f

# The Tata Power Company Limited
# "Q4 FY 20 Earnings Conference Call"
# May 19, 2020

**Moderator:** Ladies and gentlemen, good evening and welcome to the Conference Call for Q4 FY20 Results organized by the Tata Power Company Limited.

We have with us today Mr. Praveer Sinha – Managing Director & CEO and Mr. Ramesh Subramanyam – CFO from Tata Power.

At this moment all participant are in a listen-only mode, later we will conduct the question-answer session at that time if you have a question, please press '*' and '1'.

I would now like to turn the conference over to Mr. Praveer Sinha. Please go ahead, Sir.

**Praveer Sinha:** Thank you. Good evening, everyone, and welcome to the earnings call to discuss the Q4 results for Tata Power. I have with me my colleague, Ramesh Subramanyam, CFO of Tata Power along with other senior colleagues over here. I hope all of you and your families are safe and secure in the current circumstances and are taking necessary precautions.

As an essential service provider, Tata Power is committed to providing uninterrupted power supply to ensure that our citizens continue to work seamlessly from home as also our front-line workers, medical staff, law enforcement agencies and other essential service provider continue to serve the nation.

We were able to mobilize our business continuity plans very quickly as we moved into the first phase of lockdown. And all our generation plants, transmission and distribution locations, renewable plants continue to operate as planned through a seamless movement of people, goods and other essential requirements.

With a meaningful portion of the capital employed in regulated business or in stable returns such as in renewables business, our returns continue to be largely protected. The impact of COVID-19 has only had adverse impact in the delay in execution of some of our solar projects, where the import of modules got delayed from China. The fourth quarter has been driven by consistence performance in all our core businesses though we have seen some impact in the demand from last week of March in the first phase of the lockdown and which has improved over the last few weeks where the demand has increased.

This has ensured that our operations and our profit numbers are not impacted anyway. In these tough conditions we have also been able to close the sale of Cennergi and received the full consideration of USD 112 million while we have progressed significantly on other divestments.

Our plans to complete the takeover of CESU has been delayed due to the lockdown, but we have made all preliminary preparations for a quick takeover after the lockdown is relaxed.

As you would see from our results most of our businesses have delivered consistent performance and significant improvement is coming from Mundra where the losses continue to reduce significantly supported by lower coal prices, higher coal blending and better coal sourcing.

The consolidated revenue stood at ₹ 6,881 crores compared to ₹ 7,596 crores during the previous year mainly driven by lower generation in conventional assets, lower power purchase cost for distribution business leading to lower revenues offset by capacity addition in renewables. The consolidated EBITDA in this quarter grew by around 6% to ₹ 2,013 crores compared to ₹ 1,901 crores in the previous year mainly driven by improved performance in CGPL and all our other businesses.

Some of our solar sites in the south had lower radiations which impacted generation in the solar plants. We have invested a lot in our spares and operational processes for renewable businesses in last few years thereby ensuring a higher availability from these assets. Our solar assets where at 99% availability while our wind assets' availability has improved to 95% in this full year.

All other subsidiaries and joint ventures continue to perform well. Underlying businesses, business EBITDA has grown by approximately 8% from ₹ 2,163 crores in the previous year without Cennergi and ITPC to ₹ 2,328 crores this quarter. YTD underlying business EBITDA has grown by 9% to ₹ 9,269 crores.

The company achieved PAT of ₹ 475 crores this quarter as compared to ₹ 172 crores reported in Q4 last year growing by nearly 177% on year-on-year basis. If we exclude the exceptional items, PAT grew by almost 13% from ₹ 323 crores last year to ₹ 366 crores this quarter. If we take out the PAT from Cennergi and ITPC which have been held for sale, PAT actually grew by more than 20%.

The softening of coal prices by approximately $9 compared to last quarter has reduced CGPL's fuel under recovery significantly from ₹ 0.67 to ₹ 0.44 per unit. The coal portfolio, meanwhile, has reported a profit of ₹ 228 crores this quarter compared to ₹ 166 crores in the previous year.

We have 700 MW of large solar projects under implementation, while the solar EPC business has grown rapidly with an order book of nearly ₹ 7,000 crores on large projects and ₹ 550 crores of rooftop solar. Tata Power Solar has recently received letter of award for 300 MW NTPC CPSU II project at a price of ₹ 1,700 crores which takes our total order from NTPC in this year to ₹ 3,500 crores.

While there have been some delays in project execution due to the lockdown, we expect to make up for these delays and achieve our FY21 revenue targets. On back of thrust on the domestic manufacturing in India, TPSSL will also expand its manufacturing capacity in 2021.

Let me move now to the divestment process and steps taken to reduce our debt. The COVID-19 issues has impacted the receivables, with many Discoms delaying payment and collection from distribution business down due to the drop in demand and the moratorium on payment of fixed charges. While this did put pressure on liquidity we have adequate working capital and CP limits to tide over the liquidity crisis in the short term. With delayed payment charge as per PPA or as allowed by the regulators, the interest cost on the additional short-term borrowings will be adequately reimbursed.

We also expect to receive between ₹ 800 - 1,000 crores from the liquidity package announced by the government for our consolidated business, and a significant part of this receivables will be used for getting the Prayagraj outstanding liquidated. As a result of this we have decided not to avail the moratorium on the loans provided by RBI and have withdrawn the request which was originally made as a precautionary measure when we had just entered the lockdown period.

The current situation have had some impact on the deleveraging process, but we have made very good progress in the last few months on our disinvestment target. As you are aware, sale of Cennergi has been completed and we received UD 112 million in first week of April. While the Q4 debt numbers do not reflect the same, we are using the proceeds to repay the debt in this quarter.

We have also made progress with Ministry of Defense on sale of SED though due to current situation we expect this to close by Q2. As we have been communicating to you on sale of overseas assets we have progressed significantly on sale of our ships and final documents are currently under discussion. The sale is expected to be completed by this quarter and we are also working on monetization of other investments which we expect to realize in the next 2 - 3 quarters.

The interest in EPC business has been low due to the current economic conditions, and therefore the valuation is much below our expectations for sale of Tata Projects. We have decided that we will declassify Tata Projects as an asset held for sale from this quarter. Accordingly our results for current as well as previous year are restated. We are hopeful that with the thrust of government on revival of the economy, EPC business will pick up and improve in the next 12 to 18 months at which point we can complete the sale of Tata Projects. We of course target to conclude this by 2022.

The restructuring of the renewable business has progressed very well. We expect to finalize the new structure very soon, probably by end of Q2.

We have also repaid debt of nearly ₹ 2,000 crores this year and approximately ₹ 2,200 crores of additional debt was taken for regulated CAPEX and renewable capacity additions, which will reflect in the bottom line of next year. Despite the additional borrowings for this CAPEX we have been able to reduce our net debt to underlying

EBITDA from 5.28 a year back to 4.70 by end of this year. And the debt-to-equity ratio has reduced from 2.19 to 1.99 for the same period.

The company is committed to strengthening its balance sheet and we are working to reduce our debt to equity below 1.5 in FY21. And we have committed ourselves to reduce the debt to a level of about ₹ 25,000 crores in this financial year. In addition we have committed ourselves to no fresh borrowing for CAPEX in FY21 and we will restrict our CAPEX to the free cash flows from the business.

Let me now move to the update on Mundra and coal companies. Moving to Mundra you would have noted that our under-recovery has reduced significantly, and with the various initiatives undertaken, loss funding has been brought down. The company made a very, very important breakthrough in its last meeting called by the Ministry of Power, where it was agreed based on legal opinion that separate supplemental PPAs with each of the states is possible which takes away the risk of getting a supplemental PPA with all states.

Accordingly, the company has moved ahead with the states who agreed to the compensatory tariffs, and Gujarat and Maharashtra are at various stages of approval from their state governments. Once this approval is received, the company will implement the compensatory tariff from the agreeing states. The company also intends to divert the share of other states against payment of penalty, if any, and this sale will in turn give a higher return to the company.

As you would be aware, the Indonesian Parliament has recently approved the regulation for extension of coal licenses. While the final regulations are awaited, we understand that the conditions are more or less similar to the draft regulations, which was under discussion covering the extension period, area and the other tax related issues. This is a landmark decision which allows life of 20 years, taking away the significant risk of extension. We will assess the actual impact once the final regulations are received.

Let me now share with you an update on Prayagraj plant and CESU. Last year, we had taken over the Prayagraj project. And in the last quarter, we stabilized the performance of the Prayagraj plant. We have been able to improve all the performance parameters, including the availability and the fuel supply also has been adequately stabilized. The availability of the units have increased to almost 90% in April though receivables are a challenge from UP. We expect that the package from Government of India will help us to liquidate the outstanding amount with UP government.

On the distribution space, we are prepared to take over CESU from 1st of April. However, due to the lockdown, the takeover was delayed. We are now in discussion with the authorities to take over as soon as the relaxations are given on the lockdown.

The draft Electricity Bill is a very promising document which talks of simplification of the tariff structure including the setting up of Electricity Contract Enforcement Authority apart from enabling provision for distribution sub-license and franchisee. Similarly in the recent Tariff Policy which was announced by the Government, there are huge amount of impetus which has been given to the distribution sector and the reforms especially the structural reforms that is proposed to be implemented will give opportunity for taking up distribution business in lot many geographies within the country. We have also heard that the Honorable Finance Minister announced about the privatization of Discoms in the union territories and we expect that this will be a great opportunity for us.

As we have stressed, Tata Power remains very focussed on the distribution opportunities and we are looking at expanding our footprint in distribution space in the next few years.

Let me now turn to the growth areas in value-added services. We continue to roll out our EV charging network in collaboration with Tata Motors and have reached 200 public and captive charging stations. In addition, we have installed around 100 home chargers for individual users.

We have also entered into agreement with Prakriti E-Mobility to provide charging infrastructure for their EV taxi fleet in the NCR areas. Similarly through TP Renewable Micro grids, Tata Power has set up 25 micro grids in Bihar and UP and another 50 micro grids are in various stages of execution and will be implemented soon after the lockdown is lifted.

As you would see, hat 2021 is a very important year for this company and we are confident that with our calibrated growth strategy and targeted deleveraging, excellent results will be produced by the company for all our stakeholders.

I now handover the call to our moderator for question and answer. Thank you.

**Moderator:** Certainly, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

We have a question from Mr. Abhishek Puri from Axis Capital. Please go ahead.

**Abhishek Puri:** Congrats on the good sets of results. I have two questions. First, I wanted to understand the operational results which are actually looking good for the current quarter. And my congratulations for that in these tough times you have maintained that. However, when we look at the financial slide most of the performance I think is coming in from JV and associates. So could you tell us what is the contribution there? Is it Tata Projects which is largely helping it? And are there any one-offs in that?

**Ramesh Subramanyam:** Well, for the JVs there is no change except in Tata Projects.. So you have about ₹ 96 crores in tax for Tata Projects this year and another ₹ 50 odd crores for the year's profit compared to ₹ 105 crores profit included in last year.

So ₹ 40 odd crores is the impact coming from JVs from Tata Projects alone. But other than that there is nothing new. If you compare last year for example, these JVs and associates contributed ₹ 282 crores to the PAT in Q4 last year compared to ₹ 315 crores this year.

**Abhishek Puri:** Right. I was just trying to compare for Tata projects because the EBITDA numbers and PAT numbers are the same. Almost same - ₹ 123 crores and ₹ 122 crores. So what will be the one off component here?

**Ramesh Subramanyam:** So the one off component is the tax. There is ₹ 96 crores tax element which is not covered of course in the EBITDA. So what is happening is that last year, we had ITPC and Cennergi as part of the profit. This quarter, it has not there. And in turn, the Tata Projects comes in. So overall, adjusting for ITPC and Cennergi, the contribution from JVs & Associates is higher by about ₹ 52 crores quarter to quarter.

So this is why overall between the JV profits of last year and this year in the same quarter it is not much. It is hardly some ₹ 30 crores. So if you want Rahul will give you more details.

**Abhishek Puri:** No, I have the presentation in front of me so I will just skip on through that. And secondly, for the Mundra compensated tariff as we discussed last time what is the status now in terms of approval, have Gujarat and Maharashtra now accorded approval for buying the additional power or that has been pushed back due to the lockdown right now?

**Ramesh Subramanyam:** The additional power discussion is yet to happen. But the first thing is to get the basic PPA that they have to file with CERC. And that is an internal process. With COVID a lot of administrative work has stopped which has delayed the process. So we expect this to commence soon. Then it will go to CERC for approval for both the states. And then, of course, during that period we will discuss on sale of the additional power.

**Abhishek Puri:** Okay. And lastly, in terms of the renewable portfolio, I mean we have 700 megawatt under construction. So for that what is the CAPEX plan? And for the other businesses, if you can lay out the CAPEX plan? And is there any change due to the lockdown period that we will have in the CAPEX at this point in time?

**Ramesh Subramanyam:** No, so we will continue and this will be about ₹ 3,000 crores for the ongoing projects in renewables alone. And then on the regular CAPEX would be close to ₹ 1,000 crores for the routine CAPEX that we will have. As of now that is the estimate.

**Moderator:** Thank you, Mr. Puri. We have a question from Mr. Atul Tiwari from Citigroup. Please go ahead.

**Atul Tiwari:** Sir, during these comments you very briefly mentioned that in FY21 you plan to bring down the consolidated debt to about ₹ 25,000 crores from currently about ₹ 44,000 crores. So if you could give us some color on this reduction of about almost ₹ 18,000 crores to ₹ 19,000 crores? What are some of the big items that you are targeting to achieve?

**Ramesh Subramanyam:** So at this point let me only give you a broad perspective. One is certainly the restructuring of the renewable business. Second is the collection from the non-core sales proceeds which is going well. And if we get growth opportunities as we are seeing now then we will have to think about what other means are there to beef up our capital and equity. So broadly there is a plan.

Some of the things will depend on how we win bids during this coming six months in renewables and also how we restructure the renewable business. Overall there is an aspiration to get there and it looks like it is quite possible. And we are very much on it.

**Atul Tiwari:** So sir, this ₹ 18,000 crores - ₹ 19,000 crores targeted there how much you are like trying to get from restructuring the renewable roughly, ₹ 8,000 crores, ₹ 9,000 crores or less than that, more than that? Because it slightly looks like a very big target to be achieved in a single year and obviously given markets are what they are in the post-COVID world?

**Ramesh Subramanyam:** So clearly today only thing I can tell you is today we are at ₹ 11,000 crores of renewable debt. So the structuring could release that debt.

**Moderator:** Thank you, Mr. Tiwari. We have a question from Mr. Sumit Kishore from JP Morgan. Please go ahead.

**Sumit Kishore:** My first question is around your strategy to manage the cash flow challenges during the lockdown period, especially for the regulated distribution business in Mumbai and Delhi, at a time when both industrial and commercial demand is depressed. Assuming that this situation continues for another three months, I mean how are you planning liquidity in the business?

**Praveer Sinha:** As far as the retail sales both in Delhi and Mumbai is concerned, over here what we have seen is that the normal collection is definitely happening from the residential consumers and partly from the industrial consumers. The delay has been because the regulator themselves gave an additional two weeks time for the consumers to pay and that is why some of the payments which should have happened got further delayed by another two weeks. We also are very sensitive to the challenges that the consumers are facing, especially our industrial and commercial consumers and we have ourselves offered them that you may defer it by two weeks.

We expect that by end of May and beginning June the things will improve and people will start paying whatever is the due amount. The difference is not very large and we are very positive. In fact in last two weeks we find both the demand has increased. In fact in Delhi where the demand has gone down by nearly 30 - 35%, the difference is now only 10% lesser demand compared to last year same period. So the demand has also increased. So also, we find that the collection has also improved in terms of absolute number. So our understanding is that by first half of June we will have things much better than what it is and we will continue to have the same collection efficiency as we used to have pre-COVID.

**Sumit Kishore:** So there would not be any abnormal increase in regulatory asset in Mumbai and Delhi because of current situation?

**Praveer Sinha:** Not regulatory asset. The delay was in receipt of collections. So it has nothing to do with the regulatory asset but the liquidity which was stuck up which I think will get released in next month.

**Sumit Kishore:** Sure. Coming back to your ₹ 250 billion debt targets by end of this fiscal, I mean of the ₹ 110 billion of the debt in the renewables I mean even if you do a platform it would be for the operational projects only. So debt pertaining to operational projects would largely get transferred, right?

**Ramesh Subramanyam:** I would suggest that just wait because we are working on this and you will hear the entire plan. I do not want to kind of spell out everything right now because it is work is in progress but when we are aspiring the target I think we have the numbers clearly laid out. So I would rather urge you that we are even during these COVID times we are progressing on that.

So wait for some time. I think we will get the full picture out because there is no point in talking in bits and pieces at this point of time. What we have said was that is where we are clearly walking to get there and we are on the right track and we are progressing very well.

**Sumit Kishore:** Sure. The last question on the Indonesian coal mine regulation. I mean in summary do you see all the changes which have been made impacting the business positively or negatively more at the bottom line contribution level?

**Ramesh Subramanyam:** So let me first tell you that we are still waiting for the final written approved document to be sure because we are right now all we are having is the proposal that have gone in to the parliament. And by and large, we have an idea about what the fine print is likely to be.

Let me put it this way. The most important thing is this license for that discretion at the hands of the government to have cleared. So the big victory is that the license is getting renewed for potentially another 20 years. That is a big plus. And the prima facie conditions have very good features of big tax reduction in the corporate tax rates but they are also coupled with several increases in other taxes which they have levied. We are yet to understand how they will be calculated and what is the basis of that. All that is a little not clear as of now. By and large it looks like we may be pretty much maintaining the same profitability plus minus a little bit here and there.

But I think it will take us some months till the President's ascent there they have a procedure of going to the president to get it signed and then the final minister will release the final document. I think at that time we will be able to better assess it. But by and large it is a huge positive given that the bigger fear was that whether the current mining area would itself be maintained.

There was a big debate that it will be curtailed significantly. And that is not happening the entire 90,000 hectors of land which we have, all of that is likely to be renewed. So that is a very, very plus there.

**Moderator:** Thank you, Mr. Kishore. We have a question from Swarnam Maheshwari from Edelweiss. Please go ahead.

**Swarnam Maheshwari:** Sir, two set of questions. First one, in your opening remarks, you mentioned that you will be restricting your CAPEX to the free cash flow. Now given you have got an impending CAPEX of about ₹ 25 odd billion for CESU and apart from the ₹ 30 billion on the existing renewable CWIP. Does this imply that you will be restricting yourself with for the new renewable CAPEX as well?

**Ramesh Subramanyam:** So Swarnam, while this is the overall CAPEX the spending is phased out. The phasing is not immediate. Much of this CAPEX of the projects would also go in to the next year. So a lot of it is planned. They will start to be getting incurred but many of them have supplier's credit and other instruments by which it actually gets pushed out to later period. So therefore, as part of the cash planning we will do that.

While we may commit something more but we will keep in mind the cash flow generation for this year and next year in view. So we want to be disciplined in ensuring that the headline debt that just keeps only coming down and not going up.

**Swarnam Maheshwari:** Okay. So that is the overarching objective over here?

**Ramesh Subramanyam:** Exactly. And we see that with all these good progress that we are making on all the fronts which we have worked up on, I think we will be able to more than manage that.

**Swarnam Maheshwari:** Sir, secondly, if you look at CGPL I don't know for some reason that if you look at the under-recovery it has gone up sequentially. In Q3 it was at about ₹ 0.33 odd and in Q4 it is about ₹ 0.45 despite $10 reduction in the coal price. Now what is the reason for this?

**Ramesh Subramanyam:** This is to do with the Ind-AS adjustments for the leased liability on the port-related assets which we have excluded for reporting. We were earlier including it and now we have taken it out. That is resulting in the difference. This has been done to reflect the cash under-recovery, actually.

**Swarnam Maheshwari:** Sir, I am a bit confused. So does this imply that in Q3 FY20 that ₹ 0.33 of under-recovery was also actually there was some profits from the coal SPVs also? What was that exactly?

**Ramesh Subramanyam:** No, the under-recovery has got nothing to do with coal SPV. I did not mean coal assets. I said in Mundra there is a change in the accounting policy. It is AS116 on Leases by which certain items which were going into the landed cost are now moving out as financial liabilities, okay? That is due to the new accounting standard on long term contracts relating to offloading of coal.

So these are now turned into financial leases and therefore they are treated not as part of the landed cost but as part of the financial liability. As a result it goes out of the under recovery in the books. It now flows into finance costs and depreciation because you have to capitalize those assets as per the accounting standards. We have now reported the under-recovery without these AS 116 adjustments, to correctly state the cash under-recovery for you.

So what I will do is I will ask Rahul to give you like-to-like picture for a couple of quarters that will give you the comparison.

**Moderator:** Thank you, sir. We have a question from Aniket Mittal from Motilal Oswal. Please go ahead.

**Aniket Mittal:** Sir, just I want to understand on your Indonesian operation. Sir, given the current environment any pressure that we are facing in terms of the off take of coal over there? On a quarterly basis we will sell about 15 million tons.

**Ramesh Subramanyam:** So right now we do not see a major sign of any stress. Right now, it has been business as usual.

**Aniket Mittal:** So the off take of coal is happening over there?

**Ramesh Subramanyam:** Yes.

**Aniket Mittal:** And in terms of Arutmin, I believe the Arutmin mine's license is also expiring in December '20. So in terms of the flow of money from Arutmin how much have we received in Q4 and how do you see that coming along?

**Ramesh Subramanyam:** We are receiving so far we have done about USD 215 million and we continue to receive 4 million to 5 million every month. And that is likely to continue or at least a little bit pressure here and there. Because remember that a lot also depends on the coal price like coal price is very low then the ability to pay also is affected. But so far so good.

**Aniket Mittal:** I think I missed out on the CAPEX number. I am not sure if you said the exact number or not. What would be the overall CAPEX for FY21 that is projecting? And if you can break that up for me?

**Ramesh Subramanyam:** So renewable itself would around ₹ 3,000 and the rest would be about ₹ 1,000. The phasing will of course be depended on when the ultimate liabilities are paid out. But that is the gross CAPEX number.

**Moderator:** Thank you, Mr. Mittal. We have a question from Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati:** Can you please help me understand why there has been a revaluation of SED, which has resulted in some kind of loss here?

**Ramesh Subramanyam:** No, it is not loss. In the SED transaction there were two parts. One is there are ongoing projects and then there are future orders for which there was a sale consideration. So the provisioning reflects two thing - on the ongoing projects their costs increases and additional obligations that are on us which was not earlier part of the transaction, we have to recognize it.

And the second part is on the contracts for we have a milestone by which we have to get the future orders. Those milestones as of 31 March whichever was not achieved we had to take that in to account for revaluing and therefore this results in impairment of the asset. And there are some R&D expenditure also which is getting amortized along with it.

**Puneet Gulati:** Would you still get the same amount as you promised or these cash flows will also be revised?

**Ramesh Subramanyam:** Because that depends on what we achieve before various milestones. If we achieve the milestones we will get. Right now this ₹ 360 odd crores which we have provided reflects the amount that to that extent we will not recover.

**Puneet Gulati:** So secondly, if you can comment a bit about the collection efficiency, both in Mumbai and Delhi, and if you foresee any need for any provisions there going ahead?

**Ramesh Subramanyam:** No, I do not think we see any delinquency. I think there are delays which are being because of the relaxations. We do not see any delinquency as of now. And we are seeing steady increase in collections.

**Puneet Gulati:** Okay. That is great. And any time line that you would want to commit for the Indonesian thing?

**Ramesh Subramanyam:** Indonesian what?

**Puneet Gulati:** When will the final laws be out?

**Ramesh Subramanyam:** So as we speak today the Parliament has cleared the bill and it goes for a presidential ascent equivalent and we expect that in a month’s time. That will be the written order based on which the License Applications will have to be lodged and then they will process it and grant a new license. It is a three to six months process.

**Puneet Gulati:** Okay. So that means it is fairly advanced and whatever you have said here would pretty much hold through the risk of that changing is very low now?

**Ramesh Subramanyam:** Yes, absolutely. The risk of license not getting renewed is virtually nil because we believe that the law will prevail at the end of it because this is now a parliament legislation. Now only the fine print has to be seen for any major changes in the terms and conditions which we know as of now.

**Puneet Gulati:** Yes. And the area is now very, very certain that you will retain the area?

**Ramesh Subramanyam:** Yes.

**Puneet Gulati:** Okay. That is great. So just I could not get the CAPEX part right. You will spend ₹ 3,000 crores on renewable and ₹ 1,000 crore on other CAPEX?

**Ramesh Subramanyam:** Yes.

**Moderator:** Thank you, Mr. Gulati. We have a question from Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

**Bhavin Vithlani:** So this is a follow-up on the earlier question. Sir, can you just give us the picture on what is the level of reduction in the demand on the distribution side both in Mumbai and Delhi and are you actually seeing drop in the collection efficiency because there is a moratorium given and if that is actually impacting the cash flow might not impact the P&L in near term?

**Praveer Sinha:** The demand when the lockdown started in the initial three to four weeks had reduced by nearly 30% to 35%. It was primarily because the industrial and commercial load became almost zero. But last few weeks when the opening of industries have started in the green and orange zones and also selectively in the red zone in industrial area and industrial states, we find that the demand has picked up. So the reduction which was nearly 30 - 35%, in Delhi is now about 10% and in Mumbai it is about 15% to 20%.

As far as the collection is concerned, the collection from all these consumers, typically for the industrial and commercial consumers, because of the lockdown got delayed and also the regulator gave them additional two weeks time to pay. So during the month of April the collection was much less. However, we find that in last two weeks the collection speed has picked up and we expect that whatever is the balance collection amount most of the bills are getting due in the last week of May and in first week of June. So most of that collection will happen in next three to four weeks.

As far as the liquidity is concerned, you would have also read that Government of India has asked the generating companies especially the CPSUs that they should delay the fixed charges collection from the distribution companies. So that means that the distribution companies will have to pay only during the period from July to September especially for the power which was not scheduled.

Similarly they have asked that some reduction should be given in the fixed charges by both generating and transmission CPSUs. So the cash management is being done in such a way that there will be no liquidity issues as far as the distribution companies are there. And hopefully by June it will all get squared up.

**Bhavin Vithlani:** Second question is sorry, I joined late but if you can give some picture on the receivables on renewable consolidated, are you actually seeing an increase because of stress on the discom side and what will be the total debt renewable consolidated currently?

**Ramesh Subramanyam:** Renewable consolidated debt is about ₹ 11,000 crores.

**Praveer Sinha:** I will give you the exact number for receivables but we are not seeing that there is lot of delay in payment from these Discoms. Most of the places we are getting paid. They have also in some places given us the flexibility to do bill discounting and so our collections have not been very adversely impacted.

Apart from this, the recent notification from Government of India giving ₹ 90,000 crores primarily to pay the Gencos and Transco including Renewables directly through PFC, REC though the agreement will be with the respective Discoms.

So it is not a very, very big number that we are looking at. The only place where we are stuck up is the dispute in Andhra Pradesh where they have been giving us the 50% payment which was agreed and the balance 50% which is still being heard in the High Court of Andhra Pradesh. So that amount is about ₹ 200 odd crores.

**Ramesh Subramanyam:** So the total outstanding over three months because I think below three months is not a worry. Basically it is about ₹ 600 crores.

**Bhavin Vithlani:** And just may be conceptually trying to understand the thought process. Given that we are going through a tight liquidity situation across the country and this may throw opportunities, potentially. Do you actually see that may be trying to recapitalize the balance sheet has surplus cash on the balance sheet so that if at all there are some opportunities that can come up, we would be able to execute that?

**Ramesh Subramanyam:** You are talking about the new distribution privatization?

**Bhavin Vithlani:** Yes, may be the new distribution privatization or may be some of the asset you may get at complete throw away prices?

**Ramesh Subramanyam:** Yes, we do and which is why our immediate plan is to complete the execution of the ongoing exercise to reduce debt so that we bring the debt in to a position where we are completely free of the worry of the debt overhang and then we could go to the next step of growth. We are doing both in parallel because both the things are progressing well.

So yes, the answer is we would be bullish on opportunity, but we will time it because we expect that this year we are going to probably bringing the balance sheet back in shape so that then we are ready for the phase of growth.

**Moderator:** Thank you, Mr. Vithlani. We have a question from Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:** Sir, my first question is the fact that we have been guiding for this deleveraging and reducing the debt for the last 2 - 3 years, and we have not been successful for maybe whatever reason. And given this COVID situation, do you think it is possible to get the deleveraging done in this fiscal year?

**Ramesh Subramanyam:** Yes, because we have been working throughout. Please remember that we just completed one deal right in the middle of COVID where we including realizing of the cash of our South African JV. We are progressing on the completion of our Defense deal. Then as we speak we are close to finalization of another asset of ours. All during this period.

So some of these things are happening already. Yes there are some hiccups because of the physical constraints of people traveling due diligence etcetera but I think the world is finding a way around all these.

**Mohit Kumar:** Secondly, on Zambia, so given the fact that there is a tariff dispute still pending, do you think you can sell this asset in the next 3 to 9 months? And again, I believe that there is huge receivables sitting out there in that asset.

**Ramesh Subramanyam:** So I think to put it in a perspective, yes, there is a large outstanding receivable. Yes, the Zambian economy is not doing well. But there are two important points here. One, the government is willing to look at any kind of restructuring to settle this. There is no tariff dispute. There is only let us say a package which has already been principally agreed where these tariff will be first brought to line in a certain manner and along with it the settlement of the debt will also happen.

So it is now more, let us say, acceptance of the package through the system in the government and then followed by the potential buyer accepting the alternate package and both are something which are getting discussed and it is receiving traction by the way. So people are taking a view on the Zambian asset, not in the next one year or two years. They are trying to put a structure where the old receivables will be either converted into equity or in a government instrument of sub kind because government of Zambia has also approached IMF and World Bank for assistance.

So the whole package is around how to stitch around the reform package and the financial package that they are expecting to get. So, there is already couple of clear ideas on the table on how to go about. It has been discussed with the Zambian partners. Only thing is yes, we have to get through the process quickly and done. So it is not completely out of line to expect this to be over in the next six months or so.

**Praveer Sinha:** And we are also in very advanced stage of discussions with potential people who have shown interest in these assets. Because prima facie the assets are very good. It has always been operating more than 99% of availability. So it is a great asset, very good tariff. The challenge is that the Government of Zambia and Zesco could not make the payment. That as per the package once it gets resolved then the whole thing can be stitched together.

**Mohit Kumar:** On Prayagraj, did Prayagraj added anything positive to the bottom line in this fiscal year?

**Ramesh Subramanyam:** Okay so it is a small net to the consolidated. It added some ₹ 10 crores or so.

**Mohit Kumar:** Okay. My last question is, what is the impact of true-up of Mumbai discom in the financials for Q4, was it positive or negative? And what is that amount?

**Ramesh Subramanyam:** So apparently all the three put together it will be negative of ₹ 20 crores.

**Moderator:** Thank you. We have a question from Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

**Dhruv Muchhal:** Sir, is it possible to share what are you expecting in terms of proceeds from the sale of the shipping business?

**Ramesh Subramanyam:** Well, it could be anywhere between ₹ 1,000 crores to ₹ 1,400 crores.

**Dhruv Muchhal:** Sir, in terms of the subsidiary, out of which business will this go out of. It is in your presentation if I see it is the shipping companies that will go out, right?

**Ramesh Subramanyam:** No, not the whole of the companies. The shipping company has got three cape size ships which we own. Those will be sold potentially along with contracts.

**Dhruv Muchhal:** Okay so I am just wondering the EBITDA changes that I should do is only for the shipping companies? The profitability that I see in the shipping company's line items that will change?

**Ramesh Subramanyam:** Well, the shipping company also gets non-shipping income. So it is not the entire EBITDA that would go. It is about USD 20 million of EBITDA that we normally get from shipping.

**Dhruv Muchhal:** And sir, secondly on the Welspun generation numbers I was just looking at the last two, three quarters the generation level is quite lower than what it is typically during this period. So is this something seasonal or something else which is happening?

**Praveer Sinha:** See the availability of the plants have been very good in all these locations. The challenge has been the weather changes which have happened. And last year in the third quarter there were the rains which were got stretched up to October-November. Similarly during the period some of the wind assets could not operate because the wind speeds were very low.

So it is more of the seasonality that has happened. Our job is to ensure that the availability of the machines is there and they are able to produce as and when we have good in solar levels or the wind.

**Dhruv Muchhal:** So probably FY19, FY18 would be a better number to work with for future reference?

**Praveer Sinha:** Yes, absolutely. I think this year, the weather has been little freak.

**Moderator:** Thank you. We have a question from Rahul Modi from ICICI Securities. Please go ahead.

**Rahul Modi:** Just a couple of questions. Sir, we have been reading that the Delhi Discoms with BSES is now up for sale. Firstly, is it there, means, actually up for sale finally? Or is just news based? Or secondly, would we be keen on looking at that asset?

**Praveer Singa:** We cannot respond to this question. You have to ask someone else who owns this asset. We would not be able to respond to this.

**Rahul Modi:** Right. Okay. Sir, just finally one more. Sir, the recent bids that we are seeing at the MSPC 2,000 megawatt solar ISPS, which came, that was for around ₹ 2.50 tariff. What is the level of comfort in terms of tariffs at the current prevailing annual rates and interest rates?

**Praveer Sinha:** See the tariff is not only just determined based on the panel rates but it also depends where it is located, what is the power evacuation arrangement, what is the cost of land over there, is the land being given free. So there are lot of factors which decides the tariff. If suppose the land is being given free, all the infrastructure is being provided, and there is no additional charge for that. It is like many of the solar parks do that but there is also a huge charge that the solar power park developers charge.

So if these conditions are known then one would be able to really project what is the right tariff. But as you know that we have always been very, very conservative in our approach. Recently some time back we had bid for MSEDCL we had bid at the the maximum price and we got the bid at ₹ 2.90. So those are areas where again we want to be very conservative and very selective in the areas that we bid so that it ensures a guaranteed return to us.

**Rahul Modi:** So just to follow up. In terms of the renewable overall systemic capacity addition that we are talking about, now suddenly, the fixed charges, which have become an issue for the Discoms for the thermal side because we have got a large thermal presence also. So how do we strike a balance, not as Tata Power, but as a system because if we keep on growing capacity, even though it is renewables as a system do you think that, again, the viability of assets become a problem going ahead? Because in the near term, demand is actually collapsed. So do you foresee any slowdown in the fresh ordering in the system for the next 2 years, at least?

**Praveer Sinha:** We were looking at the list of bids which are expected in next six months and the numbers that was totaling was nearly 20,000 MW. So what will happen is that renewable becomes a very important player in doing the peaking power management. And many of the base load plants typically coal based plants will not happen and the implementation of those may get delayed but not of renewables. And with so much of emphasis now on climate change there will be more pressure to go for renewables than to go for any conventional power plants.

**Moderator:** Thank you, Mr. Modi. We have a question from Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:** Two questions, sir. Firstly on, trade receivables. How much is trade receivables outstanding from state Discoms is it greater than 45 days? And do you expect this to be liquidated for us?

**Ramesh Subramanyam:** As I said, I think the main trade receivable we have is in renewables, which is about ₹ 600 crores, which is over 3 months. Apart from that, we have only in Prayagraj, a large outstanding, but other than that, more or less, there is really nothing because Mumbai also gets paid very well.

**Praveer Sinha:** All our supplies from our generating plants they get paid within 60 days primarily because our tariffs are very low. In merit orders they always pay us the first before they pay to anyone else. So like Mundra most of our payment comes within 30 days. In fact in some states we get paid in three to four days because they take the rebate also.

So there is not much of the outstanding amounts for us except in renewable, but we have a three month cycle in renewable. Everything within three months gets liquidated.

**Mohit Kumar:** Sir, second, theoretical question, what is the meaning of distribution sub-licensee as you understand? Can you just clarify on that point?

**Praveer Sinha:** Well, this is still to be defined and accepted in the Electricity Act. But whatever we have seen which is circulated by the government, sub-licensee is one where the distribution licensee allocates a certain specific area for them to carry out the distribution work subject to the approval of the regulator. I would say it is one step below the distribution licensee but has similar roles and responsibilities as of a distribution licensee.

So they would also be getting some of the things like return on equity on capital investment and things like that. So that is our understanding but I think once the final draft is circulated and it is accepted by the parliament will exactly know what is really put in to the distribution licensee.

**Moderator:** I now hand over the call to the Management for the closing comments, Sir.

**Praveer Sinha:** Thank you to everyone and if you have any more questions, please do not hesitate to get in touch with my colleagues Kasturi and Rahul Shah. Please feel free to also direct connect Ramesh and me.

**Moderator:** Ladies and gentlemen, this concludes your conference for today. We thank you for your participation and for using iJunxion Conference Service. You may please disconnect your lines now. Thank you and have a great evening.