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“Tata Power Q3 FY2017 Earnings Conference Call”

February 11, 2017

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**MANAGEMENT: MR. ANIL SARDANA – CHIEF EXECUTIVE OFFICER &
MANAGING DIRECTOR
MR. RAMESH SUBRAMANYAM – CHIEF FINANCIAL
OFFICER**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Q3 FY 2017 Earnings Conference Call of Tata Power Limited. 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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anil Sardana – CEO & Managing Director, Tata Power Limited. Thank you and over to you, sir.

Anil Sardana: Thank you. And a very good morning on a Saturday morning. I can realize that it would be difficult for our analyst friends to log on early, but it was unavoidable as we were not very sure as to how and what time we will be able to really part with the information as of yesterday. So, very good morning again. And welcome to the Q3 FY17 Analyst Call.

Let me give a few highlights. A long-awaited CERC order came subsequent to our call last time and the order must have been scanned by many of you. Just to give you a very quick heads-up, while by and large things are in order, we have approached APTEL for a few subject matters which were not in line with the APTEL order itself. And therefore, to that extent we have gone for clarifications and also got on records. We are also in Supreme Court which is basically for the larger issue of change of law and the 79 section provisions to be applied, considering that there are regulatory powers. And many of you would have scanned order of the other ultra-mega project where the Supreme Court has amply clarified that regulators and regulatory only has the power to adjudicate on the tariff matter even if they are under Section 63. So, we have now therefore filed an application using that clause of the Supreme Court and requested them to review the past orders of CERC itself, because basis that clause even the past orders of CERC would apply. But more of that as we go into the subsequent hearing sessions with the Supreme Court, but as of today, things basis those Supreme Court orders look positive.

Let me get on to some of the other highlights. The solar acquisition that we did in September 2016 is now getting integrated within the organization, that is a very welcome news because in a short time we have been able to integrate the teams, we have assessed and a lot of Tata Power's philosophy has started to get on to the business. Also, this was one of the first quarters where all the assets are on bar now, gradually getting on to their full rhythm and we are very happy to report that we have close to 20% plant load factor and close to plus of Rs. 250 crores of EBITDA through this acquisition. And therefore, it is not just tracking, it is well tracking to what our assumptions were.

The loans were refinanced, you must have read that in the newspaper, our finance treasury team did a remarkable job of getting Rs. 1,200 crores of bonds at a very competitive rate for five years. And therefore, it has really helped us even to further improve our situation in terms of the fact that gradually over a period of time we will be able to have a much better IRRs from this acquisition, primarily on two accounts, one being the performance and the other equally bullish is the finance cost.

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In terms of operating performance of existing companies, like I have always been sharing with you that our goal has been to make sure that we sweat all assets and turnaround whichever were sort of not black or not in sync with our philosophy of higher ROCE. So the good news is, the last one in that lead which is Tata Power Solar has done extremely well and you would see basis the results that they are not just flat but they are very promising now for subsequent times.

Maithon Power Limited, which was the penultimate mover has done exceedingly well, they have actually gone beyond our plans and therefore that is again a very welcome news. There were strong headwinds on the coal side during the quarter, but then just a point for our analyst friends, while CGPL was under pressure and CGPL got a better advantage of the mark-to-market on the FOREX gain. So therefore, we managed CGPL bottom-line as well. But interesting part, because of the IndAS the contribution by the coal companies which was far better than what it was in the previous quarters has actually come in the JV contribution, so that is a combined one, it does not show up in the consolidated EBITDA as you know because of the IndAS philosophy. And I am sure my CFO colleagues will very quickly update you before we take your questions on some of those aspects.

You would have also noticed that there is a one-off advantage to the consolidation which is the Tata Communication sale of data centers to SingTel and our share of Rs. 250 crores have been accounted for because of that transaction. But I must also add that in the previous quarters we had been actually accounting for the negative contribution of Tata Communication as well, so to that extent while discredit and credit has to be both accounted for in the similar way, so I must make mention of that part.

I just want to make just one or two more comments in terms of the fact that the defence business has seen tremendous amount of dry sessions in the last two, three quarters. The Government of India, because of the OROP distracted from confirming any of those orders where we were down-selected and all the orders were waiting to be confirmed. Things have started to move after the last skirmish at the borders, as we all know that there was that event, the surgical strike as it is known, and basis that now the orders have started to flow in. You saw two order announcements in the newspapers and we are hopeful that in the next few quarters your Company will have the benefit of orders where we had got down-selected. And I only hope this spree should continue because that is a sunrise that we continue to look forward to move along with.

So, I am now going to leave it here and request Mr. Ramesh Subramanyam to give some of the other details before we take on your questions. Ramesh?

Ramesh Subramanyam:

So, just to summarize, as Mr. Sardana explained, because of IndAS one of the phenomenon that happened in this result is that the coal companies being JVs, they get accounted at PAT level and therefore what happens is when coal prices are going up CGPL, which is a wholly owned subsidiary appears in the consolidated EBITDA. Whereas the coal companies corresponding increase due to the coal prices gets consolidated at a PAT level below the EBITDA. So, this quarter is a very good example when coal prices have gone up approximately \$12 over the last year. And

the coal company EBITDA has actually improved by about Rs. 330 crores. So, if you look at the consolidated EBITDA, while it reflects an increase even without the coal company EBITDA, if you take the coal company EBITDA there is a very strong improvement. So, this is something which I am sure that when you analyze these results in future, I think this will remain an issue which will keep swinging the consolidated EBITDA.

The other important point is that in the key items, there are some one-off items, one Mr. Sardana already mentioned about Tata Communication business which is about Rs. 250 crores. We also have in the tax area due to an order which has come recently, that impact is more than Rs. 180 crores. The other is, we have taken certain one-off provisions for some early stage projects, not very large amounts but important amounts. Our standalone business continues to perform strongly at an underlying level, but there were some one-off items last year in standalone, almost about Rs. 140 crores due to MAT related issues as well as certain previous year recoveries, and that is why this quarter for standalone at an EBITDA level looks lower, but it is essentially driven by two or three elements, which I mentioned one-off items of last year and the changes in the timing of the orders in the defence business, and the one-off adjustment that we have made on account of early stage projects. So, these are some of the important pieces I thought we can highlight when you analyze results.

Now I think we are open for questions.

Moderator: Thank you very much, sir. Ladies and Gentlemen, 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 related to the standalone performance. You have mentioned in your press release that tighter regulatory norms have also impacted results, could you please explain this further? And also explain the quarter-on-quarter decline in EBITDA from quarter two to quarter three.

Ramesh Subramanyam: Well, broadly the efficiency related issues are that the regulator while setting the norms for the returns has tightened the norms across the board, including the way efficiency gains are calculated and the parameters, even also the way the tax is calculated. So therefore there is multiple changes that have happened recently and therefore we see that the returns from the regulatory business is slightly lower than previous years. But when you compare the current quarter versus the previous year, there you have one-off items in last year, last year we had about Rs. 145 crores of one-off item and that clearly is one reason why you see the EBITDA lower. The other is, we have made about Rs. 65 crores of provisions for some early stage projects which is also impacting the standalone for the quarter. And also the defense business profits were lower compared to last year due to as we just said about postponement of orders. So, a combination of all this is what you will see in the standalone EBITDA numbers impacting.

- Sumit Kishore:** Sir, my second question is in relation to Mundra UMPP. Could you give some color on what the nine months plant availability factor for the plant was and is there any under recovery of capacity charges over nine months period that you would expect to recoup in the fourth quarter?
- Anil Sardana:** Yes, that is correct. The nine months' availability is close to about 77% and the way it is planned is that during the last quarter it will touch 80%, which is what our requirement is.
- Ramesh Subramanyam:** Just to add to what Mr. Sardana said, one other things is that in CGPL the regulatory order for escalation of coal prices comes once in six months. So while you will see the CGPL gets impacted immediately on the rise of coal prices, the recovery of that comes in the next set of six monthly orders which comes from the CERC. So in that sense there is a time lag which you will see recover in the first quarter of next year.
- Sumit Kishore:** So that is also one of the reasons why the under recovery was 70 paisa?
- Ramesh Subramanyam:** Correct.
- Sumit Kishore:** Just lastly on Welspun, what is the outstanding receivable now, is there any doubtful debtor and what is the receivable cycle, if you could give some color?
- Anil Sardana:** There is no doubtful debtor, there is outstanding which of course amounts... can we give you that separately because we have not really got that right away.
- Sumit Kishore:** Sure.
- Anil Sardana:** But we have reviewed that during the last quarter's board meetings and we do not find anything extraordinary compared to the outstanding of everybody in that state. It is primarily in two states, I can give you off hand, one is Rajasthan and the other is Tamil Nadu, which is where everybody else has close to about seven months outstanding and we have about four months of outstanding, that is what I recall if I remember the last board meeting that we did.
- Ramesh Subramanyam:** See, the current outstanding is nearly Rs. 300 crores. Of which majority of it is less than 90 days.
- Management:** Thank you. Our next question is from the line of Jigar Mistri from HSBC. Please go ahead.
- Jigar Mistri:** Sir, can you please quantify the benefit of the one-off refi at CGPL, the interest number is a negative number so has that Rs. 210 crores average interest quarterly booking has come down to a lower number?
- Ramesh Subramanyam:** No, it is mostly due to the MTM of the IRS which keeps changing quarter-to-quarter, and that is what is impacting. It is not so much the interest rates, because in the last year by this time we had completed the refinance, so in that there is only a marginal impact in the quarter.

- Jigar Mistri:** And secondly sir, so if I look at CGPL with Rs. 33 crores EBITDA and almost Rs. 320 crores of interest and depreciation, so that gets us something like Rs. 290 crores of PB loss for CGPL where there is at \$52 the profit from TPWR share of profit is something like Rs. 230 crores odd. So, you mentioned that the coal price comes on with a lag or gets passed on with a lag, but that is a \$52 FOB, this would be more or less in the positive direction. So, the loss from CGPL will be lower than the profit from the coal companies?
- Ramesh Subramanyam:** No, for the current quarter if you see clearly the throughput CGPL EBITDA and coal company overall is positive. So, as I explained the EBITDA from the coal companies have actually gone up by about Rs. 330 crores compared to last year, whereas the CGPL EBITDA has come down by about Rs. 200 crores. So you can see that the hedge position is significantly in our favor. But yes, that is also because of the MTM benefit, but these MTM benefits are also regular features, so they cannot be called permanently one-time. So, I do not know whether that answers your question.
- Jigar Mistri:** Sir, I was more looking at from the net perspective. So, okay the direction is positive but at the net level it is still a negative number. So, how much more the coal prices have to go up for the net numbers to be a breakeven or a positive number?
- Anil Sardana:** No, where did you drive this that the net number is negative? The net number is positive.
- Ramesh Subramanyam:** See, Rs. 244 crores is the PAT for CGPL.
- Jigar Mistri:** Right, a loss... but sir that includes FOREX and a lot of other things. So say Rs. 33 crores is the EBITDA, Rs. 320 crores is interest depreciation on a recurring basis, so that is loss of something like Rs. 290 crores on a pre-tax level. And the gain from coal companies is something like Rs. 230 crores.
- Anil Sardana:** No, at the pre-tax level if you take, it will be more than that. Rs. 243 crores is the PAT contribution of the coal companies.
- Ramesh Subramanyam:** So we are comparing PAT versus EBITDA, that is where I am disconnected a little bit.
- Anil Sardana:** Let us do one thing, you do EBITDA to EBITDA first and then you do at the bottom-line, and both you will find it is positive. EBITDA is Rs. 33 crores, as you rightly said, which is less by Rs. 200 crores compared to the last year's quarter. Whereas the EBITDA for coal company is Rs. 330 crores. So even if you take Rs. 200 crores it is Rs. 330 crores. Now, if you take the bottom-line of CGPL, it will be say Rs. 244 crores - Rs. 245 crores. And if you take the contribution, it is Rs. 243 crores - Rs. 244 crores. So, it is not a adverse picture.
- Moderator:** Thank you. Our next question is from the line of Prakash Goel from ICICI Securities. Please go ahead.

- Prakash Goel:** I have three questions. First, with respect to CGPL under-recovery, if we presume this 70 paise is on account of, like there is a transient impact of the rising prices to reflect in the revenue, and obviously there is a under-recovery with respect to availability as well. If we adjust for these two, how much will be the under recovery now at the current coal prices?
- Ramesh Subramanyam:** Prakash, we do not have a ready number because we have just computed, there is a methodology that we use, we normally do not accrue it and therefore we do not even calculate it. Sometimes the calculation is not exactly what CERC's lead is, so if you want an estimated number we can work out and give you offline.
- Prakash Goel:** Second sir, with respect to Welspun, we are showing an EBITDA of Rs. 255 crores, so what will be the PAT impact adjusting for the interest liability on the loans that we have taken on?
- Ramesh Subramanyam:** So the reason why we believe, Prakash, that Welspun brand in this quarter and perhaps one more quarter is not relevant is because of the peculiar treatment of certain adjustments which we have agreed in the share purchase agreement for under construction project, which does not reflect in the P&L and goes as purchase consideration. So that is why we do not want to encourage a discussion on the PAT right now, because there are two, three things happening we changed the method of depreciation from the useful life, which is line with Tata Power policy, that has a one-time impact on deferred tax. So there are multiple things that are affecting the PAT level which is why we have not given. There is a PAT number but I think we will be not be reading it correctly even if we get the PAT numbers.
- Prakash Goel:** But is it impacting the reported number?
- Ramesh Subramanyam:** Yes, but not material number as far as the total consolidation result is concerned, but it may give you the right idea of what the Welspun profitability is.
- Prakash Goel:** So, if we take a normative interest cost on the total consideration, then we can do an evaluation on our own as to what will bet the profitability of the Welspun?
- Ramesh Subramanyam:** I think so.
- Anil Sardana:** And also remember that we are still in the process of refinancing, so therefore impacts are not yet reflected fully.
- Ramesh Subramanyam:** For the quarter is Rs. 175 crores, that I can give you straight away.
- Anil Sardana:** What Prakash could do, he made a good point that based on the entire thing that he has knowledge about, he can easily take a normative number and go ahead and do that, that is the right way to do it, Prakash.

Prakash Goel: And my last question sir is with respect to joint venture and associate. We have a nice chart on the table in page number 10, we would like to have the same for the last year to have some kind of comparison, if possible.

Ramesh Subramanyam: Sure, we started giving these numbers now, so hopefully we will start giving comparatives also.

Anil Sardana: But it is a good point because we have to extract that out of the consolidated and then...

Prakash Goel: So, when you would have prepared the IndAS adjustment for the last year, I am sure this number would have been calculated to a YoY comparison?

Ramesh Subramanyam: It is available, but I think next quarter onwards it will be part of the presentation.

Anil Sardana: Two, three things of this will never be there, Cennergi, ITPC will not in any case be there for the last year. So, and also we were not consolidating Tata Communications, so that again... So, out of the six items three items would not be there anyways for the last year.

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

Abhishek Puri: Sir, two questions. One on the Tata Communication business, I think the presentation says there is a Rs. 250 crores positive impact. I think in the joint venture and associate that impact for others is Rs. 193 crores. So are these two different items that I am looking at?

Anil Sardana: So, the net impact of Tata Communications is actually Rs. 240 crores in the quarter that appears under JV and associates. And others that you see in the presentation is the bunch of all other companies which are not listed elsewhere. And in that I think more important point is that there is an exchange loss in the Georgian project which is a MTM adjustment for the loans which is not really operational nor is it cash item, but that is one large item that brings down the Rs. 250 crores and the other companies to Rs. 193 crores.

Abhishek Puri: And this Rs. 240 crores was post-tax?

Ramesh Subramanyam: Yes, because we consolidated at the PAT levels.

Abhishek Puri: Sir secondly, this amount of regulatory income, it has suddenly turned from a big negative to a positive. So, Rs. 111 crores negative I think... Rs. 306 crores negative to Rs. 152 crores positive in this quarter. What will this comprise of and how do we estimate this going forward? I mean, what are the key factors to look for?

Ramesh Subramanyam: This, really the gap between what the billing and the tariff order is and this generally in the line which you see below which is the result in the line number eight in the SEBI results, those are generally the distribution related. So, TPDDL and the consolidated results and the Mumbai

distribution in standalone reserves typically add up to that number. Now, how to estimate it? Well, it depends, we need to know then what regulatory order is expected and what would be the bidding rate, and that is nothing but the differential between the two. So, I am not sure whether we can safely estimate it, but probably for the next quarter one could guess and make a number. But beyond that, I think it depends on what orders are yet to come or in the operations. Maybe we can discuss off line with Kasturi how to deal with this for estimation purposes.

Abhishek Puri: And you also put another headline in the results in revenue items which is income from future tariff determination. So that is for some other business?

Ramesh Subramanyam: So that is generally the G&T business. The accounting standards for the regulator income adjustment is only for distribution business, that is why that appears in that line number eight whereas G&T appears in the revenue line.

Abhishek Puri: Because some other companies like say NTPC and even NHPC which are generation companies, they include this regulatory income for future projects which are stuck and which are not moving or if there is any difference in tariffs.

Ramesh Subramanyam: And where are they showing according to you?

Abhishek Puri: They are showing under the EBITDA number.

Ramesh Subramanyam: That is correct, because they are generating up.

Abhishek Puri: But we are taking the distribution companies below EBITDA, the rest we are taking above in the revenues?

Ramesh Subramanyam: Right.

Abhishek Puri: Lastly sir, you mentioned also about the tax related expense of Rs. 180 crores, what exactly is that sir, if you can give some explanation?

Ramesh Subramanyam: So, this is a recent Supreme Court backed ruling on how to treat the unabsorbed replication of 80-IA hearing. So, this is an impact of the fact that how the 80-IA profit is to be computed, what the company was doing a conservative way and the order has come now in favor of the stand that we took that 80-IA when we compute and in the year of availing the 80-IA the full depreciation reduction should be given. And that earlier department never used to give. So now that has been sorted out and that is the cumulative impact. Some of it will pertain to the quarter also, but we have not really computed the quarter one EBITDA.

Abhishek Puri: That is what is reducing the tax burden for us this year?

Ramesh Subramanyam: Correct, deferred tax liability and its impact.

Abhishek Puri: And lastly if I may ask on the CGPL and the compensatory tariff case, what I understand from the initial comments of Mr. Sardana is that you are fighting a case in Supreme Court to go back to the first CERC compensatory tariff formula, is that what you said?

Anil Sardana: Abhishek, I mentioned, I am not saying that that was our prayer, I am saying that if you look at other UMPP orders that came in from Supreme Court where we clarified the fact that the regulator only has the power to open up Section 63 bid tariff. Using that it therefore gives us clarity that these powers under 79 of the Electricity Act certainly rest with the regulator, right. That was the original order, if you recall. So therefore what validates is the fact that if the compensatory tariff that was provided as per the original order will at least stand, that is the first point. So we can always at the Supreme Court level make a mention of the fact that your other orders state so, and therefore that gets validated, that is number one. Number two point is that whatever we had to say further with regard to change of law and the fact that to what extent the compensation should be provided now becomes a more stronger case. So we are two places, as I said in the beginning, let me clarify once again for the benefit of analyst friends. One, in APTEL with regard to the recent CERC calculations where there are errors on record and there are conflicting interpretations of what according to us was very clear in the APTEL order instructions to CERC. So that is one part, that is just to make sure that the CERC order therefore in finality gets validated by APTEL itself, so that is one part. The second part is, you remember the procurer had gone to Supreme Court and the procurers had appealed against the first CERC order and procurers had also appealed against the APTEL order, all of those cases are combined. Now when we go back, we obviously have a stronger case to quote that paragraph of the other UMPP order and say this in any case gets validated that starts from here and after. That is the point that is to our advantage.

Abhishek Puri: In terms of the internal calculations that you would have done, what is the difference between the first CERC order and the second CERC order, if it is available on a per unit basis at a reference coal point or say a coal price of say \$35 or \$40, will there is a 30% to 40% lower compensation in the new formula?

Anil Sardana: So, Abhishek, there is only one salient difference between the two, which is with regard to the fact that in the earlier system they had given us the advantage of our bid assumptions, so we had bid based on particular coal prices and they gave us compensation beyond that bid price. Now in the recent calculations that they have done, they have taken the fuel supply agreement price as the basis price, there is a difference between the two to the extent of about \$4 FOB basis. Now, that is exactly the point that I started by saying that fortunately for us the other UMPP order resets everything to the bid assumptions, first and foremost. And therefore whether we will continue to argue at the APTEL level now, I am not sure, we have to of course take the legal counsel. Now with the new Supreme Court order that is in our hands for the other UMPP, perhaps we will rather go back to Supreme Court and get the issue precipitated there itself. So that is something that I thought I will share it with the analyst friends.

- Abhishek Puri:** I just want to understand whether it is more from a timing perspective that you are saying that if you go to the Supreme Court it will be much faster?
- Anil Sardana:** Exactly.
- Abhishek Puri:** Or is it also from a quantum perspective also that \$40 is lost...
- Anil Sardana:** You are right, and ultimately the fact is, even if assuming that we win at APTEL ultimately somebody will again to the Supreme Court. So therefore, best is now that things are in Supreme Court and we also have this order in hand, we can share that paragraph with you, it is very lucid. So if you want, why don't you share with some of the analyst friends who are keen the paragraph of that Supreme Court order which is there, we will give you that exact track so that they can themselves see that details and then basis that they will be able to interpret it much better. But Abhishek, your point of interpretation is right, from timing and content perspective both ways we will answer.
- Abhishek Puri:** We sincerely hope it happens quickly.
- Anil Sardana:** Yes, all of us are keeping our fingers crossed. And if you ask me, arms and legs too.
- Moderator:** Thank you. Our next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Sir, my question pertains to this Tata Communication profit, the share of profit which you have booked in this quarter. I understand that we hold only 5% of Tata Communications, is it right?
- Anil Sardana:** So, we hold it through two entities in our consolidation. So therefore effectively we hold 17%.
- Mohit Kumar:** Sir, how much you hold?
- Anil Sardana:** 17%, totally as Tata Power Group we hold 17%. And you are right, directly we hold 5%, but the rest is held through another of the subsidiaries.
- Mohit Kumar:** And sir, on what account you are pursuing the case on APTEL, I am talking about the formulae which are given by CERC, what is the parent belief that the formula is wrong or something is wrong or missing out there?
- Anil Sardana:** No, we are not saying any formula is wrong, again just to repeat what I just responded to Abhishek, it is just the basis number beyond which they are compensating us. In the first order CERC had used the number which we had adapted at the bid and in the second one they had used what is the number that is the part of the fuel supply agreement.

Mohit Kumar: But sir, sorry to harp on, but which other UMPP order you are referring to when you speak about this clause?

Anil Sardana: We will give you those details.

Mohit Kumar: And sir last question, this is pertaining to solar. Recently we saw yesterday that solar bids came down to Rs. 3 and Rs. 3.3 legalized tariff. So what is your opinion, has the capital cost reduced so such an extent in the last five six months, if possible for you to comment on that?

Anil Sardana: No, I think it will not be fair for us to comment because we did not participate in this particular round of bidding. We had some views on it, and I would not therefore want to conjecture guesses on what others did.

Moderator: Thank you. Our next question is from the line of Apoorva Bahadur from IDFC Securities. Please go ahead.

Apoorva Bahadur: Sir, in this current Union Budget the Government had reduced the custom duty on certain solar manufacturing components. So, I wanted to know if that is going to benefit us in solar manufacturing? And what would be the impact, I mean, will this help us becoming more competitive in the domestic market?

Anil Sardana: Well, Apoorva, actually the impact is not really much for the solar manufacturers, because what the government has done is only brought the output duty in line with the input duty so that the CENVAT credit flows through, that is the change they have done. What it however does is to change the gap between imports and domestic manufacturers, that certainly it does. So that is a separate issue which may arise, but as far as the manufacturing in India is concerned, it is more to alleviate the issue of lack of CENVAT credit being flowing through.

Apoorva Bahadur: And what was the reason for this improvement in solar subsidy, solar manufacturing?

Anil Sardana: Sorry, you are talking about the Tata Power Solar results?

Moderator: Sir, the participant line has got disconnected from the call. We will take the next question in the meanwhile, that is from the line of Ashish Shah from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir, this is Pulkit Patni from Goldman Sachs. I just wanted to check, about a few quarters back we had done an adjustment to our valuation of the coal assets on the basis of how coal prices has moved. Now, since coal prices have started moving up again, is there a possibility that we could relook at those numbers right now?

Anil Sardana: Pulkit, if you recall, there is a hedge between CGPL and the coal companies. So, you very rightly said that if the coal prices go up CGPL long-term earnings potential has to be judged vis-à-vis the coal companies. Now the way which the impact is actually moving, at this stage there is headroom

in both for us to not really therefore go in for any review of the situation today. We do that exercise every quarter and this quarter what it shows is that we still have a lot of headroom in terms of the net present value of the earning potential of both the assets, and therefore we have not made any changes in this.

Pulkit Patni: And sir secondly, book keeping. Can you just guide us what could be the CAPEX for the next two years, FY18 and FY19?

Anil Sardana: Pulkit, let's not give guidance, but our ballpark numbers have always been in the range of Rs. 1500 crores or so.

Pulkit Patni: This would include maintenance and any new CAPEX?

Anil Sardana: No, it does not include any maintenance.

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

Bhavin Vithlani: Sir, my question is on Welspun, the Rs. 9,000 crores debt, if you could give us what is the cost of debt and the NCD that you that you highlighted about being refinanced, what is the quantum of total NCDs being refinanced?

Anil Sardana: So, out of the Rs. 9000 crores if you recall we have already raised bonds of Rs. 3,500 crores last year and they are about 7.7%. Then the Rs. 1,200 crores which we recently raised is at 8% and the balance we are in the process of getting it financed, and we expect them to be done in the next couple of months.

Bhavin Vithlani: Continuing question on the Welspun, is there a headroom for expanding PLFs, because I recollect in past quarters you talked about doing CAPEX on trackers and changing some engineering that the PLFs can move up reasonably well from the current levels. If you could dwell a bit on that?

Anil Sardana: So, without giving any specific guidance, yes the team is on the job and we are working on those aspects.

Bhavin Vithlani: So, could the PLF go up to 22% - 23%?

Anil Sardana: I am not going to put a number to it today, Bhavin, it would not be appropriate. But certainly we are aspirational about the fact that we will make improvements.

Bhavin Vithlani: And another one is the book keeping question, the Rs. 240 crores profit in the coal companies, is it from both the mines or is it only the continuing mine?

- Anil Sardana:** No, only one mine, we are not including Arutmin nor are we now including the infrastructure company of Arutmin both are out now.
- Ramesh Subramanyam:** And in that sense, the previous year included. Arutmin or example, was included last year, that still was not there last year. So, this year because of the inclusion in forwarding the agreement now even the infrastructure companies out of the coal company profits which has shown.
- Bhavin Vithlani:** But the volume of coal mentioned in the presentation is for both the companies?
- Ramesh Subramanyam:** No, it is including, you are right. But we will give you separately the KPC number which is relevant for us.
- Anil Sardana:** Not it is KPC and the other mines.
- Bhavin Vithlani:** Last question, we have seen consolidated net debt moving up to about 2.6 times, is it more of a comfortable level that the management is looking to go from hereon or looking at options of monetizing or fund raising from here?
- Ramesh Subramanyam:** We have always maintained, Bhavin, that certainly we would like to improve that number. And the timing will depend on what is the right timing and when we take an appropriate decision. So, certainly yes, there is good room for improvement there.
- Anil Sardana:** You recall at the time of acquisition the team made it very clear that this is only an interim phenomena and we do not plan to have the entire Rs. 9,000 crores odd through the debt, it will therefore follow the process where the equity portion will be managed through some other means. So, that work is on, and at the appropriate time we will share it with you as to what exactly is the step being put across effectively. So we will come back to you on that part.
- Bhavin Vithlani:** So the current arrangement where Rs. 3,500 crores debt is to the standalone entity which is a bit inefficient currently, that would be corrected overtime?
- Anil Sardana:** Yes, that clearly is the direction.
- Moderator:** Thank you. Ladies and Gentlemen, as there are no further questions from the participants, I would now like to hand over the floor to the Management for their closing comments. Over to you, sir.
- Anil Sardana:** Thank you. Thank you, friends, for your joining us on a Saturday morning. Apologies, we will make sure that next time around we do not get you up early in the Saturday morning. Thanks once again and look forward to catching up with you at the Q4 of FY17. Good day and have a nice weekend. Thank you.
- Moderator:** Thank you very much, sir. Ladies and Gentlemen, on behalf of Tata Power Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.