

“Tata Power FY14 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Tata Power FY14 earnings conference call. We have with us today from the Tata Power Mr. Anil Sardana – CEO& Managing Director; Mr. S. Padmanabhan – Executive Director, Operations; Mr. Ashok Sethi – Executive Director and Mr. Ramesh Subramanyam – Chief Financial Officer. As a reminder, all participant 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 the conference call, please signal an operator by pressing * 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 sir.

Management: Thank you. Good morning. I think this is one of the rare occasions that we get to do this conference in the morning hours. Welcome to each one of you. I must also take this opportunity to welcome also my colleagues on the call, Mr. Ashok Sethi who has joined us as Executive Director on the board and Mr. Ramesh Subramanyam who has joined us as CFO consequent to Mr. S. Ramakrishnan superannuation.

Moving on, while you have all the details, let me begin by saying that during the difficult year, I guess most of our units particularly to mention CGPL and Maithon join the operating fleet to do well and from here on, our efforts are to now make sure that the one of the key entities which is Tata Power Solar also joins the other fleet in terms of profitability and improved working. Let me also add the fact that while CGPL operations continued to do well and through to our plan, we managed with 80% schedule which is the availability and therefore got a fixed complete recovery. At the same time, we made sure that the PLF remained as low as possible to contain the under recovery challenges, but more important point is that while this looks okay from the fiscal equation point of view, but the nation loses a large amount of competitive power supply. As also from our operating parameters point of view, it impacts our plant load factor, impacts our heat rate as well as the auxiliary power consumption. More so about that when we discuss, but more important part, perhaps many of you would have seen that we have not taken into account the billed compensatory tariff for the previous 2 years nor have we dealt with the impairment provision that we have made and many of you would have been wondering why that has not been done. Let me at the outset clarify that while we have with us two independent legal advisors, as per which we were advised that we have a good arguable case. Yet considering the principles of conservatism and also the fact that these are material amounts and since the beneficiaries have and the procurer have still not admitted these bills nor availed of the prepayment discounts. We therefore decided that once the payout starts, then we will deal with the subject matter and till such time let us ensure that we do not unnecessarily include this on the principles of large material and significant transaction. So friends, that is our view and that is how you have the details and it will be good if we can now take your questions so that perhaps many things will then get clarified with regard to the year that has gone by. Thank you and look forward to your questions.

Moderator: Thank you very much sir. Participants, we will now begin the question and answer session. We have the first question from the line of Jay Kakkad from Standard Chartered. Please go ahead.

Jay Kakkad: My question relates to years coming forward, I want to focus on your growth plans. Now that your company seems poised to resolve the cash flow issues with CERC judgment coming in with regulatory assets at Delhi to reduce with rights issue recently. What are your growth plans for India. How do you see the mix of the company going forward over the next 2-3 years?

Management: Jay, thank you so much. Jay it will be advisable that we discuss some of these issues, perhaps in closer group, but what we shared during the rights issue, it will be easier for me to talk about that today and not more. So I do not want to give any kind of guidance. We had said very clearly that there are close to about 860 odd MW of projects which are about to be commissioned during the next few months. Besides that, we had a healthy pipeline of projects where owing to our Mundra situation, we had pursued the land acquisition and the clearances making sure that the projects would be ripe and ready when we have all those things behind us and these include in that list the expansion projects at Maithon, expansion projects at Mundra. These do include projects linked to our coal mine sectoral D at Begunia and besides that, of course there are other locations and sites where we have progress in India. In addition, we continued to make our renewable portfolio stronger. In fact as we talked yesterday, we commissioned 25 MW solar and therefore we have upped our capacity to 8585 as of today, but I see that sooner the cash flows from the Mundra ease out and you would see that we will spurt up our growth plan and we will also share with you more details.

Jay Kakkad: Great sir. Second question relates to your Arutmin mine stake sale. What is the progress and when do you expect this to complete?

Management: Jay, I am glad that you raised that point because that would also be one of the expected questions. Jay, there were quite a lot of CPs including work that we have to do on our infrastructure companies because infrastructure company was a combined company to KPC and Arutmin. Work on those is still on. We have not been able to conclude the CPs yet. Therefore as far as the payout from Arutmin sale as well as the corresponding infrastructure company sale is concerned, this will progress as soon as those CPs conclude. What we have decided between the seller and the buyer is that some bit of tranches can perhaps start with intermediate milestones and you would see that from the coming month, we would start to see that cash flow and perhaps the whole deal will conclude towards the end of the year.

Moderator: Thank you. Our next question is from the line of Abhishek Tyagi from CLSA. Please go ahead.

Abhishek Tyagi: Sir couple of questions. First was regarding your standalone numbers this quarter. The tax amount is very high during the quarter. Sir is there any one-off in that if you can help me with that please versus the third quarter 14 which you had 88 crores, this is 170 crores in fourth quarter.

Management: So last year, we had a change in the deposition rate as per the NPA notification. So there was a reversal last year and the consequent impact in this quarter you see the differences mainly driven by the deprecation change.

Abhishek Tyagi: Sir my question was QoQ actually. From third quarter, it was 88 crores. Now it is 170. So not YoY actually.

Management: Abhishek, the impact of the dividend income which affects the tax flow provisioning that was one reason, the difference between the last year and this year Q-on-Q and also every year we review the MAT credit reversibility based on the future projections. So those are the ones and this year we had a reversal of MAT credit of about 40 crores and simultaneously last year the impact of the depreciation reversal also impacted tax portion. So these are the consequential impacts of the reversal.

Abhishek Tyagi: Sir actually if I just do your regulated equity which you have only in the Mumbai license area that comes to about 3,400 crores and that on a quarterly, it should give you 120 crores of profit. So I was just trying to reconcile your 84 crores number which you have reported for the quarter. Can you help me and obviously there are more businesses apart from the regulated business in the standalone. So your profit number if you can help me reconcile, are there any losses in some of the other businesses which are there in the standalone.

Management: First of all, I think the regulated equity number at the end of FY14 is 3,054 crores, you can take that correct number. Then you asked about ROE which is 444.

Management: What was your other question?

Abhishek Tyagi: Basically sir I am saying so for a quarter, you will be making about close to 100-112 crores kind of just on the Mumbai license area than it profit.

Management: We made quarter 4, 116.

Abhishek Tyagi: And sir you will have Jojobera, Belgaum etc. and the wind business in the entity which will be on top of that the other income. So I was trying to how did you manage this 84 crores number what are the negative items which are there actually?

Management: So there was slight pressure in terms of the merchant pricing in Haldia and also lower demand from Tata Steel on Jojobera.

Management: Because there are also write-offs on account of Lodhivali

Management: Yes, we have also taken some write-offs on account of some of the assets which we have. They are not very significant amounts. So those are the ones which write it down.

- Abhishek Tyagi:** Thanks and sir second was on your Maithon. The profit is down again from third quarter to fourth quarter. Has the PAF gone down from Maithon in fourth quarter sir?
- Management:** Maithon last quarter has actually better performance. They had 94% of availability in quarter 4 and 73% PLF in quarter 4. So Maithon quarter 4 performance is actually better.
- Abhishek Tyagi:** But your profit is lower because of there was some one-off in third quarter, is it?
- Management:** There was a one-off in third quarter relating to insurance claims etc. So that is one of the main drivers.
- Abhishek Tyagi:** And sir you mentioned on for Mundra year as a whole, you had 80% PAF, right?
- Management:** 80% availability.
- Abhishek Tyagi:** So there was no fixed cost under recoveries from Mundra at all?
- Management:** No.
- Moderator:** Thank you. Our next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Can you please share the production at the coal mine, production and sales figure?
- Management:** The total production in coal mines this year was about 83 million tonnes both put together, both Arutmin and KPC. Sales was about 85 million.
- Mohit Kumar:** So why the profitability is higher at the EBIT level for the coal business this quarter. Can you please explain, throw some light.
- Management:** You mean coal mines right?
- Mohit Kumar:** Yes coal mines.
- Management:** So this is basically that the costs in one of the mines during the quarter, we reviewed the cost and some of the previous quarter costs have been reviewed and that is the main reason.
- Management:** I think one is the KPC did very well on the cost of mining. So that is one factor. The second factor was that Arutmin had higher sales and corresponding to that, they therefore had the advantage of better margins.
- Mohit Kumar:** Sir my last question regarding this compensatory tariff. Had you booked the compensatory tariff. How much amount would have accrued in FY14?

- Management:** So we stated that in the ad also, it is about 1,019 crores.
- Mohit Kumar:** That is including 3.3 billion of prior years, so does it mean that you would have booked somewhere around 680 crores for the fiscal year 14.
- Management:** Both were adjusted.
- Management:** You are right. It includes FY13 and FY14, it is around 300 crores for the FY13, balance for the FY14.
- Mohit Kumar:** But I believe the net compensatory tariff works out around 42 paisa. So the amount which you have disclosed, based on that the compensatory tariff works out around 30, 32, 31 paisa. Can you please explain the difference, why it is lower?
- Management:** So the compensatory tariff, there is a methodology which is there in the order. So therefore the initial compensatory tariff is fixed based on what we have billed them is higher because you have to take the exchange rates and the coal rates at the beginning of the year and what we have recognized is based on actual under recovery based on actual coal prices. So the benefit, the compensatory tariff is not a fixed amount. It depends on what actual under recoveries you have and that gets billed. So for the year, it is only this much.
- Mohit Kumar:** Can you please explain how much is the scarified due to mining profit in the full fiscal year on a per unit basis?
- Management:** So per unit basis, roughly it is 3 paisa. That is the rough estimate that we have.
- Mohit Kumar:** That is purely mining profit, am I right?
- Management:** Yes. So of course it will depend on the final year audited numbers etc. which will be determined as part of the two exercise which is proposed in the order.
- Moderator:** Thank you. Our next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.
- Abhishek Puri:** Sir couple of things. Firstly I missed out on the cash cost number that you have just mentioned and the realization for coal business and if you can give us debt and cash numbers also.
- Management:** Debt numbers right?
- Abhishek Puri:** Yes.
- Management:** So as of Q4 on the standalone, we have 10,000 crores.

Abhishek Puri: I am sorry to interrupt, just for the coal business sir.

Management: You are talking about coal business?

Abhishek Puri: Yes.

Management: So the coal SPV related debt is 790 million year end.

Abhishek Puri: And the cash cost and realization.

Management: So the realization after royalty etc. was on an average \$53 and the FOB was about \$60 for the year. We are talking about average for the year.

Abhishek Puri: What is the cost, cost also?

Management: And the cost is \$38 on an average.

Abhishek Puri: Sir my second question would be on your standalone business, we have seen steady decline in generation and the sales numbers in terms of MUs. What do we expect going forward. Is it a permanent decline which is happening for Tata Steel demand. Secondly in terms of the court decisions which have come out that you can do power sale in Mumbai town side also. So what does it mean for the standalone business in terms of CAPEX, the new power requirement and hence the PLFs for the existing units?

Management: Abhishek, the reason for decline from the self-generation is on account of having stopped unit 6 which is oil based unit which incidentally is running these days on account of shortage of power in Mumbai region, but most of the previous year, the unit was kept on an economic shutdown where it just recovered its fixed cost. It did not get any incentive and therefore that is the reason why you see the decline in sales. You asked what way will it reflect in future. Well, there are two different aspects. First let us talk about generation and then we will come to the distribution side. As far as generation is concerned, we have got the approval from MoEF on conversion of unit 6 to coal based unit. There are some last mile issues in terms of getting the local authority approvals etc. which is being pursued. As also we are working towards getting a PPA clarified for coal based unit, basis which we will move on. So that unit then therefore will become one of the most competitive units in the Mumbai system. As far as distribution is concerned, yes it continues to add more customers based on the restricted capacity addition that we have been permitted 0 to 300 units. We continue to expand our network. On the recent orders that you were referring to which is with regard to us therefore having a license in the BST area. If you recall, the finer part is that we will have to have our network on which we can add customer in that area. Being a local municipal body, the system that we follow perhaps in suburbs will not apply. In other words, we will not be able to use their network to get customers. As far as our network is concerned in the BST area, as you know it is restricted to few areas and we are working on the

blue print to propose to regulator the expansion in the BEST area in due years. So with that, we will unfold once we have submitted it to the MERC.

Abhishek Puri: Sir in terms of CAPEX which is planned for the standalone business if you can give.

Management: The CAPEX for year 15 for the license area is about 800 crores and for FY16 is about 1,000 crores.

Moderator: Thank you. Our next question is from the line of Bhavin Vitlani from Axis Capital. Please go ahead.

Bhavin Vitlani: If you can give us a few details on the other regulated equities which you have invested significant amount on wind and solar. So what is the regulated equity in the wind and solar and what are your plans of expansion in that?

Management: Bhavin first of all you said good afternoon and I am hoping that you are perhaps somewhere in the Eastern world away from India, but anyway nonetheless we do not talk about the regulated equity in wind because wind is not a regulated business in that sense because it works on feed-in tariff and most of it is feed-in tariff and the balance is based on RECs. So could you rephrase your..

Bhavin Vitlani: What is the total equity invested in the wind and the solar business and what is the return on equity that you are getting in currently?

Management: So that we will have to share with you separately.

Management: We will probably share with you offline. We do not have a ready number right now.

Bhavin Vitlani: Fair enough and besides you had given the CAPEX plans for Mumbai licenses, if you can also share for Delhi as well.

Management: The Delhi year-on-year CAPEX plans are actually now reducing because the network part as well as the metering part is almost done. The plan for the current year going forward would be around 300 crores.

Bhavin Vitlani: Each year?

Management: You can say each year will continue to reduce. So 300 will come down to about 250 next year depending on what exactly. If there is no expansion in the area, if there are no new industrial basis or anything else getting created, then each year will continue to reduce. It could get down to 250 and then get down to about 225 and stabilize around 225 or so.

Bhavin Vitlani: And what were the AT&C loss numbers in fiscal 14 and do you have any further room of earning incentive in the Delhi because like..

Management: Bhavin, we continue to earn incentive because compared to the regulatory AT&C loss, we continue to do better. AT&C loss last year was 10.5 and now of course it will reduce by 0.1% or so, not more than that every half year or so, but the incentive value associated with this reduction is higher. So therefore we continue to have an incentive.

Bhavin Vitlani: So what is the regulatory benchmark for AT&C loss incentives?

Management: Benchmark in the sense?

Bhavin Vitlani: Below which you will earn incentive. What is that regulatory benchmark?

Management: So each year, the regulator gives as a part of the MYT. MYT framework suggests that by this time our losses should be somewhere around 10.9 or so. What I am told is that the normative losses for last year was about 12%. That means 12 to 10.5, 1.5 will be the incentive.

Bhavin Vitlani: Last question. You also have laid out investment in the outside India regions. If you can elaborate what are the CAPEX plans for fiscal 15 and 16 in the projects?

Management: These projects which are undergoing South Africa and Georgia, these are the two really ongoing CAPEXES. The Georgia investment is around \$400 million where we hold 40% equity. Synergy, we can give you the CAPEX numbers if you want separately, do not have it ready which is the South African investment, but other than that do not have any major CAPEX plan immediately which is ongoing.

Bhavin Vitlani: This 1320 MW plant bid which you won, so you do not intend to start construction in the next year or two.

Management: That is in Vietnam and that will take time before it actually takes off the ground. We are working on the feasibility and the GPR part and once that gets approved, then we will move on to the next step.

Moderator: Thank you. Our next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: Couple of questions. Can you throw some light on how the CAPEX planning out in this overseas. Just a follow-up on the previous if you can point out what is the quantum of CAPEX in South Africa and Georgia that we intend to put in FY15 and 16?

Management: Can we send it to you separately?

- Deepak Agarwal:** Yes sure, no problem. My next question is can you share what is the outlook like how would you look for accounting for the CGPL comprised it anything in FY15 and 16 like will you wait for the appellate order or how will you go ahead in FY15.
- Management:** Deepak, I did not suggest that we will wait for the APTEL order. We will certainly watch the proceedings and we will more so value the fact that there is an admittance of our compensatory bills and the fact that the payouts start. I think that will be the trigger for us to take any next consideration.
- Deepak Agarwal:** So the SEBs can admit even though they have challenged it like.
- Management:** since there is a challenge. The point is if there is no stake, they have to meet the existing orders. So CERC order is relevant today and as long as there is no stay there that law, that will apply. So what is important for us is that since these are very large value entries and it could unnecessarily show a result in a very different frame, we therefore followed the principle to remain conservative. Otherwise as of today, that bill is due.
- Deepak Agarwal:** That is fine. The next thing is can you throw some light on your CAPEX and plans for renewal capacity addition. Like you just mentioned yesterday you commissioned 25 MW solar. So how much do you plan to incur every year on recurring basis on the wind and solar asset for next 2-3 years?
- Management:** The way we have internally designed the entire workflow as well as cash flow, we would want to add about 150 MW of renewal every year. In some year, it may get clustered and get added in a bigger number and some years it may be smaller, but certainly the aspiration is to continue to add 150 MW each year.
- Deepak Agarwal:** And what is the likely ROE that you expect to make in this assets, what we have made in the last year like?
- Management:** Let us not give segmented inputs. But I would say that naturally we would expect a threshold even in the renewals be certainly more than 14% or so.
- Deepak Agarwal:** But can you give some idea as to how much you would have...
- Management:** I think we should give it there.
- Moderator:** Thank you. Our next question is from the line of Vivek Sharma from ICICI Securities. Please go ahead.
- Vivek Sharma:** Sir my first question was what was the total quantum of the nonrecurring expenses in Q4FY14 like if I look at the profitability of the loss if you could just quantify the total amount of one-off that occurred in this quarter?

- Management:** For the quarter, we had in the consolidated results may be it would be about 200 because we had some recognition of MAT credit reversals which are not appearing in the previous quarters. We had taken the provision for accelerated depreciation on our solar assets. Tata Power Solar to be specific. Then we had deferred tax assets reversed for the coal mines in Indonesia because as per the Indian accounting standards, that was a provision necessary which is not recurring provision. I think these are the main ones if you ask me.
- Vivek Sharma:** That is helpful. Secondly what was the realization at Mundra in breaking it up into fixed cost and fuel cost and also the number for Bumi for the quarter?
- Management:** First in the Bumi, the coal companies, the realization, the FOB level for the quarter was \$55. Cost was about 35. So CGPL, the total realization on fuel plus capacity is Rs. 2.12 that is the gross realization.
- Vivek Sharma:** And how much was that on account of fuel and how much on capacity?
- Management:** Capacity is about half, each of them.
- Vivek Sharma:** Is not it the fuel cost is on the lower side?
- Management:** You asked about realizations. You know that we have an under recovery right. So the cost would be much higher.
- Management:** You should know we have not added the compensatory tariff yet.
- Vivek Sharma:** Sir the next question on the Tata Power Solar. For the full year, you have witnessed a loss of around 127 crores. Why is it so and what is the outlook going forward?
- Management:** Well the results for the year were negative basically because two reasons. One is the accelerated depreciations which I mentioned just before. We have taken some provisions on some of the assets which are there and the second is the realization on some of the large project businesses which add to the turnover, but they have relatively given a less margin this year. We also had some FOREX related pressures because you take orders based on committed FOREX margins and when the rates have changed, you tend to take ahead. So those were the main factors this year which resulted in the performance of Solar being not so good.
- Vivek Sharma:** And sir going forward?
- Management:** The outlook for this business continues to be good. We have now moved on to such a peak segments which are with higher margins. One, of course there has been a big boost because of the domestic components. As you know there have been two developments. One, that there has been a specific order for domestic usage of solar modules and cells. Second which is there is that there has been an antidumping duty that is now being proposed on sourcing from outside. So

these two would make this business perhaps have better margins and better scale because pressure on margin was primarily on account of the modules being sourced from outside India at much cheaper prices.

- Vivek Sharma:** So you expect this business to be say profitable from next year?
- Management:** We will hope that it will certainly turn around.
- Moderator:** Thank you. Our next question is from the line of Harish Bihani from CIMB. Please go ahead.
- Harish Bihani:** Sir, my first question would be on KPC and Arutmin. Is it possible to share the separate numbers for production, sales, realization and cash cost for FY14?
- Management:** We do not, Harish you know that.
- Harish Bihani:** Because we will have change in the..
- Management:** Just wait for Arutmin to close, then you will automatically have the KPC numbers.
- Harish Bihani:** So Arutmin basically when will we close it? In terms of financials, when will the impact of ex-Arutmin come through?
- Management:** I mentioned that progressively we will get to see that by end of the year.
- Harish Bihani:** So on financials in case we can have some indications, qualitatively?
- Management:** No, I think let us leave it. We have followed that way because we are not the significant promoters of that company and since those company details are not given by the main promoters themselves, it will be unfair for us to deviate something which we are bound by the NDA.
- Harish Bihani:** And quick clarification on Mundra. Assuming there is no stay order and one of the procurers has paid the money to us, we will start booking the entire thing on an accrual basis.
- Management:** We will go back to the board and certainly give our sort of consideration to the simulation that you made.
- Harish Bihani:** Sure sir and on Tata Power Delhi distribution, we have made a petition to the regulator that we do not need gas based power for FY15. So what is the status like on that and will the actual generators agree to your demand?
- Management:** See, one has to understand that the gas based project in Delhi was put based on the request from the Delhi government and the Delhi electricity system and therefore it is important for us to have a line of site on the fixed cost recovery for those assets. The ongoing petition with the DERC is

with the respect of that request. So while DERC is favorably disposed, they are wanting to go through the whole process of checking with different stakeholders. Let us see how it evolves.

Harish Bihani: Sir till when do we have PPA for these gas based power plants specifically NTPC

Management: I think then you missed the two. The petition that we had filed was in two parts. There are two different petitions. I refer to the petition with regard to our gas based plants. You were talking about petitions that we have filed with regard to high cost plants which includes not just gas based plants, but some of the new NTPC plants where the cost of generation is way too high compared to what they had indicated at the time when the PPAs were made. As you know, PPA does not give any cap nor gives any particular roadmap or outlook in terms of what the tariff for future would be, but one had not expected that these will be double of what our median was and therefore that is the reason why we have gone to the regulator and the good part is that the regular seems to be positively disposed because he says that when I give approval even to them, the values that were indicated were of the order of maximum 450 or so using domestic coal whereas the tariffs now that are being shown are being sort of billed are upwards of Rs. 57. That is the reason why DERC seems to be favorably disposed to our petition.

Harish Bihani: And sir on the conversion of unit 6 at Mumbai from gas to coal, how will the fixed cost be adjusted?

Management: There is already a fixed cost that is there and the fixed cost to the extent that will spend the CAPEX will get added and topped up to the existing fixed cost. Rest will remain same. In fact the fuel price will come down.

Harish Bihani: So given that there is a net benefit, you think that even with a topped up fixed cost it will go through the regulator?

Management: Harish, I can only give you a very small clue to the fact that we had moved on this path after seeking MERC's contractual approval.

Moderator: Thank you. Our next question is from the line of Venugopal Garre from Barclays. Please go ahead.

Venugopal Garre: Sir just very small questions, if you could give us coal mine depreciation for the year?

Management: So for the total coal mine, the depreciation is \$275 million and this is FY14 number.

Venugopal Garre: And sir Maithon, is there still any untied capacity?

Management: Yes, so we have about 150 MW. We would not say untied. It has been tied, but due to transmission constrains, the power is yet to begin flowing. But in terms of untied, there is none. The plant was 1050 MW and we tied up all the power.

Venugopal Garre: So in a ROE perspective, it still does not look high. What would be the ROE that you would have made in Maithon this year?

Management: So what you have said is right. It is still not the full ROE and the reason is exactly what you have said. Number one, that 150 MW is still not flowing and the merchant rates continue to be very low. So therefore that has not paid back for itself. The balance, we have recovered the full fixed cost.

Management: And we continue to pay the transmission charges also on the untied power which is not flowing that is adding on to our power.

Moderator: Thank you. Our next question is from the line of Heram Agarwal from Sigma Insight Private Limited. Please go ahead.

Heram Agarwal: Sir first question is could you give us an update on development status of your Naraj Marthapur and Tiruldih projects?

Management: Heram, I think few quarters back we had mentioned that we have moved formally and officially our site from Naraj Marthapur to Begunia and the Begunia site clearances are in different stages today and we are pursuing on that. As far as Tiruldih is concerned, while as mentioned earlier we had acquired close to about 40% land already and the balance was going through the procedure. However, now perhaps it might get linked in to the new land acquisition act and this is which the balance 60% could take longer time. So we have had in fact recently discussions with the local government and he is trying to formulate methods and mechanisms by virtue of the balance 60% which had already progressed with everything else including negotiation, could that be exceptionally moved faster. We are yet to get that confirmation, but this is the status.

Heram Agarwal: Any equipment ordering status update regarding this project?

Management: Heram, what we had done earlier was to invite tenders for both the projects. But we now do not want to do that unless we have very clear zero debt available with us meaning that we have the clarity of the land completely available with us in 100% sort of capacity. So let us wait for the land part to become cleared because with the advent of new land acquisition act, one cannot confidently say which could be the zero debt and we do not want to continue to have more and more extension sort on the bid prices.

Heram Agarwal: But could these projects be commissioned in the 13th plan?

Management: Our internal assumption is that yes, it should, but let us see as to what this country has in store for all of us.

Heram Agarwal: Sir my second question is could you give us an update on Kalinganagar gas project and Dehrand project in terms of their commissioning status and equipment ordering status?

Management: Kalinganagar gas which is basically not the normal gas. It is the production gas. It is therefore dependent on Tata Steel plant and as far as Tata Power plant is concerned, it is ready to do commissioning checks. So sooner we have the production gas available, we will be able to commission the first unit of the Kalinganagar plant. That you are talking about second point as Dehrand project. Dehrand land is again in the last stages. We already have close to about 70% land with us. Balance 30% is just about in the final stages and hopefully that should get concluded any of these months and sooner it is done, then we will engage with the local government because it is a MoU based project as you know, engaged with the local government for further progress on that.

Heram Agarwal: Sir my third question would be could you provide details of power prevailing status of Tata Power operational projects in Maharashtra. I would like to know if the whole power is consumed within Tata distribution network or somewhere else.

Management: Heram, the Mumbai operation, the generation that we do at Mumbai has PPAs and is linked entirely to consumers in Mumbai. So 100% of the power gets absorbed in Mumbai itself and the buyers are Tata Power Distribution and also BEST. In fact due to the shortage as of now whatever we are generating out of unit 6 to support Mumbai, it is being consumed by all the distribution companies. That is BSES, BEST as well as Tata Power Distribution.

Heram Agarwal: Sir lastly, could you give us the PPA details of your Maithon project?

Management: It is a CERC based tariff and so everything is based on CERC. In fact there is a preliminary order for Maithon which is available on the website. The final order for Maithon is awaited because hearings etc. everything is complete and the order is expected within the next fortnight or so. All those details are there on the website. But just to tell you that the capitalized cost of the project is about 5,500 crores and it earns its ROE in a standard CERC format.

Management: 300 with Delhi distribution, 300 with DVC, 300 with West Bengal and 150 with Kerala. So that covers the full 1050, of which we are currently able to have the fixed cost recovery for 900 MW. The remaining 150 because of transmission constraints is being sold on a merchant basis.

Moderator: Thank you. Our next question is from the line of Shankar from Edelweiss. Please go ahead.

Shankar: Sir couple of clarifications. In the beginning when Mundra project was stabilizing or whatever, earlier you said without the compensatory tariffs, your recurring quarterly loss will be roughly around 300 crores and then in one of your media interactions you said that after the compensatory tariff it will be around 500 crores only on an annual figure, not the quarterly figure because of the benefit in compensatory. My questions are in two part. One is that so once you get

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clarification like you mentioned when you will book it. Is it fair enough to assume that you will start operating the plant at PLF of 90 odd percent?

Management: Shankar, since the under recovery would stop, yes there is no reason why we should not generate the plant at higher PLF. There is another element that you might be aware that the CERC order provides that all the power beyond 80% availability would actually be placed especially in the market on a long term basis which will be shared 60-40 in terms of the margin over the variable cost, I repeat the margin over the variable cost because the fixed cost would have been recovered at 80% already and that can be shared at a 60-40 ratio.

Shankar: Right and that also assuming that 25 p for incentive is retained only after that?

Management: Exactly, so the incentive for that could be very good depending on the possible sales if that part is done. In fact, we are pursuing on that part because that is the big advantage to the beneficiary as well as to us.

Shankar: So the question is like how soon do you think it could happen or you will do it immediately after you get more clarity on the compensatory tariff?

Management: Actually it is dependent on two things. One, an agreement between us and the beneficiary that is one element which is more or less is easier and the second element is that there should be Case-1 bids because we have to ultimately place this power under Case-1. So if there are no Case-1 bids, then how do you place power. So we will wait for the Case-1 bids to happen and then we will place that power.

Shankar: Now the second portion of that is the under recovery of around 500 crores, how much is it only because of the dollar denominated debt interest cost?

Management: First of all, the under recovery on fuel has nothing to do with dollar denominated debt.

Shankar: No, I am saying that after the compensatory tariff when you said it is 500 crores.

Management: Shankar, the upside which will be kicking in once the CERC pays out starts and everything begin flowing. So you have the third party sale and because you will have much more consistent offtake of power, you will have higher efficiencies and then you know last year for example we had FOREX losses which is not going to recur every year and also remember that this is the peak of the debt at Mundra. So therefore the interest burden is also on the highest. So this keeps receding right. Every year we still servicing loans.

Shankar: Which is also a factor in your fixed capacity charges.

Management: Correct. So the under recovery overall keeps coming down and one these factors kick in and we will see that number, probably close to that number which Mr. Sardana has mentioned.

Shankar: Exactly, I understand that. I am saying that under recovery is 500 crores. What is the largest component? Is it only because of the foreign currency interest cost debt? What are other elements in that under recovery?

Management: So Shankar you are talking about under recovery on fuel cost right?

Management: Let me clarify. He is talking about that approximate number of 500 crores. Even after the compensatory tariff kicks in, he is saying is this 500 constituting. One part is very clear. This 500 has nothing to do with variable cost. Then you are saying on the fixed cost, is it entirely due to the FOREX component or there are other components also?

Management: This PPA provides for on the fuel side which has a full protection. So your FOREX cost does not get there. On the debt side, yes, remember one thing that we are also hedging out it. Not that we are keeping everything open and then also some part of our fixed cost about 60% odd is already a pass through. So therefore on the only debt side, we do have some pressure. We are still hedging. So therefore it is not that we are fully exposed to the market and every year we will be hit, but there will be an impact.

Shankar: Yes I understand. Once again I am saying that what is that component? Is it entirely because of foreign currency or there are other components?

Management: There could be other components because there are fixed costs related higher cost. Our fixed costs are very tight you know that. So if you calculate the interest and the O&M and depreciation.

Shankar: So is it 100% because of dollar denominated interest cost or is it 80%, 70% just rough figure.

Management: Shankar, but you for the present purpose until we sit together and discuss various components one by one, we assume it is primarily on account of the FOREX loss.

Shankar: Now secondly sir on the coal mines, we have noticed that especially in Fiscal '14 if you look at quarterly basis, the cash cost has been quite volatile. It has touched a high of \$45. Now in Q4 you have ended at \$35. Now could you provide us some color where it is stabilized or is it these are the levels or there could be certain one-offs or it has been very efficient in this Q4 or it could be slightly higher because this has been quite volatile especially in this year.

Management: Why do you use the volatile when it comes to the cost? Volatility, I would say will be with respect to the fact and the coal prices will be volatile, yes.

Shankar: But if you notice the cash cost, that has been very volatile in Q4. I understand the benefit of the operating leverage that kicks in because of the price volatility realizations.

Management: But you should understand that this business has the volatility in terms of the pits that you mine.

Shankar: I understand sir.

Management: And if you are mining a pit for which the overburden has been charged in the previous quarter, naturally the next quarter is going to see low cash cost. So I think this business is such where because of low coal prices, we are now going into pits which have lesser overburden and a better stipulation.

Shankar: So are you saying that we are going to be, this average that we can go ahead with and it is once again unlikely touch 42-45 kind of levels again? Not perpetually, I am saying at least for the short to medium term?

Management: The endeavor will naturally be to continue to maintain lower cost. The endeavor always has to be that. However, I should be saying that because one also knows very clearly that you could ultimately get down to the next pit again get to overburden ratios which are different or adverse and therefore that cost will strike us again. So it is a process my dear friend that if one is doing as much as 84-85 million tonnes of coal, you can imagine that you are not working in one pit. Working in 10-15 pits at the same time and you can therefore never predict that which pit will have how much of earth and how much of coal when you go down to the next level.

Shankar: Got it. Lastly, is there like you mentioned about the standalones, one-offs in the consol, is it possible for you to spell off the one-offs in the standalone?

Management: We did that.

Shankar: You gave it in consol of 200 crores comprising of three things.

Management: The main ones in the standalone was the MAT related credit which we have to provide for in the quarter, that is about 40 crores. We took some provisioning on some of our old assets which is about 11 crores and then one of the units that from Tombay we have not provided for the actual fixed charges because we are not generating there that is about 20 odd crores.

Management: This is unit 8 which had this accident. So since that is not worked for quite a part of the year, we have not yet considered the fixed recovery, though of course we will take the plea to the regulator because it is an operating unit.

Management: So all this put together because it is about 80 crores.

Shankar: And sir very intuitively, if you look at the standalone top-line, it has fallen by more than 200 odd crores. Your expenditure above the EBITDA line has not fallen through significantly because it is a regulated business. All your costs are largely pass through. So while I understand you have to take backing down because of high expenses in unit 6 and unit 8. So how will you explain that the fall in the revenues is greater than the fall in the expenditure?

- Management:** No, first of all, you have to look at this Mumbai business essentially not by top-line and bottom-line in that sense because the fuel cost drives the top-line outflow, right?
- Shankar:** Exactly, sir you look at the delta change in the fuel cost and the delta change in the revenue. It should broadly match, right? Apart from the fixed cost, I understand the capacity also will play its own role, but I am incorporating that. Also, you do not see much of a variation much in that sense. So only if you look at it because since it is a pass through, at least that delta change should be similar.
- Management:** If you are looking at the operating profit level, then the ATE orders has compensated in that sense at an operating profit level and if your question is that why we fall in the revenue is not matching with the increase in fuel cost, then the purchase cost is much lower right? Purchase cost is the market rates which we pay.
- Shankar:** So you factor in that also, the differential.
- Management:** Yes, we do.
- Shankar:** No, you do that delta. That is exactly what I am saying if you look at, it is roughly 300 crores is the difference in revenues.
- Management:** For the quarter you are talking about?
- Shankar:** Yes, sequentially.
- Management:** Between Q3 and Q4.
- Shankar:** Yes.
- Management:** Okay let us do one by one. I think you are trying to mix up many things. If you take the operating income, it has moved down from 2,100 to 1,800. That is what you are saying?
- Shankar:** It is slightly above that if you look at 1,900 to 1,600 because that is where the regulated business is.
- Management:** In that, you see that 185 crores is coming from previous year's ATE regulatory orders. So 1892 is effectively 1692 kind of thing. So you are looking at actually something like 100 crores drop in the top-line.
- Management:** It is actually 110 crores drop. 118 crores order was last year. This year, it is 8 crores.
- Management:** So that is one side. The other side you have fuel which is about 820 crores in the Q3 down to about 840.

- Shankar:** Exactly, but you had 100 crores fall, but only 20 crores fall in the fuel. 820 versus 740.
- Management:** What we can do is if you are going into those kind of details, we can supply on and just look at one thing. Basically you will have to add into the 1900 turnover, you have to remove actually about 140 because 185 is the future income and there are what we call it as tariff for future determination that also is (-42). So it is 140 versus 124, it is about 20 fall. So that 20 is pretty much matching with the 20 here in fuel.
- Shankar:** Anyways, I will take it offline.
- Management:** If you are still not convincing, we will take it offline.
- Moderator:** Thank you. Participants that was the last question. I now hand the floor back to Mr. Anil Sardana for closing comments. Thank you and over to you sir.
- Management:** Thank you so much. Like every time, appreciate you having joined the call and in the morning hours I can understand there are pressures. So thanks once again for being on the call and we look forward to seeing you after the quarter one of Financial Year '15. If you have any further queries or questions, do write to Mr. Mani and he will make sure that you get the response. Thank you once again.
- Moderator:** Thank you sir. Ladies and gentlemen on behalf of Tata Power that concludes this conference. Thank you for joining us and you may now disconnect your lines.