"Tata Power Q4 FY17 Results Conference Call"

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MANAGEMENT: MR. ANIL SARDANA -- MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, TATA POWER LIMITED
MR. RAMESH N. SUBRAMANYAM – CHIEF FINANCIAL OFFICER, TATA POWER LIMITED
MR. ASHOK SETHI -- EXECUTIVE DIRECTOR & CHIEF OPERATING OFFICER, TATA POWER LIMITED
MR. S. KASTURI – TATA POWER LIMITED
MR. AJAY BAGRI – TATA POWER LIMITED

Prashanth: Good Evening, Ladies and Gentlemen. Welcome to Vivanta by Taj - President, Mumbai.

My name is Prashanth and I am here to brief you on "Safety Procedure." The safety and security are of prime concern to us. The Presidential Ballroom where you are seated at the moment is one level above the lobby. In the unlikely event of an emergency, the grand spiral staircase is the main fire exit staircase that takes you down to the lobby, that leads you out of the hotel. The second emergency exit is located near the cloakroom that takes you to the assembly area. All associates are trained emergency responders and will assist you in case of an unlikely event. Please follow the appropriate fire exit signages in case of an evacuation. On behalf of Vivanta by Taj - President, I would like to wish you all a very safe and secure conference. Thank you.

S. Kasturi: Thank you, Prashanth for that safety briefing. Friends, today we have with us Mr. Anil Sardana - our Managing Director and CEO; Mr. Ramesh Subramanyam – our CFO and Mr. Ashok Sethi - Executive Director and COO with us for this Analyst Meet.

We have been interacting with all of you over the years through conference call meetings, conferences and what we thought this time was that to have Analyst meet which we have not had for a long time. We would want to share with you the management's perspective on the power sector, the developments which have happened over the years and where the status is and what is the outlook and what is it that means for the company, and also to share with you the results which we have announced today and give a perspective on what the management thinks about the results and the way forward in terms of our businesses and particularly the underlying businesses. All this has become more complex because of simple fact that with the IND AS accounting which has come into place in the last year; the results and the reporting of the results have become very different. So we thought that this will be a right time for us to actually share and take you through the way we want to look at the results.

I would not take much of a time, I just put the agenda - We have Presentation. Mr. Anil Sardana - M.D. and CEO would take you through the first part of the presentation which will be on the sector and the outlook for us, followed by the presentation on the financial part of the business by Mr. Ramesh Subramanyam - the CFO.

So I just invite Mr. Sardana for beginning the presentation.

Anil Sardana: Very Good Afternoon. Thank you Kasturi for organizing this more so because for a change I think many of our analysts friends can put our faces to the name, we have been talking on the phone for a long time and similarly, we can put faces to the name that we know of our analysts friends.

It is a great event, in fact, we used to do this as a ritual every year, but somewhere I think we got waylaid, I am glad that we are back and we must ensure that this is annual if not more.

I would also urge that in the changing situation as it emerges today and we will talk a bit more about that, where the concept of utility as we were all familiar with in terms of fact that you would remember utility being generation, transmission, distribution and maximum you will add trading to that, and you would say this is clearly a concept in which each place holder would play their role and the other would try and consume, generator generates, transmission will transmit, distributor will supply power. It was as simple as that, but it was also very linear. It is fast changing to become circular. Who is going to be the generator? Who is going to be the transmitter? Who is going to be the distributor? It is going to get blurred completely. The transmission will be two ways. It used to be always known to be one way because now the generator could sit where the supply end was and therefore could actually transmit it back all the way to where perhaps the other end was.

What will be the new role for utility under those situations when you would find there will be a decent life mode, there will be concepts in which instead of linear paradigms, you will have circular paradigms, you would have perhaps a lot in terms of futures, options, derivatives because that has to become the way of life, if people were to actually source needs from multiple places. So imagine you are a consumer today, you are compelled to buy from a particular distributor which is a signed Discom in your place, may not be true for many of the friends who live in Mumbai, they may have a choice of more than one but by and large, today you have a compulsive engagement, interface, business relationship with the Discom. In the days to come, you will actually have a meter with the pin system like the way all of you hold mobile in your hand. From mobile, you will send through a web service or to a service like you buy from different facilitators, merchandise of your choice. You will get a pin number which you will press in your meter and you will actually get power from a source for the next 15-minutes to an hour to two hour that you decide how much and where from you want to buy what type of power. So therefore what will happen? In this new paradigm, consumer will get connected to a generator with no other player having any significance. But then what will be the role of utility which besides these two roles could facilitate a customer and then there will be many generators in it; some on the roof top, some coming from the biomass that may exist on a rural site, some from the places where perhaps a drain used to pass to nearby areas, that drain itself will generate power, some from the road facilities where the rollers will generate power and so on and so forth. So therefore, it will be a very interesting situation where you do not know who all are generators and who all can actually meet the need. I did not talk about the storage systems as of now, I am just trying to just simplify what the utility of tomorrow would look. So therefore connecting to the world that we are, the world that we are going to see is going to be perhaps a bit more complex. But I wanted to use this word in the context of Tata Power. Many of you have seen in your writings, have said that this talk is very complex. I thought it will be very apt to therefore call this event "Demystifying Tata Power."

So in the bargain, when we talk about saying that the sector is going to turn complex, let us first understand the small tiny contributor in this context of the large sector and what role it will play. I think we should try and demystify as it exists today so that we can build on a bit more complexity in the days ahead. On that context, I am going to just take you through some slides, but I am typically not going to use the slides because these have been just borrowed from some of the presentations that our strategy team or I would have made somewhere, but I am going to actually use more engagements and dialogue with you to build on some of the context that I am trying to talk about.

What confronts the sector and what confronts movement of the sector? I think the part that I am going to start is, many of you should know that electricity sector in India is $100 billion sector and it has not changed in the last eight to nine years. It has remained $100 billion with different factors that contribute to it being $100 billion. That has changed, but the $100 billion economy has not improved. Now, when you talk about the economy size being similar, you then get to issues that a lot of players who see how things are moving, they just join that bandwagon… and the bandwagon that I am alluding to you right now is in front of you which is "Generation."

As you know, decades before, Ministry of Power will actually call private entrepreneurs after particularly the advent of 2003 Act, trying to convince them, why are you not adding your share? What if you are making Pan Parag? What if you are in the business of toothpaste or why are you worried that you are in the business of building roads and so on and so forth. It is a very lucrative sector. Please add generation to your portfolio. I think many of them oblige without understanding that what was the size of the economy? How could it grow? What needs to be done to grow it? None of those questions were asked and none of those questions were answered. Here we are where you almost find 90 GW of the conventional generation is in pain. Now, what needs to be done to improve that? Many of you might have read, I contributed recently to an article. But I just want to connect some of the dots.

The first and foremost underlying part to this $100 billion electricity market is the simple factor that President Abdul Kalam used to say is "The most important factor" and all of you obviously right that repeatedly which is the per capita consumption, which is the basic nascent concept that all of us understand. But surprisingly, we do not find policy makers talk about it. Having 1000 kWh per person per year and that too with a denominator or a numerator which is not the conventional way how the world measures that. As you are all aware as analyst that the world looks at consumptive million unit or billion unit and then divides that by the number of people that exist in that geography. In India, we do not use consumptive billion units, we use generated billion units. So therefore, it is a bit convoluted, but let us concede because that would mean that 25%-27% AT&C loss that you have will actually get reduced. So therefore, if I am talking about 1000 kWh per person per year, it is actually 750 kWh per person per year. Imagine when you compare that to 174 countries averaged out. I am not talking about median, I am talking only mean because unfortunately the median is much higher. I am going to talk about median in a minute. That is 2,800 kWh per person per year.

If you talk about the median and remove the aberrations of the top of Scandinavian countries which have something like 30,000 kWh per person, remove that and remove some of the African countries which are way to low figures, we are talking about something like 4,000 kWh per person per year.

That basically brings us to a very important point in terms of quality of life and I am going to connect that part with the elasticity and therefore, how and where the demand could improve. It is important for us to understand the perspective that in macro parameters, the companies which manufacture DGsets, and I am not talking about DGsets that are made in Aligarh or road side, I am talking about the ones which are branded, I am talking about Siemens, and I am sure many of you or your friends and your own firms actually cover those companies. You find that they still do healthy business. Therefore, many of us can raise a concern. So what if they sell those DGsets? They may be there as a standby supply, they may not be used. But the point that I am coming to is the fact we told PCRA to say what petroleum products constitute differentially usage in DGsets. We are not talking about the fact that the industry is buying oil and therefore we should try and configure and say, that would necessarily go to DGsets. But we are talking about such consumable products which only DGsets use and that brings us to the story of about 60 to 90 GW of DGsets today running being deployed and used with power cost somewhere in the paradigm of something like Rs.12 to Rs.16 depending on whether you consider on annuity or not on the CAPEX. That is one factor.

The second factor is go back to your drawing boards and see. They still sell close to about 4,000 MW every year as replacement set and another about 3,000 MW of set as add-on set. So therefore bad news from make in India point of view in terms of how do we make it competitive.

The suggestion that I have and I have made it to the Ministry of Power. It is important that Discoms today, there is all the UDAY and fanfare and a factor that you are trying to say they should become responsive. Just make one simple factor to them that the Discom must be responsible to give 99.5% availability to a consumer, particularly an industrial consumer, I am not talking about slums, I am not talking about chanties, I am not talking about maybe EWS housing, I am talking about industry which are an identified industrial area where you know this feeder is feeding an industry. Give 99.5% availability and say very clearly that I am going to charge 50 paise more than the regulated tariff as a reliability charge, but any time that if the DGset has to be done, I will put the bill, I will burn the oil. By the way, you should know when we went to Delhi and when we changed the paradigm, this was one of the stuff that we did -- Put money where your mouth is. Told industry very clearly, I will charge 50 paise extra from you but I will give you the entire power reliability, I will burn the DGset oil at my cost, if there was ever a disruption. I said this is the suggestion that we should make and the regulator should be the intervening point to regulate this part which is very easy to do because now you have meters which can tell you what interruption took place, you do not have to send a guy, no controversy at all because the meters talk to your server, you know the interruption period and you know what was the consumption prior to the interruption period and therefore you can clearly know in the interruption period, what million units you deprive the guy. So that is very clear, that is one factor.

The second factor that is important for us to look at how do you detest the industries which make DGsets to use it for stand-by supply in terms of what factors you need to do and I left it to the government to see what way the taxation part and others should be levelized so that you can see that the Discoms become more responsive.

The third factor which is important for us to look at. Many of you would have done the analysis of how tariff gets formed and I am sure you would have seen, that 20-25% of that component is nothing but tax. So if you look at the constituent of tariff formulation, whether you say in terms of what goes into coal or what gets into the CAPEX, 20-25% is tax and I suggest it to state chief ministers or the power ministry, you have “Make in India” program. You can talk to an industry and say last two years, your average production was this many crores for this volume in terms of unit whatever you produced. If you produced in terms of a particular volume of steel or aluminum or chemical or whatever the factory is and you employed a number of people. So you need to create jobs. Therefore, go back and tell them that either in terms of job that you show me a 15% escalation or in terms of volume you show me a 15% escalation, I will wave off 15% of your tax.

So incrementally, give them sops which are directly related to job creation or volume enhancement and that is how electricity sector can directly be aligned to how you can create more demand. There are stations which are today at a very competitive price, stations which today have already been reeling with problem of how do they really manage to stay afloat can actually supply very competitive power. Whatever you may say in terms of renewable competitiveness and we will talk about that, but yet in terms of base load for industry, a still very good proposition. So whosoever has built it, I think this is a very good solution to link it the way we are suggesting, so that the industry starts to move up and industry starts to get open access or direct contract with a group of these plants and therefore they stop using DGsets, they stop adding more units to themselves. Power is not their core. No industry wants to use DGsets, no industry wants to burn oil. When you ask from industry point of view then we ask our own Tata Industries. By the way they have started doing a lot of open access business with our own Tata Group company because when we ask, they say, we do not want to use DGset. You can get us power at a cheaper rate. We are all for it and that is why we are trying to help them in terms of sourcing power whichever state exists.

So Friends, the two last bullets that you see; whether 90 GW of power that has to be used or the UDAY Scheme that has to be made successful, we can keep doing all the financial jugglery, taking the money out of Discoms, putting it in the state, all of that is fine but a leaking bucket has to be set right unless you fix the leaking bucket, things are not going to change, and remember we have to move $100 billion economy to $120 billion, $140 billion, that is how growth will take place. That is important for us to do. Otherwise, there exist no elasticity in the system to take more tariffs, there is no elasticity for a consumer to say, “You keep ceiling 27% of the power.” On the other side, there are industries which are burning oil like crazy. So all of that is not palatable. Somebody has to sit with all this macroeconomics in their mind to say, how do they fix this juggernaut? How do we make sure next year we will look at $110 billion, we will make sure that there is more consumption at the end of the day. I think the KRA and the KPIs of the planet has to change. They cannot keep talking about adding megawatts. That is what we did now. What is needed is, can I make $110 billion economy next year? Those are the stuff that they have to do, and they cannot do that by increasing tariff because mindful of the fact, there is no elasticity that a customer can actually buy, increasing tariff can actually consume more power. That is not going to happen other than industries that we talk about.

Moving on and I am not going to spend a lot of time on is just to show you that the demand, paradigm actually grew at lesser pace than the supply paradigm. You can clearly see the nation grew at 10%, whereas the demand grew only at 7%. So that is the mismatch that you see very clearly. It is important therefore for all of us who are part of this industry to focus on how do we create more demand? How do we make sure that wherever there are leakages in this demand, we plug those leakages and fix that right?

In terms of new paradigms of learning, everyone has to learn that if the spinning reserves have existed, the reason why I have shown you the other countries is, you need to understand that India is today crying, hope in terms of the fact our PLF start reducing. If PLF reducing is happening because we are creating spinning reserves, but we are not creating reliability. So the disconnect is the fact that the world over, if you see US, China, European Union, they had those spinning reserves but they showed reliability to consumer. Consumer will get 24x7. Nobody keeps inverters, nobody keeps generators, nobody manages their own being municipal corporator. It is only in India that outside Mumbai that people are municipal corporator or outside some large cities. Everywhere you go, people still talk about two hours, four hours load shedding, that is brown out, that is completely crazy. We have to learn to have low PLF, we have to learn to have a paradigm of spinning reserves, but what is disconnect is the fact that we have to ensure reliability to consumer which is not happening, and that is why people are crying in this system.

Other ability that thermal power plants should have to run for two shifts. That ability profile Indians have to learn. Globally, there are assigned power stations which go down and run on two shift operations. We have to learn that ability. That ability profile is a challenge the way some of the power plants are designed. In fact, I am not connecting the dots to Tata Power and I will leave it for you to use that analogy in cross-questioning. None of the Tata Power thermal plant run with this doubt or problem that I am not getting an off-take. If you look at either Mundra or if you look at either Maithon or if you look at rest of the world, offtake is not a problem because this is the profile that you need to be very careful in terms of understanding as to how do you build the plant which will get contracted and this is the ability which others did not think through, took that risk and they landed up into this problem, and nobody is now looking at that.

I mentioned about the fact that elasticity for spending a larger amount does not exist. Now, I will talk more about that. No impeaches to fresh demand. We have talked about that. Of course, the last part you know more than I can talk about.

Now, these are some of the charts that you see very clearly will show you that things have not changed despite the fact that our GDP numbers have improved. The industrial profile is constantly receding. That is the problem. So if you see the red band over a period of years, how the industry consumption as a part of the total off-take is receding. That is the bad news. The services sector receding in terms of how GDP is contributing does help the electricity sector, and that is shown here, when you look at how industrial, domestic and commercial sector which comprise about 75%, how that has been changing? So if you look at how the industrial part is thus being growing at much lower rate than the total system has been growing.

This is the part that I talked about, so I am not going to touch. By the way, the electricity sector in US comparably with one-fifth the population is that $400 billion. So you can imagine where is the disconnect in terms of how things should be changing and we talk about China, etc., Again in terms of Indian profile is three times of India.

Now, this is what I wanted to say, "How elasticity does not exist." If you see in developed markets like US or most of the Europe that you see including China, of course, China, many of you can debate that they have the controlled economy, but you see in urban India, we spend close to about & and this is an old data, though the data that I have of the recent times suggest that we spend something like up to 11-12% of our household income on electricity. That is too much of a spend. Compared to that in developed economies is just about 2%-3%. So if you think that Indian customer is going to spend more? Doubtful. Not going to spend more. In fact, the electricity cost increases, there is tendency to actually start reducing the consumption. So there will be more windows that will be opened to having god send air or god send light rather than using the electricity to have air-conditioners or the electricity to have more comforts and that is sad because automotive power is directly connected to the quality of life.

In fact, I remember, one sitting in which I asked the President of India as to which are the few things that you will believe we need to be improving. I think he was so clear; he says, if I have been saying this, it is on record that if you monitor two factors, the "Girl Child Education" and the "Electricity Consumption" you are done. These two macro economic factors are the most important factors for anybody to monitor well-being of the country's growth. I think that reminds me of the factor that it is important to look at how we can actually reduce the spend and yet grow the economy. It is a difficult task but it is important task for the planners to think through. Otherwise, we will continue to stay or shrink from $100 billion that we today see the electricity market.

This is another area that can help growth in terms of elasticity as also growth of the electricity market. The 27% leakage is a very huge number that we need to worry about. How much of that is concocted and how much of that is true? I do not know, because everywhere when you see, they talk about AT&C losses when you start looking at that from franchisee point of view or from exchange of hands from the existing Discoms to somebody else. Suddenly, the baseline changes. We saw that in every state, when the third party was put to do baselining, suddenly the number gallop to at least 20-30% more than that. Whether this 27% that they talked about last year after UDAY Scheme because in few states, it reduced but in states where it had to reduce it actually grew. So this 27% could well be 37%. So I have nobody to vouch for that number nor know what exactly is the number. But I am sure you have good inclination in terms of the leaking bucket that is there and this can certainly help in terms of growth because this will help the elasticity factor that we talk about.

I am going to close by just talking about the changing landscape in terms of what is happening and all of you are familiar with this slide in terms of the rate that we have been getting. I am nobody here to comment that rate is right, wrong except for the fact that the economic cost of adding renewables is another big factor that is going to dent the electricity market growth in the years to come. All of you know very clearly that the green corridors are today being supplemented through the funds that are coming from somewhere else and they are not directly showing the wheeling charges, though of course, CERC has already announced that wheeling charges will see a growth of about 35% in next few years because so much of transmission line today is not able to carry power but has got added. The more worrisome is the green corridor because the way 175,000 MW is going to be added, you will need green corridors to keep it competitive and absorb this. Therefore, that will ultimately get spread somewhere in terms of the economic cost, and also mindful of the fact that this is going to be just 20% and therefore, you will have economic cost in terms of how you will supplement this and where from you will supplement this, is another important factor that we need to see in the days ahead.

But important part is connecting again dots and finding that for us, this was a very important message that we wanted to convey that where and how we will continue to work on the renewables to make sure that we are party to this factor. So in terms of green power, as you know, we already have 30% portfolio and in terms of renewables, we have crossed 2,000 MW operating stations as we talk now, as we have declared the results. The great part is we are very bullish in terms of the EBITDA that we have recorded. I am going to leave that to Ramesh to talk more about that. I cannot give you guidance, but I can certainly tell you there is going to be a very significant part and I find that most of you seem to be missing this in your evaluation somewhere. That is important for us to emphasize. We will certainly demystify hopefully during the discussion that we will have from hereinafter this.

But more important statement that I wanted to make is, how would utility changes character in the days to come and I am going to skip the slide in terms of grid balancing because that is something that we will talk about and I am going to skip this too because you are aware of the fact that India is not going to embrace storage via power route. India is going to embrace storage route via electric vehicle route. So you should be very mindful of the fact that we are doing nothing. We actually voluminize the way we have created volume for solar. We are not creating intentionally, I mean, as a country, the volume for storage system. But that is not the plan. Otherwise, you need not have green corridors, you need not have those spend. You are doing that because you are very clear that you will not make it 24x7, you will only make it for the period for which either wind blows or the sun shines and there are many other things which are being done with that in mind. So India will see battery evolving through electric vehicles.

So when you do that, what role play would people have? So this is what a utility of tomorrow like Tata Power will look at in terms of participation. The reason why I am showing this, a lot of work that we are doing on fuel health, lot of work is being done on micro aspect of how power generation will get added. We in fact, today have in our stable a product which today can generate, in fact, it is virtually you can say a good engineering work that our teams have done that in any water stream which has close to about 1.5-2m head…head in the sense between the bottom of that stream and where the water flows like in hilly areas or any downstream of where the hydros exist or any other place where there are natural water flows, we can generate power but every hamlet. So the smallest lead wise device that we have designed, it is working by the way in hydro, we are now trying to put that in the outfall of Mundra plant and it can be multiples that you will see, can generate up to 12.5 kW. So a small for hamlet and we have designed it cost-effective and it is going to make a lot of difference. There are a lot of DDG products are being developed in-house in terms of making sure that those are affordable. With that in mind, we are also working on various storage technologies but we are not talking only that, we are talking about storage technologies of various other multiple and magnitude that are important for this country.

We are working on charging infrastructure for electric vehicles like many other utilities would want to do. But you are already aware of the fact that we have already got stations, we are putting stations in Mumbai and Delhi, we have announced that very clearly and we are also trying to integrate as to what other solutions could exist or which are cost competitive for electric vehicles. We are working on smart homes, smart grids and smart cities which includes the eSecurity for homes and we are not getting into the industrially security because that is a very crowded space. A lot of people who are very experienced you know get in there and what way could we use data analytics to upsell from our consumers which are 2.2 million.

I am not going to delve further in this but I want to make an open invitation to the analysts friends. Many of you have interest in this area and many of you may be actually through your other analysts friends and other countries could actually be debating the subject and trying to see as to what way the volumes could get created, what way the utilities could get engaged in the subject. I am just extending an open invitation that do write to us and we will have sessions with you, because it will be a very interesting subject to brainstorm. Very interesting subject to deliberate in terms of what will evolve, how things will evolve, how utilities will participate? But one factor that I want to tell you besides what is written here but which is underlying. The utilities of tomorrow will actually be platform provider of people to trade electricity, to people to buy electricity. That is corrected that the utilities has to embrace. For reasons of talking about any guidance, I am not talking more than that. In a smaller group, I will be happy to talk about what does it mean in terms of utility roles are for tomorrow.

So I have only this much to talk but I will be very happy to take your questions whatever you have and I am here for up till dinner. So Ramesh, could you take them through the rest part of the presentation?

Kasturi: What I will suggest is that while before we move to the next section, we can have "Q&A" on this section quickly so that we can move forward.

Amish: Thank you Mr. Sardana. A very good presentation. This is Amish from Bank of America. Mr. Sardana, I would say that clearly most of us here do agree with the issues facing the power sector. Very quickly I just wanted to ask you a couple of points that when you engage with the government as one of the important stakeholders, what is the government's response on two key issues? One, on continuing capacity addition even if the elasticity of demand continues to weaken as you rightly pointed out, so from government's perspective, why do they still want to continue to add capacities, while from the distribution company's reform perspective, franchisee model to a great extent has been successful. But the problem with that model has been that it has been implemented in a very small fashion in certain cities or towns rather than it becoming mass. So is that model ever going to achieve scale meaning Rajasthan as you would know at one point of time was planning to put out franchisee for two out of the three large circles itself which never happened and then again they went to city-specific out of which, one of which you won. So can that particular model achieve scale? I have many more questions, but I have limited to two and wait for an opportunity we can get more.

Anil Sardana: I think as far as the government is concerned, I will say any government will always have mix response in terms of the fact that they have their own agenda to drive. We had actually very clearly said that they should be hiatus in capacity addition. Till such time some of those people who have assets which are not gainfully utilized should be put to use. The only response that I thought we were successful was in terms of stopping the ultra mega projects. That got stopped because that was also going at a full speed, in fact, the cabinet note was already there before the cabinet but the better sense prevailed, they at least put that to some bit of back-burner. The other part that perhaps now will happen as a part of sanity that I see in bankers and I see in some of the other people that nobody is going to add a coal-based station afresh particularly because the government is damaging the entire fabric by actually allocating projects to public sector on Section 62 basis. Now that is a big problem because that is going to add more cost to Discoms, was at least whichever projects that we talked about, all of them have fixed cost which is much lower than the lowest of what public sector is adding. So this is going to add more pain to Discoms because they will be forced to sign PPA and that will add problem in terms of Discoms health. So that is another worry that we have. Third part, you saw the linkage policy that came in just about two-three days back. Again, the government has said very clearly that to central and state players, we will allocate linkage through MOP itself instead of going to the cabinet. Earlier if you remember, there was a cabinet committee on linkage. So that is now in fact made more simpler for ministry to allocate. So some of that is a bit in terms of entices of what the government promises. So it is a mixed reaction I would say. We still continue to pressurize them for hiatus on capacity addition and the conventional from escalation and we are also saying that as per renewable is concerned, you should change the target by actually say, since there is lesser demand and the Discoms can hardly afford, therefore our pace of our capacity addition will reduce. While the government has not announced, but like it or not, last year, if you are all aware, they had announced that they will add 8,000 MW of solar, but they could add only 4,000 MW. This now is going to become a trend because every time that the tariff reduced by virtue of that itself, the previous tariff then falls through and people do not sign PPA. It will be a surprise that within one month, the tariff that solar saw reduced from 3.15 to 2.44 and let me tell you the interesting part, NTPC is not able to sign PPA with that 3.23, that 2.97, first year and 3.33 as a levelized tariff, the PPAs are not getting signed. So state Discoms now will find some or the other methods to recues themselves from all the tyranny of all this capacity addition that they are being forced to. That is going to be the situation. So that is the first part in terms of how government wants to respond to the issue of capacity addition. Your second part was on franchisee model, so I completely echo what you are saying, I do not think so there is any seriousness to actually work out and turn around Discom. It is not a rocket science, everyone knows that in India, Discoms which are disciplined, which are fiscal discipline, economic discipline, which can add technology, they are doing very well. Now, we have shown that repeatedly in Delhi, how it has moved from 53 to less than 8% today. So we keep showcasing that part but I guess most of the chief ministers do not wish to look at long-term. That is the whole problem. They do not even wish to look at medium-term. So therefore the interest is to hog some limelight by announcing that we have privatize billing, somebody says we have done this part, that part, but I think that is only to create an eye wash, there is no seriousness in terms of distribution. I think that is a matter of big concern if we were to actually move this economy, move up, because not just an issue of AT&C losses alone, it is issue of holistic service delivery which perhaps there is no way that the government entities will be able to deliver knowing that there is so much of interference from the political side. I also sort of do not agree with your first statement where you said, most of the franchisees were successful. Barring franchisee in Bhiwandi and what Torrent did in few locations, most of the other franchisees that were allocated to smaller players have actually gone the other way round completely.

Amish: I actually meant the model of it. You know, obviously…

Anil Sardana: I completely echo that point. Model wise, it has the acceptance, people are willing to at least by lip service they are saying, franchisee is a better way to go. I echo that point. But I am saying they need to be careful that it has to be made successful. So the qualification requirement, all of those aspects are important aspects, and I am happy that some states did. But the moment the government changes, they turn it around, for example, in Jharkhand, you know that Ranchi and Jamshedpur were allocated to CSC and us. But ultimately, the moment the government change, they have let it go despite the fact that high court we won the case saying that this should be allocated and they should not stop it. But the new government has also done freshers little to revive that. So there is very little commitment on Discom reform. That is a very steady part.

Amish: Gujarat and a few other states have been publishing this merit order data quite accurately and I believe that all the states will be expected to do that very soon going forward, but at least from your experience of Gujarat, do utilities actually follow the merit order while buying power or…?

Anil Sardana: In all the regions and all the states, it is actually very different, there are states without naming them who do not consider various components of what constitute the variable price, some do not consider the excise duties, some do not consider custom duty for imported coal. There are different ways that the variable price is stipulated for merit order. So I think you made a very important point they do not. In fact, this is one of the points that we have done lot of advocacies with the government. In the last power minister's conference, power minister emphasize this part in his speech as also in subsequent points that "They will come out with the standard format in which everyone will then have to declare merit order." I think that is a concern that we have been expressing. 2) there are regulators who have gone on recording eastern region where they have said that merit order need not be followed as long as it is your own plant which is surprising because merit order does not take the fixed cost anyway, take the variable cost, and those cases have now gone to CERC or to Aptel or to High Court. So depending on that, I think things will pan out. But I am happy that power ministry has taken this upon themselves and they want to make it transparent and clear. So that will be a very good development.

Badhan: So your point is people will not be putting up CAPEX on the coal base but what puzzles me is we have a platform where we are looking to acquire stressed assets. So if you could delve a bit more and throw light on that?

Anil Sardana: I think you did not pick up the word that I said, "Nobody will add Greenfield new projects." If you already have a project which has the possibility of being contracted and you can turn it around and make more meaning out of it in terms of returns. I think it is a good proposition to do.

Badhan: But you would be looking at projects with both end tie-ups where you could add your balance sheet. Also, if you could throw more light of what kind of projects that you will be doing?

Anil Sardana: For the reasons of NDA, I cannot talk about projects, but kind of projects in the sense, obviously, those projects which we are sure to turn around. That is what we will look at from platform point of view where we have the possibility of having returns which are more than the threshold that we see today. So that is the kind of project that we look at.

Badhan: Lastly, on the power demand; you pointed out how the elasticity is going down and we have the Hon'ble Minister saying, "I have distributed 50 crores LED bulbs that will save 30 GW in the electricity." Incrementally, all the devices that we see are getting more smarter and they are using far lesser. So do you believe that we are in a 3-4% kind of demand growth even though things turn around?

Anil Sardana: First of all, Badhan, we should understand that we are not the only country which is smart enough to change over to LED lamp. World over people have done that. 2) The devices that we are talking about are becoming smarter. They should not assume that we are the lone companies which will have washing machines or air-conditioners will consume less. World over those people are already doing that. So therefore when we are comparing our 750 consumptive per kWh per year to something like 3,000 global average, I think it is something to introspect. Even if you look at Mumbai or if you look at Delhi, they still do not match the global average. So I am not talking about, somebody saying that our denominator is very poor because we have lot of rural areas. Fine. But why should even cities like Mumbai, Delhi not have that. It is only because of the elasticity issue.

Abhishek Puri: This is Abhishek Puri from Deutsche Bank. Just two questions on presentation. Firstly, I think you mentioned that new CAPEX will not be really acquired and you have been suggesting government for that. How about the experience on the shutting down whole plant, shifting the generation to new and efficient plants? In your conversations with the government, is the government serious about doing this? Secondly, impact of the MoEF norms on the emission side specifically on Tata Power? Thirdly, how is the business model of Tata Power prepared for the next couple of years because in the future, you have highlighted that you want 35-40% of renewable energy. That be the only growth engine for us within Tata Power or we are looking at some other areas?

Anil Sardana: So just last question first because it is related to Tata Power. We never said renewable projects, we always said, 30-40% green power. So there will be a good constituent of hydro power included in that and other options that we have been talking about. That is the first thing I just wanted to clarify. Of course, the focus on solar will be more compared to other two, that is one part that is very clear, and the idea is not to just look at India as the geography but to also look at international geographies because whenever we find that in Indian geographies, the returns are suppressed, you saw us doing that five years before, and today, when we have commissioned those projects, they can tell you that our hydro in Zambia is giving us bumper returns, our South African wind farm is doing very well, and similarly, we are hopeful that things will start to improve, even in Turkey, things will be very good. So, it is important to understand the risk perspective and the return perspective. It is not important to just follow a linear line just because it is taking you there, everybody is going there, let me also go there. I think that is a very important point that one has to measure. So Tata Power will look at the opportunities in renewables, in solar, in hydros, and we will look at all such geographies which may have higher risk but better rewards, because we believe it is important to deal with the risk mitigation and earn higher rewards. I think that is the single focus that at least I have tried to bring in the last six years that I have been around to make sure that we should. If we are experienced people, we should look at return perspective, even if the geographies offer a bit more, but it should be mitigable risk. You should not follow the kind of risk that you see in India and just keep following the line and land up into a problem where you find that there is no perhaps possibility of exiting. So I think it is an important point for all of us to be clear. So that is the last part. The other part that you mentioned in terms of the fact that the first question was where and then I will connect your second part also. The Government of India, particularly MOP is very positively disposed towards shutting down plants which are inefficient first in the category and then old because first they were getting into old, but we corrected them and saying, old has no logic because we are looking at NTPC Singrauli which is 30+ years, but it is supplying you power at a cheaper price. Why are you grumbling on the old aspect? You should grumble on inefficient aspect where somebody is having a variable pay itself which is out of whack because he is consuming so much of coal, he is wasting the resources. So I think they have agreed they have changed that formulation and now going in for inefficient first and then the old as a second criteria. They have prepared the list. The trouble is going to be, "Will the states agree?" Because today if the states are not working on Discom reform which is so apparent and obvious, all of us talk about that every day. What makes us believe that they will allow center to have their sort of say in terms of the fact. Okay, we will play out to what you are saying. So we have told central government that what handle will you have to actually implement that list in terms of what you want to do? So they have first time discussed this in the 'Power Conference' that happened in New Delhi 15-days back. Let us see what ways states respond. But that is what they have told them, tell us what way we should prioritize and what incentives do you want so that we can shut down some of these old plants, and the list as you know CEA which now they have put up outside of something like 30,000 MW. So that is what we have to wait and see because that could be one another factor of how some of these plants could get contracted. I think that is a very important point. So MoEF norms you asked in context of Tata Power. Let me go plant-by-plant in terms of thermal. As far as our plants are concerned, Trombay, we need nothing. Virtually because we already 30 PPM on ESP, we are already putting that as you know and the units which are there much before even the norms came in. The only issue was water, which now is getting clarified that the coastal plants which you see water, they need not have cooling power if they have a one store system. Truly speaking, from Trombay point of view, need nothing. As far as CGPL is concerned; again we do not need anything except for the fact that we have to see what way the nox and sox norms finally evolve. We have to just wait and see as to how they finalize that part. Whatever we have seen in terms of documentation that is going around, perhaps we will not need anything. What we needed was cooling tower and the cooling tower as I told you for sea water is not required now. So those are the two main plants. As far as Maithon is concerned, yes, we will need retrofit in terms of the SO2 emission and that is a part that we are ready to do. So that is the only thing which will have bearing on Tata Power. But under the platform, if we take the plant, then we will come back and tell you as to what that plants might be if the norms have to be done. What sad part that I must have add to my view in front, I must make that very expressive because the sector has gone hammer and tong against the MoEF norms and said, it is going to add cost and it is going to be blah, blah and all that stuff. I think my personal view and I am not saying this is Tata Power view also, but my personal view is we should have spaced those norms very clearly, we will first look at what goes into people's lungs which is the PPM at 2.5. So let us try and make sure that the PPM 2.5 between now and next five years is corrected for all past issues. Instead of saying, everything is procrastinated to five years then makes no sense. Are you saying that you only want to pick the box or are you saying we were clearly, sincerely looking for how we need to really aim at doing things right for the people? I think that is the bad commentary on what has happened. It is very sad that they have now internally taken a call that they will just procrastinate everything to five years hence and that I think is not a great sign.

Sumit: Sumit from JP Morgan. Two questions; first, do you see the risk of PPAs which have already been signed getting reneged or the Discoms trying to squeeze out of them because we find that bids that got discovered even a year back, they are not trying to sign PPAs and in your case let us say you acquired Welspun with the tariffs of north of Rs.7.5. So do you really see a risk of Discoms trying to renege or back down?

Anil Sardana: Discoms will do everything under their own power to make sure that costly power is removed. Let us not be oblivious of the fact that they will not try and do that. They will obviously try and do because it is so much expensive compared to that. Two things are going against them, sadly so. One is the fact that government wants to do more solar and therefore government has told them in no uncertain terms very clearly that that will not be allowed. The second thing that goes against them is the GRC to Aptel order of Gujarat as you know very clearly where Aptel has thrown it out and now may be the last is the Mundra order itself which very clearly will go against that to say PPA is PPA. So please continue to honor that. So I personally feel that they will not be able to manage that. The second part of the puzzle was in terms of backing down. They have been doing that very clearly. We have had a very severe discussion first with them and then with the Ministry of Power and let me just add to you, Ministry of Power is all set and ready to come out and say that such of the states which will do backing down of renewables will not be allowed to trade on exchanges. That document is ready. If power minister has told them in the Power Ministers Conference, you mend your ways, otherwise I will sign that order. So let us wait and see as to how it pans out.

Sumit: The second one is a related question, even with the pace of renewable capacities that are proposed to be added and take a discount on that, I find that the share of renewable in the total installed capacity may be north of 25%, even 30% by 2022. So at a time in the afternoon where both say, wind and solar are operating together, how would the grid really manage it because you have gas-based plants which should serve as peaking plants of pump storage hydro which is very less. How do you manage that and how do you back down your thermal power plants at a point of time?

Anil Sardana: So what you said is right. I think it is going to be a nightmare for system operator to operate with because if you take 175 GW assuming that that happens and assuming that 500 GW is the total capacity, then it is north of 30% anyway, it is going to be absolutely a nightmare because more important is when they are operating, you can back down the plants. The biggest problem is when they go down, how do you revive the plants? That is the bigger issue because under the cold start, you need longer hour for those plants to come back. That ability you need to compare. You should be mindful of the fact that the whole of Europe which has actually done this and demonstrated very well has the advantage of Scandinavian hydros, its storage and also the advantage of Russian gas. Those two blessings we do not have… neither of the two. So therefore, this country will find it very hard. Up to about 20%, you will manage by virtue of thermal capacities that you will have headroom, for example, people are operating the 60-65% PLF. The headroom that you will have, you can ask them to ramp up. That is a number that is commensurate to 20% of the total capacity up to 100 GW because that you can do as the headroom, but beyond that will be a nightmare, very tough.

Sumit: You should slow down the renewable capacity addition?

Anil Sardana: According to me, Discoms itself is start detecting. While the boss has hardened but according to me, the Discoms themselves will check that… checkmate is with Discom which you are seeing gradually happening.

Dhruv: Dhruv from Motilal. One question on the distribution side. The advantage of solar is the distributed nature and generation. Currently, we see utility, but probably it will evolve to the distributed generation gradually. Currently, we see RE only as a risk to the conventional generation side of business, but probably after 5-6 years, it will catch up soon and it will be a big risk to the distribution because high paying customers you will be the first to go out of this system. How do you see the risk to your distribution because you are a big player in the distribution side? Carriage and content which the government was thinking about was probably a solution but this probably is also stop now.

Anil Sardana: Dhruv, it is a beautiful question. I think we saw it coming. We are very blessed that we have the city of Mumbai where there is not much rooftop, and whatever rooftop is there in the commercial and industrial segment, we had the largest place to put that. So we find it very supplementary to our advantage because we are doing that to some of those rooftops which exist today. In Delhi, as you know, we were again the first one. If anybody has rooftop, it is only Tata Power rooftop. So we made sure that in our area before customer starts to become smarter, that I need to put it on my own because it pays for myself. I am talking about the two segments that you talked about – Commercial and Industrial -- because the residential customer in India can never find rooftop attractive for the reason because he is cross-subsidized by the other guy. So therefore if you find that your tariff is lower than what you have to maintain, why will you go in other than few stakes where the residential tariff also is very high. But that is very rare.

Dhruv: It would be high paying consumers for the high consuming units which are still very high for most of the states, we will lose first?

Anil Sardana: That is right. So if you are talking about high net worth individual, that is a correct segment and commercial and industrial. Okay, so I am covering all three. That is the segment where the utility instead of creating hassles for people which is what Discoms are doing. We took the other view to say, we ourselves will go and approach the customer and say, this is cheaper than the tariff that we give you and therefore allow us to put there. So we are supplementing that a part of our generation portfolio, trying and put that. We have already built a good portfolio around that and I have colleague here; Ashish whose heads our Tata Power Solar and you must know that we are way higher than the next guy… we are of course #1 in terms of rooftop. So we are trying to make sure that do not lose the opportunity, customer will put one day. Let me tell you the antithesis of what I said. If a Discom wants to pain a customer, it is very easy. That is what they are doing in most of the states. I am not talking about net metering part, etc. What they do is the transformer that is put which feeds the distribution network through a customer, that is sized in a manner that he will say, "I have no spare capacity to take your power out." So therefore that customer finds that only he can consume that power as long as he can make an economic justification to consume power out of this rooftop, he will put that. But they are making sure that that subsets will not be more than 20% of the total universe that actually can deploy solar. So most of the Discoms have taken this attitude to say that I will not be able to take your power through because my distribution transformer does not have to match. So that is the easiest for them. They are harassing the customer left, right and center to make sure that he is not able to. So some of them have gone to core, some of them have approached us in CII and APP saying that please take up my calls and all that stuff, that is happening parallelly, that is different. But today, the ground reality is that Discoms are paining the customer. We have taken a view very clearly, "Support the customer and clinch the opportunity."

Dhruv: Just on your strategy to support the customer, so basically you effectively are going in the generation side. This does not handle the risk to the distribution side of the business. How does the policy evolve to handle the distribution side of the business?

Anil Sardana: Today if you recognize, there is going to be open access, there is going to be captive methodology, a large customer can go away from you anyway. Today, same margin that you are getting in distribution. More than that margin if you can get to the other method. What is wrong? We are going very clearly to say it is a margin theory. Do not look at which way it had come, take it, simple.

Thank you for being so nice and a great audience. I am going to be here and I will look forward to engaging with you subsequently. Thanks Ramesh for the time. I really appreciate.

Ramesh Subramanyam: Good Evening. I do not know how much time I should have lectured myself but I will try and be brief. Normally, when you talk about power sector , some of the conferences end up being crisp session. So while we look at times, the grooming scenario, I think the good companies are those who actually understand it thoroughly and then move one step at a time. I think that is the way I would summarize our approach. What I am going to do, two-three things. First of all I am going to give a bad news that now I am going to delve so much into the variances in the results that we have declared today because that is something which I leave with Ajay and Kasturi to kind of deal with. I will of course go through the results. But why I am saying is, the whole purpose of this session was to give you some insights into what Tata Power numbers look like and where they come from. So I hope you go away with a slightly more clarity and please chase us back and we will ensure that we kind of make what we wanted to do.

Now just a quick brief: So I do not think you need to know our pedigree. We just crossed 3,000 MW of non-fossil base power and currently sitting on Rs.3 billion market cap. I do not think I need to tell you again because it is quite well published in our websites that with the addition of Welspun across 10 states, the presence is truly pan India whether it is generation, distribution and now with several solar sites and wind sites.

Just a quick highlight where we are and I am going to delve probably for the first time little more deeper into the international projects because that is something which we have not exposed you because last three years these projects were in pipeline in project state, and in the last 12-months, we have seen them closing one-by-one. So it is a good time for you to look at what they are. So it is Georgia, Hydro, Bhutan Hydro, Distribution Consulting and support in Nigeria, Hydro in Zambia, South Africa wind, coal mines in Indonesia, and of course, our shipping in Singapore. Now, here is where I am trying to peel the onions so to speak. If I were to look at Tata Power today, there are three main pieces – one, historic investments, legacy investments which we made in group companies and I am excluding the parent for a moment, but there are group companies, most of which you are fully aware. Of course that I will reveal later, the part of the plan is really to unlock value in some of these. Main business of course is the power business and we have small defence piece.

If you look at from earnings profile and I want to for the moment, come back to this a little later, there is a SEBI ad, this is what I would like you to really absorb. This is because of the feedback that I get from many of you to understand Tata Power becomes very difficult. This chart I am hoping would give you an idea how we are placed and now I am looking at the IND AS piece because so that then you know that this is how the results would be. So generation is just more than half, distribution, 20%, then you have got a small EPC piece which is the solar EPC piece, defense. Now you can see between generation, distribution and the EPC business, you have clearly about 85-90% of the revenue coming in from. Now if you look at from now IND AS what it does and I will also cover later is that it does not cover the JVs and subsidiaries because that is the treatment, no longer it consolidates the JVs and subsidiaries. So if you put together the whole piece which is on the right hand side, which is all business, which is all companies whether JVs, subsidiaries or fully controlled, you see the picture changes, I would say the big animal that enters here is the Coal and infrastructure companies which is the Indonesian piece, just 21% of the total revenue. This chart which should give you some idea about how our business is currently positioned in terms of where the money comes from. As you can see here, the share of some of the businesses which we may be spending more time but they are very small; Defense is just 1%, Services 1%, the Coal SPV is just 2%, Transmission is 2%. That is the kind of profile. Now as you know for a power business like ours, the revenue is not so important because that is so much driven by fuel as a cost and fuel keeps going up and down and bottom line does not necessarily change because of fuel, then you come back to the EBITDA profile. Now you see, how it operates When you look at the IND AS results on EBITDA and I am going to delve a little more because the EBITDA that appears in the ad is no longer going to be the real underlying business EBITDA because you will have to just go through the JVs and subsidiaries and pick up that EBITDA and see what is the business picture looking like. So if you see on the right hand side which is the total business, this is the real consolidated Tata Power of the last year kind of treatment where all the companies were consolidated; you have 46% generation, 20% coal and coal infrastructure, distribution 10%. So if you add these five pieces which is generation, the coal, distribution and Coal SPVs and transmission about 86% of the EBITDA capture. So you really have to ask questions around these five pieces to come to conclusion on how our EBITDA is doing.

The other way to look at Tata Power is really to see how much of our revenue is really coming from assured return and this assured returns of two types – one is the typical regulated ROE, Sec.62 and those in the renewables where the tariff is fixed, so you know the revenue stream and then the cost stream pretty much does not change much. Solar as you know is predominantly CAPEX and there is a little of OPEX. If you put in the green category, I will show you what the percentage looks like, you will see a significant percentage, has got a very stable support cash flow, and with Welspun 1100 MW introduced, that flow increases significantly. On the right hand side, it is typically the market and bid base which is not only the non-core investment but thermal which is essentially Mundra and the coal and coal infrastructure because it is linked to the coal prices and fuel and logistics which is basically shipping and solar manufacturer and EPC which is the cell manufacturing and EPC business and a small piece of defense. Now, if you look from this portfolio, I think this gives probably an idea about how the profile of earnings is. You see 60% come from assured return profile. When you put the entire business including JVs and subsidiaries, 56% is market linked because of the coal gets added in this whereas on the left hand side this is only the IND AS declared consolidated results which does not have the coal piece. So then it shows you that even including coal which is heavily market-linked, we have got 45% of EBITDA really is still assured returns of the profile. I suppose this analysis we never brought out earlier but this would give you the concern about how our cash flows are and how stable cash flows are.

Now, I go back to the Results: I am going to touch upon this because this is to do with in every quarter when you look at the results of Tata Power, you will have to ask this question as to how we have done on this and unfortunately because of the way the SEBI ad is you would not be able to find out readily, we will give you data to support this. But what I have done readily for you is that the underlying EBITDA at the bottom. This is a real picture. If you add up all the subsidiaries and the consolidated companies, Rs.7,827 crores is going up 10% to Rs.8,600 crores. This is the true year picture. But what you see in the results is one on the top which is profit. So obviously on the right hand side is FY'16 and the left hand side is FY'17…blue is FY'17, that is correct, Full year and the left hand side is quarter. You would be focusing on the quarter I know by instinct, but I would want you to focus on really how the numbers stack up. So on the full year on the right hand side as you can see what you see in the result is Rs.946 crores of profit before tax and rate regulated activities which generally we would say that before PAT this is a number to look at. But what is happening in the SEBI results is there is a line called "Profit from the JVs and subsidiaries" which is actually just a PAT number. So therefore, we have to add back these numbers, for example, you start with the profit before tax and the JVs and subsidiaries EBITDA and then you see the picture completely changing from a dip of Rs.1400 crores you see actually Rs.800 crores increase in EBITDA. So, I think this is going to be one of the challenges with the new format of reporting especially with companies having large number of JVs and associates. What we have decided therefore as an additional disclosure from next quarter you will get this piece separate so that you know that what is lying at the traditional EBITDA line and then what is lying in the PAT, what is EBITDA that is lying underneath, so that gives you the health. So overall the operating numbers have actually improved by that 10%.

Let us look at the Quarter Numbers: The PAT for the quarter is Rs.(-262) crores after taking the Docomo adjustment of Rs.650 crores. So we are talking about Rs.389 crores of PAT excluding the Docomo adjustment as against year of 2016.

Now, when you see the breakup of the big ticket items, standalone is essentially because of the Docomo issues. We are also having the impact of the additional interest burden on the bonds we have raised for acquiring Welspun. That is also hitting the standalone results.

CGPL: It is very interesting and I will show you the full year that will be more clearer. There is only Rs.50 crores dip in the PAT of CGPL from last year. But that hides the fact that there are two major swings – the coal prices shot up by almost Rs.500 crores and on the other hand there was massive because of the dip in FOREX, over Rs.200 crores of MTM gains, Rs.170 crores of other realignment, so another Rs.450 crores has come through the FOREX as a gain. So that is how really the net number on CGPL is just Rs.50 crores of improvement.

If you see some of the other companies, Maithon Power doing excellently. TPDDL actually is doing very well. Just that in this quarter they have taken provisions for the Rithala plant which we disclosed in the notes as well. So we have taken some provisions as we are getting clearer on how the regulator will give the return of the past period. Tata Power Solar, Ashish Khanna, my colleague is here and I think he has done a superb job in changing the fortunes of this company. TPREL, which is the renewables vehicle has also improved with significant capacity addition in this year and I will talk about it later. Welspun is a new entrant with Rs.122 crores PAT number this quarter, of course, this is also having a tax impact of about Rs.70 crores on deferred tax credit, but otherwise also they have done very well, I will share with you the EBITDA numbers.

Overall, I would summarize the quarter as if you exclude the Docomo piece, solid operational performance. Pressure due to the funding aspects of Welspun. But I think that we will take that action soon. So you will have that going.

I will switch to the full year consolidated numbers: As you can see here, the PAT for the full year has moved from Rs.662 crores to Rs.746 crores and if you remove the Docomo impact actually the PAT is Rs.662 crores, almost Rs.1400 crores. That is a significant improvement and I will explain why. In the standalone, due to the Docomo impact and the interest impact, the standalone has been affected significantly. Mundra, as you can see in the full year basis also it is just Rs.150 crores drop – thanks to the coal on the one side and the FOREX gains on the other side. Maithon Power as you can see significant step up. TPDDL, significant step up. Solar, very good step up. Renewables, as you can see here the total PAT for the year is about Rs.180 crores from the renewable pieces which is TPREL and Welspun. Now, you see the last line. That is the line which really is the feature of the IND AS. You see a massive jump; Rs.186 crores of share of profit and jumping up to Rs.1200 crores. This is the coal mine profit which have jumped – thanks to the significant increase in the last two quarters on coal prices and that is how you see that overall we have gained from Rs.662 crores to Rs.1400 crores. So what has happened is while CGPL actually had an underlying loss of about Rs.800 crores on under recovery, thanks to the gains which has contained the losses and whereas the coal companies have delivered very-very well, in fact, coal companies have done two things when they have taken the pluses on account of the coal-linked prices but they actually kept their costs down, so which is a double I would say plus on the coal companies.

Now, this goes back to also an issue which I want to bring on the table because it is connected to this is how the hedges operating. Because many of you have this question that what happens in the Supreme Court order on Mundra has come and how does that impact results and whether that is a net-net negative. Just check this on an EBITDA level. The generation at Mundra and at EBITDA level is about Rs.(-708) crores; this is due to the higher coal prices. Now, if you take the coal mining and infra companies, actually they have gained PAT of Rs.783 crores. Now you may ask why EBITDA is being compared with PAT because the coal companies have no debt. So effectively the EBITDA flows down smooth down to PAT minus the tax pieces. But what we get net is really the Rs.783 crores here. So the whole issue of we being long on coal and the hedge being operating, I think we clearly seen in a scenario where coal prices jumped up and we believe that with the coal prices go down, CGPL immediately gets the benefit of the market reduction whereas the coal companies as we have seen in FY'16 contain their cost by either managing their strip ratios or mining plans, they do deliver that. So I think one of the implications of the Supreme Court piece is that incrementally we are well protected because of the hedge we carry. Yes, we are living with a low yield asset. That I think it is well known. But I thought that it is very important to understand the results for the year.

We talked about the predictability piece and now I am going to take you through the overall picture on where we are. So the Mundra Supreme Court we are looking at the legal options and I think these options are not testing the Supreme Court order but actually trying to see if the Supreme Court order helps in the regulator, trying to take some decision or the procurers trying to take a decision based on that. So I do not want to delve on that because we are still in the process of getting advice and moving on with options. But clearly what we are working on is really other options on the coal sourcing, we are looking at blending, we are looking at operational efficiencies and of course this opens up. Now that the dispute is formally closed, one of the things which broadly was not completely unacceptable to the procurers was that Mundra was today producing 80% availability and above that we would not do it because we do not get a benefit but procurers now may see benefit of sharing it which was part of the original CERC order but this is something which we may invoke now, they may have no connection earlier, they were resisting with this because they want a whole order to be sorted out before they take any action. So let us see, we will try and enforce there. So this is one of the pieces on the Mundra piece.

Now, all along, when the case was going on, we did not talk about the integrated picture on Mundra and the coal companies because of simple reason that for us these are two different investments, although the owner maybe the same. But as I showed you in the EBITDA chart, that the CGPL offset is largely now getting conveniently absorbed by the coal company performance.

Quickly down to CGPL: As you can see the Q4 numbers, you can see the swing in EBITDA, down by about Rs.360 crores but you see the reduction in interest and finance cost, essentially the MTM gains and also the FOREX gains actually that has really resulted.

The other important feature I want to tell you is the IND AS, you look at the depreciation of CGPL, there is an increase for the quarter about Rs.60 crores. This is another creature created by IND AS. There is a concept of Grant accounting where they say that the power plant have absorbed let us say tax benefits. That tax benefit has to be quantified and added to the project cost notionally for accounting. It is very funny but no commercial logic but accounting standards sometimes are like that. So what it does is, it adds about Rs.2,000-odd crores to this gross block of CGPL and therefore you have to take depreciation on that and since it is a non-cash item you correspondingly add the same depreciation as a reversal of the grand in the income. So this is Rs.50 crores annual exercise that will happen. So I think some people may think that there is CAPEX added in CGPL, but that is not so, it is just a new accounting norm that has come.

On a yearly basis, CGPL is down by Rs.150 crores overall which again thanks to two things – interest cost reduction, MTM and realignment gains significant offsetting the almost Rs.600 crores under recovery on the EBITDA level.

Coal business has done excellently. I think, we are giving you first time and from now on it will be regular more detail so that you know where we are. And as you can see, there is a jump in both the quarterly as well as the yearly profits. At the gross profit level as you can see here we are talking about a $5 jump in terms of net increase in gross profits and that is I think the impact that is going on the coal prices. I talked about how the incremental EBITDA is offset so I do not want to spend time on that.

I will now give you a glimpse on the total renewable portfolio and I think this is where Mr. Sardana was talking about the kind of push we are giving and you see the results here. We had already Rs. 1,100 crores EBITDA and I think, we have successfully hidden from you the total picture so far. But I think it is time for you to know the total picture.

Now the total picture is Tata Power Renewable Energy Limited, which is our main vehicle and its subsidiary which is the Welspun Group and the wind assets sitting in Tata Power. These three pieces and you have some minor eliminations; you have consol of Rs. 1,300 crores nearly of revenue; Rs. 1,100 crores of EBITDA; and Rs. 175 crores of PAT. And I think, this shows you how seriously we are moving in terms of renewables and we already have a net worth of Rs. 5,000 crores sitting in renewables. And this is only six months of Welspun that too partial commissioning of some final projects we are on. So, this significantly will change next year when we not only put Welspun full year but also 300 odd megawatts on pipeline projects which TPREL is in progress. So, you can see the push we are giving to renewables. And I feel that the analyst community does not appreciate the numbers so far but I suppose that this will help you to really appreciate where we are on the renewable piece.

Now, what is the overall picture on renewables? Mr. Sardana really articulated we are looking at 30% to 40% of the total portfolio and about 300 megawatts of pipeline projects and this takes us to about 2500 megawatts nearly in what we generally call renewables which is solar plus wind and if you include the hydro pieces, we are talking about 3,500 megawatt of clean power as part of the portfolio.

Now we talk about the sector issues and the pressure on margins, pressure on the tariffs, the way biddings are going on. I think I can tell you one thing that we are not going to do anything stupid and therefore, while you may ask then where is the growth coming from? I am sure it will come because the timing is very critical. We will keep our watches ready for the right time and I do not think we will be in a hurry to do something, which will land up into a 25 year problem. So, therefore the growth will be a timing I would say smart entry at the right time that would be our approach.

The international portfolio while many of you know the projects but maybe you do not know the details which we will now give you in terms of the profile. We are talking about out of 660 megawatts of now they are almost commissioned because Georgia is just under commissioning, which means that about 6% of our capacity is overseas. But 660 megawatt is what we are talking about and an investment about Rs. 963 crores so far. This is our international portfolio. Many people were wondering what is the size of our international portfolio so here it is.

Now Itezhi Tezhi, that is the Zambia hydro. It has done phenomenally well last year EBITDA of Rs. 188 crores for our share. We are a 50-50 joint venture and you can see how good this plant is. Now I must add here that this return profile of the project is like that and eventually there is some evening out of the returns that happens after five years or so, which is a separate issue. I think right now this is the performance.

Cennergi, again Rs. 100 crores EBITDA and the PAT essentially is negative because of the continuous issues with FOREX in South Africa. Right now, book entry we are fully hedged on the loans so these are MTM adjustments. The plant is doing very well exactly as per the profile, very high PLF and one of the very-very successful wind farms out there.

The Georgia project, this is aimed to supply to Turkey $400 million of investment we are 40% in that along with IFC and a Norwegian company, very close to commissioning. As we speak, the final stages are on. Yes, there is pressure. Turkish power prices are not looking very good, but this is a very good, very well executed and very-very quickly executed plant and at a reasonable cost and it is a very successful long-term asset that we believe we have which will deliver.

The project in Bhutan where we have 26% with the Government of Bhutan Rs. 30 crores revenue; Rs. 30 crores of EBITDA; PAT of Rs. 7 crores is beginning to deliver. That gives you some idea of our international portfolio. We have not been giving too many details but I am sure now it will be a quarterly data which will be available.

You asked about the ICICI platform where we are and for those who are not very familiar I do not think there will be many here not familiar. It is a $850 million commitment of equity where we have 26% and it is already actively looking out for assets and we are in the process. Hopefully, we do see some success sooner or later. And we believe that this is a good case where we also explore the bank is willingness to really commit themselves to some of the standard assets pipeline. And I think, what I am talking about is really where the growth is coming from slowly and trickling in.

Ajmer distribution franchise which we won, Mr. Sardana mentioned about that and this is another piece which we are moving forward in terms of opportunities in the market today in the current conditions and we would continue to look for more franchise operations like this.

Now some of you have also asked about Trombay, which has been one of our mainstays when it comes to our profitability in the standalone and what we wanted to share with you is that in case you are not aware that the PPA on the generation side is coming to an end next year.

Of course, this is a very important plant for Mumbai and therefore, we expect and we are still in the active negotiations and discussions with the government and the regulators and the customer here for example you can see here from our Trombay plant we supply almost half of the power to BSES and the other half is taken by our own distribution utility in Mumbai. And we are also considering as part of the new restructuring whether we could take out one of the units out on let us say group captive concept it is still under works. But the whole idea is how do we unlock the value of Trombay as a property?

So, therefore we would have a five years to seven years horizon because some of these plants are very old, they do not have too much life left. So, what really our strategy is going to be how to transition both these PPA for a period by which time we will come to a good unlocking opportunity of whatever nature it is and we are working on that and as and when we finalize some plans, we will definitely update you.

Now, I am sure this is one of the questions that would be asked. Post the Welspun acquisition, the debt number is now Rs. 48,000 crores and net of cash net debt number is Rs. 46,781 crores, which gives a debt to equity of 3:1 and I can assure you and we have been talking about this in the calls that we are working very hard on plans to ensure that this comes under control. This is very important to us because we do not want to copy some of the industry players in this segment. We want to be very-very disciplined in this. Of course, we had to do the Welspun acquisition because of the timing issue but I think, hopefully very soon we will be able to also control this number which is very important for us. This is how it has moved post the acquisition.

Really speaking two important factors: CGPL cash was to be given and also Welspun acquisition debt. So, remember what is happening is you may ask this question as to what happens to the coal company profits? So, what we are also doing is paring down some of our debt at the SPV level so we may not bring into India and that is why locally we have to put the cash for CGPL. Yes, we are clearly working on various options including monetization of the non-core assets which some of you have already told me that it is been coming for years. So, I would say that we would probably show some action rather than promise. That is probably all I had to in terms of giving you a perspective of where Tata Power is.

And I will just summarize by saying that being an integrated player and somebody who understands the sector with great amount of depth, we believe that we are well positioned despite the troubled water of this industry. Clearly, our shorter-terms business still give us the solidity that is there.

The CGPL story has been so much talked about as a sole item that people have not focused about the hedge we carry and I suppose we have been also guilty of trying to play it down because the regulator confuses it and thinks that we do not need any support and that is why probably we have not talked about it so much and of course, the renewables focus would continue selective opportunities whether they are organic or inorganic that will always continue. And I would hate to put a number to it. I think Kasturi has put it, I would asked him to remove it that we would try and achieve a decent target on the numbers on both the debt equity and net debt-to-EBITDA which is so critical in ensuring financial debt.

Now the very boring topic, I am going to spend five minutes in case you will be interested to know because these are the principles which are changing in the IndAS scenario. And I think why it is important is then it becomes easy for you to really gauge the company because one of the struggles I am having is when I see your estimates and when we see our numbers I always ask this question why there is so much of gap and I think this gap will be bridged as more and more clarity is available to you in terms of the various components of our businesses.

So, the first impact, I think we will discuss will be the earlier accounting had all the subsidiaries and JVs where we had control part of the consol and now clearly, the joint ventures and associates are being picked up only at the PAT level. So, you do not get the revenue, you do not get the EBITDA, you straight away get the PAT.

Then there is earlier the forwards and option contracts were not valued, okay? And therefore, now there is fair valuation on both sides gains and losses. And earlier the interest on the FOREX loans, for example CGPL carries $1 billion of loans so that is where the MTM gains and losses always hits and brings volatility. The interest on those FOREX loans used to be capitalized and now it is hitting P&L. So, this new IndAS has added volatility to wherever the FOREX loans are there. So I would be happy to take suggestions on how you want to understand that because it is a market phenomenon you see the exchange rate moving down you will have a negative impact or up, whichever way it is. But that is something, which is completely out of control and I cannot help you to predict the numbers because I do not know the year end numbers or quarter end numbers.

Mutual funds, investments, all are accounted at fair value, no more at cost and we have chosen this, we have not done consciously all the big investments and fixed assets because there are lot of uncertainties in those. We discussed with auditors and we felt that whilst prima facie you could say that we have huge pieces of land, huge pieces of I would say investments which may have high market value but there are reasons and restrictions for that which we have not value. So to that extent, our balance sheet is quite conservative compared to many other companies who have taken slightly aggressive positioning on how they look at the assets and the revaluation of assets as part of the IndAS.

Some of the items we have chosen and just I thought that I will just quickly breeze through so that you understand where we are coming from. All the investments which are long-term in nature they will all appear in other comprehensive income. So, this is almost like appropriation line. So, the profit after tax and after that this will come as other comprehensive income and then you will have a total comprehensive income. So, when you see something in the other comprehensive line you can assume safely that these are long-term investments which do not get into the main P&L from time-to-time.

Property, plant, and equipment, the fixed asset valuation has not changed for the reasons I explained just now that we did not want aggressive accounting of those assets. Where we are very sure we did it, the entire translation of foreign currency losses, etc., which usually used to go into the P&L earlier or another line the Conso has all got into general reserve. So, there is an impact on the general reserve. I do not think you should break your head too much because it does not make too much of a difference.

The cost of investment in subsidiaries, JVs, and associates have been taken at costs so we are carrying at the previous GAAP so there is no change in the treatment. And the exchange differences accounting arising out of long term-term foreign currency monetary items that we have discontinued so it is all mark-to-market now.

Now which are the companies and what is the impact? So, power line; Industrial Energy IEL which is the Tata Steel joint venture, and Dugar, which is the hydro JV now. Earlier they were incorporated, in IndAS they will be into joint venture into equity. These are the group of companies, essentially the coal companies and the foreign JVs, they are all now moving into equity accounting as per the IndAS. And of course, they will have an impact because the debt of these companies would not appear in the consolidated debt because they are only aligned. I do not think you should worry about it. We will explain from time-to-time whenever there are variations. So, this is really my attempt to decipher the results for you and also for future.

I would be very happy to take your suggestions as we go forward not necessarily now, maybe later offline whichever and on the results in the quarter end, yearend please feel free to have this question since both Kasturi as well as Ajay Bagri will be most happy to help and of course we are here for dinner, please free to ask them.

That is all from me. Thank you very much for being here. This will be a straightaway, you have something else? Yes, so first let us have the Q&A. If there any questions that you want to ask on all the things that I covered**,** I am very happy to solve them. Yes, please.

Bhavin: Bhavin from Axis Capital. You mentioned in Mumbai distribution PPAs are ending. So, what is the regulated equity or the part of it which is getting expired and how will it impact earnings in case you are not able to tie up with the other sources?

Ramesh: I would suggest that pass this question for one more quarter because some clarity would emerge, okay? Right now it is status quo.

Bhavin: Second is defence as a piece is a relatively smaller part of the business about 1% of revenue and EBITDA. Could you talk about it because that is an area where we are seeing exponential growth? Which are the areas that SED is looking at and what is the size of the opportunity that each of these that SED is addressing? When do we see a quantum jump in the SED business?

Ramesh: Right. So, may I request Mr. Sardana to address that question because it is a question which I would prefer that he addresses it. Do you have a mic anywhere or…

Anil Sardana: the entire schedule sort of goes haywire. So, personally while SED is geared for three key aspects: (one) in terms of all the launchers where they have the expertise and they get all the orders are divided amongst SED because both in Pinaka and Akash launches they are the preferred partner. So, that is one area on which they are completely done and firm. Also you know that they have got down selected in Tactical Communications System, which is considered to be one of the upwards of 20,000 crores job. They are partners between L&T and Tata Power SED. They are also down selected in BMS which is Battle Management System where again it is considered upwards of similar numbers. So, there is tremendous prospect, except for the fact that the speed at which we find things moving in defence we cannot predict. It all depends on what happens across the border. At that time we certainly find there is a lot of activity and they want everything to be done within next month. But then, the moment it sort of cools down, then you know we can do it after two years. So, that is the type of thinking that happens between two weeks to two years straight away. So Bhavin, honestly speaking, very promising aspect in terms of launchers program, the gun program, the optronics program and also the program with regard to the entire work that they do on electronics and communication aspect. In fact, this is the only company which has given them the solution that across at the border point, if there is a CDMA network, a GSM network or a radio network, the same mobile will be able to capture all three, okay So, that is the beauty of the research that our teams have been able to do. It has been accredited and they have been identified as a sole solution provider. So they are very promising in terms of solutions. It is just the speed part that we cannot tell you what predictably therefore will come on our plate when, that is the difficulty and ultimately at the end of the day what all of us are interested to know what will it mean in terms of volumes and that is where we do not want to hide anything to say that we have absolutely no clue how things will move.

Bhavin: A follow-up on this, if you could I mean, as you gave the opportunity for TCS and BMS, the launchers, Pinaka, Akash, gun, optronics, the opportunity canvas which SED can address.

Anil Sardana: That is a mind-boggling number, so let is not….

Ramesh: That is why I wanted him to answer that.

Anil Sardana: In fact Ramesh goes out his wits when he sees that number**.** He told me one day, why do not you tell them to capture some reasonable percentage of that. The sad part is the number looks very glamorous but at the end of the day's speed of movement.

Ramesh Subramanyam: I think it is a very long haul business. It is not for a faint hearted. You have to wait for 5 years, 7 years, 10 years for one large order to materialize but when it comes, it comes big time. So, the only thing I would say about defense business is that it has got great capability that is built up over maybe two and half decades. So, it has a name for itself, it has a capability that it built up which is really good quality. And rest is really dependent on one single department in the government. So, it is very tough to take the call. They take their own sweet time and depending on how the border tensions come up the decisions get taken. So, it is very difficult to predict timeline. I think the numbers are very huge but timelines are big issues.

Anil Sardana: On lighter side, our SED guys are very perverted. Every time there are skirmishes across the border they feel very happy. No other Indian will feel happy but those are the guys who will start jumping, now we will get calls, we will get perhaps some orders. But yes, on the serious side, I think it is a long haul. What Ramesh said is right. So we cannot predict anything.

Bhavin: What is the order book of SED and on a one year or two years' basis how much is the revenue or EBITDA that we could see on a…

Ramesh Subramanyam: This year it made about Rs. 550 crores this year revenue. And I think, it is totally unpredictable. I can tell you that they have about I think Rs. 1,000 odd crores of order book but that is more right now. But the point is that the pipeline orders are really waiting but when they will come nobody can tell.

Bhavin: Last question is on the coal companies, will we see serious issues on the taxation side where 45% income tax plus DDT and is there a way that we are able to mitigate some of the losses that we have seen in the taxation front on dividend distribution and the income tax and how are we structuring it differently?

Ramesh Subramanyam: So you are asking about the structure right, the structures are 45% - 13% royalty and stuff like that, right?

Bhavin: No. Correct me, there is a 45% income tax then there is 20% DDT in Indonesia**.**

Ramesh Subramanyam: No 10% withholding; 13% royalty, 12.5% I think and 45% corporate tax. So yes, but remember this is exactly what had hit Mundra. You see the whole model in Indonesia five years ago or seven years ago was people used to transfer coal at the cost price to a tax free country Cayman Islands or some other countries in terms of books goods used to move as they are and used to capture the profit as well. So, the whole margin capture by one single stroke of legislation, they have completely banned by putting all exports at market price. So, the entire tax value has been captured. So, there is nothing you can do. That is a legal position. And I do not know what do you mean by how do you stop this leak?

Bhavin: No, so the question was there is a 45% income tax and the a dividend distribution tax when we take out in Indonesia….

Ramesh Subramanyam: So, there is no dividend distribution, there is a 10% withholding tax for taking out dividend.

Bhavin: And then 15% is in India, when you actually…

Ramesh Subramanyam: Yes, that is for being into India we are companies held to Mauritius.

Bhavin: So, we are not getting that money to India?

Ramesh Subramanyam: We have got in the past.

Bhavin: In the past there have been occasions when we have got that.

Ramesh Subramanyam: It has been regularly coming in the past. Now, we are just trying to see whether we should pair that debt at the SPV. Otherwise there is a 15% withholding tax in India that is right. But there is an offset you get at Mauritius.

Participant: Sir, I have a high-level question, I mean thanks for the presentation and the various moving parts, but if I look at the consolidated picture, Tata Power has a 3.1x in a debt to equity ratio and even adjusting for the Docomo one-off, the ROE at the consolidated level is slightly below 8%. So, over the next four years to five years with the incremental growth say coming from the full year consolidation of Welspun a few domestic as well as overseas renewable projects with the

ROE profile that you hope to make there could you give some color on where do you see the ROE of the company on a three years to four years basis? There is a lot of illiquid or non-core investments on your balance sheet which is also depressing the ROE number in a way. So, what is the roadmap and what is the first signs that we hear that look this is what we are going to go in FY 2018 to free up some of that non-core investment $400 million is supposed to come from Bakrie for the 30% stake in Arutmin I mean are we going to see some of that money come in FY 2018?

Ramesh Subramanyam: You are right. So, your concern, what you expressed is exactly what we are working on and I can only say that in not so distant future you will see the actions on these areas. It is already underway, so both the non-core as well as other sources, just not non-core. So, therefore, yes, the non-core assets will clearly unlock both sides. They will take away, improve the ROE plus provide the necessary cash for reducing our debt also. So, both we are working on. As far as long-term is concerned. I can tell you that the main issue that the Conso has is really the Mundra asset, right? So, you could just stage that out for the moment then everything really is good. Now, how do we solve the Mundra problem? We are working on some solutions. Let us see how it works out. We clearly are concerned that we will put a permanent structure around Mundra which can be self-sustaining but what we see is this will be a slightly gradual process, okay? It would not happen overnight. At the end of the day you cannot pay away Rs. 10,000 crores of debt overnight. So, this will be slightly slower process than what we thought if the Supreme Court order has come but what I can assure you is that the graph is clearly upwards that is for sure.

Anil Sardana: I think just to supplement what Ramesh said in a clearer term so that we do not at least cloud the message very that this year you would see with certainty liquidation of some of the non-core assets. This year, you will clearly see the movement on what you mentioned about the deal that got struck. So, at least the amount of movement that we are seeing the early green shoots that we are seeing are much more positive than we have ever seen in the past. So, therefore we can make that point without saying that it will happen on so and so date we are saying, yes, this clearly is moving in positive direction.

Participant: And given that we have gone wrong in the past on profitability, I mean do we have a good hold on what kind of returns to expect on a risk weighted basis given the political risks involved in the overseas countries you are operating on? I mean, can we see with some amount of confidence that look, I mean we are going to make 15% ROE weighted for the risk there or is that number lower than that? You can have FOREX risk, you can have a variety of risks but on a portfolio level, do your international investments does the Rs. 10 billion of equity invested there, are you confident of making 15% ROE?

Ramesh Subramanyam: So, I do not want to give you a number but certainly, they are very good numbers to start with, okay? Clearly, first of all they are not very big numbers. So, you will appreciate that, but they are doing fine, the assets have just begun, okay they are just one year old less than one year old and wind starts immediate but hydro takes time, okay. And apart from Georgia the other three assets are doing very well. So, I think, you will see what numbers I have shown you today in terms of EBITDA and PAT are typically the profile they have and they are very good returns. Now, the question could be on the exchange risk, okay, that is a matter of now we have to tactically handle it because these are very volatile economies whether it is South Africa, Zambia. Although in Zambia at least we have a hedged position, the PPA itself is dollar marked. So, therefore that risk is not there. South Africa is still a rand revenue but the loans are all hedged. So, the risk is very little, the equity piece is opened but it all depends on when the dividend streams will come in, okay. So, I think we are decently placed in terms of our exact investments. Yes, so, I think Mr. Sardana is right when he say that if your other question is that how geopolitical and local economic risks are handled? The way we approach all the projects is a multiple support system (1) pick-up multilateral lenders, because they have a say with the governments in those countries, typically; (2) have mega guarantees, right? So, we have covered on that front; and (3) really is to see how best we can get to a dollar PPA so that the local exchange rates get maintained. So, I think we have decently covered all the projects on those issues and I think that I suppose should answer your question that they are not that risky as you would initially think so. In fact, the experience of all the three projects, four projects we have had is amazing in terms of how Greenfields can be set up in time. Georgia is one of the fastest executed hydro projects in the world, okay and probably the one which has got very little or zero overrun. So, I am just saying that the experience has been quite contrary to what we would.

Mohit Kumar: This is Mohit Kumar from IDFC Securities. So, when you talk about selling of non-core assets do you mean that you will wind down the Tata Sons investment too?

Ramesh Subramanyam: No.

Mohit Kumar: No, okay. And what are the options you are pursuing for exiting the non-core assets?

Ramesh Subramanyam: What are the…

Mohit Kumar: What are the options you are pursuing for the exiting the non-core assets?

Ramesh Subramanyam: So, if you see our balance sheet, what we define as non-core is really non-power related. So, you have the communication you have Tata Teleservices which of course you know that it is not really highly valued. The defense services, we have a bunch of small-small assets which you will see in the balance sheet I do not have to tell you, you can pick up the balance sheet and you can say that these are not relating to everyday power business. They are not very large value. The ones I told you just now are the ones that are really big ticket apart from Tata Sons.

Mohit Kumar: Can you please talk about the solar business how it will pan out in the coming year?

Ramesh Subramanyam: Sorry?

Mohit Kumar: Can you take about Tata Power Solar?

Ramesh Subramanyam: Solar?

Mohit Kumar: Yes.

Ramesh Subramanyam: Tata Power Solar today is actually two pieces, there is manufacturing and EPC

Mohit Kumar: I am talking of manufacturing, what is the order book right now? How do you see it going forward for FY 2018 and FY 2019?

Ramesh Subramanyam: So, the manufacturing book is doing very well, okay? Last year in fact it ran at full 400 megawatt capacity. Going forward, largely depends on how much is the sales that happens, how much is the domestic content in that because it is very difficult to compete with the Chinese imports. So, a lot of support has been promised by the government and we expect that in the next two years - three years it will still have the buoyancy that it had because of the sheer momentum that the solar piece has gathered. But a lot depends on how seriously, as Mr. Sardana was describing, the dilemma of the state governments on the one hand, the push from the center and the issues in going for more and more solar that will really decide how more projects will come the solar way. But clearly, it is doing very well and also it has moved steps on roof-tops as another alternate model. So, depending on how the progress in the initial investments we find this business could be then grown. But manufacturing, ask to remember that India is because of the scale, sheer scale, and the Chinese over supply situation still a very tough market to really expand. So, there is no expansion plans if that is what you are asking.

Anil Sardana: Let me add to what Ramesh said, though, of course, Ashish is there if you want to supplement anything you can do that. What we did in terms of making sure that the manufacturing truly gives us bang for the buck. Our team did a damn good job in terms of improving the efficiency, doubling the capacity at the lowest cost. That CAPEX that we spent, we spent over two years of time, just Rs. 100 crores to make that factory double its capacity and also improve its efficiency. Today, we are at par with the efficiency of modules as they exist anywhere. That is the first part. Second part, we stopped businesses in thermal solar which is that water heaters that you used to see with Tata BP in the earlier times, we stopped that business, we stopped all the product business. So, we have now focused in making sure that every cell and module that we make goes towards the PV system and therefore, there is absolutely zero distraction in the way the factory works. Then Ashish and team have made sure that a lot of indigenous innovation is done in the way. The rejects used to happen, the issues of how the cost used to go in terms of soldering, silver usage, etc., so they have really optimized that part. And then you now read it in terms of what Ramesh mentioned. We have commitments from MOP that a large percentage of solar addition, capacity addition even if you assume that will be about 5,000 - 6,000 a year good amount of capacity, the ministry has been saying 25% or more, will go through DC component. So, our people are not wasting their time in competing in the open market. The very tactically look at DCR component book that and the balance they do through booking the rooftop solar which he mentioned and the last component is export the modules, but do no. But forget that we were earlier exporting everything because of BP. Now our team has revived contacts and they are selling the modules and all of that to top it up to make sure the factory runs with 100% capacity utilization. So, it hs been a great show that the team has put up. We looked at this very tactically and I think now this is the way the manufacturing moves here and out.

Pulkit Patni: Sir, Pulkit Patni from Goldman Sachs. Sir, you actually took us through one of the slides where you have got the EBITDA which is the overall EBITDA excluding just the IndAS part. That is about Rs. 7,800 crores if I remember correctly?

Ramesh Subramanyam: Yes, Rs. 8,600 crores up front Rs. 7,800 crores.

Pulkit Patni: Okay. Rs. 8,600 crores. So, if you just do the math, over the next couple of years where this year obviously the coal business did very well then you have got a few commissioning that are going to happen. What is the kind of rough EBITDA that we are going to look at? And Rs. 48,000 crores of debt that we have right now where does that number move over the next two years with all the commissioning and everything completed?

Ramesh Subramanyam: We do not give guidance on EBITDA, but I can give you some pointers. So, as I said Welspun, it is just a half year operation. So, that is clearly going to be one addition. 300 odd megawatts of solar pipeline and remember that you just mentioned and I hope that there is no confusion that this year coal companies were doing well. Remember that this is an exchange coal CGPL, so both ways it does not matter at the console level the EBITDA does not change much. In fact, coal prices above a certain limit when they increase then net it adds.

Pulkit Patni: Yes, because you got more coal than the…

Ramesh Subramanyam: It is a long coal solution.

Pulkit Patni: Absolutely.

Ramesh Subramanyam: So, that happens. Then of course we do not know how the progress on the ICICI platform will go, okay, that is one piece which is still remaining and new bids on solar whenever they come that is another piece that will add. We are not averse to, as Mr. Sardana mentioned about hydro, right? Distribution franchises, now remember the problem is setting a target in a business is not easy because it comes by government policies and actions. So, therefore, I would be loath to really predict the position. But really this is the revenue piece which can grow and remember that our competition is not in great shape. So, we have some very good opportunities to pick-up good momentum on the debt side. I think clearly we want a clear graph down starting with the application of the non-core assets who capitalize the company, and followed by any other means of raising long-term capital. So, that is the trend you will see. So, clearly the numbers as I said, I do not want to really say but I showed which is what I am trying to really say that we are trying to go to and we are not talking about some 20-year target or something, we are talking about near-term target.

Pulkit Patni: Sir, the under commissioning project, by the time they get completed the debt would actually go down or would it go up a little bit before it is...

Ramesh Subramanyam: No. All the under-construction projects are fully funded.

Pulkit Patni: Including the 40…

Ramesh Subramanyam: Yes, the international projects are almost complete now. Almost it is complete, it is complete. Even the Georgia project is now complete. Maybe some 5% of debt is left to be resolved. So, there is no I would say debt peak time yet to be taken to complete the ongoing projects, no. We normally have some WIP always of Rs. 1,000 odd crores of CAPEX which we do every year in that Rs. 500 crores - Rs. 600 crores of the WIP always remains even in this yearend I think we have Rs. 600 odd crores of WIP. So, this is normal but apart from that, no.

Pulkit Patni: Okay.

Abhishek: One, on the standalone business, why do we see a lot of variation? We understand it is more of a regulated business. There is a decline in EBITDA also this year. I understand decline in profitability because of the Welspun acquisition debt. But you added, you have spent CAPEX over the last couple of years you put up a distribution infrastructure. So, has that helped in acquiring more customers now going forward or…

Ramesh Subramanyam: So, Abhishek first of all, the operating profit of standalone is about Rs. 2,400 odd crores yearly, that has been stable for the last three years. Actually that is not moved, what moves is regulatory orders that keeps coming once in a while. I think, and I can assure you that our standalone therefore is rock solid in terms of the operating profit. What happens below is a couple of things. The chance was there was Docomo, really the interest burden on the acquisitions or acquisition funding that keeps happening, tax related adjustments both regulatory and non-regulatory that keep happening.. FOREX some amounts and take for example last year Rs. 400 odd crores was actually one-off gains on the orders from the regulators. So, these kind of things only affect. But actually underlying standalone is stable, Rs. 2,400 crores odd is the standard operating profit that it is generating. So, I do not know where the numbers you saw but we can explain it could be an IndAS issue but I can take you through the operating profit that is very rock solid. And by the way, the most of this generation distribution business has got nothing to do with customers you get paid on assets. So that ROE is kind of stable. Yes, there is a pressure coming in. The pressure is coming in because the regulator has been reducing the O&M norms, okay? We are seeing continuous pressure and is shaving off the returns slowly. It is eroding, I think let us not deny that, one is that. Secondly the regulator is also cutting the efficiency gains which is the incentive that it gives. This we are seeing as a continuous phenomenon as part of the rolling cost because every three years, we revises things to the actual

Anil Sardana: Abhishek, I think while Ramesh showed you the presentation but I am just trying to read from MIS. As he rightly said IndAS may have done that trick to divert you to feel. The standalone

EBITDA or operating profit if I read it last year for the same Q4 was Rs. 564 crores. This year is Rs. 521 crores, despite the MYT part that Ramesh mentioned and also we have made provision for one of the units which we plan to write-off, okay? for the oil and gas, this is Ramesh how much?

Ramesh Subramanyam: Close to about Rs. 60 crores.

Anil Sardana: Rs. 60 crores. So actually, that is why Ramesh is feeling that is actually rock solid this much better than what we had last year.

Abhishek: So, Rs. 60 crores is a one-off this is for the unit that you have shut down in this year?

Anil Sardana: This is the unit that we have shut down and we plan to sort of take that out.

Ramesh: We also made adjustments on provisions for land. I think, what the amount Rs. 65 crores on that Odisha land which we had we had to give it back and therefore, we wrote-off the Naraj Marthapur Plant. So if your question is that in our operating wise it does not make steady. It is just the one-off item and I must share with you one thing that we have the because of our conservative approach, our balance sheet is very clean and we keep writing-off at the even at a whip of an issue not developing. So, that is why you will find these one-off items happening but we try and explain you I know that makes it very unpredictable but that is the nature.

Anil Sardana: The example is Docomo itself the adjustment, could have been done after the competition commission and RBI sort of gives all the approvals. But we said no, we said we should rather be conservative. Since, the High Court has now allowed that, so we have taken the full sort of impairment on that part. So, I think Ramesh is very right. We tend to be very clear, in fact the biggest example that we gave you is the fact that the land revaluation could have actually improved our debt to equity ratio. But we said no. When we actually harness the value we will go back to the shareholder and say we have the value there. But why should we just artificially sort of dress it up. So, we are very clear. You saw the compensative tariff. We never took that. I think land is another example. In fact, the number is mind boggling. Again Ramesh and team were out of their wits as to wide business was saying we should not be thinking that. But they supported us in terms of the fact, okay fine you want to be conservative as a finance man I will support you. Similarly, other valuation that we could have done in the asset that could have again taken us much more because the underlying asset of us some friends talked about some names of our investment which is far more higher. But we have not taken those for the reason we want to be conservative. And we are talking about some of the numbers that you peep through, without dressing up. So, it is on a genuine basis that we want to course-correct.

Abhishek: Sorry, can you repeat the number for Naraj-Marthapur what is the one-off number?

Anil Sardana: Rs. 65 crores.

Abhishek: Second question is on Mundra UMPP. So, one of the peers in the sector JSW Energy is looking to blend 50% coal on their imported coal plant. So, could you do something similar? Is it allowed under the PPA first? And secondly, why I am asking this because in the Shakti Policy that came through a day before we have given a provision of imported coal based plant you know the bidding mechanism to be decided later but a linkage can be provided to that kind of a plant?

Ramesh Subramanyam: In fact Abhishek we did advocacy for that to be included but at the same time in the present day rate the way it is and the way Coal India sells our imported coal landed price in Mundra is cheaper than domestic coal. But what we have done we have now laid out a program internally developed by our team in Mundra where they keep looking at the prices on every month-to-month basis as they decide the cargo for subsequent month and we have told them that every time that you will have to have a disclaimer clearly saying that we have reviewed the domestic price we have reviewed the alternate price and we find that the price that we are recommending to buy in this month is still competitive. So, that is the effort. But we clearly are open to blending. The other part that you mentioned about the competition blending, etc., I think the issue will come when the environmental norms start to kick in. But if you blend that, do not forget the fact that you are going to use higher percentage of ash. So, your fly ash part etc., you will have to again look at in terms of how you will do the ASP and all those aspects. Today, you can get away till the time that is there. So, we are keeping all those in mind to make sure that they are fully compliant. Other good news that we have not connected with that, but we talked about in the call that we all had after these CGPL order. I think, we have had some very good cargos that our teams have booked ahead from sources which will be more competitive as we said now that we are free and whatever had to play out has played out entirely and therefore we are having the freedom to source coal from wherever we have I think our team has started to do a good job in terms of sourcing cargos will give us competitive price.

Abhishek: So any plans to expand which we had earlier talked about but we put it on the back burner waiting for this order.

Ramesh Subramanyam: Abhishek, I mentioned last time also, it all depends on the demand profile and I said, in my opening remarks that I do not think so it justifies to do any Greenfield investment in new research today at least in conventional research today. I think it applies to Mundra also.

Abhishek: Thank you.

Participant: Just a follow-up on the restructure thing. The question was in the structure of this thing because the price of coal will still to be freeze because the Coal India price is freezed. But your tariffs will continue to change based on the imported coal. So, you will again be if suppose you go ahead with this policy this proposal, you will again be hedged I mean risk to be changing coal prices because your cost is freeze but your tariffs will continue to change. So, is this workable or just….

Ramesh Subramanyam: I think it will all depend on how Coal India prices move and how the international coal prices move. Now, today fortunately what is happening why it becomes cheaper to get imported coal at the coastal area because the railway price or the all sea route price from eastern India to Mundra the costs are much higher because of re-transportation cost. Whereas the shipping is dead cheap today. So, we are getting shipping as you know on a spot basis which are at a very low price. That is the reason why the imported coal price landed in Mundra through Indonesia or through South Africa or through Mozambique or through Colombia is working out to be dead cheap. So, that is the reason why today this factor of the fact that why imported coal is cheaper despite the fact that there is movement in the prices as you said, coal prices may become higher, we will get that advantage in tariff. But domestic coal prices may not move at all so why are you not able to get differential (1) the formula moves today also with a six-month lag, that is another problem. In fact, we are very close to our advocacy effort to get the formula now move every month rather than every six months. So, it may not ultimately be accepted on months, but we are confident it will be accepted at least quarterly or two monthly. So, that is another effort that we are doing and I think we are very close to getting that sorted out.

Management: Just as an example, the Coal prices jumped up in the second-half and this notification for that would actually come from April to September so that is been a rising coal scenario, this is the problem it create. So, in fact the past results of six months really have got that absorb.

Participant: Just last thing, you talked about non-core assets but you did not mention about RE. So, do we plan to continue grow in RE, only then less probably or…

Ramesh Subramanyam: So, our options are open, timing could be a question. And we may or may not do it at the end. At the end of the day, we have a certain target of raising capital and if it is met by other sources, we may keep it for later. So, we are not ruling out anything as such but there is a priority which we will follow.

Participant: So, question on Tata Projects. How do you classify the core or non-core and what is the way forward?

Ramesh Subramanyam: There is in the third category, unfortunately. It is still an investment as far as we are concerned.

Participant: So, like we are consolidating on an equity method…

Ramesh Subramanyam: It comes under associates, JVs and associates line.

Participant: Any color that you could give us how do we see profitability over there and…

Ramesh Subramanyam: The order book has improved tremendously, doing very well and that is all we can say, because we do not run the business. But certainly, the business is doing very well. It is a low margin. But it is a good solid order book that they are carrying, do you want to add anything?

Anil Sardana: So the number is in upwards of five digit in terms of order book that they carry and they have not moved out of virtually the power generation segment. So, they are focusing on transmission, they are the largest in fact today on transmission in terms of EPC that they have formed power grid and others. And they seem to be making good money and they have also now developed expertise on the railways side. So, you must know this factor that both eastern freight corridor, as well as the western freight corridor they are in both the orders. Recently, they have got another order in terms of metro, so they are in consortium and they have got the metro orders. And as you know metro is now growing in almost every important city. So, I think they are very bullish about the fact that they should have more and more orders and they are growing well. I just want to say, not more than that though I am privy to internal aspect. But I think, since we do not run the business, it is not right for us to comment.

Participant: Last question is on Mundra, what is the normalized EBITDA? A you said, there is, in the UMPP the complete pass through of coal has not been accounted for there is a lag of six months and plus there was some catch-up on the availability which was in the fourth quarter. So, on a normalized basis in this quarter, what would have been the EBITDA?

Ramesh Subramanyam: I off hand remember that the half yearly number is something like Rs. 200 crores the catch-up. But I do not have the number, maybe we could separately we will give you the normalized number. I think, the year number minus the FOREX adjustments divided by 4 would be a decent way to look at as a normative because what happens is the last quarter is normally is a rush quarter when we catch-up to complete the 80% to get the full fixed cost. So…

Anil Sardana: This we achieved, by the way which we achieved. So, therefore we got full fixed cost.

Ramesh Subramanyam: I suppose the questions are drying up or we could head for dinner?

Annirudh: We are net long on coal, yet there are news reports we are investing in coal assets in Russia over the next few years amounts are close to half a billion dollar. What is the thought process or is this news and just too primitive?

Anil Sardana: So, I also read that many times and learn a lot of things from newspapers. The limited point is that I do not know about the destination and do not want to declare it until we sort of close. But certainly we have to find all methods to resolve Mundra issue and one of the reasons why we had bought the mine and done what we did in Indonesia was the fact that we should have no under recovery on fuel and therefore, there should be clear recovery of what you have quoted in the tariff and what should be your cost of getting the coal to Mundra? We are still not giving up, we are trying to simulate the same situation with the hope that we would not have transfer pricing issue. So, we will look at all of those options. As Ramesh said, we are doing everything possible under the sky to get Mundra up and above. Because now whatever had to play out, I will play it out. We have no bonds anymore to not to try every aspect of solution. We will make sure that Mundra pain reduces.

Annirudh: And so, just one other question. Incrementally now the dividend from the coal companies would be reduced, would be not repatriated back to India and would be taken to lower the debt?

Ramesh Subramanyam: No, I think that is more of a tactical issue. The debt at the SPV that we assume is actually part of a larger corporate debt it just happened to be that it is a good debt, pricing was good. So we kept it that way. If that reduces or we decide there is no compulsion there that we can keep on having that debt and then bringing the dividends back it is a more of a tactical issue now we are just tax efficient which debt is more expensive and when you bring it back to India, then what cash uses you can do. So, I think, it is let us say part of an overall basket and we will keep deciding from time-to-time. For example, last year there was no dividend because the coal companies do not really perform greatly. They were making profits but not that they are flush with funds. So, now they are doing well. Now we will have to take a call as you know what to do about it. So, it is a moving target, I do not think we have a one fixed approach on that because there could be needs here and at the end of the day, I am optimizing the overall borrowing cost for Tata Power as a consolidated entity. So, in that which basket is expensive depends on what local debt we are able to achieve. If we are able to achieve a cheap local debt then I might still want to continue here and keep that open.

Anil Sardana: Do not get the impression; in the past, we have actually got lots of money, I would say lots of sacks of money from the coal companies into India. So, do not get it wrong. We can still do that and we will still do that as Ramesh said what justifies tactically.

Prashanth: Thank you so much friends.