



“Tata Power Co. Ltd. Q2 FY17 Results Conference Call”

November 30, 2016



**MANAGEMENT: MR. ANIL SARDANA -- CEO & MD, TATA POWER
COMPANY LIMITED**

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Moderator: Good Day, Ladies and Gentlemen, and Welcome to the Q2 FY17 Earnings Conference Call of Tata Power Company Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference to Mr. Anil Sardana -- CEO and M.D., Tata Power. Thank you and over to you Mr. Sardana.

Anil Sardana: Thank you and Very Good Morning to our analyst friends. I am sure you would have had enough information, enough time to go through the information that was provided yesterday evening. Apologies if we got you early in the day on the call, since we finished our Board Meeting yesterday evening, we thought it will be appropriate to have this discussion in the morning and that is why we bothered you in the morning.

Very quickly, summarizing the Key Highlights for the Q2, all of us have now worked on the Welspun deal that we had closed earlier in this quarter. Having worked for last more than a month, reinforces the fact that we have had a good asset acquired and we are pursuing to make sure that we reap the benefits for the full year next year and make sure that all assets which are under different commissioning stages and all the transmission systems get commissioned in shortest possible time from now.

You are also aware of the fact that we have announced the Tata Power-ICICI investment platform

You are also aware of the fact that the company has been registered in Singapore, called Resurgent Power, Inc.

The company is now looking for assets, which we believe that will be close to operations and we will be able to turn around in shortest possible time. That is a work-in progress and you will get to hear from us as we progress on them.

On the assets related to Mundra and coal, since the price of coal has been volatile in the last quarter, as we are all aware that from positions where the coal was at a very low price or was at a price which was continuing to be lower, we suddenly saw that events in Europe as well as in our neighborhood in China have caused the coal prices to spurt up which would mean that our hedge starts to work. So the coal companies naturally saw the improved performance, and at the same time the Mundra in the current quarter will see coal prices firming up a bit, though of course, we have taken our own measures to make sure that the impact is relatively smaller.

Two of the foreign soil assets which is in Africa as well as well in Zambia as we talked about last quarter were made operational and this quarter was the first full quarter for their performance and both of them have done very well. We only hope that they will in the days ahead also keep contributing to Tata Power bottom line.

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All in all, this quarter witnessed good operational performance. Despite the ongoing challenges of many of the Discoms still not willing to buy additional power, as is also the fact that their creditworthiness has not shown tremendous changes. The transmission system continues to still offer challenges and specifically from our point of view, the cross-border trade, particularly from Dagachhu has not got resolved despite the fact that the cross-border trade policy of the Government of India has got formulated, but it is still pending at the cabinet level to get approved. Amongst the other challenges at the cabinet perhaps was bestowed with we will assume that policy should be coming forth in the month of December.

So that is the summary of how the quarter went by, rest results are with you and we will be happy to take all your questions. So over to you and look forward to having your questions being responded.

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, my first question pertains to Arutmin. So you revised your sale consideration from \$500 million to \$400 million. Sir, can you please elaborate on that... when is the likelihood of this transaction being completed now?

Anil Sardana: Mohit, as the press release suggests, this is now the revised agreements that we have been able to conclude. As the press release indicates, the value for Arutmin has been announced after the adjustments till today. There were some court pronouncements and basis which they were the past period liabilities as also several statutory liabilities which were again for the past period before our last agreement. Since those had not been adjudicated by either court of law or by the statutory agencies we were waiting for those times. Since they have got finalized, the adjustments have been done... I just want to clarify at the outset so that nobody repeats. Actually I should have stated that in my opening remarks. There has been no change in valuation. The valuation of \$510 million remains the same. There was a need for all those statutory things as well as the court pronouncement against a coal contractor that was going in for a long time to get settled. Sooner it got settled, we got into the act of therefore doing the revised agreement. So \$390 million has become \$247 million and \$120 million has become \$154 million. So, those details we have provided. As far as the closing and the payouts are concerned, the structure will be that it will be consummated in next few years instead of a particular day payout for the simple reason that the buyers are not in the state particularly in the commodity cycle in which we are to trade upfront. So schedule has been drawn and we are hopeful that this will now get consummated according to that. Now the present agreements that we have done, since these are mostly being Indonesian agencies, now it requires the approval of Ministry of Energy and some of the statutory agencies which has started in the right earnestness from the current week itself. We are hopeful that we will be able to get that in quick time so that we can announce the closing also.

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- Mohit Kumar:** Sir, is it possible to give the breakup of profitability and EBITDA for the major associates and JVs which has contributed to the profit in this quarter...some of the major ones?
- Management:** I can give you the rough estimate of the EBITDA that could have come had the old consolidation happened. For the September quarter, the associates which are not part of the overall consolidation would have brought Rs.370 crores against Rs.150 crores last year. So that is the profit which is now shown below the EBITDA because of IND AS.
- Mohit Kumar:** Sir, my last question pertains to Tata Power-ICICI investment platform. So what kind of opportunity you are looking at? Is there something which could be in the offing in the next couple of quarters?
- Anil Sardana:** Mohit, for NDA reasons, we cannot declare the names of the opportunities, but these are naturally projects which are either running or about to be completed and are the ones where the PPAs are mostly in position, there is also a fuel tie-up. So we are looking at opportunities where the assets today for either the reasons of liquidity by the current promoter or for reasons of they are not being in the power as a core business are wanting to sell that off. So those are the kind of opportunities that we are looking at and these are opportunities in the area of generation as well as transmission.
- Mohit Kumar:** So are you looking at some investment quantum or size something you can define for the next couple of years or is it just all hazy right now?
- Anil Sardana:** You know the fact that we have commitments from the different stakeholders for about \$850 million worth of equity. So we will size the portfolio according to this unless we decide to increase it for any reason.
- Moderator:** Thank you. The next question is from the line of Apurva Bahadur from ICICI Securities. Please go ahead.
- Apurva Bahadur:** I wanted to know sir recently this Bumi had restructured their debt. So, even post that they are not in a state to close this deal quickly?
- Management:** So, those two are not necessarily totally linked. This is something which they are separately treating it and therefore I do not see there is a direct connection between that, there are other liabilities in the Bumi Group, which they are dealing with in that restructuring, strictly speaking this cannot be a debt because this is a share purchase transaction. Yet however it is part of their financial plan for sure.
- Apurva Bahadur:** Sir, could you share the amount of dividend paid by the shipping subsidiary, and does it pay every year?

- Management:** It is not very regular, because amounts are not very large only when there is a reasonable accumulation that happens. Currently, the shipping subsidiaries have paid about Rs.140 crores of dividend this quarter.
- Apurva Bahadur:** Despite the bad market conditions?
- Management:** These shipping companies have fixed contracts with Mundra. Essentially, these big companies are not serving the outside customers. They essentially serve the Mundra and they are long-term contracts. Only thing is from time-to-time, they do optimize by taking ships from the external market.
- Apurva Bahadur:** In TPDDL, Delhi Discom, EBITDA level you have reported a loss. What is the reason for that?
- Management:** If you see the adjustment in the tax column, there is a negative number, this is essentially coming from about Rs.380 crores of tax being reversed at the tax line and then this reversal is also to be passed on to consumers, it is shown in the line called "Regulatory Adjustment." So what has happened is over the years the company has been paying MAT and was under 80-IA and going forward that it is able to absorb that MAT credit it is able to now recognize that as a credit to the tax line and since it is a regulated entity, this entire tax credit is also to be passed on. So at the PAT level there is no change. However, what happens is because of this the EBITDA does get reflected lesser.
- Apurva Bahadur:** Why have the volumes at TPTCL declined exactly?
- Management:** Basically general market conditions.
- Apurva Bahadur:** Lesser of demand?
- Management:** Yes.
- Moderator:** Thank you. The next question is from the line of Sumit Kishore of JP Morgan. Please go ahead.
- Sumit Kishore:** On the consideration for Arutmin that is expected to be received in a phased manner over next few years, is there any NPV concept, would there be any interest levied on the schedule of payments and what is the upfront amount that you would receive?
- Anil Sardana:** Sumit, all such agreements which are with deferred schedule always have some elements which are always provided for. But at the same time, it is not fair for us to talk about those today, because we are assuming that it will all be done in time, and we have built also incentives in a form that if it is done in time, then some of those will be not claimed. So, I will leave it there to say that there is incentive as well as disincentive both built into the system that

this schedule is met. So we are hopeful that the schedule that we have provided for few years is adhered to by the other side.

Sumit Kishore: Is there any upfront amount that you could mention at this stage or something that will come in the next one year?

Anil Sardana: No, it is earlier, but give us some time, because last time when we declared everything and the statutory authorities and the lenders took so much of time, this time we do not want to talk about it upfront, we just want the statutory agencies to now close it. Earlier therefore we have done deals with agencies outside of Indonesia, but yet the lenders sort of took so much of time and also of course the court cases etc., were lingering on and even the taxation matters got settled after 2-years. So this time we are a bit cautious. If you do not mind, I think it is better to be conservative. We will announce all those details as soon as we get the hang of statutory agencies closing the issues.

Sumit Kishore: Sir, following the steep increase in Indonesian coal price indices since March, could you give us some sense on how the share of profit for the coal mines and infra companies has moved from first quarter to second quarter in absolute terms? Should we expect that given your net long position on coal, the real benefit should show up in December quarter even after adjusting for the impact on Mundra UMPP?

Management: Yes, you are right, the coal and coal infra companies have indeed done well compared to last year, in fact, there is a good increase over last year; last year the coal and coal infra companies together were around Rs.120 crores of PAT which has gone up to now almost Rs.170 crores. But you must remember one thing that the coal price increases do not directly and immediately reflect in the coal companies because a substantial part of the contracts are annual contracts. So as and when renewals happen they move into the market pricing regime.

Anil Sardana: Also, again on the side of caution, Sumit, it needs to be understood that only yesterday we saw again the coal prices starting to come down and there was a steep \$10 reduction between day before and yesterday. So one does not know how coal prices will pan out and therefore all of us have to be cautious about the fact that this perhaps is not a natural phenomena of commodity prices correcting themselves, this is just a phenomena of the punters working in the market was also the demand/supply issues which are artificially caused by the nuclear reviews that are happening in Europe as also the issues related to the roster that China has adapted at this present moment.

Sumit Kishore: Just to clarify this; Rs.120 crores to Rs.170 crores is only for September quarter for the coal and infra companies contribution to profits?

Management: Yes, correct.

- Sumit Kishore:** If you could also give some granularity into how the overseas subsidiaries renewable companies both Zambia and South Africa, what sort of contributions are they making and what sort of profitability levels, ROE levels, are they in line with what you expected?
- Management:** We can give you a rough idea about the profitability; Cennergi and ITPC this was the first quarter they have done together. These overseas entities have done about Rs.110 crores of EBITDA and have just about started to turn operational profits. So that is the indication we can give it to you. Remember the Zambian entity is a fixed return entity and Cennergi also are long-term PPAs.
- Sumit Kishore:** Notes to consolidated financial results, point #5, it mentions that the company paid under protest and accounted for Rs.1.89 billion during the quarter. Where is this appearing in accounts and given the overall amount of Rs.18.57 billion is fairly large, could you give some color around this risk?
- Management:** So this is regarding payment of entry tax, this is for our Mumbai operations, there is an ongoing issue going on, there is a demand raised on the company under the Entry Tax Act which the company has opinions to show that it has a good case and we have filed a petition in the Supreme Court on this matter and are awaiting their judgment. That is what is being referred to in this note.
- Sumit Kishore:** So when you are saying that you have accounted for Rs.1.89 billion during the quarter, it is not in the P&L, it is in which part of the balance sheet?
- Management:** No, we have not accounted for in the quarter, it has already been accounted for in the previous periods. We are just giving information that this has been already paid and that is the amount under protest we have paid.
- Anil Sardana:** Sumit, I just want to clarify one item which is useful for our investor colleagues to know that this is an item related to the oil that was being imported for units in Trombay. Now Entry Tax as you know has been upheld by Supreme Court constitutional bench with 9-judges saying that the states have the prerogative to charge entry tax. The limited issue that we are dealing with is the fact whether it applies to imported items, quite like with sales tax now is a known factor, it does not apply to imported items. Similarly, we are wanting an adjudication on the fact whether it really applies to the imported oil. That is one factor that you all should know. The second factor that you should know that the company does not gain or lose anything. This is an item which is based on the ARR for Mumbai and therefore, we are contesting this item you can say for and behalf of the consumers in Mumbai, because we believe that it is unjust to consumers to pay with. Therefore, we contested this item and this is a very old item of the periods like prior to 2011-2012, so it is anything starting from 2007, all the way to 2010... even '04-05 I am told. So, therefore this is for a very old period, #1. #2, it is like a pass-through item. We are only hoping that if the consumers can be sort of saved from this unjust

charge, then that will be the benefit to consumers. So neither the company gains anything nor company loses anything.

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

Abhishek Puri: Sir, two set of questions: First on the standalone Mumbai distribution area. The operating profit seems to be lower this time if I exclude the other income which you have given... obviously, other income has been raised much higher, but if I compare the operating income or the EBITDA basically it is down by about Rs.100 crores in this quarter and subsequently I am also seeing that the regulated equity is down by about Rs.300 crores as per the presentation that has been given. So have any assets been retired there and why is this kind of an impact been there?

Management: So, according to me there is only a very minor correction in the ROE, we will come back to you with a reason... normally, retirements are the reasons. The other is on the performance, there are two-three things -- One is we have taken one-off provision for oil inventory which was lying. One of our units was not using it for a long time and we had to write it off, some portion due to pricing changes. The other is there is definitely an impact coming from the way the norms are being set by the regulator both on interest on working capital and O&M and even tax entitlements. So some of the revised calculations are definitely impacting this quarter. That itself is about upwards of Rs.40 crores. But of course this is not necessary that this will impact all quarters.

Abhishek Puri: What is it relating to the oil inventory write-off?

Anil Sardana: Rs.32 crores.

Abhishek Puri: So Rs.32 crores plus Rs.40 crores is one-off kind of an expenditure in this quarter and that is above EBITDA?

Management: Yes.

Abhishek Puri: Regarding the regulated equity, which is down from Rs. 3,640 crores to?

Management: It is only Rs.10 crores, we will check what is the number which you have, I think our team will get back to you.

Abhishek Puri: Sir, on the Mundra losses in the second quarter of 2016, when I am looking at the consolidated results of last year, there was Rs.247 crores profit versus now under IND AS, this is now Rs.(-96) crores loss. I think that is mainly because I am looking at Mundra, where Mundra was about Rs.(-74) crore loss as of the last results when we reported Q2 2016. Now in Q2 2016 under IND AS, it is at Rs.441 crores loss. So that is a big swing of almost Rs.370 crores.

- Management:** The difference between IND GAAP and IND AS is essentially two or three major items, Abhishek -- One is the way the FOREX impacts on fixed assets, earlier it used to get capitalized. So that is one change. Second impact is on the options and interest rate swaps, etc., which the company has taken. The treatment of those are now appearing in the P&L as earlier it used to stay outside the balance sheet. So, the volatility in that sense has now come into the P&L as far as CGPL is concerned. So if you really see it on the IND AS like-to-like basis, you see how the loss has come down from Rs.441 crores to Rs.(-80) crores, that is essentially coming from the differences in the FOREX gain and losses and interest and finance cost. This swing is again only because of the MTM related charges and of course there is a small reduction in interest cost also because of refinancing, but essentially it is coming from MTM and realignment of the FOREX loans.
- Abhishek Puri:** Sir, on the Tata Power Delhi Distribution, you mentioned that there is the MAT credit adjustment which is why the EBITDA is negative, and that has been adjusted subsequently under the regulatory income.
- Management:** Yes.
- Abhishek Puri:** But I think as per the consolidated results, there is a regulatory expense in the balance sheet of Rs.306 crores. So, what is this amount related to... this should have been income right otherwise?
- Management:** On the consolidated the regulatory adjustment has Delhi plus others. Delhi itself is Rs.380 crores which is on the one hand credit to the tax line and immediately it is passed on to the consumer, and therefore, it again appears as a reduction in the regulatory adjustment. So the way we calculate the EBITDA then, if you reverse this entry which is just a reclassification in that sense, because the fact remains the same, your EBITDA is up to that extent of Rs.380 crores for comparison purposes.
- Abhishek Puri:** I am just trying to understand, this should have been a regulatory income instead of an expense, right, because we have already reduced that in EBITDA?
- Anil Sardana:** Yes.
- Abhishek Puri:** It should be regulatory income whereas as per the consolidated results, it is an expense of Rs.306 crores. So is there any other regulatory expense which is much bigger?
- Management:** No-no, in consolidated also, it is coming as a reversal. So on the one hand you have regulatory income reversal and on the other hand tax expense also gets reduced. So it is an offsetting one. So, are you confusing with the sign?
- Abhishek Puri:** No, okay, so you have adjusted it in the tax, you are saying?

- Management:** Yes, so in the line #12 in the results, in the tax expense, the minus Rs.(-111) crores should be actually up by plus Rs.270 crores or something.
- Abhishek Puri:** I was actually referring to the regulated income which is point #8.
- Management:** That is the other adjustment. So the tax is the one adjustment and the corresponding adjustment in line #8.
- Anil Sardana:** So if you net off then it will be....
- Moderator:** Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.
- Sanjay Jain:** Wherever we make investments, generally our expectations on the equities double-digit ROE. But when we look at the company's ROE, it is single-digit. We do not have a material amount of capital work-in progress in our balance sheet to say that that is depressing our ROE as a company as a whole. So I was just wondering, of course, Mundra is one which is a drag, but correspondingly, like we are benefiting on the coal assets. So I am not sure if that is a right excuse for ROE to be suppressed. I was wondering like when should we see company ROE moving into double-digits?
- Anil Sardana:** Sanjay, the point that you made, if you were to just do a calculation of removing this volatile element like coal and Mundra for a minute and then calculate the ROE for the rest of the company, you will find it in healthy double-digit. So, it is basically Mundra which is dragging. Imagine that for an investment block of Rs. 20,000 crores plus, if you have negative ROE, what does it do to the company. That is quite natural. So unless the issue related to Mundra gets settled we would have this challenge. Therefore, your answer is in your question itself which you said very clearly, "Yes, Mundra is a drag" which incidentally yes, that is a fact and we have to wait for it to get resolved.
- Sanjay Jain:** But I was just seeing that correspondingly gain in your investment in coal assets in Indonesia?
- Anil Sardana:** It is not corresponding, in fact, if you do that calculation... that is what my humble request to you would be or we can even show you that part, because there are coal prices at which neither of the two making profit. So, when the coal prices were low, coal was reeling and was negative as well as CGPL still has under-recovery. So I think that is what is the answer to your question, because it is not that we are talking about relativity, we are also talking about the fact that in absolute sense they were both negative. The other element is of course the non-core investment many of them have no returns and therefore we are fast-forwarding to make sure that they are dealt with expeditiously. So, there is a fair amount of work that has happened. Incidentally, because of the present ongoing issues, it might get a bit disturbed, but at the same time, the company is making all efforts to make sure that the non-core investment is dealt with appropriately.

- Sanjay Jain:** As you said at a particular coal price, neither Mundra makes profit nor coal investment, so are you implicitly saying those Mundra project itself was conceived at much lower equity IRR, at that stage when it was conceived, not now but....?
- Management:** No, I think you are probably mixing two items. There is a hedge, there is no question. Point is that what we are saying is that at a low price, where the coal companies have insufficient margin, the Mundra tariff structure and because of the fact there is an Indonesian law change, there is a basic pressure in Mundra which we all know, right, that is how we have gone to CERC. So we are talking about that. At a low price that hits us, at a high price, the hedge in a way works and therefore it has **(Inaudible) 34:06**. That is what we are saying.
- Sanjay Jain:** But, do you have any target for double-digit company ROE a few years down the line? If we keep making investments which have low ROE in the beginning, so your company's ROE will remain...?
- Anil Sardana:** Sanjay, the day we commissioned the Mundra, we are looking forward for the adjudication to come and say that Mundra from past period we are able to correct the tariff. So that is what we are waiting for. The only thing is that that court process is not in company's hand to expedite. We have done everything what we have and the judgment is reserved in CERC now against the APTEL order where you remember APTEL directed them to announce it in 90-days and it has been more than 6-months. So we have to all wait and see as to how the process of law takes shape. This is not in our control. But as far as you are saying company has a target, yes, company had a target saying that this whole thing will get corrected from the day we commissioned Mundra.
- Moderator:** Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.
- Atul Tiwari:** Sir, my question is on the Note #11 on consolidated statement, this TPDDL MAT credit of Rs.389 crores. So 51% of that is included in the tax expense in the consolidated account?
- Management:** That is correct; about Rs.190 crores.
- Atul Tiwari:** For 1Q FY17, previous quarter the cost of goods sold on a per term basis has been given as \$27.43, but in the last quarter's result, when the number was declared it was about \$25. So, any color on why this have gone up?
- Anil Sardana:** Good question. Can we come back? I am not able to answer. You are saying that in the last presentation it was like that. Maybe the inventory adjustments may have been missed out. We can check that. Kasturi will get back to you on that. But basically, the cost during the quarter has improved definitely because of better strip ratio. This quarter has improved in terms of efficiencies.

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- Atul Tiwari:** Again on this Mundra tariff hike, what is the current status... has CERC delivered the judgment or has it given the judgment in a sealed envelope to Supreme Court, and if Supreme Court somewhere in picture, what is the exact situation on the ground?
- Anil Sardana:** Atul, as per our knowledge CERC has delivered no judgment and neither the sealed envelope nor otherwise. #2, as far as Supreme Court is concerned, as you rightly said, these matters are all bunched up at the Supreme Court, Supreme Court is waiting for CERC to deliver their judgment, and thereafter they will start hearing these matters. So that is what the status is as of today.
- Atul Tiwari:** No hearing is taking place in CERC anymore, right?
- Anil Sardana:** Yes, they have reserved the judgment quite some time back.
- Atul Tiwari:** So, like we have seen it in the past also that the judgment has been reserved and then one of the members of CERC retires and the matter has to be reheard again. So anything likely...?
- Anil Sardana:** By the way, just correction, that did not happen in CERC, that happened twice in APTEL; first, Mr. Karpaga Vinayagam retired, so it had to be heard again, then one of the technical member retired and it had to be heard again. So APTEL gave its judgment third time around; they gave it in middle of April. Now, we are in end of November as we talk. So we do not know.
- Atul Tiwari:** So is there any outer limit on when the judgment can come?
- Anil Sardana:** The country does not have any constitutional obligation on judges to pronounce it in the end date or anything like that.
- Atul Tiwari:** Any CERC member retiring over the next few months?
- Anil Sardana:** I guess it is next year towards the third quarter.
- Moderator:** Thank you. The next question is from the line of Prakash Goel from ICICI Securities. Please go ahead.
- Prakash Goel:** So when we read the number, we are seeing there is a drop in sales consideration \$510 million to \$400 million and you made a statement there is no change in the consideration?
- Anil Sardana:** Prakash, if you recall that \$510 million and like any other deal is always subject to closing adjustments, is it not? We announced that there were matters which were in the court which one of the mining contractors had filed in an international geography which was a court case which was going on, that court case has got finalized and therefore there is a closing adjustment which is an obligation prior to we close the deal, so we have settled that part, our portion of that is close to about \$80 million. The second part was in terms of the statutory taxes

and other aspects, which again returns have got finalized and those amounts have got decided and that is close to about \$50 million, so that too has got adjusted. So these are closing adjustments which in any case we have the obligations to pay. By the way, similarly there were issues on the other side which is the infrastructure company and there were gains which have been suitably added to \$120 million which has become \$154 million.

Prakash Goel: Now what will be the revised tax liability associated with this transaction in the first...?

Anil Sardana: As per Indonesian rules it is 5% which will remain the same on the gross consideration?

Prakash Goel: The other adjustment with respect to the passage of time, I remember one of the colleagues also asked the same question, more to do with the operational, you are extracting coalmine, the reserve is getting depleted by that pace. So, would there be any adjustment for example, this transaction gets concluded 2.5-years down the line, how will that get adjusted?

Management: This is a financial debt, Prakash. So whether or not the mines work or not, the liability of the buyers would remain... as Mr. Sardana explained, once we are clear on the schedule, once the permissions are in place, then at that time we will be able to take time, value issue at all because the accounting requirements do require but that call will be taken once we are clear about that.

Moderator: Thank you. The next question is from the line of Girish Nair of BNP Paribas. Please go ahead.

Girish Nair: Firstly, just a clarification; do you have the necessary permissions from the lenders to sell KPC, Arutmin? I believe the last two years you have been always saying that the lenders were yet to provide the approval. So, is it just the statutory authorities that are still to give the permission and have you got the permission from lenders today... do you have it?

Management: So we are working with the lenders on this, so there is an arrangement which we have now got into place where over a period of time, the values that are payable to the lenders come down, this NOCs would be given and therefore there is a time period attached to it. Yes, you are right, we had a problem in terms of getting lenders.... that problem has not gone away, but we are now clear about the time table and hopefully it will work as per the time table.

Girish Nair: Is it possible for you to provide the revenue, EBITDA and PAT for March '16 for Welspun Renewables?

Management: It is something which we are not really concerned with right now, because our purchases happened middle of September and as far as we are concerned, it is only 15-days of profits that count, that is a very small amount.

Anil Sardana: That is already indicated.

- Management:** This asset was actually majorly under development last year. So, therefore anyhow it is not a like-to-like comparison.
- Girish Nair:** The transaction value is still as you announced earlier Rs. 9,200 crores around that or has that changed because of any closing adjustments?
- Management:** Closing adjustments are not fully complete. So, as of now the number stands.
- Girish Nair:** You have not made the payment of Rs. 9,200 crores entirely or have you done...?
- Management:** There are payments subject to certain milestones. So, other than that everything has been paid.
- Girish Nair:** So how much has been paid till now?
- Management:** So, we cannot give you that number straight away.
- Anil Sardana:** But you can assume that the number that is withheld in terms of proportion is much smaller. So you do not have to compare it with Rs. 9,200 crores, you can say that that number that we would have withheld would be close to about 3%, 4%. So, it is not that we are talking about a very large sum being withheld.
- Girish Nair:** Is it possible to tell us how much was the goodwill that was recorded on this transaction on the balance sheet?
- Management:** That is about Rs. 1,700 crores.
- Moderator:** Thank you. The next question is from the line of Martez Arsiwala from Kotak Securities. Please go ahead.
- Murtuza Arsiwala:** Can you highlight the interest cost on the standalone? I understand it is because of the Welspun acquisition. So how much of debt has been taken on a standalone to fund it and how much is the quantum of additional interest because of that?
- Management:** So in the quarter first of all as you know we have raised bonds of Rs.3,500 crores and the interest element which belongs to that acquisition is about Rs.40 crores.
- Murtuza Arsiwala:** Rs.40 crores in the standalone, because Rs.3,500 crores would be through the quarter?
- Management:** Yes.
- Moderator:** Thank you. The next question is from the line of Venkatesh B from Citigroup. Please go ahead.

- Venkatesh B:** Sir firstly, when you acquired the Welspun assets at around Rs.9,250 crores or so ,Rs.9,250 crores is the EV right, am I right?
- Anil Sardana:** Right.
- Venkatesh B:** So how much debt was there in the Welspun entity itself when you acquired?
- Management:** It is about Rs.5,500 crores, Venkatesh.
- Venkatesh B:** It is more a request, in the sense now with the IND AS we do not get to see the numbers of the coal mines, the revenues and the EBIT which was there. You are basically sharing just the realization and the cost of goods sold. Now, at this point in time, the coal mines do form a significant part of the value. So do you not think we need to get an idea about how much of EBIT that entity is making so that we can actually make an accurate estimate and how can it be provided going forward to us, otherwise, how do we make estimates?
- Management:** You are absolutely right, I totally agree with you that the accounting adjustment need not mean that material information does not come to you, but of course, our long-term target should be to move to the accounting standard so that we stabilize it. So just for your information, the coal companies and the other subsidiaries which are not part of the consolidation at least the main one about Rs.660 crores of EBITDA today is not reflected in the EBITDA which used to be in the earlier GAAP. Similarly, the main companies would probably be the companies which are outside of the consolidation now come to some Rs.170 crores of PAT in the quarter, which again is appearing in the line called PAT from JVs and subsidiaries... I am talking about the main companies being on. So if you were to compare this with last year as against Rs.660 crores of EBITDA, we had about Rs.270 crores of EBITDA of all these main companies. So you can see that actually there is about Rs.400 crores improvement in EBITDA in these companies which are no longer getting consolidated on line-by-line basis.
- Venkatesh B:** So, are you planning to disclose this in your PPT going forward... some way we can get the numbers?
- Management:** We will consult internally... of course, we desire to, we will see how to institutionalize this. Good suggestion. Thank you for that.
- Venkatesh B:** Now this Arutmin consideration has been changed. Now, what remains for this transaction to get closed and when do you expect the whole transaction to get closed and getting paid for it?
- Anil Sardana:** Venkatesh, what we have said and informed all the analyst friends is the fact that we want to be conservative this time in making announcements. We have this time around while doing the documentation also consulted the lenders and roped them in, in terms of what will be their satisfactory arrangement so that we do not again get stuck with them in terms of the fact that we would not let Tatas go out and all the stuff. So, fortunately that is all provided for. We are

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hopeful that they will get their joint committee and board approvals. As far as statutory authorities are concerned, since now what we have signed up is with the buyers agencies in Indonesia. So we are waiting for statutory authorities to give the go-ahead. Once they do that, then there is a schedule provided for us to get the payments and we are hopeful that we will make that announcement soon.

Venkatesh B: Sir, does the fact that you have almost close to completion of this process, have any impact on the fact that you also have an option of selling 5% stake in KPC now is that still active or it has gone, it has got shelved, can you tell us about the status of this thing?

Anil Sardana: Nothing is shelved; it is something that we have been extending from time-to-time. But first our interest is Arutmin, because fortunately, again not something which is not in public consumption. KPC has a large resource and there is a likelihood of the issues related to extensions becoming more and more clearer in the days ahead and we are waiting for those things to be there in public domain, once the authorities firm up their minds, because today a lot of options are being discussed with the existing promoters. So, once we are clear on that then we will decide what we have to do with that option because we are very clearly hedging on the fact that if KPC extensions were to happen in the same way as it is a promising asset today, it is one of the best assets in the globe in terms of thermal coal, we are therefore keeping our options open.

Moderator: Thank you. The next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: Sir, my first question is, if you can shed some clarity on what would be the scope of acquisition that you plan to do under this Resurgent joint venture with ICICI, like would it be restricted only to thermal-based generating assets or would you be considering renewable assets or transmission assets, whether in India or outside India?

Anil Sardana: Deepak, just to be very clear, the ambit of this platform includes thermal assets, hydro assets, transmission assets, but not renewables. So that is first. #2, between all of us, we are aware that today there is no clarity on offtake from hydros, so much so that even low cost generating hydros are not being entered into in terms of long term contract. Our interest would therefore be acquiring such assets where we have clarity that we can get a steady return and improve that over a period of time and therefore I think at this moment the shortlist will include thermal as well as transmission. We will wait for the matters which is being talked about in parliament, in different forums with regard to the hydro power thresholds being increased from 25 MW to a larger number. When will that come? We do not know and therefore at this stage, the choice will be between thermal and transmission.

Deepak Agarwal: It will be rather restricted to domestic market?

Anil Sardana: As of now the mandate is India.

- Deepak Agarwal:** How do you see the demand shaping up, because even in Maithon, we are seeing generation coming down, how do you see the demand really on the ground, what feedback you are getting and maybe from the next 6-to-12 months? I know it is slightly difficult, but can you comment on how do you see the outlook on the demand side, because the sector is really getting affected because of?
- Anil Sardana:** I do not want to say with regard to any of our stations specifically because I am not sure your analogy of Maithon is right, because that is more seasonal, but the offtake from Maithon picks up from season-to-season, but yes, you are right...-
- Deepak Agarwal:** I am comparing it on YoY basis also the generation is down, so...
- Anil Sardana:** No-no, so therefore I want to make that point which you said that the fact that the PLF of the entire thermal fleet in the country has been coming down is a known statistic. So therefore I do not want to say that what you are saying is not right and therefore it is very important for us to have clarity that neither Make in India program has picked up nor per capita consumption has increased, nor do we see that after UDAY Scheme, any of the states... I do not want to generically put, but any of the states which have adapted to this scheme and have even gone ahead with creating those electricity bonds have shown any inclination to buy more power. So at this stage, demand is a big issue and is a big factor which will be one of the key determinants as to how the sector supply side will position itself.
- Deepak Agarwal:** Because if I see almost your CAPEX program that you envisaged 3, 4-years back is all through except just Bombay and Delhi license areas and going forward the next 3, 4-years we do not see much of CAPEX program apart from this and maybe something in renewables. So, is this more of just wait-and-watch and consolidating the existing assets itself?
- Anil Sardana:** Deepak, our turf that we consider is not just India, that is #1. #2, we are from a consumer to the fuel side completely and therefore our investments and our growth will continue to be supporting one or the other opportunity, now if you see last year, we did acquisition for Welspun which was a large CAPEX that we added, we will have to now look at making sure that we consolidate on the Renewable side as one big opportunity and also look at our international opportunities, which at this stage are at different stages of development. So we will continue to look at all options. I must admit very clearly, we are not certainly bullish about the Indian side of demand and supply improving in next 1 or 2-years. So, if anything has to be done in Indian context it has to be a bit on the long term horizon and not on the short-term other than Renewables.
- Moderator:** Thank you. The next question is from the line of Anirudh Gangahar from Nomura. Please go ahead.

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- Anirudh Gangahar:** One question please something to do with leverage. Last time in the call we had mentioned that we are actively looking to bring down the net debt-to-equity to a certain level. Any progress on that sir would be very helpful?
- Management:** So, yes, that is the intention and we continue to work on that.
- Anil Sardana:** I gave enough hints at the fact that we have been working on the non-core assets and we have been working on similar other assets to make sure that we are able to meet our objectives. We have not allowed like many other players in the sector our ratios to get depreciated, but yes, we are conscious of the fact that we have picked up and funded the entire equity of Welspun acquisition through debt and our interest is therefore, to look at all options possible to make sure that we convert some of the short-term debt that we have into equity instruments. So that effort you will get to hear quarter-on-quarter basis, there will be progress on that.
- Moderator:** Ladies and gentlemen, that was the last question. I hand the conference over to the management for closing comments.
- Anil Sardana:** Thank you to all the analyst friends for joining us on this Q2 FY17 Call. If you have any other questions, do drop them to Mr. Kasturi and we will make sure that he would respond to you in time. With the changes in IND AS etc., there could certainly be more questions and we will appreciate your conferring that with our team. Thanks once again for being on the call. We look forward to you joining us on the call for Q3 FY17. Thanks a lot.
- Moderator:** Thank you. On behalf of Tata Power Company Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.