



“Tata Power Company Limited Q1 FY20 Earnings Call”

August 01, 2019



**MANAGEMENT: MR. PRAVEER SINHA – CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR, TATA POWER
MR. RAMESH SUBRAMANYAM – CHIEF FINANCIAL OFFICER, TATA POWER**

Moderator: Good day, ladies and gentlemen, and a very warm welcome to the Tata Power Company Limited Q1 FY'20 Earnings Conference Call. From the management of Tata Power, we have with us today, Mr. Praveer Sinha – CEO and Managing Director and Mr. Ramesh Subramanyam – CFO of the company.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I am now glad to hand the conference over to Mr. Praveer Sinha. Thank you, and over to you, sir.

Praveer Sinha: Thank you very much and good evening and welcome to all for the earnings call to discuss the Q1 FY'20 results of Tata Power.

I hope all of you had a chance to take a quick look at the results. As you would have seen the company continues to achieve consistent performance despite several sectoral challenges. Q1 FY'20 performance has been driven by strong, consistent operational performance in all our regulated businesses namely, Mumbai Operations, Maithon, Delhi Distribution and in all these we have realized higher than regulatory returns. Apart from this, our Renewable business have also performed consistently though there have been certain challenges in wind projects which had lower PLF than the last quarter.

The consolidated revenue has grown by 5% from Rs.7,199 crores in Q1 FY'19 to Rs.7,567 crores in Q1 FY'20. Similarly, the consolidated EBITDA in this quarter grew by 27% to Rs.2,210 crores compared to Rs.1,746 crores last year Q1. Renewables continue to report a very strong EBITDA of Rs.663 crores, up by 12% due to the new capacity addition. All our subsidiaries and joint ventures continue to perform very well. The underlying EBITDA has grown by 13% from Rs.2,327 crores to Rs.2,638 crores on like-to-like basis wherein for the previous year we have taken out the Cennergi and ITPC. The Company has achieved PAT before exceptional items of Rs.254 crores this quarter as compared to Rs.252 crores last year. This translates to a growth of approximately 29% if we exclude the PAT from Cennergi and ITPC for the same period last year as both these projects have been classified as held for sale and not included in the results. We have seen softening of coal prices in the last quarter which has reduced the DMO impact for the Coal companies. The softening of prices along with better blending of coal, achieving 49% blending of coal last quarter, we have been able to reduce the fuel under recovery for Mundra from 93 paise last year to 55 paise in this quarter. The Renewable business portfolio continues to grow and we have commissioned 250 MW solar in Q1. Similarly, our Solar EPC business has grown and has a total order pipeline of nearly Rs.4,400 crores. TPREL has 600 MW of solar projects under implementation and another 100 MW is now pending for Letter of Award from Maharashtra.

Now, let us look at some of the challenges or some of the issues that we are facing at:

One is about the reopening of the PPAs by Andhra Pradesh. We had received the letter from the Andhra discoms regarding the Walwan Renewable PPAs and the Tata Power renewable PPAs. We did approach the Hon'ble High Court and it has stayed the order of the discoms. Similarly, some of the other developers have gone and have got a stay from the discoms not scheduling power where the high court has asked Discoms to give valid reasons if at all they are not scheduling power as these units are on much run basis. And we expect that based on the intervention of the Hon'ble High Court we will be able to get respite from the unilateral decision which was taken by the Andhra discoms.

Let us come to the Mundra Plant:

For Mundra, as you know, that out of the five states, Gujarat had already approved the compensatory tariff. There was a meeting which was held last month on 17th of July which was attended by all the five states power secretaries and the discom heads along with Ministry of Power, Government of India. And all of them have agreed that they would be going ahead and completing the process of approval of PPA through their respective state governments and state cabinets and thereafter they will inform CERC about the supplementary PPA. So, we expect that the resolution on this should happen.

There have also been a few other developments especially around the news about the coal license renewal. There was a proposal to modify the coal license renewal policy of the government but since there were elections in the month of May and the new government was to be formed, the decision could not be taken. Now that the elections are over and we understand that the new government and the cabinet will be in place by October, we expect that thereafter this issue will get finalized. There are certain processes that they need to do in terms of getting it approved by the Parliament in Indonesia and thereafter notifying the new policy and the process of renewal of licenses. As we feel that the KPC is one of the biggest mines in Indonesia and some of the other big mines which are awaiting mining license renewal this will happen because all these mining companies pay huge amount of tax and royalty to the government and the government of the day will like to protect their revenues from all these mining operations.

As regards our position on divestment and reduction of debt, that continues to be at top of our agenda. We have to reduce our debt and we have been taking steps to run a process whereby we can divest our stake both in Cennergi as well as ITPC Zambia. There have been good discussions and the sale in South Africa is going through the process. We are in the process of talking to some of the potential investors and hopefully we expect that in this financial year this will get closed. Similarly, we are running the process for ITPC Zambia and we hope that within this financial year we will be able to discover the price and complete the divestment process. Similarly, we keep on looking at other opportunities where we can reduce our debt and there is a plan on how we can divest other non-core assets.

As regards the Georgia project, the good thing is that we have got the full insurance money, and the project work is going on. We expect that the plant will be ready to operate in the month of

January-February next year. We have also been able to work out draft PPA arrangement with the Georgia government which also should get finalized soon. I think all said and done, the Georgia project should be up and running next year by second quarter and we expect that thereby we will be able to generate the revenue from this project.

The last area that I would like to touch upon is on the 1980 MW Prayagraj project. As all of you are aware that through Renascent and Resurgent, we had submitted our bid which was accepted by the bankers and we wanted to go ahead and take the project but unfortunately the approval process through the discom in UP as also through the regulatory commission over there got delayed. We went and challenged the order of the regulatory commission. We went first to the high court and the high court asked the APTEL to examine it. The hearing in APTEL is over and the order is expected now. We are reasonably confident that this matter will be resolved soon and will allow recovery of the stressed assets in the industry.

I will now hand over the call to the moderator for questions and my colleague, Ramesh Subramanyam, CFO and I will try to respond to all.

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 Surabhi Bomb from Macquarie. Please go ahead.

Inder: Hi, this is Inder here. My first question is on Mundra. What are the next steps which need to be taken and any sense as to what would be the timeline? And another related question is that do we need to be in a situation where all offtakers need to agree or can we have separate agreements with separate states and start supplying at a higher rate?

Ramesh Subramanyam: I will start the answer to your last question. This bid was done jointly with five procurers and the bid terms were agreed upon with the five procurers together. We have a single contract with all 5 procurers and therefore we need agreement among all 5 states. We are working on seeking an alignment between all 5 states.

Inder: Does that mean there is actually a veto with states?

Ramesh Subramanyam: Not really a veto. I think it is more about not having a situation where all states have to answer why their terms are different than the other. So, we are seeking the consensus which more easily get passed through their own internal approval process.

Inder: Regarding the next steps?

Ramesh Subramanyam: So, the next step is that we are awaiting the approvals of the four states. As you know, Gujarat has already approved it. The other four states are in advanced stage of moving their papers internally and require their cabinet approval, etc., Off course, elections in some of the states may delay the process and we are trying to expedite it.

- Inder:** My second question is on Indonesia. Just to kind of understand the situation better, why was there an understanding earlier that this will be an automatic kind of an extension of the licenses, why the situation has come about, are there any demands to kind of put in these mines for bids or these are just a procedural issue that we should not get worried about?
- Ramesh Subramanyam:** You must know one thing that this issue of license is not something that has come over in the last few months. Last two years, the Government of Indonesia has been working on a draft legislation on the whole process of extension of licenses of the CCOW contract. So, we are not the only one. And this process kind of culminated or reached the final stage before it hits a final approving authority of the government. So, it has gone through extensive negotiations and discussions with all the mining companies. So, there is a good amount of clarity on what the government wanted to do in terms of the extension terms. Now, yes, it is yet to be fully signed off by the government. So, the issue which you are talking about is because of the articles appearing saying that one company in particular got the license canceled but that according to us was a procedural question mark that is before the legislation was in place, the license was renewed. So, it is important to know that there is already an existing legislation. It is not that this is a first time legislation. All they are doing is to amend the legislation. So, the existing legislation getting amended and that is where all the government is taking consensus of all the stakeholders. So, we believe that it is more procedural as of now because what has come out in the news report says cancellation is more because the extension was granted before the new law came into place. So, therefore they have stopped it for the moment saying wait for the new legislation to be passed before you do the renewal.
- Moderator:** Thank you. The next question is from the line of Punit Gulati from HSBC. Please go ahead.
- Punit Gulati:** Just continuing a bit more on Indonesia side, do you expect any change in terms and conditions when the renewal happens?
- Ramesh Subramanyam:** So, yes, in the new legislation, compared to the existing legislation, there are changes in tax, royalty, some VAT adjustments, even there is a discussion around how the assets of the existing mines have to be treated, so, all that is part of the legislation. We are aware that some of these changes may or may not pass the final test. And we also know that by and large it is not some material deterioration in the current terms of the license. That is what we understand based on the current draft.
- Punit Gulati:** What is the timeline for this to go through?
- Ramesh Subramanyam:** Look, the first of the licenses is the one which got renewed and then kind of revoked. Ours is coming in 2021. So, therefore, one year before, they are supposed to renew the license. That is what the new legislation says. And you have to apply two years before which is we are expecting that during this year not only the legislation would be passed but we would be able to then formally apply, this is our expectation.
- Punit Gulati:** Sir, would you need to pay something more as well?

- Ramesh Subramanyam:** I think we will have to wait for the legislation to get clarity on the same. As of now we do not have any major concern around that or we have not heard that major amounts have to be paid, etc., to get the extensions.
- Punit Gulati:** On the Mundra issue, would the change be effective retrospectively from October or will it be prospective?
- Praveer Sinha:** It is supposed to be effective 15th October 2018.
- Punit Gulati:** For Mundra, you also said that there has been an agreement between the states and now they are going back to get approvals from cabinet. Can you give some more light on what kind of agreement has taken now - is it better than what you thought or was discussed earlier or is adverse?
- Ramesh Subramanyam:** See the HPC committee report came in and the Government of Gujarat made certain changes to even that while adopting it and shared it with all the procuring states saying this is what we believe we can sign upon. All other states were free to add and delete what they felt like, and some of the states have asked for some additional conditions which according to them will help them to take their approval, and some of them we have agreed to. So, we do not know finally where it will land up but we have in mind that it could be a slightly lower than what Gujarat has offered, but it is not yet finally approved, so we cannot say anything. The upper limit being whatever Gujarat has proposed.
- Punit Gulati:** Also, on these two new assets which you have listed now as held for sale, ITPC and Cennergi, I thought one of the assets also had an issue in terms of government not paying because of currency. Is that sorted out now?
- Ramesh Subramanyam:** Not really. We are still in touch with the government and the government has promised to take steps but the reality is that the economy of the Zambia today is in a bit of weak spot. So, we are working along with our shareholders which happens to be a government company and we are looking at other options also to ensure that we mitigate our risk.
- Punit Gulati:** But would you get buyers in this scenario, has anybody expressed interest?
- Ramesh Subramanyam:** While we cannot reveal all the details at this point of time, we can assure you that there are buyers for every asset. So, we will have to figure out how to get the best price out.
- Punit Gulati:** What would be your expectation – do you expect to get at least book value out of it or...?
- Ramesh Subramanyam:** The book value in these circumstances could be a reference point, but I think we should not speculate, we are still running a process around it and then figure out where we end up with.
- Moderator:** Thank you. The next question is from the line of Apurva Bahadur from Jefferies. Please go ahead.

- Apurva Bahadur:** Sir, just quickly first of all I think today onwards this discom LC mechanism has come into play. Just wanted to know if we have received or started receiving LC for all our assets basically even the renewable ones, are they under coverage now?
- Ramesh Subramanyam:** Yes, we have seen progress. We do not have the exact numbers but a good percentage of the Discoms are already in discussions. As on today, about 400 MW equivalent value of LCs for renewable assets have already been received. Please note that the whole clarification around this only came yesterday. So, I guess that the discoms will take time to react. But on the thermal assets we are already seeing discoms working overnight to fulfill their compliance.
- Apurva Bahadur:** I think the power supply would be stopped, right. If they do not provide LC within a deadline, by when is that?
- Praveer Sinha:** That is basically decided by the state load dispatch center in terms of scheduling of power. The clarification on conventional was sent quite some time back, but for the renewable the clarifications came only yesterday. So, let us wait for a few days and I am sure these state load dispatch centers will suitably respond to Ministry of Power on the same.
- Apurva Bahadur:** Also, you mentioned about the insurance payout received in Georgia. So, that is under the other income that you have received?
- Ramesh Subramanyam:** No, this is for the project, it will not come to us, it has gone to the project which they are using for the repair activities.
- Apurva Bahadur:** Sir, also I was just going through your annual report. So, among the guarantees given for various subsidiaries and JVs for Mundra basically it has increased from roughly Rs.31 billion to Rs.78–odd billion. Why is this sharp increase?
- Ramesh Subramanyam:** We had to raise further debt there. If you recall we raised bonds in the last few months and it is to cover them.
- Apurva Bahadur:** So, they are with recourse?
- Ramesh Subramanyam:** Yes.
- Apurva Bahadur:** And one last question and this is a bit hypothetical. Just wanted to understand basically linking this Indonesian mine renewal along with the HPC. Suppose in the unfortunate event that we do not get an approval for renewal, in that case will the additional loss or the lack of profit sharing, will that be a pass-through under the HPC mechanism?
- Ramesh Subramanyam:** I will answer in two parts; one is it is a hypothetical question. Therefore, there could be some grey areas around it. We are all working on a theory that there would have supplies of coal and there would be these mines. There are some provisions we are aware of which cover this for us.

But I would not go that far, because these are areas where I think that we have to test the ground for reality.

Apurva Bahadur: Basically for any further changes under this HPC tariff will we have to again approach the states for probably changing the agreements or will it be sort of an automatic mechanism that will be followed?

Ramesh Subramanyam: No, these are multi-state PPAs, so it will go to CERC. CERC will be the agency which will take all the inputs of the states and then there would be common PPA which would be agreed upon and signed.

Moderator: Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.

Swarnim Maheshwari: Sir, my first question is actually when you look at your coal mining profit for Q1 FY'20 and when I compare this on a sequential basis, we have seen that while our operating performance has been very steady at about Rs.500-odd crores but there is a sharp fall in the PAT. So, what is this attributed to?

Ramesh Subramanyam: So, there is a one-off accumulated, tax of about Rs 111 crores which is pertaining to dividend distribution which has accumulated over the last one year. If you remember, we were showing that amount as a shareholder loan, and part of that amount has got converted into dividend, therefore, the tax on that amount has been big. That is something which affects the PAT.

Swarnim Maheshwari: So, this number basically withholding tax is about Rs.111-odd crores. So, that would actually be there in every first quarter, is it?

Praveer Sinha: This is a one-off.

Ramesh Subramanyam: Ideally it should have been charged off in the respective quarters had the dividends been declared regularly. Dividend got declared once in a while. In the coal SPV there is another charge which in the coal segment will come as the guarantee commission which Tata Power as part of the transfer pricing mechanism has to charge off. But it gets eliminated in the consolidated statements. Since you are looking at only the coal companies, I am telling you there is an impact.

Swarnim Maheshwari: What is that amount?

Praveer Sinha: That is about Rs.41 crores?

Swarnim Maheshwari: There was this news on the Delhi Chief Minister waiving off the tariff for 0 to 200 units. So, any possible impact on Tata Power Delhi Distribution?

Praveer Sinha: There is no impact on this. Because as far as the tariff is concerned, we still get that money - the only difference is that this money will now come directly from the government and not from the

consumers. So, whatever is the subsidy that the government has to give they will give directly to us. To that extent, it will actually improve the collection efficiency of the discom.

Swarnim Maheshwari: But that is assuming Delhi government pay us on time?

Praveer Sinha: They always pay on time. There has never been a default.

Swarnim Maheshwari: My third question would be you did allude to the draft legislation of the Indonesian coal mining policy. I am sure you would have seen the legislation and you did mention that there is no material change with respect to taxes or royalty. So, when you say material, it is like less than 5%, what is it?

Ramesh Subramanyam: Yes, less than 5% is a good number because materiality is an accounting term. So, yes, you are right, that is a good number to have. Please understand, I think we are all going by the draft that was in circulation. But the point is that it has to go through the government systems and law makers have to clear it. So, let us wait for it. But what we saw was that there were changes which square off each other and then it was not making a major overall impact on these assets.

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

Dhruv Muchhal: On Maithon, we have seen some improvement in EBITDA about Rs.300 crores versus last year same quarter of about Rs.190 crores. In the PPT, you mentioned about some APTEL order. Can you please elaborate on this?

Ramesh Subramanyam: This is about the order relating to the CAPEX approval that happened in Maithon. There was a dispute on the calculations which went up to the CERC and then got decided in our favor. Rs.135 crores is the amount which are getting in the EBITDA.

Dhruv Muchhal: So, this Rs.135 crores pertain to the current quarter or even the previous quarters?

Ramesh Subramanyam: So, this is accumulation, so there will be a recurring impact also of this order, but it may not be of such large volume but a smaller amount. We can give it to you separately.

Dhruv Muchhal: Is it right to assume now in this quarter that there was no DMO impact and these are the underlying numbers without any DMO issue?

Ramesh Subramanyam: For the coal companies, yes.

Dhruv Muchhal: Thirdly, you mentioned that the coal JVs had this Rs. 111 crores of withholding tax impact. Now our coal JV PAT is about Rs.160 crores. So, should I add back this Rs.111 crores to get the recurring PAT or is there something which I am missing?

- Ramesh Subramanyam:** You are right; you have to add back. And then all the bank guarantee commission which we talked about will be the other items because that is also a one-off which is not recurring.
- Dhruv Muchhal:** In that case, you will be seeing a significant improvement in PAT versus our EBITDA will not have changed much. So, KPC EBITDA was about Rs.280 crores in 4Q and this has increased to about Rs.330 crores in 1Q which is about Rs.50 crores increase, but our PAT would have increased significantly if I add back this tax adjustment. There is Rs.100 crores delta impact versus only Rs.50 crores delta in EBITDA?
- Ramesh Subramanyam:** Can you take this question with our team offline.
- Dhruv Muchhal:** Yes, sure. Lastly, now with the coal prices falling, do you see any delay in the payment from Arutmin or that should continue with what we are expecting in this to be recovered this year or next year?
- Ramesh Subramanyam:** It is not directly linked only to pricing, but it always helps that prices are higher. So, I would say that they are two parallel tracks. It helps to have a higher coal price so that the majority owners have a better cash flow.
- Dhruv Muchhal:** On Tata Projects, any update on that. Are we expecting it anytime soon?
- Ramesh Subramanyam:** No, nothing to report as of now, but we are working on it.
- Moderator:** Thank you. The next question is from the line of Sumit Kishore from JP Morgan. Please go ahead.
- Sumit Kishore:** My first question is on tax expenses as reported on Slide #8. Against the total PAT before share of JV of Rs.446 crores, the corresponding tax expenses are close to about Rs.414 crores, up significantly on YoY basis. Is there any nonrecurring item here which we should know and how should we be looking at this absolute tax rate that you have? I know there are losses for Mundra UMPP which sort of distort the tax calculation.
- Ramesh Subramanyam:** So, we will give you separately this one because you will also have to understand in last year what were the items which were one-off. So, our team will get back to you on this.
- Sumit Kishore:** And second one is that for discontinued businesses operations you have a loss for Q1 FY' 19 of Rs.34 crores. While if I look at Slide #6 for both ITPC and Cennergi, you had disclosed profit for both these entities. I do not understand why it should be a loss.
- Ramesh Subramanyam:** Rs.19 crores loss is for SED, our defense business because it is held for sale. Last year, it was Rs 34 crore which now in this quarter is Rs.19 crores.
- Sumit Kishore:** So, ITPC and Cennergi share of profit do not appear in discontinued operations?

- Ramesh Subramanyam:** No, they are treated directly in the asset held for sale. We do not consolidate. There will be a direct adjustment as and when the sale happens. So, you stop on accruing profits on those items.
- Sumit Kishore:** They are not part of discontinued operations?
- Ramesh Subramanyam:** Yes, they are not part of.
- Moderator:** Thank you. The next question is from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.
- Kirti Jain:** Sir, any update you wish to share on the Tata projects divestment?
- Ramesh Subramanyam:** No, Kirti, we are still working on it and let us see how we can structure it.
- Kirti Jain:** On this Mundra, any timeline you expect internally that by December or March you should get it completed, when will we see the reduced losses?
- Ramesh Subramanyam:** Well, our intent is to do it ASAP. It is not exactly in our hand and we are chasing all the four governments to close in. Yes, in next few months, we should be able to close it. Actually, there is so much pressure that hopefully we get that thing resolved in the next few months.
- Kirti Jain:** Debt reduction any target we have for the full year FY'20?
- Ramesh Subramanyam:** So, the debt reduction, the only thing which are there really is whatever noncore assets which we will be able to liquidate in the year and we are working on a couple of them. So, therefore that would probably be the one. I think those are the ones for the year besides any accruals which will divert to the debt and also any realization from Arutmin that would be the other piece.
- Kirti Jain:** Sir, last year, when we see our annual report, our working capital increased. So, given that this LC opening is being done by the state electricity board, do you expect that any reduction in working capital will happen this year?
- Ramesh Subramanyam:** Yes, off course because this is directed towards clearing overdues and preventing delays. So, we do expect immediate impact on working capital because the LC gives you the right to encash. So, precisely that is the reason why it has been put in place.
- Kirti Jain:** But how it will happen? Practically, your relationship with your customer will sour in the short term, it will be tough because you have to meet him day in, day out, you will have work with him on regular basis. If you exercise an LC and that would not look nice with your customer, Sir?
- Ramesh Subramanyam:** No seller would like to encash collateral, but that creates more discipline in the system is what our understanding is and therefore it is not that our expectation is to encash LC every month,

our expectation is that it should build enough kind of pressure and discipline to pay the bills in time.

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

Abhishek Puri: Two things; first, on the debt numbers which have largely gone up. Apart from regulatory asset increase, what will be the reason for the increase in the debt profile? And specifically, for the renewable energy assets also they have given I think Rs.9.8 billion debt has gone to Rs.11.9 billion. That is second. Third I think on the distribution franchise if you can comment on the Ajmer circle. How has been the progress?

Ramesh Subramanyam: You rightly said. So, one is really the renewables. There have also been temporary working capital increases in a couple of places that have led to increase and we hope to bring it down soon. And regular CAPEX that have been the other reason because in all the distribution businesses we have maintenance CAPEX that goes on which is backed by debt. So, apart from that there is no real new investment other than renewables and the regular maintenance CAPEX.

Abhishek Puri: What is the CAPEX plan for the current year on this renewable specifically we won quite a few projects this year?

Ramesh Subramanyam: Currently, our pipeline is about 450 MW equivalent so which means about Rs.1,800-2,000 crores of total CAPEX would be there on renewables alone this year. It would be not just this year, it could be spread over 18 to 24-months.

Abhishek Puri: In terms of the working capital increase, this is largely for the distribution circles or is it for the other businesses as well?

Ramesh Subramanyam: No, actually, the increase has been across the board. In Mumbai, we have had delays from the large, bulk customers. In Delhi, it is a temporary thing, I think it is more seasonal. Then we have renewables where some of the states have delayed. Our overall receivables, however, is still okay.

Abhishek Puri: And on the distribution franchise, Ajmer part?

Ramesh Subramanyam: Ajmer is doing well in terms of operations. It has brought down the AT&C losses also quite successfully from where we started, previous year was at about 17.5%, this year, we are at about 9.5%. So, that is the kind of progress that has been achieved.

Abhishek Puri: If I can ask one more on the restructuring part, I think we have been hearing about some restructuring being planned specifically on the renewables assets. So, if you can briefly talk about that in terms of whether this is supposed to be the growth area for us and if it is InvIT out what would be the growth vehicle for the overall company or is it that the debt reduction is the primary driver for this kind of restructuring as of now?

- Ramesh Subramanyam:** No, the objective is both. We want to have a controlled debt number in absolute terms, and also we need profitable growth. So, in an asset-intensive industry, debt normally goes along. So, we are toying with several ideas and therefore there are a couple of options really available, but nothing has been decided. As of now, business is as usual, our focus is now to really contain debt by actually ensuring that all our assets which are worth disposing, we do that and clean up the balance sheet, then the next step is to build a good robust portfolio of renewable assets. So, therefore we will be very choosy in going after those assets. So, that is our program. But really we have yet not decided on restructuring as of now.
- Moderator:** Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.
- Rahul Modi:** Sir, just a couple of quick questions. Firstly, what is the average receivable days that we are seeing in the renewable business consolidated today for us?
- Ramesh Subramanyam:** Rahul, I do not have it readily. We will give it to you. But I can assure you that in renewables we have only a couple of states where we have larger volumes. We have a very good track record on the other states.
- Rahul Modi:** Do they pay late payment surcharges for renewables if there is delay?
- Praveer Sinha:** So, some of the states are paying, some other states ask you for some concessions. So, that is state-to-state.
- Rahul Modi:** But it covers our cost broadly?
- Praveer Sinha:** Well, yes, in many cases it does. Sometimes we take a view that if we do give concessions, how long it will take for us to collect, so sometimes we do, but by and large, it is covered.
- Rahul Modi:** Sir, just wanted to ask you about the regulatory asset. We have seen that increasing in Delhi. So, what is the thought of the liquidation in both Delhi and Mumbai going ahead and the reason for Delhi increases?
- Praveer Sinha:** The Delhi increase has been a nominal increase, not a very high increase, and that was because the tariff revision did not take place earlier. Since the tariff revision has happened yesterday we expect that going forward they should be in a position to reduce their regulatory assets. Also, Mumbai regulatory assets is all getting amortized. The last order of the regulator in last year has helped us to reduce the regulatory assets. So, it has come down to Rs.2,000 crores and the amortization plan is in place. So, hopefully we should be able to amortize by next year.
- Rahul Modi:** Any update on the CESU license in the distribution space?
- Ramesh Subramanyam:** As you know that the bidding process was done. Because of the election the whole process came to a standstill. I am told now that they have restarted working on evaluating of the offer and now

besides that they also looking at privatizing some of the other three discoms. They are now very keen that they close first the CESU and then quickly decide on the other three discoms. So, hopefully this should happen much faster now.

Rahul Modi: Sir do we look to participate in the franchisee systems if bids come up in the sector or we are more focused towards license areas.

Praveer Sinha: Our preference is license, but we also selectively look at franchisee provided it meets our investment criteria.

Rahul Modi: Any outlook on coal prices that we are seeing from current levels? So, this time I believe the DMO, as the earlier caller mentioned, has no impact this quarter. So, what is your view forward on the prices?

Praveer Sinha: The international coal prices have softened in last one year. It went to a peak of more than \$105 last year, it is in the \$70 range now and we expect at least for next two quarters it will remain mild. So, thereafter we do not know but at least for next two quarters, it looks like it will stabilize at the present level.

Moderator: Thank you. The next question is from the line of Punit Gulati from HSBC. Please go ahead.

Punit Gulati: The last thing on this Arutmin. You alluded that because of low prices there might be a real slowdown in payment. Do we have any serious bargaining power here or is it more like on the mercy of when they really want to pay?

Ramesh Subramanyam: Punit, I think we have to understand one thing that the counterparties who have to pay us money are themselves as a company under restructuring as you are aware. Therefore, a lot depends on how they manage their finances. So, therefore I think we have to be cognizant of that. That is the only way. Intent is there and we are also chasing and actively working with them.

Punit Gulati: And would you have an idea of where are we in terms of hierarchy of getting paid?

Ramesh Subramanyam: Strictly there is no such waterfall in which we are clearly a part, but remember we have an understanding with them as to what and how we will get paid and that process may not be exactly as we want or not exactly fast as even they would want. We are trying to do whatever we can to get it.

Moderator: Thank you. The next question is from the line of Santosh Hirdesai from SBICAP Securities. Please go ahead.

Santosh Hirdesai: Sir you mentioned about having a healthy renewable pipeline. I am just trying to get a sense of what would be your yearly target as such for this?

- Ramesh Subramanyam:** We do not normally give forward-looking targets, Santosh. So, we cannot share that with you. We will be participating in the bids, but we will be selective on our criteria.
- Santosh Hiredesai:** So, this current 450 - 500 MW you talked about, Rs 1,800 - Rs.2,000 crores of CAPEX, is that something which we can build in?
- Ramesh Subramanyam:** Oh yes, because those we have won, so we have to implement.
- Santosh Hiredesai:** Is that the run rate that one could work with let us say on a reference basis.
- Ramesh Subramanyam:** That is up to you, but I am just saying that you could look at the trend. See is also depends on how we participate - therefore it is difficult to give you an exact number because in we do not know how the bids will turn up and we are not going to be trying to win every bid. So, therefore, we have to be a little calibrated on that.
- Moderator:** Thank you. The next question is from the line of Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.
- Dhruv Muchhal:** The LC scheme which has started now. One thought is that this scheme is applicable only for the inter-state plants. So, the state discoms probably given the squeeze, will want to squeeze out the state-based gencos and most of our RE plants are at least state-based. So, do you also think that could be a risk, how do you see that?
- Ramesh Subramanyam:** I think we are yet to really study that whether we feel that is risk or not, but it is too early for us to say anything on that as the scheme is in initial phases of implementation.
- Moderator:** As there are no further questions, I now hand the conference over to the management for their closing comments.
- Praveer Sinha:** So, thank you very much for your questions which we hope have been adequately responded to. We will come back for the outstanding queries. And if you have any more queries, please get in touch with my colleagues and we will be more than happy to respond to you.
- Ramesh Subramanyam:** Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Tata Power Company Limited that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.