"Tata Power Company Limited Q4 FY-16 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Tata Power Q4 FY16 Earnings Conference Call. We have with us today from Tata Power, Mr. Anil Sardana – CEO & Managing Director; Mr. Ashok Sethi – COO and Executive Director and Mr. Ramesh Subramanyam – CFO. 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 phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anil Sardana. Thank you and over to you, sir.

Anil Sardana: Good morning, analysts, friends. It is one of the rare days when we actually ask you to meet us early in the morning because yesterday we had our board meeting till quite late and therefore apologies for having got you on the call much earlier in the day.

The quarter 4 as well as the annual year results are with you. You must have got the presentation as well as the press release. The company has done fairly well and we are very happy to present before you the turnaround story of all the businesses that we had promised you in the last few quarters. Besides all units doing well I must make a specific mention of the promise that we had taken to our stakeholders in terms of turnaround of Maithon Power Limited and Tata Power Solar besides continuing to work on CGPL to make sure that the under recovery improves. And I think on all three counts you would find that there is a good story to report.

More so in Tata Power Solar which is yet to turn black. We are very happy that they have a very healthy order book and therefore going forward we should have better things to report. It is also heartening to see that all the ratios particularly the debt part within the sector as you know is been one of the subjects of discussion. We have kept our eyes clearly on that to make sure that our ratios improved. So in terms of both debit-to-equity and debt-to-EBITDA at the gross and net level we have improved the ratios and therefore there has been a good turnaround.

As reported in the press release we have finally got the APTEL order. Most of our analyst's friends would normally on the call always ask this question and the APTEL order must have been seen by you. We are now hoping that we will soon have CRC come out with their resolution of the issue. As you are all aware that the compensatory tariff matter went into different challenging status and therefore for us it is important that the APTEL order has now come. And from our perspective the way the APTEL order has written we should actually be looking forward to same and similar compensation as was there in the compensatory tariff.

The company's thrust on renewables continues as also various projects which are in execution stage continue to be on time. We are very happy to report the progress that we have had on the Hydro's. As you are aware during the year we have commissioned Dagachhu Power. We have commissioned the Zambian power Itezhi Tezhi and we are fast moving towards commissioning of the Georgian project. And that is going to be almost like a global record in terms of the fact that 38 kilometers of tunnel has also a difficult terrain but we have been able to virtually complete the tunnel as we report today we have out of 38 kilometers already completed about 35 kilometers plus. And the good part is that three of the cross over points have already joined each other on a perfect accuracy. So those are happy things to report. The company continues to do well on Project Management Company is looking forward to enhancing its portfolio on the renewables and the thrust on areas of turnaround will continue in the times ahead also.

So friends, hose were the some of the opening words. We look forward to your questions. Just in case there are few statistics that we are not able to offer on the call. Feel free to refer it back to our investor relations team and they will be prompt in responding to you. Thank you and look forward to your questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

We have the first question from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: My first question is related to the exceptional item of Rs. 2.26 billion as provision for the diminution in value of TTSL. Why does it not feature at the consolidated level and can you give us some explanation around the diminution and whether there is a risk of additional hit on this account?

Management: So the reason that why this is not featuring in the console is that the same investment was earlier associates because Tata Power had a higher shareholding five years ago or more than seven years went back and at that time the accounts of TTSL was part of the consolidation and therefore there is a carry forward consolidation loss in the consolidated books and therefore there is no need for a fresh provisioning in the console accounts. However, in the standalone since standalone carries it as the purchase value there is a provision required in the standalone books. So it is a bit of an accounting issue and that is why you are not seeing the same impacts in the console books.

Sumit Kishore: So is there any risk of additional hit on this account and could you give us some explanation around the diminution?

Management: No, this is routine auditing standards require that any investment should be tested at least once a year and it is a routine testing and based on that whatever is the valuation that comes in is recorded and difference between the book value and the fresh valuation is provided for. There is no other special event that has happened that is led to this. It is a routine.

Sumit Kishore: Okay and my second question is what is the minimum threshold of return you would look at in terms of ROE or equity or should you conclude an acquisition of renewable assets in India?

Management: Well, we would not want to convey our guidance here. We would say that this is a constant valuation that we do based on the cost of capital and accordingly decide as to what percentage about these weighted average cost of capital we would want to do. And also depending on each individual case where the risk of takers, the risk of a particular venture is evaluated on the basis which we decide that. So I think it will be unfair for us to say that what will be the value of returns we will look at going forward.

Sumit Kishore: And my last question is a data related question on the fuel cost per kilowatt hour in Mundra UMPP for the quarter and for the fiscal?

Management: The quarter fuel cost is Rs. 1.34.

Moderator: Thank you. The next question is from the line of Venkatesh B from Citigroup. Please go ahead.

Venkatesh B: My first question is more of data related kind of a question. What is the exact loan which is there on the coal SPVs at this time in point in time? I think at the end of the last year it was around $900 million. Can you give the number at the end of financial year 2016?

Management: It remains the same because we have refinanced it. Remember that it is while we are calling it historically as a coal SPV debt I want to just clarify that it was indeed to start with borrowed for the acquisition and remember that we have made handsome returns in the coal in the days when the coal prices were high and therefore we have now taken this as part of our consolidated debt profile. So therefore I would just like to correct the nomenclature used as coal SPV debt as if it relates to coal mines. It is not only it has some portion of the coal mines related debt but it is also part of the general corporate debt raised overseas. So that is just to clarify but the number remains at $900 million.

Venkatesh B: And what is that cash amount at the SPV level?

Management: Cash is about $10 million.

Venkatesh B: Sir, the second question is at the standalone level what is the dividends you have got from the subsidiaries because I think at the last year I think this number was somewhere around Rs. 494 crores or so?

Management: So last year it was Rs. 514 crores and this year it is Rs. 358 crores.

Venkatesh B Sir, coming to the coal mines, it looks like even though the prices of coal has fallen the coal ASP has fallen in this particular year, you have actually done actually much better than last year when it comes to the EBITDA levels. Now one is obviously your cost of production has come down, are there other things you have done because it seems like the other costs have also come down meaningfully. So if you could highlight at the ground level what exactly you have done to reduce costs to produce this good result in the coal mines?

Management: In the coal mines you rightly mentioned about coal mining cost but I think there is also fuel cost has reduced because of general lowering of fuel prices worldwide plus there has been some significant efficiency programs that has been done in the coal mines in light of the depressed coal prices and there are no major one offs adjustments that would really be accounting. This is generally the overall cost of mining has come down.

Venkatesh B: Since you are talking about coal mines, if you could provide some kind of an update on what exactly is happening regarding that sale of stake in the coal mines which had been decided I mean any update on that in terms of when that transaction will conclude and if at all it will get concluded?

Management: No, we are trying our best to conclude that transaction. I think we have made a statement in the past about the issues there in terms of having lenders and the infrastructure companies there and that needs approval of lenders and therefore some bit of restructuring of the debt etcetera. So all that is still in process, it is a slow process given the state of the coal sector therefore we have to wait little patiently for this to conclude. I do not think we are saying that this will never happen. It may take some time we are working on it and we will keep you updated. We are hoping for a result in this year positively.

Venkatesh B: Okay sir, if I could just lip through one more last question. If you look at the standalone numbers your other income is down from around Rs. 1,024 crores to around Rs. 555 crores. One is I guess there is some you have waived off interest to Mundra UMPP loans given to Mundra UMPP and also there is a reduction in the dividend. Is there any other reason for this decrease, it is almost Rs. 500 crores in amount?

Management: So you pretty much covered everything. And last year remember we had some surplus money from the rights issue which carried some amount of interest income also for some time that is also one more reason. That is about Rs. 90 crores in terms of income in the previous year.

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

Bhavin Vithlani: My question is in the UMPP you highlighted the fuel cost was about Rs. 1.3, I believe this is ex the logistics if you could give the cost including the logistics?

Management: That will be about Rs. 1.17.

Bhavin Vithlani: The second question is more on the UMPP related you highlighted that you expect the similar tariff because but when I read the judgment correct me if I am wrong they are talking about giving the tariff hike based on forced measure. So would not that tantamount that the reduction in the profits from coal mining and the ROE would not be considered this time around?

Management: You are right in the sense that if you actually read the fine print that is what it could mean but typically what I am trying to say that in the overall settlement it is not expected that we will give more competitive tariffs than what they had given prior to this. But of course if you read the fine print, yes, those type of minor things could come in. What is most important is that the wording of Aptel shows that they should restore us in the same economic status as at the time of bidding and I think that is the most important part.

Bhavin Vithlani: My last question is if you could give us what was the capital expenditure in 2016? If you could break up into a regulatory investments and the renewables and what is the plan for FY17 and FY18 for the capital expenditure?

Management: FY16 see predominantly Mumbai operations is at about Rs. 800 crores CAPEX and generally we have about Rs. 1,000 crores to Rs. 1,200 crores every year that is the normal CAPEX we have. Renewables we do not have a fixed plan it depends on what projects we win from time to time or if there are any acquisitions.

Bhavin Vithlani: So what is the total sales?

Management: I think we will give you the figures. Can you please write to Mr. Kasturi, he will respond to you.

Bhavin Vithlani: Okay and just a clarification. The financials which have been given for Tata Power renewable are excluding the standalone entity or they include the standalone entity of 500 megawatt also?

Management: Exclude standalone is the Tata Power itself.

Management: You mean the renewable assets in standalone books, is that what you mean?

Management: **(Inaudible 17:46)** whatever is there is for TPREL does it include the ones which were there in standalone?

Management: It does not include.

Management: Standalone has the effects which are still a part of our **(Inaudible 17:57)** and TPREL has effects which are part of TPL.

Bhavin Vithlani: Okay so Rs. 240 crores of revenues and Rs. 20 crores is only pertaining to 294 megawatts?

Management: Correct.

Management: Or most of it would have got commissioned in the year because prior to that it was only I think 25 megawatts to 30 megawatts of solar and just one wind asset.

Bhavin Vithlani: Okay so what could be a consolidated P&L look like if you could share that as well?

Management: So we will have to share this separately we will give it to you separately.

Bhavin Vithlani: Okay last one more question. We have seen sequential increase in the regulatory assets both in Mumbai as well as Delhi distribution. If you could give us how do you see that over the next one or two years?

Management: See compared to last year Delhi and Mumbai put together actually there has been a 1,100 crore reduction. If you see last year Delhi was 5,350 crores this year end of March it is 4,720 crores and similarly Bombay has also come down from 2200 to 1700 crores. So overall there has been a reduction.

Bhavin Vithlani: No, my question was while I do appreciate the year-on-year reduction sequentially as against the third quarter?

Management: Yes, so sequentially there is a slight increase in Delhi by about 300 crores but I think you should look at the overall quarter-on-quarter and month-on-month also provisioning or special impacts of talent etcetera also play a role. So if you see over the last one and a half years it has not increased and it has actually come down.

Bhavin Vithlani: So do we expect the same trend to continue in fiscal 2017 and 2018?

Management: I think you will need to understand two things. One, the regulatory assets quarter-on-quarter gets impacted because of CRC tariffs in respect of NTPC units. NTPC units' tariffs when it comes you cannot just go back to regulatory and say provide me SEC immediately. So therefore there is a lag which is why you see difference sequentially what you are talking about.

But if you see on an annual basis since now the surcharge is provided in Delhi which is 8% exclusively for regulatory effect it therefore goes towards reduction of regulatory effect come what may as well in the other parts of the tariff. So we clearly see that it will come down year-on-year we have to only wait and see as to what way the impact happens because of the CRC judgments for NTPC units.

Moderator: Thank you. The next question is from the line of Samit Saria from CRISIL. Please go ahead.

Abhishek Puri: This is Abhishek Puri from Deutsche Bank. Sir, a couple of questions. First, on the Maithon Power. We have Rs. 74 crores profit for the quarter. Do we expect this kind of profitability to continue?

Management: This is the first quarter where you have the entire 1,050 megawatt on par as we contracted. I think that was the reason that you saw what you saw there.

Abhishek Puri: Okay which means that this can continue over next few quarters as well?

Management: I do not want to say anything from like since basically I have given you the point of view.

Abhishek Puri: Okay and secondly on TTPL. Can you explain I mean there is a 25 sets under recovery in fourth quarter we you showed in your presentation slide whereas I see a profitability of Rs. 9 crores as well. Is there any one off there?

Management: No Abhishek, what happens is it is also to do with little bit of the accounting the availability since you know we take cumulative availability at every quarter as a basis of accounting the fixed charges. So once you complete the year the last quarter generally we catch up to meet the 80% deadline. So therefore generally the capacity charge recovery is higher than the fourth quarter. So it is not one off but it is generally because compared to the other quarters the balance recovery of fixed cost is recorded in Q4.

Abhishek Puri: So we are meeting 80% now versus there would have been under recovery in the prior quarters is what you are going to say?

Management: Correct. So for the FY16 we exactly ended at 80%.

Management: If you are aware we have mentioning the fact that since there is under recovery on the variable cost we maintain our DC which is the declared capacity that we will achieve what it takes to get our fixed cost recovery fee and since that is at 80% of the declared capacity we therefore make sure that we come exactly to that number by almost the last weeks.

Abhishek Puri: Sir lastly just wanted to understand on last couple of quarters we have seen that you are making a lot of impairment provisions along with the turnaround in your businesses. Geothermal, TTSL coal business in the last quarter what is the thought process behind it?

Management: There is no real thought process except for the fact that the coal and CGPL as you know we have been doing the impairment testing every quarter and basis the situation that happens we deal with it and we have transparently sharing with all of you. As far as OTP is concerned because our principal partner **(Inaudible 23:44)** decided to exit and once they announced that part we could we had to decide to move along with them and since this decision was already announced one could get only as much value and therefore you will see some bit of write offs that we had to do beyond the sale proceeds of $60 million that we got together. And TTSL is the annual exercise that we do for all our trade investments and based on that whatever is the significant change in price we expect that on the downward side. So it is truly not any thought process except to continue to follow the good accounting practice.

Abhishek Puri: Okay lastly if I may ask I mean your CAPEX guidance for next year Rs. 800 crores to Rs. 1000 crores you said for MLA as per the Mumbai license area. What else for the rest of the businesses apart from I think renewables will be the key focus area, right?

Management: You are talking about going forward?

Abhishek Puri: Yes sir, for next year for FY17?

Management: Again not to give a guidance but we have been saying that we have been spending something like Rs. 2,000 crores to Rs. 2,500 crores every year and I think that has been the trend by and large a bit that is at the Tata Power Group level and therefore that is what we expect to continue.

Abhishek Puri: Any thoughts on the major scale acquisitions as well?

Management: No, nothing that we can talk at this stage.

Moderator: Thank you. The next question is from the line of Hamsini Kartik from Smart Investor. Please go ahead.

Hamsini Kartik: Sir, most of my questions have been answered. Thank you.

Moderator: Thank you. The next question is from the line of Archit Singhla from Nomura. Please go ahead.

Archit Singhla: Sir, a few questions from my end. Firstly, on the tax. The tax seems to be low both on standalone as well as consolidated. So have you seen any one offs any write backs in tax?

Management: Yes, it is not one off. Last year there were certain higher provisions on account of deferred tax. This year also there has been a write back on the review of some of the provisions relating to the Section 14A related disallowances so based on these developments on the assessment front, some write backs have been done. So it is a net off both sides. Last year there were some higher provisioning, this year there is a reversal so both put together you are seeing a significant gap in the tax provisions.

Archit Singhla: Sir, can you quantify the reversal for this quarter?

Management: We will give you separately if you want the reversal this year has been about Rs. 60 odd crores and the last year it was about Rs. 90 crores.

Archit Singhla: Okay and for the quarter you are saying you will give separately?

Management: Yes.

Archit Singhla: Okay that is fine and sir any other one-offs in the result?

Management: Any other?

Archit Singhla: Any other one offs in the result?

Management: One off you saw the exceptional items we provisioned for.

Archit Singhla: No, apart from that like TPDDL the profitability is higher, Maithon you said there is no one off?

Management: Yes, there are no one offs, no other one offs.

Archit Singhla: Okay and sir on the coal business I just wanted to understand the spreads were much higher in the last quarter third quarter and they have declined QoQ on the fourth quarter. So what is our outlook and why has the spreads declined in this quarter?

Management: Well, generally prices have been coming down and but EBITDA level they have been doing pretty stable. So the only effect we can see in fact you should see that the drop in prices and the drop in costs the cost drop is much lower than the price drop. So in that sense actually they are holding on.

Archit Singhla: Because sir, if I was to see the number for cost of production that has gone up from third quarter. So just wanted to understand these numbers are they representative going forward?

Management: Well, you cannot because fuel prices are moving up so we cannot necessarily say how it will move and remember that some of the savings on mining cannot be forever. So while the effort is being done one cannot say for sure.

Archit Singhla: Okay and sir lastly on Solar I mean the profit this quarter so is this sustainable?

Management: The Solar well the strategy is working our projects volumes have gone up, the market still is looking good but whether they will be exactly sustaining or not will depend on what the new bids and new projects that have come on stream in the market. Because they are quite optimistic.

Moderator: Thank you. The next question is from the line of Chirag Shah from ICICI Direct. Please go ahead. Chirag Shah has moved out of the queue. We will take the next question that is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, I have a couple of questions. Sir, what is the guidance for coal volumes for FY17 and FY18?

Management: We do not give any guidance on volumes on the coal side. So I think it will be unfair to talk about that. We do not expect any change basically if you are talking about from consumption point of view we do not see any change, if you are talking about from production point of view we do not see any change for that.

Mohit Kumar: And sir, my second question pertains to regarding the impairment reversal of impairment which you have done for the Indonesian coal companies and the CGPL for the quarter. For the quarter we see that the carrying amount of goodwill for Indonesian coal companies has been written off to the extent of Rs. 26 crores, however there has been no reversal of impairment loss in CGPL for the quarter. So any specific reason for that?

Management: So Mohit, the impairment was actually done in the last quarter okay but there were some residual impact as a result resulting from foreign exchange related changes which were some of these impacts were not taken in the last quarter so the balancing numbers some small numbers were there of Rs. 26 crores which has been booked this year. So there is no new decision to impair which happened in this year. It is just a residual part of the last quarter provisions.

Mohit Kumar: And sir, one clarification. Has the Maithon operate at 100% cost plus PPA for the entire quarter or is it for the part of the quarter?

Management: Entire quarter.

Mohit Kumar: And sir, my last question pertains to especially Itezhi Tezhi. So what kind of tariff structure we have there, is it cost plus and what kind of base ROE is there?

Management: So Mohit, it is a cost plus PPA. While the tariffs has already decided by them as about $8.8 actually it is fixed cost plus PPA.

Mohit Kumar: Have you started booking and started receiving the money?

Management: Sorry.

Mohit Kumar: Have you started receiving the money from the Jesco?

Management: Yes, we have started billing. We have had the first bills sent last month and yes you are right.

Mohit Kumar: Sir, one more question. What is the PPA with Eskom what kind of tariff we are expecting for the entire 229 megawatt?

Management: So the PPA with Eskom is based on the bidding. So it is based on their refit program of South Africa and the tariffs are different for the two different wind farms. So we have as you know 134 megawatt wind farm at Tsitsikamma and 95 megawatt at Amakhala and the tariffs are based on the bidding.

Mohit Kumar: So can you just let us know the bid tariff?

Management: So we will give you separately.

Moderator: Thank you. Our next question is from the line of Venkatesh B. from Citigroup. Please go ahead.

Venkatesh B: Sir, I had a few follow up questions on Maithon and Mundra. Now firstly on Mundra. I guess after the Aptel order in this quarter given that it becomes force majeure it is not compensated tariff you have not given if it was calculated on compensated tariff what would have been the compensated tariff for the quarter? Have you done any calculation which you can share for the quarter if you had continued the same thing in for this quarter?

Management: Well, I can give you a rough idea about the total we do not do it quarter to quarter because we do not have an order in hand effectively now roughly we are upwards of Rs. 3,000 crores in terms of cumulation.

Venkatesh B: Rs. 3,000 crores this is right from the beginning or for the year?

Management: Yes from the beginning.

Venkatesh B: Okay now secondly now it is expected that in the month of July CRC will be coming out with the actual amount which needs to be compensated. Are you expecting that this will again be appealed against in the Supreme Court or is it like do you think this is the end of the matter and you will start seeing payments immediately?

Management: I think it will be unfair to take away procurer right to appeal and I think it will all depend on their seeing whether the order is rational and it will be entirely their decision to take a call on that. As far as we are concerned we are looking forward to this matter getting settled.

Venkatesh B: Now on the Maithon project sir, is the entire 1050 megawatts now on a cost plus and assured ROE kind of a model?

Management: Yes.

Venkatesh B: So what exactly started in this quarter which completed that I mean what part of the contract was missing which you have added now?

Management: So the 150 megawatts which was not tied in because you know as the 300, 300, 300 each were tied up with West Bengal, Tata Power Delhi Distribution and the **DBC**, 150 megawatts which was earlier tied up with Punjab since their **NHA 34.25** the contract and for last two years we could not tie up for 150 megawatts which were selling at the exchanges. So this 150 megawatts was tied up with Kerala.

Venkatesh B: Now this Rs. 74 crores is the profit that you have booked in this quarter, does it have any element of previous quarter numbers which are there in this quarter or there are some incentives for the full year which are there in this, because would it be right to assume that Rs. 74 crores x 4 would be your rightful profit for the full year or is there an element that you know the fourth quarter number with incentives or with prior period numbers bumps up that number a little bit too much?

Management: It will be pretty much around this plus minus some tax adjustments, interest related changes if there is due to interstate changes by and large this will be the trend.

Venkatesh B: Okay now Rs. 74 crores is almost like 19.6% kind of ROE on the base equity, so you have got some incentives on this, PLF incentives or any other cost savings in this plant?

Management: Since incentives now are around 85% plus PLF non-availability any more it is going to be challenging assuming that there will be incentives on account of PLF. As you know none of the unit none of the power stations are able to dispatch more than 80%, 85% of PLF. So that would not be there except that this there could be incentives on account of the financing. Now depending on the fact that if you are able to swap some of your loans and have lower interest advantage, then there will be a portion of that you are entitled to keep the rest you have to pass it on to the consumers.

Management: And just to add there Venkatesh, the O&M and things like cash disposal and other these costs keep fluctuating depending on the volumes etcetera from quarter to quarter and some of the changes may there but by and large it does not.

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

Shankar K: Small clarification on the CGPL numbers. The Q4 profits of around Rs. 9 crores and you said that annualized trueing up of liability adjustments have also been recovered or recognized in the quarter, can you quantify that?

Management: Well we will give you that number separately because that is a derived number we will give you separately.

Shankar K: Just wanted another small clarification assuming that this on an annual basis this is because this will become a recurring feature. Till Q3 our run rate of quarterly loss in CGPL was around between Rs. 70 crores to Rs. 80 crores. Considering that this is what excluding whatever happens in the compensatory tariff front what would be the new benchmark will it continue to be around Rs. 70 crores to Rs. 80 crores or this would be a bit tad lower?

Management: That is all depends on the **(Inaudible 37:43).**

Shankar K: Given the present situation I am saying?

Management: Except for the fact that since we maintain the DC with the fixed cost recovery could actually be different. So Q1, Q2, Q3, Q4 the change with regard to the fixed cost that we will book depending on the not on equated basis of 80% DC, but on the basis of whatever is the quarterly declared capacity which will be lower than 80% because that is the way we plan we do not want to increase our under recovery and therefore we want to end the year with 80% cumulative declared capacity. So that will be the only change so the trend will be similar to what you saw quarter-on-quarter basis. It will not be on equated basis.

Moderator: Thank you. The next question is from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.

Girish Achhipalia: Just a couple of questions on the balance sheet. The net fixed asset have moved up obviously if you had bad depreciation the change if you can just highlight how much of it is on the international front and the balance I think you have spoken about the Mumbai business anyways? So if you can just highlight how much would be international business in there?

Management: We will have to give this separately, Girish.

Girish Achhipalia: Okay and secondly on goodwill on consolidation is this the impairment change YoY or there is more to it than just?

Management: See so we have done as of now so these changes will be tested every quarter and if there is normally what we do is we wait for a couple of quarters before we see a trend downwards or upwards and take a decision. And if it is downwards then we provide it. That is the better way to describe it. So if you see a continual downward trend in coal prices for example for next three or four quarters then we will have to reassess.

Girish Achhipalia: Okay in the opening remarks you mentioned that you had a very solid order book for Solar if you can quantify somehow what could that number be currently?

Management: As of now the order book is of the order of about 400 megawatt plus.

Girish Achhipalia: And finally on TPREL the profitability you mentioned that a large part of the commissioning happened during the current year and hence the picture gets blurred on the actual profitability. If you can just comment on the core ROE or profitability of the assets on a steady state basis how much that would be?

Management: It will be unfair to again give a guidance but if you wait for the next quarter you will get to know.

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

Bhavin Vithlani: Just a few follow up questions. If you could give a broad breakup of the Rs. 16,000 crores foreign currency debt which assets for the business….

Management: So primarily the foreign currency debt is the SPV debt as well as the CGPL debt.

Bhavin Vithlani: How much would be CGPL?

Management: Above Rs. 7,000 crores in CGPL and about Rs. 6,000 crores in SPV. And the balance buyers credit, etc., are there normally for purchase of coal.

Bhavin Vithlani: Sure and what is the total debt in CGPL if you could break that into debt from standalone and third party?

Management: Okay so Rs. 10,800 crores CGPL.

Bhavin Vithlani: Rs. 10,800 crores is the total debt and how much would be of this would be from Tata Power standalone?

Management: No, this is CGPL, SPV debt. Standalone is separate. Standalone we have Rs. 11,000 crores in standalone.

Bhavin Vithlani: No, there was a mention that some debt extended by the standalone entity to CGPL so this?

Management: On which interest waiver you are talking about. It is about Rs. 3,500 crores that is the debt line in standalone effectively.

Bhavin Vithlani: So this Rs. 3,500 crores is part of Rs. 10,800 crores or Rs. 3,500 crores is over and above the Rs. 10,800 crores?

Management: This is over and above.

Moderator: Thank you. The next question is from the line of Chirag Shah from ICICI Direct. Please go ahead.

Chirag Shah: Sir, my question was more on the Defence side of the business. If you can share the outlook on the same and what is the current order backlog and the execution cycle of that current backlog?

Management: Which business?

Chirag Shah: Tata Power SCV.

Management: SCV?

Chirag Shah: Yes.

Management: Can you repeat that please?

Chirag Shah: Sir, I wanted to know the current order backlog of the business and what is the outlook on the same?

Management: No, current backlog of the orders in hand is about Rs. 1,450 crores and there are more orders like tactical communication system and battle management system which are large orders but they will be only after the trials gets certified. So that could be a matter of another year, year-and-a-half that those orders will come in but they will be large value. So that is the outlook.

Chirag Shah: Okay so in the near term are there any orders that we are eyeing for?

Management: It is an ongoing process there are several which are in the pipeline so one has to wait and see as to how things happen. Now in the recent areas that you might have heard we showed in press release is about is the night vision equipment that we have been able to certify. We recently got the first ever order on a civilian application from the Ministry of Home Affairs to SCV which is smaller orders of about Rs. 120 crores. But the interesting part is it is the first time that any Indian party has actually got certified on optronics and night vision equipment. So there are new areas that our people continue to do R&D on and based on the success we will certainly participate in new orders.

Chirag Shah: Okay and sir what would be the current EBITDA margins that we are earning in this business?

Management: I think you can take a generic range of about 25%.

Chirag Shah: Okay and sir on the solar side of the business are there any plans of increasing the manufacturing capacity from 200 megawatt capacity that we have as of now?

Management: No, there are two aspects to it. You should appreciate. One is domestic manufacturing the other is the EPC work. Now at this stage since the country offers very limited capacity based on domestic content requirement we feel that our existing capacity and of course we are adding efficiencies so therefore by virtue of that we can perhaps get more output. But more important point is that domestic content requirement is not increasing. This country most of the orders are around open basis and therefore what it means is that we can buy modules from good manufacturers abroad and then do the EC business so therefore that is what we focus on.

Chirag Shah: So then what would be the current operating capacity utilization for this solar manufacturing capacity?

Management: It is over 100%.

Moderator: Thank you. The next question is from the line of Samit Saria from CRISIL. Please go ahead.

Abhishek Puri: Hi, this is Abhishek again. Just one quick one on the.

Management: Abhishek, this is very intriguing that both from Citi and CRISIL point of view you are able to get the lines, how is this happening?

Abhishek Puri: No, I am not getting from Citi. It is coming in from CRISIL I guess. Sir, just one question on the Aptel order that came in I mean one of the parts that went missing from the entire decision and discussion is that the FOREX component has been disagreed or disallowed by Aptel very vociferously and CERC has given an order for say Sasan UMPP post that the FX liabilities will not be taken care of. In the CERC formula?

Management: One second Abhishek, you are confusing this is not relevant to us. This is on the other order of Mundra. Our fuel cost is in dollar terms only.

Abhishek Puri: No absolutely, that is what I wanted to understand from you yours is a dollar based?

Management: The moment you said I could clearly imagine that you are mixing it up with the other thing.

Abhishek Puri: No, I am not mixing it up sir I am just trying to understand overall that the formula that was given by CERC also made the FOREX cost also a pass through earlier?

Management: Yes, so it is not relevant to us. Ours is in dollars.

Abhishek Suri: So, if there is a dollar increase the dollar increase in entirety could be a pass through?

Management: It is that way for us.

Management: See the CPI itself is in dollars. So therefore there was never a question of FOREX impact when we were asking for compensation**.**

Abhishek Puri: Fair point but in your discussions do you feel that CERC will not allow further FOREX not for you but in general otherwise the formula?

Management: Why should we worry about others.

Abhishek Puri: No, as a formula I am just trying to understand?

Management: Do not get us into that.

Moderator: Thank you. So we take the question from the line of Archit Singhla from Nomura. Please go ahead.

Archit Singhla: Sir, few questions. One, for PTBSSR what was the production sales for this quarter?

Management: Quarter?

Archit Singhla: Yes, as well as for the full year if you can give?

Management: We will give you separately. We do not have it.

Management: I think for full year was for 7 million tons considerably put together. We will get separately, Archit.

Archit Singhla: Sure and sir debt repayment scheduled for FY17 that is around what Rs. 2800 crores, Rs. 2,500 crores?

Management: Yes, Rs. 2,500 crores.

Archit Singhla: And one last thing just wanted to understand this note 4C in the standalone accounts. It is mentioned that transfer of 75% of investments in Indonesian coal companies to CGPL is no longer necessary. And if you could provide more color on this what does this relate to?

Management: This note came because there was a discussion with the lenders of Mundra and to support CGPL by way of cash flows of the whole companies as a result we had committed the transfer of the whole company shareholdings to CGPL. So that was a discussion at some point of time and we had kept it open. But subsequently this has not been pursued and therefore we have decided that there is no need for that support to remain any more. So this is more of a decision based on the discussion with lenders as well as the need for the support itself. So whether their support is required. So the management has taken the decision that it does not need a special support only through the coal companies because they are anyway providing us sponsor support.

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

Mohit Kumar: Couple of follow up questions. Sir, what is the acquisition cost of 30 megawatt wind power plant which you acquired in the quarter? Is it possible for you to share these numbers?

Management: That has been shared in the press release. It is around Rs. 100 crores.

Mohit Kumar: And sir, second question is pertains to solar. You just won the bid for solar power for 100 megawatt. So is it the tariff is around 4.79 and can you please share the capital cost for the plant?

Management: I think these are details that we will be able give to separately. Right now we do not remember those figures.

Moderator: Thank you. The next question is from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.

Girish Achhipalia: Sir, just a follow up question on Uday. He was talking to media about private discoms also been allowed to participate. Have you heard anything as to what is changing and how soon it can come?

Management: That we do not know. We heard the minister's statement that they approached the cabinet soon. But what I read in the text of that news was mostly from Orissa's Chief Minister's input. Now as you know that Orissa does not have any more private sector discoms separating though there were private sector discoms which as per my information the license got withdrawn some months back. So I am not really sure what exactly is the contextual aspect. From our point of view the suggestion that we had made to Government of Delhi was the fact that you could use the Uday Scheme to actually liquidate our regulatory effects so that the carrying cost will be a saving from the tariff and that will bring down the tariff by about Rs. 0.60.

And we understand we attempted one of the discussion points between the Central Government and the State Government. They wanted the State Government to sort of participate in guaranteeing that which the State Government did not want to participate and therefore I am not sure whether it will be relevant to the context of private sector from that sense.

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

Bhavin Vithlani: Sir, this question is more regarding the privatization of distribution through franchise. We recently saw couple of franchise being awarded to a private company. I actually seeing more such opportunities and would Tata Power be considering franchise as a growth going forward?

Management: Bhavin, recently Rajasthan had offered the bids for Kota as well as Bharatpur and Ajmer. And we had also participated in the Kota one, we did participate in L2 or you can say H2. H1 party has been considered for the award. So that is what the status is. And from time-to-time based on the opportunities we will certainly participate.

Bhavin Vithlani: So are you seeing more such states offering franchise or any pipeline that you see for the next 12 to 24 months?

Management: Right now what we heard is that Rajasthan will go in for more franchisees and we also get to hear that Jharkhand State as well as Orissa is contemplating some moves in terms of evaluating change or transformation. And what exactly will be the model they have not yet talked about it.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand over the floor to Mr. Anil Sardana for his closing comments. Over to you, sir.

Anil Sardana: Thank you, Karuna. And thanks once again to all our analyst friends. Thank you for joining us early in the morning for this call and I appreciate your patience. Look forward to your joining the Q1 call for FY17. Till then have a nice time. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Tata Power, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.