



“Tata Power Limited Q3 FY23 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Tata Power Q3 FY23 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.

I now hand the conference over to Dr. Praveer Sinha – CEO and MD, Tata Power for his opening remarks. Thank you and over to you, Dr. Sinha.

Dr. Praveer Sinha: Thank you Bikram. Good evening to everyone and thanks for joining for the call. On behalf of Tata Power and on my personal self, I would like to wish all of you a very Happy, Healthy and Prosperous 2023.

I am joined today on the call by my colleague, Sanjeev Churiwala – CFO; Mr. J. V. Patil – Financial Controller; Mr. Kasturi and Mr. Rajesh Lachhani from Investor Relations and few other members from my Finance team.

Two days back, the Honorable Finance Minister presented a balanced budget which had lot of initiatives and programs to push the infrastructure sector. The programs were typically in areas of clean energy, renewable energy, battery storage, pump storage opportunity and also the long-term view as to how we will move towards 2030 with 500GW renewable capacity. It is heartening to see that the government is also focused on decarbonizing the economy and I am sure with all these announcements of the government in the budget, we will be able to move at a very fast pace towards using clean and greener energy in our quest to become net zero.

As you may recall, Tata Power is the first power Company in the Country to announce its vision to become net zero by 2045 and we are working towards that goal. The big picture policy support that we saw in the budget was also about creating the transmission line from Leh-Ladakh to bring clean power, solar power from there into the main parts of the Country. Also, the support through viability gap funding for battery storage of nearly 4000MW of ours will also help in turning up clean energy into 24 hours clean energy solution.

Let me now start talking about the power demand which we see in last 1 year has grown tremendously even in winter months, we are seeing that the peak demand has been in the range of 200 to 210 GW and we can expect that this will continue to grow as summer approaches. On overall basis, we find that in the month of January itself, there has been a 12% increase in power consumption and we do expect that this trend will only increase going forward considering the summer months as they approach us.

Also, in the renewable sector, we have seen in the last few weeks that there has been huge price correction especially in the prices of Polysilicon, wafer, cells and modules which will help us to

implement many of the projects which were delayed in last 12 to 18 months because of huge increase in the prices of the solar manufacturing as also in the prices of the various commodities like steel and copper. In the last quarter, we also saw that the Mundra plant could operate at full capacity supplying to the three states of Gujarat, Maharashtra and Rajasthan and the recent orders of CERC agenda that the tariff for Mundra becomes cost effective. The Section-11 order during the period 5th May to 31st December has helped us to ensure that the supply of power takes place on the cost-effective basis and the full passthrough of coal cost is provided and the benefit of this has been considered in our quarterly performance.

Moving to the financials, Tata Power has reported an excellent quarter witnessing strong performance from all the business clusters including our traditional generation business, transmission business and distribution business.

Our PAT has grown consistently for these 13 successive quarters demonstrating very strong business fundamentals. Consolidated PAT achieved a new record of ₹1,052 crores which is up by 91%. We have also seen very robust year-on-year growth of 30% in revenue as also a huge increase in our EBITDA by 53% to a record ₹2,818 crores.

Our renewable capacity during this quarter has increased to 6072MW with the installed capacity of 3918MW and another 2154MW under various stages of implementation. During Q3, the renewable Company that is TPREL won a 255MW hybrid projects from Tata Power Delhi distribution through e-auction process, as also, it has won other orders from MSEDCL which consists of 150MW order worth ₹684 crores. In addition to this, the Company has won a large number of EPC orders and has a large order book of nearly 3914MW which includes the internal projects also. Our 4GW cell and module factory, construction activity is at full swing and we expect the module plant will be ready by September and the cell plant will be ready by end of December and we do expect that the module produced from here will be used for the various projects both internal as well as third party that will be implemented by us.

The TPREL rooftop business also has seen very good traction in the quarter and 127MW of capacity was installed in the last quarter. In addition to this, 102MW of new orders have been won during this quarter. The rooftop business in fact has a very healthy order book of 368MW worth ₹1,375 crores. The rooftop portfolio has now expanded to 1300MW cumulatively with installation right across the whole country and with this, we have our footprint in nearly 275 cities in the country. It was a good quarter for solar pumps also with Tata Power executing nearly 12,000 pumps in Q3. In the December month only, we executed 6,300 pumps which is one of the highest for Tata Power till now.

We continue to power green mobility in the country and have partnered with Indian Army to set up EV charging points in Delhi cantonment area and are in discussions with many more similar cantonments in other parts of the country. On the overall basis, Tata Power energize 900 public

charges during Q3, taking a network of public and semipublic charges to nearly 3100. Tata Power EV charging network is now present in more than 500 cities with the Company adding 18 cities during Q3. We also have installed more than 6600 home charges in Q3 taking the total number of home charges to more than 30,000 and what we have seen in that there is huge amount of traction and the range concern that people used to have is no more there while using electric vehicle either within the cities or for the latest city traffic.

Our distribution business in Odisha is doing very good and continues to give excellent service both in terms of reliability and also in customer services in all the four Discoms in Odisha. With all our four Discoms report a sharp reduction in AT & C process which is nearly 26% on an average compared to 36% one year back. We expect that Odisha Discom business will continue to host profit in this quarter as well as in the subsequent quarters. We have installed in fact 5 lakh smart meters across Tata Power Discom across Odisha, Mumbai and Delhi which is the highest by any power Company in the Country.

Moving to the balance sheet, I am happy to share that our net debt has reduced further by ₹1,350 crores in the December quarter. The fall was driven by the Company's robust operating performance, lower CAPEX, and the inflow of the outstanding proceeds from divestment of Arutmin and other investments. The combination of healthy growth in the operational profit and declining debt has further improved the leverage ratio. Our net debt to underlying EBITDA has improved from 3.5 in the last quarter to close to 3.0 in this quarter. Our net debt to equity has improved from 1.3 in the prior quarter to 1.23 in this quarter. We are committed to maintaining this healthy leverage going forward.

With sustainable development at the heart of our operations, we are pleased to see several agencies acknowledging our efforts. In fact, Tata Power has emerged as the top-ranking power utility in the countries by scoring 67.6 S&P rating with 85 percentile. The Company has also improved its CDP climate change rating from C in 2021 to B in 2022. Tata Power has also won the Gold Shield award from ICAI award for excellence in financial reporting for 2022.

Tata Power continues to steadily move towards its long-term aspiration built on businesses of the future while maintaining a healthy balance sheet. This is clearly visible from the improvement seen in the operational and financial metrics in each passing quarters. We look forward to your continuous support. With this, I will ask Bikram to go to the question and answers.

Moderator:

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

Sumit Kishore: My compliments on the strong quarterly performance. My first question is that revenue for the quarter as per notes to accounts includes an amount of ₹4.39 billion relating to earlier quarters, will you please explain the nature of this income and what has flown to PBT and to the PAT level and does this take care of the entire amount that you had to recognize for Mundra UMPP?

Sanjeev Churiwala: I think this is a very important question, the answer could be a bit complex. You will have to kind of just bear with me as you would have already seen the broad-based CERC order under Section-11 which talks about complete passthrough of the fuel price. This is for the period starting from May to December. Since we are reporting the quarterly accounts, the amount pertaining to the previous quarter have to be disclosed separately which we have done in the results that you would have seen. I think the better way to look at is yes, for the quarter there is a passthrough which has been agreed upon, but I think since that also has a previous quarter results, you have to look at the complete 9 months results, yes, of course there would be backlog that we still need to resolve for and that is why we are working on the revised PPA to ensure that our losses comes down further.

Sumit Kishore: But that does not answer my question, what is the impact at the PBT and PAT level for the amount of ₹4.39 billion just pertaining to earlier quarters?

Sanjeev Churiwala: So, I think this fully goes into PAT subject to tax of course. The reason is very clear that the cost was absolutely booked in the period when the power was supplied and we were looking at this differential tariff now which we have receive now.

Sumit Kishore: So, what is the update on Mundra UMPP now, I assume that there was new under recovery versus fuel cost in Q3 or what was the set off which was given for the profits that you earn in the Indo coal mine and was there any under recovery at all against capacity charges and how is the present quarter playing out now that the Section-11 benefits have seized and so what is the outlook or how far is the final outcome?

Sanjeev Churiwala: So, there are couple of questions that you have bundled together, A is the capacity charges which as per the CERC order under Section-11 have to be completely passed on to the producers, so yes that will be getting. There is energy charges which is to ensure there is a complete passthrough of fuel while I use the word complete passthrough of fuel, there will be small element of under recovery because besides fuel there are various other cost elements which is also there, so there will be some under recovery and of course there is one element of mining profit sharing as well which is part of the CERC order and that to the extent of the profit mining share we will have the under recovery.

Sumit Kishore: So, how is it progressing now that in January and for the Q4 quarter, how do the benefits continue or whether the discussion is ongoing and when is the outcome expected?

- Sanjeev Churiwala:** Yes, the discussions are ongoing and given that the Section-11 notification earlier with the MOP and now rectified by CERC, we would expect that the revised PPA to be almost on similar lines, but the discussion is ongoing right now.
- Sumit Kishore:** So, the amount which has been additional bill for prior quarters, has that been recovered from the states or is there any dispute regarding those amounts?
- Sanjeev Churiwala:** No, I think there are couple of things again here, A- is the amount that we have to receive on account of Section-11, the billing has happened now in the month of January, so it is not reflected at the recovery in December, those recovery will happen now and of course for the previous period that is till the H1, their amounts which is to be recovered across various items, so that is why I am saying it is very difficult for us to kind of respond on the phone, but what we can do is for those who are interested, you can drop a message to Rajesh and Rajesh will provide you the details.
- Sumit Kishore:** So, benefits under Section-11 has still not been recognized, so these amounts for prior period which are flowing into profit are then relating to what exactly?
- Sanjeev Churiwala:** No, the Section-11 revenues have been fully recognized that is what I am trying to tell you, the amount that was pertaining to the earlier period ₹439Cr to your earlier question is a complete passthrough in the PAT because the cost that was incurred was already recognized in the previous period.
- Sumit Kishore:** Just my last question on the TPSSL business, the order book at ₹154 billion is indeed quite strong, but revenue for the quarter, if I look at the solar utility scale solar EPC business excluding rooftop and pumps is below ₹8 billion absolute terms and it is down year-on-year, so I understand that certain projects have got deferred, but what is the outlook here and the extent of deferrals seems to be pretty high?
- Sanjeev Churiwala:** So, let me try and decode this item by item, if I look at on a 12-month rolling basis, especially on the large-scale utility, we almost installed about 1GW purely and almost 500MW at the current quarter in the pipeline, so for the full year, you can expect about 1.5GW which is pretty decent thing. When it comes to the EPC, that is where we have gone slow very strategically and deferred some of the projects for the subsequent quarters because we have seen the prices of module and cells were very high and of late as you are already seeing the prices are significantly coming down and to that extent you will get those benefits in the subsequent quarters, so that was more of a strategic intent. On the pumps, we took a very strategic position of choosing the state that we want to supply and choosing the kind of SKUs that we want to supply, this was again on account of high prices of modules and cells, the things now recovering, we will accelerate further now.

- Moderator:** Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** My first question- can you confirm the operational capacity of renewables and under construction capacity and the timelines, when do you expect this capacity to come up in the sense what the capacity expect to come in FY23 and FY24 and expected EBITDA with portfolio at 375 level of the entire capacity?
- Sanjeev Churiwala:** We already have an installed capacity of 3.9GW of the large scale. The total in-pipeline is about 2.4GW. We expect commissioning of 500MW in the fourth quarter, so for the full year, you should see a close to about 1.5GW of addition in the large scale project. The timeline as I said 500MW will already get commissioned in the current quarter out of 2.4GW and the way the period goes, the balance will start commissioning next year over various quarters. They are in various stages of implementation and hence normally you can expect between 12 months to 18 months for the project that have just been won and the one that are in the pipeline most of them will get executed next year.
- Mohit Kumar:** Secondly, can you please explain the coal volumes, I understand the coal volumes are slightly soft side in CY22, can you expect this coal volume to pick up in CY23?
- Sanjeev Churiwala:** Coal volume in what sense to pick up, would you just explain that?
- Mohit Kumar:** Million ton in Indonesia mines?
- Sanjeev Churiwala:** Are you talking about coal mining?
- Mohit Kumar:** Yes, volumes, million ton, what was the volume for the 9 months and do you expect this to pickup in the remaining part because what has happened last year I think it was very subdued ?
- Sanjeev Churiwala:** I think there had been sporadic rains over there which has definitely impacted a bit of mining, but they are in the process of planning for the next year now. I would suggest you drop us a mail and we kind of let you know as to what kind of plans they will have once we kind of know it, for example, KPC normally every year would have a mining plan of 50 million tonne and it is plus minus 10% depending upon the various things including the demand supply gap, logistics issues, it could be rains and what not, but give and take normally or every calendar year they expect to kind of mine about 50 million tonnes.
- Moderator:** Thank you. We have the next question from the line of Puneet Gulati from HSBC. Please go ahead.

- Puneet Gulati:** My first question is again on Mundra, now that Section-11 is quite clear, done and dusted, can you provide some sense of profitability at EBITDA level for Mundra and other important metrics for that 9-month period?
- Sanjeev Churiwala:** I would request you can drop a mail to Rajesh and as we have said in the previous call, Mundra is no more a separate Company for us, it is part of the Tata Power, so we do not call out the separate item for that, but as I said to the previous question, I think we are still under recovery because of the mining profit sharing and of course this order for CERC is only for the period of May to December and at such period of April and May we still have a higher losses, so for us on YTD basis, we still have significant under recovery and we just hope that a new agreement that we are proposing or discussing should take care of this because unfortunately we have burnt lot of cash in this business over the year.
- Puneet Gulati:** But the order of CERC was quite clear in some sense that 30% of the coal that you take for Mundra, only to that extent you will have to share the mining profit, in that context you should actually be making decent EBITDA, isn't it?
- Sanjeev Churiwala:** No, if you only look at the quarter because this order pertains to a period beyond the quarter, yes, but then to the extent that we are sharing the mine's profit for the coal that we have been consuming.
- Puneet Gulati:** It was only 30% of the coal that you are consuming, not for the full also, right?
- Sanjeev Churiwala:** Yes, 30% of the coal.
- Puneet Gulati:** So, would it not have rendered the Section-11 period strong EBITDA number?
- Sanjeev Churiwala:** Yes, what happens is, it is important to again not just look at the quarter because...
- Puneet Gulati:** Sir, I was talking about the full Section-11 period starting from May to December, some sense because that is the number one can expect, right, if Section-11 will continue in the future as well?
- Sanjeev Churiwala:** That is correct, at the EBITDA level, yes, but the better way to look at it is how does it look like for the entire 9 months of duration, wherein we have various kind of arrangements. So, I think what is also important is to look forward, we should not be making any under recoveries and that is main point of discussion right now for us.
- Puneet Gulati:** I will take it separately, but on the Tata Power Solar, how should one think about the EBITDA margin, so you explained about the potential revenue growth, how should one think about the margin profile of this business?

- Sanjeev Churiwala:** You are talking about Solar Rooftops or?
- Puneet Gulati:** No, the Solar EPC business?
- Sanjeev Churiwala:** Solar EPC normally we have been targeting at a PAT margin of 5 to 7% and again that is on the portfolio level. Some of them will give lower and some of them will give higher to an aggregate level that is what we want to target. If you look at our business for the first 9 months, it has maintained lower than that because of course we had pretty higher cells & module prices and as a result we have planned current deferment of the projects to the subsequent quarter, but on a consistent basis, our aim is to kind of have at least 5% PAT margin of the EPC business.
- Puneet Gulati:** Yes, but if I have my numbers right, I think Q2 had come down to almost stabilized number, it has a nice 9% PAT margin and the Q3 is back to 3% PAT, so I thought problem should have been solved by Q2 and now we are on a steady path?
- Sanjeev Churiwala:** Yes, so if you look at the three quarters put together, YTD I think it is (+3%).
- Puneet Gulati:** YTD is fine because Q1 was that with the negative loss-making quarter?
- Sanjeev Churiwala:** Correct, that is when we decided to take a certain call including deferring some of the project including reaching out to the procurers, to renegotiate the prices and everything else and to that extent, we see some better things coming in quarter 3 and hopefully with the dip in the module and cell prices that we see now, we should be able to improve our PAT. We are therefore kind of saying that we target 5% EPC margin, PAT margin.
- Moderator:** Thank you. We have the next question from the line of Anupam Goswami from BOB Capital Markets. Please go ahead.
- Anupam Goswami:** Sir, I will take the Mundra operational numbers later on, but my question is on this quarter, now that the Section-11 has seized to operate, do we see any breakeven sort of position in Mundra in our new PPA or do we actually see some profit coming also in the Mundra unit?
- Sanjeev Churiwala:** You are talking about the fourth quarter, starting from 1st of January?
- Anupam Goswami:** Yes, fourth quarter after the Section-11.
- Sanjeev Churiwala:** Yes, our intent is to see that is their PPA can be signed in the line of Section-11, that is the principle that has been set in Section-11, so to that extent of mining profit, yes, there might be under recovery, but even if that happens I think we will have a big relief given the big quantum of losses that we have been taking in the past.

- Anupam Goswami:** So, overall, to the bottomline to say that there will be some under recoveries continuing in Mundra and maybe the losses will narrow down, but entirely some profits will not reflect if I just summarize in one line, will I be correct in this?
- Sanjeev Churiwala:** So, the idea is to recover the fuel cost, the idea is to kind of see that we keep on getting our capacity charges, but to the extent of the mining profit that we have to share, it will have some impact.
- Anupam Goswami:** And sir, your capacity charge and fuel cost currently coming at what level sir, if you can give me a ballpark sort of number?
- Sanjeev Churiwala:** We will not have it readily available, but in principle we were looking at the fuel cost passthrough, but if you drop a message to Rajesh, he might take those numbers and share it with you.
- Moderator:** Thank you. We have the next question from the line of Dhananjay Majhi, an Investor. Please go ahead.
- Dhananjay Majhi:** Can you please update why there is a drop in the revenue in transmission and distribution system from the last quarter?
- Sanjeev Churiwala:** I think if the breakup between transmission and distribution, transmission is more of a consistent business so we don't have a profit. When it comes to distribution business, we have kind of done some cleaning up with respect to the expected credit loss, which is kind of looking at the past receivables and trying to recover that and if not try and take some hedge on the P&L.
- Dhananjay Majhi:** And in capacity utilization, current capacity utilization?
- Sanjeev Churiwala:** Current capacity utilization of which business?
- Dhananjay Majhi:** Average current capacity utilization?
- Sanjeev Churiwala:** Are you talking about the Mundra plant or if you are kind of looking at each segment separately if you look at the Investor's Deck which has been uploaded there we have given the complete breakup.
- Moderator:** Thank you. We have the next question from the line of Balasubramanian A. with Arihant Capital. Please go ahead.
- Balasubramanian A.:** Congratulations for great set of numbers, my first question is regarding CAPEX in solar modules, I think the current capacity is around 635MWt, so what kind of capacity addition is

expected in next 2 to 3 years, what kind of CAPEX amount, if you could throw some light on that?

Sanjeev Churiwala: I think in the previous strategy deck that is already uploaded in the website; we have kind of said that our intent is to kind of do 2GW to 3GW every year. We are presently refreshing that strategy, but yes our plan is to kind of invest big time into solar and almost 80 to 90% of our CAPEX that we are presently allocating is going to our green business so I think that trend will continue.

Moderator: Thank you. We have the next question from the line of Rajesh Majumdar with B&K Securities. Please go ahead.

Rajesh Majumdar: Sir, my first question was regarding our module capacity, so I have a basic question now that the module prices have corrected to 21 cents or so, what is the feasibility of setting up a plant versus importing modules, so that the prices can be the correct more hypothetically to slightly more lower levels, is there a long-term viability of this module plant or rather we import at low prices?

Dr. Praveer Sinha: So, let me try to respond to this, first of all when you import modules, you need to pay basic customs duty, so today the customs duty is 40%, so even if we are seeing the reduction in the prices of modules it will always be much higher than what is the price at which we will be manufacturing because what we will be doing we will be bringing the wafers, making the cell and the module and on wafer there's no customs duty. So, there is an arbitrage and I think the cell and modules that we will manufacture will be much more competitive even with the very low prices often the imported modules that we get from China or any other country.

Rajesh Majumdar: Is it significant arbitrage sir or still it is like with the falling prices, it would be 10-15%? Some ballpark numbers I am looking for.

Dr. Praveer Sinha: I just mentioned to you 40% differential on customs duty, even if theoretically their prices are 20% lower than Indian prices, it would still be more than the Indian price when it is imported.

Rajesh Majumdar: And sir, my second question was we will see considerable increase in the renewable additions now going forward hopefully since the prices are falling and there is renewed focus in the sector, but what I have seen is that despite a year of sterling profits from the joint ventures and strong cash flow, our debt is going up, so in the event of our renewable additions going up to say 2-2.5GW per annum will there be significant increase in the debt level on the current level or you think it would be sustainable?

Sanjeev Churiwala: Yes, I think the way to look at is when we look at on a consolidated level we do capital allocation across our various businesses. As we speak to you and also as you see in the deck, net debt has actually gone down by ₹1,300 odd crores in the current quarter, so we have landed with the total

debt position of about ₹38,000 odd crores. So, yes, we will be kind of allocate our capital and the allocation is in the solar right now, in the renewable businesses, but we are mindful of leverage our total debt, that is how we manage it.

Rajesh Majumdar: So, you don't see there is an impediment for the long-term growth of renewable business in this business?

Sanjeev Churiwala: Absolutely not and I think it is again not a correct idea to only look an absolute debt when the business is really growing, I would rather encourage everyone to talk about the leverage, because finally what matters is leverage, finally what matter is the cover at least and if you compare our business given that we are in the infrastructure space to any other player we have far-far strong balance sheet.

Moderator: Thank you. We have the next question from the line of Anupam Goswami from BOB Capital Markets. Please go ahead.

Anupam Goswami: Sir, my question is on the overall vision of the Company, where do we see in the growth oriented factors, where do we see the capacity growing and which segments, is it only the renewable segment that we are trying to grow or are we looking at some transmission lines in those network because that was also our plan at one time and we haven't seen any movement over there yet?

Dr. Praveer Sinha: In the last two years if you see we went and took over the four distribution companies. We added 9 million customers, who are earlier existing 3 million, so there has been a huge capacity addition in distribution. If we look at our transmission business, last year we went ahead and bid out two of the stressed assets and both those projects are now under implementation. So, we have been quite aggressive in terms of adding capacity in our distribution and transmission business. As we have been earlier also sharing with you that there is a cut off that we consider for any of these projects in terms of what sort of returns we are looking at and while we have been bidding for some of the project as the prices or evaluations that they are going, we don't feel it will meet our overall objective. So, we are very concerned if the margins are not there and any bid that we do, we ensure that it meets our overall long-term return metrics. So, apart from the renewable, we are definitely doing lot of work in distribution and also in the space of transmission and as and when good opportunity comes, we will be bidding for all those projects.

Anupam Goswami: Sir, renewable at what run rate, are we adding capacity or we looking at?

Dr. Praveer Sinha: This year, we have already won more than 2GW of renewable capacity which consists of solar and solar plus wind and all these projects will get implemented in next 12 months to 18 months.

Anupam Goswami: And going forward like FY24 and FY25, should we look at a similar run rate of addition?

- Dr. Praveer Sinha:** Yes, absolutely as this excludes the group captive, so that also is going at a very fast pace and you can expect at least 500MW to 800MW of group captive getting added every year.
- Anupam Goswami:** So, about FY26 or 27 we will reach about 8GW to 9GW of capacity if I am not wrong?
- Sanjeev Churiwala:** No, it will be much more than that. Today, we already have, we are having installed capacity of 4GW, under construction is 2GW and there is another one at 0.5GW where we are, one where work has not started, so we are already at 7.5GW, so we keep on adding 2GW unless the group captive we will be much higher than the number that you mentioned.
- Anupam Goswami:** Sir, my last question is now that Mundra revising PPA will come, down the line do we see any growth or increase in dividend payout?
- Sanjeev Churiwala:** This is a decision that the board and the shareholders take, so let us see how the overall performance is there and what they feel about.
- Moderator:** Thank you. We have the next question from the line of Bhavin Vithlani with SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Could you help us the capital already incurred towards manufacturing of solar wafers and the solar module as well as cells?
- Dr. Praveer Sinha:** We will be spending nearly ₹3,400 crores so that is the CAPEX plan for that business.
- Bhavin Vithlani:** The rough estimate of what percentage of this has already been incurred.
- Dr. Praveer Sinha:** Right now, it is basic civil work that is going on and some advances have been given against the equipment, so very difficult at this stage to give you an exact number, but this is something which is under implementation and based on the milestones the payments are being released to the supplies.
- Bhavin Vithlani:** Just a follow-up on this, the news reports about China government banning the export of solar value chain from wafers and before that in such a case, do we have a plan B of alternate sources versus China?
- Dr. Praveer Sinha:** There is no ban on any supply of this. They are actually setting up huge capacities and for them it is very necessary that they keep on supplying globally to meet the growth of renewable power. So, the type of capacity additions that they are doing it is very important for them to continue supply to all large users of renewable power.
- Moderator:** Thank you. We have the next question from the line of Abhineet Anand from Emkay Global. Please go ahead.

- Abhineet Anand:** Just trying to understand the profitability for the quarter and 9 months, so we have made a profit of ₹1,050 crores and it includes around ₹439 crores of the Mundra stock that we are talking about, so is it fair to understand that if I subtract that number that could be the adjusted PAT or are there more adjustments to this?
- Sanjeev Churiwala:** So, are you talking about subsequent quarters?
- Abhineet Anand:** No, I am just talking about 3Q sir, so we have reported ₹1,050 crores profit?
- Sanjeev Churiwala:** No, what is happening is because of the profit for the quarter, while at Tata Power level we had a deferred tax asset given that we have profit now, we have the reversal of the deferred tax asset, so while you are looking at that more than ₹439 crores, there is also reversal of ₹431 crores in deferred tax asset, so by and large there is value point at the overall profit.
- Abhineet Anand:** So, largely the reported number is the adjusted profit you are saying that, right?
- Sanjeev Churiwala:** In a way.
- Abhineet Anand:** Second is, if I have to arrive at the mining profit, correct me if my understanding is right, I have to add the investment Company's losses and profit of the coal companies, is there anything else that needs to be done?
- Sanjeev Churiwala:** I guess that is the right approach.
- Abhineet Anand:** So, if I have done that I think probably for the quarter, we made ₹724 crores odd profit versus ₹560 crores last year on a Y-o-Y basis?
- Sanjeev Churiwala:** Yes, so what happens is again you have to look at the tax regimen, there's holding tax, there are various other things that needs to be counted. What you can do is, you can get it back with Rajesh and he will be able to share some more details and I think there is something already as part of your Investor's Deck which is uploaded. That will also give you some understanding.
- Abhineet Anand:** Yes, I have just reading that out only because there are two coal parts, one is the invested companies and other is the coal mines?
- Sanjeev Churiwala:** Yes, it is at Slide #19.
- Moderator:** Thank you. We have the next question from the line of Atul Tiwari from Citi. Please go ahead.
- Atul Tiwari:** Sir, just one question on Mundra UMPP, so now that Section-11 as of now is no longer operative and the new supplemental PPA has yet not been signed, so could you share for the current quarter

what is the PLF of the plant and on what basis are you billing both the fixed cost and the fuel cost and what are the under recoveries if any?

Sanjeev Churiwala: Well, we don't have an answer for the simple reason that you would expect the agreement to be signed soon as Dr. Sinha already said in some of the previous questions and it shows a sign, we would definitely want to run the plant and at least give Gujarat 48% and I am sure the other states will also follow, so we will try and look at it positively rather than we really worry about what is going to happen.

Atul Tiwari: Also, the only current PLF at least is the plant like running at high PLF or the PLFs are low?

Dr. Praveer Sinha: Right now, only one unit is operating and in that also 48% of the power is going to Gujarat, so it is a very small quantity that is being done, but as soon as we are able to come to an arrangement with Gujarat, we will be able to ramp up the generation and supply them the full 1800MW capacity.

Atul Tiwari: And sir, this week itself, there was a news item that the government may be continuing to invoke Section-11 again in the sometime during the summer, so have you heard anything on this and is it likely that the Section-11 could be kind of extended again?

Dr. Praveer Sinha: We have also heard, we have also read in the newspaper and this statement was given by the Minister, so let us wait and see.

Moderator: Thank you. We have the next question from the line of Girish Achhipalia with Morgan Stanley. Please go ahead.

Girish Achhipalia: I had few questions on renewable, as per Slide #29 because PLF is actually down to 10% I think it is the lowest ever, what has really happened is can you just clarify and if there is any one-off here?

Dr. Praveer Sinha: What typically happens is the winter months are the low PLF months and this is typically every year also if you see during these months, November, December is low wind speed and it will pick up now. It will pick up from summers.

Girish Achhipalia: Y-o-Y also said it is down 400 basis points?

Dr. Praveer Sinha: Compared to previous year, it is actually down to the same quarter. Yes, you know the climate change that keeps on happening. This year, the monsoon rains went up to mid-October, in fact up to end October and that is why the wind speeds were very low. We expect that they will make up in the subsequent month. We had also seen that in both quarter 1 and quarter 2 this year the

wind speeds are very good and on the cumulative basis, there is a huge difference between last year and this year.

Girish Achhipalia: Then in terms of debt that is likely to be repaid in the next 12 months on renewable how much is it and what is your rate of interest that you are getting on new volumes and renewables?

Sanjeev Churiwala: I think it all depends on the CAPEX plan that we have and of course....

Girish Achhipalia: I am referring to the CAPEX plan that you have for the balance under construction capacity, how much are you bidding your new debt and if you have to refinance any debt, how much is the refinancing likely, what is the repayment likely?

Sanjeev Churiwala: I think in fact all the current borrowing that we have recently done, it all.

Girish Achhipalia: If you could share the number sir?

Sanjeev Churiwala: It all ranges between 7.5% to 8% depending.

Girish Achhipalia: Because I was referring to the debt amount also, so what is the debt amount you will have to repay or refinance?

Sanjeev Churiwala: See, that we will have to calculate and give you, but all I can tell you is our average majority period is very good and to that extent we are not kind of really worried, but we do have the details available and unlike many other players in the market, our complete borrowings is mostly domestic loans and the short-term kind.

Girish Achhipalia: So, your majority is how long sir, is it 3 years, 4 years, 5 years now like for the current portfolio?

Sanjeev Churiwala: I think it is little above 5 years of the overall portfolio and the current one we have started looking at even higher tenure, there's the news in the market, we need ₹1,000 crores borrowing at about 7.9% and about 8% for 10-year tenure. The 5-year rates are right now about 7.5% to 7.6%, so that is why I was saying that our rate of borrowing will range between 7.5% to 8%.

Girish Achhipalia: And the module cost that you are, CAPEX that you are incurring now what will be the module cost for that? How many cents would it work out to roughly, manufacturing cost?

Sanjeev Churiwala: Are you talking about the manufacturing capacity?

Girish Achhipalia: Yes, new capacity that you are building and which would come up?

Dr. Praveer Sinha: There is still some way to go, so it is too early to give any idea of what will be the manufacturing cost because it all depends at what price we get these cells and then we get the wafers, so but

what we can tell you is that we will be very competitive based on the projections that we have seen and our manufacturing cost that we have planned. We will be very competitive in the Indian market.

Girish Achhipalia: And sir, can you just explain this deferred tax profit that you just had mentioned, I couldn't follow why is it coming and what is it about and why should it, is it extraordinary or not an extraordinary and why?

Sanjeev Churiwala: I think I just give you some context. At Tata Power level, which is the Tata Power standalone, we had carry forward losses coming because of this merger of the CGPL plant acquitted last year, we had a huge amount of carry forward losses. To that extent, we have deferred tax assets created in the books. Now, as and when we are getting the profits, the deferred tax assets are unwinding. So, if you see a higher unwinding it is a good situation which means that we are having higher profits as simple as that, but then this is non cash and you know it doesn't really impact our cash position.

Girish Achhipalia: But is it extraordinary or not an extraordinary accordingly?

Sanjeev Churiwala: This is ordinary because if you have profits, you will have deferred tax asset also.

Girish Achhipalia: The revenue that you have realized for Mundra, for prior period, post tax would actually be the recurring profit, there would not be any other investment?

Sanjeev Churiwala: So, the profit that we have realized and it is kind of going to PAT that is because of the Section-11 CERC order, now depending upon from 1st of January, if they are able to sign the revised....

Girish Achhipalia: I think I am referring to the quarterly profit for this quarter, I am not going for quarter 4, so quarter 3 profit minus the prior period post tax will be the recurring profit for Q3, that is my understanding, so correct me if I am wrong there and if I have to make any other adjustment?

Rajesh Lachhani: Girish, so since we have carry forward losses are at standalone basis, we have actually no tax, but because we have created the deferred tax assets, as and when we realize further, we will be consuming some of the deferred tax assets.

Girish Achhipalia: But sir, said that this is not an extraordinary and hence I am just trying to reconcile that?

Rajesh Lachhani: Yes, that is right, we will get the profit, this will come. The deferred tax as such will be consumed. So, this is ordinary profits, so we will consume the deferred tax assets.

Sanjeev Churiwala: So, Girish, maybe we are not very clear of the question, well I will again attempt. You can still put that question to Rajesh and we will try and decipher that and come back to you with a very

clear-cut answer. None of them are exceptional or extraordinary. As and when we get profits in the standalone Tata Power books and given that we had the carry forward losses and deferred tax assets, these deferred tax assets will get reversed and this is the non-cash item. It will not impact the cash flows.

Girish Achhipalia: Now, I wanted to understand CAPEX for last, so what has been the CAPEX plan for 9 months that you had and for full year how much is spending and for FY24 if you can just give us a broad breakup of different businesses, what could CAPEX be?

Sanjeev Churiwala: For this whole year, we kind of eyeing at ₹8,000 to ₹10,000 crores and depending on how much we can accelerate in the coming quarter is when we land up and of course given the size of the solar capacities that we are trying to put up which is about 2 to 3GW, you could expect anything above ₹10,000 crores will be the CAPEX spending next year. Now, we are still working on the plan for the next year, but yes, you can at least expect that kind of CAPEX to come in.

Moderator: Thank you. We take last question from the line of Anshuman Ashit from ICICI Securities. Please go ahead.

Anshuman Ashit: Sir, please correct me if I am wrong, so during the initial remarks, Praveer sir had mentioned that there had been some assets that we had sold during this quarter, so which were these assets and what was the consideration amount?

Dr. Praveer Sinha: No, these assets sale was not done in last quarter, we got the money in the last quarter. We had done the asset sale in way back in 2015, the Arutmin coal mine, so some of the money which was to be received from them, we received in the last quarter.

Sanjeev Churiwala: So, I think if you see the cash flow we have about ₹420-odd crores that has come in quarter 3 and YTD I think we have recovered close to ₹730-odd crores and that is I would say good progress because this was the sales that we have done a couple of years back and we had engaged with the buyer to get back our money.

Anshuman Ashit: So, is there any further amount which is pending from Arutmin?

Sanjeev Churiwala: Yes, there is a small amount which is pending that we would expect to come in the next few months.

Anshuman Ashit: Sir, what is that amount, how much is that?

Sanjeev Churiwala: We don't have the exact proposition there but let us expect that anything between ₹200 to ₹300 odd crores should come in.

Anshuman Ashit: And sir, second question on Tata projects, so this has been another quarter where the subsidiary has posted a loss, so sir, how should we see this because the fluctuation quarter-on-quarter seems to be quite high and can we see some stability because now the commodity prices also have stabilized a bit, so can we see some stability going forward in Tata Power?

Sanjeev Churiwala: Yes, I think you are bang on while there have been losses, the losses are not as volatile as was in the last year and we have very clearly mentioned that we did a lot of clean ups, there have been some onerous contracts that were making losses which they are not trying to kind of wind up losses ahead, but yes, I think looking at the current order book of Tata projects, it seems that the worst should be over now and we think the Company would be in a recovery phase in the next year.

Anshuman Ashit: So, we can expect some margin improvements going forward?

Sanjeev Churiwala: Yes, we as the shareholders would also love to see those improvements.

Anshuman Ashit: Sir, one question is on TPDDL- Delhi distribution, so the power projects cost and it is a passthrough, but it has increased significantly over the past 1 year, so should there be any concerns in terms of regulatory asset buildup or any other thing, how should we look at this and is there any discussion on this front as well?

Dr. Praveer Sinha: So, they get something known as power purchase adjustment. Right now, I think they are getting nearly a 20% increase in terms of power purchase adjustment, so every quarter they give the details to the regulatory commission and based on that the commission approves PPAC. So, I think at present they are virtually neutral in terms of power purchase cost increase.

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

Dr. Praveer Sinha: Thank you everyone for joining this call and in case you have any further details, please connect with my colleague, Rajesh and Kasturi, and I am sure we will be able to provide you all the required information in detail. Take care once again and it was a pleasure interacting with all of you.

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