



“Power Grid Corporation India Limited
Q3 FY2020 Earnings Conference Call”

February 03, 2020



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SMT. SEEMA GUPTA - DIRECTOR (OPERATIONS)
SHRI R.K. CHAUHAN - DIRECTOR (PROJECTS)
SHRI V. K. SINGH – DIRECTOR (PERSONNEL)
SHRI K.S.R. MURTY – CHIEF FINANCIAL OFFICER
SHRI ANIL JAIN – EXECUTIVE DIRECTOR (CORPORATE PLANNING)
SHRI SANJEEV SINGH - EXECUTIVE DIRECTOR (CMG)
MS. DIVYA TANDON - EXECUTIVE DIRECTOR & COMPANY SECRETARY



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Moderator: Ladies and Gentlemen, Good day and welcome to the Power Grid Corporation of India Q3 FY2020 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 an 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 Sir!

Rahul Modi: Thank you Tanvi. On behalf of ICICI Securities, we welcome you all to the POWERGRID Q3 FY2020 Results Conference Call. We have with us the senior management of the Company comprising of Shri K. Sreekant, Chairman and Managing Director, Smt. Seema Gupta, Director (Operations); Shri R.K. Chauhan, Director (Projects); and Shri V.K. Singh, Director (Personnel) along with Shri K.S.R. Murty, CFO; and Ms. Divya Tandon, Company Secretary. Thank you for the opportunity. Over to you Sir!

K. Sreekant: Thank you Rahul. I am K. Sreekant, Chairman and Managing Director of POWERGRID, and welcome you all to the POWERGRID’s Q3 FY2020 Earnings Call. On this call, we have Mrs. Seema Gupta, Director (Operations), Shri R.K. Chauhan, Director (Projects), Shri V.K. Singh, our new Director (Personnel), Shri Sanjeev Singh, ED(CMG); Shri Anil Jain, ED(Corporate Planning), and our CFO, Mr. K.S.R. Murty and other officials.

On January 31, 2020, the Company has announced unaudited financial results for the third quarter of FY 2020 and I hope you have the opportunity to go through them.



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Let me begin with the performance highlights for the quarter and nine months ended December 31, 2019.

Project Execution Highlights:

The Company and its subsidiaries added about 3,566 circuit kilometer of transmission lines, 3 number of substations and 27,985 MVA of transformation capacity during the nine months ended December 31, 2019.

During the Q3 FY2020, major elements commissioned include:

- Pole III of ± 800 kV Champa-Kurukshetra HVDC project in October 2019;
- 765kV double circuit Bhadla-Bikaner line in October 2019;
- 400kV single circuit Singrauli-Allahabad in October 2019;
- Purnea-Farakka portion of 400kV double circuit Rajarhat-Purnea line in November 2019;
- 2nd circuit of 400kV Edamon-Muvattupuzha line in December 2019; and
- STATCOMs at Udumalpet and Trichy in December 2019.

After the quarter ended December 2019, we have also commissioned the balance elements of POWERGRID's TBCB subsidiary - POWERGRID Southern Inter-connector Transmission Limited (PSITSL) viz. 765kV double circuit Vemagiri - Chilakaluripeta and Chilakaluripeta - Cuddapah lines and Chilakaluripeta substation. With this, we have eight TBCB companies which have become fully operational.

Capex:

During Q3 FY2020, the capital expenditure by the Company was Rs.3,953 Crore, which included Rs.977 Crore of Capex by the TBCB subsidiaries. For the nine month period, the Capex on Standalone and Consolidated basis was Rs.8,125 Crore and Rs.10,485 Crore, respectively. Capex for



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FY2020 has been estimated at Rs.15,000 Crore on a consolidated basis and we are likely to meet the Capex guidance.

Capitalization:

During the quarter ended December 31, 2019, the Company capitalized assets worth Rs.5,230 Crore (excluding FERV) of which Rs.60 Crore are attributable to TBCB subsidiaries. With this, the total capitalization for the nine month period is Rs.10,917 Crore including Rs.253 Crore attributable to TBCB subsidiaries. If we add capitalization of approximately Rs.2,770 Crore in January 2020, on account of PSITSL and other assets, capitalization in the current year till January 2020 is approximately Rs.13,700 Crore.

The Company envisages a capitalization of Rs.20,000 Crore to Rs.25,000 Crore during the financial year 2019-20 on a consolidated basis subject to completion of some elements of the Raigarh-Pugalur HVDC project. As I mentioned in the previous interactions, we were facing severe RoW issues in the past. Much of it has been resolved and the progress has picked up in the project substantially and we are making all efforts to commission the same in this financial year.

The capital work in progress as on December 31, 2019 on a consolidated basis was Rs.37,956 Crore including Rs.6,279 Crore attributable to TBCB subsidiaries.

Coming to Operational Highlights,

- POWERGRID's total transmission network including that of its subsidiaries as on December 31, 2019 comprised of 1,61,864 circuit kilometer of transmission lines, 248 substations and 3,99,897 MVA of transformation capacity.



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- With the use of state-of-the-art technologies, automation and digital infrastructure, the Company continued to maintain very high levels of availability and reliability of its transmission system.
- The average availability of the POWERGRID's transmission system upto December, 2019 was 99.81% while the tripping per line during the period was contained to 0.32 tripping per line.

Key Financial Highlights for the quarter and nine month period ended December 31, 2019.

Total Income:

- For Q3 FY2020, the Total Income increased by 7% on both Standalone as well as Consolidated basis. On the Standalone basis, the Total Income in Q3 FY2020 was Rs.9,497 Crore as against Rs.8,890 Crore in Q3 FY2019. On a Consolidated basis, the Total income increased from Rs.8,879 Crore in Q3 FY2019 to Rs.9,541 Crore in Q3 FY2020.
- For the nine month period ended December 31, 2019, the Total Income on a Standalone basis was Rs.27,908 Crore, which was 7% higher than that achieved in the corresponding period of FY2019 while on Consolidated basis, the Total Income increased from Rs.25793 Crore to Rs.28,163 Crore registering a growth of 8%.
- Company's EBITDA for the quarter was Rs.8,548 Crore and Rs.8,621 Crore on Standalone and Consolidated basis, respectively. For the nine month period, EBITDA was Rs.24,769 Crore and Rs.25,124 Crore, respectively on Standalone and Consolidated basis.
- In Q3 FY2020, the Standalone Profit after Tax was Rs.2,673 Crore versus Rs.2,332 Crore in the corresponding period of FY2019, registering a growth of 15%. On a Consolidated basis, Profit after



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Tax in Q3 FY2020 was Rs.2,672 Crore as against Rs.2,346 Crore in the Q3 FY2019, an increase of 14%.

- For the nine month period, the Profit after Tax on a Standalone basis was Rs.7,629 Crore, which is 11% higher than that achieved in the corresponding period of FY2019 and similar growth was there on a consolidated basis as well.

Other Financial Highlights:

- The Company's Gross Assets as on December 31, 2019 stood at Rs.2,18,838 Crore on a Consolidated basis and Rs.2,09,163 Crore on a Standalone basis.
- The Company's Net Worth stood at Rs.65,188 Crore on a Consolidated basis and Rs.65,042 Crore on a Standalone basis.
- Total long-term debt as on December 31, 2019 was Rs.1,44,027 Crore on a Consolidated basis and Rs.1,43,737 Crore on a Standalone basis. The Debt:Equity ratio was 69: 31 as on December 31, 2019.

Financial Highlights of TBCB Subsidiaries:

- As of December 31, 2019, seven TBCB subsidiaries were fully operational and one subsidiary-PSITSL was part operational.
- Aggregate EBITDA of TBCB subsidiaries was Rs.391 Crore, and Rs.1,159 Crore for the quarter and nine months ended December 31, 2019. For the nine month period of the current financial year, Total Income and Profit after Tax for all TBCB subsidiaries, on an aggregate basis, was Rs.1,193 Crore and Rs.242 Crore, respectively.
- POWERGRID has received a dividend of Rs.145 Crore from its operational subsidiaries for the nine month period of current year as against Rs.71 Crore in the corresponding period of the previous year.



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- A total of 11 TBCB subsidiaries are currently under implementation, of which 7 were secured in this financial year.
- Of the eleven projects being implemented under TBCB, seven are in the Inter-state and four in the Intra-state (three in UP and one in MP).

Other Financial Parameters:

- **Trade receivables:** As on December 31, 2019, the trade receivables on a Consolidated basis were Rs.5,715 Crore and Rs.5,539 Crore on a Standalone basis.
- **Book value per share:** As on December 31, 2019, the Book Value per share was Rs.124.33 on a Standalone basis and Rs.124.60 on a Consolidated basis.

Commercial:

The Company realized an amount of Rs.24,957 Crore against a billing of Rs.25,721 Crore for the nine month period ended December 31, 2019.

Other Business Segments

Telecom:

- Telecom income in Q3FY2020 was Rs.174 Crore as against Rs.176 Crore in Q3 FY2019 and for the nine month period, Telecom Income grew by about 6% to Rs.517 Crore.
- On the operations side, the cumulative backbone availability for the quarter was 99.92%.
- About 40 new customers were added during the quarter.

I will now touch upon the issue of AGR related license fee demanded by DoT. During our Analyst Meet in November 2019, we had explained as to why the additional demands by DoT were not in line with the license



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conditions and therefore, the Supreme Court order was not applicable to POWERGRID. Based on the legal advice, POWERGRID has filed an application before the Honourable Supreme Court for clarification/modification of its order dated October 24, 2019, and our next course of action will be based on the outcome of this application.

Consultancy:

- Consultancy income for the Q3 FY 2020 was Rs.143 Crore and for the nine month period was Rs.439 Crore as against Rs.155 Crore and Rs.442 Crore, respectively in the corresponding period of previous financial year.
- Seven new orders were received during the Q3 FY 2020. These include orders from Renewable Energy Generators and State Power Utilities.
- In January 2020, POWERGRID has entered into an MoU for Project Management Consultancy services for a transmission system to evacuate power from 1500 megawatts of solar projects in Madhya Pradesh.
- During the quarter, POWERGRID became the first Indian PSU to be accredited as Registered Education Provider(R.E.P.) of Project Management Institute(PMI). With this accreditation, POWERGRID aims to provide various Corporate and Government agencies with relevant project management skills for efficient execution of projects. This is expected to provide an additional opportunity for consulting in the area of Training and Project management.

International Business:

- A total of fifteen assignments were ongoing as on December 31, 2019 in Nepal, Kenya and Bhutan and other countries.



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- Company has secured five assignments during the quarter in Nepal and Bangladesh. These assignments were secured amidst stiff competition from global consulting firms.
- During the quarter, POWERGRID opened in Kathmandu (Nepal) its first international branch office. The Company has also signed a Co-operation agreement with Africa50 in November 2019 for evaluating opportunities for development of transmission infrastructure in Kenya on PPP model through a Joint Venture in which POWERGRID shall have equity stake.

Other Businesses - Energy Management, eV charging

Energy Management:

During the quarter, POWERGRID signed an MoU with NIT Warangal to provide sustainable energy solutions in areas like Space Cooling/Heating, water pumping, Waste to energy, etc. Discussions have also been held for replacement of Agricultural Pumps under an annuity model in the State of Bihar.

eV charging:

- During the quarter, fast chargers were installed at 2 more locations at Hyderabad metro stations, taking the tally of total POWERGRID fast chargers in Hyderabad to four and two more are under implementation. A charging station is also in operation at Kochi with Indian Oil and more are under implementation at Delhi, Gurgaon & Bangalore.
- Recently, POWERGRID has also been sanctioned deployment of 11 number of eV charging stations comprising 55 chargers in Shillong, Meghalaya under FAME Phase II scheme of the Government of India.



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Business Outlook:

Works in Hand:

As on January 31, 2020, the works in hand stood at about Rs.61,000 Crore comprising of ongoing and new works in the RTM (Regulatory Tariff Mechanism) framework of about Rs.48,000 Crore and TBCB works of about Rs.13,000 Crore. These include projects worth about Rs.3,384 Crore assigned to POWERGRID on regulatory tariff mechanism in the month of January 2020.

Projects in pipeline.

- For various RE potential zones, the transmission schemes of about Rs.42,900 Crore are expected to be executed. Of this, about Rs.14,700 Crore of works had already been allocated / awarded till November 2019.
- Subsequently, Rs.2,900 Crore works have been assigned to POWERGRID on RTM basis.
- Further, during the 6th NCT, transmission works of about Rs.11,000 Crore have been recommended for implementation through TBCB. Of this, bids have been floated for two projects estimated at about Rs.1,250 Crore. In addition, intra-state transmission works in Jharkhand estimated at about Rs.5,400 Crore are also under bidding.

Awards and Recognitions

During the quarter, the Company won the D&B Infra Award for 2019.

With this, I conclude the initial remarks and would be happy to receive your questions.



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Moderator: Thank you very much Sir. We will now begin question and answer session. The first question is from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: My first question is on Capex for FY2021 so basically we looked at the Union Budget documents and there it was mentioned that POWERGRID has been earmarked with a Capex of Rs.105 billion for FY2021 versus Rs.150 billion in FY2020, your comments please and how much would be standalone and how much TBCB?

K. Sreekant: Yes, Rs.10,500 Crore is the expected capex for the FY2021. This is on a consolidated basis.

Sumit Kishore: How much of this roughly do you expect to be under TBCB given that you have about Rs.13,000 Crore of TBCB projects in hand?

K. Sreekant: Out of the Rs.10,500 Crore, TBCB is about Rs.3,400 Crore and the rest will be on our standalone basis on account of regulated business.

Sumit Kishore: Sure and after your guidance of capitalization of Rs.250 billion this year, how do you see it spanning out over FY2021-2022 with the works in hand that you have and the fact that capex next year is going to fall further?

K. Sreekant: See, capitalization will arise partly from the Capex and mostly from the works, which are currently under execution, the CWIP which we have. Next year, the capitalization will be of the order of Rs.15,000 Crore.

Sumit Kishore: Got it and when you say capitalization of Rs.15,000 Crore next year that is on consolidated basis how much of that is expected to be TBCB roughly?

K. Sreekant: Next year of the Rs.15,000 Crore estimated, Rs.1,250 Crore is expected out of TBCB and the rest will be through RTM projects.



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Sumit Kishore: Sure and Sir when you said that your works in hand is Rs.61,000 Crore, could you break that up into ongoing projects, new projects and TBCB projects as you usually do, I could not get those numbers?

K. Sreekant: Ongoing projects is Rs.41,200 Crore, new projects Rs.6,800 Crore totaling to Rs.48,000 Crore under RTM; and Rs.13,000 Crore under TBCB.

Sumit Kishore: Okay. So this is explaining that breakup. Rs.41,200 Crore plus Rs.6,800Crore plus Rs.13,000 Crore?

K. Sreekant: Right.

Sumit Kishore: Finally, in the new wins that you have had since your second quarter analyst meet, could you give some color on how much has been won and how much is through RTM and how much is TBCB?

K. Sreekant: Since the second quarter analyst meet, works of about Rs.3,384 Crore including 2,900 crore of RE related works, were assigned on regulatory tariff mechanism in the month of January 2020. There was no bidding in the TBCB after second quarter.

Sumit Kishore: So basically the third quarter, Rs.2,900 Crore was entirely TBCB?

K. Sreekant: No. RTM.

Sumit Kishore: You gave 2 numbers, one was Rs.2,900 Crore.

K. Sreekant: Rs.2,900 Crore is related to Renewable Energy Zones and Rs.435Crore are other ISTS works. Roughly, around Rs.3,384 Crore works were assigned to us under RTM in January 2020.



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- Sumit Kishore:** This is all RTM. Okay. Thank you so much. I will go back in the queue.
- Moderator:** Thank you. The next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.
- Abhishek Puri:** Sir, could you elaborate on the dividend numbers that you have given for the quarter that is Rs.145 Crore?
- K. Sreekant:** Rs.145 Crore has been received as dividend, which is Rs.74 Crore more than what we received correspondingly in the last year.
- Abhishek Puri:** This is largely coming in from TBCB or what will be the TBCB number?
- K. Sreekant:** We are talking of operational subsidiaries.
- Abhishek Puri:** But operational will also have JVs also. This includes for JVs also or this is only from TBCB?
- K. Sreekant:** We are talking of operational TBCB subsidiaries.
- Abhishek Puri:** Right. That Rs.145 Crore is for the current quarter?
- K. Sreekant:** Nine months.
- Abhishek Puri:** 9 months. Got it. Secondly, with this new dividend distribution tax removal from the company side, what is the thought process there, so the entire amount that was pushed out through tax will also be included in the dividend going forward?
- K. Sreekant:** More likely. From the company point of view, you are talking of POWERGRID payment of dividend?
- Abhishek Puri:** Yes.
- K. Sreekant:** That is very likely, I think.



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Abhishek Puri: Lastly, in terms of the utilization of cash going forward and you are making close to about Rs.11,000 odd Crore profit now plus similar depreciation and capex rate is going down to about Rs.10,000 odd Crore, so you will be generating significant amount of additional cash flows. What are the debt repayment schedule that we have over the next couple of years and potential to increase dividends?

K. Sreekant: No. Debt repayment will have to be met out of depreciation. Depreciation recovery cannot be used for payment of dividend. So, we will have to balance between whatever is the Capex and increase the payout of dividend if we have no capex to meet and that has been the trend so far. Successively we have been increasing the dividend and last year we paid Rs.8.33 per share overall dividend. Definitely, we will not like to keep idle cash.

Abhishek Puri: Right and if I may ask one more on the potential pipeline that you mentioned, you have said that Rs.14,000 Crore is ordered out, and balance is Rs.28,000 - Rs. 30,000 odd Crore has to be bid out?

K. Sreekant: About Rs. 25,000 crore is to be allocated.

Abhishek Puri: What is the pipeline, when will it be bid out and if you can highlight on the other intra-State projects apart from Jharkhand that is available?

K. Sreekant: See, in intra-State, the pipeline is not as usual as we expected. In Inter-state, we are expecting about Rs.12,000 Crore of works in the next 3 - 4 months to be bid out.

Abhishek Puri: That is from TBCB or inter-State?

K. Sreekant: Inter-State TBCB.



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- Abhishek Puri:** Right Sir. I will join back in the queue. Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Could you give us some color on the dividend because this year you have paid only Rs.2.50 per share?
- K. Sreekant:** That was the final dividend of the last year.
- Bhavin Vithlani:** Because you have not declared any dividend in this quarter, so I was just wondering...
- K. Sreekant:** We will declare in the month of February and pay it in the month of March, more likely. Like we every time pay interim dividend only in the month of March. So, similar timelines you can expect a dividend payout.
- Bhavin Vithlani:** Sure and just going back to the earlier question given that your capex is declining and now the dividend distribution tax is also gone, would it be comfortable for you to pay out 60% of your profits because the depreciation takes care of debt repayment?
- K. Sreekant:** There should not be any issue.
- Bhavin Vithlani:** Fine and just a last question. We have seen some intra-state TBCB projects from states like U.P., if you can give some color on a 3-year basis, may be not 1 year, what is the total opportunity that you are seeing from the Intra-state on TBCB and are you seeing more states going the TBCB route vis-à-vis the regulatory tariff mechanism?
- K. Sreekant:** See, the States are following 3 models. Some states are doing it themselves. For example, Kerala or even Tamil Nadu, Telangana, they do it themselves. So we do not even know what is the opportunity and what



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kind of work they are doing. States like U.P., Jharkhand, they are coming out with TBCB projects. So Jharkhand, I have told that there is about Rs. 5,400 Crore, which is under bidding, but this has been under bidding for quite some time now. It is not progressing into award stage. So, state project pipeline to predict for 3 years is quite tough. What is likely to come out is very difficult to predict.

Bhavin Vithlani: Any color on the projects for connecting Leh for the solar or connecting projects for Bangladesh and Sri Lanka?

K. Sreekant: Bangladesh nothing much significant is coming up. In fact, there was an HVDC link, which was to be under consideration, but then the Bangladesh Power Department has now expressed that this is no more required. As far as Sri Lanka is concerned, discussions are in progress. Instead of crossing the sea through an undersea cable now, overhead line possibility is being explored, so that is under active consideration of the Joint Working Committee and JAC formed between the 2 governments.

Bhavin Vithlani: Nepal, Bhutan?

K. Sreekant: Nepal already one line has been approved between new Gorakhpur and new Butwal. That has been approved as a joint venture between NEA and POWERGRID by the Joint Working Committee. This is a small line, about Rs.400 Crore is the investment and then Arun III, there is already one line, which is being developed by the joint venture or the subsidiary of SJVN, which is developing this project and we are providing the project management consultancy for implementation of this project. So generation as such is not very much visible in Nepal and generation from where the power will flow into India that is still not clear. They talk of 20,000 - 25,000 MW of hydro potential and a few months back there was a discussion between our Union Power Minister and the Honourable Prime Minister of Nepal in improving this interconnectivity and promoting the Hydro potential of Nepal. So in the long run, more inter-connections



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between Nepal and India; Bhutan and India; India and Sri Lanka are expected.

Bhavin Vithlani: Thank you so much.

Moderator: Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Sir, for the seven TBCB projects which were operational and which had Rs.242 Crore PAT, what was the corresponding equity invested in all of them?

K. Sreekant: The total investment in all TBCB is about Rs.2,500 Crore. Of this, for these seven projects it will be roughly around 60%.

Atul Tiwari: Thank you.

Moderator: Next question is from the line of Apoorva Bahadur from Jefferies. Please go ahead.

Apoorva Bahadur: Sir, I wanted some update on the InvIT that we are planning and we discussed in the last analyst meet. So what has been the update there and if you have identified which assets will be moving?

K. Sreekant: The update is that we have engaged the Merchant Bankers, the Lawyers and various agencies. Application has already been made to the SEBI for registration of the trust. At this point of time, we are contemplating to shift some of the TBCB assets to the InvIT, given that there are some taxation and stamp duty issues associated with transfer of RTM assets.



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Apoorva Bahadur: Sir, will the size be significantly smaller than, I think, the Rs.10,000 Crore target that government had given?

K. Sreekant: Not necessarily. Depending on the timeline and all we are expecting to move enough assets to raise around Rs.10,000 Crore.

Apoorva Bahadur: Got it Sir. Sir, some time back, we had formed a JV with NTPC, I believe, in the power distribution space. What has been the progress over there and if you see any opportunities coming up given that most likely the Electricity Amendment Act will be passed?

K. Sreekant: No, there has not been much progress on this JV front.

Apoorva Bahadur: Got it, Sir. Lastly, if I may know, if there were any one-offs in this quarter's results?

K. Sreekant: Nothing, what we have has been disclosed. I think there have been a few order impacts, which were disclosed.

Apoorva Bahadur: Thank you so much. I will join back in the queue.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Two questions. First, what were the trade receivables greater than 45 days and have you seen it coming off in January?

K. Sreekant: No, it has been increasing. Unfortunately, it is not on a declining trend yet and above 45 days the outstanding is Rs.3,658 Crore.

Mohit Kumar: Rs.3,658 Crore will get to the 45 days?

K. Sreekant: Right.



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- Mohit Kumar:** Out of Rs.5,000 Crore that is a significant number?
- K. Sreekant:** Yes, that's right. Few states- Telangana, J&K, U.P. have significant outstandings.
- Mohit Kumar:** Do you expect this thing to come down Sir by March?
- K. Sreekant:** We are doing our collection drive. We hope to reduce it. Actually, Biswanath Chariali-Agra final order has come only recently and that has pushed up the billings as well significantly. So if you recollect, the final order due to the grant element was not issued until recently. So because of that, there has been some pile up in the outstandings also.
- Mohit Kumar:** Secondly, Sir how confident you are for the commissioning of Raigarh-Pugalur, the element of it prior to March?
- K. Sreekant:** See, the position is much better than what it was, say 6 months back. Since the first call, we have been saying that there are severe Right of Way issues, but significant progress has been made thereafter. The whole 1,765 kilometers has been divided into 10 packages. As on date, I think we are almost through with about 7 packages. Roughly around 60 kilometers of line is currently under execution. One of the challenges which we are encountering is also in the Krishna and Tungabhadra, where the water has not receded to the levels we have expected previously. So that is the thing we are looking for various ways to cross these two rivers. That is one challenge. We are fairly confident, I would say, of completing it in this financial year. Otherwise, it may slip by a month or two.
- Mohit Kumar:** Understood Sir and lastly Sir, as far as InvIT is concerned, are we exploring only public InvIT or are we also exploring private InvIT too so that these process can be hastened?
- K. Sreekant:** More likely we will be doing the public one.



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Mohit Kumar: Thank you Sir.

Moderator: Thank you. The next question is from the line of Deepak Krishnan from Goldman Sachs. Please go ahead.

Deepak Krishnan: Sir, book keeping question. If I look at the segment results line in this quarterly result and I subtract the standalone from consolidated I am actually seeing that there is a negative number in terms of segment results. Could you please explain is this because of some loss made at TBCB or if there is some other reason for that? So transmission segment results in consolidated is lower than transmission segment results in standalone by a magnitude of about Rs.56 Crore. Historically, this has been a positive number to the tune of Rs.270- Rs.280 Crore.

Purshottam Agarwal: Income elimination in consolidated segment Transmission results was made instead of consolidated Other allocated income. Therefore, consolidated Transmission segment for the quarter is lower than the standalone segment Transmission results.

Deepak Krishnan: Sure. No worries Sir. There is no other question from my side.

Moderator: Thank you. The next question is from the line of Murtuza Arsiwalla from Kotak Securities. Please go ahead.

M.T. Arsiwalla: Most of my questions have been answered. I wanted to be updated on the InvIT process, Thank you.

Moderator: Thank you. The next question is from the line of Barani Vijayakumar from Spark Capital.

B Vijayakumar: We would like to know what is the current regulated equity as on Q3?

K. Sreekant: That is not available as of now.



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B Vijayakumar: Thank you Sir.

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

Abhishek Puri: Sorry, my questions have been answered.

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

Girish Achhipalia: Just a quick question on InvIT. Now given that this development happened yesterday on Dividend Distribution Tax, rather on the weekend, how does one look at the appetite for unit holders because for corporate entities, you had this issue but now anyways for InvITs, it was exempt. So how does one weigh the appetite for investors, I understand foreign investors, or I believe, foreign investors were anyways indifferent, but domestic investors, how does the tax treatment change now?

K. Sreekant: We understand dividend will be taxed in the hands of unit holders. So to that extent, there will be some impact, but dividend distribution tax will not be there. So there will be more of payout. Only to the extent of the arbitrage between the dividend distribution tax and the tax in the hands of those individual unit holders, it may impact the appetite.

Girish Achhipalia: Basically domestic investors would have lesser appetite, right given if they had to choose between investing in the stock versus investing in an InvIT?

K. Sreekant: Why?

Girish Achhipalia: Because the DDT is generally on the corporate side, and which was anyways not the case there, so there was a reason where you had an InvIT, where the vehicle was supposed to be more tax efficient.



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K. Sreekant: That is true, but again it will all be priced. The investors will have to absorb this. May be instead of domestic, there will be more foreign investors into this.

Girish Achhipalia: Perfect Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Dhruv Muchhalla from HDFC AMC. Please go ahead.

Dhruv Muchhalla: Sir, how do you see the phasing of these WIP projects of about Rs.61,000Crore, so next year we are about Rs.15,000 Crore so do we see a bulkier FY2022 and 2023 or it will extend beyond FY2023?

K. Sreekant: No. In the next 3, 4 years, this will all be completed.

Dhruv Muchhalla: Any update on the Leh project there was a question earlier?

K. Sreekant: No, there is no update on the Leh project. It was bid out as part of the solar tender, but I think the responses have not been good on that. So there is a talk of separating it out, generation as well as transmission. Let us see. As POWERGRID, we feel this is a project which will be taken up under RTM, and we are the right people to do this project, but let us see.

Dhruv Muchhalla: In the TBCB-linked RE projects, we are seeing some slowdown in terms of the tendering. All the projects have to be completed by December 2021, 2022, but not much has come, so as you need 2 years to complete a project you had to tender the projects now, so not much has come. So, could it be that we will get more projects on RTM or I mean that is unlikely?

K. Sreekant: No, it is not likely that there will be more projects on RTM. If we see recently, of around Rs.15,000 Crore projects decided, Rs.11,000 Crore projects have gone to TBCB only.



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Dhruv Muchhalla: On an incremental basis, because there seems to be, probably for some reason, some delay there, so to quicken the execution?

K. Sreekant: No, I do not think so. In any case, it is the decision of the government and the NCT.

Dhruv Muchhalla: You did mention about financing agri pumps in your opening remarks, is this a big thing or it would be something, I mean, as a CSR thing?

K. Sreekant: We meant on annuity model, not CSR. Right now, in fact, we had discussions with U.P. and it was quite an advanced stage, but somehow due to change in the officials there, it slowed down a bit. We have been in discussions with Bihar also. So, depending on the number of pumps, initially investment may be of about Rs.200 - Rs.250 Crore.

Dhruv Muchhalla: But can this be a significant portion or that is not the plan?

K. Sreekant: No, we are looking to make it a significant portion of the new investments.

Dhruv Muchhalla: Because the government's presumed plan is huge, so what would be the model, if you can share something?

K. Sreekant: No. The payoff for the distribution utilities is the savings in the energy, which is provided either free or at a very subsidized rate to the farmers. So, out of those savings they are procuring, say, for example, at Rs.6 -7 and supplying it at Rs.1 or even giving free. So every unit saved will save their subsidy or their cost of power purchase. So out of that savings, we expect them to fund these pumps. This is the basic premise of this exercise.

Dhruv Muchhalla: You will ensure your minimum return threshold?

K. Sreekant: Right.



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Dhruv Muchhalla: Got it, Sir and Sir lastly, on the dividend now given that the Capex is declining significantly, I mean 60%, or it could be higher than 60% because you will have a decent amount of cash unless there is some increase in Capex?

K. Sreekant: No, I did not mention any number. Someone asked me whether a 60% payout is possible I said there is a possibility. I never said this is a number. I mean it has to be approved by the Board. I am only saying, again and again, that we are not against distribution. To the extent we require for our Capex, we would like to use the funds, but if there is a surplus available, we will definitely increase the payout. No issues there.

Dhruv Muchhalla: We are seeing, that mostly now it will be TBCB projects, but looking at already commissioned projects, it seems difficult how would you do Rs.10,000 Crore, so will there be a change in the norms in terms of what you can offer in InvIT or how do you plan to do it at least Rs.10,000 Crore?

K. Sreekant: See, there is a requirement of SEBI that 51% minimum equity holding should be held by the InvIT in the SPVs, but for PPP project it has been reduced to 49%. The TBCB projects, which we are having, also qualify as PPP project for the purpose of transfer to InvIT. That means we can transfer more number of projects under the InvIT.

Dhruv Muchhalla: But we thought there was clause of 3-year lock-in before you can transfer a TBCB project?

K. Sreekant: The clause says that you should hold 51% till 3 years and minimum 26% for 2 years thereafter. So, when you hold 51%, you can transfer 49%. So 49% is also permitted for PPP projects under the InvIT route.



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Moderator: The next question is from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: A quick follow up. You mentioned that trade receivables are at about Rs.3,658 Crore, what is the late payment surcharge in other income for the third quarter of FY2020 and how much higher is it on a year-on-year basis?

K. Sreekant: Late payment surcharge in Q3 was Rs.70 Crore, for the nine months it is Rs.204 Crore and last year it was Rs.167 Crore.

Sumit Kishore: For the quarter last year?

K. Sreekant: Rs.49 Crore.

Sumit Kishore: Thank you so much.

Moderator: Thank you. The next question is from the line of Apoorva Bahadur from Jefferies. Please go ahead.

Apoorva Bahadur: Just a quick bookkeeping question. You spoke about this Biswanath Chariali order pushing up their billing, so how much has been the impact? Sir, on the revenue, incremental impact?

K. Sreekant: This is not impacting revenues because we would have already booked income in the rest of the year.

Apoorva Bahadur: You are already booking?

K. Sreekant: Yes.

Apoorva Bahadur: Cash flow has improved basically?

K. Sreekant: Yes.



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Apoorva Bahadur: Secondly, post this implementation of LC mechanism is there any link for an increase in our receivables basically, the states, are they prioritizing paying off GENCOs over us?

K. Sreekant: No, I do not think so

Apoorva Bahadur: Thank you Sir.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Sir, congratulations to Shri Vinod Kumar Singh Ji to become Director(Personnel), and we wish all the best. Second thing, any specific reason to postpone the dividend to March month instead of February?

K. Sreekant: No. We basically pay in the month of March only.

Ravi Naredi: How much debt as on December 31, 2019 around Rs.1.44 Crore, right?

K. Sreekant: Debt as of December 31, 2019 was Rs.1,44,027 Crore.

Ravi Naredi: Asset is Rs.2.88 net Crore, right?

K. Sreekant: Rs.2,18,838 Crore.

Ravi Naredi: We are earning only Rs.10000 Crore net profit, so do you think it is a very less amount in compared to our size of assets?

K. Sreekant: Our returns are based on equity.

Moderator: As there are no further questions, I would now like to hand the conference over to management for closing comments.

K. Sreekant: Right. Thank you so much for all your participation and have a good day.



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Rahul Modi: Thank you so much Sir and Madam, for your time and the opportunity.
Have a great evening. Thank you so much.

Moderator: Thank you. On behalf of ICICI Securities we conclude this conference.
Thank you for joining us. You may now disconnect your lines.
