

# “Power Grid Corporation India Limited Q1 FY2020 Earnings Conference Call”

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**Moderator:** Good day ladies and gentlemen and welcome to the Q1 FY2020 Earnings Conference Call of POWERGRID 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 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 Limited. Thank you and over to you Mr. Modi!

**Rahul Modi:** Thank you Margreth. On behalf of ICICI Securities, we welcome you all to the POWERGRID 1Q FY2020 Results Conference Call. We have with us the senior management of the company comprising of Shri Ravi P. Singh, Director (Personnel) and additional charge of CMD; Shri K. Sreekant, Director (Finance); Shrimati Seema Gupta, Director (Operations); Shri R.K. Chauhan Director (Projects); Shri K.S.R. Murty, Executive Director (Finance) and Ms. Divya Tandon, Company Secretary; along with senior financial company officials. Over to you, Sir! Thank you for the opportunity.

**Ravi Prakash Singh:** Thank you Rahul. Good afternoon, everyone. I am Ravi P. Singh, Director (Personnel) and also holding charge of Chairman. I welcome you all to POWERGRID's Q1 FY2020 Analyst Call. I am accompanied by my team, Shri K. Sreekant, Director (Finance); Shrimati Seema Gupta, Director (Operations); Shri R.K. Chauhan, Director (Projects); Shri K.S.R. Murty, Executive Director (Finance); and other senior officials.

Today the company has announced the unaudited financial results for the first quarter of FY2020. The results for the quarter ended June 30, 2019 have been disclosed on both the stock exchanges.

Let me begin with POWERGRID performance highlights for Q1 FY2020.

**Project execution highlights:** During the quarter, the company added 560 circuit kilometers of transmission lines, one substation and 3,230 MVA transformation capacity. No assets were added by the Subsidiaries during the quarter. Major elements commissioned during Q1 FY2020 are 400kV double circuit Mundra UMPP Bhuj Pool transmission line; 400kV double circuit Bhadla(PG)-Bhadla(RVFN) transmission line; 400kV Jaipur (S)-RAPP-D and 400kV Kota-Jaipur transmission line and Bhadla substation. There have been some slippages like Bhadla-Bikaner, Rajarhat-Purnea, Edamon-Kochi during the first quarter due to RoW, which are envisaged for completion in the coming months.

**Capex:** During Q1 FY2020, capital expenditure by the company was ₹2,909 crore, which included ₹503 crore capex by the TBCB subsidiary. As already informed in the past, capex for FY2020 has been estimated at ₹15,000 crore on consolidated basis.

**Capitalization:** During the quarter ended June 30, 2019, the company capitalized assets worth ₹1,466 crore (excluding an FEFV gain of ₹38 crore) including ₹49 crore attributable to TBCB Subsidiaries. As informed in the past, the company envisages capitalization of ₹20,000 crore to ₹25,000 crore during FY2019-2020, on consolidated basis, which is however subject to completion of Raigarh Pugalur HDVC project. This project forms a substantial part of this year's anticipated capitalization, but is facing headwinds in terms of right of way issues in the State of Tamil Nadu.

**Capital work-in-progress:** As on June 30, 2019, the total CWIP on a consolidated basis was ₹40,071 crore including ₹4,699 crore CWIP attributable to TBCB Subsidiaries.

**Operational highlights:** POWERGRID's total transmission network including subsidiaries as on June 30, 2019 comprised of 158,858 circuit kilometers of transmission lines, 246 substations and 375,142 MVA of transformation capacity. With the use of state-of-the-art technologies, automation and digital infrastructure, the company continued to maintain very high levels of availability of its transmission systems. The average availability of POWERGRID's transmission system and reliability up to Q1 FY2020 was 99.77% and 0.16 tripping per line respectively. National Transmission Asset Management Centre (NTAMC), set up for managing the assets and monitoring various parameters remotely on real-time basis, is now managing 215 substations remotely as at the end of Q1 FY2020.

**Key Financial Highlights:** For Q1FY2020, the Total Income on a standalone basis was ₹9,228 crore, which was 9% higher than that achieved in Q1FY2019. On consolidated basis, the Total Income increased from ₹8,376 crore to ₹9,362 crore registering a growth of 12%. The company's EBITDA for the quarter on standalone basis was ₹8,135 crore and on consolidated basis ₹8,294 crore. In Q1FY2020, POWERGRID, on standalone basis, posted a Profit After Tax of ₹2,428 crore versus ₹2,242 crore in Q1FY2019, registering a growth of 8%. On consolidated basis, Profit After Tax in Q1FY2020 was ₹2,503 crore as against ₹2,278 crore in Q1FY2019, i.e. an increase of 10%. The share of Subsidiaries and Joint Venture Companies in the Company's consolidated Profit After Tax is ₹77 crore and ₹29 crore, respectively. The company's Gross Assets as on June 30, 2019 stood at ₹2,08,643 crore on consolidated basis and ₹1,99,172 crore on standalone basis. The company's net worth as on June 30, 2019 stood at ₹61,569 crore on consolidated basis and ₹61,432 crore on standalone basis.

Total Long Term Debt of the company as on June 30, 2019 was at ₹1,42,300 crore on consolidated basis and ₹1,42,010 crore on standalone basis and the debt equity was 70:30.

**Financial highlights of TBCB subsidiaries:** There were seven TBCB Subsidiaries, namely PVTL, PUTL, PKATL, PWTL, PPTL, PNMTL and PJTL which are fully operational. In addition, PSITSL is also part operational, and the balance element i.e. 765kV double circuit Vemagiri-Chilakaluripeta transmission line, is envisaged for completion by third quarter. Aggregate EBITDA of TBCB subsidiaries was ₹380 crore for the quarter.

For Q1FY2020 Income and PAT for all TBCB Subsidiaries on an aggregate basis was ₹392 crore and ₹77 crore, respectively.

**Other Financial Parameters:** As on June 30, 2019 the trade receivables on consolidated basis were ₹5,793 crore and ₹5,564 crore on standalone basis. As on June 30, 2019, the book value per share was ₹117.42 on standalone basis and ₹117.69 on consolidated basis.

**Commercial:** The Company realized a total amount of ₹8,218 crore against a billing of ₹9,013 crore. Outstanding for more than 45 days was ₹3,373 crore. It works out to about 34 days of average monthly billing. The TPAs have been signed with the 29 States and Union Territories as on date.

**Other business segments:**

**Telecom:** Telecom Income in Q1FY2020, was ₹171 crore as against ₹173 crore at Q1FY2019 showing a decrease of 1%. On the operations side, the cumulative backbone availability for the quarter was around 99.98%. Telecom division added 40 new customers during the quarter. During the quarter, CERC allowed POWERGRID to offer its transmission

towers to telecom companies for installation of telecom equipment. We have been getting a lot of queries about the business potential from this venture. Let me clarify that it is still early days for this business and its growth will depend more on the success stories and feedback from those telecom operators who start using our towers. Meetings are being held with various mobile operators, infrastructure providers for the same. We will keep you informed of any material developments in this regard, as and when it happens.

**Consultancy:** Income from Consultancy business in Q1FY2020 was ₹125 crore as against ₹151 crore in Q1 FY2019 showing a decrease of 17%. Eight new orders were received during Q1FY2020. The clients include Renewable Energy Generators, NHAI, Central and State Power Utilities. As on the end of Q1FY2020 more than 80 projects were under implementation.

Major projects under implementation are (i) NERPSIP (North Eastern Region Power System Improvement Project) (ii) Comprehensive Scheme for strengthening of transmission and distribution in Arunachal Pradesh and Sikkim (iii) Implementation of 400/220/132/33kV transmission system in Jharkhand (iv) Railway Electrification works for Londa-Miraj and Pune-Miraj-Kolhapur (Central Railway) section along with TSS, line and bay at GSS.

**International Business:** A total of 15 assignments were ongoing as on around June 30, 2019, in countries like Bhutan, Bangladesh, Fiji, Nepal etc. The company secured one new assignment during the quarter. Six proposals were submitted during the quarter, the results of which are awaited.

## **Other Businesses: Energy management/ Smart Grid / eV Charging**

**Energy Management Group:** POWERGRID is looking at both project management consultancy as well as investment opportunities in energy management projects. In this direction, discussions are at an advanced stage with UPPCL for implementing Government of UP's *Kisan Uday Yojana* involving replacement of old agricultural pumps with energy efficient pumps. During the last quarter, the company signed an MoU, with Energy Management Centre, Kerala which aims to focus on efficiency enhancement in power distribution. Recently, POWERGRID signed an MOU with IIT Roorkee for undertaking an assignment to make its entire campus, energy efficient. Other institutes have also evinced interest in POWERGRID undertaking such efficiency enhancement projects at their campuses.

**eV charging:** During the quarter, the company established one more eV fast charging station, in Kochi. This charging station has been set up in association with Indian Oil Company and is the first eV charging station in Kerala. With this the company has now set up three such charging stations, the earlier two being in Hyderabad. Tenders are being invited for 60 more chargers.

**Smart City/ Smart Grid:** The Company is a consultant to a number of States for Smart Grid, and as part of it, tenders for advanced meters have been recently floated for the State of J&K.

**Works-in-hand:** Works-in-hand as on July 2019 stood at about ₹63,000 crore, including Ongoing works: ₹48,000 crore; New works: ₹3,000 crore; and TBCB projects: ₹12,000 crore.

**Projects in pipeline:** In January 2019 we had shared with you, the upcoming investment opportunities in ISTS, of about ₹43,000 crore,

driven by Gol's thrust on achieving 175GW renewable capacity by 2022. The investment of ₹43,000 crore is for integration of 66.5GW of RE capacity in two phases (by Dec-21 & Dec-22). Of these, ₹11,200 crore works were allocated to either TBCB or under Regulated Tariff Mechanism (RTM). Recently, during the 4<sup>th</sup> meeting of the Empowered Committee held in July, 2019 projects estimated at ₹5,300 crore, linked to about 15.5GW RE capacity, were put up for allocation to TBCB or RTM. The minutes of the meeting are awaited. All the above schemes are currently awaiting regulatory approval by CERC. The schemes for Phase-II (by Dec., '22) for balance 38.5 GW estimated at about ₹26,200 crore are under various stages of discussion/approval.

In the recently concluded bids, POWERGRID is the lowest bidder in 03 out of 07 projects, which includes two projects related to RE integration and one intra-State project, which is for Madhya Pradesh. The estimated cost of these three projects as per Empowered Committee is about ₹2,950 crore. The Letter of Intent for the intra-State project (MP) is yet to be announced by the Bid Process Coordinator.

As on date, projects for a total estimated cost of ₹11,500 crore are under different stages of bidding- 04 number of ISTS projects estimated at ₹2,700 crore and 07 numbers of intra-State projects estimated at ₹8,800 crore.

**Updates on POWERGRID JVs:** During the quarter, POWERGRID and NTPC have entered into an agreement for setting up National Electricity Distribution Company Limited through a 50:50 JV to undertake distribution of electricity and related activities.

**Awards / Recognitions:** The Company's performance won accolades and recognition at different levels. Major recent accolades include POWERGRID featured among India 100 best companies to work for



2019 and ranked 99. Forbes 2000 ranking improved to 865, up from 904 last year.

Thank you.

**Moderator:** Thank you. Should we open it for Q&A session now, Sir?

**Ravi P. Singh:** Yes, please.

**Moderator:** We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:** Sir two questions. The first is on receivables, Sir. Your position has deteriorated in the past two quarters; we are talking about 34 days of receivables, more than 45 days. When do we expect these things to normalize, which are the States not paying, can you give us the State-wise breakup?

**K. Sreekant:** First of all, we should understand that last year, the receivable days permitted even as per CERC was 60, it has been brought down to 45 days in the current Regulation. So the goal post has been changed from 60 to 45. In terms of the number of days receivables, what we have seen is, during the year, there is an increase, but in the month of March there is much better collection. As on June 30, 2019 there is no significant deterioration from what it was, as of March, 2019. Our receivables are about 57 days sale as of June 30, 2019.

**Mohit Kumar:** 57 days?

**K. Sreekant:** Yes.

**K. Sreekant:** We are facing difficulty from Jammu & Kashmir, Telangana, Andhra Pradesh, and from a couple of private developers, which I think is mainly due to some billing dispute. Now, that CERC has issued the revised

orders for the Champa-Kurukshetra, I think the billing will shift from those private developers to the State Utilities and that should get settled.

**Mohit Kumar:** Okay. Do we have the letter of credit for our billing, of all the DISCOM?

**K. Sreekant:** Yes. We do have the letters of credit.

**Mohit Kumar:** Sir my second question is regarding the TBCB. Can you just share the revenue EBITDA and PAT?

**K. Sreekant:** The revenue is ₹392 crore, PAT ₹77 crore, all for the current quarter.

**Mohit Kumar:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Koundinya N from JM Financial. Please go ahead.

**Koundinya N:** Just a couple of things. On the state-of-the-art renewable energy corridor, I missed the numbers between TBCB nominated it would be great if you can repeat that?

**K. Sreekant:** The total scheme is of about ₹43,000 crore out of that about ₹11,200 crore were allocated for implementation either under TBCB or regulatory tariff. Under Regulatory Tariff, we got about ₹2,600 - ₹2,700 crore and the rest was allocated for bidding. Beyond that there are about ₹5,300 crore worth of projects pertaining to about 15.5GW of RE capacity. The final decision of the Empowered Committee on the same is expected shortly. So we do not know, how much will go to RTM and how much will be bid out. The rest is still at various stages of discussion and approval.

**Koundinya N:** And secondly if I look at the effective tax rate between the current quarter and 1QFY2019, there seems to be significant differences on nominal tax that we usually incur and what could be the possible reason Sir. One

thing I say that deferred tax expense has been higher in the previous year, so can you help me understand it better?

**K. Sreekant:** In the last year we were not recognizing Deferred Tax Asset in the first three quarters. We did it only in Q4. This year right from Q1, we are recognizing Deferred Tax Asset for the MAT credit. If you take out this tax impact on a comparable basis, suppose we do the same treatment as we are doing in this year in the previous year's first quarter, our profit would have been ₹2,845 crore that is the segment profit versus ₹3,116 crore in the current quarter, on a like-to-like basis.

**Koundinya N:** Thank you Sir. That is it from my end.

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

**Bhavin Vithlani:** Two questions. One is, in this recent round of the TBCB biddings, you mentioned you have won 3 projects. Could you give us some color on the competitive intensity and in your view, what would be the IRRs would it be the same 15%, 16% bracket that we have been earning currently?

**K. Sreekant:** The competitive intensity is that in every project there were at least three, four bidders. Only in one project we could see more than four, but even in those projects there has been significant competition and prices have been driven down in the reverse auction. As regards the IRR, I think we will be in a position to get a better color only when the projects are executed. Today we are trying to target as close to the regulated return as possible, but certainly these are not having the current 15.5% post-tax regulated return. They are a shade lower than that.

**Bhavin Vithlani:** And these projects would be funded on 80:20 basis or 70:30 basis?

**K. Sreekant:** With our balance sheet, does it matter what the TBCB company has what kind of debt equity borrowing at corporate level.

**Bhavin Vithlani:** IRR lower than 16%, just to understand at what leverage that are we assuming the equity IRR 14% - 15%?

**K. Sreekant:** We would like to do it at 80:20.

**Bhavin Vithlani:** Sure and just last question you mentioned that there are certain review of the green energy corridors, is there a possibility that there could be more projects, which can be allocated on a nomination basis to POWERGRID?

**K. Sreekant:** That possibility is always there in the tariff policy also, so let us see.

**Bhavin Vithlani:** Thank you so much for taking my questions.

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

**Sumit Kishore:** My first question is again on the TBCB projects. POWERGRID has won three projects, could you also tell us how many projects have been awarded post March quarter, how many has POWERGRID won, what is the total value of the projects awarded and who are the other players who have won these projects?

**K. Sreekant:** Seven projects have been bid out. We have won three, one of them is Jhatikara-Khetri-Sikar System and second is Bhuj-II in Gujarat and third is Guna-Bhind associated system in MP which is intra-State project. The Empowered Committee cost estimate for the projects, which we won is about ₹2,950 crore. Competition was from Sterlite, Adani, ReNew Power, L&T, KPTL, but typically it is from Adani and Sterlite, so anything else on this?

**Sumit Kishore:** So what is the total value of the projects, the other four projects, which were bid out where POWERGRID lost, what was the total value of those projects?

**K. Sreekant:** You can take it that 40%, in terms of tariff ultimately bid out, we have won. We looked at it more from the tariff perspective. It is a known number. So 40% market share you can say we are maintaining.

**Sumit Kishore:** And just to understand, for the projects that POWERGRID lost typically what was the difference between POWERGRID's bid versus private sector, how much lower did private sector bid as compared to POWERGRID in winning those projects?

**K. Sreekant:** This is a reverse auction. So the difference will be just 0.25%. When would you like to quit is the main issue.

**Sumit Kishore:** Got it and last thing could you please tell us the cash position as of end of June quarter?

**K. Sreekant:** Cash position, we are having short-term borrowings of about ₹3,200 crore plus there will be minor cash balance. The rest of the cash basically belongs to various customers, who have given their deposit for the work being undertaken on their behalf.

**Sumit Kishore:** Thank you so much.

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

**Dhruv Muchhal:** If I adjust the period income from reported numbers the prior period sales of about ₹117 crore in your notes the y-o-y growth in PAT seems a bit low about 2%, 3% odd. So this I am trying to understand why such low growth, is there some one-offs in the numbers?

**K. Sreekant:** You have adjusted both quarters?

**Dhruv Muchhal:** Yes, both quarters. So current quarter is about ₹117 crore and previous quarter was about ₹32 crore prior period sales. So the growth if an adjusted basis will be about 3% odd, so you had these doubtful debts in the last quarter in Q4 if I remember are they continuing in the current quarter?

**K. Sreekant:** No, those were one-off kind of provisions we made.

**Dhruv Muchhal:** So because in the annual report you mentioned that on those projects, you are not recognizing the revenue of about ₹300 odd crore. So the provision is not happening you are still not recognizing revenue on those projects?

**K. Sreekant:** We do not take that revenue, once we have provided for that; and that is only about ₹25 odd crore.

**Dhruv Muchhal:** That is not significant.

**K. Sreekant:** That is about ₹25 odd crore in one project, where we have not considered revenue.

**Dhruv Muchhal:** So Sir, just trying to understand the low growth in the quarter is it something?

**K. Sreekant:** Transmission Revenue includes ₹177 crore net of Tax ₹92 crore in current Quarter and ₹32 crore net of Tax ₹25 crore in corresponding Quarter related to prior period sales. On adjustment of these amount, the growth comes to 5% to 6%.

**Dhruv Muchhal:** Surely and second question, the change in accounting now that you are recording is deferred tax asset, deferred tax liability as part of PBT, so it seems from the annual report that you also have to pay tax on this you

are recording a tax liability also on the Deferred Tax Regulatory Balance Account.

**K. Sreekant:** Yes.

**Dhruv Muchhal:** So is that causing a hit to your P&L because, say, for example, in the previous quarter, the deferred tax amount was about ₹800 crore, so on 20% of that ₹800 crore is that hitting your P&L now in the last previous quarter, it was not; but in the current quarter, it is starting hitting your P&L?

**K. Sreekant:** But it is not very significant. See, we have to recognize that asset.

**Dhruv Muchhal:** In the earlier policy, you were netting it off from tax. There was no tax liability on that, but now because it is coming as an income, so you are recognizing tax on that?

**K. Sreekant:** Yes, that has to be done. That has impact, but that is marginal.

**Dhruv Muchhal:** The last thing is on the Pugalur line. So we had seen in the media report, is that the court had ordered a go ahead to the project do you still see a delay or how is it?

**K. Sreekant:** I will request Director (Projects) to update you about this Raigarh-Pugalur line.

**R.K. Chauhan:** There is no restriction from court side, but in stretches we are facing some local resistance and we are solving it and now we are hopeful that we will be able to achieve the deadline.

**Dhruv Muchhal:** Okay, Sir and Sir if you can just highlight what is the phase one, which you are planning to commission in this year what is probably capitalization, which we are looking at?

**K. Sreekant:** About ₹9,000 crore.

**Dhruv Muchhal:** ₹9,000 crore. Thank you so much. This is helpful. Sir, if you can please give the bridge for the PAT growth or the reasons for the low growth?

**K. Sreekant:** Yes.

**Dhruv Muchhal:** Thank you.

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

**Abhishek Puri:** Thank you. My line got dropped earlier. Sir, two things. First, on the transmission PBIT, just following up on the last question. On the PBIT also, when you reported the segment results there is a y-o-y decline on that. So just trying to understand that, as against ₹5,487 crore we have reported ₹5,230 crore is that due to the impact from the regulations or any other one-off, which is there?

**K. Sreekant:** Which is the number you are talking about?

**Abhishek Puri:** Segment results, PBIT number for transmission business.

**K. Sreekant:** ₹5,675 crore versus ₹5,376 crore?

**Abhishek Puri:** I was referring to the transmission only.

**K. Sreekant:** ₹5,487 crore versus ₹5,230 crore?

**Abhishek Puri:** Yes, Sir. That seems to have been substantially restated also because Q1 of last year was much lower was ₹4,600 crore in my model.

**K. Sreekant:** This is because of the Regulatory Asset. The Regulatory Asset is recognized as part of the segment result, but the corresponding tax is not coming here, that is the reason.



**Abhishek Puri:** Okay. So that has been restated for Q1 of last year?

**K. Sreekant:** Yes.

**Abhishek Puri:** Understood.

**K. Sreekant:** When we look at the segment profit before tax on a totality if we remove this MAT credit as a deferred tax asset from ₹2,845 crore the profit has gone to ₹3,116 crore, gone up.

**Abhishek Puri:** ₹2,845 crore to?

**K. Sreekant:** ₹3,116 crore.

**Abhishek Puri:** This is without the MAT credit you are saying?

**K. Sreekant:** Yes.

**Abhishek Puri:** Okay. Sir, on the TBCB part, just wanted to understand the two bids that you have won. The Gujarat one, Bhuj-II is the annualized levelized tariff is similar to that of the Rajasthan Part-C whereas the project cost is double of that for Rajasthan Part-C. So, is the competitive intensity really that high that the bid is almost half the size or is it because of the large project size that we are bidding more competitively?

**K. Sreekant:** Composition of the asset also differs because where there is more line compared to substation, the O&M costs are lower, so that has one impact, but the overall cost as such are not exactly 1:2.

**Abhishek Puri:** ₹645 crore for Bhuj-II versus about ₹1,350 crore for the Part-C, Rajasthan Part-C.

**K. Sreekant:** These are Empowered Committee costs. When you do actual bidding and the assessment and your own cost, the difference comes down.

**Abhishek Puri:** Okay and this project has already been recognized in the work-in-hand that we have reported because we had ₹9,000 crore of TBCB earlier in last quarter it is already ₹12,000 crore.

**K. Sreekant:** Yes.

**Abhishek Puri:** Okay. Great. Lastly, if I may ask you, in terms of the short-term targets that you have given in terms of capex, ₹15,000 crore and ₹20,000 crore to ₹25,000 crore for capitalization, if you can break that up into RTM and TBCB business, please?

**K. Sreekant:** RTM and TBCB?

**Abhishek Puri:** Yes.

**K. Sreekant:** Just a minute. Abhishek, we will just get you this. I will just read these numbers out. Take the next question. I will read this out.

**Moderator:** Thank you. The next question is from the line of Surabhi Bomb from Macquarie. Please go ahead.

**Inderjeet Singh Bhatia:** This is Inder here. A couple of questions. You might have repeated these numbers. Can I get Q1 capex and commissioning number?

**K. Sreekant:** Capex ₹2,909 crore and capitalization of ₹1,466 crore.

**Inderjeet Singh Bhatia:** Okay. The second question is, again, can you give us regulatory equity in end of June?

**K. Sreekant:** We do not announce the regulatory details.

**Inderjeet Singh Bhatia:** Secondly, there were certain media articles about these recent projects where the capital cost seems to be coming down almost 40% to 50% below what Empowered Committee was saying, just trying to

understand that why is there such a large difference coming. Why our Empowered Committee cost numbers so high compared to what generally the industry is ready to kind of bid at?

**K. Sreekant:** Are you talking of project costs or the tariffs?

**Inderjeet Singh Bhatia:** So whatever your assumptions in terms of project costs or tariffs, eventually the trend should tie in, right?

**K. Sreekant:** No, I do not know about project cost. We have seen media reports, which say that the tariffs under TBCB are 30%, 40% lower than the RTM. That is on the tariffs. Now one, it is a very misleading comparison because the reports are comparing the levelized tariff of TBCB with the first year tariff of regulatory mechanism. You are all aware in the regulatory tariff, the tariffs fall after the first 12 years; and therefore, comparing first year tariff with the levelized tariff is not the right way of comparison. And whatever analysis we have done, in some of the TBCB projects, the tariffs are higher than the regulatory mechanism, significantly higher and in some, they are lower. But there is no such consistent pattern, and to say that all projects are 30% - 40% lower, is also not a factual statement.

**Inderjeet Singh Bhatia:** On the capex front, how different are they in your experience, eventually the project cost turns out to be how different from the Empowered Committee cost?

**K. Sreekant:** Nowadays they are somewhat comparable, but in the past, there used to be significant differences. But again, project to project, depending on the degree of optimization, which can be achieved, it varies.

**Inderjeet Singh Bhatia:** Okay. One final question, is there any progress on some of the initiatives you are talking about in the past, like railways or joint venture or with States or taking some part of the State DISCOMs? Is there any movement on that front?

**K. Sreekant:** Railways, beyond the first four projects, we have not got any more projects under Project Management Consultancy. The Railways are not keen to get our investment into the projects, so that is where it is. As far as the State JVs are concerned, Bihar is going on well. We are implementing the Phase-II that is about ₹1,700 crore project. The first phase of ₹1,700 crore is close to completion. Discussions are also on with Assam and UP for this kind of JV. On the distribution side, we have now a joint venture with NTPC, but currently, it is in very preliminary stage.

**Inderjeet Singh Bhatia:** Thanks a lot.

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

**Rahul Modi:** Sir, just a couple of questions. So firstly, we have seen the capex dropping in the quarter. So just wanted to check if this impacts our progress on the Pugalur line? And how much of that, yes, as a percentage, we have done capex on that line?

**K. Sreekant:** The capex is, this year, ₹15,000 crore, and we have so far close to about ₹4,000 crore till July. So that is about 25% - 27% of the target.

**Rahul Modi:** Okay. Sir, this will be progressively commissioned as and when the lines get commissioned?

**K. Sreekant:** I am not talking of only the Pugalur project. I am talking of the total usage that capex is falling, I am saying the current year, total outlays ₹15,000 crore, of which we have done ₹4,000 crore and we expect to pick up as the year progresses. That is one. Pugalur project, we are targeting for the Q3, this calendar year. And at that time, the capitalization should be about ₹9,000 crore.

- Rahul Modi:** Right. And Sir, the Champa-Kurukshetra line, there was a Pole-II pending if I am not wrong.
- K. Sreekant:** Pole-III.
- Rahul Modi:** Pole-III. Yes. So when is it expected and size?
- R.K. Chauhan:** It will be somewhere October or November we are targeting.
- Rahul Modi:** Okay. And what would be the size, Sir?
- K. Sreekant:** It is ₹1,500 odd crore.
- Rahul Modi:** Sure. And Sir, the bids?
- K. Sreekant:** No Rahul, Pole-III is ₹2,200 crore.
- Rahul Modi:** Okay. Perfect. And Sir, the opportunity size, if you could elaborate on the intrastate side with how much bid is coming up, if you can throw some light on that, please?
- K. Sreekant:** Bids today in the market are about ₹11,500 crore which include seven bids in the intra-State segment.
- Rahul Modi:** Okay. And it is expected to open in the next couple of months?
- K. Sreekant:** Yes. Right now, two projects in the UP are at RFQ stage. So progressively, we are seeing some movement in UP, MP, Jharkhand and in Maharashtra also, there is one project in Vikhroli area.
- Rahul Modi:** And just lastly, Sir, before if you can just highlight whenever possible the question Dhruv had asked on the adjustments. Thank you. That is all from my side.

**K. Sreekant:** Okay. As regards to this capex there was a question, out of ₹15,000 crore, about ₹3,400 crore is the TBCB capex.

**Rahul Modi:** Thank you very much.

**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, the MAT credit that you are mentioning, just to understand, how is it benefiting or impacting our numbers versus what it was when you were not recognizing it?

**K. Sreekant:** When we were not taking MAT credit, we were treating the entire deferred tax liability as recoverable from the beneficiaries, okay? And it was shown as netted from the tax expense. But because of the expert advisory opinion, the recovery amount is now to be shown as a Regulatory Asset, whereas the tax liability remains in the same line i.e. tax expense. Because Regulatory Asset on accrual basis is also subject to tax if we had not recognized MAT credit, then the actual tax outflow would have been very significant. So we reviewed the whole position and then also saw that, as per the current estimates, we will be able to recover this MAT credit down the line before it expires. So we started recognizing that MAT credit so that the deferred tax liability comes down and regulatory recovery also comes down and then pushing down the overall tax liability.

**Dhruv Muchhal:** Okay. So this should not benefit or impact the PAT numbers, I understand. I mean that remains unchanged. It is just an accounting change you probably had to report it above the PBT now you are not to do that. You are reporting at the same level. Just to understand, is it benefiting or impacting the PAT?

**K. Sreekant:** It is benefiting without this, the impact would have been much higher, but there is a slight impact as one of the callers also mentioned. There is a marginal impact on the PAT. Our current tax liability goes up because of this.

**Dhruv Muchhal:** Okay. And Sir, secondly, a request. Now because of this accounting policy, it could be the reporting change, your tax rate has become very volatile because the deferred tax is getting reported above and below. So if you can please break up the regulatory deferral account, what is the deferred tax amount, which you are recognizing and what is the others, so that we can have a very normalized tax rate, which you are actually paying because, otherwise, I understand this is a deferred tax accumulation, which is not actually an outflow?

**K. Sreekant:** How do we, what you want...?

**Dhruv Muchhal:** If you can break that up.

**K. Sreekant:** Okay. We will try to see that.

**Dhruv Muchhal:** Sure Sir. Thank you so much.

**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 again. My question is more on the intra-State. You mentioned there is an ₹8,800 crore bidding currently. But if you could give us a five-year view. In your view, what is the intra-State capex expected over the five years and what out of this could come up for TBCB bids where POWERGRID would participate and there are certain joint ventures that POWERGRID had with State of Bihar, Jharkhand. What could be that opportunity over a five-year basis?

**K. Sreekant:** You are asking me to look too far. This is very difficult because, one, intra-State is not as certain as inter-State. In intra-State, different States have different pace, so we cannot give that kind of numbers. On a five-year rolling basis, the opportunity should be anywhere between ₹75,000 crore to ₹100,000 crore kind of investment, which should be forthcoming. If you look at the overall investment requirement of 7% growth or if you see this US\$ 5 trillion economy, and all those aspirational aspects, there will be huge investment opportunity. But today to say which State, which JV, I mean, that kind of granularity is not available.

**Bhavin Vithlani:** Sure. Any number that you see that in X percentage over time intra-State will also move to TBCB because that is like...?

**K. Sreekant:** In the intra-State, a lot of it is moving to TBCB. Very little is going to RTM. Some of the states are themselves carrying out those projects, so that is not coming out in the market. What we are seeing, like, for example, UP, there are TBCB projects regularly coming. MP has come out with one. Maharashtra has come out with one. Jharkhand has come several times, but I do not think it has concluded those bids. So slowly, they are also moving either to a departmental kind of mode or TBCB. Bihar was a successful joint venture, and they are not doing TBCB. They have given to this joint venture company of ours.

**Bhavin Vithlani:** And my last question is what will be the total capitalization pending for Champa-Kurukshetra? You mentioned ₹2,200 crore of Pole-III, but in the current year target of ₹20,000 crore - ₹25,000 crore, what is the total Champa-Kurukshetra?

**K. Sreekant:** It is about ₹2,200 crore plus, let me tell you, Pole-III, Pole-IV. Pole-III is ₹2,200 crore, I think it is about ₹3500 crore.

**Bhavin Vithlani:** Totally pending within that ₹20,000 crore - ₹25,000 crore?



**K. Sreekant:** Yes.

**Bhavin Vithlani:** 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:** Thanks for the opportunity once again. Sir, what is the impact of CERC regulation in the quarter? Was there any impact? And how much of incentive during quarter compared to the previous year?

**K. Sreekant:** In terms of CERC impact, nothing significant because the regulations are more or less flat. Only that 0.5% additional revenue on account of early submission project has gone and old assets, the equity has been restricted to 30%. Both of them have very insignificant impact on the bottom line. Incentive number for the quarter, we will just tell you, ₹83 crore compared to ₹76 crore last year.

**Mohit Kumar:** My second question regarding this - how much are the inter-State TBCB projects in the market right now, how much you have open, how much you have bid?

**K. Sreekant:** Intra-State or inter-State?

**Mohit Kumar:** The inter-State.

**K. Sreekant:** Inter-State is - we just read that number out, ₹2,700 crore is currently under bidding, four projects of ₹2,700 crore.

**Mohit Kumar:** Okay. That is the one got concluded roughly around ₹20-odd billion, right?

**K. Sreekant:** Which one? The ones which got concluded?

**Mohit Kumar:** Yes. It would have cost you around ₹80 billion, right?

**K. Sreekant:** No.

**K. Sreekant:** Yes, the total was around ₹9,300 crore earlier, of which ₹2,700 crore is left. Balance has been done in the intra-State.

**Mohit Kumar:** Got it Sir. Thank you.

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

**Apoorva Bahadur:** Thank you so much for taking my question. Sir, if you could elaborate on the Ind-AS 116 impact, if there has been any on this quarter?

**K. Sreekant:** We have studied this Ind-AS 116. There are few assets, which will come under the purview, but the overall amounts are not significant in relation to our size. There will not be any significant impact of this. We have to do those adjustments, but it is not going to have any material impact.

**Apoorva Bahadur:** Okay. Sir, I am sorry if I missed something. But could you share the surcharge income for the quarter?

**K. Sreekant:** Surcharge income for the quarter is ₹56 crore compared to ₹43 crore last quarter - last year, corresponding quarter.

**Apoorva Bahadur:** Okay. And are you receiving this? Or is it just being booked as of now?

**K. Sreekant:** We have to book and then we receive it.

**Apoorva Bahadur:** Okay. So for like previous quarter, have we received?

**K. Sreekant:** It is received regularly. Whenever somebody pays, first we adjust the interest and then the principal.

**Apoorva Bahadur:** Okay. Got it Sir. Last question, if I may ask you, what according to you could be the reason for this sudden increase in the competitive intensity in the TBCB business?

**K. Sreekant:** I mean there is market pressure and what is the reason means...?

**Apoorva Bahadur:** No. Sir, So basically, I think most of our larger competitors, they had sort of saturated their balance sheet to a certain extent.

**K. Sreekant:** I think investors are still funding them.

**Apoorva Bahadur:** Okay.

**K. Sreekant:** May be the perception is not right.

**Apoorva Bahadur:** Fine Sir. Thanks.

**Moderator:** Thank you. The next question is from the line of Abhijit Bora from Sharekhan. Please go ahead.

**Abhijit Bora:** Yes. Sir, can I get the Q4 capitalization and capex number and also for Q1?

**K. Sreekant:** Q4 capex and capitalization.

**Abhijeet Bora:** Yes.

**K. Sreekant:** Q4 capitalization during the March 2019 quarter, ₹6,275 crore on Standalone basis.

**Abhijeet Bora:** ₹6,275 Crore capitalization?

**K. Sreekant:** Yes, Q4.

**Abhijeet Bora:** And capex?

- K. Sreekant:** Capex of Q4, ₹6,393 crore on Standalone basis.
- Abhijeet Bora:** And for Q1?
- K. Sreekant:** Which was this quarter, ₹2,909 crore.
- Abhijeet Bora:** No. This quarter, I already have the numbers for Q1 FY2019.
- K. Sreekant:** Q1 FY2019, ₹6,421 crore.
- Abhijeet Bora:** Okay. That was capex and capitalization was?
- K. Sreekant:** ₹2,521 crore plus TBCB. I will just tell you, ₹4,270 crore in total.
- Abhijeet Bora:** ₹4,270 crore, consolidated number. Okay. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.
- Rahul Modi:** Yes. So just the last question, Sir, if you could help us, if there is, in case, any adjustments in the profit, if there is any one-off during the quarter, in case if there is any?
- K. Sreekant:** Current quarter, no. Whatever one-off we have disclosed, I do not think there is any significant one-off. Okay?
- Rahul Modi:** Right, Sir. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to Mr. Rahul Modi for closing comments.
- Rahul Modi:** We would like to thank the management of Power Grid Corporation for their time and the opportunity. Thank you and have a nice evening, Sir.

*Power Grid Corporation India Limited*  
*August 02, 2019*

**Ravi P. Singh:** Thank you.

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

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