



TATA POWER
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“Tata Power Q1 FY15 Earnings Conference Call”

August 12, 2014



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MANAGEMENT: MR. ANIL SARDANA – MANAGING DIRECTOR & CEO
MR. ASHOK SETHI – EXECUTIVE DIRECTOR (OPERATIONS)
MR. RAMESH SUBRAMANYAM – CFO

- Moderator** Ladies and gentlemen, good day and welcome to the Tata Power Q1 FY15 Earnings Conference Call. We have with us today from Tata Power, Mr. Anil Sardana – Managing Director and CEO, Mr. Ashok Sethi – Executive Director (Operations), and Mr. Ramesh Subramanyam – CFO. 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, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anil Sardana. Thank you and over to you.
- Management** Thank you Mohsin. Good afternoon analyst friends. Welcome to the Q1 FY15 Conference Call. You have by this time the press release and also the presentation that has been uploaded. I hope you have had enough time to go through that and we look forward to your questions and we will be happy to answer any questions that you may have now, or you may want to send that across through mails which we will be subsequently responding to you. Thanks once again, look forward to your questions.
- Moderator** Thank you. We have the first question from the line of Venkatesh B from Citigroup. Please go ahead.
- Venkatesh B** Sir the first question is the usual data question in terms of the coal mine. The production sales and realization and cost of production in the quarter.
- Management** The production 23 million, sales 21.7, what else you asked?
- Venkatesh B** Realization and cost of production
- Management** Realization was about 45 after royalty and cost of production 31.5.
- Venkatesh B** This 45 after removing royalty?
- Management** Yes.
- Venkatesh B** If we include royalty, how much is it?
- Management** Around 47
- Venkatesh B** 47 gross?
- Management** Yes, obviously it can change in mix this quarter
- Venkatesh B** Okay, the second question is more on the Mundra UMPP, you have received an order from the APTEL in the month of July that you can actually start collecting the tariff hike from the month

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of April 2014 or so, now would the next quarterly result will you be showing the financials along with the tariff hike or without the tariff hike?

Management Let me clarify first and foremost the orders sales that you can start collecting from March and not April that is first. The second part is while the bills have been raised we haven't yet started to receive the payment and once we start receive the payments that we had announced last quarter, we will start considering the same including compensatory tax.

Venkatesh B Okay, so if the SEBs do not pay you for the next three months you will still not recognize is it so?

Management Why would not they pay because there is a methodology either they would get court directions to do so, or they will have to pay because otherwise we will act as per PPA.

Venkatesh B Okay, so next quarterly results we will get the impact of the tariff hike in the financials.

Management Under the same circumstances one is very clear that you will get payment before next quarter.

Venkatesh B Okay, no but then why wouldn't we show the first quarter results with the tariff hike because it came in July, the results have come now so you are entitled to get money for the first quarter so why not show that in the first quarter result that you have got the tariff hike and why not reflect it in the first quarter result.

Management Let's leave it to the board's decision. It is not fair for us to comment that why not. For the benefit of our analyst friends indicated that if the compensatory tariff is considered you will add 225 crores to your bottom line number. So I think that is where we will want to leave it, Venkatesh you should give respect to the fact that if somebody takes a particular view there is a reason behind that.

Venkatesh B Okay, sure sir just out of curiosity that I asked this question. The next on a similar line this quarter Mundra had a 300 crores kind of a loss, now you said that you have not recognized the compensatory tariff around of 225 crores. Now if you had recognized the 225 crores Mundra would have still done a 75 crores loss. Now is that because you are not being able to recover your fixed cost also in the project now.

Management There are two, three issues that you need to internalize which I had mentioned before also. Number one at this moment we operate with complete 80% availability with the results, capacity utilization of plant suboptimal. Number one the change that will happen once we are clear on the aspects that we will operate it through a point where we will be incentivized and therefore there will an incentive part. Number two, our coal consumption per kilowatt will certainly improve and improve significantly, and that will make the second difference. And third part is which I said that since the system also provides for the fact that we can place

availability upward of 80% in the market place. We will therefore be able to share 60-40 and that is another phenomenon that will happen. So considering that none of these factors have been applicable, you would certainly have an under recovery in the present situation.

Venkatesh B Sir just to clarify on the answer you had given earlier that realization pre-loyalty was 47 and next royalty was 45. Why is the royalty number so low, just \$2?

Management It is a mix issue and just not a value issue so we can probably explain you separately.

Moderator Thank you. We have the next question from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri Couple of things, firstly on depreciation has come off quite significantly from Q4 to Q1, any specific reason for that?

Management The new Companies Act mandates that there are only two prescribed ways to deal with the depreciation. So we had to review our new Companies Act and what you are seeing is really the result of the new Companies Act.

Abhishek Puri If I may ask a clarification on that, how much is the amount, have you shared that amount separately?

Management Total impact for the quarter on the consol is about 105 crores.

Abhishek Puri Secondly thing, the sales mix in MLA, the Mumbai License Area has been deteriorating for some time, so is it that the customers are off taking lower or are we losing customers post that regulatory order last year.

Management The exact details of the customer change at this stage,

Management There are about 600 consumers which have reverse change over because of that sales order.

Abhishek Puri My last question if I may ask will be on if you can give us some update regarding your transaction on the coal mining Arutmin KPC 5% stake sale, what is the progress and where are we on that now?

Management So there are certain CPs to be done to complete the transaction and those CPs still underway and I think in the last call also I mentioned that it make take probably end of this financial year to complete because there is also some reorganization to be done within those companies which are involved in this thing so that process is still on.

Moderator Thank you. We have the next question from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

- Bhavin Vithlani** Couple of questions on Mundra so if you can give us data points on what was the volume sold and realization as well as fuel cost.
- Management** For the quarter the sales units were 6078 MUs. What else you wanted realization?
- Bhavin Vithlani** Realization and fuel cost.
- Management** Realization was Rs. 2.38 and fuel cost was Rs. 1.98
- Bhavin Vithlani** Okay, second question is on IEL, when I actually look at the subsidiary numbers there is a negative 60 crores number which is due to certain deferred tax. I believe it is a one of number if you can share what is that one of in the IEL.
- Management** This is also one of the impacts coming out of the changes with the depreciation. So when you revise the depreciation and IEL also had a change, then it changes the way we book depreciation and the tax depreciation matches which is important for deferred tax calculation and IEL also have a deferred tax, on holiday period tax holiday, so because of change in depreciation the depreciation goes beyond the holiday period as a result of going there is a deferred tax liability that gets generated and as per the accounting standard even though it is going to really impact you much later, you still have to provide it in the quarter where you change the method of depreciation. So all of it has been accounted for all in this quarter, which is 90 crores.
- Bhavin Vithlani** Sir, 90 crores is the impact only for IEL in this quarter?
- Management** That is right.
- Bhavin Vithlani** And what is the number for the consolidated entity in the tax?
- Management** That is about 105 crores.
- Moderator** Thank you. We have the next question from the line of Manish Agrawal from Barclays. Please go ahead
- Manish Agrawal** My question is on Maithon performance, they had a significant decline in the PAT for Maithon, had it been basically because of the new CERC regulation or because of decline in the PLF.
- Management** That is correct; basically it is the regulation change.
- Management** Because of the regulation it has changed from availability based incentive to PLF based incentive.

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- Management** But this is not representative of, you cannot multiply this by four to see that it is such a big impact on the year. In fact we will trail down because it is also is because last year we had a very high availability so it is not a year average. Just of your understanding that you do not extrapolate it.
- Manish Agrawal** Okay, and my second question was petition in Delhi so any update on your petition regarding the high cost of power plants that you are taking power from NTPC.
- Management** No that is TPDDL issue which is based on the information available. Government of Delhi has written a letter to Ministry of Power that three of such stations which had the highest part of cost of power. Those stations should be delisted for a particular period of time. And they are trying to work out the alternate placement of those powers to other states with southern region, etc.
- Moderator** Thank you. We have the next question from the line of Mohit Soni from Goldman Sachs. Please go ahead
- Pulkit** Hi, this is Pulkit from Goldman. Sir just following up on the sale of stake in the coal mines. The \$510 million which was supposed to be the part of the consideration, just wanted to check how is that going to be received, is it going to be received post closure only after the end of the year or are we expecting some bit of that to come through. Plus it also in your original press release it is mentioned there would be certain adjustments made to that. So any update on that front or will it be the entire \$510 million.
- Management** It could be a combination depending on which stage we reach in the old run up to the completion of the CP. So as of now, yes we have to be original understanding ways that it will be a lump sum.
- Pulkit** It will be a lump sum which will come by the end of this calendar year or FY15 fiscal year?
- Management** Fiscal year.
- Pulkit** And any update on the KPC transaction is there anything happening or it is just an approval that we have taken and we could exercise it later.
- Management** It is just an option as of now, as and when it has to be pressed, but as of now we have not taken an action.
- Moderator** Thank you. We have the next question from the line of Venkatesh B from Citigroup. Please go ahead.
- Venkatesh B** What was the depreciation in the quarter in the coal mines?

- Management** It is 54 million
- Venkatesh B** 54 million for the entire 100%
- Management** On a 100 % basis.
- Venkatesh B** Pardon me but if you could please explain the impact, I could not really understand the impact of that change in the Companies Act, the impact on depreciation. How much should be the exceptional item on a consolidated basis at the depreciation level and at the tax level.
- Management** At the depreciation level it is 105 round figure and deferred tax is 114 so the impact from the P&L that the reduced depreciation includes the bottom line by 105 crores but the deferred tax particularly on IEL which we explained sometimes back it is around the 90 crores that and together with the Tata Power standalone is about 114 crores of deferred tax. So that is how the net impact to P&L is actually a hit of 9 crores.
- Moderator** Thank you. We have the next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar** Sir I missed out on the key operating metrics for the coal company, can you please share the quantity sold, quantity produced, realization and production, cash cost per ton?
- Management** If you do not mind we can just send it to you soon after this call, we just had a discussion on that.
- Mohit Kumar** Okay. My second question pertains to, is any tax implication on the sale considers from Arutmin and what kind of tax implication
- Management** There will be in the companies let say Indonesia as well as Singapore. It is about effectively around 10%
- Moderator** Thank you. We have the next question from the line of Abhishek Puri from Deutsche Bank. Please go ahead.
- Abhishek Puri** Income to be recovered in future tariff determination has done negative in this current quarter which is 65.7 crores. How do we understand this, is it mean that the tariff that you are recovering in the Delhi are more than your costing?
- Management** This is not Delhi by the way, this is Tata Power standalone. This is Mumbai operation essentially. So yes it depends on the recovery, we keep billing and if there is a possibility that in the true-up exercise it will have to be given a way in the revenues in do not recognize to that extend and this mostly pertaining to unit which is not in their operation where we are billing

but we believe that it is the true-up exercise that fix cost will not be eligible. Therefore you would really reduce it when you recognize the revenue for the purpose of result.

Abhishek Puri So this portion also includes a surcharge that you bill or have you started billing surcharge in Delhi as well?

Management You are mixing Delhi.

Abhishek Puri Mumbai and Delhi both I am asking, sorry.

Management Delhi is completely different that is a part of TPDDL that surcharge is basically, yes we are billing and that 8% surcharge is actually for recovery of the regulatory effects.

Abhishek Puri So could you share with us what will be the outstanding regulatory assets have they reduced from last quarter last year?

Management You want to know for Delhi or you want to know for Mumbai?

Abhishek Puri Both for Delhi and Mumbai sir.

Management For Mumbai it was 2, 500 as of last year at the end of Q1 now it is 1,900. So it is 600 crores of reduction. Delhi, it's the other way is about 500 crores increase, 4071 crores going up to 5, 176 crores.

Abhishek Puri So Delhi, the surcharge we have not started billing to the customers.

Management Sorry can you repeat that.

Abhishek Puri The Delhi surcharge amount has not been approved yet by the regulators or we have not started billing to them or is that the reason why it has increased?

Management Can we get back to you on this?

Abhishek Puri Sure.

Moderator Thank you. We have the next question from the line of Hardik Shah from ICICI Securities. Please go ahead

Prakash Goel Prakash Goel here from ICICI Securities. Sir I have a query with regard to Mundra realization, you said Rs.2.38 per unit is that correct?

Management Correct

- Prakash Goel** And the fuel cost has been Rs.1.98 per unit sold?
- Management** That is correct.
- Prakash Goel** So is it because of the lead lag impact, because spread was much higher last year?
- Management** Yes
- Prakash Goel** So the coal prices are falling, but the weight is going around like it appears at the coal prices, cost is going up and that future tariff would reflect an increase cost?
- Management** No the fuel cost in the Q1 FY14 was Rs.2.
- Prakash Goel** Rs.1.98
- Management** No, now it is Rs.1.98 it has reduced.
- Prakash Goel** It has comes down by how much sir?
- Management** Rs.0.02
- Prakash Goel** But your tariff has come down from 254 to 238 are we missing something out there?
- Management** In Q1 it was 246, you are comparing it from Q4?
- Prakash Goel** Yes, basically my understanding was that the spread was much higher, spread has contracted actually speaking in a falling coal prices regime, the spreads would widen because...
- Management** There is a lag of six months in any case in the CRP cost.
- Management** Between the Q4 and Q1 there is a drop in Q1 prices which will probably appear in the next few months when the new order comes, six monthly orders comes.
- Prakash Goel** To correct my understanding the lead lag impact your fuel cost will fall later or fuel cost has come down now but the tariff will fall later?
- Management** Tariff ideally will fall later.
- Prakash Goel** But in this case it has happened other way around, you tariff has fallen much more than the fuel cost in a falling coal price regime.
- Management** Tariff has already fallen

- Prakash Goel** So is it because of the operational efficiency parameter which will improve in future or any other account?
- Management** We will give you the information because the Q4 data that you have sought for, not readily available we have Q1 data which is readily available.
- Prakash Goel** No, problem sir I will get in touch with the IR team
- Management** So Q4 what we will do is, we will compile it for you and give you that details as to whether the reduction as given by CERC in the fuel price which is, whether it is already happened or it is going to further go down and in the next quarter because of the lower prevailing fuel prices now.
- Prakash Goel** So in other way you can actually answer this question by giving me comparative heat rate YoY?
- Management** Like last time we said we are not talking about heat rate and we do not talk about it but I can only tell you that heat rate has substantially improved.
- Prakash Goel** So the last thing which I wanted to check is the Bumi realization you said \$47 including royalty and \$45 excluding royalty? So I just wanted to check the profitability has been broadly similar so what has been the cash cost of production?
- Management** Vis-à-vis last year the production cost has come down by about \$9, \$42 was in last Q1 and \$31.5 in this quarter.
- Prakash Goel** So it is \$31.5 now?
- Management** Yes.
- Prakash Goel** Sales volume and production volume sir.
- Management** The sales is 21.7 MT and production is 22.6 MT
- Moderator** Thank you. We have the next question from the line of Abhishek Tyagi from CLSA. Please go ahead.
- Abhishek Tyagi** One question on the cash cost for coal mining for the last three quarter it was close to about \$38 and now it is \$31.5 what is the reason for this sharp reduction in the cash cost?
- Management** In terms of the tonnage the percentage in the mine which is having more of the low CV coal that has gone up where the deferred stripping ratio is lower and that has resulted in this, because that is what is impacting the weighted average.

- Abhishek Tyagi** Sir this is the cash cost right, with the deferred stripping will that impact the cash cost?
- Management** No, the idea is that the deferred strip ratio itself is lower and this being a low yielding or a low carbon content mine therefore the cash reviews are also lower if you would have seen and the cost of production is also lower.
- Management** I think the correct way to say is not deferred stripping the stripping cost itself.
- Abhishek Tyagi** And the corresponding to \$47 realization what was the realization in 1Q 14?
- Management** It was about \$66
- Abhishek Tyagi** That includes royalty in \$66?
- Management** Yes.
- Moderator** Thank you. We have the next question from the line of Bhavin Vithlani from Axis Capital. Please go ahead.
- Bhavin Vithlani** Two parts of the question, on the conventional energy side if you can highlight which are the projects that you intent to start construction over the next two years and on the renewable side what is the expansion plan over the next one or two years?
- Management** Let us start with the conventional one that you talked about where do we start the construction in next two years, one will be the Kalinganagar Phase-II which is contemplated based on coal and then would be we likely expansion in Maithon and then we have two mines our Mandakini and Tubed one, the plants which are end user plant associated with that. In addition we have the Vietnam project which is where it is going ahead so that is another one which one could be commencing production in next two years. So these are the conventional projects in terms of the green projects we would have several of the renewables that we will pursue including the Phase-II of the Georgia project that we will perhaps start construction. We might even start construction in the Dugar Hydro in the next two years.
- Bhavin Vithlani** Okay. We do not intent to expand Mundra as we had highlighted earlier.
- Management** We have to wait and see as to when the clearances set in because that is an area where the entire socioeconomic study as well as the environment impact study of the entire area is being conducted and if that finishes and we are able to get all the clearance then certainly it will be up in our priority to start construction in next two years.
- Bhavin Vithlani** And Maithon expansion will it be subject to getting the coal linkage?

- Management** Yes that is certainly there and since it is an existing project and the expansion in those will be perhaps seen in the priority. Once the 13th client linkage is open we are hopeful that it will be one of the first projects to increase linkage.
- Bhavin Vithlani** What is the configuration we are looking for Maithon expansion?
- Management** 2x660 megawatts.
- Bhavin Vithlani** And in one of the coal mine expansion plants you had said that the allocated land is being good for gas and not the coal so looking at reallocating the plant are we able to identify the new location and go through with land acquisition?
- Management** Bhavin we had clarified this part that the Naraj Marthapur land we have gone and proposed that we will rather sight a gas-based plant there because this is next to the Cuttack city and instead the state has progressed with the another land site for that which is called Begunia and the process for that has already started in Orissa.
- Moderator** Thank you. We have the next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar** One question pertaining to the APTEL, APTEL has decided that the composite tariff should be paid from 1st March, 2014, onwards, I understand the procurer has not commenced payment of bills. I want to understand the legality whether the procurer can challenge this decision at the higher level at Supreme Court.
- Management** Yes Mohit the procurers have the provision to file an application in Supreme Court for the interim order and as per our understanding Haryana has already done that and it has filed an application at the Supreme Court seeking stay on the interim judgment of APTEL.
- Moderator** Thank you. We have the next question from the line of Harish Bihani from CIMB. Please go ahead.
- Harish Bihani** Sir can you please share the PAF and PLF for Mundra UMPP for the quarter?
- Management** We always give the availability number, the GC that we had during the quarter was 76.3%.
- Harish Bihani** And the load factor?
- Management** Normally we do not give but this quarter you want to know it is about 73%
- Harish Bihani** So there is some under recovery on account of availability in this particular quarter.
- Management** Yes, that is not on quarterly basis that is on annualized basis.

- Harish Bihani** The second question is again on Mundra UMPP there was this understanding that once the decision comes from CERC we will revert to higher calorific value coal for burning at Mundra UMPP, so have we started doing that from this particular quarter?
- Management** Depending on the prices of the coal we keep optimizing it from time-to-time in terms of what is the right mix. We had said very clearly that it is not necessary that the low CV coal is always going to be the most competitive options considering the impact it has on different other aspects. Considering that the overall coal prices have slumped down, we therefore find that the best mix today has higher CV coal as a proportion compare to the times when the coal prices were very high. But we used to get non-linear discount at the low CV coal. So now we use, therefore higher CV in the mix compare to the previous quarters.
- Harish Bihani** so earlier it was 70-30 lower higher, now it would be the reverse.
- Management** It could be the reverse.
- Harish Bihani** And finally again on Mundra UMPP we will start booking the numbers in P&L once we get a final confirmation from the court in terms of the compensatory tariff hike is that a correct understanding.
- Management** APTEL has already said that you can, you will be it will be applicable from March onwards. We had announced during the yearend that the board had taken a call saying that ones we start getting the payment and since the entire billing and since the amounts are material it is right that we take a conservative view of the subject despite the fact that we sincerely believe that it is payable. So once we start doing that, once we start getting payment we will recognize it and therefore as I said before to the previous analyst friend that, since we have not got the payment yet we have not recognized it even in quarter one. But sooner we get the payment we will recognize but for the benefit of the fact since APTEL has also said that from March onwards this is payable, we have said that if I consider for Q1 you can add Rs.225 crores additional on account of this compensatory tariff.
- Harish Bihani** Additional Rs.225 crores
- Management** For the quarter.
- Harish Bihani** Then finally for Maithon, was there any impact on the change from coal as received which was done in the CERC was there any impact in the quantum if any?
- Management** More than that the impact was only primarily on account of the change from availability based incentives to PLF based incentives for the quarter.
- Harish Bihani** Okay, so that was a large quantum that is about it.

- Moderator** Thank you. We have the next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar** Sir I did not understand this Maithon we have tired up with Kerala for 150 megawatt, sir have we got the transmission corridor and if not then when do you expect the supply to start?
- Management** Mohit the Kerala state has filed for the open access and they have not got clarity except that we read today morning that they won a case in the commission in the CERC, where CERC has now directed power to review, reallocation between the neighboring states of the Southern region. One has to wait and see whether as a part of that win whether Maithon would also get part of the share that is one part. The second part is any case there is likelihood that in the next two to three months the other circuit between the Western region and Southern region will also get commissioned and once that is done there is likely hood of the power getting dispatch so we have to wait and see as to when the Kerala state gets it open access.
- Mohit Kumar** The PPA is contingent about getting open access, am I right?
- Management** It can become effective only when he gets the open access.
- Moderator** Thank you. We have the next question from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead
- Rakesh Vyas** Sir few questions from my side. First can you just update us on the current status of the Dagachhu hydropower plant because the earlier expectation was for it to get commissioned by calendar year '13
- Management** Dagachhu hydro plant is expected to get commission within this Q2, as we have maintained that it will get commission within H2 of the year and it is well on its schedule to get commission during the H2.
- Rakesh Vyas** And sir also can you highlight to us as to what is the power sale arrangement for this all going to Delhi Distribution.
- Management** No, this 100% of the power is tied in with Tata Power Trading who would have their ways to sell this power. At this stage Delhi Distribution has not tied up with Tata Power Trading according to my information.
- Rakesh Vyas** But there are no back-to-back sale arrangement as such so far is that a correct understanding sir?
- Management** What is back-to-back I did not understand back-to-back?
- Rakesh Vyas** That Tata Power Trading has not sold the same power to any other distribution company so far.

- Management** I have no knowledge that Tata Power Trading will at this stage until the plant stabilizes would actually take onus of placing it on a firm basis.
- Rakesh Vyas** Secondly question pertains to Mumbai license area, given that unit six is likely to be up for modernization so can you just highlight what is the status now because I thought the approvals, etc., has been received so what will be the timeline for that to complete and secondly in the meantime where do we expect to source the power from especially given the fact that gas prices are likely to increase domestically and some of the plant also operate on oil. I am just trying to understand.
- Management** Rakesh I do not want to conjecture and get into the gas pricing issue at this stage, except for the fact that whatever you read, we also read that so we will have to wait and see when and what happens on the gas pricing. As far as your question on Unit-VI modernization is concerned at this stage, we would want the power purchase agreement for Unit-VI be revived based on the proposed change and therefore to the customers we have proposed the revive power purchase agreement arrangement and once the customers approve of it we will take it to MERC and based on MERC consent we will then get on with the job of modernization.
- Rakesh Vyas** So this is not an automatic approval I am just trying to understand.
- Management** It could be automatic but we would want to have the upfront approval of the scheme because a very good thing that MERC follows for all CAPEX scheme is to do a pre-review of the proposal and basis the pre-review of the proposal they give the consent, in-principle consent to go ahead with the scheme and that is what they had done in the first place. They had actually in-principle approved the modernization of Unit-VI, basis which we have now gone to the buyers to say that are you in-principle therefore agreeable to have the revised PPA and once we have the consent we will just for regularized that MERC and in parallel go ahead and start the work.
- Rakesh Vyas** How much time will it take sir for it the once you start the work?
- Management** We are only hoping that by end of this calendar year it should at least have the in-principle consent but we cannot say with surety.
- Rakesh Vyas** And the execution time line will be what, two years?
- Management** 18 months.
- Rakesh Vyas** And if you can also highlight is there any plan for long term power purchase external to our own generating company in Mumbai license area at all?

- Management** Mumbai needs are evaluated from time to time and depending on the requirement and to avoid that high cost generation if it can be avoided we certainly tend to source power from the different players either on short or medium term basis. So right now there is nothing on long term basis that has been conceptualized by Tata Power Distribution.
- Moderator** Thank you. We have the next question from the line of Abhinav Sharma from HDFC Securities. Please go ahead
- Abhinav Sharma** Just wanted to understand this compensation which is due for Mundra UMPP this is the gross or the net compensation.
- Management** There is no such thing as gross or net anything specific you have in mind, there is only one compensation which is straight away calculation.
- Abhinav Sharma** So according to the order we were supposed to deduct the mining profitability...
- Management** Okay, you are saying from that point of view.
- Management** Then it is natural.
- Abhinav Sharma** Okay. And sir my second question is on our coal operation. Realizations for our operations have been going down for past various quarter. So just wanted to know what is your view on the coal price as of now is, can it go down further?
- Management** What is your view, I will go by your view for this.
- Abhinav Sharma** Because if I see our cash cost is around \$32 and still we are earning a descent margin even at \$47 so would that mean that there is a scope for it going down further?
- Management** To conjecture a guess of what will be the prevailing coal prices is very difficult. What we can only say what we have also said in the past, that our choice of mining and doing mining activity would be dependent on what is the prevailing prices. If your prices go low we will obviously like to mine in pits which have shallow coal, not very deeper that is the type of change one does in the mining plant depending on the prevailing price. The only lead time that is needed as I had talked about in the previous calls is about six months. Fortunately since the prices have already been going down and one does not see any sign of it forming up we are there for chosen pits where the cost of mining is lower. That is the limited point I can say at this stage.
- Abhinav Sharma** Just on this point only, have we seen any mine closures in Indonesia because of low prices?
- Management** I have seen but I do not want to talk, I think that will be a distraction of the subject, but yes there are some casualties because of the low price.

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- Moderator** Thank you. We have the next question from the line of Arun Kumar from HSBC. Please go ahead.
- Arun Kumar** Just one question, you mentioned about this 225 crores had we booked this you would have this number is this based on this Rs.0.32 per KWH you had mentioned during I think between the last quarter.
- Management** Arun it is based on the compensatory tariff my net basis after all the adjustment as billed by us.
- Arun Kumar** So this number would be, you think after the APTEL judgment this number will get flushed out or finally decided what is the actually number per unit?
- Management** The number is not a challenge Arun, the challenge is in terms of the dates, finding it appropriate to look at the better sense in terms of implementation of it.
- Arun Kumar** You mentioned about this Maithon project now it is 150 megawatt going to Kerala so that means the entire capacity of Maithon is now tired up on a cost plus basis?
- Management** We all, the entire capacity of 1050 is tired up on Section 62 basis, which is as per the CERC formula.
- Arun Kumar** And finally what is an update on the Trombay Generation project sir?
- Management** Arun the Trombay Generation project I did not understand what exactly you mean?
- Arun Kumar** I believe that you are planning to switch it.
- Management** Okay, so you are talking about that. There is Unit-VI which is seamlessly branded that way, that is a 500 megawatt unit which was on oil and there is a flexibility to operate it on gas as well as on coal. So the first attempt we made was to switch it to gas and since we got it in writing that there is no gas available and therefore we decided that we would like to move it on coal. That is one part besides switching we also said that we would like to modernize so that we can have longer life of the unit at the same time it can be retrofitted with the equipment so that it is one of the most venin environmentally. So that was approved by the regulatory commission now, we have also received the Environmental Ministry approval. We are not going ahead with the motions with regard to the customers to say yes to buy the power on a long term basis and once that is done we will get on with the job and it will take 18 months.
- Moderator** Thank you. We have the next question from the line of Satyam Thakur from Morgan Stanley. Please go ahead.
- Satyam Thakur** Just a couple of data points on Mundra, how much was the impact of the depreciation policy change at Mundra in this quarter.

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Management About 90 crores.

Satyam Thakur And how much was the FOREX loss in the quarter at Mundra?

Management 32 crores as in 170 crores

Satyam Thakur Was there any dividend received from coal SPVs in this quarter?

Management About 27 million.

Moderator Thank you. As there are no further questions I now hand the floor back to Mr. Anil Sardana. Over to you sir.

Management Thank you. Thanks for all your questions and like before if you have any remaining questions or anxiety or doubts you feel free to send it across to our team and we will be, Anirudh Mani specifically, you can send it to Mr. Mani and he would ensure that you will get a response quickly. Thanks once again and look forward to talking to you all for Q2-FY15 Results. Thank you once again. Good day.

Moderator: Thank you. On behalf of Tata Power that concludes this conference. Thank you for joining us and you may now disconnect your lines.