



TATA POWER
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“Tata Power Company Limited Q1 FY17 Analysts’ Conference Call”

August 23, 2016



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Lighting up Lives!



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Moderator: Ladies and gentlemen, good day and welcome to Tata Power Q1 FY17 Analysts' Conference Call. 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. If you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anil Sardana – CEO and MD, Tata Power. Thank you and over to you Mr. Sardana.

Anil Sardana: Thank you Aman and good evening all the analyst friends on the call. Welcome to the Q1 FY17 call. You would have all got the analyst text that we send to you as also the press release.

Let me start by saying that this is the first time that the IndAS has been adapted by Tata Power and therefore there are quite a few changes particularly with regard to the aspect of the foreign exchange mark-to-market which we as an organization have taken a call to keep it as a part of the P&L adjustment as also issues related to the interest elements which we will talk about that and describe that during the call.

The second most important aspect is that this quarter we had an impact of two key aspects and which we must first talk about and then talk about the general performance of the organization.

Number one – the one-off items that we got which we had to include were at CGPL Mundra. Let me first step back and let the analyst friends recall that 80% availability entitled us to get the entire fixed cost and the way our accounting system works is we look from quarter to quarter the cumulative availability factor basis which we book our fixed cost proportionately. So due to the overalls there was an impact of 90 crores on account of less recovery of the fixed cost which otherwise was due in the quarter, so that's one-off impact that we registered this time which we will make up because once we achieve cumulatively 80% availability during the year this 90 crores will automatically be recouped back in the subsequent quarter. The second one which is a part of the O&M kitty which we every year have but we specifically had in this quarter whereas we had perhaps had it in different quarter in the previous year is the cost of dredging in Mundra which is a sum of about 30-35 crores which we spend annually and this time it came in Quarter 1 whereas in the other years or in the previous year for that specific matter it would have come in the other quarter, so that again gets recouped back during the balance part of the year, so therefore we call that as one-off items in terms of the specific quarter.

There have been two other key aspects at the Mumbai operations. One is that during the previous year we had close to about 137 crores of the APTEL order which we don't have this year and therefore that is one aspect compared to the previous year. The second aspect is in terms of the MERC order where some of our capitalization was deferred which made an impact of 62 crores specifically for this particular quarter.

So those are some of those events particularly the MERC stuff that we will appeal and we will get perhaps those advantages in the subsequent quarters or in the subsequent years we thought we will bring back in front of you.

Let me also talk about the fact that amongst all the other existing assets the operational performance continued to look up. We have had on a stand-alone basis the operating profits this quarter which were 50 crores higher than the similar quarter last year. We registered 588 crore of operating profit compared to 538 crore in the previous quarter last year. Similarly, on various constituents including Maithon Power we had a very good performance, we registered during the quarter about 22 crores more contribution and PAT compared to the Q1 the previous year and the Coal and Infra companies again reported higher profits. So we have had good run in terms of the profitability from the other units.

One more area that I would like to mention is Tata Power Solar where while the pipeline is good and if you recall we had said that we had a good turnaround story. The turnaround story is still a part and parcel of that organization's outlook. They have as I said a very good, a very healthy pipeline, however, because of the clients which includes some of the states or state owned enterprises have not been able to get their act together in terms of getting the land clearances, etc., and therefore the projects couldn't take off on ground and have got delayed to subsequent quarters and it is for that reason that the first half didn't see the activity on ground as much activity on ground as we saw last time and we hope that in the balance part of the year it will certainly more than make up because the pipeline is good.

In terms of some of our businesses that were under execution, I am happy to report that now both the African assets namely the 234 megawatt wind asset in South Africa is fully commercialized, COD has been achieved, signed off with the procurer which is Eskom and you would see those results in the subsequent quarter, so they will start to contribute. Similarly, the Zambia hydro which is called ITPC, Itezhi Tezhi, we have booked during the quarter 69 crores profit which is basically for more than one quarter, it's been two-and-a-half quarters from the date that it got COD done, since all of that paperwork got concluded this quarter we have registered the revenues and profitability in this quarter and its done well again and therefore we will have those things reported in the subsequent quarters as you would see.

The aspects related to CGPL court case as you know is now with the Supreme Court and we are happy to see that it has reached its last leg. The CERC which is supposed to adjudicate on the amount which APTEL reverted back to them has to do that by and before 7th of September because that's how the Supreme Court said that the next date of hearing is 14th of September and they need to present the inputs to them before that. We are very happy that that aspect is also going to be dealt now, in the final leg, and we all have to now ensure that things in Supreme Court progress fast enough.

The acquisition announcement that we had done with regard to renewables namely the Welspun renewable assets are progressing well with regard to the closing activities, a

significant amount of CPs has been addressed by the cell site. We hope that in the Quarter 2 of this financial year we should be able to close that transaction and therefore have Tata Power Renewable Energy become a formidable player in the renewable aspect.

On Mundra I just wanted to add one more aspect that while we talked about the availability and the fact that we will recoup some of those aspects during the balance part of the year because of low coal prices and the balance part of operations the under recovery remained contained. You would have noticed that the under recovery was still about 30 paisa per kilowatt hour compared to in the previous quarter being close to about 40 paisa or so.

So that's the outlook that I thought I will present to you before we get into the Q&A aspects and get into the details of various aspects both from IndAS perspective as also from the perspective of the performance of various constituents of Tata Power consolidated. So I look forward to your questions and we will be happy to answer those. Please go ahead.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Venkatesh B from Citi Research. Please go ahead.

Venkatesh B: My first question is, what was the perpetual bond interest in the first quarter of the current year, was it same as the amount in the last year 42.2 crores or so?

Management: There will be no change in the amounts.

Venkatesh B: Will that interest be part of the other comprehensive income?

Management: This interest directly goes to the reserves because of the fact that it is treated as like in equity.

Venkatesh B: The second question is if you look at Slide #4 of your presentation is it reasonable to assume that all those companies where you have shown the operating income and the EBITDA you are now doing line-by-line consolidation and where you are showing only the profit you are doing only one-line consolidation at the share of profits of associates level, is that reasonable?

Management: Correct.

Venkatesh B: In that case, why is Maithon getting consolidated line-by-line but IEL is not getting consolidated line-by-line? In both these companies you have a 74% stake.

Management: That is the test that is done for IndAS to evaluate whether a company needs to be consolidated or not since the IEL has assets which are completely dedicated to one customer as per the IndAS definition this kind of goes out of the consolidation.

Venkatesh B: In the coal SPVs your debt is sitting in these entities called Bhira and Khopoli. In both these entities you have a 100% stake. Is the entire interest cost on the debt sitting on this getting shown in the interest cost or is it like it is part of share of profits of associates, comes at that level?

Management: So clearly these are 100% subsidiaries and they are getting fully consolidated, both the debt and interest. And I just want to clarify, when we originally borrowed these loans these were meant for acquisition. Over a period of time while the dividends from the coal companies could have more than repaid these loans we have retained these loans as part of our overall corporate debt. So we are no longer linking it with coal assets anymore. Just so that you get the picture clear. And therefore these are part of the corporate debt which is carried.

Venkatesh B: Is it possible to share the coal mine profits which is part of the share of profits of associates or is that something which you will not be disclosing?

Management: Right now we are not separately disclosing and probably you should get in touch with Kasturi a little later because we need to also understand whether that level of detailing can be disclosed given that it is not going to all the people at large. So we will have to discuss that separately.

Venkatesh B: As we understand the Mundra case the matter was back with CERC, they were supposed to come up with the compensation which would be given under force majeure. Now how did this matter go to the Supreme Court, who appealed to the Supreme Court and under what circumstances has this gone to the Supreme Court?

Anil Sardana: Some of the procurers, they went to Supreme Court against the APTEL judgement itself. When they went to Supreme Court, Supreme Court said since APTEL has repatriated this for CERC to adjudicate the amount why have you come to me premature. But yet, based on the insistence by procurers that we want to question the APTEL's judgement itself the Supreme Court said it's okay, if that's the case let CERC decide and my date of next hearing will be 14th of September and let CERC give their judgement and the amounts before that date. That's how I said that they will provide that input to Supreme Court by 7th of September.

Moderator: We have the next question from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: Is it possible to highlight what would be the recurring profit, you highlighted a couple of adjustments with respect to under recovery in Mundra, so assuming business as usual and considering the taxation impact on that what could be the recurring profit for this quarter?

Management: You know the one-off items and we can give you only some indications of the other items, for example, ITPC profit doesn't represent essentially typical one quarter profit because some of the arrears of the previous quarter have also been recognized in this quarter. Probably all the other items apart from what I mentioned may not change drastically.

Bhavin Vithlani: Is it fair if we add the 90 crore under recovery of UMPP and the 62 crores capitalization of the regulatory order as one-off items, would these two be the ones which are one-offs in this quarter?

Management: Yes they are and that's what we have said in our press release and also even in the operational maintenance cost in CGPL there is a timing issue, some of the costs have been lumped in this quarter, they may get normalized over the year.

Bhavin Vithlani: For the coal companies which is part of now share of associates is it fair to assume that a large part of the profits are from the coal companies?

Management: You mean large part of the total consolidated profit?

Bhavin Vithlani: No, large part of the share of profits in associates.

Management: The large part, yes, you are right, a larger part I would say is coal companies, coal and the coal related infrastructure companies.

Bhavin Vithlani: After the Welspun acquisition our calculation debt to EBITDA would be closer to 5x, so would there be a closer to the red line of our debt covenants and we need additional equity, is that a fair assumption?

Management: Well, all I can say is that we have a certain target to meet and at this point we can't disclose like what the timing or the plans would be but suffice to say that we have active plans to ensure that our debt levels are under control.

Bhavin Vithlani: Our debt covenants are at a consolidated level or the SPV level?

Management: Well, debt covenants for different people is at different levels, for individual bank loans at the project and SPV levels are for those companies whereas as you know credit rating and analyst often treat it at a consol level.

Moderator: We have the next question from the line of Abhishek Puri from Deutsche Equities India. Please go ahead.

Abhishek Puri: If you can remind us on the regulatory expense we have 120 crores in the stand-alone numbers and about 270 crores in the consol numbers, what is that related to?

Management: So the regulatory orders, last year we had orders pertaining to APTEL and these are Mumbai operations and similarly this year we had MERC related regulatory orders. They belong to the previous periods but they need to be accounted as and when the orders are received and they are recognized, so the swing between last year and this year on account of the regulatory orders of periods other than the reporting period is about 200 crores.

- Abhishek Puri:** Is there any further amount which needs to be provided for going forward?
- Management:** No based on the orders issued till now.
- Abhishek Puri:** Generally, as you know we are quite conservative when it comes to regulatory accounting but there are always items which can be unexpected.
- Management:** Those are orders which are yet to come. So Abhishek I am assuming that you are saying, is there anything to be accounted for which the orders are at our hand, the answer is no.
- Abhishek Puri:** For the existing orders there will be further provisions?
- Management:** No, I said the other way round. For the all the existing orders in hand everything that has to be done has been done.
- Abhishek Puri:** So these can be treated as prior period expenses?
- Management:** Absolutely.
- Abhishek Puri:** On the MTM loss in this quarter has been exceptionally high when the currency movement has not been much so what is the change that has happened in this quarter?
- Management:** Because of BREXIT I thought the movement was there at that time.
- Management:** Essentially this amount has suddenly grown because it is coming for the first time due to the IndAS. So IndAS requires you to recognize all MTM relating to even options and derivatives which as the earlier accounting standards you could have just shown that as a contingent liability. So now they start to reflect. And of course, in both years they are reflected. The only changes would be that whatever effect changes during the quarter those will be reflected as the gains and losses of MTM. So since they are appearing for the first time you are suddenly seeing a spurt.
- Abhishek Puri:** These were as a part of contingent liability you said?
- Management:** Correct. See the balance sheet they are there already reflected.
- Abhishek Puri:** Could you share the balance sheet numbers after this readjustment into IndAS, I am sure the net worth and the debt would change given that on a revenue basis we are not consolidating and even the capital employed has come down across the businesses.
- Management:** Because of the rearrangement of the subsidiaries in the consol there is also consequently a change in the way the debt and the assets are recognized but you could look at the published results you have got total liabilities and assets. We are not yet required to publish the balance

sheet. First time you will see the IndAS balance sheet it will be in September. So that time I think you will have a much clearer idea about how these impacts reflect in the balance sheet.

Abhishek Puri: But broadly would the debt level come down further from here?

Management: In our case it is not going to significantly come down because of the simple fact that the coal companies which are the larger ones which are coming out and whose EBITDA is coming out they don't have debt today.

Abhishek Puri: That's sits in Bhira and Khopoli?

Management: Not Bhira, the KPC, Arutmin, BSSR, those coal companies they are now no more in the consolidated P&L but since they don't have debt, line-by-line it is not there, so you only have the profit captured in one line.

Moderator: We have the next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: This consolidated account note number 3, in the fifth item which is the impact on account of joint venture account Held for Sale this is relation to the reconciliation which you have done under previous GAAP and you are trying to reconcile it to IndAS. I am trying to figure out whether we will see that impact account to joint venture, account to Held for Sale the impact 81.2 crore positive, does it mean that the Arutmin profit is not being accounted in the P&L right now?

Management: Yes. Because now since it is under sale process the accounting standards required you to show it definitely as an asset held for sale and also the reflection of that movement of the profits also is separate.

Mohit Kumar: So does it mean that there was a loss of 81 crores last year in Arutmin?

Management: You are talking about the item number 5, right?

Mohit Kumar: Note number 3, item number 5.

Management: Yes you are right.

Mohit Kumar: The share of profit associates from Q1 FY16 which was (-) 44 crores it has moved up sharply to 132 crores, can you please explain what are the items which have moved, could you explain the difference?

Management: Can I suggest you kindly talk to Kasturi, he will give you details.

- Mohit Kumar:** What is the revenue EBITDA and profit of Zambian operations for the quarter?
- Management:** I think the Zambian operations I think the important part is that there are three parts to the current quarter's profit, one is the current quarter's actual generation related revenue then there is arrears revenue of the previous quarter because in the initial period the billing was not accepted and therefore could not have been recognized in the previous quarters and now subsequently it has been recognized. And third is the exchange differences in the Kwacha and Dollar and subsequently Rupee, so three elements are there, so this is not representative of the full year or a typical quarter.
- Mohit Kumar:** What could be adjusted PAT for the quarter, if you can share?
- Management:** I am afraid we can't give you guidance on this but probably from next year onwards you will be able to make yourself because this is a regulated project.
- Management:** You will get it from the next quarter itself.
- Moderator:** We have the next question from the line of Murtuza Arsiwala from Kotak Securities. Please go ahead.
- Murtuza Arsiwala:** In case of two operations which is Jojobera and the standalone as well as IEL, you have classified it as financial leases?
- Management:** Correct.
- Murtuza Arsiwala:** If they are financial leases will they still be shown only the PAT component as share of profit from associates or it will come in the other operating income and is it the PAT component which will come and also what are the implications on the balance sheet side and interest depreciation, if you could just elaborate the reconciliation between the old GAAP and the new financial lease accounting?
- Management:** Since Jojobera is part of the Tata Power's block of assets that will come as other operating income. IEL being a separate company but having a similar arrangement it will come in share of profits and associates.
- Murtuza Arsiwala:** In terms of balance sheet for both these assets?
- Management:** The only change in Jojobera which is in Tata Power books is that instead of the fixed assets being reflected there will be a lease receivables which will reflect. There is a methodology the accounting standards specify as to how a lease receivable is to be kind of built in the books, so effectively it reflects the receivables from the customer in lieu of the least being given of the plant and machinery.

- Murtuza Arsiwala:** So whatever future leases are there will be accounted as lease receivables?
- Management:** Correct, as the present value is reflected in the balance sheet as receivables.
- Murtuza Arsiwala:** If there is any debt associated with let's say in the case of Jojobera.....
- Management:** Debt will remain in our books only that doesn't go away.
- Murtuza Arsiwala:** So there will be an interest component but there will not be a depreciation component because now there is no gross.....
- Management:** That component goes away and the lease amortization comes in place of the depreciation.
- Murtuza Arsiwala:** Would a similar accounting be adopted in the case of IEL or IEL will be treated like only the equity investment and share of profit in associates?
- Management:** For IEL we will follow the same method in its books but IEL's profitability in Tata Power will be a one line under the head share of profits from JVs.
- Management:** IEL as well as Power Limited.
- Murtuza Arsiwala:** So IEL for Tata Power consolidated there will just be a share of profits from associates and the balance sheet there will be the equity investment of IEL....
- Management:** Correct.
- Murtuza Arsiwala:** And whatever accumulation of profit.
- Management:** Correct.
- Murtuza Arsiwala:** So the debt, etc., gross block interest depreciation all gets out?
- Management:** Correct.
- Murtuza Arsiwala:** Just to clarify, the Arutmin profits are now not part of the share of profits from associates because the asset is held for sale?
- Management:** Correct.
- Moderator:** We have the next question from the line of Girish Nair from PNB. Please go ahead.
- Girish Nair:** What is the fuel cost per kilowatt hour at CGPL this quarter?
- Management:** It is Rs. 1.40.

- Girish Nair:** So this is the variable cost not the variable charge to the customer in the tariff? This 1.4 is not the tariff?
- Management:** You want the charge or the cost?
- Girish Nair:** I want the cost.
- Management:** So fuel energy which is only the coal part is 1.40, you are looking at the total cost of energy cost.
- Girish Nair:** Yes energy cost.
- Management:** So only fuel energy which is coal is 1.4.
- Girish Nair:** Secondly in your presentation on Slide 8 regarding Tata Power Renewable I see that the operating income and the EBITDA are both the same. Are there no operating costs at all like the cost of facility management services or.....?
- Management:** Virtually nothing.
- Management:** There are but they are too small and they are offsetting, there are some pluses and there are some minuses, so that's why in decimal form it's not appearing.
- Girish Nair:** On CGPL one clarification, the FOREX loss of 241 crore is that already included in the 160 crore that you have reported on the consol income statement?
- Management:** Yes. All the FOREX losses which are reflected in CGPL gets changed to the total so there are other items so it maybe plus or minus in the consol level.
- Girish Nair:** Could you also explain how this FOREX loss arose? Is it related to the foreign debt or is it related to the hedging of coal imports, how did this FOREX loss arise?
- Management:** There is an element of realignment of the loans, there is an element of the mark-to-market of these derivatives that have been taken and the coal related if there is any coal related FOREX gain or less, there is normally very little coal related FOREX losses which are appearing in the P&L.
- Girish Nair:** So it is mostly related to the debt portion?
- Management:** Correct and the derivatives options portion.
- Moderator:** We have the next question from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: My first question is again related to the share of profit of associates, is my understanding correct that of the 132 crore profit reported there if I exclude the 69 crore attributable to the Zambian project the remaining is all the coal mines and the infra companies?

Management: More companies, there are not just coal companies. From this quarter we will have even our investment both directly and indirectly in Tata Communication due to the new IndAS norm coming into the share of profits and similarly we have a synergy which is a South African JV that is also part of it and IEL, Powerlinks, so a whole bunch of companies are there. In fact we are planning to hold a special meeting to kind of get you up to speed on some of the changes that are going to happen in this accounting due to IndAS, at that time it will be clear but you can even contact Kasturi to get some more clarity on the list of the companies that included this.

Sumit Kishore: IEL, Powerlinks is already provided by you.

Management: Those details are there.

Sumit Kishore: You have mentioned that there has been a 65 crore increase in the Coal and Infra companies profit as per the BSE press release. So that can be taken as an indication of what number would have been last year. Okay. So the second question is related to what was the extent of availability linked under recovery in 1Q FY16. You mentioned it was 90 crore in 1Q FY17?

Management: Yes, there was no under recovery last year.

Management: There would be some 75% was last year, so it is still significantly higher than this year.

Sumit Kishore: So last year was not a very significant number to discuss?

Management: Yes, because the full capacity charge is recorded at 80%, accumulatively if it is less than 80% then proportionately it gets cut.

Sumit Kishore: Given that you are going to close the Welspun acquisition later this quarter can you give us a sense on what has been the average cost of debt funding that you have secured for the overall enterprise value? And is my understanding correct that almost 100% is largely debt funded?

Management: One is that it is, yes, the interim funding is through debt and I think the cost is pretty public because its published everywhere so do I need to really tell you the rates, you already know it I suppose. It is public.

Management: I think it is there as a part of the press release.

Management: I also read in the newspaper only.

- Management:** So it is below 8%. It will stay in this only,
- Management:** Kasturi has already disclosed it in the presentation.
- Management:** Yes, if you go in the write-up to Slide #2 you will find second bullet, the first part of that sale figure.
- Sumit Kishore:** So that was for Rs. 35 billion. I would suppose that more debt funding would be required.
- Management:** You are right. The acquisition also comes with existing debt and that existing debt ranges from 9.5 to 11.5 kind of range of various loans are there from various places.
- Sumit Kishore:** So the weighted average cost of debt would be?
- Management:** It ranges from 9.5 to 11.5 various loans, there are about more than 20 SPVs there. So it is in that range.
- Sumit Kishore:** So it is only from our calculation perspective it's the overall weighted average cost of debt that is going to probably have an impact. Okay. My last question is on any update that you can give us on the closure of Arutmin sale; it has been held for sale for almost two years now.
- Management:** There have been more developments compared to the previous quarter so if you can give us one more quarter we will perhaps be able to let you know bit more details.
- Moderator:** We have the next question from the line of Amit Golchha from HDFC Mutual Fund. Please go ahead.
- Amit Golchha:** Can you help us understand based on the reset clauses which are there in terms of coal prices increases so the recent coal price increase impact, the cost impact in case of Mundra and the realization increase impact in case of Bumi, when as per the reset clauses?
- Management:** Sorry say that again, coal price impact in terms of coal companies, what was your question?
- Amit Golchha:** The coal price increase which has been there recently when this gets affected into Bumi as per the reset clauses and when this gets affected into Mundra?
- Management:** As far as Mundra is concerned the pricing is pretty much market linked so the price movement immediately reflects whereas Bumi the coal companies generally have a significant percentage of contracts which are on annual price basis or there is a basis which is set at the beginning of the year so it doesn't really capture any major changes in the middle of the year, so therefore you may see it or be it with a lag.
- Amit Golchha:** So effectively January is when these contracts become.....

- Management:** Yes, generally year end is the time around which many of the contracts get renewed.
- Amit Golchha:** There is a bit of confusion in terms of the FOREX loss which is there in Mundra. In your presentation you have mentioned it as 241 crores. In the results press release it is mentioned as 133 crores in Mundra. Can you help us reconcile these two numbers?
- Management:** The 241 crore is the CGPL individual loss of the quarter.
- Management:** 133 crores is a swing compared to the Q1 of the previous year. If you see the presentation which you are referring to you will see that in the Q1 of FY16 the loss is 108 and 241 is the Q1 for FY17.
- Moderator:** The next question is from the line of Manan Pamani from Morgan Stanley. Please go ahead.
- Girish:** This is Girish here. Just a quick question on renewables you have had about 11 crores of profit for the quarter, so just want to understand is this a sustained run rate for the 312 megawatt of operating asset?
- Management:** There will be some assets which have got commissioned during the middle of this quarter, so it is going to be a dynamic process.
- Girish:** So for this 312 megawatt if you have to operate it for the full quarter what would be the sustained run rate?
- Management:** I think what is important is for you to say on a normative level the new assets are all performing very well and therefore TPREL as you know has all the new assets and based on the season, as you know the Quarter 1 and Quarter 2 typically is the season for wind and therefore they will have higher profitability whereas the balance two quarters could have lower wind profile. So it will be incorrect to provide guidance in terms of what is the sustainability. And the second part that I must also mention very clearly each quarter you will find the capacity changing because there are projects under execution and they will come on bar and therefore at different point of time when they join the fleet they will have different contributions. It will be wrong to give the guidance of a number.
- Girish:** Roughly equity in the business currently would be 500 crores for TPREL?
- Management:** We will give you that separately.
- Management:** But it is in that ballpark number, what you said is right, a bit higher than 500 but yes you are right.
- Moderator:** We have the next question from the line of Venkatesh B from Citi Research. Please go ahead.

- Venkatesh B:** If you actually see the standalone reconciliation between GAAP and IndAS there is this one particular line item which says that recognition of finance income under IndAS on interest fee loans and guarantees given to subsidiaries 83.24 crores. Tata Power standalone has given loans to Mundra where Mundra is not paying any interest, is this that?
- Management:** That's right. So while commercially that is the case but IndAS forces you to recognize an imputed interest in these loans and therefore you still have to recognize the interest.
- Venkatesh B:** So now since everything is under IndAS so your standalone you are actually recognizing this interest income of 83 crores in your numbers of last year but is your Mundra numbers which you are showing is it recognizing an interest cost?
- Management:** Correct, it does, so on a consolidated basis it gets knocked off.
- Venkatesh B:** So vis-à-vis previous representation your Mundra numbers have also got deflated by that amount, the profit number?
- Management:** Absolutely right.
- Moderator:** We have the next question from the line of Anirudh Gangahar from Nomura. Please go ahead.
- Anirudh Gangahar:** Three questions, one, is it possible to share the gross debt level of the company as of June at the standalone and consolidated level?
- Management:** It's around 40,000, just below 40,000 crores, about 39,800.
- Anirudh Gangahar:** This is the all-inclusive debt based on the new accounting standards.
- Management:** Yes.
- Anirudh Gangahar:** Second is, just an update on the Docomo arbitration is there some payment that will be due from us and if you can just update us on what's the status and what's the way forward?
- Management:** As you would have read probably that Tata Sons which is the company which is actually handling the case has deposited the money in the Supreme Court and we in turn Tata Power has also paid its purported share of the potential liability as a deposit. So as far as cash flows is concerned Tata Power has already discharged the portion which belongs to it but, of course, it is subject to the final orders of the courts.
- Anirudh Gangahar:** So this is subject to the RBI clearance?
- Management:** RBI clearance and the Delhi High Court has to decide then how to deal with it.

- Anirudh Gangahar:** The final question is any idea about how much CAPEX are we expected to incur in this financial year?
- Management:** The Mumbai region CAPEX is normally about 900 to 1200 crores per year, generally that is the trend, then we have some CAPEX going in the defence business which is around 200 crores and these are the major ones. And of course, as and when we win the projects in the renewables that is project to project, so that depends on each and every project.
- Anirudh Gangahar:** Delhi distribution would be how much?
- Management:** Delhi is about 275 crores, just less than 300 crores.
- Anirudh Gangahar:** So as things stand besides your **(Inaudible) 47.27** and some of the other joint ventures abroad this is the overall planned CAPEX so far?
- Management:** Yes.
- Moderator:** We have the next question from the line of Abhishek Puri from Deutsche Equities India. Please go ahead.
- Abhishek Puri:** I had question on the standalone profitability. If you could help us reconcile the recurring profit there because I think the overall profitability has been declining because of regulatory charge, one off income and the other income. If my calculation is correct 83 crores has to be removed which has been charged this time as an income? And in terms of cost 120 crores which is the regulated expense has to be added back. And 62 crores is the third one which you mentioned as per the MERC order which has been disallowed.
- Management:** Yes.
- Abhishek Puri:** And if I make it post-tax about 66 crores odd will be added so 213 crores could be the recurring profit.
- Management:** I think most of the items you have covered. You are talking about this current quarter, right?
- Abhishek Puri:** Yes, this current quarter.
- Management:** But if you use the word recurring then they would be also an element of dividend which is not there.
- Abhishek Puri:** Dividend from coal companies?
- Management:** Dividend as the dividend from.....
- Management:** That is changing from quarter to quarter.

- Management:**various other companies also.
- Abhishek Puri:** So this quarter the dividends have been lower.
- Management:** Yes.
- Abhishek Puri:** And that is only from the coal companies?
- Management:** They are virtually not there.
- Management:** There is no coal company dividend, for example, last year we had 95 crores in the Q1 then nothing was there in this quarter.
- Management:** Not from any other company in this quarter.
- Abhishek Puri:** On an EBITDA basis in that case would be the right thing to look at so 646 crores EBITDA is what you have reported and would that be the trend going forward in the standalone business because we see the sales coming off on a regular basis in this business although it's a regulated business model.
- Management:** Other than the Other Income.
- Management:** I think the 600 crores number which you quoted is pretty much the normative number which appears because you can see the trend across even in previous years.
- Abhishek Puri:** The second thing will be reconciliation of the profit from the associates, if you can share the details, out of the 191 crores that you have reported what is for the coal company exactly and for the other....
- Management:** I think we will have to give you separately Abhishek because just now I think one of the questions was around this. There are many companies now getting into that category. Because you have about a dozen companies now appearing in that category so we may have to give a listing. And secondly, we have not yet clarified as to whether that level of detailing has to be shared because it is not getting publicly disclosed anywhere. So we will discuss and come back to you on this.
- Moderator:** We have the next question from the line of Amit Golchha from HDFC Mutual Fund. Please go ahead.
- Amit Golchha:** As a follow-up to this last question in the consolidated accounts what has to be adjusted is majorly three items, one is FOREX loss 160 crores, second is 270 crores of regulatory expense which is there, and third is the one-time item related to Mundra apart from the FOREX loss, is that correct?

- Management:** Most of the items which you mentioned, yes, they are on-off.
- Amit Golchha:** This 272 crores, just to confirm again, has to be added back to the recurring profit. This is not a set of item?
- Management:** Which 272?
- Amit Golchha:** 272 crores of regulatory expense which is therein consol accounts.
- Management:** That regulatory expense is different. That regulatory expense is nothing but for every reporting period there is an amount which is to be either recovered in future or to be given back in future so that is nothing to do with one-off items. Those are routine items they keep changing from quarter to quarter. Effectively for you to assess the operational performance you have to add that regulatory adjustment always to arrive at the true EBITDA and you have to add that to revenue. It is just that the accounting standards require us to show that below the line but actually if nothing but a part of revenue.
- Amit Golchha:** So which is reduced from revenue and....?
- Management:** Correct. So previous year and this year both you have to do the same adjustment.
- Amit Golchha:** In one of the questions you had mentioned, there was a reference to this, coal company profits have increased by some 45 crores or so. Is that a correct understanding?
- Management:** Yes these are the bunch of coal and coal infrastructure companies and this is compared to the last year.
- Amit Golchha:** Actually if you look at the operational highlights which you have given in the presentation the operating profit has actually gone down in coal companies Y-o-Y, so the spread has gone down. So is it that this profit is coming in some other companies which is related to coal but not the coal SPV, Bumi SPVs basically?
- Management:** There are infrastructure companies and SPVs. It's all classified under coal and coal related companies.
- Moderator:** We have a follow-up question from the line of Anirudh Gangahar from Nomura. Please go ahead.
- Anirudh Gangahar:** Just one clarification, in the first quarter of last financial year there was a provision for the write-down of the investments into Tubed and Mandakini of about 85 crores. There is no mention of that in the current results but is it fair to assume that that provision is still reflecting in the IndAS numbers for 1Q FY16.

- Management:** Yes they are.
- Anirudh Gangahar:** There is one other clarification, you mentioned the dredging cost of about 33 crores in CGPL typically spread over the four quarters but this time it's been bunched in one quarter. Then that's how it will neutralize.
- Management:** That's not the right way to assume. In this channel the dredging happens in a typical quarter. Last year also it would have happened but perhaps in other quarter. What we said, that it came in Quarter 1 this year which was not the case previous year.
- Anirudh Gangahar:** So for the full year it's really not a one-off, it's just that this quarter it's shown up.
- Management:** Full year it is one-off, in the sense that this is the cost of dredging for a full year.
- Anirudh Gangahar:** If I was to just look at the full year profit this would be a normal cost in any financial year?
- Management:** Absolutely right.
- Moderator:** Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the floor over to the management for closing comments, thank you and over to you Sir.
- Management:** Thank you Aman. And thank you all the analyst friends. Appreciate your joining us on the call today. Like the previous times it's the part that in case you still have questions or more details that you would wish to solicit particularly appreciating the fact that this is the first time that the accounts have been prepared using the IndAS philosophy, there are quite a bit of changes and we would therefore welcome you to send your queries to Mr. Kasturi and we will provide you all those details.
- So thank you once again and look forward to having you on the call for Q2 and perhaps before that we might have a detailed session so as to engage with you on various finer points and business issues related to the changes that have happened and the changes that may happen going forward. So look forward to engaging with you perhaps before the call for Q2 of FY17. Thank you and good day.
- Moderator:** Thank you very much members of the management. Ladies and gentlemen, on behalf of Tata Power Company Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.