



“Tata Power Company Limited
Q2 FY '23 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Tata Power Q2 FY '23 Earnings Conference Call. As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

Today, we have Tata Power management team on the call with us. I now hand the conference over to Dr. Praveer Sinha, CEO and MD of Tata Power. Thank you, and over to you, Dr. Sinha.

Praveer Sinha: Thank you very much, and good evening to everyone, and thanks for joining for the Q2 Analyst Call. On behalf of Tata Power, I would like to wish all of you a very happy Diwali and also my best wishes for the festive season. Today in the call, I am joined by my colleagues, Sanjeev Churiwala, CFO; Jinendra Patil, Financial Controller; Kasturi and Rajesh Lachhani from the Investor Relations and a few other colleagues from my finance team.

Let me, first of all, start with giving you some background about the consumption of power in the country. What we have seen in the last six months is that there has been a huge increase in the requirement of power. The peak power went and touched something like 207 to 209 gigawatts and also in terms of energy, the increase has been nearly 12% in the last six months.

Of course, in the last quarter, the demand was a little subdued because of extended monsoon, which actually went right up through September and even in October. This also was a period when we saw that during the month of especially April and May, there was a shortage of coal and during that period, the peak prices of power went up in the exchange.

Since then, there have been much lower peak prices. And also, there is a capping of peak price that has been done by the regulator. During this period, Tata Power has done exceedingly well. In the last quarter, our PAT has grown and also our revenue has grown and EBITDA has grown.

In this quarter, our PAT has grown by nearly by 85% from INR 506 crores last year to INR 935 crores. Revenue has grown by 49% from INR 9,502 crores to INR 14,163 crores. EBITDA has grown by 18% from INR 1,732 crores to INR 2,043.

If we look at the H1 data also, we find that in H1 also, like the quarter, the PAT has grown by 87% from INR 971 crores to INR 1,890 crores. The revenue has grown by 49% from INR 19,076 crores to INR 28,939 crores and the EBITDA has grown by 1% from INR 4,097 crores to INR 4,150 crores. This growth has been on back of excellent performance by all our businesses, our existing generation business, hydro business, coal business, all of them have done very well.

Our coal mines have also done exceedingly well on back of high prices, of course. Mundra, we have been able to operate the plant under Section 11. And the interim order of the regulator has ensured that we get the full fixed cost and also states, who were not scheduling the power have

to pay the fixed cost as we had shown the availability of the plant. And now we are, of course, expecting the order on the full pass-through of coal cost, which will give us a further improvement in our performance in the subsequent quarters. We have also seen all our other businesses are doing very well.

Our renewable capacity is today, the utility scale is something like 5,660 megawatts on back of the 850 megawatts of projects that we won in the last quarter. This includes 3,870 megawatt of operating plants and another 1,790 megawatts of projects, which are under different stages of implementation.

We expect that in the coming years, with the type of increases improvements that we have seen in our hit rate in winning projects. We will be able to add a large quantity of such big projects in different parts of the country and these will not only be just pure solar or pure wind, but will be hybrid projects also.

We also won projects under the EPC route, where we won projects of 125 megawatts from NHPC and 100 megawatt from SJVN and we implemented during this period, 625 megawatts of third-party EPC projects also.

We have a very healthy order book of nearly 3,800 megawatts with a value of nearly INR 15,000 crores. Our 4 gigawatt manufacturing facility is going well. The work has started at site and ordering of main equipment's have taken place and we expect the rollout of the first of the module from the plant by next year, July-August and the first of the cell by next year December.

So that will help us in meeting our future requirement of cells and modules for our projects and also for the EPC projects and rooftop projects. In the rooftop business, we commissioned 138 megawatts of capacity in this period and we also won 330 megawatt of orders, totalling to INR 1,233 crores. We are present in more than 265 districts of the country have happened and more than 100 cities.

And we expect that with our present order book of nearly 400 megawatts with a value of maybe INR 1,500 crores we'll be able to grow this business many more times than what we have done in the previous year and quarters. We already have a cumulative rooftop portfolio of about 1,150 megawatts and this keeps on increasing every month and every quarter.

In the solar pump business, we installed nearly 6,000 pumps in Q2, taking our total installation to 17,000 pumps. And we expect that with more than 80,000 pumps across India, we will have a major presence in most of the states in the country.

On the e-mobility, we added 722 public chargers and we now have more than 3,000 public chargers in different parts of the country including highways. And we have nearly 23,000 home chargers. Apart from this, we have about 240 bus chargers in different cities in the country.

Our transmission and distribution continues to be very steady and has been growing at a very fast pace. During the quarter, we took over the South-East UP Power Transmission Company, through the the resurgent platform. And also the work on the NRSS transmission project has started. And we expect that we will be able to complete all these projects in the next 6 months to 12 months progressively in these locations.

Also, we have been able to push our smart meter initiative and we have nearly 4 lakh smart meters installed in Delhi, Mumbai and in different parts of Odisha and we expect that soon we'll be able to cover in next three years virtually all our customers in these places. Our distribution business in Odisha, which we took over progressively in the last two years, have done exceedingly well.

We have been able to not only reduce the AT&C losses to a very large extent, but have been able to also improve the reliability and customer connect and excellent service being provided to our customers. Many of the legacy issues over there have been sorted out. There were nearly 20 lakh meters that we replaced, which were not working and all were the legacy meters, the electromechanical meter. And that has helped us in improving the billing efficiency and also given the current consumption that is being done by the consumers. And the result of that will start coming in the subsequent quarters.

Moving to our balance sheet. We have been able to ensure that our net debt continues to be less than INR 40,000 crore. It's about INR 39,000 odd crores. And this is in spite of the fact that we have done more than INR 3,000 crores of capital investment in this year.

Our working capital also has improved because of better collections in all our businesses including our renewal business, and we have started getting the money from some of the states, which earlier were delaying the payment. And we do expect that all the old outstanding will get liquidated in the next few quarters.

Our net debt to underlying EBITDA has improved from 3.6 in last quarter to 3.5 in this quarter. Similarly, our net debt to equity has also improved from 1.55 to 1.32. And we expect that going forward, we'll be able to maintain at these levels, notwithstanding the fact that there's a large amount of CapEx that has been planned in our renewable transmission and distribution business.

As I had been mentioning earlier, Tata Power has been continuously moving towards a long-term aspiration and the 12th consecutive quarter of good performance shows that a huge amount of foundational changes have happened, which is ensuring that the sustained performance and results are being provided. And I think that the direction of change that we have seen will help us to further improve in the coming quarters. So we have, of course, shared with you the detailed data of our quarterly results.

And I now look forward to have your questions and the floor is now open for Q&A.

Moderator:

The first question is from the line of Mohit Kumar from DAM Capital. Kindly proceed.

Mohit Kumar: Congratulations on a good set of numbers. So my first question is on the Mundra short-term arrangement. Is it being extended post 31st October 2022? Have you heard anything from the government? And secondly, are you booking the tariff completely on cost plus for the quarter, or is there something which will still be pursued at CRC?

Praveer Sinha: So thank you, Mohit. First of all, the existing arrangement has been extended up to 31st of December. And it is not sure that anything gets further extended, but the supply under Section 11 continues, and continues up to 31st of December.

Secondly, right now, we have booked the Mundra tariff based on what the Ministry of Power has given as an interim tariff. The difference between the interim and the actual tariff, that is to be decided by CERC. As we had shared with you earlier, under Section 11, any generation has to be on a cost-plus basis. That means actual costs that you have incurred will be paid to you. And that was the principle on which even the interim order of CERC came whereby they gave us the full charge for capacity, which is INR 0.90 and no reduction was allowed. And also states which were not scheduling power, they had to pay because we were showing the availability. So the Section 11 principle is very well laid out. And we expect that once the final order comes, full pass-through of coal will be given to us.

Mohit Kumar: Secondly, sir, what is the status of Mundra long-term draft supplementary power purchase agreement, where are we right now? And when do you think we will resolve this entire thing?

Praveer Sinha: So, since the existing arrangement is going on, Gujarat government has been going a little slow on finalizing the Mundra arrangement. So let's wait and watch if the existing arrangement continues then this provides us the opportunity to do the supply of power on cost-plus basis, or if that does not get extended, then of course the Gujarat government would come forward and finalize an arrangement which is acceptable to both sides.

So I think for the present, we will continue with the existing arrangement. And if there is something that is required, we will discuss and mutually sort it out.

Moderator: Thank you. The next question is from the line of Swarnim Maheshwari with Edelweiss. Kindly proceed.

Swarnim Maheshwari: Sir, my first question is, during the quarter, in Mundra, was there any reversal of excessive provision, because posted tariff orders which got effected from 5th of May, before that for about 30 days, 35 days, you were outside the Section 11. So, post this tariff order, is there any excess provision that has been reversed during the quarter?

Praveer Sinha: What had happened when the 5th May, notification came, it talked about that the fixed cost of the capacity charge will be paid as per the PPO or if there's any agreement. Since there was no agreement but notwithstanding that, Gujarat was only paying access INR 0.70 paise not the full amount, because they were considering that the interim arrangement that we were trying to sort it out with them, the rebate will be given. But the interim order of CERC mentioned that

full fixed cost or capacity charges would be given. So that reversal has happened in the quarter. But other than that, we have not done any other.

Swarnim Maheshwari: Yes. Sir, what is that amount, sir? If you can quantify, please?

Praveer Sinha: So it's a INR 0.20 paisa per unit. So whatever we had supplied to Gujarat and Maharashtra and that has been. And to the other states, they have to pay the full fixed cost even if they are not scheduling the power.

Management: And if you see the notes to the accounts where we have very clearly specified the break-up amount, including amount within previous period. In the total amount that we have been able to recognize is INR 461 crores and out of that INR 151 crores pertains to the previous quarter.

Swarnim Maheshwari: Sir, my second question was on the receivable side. So you did mention we expect to see some sort of liquidation in the ensuing quarters, but this is for the second consecutive quarter, we have seen that the receivables have been a bit elevated. So any specific reasons? I understand this is from the likes of Odisha and Mundra. But any specific thing that you would want to highlight that, is it some sort of a tricky issue somewhere?

Management: So I think a couple of things. As you said that break that its right given that the energy cost has gone up and to the extent the revenues are high, the receivables would also be high. But that doesn't mean that quality of our receivables are deteriorated. In fact, the overall quantum which has gone up. So in terms of our receivable days, it is absolutely well within control. The good part is many of our sticky receivables that we've been discussing in the past, for example, Andhra Pradesh and other places, they have now started paying us in the installment, including all the disputed amount. So you would see quite a good liquidation happening in the subsequent quarters coming in.

Similarly, in Mumbai, where there were delay in payment, now they're also started paying and you'll see that the liquidation also happening the subsequent three to four months. So I think the overall receivables is absolutely within control and as per the plan.

Moderator: Thank you. Participants if you wish to ask a question kindly press star one. The next question is from the line of Dhruv Muchhal from HDFC. Kindly proceed.

Dhruv Muchhal: Sir, you mentioned that there is a gap between the interim tariff and the final tariff based on the fuel cost pass-through mechanism under Section 11. Possible to share what the gap is, to help us understand the potential benefit that is likely to accrue?

Praveer Sinha: Right now, it is premature. We'll share with you because till such time the final order of CERC comes. We do not know exactly what we ultimately get approved by them. So let's wait for their orders. We expect that order to come in November, and then we'll be able to work out the exact quantum and shares.

Management: And to add to what Dr. Sinha, I think our apologies, again, and there was a lot of discussion in quarter 1 that in our Investor's deck, we're not giving the separate breakup of our full profit and Mundra profit. And we did mention over there that time there is certain discussions, which is under progress both at the CERC level and as well with the COD and we did not want to get into a dispute by putting a certain amount.

The good part is as we had mentioned last time that we will see some claw back happening in quarter 2, which has now happened, the amount of INR 460 crores as we mentioned. We are kind of also expecting that depending about the kind of order we get, good material amount should come and hit bottom line positively in quarter 3. But at this moment, and as Dr. Sinha said we're not in a position to share you the exact breakups.

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

Abhineet Anand: On the solar EPC side, the order book is quite healthy. I just wanted to understand in the last few months or maybe in the last two quarters, have you seen an increased competition? We saw a major number of contracts that Tata Power won earlier was from state PSUs like NTPC, SJVN and all. Recently, we saw one of your competitors seeking a large project in excess of INR 2,000 crores. And they have now a backing of large corporates. So any increased competition that you see in the space?

Management: I think the players are the same. Only thing is what we are seeing is that the bids are coming at a much higher rates, unlike earlier when it went up to INR 1.99 and INR 2, they are now all in the range of INR 2.50 to INR 3, depending on the location of the plant and whether the land is being given, what sort of profile of the generation that is required. So I think there is much more seriousness and credibility that is coming in the bidding process rather than many who are coming and bidding a number which they are finding it difficult to reach.

Abhineet Anand: Secondly, I understand that obviously Mundra has been merged, is it possible to give some ballpark number what has been the performance of Mundra Corp. in their 1H of '23?

Management: We're not giving a separate breakup here. I think it's kind of all merged in the overall generation business. But as I mentioned earlier, definitely all of this kind of partly covered because of the fixed charge that we received, the INR 452 crores program that we did. And of course, the difference between what has been allowed at the tariff and what is actual tariff you'll see on the CERC, so once we get a clarity on that, we'll have a better understanding on the Mundra profit and the coal mines. For us, both of them are clubbing to one, because it is made for each other.

Abhineet Anand: You mean that Sinha sir also told that this arrangement is till 3Q, least that let's assume current arrangement doesn't continue and your long-term arrangement that you are talking about still takes some time. I mean, what's the larger picture, I mean on some picture that you can understand on Mundra?

- Management:** What we need to understand is that even with the present pass-through cost, we are still very competitive in Gujarat. And so they will definitely like to schedule power from this plant compared to many others who are at a much higher price.
- Secondly, once the principles are being laid in the CERC order and all that. So hopefully, around that only the final discussion and negotiation will take place. It will not be on a principle which will be very different than what is decided by CERC. So that's what is our expectation.
- Abhineet Anand:** And broadly, the principle is near about the cost pass-through, right?
- Praveer Sinha:** Yes, absolutely right.
- Moderator:** Thank you. The next question is from the line of Sumit Kishore from Axis Capital. Kindly proceed.
- Sumit Kishore:** My first question is that net cash flow from operating activities at consolidated level has reduced from INR 2,412 crores in H1 FY '22 to INR 2,148 crores in H1 FY '23, if I look at the BSE filing. What qualitatively explains the decline in the net cash flow from operating activities given that there has been strong P&L performance?
- Management:** Are you talking about the cash flow from operating activities?
- Sumit Kishore:** Yes.
- Management:** At the consolidated level, H1 FY '23 compared with H1 FY '22.
- Management:** If you look at the particular sheet, which is a complete long page has a complete various analysis and there are items which are moving up and down, but we have it, by and large from INR 2,400 crores that we see in '21 almost INR 2,200 crores. This side of the business, there will be small items going up here and there, but we don't see any significant change in the trend.
- Sumit Kishore:** I mean, I should be asking this question, lot of moving parts. It's difficult to decide, sir, because there are regulatory deferral account, the assets also swinging. But obviously, the P&L growth has been quite strong in the first half of the year, thanks to the elevated coal price, among other factors. But somehow, the working capital seems to have gone up, meaning to me?
- Management:** Yes. So as I said earlier, working capital, if you see it's important to link it with the growth in the revenue because at various locations will have credit pay, and to that extent, our higher revenue leads to higher receivables, which are kind of all good and not overdue. So I think there will be a higher working capital linked to a higher revenue, but in terms of the overall aging of our debtor that our DSO, those are all within control.

Sumit Kishore: My second question is in relation to Slide 18 of the presentation where again, Q2 FY '23 EBITDA before elimination has gone up sequentially from quarter 1. It's gone up INR 3,022 crores and 2798 crores. However, any issue that increased quite sharply, there almost INR 1,229 crores in Q2 versus INR 691 crores in Q1. So when we look at a segment-wise analysis to try to understand the performance. This elimination increase is simply too high, and that is driving a reduction in EBITDA on a sequential basis. So what explains such a sharp eliminations?

Management: Yes. This is basically on a consolidated basis, we have the dividend which will get eliminated within the two companies, right? So, and of course that also reflects that they have received higher dividends. And to the extent that elimination is purely on account of dividends.

Sumit Kishore: So that basically, a reflection of the higher dividends received from the coal mine?

Management: Yes, you're right.

Sumit Kishore: And finally, on Mundra, following the Section 11, what is the under-recovery basis tariffs that you have charged so far. So what is it that you're expecting from the regulator to get a cost-reflective tariff?

Management: Well, I think this is the indirect way of asking the same question. Given that we are already with CERC the hearing has happened and the expected outcome very soon. I think it's better to wait for a couple of months so that we can give you a very precise answer.

Sumit Kishore: Last question is on the solar EPC revenue and margins. So for both utility scale solar and solar pumps, the revenue seems to have come off a fair bit year-on-year. Margins in Q2 have gone up sharply on a sequential basis. If you could please help us with that, what explains this volatility?

Management: Yes. I think the observation is absolutely correct and I think this goes back to the quarter one conversation that on the EPC we had a negative PAT margin. We went back to the drawing board to see how best to claw back our profits. So a couple of things that we have done is, a, look at some of the projects which were dragging down our profitability.

We have agreed with the parties to defer those projects and to take the benefit of the reducing cell-and-module on the prices as well as, of course as you are aware, the steel prices also came down to 25%. So that is one. And because some of the projects were deferred, we were able to re-estimate the cost to completion, which is resulted in a write-back of some of those positions that we are making.

I think the better way to look at it is look at the H1 EPC margin in totality, which is close to about 2% Ideally would like to have a higher PAT margin going forward, but at least the situation is improved from where we were in quarter one.

- Moderator:** Thank you. The next question is from the line of Koundinya N from JPMorgan. Kindly proceed.
- Koundinya N:** A couple of questions. Firstly, on Mundra plant. So just trying to understand, you were referring to a bit of slowdown on the part of Gujarat Government. Is it got something to do with subdued demand in government in the second quarter? Or how should we look at it?
- Management:** Subdued demand; no the demand was not subdued in Gujarat, in fact, we have been operating three plants exclusively for Gujarat during this period. The demand has been very much there. And this is one of the big suppliers. In fact, in terms of single plant, it is the largest supplier of power to Gujarat. And going forward also, our confidence is that those this Section 11 is only up to 31st December. They will continue to have a similar requirement in next year also and in the summer period and all. So they will definitely come to some arrangement and this month we'll continue to supply and be one of the main suppliers of power to Gujarat in the coming years.
- Koundinya N:** Sir other than Gujarat, are there any other states that are also asking for power from Mundra, there was some media article quoting that Rajasthan was also looking to tap from Mundra plant. So just trying to understand that part.
- Management:** So apart from Gujarat, Maharashtra continues to take power and also for a certain period of time, Rajasthan had taken. So these states have been regularly procuring power from Mundra.
- Koundinya N:** And sir, I think you explained it in previous quarter, but just trying to understand better. So can you help us understand what is the way the accounts are being booked? The tariffs are being booked at the moment from Mundra plant?
- Management:** So right now, we have booked based on the full capacity charge and also whatever is the notified interim tariff by Ministry of Power. So every two weeks they come up with the notification of the, based on the cost of the IC/IGD cost of coal. But the final cost of coal will be whatever is the actual cost of coal that we have incurred for operating the plant.
- Koundinya N:** Just clarifying on that second part, sir. So essentially based on under recovery either on the fixed cost part or on the variable cost. Is my understanding correct?
- Management:** So on fixed there is no difference. On the variable, there is a difference right now on the -- whatever is the interim notified price and the actual price. That different calculations have been given to CERC. That delta difference whatever is there. And once CERC notifies it, we will account for it.
- Koundinya N:** And secondly, bookkeeping, sir, what is the dividend amount from the subsidiaries to parent in Q2 and first half?
- Management:** About INR 1,100 crores in Q2.

Koundinya N: So INR 1,102 crores.

Management: Yes.

Koundinya N: This is for first half?

Management: That is for quarter two and 1800 for H1FY23.

Moderator: Thank you. The next question is from the line of Aniket Mittal from SBI Mutual Fund. Kindly proceed.

Aniket Mittal: A few questions, basically on the EPC front, in Slide 9 of the presentation, you've mentioned that there has been some planned rescheduling of large projects on the EPC. So if you could elaborate on that, and which are these large projects that have gotten rescheduled?

Management: I think this is a one-on-one conversation with the counterparties. But I think it's suffice to say that some of the large projects have been rescheduled. And of course, with the consent of the parties. To that extent that parties realizes that at the current elevated prices for cells and modules it will not be possible for many players or if you suffice to deliver the project on time. And hence it can be mutually agreed.

Aniket Mittal: So if I were to look at your current order book of almost INR 15,000 crores so how do you look at it from an execution time line perspective? If you could give some color on that?

Management: Execution normally for any such EPC project that we do for the third parties or also for in-house Normally a range from 12 months to 18 months. But depending upon the project by doing the tenant, the period can differ. But on an average, you can presume about roughly 18 months.

Aniket Mittal: We are just trying to understand if there are any delays or projects that have stuck because of this initiative?

Management: This is planned re-scheduling that I was talking about.

Aniket Mittal: The other question is when I look at the numbers for TERPL there seems to be a very large swing on a Y-o-Y basis sitting against the profit of INR 210 crores last year, that being a loss of INR 29 crores reported this year. So what's the reason for that?

Management: There was a onetime foreign exchange gain, which was booked last year.

Aniket Mittal: It's turning to a loss this year INR 29 crores?

Management: Are you referring to Slide number 19 of the deck?

Aniket Mittal: Yes, Slide number 19 of the deck.

Management: You're looking at the TERPL shipping company, right?

Aniket Mittal: Look at Slide 18, will find the numbers for 2Q. So against INR 214 crores of profit last year it has come at minus INR 29 crores.

Management: Yes. So we have booked INR 200 crores of ForEx gains last year for the same period.

Management: Yes. That was for sale of shipping that was done since that money was at that time pass and roughly when we brought it over here, we booked it at INR 214 crores of ForEx.

Aniket Mittal: Just a related sort of question on the EPC front. So when I look at the renewable capacity that we have under development, which is, I think, 1.8 gigawatts, the commission time line, could you help me on that in terms of...

Management: Most of them are next 12 to 18 months. So our target is that by March '24, most of all of them will take commission, that's the time.

Aniket Mittal: Okay. How much do you plan to do in FY '23? And how much in FY '24?

Management: We can share the details. I don't have it right now. We can give you...

Management: Ballpark for the first H1, we have commissioned 450 megawatt.

Management: The question was on the own facility?

Management: On the total.

Management: Total. That we'll share with you separately.

Aniket Mittal: Okay. And just one last question on Mundra. I understand you can't talk about the difference or the under recovery. Could you help me with the average tariff that you realized from Mundra for 2Q and 1H that you've actually booked in your numbers?

Management: It's about INR 550 crores, INR 570 crores right around that. But the notified tariffs have been between INR 6.20 paisa, 248 kilo. So that's the notified, so that's the difference.

Aniket Mittal: So we booked around INR 550 crores to INR 570 crores.

Management: Yes.

Aniket Mittal: And this is for Q2, or this is for 1H?

Management: Q2, because it started 1H fully. It's only part of 1H.

Aniket Mittal: So 550 for 1H.

- Management:** No, not 550 for 1H. You are mixing up. See, this full modification came from fifth of May. So it is not 1H. It is only part of 1H.
- Management:** It's kind of not entirely appropriate in giving you a breakup because it's a bit complicated now. And it's better to wait for the complete clarity to emerge. And I'm very sure before the next quarter call, we'll have a complete idea as to the exact under-recovery or to what extent we're losing or gaining.
- Moderator:** Thank you. The next question is from the line of Apoorva Bahadur from Investec. Kindly proceed.
- Apoorva Bahadur:** Congratulations on the good set of numbers. And thank you for the opportunity. So you spoke on this provision write-back for the solar EPC business. Can you please share the quantum how much did we write back into solar?
- Management:** We will be able to send you separately because there are many projects and the provisioning right back is on account of various things. So it will be difficult to just quantify one number and give it to you. I think, as I said in the previous question, that depending upon the time of completion and then towards when the project is getting completed, we do a true work for cost to completion. And normally on a conservative basis, we try and make more provisions to be on the safer side. So given that some of these projects have been rescheduled now, and the cost of cells modules see that started coming down, we have done a revaluation of the cost to completion and find that we are in a position to claw back some of these provisions.
- Apoorva Bahadur:** Okay, so secondly on your overall green company portfolio, the profitability has been lower year on year. Now I understand that some part of it would be because of finite depreciation and rise in interest costs. But the EBITDA margins also appear weak, especially for TPREL. So can you share the breakup between this operational – I mean, the decline in profitability due to operational issues and also the impact of INR depreciation and interest costs on the renewable portfolio?
- Management:** So we'll share with you. If you see our H1, the EBITDA has actually gone up. So it also depends on what sort of wind speed and what sort of solar intensity is there. So in the first quarter we had very good wind speed and better solar intensity. In the second quarter, because of the extended monsoon, the solar generation was slightly lower. But the details we can share with you. We can give you that how much the trend change helping.
- Apoorva Bahadur:** Sir, also, just wanted to check, in this quarter, this Western Odisha Discom number appear quite strong. So is there any one-off or incentives that were booked in the quarter?
- Management:** No, we have not booked any incentives. The performance has improved, and as I mentioned to you, our AT&C loss has reduced. Our billing efficiency has improved, our collection efficiency has improved. I think it's a general performance of the business which has added to and better billing and better being able to show much better performance in the future quarters.

- Apoorva Bahadur:** Sir, I understand that just, specific to Western Discom because that appears a bit better than the other Discom, so we have Discom which we took over around the same time. So anything specific over there?
- Management:** So Western Discom has more of industrial consumers. So EHD and HD consumers are very high over there, and that's why it has been much higher increase in consumption compared to others.
- Apoorva Bahadur:** So just 1 last question, if I may, and I'm sorry for harping on again with Mundra issue. But just for sake of clarity, while we notified tariff is around INR 6.20 paise kilowatt per hour we are booking around INR 5.50 paise since notification came, and this INR 6.20 paise is a further possibility for further upside, which CRP comes up with a favorable order. Is my understanding correct?
- Management:** No, your understanding is wrong. And I've mentioned to you that they notify the tariff every 15 days. And the tariff has changed because the price of ICI index coal has changed. It started from 620, it went down to 470 and now it has gone to 596. So it keeps on changing every two weeks. But when you get the coal, you get coal over a period of time and based on the actual cost of coal you are going to bill them. So that is the delta difference that will happen. And in such time order of CRC does not come out, it would be speculative to give you a number and say that this is the number.
- Apoorva Bahadur:** So sir, the average notified tariff would be around INR 5.50 paisa?
- Management:** No. That's what I'm saying. We don't get into averages, and there is a different price on every 15 days basis they are giving. You should then see the 15 notifications that have come. One that I will send it to you.
- Apoorva Bahadur:** Yes, sir, that will be very helpful.
- Management:** Otherwise, it's there on the Ministry of our website also, you can see over there.
- Moderator:** Thank you. The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Kindly proceed.
- Dhruv Muchhal:** Sorry, I got disconnected earlier. Some of the questions have been answered since. So just one question on the Odisha Discoms. We see the performance is improving. We understand the circle developing but we also notice that the regulatory assets are increasing. So should we understand this primarily because of the fuel cost? Or is there some other element to this?
- Management:** So the regulatory asset adjustment takes place on an annual basis. So it's a question of timing of some of the regulatory assets, which is there, which will get adjusted at the end of the year. So it has nothing to do with the fuel costs and all that because in Odisha there is one single tariff that is a charged there by the generating company.

And we also charge one single tariff on the consumer So this is because of whether it is the O&M cost or it is on billing efficiency and things like that. So at the end of the year, that's two of take place, and you will get see that number whether there is an increase or decrease. And depending upon that, the tariff fixation takes place for the next year.

Dhruv Muchhal: And sir, the second, just a follow-up on one of the earlier questions on the shipping company. We understand the delta movement because of the FX, but we wanted to understand what's driving the loss in the current quarter. And probably also in the first half, the profitability is a bit lower because you understand that we used to understand that this was a leasing arrangement where the profitability was largely assured. So just trying to understand what's driving the loss?

Management: So again, the billing that we are doing on shipping is based on the CRC Index. Now once we get the actual cost of shipping that is there, then we'll be able to decide on it, whether that needs to be reversed.

Moderator: Thank you. The next question is from the line of Ajay Mehta from Wipro Limited. Kindly proceed.

Ajay Mehta: So my first question, sir, to you is that considering the environment when interest rates are rising, so what is Tata Power's plan on reducing the debt because that is still at an elevated level, right? Even though Y-o-Y we have come down, but still the average debt cost has risen from 6%-odd to 7%-odd, right? So what is the plan to reduce the debt going forward?

Management: No, I think when you look at the overall net debt of the company, in spite of all the CapEx that we have done and incremental working capital because of higher revenues, our total net debt is still below INR 40,000 crores. What is important to look at it from a perspective of the leveraging, some net debt to equity position and our leveraging well below a 1.5, our targeted leveraging was 1.5 was the Tata Power level standing at 1.32, right now as we speak.

Interest level, yes, we are kind of around 7% if you look at the current quarter, and when we looked at a year back, it was around 6.6%. So we have seen about a 40 bps increase, but that is against almost 190 bps increase in the base rate, so I think we have been able to manage our interest rate quite well, including some of the international borrowings that we have done, including a recent 320 million borrowings that we did our sustainability-linked loans. Together, we've been able to kind of contain our overall cost of debt quite well.

Ajay Mehta: And my second question is, I just saw in a notepad there was a cyber attack, right, even though there's no impact to the financials, and I believe you guys have taken the reports also. So is there any action still pending to be done which would have an impact on Q3 numbers due to the cyber attack?

Management: No, there's no impact on the quarter 2 also. Very clearly the financials, the facts systems and all have been well protected. It is not having an impact, we did not have any financial loss as

well. Our operations, collections was as usual for us. So yes, we don't see anything happening in quarter 3 as well.

Ajay Mehta: And sir, my last question is what is Tata Power vision is respect to the EV charging, right? I know you guys are increasing your footprint quarter-over-quarter with increase in the number of cities being added, number of clients being added, number of apartments, connectivity is improving. So what is like the path going forward from a next year perspective in terms of the growth that you see in the EV segment?

Management: So our objective is that we need to provide a seamless experience to the customer. And when we say that, if you are having automobile in your home, you should have a home charger, which we should be able to provide. If you are traveling intracity, then whatever charging you need to carry out. You should have a seamless experience over there, then for public transportation, the bus charging infrastructure.

Now as far as the home charger and the bus charging is there, that is on a cost-plus basis that we do. As far as the public charger is there, it is on a fee or a subscription model, which is there. The consumption of that or the utilization of public chargers is much less today because most of the people still continue to use their home chargers. Also, the penetration of electric vehicle has not happened to that extent. So we are creating an infrastructure for that over the next two years, three years when the penetration of electric vehicle, utilization of these chargers should increase from the present about 2% to about 15% by when it will be able to sustain its operation on its.

Moderator: Thank you. Participants if you wish to ask a question, kindly press star one. The next question is from the line of Subarni from Spark Capital. Kindly proceed.

Subarni: This is Bharani from Spark Capital. Sir, what is your view on the international coal prices over the next, say, two quarters? And what would be your rationale for that?

Management: Still as globally the coal prices have been very high. And we do not expect that it will reduce at least for next 12 months. So we expect that the coal prices will remain high. Now whether it will be at the present level or little lower than this, I cannot predict that. But yes, the coal will be in demand, especially imported coal will be in demand considering the global need for energy substitute.

Subarni: Could you share the FOB realization per tonne and the gross profit per tonne for the KPC mines for the second quarter?

Management: We don't do the sell-off coal over here, so that details we can give you from the KPC reports, we don't have that with us, we can share with you in the KPC.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Dr. Praveer Sinha for closing comments.

Praveer Sinha:

Thank you, Vivian and thank you to everyone for joining in the call. And in case you have any further queries, any other details that you would require, please connect with Kasturi and Rajesh Lachhani and we will be more than happy to furnish you with it. Once again, season's greetings and all the best.

Moderator:

Thank you. On behalf of Tata Power that concludes this conference. Thank you for joining us. You may now disconnect your lines.