



**POWER GRID CORPORATION OF INDIA LIMITED**

**World Class, Integrated, Global Transmission Company**

**(A Government of India Enterprise)**

**“Power Grid Corporation of India Limited  
Q4 & FY2019 Earnings Conference Call”**

**May 29, 2019**

**ANALYST: MR. RAHUL MODI – ICICI SECURITIES LIMITED**

**MANAGEMENT: MR. RAVI PRAKASH SINGH - DIRECTOR (PERSONNEL)  
MR. K. SREEKANT – DIRECTOR(FINANCE)  
MRS. SEEMA GUPTA – DIRECTOR(OPERATIONS)  
MR. R.K. CHAUHAN – DIRECTOR (PROJECTS)  
MR. K S R MURTY- EXECUTIVE (DIRECTOR)**

**MODERATOR:** **LADIES AND GENTLEMEN, GOOD DAY, AND WELCOME TO POWER GRID Q4 & FY2019 EARNINGS CONFERENCE CALL HOSTED BY ICICI SECURITIES LIMITED. AS A REMINDER ALL PARTICIPANT LINES WILL BE IN THE LISTEN-ONLY MODE AND THERE WILL BE AN OPPORTUNITY FOR YOU TO ASK QUESTIONS AFTER THE PRESENTATION CONCLUDES. SHOULD YOU NEED ASSISTANCE DURING THE CONFERENCE CALL PLEASE SIGNAL 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 SIR!**

**Rahul Modi:** Thank you. On behalf of ICICI Securities, we welcome you all to the POWERGRID Q4 & FY 2019 Results Conference Call. We have with us the Senior management of the company comprising Mr. Ravi P. Singh, Director(Personnel); Mr. K. Sreekant, Director(Finance); Mrs. Seema Gupta, Director(Operations); and Mr. R.K. Chauhan, Director(Projects)and along with the Finance and the other team.

I would like to hand over the call to the management for the opening remarks and then move on to the Q&A. Thank you so much.

**Ravi P. Singh:** Thank you very much. I am Ravi Prakash Singh, Director (Personnel). I welcome you all to POWERGRID's FY2019 analyst call. I am accompanied by my team, Mr. K. Sreekant, Director(Finance); Mrs. Seema Gupta, Director(Operations); Mr. R.K. Chauhan, Director(Projects); Mr. K S R Murty, Executive Director(Finance) and other senior officials.

Today, the Company has announced the Audited Annual Financial Results for financial year 2019 along with the Unaudited Financial Results for Q4 of financial year 2019. The financial results for the financial year and quarter have already been disclosed on both the Stock Exchanges.

Let me begin with POWERGRID performance highlights for financial year 2019 and Q4 financial year 2019.

Project Execution Highlights:

During FY2019, POWERGRID on a standalone basis added 4,925 circuit kilometers of transmission lines, 8 substations and 34,119 MVA transformation capacity to POWERGRID Transmission Network.

With these additions, POWERGRID 's total transmission network as on March 31, 2019, comprised 1,53,074 circuit kilometer of transmission lines, 242 substations and 3,65,282 MVA of transformation capacity on a standalone basis.

This year, TBCB companies also made a significant contribution to the Company's network. These companies added 3,531 circuit kilometer, 2 substations and 6000 MVA transformation capacity during the year. As at the end of FY2019, the total transmission assets of POWERGRID and its subsidiaries stood at 1,58,297 circuit kilometers of transmission lines, 245 substations and 3,71,912 MVA of transformation capacity.

Inter-Regional capacity addition during the year by POWERGRID was 8,400 MW, thereby enhancing the cumulative Inter-Regional capacity of the country to 99,050 MW.

Major transmission lines commissioned during the year include:

- 765kV double circuit Jharsuguda-Dharamjaygarh (Inter-Regional);
- 765kV double circuit Banaskantha-Chittorgarh (Inter-Regional),
- Dharmapuri Tumkur;
- Dharmapuri Somanahalli;
- 765kV double circuit Angul-Jharsuguda;
- 765kV double circuit Aligarh-Orai;
- 765kV double circuit Bhuj-Banaskantha;
- 400kV double circuit Tumkur(Pavagada)-Hiriyur;
- 400kV double circuit Farakka-Beheampur;
- 400kV double circuit Silchar-Melriat (charged at 132kV).

This year also witnessed commissioning of long pending 765kV single circuit Salem-Madhugiri line, which had been facing severe RoW issues for several years and was being implemented by POWERGRID's subsidiary, POWERGRID NM Transmission Limited.

Capex:

In financial year 2019, POWERGRID's Capex on a standalone basis was Rs.21,799 Crore while on consolidated basis, it stood at Rs.25,807 Crore.

In Q4 FY2019, the Capex was Rs.6,393 Crore and Rs.7,565 Crore on standalone and consolidated basis, respectively.

Consolidated Capex for FY2020 is envisaged at Rs.15,000 Crore.

Capitalization:

On a standalone basis, POWERGRID capitalized assets worth Rs.19,236 Crore (excluding FERV of Rs. 1,456 crore) during the financial year 2019 while in Q4 FY2019, the capitalization was Rs.6,492 Crore (excluding FERV of Rs. 217 crore).

During the year, assets worth Rs. 6,633 crore were also capitalized by TBCB subsidiaries of the Company, including Rs.2,730 Crore capitalization in Q4 FY2019.

With this, total capitalization on consolidated basis was Rs.25,869 Crore (excluding FERV) for FY2019 and Rs.9,223 Crore for the quarter ended March 2019.

Capital work-in-progress:

As on 31/3/2019, the total Capital work-in-progress was Rs.38,827 Crore, including Rs.4,192 Crore CWIP attributable to TBCB subsidiaries.

Operations:

With the use of state-of-the-art technology, automation and digitisation, the Company continued to maintain very high levels of availability of its transmission systems. The average availability of transmission system and reliability during the year 2018-19 were 99.71% and 0.46 tripping per line, respectively.

As at the end of FY2019, a total of 210 substations were connected with NTAMC for remote operation.

Key financial highlights:

I will first share the numbers on Standalone basis.

- In FY2019, the total income increased to Rs.35,618 Crore from Rs.30,767 Crore in FY2018 i.e. an increase of 16%. For Q4 FY2019, the total income was Rs.9,610 Crore, which was 19% higher than that achieved in Q4 FY2018.
- In FY2019, POWERGRID posted a Profit after Tax of Rs.9,938 Crore versus Rs.8,245 Crore in FY2018, registering a growth of 21%. For Q4 FY2019, the PAT was Rs.3,054 Crore i.e. 52% higher than Rs.2,011 Crore of Q4 FY2018.
- POWERGRID Board has recommended a Final Dividend of Rs.2.50 per share for FY2018-19, which is subject to the approval of shareholders in the Annual General Meeting scheduled later during the year. This is in addition to the Interim Dividend for FY2019 @ Rs.5.83 per share, which has already been paid to shareholders in March, 2019. Accordingly, the total Dividend for the year 2018-2019 works out to Rs.8.33 per share as against Rs.5.25 per share for 2017-18.

- As on March 31, 2019, the Gross Assets of the Company has increased to Rs.1,97,793 Crore from Rs.1,77,100 Crore as at the end of FY2018 and the Debt: Equity stood at 71:29. Total Long Term Debt, including current maturities of long term debts as on March 31, 2019 was Rs.1,41,786 Crore.

On a Consolidated basis, the Company posted Total Income and Profit after Tax of Rs.35,661 Crore and Rs.10,033 Crore, respectively, for FY2019. On a consolidated basis, the Gross Assets were Rs.2,07,215 Crore.

We would like to share three significant accounting highlights:

- a. Provision towards doubtful debts against trade receivable / unbilled revenue amounting to Rs.390 Crore was provided in the current year due to uncertainty in collection. The DICs, mostly stalled generators, relinquished their LTA (Long Term Access) and few are engaged in dispute and cases are sub-judice in CERC / APTEL. All efforts are being made to liquidate the dues by taking various measures under CERC Regulations in various fora viz. CERC / APTEL where the cases are sub-judice. However, as a prudent and conservative practice, provision has been made in the accounts.

In respect of trade receivables pertaining to Telecom and Consultancy segments, an amount of Rs.6 Crore was provided towards bad and doubtful debts.

- b. Matter regarding presentation of 'Deferred Assets against Deferred Tax Liability' in Balance Sheet and Statement of Profit and Loss were referred to Expert Advisory Committee of the Institute of Chartered Accountants of India. As per opinion received during the year, 'Deferred Assets against Deferred Tax Liability', which was hitherto netted with Deferred Tax Liability, is classified as

‘Regulatory Deferral Account Balance’ in Balance Sheet and Statement of Profit and Loss account.

- c. During the year, the Company has recognized MAT credit available to the Company in future amounting to Rs.5,936 Crore as the same is likely to give future economic benefit in the form of availability of set-off against future Income Tax Liability. Out of the above, an amount of Rs.5,936 crore has been recognized as payable to beneficiaries through regulatory deferral account balances.

TBCB Highlights:

- During the year, POWERGRID’s TBCB subsidiaries viz. POWERGRID Parli Transmission Limited, POWERGRID Warora Transmission Limited, POWERGRID Jabalpur Transmission Limited and POWERGRID NM Transmission Limited became fully operational. Cumulatively, now seven POWERGRID’s TBCB subsidiaries are fully under commercial operation.
- In addition, five out of eight elements of POWERGRID Southern Inerconnector Transmission System Limited were also commissioned during the year.
- As you are already aware, during the year, POWERGRID in December, 2018 secured its first Intra-state TBCB project- POWERGRID Jawaharpur Firozabad Transmission Limited, which is in the state of Uttar Pradesh.
- The TBCB Companies’ contribution to the Revenue crossed Rs.1,000 Crore this year, registering Rs.1,056 Crore compared to Rs.362 Crore in FY2017-18.
- Total Profit after Tax of TBCB companies was Rs.193 Crore for FY2019 as compared to Rs.40 Crore in FY2018.
- POWERGRID, in FY2019, received a total dividend of Rs.87 Crore from its subsidiaries as compared to Rs.23 Crore received in the previous year.

**Other Business Segments:**

**Telecom:**

- Telecom Income was Rs.663 Crore in FY2019 as against Rs.607 Crore in FY2018, showing an increase of 9%.
- During the year, the Company's Telecom Network increased to more than 60,000 kilometer from 47,735 kilometer at the end of FY2018. This is expected to bring better reliability to POWERGRID's already robust network while also increasing Company's reach. The business added more than 120 customers and provisioned more than 1100 links during the year.
- On the operations side, the cumulative backbone availability for the year was around 99.98%.
- The company is actively pursuing other opportunities in Telecom like Telecom Tower Business. Yesterday, Hon'ble CERC has issued the much awaited order in regard to Telecom Tower Business and we look forward to commence this business shortly.

**Consultancy:**

- Consultancy Income in FY2019 was Rs. 611 Crore in FY2019, as against Rs.662 Crore in FY2018, showing a decrease of 8%.
- During the year, the company secured 47 orders. As at the end of FY2019, more than 80 projects were under implementation.

**International Business:**

- The company secured 10 new assignments during the year in this segment. A total of 15 projects were ongoing as on March 31, 2019, spread across Nepal, Bhutan, Bangladesh and Fiji.
- EOIs were submitted in a range of countries including Cambodia, Madagascar, Oman, Kenya to name a few.



- This year, POWERGRID successfully completed the consultancy assignment of prestigious ‘CASA-1000 Project’ of IFC, which has been planned for export of surplus hydro electricity from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan.

Fund Mobilisation:

- During FY2018-19, POWERGRID signed new term loan with SBI for about Rs.10,000 Crore.
- New agreements for foreign currency loans were also signed during the year namely Euro 200 million loan facility with KfW, Germany and syndicated term loan facility led by SMBC of JPY 22 billion.
- The Company also issued Bonds for Rs.2000 Crore in FY2019.
- As authorized by the Government of India, the Company also issued ‘GOI Fully Serviced Bonds’ for Rs.3487.50 Crore for Schemes funded by PSDF.
- Average cost of borrowing for FY2019 was 7.22% as compared to 7.07% in FY2018.

Commercial:

- The Company realized the total amount of Rs.29,572 Crore against a billing of Rs.31,169 Crore.
- Outstanding debtors in number of the Days Sales increased to 44 days compared to 42 days in the previous financial year.
- Outstanding more than 60 days was Rs.1,646 Crore, which works out to about 20 days of average monthly billing.
- TPAs have been signed with 29 states / Union Territories as on date.

Major projects envisaged in FY20:

The major projects under implementation include-

- Raigarh-Pugalur schemes,

- WR-NR Transmission Corridor (Champa-Kurukshetra HVDC)
- TBCB Projects- Mithilanchal, Medinipur Jeerat, Varanasi, PSITSL, Jawaharpur Firozabad.
- GEC-D

Among a number of projects, we are targeting commissioning of  $\pm 800$ kV Raigarh-Pugalur HVDC Bipole link in FY2020. Including it, we may see capitalization in the range of Rs.20000 Crore to Rs.25000 crore. However, such projects are lumpy in nature and therefore, the capitalization would depend on the way the project progresses. Severe RoW issues are being faced in Tamil Nadu for Raigarh-Pugalur project, which might affect the current estimates for project completion. Efforts are being made to resolve the RoW issues in close coordination with the administration.

Other projects/elements targeted for completion in FY2020 include Champa-Kurukshetra HVDC, Green Energy Corridor-D, those associated with Solar Parks, Behrampur-Bheramara, Singrauli-Allahabad, Amargarh-Waghoora, Nabinagar-Patna, 400kV D/C Jigmeling-Alipurduar (Indian Portion), 400kV D/C Rajarhat-Purnea, STATCOMs in Southern Region, etc.

#### New CERC Regulations (2019-24)

In March 2019, new CERC Regulations for the period 2019-2024 were issued by the Regulator. The Regulations are generally in line with 2014-2019 Regulations. No significant impact is envisaged on the financials due to the new Regulations.

#### **I will now update you on our JVs.**

During the FY2019, a total dividend income of Rs.63 Crore (as against Rs.71 crore in FY2018) has been accounted from our various Joint Venture Companies and other investments. The JV Company-Bihar Grid is

implementing Intra-state works in Bihar. Part I of the project is estimated at Rs. 2000 Crore, of which 80% works have been completed. The balance elements are expected to be completed during FY2020. The JV has also undertaken Part II of the project which is valued around Rs.1,700 Crore.

### **Sector Outlook:**

Inter-state: During our last analyst call, we updated you about the upcoming works of about Rs.43,325 Crore in Inter-state transmission, required for addition of 29 GW by December 2020; and 37.5 GW by December 2021 to achieve the overall target of 175 GW RE capacity by 2022. Of this, RE capacity to the tune of 12.5 GW were prioritized, which required transmission works of about Rs.16,950 Crore. Out of this, Rs.11,435 Crore of works were also allocated to either POWERGRID or TBCB. The total bidding by BPCs including these projects, are at the RfP stage and the price bids are expected to be submitted shortly.

As on date, in Inter-state, a total of 10 projects estimated at Rs.9,328 Crore are up for bidding.

Intra-state: In Intra-state also, 8 projects estimated at Rs.9,730 Crore are also under different stages of bidding. These projects are in the states of Jharkhand, MP, UP and Maharashtra.

Therefore, you see that 18 projects estimated at about Rs.19,000 Crore are about to be finalized in immediate or near future.

### **Other Emerging Opportunity**

Update on eV charging station at Hyderabad: During the year, POWERGRID has set up its first public eV fast-charging station in Hyderabad at Miyapur Metro station on pilot basis. Based on the experience, the Company is also exploring other locations / cities.

Update on JVs with States- For JV with Assam, the discussions are underway.

Awards / Recognitions:

We received a number of awards and recognitions during the year, the details of which were shared with you in the past. We have won some more accolades in the recent past, like

- Star PSU Award at Business Standard Annual Awards;
- ‘Strategic Performance and Consistent Growth’ Award at the 6th PSU Awards by Governance Now.

**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 Abhishek Puri from Axis Capital. Please go ahead.

**Abhishek Puri:** Congratulations for good set of results. Could you help us with the adjusted profit numbers since there are too many adjustments in the current quarter? What I could read from the Notes to Accounts is the previous years’ income of Rs.285 Crore- is that for the current quarter or the previous full year number?

**K. Sreekant:** There are not many adjustments as such, what we have given in the notes about the previous years’ is the full year number.

**Abhishek Puri:** So out of this Rs.285 Crore is for the full year. What will be the amount for the fourth quarter?

**K. Sreekant:** Okay. For 4<sup>th</sup> quarter, it is Rs. 215 crore.

**Abhishek Puri:** Okay. And in terms of the business in hand, I probably missed out that number, so what are the projects in hand right now?

**K. Sreekant:** It is about Rs.61,000 Crore.

**Abhishek Puri:** And lastly, the Rs.15,000 Crore Capex number for the financial year 2020, is that in line with your overall plan until 2022 and do you see more opportunities on the regulated project side as well, apart from the TBCB that you mentioned?

**K. Sreekant:** No. This does not factor in any of the new projects which are expected to come in the future. This is only based on the projects in hand. This is the expenditure to be made in the year 2019-20 for the projects which are under execution. So whatever projects we will bring in the TBCB route, whatever advances have to be paid and all, those are not factored at this moment.

**Abhishek Puri:** And the regulated opportunity?

**K. Sreekant:** Regulated opportunity is very difficult to define at this point of time because by rule, most of the new schemes go under the TBCB route.

**Abhishek Puri:** That Green Energy Corridors report that you put up on your website, is that regulated or would that be TBCB?

**K. Sreekant:** The whole thing will be part of the TBCB as well as there is a small component in that which is under regulated route. About Rs. 2,900 crore works of transmission scheme for Solar Energy zones in Rajasthan is regulated.

**Abhishek Puri:** Thank you so much Sir.

**Moderator:** Thank you. Next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

- Bhavin Vithlani:** Congratulations for a good set of numbers. I just wanted to check, Rs.3000 Crore profit reported for the quarter is like a clean and recurring number?
- K. Sreekant:** No, I did not say it is a clean and recurring number. I think the fourth quarter particularly, are not a good guidance because it includes all the cumulative annual accounting adjustments, the provisions made, everything. So I think it is not a good guidance.
- Bhavin Vithlani:** Could you help us with what would be the recurring profit number out of this?
- K. Sreekant:** No. I immediately cannot help you on that number. I will give you that separately or little while after.
- Bhavin Vithlani:** Sure, sure. Secondly, you were anticipating certain tariff orders regarding the NER-Agra project. So any update on that will be helpful.
- K. Sreekant:** See, in February,2019, we got this bond issuance, and we received the grant amount of Rs.2,889Crore. So upto February 2015, full tariff will be available to the Company and thereafter, this grant will be adjusted against Project cost and the tariff will be determined. So, the CERC was waiting for this grant issue to be resolved before giving the final tariff order. Now that we have received the grant, we have reached to the CERC for the fixation of tariff.
- Bhavin Vithlani:** Was there any under recovery because the debt was financed by the company and company was bearing the interest cost?
- K. Sreekant:** No, there is no such thing because whatever petition we have filed for the project cost that was approved as the project cost.
- Bhavin Vithlani:** You received the Rs.2800 Crore grant which came in February. Until such time, the company would have financed this amount from...?

**K. Sreekant:** It was only provisional billing by the Company. All the provisional billing will be trued-up when the final tariff order comes. There would not be any impact on the P&L account because we have been recognizing revenue as per the CERC Tariff Regulations.

**Bhavin Vithlani:** Okay. Last question is the tariff regulations, which have now come. In your view, what are the pluses and the minuses for PGCIL and how do you see the net impact of that regulations going forward?

**K. Sreekant:** In 2019-24 Regulations, the biggest plus is that they have retained the 15.5% rate of Return on Equity even for 2019-24 tariff block because there was a lot of discussion around reducing it in general or specifically for the transmission sector. Second, in terms of availability for AC systems, it has been retained, but for HVDC systems, they have made it more rationalized. They have made it cumulative for all the systems. In the first year, it has been brought down to 85% for the new HVDC System. So that is a positive. The way O&M charge recovery is made for different voltage lines has been changed. So it is better in terms of our recoveries. One negative is that post the useful life of the asset, the equity component will be reduced to 30%. There are few projects where we have equity component of 50%, which will get impacted. But over the 5 years, the impact is not very significant. So all in all, the Regulations are fairly stable and do not have a significant impact on the bottom line of the Company.

**Bhavin Vithlani:** Would that be marginally positive?

**K. Sreekant:** I will say neutral.

**Moderator:** Thank you. The next question is from the line of Sumit Kishore from JPMorgan. Please go ahead.

**Sumit Kishore:** In your Capex guidance for Rs.15,000 Crore for FY2020, what is broadly the mix of spending you expect to do for TBCB and at the stand-alone level?

- K. Sreekant:** I will just give you the number.
- Sumit Kishore:** And could you also help us with the FY2020 capitalization guidance in the ball park and what would it be between stand-alone and TBCB?
- K. Sreekant:** FY2020 capitalization guidance we gave Rs.20,000 Crore to Rs.25,000 Crore. Most of it will be in the standalone because the next project which we expect to commission in the TBCB route is the Medinipur-Jeerat, which I think has June 20 as the scheduled date. So most of it should be on our own balance sheet but the biggest impact will be the commissioning of Raigarh-Pugalur system where, while the terminal works are progressing well, there are some RoW issues we are facing in the Tamil Nadu sector. So those are being addressed but the guidance for the next year is Rs.20,000 Crore to Rs.25,000 Crore and as far as the Capex is concerned, it will be about Rs.2,000 Crore in the TBCB projects.
- Sumit Kishore:** Okay. And what is the pipeline of TBCB projects that are due to be awarded in FY2020 across Inter-state and Intra-state?
- K. Sreekant:** Those numbers were read out in the initial remarks. I will again tell you. The pipeline of projects is about Rs.9,300 Crore in the Inter-state and Rs.9,700 crore in the Intra-state. In all, about Rs.19,000 Crore worth projects are in various stages of bidding.
- Sumit Kishore:** Okay. And finally, sir, have you approached CERC for relief on wage hike impact towards January 17 to March 19? And what sort of relief is expected on a retrospective basis?
- K. Sreekant:** No, we haven't yet approached. Recently, we had the wage revision for the workmen also implemented, so now we are preparing the petition.
- Sumit Kishore:** Thank you. I will get back in the queue. Thanks.
- Moderator:** Thank you. The next question is from the line of Apoorva Bahadur from Jefferies. Please go ahead.



**Apoorva Bahadur:** Thank you, for taking my question. Sir, wanted to know on this provisioning for Rs.390 crore on the unbilled revenue that we did for relinquishment of some LTAs. So is this a onetime thing? Or will it be recurring and what exactly was the issue?

**K. Sreekant:** This is a one-time item. Basically, the generators on whom we billed, they did not complete their projects, and we are seeing some difficulty in recovery. They have somehow gone to NCLT and so on. So it is against such recoveries, we have made a provision. Of course, we are making efforts through forums such as CERC, APTEL. Some are being contested. So as a prudent measure, we made this provision.

**Apoorva Bahadur:** So right now for those lines, you are not receiving any tariffs?

**K. Sreekant:** No. These are for certain periods when billing was done on a bilateral basis on certain generators or in cases where the generator hasn't yet come. So for those amounts, we have reviewed and on a case to case basis, we have made this provision.

**Apoorva Bahadur:** Okay. So this is all we should not expect anything similar in the future?

**K. Sreekant:** Well, in future if some other generator goes bankrupt, we cannot prevent that or we cannot say, but yes as a routine, it should not be done.

**Apoorva Bahadur:** Okay, got it. Sir, one more query. In your segmented results, the value transmission revenue has shown very healthy growth in the profit before interest and tax that shows a loss. So could you help me with the maths over there?

**K. Sreekant:** Which one the year-on-year or quarterly?

**Apoorva Bahadur:** Sir, the absolute number for transmission segmental result in quarterly?

**K. Sreekant:** Quarterly, as I mentioned, because of the MAT adjustment and the Deferred Tax adjustment is the reason for this. When we give the

segmental results, the tax impact is not included. We have a huge reduction in the Deferred Tax Liability. In fact, it is negative. That is not factored here. Whereas whatever is being passed on to the consumers as the regulatory deferral balance, that is factored here. That is why there is a negative in the quarterly results.

**Apoorva Bahadur:** Sir, lastly, if you could also repeat the capitalization number for the year and quarter. Just need those numbers.

**K. Sreekant:** For the year, capitalization has been - Stand-alone Rs.19,236 Crore and quarter Rs.6,492 Crore and for TBCB, it is Rs.6,633 Crore for the year and Rs.2,730 Crore for the quarter.

**Apoorva Bahadur:** Perfect Sir. Thank you.

**Moderator:** Thank you very much. The next question is from the line of Sunil Gulati from HSBC. Please go ahead.

**Sunil Gulati:** Will it be possible to get more color on where you are in terms of JV with some of the other states?

**Ravi P. Singh:** We are trying with Assam and Himachal Pradesh.

**Sunil Gulati:** And what is likely to be the size of these JVs?

**Ravi P. Singh:** No idea presently. It is still preliminary, we are discussing with them.

**Sunil Gulati:** Okay. Secondly, on this Rs.390 Crore write-off, have you written off the investment there? Or have you written off only that particular period of transmission income?

**K. Sreekant:** It is only a provision right now. It is not yet written off. We are still pursuing at various fora to recover. As an abundant caution, first we made the provision. No assets have been written off, no assets have been

impaired. It is the revenue for a particular period, which we have provisioned for.

**Sunil Gulati:** Okay. And are you getting the revenue from the same asset now? Or is that still under contest?

**K. Sreekant:** It is a mix of assets. In some assets we are getting the revenue because it pertains to a certain period when we were required to do bilateral billing. And thereafter, the billing is under the POC, so there is nothing more. In one particular asset, this is a continuing thing until we are able to find an alternate use for that.

**Sunil Gulati:** Okay. And what would be the quantum of that on an annual or quarterly basis?

**K. Sreekant:** On an annual basis, it is about Rs.100 Crore and in the next 2 years, we expect a resolution as the asset is likely to be utilized for the forthcoming renewable projects.

**Sunil Gulati:** Lastly, a bit more on the conceptual side. While you are doing some projects on the Green Corridor, how does the payment mechanism work for the projects, which may not have come up or commissioned but your transmission line would be ready? How does the payment start for those projects?

**K. Sreekant:** As per the Regulations, when we are ready, we have to go to the CERC and ask for the tariff. So whomsoever party is in default, will have to pay for that.

**Sunil Gulati:** Okay. And is there a security mechanism behind that? Or could that also result in these issues?

**K. Sreekant:** We have Rs.5 lakh per MW security.

**Sunil Gulati:** Thank you. That is all from my side. Thank you so much.

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

**Mohit Kumar:** Good evening Sir. Sir, out of 46 billion of receivables, how much is of more than 60 days at this point of time?

**K. Sreekant:** Rs.1,646 Crore.

**Mohit Kumar:** And is this from which state?

**K. Sreekant:** Not one state. It is a mix of many states, Telangana, Jammu & Kashmir, UP and some of the generators on whom we are billing.

**Mohit Kumar:** Is it possible to share the TBCB revenue and profit number for FY2019?

**K. Sreekant:** The revenue is about Rs. 1,056 Crore and the PAT is Rs.193 Crore.

**Mohit Kumar:** Okay. So last question, sir, I think Raigarh-Pugalur the entire cost around Rs.33,000 Crore, am I right? And how much are planning to as per your plan right now, how much you plan to capitalize in FY2020 and FY2021?

**K. Sreekant:** What number you are saying about?

**Mohit Kumar:** I thought total cost of Raigarh Pugalur is around Rs.33000 Crore, am I right?

**K. Sreekant:** No, not Rs.33,000 Crore, it is about Rs.21,000 Crore.

**Mohit Kumar:** So Sir, how much you plan out of this for capitalizing in FY2020 and FY2021?

**K. Sreekant:** I think the main system will be done. The Raigarh - Pugalur system has 3 components- the main  $\pm$  800kV HVDC from Raigarh to Pugalur; then there is Pugalur to Thrissur VSC system  $\pm$  320kV and there is also an AC system for catering to downstream Tamil Nadu. I think the main system is what we are targeting in this financial year.

- Mohit Kumar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Anuj Upadhyay from Emkay Global. Please go ahead.
- Anuj Upadhyay:** Thanks for the opportunity. Sir, just to confirm a few numbers. You mentioned the work in hand is about Rs. 61,000 Crore and of this, CWIP is around Rs.38,827 Crore. Right, Sir?
- K. Sreekant:** Okay.
- Anuj Upadhyay:** What would be under TBCB for these total ongoing projects?
- K. Sreekant:** The CWIP of TBCB is Rs.4,192 Crore. TBCB projects in hand are about Rs.9,000 Crore.
- Anuj Upadhyay:** Okay. And any new projects, Sir, which we won during Q4?
- K. Sreekant:** No. In Q4, we have not won any project.
- Anuj Upadhyay:** Sir, have your expenses gone up during the quarter? Is this mainly because of the recording impact of the bad debt provision?
- K. Sreekant:** Yes, provision.
- Anuj Upadhyay:** At Rs.390 Crore.
- K. Sreekant:** Yes.
- Anuj Upadhyay:** That is all. Thank you.
- Moderator:** Thank you. The next question is from the line of Deepak Krishnan from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Thanks for taking my question. Sir, this is Pulkit from Goldman. My first question is we spoke about Rs.61,000 Crore projects what we have in hand

and another Rs.19,000 Crore that is the prospect base for FY2020. Could you give any insight beyond that what is the kind of annual prospect base that we can work with?

**K. Sreekant:** No. I think at this point, it is difficult. But see, from the Green Energy projects, which are going to come, this Rs.19,000 Crore is for the first Phase. I mean it includes the Intra-state works of Rs.9,700 Crore. But excluding that, for the green energy, it is about Rs.9,300 Crore but this is all for the Phase 1. The Phase 2- the December 2021 projects, which are likely to come up, for those the schemes are yet to be put through public comment and they are yet to be formulated. So that is one thing, which will be immediately forthcoming after this lot is done. Okay. So if you say 2019-2020 or 2020-2021, that is what we are more likely to get for implementation. Beyond that, the general investment requirement of the sector is the guidance.

**Pulkit Patni:** Understood, Sir. Sir, my second question is your capitalization guidance, which you have given. Assuming the Pugalur project does not proceed because of this problem, then where could that number end up being?

**K. Sreekant:** No, excluding the Pugalur it will be a significant drop. Immediately, I cannot tell you the number but yes, it will be a very significant drop.

**Pulkit Patni:** Sure. That is it from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.

**Rahul Modi:** Sir, just one follow-up question on the Rs.390 Crore, just to understand the concept better. Now in the case under the PoC mechanism, if a project does not come up or if it is changing hands or the LTOA quantum has to be changed, how do we exactly think about the entire scenario in terms of our recovery?

**K. Sreekant:** See, the Regulations are clear on this that whoever is the defaulting party he will be asked to pay for it. But suppose somebody relinquishes or you cancel the LTA because if somebody does not open the payment security and all and then from that date onwards it gets allocated to the other participants in the POC. But from the date you commission the project and take action for such cancellation or whatever there is a small period during which you have to bill to that party. So that is where the issue crops up.

**Rahul Modi:** Okay. So obviously, if there are some unforeseen situations then it is okay. But otherwise, you would not believe that something like this would crop up in a big way for us in term of...

**K. Sreekant:** No.

**Rahul Modi:** Okay. So whatever we have commissioned and even if the line a particular generator is not using, they will either have to pay the relinquishment charge or it will be charged to the others under the POC?

**K. Sreekant:** Yes.

**Rahul Modi:** Okay. So typically no loss to us?

**K. Sreekant:** No loss.

**Rahul Modi:** Thank you Sir.

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

**Girish Achhipalia:** Thanks for the opportunity. Just a couple of questions. Firstly, on dividends, clearly, you have surprised positively over there. How should one think about dividends in context where possibly Capex will be slightly lower and assuming that it is in line with your guidance and you will have stronger free cash flows, so how does one think about the dividends for the next year?

- K. Sreekant:** We would not like to keep idle cash.
- Girish Achhipalia:** Understood, Sir. And secondly, on equity invested on TBCB projects, if you can share as of FY2019 close what is the equity and what do you plan to invest in next 1 to 2 years?
- K. Sreekant:** The equity invested in the TBCB projects is about Rs.1,800 Crore.
- Girish Achhipalia:** Okay. And how much do you plan to invest in next couple of years based on your commissioning schedule?
- K. Sreekant:** How does it matter? Because in TBCB project it is not a function of the equity invested, right? So based on the capital expenditure whether we need to put equity or debt, we keep the flexibility with us.
- Moderator:** Thank you. Next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.
- Abhishek Puri:** Continuing on the previous question on TBCB, what has been the total capitalized asset base on that and CWIP you mentioned is Rs.4,192 Crore.
- K. Sreekant:** Yes. I will just give you that number. So the total assets of the TBCB are about Rs.9,400 Crore.
- Abhishek Puri:** And Rs.9,400 Crore plus Rs.4,192 Crore is CWIP. Is that correct that Rs. 9,000 Crore are new projects, which have to be further done? That the works in hand that you mentioned Rs.9,000 Crore.
- K. Sreekant:** No. I am giving you the historical numbers.
- Abhishek Puri:** Okay. Sir, Rs.9,400 Crore is already capitalized. Rs.4,192 Crore is capital work in progress for TBCB. And you said work in hand is about Rs.9,000 Crore for TBCB. So the book has increased quite a bit from what it was there last year?
- K. Sreekant:** Yes and one more project we won. Jawaharpur we have won.



- Abhishek Puri:** Jawaharpur, is small one right?
- K. Sreekant:** Yes, it is small one.
- Abhishek Puri:** Sir, is the Rs. 9,000 Crore work in hand including TBCB, including the work in progress?
- K. Sreekant:** Yes, Rs.9,000 crore is work in hand of TBCB.
- Abhishek Puri:** Is that including the work in progress?
- K. Sreekant:** Yes, it includes. It's Rs.9,400 crore capitalised TBCB plus Rs.9,000 crore work in hand of TBCB totaling Rs.18,400 crore.
- Abhishek Puri:** Correct, Sir. Then it works well. And secondly, in terms of your revenue numbers, so when I am looking at segmental revenue and transmission from last quarter to this quarter, it has increased by almost Rs.712 Crore. I mean, if I apply the rule of thumb in terms of the revenue addition, then this would have been implied almost Rs.17000 Crore to Rs.18000 Crore commissioning in the fourth quarter that would have lead to this kind of a revenue jump, but our capitalization number is much lower.
- K. Sreekant:** Yes, there will be some amount of order impact accounted in this quarter also.
- Abhishek Puri:** What will be that sir, if you could just? On the capitalization basis, your revenue should have increased by Rs.250 Crore to Rs.260 Crore roughly. I am just trying to understand this is there any one-off number, adjustments.
- K. Sreekant:** Whereas you are seeing, roughly about Rs.300 Crore in this would be one-off impact.
- Abhishek Puri:** And that is related to, Sir?
- K. Sreekant:** That is related to past period orders.

**Abhishek Puri:** Okay. And the one mentioned in the notes to account is different Rs.285 Crore that is mentioned is different.

**K. Sreekant:** Yes, that is right. That is the number.

**Abhishek Puri:** Still, there will be a small gap of almost about Rs. 200-odd Crore more. So are there any other prior period adjustments or anything that has been done in the current quarter? Or is the incentive income too high in the current quarter?

**K. Sreekant:** No. I think it is likely that there could be some small prior period adjustments.

**Abhishek Puri:** Can you spell out the amount if it is possible?

**K. Sreekant:** I do not have the number right now.

**Abhishek Puri:** I will take it offline. Thank you so much and all the best.

**Moderator:** Thank you. We have a follow up question from the line of Apoorva Bahadur from Jefferies. Please go ahead.

**Apoorva Bahadur:** Thank you for taking my question again. I wanted to understand on this probably scenario beyond the next 2- 3 years and when we move to maintenance Capex in the Sector. So what sort of Capex could we expect then or do you foresee?

**K. Sreekant:** Beyond 2- 3 years. See, it will be a function of the growth of the sector, 5.6% growth is what Niti Aayog has projected till 2040. And then beyond 2022, another 100 GW of renewable capacity is expected to be added plus conventional around 40-50 GW. So, the transmission investments for all that will be significant. To put a number there will be very speculative at this point of time. So we have been consistently giving out numbers, which are for near future based on whatever projects we are having in hand as

well as those which have been put out for bidding, but beyond that to put a number will be difficult.

**Apoorva Bahadur:** Okay. And Sir, at the Intra-state level, we have seen, I mean, of late that these financial positions has once again started getting a bit difficult for many of the Discoms. So are there any discussions on some sort of a payment security mechanism over there?

**K. Sreekant:** For which one?

**Apoorva Bahadur:** For the Intra-state projects.

**K. Sreekant:** No. There are no separate discussions but then we have to choose those projects in the states, which are having good payment or factor that in the bid price.

**Apoorva Bahadur:** Thank you.

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

**Bhavin Vithlani:** Thank you for the opportunity. My question is regarding what is the current employee base and would it be broadly possible to break that into how much is on the engineering design side and how much on the O&M side? And of the engineering side, would it be possible like to take the external consultancy projects to take care of the employee base?

**K. Sreekant:** The total strength is about Rs.9,200. How much engineering that kind of break up we do not immediately have but you see out of 4500 executives significant number I think 80% must be engineers. So it means around 3500 are engineers and definitely we will look for opportunities to provide consultancy but come to think of it, if it is a project in transmission sector we should be looking to invest in it rather than just provide consultancy.

**Bhavin Vithlani:** I understand. So about 3500 odd engineers you mentioned, a reasonable part would also be on the O&M side of our operations. Will that be a correct assessment?

**K. Sreekant:** Yes, I think you're right.

**Bhavin Vithlani:** Okay. The second is a bookkeeping question. We have seen the short-term borrowings go up from Rs.1000 Crore to Rs.4300 Crore. Any color on that would be helpful.

**K. Sreekant:** It is primarily because of difficulties in revenue realization, though you see 44 days only as the average number of days receivables, up from 42 days last year. But this year, it has been difficult to get collection and that has reflected in the short-term borrowing increase. Higher dividend payout, that is also one of the reasons. We are doing mostly commercial paper for the short-term working capital borrowings, and we are getting quite competitive pricing there.

**Bhavin Vithlani:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sumit Kishore from JPMorgan. Please go ahead.

**Sumit Kishore:** Since Raigarh-Pugalur is a significant portion of capitalization in FY2020, could you guide us as to would it be very back-ended in financial year FY2020? Would it be stage-wise commissioning?

**K. Sreekant:** It will be back ended. It will be in the third or fourth quarter.

**Sumit Kishore:** So it will be lumpy? So in one go, you will capitalize it?

**K. Sreekant:** It will be lumpy and back ended.

**Sumit Kishore:** Okay. And on the delay of receivables, have you booked any late payments surcharge in FY2019?

- K. Sreekant:** Yes, it is a regular feature. We have booked it.
- Sumit Kishore:** So it is very high as compared to FY2018 given the increase in overdue receivables?
- K. Sreekant:** It is up by Rs.41 Crore only, compared to last year.
- Sumit Kishore:** Okay. And you mentioned that you won't keep idle cash, which means that basically you are saying the dividend payout would go up in the event capex falls?
- K. Sreekant:** We can look to repay debt also.
- Sumit Kishore:** Thank you.
- Moderator:** Thank you. Ladies and Gentlemen due to paucity of time, we will take the last question that is from the line from Swarnim Maheshwari from Edelweiss Securities. Please go ahead.
- Swarnim Maheshwari:** Just one question, you mentioned that on the new prospects of almost about Rs.19,000 Crore, I just wanted to understand is everything coming from the Green Corridor and also you said something about the conventional orders also?
- K. Sreekant:** See, Rs.9,700 Crore of Jharkhand and other Intra-state is certainly conventional. Rs.9,300 Crore is related to Green Energy Projects.
- Swarnim Maheshwari:** That's it. Thank you.
- Moderator:** Thank you. Ladies and Gentlemen, that was the last question for today. I now hand the conference over to Mr. Rahul Modi for closing comments. Thank you, and over to you, Sir!
- Rahul Modi:** We would like to thank the management for their time to have such an interactive session with the Investors and Analysts. Thank you so much. Have a nice evening.

**K. Sreekant:** Just one clarification I would like to give before we close. I think Abhishek asked a question about the delta between Q3 and Q4. I think with Capitalization, the increase is Rs.366 Crore; due to order impact it is about Rs.183 Crore; incentives are up by Rs. 87 Crore; and AAD & depreciation written back is Rs.39 Crore and then there has been an income from grant of about Rs.41 Crore. So that is the reason why increase is about Rs.600 - Rs.700 Crore between Q3 and Q4.

**K. Sreekant:** Thank you.

**Moderator:** Thank you very much. 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.