FINANCIAL SERVICES SEGMENT

Rural business finance

Overview

L&T Finance Limited ('LTF') (earlier known as L&T Finance Holdings Ltd (LTFH)) is a leading diversified Retail NBFC headquartered in Mumbai. A ₹ 80,000 crore+ strong pan-India Retail franchise built over the past 15 years, the Company is amongst a select cohort of NBFCs classified as Upper Layer (NBFC-UL) under the scale-based regulations of RBI. The business offers financing across the rural and urban ecosystem through Rural Business Finance, Farmer Finance, Urban Finance (which includes Two-Wheeler Finance, Personal Loans, Home Loans and Loan Against Property), and SME Finance. Over the years, LTF has created a 'Right to Win' and emerged as a leading player in Rural Group Loans and Micro Finance, Farm Equipment Finance, and Two-Wheeler Finance.

LTF is accorded the highest rating of 'AAA' by four credit rating agencies, viz. CRISIL, ICRA, CARE, and India Ratings and has also received leadership scores and ratings from global and national Environmental, Social, and Governance (ESG) agencies.

LTF's Retail franchise and reach:

Retail Book	₹ 80,037 crore
Geo Footprint	Rural: 1,800+ branches servicing ~2,00,000 villages | Urban: ~150 branches servicing 100+ Cities/Towns
Customer Database	2.3 crore+

RETAIL FINANCE

Rural Business Finance

Rural Group Loans & Micro Finance (part of the product profile of Rural Business Finance) offers sustainable financing to women in rural India through the Joint Liability Group mechanism. The Rural Group Loans & Micro Finance business delivered a healthy growth of 32% y-o-y, achieving a book size of ₹ 24,716 crore while disbursing ₹ 21,495 crore during the year, reinforcing our position as a leading financier in this segment. Through this business, LTF added 15.4 lakh new customers during the year, empowering them to build sustainable livelihoods. LTF's 14K+ strong feet on the street through a wide network of 1,700+ meeting centres (branches) across 14 states help deliver doorstep banking services to these women entrepreneurs, thus fostering the formalisation of credit and financial inclusion in rural India. Over the past 15 years, the business has financed over 1.4 crore women.

Business momentum in the industry was also positive, with the industry size crossing ₹ 4 lakh crore, supported by tailwinds from a favourable macro environment and stable rural demand.

Going forward, the business will continue to leverage its deep rural network, digital customer value proposition and strong data-driven analytics to grow this business vertical further while maintaining superior asset quality vis-à-vis the industry.

Farmer finance

Farmer Finance

LTF, through its Farmer Finance vertical, is one of the dominant farm equipment/tractor financiers in the country, having financed close to one lakh tractors in FY 2023-24. Even in a year when the domestic tractor industry remained subdued, LTF leveraged its strong dealer and OEM network coupled with a best-in-class digital & data-driven platform to grow the book by 8% to ₹ 13,892 crore with disbursements of ₹ 6,848 crore in FY 2023-24. The business increased its focus on customer retention by leveraging its 11 lakh+ farmer database, resulting in a growth in 'upsell' disbursements.

With its deep granular network and a 19-year legacy in the tractor financing business, going forward, LTF aims to leverage its strengths in order to gain market share in this business while also targeting the farmer ecosystem through launching new products addressing financing requirements at each stage of the Agri Value chain.

URBAN FINANCE

Two-Wheeler Finance

The two-wheeler industry made a strong comeback in FY 2023-24, recording an impressive growth rate of 9% in two-wheeler sales, buoyed by a sustained revival in demand in both urban and rural markets. LTF, an urban and semi-urban player, leveraged the tailwinds of this increased demand through higher finance penetration and grew the Two-Wheeler Finance book to ₹ 11,205 crore, a growth of 25% y-o-y. LTF financed around 9 lakh units of two-wheelers during the year with disbursements of ₹ 8,586 crore, reflecting its strong position and market share in the two-wheeler financing space. The strength of the business lies in its tie-ups with leading OEMs, its 10,500+ strong sourcing network across 109 locations in urban areas, coupled with our superior customer value proposition. The digital proposition backed by algorithm-driven centralised underwriting enables the company to deliver industry-leading TAT.

LTF expects to continue growing this business through both horizontal and vertical deepening of its distribution network. LTF is strategically shifting its focus towards increasing its share of prime consumers and also gaining market share in the financing of electric Two-Wheelers.

Home Loans and Loan Against Property (LAP)

LTF's Home Loans and LAP financing business gained momentum during the year with ₹ 7,545 crore in disbursements. Supported by a growth in the mortgage market, its book grew 38% to ₹ 18,443 crore, with Home Loans and LAP at ₹ 14,550 crore and ₹ 3,893 crore, respectively. The target customer segment is salaried individuals as well as self-employed non-professionals in major cities in India.

In FY 2023-24, LTF did significant work towards redesigning the digital journeys with an aim to provide best-in-class customer experience. This will strengthen its customer value proposition coupled with expanding its product offerings and deepening its channel partnerships, which will enable the portfolio to deliver strong growth in the future.

SME finance

- **Personal Loans**

  This business was started three years ago with the aim of leveraging its strong Two-Wheeler customer database. Over the years, LTF built a book size of ₹ 6,440 crore as of FY 2023-24 and disbursed ₹ 4,285 crore with a share of repeat customers at 51%. The average ticket size for our Personal Loans portfolio is ~₹ 1.5 lakh. Our D2C PLANET app (rated 4.4 on Playstore and 4.3 on App Store) acts as an important customer acquisition channel, providing digital geo-agnostic Do-It-Yourself (DIY) journeys to enhance customer experience.

  During FY 2023-24, LTF calibrated its growth in the portfolio to focus on revamping the digital journeys to provide best-in-class customer offerings. Going forward, LTF will further scale this business through 'cross sell' to its existing customers and large strategic partnerships to enhance customer acquisition while further sharpening our credit underwriting.

- **SME Finance**

  The SME sector continued its robust growth momentum in FY 2023-24. This augured well for LTF's SME Finance business (pilot launched in FY 2021-22), which grew to ₹ 3,905 crore with a customer base of 20,000+. During FY 2023-24, the Company disbursed ₹ 3,657 crore. LTF added new locations during the year, taking the total geo presence to 109. LTF also has strong channel partnerships, which it will leverage to grow this business while strengthening its digital journeys and product offerings going forward.

WHOLESALE FINANCE

The Wholesale Finance portfolio comprises Real Estate Finance and Infrastructure Finance. In line with the Lakshya 2026 strategy of Retailisation, LTF was able to accomplish an accelerated reduction of its Wholesale Finance portfolio. The book now stands at ₹ 5,528 crore, which includes the Real Estate book of ₹ 2,337 crore and the Infrastructure Finance book of ₹ 3,191 crore as of FY 2023-24, a steep reduction of 87% over the past two years. LTF expects this book to come down further over the near to medium-term.

Business Environment

Notwithstanding the uncertain global economic growth paradigm, the Indian economy continued its growth momentum in FY 2023-24 through:

(a) Macro-financial stability

(b) Strong twin balance sheets of banks and corporates

(c) Front-loading of public CapEx

Despite the growth momentum, RBI targeted persistent high food inflation by remaining firm and maintaining the policy repo rate at 6.50% through FY 2023-24. Additionally, the average liquidity in the banking system was deep in the deficit zone between September 2023 and the end of March 2024, partly due to a sharp cut in government spending and partly due to a slower pace of banks' deposit growth vis-à-vis credit growth.

However, the NBFC sector remained resilient due to substantial capital buffers, improving asset quality and

Housing finance

robust earnings. NBFC-ULs recorded healthy growth in H1-FY 2023-24, and their GNPA ratio gradually improved while their capital position remained robust. During H1-FY 2023-24, NBFC loan growth (y-o-y) was highest for housing (58.9%), followed by MSME (57.4%), agriculture (52.0%), and microloans (50.7%). This reflects the NBFC sector's thrust on 'financial inclusion'. According to RBI, the increase in risk weights (on personal & NBFC loans) in November 2023 is pre-emptive in nature and in the interest of macro-financial sustainability.

Major Achievements

- **Achieved Lakshya 2026 goals Two Years in Advance**

  In May 2022, LTF had, in line with parent L&T's Lakshya strategy, outlined the following Lakshya 2026 goals:

  a) Retailisation >80%

  b) Retail Growth >25% CAGR

  c) Retail Asset Quality with Gross Stage 3 <3% and Net Stage 3 <1%

  d) Retail RoA 2.8% - 3%

  In FY 2023-24, LTF achieved all its Lakshya 2026 goals two years in advance, thereby transitioning to become a Retail NBFC.

  Thus, as of March 31, 2024, it stands at a Retail portfolio mix (i.e. Retailisation) of 94% with Retail book size crossing a milestone of ₹ 80,000 crore. Going forward, the aim is to make the achieved Lakshya goals sustainable through the convergence of Lakshya goals at the LTF consolidated level.

- **LTF becomes a Single Lending Entity Structure**

  Simplification of corporate structure has been at the core of LTF's strategy since 2016. In FY 2023-24, LTF completed the merger of L&T Finance Holdings Ltd. and its wholly owned lending subsidiaries, L&T Finance Ltd. and L&T Infra Credit Ltd., resulting in the creation of a single lending entity – L&T Finance Holdings Ltd. Furthermore, the name L&T Finance Holdings Ltd. has been changed to L&T Finance Ltd.

- **PLANET App crosses 91 Lakh Downloads**

  In FY 2023-24, the PLANET app (rated 4.4 in Playstore & 4.3 in Appstore) crossed 91 lakh downloads, thereby achieving an important milestone within two years of its launch. Of this, over 11 lakh customers are rural. Through PLANET, LTF has sourced ₹ 5,700+ crore and collected ₹ 1,100+ crore. 75% of servicing is handled by PLANET, thereby providing a seamless servicing experience to its customers.

- **Digital Finance Delivery in Rural India**

  100% of disbursements in Rural businesses are made through digital channels. The increased focus on enhancing collections through digital channels in Rural businesses has resulted in 25% of the Rural collections being made digitally in Q4 FY 2023-24 compared to 14% in Q1 FY 2023-24.

Personal finance

- **Combining Growth with Sustainability**
  - LTF as a business is aligned with Sustainability goals, with ~50% of the loan book financing sustainable livelihoods and 67% of the LTF workforce employed from Rural areas.
  - On the ESG front, LTF has, through the 'Environment' goals, shifted to green power, covering 39% of green usage in its operations, achieved 'Social' goals through increase in the number of women Micro Loan borrowers to 64.20 lakh+ in FY 2023-24 and created One Single Lending Entity through the 'Governance' goals.

Significant Initiatives

Having achieved Lakshya 2026 goals at the Retail level, going forward, the focus would be on reaching 2.8%-3% RoA by FY 2025-26 at a Consolidated level and building a sustainable & predictable Retail franchise. Towards this, LTF defined five pillars as below:

- **Enhancing Customer Acquisition**

  LTF leverages the strengths of its presence, distribution franchise, digital delivery & TAT to grow its fulcrum businesses of Rural Group Loans & Micro Finance, Farmer Finance and Two-Wheeler Finance. This has led to a sustainable customer base of over 2.3 crore sourced through the rural and urban funnels.

- **Sharpening Credit Underwriting**

  LTF endeavours to create a next-gen integrated underwriting platform leveraging multi-axes underwriting through best-in-class technology with a combination of scorecards comprising credit bureau, account aggregator framework, and alternate data signals.

- **Implementing Futuristic Digital Architecture**

  LTF is re-architecting its tech stack to build a solid, future-ready digital backbone across the domains of customer experience, process engineering, IT infrastructure, and information security. This will enable LTF to provide innovative financial solutions, seamless customer journeys, a faster go-to-market for new products, and faster collaboration with partner ecosystems.

- **Heightened Brand Visibility**

  With an aim to establish the L&T Finance brand, the Company launched several branding campaigns across rural and urban areas through various initiatives, viz. print media, outdoor media including billboards, airport advertising, rural wall branding, digital media by sponsoring global sporting events, participation in leading industry forums & fests, etc. LTF also launched its sonic identity during the year to increase its brand recall & capture customer mindshare.

- **Capability Building**

  LTF strengthened leadership in critical functions by appointing seasoned industry professionals for the position of Chief Digital Officer. Further, the Company created two new positions and recruited a Chief AI & Data Officer and Chief Marketing Officer. LTF has strengthened its internal talent pool through the

Two-wheeler loans

recruitment of a second line of leadership comprising national sales heads in growth businesses of Rural Group Loans & Micro Finance, Farm Equipment Finance, Two-Wheeler Finance, and Personal Loans.

During the year, LTF received a sanction of USD 125 million each from multi-lateral institutions – the Asian Development Bank (ADB) and Japan International Co-operation Agency (JICA) for social and sustainable financing.

Risk Management Framework

LTF has a robust framework in place to effectively manage risks. The Risk Management Committee, which is constituted by the Board, is responsible for overseeing the Risk Management Framework. The Framework covers the Company's risk appetite statement, risk limits, risk dashboards, and early warning signals.

With the changing business landscape and the emergence of new risks such as digital and data privacy risks, reputational risks, and climate-related risks, LTF is building newer risk frameworks to pre-empt and manage such new and emerging risks.

Credit Risk

Credit risk constitutes the most significant risk for the company. To demonstrate strength in credit risk management, a new age underwriting architecture has been put in place which focusses on the creation of a robust and resilient portfolio. The customer-centric underwriting engine of LTF is equipped to effectively identify different customer segments and tailor the risk assessment and underwriting processes to each segment.

LTF has also invested in improved digital analytics as well as new-age credit underwriting in order to ensure that multiple variables/parameters are considered to arrive at the optimal credit decision.

Further, the company uses advanced dashboards, which provide real-time identification of trends and breaches, empowering it to manage risks proactively and take immediate action to mitigate any potential threat. By analysing behavioural patterns, alternative data sources, geopolitical data, and macroeconomic factors, LTF can make informed decisions and prevent customers from being delinquent in the future. Steps in this regard have been taken to build a new-age underwriting architecture, stringent adherence to the prudent risk norms, and diligently follow the institutionalised processes. All these measures have led to improved asset quality amid volatile times.

Market/Liquidity Risk

Adoption of a prudent approach helps protect the Company from market and liquidity risk. LTF maintains a positive liquidity gap on a cumulative basis in all the time buckets up to 1 year. A Contingency Funding Plan (CFP) has also been implemented by regular monitoring to respond to severe disruptions that might affect the ability to fund some or all activities in a timely manner and at a reasonable cost. A governance structure is defined within the CFP to invoke Crisis Management measures in case the need arises. LTF ensures a positive interest rate sensitivity gap over a one-year horizon. This acts as a mitigant against interest rate risk in the Balance Sheet.

Tree Plantation drive under Project Prakruti, Tumkur, Karnataka

IT Security Risk

LTF has set up an Information Security Management System (ISMS) for effective management & operations. The company is also certified as ISO 27001 compliant.

The Company's Digital Platform has a 3-Tier Security Architecture with inbuilt disaster recovery along with multiple-layer security, protecting IT networks, websites & applications, databases, and end-user laptops/desktops for data leakage, Denial-of-Service attacks, and ransomware and malware. Further, access control and system health and availability monitoring are undertaken 24X7.

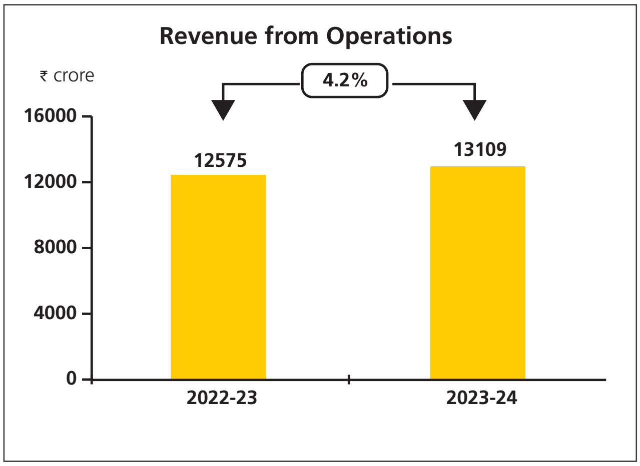
The Company's security team conducts Vulnerability Assessments on all critical applications, system and network devices, and mobile applications to proactively find any security bugs, misconfiguration, or missing critical security patches that can be exploited. LTF also engages with third parties to conduct vulnerability assessments and penetration testing to ensure security against cyberattacks.

Outlook

As per CRISIL Ratings, India's GDP growth is likely to moderate to 6.8% in FY 2024-25. It sees greater transmission of policy rate hikes, impact of regulatory actions on unsecured lending, reduced fiscal impulse to growth, and uneven economic growth for key trade partners as likely factors which may weigh in on the GDP growth for FY 2024-25. On the other hand, a gradual pick-up in private CapEx and the government's continued support towards infrastructure will be some of the positive factors.

As per India Ratings, the growth rate in AUM of NBFCs to moderate in FY 2024-25 compared to FY 2023-24. Following the increase in risk weights by the RBI, the cost of funds for NBFCs from banks has increased, and it is likely to remain elevated in FY 2024-25. The incremental funding requirement for the NBFC sector is expected to be ₹ 4.5 trillion in FY 2024-25, and the volume of public NCDs might go up in FY 2024-25.

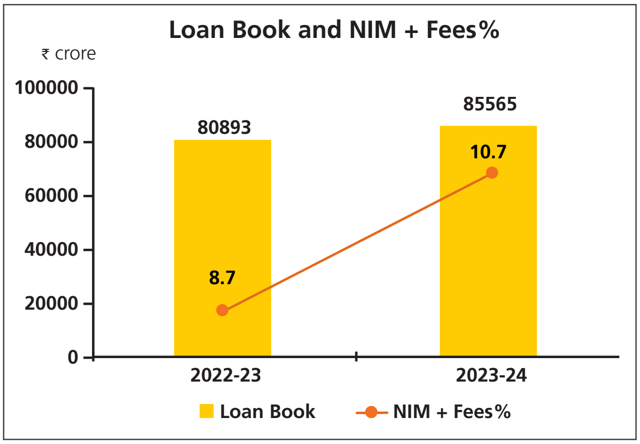
Financial performance of the segment



The segment's revenue improved by a modest 4.2% y-o-y at ₹ 13,109 crore for FY 2023-24 due to the sell-down of the wholesale loan book while scaling-up retail disbursements. The core strategy for the Financial Services

'Digital Sakhi' - Flagship CSR project to promote women entrepreneurship

business in the Lakshya 2026 strategic plan revolves around its transformation into a full-scale retail-oriented, digitally-enabled business. Several initiatives have been completed to exit the wholesale exposure, resulting in 94% of its loan book being retail credit as of March 31, 2024.



Disbursements of loans and advances at ₹ 56,293 crore for the year registered a growth of 20% on a y-o-y basis, reflecting higher credit demand in the various retail segments due to the overall improvement in economic activity. The Loan Book stood at ₹ 85,565 crore as of March 31, 2024, registering a growth of 6% over the previous year, consequent to higher retail disbursements. The Net Interest Margin (NIM), including fee income, improved from 8.7% to 10.7%, mainly due to the increase in the share of the retail portfolio coupled with higher fee income, partly offset by a marginal increase in the borrowing rates.

The Gross Non-Performing Asset (GNPA) ratio improved to 3.15% as on March 31, 2024, from 4.74% as on March 31, 2023. The net NPA ratio has improved to 0.79% as on March 31, 2024, against 1.51% as on March 31, 2023.

DEVELOPMENT PROJECTS SEGMENT

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

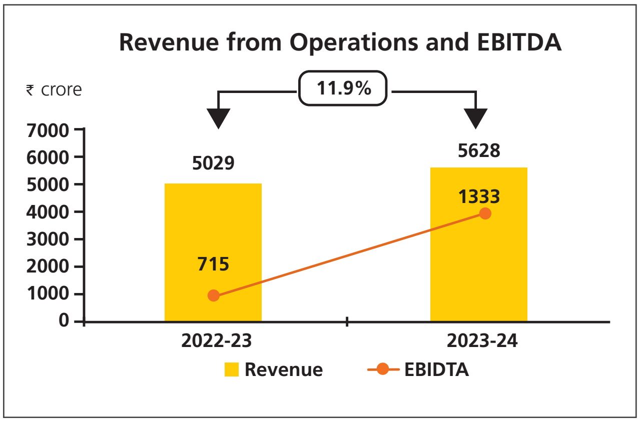
The Development Projects Segment comprises:

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 upfronting 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.

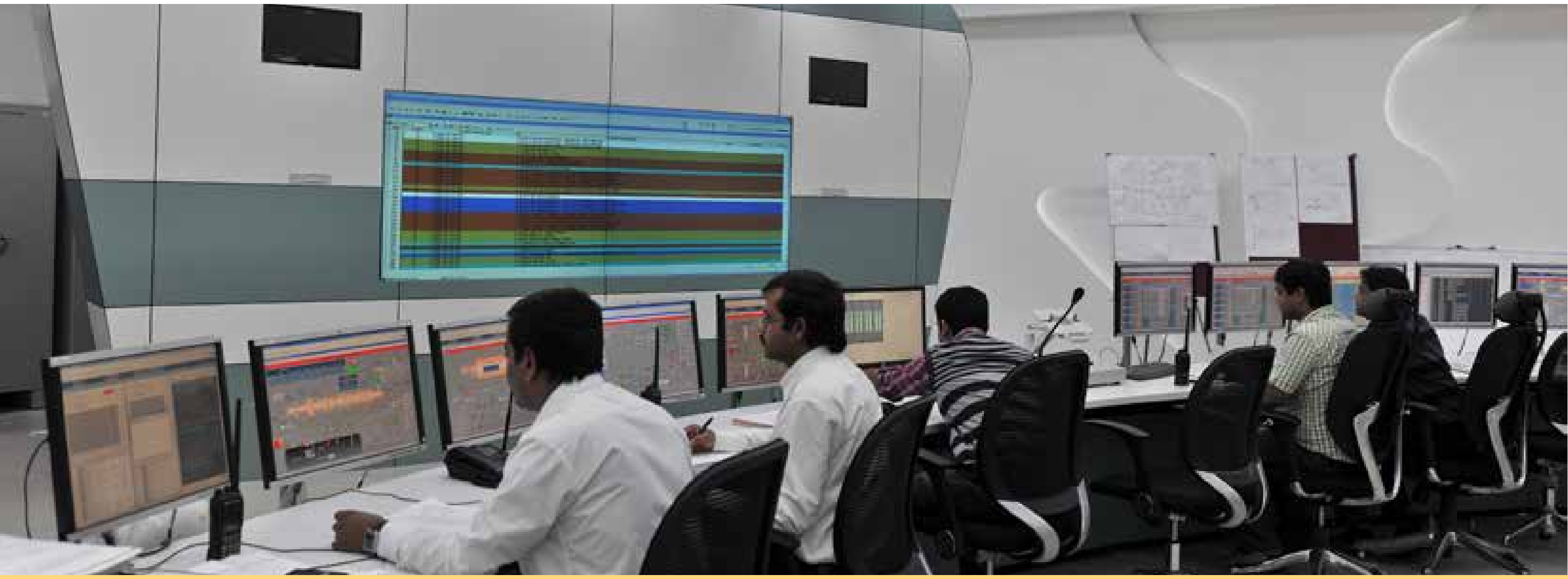
The plant sources its fuel from the subsidiaries of Coal India Limited (CIL) under a 20-year Fuel Supply Agreement (FSA). The FSAs are for a total annual contracted quantity of 52.4 Lakh MT. The Company has secured approvals to arrange coal from alternate sources to make up for any shortfall in the supply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