



TATA POWER
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“Tata Power Limited Q3 FY-16 Earnings Conference Call”

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**MANAGEMENT: MR. ANIL SARDANA – CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR, TATA POWER LIMITED
MR. ASHOK SETHI – CHIEF OPERATING OFFICER & EXECUTIVE DIRECTOR, TATA POWER LIMITED
MR. RAMESH SUBRAMANYAM – CHIEF FINANCIAL OFFICER, TATA POWER LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Tata Power Q3 FY16 Earnings Conference Call. We have with us today from Tata Power Mr. Anil Sardana – CEO & Managing Director; Mr. Ashok Sethi – COO & Executive Director; and Mr. Ramesh Subramanyam – CFO. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your Touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anil Sardana. Thank you and over to you, sir.

Anil Sardana: Welcome to the Q3 FY16 Conference Call. Like the past quarters I must report that team Tata Power has continued to operate its assets exceedingly well. Our operating profits both in standalone as well as the consolidated for Q3 will show that there has been a tremendous upside if you look at the standalone operating profit Q3 is Rs. 554 crores versus Rs. 360 crores and if you look at consolidated it is Rs. 1,253 crores versus Rs. 970 crores.

Similarly, for YTD also the figures has been far more than with the quarters previous years. During the current quarter the company also looked at the change in the predictions for coal prices and considering the fact that for the last few quarters there has been a constant slide in the prices of the coal. The company looked at two consequent effects of that. One, being our investments in coal itself. And the other being Mundra which is not on regulated basis and therefore it depends on the market price of the coal.

Considering these two you would have noticed that the company has dealt with the subject of long term coal price predictions and has taken the appropriate impairment in the investments and the goodwill as it existed with Tata Power, various Tata Power associated companies and therefore the necessary and the appropriate entries have been made in the consolidated accounts. Similarly the effect of long term prediction of coal reduction has actually given CGPL the necessary advantage in terms of the long term value of CGPL and as the cash generating unit we find that its valuation shows now surplus on a constant basis and therefore we have looked at reversing the provision that we had made for impairment.

So the net effect of course has impacted us in the consolidated basis by Rs. 187 crores as you would have noticed. But this as management we recommended to the board was necessary on account of the pattern changes and the change in long term predictions. So those were the two key aspects. In terms of the project side you would have noticed we have been quick in terms of turning around the ITPC Zambia project has got commissioned both hydro units that means the entire project of 120 megawatts has been commissioned within the schedule and within the capital cost that we had envisaged. So we are very happy to report that for hydro project to be commissioned on time and commissioned within the cost is a matter of remarkable achievement.

Now we go on to the next stage of undertaking the performance guarantee tests and then going ahead and starting to pump ours in to the grid in Zambia. Similarly, at Kalinganagar while the steam generation had started in December as soon as the coke ovens of Tata Steel were warmed. We have now started to we have synchronized the first unit based on the fact that they needed power and we have started to therefore work.

The changes that we had been reporting specifically about turnaround of Maithon that continues to do very well quarter-on-quarter basis it has been delivering good results. And now to look at is Tata Power Solar. As mentioned to you that the unit which was in distress last year has again started to turnaround and has been delivered good performance and we are hopeful that quarter-on-quarter basis they will continue to work better and well.

We are now as the step that we had informed last quarter about carving out of the renewable assets and also some of the other non-fossil based assets and that is progressing well. We are on course in terms of the process involved and also the consolidation of the non-fossil based assets both in terms the organic as well as the inorganic in order to make sure that the growth paradigms show more growth on a relational basis. Those efforts are well on its way.

So all in all that is the story for the quarter and we will now look forward to your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: My first question is with respect the coal companies where the FOB revenue has reduced but the cost of goods sold has reduced even more to \$26 versus \$32 in Q2 FY16. So is the drop here sustainable going forward given the crude prices which are prevailing right now?

Ramesh Subramanyam: Sumit, there has been a lot of effort in the coal companies into reducing cost and it has been a sustained effort. Of course fuel prices have helped and also there are some exchange related one off items so all put together has been a very good show from the coal companies despite the pricing pressures.

Sumit Kishore: So can we assume this as the new norm going forward or is it because you are mining in the easier areas is the reason why the cost of goods sold is lower?

Ramesh Subramanyam: You should know that there is no new norm in coal with every quarter we discover a new norm, so frankly we cannot give any guidance on that. But this is what it is.

Sumit Kishore: My second question is on Mundra where the realization in the quarter seems to have fallen quarter-on-quarter to 231 versus 255. What is causing this and could you also share the total fuel revenue per kilowatt hour during the quarter and total fuel cost?

Ramesh Subramanyam: So for the quarter the total revenue was Rs. 2.51 and what else you asked?

- Sumit Kishore:** So if I simply divide the revenue by the number of units sold it gives me 231 for the quarter?
- Ramesh Subramanyam:** There is an adjustment there is a provisioning for some of the rebates which we had given in the past there has been some conclusion of some of the outstanding items with the purchases of power and that has been recorded this quarter. So that is why you see that adjustment which is changing this value.
- Sumit Kishore:** And the question was could you share?
- Ramesh Subramanyam:** And that is a one off.
- Sumit Kishore:** Could you share the total fuel revenue per kilowatt hour and total fuel cost per kilowatt hour for Mundra UMPP in December quarter?
- Ramesh Subramanyam:** So I will come straight to your question so it is about Rs. 0.35 under recovery on total fuel.
- Sumit Kishore:** My last question is what is the one-time impact of tariff order in Tata Power daily distribution limited in the quarter?
- Ramesh Subramanyam:** Rs. 70 crores, the power share for Tata Power.
- Sumit Kishore:** Rs. 70 crores okay and what is the reason for this?
- Ramesh Subramanyam:** This is actually a tariff order which is pertaining to treatment of decapitalized assets. So there is a backlog which has been now in the order the calculations have shown that that amounts to exactly.....
- Anil Sardana:** Ramesh, just to clarify DERC since inception did not have a policy with regard to decapitalization of assets. So while we were doing that in our accounts as we were retiring assets or decapitalizing assets they had no policy framework with regard to that. So this is the first quarter they actually came out with a policy and they have done the treatment. So therefore we have created that provision.
- Moderator:** Thank you. Our next question is from the line of Apoorva Bahadur from ICICI Securities. Please go ahead.
- Prakash Goel:** This is Prakash Goel. I have two questions. One, with respect to the profitability in the coal segment, quarter-on-quarter basis it has improved marginally whereas the spread between the net realization and cost of goods sold has gone up significantly. Like now if I working back the number it is coming around \$5.64 versus \$5.14 per ton. Can you highlight are we missing something or is there a one off cost which has gone into that?

- Ramesh Subramanyam:** There is a one off which is relating to some old tax related penalty. That is why you see that that impacted answering the gap.
- Prakash Goel:** So how much is that amount?
- Ramesh Subramanyam:** We will work out and let you know separately.
- Prakash Goel:** Okay no problem. The second question?
- Ramesh Subramanyam:** That probably would answer the question you are asking.
- Prakash Goel:** So we presume that it will explain the difference?
- Ramesh Subramanyam:** Yes, it would be explaining the difference because I think that is the only item which is a one off.
- Prakash Goel:** The next question is with respect to the VAT related piece which is going on. Based on your last Annual Report it highlights there are other liabilities with respect to income tax which you have explained in the contingent liability. I would want to know what is the kind of provision if at all we have made against it?
- Ramesh Subramanyam:** No, we believe there is already a clarity on that matter and that the VAT will be adjusted against royalty and then it is only now a matter of year-by-year reconciliation and adjustment to be completed by which the amounts will be **(Inaudible 13:25)**. So there is already a process on for that.
- Prakash Goel:** With respect to the income tax related cases?
- Ramesh Subramanyam:** Both so the income tax related as and when they get cleared they have been recognized, we have been recognizing. As you can see in the last one year there have been two or three settlements of previous years which are happened and as and when it happens we are reflecting the impact in the financials.
- Prakash Goel:** If I remember not very clearly somewhere in 2009 or 2010 the company had made provisions with respect to the taxation and highlighted in the conference call that like we have made adequate provision for this kind of contingency. So I just wanted to find out like whether that amount has been got settled or reversed, I am not too clear on that, I am sorry for that?
- Ramesh Subramanyam:** Frankly I am not recollecting if you want we can ask Shubham to talk to you and clarify it separately. I do not know which one you are talking about but as I said a contingent amount as this should be declare clearly when there is a dispute between what has been filed and what has been initially accepted by the tax authorities and as and when they get cleared we will keep on reflecting the pluses or minuses as they appear.

- Prakash Goel:** Sir, my last question is with respect to the stake sell in the Arutmin coal for \$500 million, which probably initiated somewhere in January 2014. What is the status of that and should we like now going by the current coal prices it appears that it would be like there are fears that this amount will be revised onward. So how should we take it in our financial model?
- Ramesh Subramanyam:** To close the transaction there are checks which includes certain restructuring of the asset pertaining to this coal company and that is taking time and that is actually the reason why it has not happened till now. But there has been progress although it is slow but we hope to try and complete that as soon as possible, it is still an ongoing process. But as of now there is no change in the status or there is no change in the transaction.
- Prakash Goel:** We were told that lenders were not comfortable at one point in time. So lenders were not comfortable with change of management or with the quantum of loan with the buyer group. So we were not very clear on that part, if you can put some light on that?
- Ramesh Subramanyam:** I do not think we can comment on those issues. These are all normal procedures the vendors go through. So I do not think it is fair to just pinpoint lenders' issue what is the reason is. There are various steps to be completed.
- Prakash Goel:** Should we still presume that \$500 million will be the realization for the mines there?
- Ramesh Subramanyam:** Until we really say so you are absolutely right.
- Moderator:** Thank you. Our next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.
- Abhishek Puri:** First of all on the Mundra project the losses x of the impairment reversal seemed to have increased quite a lot versus the last few quarters. If I do the math correctly I mean the previous quarter Q1 and Q2 had Rs. 85 crore and Rs. 74 crore losses respectively whereas for this quarter it seems like it is about Rs. 157 crores. Is there a one off component there impacting the results?
- Ramesh Subramanyam:** Yes, so as I said earlier that in CGPL there is a one off relating to treatment of rebates which are given to the purchases of power that is about Rs. 90 odd crores. So that is the provision I think.
- Abhishek Puri:** And this will be a non-recurring write-off?
- Anil Sardana:** No, it is just one off.
- Abhishek Puri:** And the second thing will be on your regulatory assets in Delhi have reduced by Rs. 750 odd crores. Has there been a tariff increase given by DERC in between or is it just because of cost reduction in Delhi?

Anil Sardana: So Abhishek, there is a surcharge as you know which is 8% and that they have maintained so that is going towards liquidation of regulatory assets.

Abhishek Puri: But the same is not happening in Mumbai whereas it was?

Anil Sardana: But Mumbai regulatory assets are not dealt with distinctly this is based on the assurance that the DERC has given to APTEL where they have said that this is the way I will progress. So they are following that path and that is how it has reduced. By the way since you asked this question on regulatory asset, now going forward these will be governed by the new tariff policy that has come in. And you would have noticed that it has prescribed two things. One, that no new regulatory assets can be formed, so if they actually do now it is no more a guideline it is an act. So it will be Ultra-Vires the Act. And number 2 is there is a time stipulated for the liquidation of regulatory assets. So you might want to emphasize that point.

Abhishek Puri: Sir, my last point I mean since you have taken an impairment on your coal assets, this is for all three assets, Arutmin, KPC and BSSR?

Anil Sardana: Abhishek, Arutmin as we recognize is on the value and as Ramesh a minute before mentioned to one of your other colleagues that there is no impairment of the value of Arutmin that we have to get. Balance assets all coal assets yes, we have taken impairment on them.

Abhishek Puri: Okay this is x of Arutmin right now?

Anil Sardana: That is correct.

Moderator: Thank you. Our next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: Sir, we have taken a write back on the impairment for the UMPP would it not signal the regulator that okay we are now good we do not need a tariff hike?

Anil Sardana: I think Bhavin, the issues related to under recovery are still the same. The long term cash generating unit's ability to have its valuation basis the criteria that we had followed. The regulator had not told us to impair the asset when we did so and therefore this is an accounting treatment based on the set norms that we have been following. We have just followed that but today one thing that I must emphasize here and many times we state this to many other friends, that when the compensated tariff becomes applicable, it is not just going to compensate on one side.

We are obligated to compensate it if the coal goes below the threshold that we had assumed or what the tariff orders suggest so. So if tomorrow it goes below then naturally we will also pass it on to the benefit of the beneficiary. So it is going to move both sides and that is what is our request for APTEL to consider and I think that is the matter of consideration today with them.

It is not one sided that we need to be compensated. And we have told you that today also there is a Rs. 0.35 under recovery this quarter also.

Bhavin Vithlani: With respect to the same question like we have seen coal falling but we have seen the shortfall remaining more or less consistent at about Rs. 0.33, Rs. 0.35 so if you can help us on this?

Ramesh Subramanyam: The coal it is only dependent on coal price, Bhavin. Sometimes what happens is that the benchmark price which you get and the CV adjusted price finally which you buy there could be always some time lag and remember CERC notifications also have a time lag. But the point is that yes, it is absolutely followed in the long run.

Anil Sardana: But Bhavin, I just want you to jog your memory and be clear that the filings that we did in APTEL about, say, 10 months back, it was Rs. 0.52. Today it has gone down to Rs 0.35. Yes, between quarter to quarter, you might have found the difference and as Ramesh rightly described, it is based on the stocks that we carry, it is based on the weighted average cost of the coal but that may not have changed that you may be right in your observation. But it has moved down from Rs 0.50 to Rs.0.35, it is entirely because of the coal prices.

Bhavin Vithlani: Lastly, if you can help us on the Delhi regulatory asset? So, could we now expect that the pace at which the fall in regulatory asset has happened is about Rs. 500 crores quarter-over-quarter, would that be the level we should be expecting or what is the expectation that we should be building in our models?

Anil Sardana: If that happens, then it will be all very nice for us. But at the same time, I must add very quickly that the phenomena of compensation of bulk tariff is the one which balances the regulatory asset creation or depletion. Now, what happens quarter-on-quarter basis when these bulk suppliers give their bills to the Discom that is where the regulator must compensate us for that bulk supply changes. Take example that NTPC typically would get their order approval from CERC in one shot maybe for one year or two years for the extra claims that they may have had or the extra price they may have paid for freight or for coal. We have seen in the past that those bills of Rs. 200 crores, etcetera come to us towards one quarter.

And when we go to the regulator to true up that, regulator is not able to do and therefore that straightaway shows in the regulatory asset. So, this entire picture has to be seen with regard to the other expenses of Discom which includes bulk tariff expenses. If they are compensated in the normal way, then what you said is bang on that we can see this kind of depletion. But if that does not happen, we see that the depletion does not happen. In fact, if you go down to two quarters before, we had an increase of about Rs. 40 crores and that is exactly when we had the bills from bulk suppliers. So, that is the basic challenge that we have been facing over a period of time. But conceptually, yes, the objective is that they have to dilute it at this rate.

Moderator: Our next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

- Pulkit Patni:** My first question is on the coal asset. Firstly, what is the total debt that is outstanding on the coal assets? And secondly, in terms of the amount that you had invested in these assets and now after taking a write-off, could you tell what is the outstanding equity that you have in the coal assets at the moment?
- Ramesh Subramanyam:** The outstanding right now is Rs. 900 million, debt. What was your other question?
- Pulkit Patni:** My other question was including the amount of investment that was made in the coal assets and taking out this Rs. 2,500 crore of write-off, what is the outstanding equity that you have at the coal assets right now?
- Ramesh Subramanyam:** We will give you separately.
- Pulkit Patni:** Okay, sure, I will call Subham separately for that. And my second question is on the Delhi distribution assets, the loss that you have in the quarter, does it have anything to do with any regulatory asset being written off or is it purely because of this one-time item that you are talking about?
- Anil Sardana:** Entirely one time.
- Ramesh Subramanyam:** It is a one-time item.
- Anil Sardana:** Nothing to do with any write off.
- Moderator:** Thank you. Next question is from the line of Girish Nair from BNP Paribas Securities. Please go ahead.
- Girish Nair:** My first question is regarding is could you update us on what is the status of the case regarding the compensatory tariff in the APTEL?
- Anil Sardana:** The APTEL heard this and has now reserved it for judgment. So, we have to all wait and see as to when do they really list it for judgment.
- Girish Nair:** Okay, so basically just the judgment is pending, all the hearings are completed and only?
- Anil Sardana:** Absolutely completed and it is now reserved for judgment so we are eagerly waiting for them to list the date when they will pronounce judgment.
- Girish Nair:** And secondly, I just wanted to know the reason for the cancellation of the deal with Ideal Energy. Is it just purely on the transactional terms or is it because you have a change in strategy in terms of reducing your focus on coal-based assets and probably focusing on other areas like renewable?

- Anil Sardana:** My dear Girish, do not read too much beyond the fact that what we have declared, that is exactly the reason because counterparties involved, lot of lenders are involved. The fact of the matter is what we declared is the honest truth that the CPs could not get completed by the stakeholders which includes the different stakeholders who are connected with that project. In fact, you would have noticed that we actually took inordinate time from the time that we announced this and the CPs normally do not take that much time. So which very clearly shows that we actually gave much more extension for those stakeholders to comply because we were very clear that it is a good deal and it is within our operating stake. So we were very keen on that asset. But unfortunately the stakeholders could not just conclude that.
- Girish Nair:** And finally, if you could help us with what part of your total debt, your consolidated debt is dollar denominated or foreign debt?
- Ramesh Subramanyam:** So, today the dollar denominated debt is about Rs. 13,000 crores. So about Rs. 19,000 crores is the foreign currency loans, right?
- Anil Sardana:** No, you are not reading it well.
- Ramesh Subramanyam:** It is Rs. 16,500 crores, rupee loan is Rs. 23,000 crores.
- Girish Nair:** Sorry I did not get it. What is the total foreign debt?
- Ramesh Subramanyam:** Total is about Rs. 39,500 crores.
- Girish Nair:** No, out of Rs. 39,000, how much is the foreign debt?
- Ramesh Subramanyam:** Rs. 16,500 crores.
- Girish Nair:** How much of that would be unhedged, is there any unhedged or everything is hedged?
- Ramesh Subramanyam:** Well, we have a policy and we follow that policy.
- Moderator:** Thank you. Our next question is from the line of Anuj Upadhyay from ICICI Securities. Please go ahead.
- Sagar Gandhi:** This is Sagar Gandhi from ICICI Securities. Sir, just wanted to know if you can brief us about the difference side of your business, what is the order book that you hold, what is the topline, what is the margin that you make and what are the large projects that you are going to bid?
- Anil Sardana:** The order book is a very difficult subject to do because we have orders which are in joint venture with L&T in two of the assignments, which is the Battle Management System and Tactical Communications System. So, from time to time, depending on whose project gets or whose scope gets approved it continues to get added. But we today have orders besides these

two close to about Rs. 2,500 crores and these two put together will be anything like additional Rs. 10,000 crores over a period of next seven years. So that is the order book. The topline, if you see on a quarter-to-quarter basis, the topline at this stage on an annualized basis is about Rs. 500 crores. And what did you ask, other things?

- Sagar Gandhi:** Sir, margins that you make in such projects?
- Anil Sardana:** That is about 5%.
- Sagar Gandhi:** 5% EBITDA margins?
- Anil Sardana:** No, you are looking at EBITDA, it will be slightly more but we are talking about our PBT.
- Sagar Gandhi:** PBT is 5% and EBITDA should be roughly 15%?
- Ramesh Subramanyam:** No, it depends on which project is going on at that moment, because every quarter it depends on what progress respective projects make. So, they range from 4% to 8% in terms of margin.
- Sagar Gandhi:** And sir, lastly the large projects that you are planning to bid for over the next 3 to 6 months?
- Anil Sardana:** Wait for the announcement my dear.
- Moderator:** Thank you. Our next question is from the line of Anirudh Gangadhar from Nomura. Please go ahead.
- Anirudh Gangadhar:** Two questions from my side. First, the share of associates have seen a very smart spike this quarter. Usually, it is the full year number, which is what this quarter itself. Could you help us as to if there is any one-off in this number? That is the first question.
- The second question is pertaining to the underlying parameters based on which you have made the changes in that or you have reversed the impairment and taken the hit on the goodwill. Could you, if possible, share what coal cost assumption you have been looking at for these calculations.
- Ramesh Subramanyam:** So, on the second question, Anirudh, this is a very standard accounting standard procedure. Several assumptions are there, which is mainly driven by coal prices, we cannot disclose any particular number there. This is a long goal over a period of GPA these are all done. But suffice to say that there the trends and the trends have to be seen over a period of time as being consistent. So, that is the logic used.
- Anil Sardana:** But on the lighter side, I thought we take their numbers and he is asking us to tell us their numbers, it is not fair. I thought you it is the analyst who predict numbers. I mean analyst

category which predict numbers and we take those numbers. So, yes, we have been taking a standard pattern of these a club of seven different set of people.

Ramesh Subramanyam: And on the associates, your question we had a sale of one of our internal investments and that was about Rs. 60 crores is the addition from that account and that is how you are seeing about it.

Anirudh Gangadhar: Our share of the numbers of Rs. 60 crores is total so Rs. 66 crores?

Ramesh Subramanyam: No, our share would be maybe Rs. 25 crores of it.

Anirudh Gangadhar: Just one other question if I may flip through. The tariff for Mundra it still does not include the adjustment for the Clean Energy Cess, if am not mistaken, given the tariff policies made it very categorically clear that it should be allowed as a pass-through. Could you tell me what is the status for getting that?

Anil Sardana: The Clean Energy Cess is right now stayed by Supreme Court. And therefore we have to all wait as utilities until Supreme Court finally adjudicates on the matter.

Ramesh Subramanyam: And even if it comes it will be change of law.

Anil Sardana: What you said is pass-through, that what you said as a statement, that is correct. But at the same time, right now, since the matter is still to be decided, none of us are sort of taking that into account.

Moderator: Thank you. Our next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Could you guide us when is your Battlefield Management System likely to get approved or when is the timelines for it to be shown to the government?

Anil Sardana: Abhishek, the BMS down selection is already approved. Now, it is the NCNC trials for different products that are being identified by the beneficiary which are going on. And depending on which of the partner has that scope, those projects are undertaken. So that process is already on.

Abhishek Puri: If I remember last year, you had to build a prototype and then the final order would be decided?

Anil Sardana: That is correct that is called NCNC where the trials take place. In a normal layman's language we will say prototype but in the Defence language it is called NCNC trials and that is a process that is going through right now.

Abhishek Puri: And when do we expect that process to get over?

- Anil Sardana:** No, we cannot say anything for sure because it is dependent on the needs that the ground-level people will solicit from their headquarters basis which now wherever the NCNCs have got approved, that means the prototypes have got approved. They will then give us orders in terms of quantity. So right now what they do is they tell us that this is the overall quantity requirement of the defense forces, but depending on the indent that they get from different battalions and different zones that they try and then place those orders. As of now, they have not clarified that part. My sense is they will do that post budget. That is my personal sense, but we will have to wait and see.
- Abhishek Puri:** And my last question would be on this regulatory expense that is there. If you can just remind me what it is related to this time?
- Ramesh Subramanyam:** So, this is the accounting standard which is required you to show any this is particularly for distribution business. So this is pertaining to over Delhi and Mumbai distribution business. So, as per the accounting standards, any movement and that has to be shown separately below the normal operating profit line. There is a movement in the regulatory revenue, which means that either you recover more than to be passed on to consumers or to be recovered in the future from consumers, both appear below the line.
- Girish Nair:** But if I look at the statement, it also has a future tariff determination, income from future tariff determination?
- Ramesh Subramanyam:** That is for the regulated business other than distribution.
- Girish Nair:** Okay that is other than distribution and this is Rs. 202 crores is the additional expense that we have done which is not recovered in tariff right now? Is that understanding correct?
- Ramesh Subramanyam:** Yes, that is correct.
- Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Two quick questions. Sir, one, we are seeing a decline in the Mumbai license area supply, so is it fair to assume that we are losing customers for last few quarters?
- Ramesh Subramanyam:** In which?
- Rakesh Vyas:** In Mumbai license area we are seeing a decline?
- Anil Sardana:** But I think you need to see as a percentage of the total kitty, not just ours. I think because of the cold weather, there has been a decline in the consumption in Mumbai area itself. And of course, also the railways, as you know, has got a deemed license now and they have therefore shifted some of their requirements to the Dabhol project, Ratnagiri.

- Rakesh Vyas:** Second question. So despite the Ideal Energy deal getting canceled, I believe there was a PPA that was approved by MERC from the same power plant. So, what is the status of that PPA, is that enforceable, how are we going to look at that?
- Anil Sardana:** As per the order of MERC, Rakesh, the provision was that that PPA was to be that was for one month with more details to be submitted which at least as of today has not been submitted to MERC. So, unless that company submits those details, we will not be able to comment further.
- Rakesh Vyas:** But despite you not being the new owner in the plant, if they submit, will that get enforced? I am just trying to understand as to how will the supply issue get resolved for us over time?
- Anil Sardana:** So, we have to wait and see, because this now becomes sort of an overhang where the concerned company, which is IPL has not yet submitted or complied to the regulatory directions. So, I think we will just leave it there. We are also watching the situation as to what exactly is the scene. We cannot say for sure anything.
- Rakesh Vyas:** And in the intermediate we will have to look for alternate supplies for longer term or?
- Anil Sardana:** Sure.
- Moderator:** Thank you. The next question is from the line of Deepika Mundra from JP Morgan. Please go ahead.
- Deepika Mundra:** Just two questions. Firstly on the coal mine, you mentioned that there was a one-off tax penalty because of which the cost was lower, could you quantify that?
- Ramesh Subramanyam:** For the quarter it is Rs 90 crores.
- Deepika Mundra:** Rs. 90 crores and this is for Tata Power's share, correct?
- Ramesh Subramanyam:** Yes.
- Deepika Mundra:** Sir, the second question is regarding the regulatory expense for prior period of Rs. 223 crores in your P&L, sir, but earlier you mentioned that it was something like Rs. 70 crores for the decapitalization of the asset. So, could you help reconcile both the numbers?
- Ramesh Subramanyam:** No, these two are different numbers. So this Rs. 70 crore number, which we were talking about is the impact taken as a provision, additional provision.
- Anil Sardana:** Our share.
- Ramesh Subramanyam:** Our share in this quarter pertaining to the order passed by the Regulatory Commission in Delhi. And whereas this is the recovery which is to be done in future as part of the regular one. There

is working done for what is billed and what is recoverable as per the regulatory norms and the balance is parked here separately. So, these two are different numbers, that we were talking there about the provision, this is about recognition of revenue.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: My question is pertaining to the new emission norms that have been notified by the government. What is the impact of this on Tata Power and in case it requires an additional CAPEX, will it be pass through in the tariff?

Ramesh Subramanyam: So, our understanding is that this will be passed through because it is again a change in law and especially an environmental change in law and therefore we do not have right now any estimates as such, so that is the understanding.

Bhavin Vithlani: Sir, the norms that have been notified, would the additional investment be required to meet the SOx norms or the NOx norms or both?

Management: This investment required will be different for different units, different plants and it will be across the board in India. So, every plant, not only our plants but even other plants, everybody will have to have a look at these new norms. And the direction is that everybody has to go with the CAPEX which is required and it will be passed through.

Bhavin Vithlani: Okay, any ballpark number? NTPC in the earnings call shared a number of Rs. 50 lakhs per megawatt, any ballpark number that you could share?

Management: No, I do not think at this stage we can share any ballpark figure because we have to work out for our plants.

Moderator: Thank you. Our next question is from the line of Girish Nair from BNP Paribas. Please go ahead.

Girish Nair: A few follow-up questions. Could you tell us what is the sort of returns that we can make on the Kalinganagar, Orissa project as well as the Zambian plant?

Anil Sardana: The Kalinganagar plant is we are still firming up based on the present day situation because the costs have changed, the cost of funds have changed. So, therefore we will let you know as soon as we firm up that with the Tata Steel, so it is still not done. At the same time, as far as the IPTC is concerned, that is in line with the PPA that we have signed and as of now it is at 18% ROE.

Girish Nair: And what about the Zambian plant?

- Anil Sardana:** I talked about Zambian one.
- Girish Nair:** The Zambian is 18%. And secondly sir, I just got a bit confused pardon if I was not paying attention. But I just got confused with the Rs. 90 crore tax penalty in Bumi, I thought this time the performance of the coal mine, the margins have been a lot better. So, is it that the tax penalty was in an earlier period which depressed earlier period earnings, is that what you said?
- Ramesh Subramanyam:** No, this quarter they have added to what otherwise would have a normative margin. Even otherwise the mines have been able to reduce costs significantly.
- Girish Nair:** But if it is a penalty that means you had to pay or you got to, I did not understand that at all?
- Ramesh Subramanyam:** It reduced the EBITDA, if you remove that then you will have the underlying margin, right?
- Anil Sardana:** So, what he said is right, that you said they have performed better, you are saying that, that includes 89, so they would have performed further better if this was not there.
- Moderator:** Thank you. That will be our last question. I would now like to hand the floor over to Mr. Anil Sardana for his closing comments. Over to you, sir.
- Anil Sardana:** I see that there could be some other friends who perhaps may want to ask questions. I would just appreciate if they could ring up Shubham or send him a mail and we will promptly respond to that. Thank you so much for being on the call, we appreciate and we look forward to now your joining us on the call for Q4 FY16 that is the yearly account. Thank you so much.
- Moderator:** Thank you very much, members of the management. On behalf of Tata Power, that concludes this conference call. Thank you for joining in and you may now disconnect your lines.