

The logo for TATA POWER, featuring the company name in white on a blue background with a white speech bubble shape. Below the name is the tagline "Lighting up Lives!" in a smaller font.

“Q3 FY ‘18 Earnings Conference Call of TATA Power Company Limited”

February 14, 2018

The logo for TATA POWER, featuring the company name in white on a blue background with a white speech bubble shape. Below the name is the tagline "Lighting up Lives!" in a smaller font.



**MANAGEMENT: MR. ANIL SARDANA –CEO AND MD, TATA POWER
Co. LTD.
MR. RAMESH SUBRAMANYAM – CFO, TATA POWER
Co. LTD.**

Moderator: Good Day Ladies and Gentlemen and Welcome to the Q3 FY '18 Earnings Conference Call of TATA Power Company 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 the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anil Sardana – CEO and MD, TATA Power Limited. Thank you and over to you, Sir.

Anil Sardana: Thank you and I hope you will have your ways to check the communication aspect in terms of that it being clear to our listeners. Welcome to all the analyst friends to this Q3 FY '18 call, very Good Afternoon to all of you. I hope you would have had the presentation and all the input material and we will do more of talking after we hear your questions and I will perhaps in the end summarize our discussion and the way forward, so I am not going to truly talk about and give any opening remarks and I will look forward to your questions. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Ashish Shah from Goldman Sachs. Please go ahead.

Ashish Shah: Sir, I have couple of questions first on the result and then in general, so on the result, Sir, in CGPL if we see then the operating profit has improved to 54 crores from 29 crores, so is it just because of the lower PLF or is it also because of the efforts that we have in blending coal?

Anil Sardana: You can say primarily it is because of the lower PLF, so that makes a significant difference because you saw that the availability factor was higher, yet the PLF was lower, since the off take is lower naturally that is a positive impact.

Ashish Shah: Okay, because I just wanted to understand if we can quantify any number on the benefit that we would get because of coal blending?

Anil Sardana: It is also the improvement in what you said the coal consumption factor primarily because of the heat rate improvement not as much as blending, but the same time a significant difference is on account of what you mentioned which is the lower PLF with higher availability.

Ashish Shah: Sir, on Maithon why would the availability be lower this time around?

Anil Sardana: The unit was on schedule outage that is the normal factor in terms of availability being lower, but you would have certainly seen the impact due to the CRC order.

Ashish Shah: Is there anything else or it is just the CRC order and the lower availability?

Anil Sardana: Nothing else at all, in fact the station continues to do very well, it is just the CRC order which of course we are very confident we have to appeal and some of the aspects that they had

themselves permitted before and have turned around in this order will get corrected, we are more than confident about it.

Ashish Shah: Sir, on the outage related 19 crore of impact, do we expect this to recover in Q4?

Anil Sardana: Availability factor will automatically be higher than the statutory availability, so the entire fixed cost will be recovered, so if you are trying to hint in terms of fact whether the annual one will surpass that, it certainly will surpass it.

Ashish Shah: Sir, if you could help us understand the status on the Trombay PPA the progress as such?

Anil Sardana: Ashish, at this stage, there is virtually no change compared to what was reported in the press in the sense that MERC heard the BEST's petition in which they have sought one-year extension on the existing terms and condition to which Tata Power as a respondent is a confirmation in terms of the fact that we are okay with that and now MERC has to decide. You might have recently also seen an order in respect of the other distribution company, which had also asked for tie-up of their needs from their respective plant, which MERC has approved for next five years on the same terms and conditions. So at least one factor that is now predictable I would say while we have to still get our order in the sense that Tata Power distribution therefore to the extent that it wants to contract from Trombay will get the same terms as has been given to the other Discom.

Ashish Shah: Sir, then what happens after 31st March to the quantity that we give to BEST?

Anil Sardana: To that extent of course for one year, we are clear that BEST will get from Trombay because they have not tied up. Now, whether that is for month on month basis, whether that is on six-month basis or one-year basis that is what MERC has to confirm, if MERC confirms for a year's time then it becomes for one year, if they confirm for different time then it becomes for different era, because the choice that BEST has is to go through the entire rigor of bid again and you can imagine that, that period will take more than six to eight months anyway.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: First is on the one-off in numbers in this particular quarter, there is 2.7 or roughly 3 billion of deferred tax asset which have been created and there is Maithon, is there something else, can you quantify all these one-offs?

Ramesh Subramanyam: Maithon, deferred tax, and when you are comparing with last year, last year we had also one-off item from gains from Tata Comm of about 240 crores then we had again a regulatory order 180 crores and then we had made some one-off provision, so overall last year we had a 355 crore kind of one-off and this year we had 299 so basically if you are looking for one off the overall is about 56 crores of lower one-off.

- Mohit Kumar:** Sir, there are two numbers floating, one is the 297 crore that is Maithon?
- Ramesh Subramanyam:** That is the deferred tax.
- Mohit Kumar:** Correct, deferred tax asset and there is one Maithon of 97 crores, but we have declared in the press release says 188 crore is the one off?
- Ramesh Subramanyam:** That is the net number, 188 is nothing but compared to last year in standalone, so you might have seen the press release about the standalone difference between last year and this year we had 188 crores more whereas last year it was 115, this year it is 303, so it is 188 crores more and on a consolidated level, it is actually lower than last year by 56 crores, it is a one-off.
- Mohit Kumar:** My second question pertains to we are going through restructuring of the entire group entity, is it possible to lay out the timeline for various things you are doing like Panatone, Tata Power Renewable, and the Tata Ceramic, Tata Projects, is there a timeline which you can lay out?
- Anil Sardana:** We will let you know as and when we conclude those because it will be unfair for us to double guess in terms of permissions and CPs and all that stuff.
- Mohit Kumar:** Sir, can we expect most of the item to happen by end of FY '18?
- Anil Sardana:** It will be in everyone's interest to do as fast as possible having sort of put them on that thing but at the same time, it will be unfair to hazard a guess.
- Mohit Kumar:** Sir, has there been any progress on the CGPL discussion with Discom, is it something which you can share?
- Anil Sardana:** Again, I guess it is important for us to bear in mind that is actually an initiative between lenders and procurers, so we do not get so much visibility. In fact many times, we too read in newspapers like the way you people will get to understand, so we have knowledge of the fact that there has been working group meeting between the procuring stage and the lenders, but eventually what is transpiring, how fast and how well it is progressing, one is not very clear.
- Mohit Kumar:** Which account there was under recovery in Maithon in the sense which accounts they were to have, disallowed some of the cost to be recognized?
- Anil Sardana:** Maithon?
- Mohit Kumar:** Yes.
- Ramesh Subramanyam:** The disallowance is mainly in CAPEX, there is a cash flow effect on that, then there is the cash handling cost and heat rate.

- Anil Sardana:** Mohit, if you are familiar with the regulatory system, in the previous one the regulators used to take the projections, build it as a part of the tariff, allow you to bill it and then in the true-up see what is the actual versus what he had provided, but in the current expenses, which is actually an intervening period in which the previous Chairman retired and the new Chairman had not joined, the new panel actually did not take into account any of those aspects and said they will not provide that in the tariff and you come at the time of truing up and that is the reason why you find that now we cannot bill, so there is an impact of hereinafter that you cannot bill for till such time that you go back on truing up or you get your appeal upheld and also for the past period when we had been accounting for it that also he has sort of annulled till we go back on truing up so that is the reason why you see this impact.
- Moderator:** Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Sir, my first question is on the entire renewable portfolio, now as we look at the full year this year as we complete, we will be close to North of 500 crores in terms of the PAT from this business, can we expect any more kicker in form of further decline in interest rates etc. here which could further support PAT or we should expect this to be steady state with the portfolio of close to 2250 odd Megawatt?
- Ramesh Subramanyam:** Apart from the new capacity addition which keep happening depending on which projects get closure, for example, during this quarter we closed about 227 Megawatt of solar projects. The kickers are upwards, of course on the financing side the kickers keep coming on as the interest rate cycle changes and refinancing happens. The other issue is that when new projects happen in the initial few months, there is always under absorption of the fixed cost like it has happened in this quarter also that the projects got commissioned during the quarter and from the date of COD, the fixed cost gets kick in, but if generation does not pickup for a month or so, so that is the only kicker, so basically capacity addition and stabilize the capacity addition that is really the kicker and refinancing will keep happening, you cannot critique that as a kicker all the time.
- Pulkit Patni:** Sir, can you talk about, if you can discuss what is the total receivable that we would have in our renewable portfolio today?
- Ramesh Subramanyam:** We are close to three months on a full portfolio, some states are skewed, but otherwise it is average of around three months.
- Pulkit Patni:** Sir, last question from my side as I look at the regulated asset at the Delhi distribution business, it had been declining for the last almost four to five quarters, but this quarter has seen a pretty significant jump, it is close to 4500 crores, any reason why this has happened?
- Anil Sardana:** My sense is it may be because of the billing by the generators, while the regulatory asset has declined, but when the billing comes in from the CRC for various NTPC projects etc., at that

time there is no sort of back-to-back passing on of that, and therefore, the regulatory assets for an interim period increase, otherwise there is no such trend.

Pulkit Patni: There is no built-up basically?

Anil Sardana: Yes, there is no built-up.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from Motilal Oswal Securities Ltd. Please go ahead.

Dhruv Muchhal: Sir, firstly on the restructuring that we are undertaking, Tata Projects, Tata Ceramics and others, most of these entities are not listed, so how should we look at the valuation, I mean how do you plan to sell them, Panatone also even ICD, so how should one look at the valuation from these, how do you decide them?

Ramesh Subramanyam: There is a laid down process for the valuations of these unlisted and goes through a rigorous fair valuation process and audit committee has to satisfy and is a very standard process. So there will be nothing extraordinary in this, like all unlisted companies where you have to have a fair valuation by independent valuers, this will also go through that.

Dhruv Muchhal: Do you have a number in terms of what are you looking at in terms of what is Tata Power looking at to realize from all these assets?

Ramesh Subramanyam: Unfortunately, we cannot give you that number because unless the valuations are approved by the board through the process, we cannot publicly share it. You could always find out from your own sources as to what numbers are generating and what are the industry benchmark, probably at this time that we can say.

Dhruv Muchhal: Sir, second thing was on the Mundra assets so again the FOB cost of coal is significantly lower than what we are realizing in Indonesia, so the differential between Indonesia and what you are paying in Mundra is about \$10 which is almost the highest quarterly levels so how are we optimizing it, do we have favorable hedges, I mean the cost is pretty low there, so what is helping us?

Ramesh Subramanyam: It is of low CV coal that is there, and the mix of the entire coalmine quantity at the mine level it is different than the type of coal that we are buying.

Anil Sardana: The better way to understand from your perspective would be the fact, we have been declaring that we continue to source coal from places where we can get better than the market rate and for each of the quarter, you will find at least 10% to 15% part of the portfolio of consumption that will be at base rate far lower than the market rates because more than that, it is difficult at this stage for us to increase that portfolio because what will happen is in that case we are dependent on too much of different quality of coal from blending point of view and storage point of view,

but yes, you can always assume that 10% to 15% coal will always be a source which is lower value than the market.

Dhruv Muchhal: Because if you see last two to three quarters, the coal cost price has increased by only about one or two dollars versus internationally the price are significantly higher, so this is not a lag benefit, this will not eventually come later, this is an underlying benefit?

Ramesh Subramanyam: This is underlying benefit and I think this trend is also because of as I said at the mine level, the average CV of the coal is much higher and as a result the realizations are different and also different market around the world offer different premium to the CV adjusted prices, so therefore, it may not be reflected exactly mirror in the CGPL purchase price.

Dhruv Muchhal: Sir, thirdly on the coal GVs particularly KPC, we have seen a significant increase in cost, so effectively what has happened is the realizations have increased but the costs have also increased, so the EBITDA benefit does not come much, so is this the cost increase again underlying or it just was some one-off?

Ramesh Subramanyam: Some of it is due to strip ratio compared to last year's strip ratio have increased as normally happens when prices go up.

Anil Sardana: Actually, that is not that strip ratios, we take up such mine which we can afford at that moment and that is the reason why you will see that at this moment people expose overburdened from such of the mines which otherwise do not look to be viable, so when the rates are higher, you always go to mines with adverse strip ratio.

Dhruv Muchhal: Sir, the last question if I may, there has been a significant decline in our renewable energies or portfolios finance cost, it is all because of refinancing and similar to that the EBITDA in the standalone renewable asset has declined quite sharply on a QOQ basis, so is it because of the seasonal patterns or this is something, how should we understand that?

Ramesh Subramanyam: The overall finance cost is yes, you are right, there is a full impact of the financing that has happened.

Dhruv Muchhal: For the standalone renewable has declined, so from 170 crores to about 90 crores?

Ramesh Subramanyam: Tata Power Renewals, TPREL, it is almost same.

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

Abhishek Puri: Sir, couple of things, one on the Maithon power out of the 97 crores that you have mentioned, 77 is for prior period, right?

- Anil Sardana:** 70.
- Abhishek Puri:** And this is going to be an under recovery on the recurring basis as we had accounting it conservatively now as per the CRC order, is that right?
- Anil Sardana:** True, till the time the appeal is apprised.
- Ramesh Subramanyam:** Probably 20 to 25 crores would be the annual impact.
- Abhishek Puri:** Sir, 20 to 25 crores of yours every quarter?
- Anil Sardana:** No, annual impact.
- Abhishek Puri:** Secondly Sir, this coal SPV number that you have given in the presentation, on Slide number two, it says it is accounted on EBITDA as well and the EBITDA number there is about 388 crores and Slide number three is about 663 crores, what is the difference between the two?
- Anil Sardana:** You said coal companies 663 and other one which you said was...?
- Abhishek Puri:** One was coal companies on Slide three and on slide number two coal SPVs of 388 crores EBITDA?
- Ramesh Subramanyam:** Coal SPVs are the holding company, Abhishek.
- Abhishek Puri:** What will be the amount of dividends that we are getting?
- Ramesh Subramanyam:** The increase in SPVs EBITDA is almost entirely dividend.
- Abhishek Puri:** Lastly, Sir, for this Panatone Finvest in Tata Communications I see a large profit number in the last year same quarter, any specific reason for the same, because this company is not usually profit-making as such?
- Ramesh Subramanyam:** That was more profit booked on the sale of the business of Tata Comm last year.
- Abhishek Puri:** Sir, we have already removed that from the numbers in the current quarter?
- Ramesh Subramanyam:** Yes, it is for sale now.
- Abhishek Puri:** So roughly what will be the impact if we take Panatone Finvest in Tata Communications for the current quarter, what would be the impact because in our estimates, we were considering that already?
- Ramesh Subramanyam:** Since we cannot report that separately, I do not think we can give it, Abhishek.

- Abhishek Puri:** I think a prior participant also asked the same question regarding the assets that are held for sale, any numbers that can be shared for the prior periods, not for the current quarter since you have not shared it, but for the prior periods should help us in terms of valuing them in a better way, will it be possible to share that, can I take it from IR team maybe later?
- Ramesh Subramanyam:** Yes, we can do that.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.
- Bhavin Vithlani:** My first question is if you can help us in the new restructuring, what could be non-core and consequently will be held for sale, second related question is in the new restructuring would the captive power plants of Tata Steel being done by IEL as Tata Steel is going for expansion, so should we expect the growth to come to IEL, that is my first question?
- Anil Sardana:** That is something that the company strategy will define, but we see no reason why it should change for the simple reason that the captive projects in the plan, if there are fresh, IEL could be one of the platform to bid, so at this stage we cannot predict anything beyond.
- Ramesh Subramanyam:** To your first question all the three assets which are currently under for sale are incidentally the biggest of the assets we have apart from the Tata Sons holding.
- Bhavin Vithlani:** Sir, would appreciate if you can actually chart out from the current structure of Tata Power, so defense as you have classified, so what else like would Tata Projects?
- Ramesh Subramanyam:** Tata Projects has already been classified this quarter, Tata Comm is already classified earlier and Defense business is also already classified earlier and there is Tata Ceramic which is small company that is also classified.
- Bhavin Vithlani:** The second question is in the renewal bills, in the current quarter we have actually not given what is the consolidated revenues and EBITDA excluding the inter-company transaction, would it be possible to share that, this is slide number 11?
- Ramesh Subramanyam:** You can check the Slide number ...
- Bhavin Vithlani:** Slide number 11 the consolidated revenue EBITDA PAT is missing?
- Ramesh Subramanyam:** That is there.
- Bhavin Vithlani:** The consolidated excluding the intercompany element?

- Ramesh Subramanyam:** The total is missing, can you please, I do not think there will be any elimination here on revenue side, it is simply addition, on EBITDA also I do not think there will be any addition, there is no elimination in the quarter.
- Bhavin Vithlani:** TPREL holds Walwhan so there is some elimination that happens in the prior quarters that we have observed?
- Ramesh Subramanyam:** So there is no dividend this quarter, I think last quarter it was there, you are right.
- Bhavin Vithlani:** So we can simply add in and we get the value.
- Ramesh Subramanyam:** Yes.
- Bhavin Vithlani:** The other question is if you could give us an update on the Arutmin because we heard you on the television saying some first tranche has come, so if you can give us an status update and when can we expect the entire amount to be received?
- Anil Sardana:** It is coming in trickles right now and therefore we are not really talking except for the fact that we are still pushing for the larger tranches to come in at this stage while the coal prices are higher, the promoter the Bakrie brothers, the Bumi Company is still not able to get that because the lenders have the first right on the right profitability from those companies, so therefore, we are still negotiating with them for larger tranche, in trickles it has just started to come in.
- Bhavin Vithlani:** Would it be possible to share the amount received in third quarter and fiscal year to date?
- Ramesh Subramanyam:** To date, overall of course we do not recognize it, but today if you are including the adjustment of the receivables etc., we would be touching about \$100 million.
- Bhavin Vithlani:** Okay, so out of the \$400 million, quarter of that has already been received?
- Ramesh Subramanyam:** Yes.
- Bhavin Vithlani:** And, would it be fair to assume that over the next 18 months, we should be able to get the complete realization?
- Ramesh Subramanyam:** It is probably crystal gazing at this point of time because we do not know what coal prices would be, what income will go to them, how the lenders will allow them, so there are lot of the issues, I think it is suffice to say as Mr. Sardana said, it is coming in trickles and it perhaps continue to come in trickles.
- Bhavin Vithlani:** Any timeframe that would it be possible to share?

Ramesh Subramanyam: Timeframe, only thing we can say is as early as everyone can because really speaking putting a timeline where we also do not like to put a timeline because last three years we tried to put a timeline and it was not met, so we would be probably focusing on collecting it rather than putting a timeline.

Bhavin Vithlani: Fair enough. My last question is on the renewable piece, correct me if I am wrong, bulk of the assets under construction has already been commissioned, so if you could help us on the way forward in terms of growth of the renewable portfolio and by when can we expect that the entire portfolio is consolidated into one entity and consequently the growth can be accelerated?

Anil Sardana: You are right in saying that most of the assets will get commissioned by March, we have commissioned close to about 247 Megawatts this quarter and I guess the balance close to about 150 to 200 Megawatt is under commissioning which is expected perhaps in the subsequent quarter and beyond that, the assets, etc., right now the bidding is on and after that we will be able to tell you what exactly is the future plan.

Bhavin Vithlani: Any possibility that if you could share your view where we see the current tariffs of solar, do you believe they are attractive enough or that is one of the reasons why that you are actually going slow on the expansion?

Anil Sardana: Let us not talk too much about those who have bid and won because it is their perspective, but the fact of the matter is that yes, these tariffs do appear to be a bit on the lower side and one will have to therefore make sure that one picks up the right opportunity.

Bhavin Vithlani: Would in your opinion, this be unviable tariffs?

Anil Sardana: I do not want to say for those who have won.

Ramesh Subramanyam: I think it is difficult to say that, it so much depends on the individual appetite of the investors and to say that is unviable for all could be a statement without information, we would rather refrain from making comments on the other's ability to get low tariffs.

Anil Sardana: Also I think if you want to really get a bit deeper, all depends on who has put the land and interconnection is somewhere the connectivity is provided as a part of that, somewhere the land is provided as a part of the solar power etc. so this is one factor. The other is for each player the capital cost is different because as you can understand that there are wide ranging players with different perspective, so it matters to different players, it will be a different perspective altogether and some may say that look it is absolutely fine because it is viable for us, so let us not make that kind of a comment that these are unviable, we can say yes, it is challenging to work on the current tariff and one is hopeful that the tariffs will either course correct or the material cost will course correct, because one factor that you must bear in mind is that suddenly in the last six months, there was an increase in the module price.

- Bhavin Vithlani:** Just a last bit which I had asked to, when do we expect the whole renewable entity to be consolidated into one entity?
- Anil Sardana:** February 15th we are having s special shareholders meet and after that we will report that to NCLT and then the process should take its own time.
- Ramesh Subramanyam:** Which is to clarify the current petition which we have in NCLT is only the 370 odd Megawatts of current assets in the standalone, if you are talking about single entity for the entire portfolio it is still going to be housed within the umbrella of TPREL, but not one entity, there are 25 entities which are there and they will not be easily collapsible if you are asking them, but they will be under one parent as HOLDCO so to speak, which is Tata Power.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Goldman Sachs. Please go ahead.
- Ashish Shah:** Sir, we had classified around 16% of the entire stake which we own in Tata Communication as held for sale, now we see that the Panatone Holding has been sold to Tata Sons, what about the remaining 4% that we directly hold in Tata Communications, how do we think about that?
- Ramesh Subramanyam:** I think there is some confusion, we have not sold yet. We have only classified the asset into held for sale, it is just an accounting classification in the balance sheet, so sale is yet to happen and whenever it happens, of course we will announce it.
- Ashish Shah:** Okay, because we said this we received filing which is considering transferring the Panatone stake to Tata Sons, so I was just thinking what about the remaining 4% that we directly own?
- Ramesh Subramanyam:** Good question, so that notice is specific to Panatone because that is the requirement of the non-banking, NBFC regulation because that does not apply to the market, therefore, the notice did not talk about the tariff holding, but both go hand in hand.
- Ashish Shah:** Sir, if I just had to look at the company in the sense we are trying to offload the non-core assets and once we are able to do that, how do we plan to grow in the sense do we plan to grow via say acquiring thermal assets through the JV with ICICI or do we plan to expand the renewable portfolio, how should we look at it after this divestment?
- Anil Sardana:** I can only give you a general response to this question because we do not want to be giving any guidance for future and the general response would be it will be both of which you mentioned which is grow through acquisition of some of the stressed assets as you mentioned and that is the reason why the platform is active and of course also grow in other options which is through renewables, through transmission asset, DND assets rather there are distribution assets also which are being talked about and any other opportunity that might come in, so one will be open for.

- Ashish Shah:** Sir, the last thing is can you throw some light on the Ajmer distribution asset, I mean what is progress because we had heard that?
- Anil Sardana:** This is just about a quarter that we have gone through that, we can only tell you that the distribution losses are showing up improvement, it is too early to talk about that in terms of exact numbers, the service parameters have started to improve again through a later talk. We have to make sure that we do preparation for the coming summer because that will be the test and work is on towards that part, so the team is in place and the work is underway.
- Moderator:** Thank you. The next question is from the line of Sumit Kishore from J.P. Morgan. Please go ahead.
- Sumit Kishore:** My first question is in relation to Arutmin where you mentioned that close to about \$100 million has come in to the company, so is it already reflected in your net debt position as of December?
- Ramesh Subramanyam:** No.
- Sumit Kishore:** Where is that cash parked and why has it not been taken through the P&L?
- Ramesh Subramanyam:** To the extent it is received in cash, it is of course reflected in cash in consolidation, but there is non-cash investment also, so that of course adjustment will happen only when the transaction closes. What we are saying is that 300 is the balance cash to received.
- Sumit Kishore:** Now \$100 million of cash is in your consolidated balance sheet ?
- Ramesh Subramanyam:** Approximately 30 million is in the form of cash, balance is actually receivables adjustment because there were some receivables also, those also which will be tested that is being done so therefore that will not appear naturally in the cash and that adjustment does not normally happen, because that will happen when the transaction closes, which means that the amount are fully in, what we are saying is in terms of securing the 400 million, 100 million is already secured.
- Sumit Kishore:** Of the 100 million secured only \$30 million is in your cash, recognized in your books?
- Ramesh Subramanyam:** Yes.
- Sumit Kishore:** Second question is in your notes to accounts you mentioned that the company expects to realize value from the sale of Tata Ceramics and Tata Projects in excess of the carrying value of the investment in the said entities, so just to set the reference point right, what is the carrying value that we are looking at for Tata Ceramics and Tata projects?
- Ramesh Subramanyam:** That we can separately send it to you, I think it will be appearing in the standalone books, so if the balance sheet should be there, but anyway we will give you value if you want, our team will give you.

- Sumit Kishore:** Is these transactions especially for SCD and even Tata Projects will be intergroup in nature, so should we look at the reference valuations of companies in the sector as listed on the exchanges, for example, Bharat Electronics for SCD as a possible comparable on a trailing four quarter EV EBITDA valuation has the right reference points or would these be sub the market valuations.
- Ramesh Subramanyam:** The Companies Act and SEBI regulations are well clearly mandating that this is a related-party transaction, fair valuation process, now you know that standard fair valuation processes include references through market as well as references through BCF method and references to multiple, so therefore depending on the independent valuers judgment of appropriate metrics would be used to validate, so therefore, the answer lies in the fact that there is no one reference point that you can take. Generally, valuers takes the mix of it and we would be doing a fair valuation by reputed independent valuers.
- Sumit Kishore:** Finally, on Trombay, the understanding is that for one year nothing would change and so basically the whole process of entering into a negotiated tariff would just get pushed back by a year?
- Ramesh Subramanyam:** Hopefully, yes, we have not received the order yet.
- Sumit Kishore:** But that would be the best-case outcome?
- Anil Sardana:** Yes, that is what BEST has pleaded for and we are seconded, but one can wait, it is better to wait for MERC order, let us see as to what they have to say.
- Sumit Kishore:** Finally, there has been a noticeable reduction in your interest cost on a quarterly basis both on a quarter on quarter basis as well, we are seeing the net debt to equity ratio reduce to about 2.76X now, so what is the direction, I know your target is normative levels, but what timeline do you see achieving that normative level of say 2.33, 70:30?
- Ramesh Subramanyam:** Well, it is suffice to say that the indication that you are getting about the asset held for sale, it is really setting the direction, timing would depend on the time that is required to actually materialize them, so I think that is correct way to comment, so directionally that is where we are going.
- Moderator:** Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.
- Rahul Modi:** Sir, most of the questions have been answered, just a couple of them left from my side, some details if you could share on the Russian mine and the investment and the timelines on that please?
- Anil Sardana:** I am glad that you remembered the Russian mine transaction that are being through recently, so the mine has the potential to provide coal of very good quality to our projects, which will mean

that we should be able to bring the coal to Mundra as well and it has 380 million tons of reserves, and therefore, for the quantity that we are looking for, we will assume that it will service at least for the balance part of the TP. We can ramp up the mine in about, it could start about in 18 to 24 months from now depending on the progress of various aspects and from there on, it can ramp up to about 10 million tons per year which is based on the mining plan that is being worked at the preliminary stage, so that period will be another 24 months, so you can say 24 months to start, we will start with close to about 5 million tons, ramp it up to 7.5 in about 8 to 12 months' time and then to 10 million tons in 24 months' time. In terms of various aspects related to the mine, I can only add by saying whatever were our learnings from Indonesia, we have made sure that those learnings are documented and wherever need was even we have got the stamp of approval of the highest authority in that plant, so make sure that the grandfathering of the existing norms of taxation, existing norms of transfer pricing, as also concepts of making sure that no change of law in that soil will impact this particular asset and there will be a cargo available to it, all of that has been done so we are targeting to make sure that we should be able to get the coal from this in 18 to 24 months' time from now.

Rahul Modi: Sir, just one more thing on this, I believe we would be tying up with the local MDO contractor in this?

Anil Sardana: Those are the models of how you want to extract coal, so there could be MDO model, there could be model of where you have a local contractor but we buy the equipment, so depending on which turns out to be cost competitive and risk-free, we will pursue that option.

Rahul Modi: Sir, any CAPEX guidance and will we be incurring the CAPEX or?

Anil Sardana: I mentioned to you that depending on the model that we adapt, we will have them & then take a call on that part, we have done our estimations based on both models, one where the investment comes along with the equipment from a contractor and where a contractor does the normal contract mining and we bring the equipment from our side, we have looked at both the models, all depending on how we eventually get the offers, we will finally decide.

Rahul Modi: Sir, just wanted to check on the infrastructure, obviously it is at a very nascent stage, so how far is it from the port there and any infrastructure which is already existing?

Anil Sardana: Yes, there are mines in the areas around, there are refineries in the area around and this mine is about 60 kilometers motorable road from the coastline and the way the scheme will work is that there would be a stage concert arrangement for coal jetty has also for the transportation from mine to the coal jetty.

Rahul Modi: Sir, just a ballpark number in terms of what kind of savings you are looking at, even on a minimum scale if you can give us and what will be the GCV like?

- Anil Sardana:** It will be unfair to talk about financial figures for the forward period, I would say yes, the coal will be of very high quality and it will be upwards of 6000 kilocalorie.
- Rahul Modi:** Just one last on Mundra, Sir, the tariff is at around 2.69, any prior period in this?
- Ramesh Subramanyam:** There is no prior period, but there is benefit apparently coming from the swap which we have taken the interest rate and winding of swap that is one thing that is why the PAT is coming down and there is dividend from the Singapore subsidiary that has been one-off in this quarter of 25 crores, generally the interest cost is by and large the same as last year, I think that is important. I think more important as Sardana earlier explained that it is lower sale.
- Anil Sardana:** He is more keen to understand the jump compared to the previous year on the revenue side which is basically based on the coal cost that the regulator has regularized based on the high coal cost because when you are looking at Q3 figures, it could correspondingly be for something like \$50 to \$60 when the price was and this figure that you see 269, the regulator may have updated it for about \$100, so that would have been one of the key change.
- Moderator:** Thank you. The next question is from the line of Anirudh Gangadhar from Nomura. Please go ahead.
- Anirudh Gangadhar:** Sir, my first question is on the continuation with the realization of Mundra, from the narrative that we have got given that CRC's new escalation rates are negative territory, could you explain why the realization is up quarter on quarter from 2.59 to 2.69 because what we understood was that progressively the number should be hitting down as far as the CRC escalation factor is concerned?
- Anil Sardana:** No, there are two factors in this, if you see the figures as you said 2.59 to 2.69, one is of course the coal component the cost that has changed. The other part is there was a change of law order on the fixed price where again the CRC gave a final order and I think that would have been one of the constituents in this part or maybe that was just 3 or 4 paise that I remember.
- Anirudh Gangadhar:** Sir, that would be a full retrospective impact would have been taken?
- Anil Sardana:** I am not sure how much is the retrospective part because that has been averaged or it is whole component plus that which is going to be incurring done.
- Anirudh Gangadhar:** The next question was on the interest in finance cost for Mundra down from 156 crores to about 120 crores, is that again purely refinancing or anything else or swaps have given us a lot of gains?
- Ramesh Subramanyam:** I think it is the latter, the swaps have given the rates and the MTM has also come down.

- Anirudh Gangadhar:** Third is the clarification, just when you mentioned that at least in my numbers I was expecting a lot more contribution from the coal companies, but as you mentioned it they choose to operate those mines which become viable at the current high prices, so fair to say that these kind of margins and spreads can really be sustained even if prices go down because then we can move back to mines which are viable and similarly profitable at those price levels.
- Anil Sardana:** You remember when the prices were getting lower and we always used to say wait for a quarter and we will move to mines with better strip ratio, so it is a natural process, it is a process in which you keep identifying and keep doing good old data and keep yourself ready as part of a mining plan.
- Anirudh Gangadhar:** Sir, the next question was on share of associates, the profit after tax, the contribution is up to 33 crores this quarter from about 9 crores that we saw in the second quarter and 9 crores in the first quarter, what has led to this delta, Sir?
- Ramesh Subramanyam:** Two of the assets, it is given in the chart which has been given to you, so chart 3 says the assets there Panatone Finvest, Tata Projects, Tata Comm, they all go into the held for sale category and therefore there they will not be there in this quarter.
- Anirudh Gangadhar:** My query was not on year on year, I totally appreciate what you are saying in terms of asset sale for sale, it was more on quarter on quarter that last quarter the share of associates contribution was 9 crores only, it is now 33 crores?
- Ramesh Subramanyam:** We will just check that number, we will give you that number, I am sure it is the Tata Projects which is appearing there, must have been lower, last year projects are there, must have been a lower number so we will take the last quarter and tell you.
- Anirudh Gangadhar:** Sir, my final question was in terms of any concerned debits that we have done via resurgent for any of the stressed assets and also what is the status of our Georgia project?
- Anil Sardana:** We have been participating in various opportunities from resurgence side, right now we will not be able to, I think it has been coming in the newspaper also, so yes, the answer is we have done that and we are waiting for further progress on that part and you asked about the Georgia project, the Georgia project at this stage is you can say is in a bit of recuperation exercise. We have had part of the tunnel where the rock has swelled and come down into the tunnel, so we have evacuated the tunnel and right now we are doing studies to see as to what should be our next action to recuperate the tunnel, so we will be able to advice you details of that once we are clear in terms of what has been the finding of the study.
- Ramesh Subramanyam:** Your previous question on this share of associate is correct, Tata Project's profit was 10 crores in the Q2 so that is why that was low in the last quarter.

- Anirudh Gangadhar:** Right, Sir, if I may just slip one question on Russian, you mentioned that 18 to 24 months would be the ramp up timeline from now, by when should we expect the decision on the model that you are going to use there be decided, in another couple of quarters?
- Anil Sardana:** Two things, I think I need to clarify, I said 18 to 24 months we should be able to start the mine and I said another 24 months for it to ramp up to 10 million tons per annum. Now, your other part was when would the model be ready in the sense of deciding the model for contractors, are you saying that?
- Anirudh Gangadhar:** Yes, Sir, MDO or ourselves just the answer on the CAPEX that I understand?
- Anil Sardana:** It should be there before the start of the mine, so if the timing is about 18 months, that will be ready before that and before you sign off, you had asked me about this 2.69, we just checked that part. It does not have any component on account of CRC order, it is just the indexation on account of the coal prices.
- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.
- Bhargav Buddhadev:** Just one question, Sir, on these renewables coming out of assets into one umbrella company TPREL, what would be the rationale for doing this, can we possibly expect an IPO of this particular entity or finalize in this particular entity over private session?
- Ramesh Subramanyam:** The first is that when we decided to set up this Tata Power Renewable Energy by that time the decision was that for all purposes of growing this business, we need to have a common management, common infrastructure, and common reporting, so it started from there, so at that time we already had some assets in standalone it is just an exercise to now put the old assets back into this new company and the vehicle still remains the TPREL vehicle. Our rationale for this carve out is just that there is no point in having assets all over the place and it helps the management to keep good oversight, reporting, MIS, operations, lot of things can be optimized.
- Bhargav Buddhadev:** The reason, Sir, I am asking is because if you go through the shareholder's notice for the 19th Board Meeting which is called in the rationale it is clearly mentioned that it is basically also benchmarking of valuation, so possibly there could be an IPO or a private business, so how seriously we should look at that rationale?
- Ramesh Subramanyam:** In a petition you have to put all possibilities that are there by doing this, advantages are there, I mean nobody can deny that one could do that, but you are asking, at this point there is no plan if your question is are they trying to now monetize it immediately etc. at this point, no.
- Moderator:** Thank you. The next question is from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.

- Girish Achhipalia:** Just couple of questions, on the Safeguard duty bit, that has made headlines earlier this month just wanted to understand your tit-bits as to how you think about it particularly for our operational assets and in that same context if you could just probably put in context the solar manufacturing order book, how are we seeing the ramp up there currently?
- Anil Sardana:** First part that you are saying, for the operational assets, it does not really make the difference because the Safeguard Duty will be only to the extent that you will import the spare parts, or you will import the module going forward. For the newer projects, yes, it will not make a difference because then you have to have for all the imported panels, you will have to pay that extra duty. Since the matter is subjudice as you know that Chennai court, Tamil Nadu Court had actually stayed any decision in this respect, so therefore, I do not want to say anything beyond the fact that how will it, what should be the view, let us wait for the court decision to come. As far as the order book is concerned, I think we can share those details separately with you, our IR team will give you those details. We do not have readily that figures.
- Girish Achhipalia:** Also Sir, just a bookkeeping question and sorry if I missed this, the debt is down by about 1100 crores sequentially and you did mention that you have received 30 million dollars from Arutmin, which I presume is still in cash etc., so largely the debt reduction has happened because of operational cash flow, is that right?
- Ramesh Subramanyam:** Yes, and the re-classification of the defense business would also have taken away proportionate Debt, I guess that is the answer and some amount of repayment keep happening, we have some approval from the current year would have resulted in, it is a mixture of all these things.
- Girish Achhipalia:** If I look at the consolidated interest cost, if you can just help what could be the Forex gain if any for the quarter?
- Ramesh Subramanyam:** Forex gain, we will come back to the main Forex gain is in TPIPL. We will give you that number where we are collectively there could be few other places also.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Sir, couple of clarifications, we are transferring all our wind assets or renewable assets from the stand-alone to the TPREL level, is it correct that are we moving entire 436 megawatt into various subsidiaries and TPREL or is the number is 380 Megawatt because what I see in the restructuring scheme, the number adds up to 380 Megawatts, by the slide this is 476 Megawatts?
- Anil Sardana:** We will check this number, you are right in saying that actually figure is 380, we will check this and come back to you.
- Mohit Kumar:** Sir, the other question regarding Russia mines, is there any transfer pricing mechanism which has the ILT part at this point of time or is it all you know it is not decided as of now?

- Anil Sardana:** There are estimates internally that we have done basis which we have bid for that mine. We have to validate that now based on the additional boreholes that we are doing and the mining plant that we are preparing at this stage.
- Mohit Kumar:** Sir, I am asking you the cost plus mechanism or is it a benchmarking pricing?
- Anil Sardana:** We can follow any of those, I am saying as long as it is cost competitive whether we want to stack it at the mine end or we want to do it at the other end, we will have to decide all of that once we are clear with the price.
- Ramesh Subramanyam:** If your question is it compulsory to sell at market price in Russia, the answer is, no.
- Anil Sardana:** That is what I started saying that whatever we learnt from Indonesia we make sure that we have clearly provided for those in the agreement.
- Mohit Kumar:** Last question, ITPC is Zambia, so the EBITDA has a very volatile compared to last year same quarter, it was 6 crores something odd, which has risen to 83 crores?
- Ramesh Subramanyam:** That is more to do with the way the accounts were translated, last year the functional accounts was in the local currency and we used to convert it into dollars reflect in the Tata Power consol also, and therefore the exchange came for translation gain was the same reason actually, that is where you will see the volatility, this year onwards, we got the permission to report it through dollars.
- Mohit Kumar:** So what can we expect at sustainable EBITDA for the ITPC for the entire year?
- Ramesh Subramanyam:** The current quarter has certain element which is higher going forward, probably it will remain at that level or slightly lower.
- Moderator:** Thank you. The next question is from the line of Mohit Pandey from Citigroup. Please go ahead.
- Mohit Pandey:** Sir, just one question, for the coal logistics company if you could please share the revenue EBITDA and PAT for this quarter and same quarter last year?
- Ramesh Subramanyam:** We will just give you separately, or you want the coal logistics company?
- Mohit Pandey:** Yes, Sir.
- Ramesh Subramanyam:** Okay, we will give you separately.
- Mohit Pandey:** Thank you. The next question is from the line of Sumit Kishore from J.P. Morgan. Please go ahead.

TATA Power Co. Ltd.
February 14, 2018

Sumit Kishore: Sir, just one bookkeeping question, of the consolidated debt of 479 billion what was the reduction quarter on quarter because of businesses being declared as held for sale, so was their debt element related to SED which is no longer getting consolidated?

Ramesh Subramanyam: Due to reclassification, the amount is not much, just about 200 crores. The others are really from the dividend that we receive SPV debt has come down.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Anil Sardana: Thank you friends. Incidentally, I just wanted to make my last remarks and thank each one of you. This is going to be my last conference call with the analyst community because I will move out from Tata Power on April 30th and incidentally the accounts board meeting is on May 2nd, so I would just miss that by few days, but let me take this opportunity to thank each one of you, your inputs, your questions, your suggestions were always very useful and your candid feedback on many occasions when we had traction really helped us to get our acts together and make sure that we dovetail that in our decision making, so thanks from the bottom of my heart, thank you to each one of you and I am sure wherever I am we will have the opportunities to cross roads so once again thanking each one of you and also to the IR team here, thank you so much for all your support, and look forward to being in touch, so once again thanks a lot.

Moderator: Thank you. On behalf of TATA Power Co. Ltd., that concludes this conference. Thank you for joining us and you may now disconnect your lines.