

DEVELOPMENT PROJECTS SEGMENT

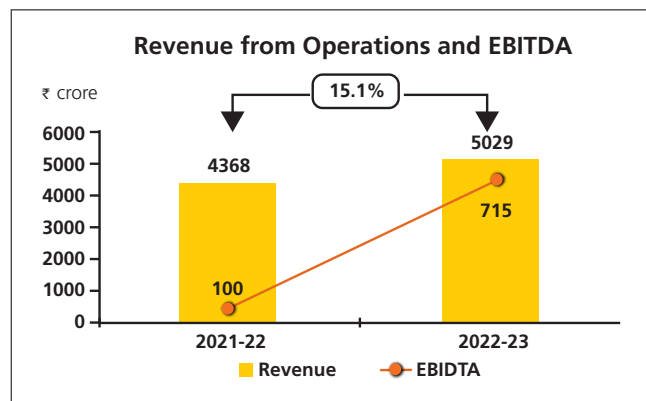


Sambalpur-Rourkela Tollway

The Development Projects segment comprises:

- (a) Roads and Transmission projects developed through a joint venture company, L&T Infrastructure Development Projects Limited and its subsidiaries and associates (the L&T IDPL Group)
- (b) The Hyderabad Metro Rail project, executed through a wholly owned subsidiary, L&T Metro Rail Hyderabad Limited
- (c) Thermal Power Plant project executed through Nabha Power Limited, a subsidiary of L&T Power Development Limited

Financial performance of the segment



The segment recorded revenue of ₹ 5,029 crore for the year ended March 31, 2023, higher by 15.1% over the previous year. The growth in revenue is mainly on account of the higher Plant Load Factor (PLF) in Nabha Power Ltd. (NPL) with a pick-up in power demand in the state of Punjab. Further, an increase in the ridership on the Metro services in Hyderabad aided the growth in revenue of the segment.

The segment reported an operating profit of ₹ 715 crore for FY 2022-23, higher than the ₹ 100 crore reported in FY 2021-22. The increase is mainly on account of value restatement for NPL, largely reflective of the improvement in the realisable value of the asset on better performance and favourable settlement of litigation during the period.

The funds employed by the segment as at March 31, 2023, at ₹ 19,754 crore, was lower by 1.9% compared to March 31, 2022, mainly due to the annual amortisation of Hyderabad Metro assets.

During the year, the Company entered into a Share Purchase Agreement with Edelweiss Alternatives, to sell its entire shareholding in L&T Infrastructure Development Projects Limited. The sale transaction is subject to receipt of necessary approvals.



Kudgi Transmission Limited

L&T Infrastructure Development Projects Limited (L&T IDPL)

Overview

L&T Infrastructure Development Projects Limited (L&T IDPL), a joint venture with CPP investments holding 49% equity stake, is a pioneer in the Public-Private-Partnership (PPP) model of infrastructure development in India. The Company has a long and successful history of working with the Union and various State Governments to develop infrastructure projects. Since its inception in 2001, the Company has developed landmark infrastructure projects across key sectors such as roads, bridges, transmission lines, ports, airports, water supply, renewable energy and urban infrastructure. It is one of India's largest road developers as measured by lane kilometres constructed under concession agreements signed with Government authorities.

Currently, the Company's portfolio includes eight highways of 3,244 lane kms and a transmission line from Kudgi to Bidadi in Karnataka covering 490 km. For part of the year, till January 2023, it also managed 5 operational road assets on behalf of the Indinfravit Trust. This InvIT was sponsored

and launched by the Company in 2018 as the first privately-placed InvIT in India. It has substantial holdings from leading international pension funds and insurance companies.

The Company has over two decades of extensive experience in working with governments, financial institutions and corporate entities. It has proven competencies in Viability Assessment, Financial Closure, Project Management, Operations & Maintenance and Portfolio Management of infrastructure assets across various sectors.

Business Environment

The operations witnessed a sharp pick-up in toll revenue of 22.3% over the previous year, reflecting the strength of the recovery in the Indian economy in the post-pandemic environment.

FASTag (Electronic Toll Collection) has been made mandatory with effect from February 15, 2021, for all vehicles plying on NHAI roads. Electronic Toll collection has rapidly picked up and, as a proportion of total toll collections on these roads, it is currently over 97%. This digitalisation has resulted in reduced cash handling and associated costs.



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

During the year, the Kudgi Transmission line achieved availability of 99.99%, thereby qualifying for incentive payments over and above the base transmission tariff.

In March 2023, NHAI released the final settlement dues of M/s Chennai Tada Tollways Limited, signifying the end of the legal process launched following the termination of the concession in 2015 and the proceeds are being utilised to settle dues of the project lenders.

One of the SPVs of the Company, L&T Halol Shamlaji Tollway Limited, had been admitted to the Corporate Insolvency Resolution Process. During the year, this project was transferred to a third party through a process driven by the NCLT and L&T IDPL has been fully discharged from all debts and liabilities of this company.

Major Achievements

L&T IDPL became a zero-debt Company during FY 2021-22 and has complied with all procedural submissions in this regard. Consequent to that, the Company applied to RBI for surrendering its NBFC CIC registration. Considering the Company's status and its compliance, RBI has granted its approval and now L&T IDPL is an unregistered CIC.

Divestment Process

Both the shareholders of L&T IDPL (L&T and CPP Investments) have entered into a Share Purchase Agreement dated December 16, 2022, with M/s Edelweiss Alternatives to sell their entire 100% shareholding in L&T IDPL. The transaction is subject to completion of customary closing conditions, including receipt of applicable regulatory and other approvals.

L&T Metro Rail (Hyderabad) Limited

Overview

L&T Metro Rail (Hyderabad) Limited (L&T MRHL) 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 a Design, Build, Finance, Operate and Transfer (DBFOT) basis. The remaining concession period is approximately 49 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

The 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 total route length 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 rights for real estate development in the form of Transit Oriented Development (TOD) rights for 18.5 million sq. ft. (strategically located land parcels interspersed at prime city locations, adjoining Metro stations and corridors), of which 1.80 million sq. ft. consisting of 4 malls and an office block have commenced commercial operations. Future developments could encompass Grade A commercial developments for IT / ITES offices, Healthcare, Retail and Hospitality. Newer business models of upfronting revenues from transit-oriented development are being worked upon with all the stakeholders involved.

Business Environment

The FY 2022-23 began with the easing of the COVID-19 situation which aided improvement in mobility. Since metro services are one of the preferred modes of transport, this benefitted the SPV in the form of increased ridership. The average daily ridership in FY 2022-23 was 361,000 as against 155,000 in FY 2021-22. This significant jump

in ridership at Hyderabad Metro is the best post-COVID recovery amongst all the Indian metro rail projects.

Higher petrol and diesel prices encouraged commuters to use public transport rather than their own vehicles, which further favoured Metro ridership. The partial resumption of work-from-office at large IT companies and in-person academic sessions in colleges and universities also aided the recovery in ridership during FY 2022-23.

The business undertook various initiatives to further boost ridership, viz., promotional schemes, extended operating hours during festival days, helpdesk kiosks at major IT parks, etc. During the year, the business entered into an MoU with Telangana State Road Transport Corporation (TSRTC) for improving the last-mile connectivity feeder service for its customers.

With the recovery in retail business operations, the occupancy levels in TOD malls saw improvement during the year.

Major Achievements

QR ticketing (Digital & Paper) introduced by L&T MRHL is already making travel contactless, easy and hassle-free for commuters. L&T MRHL has become India's first metro rail to roll out a WhatsApp-based e-ticketing System.



Indigenously designed and manufactured Full Span Launching Machines for Mumbai-Ahmedabad High-Speed Rail (MAHSR)

Over the last 12-18 months, the business repositioned 2 of its retail malls, viz., 'Erramanzil Mall' as a Premium Mall and 'HITEC City Mall' as an Electronic & Entertainment destination, which is expected to accrue benefits in the long term.

The business has activated newer media, viz., audio advertisements, station exteriors and viaduct parapet branding during the year.

Manpower optimisation by using a digital Asset Management System and benchmarking with other Metros have resulted in a 20% reduction in Operations & Maintenance staff deployment.

Significant Initiatives

L&T MRHL has successfully submitted the application to Global Carbon Council (GCC) during the year for monetising the carbon credits generated from the project.

The business is exploring additional non-fare revenue opportunities through various measures such as consultancy services for other metros, leasing out the Rail Grinding Machine to other metros, royalty from QR and open-loop ticketing partners, tie-ups with cab aggregators, leasing out space for setting up EV charging stations, etc.

With a view to enhance its green footprint, further capacity expansion of its solar power generation is under implementation.

Driving towards digitalisation, L&T MRHL has implemented business intelligence tools like Alteryx and Tableau, for both business and passenger data analysis / interpretation, which will improve the management's decision-making capabilities.

Outlook

The improvement in ridership during the FY 2022-23 is likely to sustain in FY 2023-24 as well. Increased focus of corporates towards the work-from-office model coupled with improved hiring is expected to enhance ridership.

Measures such as fare system integration with other transport modes and collaborations with various feeder services for first and last mile connectivity are expected to strengthen the fare revenue. In addition, new non-fare revenue initiatives in optic-fibre cable leasing, mobile towers, tie-ups with cab aggregators etc., can add to revenues for the business.

The business is working towards introducing the open-loop ticketing system which will make it more convenient



2x700 MW Supercritical Thermal Power Plant, Rajpura, Punjab

for commuters to make digital payments. The business is also planning to add exclusive shuttle services from metro stations to corporate offices through innovative partnership models and enhance its partnership with Telangana State Road Transport Corporation (TSRTC) for feeder services and other route optimisations. Further, flexible ticket pricing is also expected to catalyse increased occupancy over time.

Post the recovery in retail segments witnessed during FY 2022-23, the business expects the momentum to continue. A new business model for upfronting revenues from Transit Oriented Development is under progress, with the monetization activities expected to pick up pace in FY 2023-24.

Hyderabad Metro Rail is seen as an environment-friendly, safe, clean and sustainable mode of transport with best practices adopted by L&T MRHL. With the Government planning to implement Phase II of the Metro project, it will significantly enhance the average ridership of the metro network in the medium to long term.

Nabha Power Limited

Overview

Nabha Power Limited (NPL) owns and operates a 2 X 700 MW supercritical thermal power plant at Rajpura, Punjab. All the 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 South-Eastern Coalfields Ltd. (SECL) and Northern Coalfields Ltd. (NCL), subsidiaries of Coal India Limited, 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 for coal from alternative sources to make up for any shortfall in the supply of coal under the FSA. 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 nine 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.



2x700 MW Supercritical Thermal Power Plant, Rajpura, Punjab

Business Environment

India's average electricity demand has gone up significantly by ~10% in FY 2022-23 (y-o-y) due to higher economic activity and an increase in industrial and residential power consumption. During the year, the electricity demand in Punjab rose substantially on account of higher-than-usual temperatures and an increase in domestic consumption. The average demand has been higher by 11.70% (7983 MW) compared to last year (7147 MW).

The annual Plant Load Factor (PLF) of NPL stood at 85%, the highest in the operational history of NPL and the plant also achieved 21% higher PLF than the national average for FY 2022-23. Of the total power demand of Punjab state, 14% was met by NPL.

With a surge in power demand across India, the requirement for coal also went up during the summer months. To meet the increased demand, all thermal plants in India were directed by the Ministry of Power (MoP) to blend imported coal up to 10% of their total requirement from April-September 2022.

Despite all the challenges, NPL made every possible effort to secure coal from various CIL subsidiaries, e-auction coal and imported coal, which ensured adequate coal supply, resulting in uninterrupted power supply at an affordable cost to the state of Punjab during the year.

Major Achievements

- Annual PLF: 85% v/s all India thermal average: 64%, highest ever in the history of NPL. Annual Plant Availability Factor (PAF): 91% (~100% during paddy season)
- Highest continuous operation:
 - Unit days achieved: Unit II, 331 days (Previous best 183 days)
 - Station days achieved: 179 days (Previous best 126 days)
- Annual Overhaul of both units carried out, resulting in improved operational efficiency

Outlook

In FY 2023-24, the average power demand in Punjab is expected to remain around 9,000 MW (Peak 15,000 MW) and as a result, NPL is expected to schedule a high PLF of 86% and remain at the top of the merit order among the thermal power producers within the state.

The overall power demand for the country is expected to stay high during the financial year and is expected to peak around June – July 2023 (~235 GW). On the fuel side, coal supply may continue to pose challenges. Anticipating the high demand, the MoP has already issued notification for mandatory 6% blending of imported coal for H1 FY 2023-24 for all thermal power plants.



Turbine Generator at Nabha Power Plant, Rajpura, Punjab

The Ministry of Environment, Forest and Climate Change (MoEF&CC) has issued Draft Agro Residue Utilisation by thermal power plants (TPPs) Rules, 2023 on proposed mandatory co-firing of crop residue pellets with coal in TPPs in NCR and adjoining areas. However, regulatory and commercial clarity on this aspect is yet to emerge.

NPL expects to commission Flue Gas Desulphurisation (FGD) for both units during FY 2023-24, thereby complying with the new environmental norms, ahead of the mandated deadline.

Major focus areas for NPL during the year would be HSE compliance, maximising plant availability, improving operational efficiency, commissioning of FGD, securing adequate and the right coal, resolution of long pending litigations and digitalisation initiatives to improve efficiency.