

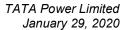
"TATA Power Limited Q3 FY20 Earnings Conference Call"

January 29, 2020





MANAGEMENT: MR. PRAVEER SINHA – CEO & MANAGING DIRECTOR MR. RAMESH N SUBRAMANYAM – CFO





Moderator:

Ladies and gentlemen, good day and welcome to the TATA Power Limited Q3 FY20 earnings conference call.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Praveer Sinha from TATA Power Limited. Thank you and over to you, sir.

Praveer Sinha:

Good evening and welcome to the earnings call to discuss the Q3 results for TATA Power\. I have with me the CFO for TATA Power, Ramesh Subramanyam, and my senior colleagues - Kasturi, Anand, and Rahul. I will take you through the details of the Q3 FY20 results.

The 3rd quarter has been very fruitful for TATA Power Limited with a strong performance in current businesses driven by our focus on operational excellence while we have continued to make very good progress on our monetization agenda. In these tough conditions, we have been able to report a continuing and strong growth in operational profit of all our businesses. Our balance sheet has improved, and we have not lost sight of the selective high growth opportunities, which has led to a healthy pipeline of renewable projects, closure of the 1st acquisition through Resurgent platform and also successfully winning the CESU distribution bid.

Let me try to cover some of the important aspects. As you would have seen from our results, most of our businesses have delivered consistent performance with significant improvement coming from Mundra where losses continue to reduce, and this is supported, of course, by lower coal prices but also because of higher blending of coal and also better coal sourcing.

The consolidated revenue has come to ₹ 7171 crores compared to ₹ 7900 crores in the previous year, mainly driven because of the lower fuel revenue in CGPL and also in Mumbai Operations - Trombay because the coal prices have come down. The second aspect is that the consolidated EBITDA has grown in this quarter by 8.2% to ₹ 1970 crores compared to ₹ 1820 crores in the previous year and this again is because of improved performance of CGPL and Renewables. Our renewables have also reported a very good growth of 11.5% in EBITDA from ₹ 436 crores, and this is excluding Cennergi which is held for sale, to ₹ 550 crores because of the 400 megawatt of solar capacity which has been installed in last 1 year.

All other subsidiaries and joint ventures have also continued to perform very well. The underlying business EBITDA has grown by approximately 5% from ₹ 2051 crores in the previous year, which is of course without Cennergi and ITPC, to ₹ 2150 crores this quarter.

Underlying EBITDA on a YTD basis has grown by 11% to ₹ 6928 crores. The company has achieved a PAT of ₹ 246 crores this quarter as compared to ₹ 220 crores in Q3 FY19 and has



achieved an overall growth of 11.5%. If we take out the PAT of Cennergi and ITPC which have been held for sale, the PAT actually grew by 24% on like-to-like basis.

Third quarter of the year usually sees a lower renewable generation because of lower winds and also in a number of places, the solar levels were much lower. And this has reflected in the results of this quarter. The softening of coal FOB prices by approximately \$4 per tonne has happened compared to last quarter whereby the CGPL fuel under recovery has reduced significantly from 51 paisa to 32 paisa. And last year, it was 93 paisa. So, there has been a substantial reduction in the under recovery for CGPL.

The coal portfolio has reported a profit of ₹ 121 crores this quarter compared to ₹ 188 crores in the previous year because of the lower coal prices globally. The Renewable business portfolio continues to grow, and we have commissioned 400-megawatt solar plant since last year and another 700 megawatts of solar plants are under implementation.

As you would see that our renewable business profitability is continuously improving as the portfolio gained size and the projects stabilized. The return on the renewables is as per our expectations. The solar EPC business is also growing, and we have presently an order book of nearly ₹ 7,700 crores on large projects along with ₹ 550 crores for rooftop solar. A significant portion of this order book today is from non-TPREL, which demonstrates that the EPC for solar projects is recognized for a quality performance by other developers too.

In the solar pump business also, there is a very strong pipeline of orders. 4700 pumps have been installed in the last quarter and we have a large number of solar pumps order which we will be executing in this quarter.

Tata Power Solar has also recently received a letter of award of 160-megawatt NTPC **Jetstar** project and 250-megawatt CPSU project which will have domestic content.

The second pillar of the turnaround for TATA Power has been deleveraging and there has been some good progress in the last few months. The sale of Cennergi has progressed very well, and we have received the Competition Commission approval in South Africa, and now we are awaiting the final approval from the Department of Energy. We expect this transaction to close by mid-February, and the sale will fetch us about USD 106 million plus adjustment for current assets.

The process of sale for ITPC's stake in Zambia has also moved forward. And there has been a very positive development with Government of Zambia starting discussions on the PPA and also to resolve the outstanding payment issues and other commercial terms. We expect that this will all help in the valuation and the sale process which we expect to complete in the next 1 year.

Our sale of defense business has finally received the NCLT approval and application has been submitted to the Ministry of Defense for approval for novating all the contracts and all the agreements that we have with them. We expect this transaction to close in Q1 of FY21. We are



also working on monetization of certain other overseas investments, and we expect that these will happen in the next 6 to 9 months.

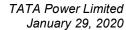
In addition to the above divestments, we have made considerable progress in our process to set up the growth vehicle for our renewables, which can unlock significant capital for TATA Power. We hope to announce the specifics on these in the next few months after we make some substantial progress.

As you would have seen, we have repaid debt of nearly ₹ 2250 crores in this year and approximately ₹ 1900 crores of fresh debt was taken for the regulated CAPEX and the renewable capacity additions that have taken place. This new CAPEX will add to the bottom line in the coming quarters and will help us to improve our debt-to-equity ratio. Because of the efforts made by us in improving our operational profitability and reducing debt, we have been able to reduce our net debt to underlying EBITDA from 5.69 a year back to 5.12 by the end of this quarter and the debt-to-equity ratio from 2.24 to 2.12 in this period.

Before I move to the growth opportunities, let me also update you on the progress made on HPC for Mundra. Subsequent to the last meeting called by the Ministry of Power which was on the 12th of December, the states have internally progressed, and we are expecting that they should be in a position to decide in the next few months on the amendment to the PPA. We expect that all the other states apart from Gujarat should come with their decision in the near future and we are in continuous discussion with them. We had earlier informed you that the coal mine had a DMO obligation. Of course, it has not impacted us for the last 3 quarters because the coal prices have been below \$70, but we understand now that the DMO obligation has been extended, and this will continue for this year also, but the impact will depend on the price of coal, which is there in Indonesia.

KPC will make an application for extension of the license next month as it can be done only 2 years before the present license expires, and we understand that the new regulations which Indonesian government is expected to come up will help in getting the extension for the existing license for the next 10 years.

Moving to Prayagraj, we have seen that in the last quarter, we could take over the ownership of Prayagraj project, and we have completed the one-time settlement of the existing loans. Our immediate focus is, of course, to improve the availability of the plant and ensure that all the operational processes are taken care to improve the availability and also the operational capability of the plant. We are working with all the partners, stakeholders, and vendors to complete the balance activities of the plant so that all the 3 units can operate. Based on our turnaround plan, we are confident of improving the availability of the units to nearly 80% of the normative capacity in FY21 and we are on path to make these changes. We are also looking at a few more opportunities of stressed thermal assets provided they meet the requirements in terms of the PPAs and the coal linkage.





In December, we were selected as the successful bidder to take over 51% stake in CESU in Odisha. CESU provides a very interesting opportunity with huge potential to TATA Power Limited to improve its regulated returns over the investment as also to achieve incentive on overachievement of the AT&C loss levels. There is a loss trajectory which the regulator has given, and we are confident that once we take over and provide improvement in the reliability of supply and also in the billing and collection, we will not only be able to meet the AT&C trajectory but also improve upon it, which will provide us the additional returns over and above the guaranteed returns that we will get under the RoE system. We are also confident that we will be able to provide very good quality service to all the CESU consumers and this will be the beginning of many more such takeovers that we expect in the years to come by.

As we have seen the power sector in the country has been going through huge challenges, and there is a huge plan by Government of India under the ADITYA Scheme where in states will be provided an opportunity to either go for PPP structure or go for multiple franchisee structures, and we expect that TATA Power will play a very meaningful role in this privatization.

Some of the other new initiatives that we have taken; we have been working on EV charging network in collaboration with Tata Motors, and we already have 100 charging stations in 8 cities, and our target is to install 300 charging stations by the end of this financial year. This will cover all the main cities and some of the smaller cities too. We have also launched in this quarter the TP Renewable Microgrid, in collaboration with the Rockefeller Foundation, to set up 10,000 micro grids over the next 6 years to provide power to nearly 800 million people across India and help eradicate the energy poverty. We expect that this will be a game changer in terms of providing not only power to the homes in these villages but also the commercial and industrial establishments and thereby encourage the micro enterprise.

As you would have seen, our efforts have been to steady the business in a very tough macroeconomic environment and delivering good results. We are confident that with our calibrated growth strategy and with targeted deleveraging, good results will come, and this will benefit all our shareholders.

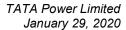
I now hand over the call to Stanford for question & answers.

Moderator:

Ladies and gentlemen, we will now begin the question & answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar:

There are 3 questions. The first is on - of course, you deliberated on the fact that we are speaking to various stakeholders regarding HPC recommendation. Is there anything specific which is happening in some of the states, which you can throw some light on? Secondly, on the coal and infrastructure, while EBITDA has grown YOY, but PAT declined. Is there any specific reason why the PAT has declined YOY? And thirdly, on the CESU, is it possible to share the AT&C loss trajectory? And fourthly, in the slide, I understand that you should be able to collect 10% incentive on collecting past arrears from live consumers and 20% incentive from permanently





disconnected consumers. Would it be possible to share the past receivables to be collected from the consumers?

Ramesh Subramanyam:

Let's take one by one. You first asked about HPC. Frankly, the process is that each of these states have to go and take a cabinet approval, and where the process lies is somewhere between the respective ministries and the cabinets of the states. So, I think all of them are in various stages, and we are following it up and we are hoping to get some kind of clarity as soon as possible. I would say there is no specific progress because the next step is really for the states to get their respective approvals and then approach CERC because CERC has to finally approve the amendment to the PPA. That was on Mundra.

Then, you asked about coal companies. You said coal company's EBITDA is better, and PAT is lower. I think it has to do with the previous year where we had a tax-related reversal. We will just check that out. We can supply you separately the information. Otherwise, it's directionally in trend with the coal price drop. There is only one-off item which is causing this. We'll give you the data.

Ramesh Subramanyam:

The other question you asked was on CESU. Can you repeat the CESU question?

Mohit Kumar:

Sir, I was just trying to figure out if it will be able for you to share the AT&C loss trajectory, which you have agreed on with the regulator? Secondly, in one of the slides, you have mentioned that you are eligible for an incentive of 10% for collecting past arrears from live consumers and 20% from permanently disconnected consumers. My question was, what is the past receivables due from all the consumers?

Ramesh Subramanyam:

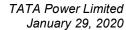
First is that right now we have data only based on RFP documents. RFP documents is, I am told, not public, but then that mentions an opening loss of 30%. Now, your question on the specifics of the past recovery, I think those things are still being collated and validated. When we finalize what is called the Vesting Agreement and we are handed over the company, at that time, the final position will be known. Right now, I think it will be too premature to share the numbers. We had taken some numbers based on the RFP, but I don't think that's the right thing to talk about now because it's over a year now since we had bid.

Praveer Sinha:

And they have already appointed an auditor who is doing the audit and will be providing us the details as of 31st March for us to take over and that will become the benchmark.

Ramesh Subramanyam:

I just want to clarify. I think there are some queries which we have been receiving on the whole economics of this CESU opportunity. The fact is quite clear. There is an opening AT&C loss, and there is a concern in the market that whether these AT&C losses are going to be more or not. I think we are very clear about what range it is. We have factored that into the bid. And the next question is that, is there going to be losses in this? The answer is that depending on the trajectory which actually we land up with, there could be initial periods of less profits because of the fact that we have taken all the effort to release the AT&C and we are kind of investing a lot, but that's part of the bid itself. We have modeled it in that fashion. That in the earlier time





when we kind of take a couple of years to achieve that and thereafter we beat this trajectory which is there in the RFP and in the bid. Therefore, there is a very clear approach here that you make your returns on the improvement over the trajectory. You make returns on the fresh regulatory CAPEX. We have a CAPEX plan today, which is roughly ₹ 2000 crores over the next 3 years, and we also would expect from the past recoveries which you said which is the other incentives which are available. So, I think we are well on track based on what we bid. We need to really see the final transition numbers which we are going to likely to freeze in the next couple of months.

Moderator: The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Sir, one of the slides mentioned that there was some surrender of power by the buyers in Maithon

project. What was the quantum and what was this about?

Ramesh Subramanyam: This was more about the fact that there is a scheme called RRAS under which if the units based

on their merit order are asked to back down in case you are more expensive or increase your capacity if you are less expensive, but in turn, you are compensated because, remember, these are all regulated projects. While the surrender may happen, but you are also given some part back as part of that RRAS mechanism where the sharing of profit is done by the central utility which handles the load dispatch. This is the scheme that has, in fact, earned the company a decent

amount this quarter. While it may look as if there is lower generation, but it is compensated.

Atul Tiwari: So, the plant continues to earn its fixed cost based on the full availability and over and above

that, you get a share of the profit.

Ramesh Subramanyam: Yes.

Atul Tiwari: Sir, on your renewable portfolio, in this quarter if I look at, say, slide #22, the PAT is about ₹29

crores compared to the net worth of about ₹ 7750 crores. Even if you analyze the PAT, it's like 2% ROE while obviously the company is investing more in renewables, and obviously, a lot of renewable portfolio, a large part is now pretty seasoned. So, what is the thought process behind putting in more money when the current ROEs appear to be on the lower side, much lower than

11% to 12% which one would normally hope for?

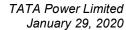
Ramesh Subramanyam: See instead of the net worth, you have to look at the invested capital. The net worth would also

not reflect the fact that at a consolidated level there is an investment in WREL. If you take on the invested capital, then I think the number is much higher in terms of ROE. Out of the $\stackrel{?}{_{\sim}}$ 7700 crores, there is an elimination when you come to the consolidated number of $\stackrel{?}{_{\sim}}$ 2064 crore which

is the intercompany investment between TPREL and WREL.

Atul Tiwari: But the note #2 reads that consolidated net worth excludes intercompany investments, isn't that?

Ramesh Subramanyam: No, it's not. That includes dividend. If there is a dividend flow, it is excluded.





Atul Tiwari: So, how much we should remove from the networth?

Ramesh Subramanyam: The net worth comes to nearly ₹ 5,700 crores but ₹ 5,683 crores to be precise.

Atul Tiwari: Sir, still, from, say, 1.5% ROE to go to 2.1%.

Ramesh Subramanyam: I think you have to look at one important issue. Q3 has been down by about ₹ 55 to 60 crores in

terms of lower generation than normal generation because of the weather being bad across the country; solar and wind both have underperformed. This is more weather related. So, when you see on a YTD basis, this number would look much better. So, on YTD basis, we earned ₹ 282

crores of PAT, all our renewables put together.

Atul Tiwari: Sir, my last one is on the Cennergi sale proceeds. You said USD 106 million you will get for the

deal.

Ramesh Subramanyam: Yes.

Atul Tiwari: And this is versus how much investment made total so far in that business?

Ramesh Subramanyam: USD 60 million was the investment. In fact, USD 106 million is the base value, then we will get

working capital adjustments, about USD 10 million more, so around USD 120 million. And remember, this is after dividends have been paid out of the past period. So, when you want to calculate the return on investment, it is much higher. Right now, based on the current distribution which has already happened, we are still going to receive about USD 120 million roughly gross

including working capital. USD 106 million is the base value.

Atul Tiwari: Sir, for the defense business, how much we should expect the proceeds to the company once it

is finalized in a few months' time?

Ramesh Subramanyam: In the defense business, as you know, there are 2 components. One is the deferred payouts and

one is the upfront payouts. The upfront payout is about ₹ 1000 crores, and of that, ₹ 600 crores is debt component, balance is to be received depending on when the timing of that sale is because till that time, the losses, etc., has to be absorbed by us. So, at least the upfront payment, we are likely to be closer to that. Future payouts, we can't say because those are depending on all the orders coming through in the coming years. So, about ₹ 600 to ₹ 1000 crores is the range at

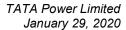
which realizations certainly will happen.

Moderator: The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Just if you can clarify a bit more on CESU. Thanks so much for a lot of details here. But since

the loss trajectory is given by the document, is it already finalized or is that still subject to

negotiation based on what you get from the audited numbers?





Praveer Sinha:

Right now, it is given as per the RFP document and this is subject to what finally gets audited and pro rata increase or reduction to that extent will take place. As Ramesh mentioned, there are 3 revenue streams in the CESU business. One is that you will get whatever is your O&M cost based on actuals. The second is the CAPEX that you would incur, you will get the return on equity. And the third is the incentive that you will get. Now, the incentive component one is relating to the loss reduction. The trajectory that has been given, if you do better than that, for every 1% improvement, there is an incentive that you will get or on pro rata basis. The second is on the collection part of it. Every old payment that you collect, you will get incentive. So, 3 revenue streams are there, and the target is that we will do much better than what has been given in the trajectory by the regulator, and we should be able to get a much better return once we stabilize the operation in 18 to 24 months.

Puneet Gulati: And ROE will still be 15.5%, isn't it? Standard.

Praveer Sinha: On the regulated CAPEX that will be done, ROE will be given.

Puneet Gulati: Second is a bit more on your financials. I'm surprised, there has been a bit of a restatement for

Q3 FY19. Wondering how has that happened and what is responsible for that restatement? Reported EBITDA alone was last time reported ₹ 1480 crores. Now reported EBITDA for Q3

FY19 is a much higher number.

Ramesh Subramanyam: There are 2 accounting adjustments here. It's not restatement, there is change in accounting

standards. One is the recognition of the regulated business related tax where you have to recognize both revenue as well as the tax side. It doesn't affect PAT, but it changes the EBITDA number, it changes the tax number, okay. That is ₹ 272 crores. And the other one was, on perpetual debentures, where the accounting for tax on interest of perpetual debentures has changed. The tax on interest of perpetual debentures was earlier recorded under Taxes in Profit & Loss Statement but now it is directly going Equity. The tax deduction on the interest is also considered as part of equity given the nature of the instrument due to accounting treatment, not

due to any commercial decision.

Puneet Gulati: So, the tax deduction that you were allowed earlier is not allowed anymore on that interest?

Ramesh Subramanyam: Yes. While we are claiming in the tax returns, based on some recent judgment, etc., maybe this

decision has been taken.

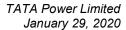
Puncet Gulati: Lastly, on Prayagraj. What is the progress? Where do you go from here? Have you started work

in terms of running the plant and all?

Praveer Sinha: We took over the plant in the first week of December, and thereafter, we have been trying to

stabilize the operation. Right now, 2 units are under operation. And from 50% availability when we took over, they have reached availability of 70%. There is 1 unit which is down because one of the circuit breakers had got damaged. This got damaged many months back, but because when

we took over, we said that we need to get this done quickly. The spare part has been airlifted





from Paris and has reached the site, and we are expecting that by mid of February, the third unit will also start operating. So, we expect that this year we will close with a cumulative availability of about 70% which is the highest because this plant had never operated more than 50% availability in the last 4 years. In fact, the last year it was 49% and previous to that was 35%. We expect next year we will have the full availability of the plant at 80%. And the plant parameters - operational parameters - are being stabilized, the coal linkage also is being tied up to see that there is enough coal for all the 3 units. Also, the railway line work which had got stranded for many months has started, and we expect that the railway line work will also get completed by March end and we should have all the railway links working by April. I think it's a very good progress that is going on, and we expect that in the next financial year, we'll meet all the operational parameters and the plant will be operating at full capacity.

Puneet Gulati: Lastly, there is some news which keeps on coming that you will stop operating CGPL if the sale

doesn't happen. Is it something that you would consider?

Praveer Sinha: What happened that there was a meeting taken in Ministry of Power, which the Union Power

Secretary had organized. And in the meeting, he had told all the 5 states that there is a sense of urgency in finalizing the HPC recommendation and he had given them time till mid-January that they should complete. If the plan continues to be under stress, it may not be in a position to operate from the first week of March. Based on that, the states are working to meet the timeline, and we expect that they will come up with their decision on the PPA amendment before the

March timeline. And we may not have to really go for that if all the states come on board.

Puneet Gulati: But if the states miss the timeline, would you actually stop the power?

Prayeer Sinha: We'll have to examine. We expect that all the states are in active discussion and they should be

able to resolve this because at the end of the day even with the revision in tariff, they will continue to get the power at one of the lowest tariffs in merit order, and it is in their interest to

see that the operation of the plant continues.

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

Abhishek Puri: I understand, for CESU, you're not providing the loss reduction trajectory. But from a 3-year or

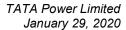
a 5-year perspective, what would be the target from the current 30.5% that is there in the PPT?

Ramesh Subramanyam: Abhishek, because it is a government issued RFP that we can share with you. In the RFP, it was

supposed to go over a 10-year period to 14%. There is a trajectory there.

Praveer Sinha: And in 3 years, this is supposed to be 23.7%.

Ramesh Subramanyam: So, we will do much better than that.





Abhishek Puri:

Has that been reduced or eased out? Because I was going through some of the clarifications of previous RFP document, with the other bidders quoting that first couple of years can be high loss years.

Ramesh Subramanyam:

That is still under active discussion, as Mr. Sinha just said. There is a document which is the final document based on all the audit and baselining, and then in that, this also will be considered.

Abhishek Puri:

Secondly, on Mundra. The current fuel cost under recovery is about 32 paisa. Based on the current formula that has been discussed with Gujarat and Punjab, would this be entirely offset if you get the supplementary PPA signed up under these 2 agreements? I am just trying to see that there is no pullback formula that minimum 20 paisa that was there as an offset. If fuel costs go under this current level, there will be no pullback which will be required from your side.

Ramesh Subramanyam:

Certain things are not fully stitched up in that sense on the operating part because CERC will put a final stamp to it, Abhishek, but broadly, this 20 paise and the 15 paise apply. But remember that this 32 paise is also based on certain type of coal, etc., which will be purchased in HPC. There is a different formula because only Indonesia is allowed, no other country is allowed. There are other conditions around it. As of now, our understanding clearly is that we may not have to give back, it is only what is there as the minimum.

Abhishek Puri:

Thirdly, on the standalone results, why are the numbers so weak? I am unable to understand the impact.

Ramesh Subramanyam:

First of all, the operating profit of the operating assets is absolutely stable when it comes to the standalone. We normally have an operating profit of about ₹ 600 crores quarter-on-quarter plus or minus any adjustment on account of the regulatory orders. So, that is absolutely stable. I think the only difference is for dividends which we bring in from our subsidiaries. So, if there's no dividend, you still have the interest cost, which is there, which essentially is to fund Mundra and some of the corporate loans that always remain. Q3 also is one of the weaker quarters for some of the assets. Previous year had deferred tax asset of ₹ 252 crores. Yes, that was also there. But otherwise, it's a normal quarter. The dividend completely, as you know, gets eliminated when it comes to consol.

Abhishek Puri:

But in terms of operating profit, the profit is down ₹ 292 crores whereas ₹ 272 crores was because of this deferred tax asset.

Ramesh Subramanyam:

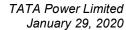
No, you are looking at variance. Look at the profit. The operating profit is 855 last year for the quarter against 563 this quarter. So, if you remove the $\stackrel{?}{\sim}$ 272 crores last year adjustment from the $\stackrel{?}{\sim}$ 855 crores, you are at the $\stackrel{?}{\sim}$ 600 crore level.

Abhishek Puri:

So, broadly, this ₹ 20 crore decline is largely attributed to the tightened operating parameters?

Ramesh Subramanyam:

Sometimes it's tightened. Also, in the standalone also, there is some wind which has underperformed. So, I think a combination of small items.





Abhishek Puri: If I may ask one more on the renewable monetization plan. The renewable projects have been

ROE dilutive in the initial years. We had heard about the InvIT earlier in the press, what are the

plans on that side?

Ramesh Subramanyam: We are exploring various options. We are also waiting for the budget because there is, I think,

items around the infrastructure and tax relief on the infrastructure that will be available. So, we are just watching this space too. But suffice to say that we are looking at both these options very-very intensely and closely. You will hear very soon on what we finalized. Very soon we will be

going for it.

Abhishek Puri: Was this a part of that billion dollar in 4 quarters that was being talked about earlier?

Ramesh Subramanyam: No.

Moderator: The next question is from the line of Aniket Mittal from Motilal Oswal. Please go ahead.

Aniket Mittal: On the Arutmin mine, what is the amount that we have received so far? Given the fact that I

believe that the mine would be up for renewal this year, could that hamper the proceeds going

ahead?

Ramesh Subramanyam: First of all, we have received about USD 205-odd million so far and also the mine particularly

doesn't really matter because it has been paid by the shareholder to us, not by the mine.

Therefore, whether the mine renewal happens or not, frankly for us receivable doesn't get

affected.

Aniket Mittal: How do we see the remaining amount coming in?

Ramesh Subramanyam: Yes, amounts are trickling in as per the plan, because remember that it is just like a typical

restructured asset where the lenders typically ensure that there is a regular payout, similar arrangement is there. So, we are regularly getting payouts. It would have helped if the coal prices were higher for the mine, but still we are receiving. We got about USD 17 million we progressed

from the last quarter. So, USD 5 million to USD 6 million per month is the amount that we get.

Aniket Mittal: Secondly, on the receivables front, could you let me know what's the receivable situation on the

renewable business? Specifically, are there any receivables which, I think, had shot up? Are

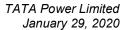
there any recoveries we are expecting on that front?

Ramesh Subramanyam: I think barring 2 states, we are comfortable. These 2 states, as you know, it's not very difficult

to guess which states they are, but there also we made some good progress. We have been doing in some states some factoring, some bill discounting, and also there has been improvement even in Andhra now we have started to receive payments based on the court order which asked them

to release initial amount. I think on an overall, we are below 3 months on a consolidated basis.

And I think, in some states, we are lagging.





Aniket Mittal: What would be the total amount of receivables within renewables right now?

Ramesh Subramanyam: We will give you separately if you don't mind.

Aniket Mittal: Just one last question. I am sorry to harp again on CESU. But I'm just trying to understand, when

I have a look at the tariff order for FY19 and '20, there is a big revenue gap over there, roughly of around ₹ 700-odd crores. The approved AT&C by the regulator for both those years is around 24% or so. If there is a change in this, would this imply that the regulator would have to approve certain tariff hikes for us? There is change in normative AT&C, which means the power purchase cost would have to go up. And similarly, if we want to reduce the gap between, let's say, what's

approved and what we believe the ARR should be.

Ramesh Subramanyam: Aniket, the understanding here is, we are receiving a fresh balance sheet as we are taking over

the company. Any tariff adjustments of the past, the regulator has to deal with it in the manner they regularly did, which is if they have to create a regulatory asset and recover over a period and that's the call they will take. As far as we are concerned, we start with AT&C loss number which will be validated and from there we have to take on. So, strictly in our understanding, the past doesn't come to us as a hit or something, the tariff adjustments has to be looked after by the

regulator.

Praveer Sinha: And if there is any tariff hike that is required, they will be taking care and that will come as a

part of the vesting order, wherein, as a normal practice, they will revise the tariff.

Aniket Mittal: Just one last question. I may have missed on this, but what's the past arrears for CESU? You

have made a line saying that there is an incentive that you will earn.

Ramesh Subramanyam: I don't have the latest number because the government would have not given us the latest number,

we are waiting for that. I think maybe in the next call, I will be able to share. That will be clearer

soon. Just hold on to that. Wait for a month or so before we get the clarity.

Moderator: The next question is from the line of Anshuman Atri from Premji Invest. Please go ahead.

Anshuman Atri: My question is regarding renewables. There have been few news items talking about some InvIT

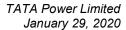
structure which could be possible and deleverage TATA Power. And there have been other news where TATA Power Limited had said that it wants to become a pure play renewable company. Both of them are a bit contradictory. So, I just want to understand whether you will have InvIT

for renewables or you will remove the thermal assets and become a pure play renewable?

Ramesh Subramanyam: What we have been saying in public is that we want to be as carbon friendly as possible as a

company. Although we have a presence in thermal, we have a plan of reducing our thermal footprint, which is why we had started the thermal platform. That is part of our strategy to reduce the exposure to thermal. Now, what it means is, automatically the ratio of thermal comes down in the overall scheme of things, but we can't eliminate it because we are sitting on with 7000-

odd megawatt of thermal power apart from what we have done through the Resurgent platform.





But yes, on the renewable side, we are keen and we are going to aggressively expand in renewables. And whether it is InvIT, which is one structure we are evaluating. We are evaluating certain other structures also depending on which is more friendly. And maybe in this current budget also, we would be looking for some clues on how the government wants to encourage it and take a call quickly and move on because we are very clear that we want to build our renewable portfolio into a very large portfolio.

Anshuman Atri:

Secondly, on the discoms, if there is a reform announcement in ADITYA, what is the potential for you? What is the bandwidth of the company to take on?

Praveer Sinha:

I think that in distribution space, there are very few players in the country who have the experience and domain understanding and also the bandwidth. Fortunately, in TATA Power, because of its presence in Delhi, Ajmer, and Mumbai, we have built huge capabilities in-house for taking up this responsibility. Apart from this, whenever you take up a distribution company, the employees come along with them. It is not that the employees in those companies do not have understanding. It's just that the exposure and experience is less. So, the typical arrangement is that at certain specific senior level or in certain specialized areas we send the people from TATA Power. The rest of the people are utilized from there only and they are retrained so that they are conversant with the new technologies and its usage.

We have huge appetite. We are definitely looking at playing a very important role whenever the privatization or the franchisee arrangement happens. And based on the merit of each of these opportunities, we will be bidding. This is a big play for TATA Power along with the renewables that we have been discussing about.

Anshuman Atri:

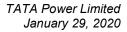
Sir, lastly, on the Mundra asset. In the last 1 year, we have been hoping that other states will also comply and go the Gujarat route, but we have not heard much from them. I guess, even when the 15th January deadline was given, not many states have responded. Suppose in the next 6 months we do not see much progress there, then what is the plan of action going forward?

Praveer Sinha:

We need to look at it under 2 separate scenarios. One is that notwithstanding the HPC, we have been able to reduce our cost. And you have seen in this quarter, we have been able to reduce the under recovery to 32 paisa, which is more or less what we would have got under the HPC. That's one part. The second is that the states are working on it. You know that the new government in Maharashtra, the minister has been appointed just a month back. And they have been discussing about it, and there is a genuine intention by all these states to resolve this. But they have to go through a process whereby it needs to go to various departments for their consent. This is definitely work in progress, which is happening, and we are continuously following up with all the states and all of them are on board that they require this power and they would like to come up with a solution which gets accepted by all.

Moderator:

The next question is from the line of Sumit Kishore from JP Morgan. Please go ahead.





Sumit Kishore: My first question is, has there been any development around legislation governing renewal of

coal mining license in Indonesia?

Ramesh Subramanyam: Yes, there is development in the sense after a new cabinet is formed. There will be an active

deliberation between government and industry. The Government of Indonesia has decided to also relook at several other laws along with the coal mining law, which they are trying to put something like, called an omnibus statute. And the government has appointed a group of ministers to finalize this in a very short timeline. I think they have given some deadline for coming out with the final recommendations and the law itself. Apparently, the progress is very fast. So, we should be hearing in the next few months about the guideline for renewal being announced. It's good progress, I would say, considering that there was election last year and then

it took time for them to settle down.

Sumit Kishore: My second question is, if I look at the regulated equity base from Mumbai operations, it has

reduced by about 2.5% or so since, say, the Q4 of FY19. What sort of downward adjustments

are happening to the regulated equity base?

Praveer Sinha: One is that we have decommissioned two assets from regulatory business. This is the one main

reason, but we can give you the exact breakup.

Sumit Kishore: Just to understand this better, looking at this 1-year forward because you would be aware of what

is going to get decommissioned going forward, is there anything in generation or transmission

that we should be aware of that is getting decommissioned?

Praveer Sinha: No, there is no decommissioning. In fact, there is a large investment that is happening in the

transmission system and also in TATA Power Delhi Distribution.

Ramesh Subramanyam: So, approximately, in the regulated businesses, we would have at least ₹ 1000 crores from

transmission and distribution of Delhi and Mumbai put together and some in the Maithon.

Totally, that would be the range normally the capex going forward.

Sumit Kishore: ₹ 1000 crores is the CAPEX?

Ramesh Subramanyam: Yes, CAPEX. This does not include renewables.

Sumit Kishore: Regulated business CAPEX?

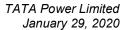
Ramesh Subramanyam: Yes, regulated business CAPEX. And the other question which you asked is the reduction of

base equity. This is also because one of the assets in the defense business that is one of the

regulatory assets has been deregulated.

Sumit Kishore: If I look at Prayagraj, what is the current landed fuel cost at Prayagraj? And if you could give us

a sense around the net station heat rate?





Praveer Sinha: The heat rate is still stabilizing. Whatever we had bid for it or originally the promoters had bid

for it, we should be able to reach that by April. I don't think that there will be any under recovery

as far as the heat rate is concerned. On the fuel cost, the details can be furnished to you.

Ramesh Subramanyam: Right now, I think the first month after takeover is yet to be over. We have estimated numbers,

but we don't have yet a firm number to give you right now given that so many things we are

moving there.

Sumit Kishore: Finally, on Odisha. If we were to look at this as an ongoing operation, what would be the

equivalent regulated equity base for that operation in Odisha currently?

Ramesh Subramanyam: The projected CAPEX in the next 3 years is approximately ₹ 2000 crores and it could be

probably front ended, and all this will get regulated returns because they are part of the normal kind of regulation, but I think that is not enough to compute the income because you will have past recovery-related incentives and any savings on the trajectory of AT&C will be added to

this.

Sumit Kishore: No, I get that for the future. But I'm saying that, if this operation as is where is when you got it,

what is the equivalent regulated equity base for the investments already made there?

Ramesh Subramanyam: I don't have the number handy. I'll give you. We are taking over a clean company at what you

call depreciated value. We are not really even going to file the ARR for the assets so to speak of the past. So, we'll give you that number. We'll have that number and send you that number. Just to give you an idea that what's the asset size and therefore what is the regulated equity involved

in that asset.

Sumit Kishore: That would be useful because it will give us a very good starting point as to what the size of the

business would be.

Sumit Kishore: Last question. 700 megawatts of solar projects under implementation, what is the phase-out in

terms of commissioning?

Praveer Sinha: We have some of them planned in the second quarter of FY21, some in the third quarter, and

some in the last quarter of FY21. So, most of them will get commissioned within the next

financial year.

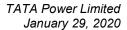
Sumit Kishore: So 700 megawatts in FY 21.

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

Mohit Kumar: I have only one question regarding Prayagraj. Sir, the enterprise value which you mentioned in

the slide is ₹ 7000 crores. And I believe, ₹ 6000 crores is one-time settlement. Does it mean that for 77% stake which we have acquired from the lenders, we have paid roughly around ₹ 770-

odd crores?





Ramesh Subramanyam: We paid ₹ 6000 crores. That's right. But that is partly debt and partly equity. Remember that

while we bought in about ₹ 1300 crores as equity and ₹ 4700 crores as refinanced debt to put

this ₹ 6000 crores. Now, what was your question?

Mohit Kumar: Sir, the slide says the enterprise value is ₹ 7000 crores. Where is the additional ₹ 1000 crores?

Ramesh Subramanyam: Maybe you're talking about working capital or including working capital, but that's not the case.

We haven't given any ₹ 7000 crore number.

Mohit Kumar: It is somewhere in one of the slides there.

Ramesh Subramanyam: Total assets, maybe including gross current assets because ₹ 600 crores is definitely debtors

there. Maybe you are looking at that number. We will have it verified. Which slide is it?

Mohit Kumar: I'll get back, sir. I just forgot, but it is there.

Ramesh Subramanyam: Alright, later.

Mohit Kumar: So, ₹ 6000 crores has been funded by ₹ 1300 crores of equity and ₹ 4700 crores of debt, am I

right?

Ramesh Subramanyam: Yes.

Moderator: The next question is from the line of Deepak Krishnan from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir, this is Pulkit from Goldman. Just one question from my side. As we look at CESU, we look

at Prayagraj and the renewable portion, can you guide us what will be the consolidated CAPEX

plan for the company for the next 2 years?

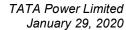
Ramesh Subramanyam: Prayagraj is on the Platform. So, I hope you are not considering it as consolidated, but you will

probably use it for calculating the total regulatory returns. But if you must remember one thing, Prayagraj is not a regulated CAPEX. It is a bid out project, any CAPEX has got no relevance, it is not considered for return. Just in case, we want to clarify that clearly. Renewables, depending on the bids, the ongoing 700-megawatt clearly would be in the range of ₹ 3000 crores CAPEX and the rest of the regulatory which is Mumbai, Delhi, and others put together another ₹ 1000 crores. That's our baseline. If we win more bids, then the CAPEX would, of course, increase in

the renewables side, especially.

And you've got 2 pieces here. The CESU alone, depending on finally how we start, the plan is ₹ 2000 crores in the first 3 years. It could be early; so, even half of that could be in the first year also, but that will come out in the next few months, we'll be clearer about it. So, that is CESU. And then there is Maithon which I did not mention, we have a railway project and the FGD. Those are significant amounts. I think ₹ 600 crores CAPEX on FGD, ₹ 400 crores CAPEX on

railways we're going to capitalize. So, that's $\stackrel{?}{\underset{?}{\sim}}$ 1000 crores separately.





Pulkit Patni: This and plus renewables?

Ramesh Subramanyam: Yes, this plus renewables.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the

management for closing comments.

Praveer Sinha: Thank you very much for all the questions. And if there are any other queries that the analysts

have, they can get in touch with the management. Our team of Kasturi and Rahul Shah would be able to provide all the details. We have also noted down all the other details which were asked for, and we'll furnish the same to the concerned analysts. We thank you all for joining us in the

call.

Moderator: Ladies and gentlemen, on behalf of TATA Power, that concludes this conference. Thank you for

joining us.