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National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex,
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BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400001, India.

SUB: Transcript of conference call held with Investors and Analysts to discuss the financial results for the second quarter ended 30th September, 2023

Sir/Madam,

In compliance with Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find attached herein the transcript of conference call held with Investors and Analysts on Thursday, 09th November, 2023 to discuss the financial results for the second quarter ended 30th September, 2023.

Kindly take the above information on record and oblige.

Thanking you,

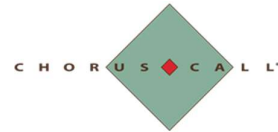
Yours faithfully,

(Soumendra Das)
Company Secretary

Encl:
As stated above



“SJVN Limited
Q2 FY '24 Earnings Conference Call”
November 09, 2023



MANAGEMENT: **MR. N L SHARMA – CHAIRMAN AND MANAGING
DIRECTOR – SJVN LIMITED**
**MR. A K SINGH – DIRECTOR FINANCE – SJVN
LIMITED**
**MR. SOUMENDRA DAS – COMPANY SECRETARY –
SJVN LIMITED**

MODERATOR: **MR. RUPESH SANKHE – ELARA SECURITIES PRIVATE
LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to the SJVN Limited Q2 FY24 Earnings Conference Call hosted by Elara Securities Private 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now have the conference over to Mr. Rupesh Sankhe from Elara Securities Private Limited. Thank you and over to you, sir.

Rupesh Sankhe: Yes, good afternoon everyone. On behalf of Elara Securities, we welcome you all for the Q2 FY24 conference call of SJVN. So I take this opportunity to welcome the management of SJVN, represented by Mr. N.L. Sharma sir, Chairman and Managing Director, Mr. AK Singh, Director Finance. So we'll begin the call with a brief overview by the management, followed by Q&A session.

Now I will hand over the call to Mr. N.L. Sharma sir for his opening remarks. Over to you, sir.

N.L. Sharma: Thank you, Rupesh. Good afternoon to all the analysts and the persons present over here. The brief overview, first I will present the numbers for the Q2 and the half year, followed by some new information to the investors and the analysts, new income stream which we are going to add through RE Implementation Agency, which we have been designated one of the four REIA by the Government of India. So but first of all I will begin with the number for the Q2 of FY24.

Because of lesser discharge, discharge in the river, particularly for hydro projects, more than 90% revenue comes from the hydro projects. So water discharge in the rivers, because of many reasons, less precipitation then tremendous floods during the Q2 period also, which forced the shutting down of our projects, shutting down of generation because of the [high sea level] floods. So generation was very less.

Generation, if we talk of the total generation, total generation in the Q2 was 4,202 million units as compared to 4,327 million units last year, what, 124 million units less, that is around 3%, close to 3%, lesser generation. Because of this revenue from operations, it decreased by what, 1.1%. The revenue from operations in the Q2 was INR870 crores, marginal decrease from INR880 crores last year, so there was decrease of INR10 crores revenue from operations.

Total income also decreased from -- total income increased because of other income, other income increased. Other income last year was INR40.52 crores, this year it was INR81.95 crores. So total income increased marginally by what, INR31 crores. Total income in this quarter was INR952.69 crores compared to INR921.26 crores last year.

But expenses also increased by what, marginal increase in expenses by INR10 crores. This year expenses were INR397 crores compared to INR386 crores last year. Profit before tax marginally increased by INR20.57 crores. Last year the PBT was INR534 crores and this year it's INR555 crores, increase of INR20.57 crores.



Profit after tax decreased by INR9.7 crores. This year profit after tax is INR441.35 crores compared to INR451 last year, so net worth increased by INR318 crores. Net worth this year at the end of quarter 2 is INR14,280 crores as compared to INR1,397 crores last year. Book value increased by INR0.81 paisa, book value of our share is INR36.36 compared to INR35.55 last year. Generation, I have already told.

Plant availability factor of our hydro projects decreased because of the shutting down of project during the flood season. There were unprecedented floods in Himachal Pradesh this year, in the Satluj river also. So there was continuous shutdown of our power projects for four days to manage or to save the projects from the damage. So plant availability factor was 105% as compared to 109% last year. The incentive, total incentive also decreased. It is INR59.44 crores this year as compared to INR73.73 crores last year.

Now I will tell about last, in the last quarter presentation I have presented that in the coming three years we are going to add about 10,000 megawatts of energy and portfolio of our installed project will rise to about 12,000 megawatts. So in the coming three years we will be adding capacity to the extent of 10,000 megawatt through more than 50 projects of hydro, thermal, solar, wind, all these projects. These projects are mostly, most of the projects are in pipeline.

So some of the projects are in construction, as of now 16 projects are under construction and more than 20 projects are in the pipeline. So these projects will be commissioned in the coming three years and the capacity from the present 2,092 megawatts will increase to 12,000.

But the new thing which I would like to share with all the analysts and the investors that SGVN has been designated as Renewal Energy Implementation Agency by Government of India. At present there are four RE implementation agencies. One is [SEKI], another is NTPC, then NSPC and recently added the SGVN.

So through this REIA, I will call it short name, REIA, Renewal Energy Implementation Agency. Through REIA we collect the demand from the states or discoms and then for the renewal energy, then we invite the bids from the developers. These developers does RE project, then the PPOs are signed between these developers and the discoms of the states. And the SGVN will get INR0.07 paisa per unit for this energy which we will supply to these discoms.

So this energy demand or which we will be overseeing or we will be coordinating will be in four forms. One is pure solar projects, then pure wind projects, then hybrid; solar and wind, then this RTC, round-the-clock power that wind, solar combined with the battery energy storage systems.

So we floated the tenders for about 1,500 megawatt capacity for this RTC, Round-The-Clock power to the discoms. So this is 15 megawatt capacity, there are about nine bidders. Nine bidders participated in it and there was intense competition. The COF provided in this was minimum COF was 70%. And it was assured that energy will be provided for 70% of the hours.

That means 24 hours or 16, 17 hours energy will be supplied through this RE plus battery energy storage system, so RTC. So for these 15 megawatt capacity we got the tender bid of about 1,184 megawatt capacity with green shoe option also. We can increase the allotment also depending on the requirement from the states or other discoms.



So for this 1,184 capacity we could be completed or concluded the tendering process and the final step was the E-reverse auction. And the final, the lowest price discovered for this RTC was INR4.38 paisa. It is quite reasonable that you are getting energy for at least about 17 hours at the rate of INR4.38 paisa and through different sources, RE plus battery energy storage system.

So this is very innovative and this was our first attempt. The target which government of India has assigned to us to bid about 10 gigawatt, 10.5 gigawatt of capacity every year. So that means the next five to ten years we will be adding about more than 100 gigawatt, 120 gigawatt capacity, so this REIA mode. We have worked out the different models for this. This model was RTC model.

We will be shortly floating tenders for the solar, for the wind and for the hybrid also. So the target which we have kept that at least 10 gigawatt capacity will be floated at least will be increasing it also. The target is 12.5, but if we add, we have worked out some numbers also. Out of 10 gigawatt, 3 gigawatt will be at least this RTC, then 3 gigawatt hybrid, wind and solar. Then exclusive wind will be 2.5 gigawatt and exclusive solar will be about 1.5 gigawatt, that is 10 gigawatt.

And we have worked out the energy generation and the revenue income which will be getting as a commission of INR0.07 paisa per unit from the discounts also. So in a year total generation from this 10 gigawatt will be around 36,729 million units will be generated. So and total revenue from this will be about INR13,000 crores rupees and INR0.07 paisa per unit, we will be getting around INR260 crores. And the expenditure on this for establishment itself will be say about 10%. So we will be getting about INR231 crores in the first year.

So the tender which we floated in the first year will be generating energy after one and a half or two years. So means in this FY24 we are floating, we will get revenue generation and revenue in FY26. So from FY26 onwards, the revenue from this source through REIA mode will be INR231 crores, INR30 crores, INR230 crores in the first year, then INR460 crores in the next year because capacity will be doubled and the third year capacity will be tripled and in the fourth year also.

So in the first four or five years by FY29 or FY30, this additional income, pure income, pure profit which we will be getting will be around INR4,000 crores. So in the next five years, we will be getting additional profit of around INR4,000 crores in the next five years. In the first year it is around INR230 crores, next year it will be doubled, third year it will be tripled and so on. If we increase the capacity, enhance the capacity or we achieve the more capacity addition, then revenue generation or income will be more.

So this is the new business model which will be adding to our existing operations or existing capacity or existing portfolio. This will be the additional source of income for the company and we are sure that, the target which we have kept that another 10,000 megawatt in the next three years and another 23 megawatt in the next seven years, so we will reach 25 gigawatt by 2030.

So this is the preliminary submission. So you are open to the question.



- Moderator:** Thank you. The first question is from the line of Apoova Bahadur from Goldman Sachs. Please go ahead.
- Apoova Bahadur:** Hi, sir. Thank you for the opportunity. Sir, I wanted to understand this REIA business opportunity. What or how would the payment security be determined over here? Who will sort of provide the security? Will the liability lie on us?
- N L Sharma:** Yes, Apoova. About this REIA, R-E-I-A, or we can call it R-E-I-A or REIA, as I told that the government has designated four REIA agencies in the country, SEKI, NTPC, NSECE, and SGVN. We collect the demand from the states or DISCOMs approach designated agency for the arrangement of energy for them.
- So this REIA per se. And the scheme which government of India has approved, that designated agency REIA, they'll get INR0.07 per unit as an arranger or the commission or like that, will get. So we got demand worth 1,500 megawatt capacity from different DISCOMs or we are in discussion with them also.
- So we floated the tenders for RTC, round the clock power, RE power. We got response from many developers, including TATA, ECMA, ReNew and all these agencies. O2 extra, there were nine bidders in that and they bid for 1,184 megawatt capacity, 1,450 megawatts, 38 megawatts was done.
- Allotment of 1,138 megawatts was done. And when the energy generated and supplied to the DISCOMS, energy will be generated by these developers. Five developers are getting the allotments, some 300 megawatts, some 200 megawatts, or 180 megawatts. So whatever energy will be supplied to the DISCOMs and the revenue will be realized and we will get INR0.07 per unit.
- Apoorva Bahadur:** That's very clear. What I want to understand is that historically, I think SECI used to be this intermediary and SECI would provide a payment security as well. So in case the DISCOM did not pay or there was a delay in payment from the discom to the renewable developers, SECI would sort of step in and make good the difference for the time period.
- I want to understand whether SJVN will also have to perform a similar activity under this in case there's a delay in payment from the discom.
- N.L. Sharma:** That SJVN will be doing the same responsibility activity.
- Apoorva Bahadur:** How will we derisk ourselves in this case? Is there a back-to-back agreement with the DISCOM or is it covered under the Tripartite agreement or are we creating a payment security fund? How do we intend to do that?
- N.L. Sharma:** Yes, we will be creating the payment security fund also and the agreement will be tripartite.
- Apoorva Bahadur:** So in case the discom does not pay to the developer, we can directly approach the ministry and ask?
- N.L. Sharma:** Yes, yes, yes.



- Apoorva Bahadur:** Okay, okay. So that risk of default will not lie on us?
- N.L. Sharma:** Yes, that will not be.
- Apoorva Bahadur:** Okay, sir. Understood. Very helpful. Can you also provide the breakup for incentives for the capacity incentive in UI?
- N.L. Sharma:** Yes, I will. Breakup for the quarter for incentives. This capacity incentives were to the tune of INR51.25 crores. So out of this INR51.25 crores, Nathpa Jhakri project INR29.85 crores and Rampur project INR21.45 crores. So total INR51.25 crores capacity incentives. Then UI or DSM, what we call now DSM is INR8.18 crores. So out of this INR8.18 crores, INR3.53 crores from Nathpa Jhakri and INR4.65 crores from Rampur project. And REC very negligible about INR0.1 crores.
- Apoorva Bahadur:** Understood, sir. Thank you so much. I'll join the queue again.
- Moderator:** Thank you. The next question is on the line of Rupesh Sankhe. Please go ahead.
- Rupesh Sankhe:** Yes, sir. A couple of questions, sir. Firstly, we are expecting our capacity to increase from 2000 megawatt to 12,000 megawatt in the next two to three years. So what will be the equity once we get the 12,000 megawatt capacity in operation? That is the first question. And second question is, sir, what is the status of Arun-3 and Buxar? Are they on a track to on the track?
- N.L. Sharma:** Yes, Rupesh. Capacity is 2000 to 12,000 megawatt. You have asked about the equity. Out of this additional 10,000-megawatt capacity, our 4,500-megawatt projects are already under construction. And in most of the projects, we have used equity upfront. More than 90% equity has been used upfront.
- So for this capacity, 4,500-megawatt equity has already been infused. But whereas the equity for the rest of the 5,500-megawatt capacity projects. So equity requirement, the total investment will be around, say, INR35,000 crores. So out of INR35,000 crores, we'll be requiring about INR7,000 crores, 20% equity, INR7,000 crores to INR8,000 crores equity will be required. So that we are comfortable for that. So there is no issue of equity arrangement.
- You have asked about the status of Arun-3 and Buxar project. You know that in hydro projects, problems are there. But our team at site and other locations, they are able to tackle the situation. In the Arun-3 project, there were floods in the early season, early monsoon season also. There was some shape of giving of diversion tunnel. Now that cavity has already been treated and we are through. Now heading has been completed. Now benching, most of the benching is also complete. So we will be, we are through that cavity of that diversion tunnel.
- Now we expect that by mid of December, this diversion tunnel will be back in shape and water will be diverted through that and we will be able to start the concreting work of the dam also. On the other front, this HRT headless tunnel, it is about 11.84 kilometer. So we are left with only what 400 meters excavation heading. So there's no issue of HRT. In powerhouse and transformer hall, we are already in advantage stage. So we expect that in the financial year, of next financial year, we'll be able to commission the project Arun-3.



And Buxar also, there were some issues of acquisition of additional land for railway siding and water corridor. There were some objections regarding compensation from the farmer. So that issue has been raised to the appellate court for enhancement of the compensation and we are almost near to completion of the process and that land is handed over. So there are little delays also. The first unit, which was expected by the end of this financial year, will be able to commission the first unit of Buxar Sarma project by next September, October 24th.

Rupesh Sankhe: Yes. So on the roadstock account, point number seven, you have mentioned three projects which are under construction, Luhri, Sidney and the Dolasin. There is some mutual agreed implementation is pending. So can you throw some light on that and tell me what is that?

N.L. Sharma: Yes. The MOU was signed in 2019 and there was a condition that implementation agreement will be signed between SJVN and the government of Himachal Pradesh on mutual agreement basis, subsequent to the signing of MOU. But because of the reasons that took some time to come on this mutual agreement stage and that agreement was mutually agreed by the two parties by August 22.

So we requested the state government to sign the implementation agreement, but that was the period of transition period, elections were very close. So that could not be signed. And after the change of the government in December 22, the government put the condition that we need to revise the old terms and condition in terms of free power or SGST reimbursement like that.

So we requested them that these are the MOUs signed back in 2019 and all the projects appraised and approved by the competent authority by government of India up to the cabinet committee on economic affairs on those terms and conditions. If we revise these terms and conditions, the projects will not be viable then. So there is some, we are again talking to each other on different methods of settlement are underway.

But the work on these projects is going on as such. There is no stoppage of work.

Rupesh Sankhe: Thank you.

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

Dhruv Muchhal: Yes, sir. Thank you so much. So, with the VR model, you have concluded 1500 megawatt already, right, sir? Yes. One tender is done. So you have received interest from DISCOMS for the whole capacity or you are in works to complete the process?

N.L. Sharma: We have received consent for 1500 megawatt capacity.

Dhruv Muchhal: So the DISCOMS are ready to sign. We have the DISCOMS who will sign the PPA.

N.L. Sharma: They are ready to sign.

Dhruv Muchhal: Okay. And so you are looking to tie up, say, you know, 10 gigawatt every year, if I'm not wrong, if I'm right.



Dhruv Muchhal: How does the process work? Do you go to the DISCOMS first and get interest from them and then do the tender or you do the tender and then go to the DISCOMS to see if they are keen to buy at that price or not?

N.L. Sharma: It is both ways. It is both ways. We also approach the DISCOMS or the state governments. Our team studies the energy requirement in every state. What is their RP obligations, their deficit of this renewable energy or like that. So we also approach them, the governments also approach us also. Now, with the successful conclusion of this tender, now it's a very reasonable rate, INR4.38 RTC. So now we are getting, receiving queries from the various DISCOMS or the state governments also. They are also keen to tie up power with us. So it's both ways. We contact them or they also contact us.

Dhruv Muchhal: Okay. Okay. And how comfortable, because 10 gigawatt is a very big number. I mean, India as overall has never done more than 10 gigawatt. But we're never able to find PPS for that. So how confident are you that this 10 gigawatt annually can be done?

N.L. Sharma: We are very much optimistic because the energy, the capacity addition, which has to take place in the near future, depending upon the demand, because now we are heading for an era when the energy demand is increasing. On the other hand, other than renewable energy, thermal and hydro, hydro projects take a lot of time for the construction. So this model of exclusive solar, exclusive wind or hybrid solar wind or RTC, this backed by battery energy storage system. So this is the best model for the state. This is the RTC power. It's the best model for the state.

They need not to go to every year that we need power for the daytime, we need power for the peaking time, we need power for some industry purposes. They, if they get this assured power around the clock, then they get solution at a single point. So this model, which we are going to adopt, so will be very, very catchy and will suit to all the discourse.

Dhruv Muchhal: Because most of your RTC bids are RTC power, so I'm just wondering, and RTC has to be designed for that particular state's demand. For example, the 1500 I think was designed for Punjab and Madhya Pradesh, if I'm not wrong, based on their demand requirement.

So you might be working, before the tender is issued, you have to work with the state. Is that understanding right? And you're very sure that when the tariff, when the bidding is done, the tariff will be adopted and PPA will be signed. Is that a fair understanding, sir?

N.L. Sharma: It's a customized model. It's a customized model. Some states are customizing or some states are managing at their, or planning at their own level. They know that they have this hydropower, they have the thermal power, now they need only solar power. Or at some places, they don't have that capacity. They ask the agency only for that whole solution, just you go for it.

They need not to worry for that. And we are responsible to supply power RTC to them. So it depends on the state to state. Some states are planning and managing at their own level, and they are giving requirements exclusively, maybe solar or wind or some states are giving us a requirement for the RTC also.

Dhruv Muchhal: Okay, got it. Sure, sir. Thank you so much, sir, and all the best.



- Moderator:** Thank you. The next question is on the line of Rupesh Sankhe, please go ahead.
- Rupesh Sankhe:** Yes, sir. What is the status of signing PPA for this [Nathparamodi] or Arun-3? Because it's not near to completion. So what is the status over there, sir? And the second question is related to water sales, that charges as imposed by the government of Himachal Pradesh. It's close to INR138 crores. So is it going to be recurring or every time we have to pay the charges?
- N.L. Sharma:** Yes, Rupesh, regarding the PPA, [Nathparamodi] we are commissioning just in this month by itself. So we are tying up with the, we are in discussion with the different utilities also for the selling of this power. On the other hand, initially we are eyeing for a good option, good option.
- So if we are not getting a good option, we are free to sell it. We will plan to sell it in the exchange, initially exchange also. So we will wait for the right opportunity of right tariff, right agreement to sell this power.
- We are in discussion with the government of India is also helping us or which are other, J&K, Uttarakhand and other states, they are interested in it. That initially NDMC was also interested. So it is a question of rate, what rate we are getting, we will be getting. And we will sign our PPA accordingly for what period, for five years, 10 years or 15 years. We will not go for long-term PPA, long-term PPA, say 35 years or 40 years.
- We will go for, say, five years, 10 years, 15 years, depending on the price that we get. So this is regarding the PPA. Arun-3 also we are in discussion with the various parties. They have already signed MOU with PTP, then renew also for the purchase of power. So other state governments are also interested. But whatever the commercially beneficial rate, which we will be getting, we are all for that.
- Regarding the water sale, government of Himachal Pradesh has levied water sale and that is already sub Judi in the high court also. So right now we are not paying it. And there is direction that government of India has decided that CPSC will wait for the decision of the court also. So government of India has issued the directions, some clarification, who is competent to levy the taxes. So the matter is in the court. There were one or two hearings in that. And next hearing is in the month of December now, in the month of December. So we will wait for the decision of the court.
- Rupesh Sankhe:** Thank you so much, sir.
- Moderator:** Thank you. The next question is in the line of Mohit Surana from Monarch Network Capital Limited. Please go ahead.
- Mohit Surana:** Sir, a couple of questions. Regarding RIA, the PPAs that we enter into, will those be long-term PPAs or just for two to three years? And secondly, in the RIA model, is it only renewables that we can supply or it will be a mix of renewables and hydro? And can we supply our own generation under this model?



- N.L. Sharma:** First, regarding the PPA, that will be for 25 years. It is for the 25 years. And regarding the mix of energy, but we have actually studied that is solar, wind, plus battery energy storage. These are the three components.
- Mohit Surana:** Sir, if you can also talk about the capex target for this year and next year as well, and how much we have achieved for this year?
- N.L. Sharma:** Capex target this year was INR10,000 crores. And right now we have achieved INR3,800 crores. But the first two quarters, quarter one, they were in quarter two also some floods and some disruptions in the works also. And most of the capital expenditure which is planned and expected is in the quarter three or mostly in the quarter four.
- So the module which we are going to procure for the solar project, which are under construction 15 megawatt project, so most of the module will be supplied in the quarter three and or quarter four. So we are hopeful that this INR10,000 crores will be achieved.
- Mohit Surana:** So for the first half it is INR3,800 crores that is what we have spent?
- N.L. Sharma:** Can you repeat?
- Mohit Surana:** For the first half we have spent INR3,800 crores?
- N.L. Sharma:** Yes, INR3,800 crores.
- Mohit Surana:** And how much is the target for next year?
- N.L. Sharma:** Next year will be around INR12,000 crores.
- Mohit Surana:** Thank you, sir.
- Moderator:** Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to Mr. Rupesh Sankar for his closing comments.
- Rupesh Sankhe:** Yes, so we thank N. L. Sharma sir for giving us an opportunity to host this call. We also thank all the investors and the analysts for joining this call. And happy Diwali to everyone.
- N.L. Sharma:** Thank you. Happy Diwali to all.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Elara Securities Private Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.