"Tata Power Q4 FY15 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Tata Power Q4 FY15 Earnings Conference Call. We have with us today from Tata Power Mr. Anil Sardana – CEO & Managing Director, Mr. Ashok Sethi – COO & Executive Director and 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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anil Sardana. Thank you and over to you sir.

Anil Sardana: Very good morning and thank you so much. Welcome to all our analyst friends for this Q4 and FY15 call. Unlike other days when we would typically have just about few hours before we release the details to you and then have the call, this time I am sure most of you would have had the information yesterday night and therefore virtually as they say, you would have had time to sleep over it and it will be nice to, therefore, to interact and look forward to your questions. I can clearly see that we have almost a record attendance this morning and therefore look forward to your interaction. Without further ado I would stop here and perhaps look forward to a great engagement. Please go ahead. Thank you.

Moderator: Thank you very much sir. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Prakash Goel from ICICI Securities. Please go ahead.

Prakash Goel: Good morning sir, congratulations on a good set of performance. I have two questions, one with regard to Bumi. Basically the non-cash charges have been lower QOQ? What has been the reason for the same? I remember last quarter you had some one-off and because of that we had good number, but this quarter apparently there are no one-off and we are in profit at EBIT level at Bumi despite lower spread between the net realization and the cash cost.

Anil Sardana: I think the main reason Prakash is also the benefit of lower inventory adjustments and of course, at the EBIT level is the fact that both fuel and tyre costs have significantly come down.

Prakash Goel: My question was actually, let me reframe the question. If I see QOQ, the Net Revenue after royalty is $ 41.2 and the cash cost is $ 31.5 which essentially gives us less than $ 10, $ 9.7 per ton of spread versus last quarter of $ 11.1 spread. So your diesel cost or other things which would definitely reflect in the cash cost of production itself.

Anil Sardana: Yes.

Prakash Goel: So what are the other items which have led to improvement in profitability QOQ adjusting for one-off which is not part of cost of production?

Anil Sardana: Prakash, you see both the companies significantly, the marketing and SG&A cost in the last quarter have been contained. The pressure of the lower coal prices has pushed the management into taking lot of optimization measures and we are seeing this in the last six months. This quarter has seen a good amount of effort on that area. So I think that really should play in your question.

Prakash Goel: Would it be possible to get those number quantified or have at least a flavor as to what should be the annual number because we are seeing a meaningful improvement in below operation cost.

Anil Sardana: I suggest that you need to also remember that Bumi is also listed, so I would suggest that if you can take that separately whatever details….

Prakash Goel: Okay sir, no problem. The other question is with regard to CGPL. What is the status of hearing at Appellate?

Anil Sardana: Prakash, it will not be right for us to convey as to what exactly is the status, except say that the hearing has been completed and the order has been reserved.

Prakash Goel: And how soon we should expect the order?

Anil Sardana: I don't know whether you are aware, yesterday an interim order of sorts came for Adani where they said that since amongst the two member bench, one of the members is superannuating tomorrow that the order which was reserved could not be pronounced and, therefore, the details will be presented to the Chairperson of appellate for further necessary action. Which in other words its conjectured that there will be a new panel and that new panel will therefore have to do an expeditious hearing and then pronounce order and in all likelihood could happen only after summer vacation because the bench will be off for vacation in June period, so that's what we can assume. But at the same time we have to wait that since the other member has to superannuate tomorrow as per the public data available, we have two wait whether Tata Power will follow suit or there could be some order today or tomorrow.

Prakash Goel: Okay. And the last thing is that this quarter if we account for the compensatory tariff, the Mundra project would have been profitable. Basically if we remember correctly the cost we were told at around $ 40 it will be viable and FOB cost this quarter was around $ 51. So what are we missing in terms of?

Anil Sardana: Nothing. What you said is right, almost factual in terms of what you had been stating. So yes, the coal cost if it comes down certainly will make the changes as you suggested. Just one limited point that I wanted to add that since today we are losing we are maintaining our availability at 80%. When we maintain our availability factor at 80%, it basically means that we do a lot of partial loading on the unit because our capacity utilization is of the order of about 70% and the moment the coal prices come down at the level that you said, we will be able to run the unit at much higher performance load factor which would mean all parameters and efficiencies will further improve. So these are all parts of the equation and therefore it may not be very easy for you to really fit in into your derivation. That's correct. But at the same time under this situation that plant is doing tremendously well and has been able to maintain the best optimized efficiency level at this stage.

Prakash Goel: Okay, that's all from my side, thanks a lot sir and all the best for future quarters.

Moderator: Thank you very much sir. The next question is from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: Good morning sir. The performance of CGPL was indeed quite encouraging. Could you please share the total fuel cost in Rupees Crore for Mundra UMPP, for the 4th Quarter of FY15 and for the full year FY15 please?

Anil Sardana: The fuel cost is 1.44.

Sumit Kishore: Crores for the quarter.

Anil Sardana: You are asking for crores or you are looking per unit?

Ashok Sethi: Best is for you to take Sumit the cost per unit. Cost per unit has been 1.44 for Q4 and also for the financial year.

Sumit Kishore: Okay Rs1.44/kwh are for the quarter and for the financial year?

Anil Sardana: That's right. That is the energy charge.

Sumit Kishore: Okay. My second question is could you give the breakup of the FY15 CAPEX, maybe how much CAPEX has been done and across various businesses and what kind of CAPEX is on the annual for the FY16 and FY17.

Anil Sardana: Generally we have about 1000 crores in Mumbai area, that is a very general CAPEX and otherwise all our rest of the CAPEXs are around projects which are specific to individual project. So the regular CAPEX in Mumbai is always around 1000 to 1200 crores.

Sumit Kishore: Okay. And maybe if you could also comment on what sort of overseas CAPEX is going to come on the Tata Power Balance Sheet in FY16 and 17?

Anil Sardana: I think you should look at the presentation which we are giving and we have also given there some of the projects which are ongoing in South Africa, Georgia and other places. We have also already shared the CAPEX, so maybe separately we can give you a rough estimate of how those will be spread over the next 2-3 years.

Sumit Kishore: Sure. And finally on the Arutmin transaction, we saw a note in the accounts also, you have given a separate P&L metrics for Arutmin and there is some qualification from the auditor. I mean what is the overall status on the transaction that you had with Bumi, if you can give an update, please?

Anil Sardana: So the transaction is still underway. There is a process there because there are lenders in between some of the infrastructure assets in the company which need to be set up before the transaction goes through, that process is still underway. It is taking a little time. So that is the status. Without doing that restructuring we cannot complete the transaction, that's where we are right now. On the qualification, that's the auditing standard where if you do not have an audited account for consolidation and if you are depending on management accounts then generally you have to qualify it because Arutmin is by asset size a material subsidiary technically.

Anil Sardana: I explained that part that because of year ending December for them they will finish it by September.

Sumit Kishore: So the transaction in its original form is still own or is there any downward adjustment that will have to be made to the transaction size?

Anil Sardana: No adjustments.

Sumit Kishore: Okay. And the coal business performance during the quarter should be seen as having no one-offs and it is the normal performance that you should be able to deliver as far as cost of production is concerned going forward, just confirming from the last question.

Anil Sardana: So there are of course some carry forward cost advantages in the inventory which is appearing this quarter but by and large you will see this trend in terms of production cost because the fuel and the vehicle related cost have indeed come down. There is a significant dip in fuel cost itself. And strip ratios have improved in this quarter which may not be as good as this quarter all the time, but definitely there is a lot of improvement.

Sumit Kishore: Thank you so much and wish you all the very best.

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

Abhishek Puri: Good morning sir and congratulations on a good set of results. Sir firstly, can I ask you to separate out the one-offs in this quarter because I read there are a couple of write-offs like for Rithala and there is a change in depreciation policy for CGPL.

Anil Sardana: We can share with you a little detail there. Depreciation, you are right. That is one-off. You can't put it under one-off but the Trombay…when you are comparing other quarters this quarter the last quarter for example, in FY14 the Unit 8 was not operational whereas this year it was operational Trombay. Last year we had a MAT credit reversal of 40 crores which we didn't have this year. In our South African joint venture we have had a FOREX realignment adjustment of nearly 100 crores. This is more of accounting of the hedges. TPDDL you said right, our share is about 26 crores and I think that's about it.

Abhishek Puri: For the depreciation, the amount for CGPL, is there any amount for the previous quarters as well?

Anil Sardana: First of all this CGPL adjustment is coming throughout the year, quarter number is roughly 100 crores.

Abhishek Puri: Okay. And secondly just wanted to understand on your income from future tariffs, last quarter it was 55 crores negative, this quarter it has turned 240 crores positive, so what would have led to this change in the standalone numbers and in the consolidated numbers I see its only 28 crores positive.

Anil Sardana: You are talking about standalone?

Abhishek Puri: Standalone is 42 crores positive from (-55) a quarter ago in Q3 whereas in consol it is only 28 crores positive, so what does this really mean? Can you explain it a little bit?

Anil Sardana: You are talking about Q3 versus Q3 of FY15, right?

Abhishek Puri: That's right sir.

Anil Sardana: On a standalone basis the operating profit is pretty much maintained, in fact, it is much better because this year we had additional carrying cost which got accounted about 50 odd crores, but otherwise it has been pretty much on dot and other than that slightly lower Other Income.

Anil Sardana: But what exactly was the figure that he was saying?

Abhishek Puri: The future tariff income that is added to your sales number which was (-55) crores in the last quarter, this quarter is 243 crores.

Anil Sardana: This does not necessarily hit the bottom line, remember this. This is part of the revenue adjustment, so depending on what the billing is, these numbers will keep changing but they do not necessarily add to the bottom line. Only when there is a tariff order of previous year, which comes in that is when it affects the bottom line.

Abhishek Puri: So this will be adjusted in the other expenses?

Anil Sardana: No, not adjusted in the expenses, these are like saying that if your total revenue is 'x' and your billing is 'y', then 'x' minus 'y' is shown as the income to be adjusted in future tariff which is the regulatory asset, it adds to the regulatory asset, so that you should not take this as a direct impact on the bottom line.

Abhishek Puri: So to understand it a little better, it's basically that we are kind of under recovering right now.

Anil Sardana: Exactly.

Abhishek Puri: And we are building that then in the future tariffs?

Anil Sardana: Exactly. In fact you should see that in this quarter the regulatory asset has also moved up.

Abhishek Puri: That's right, so the tariffs are not reflective of the cost in Mumbai license area right now?

Anil Sardana: Yes and it also depends on the units sold, so if the units sold goes up the amount to be recovered in future tariff goes up.

Abhishek Puri: Fair enough.

Anil Sardana: But you should realize this, the fact that there is a system of MYT and of that system the mid-term corrections which they do is right now under review by them and it is quite likely that within this month you will see that mid-term pronouncement by MERC, so that would take care of the impending issue that you have at hand.

Abhishek Puri: Absolutely, fair enough. My last thing will be if you can just give us an outlook on your growth opportunities that you are pursuing, last couple of years we have been focusing on Mundra UMPP. Now what will be your vision for the next 2 to 3 years? How do you want to grow and can we see SED business growing to a much bigger proportion with the new unit figure from the government on defence side.

Anil Sardana: Let me say that the focus by and large the way it's panned out has been international growth rather than domestic growth. As you know that in the domestic situation the fuel side, the land side issues are still not resolved and therefore in the domestic growth segment, I would say it is pretty much the renewables which would be the center stage of all the growth. As also of course, you mentioned about SED, but I don't see too much contribution to the top line, bottom line in the immediate future, though the order book will certainly continue to become healthy compared to what we have today because the orders are certainly pouring in on the SED side.

On the international we have been sharing with you that amongst the four clear blocks that we have created, one being the Africa block, the second being the Middle Eastern and the Turkey block and third being the South Asian block and the fourth of course, India and SAARC countries. We find that there has been clear success that we have seen in each of those blocks, so therefore you are aware that the two hydro projects, one in Georgia, other in Zambia are clearly progressing very fast. I am very happy to report that we have registered 40% progress on ground in Georgia project including Tunneling as also close to about 78% in Zambian project. So therefore, these hydro projects besides Dagachhu which we commissioned in Bhutan are moving very fast. In the Indian context the hydro project which was awarded on the same date as the project in Georgia, the first brick is still to be laid and I am not sure when we will really be able to do so considering the processes which are much more time consuming. So from growth paradigm, my dear friend, the growth will continue to be in renewables in India and perhaps all around growth in the international situation. That's the immediate point of view that I can express at this stage.

Abhishek Puri: That is helpful sir. Thank you very much and all the best.

Moderator: Thank you. Next question is from the line of Arun Kumar from HSBC. Please go ahead.

Arun Kumar: Hello sir, good morning and congratulations for good numbers. I had two questions; one was on the tax rate. Why in each year we are seeing a very high effective tax rate and what should we project for this coming year? And second question was regarding what is the current debt level, both international and domestic and what is the current average debt cost?

Anil Sardana: Let us take the second one; the total consolidated debt is about 40,842. What else you wanted to know?

Arun Kumar: I wanted the breakup of the domestic and international currency debt.

Anil Sardana: The foreign currency loans would be 13,000 approximately.

Arun Kumar: 13,000 crores? You are saying in crores?

Anil Sardana: Equivalent.

Arun Kumar: Okay equivalent. And what is the average debt cost in either of the two?

Anil Sardana: We will give you separately that.

Arun Kumar: Okay. And my first question on the tax rate?

Anil Sardana: What was your question on the tax rate?

Arun Kumar: Question is that we are seeing a much higher effective tax rate so at the PBT level what was the number, the effective tax rate is coming at much higher level around 40% plus. Now what should we do projecting for coming year, what is the actual effective tax rate?

Anil Sardana: See the total tax of course has to be within the total corporate tax rate spread into MAT is wherever applicable and balance goes as deferred tax, right? If there are adjustments, every year there are during Income Tax assessment and Filing of Returns there are adjustments being made based on judgments passed so those adjustments keep coming in once in a while. I would say that you know our businesses, most of our businesses the 80IA exemption is there. So therefore some businesses are on MAT and some are not. So it ranges between that. Only deferred tax liability keeps fluctuating based on the recoverability of MAT etc., so those are the swings which you see. We can't predict accurately every year what the tax rates are but it cannot be more than the total tax rate as you know.

Arun Kumar: So primarily the higher percentage is coming on account of the deferred tax, is that safe to assume?

Anil Sardana: Yes.

Arun Kumar: Okay, that is it from my side, thanks.

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

Mohit Kumar: Good morning sir, I have a couple of questions. My first question pertains that what has been AT&C loss in Mumbai for last fiscal year and what was the target set by the regulator?

Anil Sardana: Mohit, in the context of Mumbai, the AT&C losses are virtually insignificant. On the T&D side it's at anything less than 1% and both put together is anywhere close to about 4%.

Mohit Kumar: And what are the targets set by the regulator, if I may ask?

Anil Sardana: The targets fixed by the regulator are in line with the numbers that we see there.

Mohit Kumar: My second question pertains to, what is the debt at SPV levels and what is the total investment from SPV in Cennergi and the other coal mine in Indonesia which we had bought a couple of years back?

Anil Sardana: Can we give you separately that?

Mohit Kumar: Sure sir. What is the wind power capacity at standalone level and what is the renewable capacity which we have at Tata Power renewables, can you give us the breakup?

Anil Sardana: Right now our capacity is about 515 or so out of which about 375 is in the Tata Power standalone and the balance is in TPREL.

Mohit Kumar: And what is the growth plan for the next couple of years, the renewable which you have lined up?

Anil Sardana: We are not planning to add any capacity as of now in the standalone and I heard and saw an interview of the CEO of TPREL which said that they plan to add something like 150 megawatt every year.

Mohit Kumar: My last question is DERC has the public hearing completed for the tariff hike in Delhi?

Anil Sardana: The public hearings have been completed quite some time back but the tariff order part I am not clear.

Mohit Kumar: Okay, thank you sir, that is all from my side.

Moderator: Thank you. Next question is from the line of Venkatesh Balasubramaniam from City Research. Please go ahead.

Venkatesh B: Good morning sir. My first question is, if I could go back to Mundra UMPP, if you could just explain to us in layman's terms what exactly is APTEL actually going to be ruling for or against? I mean what are the aspects on which you are fighting it out with the State Electricity Boards in the Appellate Tribunal of Electricity. Is it like whether the CERC judgment can be upheld or not or is the case also dealing with the fact that you don't agree with the CERC judgement and you believe it's a change in law? What exactly are you disputing there and what judgement are we….on what is the APTEL supposed give a judgment on?

Anil Sardana: So Venkatesh, first of all we are not fighting it out. It is the states particularly led by Haryana who had filed a petition, so we have only responded, so that is the first part. The second part is the point of view on which Haryana had actually gone to Supreme Court and ultimately Supreme Court reverted it back to APTEL, is to look at it de-novo. So the CERC judgement is not the only judgement on which they have to adjudicate. They are basically looking at the whole aspect de-novo. If you remember CERC in its judgement had talked about only the regulatory powers under 79 clause in which they had said that the regulator can regulate and therefore remove the hardship that the companies were facing. Instead of that the Supreme Court as now in the Adani matter returned back to APTEL saying that you can consider a change in law and the other aspects also and sort of adjudicate on those aspects as well. So in other words this becomes almost like a fresh matter to be discussed between the states as well as the company. They have heard both sides on all these aspects. They have heard on the aspects related to various provisions of 79 in terms of dealing with the hardship and the under recovery aspect. They have also heard on the change of law as also the force majeure, so the judgment if at all which has been reserved would be to address all these three issues and pronounce their judgment with regard to what their views are in all the three aspects.

Venkatesh B: Okay. And this can always be again appealed in the Supreme Court?

Anil Sardana: Yes.

Venkatesh B: Okay. Now meanwhile I guess because of this obviously your lenders in Mundra will be having a problem like in terms of covenants. And your notes to account also mentioned, it has been mentioning for quite some time that 75% stake in the coal mines will be transferred, now are they also waiting for the judgment before you take a decision whether this needs to done or not?

Anil Sardana: Yes, that is right.

Venkatesh B: Okay. Now meanwhile your leverage is almost like around 2.5-3 times, so is it a leverage debt equity level that you are comfortable with or are you looking at ways and means of reducing your leverage because obviously this Arutmin and KPC transaction is also taking a little too much time, so is there any other way you can reduce leverage for example, move all the renewable assets into one company and try to list it or try to bring in private equity, have you thought about all those options?

Anil Sardana: See, we keep thinking about all those options all the time. You are right the leverage is a little bit of a concern but remember that it's much better than many other players in the industry. So what we are trying to of course do is have some plans around consolidating it. And the two things you mentioned, the tariff and the Arutmin transaction; of course, it is part of that plan. So let's see. We are very much aware. And if you ask me whether it is comfortable or not, of course, it can be improved.

Venkatesh B: Okay, just a couple of more small little questions, one specific to the company from a strategic perspective. During the course of answering a question you mentioned that you look at your whole business in different buckets in terms of most of the growth is more planned outside India. Now when you take up these kinds of ventures do you have a certain idea, we need to make at least a certain return on capital employed, are there certain parameters you work on and if at all can you share some of those parameters? I mean, what exactly do you hope to achieve by expanding outside?

Anil Sardana: Well you should appreciate that when we go out on these investments I think the underlying business rationale and underlying expectations from any such venture is the same whether you approach it in India or overseas because you still need returns, you still need risk coverage and you have to be comfortable with the regime in which you are operating. So whether we are operating in India or overseas I think our fundamental approach is not very different. So therefore, if you ask me, what are those things we do, of course, it depends on the political risk, the currency risk, when you go overseas you have additional currency risk etc., so those are the additional factors but other than that the business evaluation remains the same.

Venkatesh B: Okay sir, just one last more generic question about the industry as a whole. Now over the last couple of years the demand supply gap, I mean whatever is reported by the government the CEA has come down dramatically. Now we still have a lot of capacity which is under construction, most of the new power plants are operating at really low utilization levels. Under this scenario do you think India even needs to add, any new projects need to be added in India over the next 5 to 6 years or whatever is there is more than enough and actually none of the private sector company should even think about adding any more capacity in India for the next 5 to 6 years.

Ramesh Subramanyam: So Venkatesh if you are really keen to look at the macro perspective in the Indian context then you need to actually go back to the per capita consumption and understand that the per capita consumption when diced in two aspects, one of course at the country level we are far lower than the world average, the world average as you know is now 2200 kilowatt hour per person per year and we are just about by any stretch of imagination not even 900 so that's one aspect that will give you an idea of the fact that how we are. Even if you take 35% of the Indian population which lives in cities and dice it according to that our per capita consumption still comes anything close to 1400 and that also is much lower than the city world average if you really look at it which is anything close to about 2800 kilowatt per hour. So my dear friend as per as statistics of the authorities is concerned I don't want to comment on that. I can give you two statistics which to me are relevant from the industry perspective, one being per capita consumption the other being that today the industry and the commercial segment in India still has anything between 16 Gigawatt to 90 Gigawatt as the standby capacity and we are adding in this country close to about 6000 to 8000 MW of new DG sets every year, half of which goes towards replacement and half of which goes towards further capacity addition to take care of standby needs. Now if these two are to be put together, answers are very clear as to whether the country needs competitive format of generation, bulk generation or not. I don't want to comment on the statistics of government of India, it's for you to really find out as to what exactly does it mean?

Venkatesh B: Just to dwell a little deeper on that, completely agree with your top down kind of analysis. But now where exactly is the bottleneck, what is the problem here because obviously we also hear about power cuts are still a problem, there is a demand at the ultimate consumer end which finally the state electricity board who is not buying enough power. But as we talk to the other generators in the country it just seems that not too many SEBs are coming out with this long-term power purchase kind of things and are not closing out these deals and we also hear that all the state electricity boards over the last 3 to 4 years have been increasing tariff. So I'm assuming the last financials we have the state electricity board this financial year 13 in terms of what Power Finance Corporation puts out so hasn't the situation improved over the last two years for them to be buying more power. What exactly is the bottleneck, why is power capacity a lot of people who have put up power capacity why is their off-take not getting tied up?

Anil Sardana: So the answer I think lies in your own statement which you said that we are dealing with the large behemoths called state electricity boards who have very uncanny methods of reporting and customer orientation, there is no real zest for 24x7 power. I'll want to just site an example that this is one country which in 2002 had perhaps one of the lowest world's losses. People used to put T&D losses in this country anywhere close to 17%. Until the regulators started to get into that and when we realized that we were above 50%. Even today much of that is still garbled and not reported in the right jest manner so therefore I think the less we talk the better it is about the State Electricity Board because they have no such feelings of the fact that the industries or the commercial customers need to be given power. If somebody says my peak-power deficit is just about 3% I think you should ask customers living in Gurgaons of the world or in Aurangabads of the world or in Vishkapattanams of the world who say very clearly that they still see 2 to 3 hours of power cut everyday merrily every now and then. So therefore if all of that was to be added I'm sure the picture will be very different. Now since states are not in a position to buy they are managing their bottom line or they are managing their lost deficit by not tying up power and not even declaring to their masters that the customer outages need to be counted in the peak power deficits. So to me the point is that we are actually looking out of the window when the patient is crying foul inside the room so that is where the problem is. If every doctor starts to look out of the window when the patient is actually complaining of pain I think then God saves the patient. That's exactly what is happening here.

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

Pulkit Patni: First of all taking that debt question forward, could you talk about what is the amount that is repayable over the next couple of years in terms of debt, both at SPV and at parent company added together?

Ramesh Subramanyam: On a console level Pulkit it's about 3500 crores odd per annum. This is without considering refinancing.

Pulkit Patni: And secondly if you could just talk about ideal energy transaction also and give more detail that you can share about that what is the status there, any sort of numbers that you can talk about in terms of value etc that will also be pretty helpful.

Anil Sardana: So Pulkit CPs are being liquidated at this stage and we are quite close to closing on to that set of CPs so we should be able to update all our stakeholders very soon.

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

Bhavin Vithlani: If you can delve a little deeper on to the Supreme Court judgment which was received by Adani that the change in emission law can used as force majeure, how important it is and can it be used as a reference for your case as well?

Anil Sardana: Bhavin the Supreme Court judgments are normally precedence and it had been allowed by APTEL during the course of hearing for Tata Power case as well and the APTEL did hear us on change of law and force majeure as well.

Bhavin Vithlani: So could we say that now with the Supreme Court judgment and the ruling becomes a near formality this weakens the case of DISCOMS?

Anil Sardana: No I think you don't read that as a judgment, what you read as an interim instructions to APTEL to go back and hear the people, as I said denovo in terms of the fact that not only hear the aspect of adjudication under 79 but also under change of law and force majeure. So it is not a judgment per se, it's an instruction to APTEL to at least hear all sides of view and then basis which give their viewpoint on the case so that's exactly where it will stand today.

Bhavin Vithlani: The second question is on the coal company so could you share what has been the EBITDA and the PBT of the coal companies taking out Arutmin and what do we expect the Arutmin to be concluded?

Anil Sardana: As far as Arutmin deal is concerned Bhavin we have already clarified that the CPs are taking longer time because of the suppressed coal prices because the lenders are wanting to establish for themselves very carefully the entire disaggregation of the infrastructure companies etc. So I think we do emphasize and understand the reason why lenders are taking turn but yes it's progressing on course. As per as the other part is concerned on the coal companies you wanted to check, what details you wanted?

Bhavin Vithlani: For the continuing coal business what is the EBITDA and PBT of coal companies.

Anil Sardana: I think in the segmental results, you already have the EBIT there.

Bhavin Vithlani: No I want for the continuing business excluding the Arutmin part, the EBITDA and PBT.

Anil Sardana: So we don't give the separate company wise details Bhavin, we only give total detail.

Bhavin Vithlani: And what is the outstanding debt and the depreciation of the coal companies for the year?

Ramesh Subramanyam: Depreciation is 212 for 100%.

Bhavin Vithlani: 212 million as depreciation 100% and the outstanding debt at the SPVs.

Ramesh Subramanyam: 900 million is at SPV.

Bhavin Vithlani: And this is net debt or gross debt?

Ramesh Subramanyam: Yes it's gross.

Bhavin Vithlani: So what could be the net number?

Ramesh Subramanyam: We have about 28 million of cash there.

Bhavin Vithlani: Thank you so much.

Moderator: Thank you. Next question is from the line of Alok Ramchandran from Future Generali Life Insurance. Please go ahead.

Alok Ramchandran: I wanted to know why is the other expense in the standalone business is higher on a Y-o-Y basis and also the loss in Mundra number this quarter compared to last quarter and I guess is it lower compared to last quarter and the reasons why?

Anil Sardana: On the second part it is lower because of the coal prices as also better efficiency as compared to last quarter, that's regarding CGPL.

Alok Ramchandran: Are these efficiencies going to continue in CGPL going ahead?

Anil Sardana: By and large yes.

Alok Ramchandran: Can you quantify the loss in this quarter in Mundra?

Anil Sardana: Yes Mundra loss for the quarter, Mundra is 78 crores.

Alok Ramchandran: And that's likely to be 70% reduction losses compared to the annual quarterly run rate of 250 crores, right?

Ramesh Subramanyam: Yes on the other expense as we have shared it, you see slide number 7, the last line in your table which we have shared with you the financial highlight standalone shows there is higher R&M expenses due to outrage of unit 5 and 7 in Trombay and increase in A&G expenses.

Alok Ramchandran: And other income?

Anil Sardana: So one is that we have redeemed the foreign currency bonds therefore the charge on the foreign currency bonds is not there in this quarter that's one major and lower FX losses compared to last year.

Alok Ramchandran: And regarding the other expenses coming back to the same, will those be recoverable in terms of tariff recover the going ahead in the future quarters?

Anil Sardana: Yes most of it.

Ramesh Subramanyam: That's why I said they are regulated.

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

Deepak Agrawal: If you can highlight the kind of the way that you are growing in the international business over the last few years and I can understand the concern which is there on the domestic side. But what can be the level of an IRR you can expect like in Middle East markets or the African markets with which you are working on and compare those IRRs at the project level or at the investor level.

Anil Sardana: Deepak it will not be fair for us to give any guidance to if you can please excuse us. We won't want to really make prediction except to say that this is the traditional risk-reward evaluation that the company does and like my other colleagues said that knowing very clearly that you also have the FOREX issues and you also have the other issues in African continent in terms of the associated risk. We factor those in and therefore fix our thresholds appropriately. But it's not nice to talk about the guidance.

Deepak Agrawal: Now we have seen lot of talks that is happening on the renewable side, you have been talking that and you have been also demonstrating to adequate addition on the wind capacities but we haven't heard something on the solar side as a utility business so how are you planning to expand the solar portion over the next 2-3 years?

Anil Sardana: Deepak there are two components to our solar quest, one is of course the developer role, the other is the role as a manufacturer and EPC developer so on both counts we are moving ahead. The solar side we are looking at development in different locations and you would hear our plan soon. We are participating in both aspects of the RPO obligations that we have as a distributor as also for meeting the needs for other people who have similar Arutmin application on the solar side so that we can supply them the solar power. But you will hear our expansion plan as a developer. On the EPC side you must have read recently we won largest order that has been awarded this year by NTPC. We recently won 100 MW for a turnkey execution for NTPC and the plans are afoot to make sure that this year Tata Power Solar will be amongst much more business.

Deepak Agrawal: What is the manufacturing capacity installed currently at Tata Solar?

Anil Sardana: Deepak we have normatively about 200 MW worth of sales and about 200 MW worth of modules.

Deepak Agrawal: What's the power the sale arrangement that we have for this the Dagachhu hydro projects that you have just completed?

Anil Sardana: Deepak as you may be aware that 100% of the power from Dagachhu has to be sold by Tata Power Trading is a part of the contract. At this stage Tata Power Trading selling that on a bilateral short-term basis; however, they are looking at entering into either medium-term or long-term contracts in the months ahead.

Deepak Agrawal: Thank you.

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

Abhishek Puri: You said there is an interim order which has come out for Appellate Tribunal, what are the key takeaways for Adani Power, have they provided for any interim relief?

Anil Sardana: Abhishek it's not fair for me to speak on behalf of Adani, the order has come yesterday I think we should wait for the next reaction.

Abhishek Puri: But the content should be available on their website.

Anil Sardana: I have no idea, you can check that. Contents of the order you are talking about?

Abhishek Puri: Yes.

Anil Sardana: The content of the order is there in APTEL's website also.

Abhishek Puri: It's not there as yet that's why I was kind of understanding from you because...

Anil Sardana: I think the registry yesterday handed over that order and it's just about three line order which just says that the matter should be referred to the chairperson of APTEL.

Moderator: Thank you. The next question is from the line of Abhinav Sharma from HDFC Securities. Please go ahead.

Abhinav Sharma: First of all could you share with other depreciation in Mundra UMPP for Quarter 4?

Ramesh Subramanyam: It's about 103 crores.

Abhinav Sharma: So this should be the quarterly run rate going forward.

Anil Sardana: Yes.

Abhinav Sharma: And secondly what was the CAPEX incurred in our Mumbai license area in FY-15 and what is the plan for the next two years?

Anil Sardana: It's about 1000 crores and that's a kind of plan that we will continue, a little bit here and there but that's a kind of investment you can expect.

Abhinav Sharma: Our lost in Mundra has reduced significantly on a sequential basis so is it primarily due to lower fuel cost or is there any other reason for this?

Ramesh Subramanyam: There are three reasons, fuel cost of course is one of the main reasons, also remember that the account for the fixed capacity charges recovery on YTD basis so compared to December the YTD availability has gone up and as a result therefore the fixed charges recovery in this quarter is sequentially better.

Abhinav Sharma: And lastly on our coal business, if I understood you correctly the EBIT which we have seen in this quarter is it more indicative of the kind of run rate we should expect next year if prices remain here, coal prices remain here?

Ramesh Subramanyam: While the coal companies are trying to contain cost but you have to remember that the quarter to quarter the production cost will depend on the strip ratios achieved and also the kind of fuel cost, etc., which are there so I don't think you can take it as absolutely given that this quarter will just continue like this.

Abhinav Sharma: And sir I missed out on the debt number in the SPV so if you can share.

Ramesh Subramanyam: 900 million.

Abhinav Sharma: Thank you very much.

Moderator: Thank you. Next question is from the line of Rakesh Vyas from HDFC. Please go ahead.

Rakesh Vyas: First in the coal company can you just highlight the lower SG&A that you are inferring to, is it likely to sustain over time because I think we had certain arrangements with large coal traders earlier so has that been canceled?

Anil Sardana: You remember we account for as a 30% shareholder here so beyond a point we can't share all the details because we ourselves don't necessarily get an insight but he is there has been effort to reduce it that's all we can say.

Rakesh Vyas: Second question is on the Delhi distribution business so is it fair to assume now that the additional creation of any regulatory asset doesn't happen even if the tariff has not increased recently.

Anil Sardana: No if the tariff does not increase you cannot say that the regulatory asset will not go up which has been contained because of the tariff increases in the last two years but it is still moving up a little bit.

Anil Sardana: I think what the point that we should add very quickly is the fact that now there has been adequate pronouncement by Supreme Court as also a Forum of Regulator Distribution that the regulatory assets will not be allowed to be enhanced in long-term basis and therefore what happens is when the fuel prices increase or because of the other reason is that the cost actually go beyond what is being recovered through the revenue fixed by way of tariff there is a little bit of increase that happens in the interim but sooner I have seen the regulators catch up by either giving a future charge or appropriately the existing the tariff. So therefore this is not going to be a long-term affair in terms of the increase, you will see liquidation of regulatory assets in the times to come.

Rakesh Vyas: And if you can just clarify the subsidy that has been announced by state government, are they paying the distribution companies or it's just an accounting entry?

Anil Sardana: So I don't want to generalize about distribution companies because they are dealing with three companies in a very different way. But as far as Tata Power Delhi distribution is concerned yes we are getting the subsidies without any adjustments.

Rakesh Vyas: And my last question if you can just highlight what has been the adjustment regarding the Rithala, I couldn't get it because in one of the note it says there is adjustment of 213 crores but that's not recurring to account.

Anil Sardana: Its exactly one decimal less, totally about 50 crores odd we've made this quarter, we are 50%.

Rakesh Vyas: Can you just highlight what does the note to account# 8 in the consolidated numbers, highlight sir, if you can just a brief history on this issue.

Ramesh Subramanyam: This is you know the DERC has, we have not made any adjustments for disallowance in respect of the power purchase cost of Rithala Plant and these total stood 413 crores, this is not as what we have made in this the provision is not regarding the power purchase cost.

Rakesh Vyas: So this was a gas based project if I remember and the DERC is not allowing you to account for the PPA that you have signed with the distribution company.

Anil Sardana: Yes so there is issue with the regulator is questioning the power purchase from Rithala.

Rakesh Vyas: And this 50 crores on what account?

Ramesh Subramanyam: This is to review the tariff which is existing versus what revenue we are recognizing. If we take stock of it and review it and auditors and management go through it and if there are any revenues that they strongly feel that are unlikely to get in the tariff order they provide for it, that's the provision.

Rakesh Vyas: Thank you.

Moderator: Thank you. Next question is from the line of Abhijeet Vora from Sundaram Mutual Fund. Please go ahead.

Abhijeet Vora: Sir just understand on the Mundra benefits that we have got, the coal price benefit that we see is about $3 per ton QOQ so has there been any change in the mix also in the coal that we have consumed?

Anil Sardana: On a simplistic basis we keep scouting for coal from different locations which will optimize the cost. However, the mix today is more because the coal prices are lower more towards the normative all specifications that we had envisaged earlier.

Abhijeet Vora: So in terms of an average GCV of the coal that we have consumed would it be right to assume that it has gone up from Q3 to Q4?

Anil Sardana: What has gone up?

Abhijeet Vora: The average GCV of the coal that we have consumed.

Anil Sardana: Yes correct.

Abhijeet Vora: Secondly on a segmental numbers that we report for the quarterly there is in other segment which includes some of your smaller businesses that has reported at EBIT level a profit of 69 crores versus small loss that you are showing, is there any one-off in this or could you kind of tell us which division has contributed to this?

Ramesh Subramanyam: You are talking about consolidation?

Abhijeet Vora: Yes consolidated other segments.

Ramesh Subramanyam: The B1 here is solar where last year we had accelerated depreciation provision which is not there this year.

Abhijeet Vora: If I look at it on a QOQ basis.

Ramesh Subramanyam: In a way this year is more normal in that sense.

Abhijeet Vora: So was that bunched up in this 4th Quarter, this 4th Quarter showing a profit of 69 crores.

Ramesh Subramanyam: As against last year of (-7) in that so that's essentially the main item is really solar and of course SEB business at EBIT level our different businesses also added because they had a higher turnover this year and as a result higher EBIT.

Abhijeet Vora: So at a full year level is this kind of a sustainable number that you can kind of look at or should we adjust this number for something else?

Ramesh Subramanyam: So I told you that the 69 crores of this year is more or less differentiated of the businesses which we have currently ongoing except that the other segment also has when you have one-off income in some of the investment that we make for example this quarter has 10 crore of that so you can work out therefore that those amounts may not be recurring all the time.

Moderator: Thank you. Next question is from the line of Gaurav Khandelwal from Emkay Global. Please go ahead.

Gaurav Khandelwal: The question is on CGPL, just to understand it a bit better the 76 crores loss which you have reported adjusted for the 100 crores of depreciation difference, if we look at it from the quarter-on-quarter basis like-to-like basis gives is about 176 crores of loss on like to like basis is and if we look at the last three quarters average loss is about 275 crores so is that correct to assume that given the fuel cost for the full-year is about 1.44 which is also the quarter fuel cost is very, there is no significant improvement in the fuel cost as such. The 100 crore amount which is the lower versus the last three quarters average is essentially driven by the recovery of the fixed cost for past three quarters driven by higher availability in this quarter, is that a correct assumption to make?

Ramesh Subramanyam: Yes I think by and large yes because you should remember that the operational efficiencies also vary and FOREX movement for example this time has been much lower than the previous year.

Gaurav Khandelwal: Operational efficiencies I would believe that it is already counted in the fuel cost itself so….

Ramesh Subramanyam: Yes, other than operations there is O&M also right.

Gaurav Khandelwal: And second thing on this is the depreciation which we are charging now at a run rate of about 420 crores odd for the full-year, is it in line with the debt repayment which will happen post the compulsory tariff issue is resolved for whatever is the run rate for that repayment as per the timelines today is it in line with that or debt repayment will be slightly higher than this?

Ramesh Subramanyam: Debt repayment would be higher than this that is for sure but remember this is not a regulated business where it is definitely matched although we are trying with our lenders to do so.

Gaurav Khandelwal: But have we gone for this 5x25 in the domestic debt?

Ramesh Subramanyam: We have approached the lenders for a revised repayment schedule and we have received a favorable response.

Gaurav Khandelwal: The 1.44 per unit cost you mentioned, I suppose excluding the transportation and…

Anil Sardana: Yes.

Gaurav Khandelwal: So can you give all inclusive fuel cost landed at the plant for the quarter and also for the full-year?

Ramesh Subramanyam: Its 180.

Gaurav Khandelwal: This is for the quarter?

Ramesh Subramanyam: Yes.

Gaurav Khandelwal: Also for the full year?

Ramesh Subramanyam: 190.

Gaurav Khandelwal: 1.9?

Ramesh Subramanyam: Yes.

Gaurav Khandelwal: So there is the significant savings in the transportation cost.

Ramesh Subramanyam: We don't give that breakup separately.

Gaurav Khandelwal: Thank you very much.

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

Mohit Kumar: What is the order book at Tata Power Solar and have we seen the enquiry increase in the terms of EPC order and can you state the losses to be lowering in the coming quarters or the coming year?

Anil Sardana: Again Mohit we will refrain from giving a guidance but at the same time yes the quest is to reduce the losses and improve the performance undoubtedly, as far as the order book position is concerned certainly better compared to the past years.

Mohit Kumar: Is it possible to quantify the order book in terms of megawatt and…

Anil Sardana: I don't have that number ready with me except to tell you that recently they won the 100 MW of NTPC which is in the public domain and also I think the rest of the order book is anywhere close to about 80 MW which we're executing.

Mohit Kumar: My second question pertains to what would be competitive tariff at the current price of coal, can you quantify that?

Anil Sardana: Considering the dollar rate and the fuel prices it will be about 40 paise.

Mohit Kumar: At current prices, right?

Anil Sardana: Yes.

Moderator: Thank you. As there are no question, would you like to add your closing comments Sir.

Anil Sardana: Thanks friends for all your questions and I hope you have got those answers for such us we colleagues where we ask them to approach us directly in terms of some of the details. Shubham from our Investor Relations Team would be happy to provide them the answers. If anyone else wishes to ask any more questions you're free to shoot your questions to him and you will get the responses soon. Thank you once again for joining us for this conference and look forward to your joining us for the Quarter 1 when we meet next. Thank you so much. Good day to you.

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