



## “Tata Power Limited's Q1 FY22 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to Tata Power Q1 FY'22 Earnings Conference Call. As a reminder, all participant lines will be in 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 this conference is being recorded. Today, we have Dr. Praveer Sinha – CEO and MD, Tata Power; and Mr. Ramesh Subramanyam – CFO, Tata Power with us on the call. I now hand the conference over to Dr. Praveer Sinha. Thank you and over to you, Dr. Sinha.

**Dr. Praveer Sinha:** Thank you, Bikram, and good evening to everyone and thank you for joining us for the Q1 Earnings Call. I hope all of you are doing well and keeping safe and taking care of yourself. Today, in this call, I have my colleagues, Mr. Ramesh Subramanyam-CFO; Mr. Anand Agarwal-Financial Controller; Mr. Kasturi - Chief of Treasury & IR and Rahul Shah from Investor Relations and few more colleagues.

As we come out of the second wave of the COVID, we would like to express our heartfelt condolences to all our fallen heroes and their families who continue to support us during this period. During these trying times, Tata Power continued its COVID relief work, including providing hospitalization support, organizing camps, arranging oxygen, and also provided all support during the medical emergencies. Tata Power also carried out huge vaccination drives and 90% of our employees have already been vaccinated with the first dose of vaccine. And the second dose vaccine for most of them will get complete in seven weeks' time. Taking this into consideration full vaccination of our staff will get completed in the month of August.

The second wave of COVID has been equally challenging for everyone as we went into another set of lockdowns and saw our businesses get marginally impacted mainly with billing and collections dipping in distribution business, other renewable business and generation business, and has also impacted execution of some of the projects, at few remote locations especially in our solar businesses. Despite all this, we ended the quarter on a high note, as our revenues and profits went up significantly, with very good all round operational performance.

This was again possible because of the relentless work that all our employees, suppliers and all our stakeholders who provided us and supported us to run our businesses and operations properly.

Our aspiration to build a very strong renewable focus future for the company has started showing results, as we saw a very robust performance from our Renewable businesses. With strong operations and impressive growth in various solar EPC businesses, the company achieved 87% growth in revenue and approximately 60% growth in PAT from renewable businesses on year-to-year basis.

Coupled with very steady state operations of all our other assets and businesses and interest saving from debt repayments, we have achieved 75% growth in reported profits, which stands at ₹ 466 crores as compared to ₹ 268 crores in the same quarter last year. This is the seventh consecutive quarter of delivering year-on-year profit growth.

Our EPC business of Tata Power solar continues to perform very strongly, despite COVID-related constraints, clocking nearly five times growth in quarterly revenue from ₹ 406 crores last year to ₹ 1,949 crores this year. This growth has been based on well-rounded performance from large scale utility EPC, solar rooftop and solar pump segment.

The large scale utility EPC order book continues to grow, with orders worth ₹ 743 crores won in Q1 taking the total order book as on 30th June at ₹ 7,257 crores. Among various projects we won, 150 MW from NTPC valued at approximately ₹ 650 crores last quarter. In July, we were also successful in EPC tenders of around 800 MW for which letter of awards are expected to come very soon. The pace of wins reaffirms our position as a chosen EPC partner for large solar developers. In some of the ongoing contracts, the module prices have increased thereby putting pressure on the margins. However, the new contract factors the current prices, and therefore, margins are expected to improve going forward.

On back of Tata brand trust and our extensive channel partner and marketing network, solar pump business has done exceedingly well with the sale of

7,419 pumps this quarter recording the highest ever quarterly sales. Our solar pump business is growing stronger day by day, as we have become the one of the largest player in pump business with total installation of close to 44,000 pumps till date.

We have seen similar success from the rooftop business where we won orders of 148 MW, worth ₹ 434 crores in Q1. Our rooftop order book as on 30th June stands at 294 MW worth ₹ 720 crores. In addition, we have been empaneled and won a contract from Kerala State Electricity Board for 84 MW Rooftop Solar Project for domestic customers across all districts of Kerala in July. With this order of worth nearly ₹ 400 crores, our current order book for rooftop solar has gone above ₹ 1,000 crores. We also launched schemes in partnership with institutions like Bank of Baroda, HDFC Bank, SIDBI and Electronica Finance to provide easy hassle-free financing for residential and MSME customers. On the execution side, Tata Power solar has successfully completed the installation of many projects, including the 6 MW Carport project in Tata Motor's Chikhali plant in Pune, which is today's India's largest grid synchronized, solar carport.

This quarter, the generation from wind assets have been improved significantly due to several preventive maintenance work carried out to resolve recurring issues, and as a result, we improved the availability of all the plants to 98.6% this quarter, the highest indeed. Solar assets also operated at very high availability. However, generation was slightly impacted due to cyclonic activity in the region.

Coming to our integrated CGPL and Coal Portfolio, international coal prices have touched new 10-years highs recently. As a result, we have reduced the supply of power from the units to contain the losses. As the tariff lag unwinds, generation can be increased in subsequent quarters to meet the yearly obligation. On the other hand, due to the increased coal prices, the profits from the coal companies have increased significantly, resulting in the net profit growing from ₹ 21 crores last year to ₹ 148 crores in this year. This was before the impact of APTEL order for change in law relief, which was awarded to CGPL in this quarter. We will do everything possible to contain the CGPL losses in the coming quarters.

This quarter was also very important for us in Tata Power, as we welcomed customers and employees from the Northern Orissa distribution circle to the Tata Power family. On 1st April, Tata Power acquired 51% stake in TP Northern Odisha Distribution Limited and added 2 million customers to reach a total customer base of 12.1 million customers.

As all of you are aware, Odisha was impacted by Cyclone YAAS in the first quarter. Within a short time of taking over the northern circle, Tata Power, with its operational strength, was able to restore supplies to vital consumers, like hospitals and oxygen plants in less than four hours and to other consumers within 48 hours. Similar works were carried out in central Odisha which was also impacted by the Cyclone YAAS. We were able to achieve this despite COVID-related constraints, through meticulous planning and large mobilization of people and materials. The efforts of the Odisha team has been applauded by various government agencies and the people over there; once again highlighting the efficiencies and benefits of an experienced distribution player can bring in distribution operations.

However, you would see that the double blow of COVID and cyclone has affected significantly works towards the restoration of the network and has also impacted collections during this quarter. As a result of which, the AT&C losses in the four DISCOMS increased this quarter. For both April and May, there was virtual lockdown in Odisha. However, the technical losses have been brought very close to the trajectory under the vesting order for these discoms. The reduced collections are reflected in the higher receivable which will be realized over the upcoming months and we are confident that all these four DISCOMS will meet the AT&C target much before the expected date.

As a result of the above business' performance, the consolidated revenue for the first quarter stood at ₹ 9,831 crores compared to ₹ 6,671 crores during previous year, a 47% growth during this period. The increase was largely driven by inclusion of Odisha Discoms operations as also because of increase in revenue through increased sales and execution in Large Scale Utility EPC, Rooftop and Solar pump businesses. .

Capitalizing on the low interest regime, we prepaid ₹ 1,500 crores of 11.4% perpetual debt, which will reduce our overall interest outgo though the debt numbers have increased because the perpetual debt was classified as equity earlier.. With CAPEX underway for our renewable projects, the net debt slightly increased to ₹ 38,898 crores. The selective prepayment of high cost debt has helped us to reduce the interest cost from 7.99% last year to 6.95% in this year. Going forward this reduced interest cost will give us a competitive edge. Our net debt-to-equity stood at 1.57 compared to 1.81 last year. Net debt-to-underlying EBITDA has also come down to a healthy 4.15 times.

Many of you often asked us about our intent in the transmission space. We witnessed a crowding of bidders leading to unviable pricing. As a result we deferred our plans. We have now revisited the current conditions in the transmission space and feel that the industry has consolidated quite a bit and has space for large players like us. We are partnering with our own group company Tata project and will bid for good quality transmission projects. We will factor this in our capital allocation plan for the next few years

Our EV charging business has also made remarkable progress with strategic tie-ups with fuel retail outlets providing us access to important locations to our existing extensive network as we have reached more than 110 cities. The recent announcement by states like Gujarat and Maharashtra by providing various sops for EV purchases will also propel this segment which is critical to sustain and nurture the EV environment.

Our Tata Power 2.0 Vision focused on environmentally sustainable businesses, and the transparency through our reporting framework has been appreciated by you and has also helped us to be recognized by reputed rating agency like CRISIL. We take immense proud in topping the CRISIL ESG score for Power Companies in India, scoring 67 out of 100 points. Such recognition boost our confidence to march ahead with the future ESG goals, we are future-ready for a cleaner tomorrow and aim to capitalize opportunities across the hybrid renewable projects, floating solar and new technologies of battery storage.

Lastly, we want to thank all our analysts and investors for their support in the Institutional Investors All Asia (Ex- Japan) Executive Team 2021 poll. With your support, we were able to secure top rankings in several categories, including the best IR program and ESG disclosure outside mainland China.

Once again, thank you for joining this call. With this I hand over back the call to Bikram for the question-and-answer session. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Sumit Kishore from Axis Capital. Please go ahead

**Sumit Kishore:** My first question is on solar pump EPC, could you give us the revenue in Q1, a sense of the orders that you have in hand for solar pump EPC currently and a status of the EESL tenders and how they are shaping up for execution this year?

**Ramesh Subramanyam:** The current order book is ₹ 175 crores and revenue in pumps for this quarter is ₹ 140 crores.

**Dr. Praveer Sinha:** Coming on to the EESL tender, there is a court case going on in Delhi High Court by some of the bidders who were not selected, hearing is expected to be held on 12th of August and EESL is confident of getting a positive result. Also, as a backup both MNRE and EESL are proposing to come up with another set of bids along with the state governments so as to meet the yearly target of 3 lakh pumps. So, the ambitious program that Government of India has under KUSUM, they want to go ahead and implement it and they have alternate plans also to ensure that this year's target is achieved.

**Sumit Kishore:** My question on solar rooftop EPC, you mentioned that the current order book is ₹ 10 billion versus June end order book which was around ₹ 720 crores. So, basically what is the execution timeline for this ₹10 billion order backlog in solar rooftop and what was the revenue in Q1?

**Dr. Praveer Sinha:** So, depending upon the size of the orders, they can be executed from one month to six months period. So, most of the orders are executed within that

timeline. We expect that most of these orders will get executed within this financial year.

**Ramesh Subramanyam:** And revenue for rooftop EPC is ₹ 147 crores.

**Sumit Kishore:** My second question on the EPC business is on margin where we've seen week margins in Q1 but we also understand that the safeguard duty saw sunset in July. So, given that nothing has been put to replace that SGD, do you think for the EPC business in the balance fiscal there would be release on margin?

**Ramesh Subramanyam:** For some of the older orders in which we had some module purchasing remaining, certainly there's been a hike in prices, and therefore in some of the older orders, we've got a far less margin than the original plan. But in the subsequent orders and recent orders, since they are all benchmarked to the new level of pricing, issue of low margin will get restored. So, in this quarter, we've seen an impact of some of the higher module prices reflected in the margins. But this is probably a short-term phenomenon.

**Sumit Kishore:** So, making 5% profit margin in solar EPC business, something is possible on a sustainable basis?

**Ramesh Subramanyam:** Well, we won't quote numbers, but yes, healthy margins are definitely sustainable.

**Sumit Kishore:** In BSE filing you have clarified that TPSSL shall not be amalgamated with the parent entity anymore. So, what is the progress now on CGPL amalgamation with the parent, expected timeline there and if you could give us an update on your plans to monetize the stake in renewable portfolio, because now TPSSL will not be put inside the standalone entity, so should we assume that it will be also get bundled with your solar IPP business when you're looking at monetization?

**Ramesh Subramanyam:** On the CGPL merger, the last bunch of hearings are in progress. We expect to close the NCLT proceedings very soon and thereafter wait for order to come. Before that order is executed, we may have to do whatever process is there in terms of regulatory as well as shareholder approvals depending on



the order of the NCLT because there's a change in the scheme. So, we may have to do some procedure before that. But otherwise, it's on track and we are confident that it will be wrapped up in the next couple of months. Now, as far as the TPSSL is concerned, we are working on plans on how best to structure the renewables. And as soon as we have something really ready to share, we will do that, but work is in progress.

**Sumit Kishore:** A bookkeeping question, you mentioned that in Odisha due to cyclone and COVID-19 lockdown collection had reduced resulting in higher AT&C losses. What is the P&L impact and the balance sheet impact of this in Q1?

**Ramesh Subramanyam:** Not a very significant impact. Total about ₹20 crores of impact on PAT. On balance sheet, impact will reflect in higher number of debtors because of the collection issue. Our T&D losses are pretty much on track. But the billing and collection efficiencies were due to COVID, it was lagging. Since we did very well on the other counts, overall impact is about ₹ 20 crores as I said. But on balance sheet, about 1,000 crores of debtors are to be carried over to the next quarter.

**Moderator:** We have next question from the line of Swarnim Maheshwari from Edelweiss Securities. Please go ahead.

**Swarnim Maheshwari:** On this prepayment of the loan of ₹1,500 crores the perpetual debt, was this planned or at a very high rate of interest, so what was the nature of this exactly?

**Ramesh Subramanyam:** No, this was a perpetual debenture with 11.5% (correct rate- 11.4%) coupon. So, it was due now. So, anyhow we had to replace it and we've just replaced it by loans. The reason why we took this opportunity was that as per the terms of the bond, we had an option after 10-years to prepay, and that's what we have exercised.

**Swarnim Maheshwari:** The impact of this, if I understand this right, is basically that this ₹ 1,500 crores was not a part of our total borrowings and it was rather in the equity side, now this ₹ 1,500 crores actually moves to our debt side, is that right?

**Ramesh Subramanyam:** Correct, it has moved from equity to debt side.

**Swarnim Maheshwari:** Hence the sequential increase also in debt?

**Ramesh Subramanyam:** Correct. In that sense, in terms of impact on P&L it is positive.

**Swarnim Maheshwari:** Now, you are planning to enter into transmission business with Tata Projects. So, really excited for that, but what is the sense over here in terms of bidding, are we only looking for interstate projects right now or we are open for intrastate projects also, so, if you can give some color over there?

**Ramesh Subramanyam:** We are open to all kind of projects and probably we might look at under construction and stressed projects also. So, the whole idea is to build a good portfolio, and eventually to find an appropriate structure for that also. So, all that is in the work. Right now we will just get started. I have to tell you that we have the Platform as you know - Resurgent P. Since Tata Power was not doing transmission in any case, we had undertaken some transmission stressed project acquisitions in that, but this would be more focusing on Greenfield to start with. And of course, we will include any nature of projects that we feel is within our risk parameters.

**Moderator:** We have next question from the line of Murtuza Arsiwalla from Kotak Securities. Please go ahead.

**Murtuza Arsiwalla:** Just want to check, specifically in terms of CGPL, we saw very low sort of generation and availability. Presumably, that's because of the elevated coal prices. If we assume coal prices to stay where they are, how should we think of the balancing act between the CGPL losses and the profits or normalize sort of margins from the coal business, if you can provide clarity on that, given that coal prices are currently?

**Ramesh Subramanyam:** If coal prices remain where they are the gap between the two in terms of the difference between loss and profit, could marginally be higher because of the fact that things like the DMO obligations, etc., come in at very high prices. So, there will be a slight negative impact. And secondly, we're trying to address that particular issue by adjusting the level of generation and the source of the coal and the timing of import. Through the year, we will take advantage of price reductions at times during the year to offset that. So,

overall, it's not going to be a significant impact is what our target is, it's going to be nominal impact whichever way coal goes.

**Murtuza Arziwala:** Just a follow up to that, what would be a minimum level of generation that you would have to commit to in a year's time to keep that equation in order in terms of availability charges not been lost.

**Ramesh Subramanyam:** This is a slightly complex calculation. Briefly, contract does provide for 80% as the minimum availability to charge the full fixed charges, but then you have to see that in light of the fact whether the variable losses, which is the under-recovery on account of variable cost, how much is that relative to the extra fixed charges that you collect. So, as long as the prices remain high, there is no commercial benefit in producing more.. So, therefore, the level of generation is purely a factor of what is the level of coal prices. And also, it's not that we are barred from producing lower, it's just that there are appropriate reduction in the fixed charges and penalties which are there, which would get levied if we go below a certain level. So, the decision-making is complex, based on all these factors and then we will see, which one gives us the best results.

**Moderator:** We have next question from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:** Sir, one clarification. In last conference call you said that update on the new renewable monetization structure. Can you please update again on the renewals and the clean portfolio?

**Ramesh Subramanyam:** We are in process of coming to what is the best possible approach to structure the renewables business s. One decision, which you know we have taken is to not merge the EPC and manufacturing business of Tata Power Solar into the Standalone, which was an original plan. So, I think in light of that decision, we're still working on it. And as soon as we get something tangible worth sharing with you all, we will be announcing it.

**Mohit Kumar:** What is the expected timeline for this?

**Ramesh Subramanyam:** Well, anywhere from now to 12-15 months, we have time to think over this.

We are not today starved of capital, we need to do the best possible thing for the company. And therefore, there is no time pressure on our end right now. But suffice to say that we're seriously working on it to find the best route and at an appropriate time, we will do what is the best possible thing.

**Mohit Kumar:** On solar pump business, do you think delay in EESL tenders will have some impact on the kind of volumes you're building for FY'22? And do you think this could be a sizable roughly around 1 lakh-1.5 lakh volumes going forward in FY'23 for us?

**Dr. Praveer Sinha:** So, we shared with you that in the last quarter, we had a record execution of solar pumps. And we still have a pipeline of orders, which we need to execute in this quarter and the next quarter. We are expecting that within August some decisions will be taken either the court case will get cleared, or some alternate purchase mechanism will be because it's a target of even Government of India under KUSUM to ensure that solarization of pumps takes place at a very rapid pace. And so, to that extent, the government has assured us that within August they will decide. And then we will have enough time during the year to complete all the orders that we have planned for this year and in subsequent years.

**Mohit Kumar:** Sir, qualitatively is your solar margin profile different in solar pumps compared to solar EPC business, is it much higher?

**Dr. Praveer Sinha:** They are more or less in the same range, give or take 0.5% - 1%

**Moderator:** We have next question from the line of Deepika Mundra from JP Morgan. Please go ahead.

**Deepika Mundra:** Firstly, on the asset monetization side, can you talk about some of the plans on the non-core asset monetization, how are they progressing? Secondly, on the privatization of discom you all have highlighted, a bunch of opportunity as potential. So Chandigarh is one bid which is in the press. Any comment on future opportunities, how soon they can come to fruition?

**Dr. Praveer Sinha:** So, let me try to respond to the second question first. So, on the distribution opportunity in Chandigarh bid has been opened. We still have to see how the evaluation takes place and what gets decided. As far as the other opportunities are concerned, we are waiting for the Electricity Amendment Act and we have heard that the Union Power Minister and also the Finance Minister in the Budget speech have mentioned about opening up and delicensing the distribution. From our side, we are getting ready for this opportunity and we are scrutinizing various cities, various locations where we would like to go. It will definitely be a multi-city plan, and not just one city and different states that we will go. So, we are getting ready with all our plans. As soon as the Parliament approves the Electricity Act, and also the regulations for that gets finalized, we will be going to numerous cities and provide the quality service as we have been providing in Delhi, Mumbai and Odisha.

**Ramesh Subramanyam:** On the asset monetization, we will continue to work on the assets in Zambia, Georgia and coal assets. And of course, because of COVID there's been a lot of interruption. But we will continue to work on it and hope to close it this year. Let's see. We're trying our best.

**Deepika Mundra:** So, if I can just follow up on the DISCOM bid, given the wide disparity in what the bid seem to be, are there any other evaluation criteria which are into play? And do you see competitive intensity picking up here as well with more players entering?

**Dr. Praveer Sinha:** Yes, there will be definitely more players, but there is that much many opportunities. So, we have 28 states and 9 union territories. There are about more than 70 state utilities who are working. So, it's very natural that we will have more number of players coming in, but there's definitely space for Tata Power, especially because of our earlier experience and the domain knowledge that we have. We feel very confident that in many cities, we will be able to make an entry and we will be ready for any sort of competition going forward. And on the evaluation criteria, those are things between their consultants and the Chandigarh administration, they need to take a call on that.

**Moderator:** We have next question from the line of Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati:** You talked about distribution opportunity opening up post the Electricity Amendment Act. In your experience, what are the steps the government need to do before the opportunity really opens up?

**Dr. Praveer Sinha:** The first is that it has to be approved by the Parliament. So, once it is approved by the Parliament, each of the states will also have to adopt it, and once that is adopted by each of the states, they can go ahead. Also in the Electricity Act Amendment, it is written that the rules and regulations for going through the process of delicensing and the service level agreements and condition will be prepared by forum of regulators. And that will again get adopted by the state regulators for implementation. So, the whole process even after the approval of the Parliament will take about a year, but I think there's already a lot of ground work which has been done and people are keen that they take it forward once the decision on this is taken.

**Puneet Gulati:** So, even if a few states agree, will that be good enough to start the process or will everybody has to agree and then a quorum of regulators come in place?

**Dr. Praveer Sinha:** Typically, all the states like any amendment that takes place in the concurrent list issues. Whichever states agree, based on their individual timelines, it can go ahead and others subsequently can join. It is not that the states will not be agreeing to it. It's just a question of timing. So, it's not either or, it has to be done. But yes, some of the states may take a little longer period of time, but it will eventually get done.

**Puneet Gulati:** Can you give us more light on your EV business model now? You have a substantial number of home chargers, 3000-plus already installed. How does the revenue mechanism and profitability work out of those?

**Dr. Praveer Sinha:** So, let me try to explain to you that in EV charging, there are three business models. One is the home charger where the OEM ask us to go and set up the home charger, which we go and provide whenever a person buys the electric vehicle. That is based on the revenue model whereby we get upfront money

for providing that facility. The second is the public chargers, in which you get the necessary approval either from the corporations or whoever is the owner of the land in many cases, petrol pumps or banks or any other owner who is there in the public location. They will give you permission to put and you go and put it on your own commercial risk basis. Based on utilization, you will get revenue. And that depends on what sort of penetration of electric vehicle is taking place and what is the usage pattern for public charging. The third is fleet owners, bus depots and all, where again you are a service provider and you get paid. And there are two models -- you either get paid upfront or you get paid on a yearly annuity-based structure, whereby there is a subscription model and you get paid on a monthly basis. So, those are the three models that we typically are working on.

**Puneet Gulati:** But in terms of home charger, what kind of percentage of the electricity charge do you get paid?

**Dr. Praveer Sinha:** No, we don't get paid electricity charges. So, it's a service charge for the service that we provide. And then there is also a subscription for the other customer related services in terms of the application that has been given and the update of information that is provided to them.

**Puneet Gulati:** Is it possible to get some unit economics there, what kind of per charger revenue would you be generating from a home charger where penetration is quite decent now?

**Dr. Praveer Sinha:** We'll be able to provide you the details. Different cities have different electricity rates for EV chargers and then you have your own service charge for that.

**Puneet Gulati:** My last question is on the merger of CGPL. Would you still get the benefit for FY'21 and despite not including solar EPC, would you still be able to make use of the entire unabsorbed losses?

**Ramesh Subramanyam:** So, the petition remains the same as it was originally. The only modification we are doing is that our solar piece is no more part of the merger scheme. So, all the other benefits will remain the same.

**Puneet Gulati:** So, even for the regulated business, you can get the benefit of lower taxation?

**Ramesh Subramanyam:** The benefit will be at a corporate level.

**Moderator:** We have next question from the line of Subhadip Mitra from JM Financial. Please go ahead.

**Subhadip Mitra:** My first question is with regard to the EPC business. In your opinion, are you seeing clients progressively moving to procuring the modules on their own and giving out the EPC contracts ex of module, would you be seeing that happening say for the larger clients like NTPC?

**Dr. Praveer Sinha:** No, in fact, large clients like NTPC only give EPC because they want end-to-end responsibility to get transferred. And not only they give you the EPC but also ask you to do the O&M for five years. So, they are looking at a guaranteed good quality supplier and not trying to save some money by procuring panels which may not be of the quality that Tata Power with its experience will be able to provide.

**Subhadip Mitra:** Given the higher targets that the government has come up on the solar side and probably more visibility in terms of pipeline of tendering, are you looking at upping your target capacity number of 2GW additional and EPC targets put together?

**Dr. Praveer Sinha:** We are not looking at upping our number because, again, we are very cautious in terms of bidding and the type of tariff that we would bid and we would like to get the margin for. Secondly, we are also very particular, what is the risk profile of the states in which we will be bidding. So, we are definitely sticking to our existing target. And we feel very confident that with the type of numbers that the government is talking about and the plans in next 10-years, we'll be able to meet our targets going forward.

**Subhadip Mitra:** Lastly, on the EV charging business, would it be possible to share as to what is your overall investment that you're planning to have in this particular business segment over the next two, three years and any target revenue number?



**Ramesh Subramanyam:** You can check our analyst presentation made last year. We have given a five year visibility. And if you want some more details on that, please contact Rahul and Kasturi, they will be happy to help you.

**Dr. Praveer Sinha:** That presentation is there also on our website.

**Moderator:** We have next question from the line of Anupam Goswami from B&K Securities. Please go ahead.

**Anupam Goswami:** Sir, you mentioned in your opening remarks about some transmission bidding that got crowded and we are now looking for different sort of transmission bidding with Tata Projects. So, what actually happened there? And also you mentioned about reallocating your CAPEX plans. So, what is our CAPEX plans and what is our target?

**Ramesh Subramanyam:** Anupam, what we were saying is that although Tata Power is not new to transmission, you will remember that we have done a large Greenfield project called Powerlink's Transmission long back and after that we've been doing Mumbai-related transmission for quite some time. So, we were in the area, but we were not wanting to get into the new Greenfield bids because of the fact that was quite crowded in the last 5 to 10 years in terms of new players coming in and outbidding each other and as a result, a lot of NPAs have happened in that sector. So, we were always keeping away. A lot of consolidation cleanup has happened, a lot of lessons have been learned. And we believe that there is still a lot of steam in the transmission sector, and it is becoming a more level playing field. So, that's why we've decided to come back and bid for Greenfield projects and the whole idea is to also take the expertise, as Dr. Sinha said of Tata Projects which is our sister company and they are the leading EPC player in the country today in T&D. And therefore we wish to explore this. And for which what we meant by capital reallocation is that ultimately the projects if we start winning, then in about 12 to 18 months' time really the full fresh capital needs would come in. What we said was that we would be planning for that in terms of the requirements of equity capital for that, that's what we meant by capital allocation.

**Anupam Goswami:** Because our earlier target was ₹ 15,000 crores CAPEX in the next five years and the large chunk, was in Mumbai transmission and distribution. And for that new transmission lines were supposed to come and up for bidding. So, are we still interested in that or are we going for some absolutely new Greenfield transmission?

**Ramesh Subramanyam:** This is absolutely new Greenfield project.

**Anupam Goswami:** So, we are in our target.

**Ramesh Subramanyam:** Correct.

**Anupam Goswami:** Can you elaborate more on the APTEL order on CGPL and with the DMO regulation and going forward what would be our plan and strategy?

**Ramesh Subramanyam:** On the APTEL order, this order is about “Principle of Restitution”, which means that due to a change in law or regulation or a policy decision of the Government, the bidders or the operators, the PPA has to be restituted at the same position. This principle has been supported by Supreme Court in various judgments. So, this APTEL order is all about restoring the change in law related claims that were there on several counts, which APTEL has held. And, of course, there would be probably an appeal to the Supreme Court, which is likely to happen.. The second question, which you asked is about the DMO obligation. So, we haven't seen the impact in this quarter because it depends on when they cross the 25% limit for domestic obligation. So, the timing probably will happen during the year. So, strictly the notification of DMO today is not rescinded. Now, whether they actually enforce it, is something which we'll have to watch out, but strictly it has not been taken away, so we are assuming it continues.

**Moderator:** We have next question from the line of Gopal Navander from SBI Life Insurance. Please go ahead.

**Gopal Navander:** Two questions from my side. One is that, this delay in the monetization of renewable assets – In the entire last year every quarter we have been talking upon monetization of these assets and strengthening the balance sheet and even in the Q1 when the InvIT deal got scrapped, we said that in a very short

time we'll come up with new structure which will be more beneficial for shareholders And now we are saying that we have 15 to 18 months to decide on the deal structure. So, what exactly has happened and why we are delaying this?

**Ramesh Subramanyam:** First of all, it is not correct to say that we are just delaying it or is damaging the balance sheet, because the reason why we relooked at INVIT is because all other plans that were there last year, we successfully made. So, therefore you should appreciate that our balance sheet today by any sense of imagination, whether you take debt-to-equity or debt-to-EBITDA is as good as it can be for Infrastructure Company like ours. So, the point was that having got it done even in a difficult year like last year, we felt that we should not hurry up and not deliver the correct value to our shareholders the value probably the renewal business can deliver. So, first of all, we have attained our target of balance sheet ratios. Now, the challenge is to achieve growth without increasing leverage a great deal. So, for that it doesn't mean that we are on overtime to secure additional capital, we have time in our hand, FY'22 plan has already been made, last year we delivered ₹ 5,400 crores of cash flows before CAPEX and this will increase only this year also over that. So, we have good accruals to support our current plan. So, we are under no pressure. However, when I mentioned the timeline, I did say 0 to 18 months which could be happening sooner also. But what I wanted to emphasize is we are not in a tearing hurry that has happened tomorrow, we want to do the right thing. So, I think that we are in good shape and we are on track and as soon as something really concrete happens, we will definitely share that with you. So, I think there is no damage happening or there is no serious problem happening by not taking the decision yesterday.

**Gopal Navander:** Second is renegotiation on the HPC. What is the status on that?

**Ramesh Subramanyam:** If you remember there was an HPC committee report which was acceptable to us, but subsequently there were a lot of developments in Gujarat regarding the cases relating to the other two operators and in that process a lot of modifications were made to the original HPC recommendations which are not acceptable to us, we have conveyed that to the procurers. We feel that that the current proposal is not going to help us, because that doesn't

really solve the problem for which we really went to the procurers. As of now, it's a standstill and we are trying to contain the losses as much as we can and only when there is a solution worth considering that we would really take it up.

**Gopal Navander:** Lastly, on this coal side, the prices change in the HBA has more than what we have realized. What is the gap since you're saying there is no DMO which was there in Q1 and at what price DMO is applicable?

**Ramesh Subramanyam:** \$70, but there is additional condition there that it has to meet the domestic requirements. So, therefore, the whole idea is that the domestic offtake should not suffer from increase in prices, but if the domestic offtake is not there due to any reason, we will not have an issue. So, that all depends on what is the domestic demand and whether we are able to supply to that demand.

**Gopal Navander:** And this gap like the delta in HBA is \$10, while our realization has only moved by \$6.

**Ramesh Subramanyam:** Yes, but the realization increase is also on a larger quantity. And two things since you asked that question. The increase in cost in CGPL is a factor of also the carry of the stocks whereas the increase in the realization is real-time sales locked by the coal mines. So, there is normally a lag which we notice. Broadly they meet, there is a chart that we always show for the PAT of CGPL plus coal companies. So, you will see that trend, more or less they kind of match the delta in the long run.

**Moderator:** We have next question from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

**Bhavin Vithlani:** If you could help us on funding of the renewable capital expenditure. In ₹ 11,000 crores of debt, what is the proportion of debt that is repayable each year or you could refinance and with EBITDA of ₹ 2,100 crores what is the kind of capital expenditure addition that we could finance from the existing balance sheet of SPV?

**Ramesh Subramanyam:** Bhavin, if you don't mind, I will ask Rahul to give you those numbers.

**Bhavin Vithlani:** Sure, no problem. The second thing is we've seen a considerable increase in the debt, almost ₹ 2,000 crores of debt from the solar EPC business. If you could help us understand the reason for it and when do we see the normalization?

**Ramesh Subramanyam:** Well, this quarter has been a very high activity quarter. And as a result, the end of the quarter we were sitting with receivables but this will get liquidated in the next three to six months as is the normal trend. So, higher activity in that quarter and you normally see an increase in debtors but it will come down in the next two quarters - generally three to six months most of the EPC receivables get liquidated.

**Bhavin Vithlani:** Last question what is the status of the FGD installation and we have seen an increase in the regulated equity for MPL, is it related to the FGD commissioning?

**Dr. Praveer Sinha:** I don't think FGD has any impact on MPL because the work is still going on and as per the latest guidelines from MoEF most of these have to be completed by December '24. So, we are on track. Orders have been placed in all the locations and we expect to complete it well before the timeline that has been set by MoEF. In Jojobera, this is required to be done by December '22. And that work also is under progress there. So, all orders which are required for FGD has been placed and we will complete it well within the timelines.

**Ramesh Subramanyam:** We had a very small equity requirement for FY'22 for this because most of is only advance, only the minimum advance that we take, really speaking FY'22 there is not much, it's really coming up in '23 and '24.

**Bhavin Vithlani:** What is the reason for increase in the regulated equity from ₹ 1,440 crores to ₹ 1,650 crores?

**Ramesh Subramanyam:** The railway commissioning, which was completed this quarter has resulted in that increase in equity in Maithon.

**Moderator:** We have next question from the line of Abhineet Anand from Emkay Global. Please go ahead.

**Abhineet Anand:** My first question is on CGPL. So, if you see ex of APTEL orders which has impacted both your revenues and other income, what could have been the loss of CGPL?

**Ramesh Subramanyam:** If you remove that, loss will be about ₹150-odd crores.

**Abhineet Anand:** Second is we heard some of the EPC guys in solar saying that Chinese module players have been rescinding contracts, because of the fact that module prices on YoY basis increased by more than 30%-40%. What has been our experience on that sir?

**Ramesh Subramanyam:** I think we have had decent relationships. Yes, there is a price increase, and some of the price increases has led to erosion of margin in some of the older contracts. But I think we are getting good terms from them for the ongoing and the future contracts. So, there's been some minor issues, but I don't think this is so serious that we have a big problem at hand.

**Abhineet Anand:** And majority of our contracts would be from the China only, right?

**Ramesh Subramanyam:** Yes, majority would be Chinese.

**Moderator:** We have next question from the line of Sumit Kishore from Axis Capital. Please go ahead.

**Sumit Kishore:** In case of CGPL, I notice that the interest and finance cost is lower on Y-O-Y basis by about ₹1.07 billion. The debt repayment actually happened in a major way in second half of the fiscal in CGPL. So, would you say that for the full year given the first quarter itself has seen ₹1.1 billion reduction in interest, for the full year this run rate should be maintained or was there something exceptional out here? You are looking at interest cost saving on year-on-year basis of ₹400 crores?

**Ramesh Subramanyam:** This benefit may continue compared to last year, will be max for two quarters because as you rightly said the reduction happened in the second half. So, the second half may not see the same thing.

**Sumit Kishore:** But the impact of refinancing the cost of debt lower, that may still reflect in third quarter and fourth quarter?

**Ramesh Subramanyam:** Yes.

**Sumit Kishore:** My second question is on the Trombay PPA which is expiring for most units by FY'25. Those PPAs will not get extended for the plant which are more than 25 years old. So, would you confirm that those plants would be shut down? How much land will get freed up and what is your thought process on land utilization?

**Dr. Praveer Sinha:** So, let me try to put this as two separate questions. The first is that while the PPA is there till March '24, because of the incident that happened last year on 12th October, there is a thinking in the government, which is backed by a report from CEA and expert committee, that there should be a large embedded generation in Mumbai to take care of such type of transient conditions and to bring more robustness and surety in the supply to Mumbai. So, that's the reason that they are now looking at having a PPA to be extended for a few more years till alternate arrangement is made of ensuring or enhancing the embedded generation in Mumbai. The second is about the land and other things. That will only happen once we take the call what is to be done? So, right now, Maharashtra government and MERC and BEST, which is one of the buyers of this power apart from Tata Power distribution, have to take a call based on the guidance from the government and the regulator.

**Sumit Kishore:** However, it may boost Tata Power ESG credential too to shut down a plant which is 25 years old.

**Dr. Praveer Sinha:** This plant has FGD set up way back in 1990. So, this is one of the cleanest plant and that's why it has been allowed to function over here. Secondly, it uses very good quality environment coal. So, it has ash less than 10% only while the normal Indian coal has a 40% ash. So, it uses very-very efficient equipment, it uses coal which has the least pollution and it has FGD. So, to that extent, it is not that it is enhancing or increasing the coal footprint of Tata Power, it is just maintaining what it is. And we are also exploring as a

part of the government initiative that if we can put the gas-based plant in Trombay which will take care of the embedded requirement, and at that stage possibly the unit-V which has completed more than 25-years can be decommissioned.

**Sumit Kishore:** What is your plan to enhance your solar module cell manufacturing capacity? And in light of the announcements at the RIL AGM what opportunities do you see to work as a EPC contractor for RIL, any tie up that are being explored?

**Dr. Praveer Sinha:** Let me tell you that Tata Power set up manufacturing for cells and modules way back in 1991, not only in India, but globally no one was thinking about it. Last year we doubled the capacity of cell and module from 250 MW to 500 MW each and we do have plans that we will enhance the capacity of the existing cell and module further depending upon the market condition, the state governments have come up with capital subsidy plan, Government of India has a PLI plan. And we are in active discussion with them to examine and see that how best we can avail those benefits and how this will become cost-competitive and there will be enough demand for this. So, this is very much under discussion, under work. And we will again do things which are right for the company and right for the country.

**Moderator:** We have next question from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:** Is there any plan to increase the solar manufacturing capacity given that all our competitors are announcing a sizable increase in large capacity. Do you have some plan to increase our capacity? Secondly, for PLI, do you think is worth changing for us?

**Dr. Praveer Sinha:** I just now responded to these questions that these are definitely plans and we are looking at PLI, so this is already answered. If there's anything more than that, you may please ask us.

**Mohit Kumar:** Coming back to the renewable assets, we have 2.3 operational and 4 GW in the pipeline. I assume that most of these will get commissioned in next 12 to 18 months. So, is there any medium term target we are looking at by the



time we do some kind of monetization, are we looking for inorganic opportunity also?

**Ramesh Subramanyam:** We're looking at all kinds of growth opportunity. But let me say that it is not just for monetization, it is part of our strategy. Monetization is also parallel strategy which we are having in mind. But really speaking, for us the growth is anyway a target. And therefore, there's no specific target only to till the monetization stage. So, we put it out to you already that 2GW what we're trying to achieve in a year. And that target will remain irrespective of monetization.

**Mohit Kumar:** The last one is perpetual debt which we have replaced. So, what is the impact in terms of cash flow, what was the original coupon we are paying on a perpetual debt versus the amount we are paying on the debt we have taken to replace this perpetual instrument?

**Ramesh Subramanyam:** The 11.5% (correct rate- 11.4%) is the coupon and the replacement is a one-to-one replacement, let's understand, we have a basket of debt going, currently, our average debt profile is less than 7%. So, therefore, what number you have to assign within that is a choice.

**Moderator:** We have next question from the line of Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati:** Is there any update from Indonesia on the mining renewal?

**Ramesh Subramanyam:** The update is that the process is ongoing right now and there's a lot of deliberations going on with the industry. We've settled it in terms of the key changes that the government wanted. There are a couple of things which government wants to fine tune and that I think is a more of parliamentary procedures, etc., So, we hope that in the next couple of months, the license renewal clarity would be there in terms of date, but what is important to note is one license for similar nature, slightly different of course in size has already been done. So, we expect a similar course of action.

**Puneet Gulati:** Any adverse impact on royalties or any other taxation that you see for the similar license?

**Ramesh Subramanyam:** Yes, so there are multiple changes, royalties' change, corporate taxes change, there is a new VAT, but on the other hand, there is some refund procedure. So, it is a whole bunch of changes, including land, the total area to be mined. So, I think net-net is not going to be a major shift from what we have. They are just trying to make it more disciplined.

**Moderator:** Thank you. We have next question from the line of Dhruv from HDFC AMC. Please go ahead.

**Dhruv:** So, one thing I notice on your debt profile is the cash balance has increased significantly. I believe part of that is because of the Odisha, which I understand from the annual report, but still it seems quite high. Is it temporary or is there something else here?

**Ramesh Subramanyam:** It is temporary, in this month itself nearly ₹ 3,000 crores is already reduced from the cash balance, because this was the money lying from the various profits and proceeds outside of India in our SPV, that has come back, so that's now done. Further, June end of course, we had a bunch of large collections which were there, which we had parked for repayments, etc. that is also getting used. Apart from that Odisha thing I think mostly will be back to business as normal by end of next quarter.

**Dhruv:** The second thing was DTA that we have provided for because of the MAT change about I think ₹200-odd crores in your notes. Because I believe that's coming in the standalone, so will it be a pass through in your tariffs or does it have PAT impact?

**Ramesh Subramanyam:** It will not be absorbed in the regulated business. But it'll also get reversed in the next quarters. There is no effect on the consolidated profit. These are the three inputs we want to give you.

**Dhruv:** I was wondering should I adjust for this 185 or should I not?

**Ramesh Subramanyam:** I think you should not count this 185.

**Dhruv:** I should not worry about the 185, I should not add it back to the PAT number to adjusted PAT?

**Ramesh Subramanyam:** Yes.

**Dhruv:** Okay, so basically, this's not impacting the PAT numbers?

**Ramesh Subramanyam:** No.

**Moderator:** Ladies and gentleman that was the last question. I now hand the conference over to Dr. Sinha for closing comments. Over to you, sir.

**Dr. Praveer Sinha:** Thank you very much to all the analysts who were there on the call and thank you Bikram for arranging the call. And we look forward to catching up if you have any other questions. Thank you, bye and take care.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Tata Power, that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.