



**TATA POWER**  
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## “Tata Power Limited Q4FY12 Results Conference Call”

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**MODERATORS**    **MR. ANIL SARDANA – MD, TATA POWER.**  
**MR. S. RAMAKRISHNAN – EXECUTIVE DIRECTOR-**  
**FINANCE, TATA POWER.**  
**MR. S. PADMANABHAN – EXECUTIVE DIRECTOR-**  
**OPERATIONS, TATA POWER.**

**Moderator:** Ladies and gentlemen good day and welcome to the Tata Power Q4FY12 Analyst Conference Call. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need any assistance during this conference call, please signal an operator by pressing '\*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. We have with us today, Mr. Anil Sardana -- Managing Director; Mr. S. Ramakrishnan – Executive Director, Finance; and Mr. S. Padmanabhan – Executive Director, Operations. I would now like to hand the conference over to Mr. Anil Sardana – Managing Director. Thank you and over to you sir.

**Anil Sardana:** Thank you. Good evening and welcome to all the analyst friends on the call. Let me start at the outset by mentioning that the results for the year are with you, including for the Q4 and I am happy to state that both in terms of growth as also in terms of performance, the company has rendered very strong fundamentals at the Tata Power standalone level as well as Tata Power consolidated, the fundamentals have clearly shown growth in revenue as well as in the profitability contribution. We have had two specific provisions that we made during the year. One, of course, related to Mundra which because of the foreign exchange variation as also some of the other outlook on the coal prices on long-term, we have made a provision of impairment. And similarly, for the coal company in order to make sure that we take care of the deferred stripping costs, we have made the provisions. The total provisions on the consolidated side add up to 2460 crores. It is a huge sum and we are conscious of the fact that the Mundra as an entity certainly has a difficult and challenging time. The change in coal prices need resolution and we have appealed to stakeholders and the government who have understood the issue in the entire perspective to resolve this issue not just for Tata Power but for various stakeholders who are similarly impacted.

I will now request my colleague, S. Ramakrishnan to respond on various issues. Before that I would quickly move to some of the highlights on the other aspects of our projects. Number one is, and we talked about it some months before the company crossed 5,000 MW capacity, reaffirming its position in the generation while we always mention that as an integrated company it continues to be the largest in India.

We also enhanced our Power sector international foray by moving to a joint venture in Africa. And I am happy to add today that the company has been selected as a preferred bidder for 230 MW in the bid results that were announced yesterday in Johannesburg. So, that makes our beginning in the Power sector side in the international. As you know, we have already been on the Geothermal side, we have already been in the Coal side, but that takes us in the other aspects of the Power sector in Africa also now.

In terms of the two key projects, Mundra, we continue to run the unit successfully. In fact, as we talk, during the month, Mundra unit has been clocking very high level of availability and

performance. As also, in terms of Maithon, now that both the units are commissioned, we are looking forward to the second unit, being successfully commercially operated by end of this month. As you are also aware that the 25 MW Solar project at Mithapur was commissioned on schedule. Including the last minute work that was transferred to us in terms of associated transmission line, with the result; the company has enabled to secure the PPA that we had signed with the GUVNL. And therefore we continue to have the advantage of the higher tariffs associated with the Mithapur Solar project.

Having talked about Mundra Unit I, let me mention that the other units are on schedule as we had mentioned before. And by July, we expect to commission our Unit II, Mundra also and the rest of the units will follow. Maithon, I have already mentioned this part. The other part that I just want to mention about Maithon is the fact that besides these two units, which we mentioned, we are also doing the first pilot using the imported coal that we have been able to get for the unit and made arrangements for it to be shipped from Eastern Coast to the project side and Railways have consented to carry the cargo to the nearest siding. So, that is another first to make sure that to the extent that the 80% will be provided for of the allocation in terms of FSA, the balance part will be made good both through the imported coal and also arrangement from Tata Steel. Because we are very bullish that Maithon should be able to on a blended basis generate power pretty competitively.

The other projects which we have been referring to, let me quickly go through them. The Dagachhu project is moving as per schedule and the tunneling work is progressing well. Our commissioning date stays as what we have been mentioning earlier as FY14.

The Kalinganagar project has kicked started. We have already awarded the main plant and the civil works besides getting all the clearances. The first phase of the project has commenced and again, by the H1 of FY14, we expect to commission the CPP1.

The other projects in the eastern region in terms of Tiruldih in Jharkhand and the project associated with Mandakini as also the projects being pursued elsewhere are progressing well and we will make announcements in terms of their financial closure in short time.

So, that is the brief on the projects. I invite you to raise your questions now and we are happy to respond to them.

**Moderator:**

Thank you. We will now begin with the question-and-answer session. The first question is from the line of Prakash Goel from ICICI Securities. Please go ahead.

**Prakash Goel:**

I would like to start with a humble request of sharing the presentation, results much ahead of the con-call. We have been seeing it for last few quarters the presentation or the results does not come in adequately before for us to go through the results and ask any informed questions about the quarter.

- Anil Sardana:** Point noted.
- Prakash Goel:** So that is one submission. We can have it on the day two once the results is out, because obviously, we understand that managing the time might be difficult, going by the quantity of disclosure which the company make definitely appreciable but we do not get enough time to go through the results before we can ask informed questions to the management. So that was part one. Part two is with regard to the impairment of Rs. 8 billion this is the second time impairment which has been done. Would like to know what is the key assumption that has been taken while factoring this impairment? Because if you do impairment at our estimates, impairment number on gross basis significantly higher and we are seeing that management is doing impairment so far in the piecemeal basis like what are the assumptions that have gone into the overall impairment estimate?
- S. Ramakrishnan:** The major change since we did in the last assumption has been the outlook on foreign currency. You know that we made an assessment in Q2, we made that provision and our exercise. In Q3 did not call for any further provision. However, the outlook as of the end of Q4, particularly on foreign currency outlook based on the consensus that we have received from different people has been very weak rupee which has mainly contributed to this substantially.
- Prakash Goel:** Fair enough. Would it be possible for you to share three key assumptions? While I was calculating this impairment number, one is the long-term coal cost assumption and the second will be INR to dollar conversion rate and third will be the station heat rates. So, if you can share these three assumptions, probably, we as an analyst fraternity will be able to make estimate as to what needs to be looking forward the impairment?
- S. Ramakrishnan:** Actually, these are available for you from third-party sources, but unless you have the full model, providing part information can be misleading.
- Prakash Goel:** No, what we want to have is sense of direction. We understand the complexity of the model would be far higher than....
- S. Ramakrishnan:** The coal price is somewhere in the 90s with 2% increase going forward on a long-term basis.
- S. Ramakrishnan:** Foreign exchange long-term that has been now looked at in the range of 45.5 in the long run, that is higher in the initial period.
- Prakash Goel:** So, 45 is in the long run and third is....
- S. Ramakrishnan:** 45.50 compared to 42 we had earlier.

- Anil Sardana:** Station heat rate for these sides of supercritical units you can take it with 40% efficiency and what exactly to take.
- Prakash Goel:** Just on the coal cost side, when you say \$90, is that the benchmark or the landed cost number?
- S. Ramakrishnan:** The benchmark FOB.
- Prakash Goel:** So, basically, your number, the delivered cost will be significantly lower based on the discount that you get to the benchmark.
- S. Ramakrishnan:** We do not give any discount because of the Indonesian current rule, you know that. That's the point we have been making. We don't get any discount we assume it to be at the HBA price, that the Indonesian government has now stipulated on all manufacture.
- Anil Sardana:** The only assumption that you need to run through clearly is the fact that while we get no discounts to the HBA price, the HBA price for low calorific value already has a discount built in, in the HBA, that you have to keep that into mind.
- Prakash Goel:** As of now how much inferior coal that you are mixing, what is the....
- Anil Sardana:** We are happy to tell you that at this stage we are already using 50-50 as a blend ratio.
- Moderator:** Thank you. The next question is from the line of Parag Gupta from Morgan Stanley. Please go ahead.
- Parag Gupta:** Just two questions; firstly, could you just elaborate a bit more on how has been the trial runs at Mundra with respect to low GCV coal. So if you could give us a sense of what kind of calorific value you are using and what is the pricing? And secondly, with respect to Maithon, you mentioned that you are looking at importing coal to increase your availability. Have you already received approval from the regulators for the same?
- Anil Sardana:** The first question is in terms of the low GCV you mentioned and right now what we are blending is coal with about 4200 kcal as received basis and that considering the HBA price you can calculate the discount to list price, that is number one. Number two question was in respect of Maithon, I mentioned the fact that we are doing the first pilot with the first consignment that we are getting on imported coal to Maithon with the objective that we should be able to top up and take advantage of the declared schedule so that we are able to run our units beyond the 80% that will be provided through the FSA just in case tomorrow if there are challenges for the Coal India to supply so that we are able to blend it, test it and be prepared for it for all times to come. So it is not just the coal testing, it is also the testing of logistics up to the side to make sure that whether Railways agrees to carry the consignment, whether the siding arrangement right up to the project facilitates carrying the coal in an effective and efficient manner. So that

is the exercise that is being done. You asked about the fact whether we have been able to get approval of the regulator at this stage. We do not intend to go to regulator prior to doing this pilot. We have talked to our customers informally and they are happy to absorb more power and they should be able to compensate us for that blend of imported coal.

**Moderator:** Thank you. The next question is from the line of Abhishek Puri from Deutsche Equities. Please go ahead.

**Abhishek Puri:** Two questions from my side. One, just wanted to reconcile the Delhi distribution profit that you have given. I think full year numbers the profitability looks like about 338 crores versus the last three quarters if I add up was about 153 crores which means I think the fourth quarter has clocked a profitability of about 185 crores. Are my numbers correct or just wanted to check with you?

**Anil Sardana:** You need to appreciate, that the tariff last year was declared and made effective after the H1 was already over. So, therefore what you said is right. Most of this would appear in the last two quarters. And the last quarter as you said would therefore contribute to a higher number.

**S. Ramakrishnan:** We have given the Q4 numbers also to you, Abhishek.

**Abhishek Puri:** Q4 numbers which has been given on the slide is I think about 74 crores. And if I add up all four quarters, profitability is not adding up to 338 crores which has been given for the full year. Just I wanted to check if there is a one time component which is there in the fourth quarter?

**Anil Sardana:** You can check that with us later

**Abhishek Puri:** The second question would be on the Bumi coal volume production, sales and realization and cash cost, if you can give those basic numbers?

**S. Ramakrishnan:** In Q4 this year have been production is 15.75, sales is roughly similar and last year was 13.2 and 13.8 was sale. The FOB revenue is about \$92 compared to \$87 earlier. The cost of production is significantly higher from \$41 to \$47.

**Anil Sardana:** Just one request on the semantics when you say Bumi, it could be misjudged because they have now other assets in that portfolio I would appreciate that if you address that as KPC and Arutmin they are our investment is vendors.

**Abhishek Puri:** All right, I will take care of that. Just the last question, if I can slip through, the debt numbers and cash numbers at the coal mining SPV that we have?

**S. Ramakrishnan:** The outstanding debt was 790 million, the cash we have is 211.7 million as of 31<sup>st</sup> March.

- Abhishek Puri** This 790 million includes the bonds that were there for...?
- S. Ramakrishnan:** Yes.
- Moderator:** Thank you. The next question is from the line of Sumit Aggarwal from ICICI Bank. Please go ahead.
- Sumit Aggarwal:** Just wanted, you said the Mundra I has operated at a reasonable PAF. What was the PAF and what was the PLF if you can give those numbers?
- Anil Sardana:** I have the figure from the morning report that I can tell you which is that in the May the PLF is about 84%.
- Sumit Aggarwal:** What was the PAF?
- Anil Sardana:** You are talking about the availability?
- Sumit Aggarwal:** Yes.
- Anil Sardana:** It will be higher than 84, so it could be well above 94, 95.
- Sumit Aggarwal:** Second thing, if I heard rightly, you said the total provision of 2460 crores?
- S. Ramakrishnan:** What we said was we add the impairment and the deferred stripping, the non-cash cost. They are about 2460 crores.
- Sumit Aggarwal:** And this is for the full year we are talking of?
- S. Ramakrishnan:** Yes.
- Sumit Aggarwal:** If I can just slip on the Maithon side, what is the status of the Railway siding and the land availability which are there?
- Anil Sardana:** In terms of the Railway siding the work is continuing and the land is getting across to us in spurts and bounds. We have paid money for the R&R part as was decided between us and the government to all the people and in our own judgment it will be up till December that the land will be fully available to us.
- Sumit Aggarwal:** So till the railway siding is not ready, how is the transport of the fuel going to be done currently?
- Anil Sardana:** I mentioned to you that what we have done is we have made alternate arrangements. We have taken two sidings from the Eastern Railways and from BCCL. One siding which belongs to

BCCL which is very close to our project site, we have taken over that on a lease from them till such time that our own siding becomes ready and we have taken from Eastern Railways, the Asansol siding for the main circuit just in case we are able to get coal where on the main circuit itself we can unload and from Asansol then we can truck it to our side. So, we have made both alternate arrangements to make sure that we have a robust arrangements for Maithon.

**Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from Enam Securities. Please go ahead.

**Bhavin Vithlani:** First, if you can help me with some full year data on the KPC and Arutmin production volumes and FOB and cost for full year?

**S. Ramakrishnan:** Our financial year is different from their calendar year. The mine production is 67 million and sales is 65 million, last year it was 58. FOB revenues \$94 compared to \$76 last year. Cost of production is \$43.5 compared to \$36.7 last year.

**Bhavin Vithlani:** In the earlier call you were highlighting about automation which will help in reducing the cost of mining. Any updates on that? Because you were speaking about \$3 to \$4 reduction in the cost.

**Anil Sardana:** In fact, Bhavin, some of that has started to show up, but not entirely. For the two reasons, number one, we are right now also opening new mines. Therefore there is more cost on account of opening up those new mines which offsets the advantage that we get due to the cost of reduction. Number two, there has been a spurt in fuel cost, in fact, it almost constitutes 50% of the total cost of mining and gets impacted because the oil cost which is used for trucks as well as for running various excavators and equipments which impacts the cost of production. So, those two are the reasons why it moved from \$36.7 to \$43.58. A part of what you mentioned in terms of automation and conveying system instead of trucking has already started to show some advantage, but most of it will start to show up once we stabilize on having opened up new mines.

**Bhavin Vithlani:** Can you help us with some outlook on the upcoming year in terms of production, sales volumes and any outlook on the cost, how do you see the FOB cost in the year coming by? We heard about \$90 dollar as the guidance a couple of months back from.....

**S. Ramakrishnan:** Normally, in our arrangement with Bumi, it is they who guidance, we give actuals.

**Bhavin Vithlani:** Is there any change in the outlook? We are seeing some softening in coal prices in the last couple of months.



**S. Ramakrishnan:** It does not change the long term outlook. The reading is probably from the middle of this year, the coal price will start firming up. That is the judgment on the marketing department of mines.

**Bhavin Vithlani:** One last question, if you can help us with the outlook of the two mining projects in the Orissa and Jharkhand.

**Anil Sardana:** The status for, let me start with Mandakini which I mentioned to you as part of Tubed and as we talk the land acquisition has progressed and we are in fact now submitting the last part of our R&R obligations for acquiring the balance part of the land. I have mentioned to you last time that the mining plan and the environmental clearance for Mandakini mines has already available, and we are therefore well in our position to move ahead. And therefore, it continues to have the outlook of FY13-14 that I mentioned before depending on the rest part of opening up that once we do that we get to understand clearly that as to when we could use that coal. On the Tubed coal which is close to 8 to 10 months behind Mandakini, we are yet to get the clearances on the environmental side and the land acquisition settlement, etc., is progressing with the state government. So, that is the status on the two mines.

**Bhavin Vithlani:** Any view, how and when would the equipment ordering and the work on the power plant side come in?

**Anil Sardana:** So, let me start with Tiruldih which is the project which is linked to the Tubed mining. There were two issues, if you may have read it in the news paper. One was the Jharkhand government reviewing all the projects which are being developed in their state. I am very happy to note that they cancelled their arrangement with 21 projects but Tiruldih was one of the few projects that they have continued the arrangement. We have signed up with them and they have progressed and proceeded with the water allocation also the land, close to about 50% has already progressed. The balance land, we are hopeful would be available by this calendar year end. On the environmental side, we expect that by July or August, they will do the public hearing at the site because the TUR, etc. is already completed and one month after we should hope for clearance. Once these milestones are completed, the ordering will automatically be within the quarter of these milestones being completed.

**Bhavin Vithlani:** Sure, the project linked with Mandakini?

**Anil Sardana:** The project linked with Mandakini is Naraj Marthapur project. The wildlife approval that is done by a committee which has not sat for the last one year, and there are many projects today that are held up because of non-convening of that committee. And once they approve, they have to refer the matter through the core process to award the wild life and forest approvals. So, we are waiting for that part. Once that happens, we will progress. Meanwhile, we have started to look at alternate options. Because the mine could be available earlier as I had mentioned Mandakini is progressing faster. So, we have started to look at some of the alternate lands which are within the Tata Group companies reach. Some of the other Tata group

companies have land in Orissa, and we therefore started to explore the possibility of using those lands which we will declare if we are able to come to an arrangement with such other company.

**Bhavin Vithlani:** Thank you so, much.

**Moderator:** Thank you. We have the next question from the line of Venkatesh B from Citigroup. Please go ahead.

**Venkatesh B:** Good evening, sir. My first question is if I look at your subsidiary performance for Mundra, you have an operating income of roughly 8 crore and operating loss of 300 crore. That means you are operating whatever the cost items above EBIT is roughly around 308 crore. Can you give us the breakup of these costs, what exactly are the cost items here. Because you have hardly generated anything this year, but you have such a big operating cost, I was wondering what is the break up of this 308 crore.

**Anil Sardana:** See, you need to understand that there is cost on account of the old service agreement and there is cost on account of the fixed expenses of the O&M staff, etc. So, that is what is showing here in terms of the cost.

**S. Ramakrishnan:** In the slide faxed to all of you, you may not have had time, we have given the operating profit, PBT, and PAT.

**Venkatesh B:** Yes sir, I was actually asking the breakup of this 308 crore cost. I said, operating income is 8 crore, operating profit is negative 300 crore, so the operating cost in between is basically 308 crore, right? I just wanted the breakup of those cost numbers? How much portion is the fuel cost in it, how much is O&M, how much is depreciation?

**Anil Sardana:** See the prime part close to about 60% of that is port charges it self, and the rest is in terms of fixed cost which are already committed in terms of the interest and finance charges. I think, that is the detail.

**Venkatesh B:** Sir, if 60% of it is port charges, that means that you basically have imported a lot more coal.

**S. Ramakrishnan:** We have take or pay obligation on the ships as well as port, whether we use it or not, we have to pay a certain charge for both these, that is the biggest chunk of this 300 crore. Our own operating expense is hardly 22 crore or something like that but the bulk of it is the standing charges that we had to bear.

**Venkatesh B:** How much is the fuel cost sir, there?

**S. Ramakrishnan:** For fuel, we hardly have any number.

- Anil Sardana:** See, you need to understand that the UMPP service agreement, etc, have been done before Tata's took over the system, the UMPP company. The other aspect that is important for us to understand is that that despite the fact that the ports are built for long term, they start to charge the fixed cost on a give date. As we all know, that the power gets delayed, our commissioning despite the fact that we were ready ahead and therefore we had intended that we will start using port from a particular time, but because of the transmission line delays of about 7 months plus, these costs have come in to the system without having actually used for unloading coal. That is the feedback that we have provided to the Ministry of Power that in future, they should take care that this aspect is taken care for UMPP and other Case-2 projects.
- Venkatesh B:** Sir, what has been decided, what is going to be the debt-equity of Mundra UMPP now, is it going to be 75-25 or lower?
- S. Ramakrishnan:** We are under discussion with the lenders, we have said that we will make available the cash flow from the coal SPV, and hence we are requesting them to maintain and disperse the originally sanctioned goals. They have, in principle, agreed to put up the matter to their big committee for discussion, and the decision is still awaited.
- Venkatesh B:** When do you think this process of merging the SPV with Coastal Gujarat Power Ltd, will happen by?
- S. Ramakrishnan:** We need to get the approval of the lender, we also need to see what is the provision in the tax code for regarding taxing dividends from overseas subsidiary before we firm up the structure. But until then the cash flows from these will be made available to Mundra project, the commitment we made to the lender and once these approvals are received, we will go through that process.
- Venkatesh B:** That should take at least a year or so.
- S. Ramakrishnan:** We will wait and see.
- Venkatesh B:** My second question is on Maithon. You have made 174 crore loss in this current year. Now what exactly went wrong in Maithon. Because it is fairly uncommon for a regulated ROE project to make losses. I assume that, you would have assumed that the project will get commissioned much faster and everything will be in place, so, that is why you thought before the PPA, we will try to sell the power, but should not this gone into the planning when you were actually going to commission the project? Because in hindsight it looks like the fact that you are selling the power, you signed an agreement with say NDPL to sell power at a particular rate, was in hindsight a mistake? When all these things have not come through on time, the railway siding and all those things?

- Anil Sardana:** Well, part of your assessment is okay. In terms of the fact, yes we had the agreement based on the predictions that the system would be ready. It is not an issue of railway siding because the coal transport to the project was on and it was in fact the issue with it to the fact that, the transmission line and the evacuation system got delayed and so far, that is there and the rest is of course the fixed cost in terms of the element of interest and the other fixed cost as area payable for the OMSA contract by MPL.
- Venkatesh B:** Sir, my last and final question, as sell side analysts we get terribly confused as to how to deal with this line item called deferred stripping cost because in certain quarters, certain years, there is a positive number, so when there is a positive number, usually we do not adjust that as an exceptional item and suddenly there is a quarter where there is a massive negative number and then we write in our notes this is an exceptional item and we remove it from the profits and show that recurring profits look good so, philosophically how you deal with this number, should we be assuming that anyway this is not a cash cost, we just knock it off from the number and look at it in isolation without these numbers, whether it is a positive or negative number. Because what I understand in my last interaction was that you were planning at some stage to move to accounting for this on an actual basis rather than making these provisions. From a philosophical basis how do we deal with this number?
- S Ramakrishnan:** See, hopefully, for this quarter this year onwards, this item will not appear. Since the coal companies have decided to write-off the deferred stripping and not accumulate. KPC did that from the previous quarter. Arutmin has done it from this quarter. Typically, in coal mining, that is why you focus more on cash cost rather than the prorated cost that we report.
- Venkatesh B:** Thank you very much sir, all the very best for the future.
- Moderator:** Thank you. Our next question is from the line of Darshan Dodhia from ICICI Direct. Please go ahead.
- Darshan Dodhia:** Sir, a couple of questions from my side. One is what is your regulated equity for standalone business as on March 31, 2012?
- S. Ramakrishnan:** 2563 is total, Generation is 1630, transmission is 651, and distribution is 282.
- Darshan Dodhia:** Okay, what is the capex for, because we have billed the regulator for approving some capex, has the regulator approved the capex or it is still yet to be for FY13 for 14?
- S. Ramakrishnan:** It is in the process, we will get it with the order.
- Darshan Dodhia:** Sir, incase you have done this pilot for Maithon project, in case your beneficiaries go for and ready to accept, is it a possibility that you are going to run the second unit of Maithon at imported coal plus middling.

- Anil Sardana:** We don't plan to run the whole unit to run on the imported coal for the simple reason that for now Coal India is signing the FSA with Maithon which is currently 80% of the supply so we are doing this pilot to blend it. You must have seen also the advisory to all the generators saying that you should plan for the imported coal for topping up so that the availability mismatch can be removed and the country can benefit from the higher generation. We having been experienced in the imported coal and having access to the fact that we have been able to do the blends very well, we are the one of the first ones to do this part that we are moving ahead and doing this and testing it in the system. So that we are completely prepared, and we have done as I mentioned in the call before, we have done an informal discussion with the beneficiary, and they are very keen that we should do this project and they are keen to off-take power on a blend basis.
- Darshan Dodhia:** Sir, what will be the landed cost and GCV which will be imported for the Maithon unit for the topping up part?
- Anil Sardana:** See, we have already talked about the fact that this will be at the HBA pricing, and we are looking at right now importing 4200 kilo calorie coal on as received basis.
- Darshan Dodhia:** The landed cost at the Maithon plant would be?
- Anil Sardana:** You need to assume the FOB, HBA for this kind of the coal will be about \$50 or so. Then you add another close to about 9 plus the inland transportation and assume the price.
- Darshan Dodhia:** Fine sir, thank you.
- Moderator:** Thank you. We have the next question from the line of Harish Bihani from RBS. Please go ahead.
- Harish Bihani:** Good evening sir. My first question is on Maithon, if you look at the project cost, it has increased by about 18% to 52 billion, wanted to know the reason for the same apart from the ICD, what else would be there?
- Anil Sardana:** In fact, the Maithon increase of cost is on two accounts, one is of course the railway siding cost that is there and the other increase in cost is the civil works. These are the two costs that have increased and what is useful as I had mentioned before in somewhere previous quarter call that Maithon today both in terms of railway siding and also in terms of the entire coal system and the water system, can support two additional units there without any further cost addition. Therefore, we have moved that and we are very fortunate that we have already started to get the clearance and TOR has already been approved by the environmental people and the process is already set into motion for capacity addition at that plant.

**Harish Bihani:**

Okay, I have a couple of associated questions on Maithon, first is on the FSA, we have already find this FSA with BCCL for about one to one half million ton, that was at a 60% level, that is the correct level, A And B, on the second FSA, where we have an LOA, when are we signing that, and on Tata Steel will they be procuring entirely imported coal for us, will that be an agreement? On the PPA side, since about 750 megawatt PPA have already started and 650 megawatt commercial operations as of now. So, where do we intend to get the additional 150 megawatt and in the presentation if you look at the PPA status for the remaining 300 megawatt it is under negotiation. I just wanted to understand what happened with the PSEB PPA?

**Anil Sardana:**

Harish, your voice was very feeble, but let me try and attempt if I have heard all your questions right. They may not be in the entirely the sequence that you asked.

Number one, PPAs commenced are exactly half of what you said. The 375 megawatt will commence once we do the commercial operation for unit 2 which as I mentioned we should be able to finish by this month end.

Number two point you asked in terms of Tata Steel doing imports for us, no. Tata Steel is committing to us the middlings, not the imported coal. The imported coal Tata Power is competent to do imports on its own. That is what we are trying to now take our experience to the eastern conditions.

Third part you mentioned about the FSA, the FSA as you know is now a subject matter of discussion between the power fraternity and Coal India and their subsidiaries, and therefore, the revised FSA that is being signed or negotiated with the BCCL. What we are doing is we are doing an amendment to the existing PPA by saying that they will give us the status of MFC which is the most favored company which would mean that whatever becomes the final agreement between the various other people and the Coal India will also apply to this project, and we therefore are not waiting for an agreement to first happen between others. As far as LOA, second unit is concerned, with CCL that will also get converted to FSA inline with the directions that have been issued by the PMO to CIL. Both get covered as part of that phenomenon.

**Harish Bihani:**

So, if I have understood correctly, the FSA which we have with BPCL will be under the new norms and the 50% that we were talking about earlier. On that PSEB PPA?

**Anil Sardana:**

On the PSEB PPA, PSEB has to sort out the details with their regulatory commission and the indications that we have is the regulatory commission that has asked them several questions on PPA with us, they have gone back and in fact, we have issued them a notice under our agreement with them saying, look, our obligation for this lot not be treated as started unless you get your regulatory commission approval in so and so time, but they have made a request to us that since they are discussing with their regulatory commission, we should give them more time, not our choice what decision they will take.

- Harish Bihani:** Okay, in case PSEB, if they don't sign the PPA, basically, we can sign it to any other party?
- Anil Sardana:** You are talking about FSA or talking about PPA?
- Harish Bihani:** PPA, sorry, PPA.
- Anil Sardana:** It is not that they don't want to sign, they want to sign tomorrow. We have to make a choice whether we have to sell it to somebody else at higher price or we want to sell to PSEB depending on our decision.
- Harish Bihani:** Quickly, I will ask them quickly. On KPC and Arutmin, Bumi had given that CY14, production will increase to 100 million tons. What is your confidence level in terms that.
- Anil Sardana:** It is a question that has already been answered that you please ask KPC or Arutmin for their response on the outlook.
- Harish Bihani:** Okay, on Mundra the project cost also increased, A) why I am asking this is because if you look at the debt dispersal as on Q3, that was 121 billion versus total debt dispersal requirement of 127, that is one. Secondly, given that we are investing a lot in the wind solar, geothermal what is ROIC threshold that we look for when we are investing in any project and what is our cost of capital that you are taking to assumption.
- Anil Sardana:** I think the first point that Mundra cost has increased is not correct. Mundra cost, physical cost remains same as what we had before, and that has not increased. That part you should be clear. On the geothermal and wind project, SR, you want to respond this one?
- S. Ramakrishnan:** Normally, the ROE that we look for is between 14% to 16%, that means the REC mechanism that has come in to play, we believe is going to be more in the range of 16% rather than 14%. If it is geothermal outside of India, we do look for the 16%.
- Harish Bihani:** Okay, thank you so much sir.
- Moderator:** We have the last question for the line of Abhishek Puri from Deutsche Equities. Please go ahead.
- Abhishek Puri:** Thank you so much for giving another opportunity. Just one thing on, the first question you answered was on the impairment re-assessment that you have done and made 8 billion provision this quarter. Because on the forex, if we understand correctly the forex component is a pass through the change in exchange rate is a pass through.
- Anil Sardana:** No, it is not on loans, it is only on the core cost based on which we have quoted the variable cost. It is not pass through as far as the capital funding is considered. So the servicing burden

that increased because of the different outlook on the foreign currency has affected the provision.

**Abhishek Puri:** Now, since you have run the plant for almost two months, can you give us some sense on the tariff and fuel cost that we are getting at this point of time?

**S. Ramakrishnan:** Today, we are running only one unit whereas we have the balance of the plant for all the units to be commercial. So, the same question may be 6 or 9 months later, we will be in a better position to answer which is more confirmatory in nature rather than our own prediction.

**Abhishek Puri:** The fuel cost and tariff will not be dependent on the rest of the balance of the plant and if you can give us that number.

**S. Ramakrishnan:** Aux Consumption does and hence the fuel cost does.

**Abhishek Puri:** Regarding the tariff?

**S. Ramakrishnan:** Rs. 2.40 is the contractual terms.

**Abhishek Puri:** That is considering the where the rupee is currently.

**S. Ramakrishnan:** It is after considering the fuel cost but this is based on the current exchange but not based on change of law claim that we may have. That is a separate process that we have to visit. Actual one that we are billing the procurer has been mentioned. Whereas the change of law, we have to go through the CERC process.

**Abhishek Puri:** The last thing, if I can slip through is, where do you see the resolution coming in from Mundra and whether it is central government policy change you would be looking for or you have to get all the five procurers together to make the decision and then go to CERC to file the petition so which way....

**Anil Sardana:** We will keep you informed as we progress.

**Abhishek Puri:** Thank you so much sir.

**Moderator:** Thank you that was the last question. Now, I would now like to hand the conference over to Mr. Anil Sardana for closing comments. Please go ahead sir.

**Anil Sardana:** Thank you Terence, and once again, thanks to all the participants on this call and we assure that if you have any more questions or any queries, please redirect those to Priti, and we would be happy to respond to them, and we look forward to a continuing interaction with you all. Thank you so much once again for joining the call.





*Tata Power Limited  
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**Moderator:** Thank you so much. On behalf of Tata Power that concludes this conference. Thank you for joining us. You my now disconnect your lines.