

DEVELOPMENT PROJECTS SEGMENT



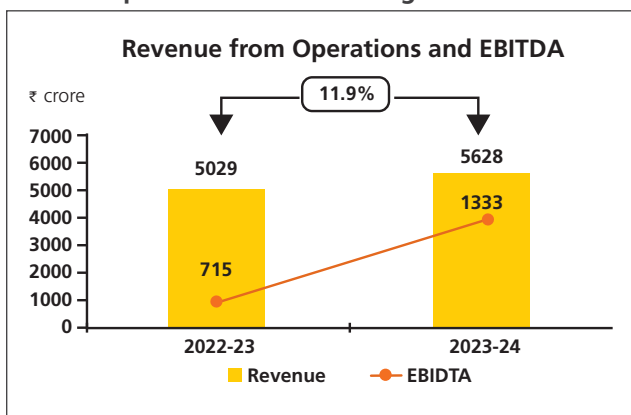
Hyderabad Metro extends ~70 km across three lines, easing commuting woes, Telangana

The Development Projects Segment comprises:

- a) The Hyderabad Metro Rail project, executed through a wholly-owned subsidiary, L&T Metro Rail (Hyderabad) Limited
- b) The Thermal Power Plant project, executed through Nabha Power Limited, a subsidiary of L&T Power Development Limited

The Company, on April 10, 2024, concluded the sale of its entire stake in L&T Infrastructure Development Projects Limited (L&T IDPL), a joint venture primarily engaged in the development and operation of toll roads and power transmission assets, to Epic Concesiones Private Limited, an investee company of Edelweiss Infrastructure Yield Plus Strategy, managed by Edelweiss Alternative Asset Advisors Limited.

Financial performance of the segment



The segment recorded revenue of ₹ 5,628 crore for the year ended March 31, 2024, higher by 11.9% over the previous year. The growth in revenue is mainly due to increased Metro ridership in Hyderabad coupled with the monetisation of commercial property during the year.

The segment reported an operating profit of ₹ 1,333 crore for FY 2023-24, higher than the ₹ 715 crore reported in FY 2022-23. The increase is mainly on account of the monetisation of commercial property in Hyderabad Metro SPV.

The funds employed by the segment as on March 31, 2024, at ₹ 19,192 crore, was lower by 2.8% compared to March 31, 2023, mainly due to the annual amortisation of intangible assets and sale of commercial property.

L&T METRO RAIL (HYDERABAD) LIMITED

Overview

L&T Metro Rail (Hyderabad) Limited (L&TMRHL) is a special purpose vehicle (SPV) created to undertake the business of constructing, operating and maintaining a Metro Rail System, including Transit Oriented Development (TOD) in Hyderabad on Design, Build, Finance, Operate and Transfer (DBFOT) basis under a Concession Agreement signed between the SPV and the Government of Telangana. The remaining period in the concession is approximately 48 years, with further extensions available as per the conditions set out in the Concession Agreement signed with the Government of Telangana.



Hyderabad Metro Rail Project – the world's largest PPP project in the Metro Sector, Telangana

The Hyderabad Metro Rail system consists of three elevated corridors from Miyapur to L.B. Nagar, Jubilee Bus Station to Mahatma Gandhi Bus Station, and Nagole to Raidurg, covering a network of 69.2 km. The metro rail system was commissioned in phases, with the final stretch being put into commercial operation in February 2020.

The Concession Agreement also includes real estate development rights of 18.5 million sq. ft. in the form of Transit Oriented Development (TOD), of which 3.625 million sq. ft. has been monetised to a third-party investor. In addition, L&TMRHL has developed and operationalised 1.20 million sq. ft. of leasable area across four retail malls. The occupancy in these malls is more than 80% at the end of FY 2023-24. L&TMRHL is targeting the maximisation of upfront revenues from its TOD rights by monetising these rights to third-party investors. A new business model of upfront revenues from TOD is being worked upon with all the stakeholders involved.

Business Environment

Hyderabad Metro is the safest, cleanest, fastest, and most reliable urban transport system in the city of Hyderabad. Additional benefits like reserved seats for senior citizens and ladies, WhatsApp complaint services, and various promotional schemes are introduced regularly to incentivise commuters to shift their transport preferences to Metro rail. In addition to reduced noise pollution, the project is also facilitating a reduction in carbon footprint, being a non-fossil fuel mode of transport.

The average daily ridership in FY 2023-24 was 4,42,000 as against 3,61,000 in FY 2022-23, with all-time peak traffic of 5,47,000 achieved in one of the days. This increase in average ridership at Hyderabad Metro is the best among all Indian Metro Rail Projects post-COVID.

With a view to enhancing the vibrancy of L&TMRHL's commercial spaces in the post-COVID scenario, the business has improved ambience and aesthetics at all four malls, viz. wall panelling, public seating, horticulture, convenient entry & exit areas, toilets, etc.

Major Achievements

QR ticketing (Digital & Paper), introduced first by L&TMRHL, has made travel contactless, easy, and hassle-free for commuters. Further, L&TMRHL was India's first metro rail to roll out WhatsApp E-Ticketing System. Most of the Metro tickets are now issued in a paperless format, thereby reducing paper consumption.

The repositioning of two malls – Erramanzil Mall as a premium mall and HITEC City Mall as an electronic and entertainment destination – has attracted important retail brands.

Advertisement space on the project assets offers good revenue potential by launching various innovative products and services, including digital advertisements.

Non-fare revenue generation through cross-selling of products to commuters is being actively pursued. Telecom (i.e., Optical fibre & towers) requirements are a major contribution to revenue in this segment.



Next Galleria Punjagutta, Hyderabad, Telangana

The business has also created 3.5 lakh sq. ft. of retail/commercial spaces across all its 57 stations for earning rental incomes from these areas. Station retail occupancy levels have crossed 60%, a significant jump from the below 20% levels during the COVID-19-affected years.

With a view to increasing the use of green energy, the business has replaced 11% of its grid power requirements for Metro operations with captive solar power of 9.0 MWp. Solar panels have been installed on the rooftops of Metro stations and in the depot areas. Another 3 MWp of Solar capacity is expected to be commissioned by December 2024. Further, the SPV has also created 155 rainwater harvesting pits at various stations & depots, in which approximately 58 million litres of water are harvested per year.

Significant Initiatives

As a next-level upgrade of its ticketing system, L&TMRHL is working towards introducing the Open-Loop Ticketing System (OTS) in FY 2024-25. This will aid digital payments by commuters.

Robust and affordable last-mile connectivity for commuters clearly helps in enhancing ridership on the Metro system. In this regard, L&TMRHL has added exclusive shuttle services to and from metro stations to corporate offices. Also, it has enhanced its partnership with Telangana State Road Transport Corporation (TSRTC) for feeder services. The focus also remains on enhancing parking areas across the Metro network and enhancing the commuter experience by way of facilities such as escalators, elevators, feeder bays, etc.

The business is exploring additional non-fare revenue opportunities through various measures such as consultancy services to other metros, leasing out Optical Fiber networks, letting out spaces for erecting mobile towers and setting up EV charging stations (55 charging points already available), Royalty earnings from QR Ticketing and OTS partners, etc.

L&TMRHL strongly believes in safety and has put mechanisms in place to achieve this objective. The Automatic Train Protection (ATP) system, the station equipment viz., the Computer-Based Interlocking (CBI) and wayside ATP are arranged to ensure safe and uninterrupted train operations. Further, Passenger Emergency Stop Plungers are provided on each platform and in station control rooms (SCR) to stop a train immediately in case of emergency.

Outlook

The sustained focus on bringing employees back to work, as well as an increase in workforce at most corporates, is expected to support increased ridership in FY 2024-25. Implementation of OTS is expected to make Metro travel effortless and thereby enhance the passenger experience.

The use of Business Intelligence tools for the analysis of business & passenger data is expected to drive improved decision-making and optimisation of operations.

Further, attracting the desired brands for the remaining space in the malls, in line with the updated positioning, remains a focus area for FY 2024-25. After the successful monetisation of the Raidurg TOD undertaking, other monetisation transactions are being proposed.



2x700 MW Supercritical Thermal Power Plant, Rajpura, Punjab

The transaction documents for these deals have been submitted for approval by the Government.

The Hyderabad Metro Rail is recognised as an environment-friendly, safe, fast, and reliable mode of transport, incorporating the best industry practices. With the proposed Phase-2 expansion of Hyderabad Metro by the Government of Telangana in the medium-term, the reach of the metro rail system will increase across the city and significantly enhance the average ridership in the medium to long-term.

Nabha Power Limited (NPL)

Overview

NPL owns and operates a 2 X 700 MW supercritical thermal power plant at Rajpura, Punjab. The entire power generated from this plant is sold to Punjab State Power Corporation Limited (PSPCL) under a 25-year Power Purchase Agreement (PPA), which is effective till the year 2039.

The plant sources its fuel from the subsidiaries of Coal India Limited (CIL) under a 20-year Fuel Supply Agreement (FSA). The FSAs are for a total annual contracted quantity of 52.4 Lakh MT. The Company has secured approvals to arrange coal from alternate sources to make up for any shortfall in the supply of coal. The Bhakra-Nangal distributary is a perennial source of water for the plant

under an allocation from the State Government. The plant is operated by an in-house team of experienced operations and maintenance professionals.

The power plant has been running successfully for over ten years with an availability of over 85%. The plant has been the most reliable source of power for the State of Punjab and has supported its requirements with uninterrupted supply during peak season. NPL also happens to be the lowest cost coal-based power producer within Punjab with the best operational efficiency.

Business Environment

The electricity demand in Punjab remained stagnant during the year, largely on account of unprecedented rains in the state in Q1, during which the demand had dropped substantially. The average demand growth in Punjab has remained sluggish at ~1% in FY 2023-24 (~8040 MW- FY 2023-24 vs ~7978 MW- FY 2022-23).

Despite multiple challenges, NPL made every possible effort to secure coal from various CIL subsidiaries while minimising the reliance on costly imported coal, thereby ensuring adequate coal supply, further resulting in uninterrupted power supply at an affordable cost to the State of Punjab during the year.



Nabha Power Plant - Control Room, Rajpura, Punjab

Major Achievements

- Annual PAF: 94%, highest ever in the NPL history and ~99% during the critical paddy season
- Annual PLF: 84% vs all India thermal average: 69%
- Further, the highest ever monthly PLF of 97.6% was achieved in August 2023
- NPL railway siding connected with the Dedicated Freight Corridor Corporation of India (DFCCIL) network

Outlook

In FY 2024-25, the average power demand in Punjab is expected to rise to ~8800 MW (Peak 16,000 MW), and as a result, NPL is expected to operate at a high PLF of ~86% and remain at the top of the merit order among the thermal power producers within the state.

On the fuel side, coal supply may continue to pose challenges. Anticipating the high demand, the Ministry of Power (MoP) extended the mandatory 6% blending of imported coal till June 2024 for all thermal power plants.

The Ministry of Environment, Forest and Climate Change (MoEF&CC) has notified the Agro Residue Utilisation by

Thermal Power Plants (TPPs) Rules, 2023, on mandatory co-firing of crop residue pellets with coal in TPPs in the National Capital Region (NCR) and adjoining areas, with environmental compensation provision for non-compliance applicable from FY 2024-25 onwards.

Recently, the Ministry of Power (MoP) has notified the Late Payment Surcharge Amendment Rules 2024, under which Generators will have to mandatorily offer un-requisitioned surplus power in exchange. This has been done to ensure that any unused surplus power is fed into the grid to meet shortages, especially during the high demand periods.

NPL expects to commission Flue-Gas Desulphurisation (FGD) for both units during FY 2024-25, thereby complying with the new environmental norms ahead of the revised mandated deadline.

Major focus areas for NPL during the coming year would be Health, Safety and Environment (HSE) compliance, maximising plant availability, improving operational efficiency, commissioning of FGD, securing adequate and the right coal, resolution of pending litigations, and digitalisation initiatives for higher productivity.