"Tata Power Q4 FY-21 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Tata Power Q4 FY21 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. Today we have Dr. Praveer Sinha – CEO and MD, Tata Power and Mr. Ramesh Subramanyam – CFO, Tata Power with us on this call. I now hand the conference over to Dr. Praveer Sinha from Tata Power. Thank you and over to you sir.

Praveer Sinha: Thank you very much. Good evening everyone and welcome to the Q4 earnings call.

I have with me Mr. Ramesh Subramanyam – CFO along with Mr. Kasturi – Chief of Treasury and Investor Relations, Mr. Anand Agarwal – Financial Controller and Rahul Shah from Investor Relations.

We hope all of you and your family members are safe and sound and taking care of yourself. This year has been a very challenging for all of us and we would like to thank all of you for the support that you have provided us during this period.

Your support has motivated the company and our employees during this period to continue serving the nation. The company and its employees have contributed to various medical supplies, awareness drives and volunteering including tele help-lines. Our COVID response efforts are ongoing across 63 locations including all our thermal plants, all our distribution businesses and all our renewable sites spread across various states.

As we reflect back on FY21, Tata Power is proud of the significant progress achieved on various strategic areas and is confident of achieving the targets as we had laid out during our last interaction with investors in August last year.

I had informed to you, we have successfully completed the takeover of the fourth distribution licence in Orissa, the Northern Distribution Company effective 1st April 2021. With the acquisition of the Northern distribution company our total consumer base has grown from 2.6 million in May 20 to 12 million customers as of now. In line with our aspirations to grow in the distribution business, we have now become the largest private power distribution company in India in less than a year's time.

The progress in TPCODL which operates the erstwhile CESU license area has been very encouraging with the AT&C losses seeing a sharp decline within 10 months of operation and settling below 30% on a 12 month rolling basis. During this 10 month period of operations, the AT&C losses has been only 25.5%. This proves our execution capability in being able to achieve the targeted AT&C losses and therefore create value for the customers in Odisha. The beginning in SouthCo and WESCO, which we had taken over on 1st January 2021, are equally promising and we are confident to write the same story in terms of better reliability, better quality service to the customer as also improvement in the financial parameters and much better AT&C losses as we move forward.

Cumulatively all the three DISCOMS in their limited period of operation have been able to give profits against the originally planned losses for the first and second year of operations and we can definitely expect more powerful performance in the coming years from Orissa.

The focus on green growth business areas are showing results with robust performance from the renewable businesses. As a result we achieved the stellar growth of 20% in PAT before exceptional items which grew from ₹ 366 crores in Q4 last year to ₹ 440 crores in Q4 this year. With the focused growth and deleveraging we achieved 16% growth in FY21 to end the year with a PAT before exceptional items of ₹ 1,424 crores, up from ₹ 1,231 crores last year.

Of course, the high coal prices in the last quarter have impacted CGPL but the coal companies have benefited from the price increase. With the full year saving of CGPL's interest costs of nearly ₹ 380 crores, through the debt repayment which we did during the year we expect CGPL will need very small support from Tata Power in the future.

The increase in PAT was led by the renewables cluster which reported a 2X growth in PAT from ₹ 88 crores in Q4 last year to ₹ 175 crores this year. It is worth noting that this is after eliminating Tata Power Solar's profits from contracts executed for Tata Power group companies.

This growth has largely been driven by the performance in our focused areas in solar businesses, namely Solar EPC, rooftops and pumps despite part of the year lost in COVID-19. We clocked 2.4x growth in Tata Power Solar's annual revenue growing from ₹ 2,141 crores last year to ₹ 5,119 crores this year.

Our solar EPC orders continued a healthy growth with orders worth ₹ 2,294 crores won in Q4, taking the total order book to ₹ 8,742 crores as on 31st March 2021. Amongst various projects we won 320 MW of solar projects from NTPC valued at approximately ₹ 1,200 crores and a 55 MW solar project from GSECL valued at approximately ₹ 230 crores, reaffirming the position that Tata Power Solar is the prime choice for as the EPC contractor for large developers.

In Rooftop Solar business we have seen a major uptick in orders and execution in this quarter. Our Rooftop revenue for this quarter crossed ₹ 300 crores and order book stands over ₹ 600 crores as on date. We have installed 79 MW of rooftop in this quarter itself while total installations for the year is 175 MW. We have seen very good response to our “Solaroof” digital campaign which has created more than 5 crore digital impressions and has given more than 41,000 leads. We have also entered into a partnership with SIDBI (Small Industries Development Bank of India) to offer easy and affordable financing scheme for MSME customers in the rooftop solar segment.

On solar pumps our business sold 6500 pumps in this quarter, recording its largest quarterly revenue and achieved total sales of around 13000 pumps during this financial year. While one of the quarters was mostly lost in COVID-19 our teams have done remarkable job in achieving such large-scale growth.

The expansion in doubling of capacities in the cell and module manufacturing plant at Bangalore will make our domestic content projects much more competitive and thereby allow Tata Power Solar to grow its business further.

With the stellar performance in these businesses, Tata Power Solar's revenue for this quarter increased five times from ₹ 579 crores last year to ₹ 2,777 crores in this quarter.

Our renewable development portfolio has received LOA and signed PPA for 88 MW solar in last quarter and we have 1,314 MW of projects under implementation. With nearly 2,693 MW of operational wind and solar projects our total portfolio is now over 4GW. We have also won few more solar projects for which we are awaiting the LOA post which we will inform the details.

We continue to improve the availability across our renewable assets both for wind and solar with several operational initiatives and this is reflected in the steady performance across the assets with solar plants operating at 99% to 100% availability while wind sites are running above 98%. In addition to that our overdues from DISCOMS have also consistently come down over the year even in a year when there was stressed liquidity due to pandemic.

The consolidated revenue for the fourth quarter stood at ₹ 10,255 crores compared to ₹ 6,881 crores previous year mainly driven by the Orissa DISCOMs and increased order execution in large scale, EPC projects, rooftop and solar business. The sectoral tailwinds and operational improvements are likely to continue to aid our various businesses including the Orissa distribution circles and the Solar EPC business.

Moving on to the balance sheet, we have significantly reduced loans across the entities CGPL, Maithon and Trust Energy. We reduced our net debt by more than ₹ 7,500 crores over the last 1 year through divestment of various assets and strategic fund raise from promoters. With refinancing of certain debt and the reduced interest regime around the globe, our average interest cost has also reduced to around 7.4% compared to 8.3% last year. Our debt to equity has sharply been brought down to a level of 1.42 times from 2x last year. Net debt to underlying EBITDA stood at 4.06 times. The leaner balance sheet will give us the financial flexibility to pursue growth in strategic areas.

In Prayagraj, we continue to see strong operational performance achieving an 83% availability during the year. With liquidation of close to ₹ 2,100 crores of dues from the state DISCOM. Prayagraj has been able to both prepay long-term loans as well as distribute cash to its shareholders, resulting into a win-win transaction for all stakeholders. This turnaround of Prayagraj has been excellent with it reporting a PAT of ₹ 185 crores in FY21 compared to loss in the previous year. Our stake in Resurgent, accordingly reported a PAT of ₹ 100 crore in FY 21 compared to loss of ₹ 20 crore last year.

Our Microgrid venture also achieved remarkable progress installing 33 microgrids during this quarter taking total installed numbers to 161 with another 40 under installation covering total 200 villages and nearly 4000 customers. This venture is improving the lifestyle and promoting small scale industries in rural communities which will be a big catalyst to the rural economy.

We have launched last year installation of electric vehicle charging points at all important railway stations in Mumbai as also in suburbs and adjoining MMRDA area in association with Central Railway and UN Environment Program. During this quarter we installed 175 new public charging stations taking the network of public charges to 456, the largest in the country. We have also installed 80 ultra-high-capacity bus charges in Mumbai and Ahmadabad.

As you all are aware Tata Power is continuously working to improve our ESG disclosure practices and we have been ranked number 13 amongst the top 200 Indian Companies by Sustain Labs Paris on various ESG parameters. The recently bestowed ‘Best ESG Disclosure’ Award under the ESG Category - Midcap from the IR Society – Investor Relations Awards 2020 held jointly with BSE & KPMG is a proof that you are appreciating the efforts being taken in this space. We thank you once again for your invaluable votes. We aspire to take our ESG Disclosure to much higher level and in line with this goal our teams have set up dedicated ESG portal to provide all relevant information at a single location. We are also working with institutions like SBTi to set up scientifically derived emission reduction goals and in near future you will hear much more on our ESG actions.

The exit from Defence business and the focus on cleaner sources of revenue will help Tata Power to further meet its ESG aspirations.

As you are aware for more than a year, we have been working on evaluating options for monetizing our renewable assets with a view to reduce debt. While we did receive very good response from prospective investors, a few developments have happened during the last 1 year.

i) The first is that we have managed to reduce our debt equity ratio to 1.4 which now puts us in a very strong position for future growth.
ii) Second is that we have exceeded our targets on building of our consumer focus green business of rooftop solar, solar pumps and EV charging.
iii) The third is Tata Power has a leadership position amongst the Indian utilities and is amongst a handful of few global players to offer such comprehensive offerings of clean and green energy products and solutions ranging from solar manufacturing, EPC, rooftop solar, solar pumps, EV charging and microgrids. Thus, Tata Power is uniquely positioned to leverage on its deep sectoral and market experience to gain market share in these offers.
iv) Also based on very good feedback from investors and other stakeholders that this wide and deep set of offerings make a very comprehensive renewable platform which can eventually be valued significantly higher given the investor interest.

In view of the above, we are working on a much bigger and wider renewable business growth during the coming year which will open up far bigger opportunity to create shareholder value. We will share with you our plans soon. We have invested in last 1 year in various building blocks and these blocks have now started showing traction. We are excited about the unlimited opportunities available to Tata Power to grow to a leadership position in the Indian Utility space and look forward to your continued support in this remarkable journey.

I now hand over the call to the moderator for question and answers.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Sumit Kishore from Axis Capital.

Sumit Kishore: My first question is regarding your update on the merger of CGPL and Tata Power Solar with parent, where are we? The second question is in relation to your monetization plans for your renewable portfolio either through the InvIT route and now we are reading in media your potential plans to go for an IPO. Could you please elaborate on that as well? I will ask a couple more questions but I will wait for your answers first.

Ramesh Subramanyam: Sumit on the second question first you asked about monetization. Mr. Sinha just mentioned we are working on that issue- Resaid we now find that during the last 1-year lot of improvements have taken place in the whole energy space and we are very bullish now that with the more than expected progress in our wider green portfolio; we are now seriously looking at a much bigger value creating opportunities than what we started with during last year. Remember when we started the InvIT journey we had a high debt overhang and we had just been contemplating on a set of non-core sales and capital raise. All those plans were very tentative and given COVID that was a different scenario. We are now in a far better position having accomplished what we have done in the last 12 months. We are reviewing that situation and will come up with something which is really much bigger in terms of value creation so we will have to wait. CGPL-TPSSL merger; so we are in NCLT. We got all the approvals in place, we are waiting for the courts to open as you know because of COVID etc. functioning is affected. So, in due course we expect the hearings to resume. But we have got all the approvals in terms of shareholder approvals, regulatory approvals and so this is in the last stages.

Sumit Kishore: The hearings in NCLT are yet to?

Ramesh Subramanyam: Yes.

Sumit Kishore: Third question is a very strong performance in Tata Power Solar Services Limited. So, my compliments on that. Could you break up the revenue for the full year if possible and since the quarter was so big between EPC, rooftop solar, pumps, microgrid, EV charging and may be we talk about the profitability in these verticals as they become more meaningful for the medium term?

Ramesh Subramanyam: If you see the presentation, it has the combined numbers. As you can see we have given separate slides on Tata Power Solar, Walwhan and TPREL results as you can see and in one of the charts also there is a revenue break-up. Right now, of course these are all early-stage growth businesses, so we are not really talking about the bottom line right now and as more important is to create the market and grow the market and that we are doing successfully. You ate getting this information in Slide #19 and followed by the breakup in Slide #47, #48, #49 and also the consolidated view in Slide #51. So you may like to refer to that, so right now of course this is the key that one should know.

Sumit Kishore: So the operating terms of EBITDA margin is still early for rooftop solar or solar plants?

Ramesh Subramanyam: Yes, but then we are doing well. That's all I can say because these are to achieve scale. We are creating a good infrastructure to run these businesses. So, we have put that in place so when it scales up you will surely see the numbers for itself. Right now we are in growth mode.

Sumit Kishore: For CESU when you took over operations in June 2020, what has been the cash burn after taking operations because I am sure as the AT&C losses would have come down gradually and you would have been below norms to begin with. I mean there would have been a cash loss, right?

Ramesh Subramanyam: Contrary to what was perceived earlier when we won the bid, thereafter when we were finally handed over the company, there was a huge perception that we will burn cash in this initially. Surprisingly and the credit goes to our team which is on the ground during COVID, has done a remarkable job. We are actually end up in this quarter with just negative ₹ -8 crores. So, it's been a phenomenal progress considering that this is the first year and the first year was supposed to be the worst and therefore we have gone through the first year very successfully both on the network, technical and consumer end. This story will only improve from here and in so far as the full year is concerned actually, we have ended up with ₹ 28 crores a positive PAT for the entire Orissa DISCOM.

Praveer Sinha: In fact, if you see the Slide #17, it shows that while the AT&C loss last year was 30%. When we took over it was actually on 1st of June and for nearly 2 months there was no collection that had happened. A partial lockdown was there and the AT&C losses were in the range of 40%. We have ended the year with 29%. It's a phenomenal amount of improvement that has happened in 1 year or in 10 months that we took over. On a 10 months performance we have something like 25% AT&C loss. It a phenomenal improvement that has been done over there. Not only in terms of loss reduction but also in terms of reliability of service and customers services that is being provided.

Moderator: The next question is from the line of Swarnim Maheshwari from Edelweiss Securities.

Swarnim Maheshwari: We were all waiting for the ramp up in the TPSSL and indeed the ramp up happened but when you look at the EBITDA margins over there that's just about a shade below 7%. So, the last time we had spoken on this, this was expected that because of the operating leverage this would be bit higher. Any specific reasons despite the ramp up in the revenues, the margins have not been lifted in the TPSSL side? That's my first question.

Ramesh Subramanyam: We have some pressure on the module front, but this will ease off as we go. Some of the past projects we have had probably some pressure on the module front but otherwise we are well on track to deliver the next set of balance orders. You know that module prices have tightened all over the world.

Swarnim Maheshwari: Can you quantify the higher cost that has gone for the modules?

Ramesh Subramanyam: We don't give specific module details as such. We would continue that practice but all we can say is that going forward we believe there will be two things. The new orders will be factoring the new prices so that should take care of the margins and some of the existing orders may undergo some headwinds for until they are completed. But it's a cycle so at times you have had much higher EBITDA margins also so on an average we should be back to a much higher level than what we achieved last year.

Swarnim Maheshwari: Second question was just a clarification. Now in that Slide 17 when you had mentioned that the AT&C loss has reduced to 29.5% and then there is a footnote which says that the AT&C losses is basically 25.5. This 25.5 is the average losses for the 10 months. Is that a correct understanding or what is it?

Ramesh Subramanyam: Correct.

Swarnim Maheshwari: But we have then March '21 or say when you look at that 29.5% loss which is there in that graph. That is the exit number for the March month. Is that fair?

Ramesh Subramanyam: It is a rolling average. It's a 12-month rolling average. That's how AT&C is calculated.

Swarnim Maheshwari: You have given enough dope on this renewable side in the IPO. I just wanted to understand one thing. Have you actually shelved it completely or you are reviewing the situation and perhaps there is something better in the offing that's why there is some sort of delay? What is it exactly?

Ramesh Subramanyam: It goes without saying that unless some things is better than what we started off with InvIT we won't be spending so much time. So clearly, we are working on and nothing is ruled out by the way but clearly we are working on something which will have far better shareholder value creation than what could have been achieved by InvIT because remember it was only one piece which was operational assets which was on the take for the InvIT. Since as Dr. Sinha mentioned we have now grown far more confident of our wider portfolio. We believe that we can do something better than it, we are working on it and sooner or later we will come up with what we believe is the best way forward.

Moderator: The next question is from the line of Vishal Baraiya from Aviva Insurance.

Vishal Baraiya: My question pertains to the integrated operations of CGPL and coal companies. On Slide #42 you have given the EBITDA and PAT. Could you also give the cash flows as to what has been the cash flow from operations on integrated basis and if any FCF was generated?

Ramesh Subramanyam: Let me tell you that in terms of coal companies the PAT is capped because there is very little depreciation there but we can give you separately coal cash numbers. But I just want to add this, in this quarter one of the things that is increasing the deficit in CGPL is that the coal price has shot up in the last 6 months and there is the CERCindex which is used for calculating tariff. This is based on the previous 6 months. We are currently suffering due to the lag effect that lower coal price of the first half is being charged to revenue in the current quarter and the effect of the last 6 months increased coal prices will be reflected in the subsequent 6 months notification. We will have probably the second half better than the first half of this year because of this lag because whenever there's a sharp rise, it affects that particular quarter and March quarter was one of them.

Moderator: The next question is from the line of Atul Tiwari from Citi.

Atul Tiwari: Again, a question on this renewable InvIT or the potential deal. It is fair to assume that at least over next 6 months to 1 year we are not going to see any kind of, either a strategic sale or IPO and the portfolio will be kind of grown over a longer time to a much bigger scale and then we will see some kind of capital action on that front?

Ramesh Subramanyam: No, I don't think we said any of that which you mentioned, neither we said that we are not going to do anything in the 6 to 12 months therefore I don't think that's what we mean. We are in thoughts as to what is the best way to go about it. We are taking more time because we want to ensure that that's the best thing for the company and you will hear it as soon as we decide but it's not something which is going to take a year or 2 or 3 as you are probably suggesting.

Praveer Sinha: It will happen sooner than later. It's very much in the works and it will happen very quickly.

Moderator: The next question is from the line of Punit from HSBC.

Punit: Sorry to harp on this renewable thing again but is the understanding correct that now the idea is to monetize not just the renewable assets but to bundle it with some of the more exciting parts like microgrids, EV charging etc.

Ramesh Subramanyam: The correct way to understand that is, the current InvIT proposal was only for operational assets. Because of the important positive developments, our desperation to get debt down is slightly less. We are far more confident now that we are looking at whether there is a bigger opportunity here. As I said, suffice to say at this point that we are looking at it more positively as to whether we can do something different or bigger but certainly at this point of time I can't tell you exactly that whether one business or the other will be part of it or not part of it but certainly we have a huge canvas now to choose from given the fact that the other businesses have picked up very well, far better than what we expected. They also look to be on track to achieve far better growth in the coming year so therefore that confidence is at very different level now.

Punit: Can you talk a bit about the business model that you now have on the EV charging and the microgrids?

Ramesh Subramanyam: We have been maintaining that these business models are evolving and that you have to give some time for these businesses to mature to a level where you can call it as a fixed business model. Right now, it's evolving, as we learn on the go and as we are growing it across the nation we are also learning a lot on how to make this a profitable and scalable and modular business.

Praveer Sinha: On the EV, let me tell you that there are three components of EV. One is the home charging where it's a very good business model, we have tied up with OEM partners starting with Tata Motors and some of the other manufacturers and we are virtually 100% providing home charging facilities wherever they sell their electric vehicles. The second is the public charging where we have already put nearly 500 public charging and these are not only in cities, besides being present in 100 cities, they are also on highways and we have big plans to scale this up both for public charging as well as highways and something like upward of 3000 in the next 1 year. The third is for fleet owners and bus charging. Again, in three cities we are putting it for the public transport these are in Mumbai, Ahmadabad and Jaipur. So each one of them have very different business models. The fleet is a captive and whereby we have assured revenue model, the home charging is a captive where we have assured revenue and the public charging is based on the type of penetration of electric vehicles that will happen, but considering this type of ecosystem that we are creating we will be the biggest player and we will have a huge market as and when the penetration of electric vehicles increases, and the usage of the recharging systems increases. On the microgrids, as Ramesh mentioned that we have installed about 161 microgrids in different parts. Last 1 year because of COVID this was not the best of the time to launch the microgrids but we have got very good success in many of the places, we are enhancing the capacity and this is the evolving area that we have. Of course, the other businesses I have already shared with you whether it was for rooftop or it was for solar pumps; we have got very good traction, and this is going to grow multi-fold in the coming years.

Punit: My other question is, is there any progress on the sale of the other smaller entities which you are looking at or is that also now shelved for the time being?

Praveer Sinha: You mean sale of the…?

Punit: The other small assets that we have Georgia etc.

Praveer Sinha: Its very actively going on and of course because of the COVID etc. lot of things are slowing down a bit but there has been substantial progress. Otherwise, we hope to see this year FY22 to close some of these ongoing sales initiatives.

Punit: Is it fair to assume that the CGPL settlement with the off takers is now on the back burner as well because of COVID?

Praveer Sinha: It’s not COVID issue! We have mentioned in the past calls also that the current formula which the off takers had offered doesn’t make sense for us. We have indicated because they have deviated quite a bit from the original ask and therefore for us it doesn't make sense. And if we are only bound by many conditions and without the corresponding relief which we will speaking does make sense. Certainly, we will continue to kind of keep a watch but right now that's not acceptable to us in the current form. I think one of the speakers also asked about what the combined cash position of coal is and CGPL. The answer is for the last year it was about ₹ 450 crores. That is a cash positive or generated not burn.

Moderator: The next question is from the line of Aniket Mittal from Motilal Oswal Financial Services.

Aniket Mittal: My first question was actually on the CGPL and Indonesian mines. I think the HBA prices have now crossed $80 per ton, is there an impact at the same because of the DMO regulation over there?

Ramesh Subramanyam: So, it's a bit unclear whether the DMO regulation how they will apply because already the industry is under pressure there. The government is being approached for relief on that, so yes theoretically it is still applicable, but industry is talking to the government on various reliefs on this. So, we don't know where it'll end up. Remember that this whole DMO obligation is 25% of the output to be sold to the domestic market that's something which actually only when the year goes through. then one starts to worry about that. Half the year, will probably first half there'll be no worries but there after if it likely to fall sort then that issue will come up. Right now, we're not very sure how that's going to pan out.

Aniket Mittal: Just to get some clarity then the HB prices let's say at around $85 per tonne, I think the price ceiling at DMO would have been $70 per tonne. Is that still applicable and are you selling it $70?

Ramesh Subramanyam: No, the initial domestic sale will follow the rule but there the industry has been making a request for relaxation on that due to the fact that the industry went through a very bad time in the last three years. So, we are awaiting the results of that from the government, otherwise yes, it'll apply.

Aniket Mittal: The other thing again on the KPC mines this year a decent amount of increase on the cost of production as well, so I just want to understand has there been any renegotiation of contracts which has led to the rise in costs of production?

Ramesh Subramanyam: So for many of the contracts when the cycle of coal prices come down they are being renegotiated and then when the prices go up, they also go up. So, what you have to see is the gross profit per tonne and that is a key thing because contractors also work along with the miners to adjust their pricing to ensure that everyone survives. And fuel prices, tyre prices they all are also playing a part in this as commodity prices have gone up. But normally we see a cycle when the prices are good, there's a little bit of relaxation on the input cost but you should really look at the gross profit margin.

Aniket Mittal: Let's say a near term or one-year perspective this $45 per ton cost of production is something that we can assume to continue?

Ramesh Subramanyam: I must say that our mines are actually working hard to cut this down, let's see how successful we can be then. There are various programs going on there to cut the production costs.

Aniket Mittal: My second question is on the execution front. If I look at the order book that we have we are at around ₹ 8600 crores on the Solar EPC front and another ₹ 600 crores on the rooftop front. If could you please help me understand from an execution cycle perspective, when do we expect these orders get competed? That is point number one and secondly from a developer perspective as well we've got a 1300 MW of renewable capacity. How would execution for that pan out?

Ramesh Subramanyam: All in fact the internal projects which are there within the company, some of them are going to be executed as early as second quarter. Normally none of these will exceed 18 months in general, where we try to execute within 18 months and we also will take advantage of probably timing on purchase of modules etc. and expedite some projects even earlier. Currently about 900 MW of our own captive projects are going on out of which about 600 MW are likely to happen in the first half. So a substantial commissioning is happening in the first half itself.

Aniket Mittal: I want to understand because of let's say BCD is expected to come in next year is there any increase in the execution cycle or execution period that you are expecting? What I'm trying to understand is these ₹ 8600 crores that we have on the Solar EPC front and ₹ 600 crores on the rooftop front, just a timeline point of view when do we expect this to actually happen within the next 15 months or so?

Praveer Sinha: Let me tell you that there are two types of projects. One is where we are using imported cells and modules and the other is where we are using domestic cells and modules against some of the orders of NTPC and public sector undertaking. Those which are domestic we have to use domestic and we had shared with you that how we have expanded our capacity and it has now become 1100 MW of cell and module put together. But those will happen based on the requirement of the customer. We are of course targeting that most of these projects will get completed in this year. As Ramesh mentioned to you there is nearly 900 to 1000 MW of our own project development which is happening and many of them will get commission within this first half year. We are expecting that most of the projects that we have we'll be able to execute in this financial year and whatever gets a spilled over we will try to see that in the early part of the next financial year they are implemented.

Aniket Mittal: In terms of your projects in the development stage , the ones that you own which is around 1.3 GW, how would the execution for that look like?

Ramesh Subramanyam: So, we said 900 MW out of that is going to be in the next 6 to 9 months and the balance would be somewhere in the early first quarter of next year.

Aniket Mittal: Just getting on that front could you tell me what your overall capital expenditure would look like for FY22 and this could you break up for me for your different segments?

Ramesh Subramanyam: We are expecting closed to ₹ 8000 crores of CAPEX next year depending on the inscription and timing it could be anywhere between ₹ 7000 to ₹ 8000 crores.

Aniket Mittal: How much of that would be related to the renewable and how much of that would be for T&D say distribution part and then the remaining regular distribution?

Ramesh Subramanyam: About half of that would be renewable.

Aniket Mittal: How much would be the Orissa distribution before together?

Ramesh Subramanyam: All discoms put together it is about ₹ 1,000 crores.

Aniket Mittal: One last question on the Orissa DISCOM front, since one of your slides it is mentioned that there is certain amount of incentives that you earned on the collection of arrears for CESU, if you could just help me with what is the total arrears are pending over there and how does the incentive actually works, what is the incentive percentage and do you see this on a recurring basis coming through '22 as well?

Ramesh Subramanyam: All put together we don't have the ready number; we will have it sent to you.

Aniket Mittal: Just one last question if you could tell me what's the overall net cash level in your Orissa DISCOM?

Ramesh Subramanyam: Rahul will send you that detail.

Moderator: The next question is from the line of Anupam Goswami from B&K Securities.

Anupam Goswami: We were contemplating ₹ 15000 crores CAPEX and we have shownin our Slide #16 the visibility of ₹ 9500 crores CAPEX through regulatory orders, now my question is on how much CAPEX we have already incurred and how much we are approved out of that and also in the balance ₹ 5600 crores, where do we see the new projects coming up on this?

Ramesh Subramanyam: You're talking about the balance, remember that in this list in distribution we know there are two-three possibilities. One is that we do expect a much higher number on the transmission in Mumbai. Then in the new areas we also plan to grow further and apply for new DISCOM that could give us that balance. Secondly in Orissa as we go along if the requirement goes up which is quite likely right now it's a very conservative number that is the other area where we could see an improvement.

Anupam Goswami: How much we have incurred till now and approved also?

Ramesh Subramanyam: Around ₹ 900 crores.

Anupam Goswami: On the whole Orissa?

Ramesh Subramanyam: CESU is about ₹ 132 crores in the last year and another ₹ 900 crores is the rest of the DISCOMs, so it's around ₹ 1000 to ₹ 1100 crores.

Praveer Sinha: The proposals have been submitted; the order is awaited in this month as the hearing has been completed by OERC. But when we had given a certain number of the CAPEX that we will do in the first five years. We will be compliant to that requirement and those numbers we'll be able to share with you separately.

Moderator: The next question is from the line of Mohit Kumar from DAM Capital.

Mohit Kumar: For AT&C losses which had gone down to 25.5% in CESU, is it primarily led by reduction in losses or increased collection for past arrears?

Ramesh Subramanyam: Both, but remember that the previous arrears is a separate account which is to be kept for incentives but otherwise it includes both collection as well as the actual technical operations reduction. So, the AT&C loss is sum of billing efficiency and the collection efficiency. That is the sums total of all that makes the AT&C loss.

Mohit Kumar: On CGPL, are we still negotiating it or we have dropped the idea of getting any raise and related question is that the KPC concession contract has it been extended?

Ramesh Subramanyam: KPC contract is under extension. The government has approved the rules for extension. There is some procedural clarity that is required for all the license renewals. We are not the only mine. The clarity is relating to tax. Once that happens then all the licenses which are due for renewal will come up. Ours is due at the end of this year. Before that the expectation is that tax issue will be sorted out by the government and the license will be renewed.

Mohit Kumar: On the solar pump, are we expecting a massive jump in FY22 given that the CY22 there was a huge target of 1.75 lakh solar pumps and are we booking subsidy in the top line for solar pump and how much is that subsidy?

Praveer Sinha: So, let me share with you that Government of India has a huge plan for solar pumps under KUSUM. So, from the present 3 lakh pumps they are talking of taking it to 38.5 lakhs by 2024. And we are one of the biggest players in the solar pump area and because of that we are expecting that our growth in solar pump area will be very high and exponential, in fact, in next few years and there is no subsidy as such. So the subsidy is paid by the government directly to us once we complete the work. So, the scheme under the government is that 30% is paid by the central government, 30% is paid by the state government and 40% is paid by the consumer. So, its a single bid that comes for someone like EESL or someone comes with a bid and that money comes directly to us.

Ramesh Subramanyam: So, what we mentioned about the three sources is the backend of how it is shared by the agencies but we have a single window.

Mohit Kumar: Last question is that, of course we understand you are working on the new plan on the deleveraging or let's say asset monetization, what is the timeline you think where you'll be able to tell the market or tell us about the way forward?

Ramesh Subramanyam: All we can say is that we are trying to do that as early as possible but right now beyond that we can't give you a date but remember that we are very seriously working on this.

Moderator: The next question is from the line of Rajesh Majumdar from B&K Securities.

Rajesh Majumdar: I had a question again on the CAPEX which was discussed a little while ago, this ₹ 15,000 crore CAPEX exclude the FGD CAPEX at Maithon?

Praveer Sinha: Yes, it is only transmission and distribution. The CAPEX for Maithon, Mundra and some of the other plants like Jojobera is outside this capex. These are statutory requirement. But those are all regulatory CAPEX and they will have the deterrence which is determined by us.

Rajesh Majumdar: This ₹ 5607 does not include the transmission TBCB contract that we've been talking about is that included in this CAPEX?

Ramesh Subramanyam: No.

Rajesh Majumdar: So, we are fairly confident of this CAPEX target being achieved.

Ramesh Subramanyam: Yes.

Rajesh Majumdar: Secondly my question is on your solar pumps - 12,928 is the number of pumps installed in the FY21, how much of this came on the KUSUM scheme?

Ramesh Subramanyam: All are under the KUSUM Scheme.

Rajesh Majumdar: So, because as I understand the total orders which were given in FY21 were about 52000 or much lower than what was anticipated earlier?

Praveer Sinha: Yes, so it is either under the KUSUM or there is a program of the state government, but it's through the government programs on solarisation of pumpsets in the villages.

Rajesh Majumdar: This year's target on KUSUM I believe is fairly aggressive figure of 4 lakh is being talked about, so what is the realistic figure that we are looking at in terms of the orders to be given under the KUSUM scheme?

Ramesh Subramanyam: I think what you said is absolutely right the government programs are aggressive and so is our program, but we don't give a forward-looking number but rest assured that we are also targeting a very aggressive growth and we are the biggest player in it.

Rajesh Majumdar: What are our economics on the solar pumps business? Because see we are actually assemblers who are outsourcing possibly maybe 60% to 65% of our requirements other than the panel which we make. So, our margins will be significantly lower than the pump motor manufacturer. What is the economics in terms of the return on the assets or something? If you can share with us because the margin profile would be lower than the integrated manufacturer of a pump motor assembler, right if I'm not mistaken.

Praveer Sinha: Let me share with you that how we are looking at this business and that's where our understanding on technology and efficiency is very important. We do backward integration whereby we tie up with pump manufacturers and also work with them on designing of these pumps so that they are high efficiency concept and can be used in some cases exclusively manufactured for us along with the solar panels that we supply to them. Our whole concept of supplying of solar pump is to provide an integrated service and also the backend digital integration so that we give the information to the user, the farmer also in terms of how the usage is there and how much he's generating and how much saving that they are getting. So it's a very comprehensive solution that we provide and we have very good margins when we carry out these work.

Rajesh Majumdar: Do we look at EBITDA margin on return on capital in this business?

Ramesh Subramanyam: There is very little working capital, there's no other fixed capital. The key is really how to turn the maximum sale with minimum investment and cycle time. So therefore, cycle time becomes more important both on collection as well as installation cycle is a key and that's where we believe our edge is going to be.

Praveer Sinha: And also O&M is integral part, since we do the O&M for 5 years so that also gives us the edge of providing better quality services to the consumer.

Rajesh Majumdar: Receivables is not a big issue because these projects are all more or less placed when the funding is in place as I understand by the nodal agencies?

Ramesh Subramanyam: Yes, but then there is a procedure aspect of it which is where we believe that the digitisation of the whole process enables us to speed this up with the bills get the verifications done etc. there is a lot of I think just those intricacies from a commercial side.

Rajesh Majumdar: Just last book keeping question, this higher dividend income from Trust Energy in the standalone numbers in Q4, could you just give us some more details on that?

Ramesh Subramanyam: Rahul will explain you that. We'll just separately explain you that. It's a one-off thing.

Moderator: The next question is from the line of Bhavin Vithlani from SBI Mutual Fund.

Bhavin Vithlani: A couple of questions, on the Delhi distribution side my observation was that the average power purchase cost actually reduced to ₹ 6 from ₹ 6.5 which seems to be excellent performance. If you could help us what drove this and the regulation change which came where you can go out of PPAs of more than 25 year old plants where you were paying fixed charges without buying power has that helped or that something which is a futuristic which we can see moving forward?

Praveer Sinha: The difference between the previous year and this year was that in the previous year there was a huge arrear payment that had happened to both the generating companies as well as the transmission company. That was not there in this year and that is why the power purchase cost came down. As you know that CERC comes up with these five years regulations on tariff for the transmission and generating companies especially PSU's, so the lag in issuing the order led to arrears that had to be paid in the previous year. This year there was nothing like that and that is why cost has come down. The benefit of 25 years and coming out of some PPA's where the 25 years period is expiring that will come in the FY22.

Bhavin Vithlani: Will that help in reducing the regulatory assets where the trend was going down has actually turned and it's been started moving up?

Praveer Sinha: It will help in bringing down your overall cost and thereby reducing your net output. Apart from that there has been also Government of India's notification to State regulators that no new regulatory asset has to be created and whatever has been created has to be amortized over a period of time as per the tariff policy. So there is a lot of push now from Government of India also as well as APTEL that the regulatory assets needs to be amortized and it cannot keep on adding in future.

Bhavin Vithlani: The second question is on the renewable site, so I mean it seems disappointing to see only 10 MW incremental additions. We have had similar kind of a pipeline last year. What actually resulted in this low-capacity addition, the aspiration of 4 fold in 5 years has actually become in 4 years?

Praveer Sinha: The delay in completion of some of the projects was because some of these panels that we had ordered they came late but these were primarily planned for this year only. It was not that they were planned for last year and as Ramesh mentioned that many of these projects are in final stages of completion and within first half you will find that large number of these capacities will get commissioned. It's not just setting up of the project but also it has to be timed along with the evacuation arrangement. In some of the projects in Gujarat and other locations the evacuation lines are expected in this month and next month and then only these projects can be commissioned. So the timing is very important with the evacuation arrangement.

Ramesh Subramanyam: We were to commission 600 MW odd in this quarter but that's because of the initial period of a pandemic and projects came to a halt in the initial first four or five months, we had to push it to the next quarter and so that's why you see that last year we couldn't do substantially.

Bhavin Vithlani: If you could help us with the total receivables on both TPREL and Walwhan?

Praveer Sinha: Yes, we'll be able to share that. There has been a huge improvement in the collections from all DISCOMs notwithstanding the COVID and excepting for Andhra where there is a litigation, rest of the places the situation is very good.

Moderator: The next question is from the line of Murtuza Arsiwalla from Kotak Securities.

Murtuza Arsiwalla: While several people have asked on the InvIT versus the larger opportunity and a potential in renewable IPO, just wanted to check would this just be of the development portfolio or it could also include Tata Power Solar, so to that extent is the Tata Power Solar merger contingent upon how the plan sort of work out, that's one part? And the second is any target you could give outside of the renewable piece any disinvestment targets for FY22?

Ramesh Subramanyam: So, on the InvIT I want to just reiterate, I don't think we should say today anything like IPO, we are looking at the full spectrum - could be an IPO, could not be an IPO, could be InvIT may not be InvIT, so I think we are looking at the whole space on a whiteboard. So, we'll as soon as we decide I think you'll come to know anyway. Certainly, we're looking at all angles. The other question you asked is the other targets. Yes, we are targeting over nearly ₹ 1300 crores of divestment this year on various assets which are under a process and some collecting the balance receivables from the once we have sold also. That's the other thing we will be chasing.

Moderator: The next question is from the line of Abhineet from Emkay Global.

Abhineet: If I look at the renewable piece consolidated for FY21 which is the Slide #51, so we have done phenomenally well on same with revenues of around ₹ 4000 crores to around ₹ 6000 crores, but both the EBITDA and PAT looks to be flattish on a YOY basis with debt almost ₹ 1000 crores higher. So, though some of the pieces that you said are evolving, is it something that we are growing in a way where incremental growth is coming at lower margin, is something of that you can explain?

Ramesh Subramanyam: I think that you will have to appreciate that the addition capacity has been very minimal in this year but as soon as we hit the balance capacity, I think you will see a definite shift in numbers. I think the FY22 that way maybe significantly better because tehre is going to be a much higher capacity addition straight away. Along with of course the fact that we had one of the worst wind-year last year. We expect that the overall portfolio will deliver a much better result next year and also remember that there's a good EPC pipeline also there. So we expect the numbers to be improving in next year considerably.

Moderator: We will take the last question from the line of Subhadip Mitra from JM Financial.

Subhadip Mitra: A couple of questions from my side. Firstly, if it's possible to share the actual operational cash flow number that you're looking at in the Orissa subsidiaries and if we break up in terms of how much is coming from the arrears if that's possible to share.

Ramesh Subramanyam: The incentive on past recovery was about ₹ 40 crores last year.

Subhadip Mitra: What would be the operational cash flow number?

Ramesh Subramanyam: So as we said the PAT ₹ 28 crores for all put together, cash flow we will share with you separately.

Subhadip Mitra: And lastly with regard to your targets in terms of the capacity addition on the solar front where even on the EPC side you're looking at about 2 GW of annual capacity additions, given the current scenario where at least what we hear is, there is a bit of a slowdown in terms of certain tenders. The current pipeline for FY22 seems to be anywhere between 3 to 4 GW, are you seeing some near-term speed breakers coming up maybe in FY22?

Praveer Sinha: We are definitely expecting those numbers. In fact we have already started the year winning a 250 MW project in Maharashtra and we are expecting the bids in Maharashtra and in Madhya Pradesh and Gujarat and Rajasthan, so we are expecting large number of bids. As per our assessment there is nearly 10,000 MW bids which are expected in next six months. We are also expecting a large number of bids also for hybrid solutions, which consists of both wind and also thermal and solar. I think that there is a huge pipeline considering the ambitious plan that the country has and also that the RPO obligations many of the States are not able to meet and the Electricity Act amendment which is going to enforce it. We do expect that the pace will pick up once the COVID situation reduces a little.

Moderator: Thank you. Ladies and gentlemen that was the last question, I now hand the conference over to Dr. Sinha for closing comments.

Praveer Sinha: Thank you very much for the opportunity to interact with all the analysts and investors today in the call and I do expect that we will continue the conversation and discussion on this. In case anyone of you, have missed out any questions or have a further question so please connect with my colleagues Kasturi and Rahul. We'll be able to provide you all the information that you require. We have been improving in the quality of dissemination of information and you would have seen in this time’s presentation there has been a lot of details provided as well as also some of these initiatives that we have taken on ESG front. And I do look forward for your feedback to improve the quality of presentations and the data that is being provided to you. So once again thank you very much. Please take care, stay safe. This is a tough phase we'll all come out of it.

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