



POWER GRID CORPORATION OF INDIA LIMITED

World Class, Integrated, Global Transmission Company

(A Government of India Enterprise)

**“Power Grid Corporation of India Limited
Q3 FY2019 Earnings Conference Call”**

January 31, 2019

ANALYST: MR. RAHUL MODI – ICICI SECURITIES LIMITED

**MANAGEMENT: MR. RAVI P. SINGH - DIRECTOR (PERSONNEL) AND
ADDITIONAL CHARGE OF CMD
MR. K. SREEKANT – DIRECTOR(FINANCE)
MRS.SEEMA GUPTA – DIRECTOR(OPERATIONS)
MR.R.K. CHAUHAN – DIRECTOR(PROJECTS)**

Moderator: Ladies and gentlemen, good day and welcome to the Power Grid Corporation Q3 FY2019 earnings conference call hosted by ICICI Securities. 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 the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Modi from ICICI Securities. Thank you and over to you!

Rahul Modi: Thank you on behalf of ICICI Securities, we welcome you all to the Power Grid Corporation Q3 FY2019 result conference call. We have with us Mr. Ravi P.Singh, Director (Personnel) and additional charge of CMD; Mr. K. Sreekant, Director (Finance), Mrs. Seema Gupta, Director (Operations), and Mr. R.K. Chauhan, Director (Projects). I would like to hand over the call to the management for the opening remarks and then move onto the Q&A. Thank you so much!

Ravi P.Singh: Good evening, everyone. I welcome you all to Power Grid's Q3 FY2019 Analyst Call. As you would all be aware that our erstwhile CMD, Mr. I. S. Jha, had moved to CERC as a Member and I, Ravi P. Singh, had been assigned additional charge of CMD in addition to my role as Director(Personnel). This is my first interaction with you in my new capacity. I have with me, Mr. K. Sreekant, Director (Finance); Mrs. Seema Gupta, Director (Operations), Mr. R.K. Chauhan, Director (Projects), and also have with me Mr. Anil Jain, Executive Director (Corporate Planning); and other senior officials.

Today, the Company had announced Unaudited Financial Results for the third quarter of FY2019. The results for the quarter and the nine-month ended December 31, 2018 have been disclosed on both the Stock Exchanges.

Performance highlights for Q3 and nine months FY2019

Project Execution Highlights.

The Company has added 2915 circuit kilometer of transmission lines, 4 number of substations and 20681 MVAs transformation capacity during the nine months ended December 31, 2018.

Capex:

During the quarter Q3 FY2019 the Company incurred a Capex of Rs.5968 Crore. While for the nine-month period, the Capex was Rs.18242 Crore. This Capex includes an expenditure of Rs.2836 Crore for the TBCB projects for the nine-month period. The Company is on course to meet its Capex guidance of these Rs.25000 Crore for FY2019.

Capitalization:

On a Standalone basis, the Company capitalized assets was Rs.6,860 Crore for the quarter and for the nine-month period, the total capitalization on a standalone basis was Rs.12,744 Crore.

The major elements commissioned/completed this year include Angul-Jharsuguda line, lines associated with Green Energy Corridors, Ultra Mega Solar Parks and NER lines.

During nine-month period, the Company also capitalized assets worth Rs.3902Crore towards TBCB projects that are being implemented by the subsidiaries. The major TBCB projects commissioned/completed during the year till December 2018 include POWERGRID Warora Transmission Ltd and POWERGRID Parli Transmission Ltd.

Another TBCB project, POWERGRID Jabalpur Transmission Ltd was completed in December 2018, but has not been capitalized in Q3, as the commissioning took place in January 2019. The second long pending line of the PNMTL project has also been commissioned last week.

With this, total seven projects out of 12 ISTS projects being implemented under the TBCB have been fully completed and are under operation as on date. The total capitalization for the nine-month period was Rs.16,646 Crore (excluding FERV), and we are hopeful to meet the guidance of capitalization being in excess of the Capex in the current year also.

The Company's CWIP as on December 31, 2018 was Rs.40,262 Crore, which includes Rs.5,970 Crore CWIP housed in TBCB subsidiaries.

Operations:

As on December 31, 2018 the Company owns and operates about 151000 circuit kilometers of transmission lines and 238 substations with a total transformation capacity of approximately 351800 MVA. The average availability of transmission system and reliability were 99.67% and 0.37 tripping per line, respectively for the nine-month period i.e. April 2018 to December 2018.

Financial Highlights:

- The total income for the third quarter FY2019 is Rs.8,890 Crore as against Rs.7,785 Crore in the corresponding quarter of previous year, an increase of 14%. For the nine-month period, income has increased to Rs.26,008 Crore this year from Rs.22,667 Crore in the previous year, registering an increase of 15%.
- Transmission income growth has been 13% and 14% for the quarter and nine-month over the corresponding previous year period.
- The EBITDA margin is 88% for the quarter and 89% for the nine-month period.
- The PAT for Q3 FY2019 is Rs.2,331 Crore as compared to Rs.2,041 Crore for Q3 FY2018, i.e. an increase of 14%. For the nine-month period, the PAT has increased by 10% to Rs.6,881 Crore from Rs.6,234 Crore during previous year period.
- As on December 31, 2018, the Gross Assets of the Company have increased to Rs.1,91,517 Crore from Rs.1,77,100 Crore as at the end of FY2018 and the Debt: Equity stood at 70:30.

These numbers are on standalone basis.

Financial highlights of TBCB subsidiaries:

POWERGRID TBCB subsidiaries that have commenced operations achieved revenue of Rs.277 Crore and PAT of Rs.55 Crore for Q3 FY2019; revenue of Rs.695 Crore and PAT of Rs.130 Crore for nine months FY2019. POWERGRID has received a dividend of Rs.71 Crore from its operational subsidiaries for the nine-month period of current year as against Rs.23 Crore in the corresponding period of the previous year.

Other Businesses:

Telecom: Income for the quarter increased by 13% to Rs.177 Crore. The Company received orders from 31 new customers during Q3 FY2019. For the nine-month period, the income from Telecom business was Rs.490 Crore. During the quarter, due to the implementation of Ind-AS 115, the telecom revenue recognized is higher by Rs.62 Crore, finance charges by Rs.26 Crore, license fee by Rs.5 Crore and profit is higher by Rs.31 Crore.

Consultancy: Income for the quarter increased by 10% to Rs.155 Crore. The Company received 9 new orders during Q3 FY2019. For the nine-month period, the income from Consultancy Business was Rs.442 Crore. The Company completed the challenging assignment of Srinagar-Leh Transmission system. Now Leh has been connected with the National Grid for the first time, POWERGRID was the Project Management Consultant to GoI for the project. The project comprises of about 350 kilometers transmission line and 4 substations.

International business: The Company received three orders during Q3 FY2019, including two in Nepal and one in Bhutan. As on December 31, 2018, total 15 assignments were under implementation.

Other Highlights:

Fund Mobilization: POWERGRID and KfW signed loan agreement for Euro 200 million to facilitate integration of clean energy. POWERGRID also entered into a term loan facility agreement for JPY 22 billion with SMBC for part financing of its Capex and R&M of its substations. The first tranche of PSDF grant for the NER Agra project (Rs.2,889 crore) is expected to be received soon. The GoI has authorized the Company to raise the funds by issuing GoI Fully Serviced Bonds. The interest and repayment of these Bonds will be serviced by GoI.

Regulatory Review:

The draft of the tariff regulations for the period 2019-2024 were issued in December 2018 and you all would have gone through that. The Company has submitted its observations and public hearing is scheduled to be held on February 1, 2019. The draft regulations have several positives, maintaining the overall

framework for tariffs including retaining the post tax ROE @ 15.5%. There are a few issues on which we have submitted our comments to CERC for their consideration.

Enhancing of FPI limit:

The FPI limit for shareholders was enhanced from 30% to 35%. The Memorandum of Association has been altered to provide enabling provisions for the new businesses in emerging areas of the Smart Grid, Energy Management, etc.

New Projects:

New Win in TBCB. POWERGRID secured its first Inter-state transmission project through the TBCB route when it emerged as a successful bidder for Jawaharpur Firozabad Transmission Limited. The estimated cost on the project of about Rs.600 Crore and POWERGRID won the project with the annual levelized tariff of Rs.53.8 Crore.

New projects through Regulated Tariff Mechanism:

Government of India has envisaged an RE capacity, addition of 66.5 GW by December 21, in two phases, 29 GW by December 20, and 37.5 GW by December 21. The transmission works required for this addition have been estimated at Rs.43,325 Crore in aggregate. Of this, RE capacity to the tune of 12.5 GW has been prioritized, which would entail transmission works of about Rs.16,960 Crore. Recently, the Empowered Committee on Transmission in its third meeting decided on the allocation of some of the related transmission projects. As per the minutes of meeting, Rs.11,435 Crore of works have been decided, of which POWERGRID (including its subsidiary – Kala Amb TL) has been allotted works for Rs.2,677Crore and works estimated at Rs.8,708 Crore have been assigned for TBCB.

The Government has indicated a further potential of Rs.5,525 Crore, which is likely to be put on the block, once the LTA for the same is requested by the Developers/SECI. The total projects worth Rs.15,678 Crore are under bidding which include -

- Inter-State; 10 projects, estimated cost Rs.9,328 Crore (These include the recent allocation by 3rd ECT MoM),
- Intra-State; 5 projects, Estimated cost Rs.6,350 Crore.

Further on the JV front, discussion has been started with the state of Assam.

Awards and Accolades:

The Company's performance on various fronts was recognized by the various agencies and some of the major accolades during Q3 FY2019 are:

- Fastest Growing Electrical Utility in Asia as per Platts Top 250 Global Energy Company Rankings 2018. This is the fifth year in succession that the Company has occupied this coveted slot.
- The Company was also the third Fastest Growing Electrical Utility globally in 2018 rankings. It is the third largest CPSE in terms of gross block and fifth highest profit-making CPSE as per Department of Public Enterprises.
- One of the Most Innovative Top 25 companies in India at the Fifth CII Industrial Innovation Awards-1st Power sector CPSE.
- CBIP Best Transmission Utility Award and CBIP Special Jury Award for Innovation Excellence in POWERGRID.

Thank you and now I hand over to Director (Finance) to reply to your queries on Results.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Venkatesh Balasubramaniam from Citi Research. Please go ahead.

Venkatesh B: Good evening, Sir. The first question is, are you aggregating all your TBCB projects through subsidiaries? Is that something which you are doing? All TBCB projects by project, you are setting up subsidiaries and doing it? Or is it part of a standalone entity?

K. Sreekant: Yes, the TBCB projects are executed through subsidiaries project by project.

- Venkatesh B:** Okay. But why is it not part of your standalone number? Any reason you why you have executed this way? You own 100% in all these TBCB projects, right?
- K. Sreekant:** Yes. It is the way the RECTPCL and PFCCL, the bid process coordinators are offering these projects through special purpose vehicle set up by them. So it is not out of choice, but it is the way the business is organized.
- Venkatesh B:** Okay, now when you have shared with us number, Rs.16,646 Crore of capitalization of transmission assets in the first nine months, this does not include any of the TBCB projects. Am I correct?
- K. Sreekant:** No. The Rs.16,646 Crore of capitalization includes the TBCB projects to the extent of Rs.3,902 Crore.
- Venkatesh B:** Okay, so but when we are doing our calculation for regulatory equity block, we are supposed to remove these from our calculation because this will come in the subsidiaries, correct?
- K. Sreekant:** Yes.
- Venkatesh B:** Okay. Now is the current year the first year where the TBCB projects have started getting commissioned or we had commissioning last year also?
- K. Sreekant:** There had been few commissioning last year as well.
- Venkatesh B:** Okay, thank you very much, Sir. That's it for me.
- Moderator:** Thank you. The next question is from the line of Sumit Kishore from JP Morgan. Please go ahead.
- Sumit Kishore:** Good evening Sir. My first question is in relation to the status on realization as a percentage of billing. How has that trend moved over the past one year? And how are the total outstanding receivables of POWERGRID beyond 60 days looking as compared to say the position a year back?
- K. Sreekant:** Compared to March 31, 2018, there has been some increase in the outstandings because we have been finding difficulties in realization from few of the states. I think as of March 31, 2018 we had outstanding receivables of about 42 days, but it

has increased now. The outstanding currently as of December 31, 2018 are Rs.7061 Crore.

Sumit Kishore: That is the total receivable?

K. Sreekant: That is the total receivable as of December 31, 2018.

Sumit Kishore: And how much is due beyond 60 days. As of, say, September 2018, you had disclosed 20 days. In your presentation, in September, 2018 this number was 12 days.

K. Sreekant: 27 days.

Sumit Kishore: Is this beginning to impact your interest on working capital, is it getting impacted versus what is being recovered through CERC norms in revenue?

K. Sreekant: No. It is still not yet impacting at those levels, but there has been some increase in the interest on working capital loans compared to last year.

Sumit Kishore: Okay, my second question is in relation to the total works in hand that you have been disclosing every quarter. Where does the number stand as of December quarter? And could you also give a more medium-term road map on Capex and Capitalization for POWERGRID for FY2020, we have visibility from works in hand, but how does the run rate look like in FY2021-2022? And how does the mix change between TBCB and nomination-based cost plus ROE projects?

K. Sreekant: The works in hand are about Rs.77,000 Crore as on date and going forward, there will be more TBCB projects. And I think earlier, the Chairman has read out the projects, which are expected to come in the market. But TBCB, it is about Rs.15,700 Crore are expected to come for bidding so we expect to participate in these and win significant number out of it.

Sumit Kishore: Rs.15,700 Crore of bidding, is it reasonable to expect this to come in the next 1 year?

K. Sreekant: Yes, because these are projects which are to be commissioned by December 20, and December 21, so most of it Rs.9300 Crore, which is related to green energy

are going to come and intra state projects are about Rs.6000 Crore that is also expected to come in the next one year.

Sumit Kishore: And out of this, Power Grid on nomination basis will get Rs.2677 Crore. Is it something like this.

K. Sreekant: No, Rs.2,677 Crore on nomination basis has already been given. It is not part of this.

Sumit Kishore: Okay Rs.2,677 Crore, is it part of your works in hand already? Or will it add to that?

K. Sreekant: Yes, it's part of that.

Sumit Kishore: Okay. It is part of Rs.77,000 Crore. Okay, okay. If you could also share the break up of the other income that you have for the nine-month period so that we can understand how much is the interest, which is related to JV and the TBCB projects.

K. Sreekant: The interest related to the TBCB companies seems about Rs.556 Crore.

Sumit Kishore: Okay and the nine-month dividend is about...

K. Sreekant: The dividend is of the order of Rs.71 Crore from the subsidiaries in the nine months.

Sumit Kishore: Thank you so much.

Moderator: Thank you very much. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Sir, could you highlight you mentioned about certain condition in the draft regulations where you have pointed that you have opposed CERC. Would appreciate if you could highlight this?

K. Sreekant: These are not very significant ones. By and large, we are happy with the regulations where the basic structure has been retained and 15.5% Return on Equity post tax has also been retained by the CERC. Primarily, we have given

comments on the reduction in the equity from 30% to 5% after the useful life of the asset for the purpose of ROE. Availability of the HVDC systems, we wanted to be taken as a whole along with AC systems because the CERC has proposed to increase the threshold for incentives for the HVDC systems so, since it is integrated meshed network, we have proposed to the CERC that for availability, it should be treated as one, AC as well as HVDC systems. Then, there are few other minor issues such as what are the transmission charges to be paid in case of a mismatch between generation and the transmission delays between the transmission and the downstream or upstream network, the working capital margin and so on. By and large, there are not many major points on which we have commented.

Bhavin Vithlani: And what I understand, currently there is certain level of under recovery in the operations and maintenance expenses and with the new regulations, do you believe bulk of it has been covered?

K. Sreekant: Sorry, I could not get you.

Bhavin Vithlani: Sir, what we understand, there is certain level of under recovery in the O&M charges and do you believe that the new regulation takes into account whatever was the under recovery?

K. Sreekant: The O&M norms proposed by the CERC are quite okay.

Bhavin Vithlani: Okay any number that you would like to highlight, the level of under recovery in the O&M for...

K. Sreekant: No, there are no such significant amount.

Bhavin Vithlani: Okay. Lastly, if you could update on NER Agra project the matter where the Company is billing on a provisional basis, when do we expect the recovery, which stage is it at currently?

K. Sreekant: Yes. The government has now approved for us to raise bonds against the PSDF grant. So we hope to raise the bonds very shortly that will provide the cash flows and once that is done, we will go to the CERC for determination of Final Tariffs. Already, we have submitted one petition with CERC for determination of tariff

pending this grant issue but now that the grant amount will be realized through bonds, we can expect a quick finalization of tariffs.

Bhavin Vithlani: What is the level of under recovery because of this project, which is reflected in the financials currently?

K. Sreekant: There is no under recovery. Income recognition is based on expected revenue. It is only a matter of cash flow issue.

Bhavin Vithlani: Okay. What is the gap in the cash flows then, Sir?

K. Sreekant: We are getting 80% tariff. Absolute numbers we are not be able to give right away.

Bhavin Vithlani: No problem Sir. That's it. Thank you so much for taking my questions.

Moderator: Thank you. The next question is from the line of Akhilesh Bhandari from ICICI Prudential Asset Management. Please go ahead.

Akhilesh Bhandari: Thank you for taking my question. What is the update on the transmission telecom tower initiative of the Company?

K. Sreekant: We are still waiting for the CERC approval for the scheme.

Akhilesh Bhandari: Thank you.

Moderator: Thank you. The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Thank you for the opportunity. Sir, two things First, on the business in hand, you said Rs.77000 Crore. Can you just give us a break up of ongoing new projects in TBCB? What is the Capex remaining in TBCB? And secondly, your dividend payout is about Rs.71 Crore versus PAT of about Rs.130 Crore in TBCB so we understood that it will be paid out fully to the extent of 70% to 80% to the parent Company. Why the balance amount is being held back? What is the thought process?

- K. Sreekant:** We need to put some amount of equity in partly commissioned projects, we are making profit on the projects on the portion which has been commissioned, that has been ploughed back to finance the equity component of the portion, which is still under construction. So that is why we are not getting full dividend payout. We believe it is more efficient because there is no dividend distribution tax if it is retained in the Company. As regards the breakup, the ongoing projects are about Rs.60,000 Crore, TBCB projects are about Rs.12,000 Crore, and new projects are about Rs.5,000 Crore.
- Abhishek Puri:** And if I may ask, Sir, Rs.77,000 Crore against that Rs.40,000 Crore has already been spent in CWIP, so balance Capex remaining for us is about Rs.37,000 Crore? Is that understanding correct?
- K. Sreekant:** Broadly, it is right. But CWIP is Rs.34,292 Crore.
- Abhishek Puri:** Rs.34,292 Crore okay and lastly, if you can give us just.
- K. Sreekant:** Okay. Yes. I think you are right. It is about Rs.40,000 Crore.
- Abhishek Puri:** That is including TBCB?
- K. Sreekant:** Including TBCB.
- Abhishek Puri:** Rs.77,000 Crore is also including TBCB, so I was just calculating that.
- K. Sreekant:** Yes. You are right.
- Abhishek Puri:** Okay. And lastly, if you could tell us the total Rs.12,000 Crore that you mentioned in TBCB against that you say that capitalization is already done for almost Rs.7,000 Crore. Is that correct. So for TBCB, what is the total Capex planned and how much capitalization is already done? Because I think we have done 7 projects already.
- K. Sreekant:** Yes. We have done capitalization of about Rs.6,800 Crore in nine months.

- Abhishek Puri:** Okay and what is the total planned Capex? Is it about Rs.17,500 Crore?
- K. Sreekant:** No. It will be more than that. It will be about Rs.19,000 Crore plus Rs.12,100Crore are the works in hand, which are still under execution.
- Abhishek Puri:** Right and if you do not mind giving details for Jabalpur and NM transmission. These projects have been recently commissioned. What is the expected or completed project cost?
- K. Sreekant:** I do not think we would be able to give you readily this number.
- Abhishek Puri:** Alright Sir. Thank you and I will join back in the queue.
- Moderator:** Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.
- Sanjay Jain:** Thank for taking my question. My question is regarding capitalization during FY2019, I mean, I am a little surprised that slow capitalization so far in nine months. And how this picture looks for FY2019 as a whole?
- K. Sreekant:** No. We have done about Rs.16,500 Crore already, right.
- Sanjay Jain:** In the standalone?
- K. Sreekant:** No, together. Because this year most of the projects will be through TBCB. Rather, compared to last year, there will be much greater share through the TBCB companies. And we have done Rs.12,744 Crore through standalone and Rs.3,902 Crore through TBCB companies.
- Sanjay Jain:** Right. For the full year, what is the target?
- K. Sreekant:** For full year, we are targeting about Rs.26,000 Crore.
- Sanjay Jain:** Okay. And this capitalization, doesn't include FERV movements or does it?
- K. Sreekant:** No, we have excluded it.

- Sanjay Jain:** Okay so the benefit of this capitalization, when are we going to see that kicking in the earnings? Should we expect this benefit kicking in more in fourth quarter because...
- K. Sreekant:** Yes. Whatever is capitalized till date will come in the fourth quarter. Typically, we are seeing more capitalization in the end of the quarter, so whatever, is capitalized in this quarter, we start getting the benefits from the next quarter.
- Sanjay Jain:** And the remaining amount will be again back ended in the fourth quarter. Is that right mostly?
- K. Sreekant:** Yes, mostly.
- Sanjay Jain:** Okay got it. And in the fourth quarter, we also have some annual expenses like CSR expense. Could you give some number how much you have spent so far and how much amount you are targeting in the fourth quarter?
- K. Sreekant:** The CSR expenditure this year will be about Rs.180 Crore. and we are more or less maintaining even pace of expenditure this year. We have done already about Rs.125 Crore and the balance will be in the last quarter.
- Sanjay Jain:** Okay.
- Moderator:** Thank you. The next question is a follow up from the line of Akhilesh Bhandari from ICICI Prudential Asset Management. Please go ahead.
- Akhilesh Bhandari:** Sir, out of the total Capex, which you have done in TBCB, are we at the 80-20 funding ratio or what is the ratio right now?
- K. Sreekant:** We target 80-20, but initially we put more debt and as the project nears commissioning, we put equity.
- Akhilesh Bhandari:** Sir approximately, if you can give a number, what are we at currently?
- K. Sreekant:** Yes, it's about 80-20.
- Akhilesh Bhandari:** Okay Sir, thank you Sir.

- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Good evening Sir, what was the interest on loan received from TBCB projects during the quarter? And can you give me the nine-month revenue and PAT number for the TBCB projects?
- K. Sreekant:** Nine-month revenue was Rs.695 Crore and PAT was Rs.130 Crore.
- Mohit Kumar:** And Sir, how much was interest received by the standalone Company from the TBCB projects, which is recognized in the other income?
- K. Sreekant:** Rs.556 Crore is the interest received from the subsidiaries in the nine-month period.
- Mohit Kumar:** Okay. There was disallowance in one of the lines in Q2 FY2019. Has the disallowance on one of the lines continued in Q3?
- K. Sreekant:** In the TBCB?
- Mohit Kumar:** No. Last quarter, you mentioned there was Rs.95 Crore impact because one of the lines elements were not recognized by the NRPC. Am I correct? Has it continued in Q3 also?
- K. Sreekant:** No. This is not there in this quarter.
- Mohit Kumar:** Okay. Sir, in this particular quarter the other expenses had declined Q-o-Q? Can you please explain...
- K. Sreekant:** That is because of Exchange Rate fluctuation. There has been rupee appreciation so the FERV charge has come down. Accordingly, you will see a reduction in the regulatory assets also in the Deferred assets regulatory.
- Mohit Kumar:** Yes. Understood. And Sir, out of this Rs.430 billion of projects, which have been identified by the Empowered Committee, Rs.170 billion is supposed to be awarded in the next 12 months. What happens to the balance Rs.270 billion because I believe for all the projects, the deadline is December 2020 and December 2021. Am I right?

K. Sreekant: For the solar RE, 29 GW is December 2020 and 37.5 GW is by December 2021 so for all this, the transmission requirement is Rs.43,000 Crore, of which Rs.19,000Crore is in Phase 1 and Rs.24,000 Crore is in Phase 2 so right now, they are planning for 12.5 GW which has been prioritized, which requires about Rs.16,960 Crore of investment. And out of that, they have allocated Rs.11,000Crore. The rest will be coming by and by.

Mohit Kumar: But this should happen in the next 2 years. Am I right?

K. Sreekant: No. It will come shortly because it has to go through tie up.

Mohit Kumar: I am talking entire Rs.430 billion, the balance Rs.240 billion?

K. Sreekant: You see, as I mentioned, the capacity expected to be commissioned by December 2020 is 29 GW and by 2021 is 37.5 GW. So in a phased manner, all these projects will have to be announced by the government.

Mohit Kumar: Okay, Sir got it. Thank you.

Moderator: Thank you. The next question is from the line of Girish A from Morgan Stanley. Please go ahead.

Girish Achhipalia: Thank for the opportunity. Just a couple of things. I missed the debt on the standalone book. If you can just repeat that number, please?

K. Sreekant: The debt on our book is Rs.1,38,776 Crore.

Girish Achhipalia: And Sir, how much is the under-recovery on staff cost for the nine months? I mean, is it already a part of revenue? Or there is some under-recovery here? And how much is the number?

K. Sreekant: To the extent there is impact of wage revision, we are yet to file with the CERC for recovery so to that extent, there is a mismatch between the Normative O&M and actual O&M.

Girish Achhipalia: And how much is your claim likely to be in the nine months that you provided for in the expense side? How much have you provided for, which is not a part of your revenue but is a part of your expense?

- K. Sreekant:** I do not have that number readily.
- Girish Achhipalia:** Okay. And Sir, the earlier participants have asked about the PSDF fund related things so you said that 80% of the tariff, I did not quite understand. So how is accounting working for it? so you already recognize the entire revenue and it is just the balance sheet, which is essentially having a cash flow issue. I mean, how does the accounting work?
- K. Sreekant:** You are right. We have recognized the revenue as due to us. See, until we get the grants, we should get full tariff. After the grant is received, only the tariff can be reduced because the grant has been revised for the capital cost of the project. So our revenue recognition is full, though we are receiving only 80% from the beneficiaries. The rest will be billed as and when the final orders are issued by the CERC.
- Girish Achhipalia:** Sir, final question on competitive intensity. I mean, last few years, TBCB projects have not seen so much traction. What is your personal sense as to some of these smaller guys? I mean, what kind of equity IRRs are they bidding the projects at?
- K. Sreekant:** How do I know what they are expecting? But the competition has increased in the recent times. Some of the projects which we have seen, particularly like the Ghatampur project, there has been very aggressive competition and after a point, we have stopped bidding because we did not find merit in those bids.
- Girish Achhipalia:** Okay, thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Inderjeet Bhatia from Macquarie. Please go ahead.
- Inderjeet Bhatia:** Thanks a lot for the opportunity. A couple of questions about TBCB. What are the three month Q3 revenue and PAT number?
- K. Sreekant:** Rs.277 Crore revenue and Rs.55 Crore PAT for the three months from TBCB companies.
- Inderjeet Bhatia:** Got it. Second is on the capitalization outlook. Given that at this point of time we have something around close to Rs.40,000-odd Crore CWIP right now and we have an aggressive capitalization target for last quarter, which could be around

Rs.9,000 Crore - Rs.10,000 Crore likely and CWIP at Rs.37,000 Crore - Rs.38,000Crore so based on that number, what is the outlook on capitalization number for, say, FY2020 - 2021?

- K. Sreekant:** We are yet to cross 2019-2020 first, then we will reach 2020-2021, right?
- Inderjeet Bhatia:** Something like for 2019 - 2020 outlook that you can share from next year?
- K. Sreekant:** Next year, our Capex is going to be in the order of Rs.15,000 Crore - Rs.18,000Crore. But capitalization, we expect around Rs.25,000 Crore.
- Inderjeet Bhatia:** Okay. Sir, just extension of that point, given that our Capex is coming off very meaningfully, which would also translate into CWIP at the end of FY 20, then further coming down by may be potentially another Rs.10,000 Crore. Longer term, do we think eventually our capitalization number should also kind of come down to more like Rs.15,000 Crore, Rs.17,000 Crore?
- K. Sreekant:** Yes. It is again a function of how many new projects we are able to get, what is the growth of the industry and all. So we are not able to put a number beyond 2022, primarily because the pipeline of new projects is not clearly visible.
- Inderjeet Bhatia:** Just one data number. In this TBCB capitalization of Rs.6,800 Crore, should we assume equity to be exact 20%? Or can you share the exact equity number in that, which has been capitalized till date?
- K. Sreekant:** No. I do not have the segregation, but it will be approximately 20%.
- Inderjeet Bhatia:** Got it. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Thank you. Sir, most of my questions have been answered. Sir, from a growth perspective, could you highlight any major international opportunity that we could be looking at given that what came in Brazil, we did not win anything there, so how should we look at growth coming from the international market?

- K. Sreekant:** In international market, we are more focused on the projects in the SAARC region, neighboring countries, Nepal, Bhutan. Discussions are also on with Bangladesh. There is now a new working group for Myanmar. For Sri Lanka also, there is discussion of an inter-connection. So these are the areas where we will be comfortable to participate and beyond this, in the Middle East and in African region, we are exploring the possibility for investments. Given the challenges of those regions and the return expectations, our focus would be more on the nearby region countries.
- Pulkit Patni:** Any rough numbers, so that we can expect you to win every year in the international market?
- K. Sreekant:** No difficult to give. We participated in one tender in Brazil when we could not make it. And we feel there is very aggressive competition there, so it will be very hazardous to get the number at this stage.
- Pulkit Patni:** Sure Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhinav Bhandari from Reliance Mutual Funds. Please go ahead.
- Abhinav Bhandari:** Good evening, Sir. Thanks for taking my question. Sir, in the opening remarks, the Chairman mentioned that there was one line, which was commissioned in December but capitalized in January. How much would that be in terms of overall cost because for Q4, that would be taken into consideration as well?
- K. Sreekant:** That is a TBCB project. So I think it would not work the way you would like to do it on a regulated tariff basis.
- Abhinav Bhandari:** No. I mean, in terms of overall capitalization number, how much would that be? Just trying to understand that Rs.9,000 Crore - Rs.10,000 Crore, what...
- K. Sreekant:** Rs.1,400 Crore.
- Abhinav Bhandari:** Sorry, Rs.1,500 Crore?
- K. Sreekant:** Rs.1,400 Crore about Rs.2,000 Crore together.

Abhinav Bhandari: Okay, so this would be part of the lumpy Q4 that we are targeting, right, this Rs.2,000 Crore?

K. Sreekant: Yes.

Abhinav Bhandari: So Sir, just checking so this would be part of the lumpy Rs.9,000 Crore - Rs.10,000 Crore of capitalization that we are targeting in Q4, right, this Rs.2,000Crore?

K. Sreekant: Yes. That is right. That is right. This will be accounted for.

Abhinav Bhandari: Got it. The other one was, Sir, you mentioned part of dividends in these TBCB projects has been retained to fund the equity. Just to understand would the retention be enough to fund the equity for the remaining under construction projects or there is some more equity that would be required from the parent's side?

K. Sreekant: No, that is an ongoing process.

Abhinav Bhandari: What I am trying to understand in terms of cash flow infusion of equity in these projects, would this revolving number itself would be sufficient to fund from one project to other? Or there is some more extra support from the parent?

K. Sreekant: No. That would not be sufficient. We have to do equity infusion.

Abhinav Bhandari: Got it. And what would be the remaining number, Sir?

K. Sreekant: Remaining number of our equity infusion?

Abhinav Bhandari: Yes.

K. Sreekant: We have told Rs.12,000 Crore of projects are under execution, so they will require an investment of about Rs.2,400 Crore.

Abhinav Bhandari: Got it. One more question, Sir, was on this TBCB revenue and PAT number that you have given so this last quarter, profit of Rs.55 Crore. Would this be more representative of a quarterly PAT run rate of the Rs.6,800 Crore which has got

capitalized? Because the 9-month number is Rs.130 Crore so just trying to understand some of the projects would have started in July, August.

K. Sreekant: Yes, that is right.

Abhinav Bhandari: This Rs.55 Crore would be a much more better representative of profitability every quarter?

K. Sreekant: Yes. In fact, in one project, which we have commissioned in January, there should be more profit than this because it is right now in negative.

Abhinav Bhandari: Okay, Sure. Sir, on the RE projects execution, just to understand, would the execution be a little bit tighter in terms of time lines versus the normal transmission line projects that you undertake, given that the 18 to 21 months window, which is going to commission to the developers for these projects?

K. Sreekant: I will request our Director(Projects) to answer this.

R.K. Chauhan: In the TBCB projects, now they are giving a very tight time line, in terms of 18 to 20 months. That is true. And we are hopeful that we will be able to meet it.

Abhinav Bhandari: Sure so your existing WIP of projects in RE, we should be factoring in that kind of time frame, Sir, in terms of execution?

R.K. Chauhan: Yes, as far as the Green Energy Corridors are concerned, we are targeting that.

Abhinav Bhandari: Got it. Sir, just one last question. Of the major lines which are to get capitalized in Q4, if you could just highlight 2- 3 or bigger lines for us to monitor? The names of the 2- 3 bigger lines, which are to get capitalized in...

R.K. Chauhan: Yes, they are part of the Green Energy Corridors. Banaskantha-Chittorgarh and the Moga- Bikaner, Champa-Kurukshetra so these are the major chunks.

Abhinav Bhandari: Sure that is it from my side. Thank you Sir. All the best.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.

- Dhruv Muchhal:** Thank you. Sir, just a clarification, Rs.26,000 Crore which you mentioned for capitalization for FY2019 that is for the group, right?
- K. Sreekant:** Absolutely.
- Dhruv Muchhal:** Of this, around Rs.5,000 Crore will be TBCB, including the Jan commissioning and the remaining will be around, standalone will be 22-odd.
- K. Sreekant:** No. I think the TBCB should be around Rs.6,000 Crore.
- Dhruv Muchhal:** Rs.6,000 Crore should be TBCB, so effectively Rs.21,000 crore will be standalone. And Sir, similarly, you gave the guidance for FY2020, Rs.25,000Crore. So how will the split there be?
- K. Sreekant:** I think that in 2019-2020, there will be more of standalone than TBCB.
- Dhruv Muchhal:** Okay sure so just last thing. You mentioned that the Phase 1 and Phase 2 together is Rs.43,000 Crore, of which Rs.16,000 Crore is prioritized. Now we know that RE has relatively shorter time period as the other participant is also mentioning so is it possible that more such orders will come on regulated, nomination-based model because TBCB has a very longer time period to just award the contract.
- K. Sreekant:** No. The competitive environment has become so challenging.
- Dhruv Muchhal:** Sir, because the time line, say, for example, Phase 1 is 2 years verses if a TBCB starts it takes 6 months or 9 months to just start the TBCB projects.
- K. Sreekant:** They can also think they can be built within the tighter time line.
- Dhruv Muchhal:** Okay, thank you Sir.
- Moderator:** Thank you. The Next question is from the line of Chandrasekhar Sridhar from Fidelity. Please go ahead.
- Chandrasekhar S:** Just wanted to know when will you start reporting consolidated accounts on a quarterly basis?
- K. Sreekant:** Consolidated will be required from next year onwards, right?

Chandrasekhar S: Right, so every quarter from next year onwards, you will be reporting standalone and consolidated.

K. Sreekant: Yes. I think that will be the requirement. But since there has been a lot of demand and we also felt that many projects are now operational in the TBCB mode this is the first quarter when full disclosure of TBCB operational and financial performance is being given.

Moderator: Thank you. Ladies and gentlemen that was the last question, due to time constraints. I now hand the conference over to the management team for his closing comments. Over to you!

Rahul Modi: We would like to thank the management for the precious time to have such an interactive session with the Investors and Analyst. Thank you so much. Have a nice evening.

Ravi P Singh: Thank you.

Moderator: Thank you very much members of the management. Ladies and Gentlemen, on behalf of ICICI Securities that concludes today's conference call. Thank you all for joining us. You may now disconnect your lines.