



“Tata Power Limited Q2 FY ‘20 Earnings Conference Call”

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Moderator:: Ladies and gentlemen, good day, and welcome to the Tata Power Q2 FY'20 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal for an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveer Sinha from the company. Thank you, and over to you, Mr. Sinha.

Praveer Sinha: Thank you, Raymond, and good evening and welcome to the Earnings Call to discuss the Q2 Results. The Company has performed well across all businesses and operations in Q2 and has achieved consistent performance. This quarter has been driven by lower losses in Mundra due to better cost management of coal, better operational performance of all the regulated businesses including Maithon and Delhi Distribution and higher EPC orders in Tata Power Solar. But for the nearly Rs.158 crores of one-time tax adjustments for past periods in the coal companies, the results would have been much better. The consolidated revenue grew by 1% from Rs.7,279 crores to Rs.7,329 crores this quarter. The consolidated EBITDA in this quarter grew by 20% to Rs.2,113 crores compared to Rs.1,777 crores last year.

Renewables continue to report a very strong EBITDA of Rs.641 crores despite generation getting affected due to the extended monsoon. All other subsidiaries and joint ventures continue to perform well and the underlying business EBITDA grew by 5% from Rs.2,220 crores this quarter to Rs.2,327 crores this quarter without considering Cennergi & ITPC which have been held-for-sale.

The company has achieved a PAT before exceptional items of Rs.351 crores this quarter as compared to Rs.393 crores in Q2 last year. This is a growth of approximately 29% if we exclude the PAT from Cennergi & ITPC. The consolidated PAT before one-time adjustment in coal companies have actually grown by 30% to Rs.509 crores.

The softening of the international coal prices by nearly \$14/tonne in this quarter, has reduced CGPL's fuel under-recovery from Rs.0.90 to Rs.0.51. Apart from this, the coal portfolio has reported a profit of Rs.9 crores this quarter adjusted for the one-off tax adjustments.

The Renewable business portfolio continues to grow, and we have commissioned 400 MW of solar capacity since last year Q2 with another 500 MW of solar projects under implementation.

Our Solar EPC business has also done very well and it continues to grow with an order pipeline of Rs.3,200 crores and with rapid expansion of rooftop solar and solar farms apart from the utility scale solar orders. Tata Power Solar also won 105 MW order to develop the largest floating solar plant in the world which is worth approximately Rs.343 crores including three years O&M which is to be installed in NTPC Kayamkulam plant in Kerala.

Let me share with you some more updates on the divestment process and how we are trying to address the issue of debt. We have been able to tie up for the sale of our stake in Cennergi in

South Africa for an equity value of \$106 million, and all the documentations are being completed to complete the transaction and we hope that within the next three to four months, we will be to get the proceeds from this divestment.

Similarly, steps have been taken for divesting our stake in ITPC Zambia and we expect to complete this transaction also within this financial year.

We are also looking at divesting few of our other assets, which will get finalized in the next few months, and once we get the feedback from the market of the type of valuations, we will go ahead with the divestment of these assets too. In all, we are expecting that we will get nearly \$1 billion worth of asset from these divestments in the next 12-to-18-months.

We are also expecting that the NCLT order for sale of defense business for which hearing has been completed will come and we will be able to get the necessary defense ministry approval within next six months.

As you would have seen that we have taken lot of steps to reduce our debt in spite of capex in our existing regulated businesses as well as the new renewable capacity additions, and going forward, our steps to reduce the debt will continue and we will see a better debt-equity ratio in the times to come.

Some of our other initiatives have been regarding the Prayagraj project which we have gone through the Platform. We have got a positive order from APTEL and we expect that the whole transfer of shares will get completed in next few weeks' time, and we expect that not only this but in future we will be able to complete a few more transactions through the Resurgent Platform.

The company has also taken over 160 MW of captive power plants from Tata Steel through its joint venture, Industrial Energy Limited (IEL), and this includes the 40 MW diesel generating sets, and 120 MW gas-based power plant which is coming up in Kalinganagar. We have the tolling agreement with Tata Steel to operate and run these plants for them, and this will be done through the joint venture IEL (IEL). We expect that with some more opportunities with Tata Steel, we will be servicing nearly 1,000 MW of total capacity to them by next one year.

We continue to roll out the EV charging network with Tata Motors and we expect that this partnership will help us to install nearly 300 charging stations by end of this financial year across five cities, namely Mumbai, Delhi, Pune, Bangalore and Hyderabad, and we expect that over a period of time we will be able to grow pan India. We have also started work on the rollout of the 10,000 micro grids which we plan to do by 2026. This is being done in collaboration and with support of Rockefeller Foundation, Smart Power India and many other technology partners, and we do hope that in this financial year, we will able to complete 200 villages as we roll out not only the micro grid solutions, but also the micro enterprise solutions.

On the Mundra issue, post the elections, we have taken it up very strongly with all the governments. In Punjab it has gone to the cabinet and we expect that after the Guru Parv next week, the Government of Punjab should be taking up this proposal. Similarly, we have taken up with Rajasthan and Haryana, and we expect that once Punjab clears it, they will also take it up, and we should get some better clarity in next two - three months. Similarly, the Maharashtra approval, where we had shared with you that we have already got the approval at the bureaucrats level and it has to be approved at the political level by the cabinet, we expect once the government is in place, we will be in a position to get that approval too.

So, all in all, you would see that there has been lot of growth that has been planned by the company, whether it is in renewable projects or it is large scale renewable generation, number of transmission and distribution initiatives and also the EV charging and home automation. These all is expected to support the company in its growth plan in the years to come by. We also are in the advanced stage of discussions and we expect that a decision on the CESU bid where we have bid for the distribution of the central distribution company in Odisha, The outcome is expected in next few months and hopefully we will be able to start operating that in the next financial year.

So, we have a lot of plans within Tata Power, and I am sure by the time we meet for the next quarter results, we will be able to share with you more details of the initiatives taken by us and the results of some of the initiatives we have already started.

I now hand over the call to the moderator for question-and-answer. I have with me over here my senior colleague, the CFO – Ramesh Subramanyam, and other senior colleagues are here from Finance and Treasury, and they will be in a position to respond to most of the questions today. And if there is anything left, we will respond to you subsequently. Thank you.

Moderator: Sure. 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, congratulations on a good set of number. My first question is on the Rs.158 crores adjustment which is related to KPC related to prior period tax assessment which has been disallowed. Can you give us some color, and does it mean that the contribution of profit for associates and JV if not for this provision it would have been around Rs.340-odd crores?

Ramesh Subramanyam: Yes, it should have been. There are two portions in it - One is relating to the dividends which come from these coal companies and there is a tax liability on it. However, the timing of the two flows is different. As you know, that first we take it as a shareholder loan because of the cash distribution arrangement, then it gets converted into dividends as and when they are declared. So, while the incomes would have been part of the consolidated results in the past periods, since the dividends were declared in this quarter, the tax provisions were being made only on declaration. Due to the timing difference that arises from this structure, we have made tax provisions on the pending, yet to be declared dividend this quarter. So, this is one portion

on the dividend side which is more to meet the matching requirements, and therefore you can say that, “Yes, they did not belong to this quarter.” The other portion is really during the tax assessments in the coal companies, certain tax liabilities have been assessed and certain disallowances have happened. Both these portions taken together is Rs.160 odd crores of adjustments.

Mohit Kumar: My second question is that you laid out the divestment of assets of nearly USD1 billion, which is expected to happen next 12-to-18-months. Which are the assets you are including, and is there any plan to do InvIT of renewables portfolio in near-term?

Ramesh Subramanyam: So the \$1 billion which we are talking about includes some of the assets, you are all aware, which is really the international assets, and some of the group holdings that we have. But yes, there are a couple of more assets, which we believe are on the periphery of being non-core. But these are something which we are in initial stages of thought, but they are likely to be crystallized over the next quarter or so into some concrete action. These may be very early days, but we have an ambitious plan to really have these assets sold and while it is yet to be kind of seen, we are evaluating the market for some of the other assets. At this point, it will be too early to talk about specific, but I think they all add up to the number which you mentioned. About InvIT, interestingly we have been looking at InvIT for some time now, and we do believe that it is a very apt structure for infrastructure investments of the types we have, I think that we continue to explore, and the moment we feel that we are comfortable with the terms, etc., I think we will look at it. We are not averse to it, and at an appropriate time, we will announce if we have a clear understanding on how we want to go about it.

Mohit Kumar: Is it possible to lay out the timeline for acquisition of Prayagraj and the funding?

Ramesh Subramanyam: So the funding for Prayagraj is already arranged. Remember that this is going to be through our Resurgent platform, which is where Tata Power has to fund 26%. The investor funding is all ready. The bank funding is also ready to take out the existing bankers. And the timeline is that it is actually very-very close now. We are just evaluating the recent issue, as Mr. Sinha mentioned, wherein someone has filed a petition in the Supreme Court against the APTEL decision and we are still yet to get a copy of that petition. As soon as we get the copy, we will evaluate that and then take that forward, otherwise, we are all set.

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

Abhishek Puri: Heartening to see some debt reduction finally starting to happen. Sir, a couple of things; one, on the EBITDA numbers that have been given in the presentation, it shows a clear growth, but when I am looking at the consolidated segment wise results, I mean, Generation, T&D, Renewable, all three have seen flattish to down results here. So, what is the difference between this and the reported number in the PPT?

- Ramesh Subramanyam:** You asked a question, which requires a little bit of accounting answer. So I would ask Rahul to explain you because there are some segmental adjustments there vis-à-vis the main result because of the intercompany adjustments which are there. So, there are some eliminations. So he can explain.
- Abhishek Puri:** Okay. I will take that offline. Sir, two things on the business side; one, what is the final decision at the Punjab level -- are they accepting what has been approved by Gujarat or is there any further cut downs there?
- Praveer Sinha:** What has happened in Punjab since the Gujarat approval was given, there has been a lot of discussions with them because they had certain requirements in terms of changing the period for which the extension will be given and also on some of the other issues relating to the HPC report. We have entered into an agreement with them, and this is under approval by their government, and then, of course, it will go to the regulator and regulator will take a common call for all the other PPAs also. So, this is something which is little different than the HPC on few of the conditions, nothing very dramatic change, but yes, it is little different and we expect that this is something which Punjab is ready to go and sign with us.
- Abhishek Puri:** Sir, in terms of that Rs.0.35 that we have to offset, is that amount going up in this case or remain the same?
- Praveer Sinha:** It remains the same, so Rs.0.15 is for the purpose of the coal profit and Rs.0.20 is the lenders haircut. So the Rs.0.35 continues to be.
- Ramesh Subramanyam:** The change in the Punjab thing, just to add to what Mr. Sinha, is more on performance related parameters - slightly stringent parameters.
- Abhishek Puri:** In terms of the heat rate station and another parameters?
- Ramesh Subramanyam:** There are a couple of parameters, and I think that it is better that we wait for finally what is acceptable. We have given them some alternatives and we will wait to hear from them finally which one is accepted.
- Abhishek Puri:** Lastly, on this acquisition at IEL level. I just want to understand the rationale to acquire a DG set when you have written off the Rithala one earlier to a large extent? What are the reasonable assured returns in this business?
- Ramesh Subramanyam:** Abhishek, the strategy here is that we provide end-to-end power solutions to Tata Steel. So therefore it is a bouquet of ways in which we secure Tata Steel's operations which cannot be curtailed. They need continuous support, and in fact, one of the DG sets we will be putting up in the mines where there is not really good supply. So it is a bouquet, it is not that DG set is by design. As regards to your return profile, first of all, it is not a very small investment, and it is one-time investment thereafter. We do not think there is going to be more DG sets, and also

these are all with assured returns, and remember that Tata Steel credit is far better credit for us than the discoms credit at this point of time in terms of payment flows. So it is a very secure business for us.

- Abhishek Puri:** It will be CERC-based return?
- Praveer Sinha:** Yes, similar to that. And one thing more is that this is a standby power. So right now, we are already having 120 MW inside Kalinganagar for the Phase-1 and another one unit of 120 is coming. The DG set is a standby unit to take care of emergency growth in case of a shutdown or the grid is collapsing. So, this is not something, which will be running continuously 24/7. But if there is any emergency requirement, it will meet those.
- Abhishek Puri:** Just to complete this, this Rs.200 crores that we are spending for 40-MW DG set, since it is a standby unit, we will be having a certain return on equity assured based on availability and within 15 years, we will be able to recover this entire investment?
- Ramesh Subramanyam:** Yes, and it will be hosted through the JV IEL where we hold 74%.
- Moderator:** Thank you. The next question is from the line of Apoorva Bahadur from Jefferies. Please go ahead.
- Apoorva Bahadur:** Congratulations on a very good set of numbers. During the presentation, you spoke that there is 1 GW opportunity with Tata Steel over the next 12-to-18-months. So could you please elaborate on that?
- Praveer Sinha:** It is not 1 GW, we will become 1 GW. Right now we are already 800 MW of power that we are supplying to Tata Steel, both at Jamshedpur and Kalinganagar put together and with another 120 MW of gas-based and 40 MW of DG set, we will actually become 960 MW. And, then there are some more that is expected. So, we expect that over next one year, we will become more than 1 GW as far as Tata Steel is concerned, and we will be supplying that power.
- Apoorva Bahadur:** Sir, also on the micro grid agreement that you have done with Rockefeller, so is it more like CSR thing for us?
- Praveer Sinha:** No, it is not a CSR thing, it is a commercial business proposal, and the purpose of this project was that if we have to scale up and we have to provide power to remote areas, micro grids can play a very-very critical role, and that is why this has been done along with Rockefeller so that we can support some of the other micro enterprises, which will be having huge demand of electricity in these areas. So, it is purely a commercial business for us.
- Apoorva Bahadur:** Sir, do you see good scope for this even after Saubhagya?

- Praveer Sinha:** Yes, absolutely, because there are a large number of consumers in these places who do not get continuous supply or any supply at all, especially all the commercial and small scale industrial users in these locations. So until and unless we are able to cater to their requirement and give them when they want the power, we will not be able to reach the universal access of energy. So, the energy poverty can only go if we are able to provide them continuous power and I think micro grids will play a very, very critical role as part of the distributed generation.
- Moderator:** Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.
- Atul Tiwari:** For the consolidated entity, what will be the total CAPEX guidance this year across all the initiatives that you are taking, and how much of that will be in your regulated businesses?
- Ramesh Subramanyam:** So regulated businesses across the Tata Power Group generally is about Rs.1,000 crores and another Rs.200 crores in the rest of the non-regulated businesses, and this excludes renewable growth because that depends on the bids. We continue to hit this rate of capex.
- Atul Tiwari:** So Rs 10 billion in regulated and about Rs 2 billion-odd in other?
- Ramesh Subramanyam:** Yes.
- Moderator:** Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Sir, a couple of questions from my side. The first one is on our coal business. Our production costs have gone up quite meaningfully this particular quarter. Obviously, the coal realization we know have declined. Any particular reason why production costs have gone up in this quarter?
- Ramesh Subramanyam:** There is pressure on fuel cost for sure, and in some of the pits from quarter-to-quarter, the strip ratios would cause issues. The team is working very hard on resolving these key issues. Hopefully, in the next few quarters, we will see some improvements because the management there has taken lot of measures to control cost in this given environment when pricing is under pressure.
- Pulkit Patni:** Secondly, on Tata Power Renewable standalone, we had a pretty significant increase in interest cost, and we also mentioned that some free O&M periods have come down. So my question on that is a), what would be the sustainable margins in that business? And b), if this loss of generation would not have happened, what is the kind of operating revenue that we could have possibly generated in this quarter?
- Ramesh Subramanyam:** I will give you a quick overview because I think a lot of questions surround that. So by nature, the Renewable business whether it is solar or wind, the first four to seven years of life you will see a very low reported PAT; it is in the range of 2%-to-5%. This is essentially because in the

initial years, the interest cost is higher, then the deferred tax is the other impact. So, as a result, you see that as one feature, but however, these businesses throw off excellent free cash on a regular basis, so for example, today our fleet as it stands would generate something like Rs.2,200 crores of EBITDA and about Rs.1,000 crores of free cash in this year. So, that is the kind of a strong portfolio we have. And remember that we are bidding very selectively, we are also looking at all the costs before we bid or after we secure them, and as a result, we are hopeful it's very healthy. So, we would not be concerned too much about quarterly variations, these keep happening, but we are broadly achieving the run rate. We should see here which is very close to what we are going to see for future for the current portfolio, and as we add another 400 or 500 MW we will keep growing the EBITDA. And I want to add one more thing, apart from the fact that we are generating good cash out of it, remember that the questions you raised about interest. So what happens is whenever we commission assets, the asset starts to attract immediately the full depreciation and interest in that quarter whereas the ramp-up to full PLF generally for teething troubles takes time. So, in a growing portfolio, you will find some aberrations in the EBITDA and therefore PAT generation when there are commissioning of assets, but the underlying health is very-very strong on this portfolio.

- Moderator:** Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** On the micro grid, is it just an MoU at this point of time or have you already decided to commit some capital on it?
- Ramesh Subramanyam:** At this point, the first round of micro grids would be small in number in the next six months or so. Once we are clear about the entire supply chain, then they will ramp it up. But overall, let me tell you that this is not a very-very high CAPEX game at this time at least for the next one year or so. Once we have a better handle on the commercial, then we will ramp up. So, we are talking about probably a couple of hundred crores at best in the next one or two years.
- Puneet Gulati:** So, what will be the business model like would you not own this grid?
- Ramesh Subramanyam:** We will own this grid and we will own the assets. It is a different matter that we may not invest fully. It could be depending on how we finally form the partnerships, we may or may not invest 100%, but the business model is quite simple that just like any other product we sell and have some margins.
- Puneet Gulati:** Product sales business rather than ownership okay.
- Ramesh Subramanyam:** I mean, product is here, energy by the way, I am not talking about it. Of course, there is a huge opportunity to have other economic activity around this as a theme. So it is evolving area. I do not think it would be proper for us to disclose the entire business potential at this stage because some of it is clearly on an advanced stage of developing the model.

- Puneet Gulati:** On this renewable, is there any progress with what is happening in Andhra Pradesh from your end, have you received any money?
- Praveer Sinha:** So we have not received any money, but we have got an appeal against that order. The appeal is based on that they were supposed to give us certain interim money, and also that they need to ensure that they protect our PPAs with the Discoms. So we are expecting that some decisions will come in the next few weeks' time as the appeal is now listed for hearing this month.
- Puneet Gulati:** But did not APTEL decide Rs 2.44 to be paid?
- Praveer Sinha:** What the High Court had decided was that they cannot modify the PPA. For the interim, they said that let them pay at 2.44 plus interest rates, but that also has not come as yet. And that is why we have gone and appealed against that.
- Puneet Gulati:** What would be your receivable outstanding in this?
- Ramesh Subramanyam:** For Andhra, overdue is about Rs.250 crores.
- Moderator:** Thank you. The next question is from the line of Sumit Kishore from JP Morgan. Please go ahead.
- Sumit Kishore:** My first question is we saw a swing of almost Rs.2.3 billion that was positive in Mundra EBITDA on YoY basis, Maithon EBITDA was quite stable. Even then on a segment result basis, the contribution of Generation segment results dipped slightly. So, I am assuming that this was on account of dip in standalone generation EBITDA contribution. Could you please explain that in a bit of detail? EBIT and Rs.585 crores in 2Q FY'20 reducing from Rs.633 crores in 2Q FY'19, because I think EBIT level performances of Mundra would also be positive and for Maithon should be largely stable.
- Praveer Sinha:** Rahul, can you get in touch with Sumit and get these numbers? I do not see a decrease. I think there is a question of some reconciliation.
- Sumit Kishore:** The reduction is from Rs.336 crores to Rs.441 crores.
- Ramesh Subramanyam:** No, previous year, it is Rs.336 crores, current year is Rs.441 crores.
- Sumit Kishore:** Oh! It has increased? Then...
- Ramesh Subramanyam:** Yes. Last year we had actually a negative regulatory order in Maithon which is why it was depressed.
- Sumit Kishore:** I think we will have to understand this separately.

- Ramesh Subramanyam:** Yes.
- Sumit Kishore:** The second question again is a follow-up on your comments regarding the US\$1 billion asset monetization. My understanding is that what we have on the plate right now is ITPC, Exxaro, the Tata project stake that you have, the balance money that has to be received for SED and the balance portion of Arutmin sale proceeds. Would these go towards a bulk of the US\$1 billion that we are talking about?
- Ramesh Subramanyam:** Yes.
- Sumit Kishore:** So SED and the balance portion of Arutmin sale proceeds are also included in the US\$1 billion?
- Ramesh Subramanyam:** Yes.
- Sumit Kishore:** And please remind us how much have we received for SED so far and how much is outstanding for Arutmin?
- Ramesh Subramanyam:** No, SED, we are yet to close, so therefore, it is yet to be received. Arutmin, we are expecting about Rs.1,000-1,500 crores over the next 24 months.
- Praveer Sinha:** We have already received about 200 million till now.
- Ramesh Subramanyam:** We have been actually having good progress over the last six months, and over the next 18-to-24-months, we expect another Rs.1,000-1500 crores to come.
- Moderator:** Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.
- Swarnim Maheshwari:** Firstly, if you can just quantify this Rs.1.58 billion of tax-rated adjustments with the disallowances part and the dividend part?
- Ramesh Subramanyam:** The disallowance is about Rs.60 crores and the rest is dividend-related whereas Rs.100 crores is about dividends.
- Swarnim Maheshwari:** If my understanding is correct, I think in the last quarter also, there was almost about Rs.1.1 billion impact of this withholding tax impact on the accumulated dividends. Is this of the similar nature?
- Ramesh Subramanyam:** Yes, it is a similar nature. So whenever we receive it, we book it, same issue.
- Swarnim Maheshwari:** Secondly, sir, if you can just throw some light on this Indonesian draft mining norms, what is the progress over there, and where do you see finally the renewal happening?

- Ramesh Subramanyam:** So as you know, the draft mining law is ready, but then it was waiting for cabinet approval in the Indonesian government. They had elections. The elections had got over. The new cabinet has just been formed. And what we are told is that in the next couple of months, this bill may come up for approval, and then like all the countries, it will go through some parliamentary discussion. We expect that in the next six to nine months, the bill to be passed and then we have to file an application for renewal, that is the process.
- Swarnim Maheshwari:** And your assessment of no material impact or deterioration, which is like less than 5%, it remains?
- Ramesh Subramanyam:** Right now, yes, based on what we hear as what is contained in the draft, that is what the assessment is.
- Moderator:** Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.
- Rahul Modi:** Sir, just a couple of questions. We see that Maithon although the EBITDA has been higher, the plant availability has decreased. So there would be some under-recovery, some one-off that is there in the quarter?
- Ramesh Subramanyam:** Yes, In Maithon, the plant availability was a little lower because we had to carry out some emergency maintenance activities. So that is why about Rs.12 crores due to the maintenance costs.
- Praveer Sinha:** So we expect that in this quarter, it will make it happen and it will again have a full availability of 80%.
- Ramesh Subramanyam:** We had both expenses relating to the maintenance as well as availability related entitlement, both is Rs.25 crores.
- Praveer Sinha:** But on a cumulative basis in Q3 we will meet.
- Rahul Modi:** Sir, the outstanding from Arutmin, the \$200 million, so we have received anything in the first half?
- Praveer Sinha:** Yes, we received about \$5 million per month.
- Ramesh Subramanyam:** I think we ended March with \$170-odd million. Now it is \$200 million. So we made a good progress.
- Rahul Modi:** In terms of assumption for Prayagraj starting, just wanted to get some clarification, now the Supreme Court appeal that has gone. So either it will be dismissed or if it is not admitted, then you will go ahead with it and you will study accordingly if you get the order?

- Ramesh Subramanyam:** We are looking at various options, Rahul, because we do believe that we have a strong case. But we have to look at this petition before we decide.
- Ramesh Subramanyam:** In fact, the petition has not even been submitted. The petition that was given was returned saying that it has defects. So we have also not seen the petition. So whether there is any merit in that petition itself is the question.
- Rahul Modi:** Anything on the extension of DMO if you are hearing although the price is lower, but still on a policy level?
- Praveer Sinha:** No, not yet. I think lets see. When the new government will form the policy they also release the entitlement or rather the coal targets to be given to the coal companies in terms of the quota. Along with that, I think this will get decided. So, have not heard anything right now.
- Rahul Modi:** Just lastly on the working capital front. What is the situation? Like we have not heard much of positive commentary across the sector. So for us, whether it is same, different, if you can throw some light? And any bulking up of cash that is expected to be received due to this in the next two quarters?
- Ramesh Subramanyam:** One good thing in our portfolio is that it is well spread out, and that is helping us given that a couple of states, where we do know we have an issue. We are still about three months of receivables on an overall basis. So we are I think okay. While bidding for new projects, we are continuing to be very cautious on the receivables front. So our receivables which was Rs.5,129 crores in Q1 FY'20, is now in Q2 at Rs.4,900 crores. In fact, at the overall portfolio, our debt has actually improved. But, yes, if you analyze this, there are some which are overdue for some longer time and some which are only a couple of days. Overall actually we have had an improvement.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Why the other income is higher in this quarter compared to last year?
- Ramesh Subramanyam:** We had Rs.70-odd crores of dividend from our South African JV. In addition, there are some other things like sale of securities, some sale of office space for Rs.14 crores, etc. which all put together was around Rs 32 crores. I think there are three, four items, not very material, but all that put together add up to the balance, but the biggest is about Rs.77 crores of dividend.
- Mohit Kumar:** Second question was regarding this renewables portfolio, trying to demerge or take out the renewables or standalone, trying to buy the Tata Power Renewables. Where is the process right now?

- Praveer Sinha:** As of now, it is still in the Court. The progress is slow, but it's happening. Lot of cases are stuck in NCLT so these are going at slow speed.
- Mohit Kumar:** Any idea about timeline you can...?
- Praveer Sinha:** I think in 6-to-12-months it will be clear because these are going through quite slow in terms of the court progress.
- Moderator:** Thank you. The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.
- Dhruv Muchhal:** Sir, the question was on the dividend distribution tax which we say it is one-off. But for any dividend, which you distribute from your coal JV, there will always be a dividend distribution tax. So should we consider this as one-off or this would always be a recurring thing?
- Ramesh Subramanyam:** I think we have to clarify this. The dividend distribution tax, you are absolutely right, whenever there is a dividend, there will be tax. What is happening is, we have redomiciled our holding company, etc., because cash outgo of the surpluses from the coal companies were not converted to dividends pending formalities, and as a result, there is a timing mismatch - the income was realized in a period in the consolidated in the earlier periods. And since those got converted into dividends in these periods, it becomes one-off for this period. But this does not mean that it will not happen next time. Of course, you should simply assess the coal profits for the year and apply the 10% dividend tax on that. That is going to be there always. But for future we have now already provided for whatever is pending to be converted. So from here onwards, whenever there is an income, we will start booking to avoid this mismatch. But this is a lumpy thing which has happened. It does not happen normally.
- Dhruv Muchhal:** So this Rs.100 crores pertains to all for future or is it also for the quarter, the income which we have earned for the quarter and for 1Q?
- Ramesh Subramanyam:** So Rs.75 crores is for future and Rs.25 crores is for the past.
- Dhruv Muchhal:** So going forward, as you continue to distribute dividend, we will be booking the dividend distribution tax?
- Ramesh Subramanyam:** Correct. I think we should just look at the PAT at the coal companies and assume that there will be a dividend tax on that.
- Dhruv Muchhal:** And the dividend tax is about 15% if I am not wrong?
- Ramesh Subramanyam:** 10%.
- Dhruv Muchhal:** Secondly, on the Mundra, our tariffs have increased on QoQ basis from 2.85 to 2.96, but the under-recovery I believe your coal cost would have declined and it is also in the FOB cost it

seems like, but there is not a similar decline in the under-recovery number or there is no increase in the EBITDA number. So just wondering what has happened here? The under-recovery, I mean, per unit under-recovery number?

Ramesh Subramanyam: Of course, EBITDA is increasing, right; in the Q2, EBITDA was Rs.175 crores on YoY basis as against Rs. (-63) crores last year.

Dhruv Muchhal: I am looking on QoQ, EBITDA in 1Q was Rs.160 crores, this time, it is Rs.160 crores, but the tariff has increased from 2.85 to 2.96, and your coal cost on an FOB basis, it is flat, but GCV has improved, so marginal benefit even there?

Ramesh Subramanyam: 55 paise recovery have come down to 51 paise.

Dhruv Muchhal: That is only 4, but considering that per unit revenue has increased recently, I thought...?

Ramesh Subramanyam: But if revenue has increased proportionately, it would be mostly because of the coal price increase because the fixed charges do not increase, right, so it is only the variable portion and normally it would match the coal pricing. So, it would not directly flow into the bottom line.

Dhruv Muchhal: On QoQ basis, coal prices are broadly flat, also benchmark coal prices are flat or down. Sir, your coal cost should not have increased, so that...?

Ramesh Subramanyam: This would probably be attributable to stock adjustment, because these are all purchased prices. So there could be some timing issue. I think there is some impact of IND AS 115 - we will share with you some numbers, there is some impact of that also.

Dhruv Muchhal: Lastly, was on the receivables. Particularly in the renewable side, we have long dues. Are we entitled for the late payment surcharge there, and are we booking for it, and are we claiming it?

Ramesh Subramanyam: So a), we are entitled, but we book it only when we receive it.

Dhruv Muchhal: So there could be a decent portion of late payment surcharge which can come along with the receivables when they are released?

Ramesh Subramanyam: Theoretically, yes, but our practice is that it is a big stress, because as it is principal itself which is delayed for a long time. Some of our customers give, some customers ask for rebates on that delayed payment, and for some marginal delays, we also waive. So, it is a mixed bag. I do not think that you should count on it big time at this time as a material number.

Dhruv Muchhal: So because of this working capital, there is a hit to your interest cost, but there is no offsetting income. So, on that basis, I was looking at the late payment surcharge.

Ramesh Subramanyam: Yes, but remember that this is happening in only a couple of states. If you take a full year picture, then we are not way off. Yes, it is putting pressure on working capital really, but I

must tell you that we also factor some of these in our bids so that we are aware of some of the states, and therefore for us it is part of their plan. And also in the coming months, you will see that we are also working on some plans to kind of ensure that we get more liquidity through financing structure. So let us see how it goes.

Dhruv Muchhal: In the coal JVs, the EBITDA number for BSSR and KPC together has declined on QoQ basis from Rs.350 crores in 1Q to about Rs.100 crores in 2Q. But if I look at the PAT number in 1Q it was Rs.157 crores, and this quarter it is about Rs.81 crores, and if I add back the one-offs which you mentioned the tax items would have been is Rs.240 crores. So despite a massive decline in the EBITDA, the PAT number on an adjusted basis would look significant increase. So...

Ramesh Subramanyam: Can I suggest we just take it offline because there are two companies put together, so there will be some calculations required which is not fair to spend time online.

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

Abhishek Puri: Just one clarification on the Tata Projects if you can give an update where it stands now it has been quite some time that we were looking to monetize it? And secondly, in terms of the dividend amount that we would have received in the current quarter, because the DDT 10% that you are talking about, which has been booked for past quarters and future quarters, the total debt in the presentation is roughly about Rs.1,900 crores, so this amount should have been Rs.190 crores instead of Rs.100 crores?

Ramesh Subramanyam: You are saying that the debt which was pertaining to the dividend is reducing by Rs.100 crores whereas the tax reduction is Rs.160 crores, is that what you are saying?

Abhishek Puri: Yes, tax deduction, you said is Rs.160 crores total for KPC, whereas from that Rs.160 crores, Rs.100 crores was related to the dividend adjustments, DDT but the total debt against the dividend in coal SPV as per your Slide #23 is Rs.1,921 crores, if I take 10% of that, it should be Rs.190-odd crores?

Ramesh Subramanyam: No, Rs.190 is what is left over, it belongs to what has been already received and what is yet to be converted put together. So it was Rs.2,800 crores hundred roughly in March if you recall and therefore what has been liquidated for that, the tax has already been accounted for.

Abhishek Puri: Okay, so it is for the past quarters, this is not for the future quarters?

Ramesh Subramanyam: Rs.2,900 crores is now Rs.1,900 crores, so there was Rs.1,000 crores reduction, 10% is Rs.100 crores.

Abhishek Puri: So the Rs.1,000 crores has already been converted to cash here or accounted for dividend?

- Praveer Sinha:** Correct.
- Abhishek Puri:** On Tata projects, if you can give me some clarity on where it is?
- Ramesh Subramanyam:** Tata projects. our intent is there. Unfortunately, what has happened is our initial checks on the market, etc., show that we might have to time this properly so that we get the best value at the end of the day. Whether this asset is sold to the group companies or outside, we still have to get the best value. So, we will continue to look for it, and I think we will not hurry up and give it at low valuation, because we have to protect our shareholder interest. So I think we are just waiting for the right opportunity. We continue to look at it.
- Abhishek Puri:** So basically the valuers have not given a proper value to it as per your expectations?
- Ramesh Subramanyam:** I think right now that is our perception.
- Moderator:** Thank you. The next question is from the line of Apoorva Bahadur from Jefferies. Please go ahead.
- Apoorva Bahadur:** Two questions. Firstly, if I see the Praapti portal, your renewable due at the end of August stood at Rs.1,330 crores. How have they moved since?
- Ramesh Subramanyam:** So the current outstanding is Rs.1,150 crores.
- Apoorva Bahadur:** Secondly, in your annual report, you had mentioned about this circular from the Director General of Shipping regarding the change in basically the sulphur content. So, are we seeing an impact on increase in freight because of this, and if you could quantify because this will obviously have an impact on Mundra's fuel cost till the HPC resolution is implemented?
- Ramesh Subramanyam:** There are two important angles to it - One is that on the ship side, some of the costs we are trying that it should be borne by the ship owners where we have charters. So that is one mitigation. The other is that there is a proposal to consider this as a change in law as far as the freight cost is concerned, and CERC is expected to link the inflation to the new benchmark which would be reflecting the low sulfur oil. So that way it will be covered in the tariff.
- Apoorva Bahadur:** Sir, what will be the impact if it could be quantified?
- Ramesh Subramanyam:** Impact should be ideally zero, because it is likely to be a pass-through.
- Apoorva Bahadur:** In the interim till it is pass-through, by how much would it increase?
- Ramesh Subramanyam:** I do not have a rough number, but I think it should be less than maybe \$0.50 per tonne or so. That is what I remember. That will not be a material number.
- Apoorva Bahadur:** \$0.50 to the ton?

- Ramesh Subramanyam:** Yes.
- Moderator:** Thank you. The next question is from the line of Rahul Mehta from Capital and Finance. Please go ahead.
- Rahul Mehta:** My question was regarding the Maharashtra approval. If President's rule is imposed in Maharashtra, what are the chances of getting it okayed by the cabinet?
- Praveer Sinha:** If there is a President rule, then the cabinet is run by the governor and his advisors, they can approve it. So there has to be a government in place. Whichever be the government, they will approve it.
- Rahul Mehta:** So we do not see any problem going through it, right?
- Praveer Sinha:** No, no, not at all.
- Rahul Mehta:** About the CESU deal, how confident are you of bagging it? And if at all you bag it, will you see a bigger opportunity than Mumbai and Delhi put together?
- Praveer Sinha:** In CESU bid there are only two parties over there - one is Tata Power and the other is a bid from IPCL, which is India Power Company Limited from Kolkata. They are much smaller. And this bid has technical points as well as financial points. So we expect that in the technical points itself, we will get certain advantage and we are quite confident of bagging this bid. In terms of the number of consumers, it is a very large area; it is something like 38,000 Sq. Kms. Just to give you an idea, Mumbai is 1,500 Sq. Kms. so that is 38,000 Sq.Kms. In terms of number of consumers, Mumbai has about 3.5 million consumers. CESU will have about 3 million consumers. So that is the signs that we are looking at.
- Rahul Mehta:** So it will be as big opportunity as Mumbai in terms of consumers?
- Praveer Sinha:** Yes, in terms of consumer; in terms of area, it is much larger, and that is why, with the type of growth that will happen over there, we can expect a lot of opportunities to open up for us.
- Rahul Mehta:** Sir, in the recent interview, which Mr. N. Chandra gave to Shereen Bhan of CNBC, he spoke about restructuring Tata Power. The Board has given in principle I think an approval for restructuring of Tata Power. So what exactly was that for -- is demerging the Coastal Gujarat Power (CGPL) business, is anything on that line getting worked out in Tata Power?
- Ramesh Subramanyam:** Restructuring is I think by and large whole bunch of things which we have been talking about. I would give the word reshaping it. So including finding out how to handle CGPL post the HPC resolution, what is the best structure to have it considering its debt and continuing losses plus the debt reduction, finding an appropriate structure for the renewables. So I think combined package of things that we are currently working on along with the board. I think

those are the things which are in his vision, and I think that is what he has been mentioning about. So that is exactly what we have been talking about.

Rahul Mehta: There are no plans to demerge CGPL?

Ramesh Subramanyam: CGPL is worth exploring every option that is available. So I do not think that we should rule out any option at this point in time.

Rahul Mehta: So if those options do not materialize as per your expectations, then probably we may think of demerging it, is that what I understand?

Ramesh Subramanyam: It is already 100% subsidiary, right? And listing is obviously out of question. So, therefore, I do not know what exactly do you mean by demerging.

Rahul Mehta: What I mean is that huge unlocking of value can be created for shareholders, because shareholders have not got any return for the past 12-years, sir. Demerging of CGPL will lead to explosion of profits in Tata Power which can rerate the Tata Power stock.

Ramesh Subramanyam: Yes, provided I am able to find a buyer who also takes its debt.

Rahul Mehta: No, I am not talking about selling CGPL. I am just talking about demerging CGPL. See basically if one share of CGPL is given to the shareholder of Tata Power, for every one share held, this will become a separate entity and the losses which are incurring in Tata Power because of CGPL, they go to CGPL not to Tata Power you know.

Ramesh Subramanyam: They will go to CGPL, but CGPL is owned by Tata Power, right?

Ramesh Subramanyam: Please understand the current structure. CGPL is 100% owned subsidiary. It has to be fully funded by Tata Power currently. And there are only three options -- either you merge it or you sell it or you live with it. So I am sure you know which options would work, but that is a separate topic and discussion. I do agree with the point that the asset is not delivering return, that is well known, and this is why we are trying to solve the problem through the regulatory system. But I am very confused at your suggestion of demerger, because even after demerger, the asset will continue to make losses. Those losses some shareholder has to fund. And in this case it is still Tata Power and its shareholders. So I do not think demerger will change the character. Maybe I have not understood your question, I'm sorry for that, but maybe we will have an offline discussion to understand what exactly you are recommending.

Rahul Mehta: I will send you a mail on that.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to Mr. Sinha for closing comments.

Praveer Sinha:

Thank you very much and thank you for all the questions. And whenever we could not give you proper reply and we said that we would come back, our teams will get back to you with all the replies. And in case you have any other queries also, please do not hesitate to contact our team members, Rahul and Kasturi and I am sure we will be able to provide you all the answers. So once again, thank you for joining in the call.

Moderator:

Thank you very much. On behalf of Tata Power Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.