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## “Tata Power Q3-FY15 Earnings Conference Call”

**February 04, 2015**



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**MANAGEMENT: MR. ANIL SARDANA – CEO AND MANAGING DIRECTOR,  
TATA POWER  
MR. ASHOK SETHI – COO AND EXECUTIVE DIRECTOR,  
TATA POWER  
MR. RAMESH SUBRAMANYAM – CFO, TATA POWER**

**Moderator**

Ladies and gentlemen, good day and welcome to the Tata Power Q3 FY15 Earnings Conference Call. We have with us today from Tata Power, Mr. Anil Sardana – CEO and Managing Director, Mr. Ashok Sethi – COO and Executive Director, and Mr. Ramesh Subramanyam – CFO. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing '\*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anil Sardana. Thank you and over to you sir.

**Anil Sardana:**

Thank you so much. Welcome the Q3 FY15 result call that we will have today with all of you. I am sure you would have got the information pack and would have had time to go through the same. We will be happy to respond to all your questions, but before you ask your questions just to indicate that we have had the release of Maithon tariff order and that has been factored in. It has been a good order. Similarly we have had good efficiency improvement at CGPL which is the Mundra plant. And of course we are concerned about the delay and cash flow on account of the matter which is languishing between the honorable Supreme Court and APTEL. We only hope that, we hope and we will make all our attempts to make sure that the matter in APTEL is taken up fast and gets decided before the end of this financial year which is March 2015.

Besides those two we have one specific concern which is the performance of Tata Power Solar which has now taken up various initiatives and during the next financial year that company is working out to be amongst profit again. The solar market as you are aware has started to look up, now that there is also a domestic content which is being promoted, there is a good plan which has been announced recently from the public sector major, NTPC to do procurement based on DCR which is domestic component reservations.

So those were some of the highlights besides the fact that we had announced the acquisition of 540 megawatt Ideal Energy project which is in Nagpur Maharashtra. They work on CP is progressing fast, similarly the work on the CPs related to Arutmin continues and in the present day status when the coal prices are down the closing on some of the issues is taking its own time because of the lenders, etc., are going through those subject matters with more details.

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The company has had success in terms of commissioning some of the wind farms, we continue to have our emphasis on renewables move on-course. One significant discussion that you might want to actually understand that there has been a VAT settlement in our coal companies. More of those details will be shared, however what it means is that we now have on a quarter to quarter basis mark to market VAT settlement and also the Indonesian government has now formally communicated that the VAT and the royalty could actually be netted off so, that is a very welcome change and in this time of difficult era when we see that the coal prices are low, this is a welcome announcement by the government of Indonesia because this was sort of a contingent liability sitting for many-many years for the entire industry. So those were some of the opening remarks, we look forward to your questions. And just in case some of the questions don't get answered, as always feel free to send us the mail and we will make sure that those get responded quickly. Thank you.

**Moderator** Thank you very much. Ladies and gentlemen we will now begin the question and answer session. Our first question is from Manish Aggarwal of Barclays. Please go ahead.

**Manish Aggarwal:** My first question is with regard to the ongoing coal auctions. So are you participating in the coal auction and if yes then for which power plants?

**Anil Sardana:** We have not participated in round one. And the decision with regard to round two will be taken by middle of this month.

**Manish Aggarwal:** Okay. Sir secondly with regard to Ideal Energy, what is the cost of the transaction and how will it be funded? As they understand Ideal Energy power plant has linkage so will the linkage also be transferred with the power plant?

**Anil Sardana:** Manish the linkage part transfer is a formal aspect which we have, which the previous promoters and have applied to ministry of coal and that is one of the CPs. The other part in terms of amount, etc., these are subject to several adjustments, etc., so it is slightly premature for me to talk about a number today.

**Manish Aggarwal:** Okay. And about the compensatory hike on Mundra you said that matter is pending so if you could elaborate further on that?

**Anil Sardana:** Okay. Manish there are two specific issues related to Mundra ongoing matter. One is the matter related to the force majeure and change of law. If you all recall, the CERC orders that came in, it actually indicated that while we believe that there is no change

of law or force majeure but we are taking our call under 79 which is basically the responsibilities of the regulator and it says in order to ensure that the development promise continues we are therefore giving a compensatory tariff. When that was taken to APTEL and ultimately to Supreme Court we wanted to also once again get our point of view in terms of change of law as well as force majeure to be also sort of taken up. And when we raised those points the APTEL said that no, since it is time barred this will not be entertained anymore it will continue to be on 79 that we will adjudicate our decision. To which us as well as the other company which has similar case which is Adani Power. We went to Supreme Court and Supreme Court has agreed to hear that matter, they have said okay since we have said that you have a point of view on change of law and force majeure and you want to join it with this activity we will be willing to hear that matter therefore they have admitted that. So this is one aspect on which Supreme Court will hear us on our point of view on the change law as well as on the force majeure. Once that happens they will obviously revert that with their view point to APTEL. So this is one aspect. As far as APTEL is concerned it is continuing to hear matter related to the adjudication that was done by CERC that has been questioned by the procurers. And therefore we are now saying to APTEL that while Supreme Court will come out with their view point on change of law and force majeure you please continue to hear and adjudicate your matter on the ongoing subject. And meanwhile if Supreme Court is able to give you there viewpoint you consider that and if Supreme Court is not able to give their view point in any case there is a likely hood of the matter going to Supreme Court even after your adjudication either way. So then we will combine it there it self and therefore there is no purpose for you to delay which they have agreed and now they had announced the next date of hearing as 11<sup>th</sup> February beyond which they have said that they will do expeditious hearing and conclude the matter.

**Moderator** Thank you. Next question is from Venkatesh B of Citigroup. Please go ahead.

**Venkatesh B:** Sir my question is in this quarter other than these VAT receivable exchange gain of almost 413 crores and the depreciation write back of 22.9 crores is there any other exceptional item in the result. Exceptional or one off item in the result.

**Ramesh Subramanyam:** If you are asking exceptional or one-off then our unit eight of Trombay that has not been operational so that impact is there, especially when you compare to last year. Then we recently paid off the Euro bonds which we had and when you close out such bonds the exchange gain on completion of that repayment is also credited that is also

credited in this quarter it is for 85 crores. I think these are the main items; there are some smaller items which I think not very material.

**Venkatesh B:** Can you just explain this note 11 in the notes to accounts which is that reassessment of tax benefits so is there like a one off 41 crores kind of a number deferred tax liability number in the total tax number of 302 crores in the quarter?

**Ramesh Subramanyam:** Yes, that is part of the quarterly tax number. So this is regarding one of the units which are eligible for section 80I benefits and when we reassess every time they allow ability of such a benefit then we are to see whether we need to provide for any deferred tax liability on that.

**Venkatesh B:** Okay. Sir on the coal business if you actually see second quarter FY15 versus third quarter FY15 the spread between the net revenues after royalty and the cost of production is actually lower in the current quarter vice-wise second quarter of the current year. But still it seems like the EBIT that you have made is higher in the current quarter it is almost 295 crores versus 159 crores in the second quarter so is it just because of volume of sale is higher that is why this is so or is there anything else exceptional here?

**Ramesh Subramanyam:** You are asking about Q2 and Q3 is it?

**Venkatesh B:** Yes, Q2 versus Q3 the coal EBIT has gone from 159 crores to 294 crores. Is there anything exceptional or is it like there is nothing it is just that the volumes have been higher that is why the EBIT is higher.

**Ramesh Subramanyam:** Also see this because the cost of production is lower. So the cost of production is actually just about 35. Just give us a second.

**Venkatesh B:** Yes.

**Ramesh Subramanyam:** This more has to do with the lower cost of production compared to last quarter, so last quarter it is about \$6 down in terms of quarter on quarter, so it is about cost efficiencies and the type of mix we have. Combination of that.

**Venkatesh B:** Okay sir. One last question, now obviously Maithon has had a very good quarter because I guess you have received your final tariff for the power plant. And if I am not wrong you were possibly getting only say before the final tariff you usually book only say 90% of the temporary tariff right. Is that how it works?

**Ramesh Subramanyam:** Yes and also carrying cost, etc., we never account for. Carrying cost and all is normally regulated but we account for only when we actually get the order.

**Venkatesh B:** Okay. So in this quarter you have this 107 crores kind of profit, now is this like a representative quarter or this includes a portion of the profits for the power plants in the prior periods because the tariff came so late.

**Ramesh Subramanyam:** Yes, this order belongs to FY14, and then what we do is based on the order of the commission we also interpret the same way for the current year also, so it has a combination of.

**Venkatesh B:** Sir this point is right but there is component in it which is of past.

**Ramesh Subramanyam:** Of the quarter also.

**Venkatesh B:** And the past details.

**Ramesh Subramanyam:** Yes.

**Venkatesh B:** What is in your representative I am saying?

**Ramesh Subramanyam:** It is not just only for the quarters. So you should be very careful.

**Venkatesh B:** So how much will be that exceptional item and what would be a representative profit for the quarter?

**Ramesh Subramanyam:** Venkatesh can we give that separately?

**Venkatesh B:** Yes, sure. I just needed the contribution in the top line or in the profit something like that for the past.

**Anil Sardana:** Yes.

**Ramesh Subramanyam:** If he removes the past he will obviously know, so past is I think 68 crores.

**Venkatesh B:** Sir is it 68 crores or something that you mentioned?

**Ramesh Subramanyam:** Venkatesh's question was around whether the tariff which has been accounted in this quarter how much is past year was that your question?

**Venkatesh B:** Yes sir.

**Ramesh Subramanyam:** So barring some part 68 crores actually belongs to pre first FY14 and then the last three quarters.

**Venkatesh B:** Okay. So basically the profit number.

**Ramesh Subramanyam:** It will be before this quarter Q1, Q2 and FY14.

**Venkatesh B:** So the representative number for this quarter will be 107 crores less may be 68 crores and less the adjusted tax whatever is the tax correct?

**Ramesh Subramanyam:** Okay, we will confirm that number separately with you.

**Moderator** Thank you. Our next question is from Bhavin Vithlani of Axis Capital. Please go ahead.

**Bhavin Vithlani:** Two questions, one is could you give us an update on the sale of coal mine in the Indonesia and second is on the wind part, we have seen significant tariff increases across many states, so are you going on an accelerated basis with your wind expansion?

**Anil Sardana:** Bhavin two things, let me respond to your second question first. As far as expeditiously moving ahead with further growth and investment in wind the answer is yes but, in terms of numbers I won't be able to give you any guidance at this stage please excuse us because we don't sort of talk about that but we will certainly let you know as and when our plans get concrete. Your second part which was your first question was with regard to coal mines. What exactly was the question can you repeat that?

**Bhavin Vithlani:** We have announced the sale of...

**Anil Sardana:** Okay. You are talking about the Arutmin part?

**Bhavin Vithlani:** Right.

**Anil Sardana:** And I briefed it in the opening remarks saying that the CPs are taking much longer time owing to the fact that the prices of the coal are pressed and the lenders are taking their time to do their due diligence and to accord their approvals and permission, so

this is still a work-in-progress and we are not able to concretely firm up our date in terms of when the closing will take place.

**Bhavin Vithlani:** Will it be concluded by this financial year?

**Anil Sardana:** We had all efforts towards that but we cannot say that for sure.

**Bhavin Vithlani:** Okay. One more question if I may. The Ideal Energy acquisition if you can give us the detail of what is the operating capacity what is the PPA percentage and what is the merchant capacity looking like in the Ideal?

**Anil Sardana:** On this physical terms there is one unit of 270 megawatt which is at the site which was made operational way back in 2013. At this stage we are working on getting that unit revived again and to close the various CPs as far as the linkage is concerned a formal consent from Central Government has been stopped so that the linkages also got transferred. All of those activities are under way and the second unit for that plant will be taken up in only after we get into that plant after closing.

**Bhavin Vithlani:** So for the second unit CAPEX has not been incurred for?

**Anil Sardana:** No.

**Bhavin Vithlani:** So primarily the 270..

**Anil Sardana:** But part CAPEX to the extent of some of the balance of plants as also for the land that has been incurred.

**Bhavin Vithlani:** And for the 270 which is on ground what percentage is PPA?

**Anil Sardana:** They have got some PPAs which are all sort of being moved out by the existing promoter. Because we have alternate plans for placing that power.

**Bhavin Vithlani:** So the existing PPAs will be canceled and we will completely look for that.

**Anil Sardana:** They have got cancel the way the PPAs there had been provisions that there will be promoter with notices for good move out and that is exactly what is being done by them.

**Bhavin Vithlani:** And when do you expect the acquisition to get concluded?



- Anil Sardana:** We are making all efforts to do it as fast as possible.
- Bhavin Vithlani:** Would a six month of a time line be fair to be assumed?
- Anil Sardana:** Our internal targets are shorter than that.
- Moderator:** Thank you. Next question is from Abhishek Puri of Deutsche Bank. Please go ahead.
- Abhishek Puri:** Sir firstly on Mundra, you mentioned 212 crores is the amounts of compensate tariff that could have been given to you which you have not accounted for. May I know what is #A the fuel cost for the current quarter, and #B is we account for 212 I think you have stopped giving the PBT numbers now but there will be no tax in the current quarter would that be right to assume?
- Ramesh Subramanyam:** Yes. No tax for the quarter yes, and what did you ask, about fuel cost?
- Abhishek Puri:** Fuel cost.
- Ramesh Subramanyam:** Fuel cost for the quarter is 1291 crores.
- Abhishek Puri:** And my other question will be on this VAT settlement that you mentioned in Indonesia, this order has come in after the quarter or this is before the quarter?
- Ramesh Subramanyam:** During the quarter.
- Abhishek Puri:** Okay so we have already accounted for the recovery of that amount which is about 1380 crores outstanding?
- Ramesh Subramanyam:** So this impact which you see in the P&L is not about any recovery but it is more about the way it was to be calculated. There are two things, one is that the government of Indonesian has agreed to settle to offset this VAT against the royalty payable and secondly the way they were calculating the foreign exchange because they have not said that it belongs to the respective period, the rates should be used so the way we were accounting very conservatively is on the current exchange rate is from mark to market. So now as per the new order it is going back to the respective period so that differential is the FOREX gain which we have been accounting all these years which is not getting reversed. So there is no fresh transaction or liability or payable that is coming in, it is just a track, foreign exchange adjustment that is being done now.

**Abhishek Puri:** Understood. The point number seven which is there in notes to account, it says that the VAT amount recoverable as of 31<sup>st</sup> December 2014 has been recomputed at the relevant exchange and the amount, this is the foreign exchange gain is about 1378 crores, this is for the current quarter?

**Ramesh Subramanyam:** Yes, you are right.

**Abhishek Puri:** Okay, so your share is only for 430.

**Ramesh Subramanyam:** Yes.

**Abhishek Puri:** So going forward we don't expect any other adjustment to the balance sheet as such because you were anyways not taking this VAT.

**Ramesh Subramanyam:** Yes, correct you are right new adjustments will not come on the old ones.

**Abhishek Puri:** Understood.

**Ramesh Subramanyam:** The liability still remains and that is subject to the settlement by the court, etc. This is only in terms of the fact that because of the exchange rate the matter is settled once for all.

**Abhishek Puri:** And that liability of 2300 crores is that something which...

**Ramesh Subramanyam:** Now at least there is clarity that this will get now settled and can be offset against royalty. So that offsetting will happen and then you will see this going of the books.

**Abhishek Puri:** So it will only be that my contingent liability will go away there is no other adjustment to my balance sheet or to P&L.

**Ramesh Subramanyam:** Yes.

**Abhishek Puri:** Very clear. And just follow up on the Maithon Power Project. Out of 107 crores 58 crores is for the prior period item? The profitability is 107 crores that you mentioned?

**Ramesh Subramanyam:** Yes. So out of the 68 crores previous year is 54 and current year is 14 crores.

**Abhishek Puri:** From 107 crores profit I have to remove 54 plus 14 to get the true....

**Ramesh Subramanyam:** Yes, 54 is previous and so 14 and balance, so basically 107 minus 54 is the balance current year. You have to do YTD and for quarter reduce 14.

**Moderator** Thank you. Next question is from Ankit Fitkariwala of Jefferies. Please go ahead.

**Ankit Fitkariwala:** My question mainly retails with the Mundra plant so based on the coal prices that have been coming down what is the impact of those coal prices on the Mundra plant and on the tariff hike issue any views on that?

**Anil Sardana:** Ankit the change of coal prices that you are eluding to do not automatically translate to the change of Mundra plant either in terms of cost or also in terms of revenues for the simple reason that as far as revenues are concerned as you know it is linked to 45% to CERC announcing that which has a lag of about 6 months. As far as cost is concerned it has not changed for the reason that we have the stock available from the previous quarters that we are using. So even on a quarter-to-quarter basis I wouldn't be directly correlated to the market prices that exists in the subsequent quarters the consignments as they come in will be with that lower price.

**Ankit Fitkariwala:** Okay. Sir just further question on that, so going forward whenever the current coal prices flow into our stock then does it not make a difference to the tariff hike that we are asking for due to the higher coal prices that prevailed?

**Anil Sardana:** So that is true. You see the compensatory tariff is also a function of the prices as they prevail from time-to-time, it is not we are asking for fixed compensatory tax. The compensatory tariff says that what was the price at the time of the bid and what is the price of the coal that has been put in the boiler. And whatever the price of the coal that has been put in the boiler it has taken on a weighted average basis and that is what is compensated for. So therefore the compensated tariff will still be relevant though of course the amounts will come down for example let's take that the calculation that CRC did on a sample basis arrived at a price of 52 paisa at that time if you recall when the compensatory tariff was announced. If you today would calculate perhaps that number could be anything like 30 paisa.

**Ankit Fitkariwala:** Okay. Sir lastly just to extend it, so would you like to give a number in terms of what dollar per ton if the coal is then you don't need the tariff hike or is it like breakeven just a ballpark idea there.

**Anil Sardana:** About \$40.

- Ankit Fitkariwala:** And this you are giving the Indonesia coal price only right?
- Anil Sardana:** No, FOB.
- Moderator** Thank you. Next question is from Shankar K of Edelweiss. Please go ahead.
- Shankar K:** First of all if you can briefly touch upon the broad rationale for acquiring a plant like Ideal Energy. Is it largely for Mumbai license area or it is largely a kind of an M&A activity?
- Anil Sardana:** If I say both.
- Shankar K:** Okay. But you are saying that only for part of the Ideal is for Mumbai license area and you are existing PPA will continue for the other one, right?
- Anil Sardana:** Shankar it is not appropriate for me to give any guidance in terms of how are we going to place the power, we will maximize the advantage from the stakeholders' perspective that is what I would like to say so I will appreciate if you can...
- Shankar K:** I understand that, but the boarder objective was just also to try and understand because there are so many other distress plants available, I just wanting to know that would you also be looking at?
- Anil Sardana:** Clients may be under distress but we are looking it more from our point of view in terms of the fact that what is exactly the price at which you can get that asset. I can only tell you that today we are happy with this transaction because the price that we will finally perhaps settle at after doing all the adjustments, etc., will give you a feeling at that time we will certainly share that. It will give you a feeling that this was a good deal by us.
- Shankar K:** Okay. So at your price if there are further plants available you are still open to that right?
- Anil Sardana:** I again don't want to hazard any guidance my dear. It is not fair for me to say that we will look at similarly other plants. I can only say yes, we are open to the ideas of looking at acquisitions provided they fit the basic strategy that has been approved by the Board.

**Shankar K:** Okay. Secondly on couple of these numbers just revisiting the earlier statements how much is the foreign currency gain that has been factored while calculating, which is part of the reported EBIT of the coal business of 294 crores?

**Ramesh Subramanyam:** Shankar the total FOREX impact is about 500, with the settlement alone is about 420 there are other normal adjustment that are done every quarter for FOREX.

**Shankar K:** So if I have to understand in 294 FOREX gain accounts for what quantum, should I take it as 80 crores then? 500 minus 420.

**Ramesh Subramanyam:** As a whole yes, if you are asking about only the income at the coal companies or are you asking about that?

**Shankar K:** I am looking at the EBIT, segment results coal business which is 294 is that higher by 80 crores only because FOREX gain.

**Ramesh Subramanyam:** So Shankar the FOREX element in this 292 which you are saving is actually about 500, now there are other offsets here, during the quarter the price has also come down. So therefore there is a price impact which was almost counters a significant part of this upside because of the FOREX. So there are two-three elements – there is a slightly lower volume, that is lower price realization and there is also a settlement on another account for sales tax, so all that is netting off to get your 294.

**Shankar K:** Is there a net impact of the gain to any extent or the entire 500 gets knocked off in the 294 crores?

**Ramesh Subramanyam:** So obviously when the differential is 292 that is the difference between the last year and this year and of that there is a 500 so the balance which is about 200 are the negative. You understood it now, the 500 is an upside due to FOREX, 200 are other negatives which are mainly price realizations and that is how the total difference between the performance of last year and this year is about 300 that is how you have a difference of 294.

**Shankar K:** I am not even comparing from a last year to this year, I am not comparing 16.89 with 294.35 I am not doing that. I am saying that there is element of FOREX gain in which quarters numbers to the extent of 421 crores in the quarter statement. So I believe out of that 421 some portion will be reflected towards the coal business.

**Ramesh Subramanyam:** Yes.

**Shankar K:** And I just wanted to know so in 294 how much is that?

**Ramesh Subramanyam:** Exactly that is the number 500 is the number which is arising out of FOREX and that is arising essentially from the VAT settlement, etc. Now where is your confusion?

**Anil Sardana:** Shankar I have a suggestion why don't you have a separate chat with Shubham.

**Shankar K:** I will do that.

**Anil Sardana:** Because I think it is otherwise we are just taking too much of time on the call.

**Shankar K:** Just lastly one small thing, in terms of the standalone PAT you had earlier mentioned that there is a unit shutdown has impacted earnings and as well as the Euro bonds which has impacted by 85 crores. So 85 crores entirely has been accounted in the finance cost of 274 crores?

**Ramesh Subramanyam:** First of all 85 is not a negative impact it is positive. In case that is your confusion. That is the FCCBs basically.

**Shankar K:** Okay. And how much is the impact of Unit-8?

**Ramesh Subramanyam:** Unit 8 is about 35 during the quarter.

**Shankar K:** Because even in the standalone if you notice the, if you look at a recurring earnings number because you have a significant other income of 243 crores and your reported profit is also 234 crores. So I guess that would be some kind of an extraordinary item.

**Ramesh Subramanyam:** Yes, so Shankar there is also dividend which we receive from the coal companies that is there, you see in the tax provisioning which we explained.

**Shankar K:** Around 40 crores here.

**Ramesh Subramanyam:** Yes. And in the standalone remember we have our defense business also plus some of our other non-Mumbai plants have done well. So in fact that is a gain of about 40 crores. So these are the main items which I have also added. These are the main items, what I read out are the ones which will stand out during the quarter in the standalone.

**Moderator** Thank you. Next question is from Amit Sinha of Macquarie. Please go ahead.

**Inderjeet Bhatia:** Hi this is Inderjeet Bhatia here from Macquarie. I have just one question regarding this Ideal Power acquisition, is there clarity on the government's current policies on the transfer of linkage because I think there have been confusion in couple of acquisitions in the past where in one case the government seems to be allowing transfer linkage, in one case it is not allowed. So what is the current policy prescription on that?

**Anil Sardana:** Amit the policy with regard to linkage transfer has been very transparent and clear from government side for a long-long time. And one has to do the paper work and procedural compliances in regard to that paper work has to be submitted at the time when the transition takes place. So, if one does that there is no reason why they will ever refuse that, that is what they have done in the past cases. In the cases where you are citing we are aware of those cases. It has been done after perhaps four-five years of having done the transaction in which case the government is not committed or liable to do the transfer of linkages. So we have followed the process as is laid down and we have discussed with the concerned authorities that the government is doing all the paper work internally to orders those approvals.

**Inderjeet Bhatia:** And typically this, is it a very long-drawn process or is it just a matter of time one or two quarter it comes through?

**Anil Sardana:** Our view point is, it is the letter which you said has to come through the time.

**Moderator** Thank you. Our next question is a follow up from Venkatesh B of Citigroup. Please go ahead.

**Venkatesh B:** Sir just to look at that question which Shankar asked and just getting back to it. I guess what he was asking is more like this. There is a VAT receivable exchange gain of 413 crores in the quarter, now is any part of that included in the coal EBIT of 294 crores. I am assuming that it is not included because that is below the EBIT and it is included as a part of other income or do you include that also. Because if this 414 crores of VAT exchange EBIT is included that means if you exclude that exchange gain have you made a loss at the coal business that cannot be possible right sir?

**Ramesh Subramanyam:** Venkatesh so the segment results of coal business of 294 which is what I think Shankar was asking. And yes it includes the FOREX element which is captured under other income so it does.

**Venkatesh B:** So the underlying coal business is actually making losses is that what you are saying at the current prices.

**Ramesh Subramanyam:** Because there has been a price decline. You are right.

**Moderator** Thank you. Our next question is from Avinash Agarwal of Sundaram Mutual Funds. Please go ahead.

**Avinash Agarwal:** Yes, just a clarification on this coal number again, so when you are saying there has been a price decline do you mean they have taken an inventory write-down?

**Ramesh Subramanyam:** When I say price decline we are comparing Q3 of last year to this year that is what we meant by price decline.

**Avinash Agarwal:** Okay. But when we look at the gross margin Q-o-Q it is kind of similar as to Q2 and I think in Q2 we had reported profit so where is the mismatch?

**Ramesh Subramanyam:** Yes, so Avinash we can share with you some more details later but broadly yes from Q2 to Q3 also there has been a price decline of \$4 price decline roughly and yes compared to last year it is in fact \$11 decline. That should give you some idea that yes the performance during the quarter was stressed out. And there are some other items which we will share with you separately because then we will have to go into get in more details.

**Avinash Agarwal:** Sure sir. Sir just one more question at the coal SPV level usually what is the inventory level that we hold?

**Ramesh Subramanyam:** Avinash we will give you separately.

**Moderator** Thank you. Next question is from Abhinav Sharma of HDFC Securities. Please go ahead.

**Abhinav Sharma:** Sir is it possible for you to share coal segments EBIT, the impact of FOREX on coal segments EBIT for the nine month period of this year and last year?

**Ramesh Subramanyam:** Okay. So I think several questions sort of there if you can get in touch with Shubham he will clarify the questions related to coal EBIT.

**Abhinav Sharma:** But sir just to understand for the nine-month period would the operations be profitable if we leave out the FOREX impact?



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**Ramesh Subramanyam:** Well there are other than FOREX items also Abhinav so if I give you an answer then there will be more question so I would say that we will handle it separately offline.

**Abhinav Sharma:** Sure sir. And secondly sir could you share the gain on the asset sales Lodhivali asset sale what is that number?

**Ramesh Subramanyam:** It is about 17 crores.

**Moderator** Thank you. Our next question is from Rakesh Vyas of HDFC Mutual Fund. Please go ahead.

**Rakesh Vyas:** As on regular basis can you just give the number on the coal production, sales, realization, and cost of production?

**Ramesh Subramanyam:** Have you got the presentation which Shubham had sent across?

**Rakesh Vyas:** Yes, I have sir.

**Ramesh Subramanyam:** It is there.

**Rakesh Vyas:** In terms of volumes?

**Ramesh Subramanyam:** Sales, revenue, everything is there. Even cost of production.

**Shubham:** Slide #28.

**Rakesh Vyas:** Second thing sir the Ideal acquisition you highlighted or alluded to the fact that you might be looking at optimizing stakeholder value if I look at the Mumbai business area on nine month or on quarterly basis, the sales are actually declining in terms of MUs and we are now talking about starting the Unit-8 again and there is a proposal for conversion of Unit-6 as well. So is there enough scope for us to look at Mumbai license area as one of the buyer for the power, I am just trying to understand because the Maithon seem to suggest that you really don't need incremental power the way volumes are reflecting.

**Anil Sardana:** Rakesh I must clarify that I never concurred with the gentlemen's provocation that we will have this unit only for Mumbai. And therefore I am not at ever trying to conclude that this is only for Mumbai. I think that part is very clear number one. Number two, the prediction for consumption in Mumbai also is seasonal you have to bear that in mind that going forward depending on how things pan out there could be more

consumption particularly with the development in the, some of the areas which for long has been pending because of the disputes in the mill area which have off late been cleared by the present government. And also we need to appreciate the fact that there is an Eastern Corridor development that is happening. So these two factors in the next five years would give tremendous flip to higher consumption on disproportionate level than what has happened in the past. So Mumbai area is very different till date. We are continuously monitoring that, that is one area that we will cater to, but on the generating assets we should not assume that they will be done unless we practically do that, because the regulator has to approve it and the regulator will approve it only on the basis of what inventory they already have, what tie ups they have and what more power is needed in Mumbai. So you are right, bang on that is Unit-6 is converted tomorrow then naturally regulator will calculate how much more can Mumbai absorb and then only approve it.

**Rakesh Vyas:** Sure. And sir related question to that, that what is our CAPEX plan may be for three years in the Mumbai license area on transmission and distribution if you can highlight because you are highlighting there is lot of growth opportunity and given that there is now resolution on some of the aspects.

**Anil Sardana:** On a normative basis we have been doing a 1000 crores CAPEX in Mumbai area for last few years and I think that trend will continue because that includes upgrading hydro, that include upgrading generation sources, and that includes transmission and distribution. So that between the four of them that will continue to be the trend.

**Rakesh Vyas:** But is there any scope to have an exponential growth in the CAPEX requirement. I am just trying to understand because there some commitments made to MERC on the development of physical infrastructure, etc.

**Anil Sardana:** What happens is there is also in view of the availability of permissions and clearances, there is also a challenge in terms of making sure that exponential growth even if it is a likable phenomenon and even if we want to do it and even if MERC feels that it should be done, it could be a bit of challenge because you don't get permission so easily in Mumbai.

**Rakesh Vyas:** Got it sir. And my last question is on the overseas business – can you highlight some of the development there and the CAPEX that you incurred and are likely to incur in next two years.

**Anil Sardana:** Let me give you an overview and then figures you can take from Shubham separately. The progress in terms of Georgia Power has been better than the plan. At this stage as we talk we have achieved close to about more than 25% of the tunneling and the work on Hydro plant is progressing fast. As far as the wind projection in the African regions are concerned they again are off the ground and as per targets. Our hydro project in Zambia is already moving ahead we are close to about 67% execution already completed. Our Dagachhu plant will perhaps start pumping great in Bhutan hopefully before end of this financial year itself so that is the brief status. On the development side the other projects in Myanmar and Vietnam are at the early stage so I am not talking about them.

**Moderator** Thank you. Ladies and gentlemen that was our last question. I now hand the floor back to Mr. Anil Sardana for closing comments.

**Anil Sardana:** Thank you friends. That was a good interactive session we had and if you still have any questions or any other input that you need, please send your mails to Shubham or call him. He will be happy to provide you all details and particularly some of these issues related to the coal adjustments particularly because of this VAT entry, etc. If any more further details or clarity is needed, please feel free to send your queries to Shubham. I will look forward to your next set of interactions when we announce our results for Q4 till then good bye. Thank you.

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