



November 14, 2023

BSE Limited  
Corporate Relationship Department  
1<sup>st</sup> Floor, New Trading Ring  
Rotunda Bldg., P. J. Towers  
Dalal Street, Fort  
Mumbai – 400 001.  
Scrip Code: 500400

National Stock Exchange of India Limited  
Exchange Plaza, 5<sup>th</sup> Floor  
Plot No. C/1, G Block  
Bandra-Kurla Complex  
Bandra (East)  
Mumbai – 400 051.  
Symbol: TATAPOWER

Dear Sirs,

### **Earnings Call Transcripts**

Pursuant to Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the transcript of the audio call recording of the Company's Analyst Call held on November 8, 2023, on the Audited Financial Results (Standalone) and Unaudited Consolidated Financial Results (with limited review) of the Company for the quarter and half year ended September 30, 2023, is attached herewith.

The transcript of recording can also be accessed on the Company's website using the following link:  
<https://www.tatapower.com/investor-relations/inv-info-archive.aspx>

You are requested to take the same on record.

Yours faithfully,  
For **The Tata Power Company Limited**

**(H. M. Mistry)**  
Company Secretary  
FCS 3606

**TATA POWER**

**The Tata Power Company Limited**

Registered Office Bombay House 24 Homi Mody Street Mumbai 400 001

Tel 91 22 6665 8282 Fax 91 22 6665 8801

Website : [www.tatapower.com](http://www.tatapower.com) Email : [tatapower@tatapower.com](mailto:tatapower@tatapower.com) CIN : L28920MH1919PLC000567



# “Tata Power Limited Q2 FY-24 Earnings Conference Call”

**November 08, 2023**



**MANAGEMENT: DR. PRAVEER SINHA – MD AND CEO, TATA POWER  
MR. SANJEEV CHURIWALA – CFO, TATA POWER  
MR. J.V. PATIL – FINANCIAL CONTROLLER, TATA POWER  
MR. KASTURI SOUNDARARAJAN – INVESTOR RELATIONS, TATA POWER  
MR. RAJESH LACHHANI – INVESTOR RELATIONS, TATA POWER**

**Moderator:** Ladies and gentlemen good day and welcome to the Tata Power Q2 FY24 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 – MD and CEO Tata Power. Thank you and over to you.

**Praveer Sinha:** Thank you, good evening to all of you and thanks for joining the call. On behalf of Tata Power, I would like to extend my best wishes to you and your family for a very happy and safe Diwali in advance. I'm joined today with my colleague Sanjeev Churiwala – CFO, Mr. J.V. Patil – Financial Controller, Mr. Kasturi and Mr. Rajesh Lachhani from Investor Relations and other members from my Corporate Finance and Corporate Communication team.

At the outset let me talk a little bit about the power sector. We have seen that the power demand in the last quarter has gone up by maybe 13% compared to the previous year and this increase in demand has been seen right through in this financial year. We have seen on a cumulative basis, there has been a growth of more than 10% this year as was seen last year where the growth has been 10% compared to the previous year. I think the cumulative growth in last 2 years is nearly 22% which is a record. The peak demand of power was 241 GW which was really more than 10% of the previous year and we see that this demand continues to be very high even in the month of October. We expect that this will continue for at least another 2 years considering that the demand has gone up, not only for the industries but also for our commercial and industrial consumers and including residential consumers where a huge demand of air conditioning load has led to this surge in demand. Because of these reasons, the Ministry of Power has been trying to ensure that there is adequate supplies of power in the country and has extended the Section 11 so that all the imported coal-based plants continue to operate and supply power. As also they have mandated that the domestic coal plants also use up to 6% of the imported coal for purpose of blending, so that there is no shortage of power in the country. I think this has given good results in the sense that the country has been able to meet the enhanced power requirement where many of the other countries have struggled to do that.

Moving to our financial performance; I am extremely pleased to share that this is the 16<sup>th</sup> successive quarter in which we have shown profit growth, and this has been based on very strong fundamentals of all our existing businesses, including new businesses in renewable and distribution. This year in this quarter the consolidated PAT is 1,017 crores which is a 9% increase compared to last year. Similarly, the revenue growth has been 9% and the EBITDA growth has been 51% because of much better performance of all the plants including the Mundra plant. And

what we have seen is that in the half year our Revenue has gone up over ₹30,000 crores which if you remember 3 years back used to be our annual revenue. Our EBITDA has also grown to more than 6,000 crores, 6092 crores in the first half of the year and our PAT has grown by 6% on a half yearly basis to 1,924 crores. This has been possible because of large number of initiatives taken by Tata Power. We have been steadily working on our renewable capacity where capacity additions have taken place during this quarter and today our clean energy portfolio stands at 5500 MW which is nearly 38% of our installed capacity. This is on back of nearly 3200 MW of solar, 1000 MW of wind and the balance being hydro and off gas plants and with another 3760 MW under implementation which will get completed in next 2 years, we will achieve an installed capacity of 9300 MW clean energy which will be nearly 50% of our total capacity. So, we have actually set up a very ambitious target that by 2030 we'll have 70% of our installed capacity will be clean energy. I think we'll be able to achieve it because this does not include the 2800 MW of pumped hydro which we will be setting up in our hydro plants starting mid of next year when the work will start, and it will get executed in 36 months thereafter. In all our renewable business, including large scale EPC business, our own utilities as well as rooftop and group captive we have seen huge growth and there is a huge pipeline of projects which are under implementation. We have also been able to start the trial production from our 4.3 GW cell and module plant. The first of the module units have started trial production and we expect in next 2 to 3 months they will stabilize the module production and the cell production will start in the month of January and will stabilize by March-April. So, one of the big challenges of supply chain management and having a much better control on the input cost for solar plants will be taken care of once this 4.3 GW plants get fully operational. In fact, we are the first one in the PLI scheme who have been able to start production and we do hope that 4.3 gigawatt which will become the single largest manufacturing of solar cell and module plant will not only get operational but will operate at a very high yields and throughput.

Our other business, especially in our EV charging has also been doing very good. We have nearly 62,000 home chargers and we have nearly 4,900 public chargers. We've also been able to implement lot of bus charging facilities starting from Kashmir up to various cities such as Jammu, Srinagar and we have in Delhi, Jaipur, Ahmedabad, Bangalore and Mumbai. So, I think with widespread projects for bus charging we'll see more and more public transportation also going through EV. Our Orissa DISCOMS have been doing very good and we have a PAT of nearly 90 crores in Q2 and 154 crores in H1. We have been taking huge number of initiatives to clean up the data after the implementation of ERP as also moving away from provisional billing which is in few cases less than 5% which will help us to bring better control and visibility in the billing and collection division. We have till now replaced nearly 25 lakh meters in last 3 years and it really shows that how discipline is being brought in doing the right billing and collecting from the consumer.

Our balance sheet continues to be very sturdy with the net debt declining by nearly 1,140 crores in Q2 and our net debt stands at a very heavy 36,609 which means that our net debt to underlying

EBITDA is 2.65 and our net debt to equity is 1.02 which is I think a benchmark for infrastructure industries. We expect the CAPEX to pick up significantly in the second half with large number of projects planned in Q3 and Q4 and we will be able to see many of them getting implemented and the benefits of that will start extending to us especially in the utility scale and group captive project in the subsequent years. We have been able to tie up the arrangement with the Zambia unit where we had a 120 MW hydropower plant which was not able to conclude the power purchase arrangement and receipt of payment. That has been resolved and the company has received a payment of USD102 million out of which our share is 50%. So, we've received the payment of USD51 million and all this has led to a very solid balance sheet, and this has also led to the upgradation of Tata Power's credit rating from Ba2/Stable to Ba1/Stable.

As you would have noticed Tata Power is continuously working to stabilize its operations and bring consistency in the performance and every quarter, we have shown improvement in our performance because of the stable operations of all our existing and new businesses. This will go a long way in making the company much more stable and with a very healthy balance sheet. We would also be closely monitoring all our financial and operational metrics to ensure that there is consistency in the performance in the future quarter. With this I would request Yashashri to open the floor for questions.

**Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Puneet Gulati from HSBC.

**Puneet Gulati:** Can you elaborate a bit more on what you are seeing in terms of profitability for Mundra and the coal mine separately as well?

**Sanjeev Churiwala:** Hi Puneet and hi everyone. This is Sanjeev Churiwala, CFO for Tata Power. First of all, let me wish all of you a very Happy Diwali in advance. I think in our previous calls, lot of questions have been asked on the Mundra and the coal mines. So, what we have done this time for the benefit of all of you, we have included a separate slide which gives you the cluster wise performance. If you have access to that deck, if you go to slide #36 and #37, all the details are available for you. But just for the sake of your understanding, this year when we see our EBITDA going up by 51% and PAT going up by 9%, that is in spite of our coal mining profits significantly going down. Last year for the same period, the coal pricing was close to about \$135 to \$140. And we are now witnessing coal prices of about close to about \$80. So, our coal profits have significantly come down. But that has been most compensated for by profits coming from all our core business, including overall generation business, our existing thermal business, including transmission, distribution renewal, new businesses like in Odisha and renewal. I think which is a big shift that we're kind of delivering our PAT almost 80% of that plus is coming from the core profit and we want to continue delivering that. When it comes to Mundra, Mundra is just a cost-plus model under Section 11. So, we are recovering all the cost. So, it's just a little, under a

normal PPA would have had a loss and under Section 11 it's just a cost recovery. Of course, there is no loss but it's almost a break even on the PAT as well.

**Puneet Gulati:** So, you are breakeven at PAT as well.

**Sanjeev Churiwala:** Yes.

**Puneet Gulati:** And secondly on the renewable side, there have been a lot of bids which happened during the first half of this year. How are you positioning yourself for that opportunity or do you think the pricing is still quite tough and competitive intensity too high? If you can elaborate a bit, there.

**Sanjeev Churiwala:** Our strategy is very clear. We're kind of still looking at delivering 1.5 to 2 GW of renewable on an average. Even this year we will be commissioning close to about 1 GW of renewable. We already have a very healthy pipeline in terms of the prints that we had including our group captives. So, our focus when we look at overall solar, it's a combination of group captives, rooftop and large-scale projects put together. In both of them we have a healthy pipeline and that of course includes hybrid and as well as RTCs. There's a combination of all of that.

**Puneet Gulati:** So, you don't want to build further pipeline right now the way some of the other peers have been talking about building 10-20 GW of potential pipeline?

**Sanjeev Churiwala:** When it comes to the long-term pipeline, in case we have set an aspiration that we will be delivering (+15) GW in the next couple of years. As we speak, we already have a commissioned capacity of 4.2GW and about 3.6GW is in the pipeline. So overall we're talking about an 8 GW commissioned and under pipeline. So, I don't think that we are not building it up. We are kind of sticking to our aspirations and most likely with our aspirations for the pump storages, coming through in the next few years' time we're likely to want to exceed that target that we have set for ourselves.

**Puneet Gulati:** And lastly what stage are you on your pump storage business? Do you have all approvals, environment clearance in place or still applying for the same?

**Praveer Sinha:** All the approvals have been applied for, some have been received and we expect all our approvals to be in place by March-April 2024 and that's why we are saying that we will start the work by mid of next year. Since this is in our existing reservoir and existing location where we have the hydropower plants, there's no fresh land acquisition or anything that is required, and we will be able to complete it in 6 months. So that's our timeline that we are looking. So mid '27 we will have the pump hydro plants operating.

**Moderator:** We have our next question from the line of Apoorva Bahadur from Goldman Sachs.

- Apoorva Bahadur:** If I see the financials, the trust energy has reported meaningful swing in profits. So just wanted to understand what's driving this and how should we view this business in future?
- Sanjeev Churiwala:** Yes, I think when you look at the trust energy, the way we are reporting here is basically entity wise. Best if you look at the cluster wise performance. But what is trust energy, trust energy is simply nothing else but with the shipping company. The more coal we bring in which is part of any case our coal cost, it is the profit attributed to the trust company. But Best is to look at Mundra and the coal companies together. If you go to slide #36 and #37, you can look at here go to #37 which is H1. If you look at the line which says Mundra, Coal and Shipping this gives you the combination of all the things which includes the Mundra, which includes the shipping and which includes the coal mines profit.
- Apoorva Bahadur:** So, it is completely linked to the volume of freight which we are moving and not to the shipping rates at all.
- Sanjeev Churiwala:** Yes, correct. It's largely related to the volumes.
- Apoorva Bahadur:** So, every quarter whenever Mundra operates more sort of trust we will make a higher profit. Understood.
- Sanjeev Churiwala:** So actually, that is kind of a cost-plus model. We will not look at that very small amount sitting over there. It's best to look at the Mundra, coal and shipping which if you look at slide #37, I'm sure you have access to that. You will find all the combined numbers here.
- Apoorva Bahadur:** So secondly also if I see the same slide, I think eliminations used to be quite significant historically, I think that number is down meaningfully. I believe some part of it could be attributed to probably not utilizing own coal at Mundra. But if you can throw some light.
- Sanjeev Churiwala:** Elimination is basically all the intercompany things. We are an integrated company. So, while the overall numbers are only coming down not going up in terms of elimination, but the fact is it all depends, higher the intercompany transactions there will be higher elimination. So, I think the best way to look at is post elimination because otherwise the numbers are sitting in the drawers and thereafter there's an elimination. This is more of an accounting entry.
- Apoorva Bahadur:** And I think lastly on the realization of dues from KPC sale and also from Itezhi I believe that sits in reduction in the unbilled revenue in your cash flow.
- Sanjeev Churiwala:** You're looking at a particular slide?
- Apoorva Bahadur:** The Itezhi tariff order like maybe a resolution which happened I think 161 million for us and also the receipt of....

- Praveer Sinha:** That is not in the previous quarter, so Itezhi will come in the subsequent quarter. So, it is not in the previous quarter.
- Apoorva Bahadur:** And for Arutmin we have received already.
- Praveer Sinha:** Yes. Arutmin money has been received, and your question was ITPC, ITPC has received the money from its procurer that is ZESCO, and we have received our dividend this month. So, nothing is reflected in September, but that profit will be reflected in Quarter 3 and will not be shown as receivable because we have already received the money.
- Moderator:** We have our next question from the line of Subhadip Mitra from Nuvama.
- Subhadip Mitra:** My first question is that in a scenario where we are looking at Section 11 benefits continuing for an entire fiscal year, would Mundra still be at net break even or would there be profits?
- Sanjeev Churiwala:** I think as of now under Section 11 the whole idea of Section 11 is cost passed through. So eventually the purpose is, that whatever is the cost and the overhead to be able to recover fully in the tariff and hence you will likely see a breakeven scenario.
- Subhadip Mitra:** So, this is at the net level. So maybe at the cash level there might still be some cash profits. Is that the right understanding?
- Sanjeev Churiwala:** When we're looking at overheads and all you kind of include all the Ind-AS adjustments, you look at your depreciation. So yes, on a PAT level it will be neutral. On a cash level it will be slightly positive.
- Subhadip Mitra:** And with regard to the long-term resolution on Mundra, are we looking at it following the lines of the Section 11 tariffs or thereabouts?
- Praveer Sinha:** Something very close to that. So that the tariffs become more cost reflective, and this is under discussion, but I think somewhere close to that.
- Subhadip Mitra:** Secondly with regards to the renewable business profit which has certainly offset the loss of profit from coal and UNDP in this quarter. So, on the renewable piece clearly, it's visible that I think the EPC side of the business is throwing up a good amount of profitability. So, I just wanted to understand that for this business we are still looking at doing more third-party sales and hence this can continue to become be a growth center.
- Praveer Sinha:** For renewable typically you would see that, we have a huge pipeline 3800 MW of projects which we need to commission apart from the rooftop that we need to sell. Many of the projects will get completed in the next two quarters. So, I think you can expect very good performance by the



renewable business next two quarters as also in the next 12 to 18 months when many of these projects will get commissioned. But I think with a renewable business you will see a huge improvement over a period of time.

**Subhadip Mitra:** But my question was that, if we are continuing to do more of self EPC then in the consolidation it will get knocked off. So only the third-party related EPC would actually start showing up as your profits and the consolidated numbers, just wanted some clarity on that.

**Praveer Sinha:** Even when we do our own projects, there is a profit in that. So, they work as separate entities. So, the EPC business will have a profit from execution of those.

**Sanjeev Churiwala:** In fact, even in this current quarter, more than 50% of the business and the profit that you see, is basically coming from third party. I think it's a combination of third party as well as in house.

**Subhadip Mitra:** And on the coal front, with the recent uptick in the international coal indices, would you again see a jump back to coal profitability over the next couple of quarters?

**Sanjeev Churiwala:** I think all indicators are showing that the coal prices possibly globally are stabilizing now. We have seen a sharp drop every month over the last 6 to 9 months. In fact, when we compare over 12 months from about \$135-\$140 it comes down to \$80 and over the last few weeks we are seeing the price stable in that quarter. It's unlikely that we will see a big swing going forward but you never know what will happen. We never predicted this kind of high prices earlier and then such a sharp fall drop again. So, it's very difficult to predict. But as of now we're kind of thinking that it should remain range bound.

**Subhadip Mitra:** Last question from my side. This would be with regard to the large tendering activity that we're seeing on renewables, whether it's solar or hybrids etc. Is there any ballpark target number that you have or market share number that you have in terms of winning across this market size of maybe 30-35 GW.

**Praveer Sinha:** The only ballpark is that there should be good return from them. That is what it is. If it is not a good return, then there is no point in taking orders. And you have seen that many of the developers took orders at Rs. 2 and 1.99 and all that and have lost money. So, the only ballpark is we should get good returns and also, we are now leveraging more towards hybrid project. So, it's not just pure solar or pure wind but they are solar and wind combination. They are solar wind and storage combination which we won yesterday. So, we will be moving more towards complex projects which require a combination of solar and wind and once we have our pumped hydro then we will be giving 24/7 renewable power.

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

- Sumit Kishore:** My first question is regarding the trajectory of margins expected for TPSSL, once the 4.3 GW module cell manufacturing capacity will be commissioned by the end of the year. So, for next what will be the bump up that you expect in margins here?
- Sanjeev Churiwala:** I think when we look at EPC business per se, while in Quarter 2 we are about 4%. That's too in a very difficult environment situation where the cells and module prices have moved significantly. Our desire is to kind of deliver an EPC margin on 4%, about 5% of the EPC business when it comes to cells and modules, of course it's a combination of largely using in house where we ensure that whatever cost we have incurred which is roughly about (+4,000) crores, we get a decent return on that. We will ensure that the cost-plus markup happens to get back our return. We'll not link it directly to the EPC business per se, but we will be setting it up as a separate profit center.
- Sumit Kishore:** But ultimately it will get used up in your EPC projects as well as your in-house projects and it would be reported under TPSSL is that right?
- Sanjeev Churiwala:** No, when the manufacturing business starts, so the rate is for almost two thirds of the production which is 3 GW, that will be used of course in house. So TPSSL will buy that material from our new manufacturing plant and then it will basically be billing to our last scale utility project. And that's the way we want to do so. We already have a new company called TP Solar which is in Tamil Nadu where this 4.3 GW setup is coming through and of course that company might also sell 1 to 2 GW depending upon the need international market and domestic market and whatever profit it comes over there will be sitting over there.
- Sumit Kishore:** Could you give us a sense of the capital cost for the project as well as number of hours of storage that you would have in your projects in Maharashtra and the associated RE that you would have to set up pump storage.
- Praveer Sinha:** I think you're asking about pump storage.
- Sumit Kishore:** Yes.
- Sanjeev Churiwala:** I think we have already tied up with the Government of Maharashtra for 2.8 GW which will be setting up in the next 3-4 years. Of course, it is basically to cater to round the clock delivery of renewable energy and depending upon the model either we can sell the storage capacities or tie-up separately. But that will depend once we commission the plant as to what is the need of the hour. But yes, again that will be a separate profit center and will be delivering its own profit.
- Sumit Kishore:** What is capital cost sort of targeted for this project? How does the project mechanics work?

- Sanjeev Churiwala:** So, as of now the capex that they are planning is roughly about ₹13,000 crores in terms of the capital outlay.
- Sumit Kishore:** And are there any non-recurring items in Q2? We see some other income from partial sale of Unit 6 equipment of Trombay of ₹52 crores and what is the treatment of this Rs. 2.3 billion of Arutmin sales proceeds?
- Sanjeev Churiwala:** Arutmin sales is part of the consideration. It's nothing to do with the P&L. That's purely the cash flow that has come because Arutmin was sold many years back which was the final, last leg of the consideration which is now coming. So, there's no impact of that on the P&L.
- Sumit Kishore:** The only P&L impact is on the other income for this Trombay Unit 6?
- Sanjeev Churiwala:** Yes, that's Unit 6, ₹50 odd crores.
- Sumit Kishore:** There is no other non-recurring item in this regard.
- Sanjeev Churiwala:** No, there is nothing.
- Moderator:** We have our next question from the line of Anuj Upadhyay from Investec.
- Anuj Upadhyay:** Question relates to the ₹1158Cr of EPC project which we have canceled off. Could you just elaborate further which project exactly it was and why the need to cancel it off now considering the fact that the module prices have almost come down significantly?
- Praveer Sinha:** These projects were basically where we had to do third party EPC work and the client was supposed to provide us the land and they could not provide us the land and the other clearances which were required to set up these projects. So that's why it was decided that we would terminate, and we have come out of them. Other than that, all the other projects were of course going and implemented.
- Anuj Upadhyay:** And considering your earlier remarks to question which was asked by a few of my colleagues, is it a shift in a strategy that our focus would largely be catering to most about the C&I (Commercial & Industrial) category of consumers rather than the DISCOM from the IPP scale? Because the scale of tendering which has been happening in the first half and the rate of the project winning which we are having specifically for the IPP side doesn't match. On the other hand, we have been getting good orders from the C&I on the rooftop.... So just to understand, is there any strategic shift or calculated bidding which we are doing?
- Praveer Sinha:** Our stand has been consistent. Those places where we will get better margin, we will execute those projects. We have seen that in group captive we have been able to get much better margin

and that's why we are doing and also some of the utility scale that we have won, we have won large projects in Delhi and from Delhi DISCOM and then from Mumbai DISCOM and some of the others. We have been doing those projects. Those are typically hybrid projects. So, I think focus is that we need to get better margins. Those are the type of projects.

**Anuj Upadhyay:** And on the Odisha we have been seeing Western Odisha again reporting high AT&C losses. Is this something cyclical or seasonal impact which actually has led to a drop in the profitability as well over there?

**Praveer Sinha:** So, Odisha what is happening is as I mentioned to you a lot of cleaning up operations have been going on in terms of the number of consumers and the type of billing. And you have seen that in last 3 years we have replaced 25 lakh meters and discontinuing the provisional billing and cleaning up the books. So that's what we have done and hopefully by the next two quarters we will have completed all the four platforms and many of the consumers who were earlier so-called ghost customers they have been doing. So, I think you would see that we bring huge amount of consistency in the Odisha operations and also ensure that proper billing and proper collection takes place.

**Anuj Upadhyay:** And lastly on the Mudra. So, till when the Section 11 will be enforced as on date and our expectation going ahead considering the fact that the company is moving into a deficit zone.

**Praveer Sinha:** Mundra right now is till June '24 and as you rightly mentioned that there is a huge demand of power, and this is expected to continue next year also. So, I think for next 2 years it looks like there will be a shortage of power and there will be huge demand and we expect that if we have to meet 100% requirement some of the imported coal plants have to operate under Section 11.

**Anuj Upadhyay:** If I just chip in for last question, you mentioned ₹13,000 odd crores as overall CAPEX for the PSP project. So, it includes the renewable capacities as well which will be filling the PSP plant or it's only the PSP equipment or the setup for which you have mentioned 13,000 crores.

**Praveer Sinha:** This is only the PSP. The energy that will be required for mopping up will be a separate investment which will come in the renewable basis.

**Moderator:** We have our next question from the line of Rajesh Majumdar from B&K Securities.

**Rajesh Majumdar:** I had a few questions. First question is on the regulated equity which is at about ₹11,850 odd crores as of 30<sup>th</sup> September, so considering the CAPEX you're planning for the next 5 years on the existing operations as well as Odisha DISCOMs and pumped hydro, where should we see this in regulated capital for FY27-FY28?

- Sanjeev Churiwala:** I'm not clear. So, I think if you're looking at the regulated equity, this depends upon the kind of CAPEXs that is required to be done and the percentage of money that will come to the equity. There's no direct correlation per se. It all depends upon the opportunities that we will have in the next 3 years. For example, this year if we're doing a CAPEX of let's say 12,000 odd crores and we look at 25%-30% of equity coming in, we'll also have to look at the cash flow. So, I think it's a combination of various things. This per se on the regulated equity we will not be able to decode and give you a perfect answer. But yes, if you see between Quarter 2 of '23 and Quarter 2 of '24 from 10,900 crores this has gone up by roughly about 1,900 crores. Of course, to that extent we contribute equity, it will keep on going up. And this is mind you all regulated equity which will be giving us return of (+15%).
- Rajesh Majumdar:** So, the pumped hydro storage will not be a part of this regulated equity income, or it will be separate?
- Sanjeev Churiwala:** No, pumped hydro storage will not be part of the regulated equity. This will be separate. It is not regulated.
- Rajesh Majumdar:** How do we look at the economics of this pump hydro if we see it as a separate business?
- Sanjeev Churiwala:** The approach to hydro feasibility is very simple. That will enable us to kind of deliver the RTC ambitions that India has. Because pure solar or pure wind will have its own limitations on a large-scale deployment and very clearly given that we are putting up this on our own reservoir our CAPEX cost and our per unit cost should be very, very competitive.
- Rajesh Majumdar:** So, we would be targeting the 15% ROE here also or more than that, as per the internal IRR rate of return that we target in projects.
- Sanjeev Churiwala:** As Dr. Sinha said anything that we do have to deliver us the cash, deliver us the return so till such time that is delivered we will not touch any project.
- Praveer Sinha:** That is the minimum.
- Rajesh Majumdar:** And my other question was on Mundra you mentioned that we are breaking even now. So, are we breaking even at the cash level or at the PAT level? Because we have a lot of non-cash expenses as well on the interest and depreciation. So where are we breaking even at the cash or the PAT level?
- Sanjeev Churiwala:** We are break even at the PAT level. You can say there's a slight improvement on the cash side because we'll have various adjustments for Ind-AS and the depreciation that you can add back. But by and large it's not much of a difference. So, I think best to kind of consider that the PAT

level, if we continue with Section 11, we like to ensure that we are at a breakeven at the PAT level.

**Rajesh Majumdar:** And my last question is do we have any merchant power sales from our existing operations? Because the merchant power rates are very lucrative, we see lots of competition plugging in the merchant power market. And do we have any capacities there and do we plan to increase the capacities there?

**Sanjeev Churiwala:** So, we have merchant power sales from our two locations. One is Haldia, the entire capacity is for merchant capacity. Another is at Prayag Raj where there's a small quantity of merchant sales. All put together we do not have huge capacities on merchant.

**Rajesh Majumdar:** Totally how many megawatts would be there on the merchant right now?

**Sanjeev Churiwala:** About 300-odd put together.

**Rajesh Majumdar:** And we don't plan to increase this significantly or do we plan to?

**Praveer Sinha:** No plan.

**Moderator:** We have our next question from the line of Atul Tiwari from Citi Group.

**Atul Tiwari:** So, for this PSP project has the PPA been signed, or do you plan to keep it open like on merchant?

**Praveer Sinha:** The PPA will be signed with the renewable company, and we will package it as a 24/7 renewable power source.

**Atul Tiwari:** Okay so your own renewable arm will sign the PPA. But then there has to be ultimately an end party who will be taking this power? So, I am asking whether do you have visibility of a guaranteed offtake from this or how does it work? That is the question.

**Praveer Sinha:** Right now, we have not tied up but there are large number of people who are interested including Tata Steel with whom we recently signed the group captive of 900 odd megawatts. So, there are a large number of people who are interested. We need to be 100% sure as to when we will be able to offer this power. At that stage we will sign it.

**Moderator:** We have our next question from the line of Girish from Morgan Stanley.

**Girish:** I had a question to the CFO. So basically, on slide number 34 we have table B which is the gross revenue EBITDA and PAT and then the elimination. What I observe is at EBITDA line and PAT level there is a YoY decrease in elimination of 1000 crore. I wanted to understand which entities are attributing to a lower decline negative number in EBITDA and PAT.

- Sanjeev Churiwala:** That is correlated to the dividend. Depending upon the dividend that we have at a consol level it is eliminated. If you go to Slide #39, you'll find the workings over there.
- Girish:** And this is part of the standalone entity only?
- Sanjeev Churiwala:** Yes, it is part of the standalone entity.
- Moderator:** We have our next question from the line of Puneet Gulati from HSBC.
- Puneet Gulati:** My first question, in presentation you talk about a cancellation of order. Is there any penalty associated with it and has that already been accounted for?
- Praveer Sinha:** There's no penalty. These are all third-party PC orders and all. We have cancelled it because as I mentioned to you, they could not comply to their requirement of giving us land and some other benefits.
- Puneet Gulati:** I'm taking the ₹1,158crore number was canceled by IPP.
- Praveer Sinha:** I didn't say IPP. These are people who wanted projects to be implemented. There can be a large number of other people also.
- Puneet Gulati:** I'm just trying to understand, so who initiated the cancellation? Did you have to initiate, or did they have to initiate, the off taker and if they paid any penalty for that or if we had to pay any penalty for this.
- Praveer Sinha:** It's mutually negotiated, I think.
- Puneet Gulati:** And no, it wouldn't have impacted the P&L at all?
- Praveer Sinha:** No.
- Puneet Gulati:** Secondly on the Mundra when you say breakeven what is the underlying debt that you assume for calculating interest?
- Praveer Sinha:** We will have to look at the Mundra standalone numbers and the debt over there. But the usual debt that stays in the Mundra roughly about 11,000 to 12,000 odd crores which is there to support the business over there which includes both long term and short term. Which is all long term, short term, commercial paper, term loans all put together.
- Puneet Gulati:** No, specifically for the Mundra profitability. When you attribute that breaking even there is an interest, so that's on the entire 11,000.

- Sanjeev Churiwala:** About 11,000 odd crores of debt.
- Puneet Gulati:** So, this full debt is assumed not the way it was earlier positioned separately under the SPV.
- Sanjeev Churiwala:** No, Mundra as a plant, has its own debt portfolio and we calculate basis that.
- Moderator:** We have a next question from the line of Noel Vaz from Union Mutual fund.
- Noel Vaz:** I just had one question on the upcoming cell and module line. I just wanted to know what exactly is the expected cost of production at this facility.
- Praveer Sinha:** Cost of production is still being worked out. So, it's a little too early to say what will be the actual cost of production. Maybe by February-March we may be in a position to give you the exact cost of production.
- Moderator:** We'll take the next question from the line of Gaurav Kumar from TRB Corporate Ventures.
- Gaurav Kumar:** I just wanted to know about your home automation and smart switches business and how is this business doing and what are your plans to scale up this business?
- Praveer Sinha:** These are still work in progress where we are trying to come up with new products as well as new solutions. These are still very small numbers where we are trying to test the market and its viability. At this stage we may not be in a position to give you any specific details.
- Gaurav Kumar:** So, you are operating this business as a separate strategic business unit, or does it come under consumer business?
- Praveer Sinha:** It comes under Tata Power.
- Gaurav Kumar:** My next question is regarding supplementary PPAs that you were about to sign with the state government of Gujarat and other states as well. So, have you signed this supplementary PPAs?
- Praveer Sinha:** No, we have not signed. We are now operating under Section 11. So, it's not been signed. We are waiting for.
- Moderator:** We'll take a last question from the line of Amit Bhide from Morgan Stanley.
- Amit Bhide:** I wanted to understand that when Mundra was consolidated with standalone, it was expected that tax will be there on the standalone entity, but we see that the tax is reflecting at around 20%-25%. So why is that and what should be the outlook on that? And the second question I want to understand is your CAPEX plan for F24 and '25.



- Sanjeev Churiwala:** The CAPEX plan for the next year we are still working on our strategy. We'll let you know as and when we complete that. With respect to the tax, it is largely around the deferred tax reversal, we do not pay any tax at the Tata Power standalone level. As I said on a standalone basis, we do not have any cash tax payment because they are carry forward losses. So, what we would see is the deferred tax reversal only. So, there's no cash tax output.
- Amit Bhide:** And just on the CAPEX for this year. Next year, I understand you are still on the planning. For this year in H2 what should be?
- Sanjeev Churiwala:** I think in H1 we have spent close to about 4500 odd crore and possibly for the full year we might land up anything between 11,000 odd crores (+/-10%).
- Moderator:** I would now like to hand over the call to Dr. Sinha for closing comments. Over to you sir.
- Praveer Sinha:** Thank you everyone for joining for this call. And in case you have any further queries please connect with my investors relations team. You know both Rajesh and Kasturi and we'll be more than happy to furnish. We've tried to make the presentation much more simpler based on the feedback. So, keep on giving us your feedback and we'll try to make it more analyst friendly. And once again wishing all of you a very happy Diwali and hopefully we'll catch up soon and thank you Yashri for arranging the call.
- Moderator:** It was my pleasure, sir. Thank you. On behalf of the Tata Power Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.