



**“The Tata Power Company Limited Q2 FY22 Earnings
Conference Call”**

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**MANAGEMENT: DR. PRAVEER SINHA – CEO & MD, TATA POWER
MR. RAMESH SUBRAMANYAM - CFO, TATA POWER
MR. ANAND AGARWAL – FINANCIAL CONTROLLER, TATA
POWER
MR. KASTURI SOUNDARARAJAN – INVESTOR RELATIONS,
TATA POWER
MR. RAHUL SHAH – INVESTOR RELATIONS, TATA POWER**

Moderator: Ladies and gentlemen, good day and welcome to the Tata Power Q2 FY22 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. .

We have with us on the call today, Dr. Praveer Sinha - CEO and MD, Tata Power; and Mr. Ramesh Subramanyam - CFO, Tata Power.

I now hand the conference over to Dr. Praveer Sinha. Thank you and over to you, sir.

Dr. Praveer Sinha: Thank you, Melissa. Good evening to all the analysts who have joined for the Q2 Earnings Call of Tata Power. I have with me, my colleague, Mr. Ramesh Subramanyam - CFO, my senior colleagues from the Finance Department and Investor Relations. Let me now share with you the main highlights of Q2 results.

Tata Power continued to move forward on its ambitious journey to become a utility of the future and our focused attention has demonstrated remarkable progress in achieving scale in our operations. Solar pumps achieved its best quarterly revenue. Similarly, EPC as well as renewable generation portfolio recorded very strong growth in this quarter. Our leadership position in rooftop solar and EV charging continues and we also see very satisfactory performance in our Odisha DISCOMS. We continue to pursue various opportunities to grow our transmission business.

While we continue to pursue growth in new areas of business, our existing assets have continued to perform very well on back of strong operational expertise which has led to improved availability of our assets.

Our clean growth aspiration continues to deliver results as we saw a very robust performance from all the components of our renewable business. We commissioned 256 MW of solar project this quarter, and with strong operations in our RE operating generation portfolio and growth in various solar EPC businesses, the company achieved 58% year-on-year growth in revenue and 41% year-on-year growth in profits from renewable business in H1 of FY22.

Coupled with steady state operations of all our other assets and interest saving from debt repayments, we achieved 36% growth in reported PAT which stands at ₹ 506 crores as compared to ₹ 371 crores in the same quarter last year. This is now the 8th consecutive quarter of delivering year-on-year profit growth.

Our solar EPC business, Tata Power Solar, has delivered on all fronts with very strong performance in large scale EPC business, rooftop solar, and solar pumps registering almost 50% growth in quarterly revenue from ₹ 1,014 crores last year to ₹ 1,500 crores this year.

The large scale utility EPC order book continues to grow with orders worth nearly ₹ 3,000 crores won in Q2, taking the total order book to ₹ 9,264 crores as on 30th September 2021. Amongst projects worth 1 GW won in this quarter, approximately 580 MW pertains to Tata Power's own asset development while balance pertains to third party contracts. In addition, Tata Power Solar has also received Letter of Award to build 100 MW of Distributed Ground Mounted solar project for EESL at a total value of ₹ 538 crores. Margins have improved slightly compared to Q1 this year. With continued higher module prices, execution of some of the projects was deferred and we expect the execution to pick up further in the coming quarters.

Our solar pump business has shown excellent performance this quarter with sales of 8,277 pumps. With strong sales this year, we have been able to achieve almost FY21's revenue in the first 6 months of this year only. This quarter also is very significant as our solar pump business achieved the milestone of cumulative installations of nearly 53,000 pumps. However, we expect that the next 50,000 pumps will be installed much faster than what it took us to reach this number. Taking a step towards creating a niche for ourselves, we have now launched Tata Power branded Solar Pumps which have been launched across 22 cities in 6 states.

Similarly, in our rooftop solar business, we saw very successful quarter winning orders of 264 MW worth nearly ₹ 750 crores from residential, industrial and commercial customers. Our rooftop order book as on 30th September stands at 417 MW worth nearly ₹ 1,200 crores. We executed almost 105 MW of rooftop solar projects in this quarter leading to higher revenue booking. We have also started seeing success under various financing schemes which were launched in partnership with different financial institutions and close to ₹ 111 crores of orders were financed through these schemes. Our success in rooftop is evident from our market share which has gone up by end of June 21 to 10.8% and we have been ranked as Number 1 Rooftop Solar EPC Company for 7th year in a row by Bridge to India.

This quarter, the wind speeds were very good leading to very high PLF in our wind portfolio, leveraging on high availability of 98% at our wind sites. Similarly, our solar assets also operated at very high availability and PLF. The improved PLFs led to higher generation, thereby increasing the revenue and profit from the RE generation portfolio.

Coming to our integrated CGPL and Coal Portfolio, international coal prices have continued to touch new highs forcing us to reduce the supply of power from the units to contain our losses. As a result, this quarter, we have booked a reversal of fixed charges of nearly Rs. 216 crores in CGPL. As the tariff lag unwinds and if coal prices come down and the existing arrangements of supplying at higher tariff to the beneficiary continues, generation can be increased in subsequent quarters. For the short-term, we have agreed with procurers on a onetime pass through mechanism which will reduce the losses in CGPL and we expect that this extension will happen from the existing 4 weeks to at least end of this year. On the other hand, due to the increased coal prices, the profits from the coal companies have increased providing us a natural hedge against the under-recovery and losses in CGPL. Excluding the above provision in CGPL, CGPL

and coal integrated portfolio generated a profit of ₹ 79 crores in this quarter compared to ₹ 39 crores last year. We will continue to do all that we can to contain the CGPL losses.

As we had mentioned, last quarter the AT&C losses in the four Odisha DISCOMS increased significantly because of the double blow of Cyclone YAAS and COVID related lockdowns. Subsequently, another cyclone came over there “Cyclone Gulab”, and flooding took place in many parts of Odisha. However, the Odisha team has worked relentlessly to restore the networks and continue improving the operational metrics. As a result, we have been able to bring down the AT&C losses across board in all the four DISCOMS and had taken steps to further improve in the coming quarters.

As a result of all this performance, the consolidated revenue for the second quarter stood at ₹ 9,502 crores compared to ₹ 8,428 crores in the previous year, recording a solid 13% growth. The increase was largely driven by inclusion of Odisha DISCOMS and higher generation in renewable portfolio and increased order execution in solar EPC business compared to last year. Also, this quarter saw very robust performance by our existing generation and transmission and distribution business and we continue to get very good traction on all our existing assets.

As we have mentioned earlier, we have been selectively prepaying high cost debt that has helped us to optimize the interest cost. Our gross debt has reduced by approximately ₹ 3,000 crores in last one quarter while the net debt has largely remained unchanged at ₹ 39,719 crores despite CAPEX of more than ₹ 1,600 crores in this quarter on our renewable projects, distribution business and transmission business. Our net debt to equity stands at a healthy 1.63 and net debt to underlying EBITDA is at 4.29 times. S&P Global ratings have upgraded the company's credit rating by two notches to BB/Stable.

As we mentioned in the last quarter, Tata Power is now actively looking at growth in transmission space and our partnership with Tata Projects gives us a huge competitive edge in this opportunity. We are actively pursuing both Greenfield and M&A opportunities and we will inform you in due course once these opportunities convert into wins.

Our EV charging business has achieved a very important milestone, installing 1,000 public EV charging in around 180 cities along with more than 5,000 home chargers and we expect that this will lead to rapid transition to EVs in India. We have also entered into strategic tie-ups which will help us to expedite the expansion of our charging network both with reputed builders as well as OEMs to ensure that we are present in all markets.

We also thank you for voting us once again as India's Outstanding Utilities Sector company in Asia's Outstanding Companies Poll 2021 conducted by Asiamoney. We similarly were ranked among the Top 10 companies in Sustainability and CSR, responsible business ranking in the ET-Futurescape 8th Sustainability Index Report. Such recognitions boost our confidence to march ahead on our aspirations to transform Tata Power from a conventional utility to a new age

technology driven customer focused utility. Such a transformation is found in on the pillars of strong balance sheet and healthy return metrics.

With this, I hand over the call back to Melissa for the question-and-answer session.

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

Sumit Kishore: My first question on solar EPC business, where it seems that the utility scale solar EPC revenue has fallen sharply quarter-on-quarter, so what could be leading to that outcome because it seems very sharp growth in solar rooftop and solar pump EPC revenue?

Ramesh Subramanyam: Sumit, in the EPC business as you know, there is a strong order book and as project progressed and gets completed, you have the revenue and the profits recognized, we don't see any long-term issue with it. Off course there has been lot of pressure on supply chain as you know there is global pressure on module price as well as supply chain in terms of containers etc., which has affected all fresh projects which we also face, but we believe that is largely improving now and even our new orders now take into account these new realities. So I think it is a temporary phenomenon which will soon bid away, so that is the way we look at it. I think overall the business outlook is strong.

Sumit Kishore: And in the same way, if you could comment on the solar EPC business margins despite 50% growth in topline, the operating profit is down 12% for Tata Power Solar Systems?

Ramesh Subramanyam: As we said the margins have been affected with some of the orders which we executed, which were taken long back and they had some impact of the module price as well as the supply chain delays, but I think those are over and now the new set of orders are in line. The industry has faced such an increase for the first time, so there has been some pressure because of that, but I think we have managed it pretty well. So now things can go up from here.

Sumit Kishore: My second question is in relation to, is there any progress on monetization in renewables vertical and also if you could comment on amalgamation of CGPL in the standalone entity?

Dr. Praveer Sinha: So on the monetization of renewables, we continue to work on it and we expect that we will be able to do it soon enough. We are on the job and we have made progress, so that is how I can report at this time. Before the year end, we are trying to do whatever needed for our business. As far as CGPL is concerned, we have received the NCLT orders to go ahead with the final stage which is the postal ballot for clearing the NCLT order and the recommendations which we shall be doing so in the next month or so, so I think in the next couple of months or by early Q4, we are hopeful of closing this whole merger process.

Sumit Kishore: Just one bookkeeping question, what is the under-recovery due to lower plant availability in Mundra UMPP during the quarter and what was your EV charging business capacity utilization right now?

- Dr. Praveer Sinha:** So, the CGPL utilization is at 28%.
- Sumit Kishore:** CGPL I meant the capacity charge under-recovery because of lower plant availability factor, the PLF number is there in the presentation.
- Ramesh Subramanyam:** Correct, so this year the under-recovery as of now is ₹ 1.15 paisa per unit, but we must add that this quarter's result has about close to ₹ 215 crores of fixed cost under-recovery which pertains to the last quarter under generation. So therefore, this quarter's results, we have adjusted it now with the revised estimates for the full year generation which is what is used for accounting of the revenues of the fixed cost recovery.
- Dr. Praveer Sinha:** But as far as the variable cost is concerned, now because of the interim arrangement that has been done with the procurers, so whatever is the present price of coal, that is being reimbursed and the present energy charges that is given by them virtually takes care of the coal price. So there would be no under-recovery in that.
- Sumit Kishore:** And that is applicable for the entire generation of CGPL, starting with date?
- Dr. Praveer Sinha:** Yes, for the present generation which started from 13th of October when the plants were restarted.
- Ramesh Subramanyam:** This arrangement is for the state of Gujarat and Rajasthan, so right now we are running three units, so it is applicable for full 3 units.
- Sumit Kishore:** And what about the EV charging capacity utilization?
- Dr. Praveer Sinha:** We will give you separately the EV charging capacity especially the public charging. Of course, as far as the home charging and the bus depot charging is there, that gets already covered.
- Ramesh Subramanyam:** Sumit, I think the only point to be noted is that it is too early right now to count capacity utilization in EV because of the fact that the expansion is happening ahead of the demand generation, so maybe just a bit premature to track this at this point, but we do of course have the numbers and we will give you, but we are not publishing because it is still not a stable business for reporting quarter-on-quarter basis.
- Moderator:** Thank you. We have the next question from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Sir, my first question is how are you thinking about CGPL and Indonesia Mines Combined Portfolio in your talks with DISCOMS, do you think the probability of finding a resolution has inched up higher given the higher coal prices and can you please comment on that?
- Ramesh Subramanyam:** As we mentioned this was a temporary arrangement which was given for four weeks from 13th of October. We understand that they would be extending this to the end of this calendar year.

And going forward also, they have plans to extend depending upon how the availability of domestic coal and power cost is there, so this is still work in progress. As far as the coal companies are there, they have been doing very well, the benefit of higher coal prices has helped them to produce much better results and we expect that in this quarter also they will continue to perform well. So I think on an overall basis, as I had mentioned, we are better off because if we see on the Coal Cluster level we had a profit of ₹ 79 crores if we remove the ₹ 216 crores that was an additional provision that we made in for the reversal of fixed charges.

Mohit Kumar:

Sir, my question was more about finding a long-term resolution for Mundra?

Dr. Praveer Sinha:

Let's see, now that some of the procurer states have accepted the new revised tariff, we do expect that they would like to find a permanent solution because the challenge of higher availability of power will continue in future with restricted supply of domestic coal and the demand increasing leading to very high tariff in the market ahead. So I think there is a desire from both sides to conclude an arrangement which is acceptable to both the parties.

Mohit Kumar:

My second question is on the coal mines, under the new regime which you are likely to move to. I think your KPC will get rolled over from December 21 under the new regime when do we expect to get complete clarity on the new taxation structure. I think at present Arutmin is foregoing 10% additional outgo from its PAT, do you think is this the regime which will be there, so can you please comment?

Ramesh Subramanyam:

So just to clarify, Arutmin we have already sold, we have only collection going on there which is not part of our reported performance. As far as the KPC mine renewal is concerned, before the end of this year, we should have full clarity. In fact, there is only one item which is in discussion in the Indonesian political system which needs a finality. All other things have been sorted out in terms of terms and conditions, so we believe that will be soon sorted out and before the December 21 expiry of the license.

Dr. Praveer Sinha:

And just to add, the changes that are happening over there virtually equates to current position in the sense while they are increasing the royalty from 13.5% (approx..) to 22% depending upon the grade of coal, they have parallelly reduced the corporate tax from 45% to 21% and then 20% beyond FY 22 and some other taxes have been added.

Ramesh Subramanyam:

So virtually it will be more or less same as far as the new taxes and the old taxes are there. There will not be much of difference.

Mohit Kumar:

Lastly, on the solar pump sir, where are we in the new tender of EESL and do we expect industry to be materially high post the new tender finalization?

Dr. Praveer Sinha:

EESL tender has been sorted out and there was a court order in the month of July and subsequently in the month of August the court cleared it and they have decided that the bidders will be given the allotment. We are in all categories and we expect that hopefully by mid November to end November we will get the allotment from all these states.

- Mohit Kumar:** And what is the expectation of the industry post the finalization of 3 lakh tender from EESL, do you think it will go up to 2 lakh per year?
- Dr. Praveer Sinha:** So as you know that in the KUSUM program, the value is being enhanced by Government of India because they see this as a unique opportunity to distribute the generation and make the farmers capable to do their own generation, so we are expecting that in the next budget also there will be much more allotment of money from the Government under the KUSUM program. We will of course be the biggest player in this because not only we do the solar system, but also we have now launched our own pumps and we have launched it in 16 states and we expect that the benefit of high efficiency better quality pumps along with the solar system will help us to have much larger market penetration compared to anyone else.
- Moderator:** Thank you. We have the next question from the line of Swarnim Maheshwari from Edelweiss Securities. Please go ahead.
- Swarnim Maheshwari:** Sir, two set of questions, first, there was a media article which said that there were some issue with one of the orders, the EPC order one from NTPC and there were some issues which actually could lead to calculation of that order and it is a sizable one, so any clarity over there?
- Dr. Praveer Sinha:** This was a letter that was written by NTPC to our team because of the delay in execution of this order. This order is being executed in Jaisalmer area where because of the Supreme Court intervention on the great Indian bustard, there has been no clarity in terms of setting up of the plant as well as in terms of evacuation arrangement. We had quite some time back, more than 6 months back, informed NTPC that either we can change the location to other places or you will have to wait and get the clarity from Supreme Court. Our responsibility is to set up the plant while the responsibility of NTPC is to arrange the evacuation arrangement. Their evacuation line which is through PGCIL is only coming in the GIB area while we have the flexibility of moving it to some other. So it is expected that once the matter is heard in Supreme Court there will be more clarity on issues such as providing protection and underground cabling for the evacuation of power for subsequent projects or for existing projects and that is why they have been delayed. From our side, we have done whatever has to be done. Now, it is basically NTPC's call in terms of whether they want to use the existing evacuation arrangement or they want a new one to be made in this new location where we will set up the plant.
- Swarnim Maheshwari:** Sir, will NTPC actually go for a rebidding if the location was to be changed or what is the arrangement? Are you clear about that?
- Dr. Praveer Sinha:** There is no rebidding required, it is only that they will have to identify whether they want a new location where they will have to tie up with PGCIL for evacuation.
- Swarnim Maheswari:** Sir, if I understand this right, out of our ₹ 9,500 crores of order backlog, this order is still part of our order book, right?

- Dr. Praveer Sinha:** Yes, this is part of that total ₹ 9,000 crores order. This is a ₹ 400 crores order, so it is a small value on the overall.
- Swarnim Maheshwari:** Sir, my second question is, looking at where the coal prices are and overall transition planned. Are there any plans over there to actually divest our stake completely in Indonesia and the coal mining business, so which would not only be ESG accretive, but also provide you the next round of growth funding?
- Ramesh Subramanyam:** Well, that is firstly something which we are aware of. It is part of our strategy. I think it would be depending on what is the best time to do that Swarnim.
- Swarnim Maheshwari:** But sir, you are starting it actively, is that the correct understanding?
- Ramesh Subramanyam:** Say that again, Swarnim.
- Swarnim Maheshwari:** So we are considering this proposal actively today?
- Ramesh Subramanyam:** Yes, the moment we have announced our carbon target as well as we are exiting thermal, I think it is the coronary that all thermal assets would be under scrutiny depending on their contractual position, so this is certainly one of them, but I can't say a definite timeline in the immediate future which we can put on the table, but definitely it is on the cards.
- Moderator:** Thank you. We have the next question from the line of Puneet from HSBC. Please go ahead.
- Puneet:** My first question is on the EV charging business, are you recording any revenue from that business as of now and in which entity is it setting up it?
- Ramesh Subramanyam:** It is part of our standalone entity and we do record revenue. Right now, because of materiality, we don't report it.
- Puneet:** And what kind of capital allocation have you done for those 1000 chargers in public space?
- Ramesh Subramanyam:** It is a mix of own and franchise, but we would probably give you that separately.
- Puneet:** And I think the plan is to go all the way to 100,000 chargers and that will also be done in similar way owned and franchisee?
- Ramesh Subramanyam:** Yes, we will have various other ways also, innovative way to ensure that we have a capitalized business. Those are the things which are evolving.
- Dr. Praveer Sinha:** And this will be only for public chargers. As far as home chargers and fleet chargers and bus chargers are there, that we get paid.
- Puneet:** That is onetime payment, right?

- Dr. Praveer Sinha:** Yes and also subscription model where we provide various services.
- Puneet:** So even for home chargers, there is a subscription model?
- Dr. Praveer Sinha:** Yes.
- Puneet:** And can you give some unit economics for those per charger, what kind of payment?
- Ramesh Subramanyam:** I think Puneet, it is too early. We are on an implementation mode, but we will be able to share with you soon when we reach a certain level where the platform is in a shape that we could talk about, I will say margin target. Right now, our whole emphasis is on first laying down the brick, building the platform, building the customer related software, so I think it is just too early to talk about the unit economics right now.
- Puneet:** On CGPL what is variable passthrough component, what kind of agreement have you signed with the states, is it likely to get rolled over into next quarter as well or is it hard stop at the end of the year?
- Ramesh Subramanyam:** Right now, it is more a temporary arrangement. End of the year is an informal contract, but just on the basis of intimation from the government on the pricing as Dr. Sinha explained. So we have been given a price based on the current coal price. It is the last month import price and therefore we have full recovery and we expect probably because of the ongoing situation it may be extended for some time and Gujarat has clearly given the pricing apart from couple of other states, but whether it will be extended for a longer period, we will come to know, but until the situation improves on the ground on overall coal, we expect may be this kind of an interim solution to continue.
- Puneet:** So basically for 66% of your volume, there should be no under-recovery for the current quarter?
- Ramesh Subramanyam:** That is what we are trying to do.
- Dr. Praveer Sinha:** In fact, whatever we are generating there is no under-recovery for that.
- Puneet:** Even for the other states?
- Dr. Praveer Sinha:** We are not generating, there is no question of recovery, so whatever we are generating there is no energy charges under recovery.
- Ramesh Subramanyam:** All the three units 66% which you said, there is no under-recovery.
- Puneet:** And on the capacity charges is the under-recovery likely to happen this quarter as well?
- Dr. Praveer Sinha:** No, in Q3 you are saying?

- Puneet:** Yes, Q3.
- Ramesh Subramanyam:** So the way it works is every quarter you take a view on the annual capacity utilization or availability based on which we book your capacity revenue. So as long as we stay within the estimate that we have put out now for the revised year, for the full year, we will not have further under-recovery and we believe that we have a strong chances, we will not have further under-recovery.
- Puneet:** But what really was the reason for an under-recovery in Q2?
- Ramesh Subramanyam:** The reason for that is there is a contractual obligation that if you don't produce the required annualized 80%, anything less than 80% on an annual basis, you get a proportionately lower capacity charge. That is the capacity charge under-recovery we are talking about. On top of that, there is a penalty to go below certain threshold. So both these were operating in the first two quarters and if they continue in the third and fourth quarter that is the separate issues you will come to know later.
- Moderator:** Thank you. We have the next question from the line of Anupam Goswami from B&K Securities. Please go ahead.
- Anupam Goswami:** Sir, my first question is on the normative tariff on Mundra, it is just the follow up on the previous question, so do we get re-imburement of the coal prices that has happened or do we get a normative tariff for this arrangement?
- Ramesh Subramanyam:** There is a fixed tariff and which of course behind that calculation is the latest prices, but it is not based on reimbursement, it is based on fixed price and you can call it as raw material price.
- Anupam Goswami:** This is till the end of this year or do you think we can get an extension beyond that?
- Ramesh Subramanyam:** We have not received a formal extension, but whatever we have received is for 4 weeks from Gujarat state.
- Dr. Praveer Sinha:** They have been discussing with us. One thing is that whether we would be in a position to supply them till end of December on the same terms and condition, we would come to know in some time. They are also taking it as things move and they feel that this has to be extended beyond, they will take a call possibly in later part of November.
- Anupam Goswami:** And other question is on the regulatory asset reversal that is around ₹ 300 crores, what is that? If you can throw some light on that?
- Ramesh Subramanyam:** Regulatory order likely. Can you be more specific?
- Anupam Goswami:** Yes, in P&L ₹ 374 crores or so net movement in regulatory deferral balance, what is the source of that.

- Ramesh Subramanyam:** Regulatory deferral balance is the recovery through tariff in various companies, whether TPDDL or Orissa, all the bunch of assets where there are regulatory assets recovered through tariff. Normal method is that through the tariff it gets set off..
- Anupam Goswami:** Sir, can you just once repeat on the coal JVs where the royalty that has increased and also the corporate tax?
- Ramesh Subramanyam:** What we were talking sometime back is that in the proposed licensing regulations in Indonesia, there is a proposal to increase the royalty based on slabs of sale price and there is an imposition of the new VAT tax, but on the other hand there is a corporate tax reduction which today was 45%, it is likely to come down to 20% to 22%. So that is the kind of changes that are there. Right now, there is no immediate royalty change.
- Dr. Praveer Sinha:** This will affect only from 1st January 22.
- Anupam Goswami:** And what is the quantum of that royalty which is proposed?
- Dr. Praveer Sinha:** As we mentioned, the royalty presently is 13.5% and it will be in different slabs, 20%, 21%, 22%, similarly the corporate tax which is today 45% will be for FY21, 21% and thereafter 20%, so that is the change and then there are certain other taxes that have been added. So basically if they have reduced corporate tax to that extent different taxes have increased and make it virtually equated.
- Anupam Goswami:** So our profit will more or less be same going forward or will there be any more expenses and margin will come down from this?
- Ramesh Subramanyam:** If we wait for another month or so we will get the final order instead of speculating, as still there final stamp of the Government that is yet to be received. Right now, we are going by what proposals have gone to the Indonesian Government for approval, so all there would be is to wait for a month or so till they issue the final licensing regulation.
- Anupam Goswami:** Sir, my last question is on the transmission project opportunities that is coming up from the government or any new tender that has been happening?
- Ramesh Subramanyam:** Yes, there are lots of them and we are right now also looking at some stressed opportunities through our Resurgent Platform, so yes, we are in the queue in terms of the transmission growth.
- Moderator:** Thank you. We have the next question from the line of Apoorva Bahadur from Investec. Please go ahead.
- Apoorva Bahadur:** Sir, wanted to understand the impact of this upcoming first phase of MBED so I believe Mundra will be under this MBED. So what impacts do you foresee on the PPA level given that our tariffs are quite low?

- Ramesh Subramanyam:** What did you say?
- Apoorva Bahadur:** MBED, sir what I wanted to know is Mundra would be under the ambit of that?
- Dr. Praveer Sinha:** No, this is not that on day ahead we are selling the power it is only, is allocated to them, that much quantity is being given to them with the provision if any other state wants quantum in lieu of the other, they can take, but definitely not in the market.
- Apoorva Bahadur:** No sir, I just wanted to understand whether this fall under the MBED mechanism, will Mundra be under MBED mechanism?
- Dr. Praveer Sinha:** No, not there.
- Apoorva Bahadur:** So secondly on the interim arrangement which you are speaking about, Gujarat and another state, so that does these also entail some of the coal mine profit sharing which was there under the HPC mechanism?
- Dr. Praveer Sinha:** We have shared with you the variable cost of Rs 4.50 and a fixed cost of 90 paisa, how does the coal mining profit come in this?
- Ramesh Subramanyam:** I think you are referring to probably the old HPC and other things which were going on. This is completely different; it is just giving us the fixed price based on the current cost. It has nothing to do with the coal mine.
- Apoorva Bahadur:** Is there any plan of moving a part of the Odisha distribution infrastructure underground to basically offset or reduce the impact of recurring cyclones?
- Dr. Praveer Sinha:** What happens is because of cyclones coming in certain areas, the government of India and the Orissa government have been discussing that can we move some of it, so if that thing happens, then the government gives the contribution for carrying out any work like that and that will be executed by us and we get certain percentage for execution of these government funded projects.
- Moderator:** Thank you. We have the next question from the line of Nawaz from Ashika. Please go ahead.
- Nawaz:** Actually, I just had one question regarding EPC execution, so the thing is that going forward, how exactly should we look at in terms of execution of the orders and the margins as well, particularly from Q3 onwards, we see it like a sequential improvement immediately for Q3 versus Q2 or would it still take some more time for the older orders to get executed and gradually you would see like high single digit kind of margin?
- Ramesh Subramanyam:** I think our long-term target on margins will be similar to last year and higher, but there is temporary pressure on the supply chain and as newer orders would pick up and if your question is, when will the older orders executed, I think they will gradually get executed by the end of

this year and some of the orders which you have got in the recent past would all be materializing in the next 6 to 18 months, so you will see that recovery back.

Dr. Praveer Sinha: And also you need to consider that in the last quarter, just last quarter, the manufacturing capacity of modules in China increased by 27 GW and that is a huge quantity of add on capacity that has happened and for them to ensure that their capacity is fully utilized, we expect the prices will come down. So this is a function of demand and supply, now that the supply is more because of new capacity additions. We expect that especially from Q1 of FY22 or calendar year FY22, we will start seeing the prices softening. We have already started seeing prices of containers going down which had in between gone up very much. So also, we will start seeing these changes even in the prices of modules and cells.

Nawaz: So my other question is actually regarding the overall emphasis on domestic content requirement, so has there been any issue in terms of either cost or availability especially in the solar pumps? Has there been any issue on solar pumps or for that matter rooftop solar on that part?

Dr. Praveer Sinha: As we had shared with you earlier, we expanded the capacity of our solar manufacturing in India, so from 270MW, we went to nearly 540MW and similarly the old line we have now reinstalled that with some changes, so we have adequate capacity for cells and modules at our Bangalore plant and that is more than adequate for meeting the local domestic obligation or CPSU tenders including solar pumps and rooftop solar.

Moderator: Thank you. We have the next question from the line of Swarnim Maheshwari from Edelweiss Securities. Please go ahead.

Swarnim Maheshwari: Sir, sorry to stick on this as have been many questions on Mundra, I just wanted to understand one thing, this ₹ 216 crores of fixed target reversal, this takes into consideration of our new PLF for the entire year, is that correct?

Ramesh Subramanyam: Our revised availability estimate, correct.

Swarnim Maheshwari: New availability for the entire year, right?

Ramesh Subramanyam: Correct and we are hoping that availability will not be way off.

Swarnim Maheshwari: And would this also include all the contractual penalties as well as SCB penalties because now I believe if we are at about 55% should the penalty amount will also reduce substantially?

Dr. Praveer Sinha: So I must tell you that we have already provided for penalty in this quarter up to date, so that has already been provided. So therefore, for the coming quarters only if we fail where we will have to provide additional provision for it.

- Swarnim Maheshwari:** Sir, apart from the interest cost, can we say that broadly when this is just going to be a cash loss equivalent to the interest cost loss for the second half?
- Dr. Praveer Sinha:** So you are saying EBITDA would be 0, is that what your question is?
- Swarnim Maheshwari:** Yes, because our tariff will be covering the fuel cost?
- Ramesh Subramanyam:** Sorry, you are right, if the future generation that is going to happen in the next 2 quarters, the reimbursement is full or to the extent of the actual cost, which is there today in this month, but we can't say that for the future month, but if that is the way it is extended, certainly it would be there. On the fixed charges, if we have an extra cost due to penalties or any other thing, then that would be extra charge, but by and large you are right, if you are continuing to get re-imburement which is close to the market price of coal, then we would have 0 EBITDA and therefore only the interest as the cash loss.
- Moderator:** Thank you. We have the next question from the line of Ankur Deore from Bank of America. Please go ahead.
- Ankur Deore:** Sorry for the repetition, I understand there was a question earlier on your EV charging business on overall unit economics, I do understand it is difficult to share given the early stage in terms of margin, profitability, etc., but Sir, would it be possible to share anything on the revenue side, the way you share for some of the other businesses like rooftop, solar and solar pump, etc., any details on that?
- Ramesh Subramanyam:** It is not about sharing, but right now we will discuss and decide from which date we will start going to give numbers, we want to just build first the base level setup and I think then it is worth talking about revenue as well as utilization. It is not that we don't have the numbers, but we feel that the comparisons will not be right, but we will try and see how early we can start putting those numbers. Now our focus is really on network expansion and building the entire customer service network, so as you can see that is the ongoing project right now.
- Ankur Deore:** Sir, just one thing on the expansion bit, if my understanding is correct that the 1000 public stations you have, the plan is to reach 2000 by the end of this financial year and about 10,000 in another 4-5 years?
- Dr. Praveer Sinha:** We are definitely expecting that end of the year we should be at 2000 plus EV chargers and we are now wanting to ramp it up in the subsequent year with more of EV electric vehicles coming in, so we will be adding more than 3000 chargers going forward per year and by 2025-26 we expect that we would be at about 10,000 chargers and by 2030 we will be doing something like 50,000 chargers. That is the type of numbers that we are looking at.
- Moderator:** Thank you. We have the next question from the line of Gopal Nawandhar from SBI Life. Please go ahead.

- Gopal Nawandhar:** So the question is on the EPC business, sir, in the existing order book, how much is on the variable cost pass through and how much is on the fixed cost largely on the module prices and the other raw materials?
- Dr. Praveer Sinha:** These contracts are not on variable cost, but if there is any change in law that takes place or change in GST happens or there is significant change that happens because of force majeure conditions, then only you can ask for a revision, otherwise these are fixed price contracts.
- Gopal Nawandhar:** And is it right to assume that you would have already taken some prudent provisions on many of these projects wherever we have seen the cost price going up or it will take up as and when the project gets executed?
- Ramesh Subramanyam:** Substantially yes, we have taken care.
- Gopal Nawandhar:** And in terms of receivables, can you give some color on EPC in terms of number of days, how it is and in terms of aging, can you give some color?
- Ramesh Subramanyam:** Sure, can I ask the team to give you the details on that perhaps this will save the time so we will send it to you.
- Gopal Nawandhar:** And lastly on this, there is negative contribution in the JV and Associate from Tata projects, can you just help us understand this?
- Ramesh Subramanyam:** That is periodic adjustment. They do review of some of the projects where if there is a cost pressure due to which margins may be reduced, so as per the accounting standard, they have to provide for it and this is probably some of the projects that they have reviewed has resulted in this, so that is what you see that as a provision.
- Moderator:** Thank you. Ladies and gentlemen, we will take the last question from the line of Swarnim Maheshwari from Edelweiss Securities. Please go ahead.
- Swarnim Maheshwari:** I just wanted to extend a vote of thanks to Ramesh sir, we just actually read that you are moving on in to a new position in Tata Group, so just wanted to say thanks to Ramesh Sir for his patient listening and for wonderfully explaining all the nuances of such an evolving Company, so thank you so much, sir.
- Ramesh Subramanyam:** My pleasure, thank you for those compliments Swarnim and to all the analyst friends. I am still in the group and I will be in touch with all of you, many thanks for all your support you have given to me these years and also thanks for all of you to be so cooperative and understanding. So therefore, thank you once again and I will be in touch.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now hand the conference over to Dr. Sinha for closing comments. Please go ahead.

Dr. Praveer Sinha: Thank you very much, Melissa and thank you all for attending the analyst call. I really appreciate all of you joining late evening as I know that we had lot of others results which were scheduled today and you have covered all of them. Look forward to catching up with all of you, but if you have any questions, please don't hesitate to connect with my colleagues, Kasturi and Rahul Shah and we will be more than happy to respond and give you all the responses and all of you take care, especially now that vaccination is there, I hope all of you have taken. Happy Diwali and Happy Festival Season for all of you. Thank you.

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