

“Tata Power Limited Q1FY14 Earnings Conference
Call”

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POWER LIMITED
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Moderator

Ladies and gentlemen, good day and welcome to the Q1FY14 Earnings Conference Call of Tata Power. We have with us on the call today Mr. Anil Sardana -- Managing Director; Mr. S. Ramakrishnan -- Executive Director, Finance; and Mr. S. Padmanabhan -- Executive Director, Operations. 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 this conference call, please signal an operator by pressing '*' followed by '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anil Sardana. Thank you. And over to you sir.

Anil Sardana

Thank you and a very good afternoon to all for our analysts' friends. You would have received the results details of Q1 for financial year 2014. I must add briefly that it has been a quarter of unprecedented operational performance. Almost all counts we have done much better than our plans despite dwindling coal prices compared to the plans we have done much better in terms of the results as also the fact that the cost of production point of view that we had maintained in the past few quarters has actually shown up. We have had exemplary results in the cost of production in the Coal side. Similarly, this has been the year where both Mundra and Maithon have done the full quarter of performance and results in both have shown that we have been much better than the plan and on track. So all in all from operational performance point of view, an exceedingly good quarter, yet when it comes to standalone results, you have seen that we have registered good profits, of course also supported by some extraordinary increase which we got by way of MYT as also by way of the past reversals which were not applicable this quarter. On the consolidated side, yes, we have had the FOREX losses at Mundra which is something that, because of the change in the dwindling rupee, we obviously are not able to cover the entire FOREX and therefore that is a challenge that we have had and also of course the ongoing issue of under recovery on account of the energy charges.

Just because there is one common factor on which most of the analysts normally would ask questions therefore let me cover that as an opening point of view which is with regard to the CRC status. Let me inform all the analysts' friends that consequent to the CRC order, the CRC Committee has been formed and has been meeting regularly. The CRC Committee has now virtually come towards the last leg of its deliberation and is expected that within this month of August would make a submission to the CRC and then CRC would follow its next process to issue an order and then of course we will have to wait and see as to how it is made applicable. This has been the state and more than that at this stage it is very difficult for us to predict or suggest any outcome. However, we can only say that we are looking forward to the resolution to the Mundra issue soon enough. So that is all from my side. We will look forward to your questions. Thank you.

- Moderator** Thank you very much sir. Participants, we will now begin with the question-and-answer session. We have the first question from the line of Vishal Biraia from B&K Securities. Please go ahead.
- Vishal Biraia** My question is what is the current realization at Mundra UMPP?
- Anil Sardana** Rs. 2.40.
- Vishal Biraia** Could you also help us with the fuel cost?
- Anil Sardana** Rs. 2.
- Vishal Biraia** There was some marginal decline in the fuel cost and the rupee actually though depreciated did not depreciate much on an average basis.
- Anil Sardana** No, the rupee depreciated by 10%.
- Vishal Biraia** For the quarter as an average?
- Anil Sardana** Yes, absolutely.
- Vishal Biraia** My question is now that if we had asked for a 70 paise relief from CRC saying that the cost of fuel has gone up. So the total realization currently is 2.4 and even if I add the fixed cost of about 90 paise that you refer to...
- Anil Sardana** In the realization the coal is Rs. 1.50, which will get out of the tariff. As you rightly said 90 paise is the fixed cost, so Rs. 1.50 is what you realize through the tariff and Rs. 2 is the cost, so that 70 paise has become 50 paise today. That is the under recovery. But I just want to add do not assume that under recovery is 90 paise is on account of entirely fuel, it could be lower and there could be some elements due to the FOREX part also.
- Moderator** Thank you. We have the next question from the line of Venkatesh B. from Citi. Please go ahead.
- Venkatesh B** Could you share with us the Coal mine production, sales realization and the cost of production?
- S Ramakrishnan** Coal sale is about 20.5 million, up from 16.3 million last year same quarter. FOB realization is about \$66 down from \$84 last year same quarter. Cost of production is \$42 down from \$49 last year.
- Venkatesh B** How much was the production in this quarter?

- S Ramakrishnan** Coal mine is almost 20 million compared to 16.4 million last year.
- Venkatesh B** What is the quantum of the FOREX loss in Mundra because of the rupee depreciation?
- S Ramakrishnan** It is Rs. 168 crores.
- Venkatesh B** But the overall has been almost like Rs. 297 crores, so where is the remaining FOREX loss happening?
- S Ramakrishnan** We have about Rs. 110 crores in standalone due to fuel. The rest is due to coal mine. There are some liabilities in Indonesia in dollars and some assets in Indonesian rupee, the set off which leads to a loss, because Indonesian rupee has also weakened like Indian rupee.
- Venkatesh B** Out of the 1050 MW in Maithon, what is the offtake like? How much is DVC purchasing on a regulated ROE? How is the offtake and what are the kinds of tariffs for each of them?
- S Ramakrishnan** Just a correction on the revenue. The FOB I gave you is with royalty. If we deduct royalty is \$59 compared to \$75, a reduction of \$16 whereas in other ones the reduction is about \$18 realization. In Maithon we have contracted all except 150 MW, all of them are on regulatory basis.
- Venkatesh B** Everything earns that 15.5% regulated ROE?
- S Ramakrishnan** Except 150 MW.
- Venkatesh B** This quarter in Maithon you must have earned a very decent kind of a merchant rate, correct?
- S Ramakrishnan** No. I would like to see who has earned a decent merchant rate in this quarter. It is Rs. 2:97.
- Venkatesh B** Whereas the regulated rate will be much higher, it should be about...
- S Ramakrishnan** Yes.
- Venkatesh B** Just one more clarification again, this Mundra tariff of Rs. 1.40, 90 paise is the fixed cost and Rs. 1.50 is the variable cost, correct?
- Anil Sardana** Correct.
- Venkatesh B** Now that Mundra and Maithon are fully operational for one full quarter, all units are operational. Can we take it that the cost which you are reporting is actually a representative of both these power plants like this is the first quarter when it is fully representative?

- Anil Sardana** Coal price variation and the foreign exchange that is where you see in Maithon also with the full operation, Maithon has made decent profits.
- Venkatesh B** One last factual information, what was the depreciation in Mundra for the quarter?
- Anil Sardana** About 200 crores.
- Venkatesh B** Thank you very much sir and I hope you get this tariff hike as fast as faster.
- Moderator** Thank you. We have the next question from the line of Abhishek Anand from JM Financial. Please go ahead.
- Subhadip** This is Subhadip from JM Financial. My question is with regard to Mundra, what would be the mix of low GCV versus high GCV Coal that we are using currently?
- Anil Sardana** 70:30.
- Subhadip** Continuation of the previous question, given that everything else remains status quo, would we be looking at this kind of loss levels in Mundra continuing over the forthcoming quarters?
- Anil Sardana** These level meaning?
- Subhadip** The current numbers that we have come up with in this quarter.
- Anil Sardana** I think you need to appreciate that the numbers that are there currently includes the foreign exchange loss and the loss on account of the performance because of the coal under recovery. So the split up that is there, which we have given you is about... 170 crores is the FOREX and the balance is on account of the performance that means including the interest, finance charges, etc. The P&L impact other than FOREX you can take as 540 minus the numbers that...
- Subhadip** The number is 170, I get you. And just to reconfirm, this 70:30 mix that you mentioned, 70% would be the low GCV coal, am I right?
- Anil Sardana** That is correct.
- Moderator** Thank you. We have the next question from the line of Vivek Sharma from ICICI Securities. Please go ahead.
- Vivek Sharma** Just wanted to check, you mentioned the Bumi mine realization were \$59, am I right?
- Anil Sardana** Right.

- S Ramakrishnan** Net of royalty.
- Vivek Sharma** Just doing back of the envelope calculations, why has the coal segments profitability been so low, even if you take \$42 of cash cost which give a spread of \$17 and a healthy dollar rate and adjusting for the 30% stake, why have the coal profitability been so down?
- Anil Sardana** Why do you say that it is down?
- Vivek Sharma** In your segmental results, it is at 96 crores.
- Anil Sardana** In fact if you see on a per ton basis, it is much better than what we had estimated with this kind of a coal price. With this kind of coal price, one would have expected to actually be impacted to half of what we have finally achieved. We have actually done double of our plants. So there is some cost that you may be missing.
- Vivek Sharma** Any one-off or any other Coal businesses that have been impacting the reported results?
- Anil Sardana** No, what have you considered in your costing?
- Vivek Sharma** No, I am just looking at 96 crores, the segmental results that you have reported in your results which is down say around 50% from the last Q4.
- Anil Sardana** That is correct, but at that time the pricing as you know as we said \$75 and that made all the difference.
- Vivek Sharma** So the comparable number will be 59?
- S Ramakrishnan** May I clarify? If you just multiply the margin by volume, you will not get the profit because we have sales expenses, we have (G&A), general and administrative expenses, we have some amount of depreciation, we also have mobile equipments on lease. So the problem that you have is I think you are deducting the FOB realization, net royalty minus the cost of production multiplied with volume that is not the way you will arrive at the profit. There are certain expenses which are more or less in a way fixed. So when your margins get squeezed, your profit get affected a lot more because they remain constant, do you understand? It is not a simplistic variable changeover.
- Anil Sardana** Compared to what we would have hoped we have actually done much better.
- Vivek Sharma** Second question on how much dividend did you receive from the coal companies this quarter?
- Anil Sardana** 30 million.

- Vivek Sharma** And what is the cash and debt level at the coal SPV?
- S Ramakrishnan** Outstanding debt is 790 million.
- Vivek Sharma** Is this net debt?
- S Ramakrishnan** Not net debt, we have some cash, so the net debt is 755 million.
- Moderator** Thank you. We have the next question from the line of Anoop Kulkarni from Emkay Global. Please go ahead.
- Anoop Kulkarni** My first question is related to the Mundra FOREX loss. If I look at the annual report of CGPL, the unhedged portion of the loan was about 4,800 crores and if I calculate the closing exchange rate for both these quarters, the loss should have been around 400 crores, so where...
- S Ramakrishnan** Whatever FOREX we have used for the purpose of acquiring assets they get capitalized and then get depreciated. What we have written off is only those and that liability which have not gone towards funding the fixed assets.
- Anoop Kulkarni** So basically related to Coal is what you have capitalized?
- S Ramakrishnan** Yeah, coal liabilities or credit if we have taken or whatever those types of liabilities for FOREX. The long term liabilities have gone to fund fixed assets, so they have got capitalized and then get depreciated.
- Anoop Kulkarni** Secondly, I missed the number of FOREX loss for coal SPV if you can give it again?
- Anil Sardana** We didn't give you a breakup on the coal SPV.
- Anoop Kulkarni** No, you gave a number for the coal mine FOREX loss I think?
- S Ramakrishnan** We will give you, you please continue.
- Anoop Kulkarni** Last question was basically if I just do some calculations on the realizations of Bumi or coal mine, what you have actually recognized in terms of rupees is conversion at about Rs.54 to dollars in terms of revenues and cost in Bumi, so is that a correct number?
- S Ramakrishnan** If you have done it, it should be correct I guess.
- Anoop Kulkarni** But the average for the quarter...?
- S Ramakrishnan** You have to take the revenue of the coal...

- Anoop Kulkarni** That is what I have done.
- S Ramakrishnan** But the coal segment does have some revenue which is related to coal but not actually coal sale. Then you are right, you have taken the coal sale divided by the volume and then convert it back into US dollar, if you have arrived it this way, it must be correct. We never looked at it that way, but...
- Anoop Kulkarni** If you can give me the Coal mine FOREX loss?
- S Ramakrishnan** US\$28.5 million, 100%.
- Moderator** We will take the next question that is from the line of Arun Kumar from HSBC. Please go ahead.
- Arun Kumar** Two questions related, first question is what is your FOREX debt current exposure and what is the repayment obligation for FY14-15, both interest as well as the principal?
- S Ramakrishnan** You want standalone or which one do you want?
- Arun Kumar** Consolidated debt FOREX.
- S Ramakrishnan** \$2.6 billion. What is the other question that you had?
- Arun Kumar** What is the repayment you have obliged to make in FY14 and 15?
- S Ramakrishnan** We will mail it to you.
- Arun Kumar** The question is that from the last quarter ending March '13 the profit from the Coal business was 170 and this quarter it is showing 96 crores, last quarter the realization told to us was \$75 net of the royalty and you are saying there is a decline from \$75 to \$59 between the two quarters?
- Anil Sardana** That is correct.
- Moderator** We have the next question from the line of Abhishek Jain from Indianivesh. Please go ahead.
- Abhishek Jain** As per the notes of accounts the company is going for the restructuring under which the company will transfer at least 75% of equity interest in the Indonesian coal companies to CGPL. So what is the objective of further investment in the CGPL?
- S Ramakrishnan** The further objective is that it is an accounting requirement that our investment in CGPL if you want to combine it with the coal so that within the two together there is no impairment as far as

Tata Power holding is concerned. In order to achieve that we have to make a commitment to transfer the share. Also depending upon which way the matter goes, it may be one method of restructuring the company going forward.

Moderator We have the next follow up question from the line of Vishal Biraia from B&K Securities. Please go ahead.

Vishal Biraia The infrastructure that we were developing at the coal mines for transportation of Coal from the mine to the jetty and some other infrastructure was supposed to lower our operation cost per ton of coal. So any update on that, as to what could be the possible benefit that we will accrue and by when?

Anil Sardana You know in line with the reported infrastructure, we have already had gains, so barring the power project, the conveyor system, the crushers, etc., are all ready including the old jetties and that is one of the reasons that we have been able to achieve remarkable reduction in the cost of production despite the increase in fuel cost. What you said is right and also the fact that we have seamlessly been able to sell 20.5 million tons in a quarter which has also been by far one of the highest that we have been able to achieve this far.

Vishal Biraia So all the infra that you were planning to develop is already there except the power plant?

Anil Sardana That is correct.

Vishal Biraia Now that the coal prices have slightly weakened. Do you plan to maintain the production target and do you have some revised number for the production target for this year?

Anil Sardana I think the production plans as given by the promoters, that stays, we have not really changed them, we continue to maintain the same figures as we had said before.

Vishal Biraia So that is 80 million tons for calendar year '13, right?

Anil Sardana That is correct.

Vishal Biraia One question on the bookkeeping front, on a console basis the interest expense has increased 200 crores quarter-on-quarter. Could you elaborate more on this as to why this increase, is it because of the interest payment or the FOREX loans or some rough cut idea on this?

S Ramakrishnan One is of course commissioning of all the equipments in CGPL, all the units leads to higher interest and as well as Maithon. The second is we have if you see the notes to the accounts a very clear provision that there is a certain trajectory liability which is under dispute which we have decided to provide for and that liability has a certain interest component involving it, it is

also covered in the notes that we have given you. These are two significant reasons for the increase in interest.

- Moderator** We have the next follow up question from the line of Venkatesh B from Citi. Please go ahead.
- Venkatesh B** Depreciation in this quarter in the coal mine?
- Anil Sardana** \$77.5 million, 100%, so you take the 30%
- Venkatesh B:** 4th quarter usually the number is larger, is it, sir, because I think 4th quarter it was \$92?
- Anil Sardana:** I do not have the 4th quarter figure but I have the previous year which was about \$85.
- Venkatesh B:** Just a clarification because when you were answering this question why the coal mine EBIT has fallen so much, you mentioned that the 4th quarter realization including the royalty was \$75 but I remember the 4th quarter result you said that it was \$72.3. So I do not know which number is...?
- Anil Sardana:** We did not talk about 4th quarter, we talked about Q1 of previous year.
- Venkatesh B:** Q1 of previous year I think the realization was \$84?
- S Ramakrishnan** \$84 is with royalty and net of royalty is \$75.
- Venkatesh B:** Now just, sir, one final question from my side. Now, you did share this Mundra tariff of Rs.2.40 currently. On an average what was the tariff last year and what was the fixed part and what was the variable cost?
- Anil Sardana:** I do not know, we will communicate to you; we will mail it to you.
- Moderator:** We have the next question from the line of Sachin Trivedi from UTI Mutual Fund. Please go ahead.
- Sachin Trivedi:** Sir, my question is on the Coal production cost. So do you see any further possibility of the production cost going down maybe on account of lower strip ratio?
- S Ramakrishnan** As the price goes down we try to move the product mix in a way that strip ratio goes down, but there is a limit here. Ultimately, we may not produce and then strip ratio will almost be zero. So these things have to be read with some bit of care that what is true for a small range need not be true for a longer range of production in price. So there are two, there have been some cost rationalization, there has been some cost netting with the government on certain tax issues and there have been focused more on coal strip ratio that is how the higher volume has been

maintained by moving to a product line which has lower strip ratio but there is a limit here, you cannot play this game for too long as the prices continue to fall.

Sachin Trivedi: Sir, in immediate terms, maybe two, three quarters, we do not see the possibility of cost going down significantly by further lowering the...?

S Ramakrishnan Let me put it in this way. If the market sustains itself at a current level of production mix will be of similar nature. If the market improves or the market worsens and we need to then rework our bids and then decide how to handle the challenge posed by the changing pricing scenario. So from an analyst point of view a simple model is always useful but reality is not as simple as a model.

Sachin Trivedi: Sir, the second question was on Mundra, now assuming committee gives its recommendation which should be more likely in terms of a formula, is it right, or will they be giving an absolute number of compensation to be given to us?

Anil Sardana: We do not know. We will have to wait for CERC judgment.

Sachin Trivedi: Sir, once the committee gives recommendation, just wanting to understand, the CERC will give a tariff order, post which the state regulator has to adopt it or how will it go?

Anil Sardana: As far as the Mundra UMPP is concerned, CERC is the final authority under the act to adjudicate tariff that is how they did originally and that is how it is expected to be done now. The State Commissions have no rule in adjudication of the tariff related to UMPP. But that is for them to then whatever is the position of the state, the state utilities will file that as a part of their Discoms tariff and it has nothing to do with UMPP ratification.

Sachin Trivedi: As per you, how long this entire process should take post the committee gives its...?

Anil Sardana: Do not make any speculation with regard to any judicial process. I hope you would appreciate that point.

Sachin Trivedi: And sir, finally, as far as the Mundra dollar loan that we have, so just wanting to understand on the hedging, how have we hedged, is it hedged, is it open and at what levels we have hedged at?

S Ramakrishnan Large portion of 3-year is hedged; a small portion of 4 and 5 is hedged. Nothing is hedged beyond 5.

Sachin Trivedi: And to the extent currency depreciation, the provisions of the fluctuation would have been made, that is what we can assume?

- S Ramakrishnan** The currency fluctuation as I told you goes into the fixed assets and then get depreciated.
- Sachin Trivedi:** And lastly, what will be the gross block of Mundra as of now?
- S Ramakrishnan** The hedge is regarding the yearly liability while the currency variation is on the total loan, the variation goes into the asset and comes back as depreciation whereas the hedge is for the specific yearly loan services. I just want to differentiate the two so that one is aware.
- Sachin Trivedi:** Sir, finally, what will be the gross block of Mundra as of now, because all the units are now capitalized?
- S Ramakrishnan** 18,000 as of 30th June.
- Moderator:** We have the next question from the line of Arun Kumar from HSBC. Please go ahead.
- Arun Kumar:** Any update you have on the new projects, both in India and outside, anything which has moved in the last one quarter?
- Anil Sardana:** I guess we had shared with you the new projects in terms of having commenced work at Georgia which is the Hydro Project. The financial closure in respect of the Wind Projects 235 MW of Wind Projects in South Africa has happened. In addition to that during the quarter we were awarded the rights to do further work on 1200 MW project in Vietnam. So those I guess are the new projects that I can immediately remember of outside of India.
- Arun Kumar:** And domestically, two projects in Odisha and Jharkhand, is there any progress?
- Anil Sardana:** Those projects, the coal mine works are advancing now as far as Mandakini is concerned, we stay on course with the commitment to 2014 exploration, so we are getting very close there. As I said before we have a slack of 8 to 10 months in Tubed. And as far as the land acquisition of Tiruldih is concerned we are close to about 40% land that is already acquired, the balance 60% progress is happening because of the change of situation from government to governor and governor to government. Those files have stayed unapproved and we are hopeful now that the new government is in position, they will get approved, so the land acquisition process will get completed during this year that is our hope and then we will move with Tiruldih. That is what it is and we have now for Odisha while Naraj Marthapur project, we continue to wait for Odisha government to hold their meetings and do the wild life clearance, we have also posed an alternate site to the Odisha government so that if they have any reason why they are not holding these meetings, etc, the other side does not have any issue related to environmental or wild life and therefore let us see whether they will be nimble on those approvals.
- Moderator:** We have the next question is from the line of Abhinav Khandelwal from Religare. Please go ahead.

- Abhinav Khandelwal:** Sir, what is the current coal realization for this quarter?
- S Ramakrishnan** We do not know. We do not run the operation ourselves.
- Moderator:** Thank you. We have the next question from the line of Shankar K from Edelweiss. Please go ahead.
- Shankar K:** In Mundra, what has been the plant availability factor in the PLF that we operated in?
- Anil Sardana:** The availability is what we get paid on and that was 80% which is what gets us the fixed cost income.
- Shankar K:** And the PLF has been lower than that, at around 64%? The availability was 77 or 80?
- Anil Sardana:** 77 is what they are saying and the PLF was 68.
- Shankar K:** Rs. 548 crores of reported loss, from there you are saying the foreign currency adjustment is Rs.168 crores. So Rs.380 crores is a broad loss before this foreign currency. And in Q4, we are done with four units fully operational and part of the units operational; of the fifth unit being operational, we reported a loss of Rs.150 crores.
- Anil Sardana:** When the PLF is lower, the heat rates deteriorate and there we had 4 units where the PLF was much better and therefore the heat rate was much better. So that is the change that will continue to happen depending on the time of the year also. There is also some bit of FOREX loss that is sitting in the interest component, so that is not entirely the operational loss.
- Shankar K:** I agree, that is exactly what I am saying, the difference between Rs.150 crores which is in Q4 and Rs.380 crores in Q1, this is quite wide. So what is it because of the operational factors and what are some of the external factors is what we wanted to know?
- Anil Sardana:** On a normative basis, on a typical analysis basis Rs. 300 crores is about the operational loss.
- Shankar K:** For 5 full units, one full quarter?
- Anil Sardana:** That is correct, for the quarter.
- Shankar K:** Because four units full quarter was 151, one unit additional becomes double of that. Even with a 10% increase in fuel cost, that would not be that kind of discrepancy kind of a number?
- Anil Sardana:** We will once again go back and check those figures but we do not have readily the pre-Q4 figures in front of us.

Shankar K: There is no penalty because of drop in PAF, right, between 80 and 77, you have not paid and that kind of factoring is not done?

S Ramakrishnan It is done on annual basis not on quarterly basis.

Shankar K: Now, secondly, what is the average GCV of the Coal sold from the coal mines? Earlier it used to be around 5,700. Has it dropped from those levels?

S Ramakrishnan I do not think it was ever 5700 but we will give it to you.

Anil Sardana: I will mail it to you?

Shankar K: Okay, that should be fine.

Moderator: We have the next follow up question from the line of Anup Kulkarni from Emkay Global. Please go ahead.

Anup Kulkarni: Sir, my first question is a follow-up on the Coal mine itself. The FOREX loss which you said, is that number above EBIT which you have reported Rs.96 crores? So, I mean to say that FOREX loss has been accounted for in Rs.96 crores or --?

Anil Sardana Yeah, accounted for.

Anup Kulkarni: So the recurring EBIT would have been higher by that amount?

Anil Sardana That is correct.

Anup Kulkarni: And secondly, there has been an increase in diesel price in Indonesia recently. So what has been the impact of that?

Anil Sardana: We do not have that split up right now for the fuel price increase but I did mention in the past that despite fuel price increase our cost of production has come down, I did mention that, I agree with you there. But I do not know what is the exact difference that that has caused.

Anup Kulkarni: But it would be significant as per what you are mentioning, right?

Anil Sardana: We know that there was a significant increase in fuel price but we do not know how much is the component the...

Anup Kulkarni: I wanted to understand that all of it is already there in the cost or it is yet to come?

Anil Sardana: So those details are not there with us.

- S Ramakrishnan** We will have to get it for you.
- Anup Kulkarni:** Thirdly sir, if I look at the coal mine realizations today, \$66 per ton, is that accounting for the fall in global Coal prices that has happened recently or do you believe looking at your contractual obligation and reset of the contracts which are coming up, it can go down further as per the current global Coal prices?
- S Ramakrishnan** These are all decided by HBA now no, for the whole pricing in Indonesia is now driven more by HPA than by anything else?
- Anup Kulkarni:** Alright, so it more or less reflects the current prices?
- S Ramakrishnan** Almost all contracts, some are a few cents or a dollar higher but by and large if you see the total volume it will match with the HBA.
- Anup Kulkarni:** In case of Mundra UMPP, if I look at the energy charge which you said Rs.1.50, is that the current energy charge at the current exchange rate or is it the average of the quarter?
- S Ramakrishnan** It is average at the quarter.
- Anup Kulkarni:** Then, is it safe to assume that if the exchange rate remains at the current level and given that fuel cost is higher than the energy charge, your gap between fuel cost and tariff might increase in this quarter?
- S Ramakrishnan** Yeah but the 2.40 that was given was on the basis CERC, you know the CERC index revision happens only once in six months. 2.40 is a contractual bearer which always lags behind the actual coal price. In this case the coal prices are falling, we are getting a higher price earlier because the CERC index is 6 months old.
- Anup Kulkarni:** But sir, I guess exchange rate pass-through happens on a day-to-day basis, is that correct, basically every day when you supply since you have quoted tariff and... ?
- S Ramakrishnan** It is given on the basis of the average but it is more due to our generation dispatch nothing to do with our procurement. So we are exposed between procurement and consumption.
- Anup Kulkarni:** And lastly, sir, if you can give me the marketing cost of the Coal mine for this quarter?
- S Ramakrishnan** Yeah \$3.9.
- Anup Kulkarni:** Sir, actually I was calculating the profit reconciliation for the Coal mine, there is a gap of about \$6, \$7 versus the reported number. What I am doing is, there is about \$59 is the less royalty realizations...

- S Ramakrishnan** As we told you whatever we have revealed is not the full cost. There are some administrative and infrastructure and others. I suggest you interact with our investor relations team, they will give you that.
- Anup Kulkarni:** Actually I have accounted for that and despite that there is a gap. So anyway I will contact is...
- S Ramakrishnan** You speak to our team and reconcile. That is much better than talking about it. We do not know where you may have noted some figure, maybe wrong or whatever.
- Moderator:** We have the next follow up question from the line of Abhishek Puri from Deutsche Bank. Please go ahead.
- Abhishek Puri:** Sir, two questions. Firstly, on Mundra, if I heard the number correctly, you said Rs.0.50 is the current under-recovery?
- Anil Sardana:** That is correct for the last quarter.
- Abhishek Puri:** Sir, how are we representing in the panel? I mean, I presume there are two, three factors which have to be discussed. One is on the Coal cost because of the Indonesian law change and secondly it is due to the FOREX movement which has happened in the last one year, and third aspect is CERC had indicated if the gains in the coal can be shifted here. So are all these three things being considered or is it only to do with the change in the Indonesian law which is being considered within the committee?
- S Ramakrishnan** The committee is working strictly as per the CERC order which is available on the website.
- Abhishek Puri:** So are we debating for all three from our side because I believe from the customers' petition in the CERC....
- S Ramakrishnan** We are asking for everything from our side. Committee will be following their interpretation and the CERC order which is available on the web.
- Abhishek Puri:** Sir, secondly, if you can give us some balance sheet details, I mean, in terms of the cash on books right now, and our CAPEX plans for the current year and next year? I believe most of your large projects are already commissioned and you have already spent a large portion of money?
- S Ramakrishnan** Consol cash is Rs. 1913 crore, standalone is Rs 149 crore. What is your next question?
- Abhishek Puri:** CAPEX plans and the equity commitment in that for this year and next year if you have the numbers?

- S Ramakrishnan** The CAPEX commitment we go for '14 is about Rs.856 crores, '15 is Rs. 1,375 crores for standalone again.
- Abhishek Puri:** And debt-equity will be 30/40.
- S Ramakrishnan** Typically we do it on the 30/70, 30 is internal resources is 70...
- Abhishek Puri:** And is there any amount pending to be spent on Mundra right now?
- S Ramakrishnan** Yeah.
- Abhishek Puri:** Because I believe your capital cost was about Rs.17,000 crores and the gross block which you mentioned is about Rs.15,000 crores right now.
- S Ramakrishnan** No I corrected it later, the gross block is Rs 18,000 crore. We still have some money to be disbursed although not to be spent in that sense to be disbursed yet.
- Moderator:** We will take the last question from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** A few questions from my side. First of all, is there any under-recovery in the tariff that you have built in Mundra in the current quarter because of lower PAF?
- S Ramakrishnan** We cannot follow the question.
- Rakesh Vyas:** Sir, we are mandated to keep 80% PAF. And therefore, is there any under-recovery or prorata change in the tariff?
- S Ramakrishnan** As we told you first of all it is not PLF is availability. PAF is only an annual evaluation. Our estimation is that we will definitely achieve 80% then these products to provide for any under-recovery.
- Rakesh Vyas:** Sir my second question relates to Mundra foreign exchange loss. So why is it on the account because all the asset per se of Rs.18,000 crore has already got...?
- S Ramakrishnan** We have certain current liabilities regarding fuel sourcing, regarding buyers credit, some of which is hedged, some of which is hedged with options and FOREX moved beyond the option range.
- Rakesh Vyas:** So this fuel cost which you have highlighted in the current quarter of almost Rs.2, is it a true representation of what the actual cost was? I am just trying to understand.

- S Ramakrishnan** Yes, everything is true only.
- Rakesh Vyas:** So there is nothing like a buyers' credit loss which should be accounted in this Rs.2?
- S Ramakrishnan** That is the penalty loss. The coal will increase for sure, whatever the exchange rate that is what goes into the cost. And from then on it is the finance guy's problem, not the operating cost problem.
- Rakesh Vyas:** Sir, this FX loss is before PBIT which you have reported in Mundra, right, it is not part of the financing cost?
- S Ramakrishnan** It is a part of PBIT before interest and taxation.
- Rakesh Vyas:** So, this is accounted before PBIT?
- S Ramakrishnan** PBIT is purely operating profit and depreciation, that is all.
- Rakesh Vyas:** Sir, then, I am not able to reconcile because your PBIT reported is Rs.230 crores.
- Anil Sardana:** You have to contact later, the investor relations will reconcile, we cannot do it on a call.
- Rakesh Vyas:** Sir, can you help me with the interest cost that you have recorded in Mundra this quarter?
- S Ramakrishnan** 318 crores.
- Rakesh Vyas:** My next question relates to our Delhi business. The new regulator has given new tariff increase. So does that account for the cash losses or the provisions that were there which should get adjusted in terms of carrying cost?
- S Ramakrishnan** We are studying the order, our view is probably it covers our cost, but does not lead to any substantial recovery, but that is a very preliminary view, we will have to wait and see.
- S Padmanabhan** For the financial year FY14 we just recovered all cost that we had.
- Rakesh Vyas:** Including the carrying cost?
- S Ramakrishnan** Yeah, including the carrying cost.
- S Padmanabhan** The regulated assets that existed as of end financial year '13 will be the same as the end of financial year '14.

Rakesh Vyas: In terms of Coal mine business, the way the management fees was accounted for, has there been any change in the contract itself?

S Ramakrishnan No.

Rakesh Vyas: So that remains the same and it is normally accounted in the Coal mine business, is it?

S Ramakrishnan Yes, of course.

Rakesh Vyas: And sir, has the benefit of the lease equipment now fully into the production?

S Ramakrishnan By and large, yes.

Moderator: Thank you. I would now like to hand the floor back to Mr. Anil Sardana for closing comments. Over to you sir.

Anil Sardana: Thank you so much for participating in the Q1 analyst call and for all our friends from the analyst world, if you have any more questions do feel free to drop in, send the mail to our investor relations and we will ensure that you get your response. For those who did not get part of the answers and we committed that we will provide you by e-mail we have taken note of that and we will ensure that you get your mails and the response will be provided to you. For others, feel free to contact us. Thank you so much once again and look forward to seeing you next quarter.

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