

8th August, 2023

To
The General Manager (Listing),
National Stock Exchange of India Limited
Exchange Plaza, C 1/G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai.

To
The General Manager, (Listing)
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai.

**Reference: NSE-SCRIP ID: POWERGRID; BSE Scrip Code: 532898 EQ – ISIN
INE752 E01010**

Sub: Transcript of Investors & Analysts' Meet held on 01st August, 2023.

Dear Sir,

In terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the copy of Transcript of Investors & Analysts Meet held on 01st August, 2023.

Thanking You.

Yours faithfully,

**(Mrinal Shrivastava)
Company Secretary &
Compliance Officer**

Power Grid Corporation of India Limited

Q1 FY 2023-24 Earnings Conference Call

August 1, 2023 10:30 AM IST

Management Team:

- i) Shri K. Sreekant - Chairman & Managing Director
- ii) Shri G. Ravisankar - Director (Finance) & CFO
- iii) Shri Abhay Choudhary - Director (Projects)
- iv) Shri R. K. Tyagi - Director (Operations)

Mohit Kumar: Good morning. On behalf of ICICI Securities, I would like to welcome you all to the Q1 FY '24 Earnings Call with POWERGRID Management, discuss the company's business and share the performance outlook.

Today we have with us the entire senior management team of POWERGRID. It's my pleasure to welcome and introduce Mr. K. Sreekant, Chairman and Managing Director.

CMD: Good morning.

Mohit Kumar: Mr. G. Ravisankar, Director (Finance) and CFO.

Ravisankar: Good morning.

Mohit Kumar: Mr. Abhay Choudhary, Director (Projects).

Abhay Choudhary: Good morning.

Mohit Kumar: Mr. R.K. Tyagi, Director (Operations).

R. K. Tyagi: Good morning all.

Mohit Kumar: I would now request the CMD to make opening remarks and presentation, subsequent to which the floor will be open for Q&A. Over to you, sir.

CMD: Thank you, Mohit. A very good morning to all the participants. Welcome to the Q1 '23-'24 call. I'll make a brief presentation, following which we'd be open to answer your queries. In overview, I think the only change you will find is the number of subsidiaries, more TBCB companies have been acquired, so, the subsidiaries are at 37 now. And we remain the third largest CPSE in terms of Gross Block.

As on date, our transmission assets are 1,74,000 circuit kilometers, 274 substations with over 5 lakh MVA of transformation capacity. We have 18 HVDC substations, 62 765kV substations, 163 400kV substations, and our system availability is in excess of 99.75% consistently over the years.

Major highlights of this Q1, we have won two TBCB projects, 01 for renewable energy integration from Ananthapuram and Kurnool, and the other for REZ evacuation from Rajasthan. These are having levelized tariff of about ₹341 crores. Another three projects for which we have submitted bids, are under evaluation and we expect them to be taken off for e-reverse auction shortly.

The Smart Meter project has taken off. We have received the order from Gujarat. We have been talking about this for some time now. This has 69 lakh meters and over the next 2 & quarter of a year we

will implement this, having an investment of about ₹4,067 crores. Yesterday, the Board also approved the investment in our 85-megawatt solar project at Nagda. So, in the next 10 months we will implement this project. This is for captive consumption as well as sale through exchange. About 180 million units of energy is expected to be generated from this project.

Now the project execution, this quarter we have completed two substations and 1,428 circuit kilometers of lines. POWERGRID Bikaner Transmission System which has Bikaner pooling station as well as the Bikaner Khetri & Khetri - Bhiwadi transmission lines. This is the major system which has been commissioned. For Meerut Simbhavli out of four elements, three are commissioned, but one element is stuck up due to ROW . There is a court case, so we expect it to be completed shortly. 4,435 MVA of transformation capacity has been added primarily at Bhadla and Bikaner for RE evacuation. This is the physical progress in terms of projects.

In terms of our financials CapEx has been ₹1,506 crores in the quarter, ₹1,615 crores is the capitalization on a consolidated basis.

Operational performance - This quarter's transmission system availability was 99.86% and last year for the same period availability was 99.79%. So, there is slightly better performance this quarter. Tripping have also reduced to 0.09 compared to 0.12 last year.

Financial performance - Our revenues on a consolidated basis have been ₹11,258 crores this year in the first quarter, and the profit has been ₹3,597 crores, compared to ₹3,801 crores in the corresponding period last year. Going forward, I'll briefly highlight the reason for this decrease.

In the Consultancy Services, which you would have seen from the results published there has been a reduction from ₹233 crores to ₹121 crores. Primarily the large project we have been executing for the Government in Northeast is coming to an end therefore the revenues are tapering down. Telecom revenue is up 15% and that is the major highlight. The other is interest. In this quarter interest is up by about 15%, compared to last year, there has been significant increase in the rates of interest due to floating rate interest loans.

Gross fixed assets are ₹2,70,000 crores and capital work in progress is about ₹14,000 crores today. Debt: Equity Ratio has significantly improved from 62:38 to 59:41 in the current quarter.

In other key financial information some of the numbers would be of interest to you. Last year we had ₹351 crores of previous year sales in the quarter, this is now only ₹214 crores on the back of finalized tariff orders. In 22-23, more than 90% of income has been through final tariff orders. So, the adjustments due to previous year tariffs are less, that is about ₹140 crores lower this quarter. Then consequent

interest on differential tariff is also down by nearly ₹80 crores. So, this is about ₹220 crores, which primarily explains the reduction in the profits.

Last financial year, in first quarter we had one-off event of nearly ₹500 crores, which has come down to ₹270 crores. And that is the major reason for the reduction in the headline profit number. Otherwise, if you see the operational performance, it is better than last year and overall there is no fundamental change in the business.

Our equity in the TBCB assets has now increased to ₹3,544 crores and under construction, it is about ₹350 crores. So roughly ₹4,000 crores of equity are deployed in the TBCB business.

Telecom performance, we have improved our overall telecom revenues to ₹191 crores. We are likely to cross ₹800 crore revenue from the Telecom Business. The business transfer agreement has been executed for hiving off the Telecom business. So hopefully by the 1st of October we should see the entire telecom performing through the subsidiary PowerTel Services Limited.

In consultancy, our revenues have come down primarily because in the Northeast the project is coming to an end. Therefore, there is a significant reduction. We are attempting newer businesses, like we are taking up SCADA establishment for a couple of States, and project execution for dedicated transmission lines for some of the hydro and renewable projects. We are looking at other businesses to grow the consultancy revenue, but I think it will take a year or two to again get to that level, because there was an assured income from the NERPSIP business, for quite some time now.

Commercial performance - the first quarter realization has been about 82%. In April, there was a one-off bill on the back of tariff orders received so that has push down the realization to 82% in terms of billing realization, but thereafter in May and June the realization has been more than 100%. Today we are at about 88% realization up to July '23. We have an issue with Tamil Nadu regarding Raigarh-Pugalur recovery, and that is one of the major reasons for this outstanding.

In terms of works in hand, today we have about ₹48,700 crores. Ongoing RTM are about ₹11,000 crores, TBCB ₹12,800 crores. This year we have targeted ₹8,800 CapEx initially, but we will be looking to push up on the back of several projects we have received as well as the metering and the solar projects, which have been ordered. So, I am very confident that CapEx will be more than ₹8,800 in the current financial year.

Outlook, if we look at next nine years, that is aligned to the 2030 target of 500 GW or 50% from non-fossil fuel generation. We have

made an estimate that there would be ₹1,88,000 crore investment for the Company. Our estimate in the Transmission business is about ₹1,71,000 crores, in solar, smart metering infrastructure and data center businesses, I expect to do ₹17,000 crores. That is the estimate which we have factored the total market opportunity and our share. So, ₹188,000 crores is the share of investment which POWERGRID estimates to make in the next nine years or so. And the pipeline, which is coming in transmission, particularly for the RE integration, is a major source of confidence for us. A lot of projects have been approved or are in the pipeline, and the flow for the bidding has also significantly increased.

Yes, on awards, a very important award we got is the ATD award for the learning. This is the U.S. based award and we are one of the two CPSUs and 17th among the 72 leading global companies. And for our sustainability initiatives we got the Global Prithvi Award, 2023.

Thank you so much. I pause here and look forward to answering your questions.

Question-and-Answer Session

Mohit Kumar: So, we'll start the Q&A now. Please raise your hand to ask questions. I request you to please restrict to two questions in the first round. Thank you.

Mohit Kumar: Hi, Abhineet. Please go ahead.

Abhineet: Yes, just wanted to understand from the fact that you talked about CapEx increasing from ₹8,800 crore. So, for '24, what could that number be? And second question is that there is a large pipeline of TBCB project as per 14th NCT. So, are you factoring those numbers for '25? If you are assuming a 50% market share for that?

CMD: Yes, so in FY 23-24, we expect it to cross ₹10,000 crores CapEx this year and in FY 24-25. We have given you the ₹1,88,000 crore number for the next 10 years, that factors these projects which are coming up through the NCT and the government approvals.

Abhineet: But just trying to understand in terms of while this is eight, nine-year stuff that you talked about, in the interim, say 25-26, will there be an increased CapEx and then it will come down because the government's plans are in terms of 500 gigawatts, so, transmission lines should start getting auctioned and being built before that, right?

CMD: Yes, Right. So, it will not be like in 25-26. All transmission will be built before the target of 2030. So, it will come maybe little ahead of the generation, but it will not be like three years ahead or four years ahead. So, the CapEx will go up, I don't see the CapEx coming down before 2030. It will only be an increasing trend.

Abhineet: Okay. So safe to assume from ₹10,000 crore will go to somewhere around ₹25,000 crore because the average is coming as ₹20,000 crores, ₹21,000 crores.

CMD: Yes, that is true. Last few years it should cross ₹20,000 crores like in the past.

Abhineet: And any status on Leh HVDC?

CMD: That is still under government approval for the subsidy component.

Abhineet: Okay. Thank you.

CMD: And we will pick up only after the government approval is received. In between, the feed study is going-on, as I mentioned, I think I mentioned this in the last call. The front-end engineering and design study that is going on and is expected to be completed by January-February '24.

Abhineet: Okay, Sir. And these two projects that we have won, what is the project cost in broad numbers?

CMD: We have given the tariff that's about ₹340 crores.

Abhineet: Okay, Sir. Thanks a lot.

Moderator: Bhavin, please go ahead.

Bhavin: Thank you for the opportunity. Sir, I have three questions. First is, during the IPO of the InvIT, in your media interactions, you had highlighted that there will be 18 additional projects of ₹22,500 crores which will be sold to the InvIT. We haven't seen any movement on that. So, what is the status now and why the delay?

CMD: We said that's the pipeline which would be available, but post the National Monetization Pipeline, there has been a change in the stand. Now the guidelines require us not to transfer ownership, but only rights to the cash flows. So, we are adopting the Securitization route rather than Monetization through transfer to InvIT. So that is why assets are not going to the InvIT at present.

Bhavin: Okay, so will it be the case that POWERGRID kind of aims for the TBCB assets. And will the InvIT have to learn and find the assets individually itself?

CMD: I won't talk for the InvIT, but I am talking as far as POWERGRID is concerned. We are looking to raise funds at the optimal cost, and in terms of the government framework, asset transfer, ownership transfer is not permitted. So, if we do cash flow transfer through the InvIT route, it's not working out. There are tax implications and value decreative to the shareholders. So, we have observed that the

Securitization route of raising debt on the strength of the TBCB cash flows is compliant with the NMP framework and is also optimal fund raising for POWERGRID.

Bhavin: Second, if you could talk about the competitive landscape in the recent bids of TBCB?

CMD: Yes, so we are observing that for smaller ticket size projects say less than ₹1000 crores, there are seven-eight bids received. For Larger ticket projects say ₹2000 crores plus, four or five bids are received. Competition remains very intensive. There is no let down in that.

Bhavin: Incrementally, we are seeing the size of the project is rising. Then there are a couple of HVDC also. What is your expectation of equity IRRs? Can we expect mid-teens or it's early double-digits?

CMD: Mid-teens will not be there even in a regulated environment. So, I think early double-digits can be a fair assumption.

Bhavin: Great. Last question is we are seeing very tight supply chain on equipment supply, especially globally and we have seen increase in the prices also because U.S., Europe is going very strong on the HVDC and transmission, how is that impacting the supply chain and the pricing for us?

CMD: You are very right about supply chain constraints in the HVDC space. Due to the renewable energy integration in the West, there has been a significant spike in the demand for HVDC and cables. The timelines, what has been asked in the NCT approvals, we are finding will also be a challenge.

So, we are taking up with the government that these timelines are not possible to adhere to, given the supply chain constraints. As far as pricing is concerned, since these are TBCB projects where we would like to have some understanding with the equipment manufacturers, and we would like to build that into our pricing.

And challenges will be there because of the large size of the project and the variables which are there in terms of exchange rate variation, in terms of price escalation. So, these are indeed challenges which need to be factored in when we make our quote.

Bhavin: Just last question. The draft regulation will be there sometime in November, December and final in February, March. What are your expectations for the regulated assets?

CMD: The approach paper of the staff is out. I think yesterday we have submitted our comments on it. From the discussion paper, though there have been several alternatives proposed, there is a fair degree of emphasis on regulatory certainty and there is also a suggestion to grandfather the provisions for existing assets and any changes can

be taken up for the new assets. I think this is a good approach which is given in that paper. And what we would like to have is continuation, because as far as transmission tariffs are concerned, much of it is on normative basis, so there is not much to change. May be, making it more easy to do other businesses will help. For example, we have land at several locations, if that land can be better utilized for setting up solar or other business and that process is simplified, it will help.

- Bhavin:** Thank you so much for taking my question.
- Moderator:** Thank you, Bhavin. Next question is from the line of Anuj Upadhyay. Anuj, please go ahead.
- Anuj Upadhyay:** Thanks for the opportunity. Sir, the center had approved around ₹75,400 crores of power transmission projects and the TBCB, any timeline by when they would be out for a bidding?
- CMD:** They are already bidding; large numbers are already in bidding. Some ₹55,000 crore bidding is under bidding right now.
- Anuj Upadhyay:** ₹55,000 crores sir, right?
- CMD:** ₹21,000 crores has been concluded, ₹55,000 crores is under bidding. Another ₹81,000 crores is to be floated by the BPCs. So, the pipeline is pretty robust.
- Anuj Upadhyay:** Okay. And the trajectory which you provided on overall ₹1,71,000 crores of CapEx on the transmission space, you mentioned that probably FY '24 and '25 we may see CapEx in the range of ₹10,000 crores to ₹12,000 crores. So, would it be fair to assume that FY '26 onwards, we may see ₹20,000-25,000 crores kind of a CapEx to be incurred at PGCIL level or it would be at a further I mean at a later date, sir, say FY '27-'28 onwards, any timeline which you can throw would be helpful?
- CMD:** I think '25-'26 is a fair timeline to see that kind of that up.
- Anuj Upadhyay:** Okay, that's fair sir. That's it. Thanks for the opportunity.
- Moderator:** Thank you, Anuj. Next question is from the line of Puneet. Puneet, please go ahead.
- Puneet:** Thank you so much. My question is on your ₹81,000 crore projects, which you said are likely to be floated and up for bidding, what kind of certainty can we assign that this will be up for bidding? Is it only a procedural method, or does the government need to do more to convert it into bidding?
- CMD:** Sorry, I couldn't get your question.

Puneet: Sorry, the ₹81,000 crore project, which you said will be floated and up for bidding, is it only a procedural matter that it gets converted into tenders, or are there further steps that the government needs to take converted into tenders.

CMD: I would say, procedural level. These are schemes which have been approved. They will be floated by the BPC. These have been approved by the NCT, and as per the requirement of the renewable energy projects, this will be implemented.

Puneet: So, what kind of timeline can we assume here for ₹81,000 crores?

CMD: I think for these to come to bid, maybe one, one and a half years maximum.

Puneet: On your smart metering project, now that you bid out everything, what kind of IRRs would you be looking at?

CMD: Yes, here we can look for mid-teens.

Puneet: Here it is mid-teens. Okay, that's great. That is all from my side. Thanks.

Moderator: Thank you, Puneet. Next question is from the line of Nikhil Abhyankar. Nikhil, please go ahead.

Nikhil Abhyankar: Good morning Sir. Thanks for the opportunity. So, a lot of states are coming out with Intrastate opportunities. So, what is the opportunity size over there in the medium term?

CMD: As we have shown in our presentation, we are looking to about ₹37,000 crores in the next eight to nine years. Intrastate is difficult to predict in terms of the flow pipeline. Interstate is much more forward-looking and action is there, but intrastate because so many states are involved and each has its own pace of working. So, it is difficult to project.

Nikhil Abhyankar: Okay. And sir we have also projected CapEx of ₹15,000 crores for smart metering over the nine years. So, what is the share of this Gujarat order over the next two years and have we finalized any smart meter supplier for it?

CMD: Yes, the vendors have been finalized. We are going to do 69 lakhs. That is the initial estimate for the numbers. And that has a CapEx of about ₹4,100 - ₹4,050 crores or so. And we look to increase more because this is part of the first 10 crore meters. Overall the meter size is about 25 crores. So, we look forward to increasing this market share. Both through our own as well as through our joint venture EESL. They are also doing projects.

Nikhil Abhyankar: Understood. So, should we expect another ₹10,000 crores of CapEx towards smart metering in the next, say two to three years?

CMD: Yes, two to three years may be a little aggressive, but it will be next say five years.

Nikhil Abhyankar: Okay Sir. Thanks a lot. I'll join back in the queue.

Moderator: Thank you, Nikhil. Next question is from the line of Swathi. Swathi, please go ahead.

Swathi: Yeah, hi, thank you for taking my question. Yeah. You have indicated your size of Capex is 1.1 trillion plans for the next 10 years, whereas in an audio call you had indicated that the total CapEx opportunity size is 1.9 trillion in the Inter State transmission. So, does that imply a 61% market share going ahead?

CMD: Not necessarily. Some will be RTM projects, which we expect to get. And also, definitely we are right now around 50 plus, 55%-57% depends on where you take the cut. So, we look forward to definitely maintain, if not increase our market share. But it's not a very significant increase, which we are projecting compared to where we are today.

Swathi: All right, and on the second one, the international projects that you're talking about ₹7,500 crores, can you elaborate on which countries you're looking at, and maybe if you can update on the Kenya 250 million and the Tanzania 400 million projects that you have spoken about?

CMD: So those are the two main ones we are looking at. Kenya, we are submitting the final proposal this August. We have received the in-principle approval for the PPP project. And we are going to submit the development report this month.

Tanzania is still at initial stages. And we have been now sounded of an opportunity in Nigeria. So, in the African continent, we are looking primarily through the Africa 50 alliance opportunities. And then there is also the Katihar-Parbatipur-Bornagar line, the Bangladesh portion of this will also be implemented as a joint venture. That is the discussion right now going on. Future interconnections with Nepal, the Nepalese portion is also envisaged to be taken up through joint ventures with the NEA, Nepal Electricity Authority.

So, these are some of the opportunities which we are seriously evaluating at this point.

Swathi: Understood. And just one last question. So, can you give a year-wise bifurcation of 1.83 trillion in CapEx that you have planned out for the next 10 years, if that's possible?

CMD: Year-wise bifurcation at this point we cannot give you, because that is a function of the pipeline. How quickly we get and that again will be depending on the pace of the RE project development. So, at this point, it will be difficult to give you year wise breakup.

Swathi: I just wanted to understand, will it be more front loaded or more back loaded?

CMD: As I mentioned to another question, from '25-'26 onwards there will be a significant increase in the pace.

Swathi: Okay. Thank you so much.

Moderator: Thank you, Swathi, next question is from the line of Dhruv Muchhal. Dhruv please go ahead.

Dhruv: Hi, Sir, Dhruv from HDFC. Sir, you mentioned that there are ₹55,000 crores of projects, which are currently under bidding and ₹81,000 which will come up in the next one to one and a half year. Probably there will be more given the run rate at which NCT is approving the projects. So, your CapEx guidance is that it will not cross beyond ₹20,000 crores. In that sense, it seems conservative, 50%-60% market share that you can. So, we just wanted.

CMD: Sorry, Dhruv we are not able to hear you clearly.

Dhruv: I'll try again sir. We have projects of about ₹55,000 crores which are currently under bidding?

CMD: Right.

Dhruv: And ₹81,000 crores which will come up in the next one to one and a half year.

CMD: Right.

Dhruv: And probably there will be more, given, what the run rate at which NCT is approving projects. So, my point was that ₹20,000 crores, the CapEx run rate that you have mentioned that it will achieve for the next, say, FY '26 or '27. Does that become a very conservative given typically you have got 50%-60% market share in projects?

CMD: No, I won't say conservative. See, part of it stems from say, for example, this year we have targeted ₹8,800 crores initially, but then this is definitely going to cross, because there is now a larger set of projects under execution. Next year, also it will be higher. So, ₹25,000 crore by 25-26, as I mentioned, is a fair estimation. Because when the project is approved, you get nowadays about two years and larger projects about four years to execute. The HVDC project, for example, will need four years to implement. So, if you take ₹25,000

crores, ₹24,000 crores, then it will only add ₹6,000 crores to the annual CapEx. And that too will be like second, third, fourth year there will be more CapEx. First year will go in designing.

So, I think on an average, peak can be ₹25,000 crores. You will be somewhere around ₹17,500 to ₹20,000-₹22,000 crores. That is the kind of numbers one can estimate are the rough ballpark kind of numbers.

Dhruv Muchhal: Sir given that a lot of projects are coming in a very short span, say in the next one to three years, is it fair to say that the opportunity to capture more market share is also higher, because the number of executors is relatively low?

CMD: No, it is not. You will try to see how to capture the market share and all that is a different issue. But even if we take for example, having made all this assessment, we have given this number of ₹1,16,000 crores as our CapEx for the interstate transmission. So, if you take it over the next nine years, it will come somewhere around ₹13,000 crores annually. So, any project will be about what two years. It will take two years to complete a project. CapEx will be at least over 24 to 30 months. So, I am not very confident that annual CapEx will exceed ₹25,000 crores.

Dhruv Muchhal: Got it. Sure, sir. Thank you so much. That helps. Thank you.

Moderator: Thank you, Dhruv. Next question is from the line of Vipul Kumar Shah. Vipul, please go ahead..... We will move on to next question from Puneet. Puneet, please go ahead.

Puneet: Thank you so much for the follow-up. On your guidance of ₹1,16,500 crore of Interstate CapEx. What is the opportunity size that you assume?

CMD: The opportunity is the entire 500-gigawatt related transmission which is planned. So that itself is about ₹2,44,000 crores or so, that is there.

Puneet: So out of ₹2,44,000 crores, ₹1,16,000 is your market share. How I should think about that?

CMD: Out of ₹2,44,000 crores, some has been already started for implementation and so on. So roughly, you can say that we have taken around 50% plus market share.

Puneet: And you said this is dependent on the 500-gigawatt commissioning. So, if that number were to get missed, is there a risk that the transmission capacity can also get deferred?

CMD: I think the entire government is committed to 500-gigawatt, 50% non-fossil by 2030. So, at this point, I will not subscribe to the view that it

can be missed. It will be one year ahead or one year later. But as such, there is no risk to that target.

Puneet: Understood. That's all. Thank you so much.

Moderator: Thank you, Puneet. Mohit, would you like to ask the questions in the chat?

Mohit Kumar: There are some questions in the chat, so I'll just start with the first one, which has come from Koundinya from JPM. The question is, if you can provide some color on the bidding timelines for the three HVDC projects.

CMD: For one project Fatehpur-Bhadla, the bid is already out and timelines have been given. I think September is the target for selection of the bidder. The other projects we are yet to see. But hopefully in the next six months or so, we should see those also out in the market.

Mohit Kumar: The second question is from the chat box on the Raigarh-Pugalur project. He is asking that we thought the receivable issue was resolved post Q4 FY '23. Can you please comment on the same?

CMD: The tariff has been notified by the CERC under the CERC sharing regulations, which provide 30% of the tariff to be included as a National Component distributed over all the licensees, I mean DISCOMS and the rest 70% to be borne by the Southern Beneficiaries, because it is meant for the Southern Region.

Now, Tamil Nadu has taken up that this should be declared as a National Asset, entire 100% should part of the National Component. They are drawing reference to the Biswanath Chariali system which was included as a national asset and also to the fact that this system is now facilitating flow of renewable energy from Southern Region to Western Region.

So, the Central government has recommended this to the CERC. POSOCO, the Grid-India and the CTU have also recommended because of the bi-directional flows. CERC went by the sharing regulations and ordered that the sharing should be 30:70 only. So, aggrieved Tamil Nadu has gone to APTEL, when APTEL has remanded back this matter to the CERC in one element. There were four orders for the total Raigarh system, four Elements, four Orders were there. So, one Order has been remanded back to CERC for the three other elements also the hearing is tomorrow, more likely that they all will be remanded back to CERC. So, the current position is that the tariff order has been set aside until the CERC decides afresh. So, I believe that the tariff as such will have to be paid if not in this ratio, some other ratio. There will be some lag in collection, that's all.

Mohit Kumar: The third question is on the CERC tariff regulation. The approach paper for the next control period speaks of differential and potentially

lower tariffs. Can you help us understand the way discussion are going here and if there is any cut to the base RoE?

CMD:

So, the discussion paper has talked of a differential. Now differential can be that you make the other higher. There is no need to make one smaller to make the other look bigger. So, if you feel hydro, this has been done in the last tariff also that hydro was given a little higher. If you feel that it is still not compensating the hydro, you need to give more, please do go ahead, no worries. But you don't have to cut for the transmission sector to make the other look big. I don't think cutting transmission tariff will any way increase the profits of the hydro investors.

We have given our views. And given the current interest regime and the construction risk profile with increasing RoW, the return which is there currently, is a fair return in our view. Second, the approach paper also talks of grandfathering, i.e, the new regulations to apply to assets commissioned after the new regulations have come into force.

So, I think at this point of time, there are only some points for discussion. When the draft regulations come, there will be a little bit more clarity on the views of the Commission because at this point these are views of the staff, they are not the views of the Commission.

In the Transmission Sector. I would not read too much into this approach paper in terms of reducing the rate of return or anything.

Mohit Kumar:

The last question comes from Bharanidhar Vijayakumar from Spark Capital. The question is what is the revenue model in smart metering? What is the initial cost we incurred and then the cost per year during O&M and revenue per year during O&M? Also, what is the likely return or IRR in the smart metering investments?

CMD:

The revenue model is that we will be paid per meter per month. So, for the domestic or for HT and feeder meters different rates are quoted and we will be paid per meter per month by the DISCOMS. Our payment to our vendors are in two parts.

One part is for the meter assets. So, it is linked to the installation and commissioning and then we will be paying them per meter per month again for the O&M expenses. So, it is a kind of turnkey that they also have to adhere to in terms of the service level agreements and recoveries. Also, there is a fair degree of back-to-back arrangement.

As far as investment is concerned, as I mentioned in the CapEx phase we envisage to incur about ₹4,000 crores investment for these 69 lakh meters. The RoE expectation is mid-teens from this project.

Mohit Kumar:

Yes, I think we have reached to the end of the call. I don't think there's any further queue. Thanks to the management for giving us

the opportunity to host the call. Would you like to make any closing remarks?

CMD:

Thank you so much. I think the business looks much more robust and with a very strong pipeline approved and in bidding available. I think compared to where we were a year back, the situation is much more clear, and the processes for approval of projects have also been simplified. More delegation has been given to the NCT and the CTU. So, business looks good. Operational performance has been strong. That is where I would like to conclude. Thank you so much for joining the call.

Mohit Kumar:

Thank you, everybody.
