



“Gujarat Industries Power Company Limited
Q2 and H1 FY2022 Post Results Conference Call”

November 23, 2021



MANAGEMENT:

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COMPANY LIMITED**

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GUJARAT INDUSTRIES POWER COMPANY LIMITED**

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POWER COMPANY LIMITED**



Gujarat Industries Power Company Limited
November 23, 2021

A.S. Thakkar:

Thank you Mr. Modi. A very good afternoon and a warm welcome to our valuable investors and analysts from the GIPCL Management team. As such, you all would be aware about the company, however, I would like to brief on the same. GIPCL was incorporated in 1985 as a Public Limited Company and is having its registered office at P.O. Ranoli, Vadodara 391 350, Gujarat, India, and the company has been promoted by Gujarat Urja Vikas Nigam Limited (GUVNL), Gujarat State Fertilizers and Chemicals Limited (GSFC) and Gujarat Alkalies and Chemicals Limited (GACL). The company's equity shares are listed on BSE and NSE and the company is engaged in the business of electrical power generation with the present installed generation capacity of 1184.4 MW.

The company has a diversified portfolio of thermal, wind, and solar power plants in the state of Gujarat which includes 310-MW gas-based station at Vadodara, 500-MW Surat Lignite Power Plant at Surat, 262-MW solar power plants located at various areas of Gujarat and 112.4-MW wind power project located at various areas of Gujarat.

Under the growth plans we would like to inform you that the company has already commissioned its 100-MW solar PV project which was awarded by GUVNL under the competitive bidding route at Raghnesda Solar Park District, Raghnesda Gujarat effective from August 10, 2021. Another under the existing growth plan, the company has been allotted land at Great Rann of Kutch, near Khavda to setup 2375 MW of renewable energy park. This Park will be developed as a part of prestigious 30 gigawatt RE Park plan in the Great Rann of Kutch and the entire RE Park capacity is expected to be completed in around five year's time with at least 50% of the total capacity within a period of three years.

The shareholding pattern of the company in brief is as follows: Around 56% with promoters, 8% with the government and PSUs, 4.6% with mutual funds, 1.5% with insurance companies, 2.2% with NRI, 1.7% with FPI, foreign portfolio investors, 1.1% with banks, 22% with public and others are 3.21%.

With this brief introduction, I would like to hand over the call to Shri K.K. Bhatt, GM and CFO who will take the lead now.

K.K. Bhatt:

Thank you, Mr. Rahul. Now shall we start the conference call?

Pawan Nahar:

Thank you. Bhatt Sir thank you. This time the generation data was on the website immediately after the results, where we can see and understand. The first question I have is on the renewable business. I am trying to understand what would be our normal EBITDA from the renewable segment after commercialization of the new capacity and if I have my numbers right ballpark we would have invested about 2000 Crores in renewable. So, if you can just give some sense of the likely EBITDA? Would it be close to Rupees 280 Crores, would it be more, some number?



Gujarat Industries Power Company Limited
November 23, 2021

- K.K. Bhatt:** Thank you Mr. Pawan. Basically if you ask me right now the EBITDA level of RE Division is around 200 Crores to 210 Crores but by adding the capacity of 100 MW yearly EBITDA would be hovering around rupees 260 Crores to rupees 270 Crores roughly.
- Pawan Nahar:** No, I am only talking about renewable.
- K.K. Bhatt:** Rupees 210 Crores plus rupees 60 Crores that means from RE EBITDA would be around rupees 270 Crores and Thermal Division it would be around rupees 250 Crores. The company as a whole EBITDA would be around rupees 510 Crores to rupees 520 Crores.
- Pawan Nahar:** Rupees 510 Crores to rupees 520 Crores. That is useful. Generally this we should assume as a new normal, so ballpark about rupees 130 Crores should be the run rate from now on, ballpark? I mean, there will be some seasonality given the renewable patterns, but ballpark, rupees 510 Crores to rupees 520 Crores for the full year and divide by four for the quarter?
- K.K. Bhatt:** But what you are saying is theoretically correct, but practically it depends on quarter-to-quarter and also it depends on the performance basis. It may happen in some quarter, it may be down and in some quarter, by recouping the fixed cost on the basis of commercial availability, it may go up, but at the year end, what figures we are talking about it will land at rupees 510 Crores to rupees 520 Crores.
- Pawan Nahar:** The other thing what I wanted to ask you that what would be the debt on our balance sheet right now, gross and net?
- K.K. Bhatt:** See, we have only 400 Crores of debt available on the books as on date having interest rates of around 5.25% to 5.3% for RE Division only. Thermal Division is totally debt free.
- Pawan Nahar:** We would have cash flow too right now with us?
- K.K. Bhatt:** Roughly it is around Rupees 300 Crores.
- Pawan Nahar:** Rupees 300 Crores, so literally we do not have debt. Now the question is ROE will come when we have leverage because that is much needed. By when do you think we will start seeing some leverage and also we would have spent some money for Khavda this year, as we speak, let us say September or till now, how much have we spent?
- K.K. Bhatt:** We have spent around Rupees 70 Crores roughly in the Khavda project, from which around 50 Crores for the land and certain activities we have already started, like soil testing and we have already appointed consultants for PMC.



Gujarat Industries Power Company Limited
November 23, 2021

- Pawan Nahar:** This 50 Crores is going to be in the gross block, right because it is land, as you have explained earlier? So it is not CWIP. By when do you think, like we would have done let us say capex this year, next year when do we hope to see some leverage in the balance sheet?
- K.K. Bhatt:** Basically as per the available timelines, by the end of road project that is going to be completed by January 2022 so we have the first timeline of 50% completion by three years down the line that is 2022 January plus three years means 2025. But we are targeting our capacity additions, i.e. in the phase I - 600 MW, by November 2023 and phase II - 600 MW. by February 2024 and phase III by May 2025. This is our target.
- Pawan Nahar:** Can you please repeat this, again November 2023 500 MW ?
- K.K. Bhatt:** 600 MW .
- Pawan Nahar:** 600 MW , November this is commercialization you mean?
- K.K. Bhatt:** Yes..
- Pawan Nahar:** November 2023 is 600 MW then?
- K.K. Bhatt:** Then Phase II 600 MW February 2024, and May 2025 600 MW .
- Pawan Nahar:** Fine and is it a fair thing to assume that the capex will depend whatever is the price for per MW ? But ballpark can we continue to assume that your EBITDA will remain around 14% of the capex that we do?
- K.K. Bhatt:** Yes. EBITDA for the present level of EBITDA is there, the same level of EBITDA will remain continuing.
- Pawan Nahar:** In terms of percentage of new capex?
- K.K. Bhatt:** Yes.
- Pawan Nahar:** Thank you. I will wait. Thank you so much.
- Mohit Kumar:** Good evening Sir. Sir, the first question is what was the under recovery due to the lower availability in H1 FY2022 and do you expect the availability to improve so that you're under recovery becomes zero by FY2022 for all the thermal power plant?
- K.K. Bhatt:** See the under recovery right now from SLPP I is around 13 Crores rupees roughly and as per the commercial availability what we envisage right now of the station by the end of this year we



Gujarat Industries Power Company Limited
November 23, 2021

would be recovering more or less not fully 13 Crores rupees, but roughly we will land with under recovery of rupees 4 - 5 Crores somewhere around.

Mohit Kumar: So, there is no other under recovery in any of the power plants?

K.K. Bhatt: Because the timeline with the 100% leverage of the plant, availability in the next four months, we can take somewhere around under recovery of 4-5 Crores would be there. We have ample headroom because we have already insurance claims pending with the insurance companies for the material damage, so I think that loss will get recouped in the next financial year or may be in next financial year based on the insurance company admittance of the claim.

Mohit Kumar: Secondly on the 100 MW, which was commissioned in August 2021 what are the capital cost and what is the kind of PLF we expect from this particular power plant and what are the the loading ratio?

K.K. Bhatt: 100 MW which we have capitalized on August 10, 2021, total capex is 500 Crores and DC loading is 1.5 and CUF is around 29.1.

Mohit Kumar: Going forward do we expect more of investments in renewable or completely renewable and is there any target capacity, which you have in mind over the next four to five years, is the number which you have in mind that I want to achieve so and so number?

K.K. Bhatt: We would be adding the capacity in RE only and the next four-five years, we have already been awarded Khavda project, wherein the capacity addition by next 3 years would be around 1500 to 1600 MW.

Mohit Kumar: But that is not in our balance sheet right that we have to participate, that is more like developer kind of model, correct?

K.K. Bhatt: What you are saying is correct. Our role is the RE park developer, but as such we are lobbying with the MNRE to get the exemption for participating in our own park, if not possible, then we will go out to have the bid through the NTPC or GSEC park, so that at least capacity addition would be there, so same way vice versa GSEC will invest and GSEC will do in our park, like that we may have internal arrangement.

Mohit Kumar: Sir, my question is that is there any target which you want to achieve in terms of capacity addition over the next four to five years in terms of renewable?

K.K. Bhatt: That is what I am telling you, 1500 to 1600 MW by 2025 capacity addition in three phases.

Mohit Kumar: Thank you. Best of luck.



Gujarat Industries Power Company Limited
November 23, 2021

- K.K. Bhatt:** Thank you.
- Dhruvesh Sanghvi:** Just one clarification, in one of the CNBC interviews, you had mentioned that we will easily do Rupees 300 Crores profit this year, in FY2022. Can you comment upon it? Was there a mistake in speaking that or have I understood it incorrectly?
- K.K. Bhatt:** No. There was nothing like mistake. It was the budgeted and the capable target. If you see our balance sheet for last two years, we are very near to rupees 300 Crores plus. We were having our target of rupees 300 Crores plus but looking at the SLPP 1 issue, i.e. unit II was down and which went for one and a half months more, for getting back to the mainstream, that is the reason we may or may not be in a position to meet the target what has been set at rupees 300 Crores. We may lend around rupees 275 – 280 crores, i.e. shortfall of rupees 20 -22 Crores, somewhere, but we are trying our best to reach very near to 300.
- Dhruvesh Sanghvi:** Sir, this is net profit after tax, right, just to clarify?
- K.K. Bhatt:** No, we are talking about only profit before tax. We are right now in the MAT. So, the provisions what we are seeing in the books of accounts is only the deferred tax and provision for MAT.
- Dhruvesh Sanghvi:** Sir, just generally, just a feedback here, whenever you get a chance to speak, in the common platform, the word profits will typically mean profit after tax and you are using profits as profit before tax. So, my suggestion is to just to use the correct language so that general people can also understand what you are saying. So that is one. The second part here is on the depreciation front, can you just help us understand what will be the new depreciation normal, which we should consider the September quarter as 37 Crores of depreciation for our entire, multiplied by four and maintain that for a couple of years, is that a correct matrix or something else?
- K.K. Bhatt:** The depreciation part what you are seeing in the current quarter, it will continue for the next 10 to 12 years thereafter it will again go down because the thermal station as per PPA, depreciation is recoverable through tariff so the tariff portion depreciation which was recovered through the tariff up to last year was at the rate of 5.28% and after the repayment of term loans, the depreciation now would be recovered in the balance useful life of the plant. So, now we are recovering only 2% depreciation through tariff and charging it in the books of accounts that is the reason depreciation has fallen down, but from this quarter now this figure will continue, some amount will be added because the new renewable 100 MW was commissioned in the month of August and for that particular station, depreciation has been considered for one and a half months somewhere, next quarter this 37 Crores rupees will slightly go up but thereafter it will remain as it is, till we add the capacity again.
- Dhruvesh Sanghvi:** This depreciation is after the decrease that happened in the thermal power plant, I think in the last concall, you had mentioned about it, so this is after that?



Gujarat Industries Power Company Limited
November 23, 2021

- K.K. Bhatt:** Yes.
- Dhruvesh Sanghvi:** Sir, one more point, about I think there are so many news articles which keep coming that India will not renew the pricing for the thermal power plants, once the current contracts are fulfilled. So should we assume that once existing contracts of thermal power plants that we have are completed in terms of timelines may be between 2030 and 2040 depending upon which plant we are talking about one or two, is there some thought or internal talk or what your thoughts that because plant will have the life, you will have the coal, will you be producing as per today's context or it is so unclear that nothing can be said about it right now?
- K.K. Bhatt:** Right now it is too early to speak on this but let me inform you that as per the PPA renovation and modernization clause is there and under that clause, we can represent to GUVNL for extension of this station with some additional cost for renovation and with that if the cost is competitive they are going to buy from these station for another 10 to 15 years till the availability of the raw material is there.
- Dhruvesh Sanghvi:** Okay. Sir and similarly, on the gas side, now first question is in the last five years, I think we have not had any meaningful revenue out of gas, is that right, apart from one time six months where one of the plant was running, on a broad level, four, five years we have not had anything, so is there any possibility of just dismantling that plant or something like that or any thoughts on that areas, two parts?
- K.K. Bhatt:** What you are saying is correct. That is the reason we have switched our focus to renewable for capacity addition, because now the availability of gas as per the central government policy it is very difficult to get the APM gas for the station, but still we are running this station for our captive requirement of our promoters wherein we providing our power at a competitive rate i.e., if it is competitive and better price than the price of the State Electricity Board commercially. So as and when we get again the opportunity we will again revise the station for their requirements and second thing I would like to touch upon these plants has already completed its life but the plant is still available above 90 because we have maintained the plant and till promoters are ready to buy we will continue this station and thereafter we will think what to do with this plant, either dismantle, what you are saying action may be taken on that line also.
- Dhruvesh Sanghvi:** So, in case, whenever in the next four-five years, if the decision comes across that we want to dismantle but is this land usable into anything else. I do not think it is a big land, is what I hear. What can be done here?
- K.K. Bhatt:** Land is owned by GIPCL. We can use it for any other purpose.
- S.N. Purohit:** We can plan for our battery storage, hydrogen, because we have all infrastructure available here at Vadodara location. So, we can very well plan and we are planning also.



Gujarat Industries Power Company Limited
November 23, 2021

- K.K. Bhatt:** These are all our future thought process, wherein we are working on this battery storage, hydrogen, our separate wing is there, who work on this, so this kind of activities, on the pilot space can be considered at this location wherein we have all the facilities available.
- Dhruvesh Sanghvi:** Sir, one more question on the overall industry in general. So, before pandemic and today, the cost price of solar panels and general inflation has led to a huge increase, so previously when we used to say that one MW costs 5 Crores and I think, in your case, you just explained that 100-MW solar plant cost you 500 Crores, the same power plant today would cost 500 Crores or will the cost rise to 600 Crores odd?
- K.K. Bhatt:** See, the prices of the module has gone up 20% to 30% if I am not wrong, with the SGD i.e. safeguard duty on the PV model, so naturally the costs will go up and with that tariff will also go up, whosoever who bid for the new tariff in the new location, naturally he will add to the tariff only for next 25 years.
- Dhruvesh Sanghvi:** But then is the metric of rupees.600 Crores approximately correct number because not everything would have risen, or it is less, we should count rupees 650 Crores?
- K.K. Bhatt:** Since it depends upon what kind of land and location where you are putting, your PV modules, all these factors to be considered for cost...
- Dhruvesh Sanghvi:** Assuming the same?
- K.K. Bhatt:** PV module and infrastructure cost then I think rupees 4 Crores per MW would be the cost roughly.
- Dhruvesh Sanghvi:** Do we do our own EPC or we generally hire a third-party EPC contractor for setting up this and what is the plan in the future.
- K.K. Bhatt:** See, it depends. What kind of and where we are putting. At our own location that is Surat wherein we have available land after mining, wherein we are doing ourselves but the location like Khavda and remote locations we generally prefer cost competitiveness so we go for EPC also, because we have to bid back-to-back in the GUVNL tender for the pricing.
- Dhruvesh Sanghvi:** Sir, are there examples now that with the increased price, the rates are going up because generally in general newspaper reading, we see rates are still coming down, I mean if that is true costs are going up, rates are coming down then how will the ROEs be maintained?
- K.K. Bhatt:** Now I think post this safeguard duty the tariff have already started going up, certain cases, it is now Rs.2.70 paise, Rs.2.75 paise we have the information so it is going to have the addition in the tariff only.



Gujarat Industries Power Company Limited
November 23, 2021

- Dhruvesh Sanghvi:** Thanks Sir. I will join back the queue and thanks a lot for the conference call.
- Apoorva Bahadur:** Thank you so much for the opportunity. Sir, wanted to understand on this solar park, which we are developing, now I understand that we are trying to get some capacity to develop as well, but in the events that we stay purely a park's developer and do not develop any further capacity, in that case, also I believe, government had worked out certain revenues recently for the parks developer. So, in case, we do not develop any renewable capacity, what type of revenue we would be earning at Khavda?
- K.K. Bhatt:** Basically Khavda location we have these two roles, one is the RE park developer wherein as per the equity contribution, we are supposed to get around 16% return on the equity component. So that will be built in the UDC and we are going to get certain return around, we will maintain 12% to 13% return on equity on the maintenance part. Maintenance would be for the entire life of the plant that is 25 years, wherein we are going to get around 12% to 13% returns and the UDC that is upfront development charge, wherein we are going to get around 16% return on the equity component which we will be infusing. This is about the park developer what you want to know and what we are going to get out of that.
- Apoorva Bahadur:** Sir, two questions on this, firstly on the capex front for the park development, I understand we have incurred rupees 70 Crores what would be the total amount over here just for the park development?
- K.K. Bhatt:** I think rupees 300 Crores is the total cost of the park for Phase-I 600 MW.
- Apoorva Bahadur:** For the first phase?
- K.K. Bhatt:** Yes.
- Apoorva Bahadur:** In total?
- K.K. Bhatt:** In total it would be around rupees 1000-1050 Crores something like that, it will be hovering around that figure only.
- Apoorva Bahadur:** So, we will get 16% return on 30% of this 1000 Crores rupees basically.
- K.K. Bhatt:** It depends. If we infuse more equity, we may get more also, but we have to see how much we are going for capacity addition and according to our financial we will decide at the appropriate time, how much we want to load equity in the RE park and how much equity we want to park in the project.
- Apoorva Bahadur:** Sir, on the O&M part, you said 12% to 13% return, so this is also a part of this equity, I mean this 12% to 13% is as a percentage of equity itself or is it a fixed number for O&M?



Gujarat Industries Power Company Limited
November 23, 2021

- K.K. Bhatt:** O&M would be around fixed number which we are going to charge per MW but wherein the profit component what I am talking to you after removing all the cost which we will be incurring back-to-back. We will be getting 12% to 13% return on the O&M component which we are going to charge to the project developers.
- Apoorva Bahadur:** Sir what would be the O&M cost per MW rough estimate?
- K.K. Bhatt:** Rs.3 lakh.
- Apoorva Bahadur:** This would obviously escalate over the life of the cost?
- K.K. Bhatt:** Yes, escalation would be there.
- Apoorva Bahadur:** Make sense Sir. Secondly there was this DID issue had halted actually construction at transmission line in certain areas. Is our park also affected by this or it is a separate thing may be we are in touch?
- K.K. Bhatt:** See, we are not falling into that particular what has been declared we are out of that.
- Apoorva Bahadur:** Good to know that. Sir lastly on this just wanted to understand if this we are working to leverage our legacy of basically working very closely with the industries in Gujarat and this is for helping them meet their net zero commitments, so essentially are we looking to set up say open access renewable projects or cascade enabled projects for the various industries which wherein we have had relationships very long relationship also there. Are we thinking on those lines?
- K.K. Bhatt:** That area has not been explored but we are open to that proposition also. If some industry come forward for getting the power at a very competitive rate so we would be ready to give them also, not an issue.
- Apoorva Bahadur:** Sure done. Thanks a lot Sir this is very useful.
- Pawan Nahar:** Thank you again. Sir you have mentioned Rs. 13 Crores as under recovery for SLPP 1. Is that for second quarter or first half?
- K.K. Bhatt:** See first quarter it was Rs. 20 Crores now it is Rs. 13 Crores.
- Pawan Nahar:** So you mean to say Rs.13 Crores is for the first half which means Rs.7 Crores has been recovered.
- K.K. Bhatt:** Rs. 7 Crores we have recouped in this.



Gujarat Industries Power Company Limited
November 23, 2021

- Pawan Nahar:** Lovely so that is why you are saying that out of this 13 also 5 will be recouped, I mean, another 7- 8 will be recouped that was one. second was Bhatt Sir given that we have spent rupees 500 Crores on the 100-MW 1.5 DC loading and you said CUF of 29% so would not a realistic estimate be a higher EBITDA like closer to 70 plus Crores from this?
- K.K. Bhatt:** I have already checked up my projection there is around the 60 Crores addition in the EBITDA so roughly I am expecting around 55 Crores.
- Pawan Nahar:** This seems a little less.
- K.K. Bhatt:** What you are saying is correct it is 29% CUF, If CUF goes up 30% somewhere so we may lend around 60- 65 also but it depends.
- Pawan Nahar:** There was this mention about us having a range to explore new businesses around hydrogen and storage, I mean, of course understand this is very, very nascent but this would be I mean like where would we get that technology from?
- K.K. Bhatt:** This technology is right now not very specifically available in India. we have CGM RE & BO, he will give the answer to these questions so because he is involved in this particular project so I will hand over it to Mr. S.N. Purohit.
- Pawan Nahar:** Yes, Mr. Purohit please can you explain that about the point you made on the key storage hydrogen like where would the technology come from and how confident you are that we will actually do this?
- S.N. Purohit:** Like we are exploring the different battery storage because Government of India is also giving thrust on the battery storage and green hydrogen so we are studying this proposition for our Baroda plant as well as for Khavda last phase also Sir. because technology at present is at a very premature stage, commercial part has not yet explored. When it is commercially viable we will be ready to implement this battery storage as well as green nitrogen in our Khavda project Sir we have considered this project in our fourth phase and we are exploring the technology from Europe market.
- Pawan Nahar:** One more clarification Bhatt Sir SLPP our variable cost is if I recall right kind of merit order list we saw like top in the merit order. Is that right?
- K.K. Bhatt:** Yes.
- Pawan Nahar:** So that should not really change materially barring inflation whatever happens even going forward whenever the PPA has to get renewed right will remain very competitive?
- K.K. Bhatt:** Correct.



Gujarat Industries Power Company Limited
November 23, 2021

- Pawan Nahar:** Thank you. I am done.
- Anuj Upadhyay:** Thanks for taking my question. Sir my call got disconnected Sir, so it maybe a repetition of a question but could you just throw some light on the status on the Khavda project development and also by when can we expect the tendering to begin the bidding to begin for the solar projects over there?
- K.K. Bhatt:** See the Khavda project activities are going on at full swing. I would like to say that road which is likely to be required for the project which is the first requirement it is most likely be completed by the month of January 2022 and we are proposing 600 MW in the first phase wherein floating of all tenders by PMC by June 2022..
- S.N. Purohit:** We have already submitted the DPR to the MNRE and GUVNL so GUVNL will come up with a tender mostly in January 2022 to March 2022.
- K.K. Bhatt:** Last quarter of the current financial year GUVNL may be coming with the tender for this particular sale.
- S.N. Purohit:** Before that Sir we have already started, i.e. our PMC consultant have started preparing tender for the internal cooling substations road, drainage, diesel emission plants all these park infrastructure tendering process is on and within three months all our park development tenders will come out parallelly.
- Anuj Upadhyay:** Any options which you will get that if I remember correctly Sir you had mentioned that we cannot develop those projects in our own land so either we have to scout out for some other PSUs so would it be NTPC or some other PSU where we can take?
- K.K. Bhatt:** Parallelly with us GSEC is also going parallelly so their timeline is also matching with GIPCL timeline so we will bid in this GSEC tender also if at all we are not going to get chance in our own RE Park.
- Anuj Upadhyay:** Sir how are our existing solar projects performing in terms of the IRR and what is the good target for the Khavda site?
- K.K. Bhatt:** The present CUF is around 29% which is better than any other projects and we are expecting what we have projected 12% ROI greater than 12% and in our existing project that is 80 MW SECI wherein we are getting more than 12% ROI that much I can say.
- Anuj Upadhyay:** Fair enough Sir. That is it from my side. Thank you.



Gujarat Industries Power Company Limited
November 23, 2021

- Vaibhav Badjatia:** Thanks for providing the opportunity. So basically for Khavda Park either in form of the UDC or in form of the commissioning of the capex commissioning of the solar plant will get the first revenue only in may be last quarter of FY2023 or may be first quarter of FY2024 right.
- K.K. Bhatt:** Yes.
- Vaibhav Badjatia:** Sir for PLF of SLPP 1 so SLPP1 started normally functioning at the start of the quarter itself right if I am not wrong?
- K.K. Bhatt:** The SLPP 1 is having two units. Unit 1 is running very well, second unit which started in July so now we are recouping the commercial availabilities which we have lost during the first four months for this station.
- Vaibhav Badjatia:** Yes, understood so it was in July okay so that partly explains but on SLPP2 also our PLF went down to 72% from 81% in Q1 so it was largely seasonal or there was some other power demand related issues or any other issues?
- K.K. Bhatt:** See this is demand related issue you have to see commercial availability wherein we are available above 80% so we are getting the full fixed cost.
- Vaibhav Badjatia:** Sir for FY2022 as you said that you might do to 270 -280 Crores of PBT and our tax rate would be how much because of the two quarters our tax rate seems to be relatively on a total basis and if not talking about MAT?
- K.K. Bhatt:** We are presently in MAT only.
- Vaibhav Badjatia:** Yes, so basically MAT plus other tax item that comes into the P&L that is like for first quarter it was around 27% and 32% for second quarter.
- K.K. Bhatt:** Particularly what we were seeing that 27% that figure is the deferred tax so if you break the figure between deferred and MAT then only we are paying MAT and deferred tax is as you know it is only provision as per the accounting standard.
- Vaibhav Badjatia:** Yes that I understand. So for the next two quarters as well there will be well there will be increase in deferred tax because I think we have commissioned this solar plant here so?
- K.K. Bhatt:** You are absolutely correct. There would be slightly increase in the tax burden because of the capacity addition. The depreciation rate as per the Income Tax Act and as per books is different, which is permanent in nature so, deferred tax is on the higher side.



Gujarat Industries Power Company Limited
November 23, 2021

- Vaibhav Badjatia:** Sir FY2023 basically for next year so the next year will mostly be a year where there will be all plants operating probably on a normal basis full year so what would be our PBT projection for next year FY2023?
- K.K. Bhatt:** As of now, it is very difficult to tell you because we have to see what are all the shutdowns to be taken and everything looking at the running of the plants we have to take so but roughly we would be targeting around 300 Crores plus next year.
- Vaibhav Badjatia:** Are we planning any shutdown for SLPP1 or any unit of it?
- K.K. Bhatt:** Yes, because see basically this station is running on lignite which is a very kind of fuel which is corrosive and we have to take care of the machines from the beginning of every year and AOH and COH both has to be taken according to this and if you look at the life of the plant which is now unit SLPP1 is 20 years, so the maintenance has to be done on the unit basis based on the evaluation every year, we may land somewhere with lower recovery of fixed cost also in the next year. We will try to see that we maintain everything within the available timeline and we recover all.
- Vaibhav Badjatia:** I cannot hear you. I think you are breaking up in-between Sir, I am not sure if others are able to hear you.
- K.K. Bhatt:** Basically plant is very old and we will maintain and run it within the available period this whole year and we will recover fixed cost. Further next year if we recover the full fixed cost we would be expecting Rs.300 Crores plus somewhere the PBT.
- Vaibhav Badjatia:** Understand. That is it from my side. Thanks a lot.
- Dhruvesh Sanghvi:** Sir can you talk a little bit about the overall employee cost and how it will shape up in the future, one. Second - broader age profile of the employees and how do we do the provision because what happens when a power plant shuts down, does the employee cost keeps continuing or we can discontinue their services or retire them in some format if you can give us a long-term understanding of how this works?
- K.K. Bhatt:** See the employee cost is always on a continuous basis. There is nothing like employee cost when the power plant is under AOH. So, employee cost will not be there. So During AOH period also, employee has to work more hard to bring back the machines into the operation again and are being paid for.
- Dhruvesh Sanghvi:** No, Sir I am talking more from an end-of-life perspective of the plant let us say we are talking about our gas power plant which was shut what happens then if there are employees or let us say



Gujarat Industries Power Company Limited
November 23, 2021

in 2030 when the renewing of the PPAs do not happen for our thermal power plant what happens to the employee count and do we have to retire them how does this work at that time?

- S.N. Purohit:** Sir from 2005 onwards we have not recruited against any employees for the station. Number of people have resigned and retired, we have not recruited any one. Over and above whenever we feel that plant performance plant operation is reducing then we have already diverted our manpower from existing RE O&M and RE project. We have not recruited any single manpower for the RE cell also. So for RE project, RE O&M we are using the same manpower. We have a very lean manpower right now so if our plant is closed also we do not have any excess manpower or the burden.
- Dhruvesh Sanghvi:** Sir so is there a division in terms of how many people works towards thermal power side gas side and renewable?
- K.K. Bhatt:** There is nothing like division. Basically Surat Lignite Power Plant is the thermal station having lignite so wherein the around 300 is workforce and the balance 100-125 is RE and the Baroda Station. We have only very thin manpower which is around 500.
- Dhruvesh Sanghvi:** So when we see the employee expense to be around 106 Crores does it include the mining related labor charges?
- K.K. Bhatt:** Everything. Mining, gratuity, medical expense everything has been covered in that, what you are saying as the employee benefit means including all benefits.
- Dhruvesh Sanghvi:** I understand. Fine. Thank you.
- Rahul Modi:** Thank you Jacob. I would like to thank the senior management of GIPCL especially a big thanks to Mr. Bhatt, Mr. Thakkar, and Mr. Purohit for your time today for a very interactive session. I would like to handover the call to the management for any closing comments. Thank you very much Sir.
- A.S. Thakkar:** Thank you Mr. Modi from ICICI Securities. On behalf of the management, we would like to thank you all the participants, be it the investors or the analysts for their interactive participation and interest in the company. Thank you.