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SJVN Limited

(A Joint Venture of GOI & GOHP)
A Mini Ratna & Schedule "A" Company

SJVN/CS/93/2022-

Date: 17/08/2022

NSE Symbol: SJVN-EQ

BOLT SCRIP ID: SJVN
SCRIP CODE: 533206

National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex,
Bandra East, Mumbai-400051, India.

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001, India.

SUB: Transcript of conference call held with Investors and Analysts to discuss the financial results for the first quarter ended 30th June, 2022

Sir/Madam,

In compliance with regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find attached herewith transcript of conference call held with Investors and Analysts on Friday, 12th August, 2022 to discuss the financial results for the first quarter ended 30th June, 2022.

Kindly take the above information on record and oblige.

Thanking you,

Yours faithfully,

(Soumendra Das)
Company Secretary

17/8/22



“SJVN Limited
Q1 FY 23 Earnings Conference Call”

August 12, 2022



MANAGEMENT:

MR. N. L. SHARMA - CMD, SJVN LIMITED

MR. A. K. SINGH - DIRECTOR (FINANCE), SJVN LIMITED

MODERATOR:

MR. RUPESH SANKHE - ELARA SECURITIES (INDIA) PRIVATE LIMITED



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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY23 Earnings Conference Call of SJVN Limited hosted by Elara Securities. As 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 getting the conference call, please signal and operator by pressing “*” then “0” on your touch tone phone. Please note, that this conference is being recorded.

I now turn the conference over to Mr. Rupesh Sankhe from Elara Securities. Thank you, and over to you, sir.

Rupesh Sankhe: Good afternoon, everyone. On behalf of Elara Securities, we welcome you all for the Q1 FY23 conference call of the SJVN. I take this opportunity to welcome the management of SJVN, represented by Mr. N. L. Sharma, CMD, Mr. A. K. Singh, Director (Finance). We will begin the call with a brief overview by the management followed by Q&A session.

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

N. L. Sharma: Yes. Good afternoon, and I welcome all the participants in this conference call. This conference is about QR results of SJVN. Before coming to the number, let me brief all the participants about the few developments of the quarter one. Regarding the physical progress, the progress on the front of generation, our generating station, primarily six generating stations of hydro, solar and wind have registered 12% increase in generation. This quarter generation is to 2,736 million units against 2,436 million units last year. So, there is about 12.29% increase.

Regarding the CapEx. This year, in the quarter one, we have spent a CapEx of INR1,990 crore, against the INR622 crore last year. So, there is an increase of 320%. INR622 crore to INR1,990 crore. Then, SJVN signed power purchase agreement with Punjab State Power Corporation Limited for 400-megawatt solar project for 25 years at the rate of INR2.65 per unit. This project cost will be around INR600 crore and annual generation will be 250 million units. Then, SJVN also awarded an EPC contract of 1,000-megawatt solar project in Bikaner. The awarded cost of the project is INR5,491 crore. This is a major RE project which SJVN and I think this is the largest project so far signed by any company in the solar sector. Then, SJVN was also awarded two more projects, the 75-megawatt Gurha solar project in Uttar Pradesh and then another is Gurhai solar project, 50-megawatt project in Uttar Pradesh during this project.

Then power purchase agreement for 200-megawatt solar power project in Bihar has been also signed during this quarter. The tariff is INR3.11 per unit. Then, in Nepal, MOU for development of 490-megawatt Arun-4 project through a JV mode has been signed in the presence of the honorable Prime Minister Shri Narendra Modi and honorable Prime minister of Nepal, Shri Deubaji. SJVN also bagged 90- megawatt full floating solar power project in Omkareshwar Reservoir in Madhya Pradesh, and to that effect, PPA has also been signed. So, these were the two highlights of the quarter.

Now, I will come to the numbers. As you know that the generation during this quarter has registered an increase of 7.29% and similarly, the financial numbers also. Revenue from operation has increased by 52%. During this quarter, quarter one of FY23, the numbers are INR663 crore. The numbers are INR1,006 crore against INR663 crore last year. So, there is an increase of INR342 crore increase in revenue from generation.

The total income has also registered an increase of 52%. Total income during this quarter of this year is INR1070 crore, against INR702 crore last year. Similarly, Profit Before Tax, there is an increase of 53%. This year profit before tax in quarter one is INR650 crore against INR425 crore last year. Profit After Tax has registered an increase of 79%, INR607 crore profit against INR339 crore last year. There is an increase of INR268 crore, Profit After Tax, which is 79% above the last year.

Then, about the generation, as I have already told you about the total generation, but if we analyze it sector-wise, Hydro and Renewable, in Hydro, Nathpa Jhakri has generated 2,090 million units against 1,856 million units last year. Rampur Hydropower station has generated



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587 million units against 523 million units, an increase of 64 million units. Wind and Solar project, they have also registered an increase of about 25%, 57.95 million units generation this year against the last year's quarter one of 46.12 million units. So, there is an increase of 11.83 million units in Wind and Solar project.

Plot availability factor, we were already making the machines available to the extent of 109% or close to under 110%. So, this year we have also registered an increase and we are making the machines available to the extent of 110.11% in case of data Naptha Jhakri and 110.2% in case of Rampur. So, availability of the machine has been at its highest.

So, similarly, there is an increase of incentives, whether the capacity incentives or UI, that is a division settlement mechanism of mechanism UI also. And in the field of project's progress, all the projects are progressing well despite the odds during the monsoon season, but we are trying to complete the project as per the schedule.

So, this is all from the management side. Now, we are open to the questions from the investors, as well as analysts.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Congratulations on a very good set of numbers. Sir, my first question is how much of the surcharge income in the other income and has the J&K accepted the late payments surcharge rules and freed the amount? And my question is that, will the other surcharge will go away in the coming quarters?

N. L. Sharma: Yes, Mohit. Regarding the other income, though there is an increase in the generation, so, resultantly revenue from operation or revenue from sales has increased. But to the major increase in the income through the other income, that is the arrears. It is the interest from banks. The interest from banks for this quarter Jun '22, it is INR31.31 crore and last year it was INR9.79 crore. So, variation is around INR21.52 crore. And the interest from employees, contractors, that has also increased from INR4 crore to INR10 crore, INR10.97 crore this year. So, INR6.97 crore increase in from this line also. Then late payments surcharge has marginally increased by 1.21%. In this quarter it is INR20.55 crore, and other miscellaneous income, that is INR1.42 crore. So, other income total INR64.25 crore, against INR38.72 crore last year. An increase of INR25 crore.

Regarding the recoveries from J&K. Now, the J&K has started, they have entered into an agreement with the REC. So, the dues, lesser dues with J&K to the tune of more than INR600 crore. So, that will be paid in 12 equal installments. First installment of INR53 crore has started. Every month we will be receiving INR53 crore for the dues which there with J&K. So, in a year I think, by the next July, all the dues will be liquidated.

Mohit Kumar: And sir, what is the status of PPA for the Nepal project? Is there any update which you can share?

N. L. Sharma: Yes, Nepal PPA, we have signed an MOU with the PTC and Renew. So, we will be exploring the possibility of selling the power through these two agencies. We are hopeful that we will get it.

Mohit Kumar: Are you looking for a long-term PPA or a short-term PPA? What are the kind of PPA that you are trying?

N. L. Sharma: So, we will try to get it for 15 years. We will try to get it at least for 15 years. We can term it as long-term.

Mohit Kumar: Understood, sir. And this is what is the status of the Buxar project? When it is expected the commissioned on? Is there any delay or something?



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- N. L. Sharma:** Buxar is scheduled to be commissioned on time, in June '23 first unit and January '24, second unit.
- Moderator:** The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.
- Dhruv Muchhal:** Sir, firstly, Rampur we have got this time period of INR288 crore. Now, we were of the view that the final tariff order was passed and the capital cost was approved. So, what is this, firstly? And the second is related to this is, does this lead to an annual increase in your revenue from Rampur now, after this order?
- N. L. Sharma:** Yes. This is the tariff order passed by CERC earlier. We have filed the review petition. So, this is the result of that review petition, certain items, which were... In the earlier order by the CERC, some expenses were left out, like guarantee fee. Now we have filed the review petition. Now CERC has agreed and this is the result of that acceptance of our claim by the CERC to allow that guarantee fees and other costs.
- Dhruv Muchhal:** Sir, how much does this, I mean, should I assume this is for 5 years or about INR50 crore, INR60 crore, your annual revenue will increase? Is that right?
- N. L. Sharma:** This is one-time.
- Dhruv Muchhal:** Okay. This is one time. So, the second thing is, if you can give the generation and the tariff for the Bikaner project, Bikaner solar project. You gave project cost. I think ETC of INR5,491 crore. If you can give the generation and the tariff?
- N. L. Sharma:** The cost is INR5,491 crore and the tariff is INR2.45. So, that is fixed by the Government of India, that is under CPSE scheme. The maximum is INR2.45 per unit.
- Dhruv Muchhal:** And sir, generation will be approximately?
- N. L. Sharma:** It is 2,500 million units per year.
- Dhruv Muchhal:** And sir, similarly for the Bihar project, if you can give the, Bihar which we have signed to 200-megawatt PPA, the generation and the project cost?
- N. L. Sharma:** We are just working on it. It is yet to be --- we are trying to get the land. The generation from 200 megawatts will be around 800 million units to 900 million because and the cost will be around INR1000 crore.
- Dhruv Muchhal:** Sure, sir. Sir, the next thing was, in Arun-3 project, if you can help us with the status for the HRT line, I mean, I believe the HRT is a critical portion and where are we? How much of the, I believe it is about 11 odd kilometers. So, how much of that has been heading? For how much portion it has been done? And when do you think that is likely to complete?
- N. L. Sharma:** The length of HRT is 11.8 kilometers, and out of this 11.8 kilometers, 8.7 kilometers head raise tunnel has been excavated and simultaneously, we are working on the lining, benching and lining. So, we can say that out of 11.8 kilometers, 8.7 kilometers of HRT has been excavated.
- Dhruv Muchhal:** And sir, what would be the approximate monthly run rate in terms of work completion?
- N. L. Sharma:** Monthly run rate?
- Dhruv Muchhal:** In terms of how much work is done in a month for this HRT heading?
- N. L. Sharma:** Yes. About 3 kilometers HRT has to be done. So, in a year, we have to excavate in a year. So, about 250 meters per month, asking that will be there.



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- Dhruv Muchhal:** And that is what we are currently operating at, is it?
- N. L. Sharma:** Yes. We are trying to achieve that, though there are many obstacles. Sometimes it is more also. Yes, but average 250 meters a month is required.
- Dhruv Muchhal:** Okay. So, I was just wondering, if you have the number for the last three, six months, what would be the average run rate that we are operating at?
- N. L. Sharma:** We can give you the number separately. Right now, we don't have that number.
- Dhruv Muchhal:** Sure. And sir, similarly, for the transmission line, how much portion is what we call this handing over of the portion is done? I think last quarters, it was about 41%. How much is the handing over done right now?
- N. L. Sharma:** That number we will provide you separately, but there has been progress in some areas. Here realignment was to be done because of the objections from the local. So, we had a meeting with the Chief Secretary. Chief Secretary called all the concerned secretaries, Secretary Home and other secretaries. They also called the concerned CDOs, who are actually doing the work at state level. So, there has been headwinds and compensation of the land is to be determined by the CDO. So, now, CDOs have been directed to expedite it. We are keeping a close liaison and touch with the concerned secretaries and the CDOs. We are hopeful that we will get the possession early.
- Dhruv Muchhal:** And sir, last two small questions are, was there any FX loss this quarter, like you probably had in the last quarter 4Q? Were there any FX loss whatever which you could not pass on to the customers through discounts?
- N. L. Sharma:** Yes. They interest on the HRB the ECB, some portion was over INR30 crore but INR30 crore HRB on ECB, that will not be passed to the consumer.
- Dhruv Muchhal:** Sir, when should we expect this to, I mean be over this loss because ideally, this should eventually get capitalized somehow. I was wondering, we will continue to be an impact if the currency continues to depreciate?
- N. L. Sharma:** Then these borrowings are deployed in project and then when this amount is capitalized. At that time it will be that will be done.
- Dhruv Muchhal:** But until then, this will continue to remain, depending upon how the currency moves? Is that fair?
- N. L. Sharma:** Yes. Definitely.
- Dhruv Muchhal:** And sir, this is linked to the Bikaner project, is it? The Bikaner project, 1000-megawatt?
- N. L. Sharma:** Bikaner and other projects we are employing this capital.
- Dhruv Muchhal:** Sir, this seems to be a big impact, because last quarter also this was an impact. If you can, I'm not sure how we can offset this, probably some hedging or some other tools, because this is impacting our numbers in some way. Although, this quarter it is small, but it's still impacting our numbers. So last question is, on Arun-3, you mentioned that you're signing, you have signed MOU with PTC and Renew. So, what would be the tariffs? If you can give some sense?
- N. L. Sharma:** Tariffs will be around, between INR4.55 to INR4.60 per unit.
- Dhruv Muchhal:** So, this is largely agreed? Under the MOU, this is largely agreed with?
- N. L. Sharma:** We are trying. This will be around this figure.



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- Dhruv Muchhal:** I was wondering if, I mean will it change depending upon the project cost? Tomorrow if the project cost comes out to be lower or higher, can this amount change or this is largely fixed now, INR4.5, INR4.6?
- N. L. Sharma:** This is the maximum tariff and we are hopeful, we have worked out the different permutations and combinations of the project costs and expected increase in the project cost also because of various reasons. So, we will be comfortable in the rate in terms of the project costs, we are comfortable at this level of tariff.
- Moderator:** The next question is from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.
- Rohit Natarajan:** So, coming back on this Arun-3 phase three project, is there any slippage like internally probably targeting the commissioning scheduled at maybe in June '23, but now this transmission front, we're not seeing that kind of the progress or maybe what exactly is the situation over there? Is there an stilly shift in internal commissioning scheduled date or are we adhering to the same timeline?
- N. L. Sharma:** Yes, it was planned by June '23. But because of that generation front also, because of the heavy rain, this year rains started very early, right from the mid-February, early March, flash floods in that area. So that impacted our dam concreting also and similarly, the powerhouse and HRT also. In HRT phases also, there has been some geological issues. So, we are not able to go ahead with the desired pace of work in HRT also. So, that is resulting into some delays in the generation front also. So, we are planning to achieve it by December '23 by all the means, and by the time we are also trying, we are making efforts to do the transmission line work before that.
- Rohit Natarajan:** Great, sir. And on Bihar thermal project, we had some issues rail and water pipeline part. The land acquisition, R&R was under the BO? What is the situation over there?
- N. L. Sharma:** Yes. So, land for both these components, whether the railway siding or water corridor has been, the award has been made by the district authorities and for the water corridor, the land has already been handed over to us. And regarding the railway siding, major portion has been handed over and rest of the portion will be handed over soon by the district authority to SJVN. So, we are keeping the schedule as such, June '23 first unit and January '24 second unit.
- Rohit Natarajan:** Sure, sir. And the CapEx guidance for this year, can we assume, it is like INR8,000 crore. That is the target we are looking at?
- N. L. Sharma:** Yes. Total is INR8,000 crore. CapEx target for the year is INR8,000 crore. And for this Buxar project it is INR2,500 crore. And right now, in quarter one, the target was INR1,800 crore against that target. We have already done INR1,990 crore in the quarter one, and till date to INR2,330 crore CapEx has been done and we are sure that we will achieve this target of INR8,000 crore in the year.
- Rohit Natarajan:** Sure, sir. For FY24 the number is INR9,500 crore or still we need to think? Sir, FY24 CapEx target?
- N. L. Sharma:** FY24, it will be INR10,000 crore.
- Moderator:** The next question is from the line of Apoorva Bahadur from Investec. Please ahead.
- Apoorva Bahadur:** So, you gave some breakdown of the incentives and other income. Can you please repeat that? I missed noting it down.
- N. L. Sharma:** Yes. Total incentives which we have earned in the first quarter is INR252 crore, no, INR87.59 crore in the quarter one, against INR71.55 crore last year. Regarding the capacity incentives, capacity incentives last year were INR61.81 crore and this year INR62.79 crore, an increase of INR0.98 crore. But on the other side, UI, that is the deviation settlement mechanism, there is a



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substantial increase. Last year UI incentives were INR9.7 crore, and this year, quarter one, INR24. crore. So, there is an increase of INR14.58 crore. Similarly, the total incentives during the quarter this year is INR87.59 crore. There is an increase of INR16.04 crore.

Apoorva Bahadur: That's very helpful. Secondly, I think on the last call you highlighted that the government has handed us over a certain pump hydro project for exploration in DPR. Wanted to check if there's any update on that and what we found in our initial studies?

N. L. Sharma: Yes, our committee of experts visited various sites. So, we were just finding the viability or feasibility of these projects. We have also engaged the consultant for doing the due diligence. So, out of 10 odd locations, we are going to four locations to explore more, for finding the viability of the project.

Apoorva Bahadur: Sir, where would these be and what would be the total capacity for these locations?

N. L. Sharma: Total capacity was more than 13,000 megawatts. Majority of the projects were in Maharashtra and a few projects in Andhra Pradesh, Karnataka and Arunachal, Mizoram. So, but majority of the projects were in Maharashtra. So, in Maharashtra, we are focusing whether these are viable or not. So, that has to be ascertained. We are engaging a consultant and assigning the responsibility for making the investigations or due diligence.

Apoorva Bahadur: Okay sir. Sir, what would be capital costs that we are looking at?

N. L. Sharma: Capital costs for the PSP?

Apoorva Bahadur: Yes sir.

N. L. Sharma: It is yet to be determined. That will depend how big projects are, then whether reservoir is on the main river or the off-river locations. How much is the height of the dam or the reservoir? So, that will be determined only after. But we can say that per megawatt is more than INR12 crore per megawatt.

Moderator: The next question is from the line of Akhilesh Bhandari, ICICI Prudential AMC. Please go ahead.

Akhilesh Bhandari: You had mentioned the Forex loss component of around INR30 crore. So, what is the current level of ECB borrowing which we have and how much is the unhedged portion of that?

N. L. Sharma: The loss is around INR30 crore. ECB is USD300 million, about INR2,300 crore.

Akhilesh Bhandari: Sir, this is entirely unhedged or you have hedged a part of it?

N. L. Sharma: It is not hedged. It is entirely unhedged, but we are keeping a close watch on the movement of the dollar price and the hedging cost. So, we did not have it because of the higher hedging cost. But we are keeping a close watch on the movement of the dollar price.

Akhilesh Bhandari: Sir, given that a part of this pertains to the renewable projects where the currency movement impact doesn't automatically become a pass through, should it as a policy, we automatically hedge it? Because that's the true cost, right? I mean, Indian Regulatory process, it becomes a pass through in the tariff but in renewable projects, it won't become a pass through?

N. L. Sharma: Akhilesh, this is not an automatically pass-through item, because in RE, Renewable Energy project, except hydro, is not a pass-through item. I mean it is passed in total cost. So, the tariff is fixed. So, it is not cost persuasive. So, it will be part of the cost of the project.

Akhilesh Bhandari: Yes, that's what I'm saying. Since it's not the pass-through, shouldn't we be automatically hedging it when we are taking the loan? So that at least we have visibility of the overall interest cost?



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- N. L. Sharma:** You are right but we are just weighing the different options, where the cost of hedging is more or dollar price movement is more. So, we have to keep a balance in that.
- Moderator:** The next question is from the line of Dhruv Muchhal from HDFC Mutual Funds. Please go ahead.
- Dhruv Muchhal:** So, just carrying forward from what the earlier participant was saying is, it is very difficult to predict the move in USD-INR. I believe you will understand it well. So, if it is not hedged and if it moves very volatily, it can have a significant impact on our number. Hence, the suggestion or probably the request to consider some measures to protect our earnings from unexpected changes in the FX. Because even in last quarter, I believe we had some impact because of the FX loss and even in this quarter. So, the volatility in FX which is no control on us is impacting our performance. So, that was the point that we are trying to highlight.
- N. L. Sharma:** Thank you. Suggestion is noted. Our team is working on it.
- Dhruv Muchhal:** Sir, just one thing. On Buxar project, I was looking at the CEA's broad status report. There it's mentioned that the boiler hydro test is likely to get completed in the November '22, I mean this November 22. And sir, from past experiences, looking at thermal projects, we understand that it takes at least about one and a half to two years after the hydro test is complete for the project to have the startup or the light up happen. So, based on your target of about June '23, it seems a bit aggressive in that sense then. So, are we comfortable that it can be commissioned by June '23 or should we build in some leeway there probably a few six months or nine months delay there?
- N. L. Sharma:** So, this is not the actual position. One year or two years of hydro test. So, even within six months also the project can be commissioned. Unit can be commissioned after the hydro test. All the components, if they are ready, then there is no such time requirement that only after one year prior to testing to that will be commissioned.
- Dhruv Muchhal:** We remain comfortable on this June '23 deadline?
- N. L. Sharma:** Yes. Yes.
- Moderator:** The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Sir, two clarifications. One is, spending for Nepal, will it be counted as HPO obligations for the Indian entity? Is it classified for upon classify for HPO?
- N. L. Sharma:** No. It does not qualify for HPO benefit. HPO benefit are granted only to the projects which are constructed in India, not in Nepal or other countries.
- Mohit Kumar:** Understood, sir. And sir, how are we funding the renewable project? Is it primarily 100% through debt or you're looking to issue equity also?
- N. L. Sharma:** 80:20. Mostly it is 80:20. 80% debt and 20% equity.
- Mohit Kumar:** And how do you think about debt for renewable? Are looking for how much debt? How much Forex debt? How much rupee debt? Or do you intend to reduce the Forex component going forward, especially for renewables?
- N. L. Sharma:** We are funding from debt from different sources. We have tried that ECB. We are borrowing also from external commercial borrowings. At the same time, other banks are also coming forward and even we have gone for the bonds also. In future also we can also go for green bonds or something, some funding. We are funding in different currencies also. Different currencies like Yen also. We are also going for pounds and at the same time, we are also generating funds the securitization of assets which are debt free.
- Mohit Kumar:** Are there any monetization targets for us given by the government?



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- N. L. Sharma:** For this monetization?
- Mohit Kumar:** Yes, sir. Have we committed for any monetization commitment?
- N. L. Sharma:** This year INR2,000 crore monetization through monetization process.
- Mohit Kumar:** Monetization of the asset.
- N. L. Sharma:** Yes.
- Mohit Kumar:** Okay. Understood. What about the use case, in the sense, how are you going to use the proceeds of this cash flow?
- N. L. Sharma:** Yes. This cashflow, we are supplying power to different beneficiaries, different states.
- Mohit Kumar:** No, no. Sir, my question is that, if you raise the money to securitization for the INR2,500 crore, how we will use the proceeds of the sale?
- N. L. Sharma:** Mainly to meet the requirement of equity investment.
- Mohit Kumar:** The INR2,500 crore is a very large number. We can put a large capacity in that case.
- N. L. Sharma:** Our kitty of projects is very large and more projects are coming into construction. So, the equity requirement for the projects will met from these four parts of securitized assets.
- Mohit Kumar:** And sir, which are the projects which are looking to award this year, EPC audits?
- N. L. Sharma:** The Hydro sector, there is INR2,600 crore Sunni dam. So, far that, we will be requiring 30% equity. So, about more than, INR750 crore to INR800 crore, we would require in phased manner. And in the Renewable, in the solar side also, we are just awarded a -- project, 90-megawatt in Gujarat and then we'll be awarding other projects in Bihar, 100-megawatt in Punjab, 90-megawatt floating project in Madhya Pradesh, many more projects. Yes, so many more projects --- 300- megawatt in Gujarat. There are many more projects are in the pipeline.
- Mohit Kumar:** Sir, all these solar projects, once you award the EPC contract, so, this model price risk is on us or it is on the EPC contractor?
- N. L. Sharma:** Once it is awarded, it is on the EPC contractors. Most of it is on the EPC contractor.
- Mohit Kumar:** Most of it, right, sir?
- N. L. Sharma:** Yes.
- Moderator:** The next question is from the line of Varun from Branson Investments. Please go ahead.
- Varun:** Sir, we have seen three consecutive rate hikes this year. So does this lower our effective IRR on renewable energy projects, given that these projects are fixed tariffs projects and most of these projects were won during low interest rate environment?
- N. L. Sharma:** Yes. Lower IRR, this IRR threshold fixed by Government of India has been fixed long back, when interest rates in the market were very high. Now the bank rates have gone very down 6% to 7%. In some cases, we are getting the loans at 5% to 6% also. So, any IRR above the bank rate, the project will be viable. So, 7% to 8% IRR or more than 7% will be the benchmark for determination of the viability of the project. And return on equity, equity IRR is more than 10%.
- Varun:** But it will be lower, right after the recent three hikes interest rate hikes we have seen?



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- Akhileshwar Singh:** See, in fact, increasing interest rate is not impacting our IRR because the interest is not mainly capitalized. Interest is only a short period, during construction period therefore, it is not majorly impacting our IRR.
- Varun:** Alright. And sir, second question now, you said INR8,000 crore CapEx this year and INR10,000 crore next year. So, could you just help me with the breakup between RE and non-RE? CapEx breakup between RE and non-RE?
- N. L. Sharma:** This year out of INR8,000 crore, about INR3,000 crore is Solar RE. We can say Hydro is RE but non-hydro RE. INR3,000 crore for Solar, non-hydro RE and this INR2,500 crore for Thermal and around INR2,500 crore for Hydro.
- Varun:** And for the next year?
- N. L. Sharma:** Next year, the Solar part will be INR4,000 crore to INR5,000 crore. Mainly INR5,000 crore.
- Moderator:** Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to Mr. Rupesh Sankhe for closing comments.
- Rupesh Sankhe:** Yes. So, we thank Mr. N. L. Sharma for giving us an opportunity to host this call. And we also thank all the investors and analysts for joining this call.
- N. L. Sharma:** Thank you very much.
- Moderator:** Thank you. On behalf of the Elara Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines