



“Tata Power Ltd Q3FY19 Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Tata Power Q3 FY'19 Earnings Conference Call. We have with us on the call today, Mr. Praveer Sinha – CEO & MD, Tata Power; Mr. Ramesh Subramanyam – CFO and Mr. Ashok Sethi – Executive Director and Chief Operating Officer, Tata Power. As a reminder, all participants' 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, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveer Sinha. Thank you and over to you, sir.

Praveer Sinha: Thank you very much. Good evening and welcome to the earnings call to discuss about the Q3 results. I am sure all of you had a chance to look at the results which were announced little earlier in the day. As you are aware, the market conditions continues to be very challenging and the Company has been trying to consolidate the existing businesses as well as deleverage some of our non-core operations. This quarter has seen a robust performance in terms of operations of the Mumbai Transmission and Distribution, Trombay Generation, the Hydro Generation, the Delhi Distribution, Maithon Power, IEL. So, each of our plants have done very-very well and the underlying business EBITDA for the nine months has been around Rs.7,300 crores. The good thing that has happened is that PPA for BEST has been extended for another five years which will help our existing operations in Trombay and Hydro to continue and there is a very good chance that this will continue even after the five year period especially in the Unit-7, 8 and the hydro operations.

The Renewable business portfolio has seen a substantial growth in last one year, 356 MW of capacity has been commissioned since Q3 of FY'2018 and the EBITDA of the Renewable business is Rs.511 crores as compared to Rs.471 crores in the previous year. We continue to grow our portfolio and have been participating in few bids, but very cautiously to see that our returns continue to be good. In this regard, the renewable company, TPREL has won 500 MW of solar projects in this financial year and 100 MW of successful bid was won in the last quarter. Our Solar EPC business also continues to grow and we have an order book of nearly 1,215 MW.

As regards CGPL operations and our Coal Companies are concerned, this quarter there has been huge pressure because of the under-recovery that continues to hamper the performance of CGPL and also because the coal companies have been under the domestic market obligation whereby 25% of its production has been given for the domestic sale at a price which has been fixed by the Indonesian government.

We also in the last quarter saw that the Supreme Court on 28th of October passed an order whereby it said that based on the High Power Committee (HPC) report the five state discoms can go and modify the PPA and submit it to CERC for passing an order based on the submissions made. Going back to the order of the Supreme Court of 28th October, it has asked the CERC to consider the HPC report on merit. We are in the process of now filing the petition before CERC for considering the modified PPA which we have off course discussed with all the five states. What we have also been seeing that the coal costs have also started coming down and especially since we are now blending a large quantity of low CV coal, we expect that the benefit of blended

coal will be seen in the subsequent quarters. From 10% blending we have already moved to 32% blending and the results will start coming in the subsequent quarters.

We continue to focus on deleveraging with the reduction of nearly 3,200 crores of debt at CGPL and Coal SPVs. In fact, whatever dividend that we got from Indonesia from the coal companies and the proceeds from the sale of Arutmin has been used to reduce the FOREX loans in the Coal SPVs. Also, the proceeds from Tata Communications has been used for reducing the debt of CGPL.

In this quarter, we also through Resurgent platform signed the share purchase agreement for the 1980 MW Prayagraj project and Resurgent Power Ventures Pte Ltd is in the process of completing all other documentation including obtaining the approval of Competition Commission of India and also of UPRC so that the transaction can be completed and takeover of plant can happen.

We continue to work on many of these initiatives and especially in terms of Rooftop Solar where we have already launched it in five cities and we expect that by 31st March we will be in 18 cities and by end of this calendar year we will be in about 100 cities. So, many of the initiatives that has been taken by the Company to not only deleverage but also to grow. We will start seeing results in next few quarters.

- Ramesh Subramanyam:** We can have the questions directly.
- Moderator:** Thank you. We will now begin the question-and-answer session. The first question is from the line of Sumit Kishore from JP Morgan. Please go ahead.
- Sumit Kishore:** My first question is in relation to the debt profile slide you have introduced in your presentation. Why have you excluded the perpetual debt of Rs.1500 crores from the consolidated number as of 31st December 2018? My sense is that 31st March 2018 Tata Power debt includes Rs.55 billion odd of perpetual debt.
- Ramesh Subramanyam:** First of all, the debt of CGPL gets consolidated. Therefore, that is a net outstanding debt, but you are talking about the Tata Power Rs.1500 crores, we are following the accounting treatment because it is a quasi-equity and it is not strictly treated as debt. That is why we have not included because this does not tally with the liabilities number in the balance sheet. But otherwise, yes, that way if you will have to take previous year or March or December, that is like-to-like.
- Sumit Kishore:** Sorry to harp on this, but the March 2018 number included Rs.5,500 crores of perpetual debt, am I right?
- Ramesh Subramanyam:** No, it will never because it is a debt by parent to CGPL and therefore when it comes to consolidated debt, only the external debt appears in the consolidated balance sheet.
- Sumit Kishore:** Second question is on the fuel under-recovery which went up quarter-on-quarter versus the September '18 level from Mundra UMPP from 83 paise per kWh to 95 paise per kWh. So this

was despite the Indonesian coal prices at least the benchmark going down through the December quarter. In the case of coal companies also we see that the FOB realization per ton was lower compared to September quarter. So is this timing mismatch or why have the under-recovery for UMPP on fuel gone up?

Ramesh Subramanyam: Under-recovery on fuel recovery is a matter of coal price. That is the only issue and also timing issue because when coal price goes up, the tariff for CGPL does not reflect in the same quarter because of the six monthly lag and therefore the effect of these increases in the previous quarters will be actually recovered through tariff in the subsequent six months. That is one reason why there is a mismatch. The other is really rupee was weaker in this year compared to the earlier quarters. So that is another factor that is adding. Those are the main reasons.

Sumit Kishore: But rupee should not be impacting, right, because your tariff would also had the dollar cost of fuel?

Ramesh Subramanyam: Yes, but to the extent the under-recovery is there in the tariff, which is the reason why there is under-recovery, right. To that extent the exchange rate does impact. You do not require dollar-to-dollar. Otherwise, there would not have been no under-recovery. So to the extent there is a recovery through the tariff, there is a pass-through because it is a dollar-denominated tariff. One more point is that the interest rates for the working capital borrowings of CGPL would also get affected by exchange rates.

Sumit Kishore: On the last remark by Mr. Sinha on the expansion of Rooftop Solar from 5-cities to 18, finally 100, could you give some sort of quantification on what this means in terms of growth in EBITDA for Tata Power as a whole. While these numbers may look big but what does it mean in the context of Tata Power as a consolidated entity?

Ramesh Subramanyam: I think the first point is you know the quantum compared to the utility scale. The rooftop quantity meaning in megawatts itself is very-very small. So this year for example something like 25 MW is the kind of scale that we are trying to generate. You know the calculation what every megawatt gives roughly what EBITDA. So, therefore, it is not that the rooftop has right now reached a scale of really changing the meter at least for this year.

Sumit Kishore: Over the next five years from your current EBITDA levels with no big CAPEX outlay for under-construction or under-development projects, so where does the EBITDA of Tata Power as a group move from here over five-year period. What are the investments that you have which can meaningfully change the levels of growth?

Ramesh Subramanyam: We do not give projections on CAPEX for long-term really speaking. You know that our normative CAPEX is around Rs.1,000 crores in the year, that is quite standard and excepting brand new Greenfield project that we take up from time-to-time. So currently in the solar space we have about 500 MW of under-construction projects. So beyond this, I think, it all depends on which bids we win and also how other businesses take off which is also largely bidding based.

- Moderator:** Thank you. The next question is from Apoorva Bahadur from ICICI Securities. Please go ahead.
- Apoorva Bahadur:** Sir, wanted some more clarity on Mundra. In the presentation, the revenue per unit has gone up from Rs.2.70 to Rs.3 per unit and the FOB price has barely increased by \$0.9 to the ton. Basically is it just only because of the USD/INR movement that the under-recovery has increased by almost 17-18 paisa?
- Ashok Sethi:** We cannot see only the coal price but also the price per kcal based on the GCV. The USD 62.2 FOB price is for certain GCV and USD 61.3 is for another GCV. The GCV figure is not here. So now the lower GCV coal has been fired by blending to keep the prices low and there is separate advantage of that. So all those calculations do not appear.
- Apoorva Bahadur:** This FOB price is inclusive of the blending; increase from 10% to 30%?
- Ashok Sethi:** Earlier it was like 10% blending, now it is 32% blending. So they are not like-to-like.
- Ramesh Subramanyam:** I think you must remember that the cost of a quarter does not particularly reflect in revenue of that quarter because of the time lag in the CERC notification. So therefore we normally do not just match the current quarter revenue and the current quarter cost because they are actually dependent on what notification which means actually it is the six monthly effect that could come in which could be higher or lower than the current quarter.
- Apoorva Bahadur:** Also, on the finance cost point, even if I adjust for the previous year MTM benefit, the finance cost has actually gone up despite a decline in debt and also the FOREX loss has also increased, so I believe the FOREX debt has been repaid. So why is it so?
- Ramesh Subramanyam:** Two or three reasons. What has happened in the CGPL when the FOREX loans were there, the IND AS made us to book all the off-balance sheet interest rate swap related costs to the balance sheet, and as a result the debits to the P&L or CGPL on FOREX loans used to come only for the coupon and any cost relating to the swaps and options used to go to the balance sheet directly. So in a way what is happening is we are comparing the forex loan coupon rates with the absolute rupee interest cost after the refinancing this year. So it is not a like-to-like comparison, but I can tell you that if you take the balance sheet impact of the interest rate and the P&L which has been debited vis-à-vis of last year versus the interest of this year the absolute rates have come down. The P&L for the next two to three quarters would continue to show as the costs have increased in absolute terms despite that having come down. This is more of accounting issue. On the cash we are absolutely fine.
- Apoorva Bahadur:** So sustainable interest cost was there in Q3?
- Ramesh Subramanyam:** Sustainable interest cost we are talking about the average of about 9.5%.
- Apoorva Bahadur:** Why was this FOREX loss of Rs.24 crores?

Ramesh Subramanyam: That was on the working capital borrowings that happened on the coal which is we have credit on the coal. So therefore on that any fluctuation in FOREX does impact.

Apoorva Bahadur: This question is on the coal mine business. So the impact of DMO and the increase in fuel cost have been sighted for the weak performance. I think DMO, you had quantified in last quarter. Could you quantify the impact of fuel cost?

Ramesh Subramanyam: Yes, surely, DMO impact for the quarter is about Rs.90 crores for our share, and, of course, this quarter also the mining cost has slightly increased because of fuel cost which is expected to come down in subsequent quarters, and there is also one-time penalty of Rs.60 crores, there is some tax related old things, so that also will not be continuous issue, this is one-off issue.

Apoorva Bahadur: What was the fuel cost impact?

Ramesh Subramanyam: About Rs.55 crores, all is our share.

Apoorva Bahadur: Lastly on this Maithon, the working capital situation seems to have worsened because the borrowings have increased. So why is it so - there is some problem with the SEB or is it just a billing related issue?

Ramesh Subramanyam: It's a billing related issue and we are already in touch with the beneficiaries to sort out. It is not payment issue, it is accumulating because certainly the issue which is to be sorted out is getting added every month, but we are quite confident that this will be kind of sorted out soon.

Moderator: Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.

Rahul Modi: Just a couple of questions. Sir, just wanted an update on the progress on the HPC recommendations which Mr. Sinha was talking about. Just some finer details in terms of, when do we see as a company in terms of timelines and what is the process like that we are looking at? Secondly, on the Prayagraj acquisition, whether this has been referred to NCLT or there is the provision still there to get it out of it and when do we expect this to get concluded?

Praveer Sinha: On the HPC report, the petition is being filed with the CERC and we expect that CERC should be able to examine if we get the views of all the state discoms and take a decision. Of course the Supreme Court had said eight weeks time. That period has already passed, but hopefully it should get cleared ASAP. As far as the Prayagraj is concerned, there are certain CPs that needs to be completed. Some of the CPs have been done like the Competition Commission approval has been received and now we are waiting for the UPPCL approval which hopefully should happen next time as they have also filed the petition with the UP Regulatory Commission. This was a case-II bidding that was done and that is why they have to take the approval from the regulator. Meanwhile, we have gone ahead and are discussing with the existing operators of how should we run the plant and complete the balance activities. So, may be in another six weeks to eight weeks we should be able to complete all the CPs and thereby take over the plant thereafter.

- Rahul Modi:** Sir, so all the bankers' approvals have already been received?
- Praveer Sinh:** Yes, they have all been received.
- Rahul Modi:** Sir, just coming back to the point of CERC, just a bit of confusion there, so now the onus lies with the CERC to approach the individual or shoot out letters to individual buyer, the four states because this was primarily initiated by the Government of Gujarat? How does it work, because what we understood was that it was we who were discussing with the state governments and every state government had to come up with the solution to CERC because it is under the bidding mode, so just for clarification please?
- Praveer Sinha:** There are two ways of approaching CERC; either the beneficiaries can approach them with the modification or the project developer may approach them. In this case, we have decided to approach the CERC. CERC has to admit the petition and give notices to the respondents which are the state beneficiary and they will be given certain timelines to complete their submission. And once that is done, CERC will hear the matter and decide on. That is the process we expect to be done.
- Rahul Modi:** Sir, the coal prices in the coal business we have seen again a significant decline in terms of FOB and the same trend has been flattish for CGPL. Now that primarily I understand would be on account of difference of grade, is it?
- Praveer Sinha:** Yes, the coal prices what we see has come down is primarily for low CV coal, the high CV coal though it has come down from the high of USD 107 - 108 HBA to USD 91, but there is no discount as far as the high CV coal is concerned. That is where we have started blending; the impact of it and the benefit of it we will start seeing in the subsequent quarters.
- Rahul Modi:** Our gross margin in the mining business have come down to around \$14 from around \$24. So that is obviously due to cost pressure as well. Do you see that now again moving up in the subsequent quarters?
- Ramesh Subramanyam:** The one good thing is the fuel prices are already moving down. Also, another good news is that as volumes pick up, your strip ratios can be managed better. So we are expecting that some of the China-related offtake issues slowly going away... we are seeing some positive movement. And also remember that currently the royalties are being linked to the HBA price which is actually way above the real market price rate because of the heavy discounts. So we expect that correction to be done by the government so that the effective royalty rate also comes down. So there are a couple of things which we see going forward.
- Rahul Modi:** Sir, any change in the DMO that we are looking at and when do we see this regime to discontinue and our normal sales to restart?
- Ramesh Subramanyam:** Strictly speaking, it is supposed to be continuing till the end of this year, but as prices go down, probably there is a good chance that if prices come down to a reasonable level, they may lift it or at least for us the impact will come down because if prices go down in terms of benchmark

prices and CGPL benefits and at the same time the DMO related impact also comes down. So, I think a lot will depend on how the prices move in terms of what the government will decide. As you know the DMO is fixed at \$70 currently.

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

Mohit Kumar: Sir, sorry to harp back on the mines and CGPL profit. This is the first quarter where we have seen the arbitrage between the mines and the power plant has been hugely negative compared to last few quarters. Does it mean that on the whole coal mines and CGPL have done negative because of DMO obligation?

Ramesh Subramanyam: I think DMO obligation is a significant piece in this whole situation as you described. This is the second quarter we are seeing this, but as I said earlier, in the long-term we do not expect this phenomenon to continue because if offtake is good, you may actually have an advantage. Today what has happened is a couple of factors that come together but we see this as a short-term blip which is the offtake come down slightly and the low CV coal suddenly have gone into large discounts because China in the last quarter reduced their imports drastically and fuel prices were also high, stripping ratio was a slightly higher, then you add one-off tax penalty related issues. So, I think it just happened that it is all bunched together. I do not think this is a long-term phenomenon which should continue. Let us see in the next quarter as we increase our blending on CGPL side also, some of these gaps perhaps could narrow down.

Mohit Kumar: Is there any other one-offs in the results have been passed like the Rs.60 crores penalty for the consolidated profit?

Ramesh Subramanyam: Compared to let us say last year we had relating to the sale of DOCOMO related one-off. There is no non-business core. Last year there was Rs.300 crores one-off which was extraordinary item. This time the main one off if you ask me are all regulatory related but there we treat it as normal business because regulatory when we get adverse orders also, we do not highlight and when we get credit orders also we do not. This quarter for example you have a credit for the tax write backs on account of the extension of the Trombay PPA but this is in business as usual, whenever there is a regulatory order, there is an impact. Other than that I do not think that there is any major impact and I explained about CGPL interest rate. That is coming as an adverse but actually it is not adverse on an underlying basis.

Mohit Kumar: Sir one last question, on the Mumbai operations, do we have the PPA for our area and BEST for next 5 years, does it mean the entire the PPA for entire Mumbai generations has been tied up till 2024 or is Tata Power's share is yet to get the regulatory approvals?

Praveer Sinha: That PPA for Tata Power Distribution still has to be finalized because we were waiting for the best PPA to be finalized. Now that the regulator order has come for 677 MW, the balance quantity will be tied up with Tata Power Distribution and the PPA will be submitted for approval.

- Mohit Kumar:** Is there any power plant, is there any part of the Mumbai Genco which is getting retired because of this order?
- Praveer Sinha:** Not because of this order, Unit 6 got retired last year but this year there is no retirement that is there.
- Moderator:** Thank you. The next question is from Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.
- Dhruv Muchhal:** Sir we have seen that you have repaid significant portion of your coal SPV loans, so are these primarily foreign currency loans?
- Ramesh Subramanyam:** Yes they there are foreign currency loans only.
- Dhruv Muchhal:** Sir what would be the interest rate here, average approximately?
- Ramesh Subramanyam:** These are hedged for long term so, 3.5% - 4% kind of range.
- Dhruv Muchhal:** So because I was wondering why do we not get the money in India where we have 9-10% interest rate, rather than paying these coal SPVs where the interest rate is already low?
- Ramesh Subramanyam:** Dhruv the issue is that first we have to have certain discipline in that because we are taking those loans and that is a source of repayment. Secondly, anyway we have a Tax in India, which also increases the cost of bringing it in India because you have a withholding tax in India. So, therefore you have to be cautious whether you destroy value or add value. Also there is a currency hedge cost here in India for this dividend income which costs us.
- Dhruv Muchhal:** So, we would continue to repay these coal SPV loans from the dividends which we get from our coal JVs?
- Ramesh Subramanyam:** So, we are timing it to a plan, sometimes there is a quantum we target and if we sometimes exceed that target then we bring some amount back to India but by and large right now our philosophy is to continue to pay back the loan upto certain level. Also remember that we have to receive some money from the coal company sales, therefore we have to keep that in mind while deciding how much we pay.
- Dhruv Muchhal:** Sir second question was on the realization at the coal JV companies, on Q-o-Q basis from \$70 it has come down to \$63, while the benchmark has not moved much, so is it all because of the DMO, this is on Q-o-Q basis 70-63?
- Ramesh Subramanyam:** Two things, the effective royalty has also gone up and also the DMO issues. There is the mix also. When you sell more lower CV coal which is selling at higher discount, it could end up in lower realizations on a total basis. But mainly it is the DMO bringing down the new realizations.

- Dhruv Muchhal:** Sir I was wondering DMO was also there in 2Q, so is it that you have sold more in the domestic market this quarter which will normalize in the subsequent quarter because on an overall year basis you still have to sell only 25%?
- Ramesh Subramanyam:** Yes, so quantum may not have changed much but the sale mix has changed which definitely has an impact on how much the coal's DMO affects the net FOB.
- Dhruv Muchhal:** So, do we have a share of how much was sold in the domestic market at the DMO price versus of the total volumes versus the last quarter?
- Ramesh Subramanyam:** 27% is what is the DMO sales was for this quarter
- Dhruv Muchhal:** And in this last quarter, Q2 was?
- Ramesh Subramanyam:** Maybe slightly lower, I think it was something like below 25%.
- Dhruv Muchhal:** So, not much because of the change in mix?
- Ramesh Subramanyam:** No, the change in mix when I say, it means the calorific value change, meaning the component of the total sales between high values over low values can affect the realization.
- Dhruv Muchhal:** And Sir the last question was on the Mundra resolution, so if we approach say CERC which then approaches the DISCOMs, so still the process of getting the state government's approval like in case of Gujarat, is required or the DISCOM individually can approve it or how is the process then if you follow the CERC route?
- Praveer Sinha:** The process is the same in all the states. The DISCOMs will do it based on the directions of the state government and they have to also go and inform the CERC. So, in all the states they will go through the process, it is their internal working whereby they first go to the DISCOM and get their in-principle consent and then take it to the government for approval. In some cases, the government approves it and gives directions to the DISCOMs, so it depends from state to state.
- Dhruv Muchhal:** Is there a possibility that we can go ahead with the Gujarat PPA partially because that is already approved and then as the remaining are approved by the states individually, we revise the other PPAs thereafter? Can we go ahead with Gujarat because that is already approved?
- Praveer Sinha:** It is a little premature, the whole process has to be approved by the CERC and CERC has to examine and decide whether they want to consider this as separate PPAs and approve it individually or do it on a consolidated basis. So, since the matter is before CERC, let them decide on the merit.
- Dhruv Muchhal:** Can there be a timeline which the CERC can fix to want these DISCOMs to reply, is there something which can happen or based on the Supreme Court order that is not possible?

- Praveer Sinha:** We would like to believe that as per the Supreme Court directions where there needs to be possibly that sort of time frame. But once it is gone to CERC, they can decide what sort of time frames they would like to do.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from ABI Mutual Funds. Please go ahead.
- Bhavin Vithlani:** Two questions, one is can you give us an update on the Arutmin sales proceeds and second what was the incremental due to the loss funding and the CAPEX during the 9 months?
- Ramesh Subramanyam:** So, we have reached something like USD 160 million, USD 162 million is the recovery which we have got so far. Your other question was what is the loss funding that we did for CGPL, I guess you are asking, is that correct?
- Bhavin Vithlani:** Yes, so I am referring to the debt slide, where you have mentioned the increase in the debt due to loss funding as well as CAPEX. So, was looking forward for that number?
- Ramesh Subramanyam:** CAPEX is normally very small; CAPEX in Mundra would not have been a large number.
- Bhavin Vithlani:** Not at Mundra, the standalone entity, the debt on the standalone entity?
- Ramesh Subramanyam:** So, additional debt in Standalone entity for capex is about Rs. 240 crore and the balance will be for CGPL loss money.
- Moderator:** Thank you. The next question is from Apoorva Bahadur from ICICI Securities. Please go ahead.
- Apoorva Bahadur:** Sir on this coal SPV, there is a sharp decline in profitability. So that is I believe due to the end to the management fee agreement, am I correct?
- Ramesh Subramanyam:** Yes.
- Apoorva Bahadur:** So is there any alternate arrangement now in place or is it all coming via the profit itself?
- Ramesh Subramanyam:** No, there is no alternate arrangement. Now they will be coming through the dividend basically because this amount will be saved by the coal company.
- Apoorva Bahadur:** So via dividend.
- Ramesh Subramanyam:** Yes.
- Apoorva Bahadur:** Okay, so just because the entire agreement was more tax effective, I believe more tax efficient.
- Ramesh Subramanyam:** Well, tax effectiveness is one thing but whatever there are regulatory issues we have to deal with and that is how it goes.

- Apoorva Bahadur:** Sir also, small item just decline in Cennergi profitability. Why was it so?
- Ramesh Subramanyam:** The company is doing very well. They have loans on which there are IRS on which MTM is made quarter on quarter. Sometimes this is a plus, sometimes a minus. So otherwise the company is doing pretty well.
- Apoorva Bahadur:** On the solar EPC business side, the EBITDA margins seems to have contracted sharply Y-o-Y.
- Ramesh Subramanyam:** So there is some impact for some of the unexecuted orders; there is a FOREX impact which we had to take because we booked the hedges as soon as we received the orders but this will then ultimately reflect in the higher profits when the projects close. So this is why this quarter looks like that but there is no underlying issue because this is already costed as part of the project cost for the relevant EPC projects which are going on.
- Apoorva Bahadur:** So we will see a reversal probably in subsequent quarters.
- Ramesh Subramanyam:** Yes.
- Apoorva Bahadur:** Sir lastly just a clarification on this royalty booking; so for the DMO part, is the royalty booked on the HBA price or is it on the DMO price?
- Ramesh Subramanyam:** Everything is on HBA.
- Apoorva Bahadur:** So effectively your royalty percentage will go up?
- Ramesh Subramanyam:** Yes but I would have our team to just check and confirm to you, okay?
- Moderator:** Thank you. The next question is from Rahul Modi from ICICI Securities. Please go ahead.
- Rahul Modi:** Sir my questions have been answered, thank you.
- Moderator:** Thank you. The next question is from Ashish Agarwal from Principal Mutual Fund. Please go ahead.
- Ashish Agarwal:** Most of my questions have been answered, sir just couple of clarification needed. First of all, you said that it is up to CERC to decide whether to go for separate PPAs or to a consolidated PPA, am I right on that?
- Praveer Sinha:** Yes Sir.
- Ashish Agarwal:** Okay and secondly Sir it is almost three months since Supreme Court has given an order, just wanted to get a timeline right. So has CERC started the process of discussions with other distribution companies or how is it and this two months period start from what time now?

- Praveer Sinha:** What happened is, once the Supreme Court order came the Gujarat took one month time to finalize their government's approval and their order was I think issued on 1st of December. Thereafter the order copy and the revised PPA was discussed with the various States. The various States, their DISCOMs and the power department has to go through the whole process of examining it in detail, that exercise is more or less completed and at this stage we have gone to the CERC. So CERC, as I mentioned to you, as a process will admit the petition which should happen in next one week to ten days' time and thereafter CERC will decide on this. So that is the timeline that we are looking a.
- Ashish Agarwal:** Okay but will after setting the petition, will two months start or then that two months does not apply out here also?
- Praveer Sinha:** I think in fairness of things CERC may start at that time but let us see. It is not necessary that they will take exactly two months, they may do it much faster.
- Moderator:** Thank you. The next question is from Pulkit Patni from Goldman Sachs. Please go ahead.
- Phulkit Patni:** Sir my first question is a follow up which somebody asked that it appears that the royalty rate after the DMO seems to have gone up. We were working originally with a 13.5% royalty. Could you tell what is the effective royalty now with the DMO?
- Ramesh Subramanyam:** About 16%.
- Phulkit Patni:** Okay and Sir second could you tell me, what is the debt repayment that is due in FY20 and FY21?
- Ramesh Subramanyam:** We will give that separately because some of them are likely to be re-financed, so therefore I would request Mr. Kasturi to let you know.
- Moderator:** Thank you. The next question is from Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Two questions Sir; first is we were to refine the group structure. Can you please update on the same especially Tata Projects.
- Ramesh Subramanyam:** Well I think we are still figuring out a way as this is also part of the groups' strategy on infrastructure. So once there is clarity, we may be able to say how we will go about it.
- Mohit Kumar:** And what is the update on the defense business which we have, which we are trying to separate. Has the money been received and what is the payment milestone?
- Ramesh Subramanyam:** Yes just an update, so we are in NCLT right now but update is I think I hope you know the structure that until the business is handed over, the realizations are, all the plus or minus both is to Tata Power accounts right now. Of course in this quarter also we had Rs 50 crore impact from the SED business because of orders getting delayed and for the nine months we had more than Rs. 150 crore down. So we are expecting that this transaction will close in the next two quarters

probably because there is the court process, then there is defense department to give approval, so bunch of other the things are pending. So at this point of time these adjustments to the price are not clear. Till the transaction gets closed we are not able to say what is the realization that we can expect.

Mohit Kumar: One last clarification Sir; you said there is Rs. 60 crore penalty on the coal mines, right? This is for the entire 100%, am I right?

Ramesh Subramanyam: No, it is our share.

Mohit Kumar: Rs. 60 crore?

Ramesh Subramanyam: Yes, it is our share.

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

Dhruv Muchhal: Just a quick one, Sir what was the DMO impact in 2Q, this quarter I believe was Rs. 90 crore your share, what was 2Q?

Ramesh Subramanyam: It was about Rs. 10 million because Rs. 29 million was 100%; so around Rs. 70 crore our share.

Dhruv Muchhal: Rs. 70 crore, so that is moved to about Rs. 90 crore, got it. And sir this last. I am still not able to get my head around under-recovery at Mundra. So your realization has increased now Q-o-Q basis from Rs. 2.9 to Rs. 3, your coal FOB price has declined. I was checking the coal consumption which is also on an equivalent basis of generation, almost equal but still your under-recovery has increased from 0.83 to 0.95. so is it because some other costs over and above the FOB coal cost have increased or is there something more to it?

Ramesh Subramanyam: We have to think port charges, I think there is an annual increase in port charges that happens that has also crept in here apart from foreign exchange. We will give you the breakup.

Moderator: Thank you. The next question is from Ashish Agarwal from Principal Mutual Fund. Please go ahead.

Ashish Agarwal: Just a clarification on this CERC thing again. So if some State does not agree to the revised PPA, can CERC go ahead with these PPAs for the other States or if they decide to go for a consolidated PPA then if one State does not agree then it does not happen?

Praveer Sinha: I think all options are open with CERC to take a call on this. Effectively they are separate PPAs and it is a matter of convenience whereby which was all consolidated as a part of the project's structuring. So it is left to CERC to decide because it is a resolution of a problem which is faced by import coal based plant and in the resolution they will be packaged in totality rather than trying to get stuck into the existing arrangement. So it is left open to them and they can under Section 79 (1B) take any call which is in the interest of all the States.

Moderator: Thank you very much, that was the last question. I would now like to hand the conference back to the management team for closing comments.

Praveer Sinha: Thank you very much for all the questions and wherever we are supposed to revert with the details, my colleague Kasturi will come back and submit all the required information. Thank you for conducting this call with all the investors. Thank you very much.

Moderator: Thank you very much. On behalf of Tata Power that concludes this conference. Thank you for joining us and you may now disconnect your lines.