



“SJVN Limited Q2 FY11 Post Results Conference Call”

October 29, 2010



MODERATORS: **MR. H.K. SHARMA**
MR. P.S.R. MURTHY
MR. K.S. MALHOTRA
MR. ROHIT SINGH
MR. NILESH MULIK



SJVN Limited
October 29, 2010

Moderator: Ladies and gentlemen, good day and welcome to SJVN Limited Q2 FY11 post results conference call hosted by IDBI Capital Market Services. As a reminder for the duration of this conference all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during this call please signal an operator by pressing "*" and then "0" on your touchtone telephone. I would now like to hand the conference over to Mr. Rohit Singh of IDBI Capital Market Services. Thank you and over to you sir.

Rohit Singh: Good afternoon to all. On behalf of IDBI Capital I welcome you all to the post result conference call of SJVN for the quarter ended September 2010. To represent the company we have the senior management team comprising of Mr. H.K. Sharma, CMD, Mr. P.S.R. Murthy, Company Secretary, and GM Finance Mr. K.S. Malhotra. We will start with the overview of Q2 FY11 results followed by the company's outlook and finally the question and answer session.

H.K. Sharma: The results ending this quarter sales is 525 Crores against 605 of last year, so this is a difference of 80 Crores on the minus side and the profit after tax comes to 319 Crores against 375 Crores last year. Now, this drop has come mainly because of the reason that during the peak monsoon season we experienced siltation problems and heavy silts came in the river as a result our plant was shut down for 22 days, so shutting down the power plant for 22 days means that we lost the capacity index for those 22 days. By September end we lost 690 Million units and by the end of September we had recovered about 550 Million units and today, October 29, 2010, we are already on the plus side, 115 Million units plus as on date. Now, this drop has in fact resulted into a loss of about 53 Crores only for this particular quarter. Now, this is in fact a loss of the incentive, which we would have earned had we performed uninterrupted for the entire project.

K.S. Malhotra: This is not basically loss, it is dip in the profit as compared to previous year.

H.K. Sharma: Now looking at the availability of water we are already producing more than what is required. In September we produced more than 1000 Million units and in October also we have already crossed the target and as compared to last year, which was the year when we produced the maximum, we are already 115 Million units more. In fact, if you go by the first quarter itself, our plant availability factor was very good except in the month of July and August; August was the worst when we had to shut down the power plant. You know that our catchment area is a rain shadow area but this year as it happened in the ray and the 3:42 grass and all (ph) likewise it happened in our catchment also and when more rain comes in the catchment then more silts come in so the limit of silt was 4000 ppm and maximum was of course 80,000 ppm, but overall prolonged monsoon has enabled us to recover part of the lost generation in the month of September. The plant availability factor now overall if you see as on date we are having 97.6 as the plant availability factor. Last year you remember that our overall for the year was 98.55. This year if you see month wise probably we have done exceedingly well in September and up to October 28, 2010 also we are 106, August was 71, July was 95, June was 105, May was 99.66,



SJVN Limited
October 29, 2010

and April was 101, so overall average if you see it comes to 97.2 against the MOU target of 82%. The incentive what we are getting is only for this differential. So, in the month of August of course we lost because of this reason that plant availability was 71% because of shutting down of the power plant, but otherwise our maintenance will start in December and we will try to finish it in 60 days. **6:01- voice change (Malhotra)** Overall average as on date is 97.6, it is only a dip of 0.9%. **(Sharma) Interest** and finance charges have decreased from 54 Crores to 34 Crores that is 19.78 Crores and of course as I told that overall dip is 53.72 against 438.67 of last year, it is 384.95 this year, which is the profit before tax and after tax, it is 56.04.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question comes from the line of Wagle Kedar from Akshayam Capital, please go ahead.

Wagle Kedar: Can you update us on your expansion plans?

H.K. Sharma: First project, which will be commissioned will be in the year 2013 September that is the Rampur project, which is a 412 MW project. The construction is in full swing and as per the latest our target is to commission that by September 2013, so we are on schedule at that project. Other projects, two more projects in Himachal Pradesh, which is a 775 MW Luhri project and 66 MW Dhaulasidh project. Investigations are going on there. The DPR has been submitted to the CA and the state government and environment clearance from the forest agencies are coming there. In fact, those projects will be coming in the next plan i.e., the 12th plan. The commissioning is scheduled during those period and three projects in Uttarakhand, you know that Devsari project, Naitwar Mori project, and Jakhol Sankri project, so they are also coming in the 12th plan then 900 MW Nepal project and two projects in Bhutan that is 900 MW Wangchu project and 600 MW Kholongchu project and Tipaimukh project 1500 MW that is with the joint venture with NHPC and Government of Manipur. The agreement has been signed recently for that.

Wagle Kedar: Okay, so the projects in Himachal, Uttarakhand, Nepal, and Bhutan they are basically at preliminary stage at this point?

H.K. Sharma: Yes, they are at preliminary stage and DPR is under preparation and it will take about one-and-a-half year more to really start those projects in full swing because once the clearances are received then only we can start the construction activities there.

Wagle Kedar: Okay, and for the Nepal and the projects in Bhutan basically has the government awarded you the project or is this part of a tendering process or how does it work?

H.K. Sharma: Bhutan the agreement so far has been making of the DPR and submission, but these projects have to be constructed in a joint venture more, which in principle has been agreed by Ministry of External Affairs, and Ministry of Power, and Government of Bhutan; it will be a 51:49 joint venture in which 49 will be the Bhutanese contribution and we will have 51% stake. Construction stage implementation agreement has to be signed. They have formed a very high



SJVN Limited
October 29, 2010

level committee, which includes the Ministry of External Affairs, and Ministry of Power, so in the last meeting it was agreed that we will execute these projects, so the agreement will be signed soon.

Wagle Kedar:

When would you estimate construction would start for the Bhutan projects?

H.K. Sharma:

Bhutan projects construction might start may be by the middle or end of 2012 and Nepal of course we have backed that project on our own and DPR has been now updated and sent to the CA and the MEA for their approval and there of course the road work has already been started by Nepal Road Authorities and we have to sign the agreement; agreement means detailed implementation agreement and for that we have submitted our proposal and the meeting was to take place last month but because of some reason it has been postponed now. We are pressing them to sign that agreement so that we can start the construction activity. The main project activity can only start once we have an infrastructure there and infrastructure work part has been started and part we will start by may be middle of next year, by the middle of 2012 or the first quarter or the second quarter the construction can start for that project and that will be a five year project, so in 12th plan that will come.

Wagle Kedar:

Okay. If I look at fiscal year 2011 and fiscal year 2012 how much would your capital expenditure spend be?

H.K. Sharma:

Capital expenditure will be on two projects; one is the Rampur project, which is going on, already 900 Crores has been spent, so you can say every year we are spending there about Rs. 250-400 Crores and once these projects start I think it will be up to Rs. 500 Crores we will be spending inclusive of the Rampur project.

Moderator:

Thank you. The next question is from the line of Shashikiran Rao from Standard Chartered, please go ahead.

Shashikiran Rao:

In the next two to three years, which are the projects do you expect to be fully commissioned and operational?

H.K. Sharma:

I think in the expansion plan we have only one project in line that is Rampur project, which is a downstream project of Nathpa Jhakri, which is 412 MW project and this project shall be commissioned in September 2013, so as per that schedule we are working. Since it involves lot of construction, underground activities like tunnels and all that, so we face some problem with the tunneling but right now it is going ahead as per the schedule and other than that we are planning of course a wind power plant, which is a 50 MW power plant and that we are planning and that might add in between.

Shashikiran Rao:

Okay. So in between this and FY15 these are the only projects that we can add?



SJVN Limited
October 29, 2010

- H.K. Sharma:** Yes, otherwise projects will be getting added from 2016 onwards; these two smaller projects of Uttarakhand and one small project of Himachal Pradesh will be like that.
- Moderator:** Thank you. Mr. Singh, would you like to ask any questions right now.
- Rohit Singh:** Sir, recently some newspaper was saying that you are planning to enter into solar business also, so if you can elaborate on that?
- H.K. Sharma:** Yes, in fact, we are now having consultant for that. Solar of course we had in fact agreed with one private party who had some agreement with the Government of Karnataka but we are waiting for some of the clearances, which he had obtained and it has not been put up to the board (ph) but we had that in mind. Right now we are planning that may be solar we have to enter and we are in the process of appointing a consultant for that so that we can materialize that, first in our area of Himachal Pradesh and then the various potential sites wherever it can be.
- Rohit Singh:** Okay sir. What kind of capacity you are looking forward?
- H.K. Sharma:** In solar I think we have to wait for that till the consultant is appointed (ph) but we are having something like 50 MW in that.
- Rohit Singh:** From a strategy point of view how does it make sense to enter into solar business?
- H.K. Sharma:** In fact, that will give you value addition to our organization and as per the latest guidelines each state wherever it is consumed they are compulsorily required to have such non-conventional power and according to that we want to take advantage although it may be costly but if we combine it together with our hydro and all that probably we will be having some diversification and we will have some gains in that.
- Rohit Singh:** Sir, my second question is on CER, are we availing some CERs on the projects?
- H.K. Sharma:** In Rampur project we have already applied and validation has already taken place and Spanish fund we will be trying in that and we will be tying up and World Bank is our consultant. So, in that we are having, that will be in fact be the largest project to have this carbon credit.
- Rohit Singh:** Okay, but what about Nathpa Jhakri?
- H.K. Sharma:** Nathpa Jhakri was not qualifying for that because it has been commissioned already in 2003 and at that particular point in time such large projects were not qualifying for the CDM.
- Rohit Singh:** But sir recently we have seen that NHPC is applying for VER i.e., Verified Emission Reduction, so the projects, which were commissioned earlier they can apply, they can go for VER rather than CER, so is there anything you are doing on that front also?



SJVN Limited
October 29, 2010

- H.K. Sharma:** I think this is what is consultant's input, in fact we were interested in Nathpa Jhakri only first but then probably they said that this is not qualifying. They have suggested **(audio break) 17:30** MW might qualify for that but that's not the case in our case, in fact we are already producing the maximum, so probably according to me, according to our consultant World Bank probably it is not qualifying, I do not know how NHPC are doing, but in case possible then we have to really go ahead for that also.
- Rohit Singh:** sir, the next question is towards the power trading business; SJVN is also interested in some power trading business?
- H.K. Sharma:** In fact, it was a thought, which we had, we will in fact discussing it in the board first to form a subsidiary company then doing that trading business. Of course, as a generator we are not having any power of our own, definitely we are thinking of that let us see how it materializes because first of all it has to go through the board, there are independent directors, everyone has their view, they say you may not go, somebody say you may go. We are thinking of going ahead but let us see if it is through from the board.
- Rohit Singh:** What kind of opportunities you see in power trading business?
- H.K. Sharma:** What we see is first of all our own, Himachal is our partner state, which is having one-third power from our Nathpa Jhakri plant, and they are getting it from the Power Trading Corporation, PTC. We have to make a request to the Himachal government that okay they should allow at least that portion for trading through us. Another thing is the unallocated power of the Government of India, so first we have to approach these two, which are our major shareholders to help us in establishing that and then we can definitely look at the others also that wherever power is available we can definitely do that.
- Rohit Singh:** Starting from January 2011 all public sector power utilities have to build on competitive basis (ph) but that was basically a bit unviable for players like SJVN and NHPC, so what are you doing on that front, I mean you are going to appeal against that or something like that?
- H.K. Sharma:** By and large, you see, it was the consensus by all the CPSUs that they may not go ahead with that but since from 1st of January 2011 that will be made compulsory and we have to wait and watch at least I would say that at present SJVN has the money and no projects with it probably we would like to try one project in that mode.
- Rohit Singh:** Okay. That is it from my side. Thank you so much.
- Moderator:** Thank you. Mr. Singh, there are no further questions at this time.



SJVN Limited
October 29, 2010

Rohit Singh: Thank you so much Mr. Sharma, Mr. Murthy, and Mr. Malhotra for joining in the conference. Thanks to everybody for joining in the conference call of Q2 FY11 of SJVN. Thank you so much.

H.K. Sharma: Thank you very much.

Moderator: On behalf of IDBI Capital Market Services that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.