

TATA POWER

“Tata Power Limited Q4 FY ‘18 Earnings Conference Call”

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TATA POWER



**MANAGEMENT: MR. PRAVEER SINHA – CEO & MD, TATA POWER LIMITED
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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Tata Power Limited Q4 FY '18 Earnings Conference Call.

From the management of Tata Power Limited, we have with us today Mr. Praveer Sinha – CEO & MD; Mr. Ashok Sethi – ED and CEO; Mr. Ramesh Subramanyam – CFO.

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 call, please signal an operator by pressing '*' followed by '0' on your touchtone phone. Please note that this conference is being recorded.

I am now glad to hand the conference over to Mr. Ramesh Subramanyam. Thank you and over to you, Sir.

Ramesh Subramanyam: Good Evening and Thank you. Welcome to all our friends. I am pleased to welcome and introduce to you Mr. Praveer Sinha who has joined Tata Power as CEO & MD. Just a quick introduction, Mr. Sinha is not new Tata Power. He has been with the company from 2007. Prior to this, he was the CEO & Managing Director of Tata Power Delhi distribution as many of you would already know. Mr. Sinha who is a graduate in Electrical Engineering from Punjab Engineering College and also a Masters in Law from National Law School, Bangalore, and he has over three decades of experience, and before joining Tata Power in 2007, he was the CEO of Nagarjuna Power. I welcome Mr. Sinha to this call.

This is the second day of his work and request him to kind of say a few words as opening remarks and then we would move onto the Q&A. Over to you, Mr. Sinha.

Praveer Sinha: Thank you, Ramesh, and Good Evening to all of you, all the analysts, investors, and other stakeholders who are in the Earnings Call for Q4 FY '18 and the FY '18 Results.

Normally for the Analyst Meet, we take stock of the performance of the whole year and share our thoughts on the outlook of this business and typically we do it as a part of the analyst meet, but since I have taken the new role just yesterday, I thought that we will focus on the results in this call and we will have the analyst meet little later.

Some of the things that I would like to share with you as part of the Q4 Results and also as part of the FY '18 Results, the five things that I look at it is that how we have done the years and we find that this year underlying consolidated EBITDA has crossed for the first time 10,000 crores. We have also been able to have our underlying PAT growth of 30% and all our operating plants including the regulated and the unregulated have been performing very well. We did have loss in Mundra, but that has been more than compensated by this upside that we got from coal mines and we hope that over the period of time, we will get resolution to this damage.

We have also been looking at what are the new business value chain certainly in the renewable business space where we have grown in last one year. Our returns have improved, and our EBITDA has also improved in the renewable business as well as consolidation has taken place as WREL

has now become a part of TPREL. We have also taken steps to improve our balance sheet and reduce our debt and to that extent we have started work on monetizing the non-core assets. We have already taken action on sale of some of our non-core businesses especially the strategic electronics division, the defense business which has been handed over to another Tata Group Company. We have also divested our stake in Tata Communication and Panatone and all these will help us in consolidating our balance sheet which will give us an opportunity for growth in future, so these were some of my initial remarks and we go through the other details as we do.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: Good evening Gentlemen and Congratulations to Mr. Sinha for his new role. My question pertains to the deleveraging mode, this quarter we observed that Tata Projects has also been classified as held for sale, so could you give us some color on the timeline of disinvestment and what could be the realization that we could expect out of it, that is one? Second, what would be the update on the Arutmin realization, last quarter we had mentioned about 100 million odd has been realized till date, so if you could give us a status update on this, and third, if you could give us a color on the extraordinary during the quarter in terms of one-off at the Mundra and the others, so if you could give us rationale of these one-offs in the quarter?

Ramesh Subramanyam: Thank you. To answer your first question on Tata projects is that as the accounting requires that there is an intent to sell an investment and there are some initial actions taken then it has to be classified. Yes, we are going through a kind of profits to move towards that. I do not think we can fix a timeline because valuation is a forward-looking information that we cannot give so that goes through a process by itself, and therefore, I would only say that we would probably look at it in the not so very distant future, the timelines we cannot exactly specify, but the fact that we have declared the intent to sell is I think the first step is towards materializing that sale of non-core assets which we have been always talking about. The second question on Arutmin, you are right, we have received more than 100 million already and it is trickling in as I think we had mentioned in the past calls about also the restructuring of our buyer which share to whom we have sold, and therefore, there are constraints, but there is a payment plan and although it has not been adhered to exactly as per the timelines, there is still a commitment and a will to fulfill that and we are hoping that in this year in the next, we will be able to substantially move forward on this.

On CGPL your question was on probably the one-off item, let me try and explain this in as simple words because there is a little accounting complication involved here. Basically, every year the accounting standards require you to review the recoverability of the investments in the balance sheet and as part of this exercise once in a year, we will test all the assets not just CGPL and this year the impact is higher when it comes to standalone because the recoverable value has been reviewed. The review has happened more in light of the emerging view on long-term Power prices. As you know the advent of renewable has significantly mellowed down the expectations of major hike in electricity prices in future and as you know the CGPL PPA is for 25 years, the asset life is expected to be beyond that and although we have a hedge which is in the nature of the coal mine investment, the coal mine investment may not be exactly matching the exact life of the asset,

therefore, it has to go back to the energy prices and therefore every year we do this review and this year we have significantly reduced our expectations of the energy prices in a very long run that has impacted the recoverable value and as a result as far as the Tata Power standalone is concerned where the investment is lying, there is an impact of about 3500 crores and in the consolidated picture since all the other offers have already been booked in, the recoverable value is tested against the asset value, and therefore, there is 300 odd crore impact, and the third related change is that the CGPL in coal mines are looked together, because they were made together, invested together. There is an interesting link between coal prices because one goes down and the other goes up that you know very well, so as a result the TPC which if you recall three years ago we had made a provision, but that was in the light of falling coal prices and we normally wait for a consistent trend and consistent trend over the last 1.5 years in fact coal prices have been going up and as a result that impairment provision now results in actually a reversal, and therefore, there is almost Rs. 2200 crores of plus demand that is how the 2200 and the 300 net off to bring about 1900 impact as a reversal in the consolidated results. I hope without confusing you further I have explained the accounting. For more details, we can of course give it offline.

Bhavin Vithlani:

Also what would be the reason for impairment in Georgia?

Ramesh Subramanyam:

Georgia, as you are aware Georgia project essentially is a hydro project with PPA issues and as per the accounting standard, you have to review the recoverability there also and two things have happened. The Georgian project has also undergone a slight delay in the project implementation due to issues with tunnels there due to technical reason and that is being reworked and as a result the cost is likely to move up, and on the other hand, the Turkish market which is what it is based on has shown as of now it looks like depressed market for some more time, so keeping the current assumptions in the view as per the accounting standard, we have to make the assumptions and provide for it. If we recover the investment better than this in future, it will be revised but as of now this is.

Moderator:

Thank you. The next question is from the line of Ashish Shah from Goldman Sachs. Please go ahead.

Ashish Shah:

Sir, firstly on Mundra, just wanted to understand the impairment that we have taken in standalone, is it fair to assume that of the 5500 crore of debt which the standalone has given to Mundra, we have written off around 3500 crores?

Ramesh Subramanyam:

Whether you invest as a debt or equity it is part of the carrying value the investment in standalone books and you are right in that sense whether you allocate towards the equity or debt, it is part of the total bucket.

Ashish Shah:

Is that the reason why it does not get reflected in the consolidated because there is a type of investment that we have done from standalone into Mundra?

Ramesh Subramanyam:

The reason why it does not get reflected in the consol is that the treatment that the reason why you see two different calculations are done of consol and standalone and since you know in the consol,

you already have booked the process in the last five years. Effectively, you are taking care in the net one, so what remains is only mainly residual impact which is 300 odd crores we are providing whereas in standalone the recoverability is tested against all the investment which you make totally including loans, so these two are separate calculations which you make.

Ashish Shah: Sir, secondly, on Georgia if you could just help me understand the model itself because I understand that there has been some cost overrun and the Turkish market the price have come down, but do we have a fixed price model for the power or do we have a fixed ROE model, what is the revenue model for Georgia?

Ramesh Subramanyam: It is totally market, as you know Turkish markets are market-driven. They have their market mechanism. There is no regulated tariff as such, so therefore, this is a free market.

Ashish Shah: Any fluctuation if the price goes up then we would write back this?

Ramesh Subramanyam: Correct. We are also approaching the lenders and the Government for support for restructuring because it is an extraordinary situation in terms of the market economy, which was unexpected, so therefore all the stakeholders are working on this and if you get a better solution out, I am sure the provision may see a reversal in future.

Ashish Shah: Sir, on coal assets, this time we have seen the production decline, so if you could throw some light over there, it is 12.8 million ton this time versus 14.3 last year?

Ramesh Subramanyam: One is the rains in Indonesia, one reason is that generally the offtake was there, so that is the main reason, no other reasons. The second reason is normally there is an annual quantity allotment that is done for all coal companies and if we have already achieved in the first three quarters significantly, the fourth quarter is a residual amount, so it is a combination of both.

Ashish Shah: Sir, if I am not wrong is allotment around 60 million ton that is done to us or is it lower?

Ramesh Subramanyam: I think it is lower, I remember it is 55 or 56, I do not recall the exact number.

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

Abhishek Puri: Sir, two things first from the results, there has been a significant increase in the cash holding and I see similar reduction in receivables as well as in the current liability, so which businesses are contributing for this improvement that is one, and secondly, we have announced two large business sale already in the non-core asset sale, so what is the utilization of those proceeds, is it going completely into deleveraging or do we have any other growth investments lined up as well?

Ramesh Subramanyam: Abhishek, the second question I will take first. The second question is that we will not of course be keeping cash items, it will be utilized soon. Our plan now revolves around getting the balance sheet back in helm, so large amount of these proceeds including the current cash would go to reduce the debt level and as we get good growth opportunities, we may put some of this money

back into those as well, so that is a calibrated approach which we will use in the coming months and medium term. Reduction in receivables, I think one good thing is that the receivables level in the renewables business has come down, I do not know the extent of what it has come down. Second is as you know that SED, the defense business has been now classified as held for sale, so as a result all the balance sheet items also go away, so significant amount of receivables which have remained in the defense business is also now out of the balance sheet that actually is. We can give you the numbers offline.

Abhishek Puri: Lastly, on the impairment that we have done, you said that the coal assets and the power assets have a different tenure, and which is why this adjustment has been done, was this not accounted for earlier?

Ramesh Subramanyam: Abhishek, I shall clarify that, so that is not the reason why it is happening. I just said that is the reason why this calculations had to be done and that is always done, there was always a known mismatch etc., the reason today if you see our number which is coming up is more because of the revision in the recoverable value of the asset, which essentially is driven by the future cash flows, which in turn is driven by the revenue estimate that we make for the future time and that we have significantly faired now in view of the latest reductions that we are done internally.

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, firstly what is the status on the resolution of Mundra now, so that is one, and secondly Sir, are we looking to invest in stressed assets or not on the platform of with ICICI, but through resurgent, but on your own as Tata Power?

Ramesh Subramanyam: This platform has a certain allotted let us say target, therefore, once we cross that we are free to whatever we want to do in terms of taking our own call on which assets we can share, so that is open to us but till the time the target amounts which is corpus is exhausted, we will do investments through the platform. The answer to your first question on Mundra from the last call I do not think there has been any substantial progress except that we are still find it hard to work with the stakeholders to find a viable solution, but given it is a complex issue, I do not think there is any progressive report.

Rahul Modi: Sir, just a couple of more quick questions, there was some one-off of around 239 crores during the quarter, so what was this pertaining to?

Ramesh Subramanyam: This is pertaining to couple of items. There were provisions on certain old consumables and certain expenses on land, acquisitions which were no longer now fructifying. Then there was Docomo, last year you remember we made a provision and there were some residual amounts left which now as the final transaction is over, those were also kind of taken into account and there were provisions relating to estimates in the revenues of our overseas project and also we have written off project development expenses in Vietnam, which we do practically every year, so those are the one-offs which have hit the 239 crores.

- Rahul Modi:** Sir, in the Tata Com deal when do you expect that to completely conclude in terms of payments being made?
- Ramesh Subramanyam:** As you know, the agreement is being concluded and we will be going through the shareholders and once the shareholder approval is there then the transaction will be through then.
- Rahul Modi:** Three months or six months?
- Ramesh Subramanyam:** Less than that.
- Moderator:** Thank you. The next question is from the line of Sumit Kishore from J.P. Morgan. Please go ahead.
- Sumit Kishore:** My first question is in relation to the Arutmin stake sale proceeds. On the last call, you had mentioned that Tata Power has received \$ 30 million cash in view of the Arutmin stake sale overall \$ 100 million of receivables had been secured from the buyer, but only cash receivables had been recognized in the balance sheet, so has the situation changed because you again mentioned that \$ 100 million plus has been received?
- Ramesh Subramanyam:** There is no situation, the only thing is that 100 has inched up to some 115 or so, but your cash component remains, because the rest had also adjustment of loans which were to be returned back, so therefore nothing is changed really from that except that we have received some more cash.
- Sumit Kishore:** Okay, so now the cash which has been received and recognized on the balance sheet is probably \$ 45 million, roughly?
- Ramesh Subramanyam:** Correct.
- Sumit Kishore:** Basically, even in receivables we have not seen \$ 115 million, it is basically the cash which has been recognized on the balance sheet.
- Ramesh Subramanyam:** Yes.
- Sumit Kishore:** The second question is in relation to the increase in operating income for the Tata Power standalone business, where you have mentioned that due to positive tariff order in Jojobera, there was a 136 crore positive impact, so is this a recurring event going forward or is this for prior period?
- Ramesh Subramanyam:** It includes the past but it is recurring in nature and in reported term that is the principal gets set and you get the revenues.
- Sumit Kishore:** Basically, this is a recurring item, what was the prior period element in this?
- Ramesh Subramanyam:** I will ask Ajay to contact you and give you the data.
- Sumit Kishore:** For the Indonesian coal mine, there was a change in Indo coal pricing rules for locally supplied coal, we understand that this has been probably impacted your results for part of the quarter, so

could you please sort of shed some light on what the impact was during the quarter and going forward, how is it going to impact the mix of coal you sell and the possible impact on your realization at KPC?

Ramesh Subramanyam: While there is a Government order that is there, I think there is still discussion going on how it will be implemented and whether there will be a tweak in the law, we are yet to see the full impact because this means that the PLN related quota, etc., has to be worked out and right now in this quarter at least, there is no significant impact because of that so still the alignment to the new law is yet to happen on the ground.

Sumit Kishore: Finally, my last question is in relation to renewables, so over the past year or so we have not really seen Tata Power emerge as a winner in the solar or wind auction and the prices have now settled to certain level in wind and solar, so how do you view your participation and the kind of assumptions that are going into both these categories, are you comfortable with them or is the market being very aggressive?

Ramesh Subramanyam: While there have been some signs of market becoming more and more rational, but there is now lot of bidding are not actually happening, they are getting cancelled due to the duty related issues and uncertainty, I think once the bid starts to happen, I am sure that we will wherever it makes sense for us to meet our expected returns, we will definitely step in and I think we would carefully avoid it where we felt we should not really trend and remember that we have always said that we want to get our balance sheet in order, so both the things are happening simultaneously and I think we will in the analysts meet which Mr. Singh was referring to, I think we will throw some light on how we want to take it forward.

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

Bhavin Vithlani: From the standalone balance sheet, what is the debt that is being attributable to the consolidated entities, which means the debt from the standalone to either CGPL or the renewable entity and what is the interest cost attributable on that debt?

Ramesh Subramanyam: I will give you a rough number, we have put about 4000 crores as part of the acquisition debt for the renewables and about 6000 crores is part of the last funding for CGPL, so about 10,000 crores could be attributable in the standalone to be funding the consolidated entity. Rest of the debt is lying in the respective areas, so this will be in other subsidiaries so we can attribute the cost.

Bhavin Vithlani: What is the interest income that is being accounted in the standalone entity for this debt, so that it helps us in knocking of while consolidation?

Ramesh Subramanyam: We are not receiving any interest because the instruments are not carrying any coupon, so it is effectively for our practical purposes showing as lending.

Bhavin Vithlani: Would it be fair to assume that with the sale proceeds of 4500 odd crores, this is the debt which actually goes out or gets re-paid first and consequently the savings in the interest cost adds to the

earnings directly because for the others being a regulated business payment of debt gets adjusted in the tariff?

Ramesh Subramanyam: Yes, you are right.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir, my first question is after these write-offs and write-backs that you have been doing for some time, can you tell me what is the investment outstanding for both CGPL and for the coal assets as of March end?

Ramesh Subramanyam: I will give it separately.

Pulkit Patni: Sir, my second question is on the renewable portfolio, as I look through your PLF for the wind business, it has come down from 24.2% to 19.5% in FY 18, anything particular to read into it, what you think is driving this decline in PLF?

Ramesh Subramanyam: I think there has been a general across the board traction in wind PLF, first quarter was very good, then the second quarter was slightly less. The last two quarters were not good at all, it is a weather issue, it is not really attributable to any consolable factors if that is what the question was, not to do with the wind pattern.

Pulkit Patni: Sir, my last question I think somebody asked that question, but I do not think it was answered which is what is the exact status of the resolution of the Mundra power plant right now?

Ramesh Subramanyam: If you ask for an exact status, exact status is that the last thing that has happened is Supreme Court has turned down as you know and after that, there has been no formal legal action. There has been lot of discussions on alternatives, but nothing much has really crystallized, but there are very early stages of discussion at various levels with the Government, both at the Centre and the State and nothing really has concretely come off as yet, and therefore, if you ask any concrete action, there is not anything to report. We are trying too many things, nothing really has kind of to a stage where we can say that okay this is now the path forward.

Pulkit Patni: Sir, any movement in terms of refinancing of the debt at CGPL, anything on that front?

Ramesh Subramanyam: That is in our regard, we are working out some options and soon enough you will hear something.

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

Mohit Kumar: Sir, couple of questions, first on the renewables is all the assets, I will just rephrase, is there any megawatt which is under construction right now or is it to assume that everything has been operational right now and what is the outlook for the asset the two demerged, is there any timeline which you are planning to?

- Ramesh Subramanyam:** Around 100 MW is still under construction.
- Mohit Kumar:** When is it likely to get commissioned?
- Ramesh Subramanyam:** Maybe in next three to six months?
- Mohit Kumar:** What is the status of the merging of the standalone business asset to the Tata Power renewables?
- Ramesh Subramanyam:** It is now in NCLT and hearings have commenced, we expect an order in due course.
- Mohit Kumar:** Sir, my second question pertains to Delhi Discom, so there was a Delhi Discom order which came at the fag end of March, is there an impact the same on the quarterly result?
- Ramesh Subramanyam:** No, I do not think there is an immediate impact in this quarter.
- Mohit Kumar:** There is no write down of any asset?
- Ramesh Subramanyam:** No, not due to the order.
- Mohit Kumar:** Maithon Power lastly there is a YOY decline in the profit, so what is the reason which you can attribute it to?
- Ramesh Subramanyam:** Here, there was a regulatory order which was adverse, and we are contesting it, so till that case gets finalized, we have to provide for it and we have provided for it. It is about 19 crores which we have provided in the Q3.
- Mohit Kumar:** Last question, Sir, is there any target for coal production and wholesale from KPC for FY '19, which you can provide?
- Ramesh Subramanyam:** We generally first of all do not provide any forward-looking numbers, but just wanted to tell you that it is just not a plan that has worked in these mines, it is also what the Government gives you an approved plan maximum amount to be sold and within that you have to see what you can do, so this mine generally hovers around 50 to 60 million tons as the approved for the production, so it depends, we cannot renew the exact number as we have planned, but generally there is an allotment up to which you can go.
- Moderator:** Thank you. The next question is from the line of Anirudh Gangadhar from Nomura Securities. Please go ahead.
- Anirudh Gangadhar:** My first question is on CGPL, just curious to know that our realizations are down quarter on quarter despite much higher availability and a related question is that we did see some cost savings on this fuel sourcing in the third quarter, it does not seem to be there in the fourth quarter, so if you can just help understand that why has the EBITDA loss increased so drastically in the fourth quarter even though our availability has been much better and as per CERC norms, the tariff reduction should have been pretty miniscule quarter on quarter, that is my first question?

- Ramesh Subramanyam:** Simple answer Anirudh is coal price, last quarter we had about 73 paisa of fuel energy under recovery which has now shot up to about 86 paisa in this quarter. It is simply the factor of coal price.
- Anirudh Gangadhar:** Sir, on the realization dropping from 2.7 to 2.6, is that also attributable, that cannot be the coal factor?
- Ramesh Subramanyam:** The realization is as you know it depends upon CERC notification, CERC notification, there is a de-escalation and that is a six-monthly cycle and you will see that reversing in the next six months, so it is a pattern that emerges based on the previous six months, so the revenue size we do not report, it goes as per the CERC.
- Anirudh Gangadhar:** Second question is there any update on the Russian coal mine, last call it was mentioned that we are still, the plans are being prepared, has anything happened after that?
- Ramesh Subramanyam:** Not really, in the sense, yes, there is work going on developing the business plan and also working on these financing of it, there has been progress but I would say that we have not reached any particular milestone in this, but work is in progress.
- Anirudh Gangadhar:** Third question from my side would be if I look at your associate income, the EBITDA up for ITPC Zambia, and the South African project still seem to be okay, on the net level there seems to be again a loss, is that purely on account of currency or is there some year-end adjustments that have happened there?
- Ramesh Subramanyam:** It is all currency. It is currency and in the South African investment we also have what we call it as the share holding related, we have the minority interest there which the MCM keeps changing, so that is the other non-cap element that is there apart from tariff.
- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.
- Bhargav Buddhadev:** Sir, my first question is my understanding correct that the money which was received from this restructuring of assets will go onto repay the non-regulated debt and to that extent, whatever the debt reduces correspondingly the interest cost will come down and accordingly the PBT will increase?
- Ramesh Subramanyam:** Yes, you are right in principle, but there could be timing issues, when the money comes in which loan is repaid at that time there is also requirement for growth, how much growth is there if there is no domestic growth due to any reason, then you will have saving, partially goes towards debt and that much will be reduced. Overall, there will be an improvement in ratio.
- Bhargav Buddhadev:** Assuming nothing of this goes into growth capital, essentially the reduction and debt leads to reduction in interest and accordingly that much PBT increases, right?
- Ramesh Subramanyam:** Yes, absolutely.

- Bhargav Buddhadev:** Second Sir, in case of your defense business, we have assumed a higher value in the presentation in terms of expectations or sales proceeds, but I think there is a precondition to that receipt of higher value, so what is the probability that we can assign to the higher realization from the defense business?
- Ramesh Subramanyam:** The transaction has happened just recently, at the time of transaction unless there is a probability attached to it, we would have not put that number there, so right now, this is absolutely as high as it can be and I think with this we have to review maybe a year down the line to see if there is any change. Right now, the valuation is based on the expected turnout of the revenue and the order flow and that is how the valuations have been done on how the cash flow is coming, so right now we are on track, see things are changing, the number which we have taken into the assumption.
- Bhargav Buddhadev:** We can assume about 2300 crores, right?
- Ramesh Subramanyam:** In the long run, yes, but there are milestones to be achieved to get that, so those milestones, I think now it is too early to review, maybe six months or one year down the line we will have to see what is the probability that is the question to ask.
- Bhargav Buddhadev:** Sir, thirdly in terms of tax implication, is it possible to know what could be the tax implication on the sale of these non-core assets meaning how big is it?
- Ramesh Subramanyam:** Yes, as per the accounting standards there is a deferred tax asset that has to be recognized and you have to recognize it. We have recognized it. The amount of tax that has been recognized is also there somewhere in the public accounts and the notes, 338 crores is the deferred tax asset that has been created, direct through the P&L and in the case of TPSL, we have put asset for sell 370 which is appearing in other comprehensive income, so these are the two tax impacts of the assets for sell and it's a deferred tax asset recognized.
- Bhargav Buddhadev:** We have to receive some money, we do not have to pay any money?
- Ramesh Subramanyam:** Naturally, because when you actually sell it then the tax facility will come, this will get adjusted against that.
- Bhargav Buddhadev:** Sir, lot of renewable companies are sort of likely to come for IPO, we know that SEMCO has already filed DRHP possibly renewable if also for the DRHP, so maybe 15 months down the line, 18 months down the line do we also look at a possibility of our renewable business being IPO?
- Ramesh Subramanyam:** Fifteen months down the line what view we will take I think we cannot.
- Bhargav Buddhadev:** Is there a process?
- Ramesh Subramanyam:** I am just saying, options are always open, but at this point of time, there is no such plan.
- Bhargav Buddhadev:** Sir, is there any capacity also commissioned in this quarter in renewables because there is an addition in depreciation and interest which I see on a QOQ basis?

- Ramesh Subramanyam:** In this quarter, there is no new capacity added, but some of the assets which are done in the earlier quarters, they are still going through stabilization period as we see.
- Bhargav Buddhadev:** Sir, last question I mean as an analyst how much interest rate can be assumed on that reduction of debt, is it safe to say 10% could be the interest rate on the debt which you will pay down on the sale of non-core assets?
- Ramesh Subramanyam:** We in the standalone I mean in the parent company our average rate is around 8.5.
- Moderator:** Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal Securities Ltd. Please go ahead.
- Sanjay Jain:** First thing is how much is the dividend we have received from our coal SPVs in FY '18?
- Ramesh Subramanyam:** During the year, we seemed to have received about 135 million.
- Sanjay Jain:** Second is on strategy like on capital allocation, what is your view like over the next few years where is Tata Power going to invest money, if I look back in last couple of years, our focus has been more on unlocking value from the non-core assets and deleveraging, is that going to be the same theme over the next few years or like how Tata Power will evolve over couple of years or we have not cleared as of now, any thought on that?
- Ramesh Subramanyam:** I think as Mr. Sinha in the opening remarks said very soon we are going to be meeting all of you physically and happy to share at that time what our thinking is on the plan as we go ahead, so if you could just hold that question it will be useful to discuss at that point of time.
- Moderator:** Thank you. The next question is from the line of Dhruv Muchhal from Motilal Oswal Securities Ltd. Please go ahead.
- Dhruv Muchhal:** Sir, just following one Sanjay's question earlier, if we see our underlying PAT is about 1300 to 1400 crores and the PAT from JV company is particularly the coal companies is almost equivalent to that size, so large part of our cash profit or the cash PAT is generated from our coal companies, so is there an understanding with our coal companies how do they distribute this cash in terms of what proportion do you receive every year because this forms a significant portion of our cash flows?
- Ramesh Subramanyam:** I would call it more a hedge, not an isolated investment, because it is just the reverse so what happens is TPL, but to answer your question we have a very tight cash distribution arrangement in these coal companies, so as you know these coal companies are not heavily capitalized and those have a large depreciation, the cash flow is immediate to distribute it. The time period could depend on all the statutory reasons, but they get redistributed and they will be tight arrangement, so in that sense there is a good control over the flow of cash and the timing as well.
- Dhruv Muchhal:** Is it fair to assume because lot of our cash flow management happens through this, is it fair to assume about 80% to 90% of the PAT which will be generated, they will be distributed?

- Ramesh Subramanyam:** The arrangements almost all the cash has to be swept out and distributed to shareholders, that is the regulatory but you know that we are having at the holding company in Mauritius we have those which we service, so therefore not all may be reflected and flow back into India, but we do get all the dividend barring some minor CAPEX, etc., if they need.
- Dhruv Muchhal:** Sir, just to follow up another question earlier, on Tata Communications if you can give us the exact amount, I mean after tax what is the net amount which will be received?
- Ramesh Subramanyam:** Around 2000 crores.
- Dhruv Muchhal:** Net of tax?
- Ramesh Subramanyam:** Yes, I mean it is about 2100 crores.
- Dhruv Muchhal:** Sir, lastly on Georgia when should we expect the commissioning now or is the project on hold?
- Ramesh Subramanyam:** Right now, it is difficult to give an exact timeline, right now the team is working on fixing the plan for restoration somewhere in the middle of next year is the tentative. We are working on the inspection in the middle of the next year.
- Dhruv Muchhal:** Sorry Sir, middle of next year?
- Ramesh Subramanyam:** As of now, it will be finalized in the coming months of the exact date, but roughly it is somewhere around same time next year or around it.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Goldman Sachs. Please go ahead.
- Ashish Shah:** Sir, on renewable if I look at Valvan this is the first full year when we have reported the Valvan numbers and if I look at the unit generated, they imply a PLF of around 16% and this is largely a solar capacity, so is this the PLF that we should look forward to from this project?
- Ramesh Subramanyam:** By the way Valvan does not have only solar and it also has wind.
- Ashish Shah:** Sir, it is like 1 Gigawatt it is just 146 Megawatts of wind, so is largely the 95% is solar?
- Ramesh Subramanyam:** Where did you pick that number?
- Ashish Shah:** Sir, if you look at the units generated of 1688 units for FY '18 which is there in the presentation and just do some back calculation, we get a PLF of 16% for solar?
- Ramesh Subramanyam:** We may have to check your backend calculation, for us the PLF would be much higher, so it is probably 18%, average PLF is about 19%, so where is the difference coming and you will have to check.

- Ashish Shah:** Sir, if you could help me with the total renewable units generated including standalone Walvan as well as TPREL?
- Ramesh Subramanyam:** Ajay will give you separately, but if you add up the three slides which have been circulated, you will get it.
- Ashish Shah:** Sir, we do not have TPREL that is the problem?
- Ramesh Subramanyam:** TPREL you have right, MU is there, full-year is 820 MU, just add those three you will get it, it is there in the presentation.
- Moderator:** Thank you. The next question is from the line of Apoorva Bahadur from ICICI Securities. Please go ahead.
- Apoorva Bahadur:** Sir, wanted to know why the profitability of further manufacturing business has declined YOY in Q4?
- Ramesh Subramanyam:** This is purely a function of orders, as you know the new bids have marginally declined and as that has a direct impact on new projects being signed, although we are very committed, I think it is just a function of the market and the amount the bids that people win only then the order gets generated for Tata Power.
- Apoorva Bahadur:** Okay, so we book profitability once the order gets generated or on execution?
- Ramesh Subramanyam:** By the way, you are looking at quarter or you are looking at full year, because full-year profitability is higher by 27 crores.
- Apoorva Bahadur:** Sir, I am looking at quarter?
- Ramesh Subramanyam:** Quarter is timing, last year we had Quarter-4 lot of projects ended in Quarter-4, therefore, therefore the recognition is different, but in terms of overall year-on-year, there has been a good progress, there has actually been an increase if you see last year's profit was 98 crores and this year it has been 100.
- Moderator:** Thank you. The next question is from the line of Anirudh Gangadhar from Nomura Securities. Please go ahead.
- Anirudh Gangadhar:** One question was that in KPC, we had reversed some impairment, how much if you could remind us was the original value and how much have these reversed already in this because coal prices remain higher for longer then this could be coming back to the original value, is that the right understanding? Second question was on solar manufacturing itself that given the uncertainty on the safeguard duties and the tariffs, how is our order book looking or is there any outlook for the next financial year in terms of revenues?

- Ramesh Subramanyam:** The KPC we had made an earlier impairment of 2900 crores and now it is about 2200 crores, CGPL is 300 so that is how the 1900 crores comes, 2200 is the KPC part. Does that answer your question?
- Anirudh Gangadhar:** Yes, impairment was 2900, we have reversed 2200 out of that.
- Ramesh Subramanyam:** Correct.
- Anirudh Gangadhar:** Any color on the solar manufacturing order book revenue?
- Ramesh Subramanyam:** Solar order book right now we are sitting on approximately 300 Megawatts of orders and I think there is a good hope that if the safeguard duty issue gets resolved then we might see some order flow coming back, that is under the work, Government is trying to resolve that issue. I think lot of people are not bidding today because of that.
- Moderator:** Thank you. The next question is from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.
- Girish Achhipalia:** On the CGPL interest reduction, Sir, if it happens through the year your estimate is that there could be a 50 BPS kind of rate reduction potential that can happen, or it could be more than that as well?
- Ramesh Subramanyam:** It is very difficult to say this because we have not yet tested the grounds, but we can say that would be a minimum number.
- Girish Achhipalia:** Sir, secondly just a question on receivables from the renewable business, currently the run rate is at how many days, if you have that number as of last year, how much have you really seen in terms of number of days reduce?
- Ramesh Subramanyam:** It is already between two months and three months and it goes up, but it has been significantly improved in the last one year compared to last year because of many States beginning to pay in tranches.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.
- Bhavin Vithlani:** My question is more on the outlook for renewables, if you could give us a view that given the way the tariffs are in the current competitive bidding, do you believe these tariffs are viable wherein it kind of makes the cut, the threshold of your IRR for new investment and you have been holding back investment just for the deleveraging and we can expect restart of the investment cycle in the renewable or is that the underlying tariffs in your opinion are not viable and hence there is a possibly investment in renewable from your side?
- Ramesh Subramanyam:** There are signs of bidding looking more better, but I think it is yet to be seen fully because some of the things we have recently seen, they are very few bidders and because of the safeguard duty issue, so I would say that is something we are watching it very closely and we will not miss the

opportunity if we have to receive bids from the range we want to look into. Second is as far as your question on whether we are more worried to fix the balance sheet, we will actively participate, I think we will do both and in a calibrated manner, we will face ourselves first to open more on balance sheet selection, but if we get a good option, we will not let it go, we will keep our foot in the doors, that is the way I will describe.

Bhavin Vithlani: As you mentioned about the safeguard duty which I understand is more on the solar side rather than wind, are we inclined more on the solar side as against the wind side, would that be a fair assumption?

Ramesh Subramanyam: I would say as broadly yes.

Bhavin Vithlani: The reason of that if you could help us?

Ramesh Subramanyam: We have been taking that view for quite some time, we have said in our earlier calls as we believe the volatility in wind is more so in terms of capital allocation we would be more inclined towards solar, that does not mean that we will not look at wind, but our wind will be slightly more not so lenient and would be cautious.

Bhavin Vithlani: Is this that more to do with the viability of the solar which you believe is higher as against wind?

Ramesh Subramanyam: Yes, naturally volatility means that you have much risk factor and that is how we differentiate the two.

Moderator: Thank you, that was the last question in queue. I now hand the conference over to Mr. Praveer Sinha for closing comments.

Praveer Sinha: I would like to once again thank all the participants for the call today with me for understanding the performance of the company. As you would have seen that it has been our constant endeavour to improve the disclosure and share the performance in a much better manner for all the investors. While we have tried to explain all the results as far as possible, we would request you to connect with our team members, Kasturi and Ajay, if there are any followup questions or clarifications. I would also take the opportunity to share with you that we will have the annual analyst meet in the next few weeks and I look forward to interacting and sharing our future plans, so thank you once again on behalf of Tata Power and we look forward to connecting with you.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Tata Power Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.