter 2, the total income is Rs. 921.26 crore against Rs. 926.99 crore last year. So, there is a marginal decrease.

Similarly, the expenses registered some increased, this increase in expenses, there is Rs. 79 crore increase. Rs. 386.43 crore is expenses during the quarter against Rs. 307.23 crore last year. The increase is because of the major portion of the interest and financial cost. So, PBT, there is a decline of Rs. 84 crore. PBT is Rs. 534.83 crore against Rs. 619.76 crore. But in profit after tax, net profit, there is an increase of about 11% in the quarter. Last year, the PAT was Rs. 406 crore and this year, this quarter Rs. 451 crore. So, there is a net increase of Rs. 45 crore, that is 11% over the last year. Earnings per share is Rs. 1.15 against Rs. 1.03. Net worth has also increased by about Rs. 621 crore.

So, far as the half year figures are concerned, half year figures, revenue from operations increased by 22%, Rs. 1,886 crore against Rs. 1,547 core, there is increase of 22%. Similarly total income also increased by 22%. Total income in the half year is Rs. 1,991 crore against Rs. 1,629 crore, so increase of Rs. 360 crore. Profit before tax, PBT registered 13% increase up to this half year, September. The profit before tax was Rs. 1,185 crore against Rs. 1,045 crore. Profit after tax registered 42% increase. Against last year's half yearly profit of Rs. 746, this year



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half yearly profit after tax is Rs. 1,058 crore, an increase of Rs. 312 crore. And I would also like to share that this half yearly profit is again more than the last year's total profit of Rs. 977 crore. So, there is an increase in the half year against even full year profit also.

Generation data, I have already shared. I would also like to share that the plot availability factor, which we take pride that this one of the highest in the industry, this is again more than 109%. Plant can be updated at an overload of 10% only. So, we have achieved plot availability factor of 109.62 in case of Nathpa Jhakri and 109.5 in case of Rampur projects.

So, this is about the numbers and figures of quarter and half yearly from SJVN side, from management side. Now we are open to the questions of investors and analysts. You're welcome.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Aniruddha Arondekar, an Individual Investor. Please go ahead.

**Aniruddha Arondekar:** Sir, my first question is regarding debt. Can you tell me what is the incremental cost of borrowing for our company in FY '23? And second part of it, since the exchange rate has increased for the Indian rupee and dollar, so what portion of our borrowings are in foreign currency and how does that impact as a company?

**Nand Lal Sharma:** Regarding the portion of external borrowings from the total borrowings, I would like to share that in case of Rampur project, this is a World Bank funded project, the total borrowings now which stands at the total borrowing is Rs. 1602 crore. Out of Rs. 1,602 crore, Rs. 1,535 crore are in terms of dollars and only Rs. 66 crore are in terms of the local domestic borrowings. Then we have also taken this external commercial borrowings to the extent of about Rs. 2,200 crore in terms of dollar. So, total borrowing as on this date is Rs. 5,295 crore. So, Rs. 1,535 about Rampur or Rs. 3700 crore to Rs. 3800 crore borrowing in dollar whereas about Rs. 1400 crore domestic borrowings.

**Aniruddha Arondekar:** But does that significantly increase our finance cost during this financial year or half of this financial year?

**Nand Lal Sharma:** Yes, because this dollar rate has increased from about Rs. 78 crore to Rs. 82 crore during this period. So, there has been an increase in the financial cost.

**Aniruddha Arondekar:** Just what was the answer for earlier question, our incremental cost of borrowing for this half year? Do you have the figure?



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**Nand Lal Sharma:** Incremental cost during this half year, we have figure? Finance cost has increased by Rs. 101 crore. Out of this Rs. 80 crore is FERV.

**Aniruddha Arondekar:** Sir, just 1 another question. Till FY '24, can you tell me approximately figure, how much capacity addition is going to be there? And how many projects will be commissioned until FY '24?

**Nand Lal Sharma:** During my initial brief, I had shared this 75-megawatt Parasan solar project will be added. Then 60-megawatt Naitwar-Mori project will be added, hydro project. Then 70 megawatt Bagodara solar power project. So, the total comes to about 205-megawatt project, this is about FY '22-'23.

**Aniruddha Arondekar:** And what about Buxar Thermal Power? Is it going to be commissioned before '24?

**Nand Lal Sharma:** It will be commissioned next year, FY '24?

**Moderator:** We'll take our next question from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

**Dhruv Muchhal:** Sir, is there an FX impact this quarter? And if so, what is the amount?

**Nand Lal Sharma:** What is your question?

**Dhruv Muchhal:** Foreign exchange impact this quarter?

**Nand Lal Sharma:** Foreign exchange impact, it's Rs. 80 crore.

**Dhruv Muchhal:** Sir, Rs. 80 crore is the impact or Rs. 80 crore is the FERV amount?

**A.K. Singh:** FERV amount.

**Nand Lal Sharma:** It's the FERV amount.

**A.K. Singh:** Rs. 50 crore is recoverable from the beneficiaries against the Rampur project.

**Nand Lal Sharma:** Out of this Rs. 80 crore, Rs. 50 crore is recoverable from the beneficiaries, it'll be pass through. That is in case of our operational project, Rampur project.

**Dhruv Muchhal:** Sir, Rs. 30 crore is the net impact because Rs. 50 crore you would have recognized in the regulatory deferral account.

**Nand Lal Sharma:** Yes.



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**Dhruv Muchhal:** All right. And sure, sir, this was almost similar to the last quarter, 1Q was also about Rs. 30 crore impact.

**A.K. Singh:** Yes.

**Dhruv Muchhal:** Sir, the second thing is, can you give a total sum of what is your under construction renewable capacity that you've already won in terms of megawatt and what is the total CAPEX that is likely to be incurred on this capacity? And what could be the potential revenue on this capacity?

**Nand Lal Sharma:** Your question is regarding the capacity which we are developing of renewable projects you want to know?

**Dhruv Muchhal:** Yes, sir, which we've already won in terms of bidding or in terms of, finally given?

**Nand Lal Sharma:** I would like to share that there are different stages. We won the project from competitive bidding and the tariff will be determined. But actually, the project is allotted and we start construction only when this tariff is vectored or ratified by this concerned regulatory commission, State Electricity Regulatory Commission.

**Dhruv Muchhal:** Sir, for simplicity, if you can split it between 2, I mean that is in your hands that you already want and within that, how much the tariff is approved and for the remaining which is not approved. So, probably we can split it into 3 parts.

**Nand Lal Sharma:** Tariff is different for different projects. Do we have the list of projects?

**Dhruv Muchhal:** Total will also enough.

**Nand Lal Sharma:** Total is about 1400 megawatt, it is between 1,400 to 1,500. Only yesterday we won 83 megawatt, then it is about 1500 megawatt to 1600 megawatt.

**Dhruv Muchhal:** 15 to 16. And sir, what would be the expected revenue on these projects. And what would be the total CAPEX that you will have to incur on these projects including what you have already spent in terms of CWIP?

**Nand Lal Sharma:** Revenue, if you think in terms of revenue, say 1500-megawatt project, the expected generation, power generation is about 3,500 million units, say tentatively revenue, we can take as 2.5, so it is around Rs. 875 crore revenue. The revenue will be around Rs. 875 crore, say about Rs. 900 crore of revenue from these projects.

**Dhruv Muchhal:** And sir, CAPEX will be?



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- Nand Lal Sharma:** And the CAPEX will be for 1500 megawatt, this CAPEX will be around Rs. 7,500 crore, say Rs. 8,000 crore.
- Dhruv Muchhal:** Sir, just a small request. You're winning a lot of projects in solar and wind and hybrid. If you can probably on your calls or in your commentary, you can provide the total quantum of solar or renewable projects that is under execution, the revenue potential and the CAPEX, that would be very helpful.
- Nand Lal Sharma:** Definitely, we can share it with you.
- Dhruv Muchhal:** Yes, sure. I'll do that, sir.
- Nand Lal Sharma:** For different stages, we can share that.
- Dhruv Muchhal:** Sure, sir. Thank you. And sir, 1 last question, the usual question, is on Arun-3, if you share the, what is the HRT stage right now? I mean how much kilometers is done and what is the monthly run rate for the last few months?
- Nand Lal Sharma:** HRT total length is 11.8 kilometer. And out of 8.8 kilometer, we have already done well, heading 9.54 kilometer. We have already completed.
- Dhruv Muchhal:** 9.5 heading is done.
- Nand Lal Sharma:** Yes.
- Dhruv Muchhal:** And what is the monthly run rate, sir, here? I mean what are you achieving in last few months, last say, 2-3 months?
- Nand Lal Sharma:** Last 3 months, say around 300 meters average.
- Dhruv Muchhal:** 300 meters per take.
- Nand Lal Sharma:** We are working on 6 fronts. So, in some fronts, the achievement is 15 meter, in some front is 30 meter or 40 meter, depending on the rock we encountered during the course of excavation. So, where average monthly achievement is 300, about 300 meters.
- Moderator:** Our next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Sir, my first question is on the Arun-3. What is the status of PPA? Is there any development in that regard?



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- Nand Lal Sharma:** Yes. With PPA, we are trying from different corners from the different beneficiaries. We have already approached the states. Now, we have signed MOU with the PTC as well as the ReNew Energy. So, we are exploring the possibility of having PPAs with these. They will have back to back PPAs with the Discom. We are in the process of signing PPA with these 2 entities.
- Mohit Kumar:** Sir, clarification. Sir, does the Nepal power plant is covered under HPO obligation.
- Nand Lal Sharma:** No, Government of India so far, as of now, has not allowed HPO benefit to the projects located abroad.
- Mohit Kumar:** And sir, what is the construct of the PPA. How are you approaching this under the new PE, to the state, is it fixed tariff or is it again CERC based norm?
- Nand Lal Sharma:** The basic guiding model is CERC model. But we have to see because with the CERC model, tariff declines with the payment of the debt also and decrease in the depreciation quantum also. What we are trying if PPA is signed at a lump sum rate, there is no reduction or like that. So, we are exploring the possibilities. So, that is over a period of 25 year that because the concession period is 25 years. So, we will weigh the economics also on that.
- Mohit Kumar:** When are you expecting Arun-3 to commission, sir?
- Nand Lal Sharma:** Arun-3, next financial year '23-'24. By March '24, we will complete that.
- Mohit Kumar:** So, both the power plant, Buxar and Arun-3 both will be up and running at that time?
- Nand Lal Sharma:** Most likely. Though Arun-3's commissioning date is February '25, but we are trying to complete it in the next financial year, we are doing our best.
- Mohit Kumar:** Sir, is it possible to share the incentive number for H1 FY '23 and H1 FY '22?
- Nand Lal Sharma:** Yes, sure. In last year, total incentives '21-'22, total incentives were Rs. 252.57 crore. And this year this quarter, total incentives are Rs. 73 crore. So, far total incentive, let me check if I have the data, Rs. 161 crore this year in the half year against Rs. 147.97 crore last year, so the comparison between the 2 quarters, last year quarter and this year's quarter. That quarter for the half year.
- Mohit Kumar:** And on the renewable portfolio, sir, what is the game plan? Is there any chance that you might eye the asset? Is the subsidiary you've formed you'll try to list or do they wait? Is there something which you've thought of right now? And also what kind of capacity you are expecting to get commissioned in FY '24 and FY '25 from renewables?



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- Nand Lal Sharma:** In Renewables, this FY '23, capacity addition will be around 205 megawatt. Yes, hydro is also renewable, but if we exclude hydro, then about 145 megawatt solar and 60-megawatt wind, this is hydro. So, far as next year is concerned, our 1,000-megawatt project under CPIC scheme that will be commissioned. And 100 megawatt Raghnesda will be completed, 200 megawatt in Bihar, 100 megawatt in Punjab, 100 megawatt Gujrai and 125 megawatt in UP, Omkareshwar and so total about 1700 megawatt solar projects will be commissioned next year by FY '25.
- Mohit Kumar:** 1700 megawatt.
- Nand Lal Sharma:** Yes, 1700.
- Mohit Kumar:** Sorry. I thought the entire portfolio is 1500 megawatt. Isn't it?
- Nand Lal Sharma:** Entire portfolio is not 1500.
- A.K. Singh:** That is about 3600 megawatt.
- Nand Lal Sharma:** The entire is 3600, but these projects, 1500 megawatts projects are under construction. So, some projects will be put under construction in the next couple of months. So, total next year this about 145 megawatt this year and rest of the about 1700 megawatt projects next year financial year will be completed.
- Mohit Kumar:** And balance in FY '25, right?
- Nand Lal Sharma:** Yes, balance in '25.
- Mohit Kumar:** And sir, anything on the listing or monetization of the asset, sir, renewable asset because **(Inaudible) (0:31:52)** will get commissioned in the next 12 to 18 months? Are you thinking of some kind of monetization with platform?
- A.K. Singh:** End of '24 or '25.
- Nand Lal Sharma:** Then FY '25, we will consider listing because we have separately incorporated a subsidiary for these renewables only as they were green. So, when we have some portfolio of operation projects, then we will try to list the company.
- Moderator:** The next question is from the line of Aniket Mittal from SBI Mutual Fund. Please go ahead.
- Aniket Mittal:** A few questions are from my side. Firstly, on Arun-3, if you could help me understand what is the percentage of tower erection works that have been completed?



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- Nand Lal Sharma:** Percentage of tower erection in which case?
- Aniket Mittal:** For Arun-3.
- Nand Lal Sharma:** Arun-3.
- Aniket Mittal:** On the transmission front.
- Nand Lal Sharma:** Arun-3 tower erection exact data we can share with you later on. So, it has been divided into 2 packages, hilly area packages, there are 7 districts involved in Nepal, hilly area and plain area and most of the towers in plain area, about 70 to 80 within foundations have been done. But in case of a hilly area, the land is yet to be handed over. We are in the process of taking over the land. So, the laying of the foundation stone and foundation laying of the towers is yet to take off in most of the areas. Data, we can share if you share the number or send a mail.
- Aniket Mittal:** Sure. So, with respect to this hilly area, we are yet to award the packages as well or have we awarded the tower packages over there?
- Nand Lal Sharma:** So, as I said that we have divided into 2 packages. One in the hilly areas, most of the areas in 2 districts, Sankhuwasabha, Bhojpur and one other district, whereas 4 districts are in plain areas. So, plain areas, the land has been already taken into possession. In many of the locations, foundation has been laid and tower erection has also been done or are under process. But in hilly areas, the possession of the land is a little problem, but our teams are there and they're solving the issue.
- Aniket Mittal:** The other question was if I just wanted to understand the broad level thinking in terms of you've got upcoming projects in the form Naitwar Mori and then Arun-3, but we've not signed PPAs for them. Sir, how is it that you want to really make use of your hydro assets coming forward? Is there a thought process of running a particular percentage on merchant? If you could just throw some light on that.
- Nand Lal Sharma:** First we will try to have PPAs, long term or medium-term PPAs. If that is not possible, we are also into the solar projects. We have already started taking some projects at our own in Rajasthan and in other states also, Gujarat also. Here we will generate the solar power and we will bundle it and provide the RTC, round the clock power to the beneficiaries so either through exchanges or as a merchant plant. So, that is under our consideration.
- Aniket Mittal:** So, Naitwar-Mori, for example, you mentioned should come up in FY '23. Has there been a PPA signed for it?
- Nand Lal Sharma:** For which project?



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- A.K. Singh:** Naitwar-Mori.
- Nand Lal Sharma:** Naitwar-Mori, not yet. We are trying that if power is bundled with some solar power. We are trying to establish some projects in Himachal Pradesh solar projects or some other projects also. And on the other hand, we are approaching the bulk consumers also who require bulk power, industries, we are also approaching these consumers also.
- Aniket Mittal:** The other question was in terms of Kholongchhu project in Bhutan, is there any update on that?
- Nand Lal Sharma:** Kholongchhu project, this is ready to take off. But at the 2-government level, Government of India and Government of Bhutan. Government of Bhutan is not comfortable in the JV mode, joint venture mode. So, they have time again requested Government of India to change it from JV mode to IG mode. So, there are discussions going on at the Government of India level. We are just waiting for the outcome. Whether if it is to be put under IG mode, then in what way SJVN's participation will be there. If they want to construct it at their own, then naturally we will exit from that. But in that we have put the condition that then they have to pay back our equity contribution, which SJVN has made along with a reasonable rate of interest. That was our condition.
- Aniket Mittal:** And I just have a couple more. Sir, one is you won recent project with NEC-DCF for 200 megawatts which I think is at a tariff of Rs. 2.09. if you could help me with what would be the capital cost for this project and the PLFs that you are expecting here?
- Nand Lal Sharma:** Yes. 200 megawatt, the capital cost will be around Rs. 1,000 crore to Rs. 1,100 crore, and PLF will be around 26%.
- Aniket Mittal:** And just to dwell a bit more on these few questions. We've given so much initiatives on the solar front. 2030, we've got a large capacity that we want to build. Are you also looking to develop any in-house expertise in executing of these projects or would you continue to outsource them from any EPC perspective?
- Nand Lal Sharma:** So, far the construction is concerned, now no developer constructs it at its own. They award it even to the private contractor, private developer, they award it to some other body or some other their own developer for the construction. So, the construction business will be just contracted out. You can say it as outsourcing. So, we are not but we are thinking of module manufacturing. So, this is just the idea that thinking, thought process. So, we're not constructing by our own self.



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**Aniket Mittal:** And so, even now, right now, are you like separately procuring the modules for your upcoming and handing over the balance of system to others or is it like an entire package that you hand out to the EPC contractor?

**Nand Lal Sharma:** The projects awarded so far, they were in the EPC mode, supply as well as erection of modules and system all by the EPC contractor. But in the coming time, we are also thinking of separating it, segregating it, procuring modules in a different mode and awarding the balance of supply parts to some other contractor. So, if it's economical, we are thinking of going in that direction.

**Moderator:** The next question is from Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

**Dhruv Muchhal:** Sir, you mentioned that the Naitwar-Mori project is starting this year itself. But you mentioned that you have yet to sign the PPA. You're looking at probably bundling with solar or approaching bulk customers. So, sir, I'm just trying to understand because the project is likely to commission very, very soon. So, I mean, just trying to understand the commercial arrangements have yet to be firmed. So, in the interim, you would be what selling it in the merchant market or how do we think of this?

**Nand Lal Sharma:** We are in the process of having tie up with the bulk consumers or some other entities. If it is not there or till that time, we can sell it in the open market in the exchange also.

**Dhruv Muchhal:** So, because this project would probably classify although this is small, I mean relatively small for overall scheme of things. But this project would also classify under HP obligation if I'm not wrong?

**Nand Lal Sharma:** Yes. It is possible.

**Dhruv Muchhal:** Can't you look to sell it to some Discoms who are looking for meeting the HP obligation or do you think you will get a better price when you're selling it to bulk consumer?

**Nand Lal Sharma:** Bulk consumer, yes, if we click a good deal with them. So, some consumers are there in the steel industry or some in the oil industry. So, we are eyeing that opportunity also. But in the long run if some PPA is there. In the open market, uncertainties are there.

**Dhruv Muchhal:** So, sir, have you got some initial interest when you're saying bulk consumer? Have you got some initial interest from some any consumer that gives us some comfort that there is some market available for them to sign?

**Nand Lal Sharma:** We are in the process of discussion with them. It will not be, I think proper to ly disclose at this stage.



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- Dhruv Muchhal:** But that means you have got some interest, at least there's some discussion which is happening.
- Nand Lal Sharma:** Yes, we've got some interest.
- A.K. Singh:** With some Discom also, Dhruv, we've got some interest. From the Discom also, they are asking for the commissioning schedule, et cetera.
- Dhruv Muchhal:** Sir, because just trying to understand, if you sell it to a commercial customer, I mean a non-Discom, they you'll have to also look into open access, the customer will have to get open access and all those, these regulatory issues along with the State government. So, is that an easy process, I mean, that can be easily handled or that could be hurdle when you're looking at this approach?
- Nand Lal Sharma:** Open access is easy. I thing from regulatory front, there are not so much problem. It is only a question of transmission of power equation of power, taking power. So, that capacity because there is one grade in the country. So, if the consumer is in the far west, say that consumer wants to buy the power, **(Inaudible) (0:43:36)** here is the Northern grid power can be made available to in the western side or the southern side also.
- Dhruv Muchhal:** Good. So, sir, final thing, sir. It is fair to assume before the project starts, you will be under some kind of commercial arrangement either with the state Discom or with a commercial customer to sell this power.
- Nand Lal Sharma:** No a days, it does not happen so. So, no State government enters into that long-term PPAs because in hydro, if you go by the CRP model, the initial tariff is very high. The present day governments or Discoms have to bear the high tariff cost, whereas the subsequent or successor governments authorities, they enjoy the benefit of the lower tariff. So, we'll be coming off solar and wind at the lower rate. Most of the consumer, the Discoms or the States are going for one solution for their power problem. That is supply it from hydro, from wind or thermal or bundle it. They want round the clock power. So, we are also trying to develop that mechanism also, how to bundle it because we are in hydro, we are in thermal, we are in solar, we are in wind also. So, we are working on that business model too.
- Management:** Dhruv had a question.
- Nand Lal Sharma:** Dhruv, you had a question about our renewal portfolio.
- Dhruv Muchhal:** Yes. It was including under construction, including projects that you've won, which are yet to be constructed, I was looking for everything, including everything.
- Nand Lal Sharma:** Under construction which we have, we will send it to you.



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- Dhruv Muchhal:** I'm done, sir. Thank you so much. Thanks.
- Nand Lal Sharma:** Thank you, Dhruv.
- Moderator:** The next question is from the line of Aniket Mittal from SBI Mutual Fund. Please go ahead.
- Aniket Mittal:** Just one clarification. Sir, when you talk about these PPAs no longer being long term in nature or State government is not willing to sign a long term PPA. So, when you're in discussions with some of these consumers, typically what is the duration of PPA that are being talked about that you're looking to sign now? And secondly, would all of this be now fixed tariff structure?
- Nand Lal Sharma:** This long term PPA, initially it was about for 25 years or in some cases 35 years or so. But now no Discom even long-term they take it at like 15 years. So, we will try to enter into PPA with bulk consumers at least 15 years. So, the rest of the things depend upon how both the sides negotiate with each other and come to the conclusion or come to the final outcome.
- Aniket Mittal:** Maybe if you could just elaborate, I mean in your view what is the reason why like some of these States wouldn't want to enter into a 25 year PPA and are probably looking at a lower term of PPA? I'm just trying to understand based on the discussions that you would have had with them.
- Nand Lal Sharma:** Yes. For example, say one hydro project comes at this stage and my tariff, the first year tariff is say around Rs. 6. And say after 10 years, this tariff from 6 years will come down to say Rs. 5. Because that portion is also quite part of that, depreciation is also excluded under the CERC model. And after say 15 years or 18 years, if total debt is paid, the term of debt in some case is 12 years and in some new cases is 18 years or 15 years. Say after 15 years, total debt is paid and the majority of the depreciation has also happened. So, the tariff comes to Rs. 4.5. But the government of the day, the government now which the state governments are just promising that we will give free power or power at low rate, so they want power at the low rate, they don't want power at Rs. 6, whereas this power after 10 years. So, they are not thinking after 10 years. They say that after 10 years, there will be some other person in power or other party in power. So, why to think of the persons or the state or the people after 10 years or of the policymaker. So, they want, if you are able to supply power, say, at Rs. 4 or Rs. 4.5 per unit where you bundle it the solar or some other source. So, we need power at a cheaper rate. So, that is the reason State governments are not interested in buying power having long-term PPA.
- Aniket Mittal:** Sir, the tariff structure that you were discussing would fundamentally now be a fixed tariff structure, it won't be a decreasing tariff structure which we typically have let's say in a regulated model.



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**Nand Lal Sharma:** Fixed tariff, that is also another solution, fixed tariff, but we have to say that if fixed tariff is lower than what the CERC model provides because the initial year, if we enter into fixed tariff at such a rate, we have to return this loan also. So, whether the accruals, the cash inflow is sufficient to meet the debt repayment also are not. So, that things are also to be kept under consideration.

**Aniket Mittal:** And this 1 additional question. So, going forward, you've got a few projects that are also, let's say under clearance stages or under surveillance, investigation status. Would you be willing to go ahead with these projects if there are no PPAs that are signed? Or would you fundamentally want the PPAs to be signed and then go ahead with the construction?

**Nand Lal Sharma:** In case of this solar, in most of the solar projects, PPAs are already there, the mechanism of PPA signing is there. There the state government or their entity will purchase the power. But in case of say hydro projects, the PPA signing in the beginning has been a difficulty in the past also and is also a difficulty at present also because it is not certain that hydro project will come say, in 5 years or 7 years or 10 years. So, there is uncertainty, uncertainty on the power on the part of developer also. And our part also, we cannot commit formally that the project I start construction today, will be completed in say '27 or '28. So, the tendency on the power of the developer. Similarly, the tendency on part of the consumer or Discoms, in case of hydro projects, PPAs are signed just closer to the completion of the project.

**Aniket Mittal:** I mean I'm not trying to compare, but typically when I look at say one of your competitors, that doesn't seem to be the case. They have mostly the PPA signed. I'm just trying to understand, is this more from a wiliness perspective as in would you be willing to go ahead.

**Nand Lal Sharma:** We can a separate discussion on your questions also. We are running short of time. I have another meeting also now.

**Moderator:** The next question is from the line of Varun Bang from Bryanston Investment. Please go ahead.

**Varun Bang:** Sir, the first question is on capital financing. So, some of us new projects that we are looking at are less lucrative from a profitability perspective because some of these projects are 80% debt financed versus the normal standard of 70%. So, just want to understand your thought process. Do we not push for 30% equity that reduces risk as well and improves scope for PAT? So, just want to understand your thought process here.

**Nand Lal Sharma:** Yes, 70% equity is beneficial to the developer because the return on equity comes on debt. But to keep the tariff reasonable because ROE is fit for hydro projects or expected from the solar projects in higher price, whereas the debt available is on the cheaper rate, on the low rate. So, if we increase debt from 70% to 80%, the debt portion interest on that IDPR say interest on the



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borrowing is lesser as compared to the return on equity, so to balance it, to keep the tariff reasonable. So, that's why some 70% to 80% debt financing has been obtained. But in those cases, we're in hydro also, we are trying to keep equity at 30%, there tariff is reasonable.

**Varun Bang:** And sir, what is the scope to incentives in the Buxar plant? Like, we've lot of incentives as we go for hydro plants?

**Moderator:** Sorry to interrupt you Mr. Varun Bang, but may I request you to please rejoin the queue. Thank you.

**Nand Lal Sharma:** What is your question regarding Buxar.

**Moderator:** Sir, he left the queue. Ladies and gentlemen, due to time constraints, that was the last question for today. I would now like to hand the conference over to Mr. Rupesh Sankhe for closing comments. Rupesh Sankhe, please go ahead.

**Rupesh Sankhe:** So, we thank Mr. N.L. Sharma sir for giving us an opportunity to host this call and we also thank all the investors and analysts for joining this call. Thank you so much.

**Nand Lal Sharma:** Thank you very much.

**Moderator:** Thank you. On behalf of Elara Securities Private Limited that concludes the conference call. Thank you for you for joining us and you may now disconnect your line.