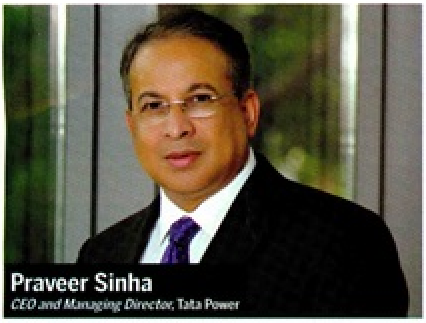

Praveer Sinha
CEO and Managing Director, Tata Power

"We Aim To Achieve 50 Per Cent Clean Energy Portfolio By 2025"

How will the government's infrastructure push and various structural policy reforms expected to trigger power demand in the country?

As per the Ministry of Power's five-year vision, the power sector was poised to grow at average rate of 6 per cent in FY21. However, due to the pandemic-induced economic standstill, power demand from high-paying industrial and commercial segments significantly reduced worsening of the already stretched distribution companies' (discoms) financials. Revival of economic activity coupled with the government's 24 x 7 power push for all should provide impetus to electricity demand growth. The draft Electricity Amendment Bill and the National Tariff Policy are expected to usher in discipline and operational efficiencies in distribution of power. We expect a significant push for privatisation of distribution by regulators to improve efficiencies and protect the sector from discom-induced stress with some of the states like Uttar Pradesh and Odisha already starting the privatisation process.

How has the pandemic impacted Tata Power's operations?

Similar to many other businesses, Tata Power faced operational, project execution and demand issues during the initial phase of the lockdown. However, as a utility and essential service provider, we have to brave such pandemics alongside doctors, law enforcement and other essential services. All our 11 thermal and hydro generation plants across six states, our distribution and transmission businesses at five locations and renewable projects at 70 sites are operating at optimum levels. We continue to serve all our customers at home and at business establishments thanks to our strong officers and contract workforce who continue to work in all these plants while ensuring appropriate containment and segregation to enable continuity of business.

During the initial period, we saw demand plummeting by 20-30 per cent but we have seen an uptick in the demand with partial opening of the economy across locations. With a meaningful portion of the capital employed in either regulated businesses or with assured stable returns such as in renewable businesses, our returns are largely protected. There has been pressure on receivables but we have ensured adequate liquidity through working capital limits while the government is working on an ₹90,000 crore liquidity package to alleviate the receivable stress.

How have your debt reduction plans been affected due to the pandemic?

Tata Power is working on a long-term strategic plan focused on reducing debt, thereby strengthening the balance-sheet. This plan involves divestment of non-core and certain overseas investments, along with restructuring some of our businesses to unlock value and simplify the structure of the company. Consequent to this, we have sold our interest in the telecom business, South Africa's wind assets and ships. We have already realised around ₹2,400 crore in FY 21. The sale of our defence business for about ₹1,000 crore (first tranche of the transaction) is also in final approvals while work on sale of our stake in Zambian Hydro Project and BSSR (Indonesian Coal mine) is underway.

We intend to realise about ₹4,000-4,500 crore in FY21 alone while sale of our stake in Tata Projects and Georgia Hydro is targeted for FY22. The company has decided to also set up an Investment Infrastructure Trust for its renewable business which will deconsolidate the renewable debt and release equity through stake sale. To further bolster the capital structure, the promoters are infusing ₹2,600 crore through preferential allotment which will be used for reducing unsustainable debt and growth. While the pandemic does pose a challenge but the closure of many of the recent transactions during this period, it also gives us confidence in our ability to carry out this deleveraging plan and reduce our net debt from around ₹43,600 crore at March end to ₹25,000 crore by end of FY21.

Given the balance-sheet concerns, what is your future growth strategy?

The company's strategic plan focuses on improving shareholder returns through deleveraging and growth in high-return businesses. Growth will be concentrated in renewables and distribution and transmission of power along with new and value-added business, including rooftop solar, smart metering, micro-grids in rural areas and setting up EV charging stations. We will continue with our plans to increase our renewable energy footprint by capitalising on these opportunities through value-accretive projects.

During the last few years we have focused on consolidation and setting up an asset-light business model for growth such as a platform for stressed generation and transmission opportunities which allows significant high returns or the Investment Infrastructure Trust for renewables which allows recycling of capital for future growth. These models will allow us to grow without overleveraging our balance-sheet. We are poised to grow multi-fold on the back of latest business integrated solutions, focusing on mobility and lifestyle and powering emerging technologies for smart customers.

What are your plans for renewable energy business?

We have continued our low carbon journey and today 30 per cent of our total generation comes from clean and green sources i.e. 3.9 GW out of 12.7 GW. We aim to achieve around 50 per cent clean energy portfolio by 2025 and the Investment Infrastructure Trust structure will allow us to grow by 1-2 GW renewable capacity every year. Working on the country's target for universal electrification through renewable sources, we are pursuing micro grids, rooftop and solar pumps aggressively. Our subsidiary, Tata Power Solar Systems Limited (TPSSL), provides us a significant competitive edge in our renewable thrust.

Recently, NTPC awarded us a 250 MW solar project under the CPSU scheme of ₹1,505 crore, which is our biggest single order from a third party so far and consolidates our commitment to the 'Make in India' mission. It has also taken the TPSSL order book to around 1,500 MW with a value of approximately ₹7,500 crore. Our rooftop solar solutions are now available in 90 cities across 13 states including some of the most industrialised states. TPSSL, rated as India's top solar rooftop EPC player for the past six years, has installed 421 MW under EPC contracts for customers as well as operating assets under PPA. We have also set up TP Renewable Microgrid Ltd. which has test-charged 18 micro grid sites with another 55 sites in pipeline. The micro grids will catalyze a new wave of energy-enabled rural economic development, powered by micro-entrepreneurs.

Can you give us a glimpse of your value-added service or new businesses?

Tata Power is reinventing and transforming from a B2B to a B2C company whereby the organisation will be directly interacting with consumers through its distribution business and providing them value-added services such as rooftop, home automation, utility management and EV charging stations, which will differentiate Tata Power from its power sector peers. We are laying the foundations of many of these businesses.

Tata Power has expanded its EV charging solution to 20 cities, installing 170 EV charging stations which we aim to expand to 700 charging stations by 2021. Similarly, we are working with 15 state discoms for providing them a bouquet of operational services that provides us high-return businesses without any significant capex. Our objective is to derive a much larger portion of our revenue out of services' business which can help us in significantly increasing shareholder returns.