



“Reliance Power Limited Conference Call”

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MANAGEMENT: J.P. CHALASANI

Moderator: Ladies and gentlemen good evening and welcome to the Reliance Power first quarter FY'14 earnings conference call. 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 the conference call please signal an operator by pressing "*" followed by "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Mr. J.P. Chalasani. Thank you and over to you Sir!

J.P. Chalasani: Good evening to each one of you, so another quarter and another set of results, which I am sure that all of you must have gone through. Before like always we do I am not going to go through the numbers, which if there are any questions on that we can always answer during the Q&A. I will straight start with the performance. I will first pick the operating plants, then the plants under construction then the plants under projects under development on this.

In the operating plants the Rosa would be obviously the first one the Rosa again this is the third consecutive quarter in which the project the plant has locked 100% availability. In the last two quarters also it had 100 or above availability and this quarter again it had 100% availability generated about 1.8 billion units of the electricity. The TLS had been 72% that is mainly because in the month of April, which we under operated we were going through the Phase of the shutting down the units, because of payment default in fact in April we had only about 40% as the PLF in May had 88% PLF and in June again it is about 83%, 84% PLF in June of course this time we had the early monsoon that is why it is 72% and the May and June was fine and it has continued to operate at above 80%, 84% PLF even in the current month.

On the coal side of it there has been improvement for two reasons one is the because in the March and April we generated less on the payment default we could accumulate more domestic coal and second thing also is that there is some improvement in the domestic coal supply on this. If you go by the pure tonnage basis which is not the right thing to do but still 70% domestic and 30% imported, but really pricing wise we need to see on the kCal basis in the kCal basis if you see it is close to 60 about 57% is the domestic coal and about 38% is the imported coal and balance 4%, 5% is the domestic market coal. So there has been jump in the domestic coal consumption compared to the earlier quarters in fact if you remember last quarter we said about 39% was the domestic coal consumption based on the heat value that is the reason why our fuel cost is also low therefore to the extent even in the top-line there is a reduction on this.

On the outstanding with whatever we did the regulation of power supply in March and April spot is in comfortable position and we have been getting paid we got paid the arrears

and we have been getting pay regularly on this and as we speak now our outstanding dues are roughly about 240 Crores which is like about 20 days of outstanding which is nothing because in a cost plus even 60 days is what they would allow you on this. The plant had about 960 Crores of the top-line and continued to maintain good EBITDA margins of 40% plus a more important is both on the physical operations wise as well as the financial performance wise the Rosa continues to be a robust performance on there.

The second plant which is fully commissioned and operating for the second consecutive year is the 40 megawatt Photovoltaic Solar Plant this quarter we have the highest PLF ever achieved which is 23% on this the previous quarter if you remember it was about 22% so we crossed that as well as is 23% we had about 20 million is for condition and it is had about near to 35 Crores of revenue and about 16 Crores of profit and obviously here the EBITDA will be very high because in solar the revenue and the EBITDA gap is hardly any. So both Rosa and PV continue to operate at the highest level. The Butibori as you know that this is the quarter, which we started supplying power from Butibori itself to RInfra under the short-term PPA on this. We supplied about 275 million units from this plant, which is at a PLF of about 44% on this and we also supplied depending upon the different points of time to various other people our idea was to see how much can you actually load the unit and our target is actually to load it fully provided there is an off take on this and we have been working on different, different options so we for short period of time DST bid and for some period JSW we were supplying and for sometime we supply to RInfra outside the short-term bid and then again different bids and we supplied to few other people and we are also put something in the exchange we are trying various options of seeing that this unit gets fully loaded, but the mainstay is the short-term PPA with RInfra on this.

On a long-term basis the development during this quarter is that the as you know that one unit was already approved by the MERC for the long-term PPA earlier with RInfra and they wanted us to get NOC from MIDC before converting the GCPP and ITP and as well to long-term PPA. We got MIDC, NOC then we went to MERC and MERC has given an order for that unit as well for now for the entire 600 megawatt we have an approved long-term PPA with Reliance Infra starting from 1st of April 2014. So therefore it is completely derisked from the next financial year point of view from the point of view of power off take on a cost plus basis like the Rosa.

On the fuel side because one unit already is an IPP unit and which has got the PPA as well the FSA has been agreed to and it is now with WCL, hopefully in a week or two we should sign the fuel supply agreements for one unit for the second unit which is the GCPP unit because the category got changed from GCPP to IPP this unit also has an LOA already so after the MERC approval for the PPA we now the last week we submitted the letter to minister of power to recommend to minister of coal changing the category from group

captive with IPP and once that happens let say in the next two to three weeks thereafter we will send the PPA for that as well. Hopefully in this quarter the fuel supply agreements for both units could be in position. Thereafter obviously under the current circumstances the fuel will be supplied once the long-term PPA commences but as we explained last time our aim is that once we have the MERC approval for the tariff, which is expected shortly right now the petition is there with them and the cost approval process which should hopefully happen in the middle of September if we have that order and then we agree to supply at the same tariff this year as well then the coal under this surfaces can commence because they will treat now as the supply commenced under the long-term PPA as well that is what is our aim is, (indiscernible) 7.47 that MERC approval for the tariff which we expect to the middle of September.

The next plant is Sasan, as you know that first unit we commissioned and there was some issue with respect to COD which is getting sorted and in the Q&A depending upon the interest because everybody has said I will be able to answer that more the balance units the all the five units are progressing as we gave the guidance and we expect four units to come progressively by March and the last unit of this thing by June 14th as per the guidance even earlier.

On the coal mining site today it is in a position to produce more coal than what is required so in fact we are regulating the coal supply, coal production and it is in a position to ramp up to the extent whenever it is required. So therefore the coal-mining portion of it is fully stabilized and the construction of the balance units is on track and we expect as per the guidance we gave earlier the Sasan should get fully commissioned by June 14. On the petitions filed with CERC is concerned and the two of the petitions which have an impact on profitability as well as the tariff which is the change in that during construction and the force majeure for the foreign exchange variation the CERC agreed to fast forward those petitions and what they said is instead of having of a two stage what they talked is one yes is the to say yes it is changing now it is a force majeure then asking for the impact what CERC has suggested is that you as well submit the impact on the (indiscernible) 9.34 and we would simultaneously hear and give the order on both eligibility as well as impact on this which we now submitted the last week and the date for the next hearing is expected to be in the middle of August and as far as the change in law during operations are concerned that which will get dissolved along with the COD and get through on this. So that is on the petition for Sasan that completes the project which are under operations or under construction, the projects which are likely to be taken up in the near future this year will be into Sasan expansion, two things we said last time, we said one is with the ministry of environment for clearance which is now ready as the number one in the list on this but they will be waiting for the new committee to be constituted right now, the earlier committee which was under the chairmanship of Mr. Raja the tenure is over. The new committee is to

be appointment, as soon as the new committee gets appointed by MoEF we assure you that they will hear this case and get cleared because it is the second time, first time it went and they wanted additional data we are ready with everything. So hopefully if the committee is formed in the next week or ten days and it should get, it should be an item for August to get cleared.

Simultaneously we are now are in the process of finalizing the main equipment for this project as well as Thilaya and we have a very good response from various vendors because of the current market conditions in India being like that and as well as outside on this so we are now in the process of finalizing the supply for BTG. We have already gone out for the financing of this expansion project on this, which is now under the appraisal process on this.

Other one, which we were waiting to start construction happen was the Chhatrasal Phase II clearance on this. This was linked to Thilaya forest clearance as well on this now we understand the ministry of power got legal opinion within the government of India stating that the EMPP is to be treated as a government project for the purpose of compensatory afforestation and power station and my last meeting with the minister of power they said now with this opinion they have sent it to ministry of environment so hopefully the ministry of environment should clear in the first week of August. So once Thilaya gets cleared in the same basis because Chhatrasal is also an UMPP so it gets cleared. So lets hope that Chhatrasal additional conditions which they put will get removed in the month of August and thereafter when additional land requirement is cleared then obviously you need to only pay the money and then get the Phase II clearance there is nothing physical activity to be done by us on this. So that should as well happen in August so therefore Sasan expansion wise probably the ministry of environment clearance as well as Chhatrasal clearance should happen in August on this and the BTG would anyway gets finalized on this and this is one project I think which we will see the momentum and which will be the next project which will start quickly on this and on Thilaya the major issue was the forest land for the power plant which is what I explained when we talked about Chhatrasal. So therefore if that decision comes out this week and they will handover the power plant land immediately thereafter in couple of weeks time and we would be in a position to start our initial infrastructure works on the power plant side in the meantime we are asking the new government to expedite the land acquisitions for coal mining and as far as BTG is concerned this is along with Sasan expansion we are in the final stages of finalizing the vendor for that.

On the renewable side the Vashpet 45 megawatts wind have been commissioned, TPA and RPO applications, Bombay distribution companies and the tariff is Rs.5.81 it is a long-term PPA so therefore that will be on auto mode now with the PPA. The SPV has already got a

PPA with as we discussed PPA with the government execution companies the same way Vashpet is operating.

On the solar thermal the construction is progressing as we get the guidance last time hopefully the last quarter this year should get commissioned the as well the solar field there is sort of things like the turbine side, and electrical side, cooling towers all are ready and the solar field is what we are now doing it the few solar steam generator SSG what they call a few of them are ready and balance are under erection now on this.

The other project, which is expected to commence construction along with the Thilaya and Sasan expansion is the Tato Hydro Project. As we said it is a cost plus PPA with Delhi and UP on this which we expect in UP we expect this to go to their energy task force in the month of August to get cleared and financing is already being apprized by the both PFC and RAC with the cost plus one it is more easier to get the financing done and we are already out in the markets for EPC bids for the Tato projects. So therefore this quarter you will see the big momentum on Tato project moving forward.

On Krishnapatnam obviously it is in CERC on this and they said that they will hear sometime in July or by August I do not remember the exact date when will come and also it will come back in high court in Delhi but I think the main thing is the here it would be the outcome of the Tata's and Adani this things where the committee is now is on the final stages once that comes and goes to CERC we expect the similar treatment for Krishnapatnam as well and it would automatically get expedited at that point of time. On Indonesian coal as we get guidance last time we are working significantly on the off take with Korean companies and Chinese companies and simultaneously we are now going out to the market to create the infrastructure facility for evacuation portion of it the railway line and other things, the beats are now going out to the short-listed people. So therefore we want to now fast track monetizing this coal on the long-term basis today also we can do a monetization of this coal but with the transportation system of the road and the power system which we always have an option if the market further improves in the pricing wise we can do that in the meantime we also started the preparations for the long-term monetization of the coal on this and as you know that these three coal mines are fully JOC compliance now we have JOC (ph) report on resources and (indiscernible) 16.50 and it has all the clearances including forest clearance and things like that and one coal mine even has a land to start the mining activity.

On the coal bed methane in Sohagpur, which is next to the two proven blocks of RIL we are now finishing the Phase I, we finished the core course of 12 and we come to that two touched well so it is quite encouraging. We will enter into Phase II sometime in January of 2014 and then we will be doing about touch wells at the point of time, which should take

about 12 months time and thereafter its get into a production Phase on this. This Sohagpur block initial results are in line are slightly better than what are the results in the present the CBM blocks on this.

This is in nutshell a briefing about all the projects and now we can open it for the Q&A.

Moderator: Thank you very much Sir. Participants' we will now begin with the question and answer session. We have the first question from the line of Rupa Shah from Prabhudas Lilladher. Please go ahead.

Rupa Shah: Sir I just want certain book keeping information I want the total generation for this quarter the breakup in terms of Rosa, Butibori, and the similar figure last year for Rosa.

J.P. Chalasani: I think last year figure I do not have it but this year is about 1.8 billion units during this quarter on Rosa.

Rupa Shah: Okay and Sir the PLF would be.

J.P. Chalasani: PLF is 72%, which I have mentioned to you.

Rupa Shah: Yes, Sir I joined in later I am sorry. And sir total Butibori generation for this quarter is 270 million units.

J.P. Chalasani: 275 million units and 20 million units in case of the solar.

Rupa Shah: And Sir what is the PAT figure for Butibori in this quarter Sir.

J.P. Chalasani: No, it has a positive EBITDA contribution I do not think there is any PAT for that it is only one unit operating and that is the 50% capacity so we capitalized the full unit. So its got a positive contribution of about 30 Crores of EBITDA.

Rupa Shah: And Sir what was the PAT for this quarter for Rosa.

J.P. Chalasani: I do not have it the breakup of related things the 240 Crores most of it came from Rosa I think it should be around 160, 170 Crores.

Moderator: Thank you. We have the next question from the line of Vivek Sharma from ICICI Securities. Please go ahead.

Vivek Sharma: Good evening Sir. Sir two questions firstly on Sasan. Sir what is the status of the, there were some issue regarding the COD of the first unit what is the status now and secondly

what would be the first year tariff for the rest of the units and how do you see the, you said you filed for tariff review petition. So what is your expectation regarding the tariff for the plant when all the units gets stabilized assuming your petition get approved?

J.P. Chalasani:

See as per the bid the first year tariff is 68 paisa, second year tariff is 70 paisa and thereafter it is Rs.1.31 for all the balance 23 years that as per the bid without any adjustments what we are talking about the CERC that is the first set of numbers of this as per the bid. Now coming to your first question of the COD wise that yes there is an issue this unit we did test in the last week of March 72 hours as per the PPA I suppose to do 72 hours test in this and the unit could not achieve the full load at that point of time because the (indiscernible) 21.06 they could not give us the load they had given us, they asked us for 200 megawatt net what we did and we added gross capacity of 138 megawatt and net capacity of 101 megawatt we operated, in between they are wanted us to go to 150, 160 which we went, but on the last year after we finished almost about 61 hours of operation on oil firing unit the margin is up when we are doing operating at 100 megawatts of net capacity obviously it has to be on oil it cannot be on coal alone there will be some coal but we need soil support after operating on oil for so long after 61, 62 hours they said now you can increase your load to full capacity I think it is about 65 hours almost on this. So we said now we had an option to try but technically after operating for so long continuously on oil it is difficult for you to switch over completely the coal because the boiler will have soot and soot blowing has to be done and various things happens so technically it is a challenge so we took an option saying that okay we will first finish 72 hours continuous operation because the independent engineer was sitting there and the lead procurer was sitting there they said for them now at this stage after 61, 62 hours for them they said the importance that unit pulls 72 hours. So if it trips then everything was gone. So we operated for 72 hours at the same load of 101 megawatts. So as per the PPA provisions PPA says that the PPA does not address situation where you are ready to operate but there is no load only provision PPA has is that when you give a notice for doing performance test the procurer has an option if he thinks that we cannot provide the load to postpone the test by 15 days there is no other option but they did not take that option and then they said that we will provide the load. So therefore but if the load is not provided under the PPA our responsibility is to supply the power at the bus bar evacuation is their responsibility, but the PPA unfortunately is completely silent in terms of what happens in a situation of this nature obviously the independent engineer gave a certificate giving the full details of about what happened between the load dispatch center and the station on this and they said that in this opinion they said that, that unit entered into a commercial operation with 101 megawatt on this and the lead procurer he studied the test and he said that okay I am willing to act they gave us in writing we are accepting independent engineer certification of 101 megawatt under 6.3.4 clause of PPM, 6.3.4 clause is actually derating clause wherein you are testing your capacity is lower than the tested capacity it gets derated and your capacity charge also gets proportionately reduced to that

extent then you get 180 days to operate, in 180 days period six more test you can do to increase you capacity from whatever the derailed capacity of full capacity, they said we are accepting this on the 6.3.4, then we went back to the load dispatch center saying that now the lead procurer is accepted because under the PPA lead procure is a person who has to accept so you now schedule it for 101 megawatts till we do the further test, but the load dispatch center took a view no I need the consent from all 14 procurers. So then we went back to all procurers and every single procurer gave it in writing in line with the lead procurer saying that we accept this please schedule it for 101 megawatts and the load dispatch center went ahead and scheduled us for 101 megawatts for three days then suddenly one fine morning that they went and filed a petition in CERC the same load dispatch center though the commercial operation issue is purely between us and the procurers another contract load dispatch center has nothing and secondly the same load dispatch center when it was in a different scenario of Lanco where they have the for long period of time something in the capacity under the UI without declaring few of these when CERC took suo moto notice of that and then called with the load dispatch center and load dispatch center on record said that I have nothing to do with COD, COD is between the procurers and the developer on this so therefore I have no comment to make, but now we went into this the petition on this then the petition was being argued for admissibility obviously our stand was that they have no locus standi load dispatch center because it is an issue between two offers plus the same load dispatch center earlier said that there is nothing to do with this, it was being heard for admissibility and in fact that the ROP was posted in the website saying that it is listed for admissibility but unfortunately the CERC gave an order on merit, which is now challenged in APTEL. Simultaneously in the June we did the second test repeat performance test or retake of performance test that is I think the word used in the PPA retake of performance test to increasing the capacity from 101.38 to the full rated capacity of 620 megawatts and they gave us a load and we went to the full load operated for couple of hours then we declared that commercial operation starts then we operated continuously for about seven, eight hours at the full load and they said now again we have no load then reduced it to 400 megawatt so we reduce to 400 obviously but we told MP and everybody MP shutdown about 3000 megawatts of this and wrote to the load dispatch center, we sat down 3000 MW please give the load to Sasan, till it happens they ask us to go to 500 next day we went to 500 they said go to 550 we went to 550 then they said go to 660, so we went to 660 then again he said come back to 400 we came back to 400 operated for a long period of time then again said 500, then again said 660 it went up and down but when we completed 72 hours operation out of 72 hours, 17 hours it operated full load, balance period operated 400 megawatts to 550 megawatts depending upon its instructions. Every single instruction was followed in spirit, now the lead procurer again says he has filed this reply in APTEL saying that in the spirit this has to be done. Anyway that is also part of APTEL now. So both March and the April are sitting there on this so the

hearing is on 6th and 7th on this lets see how do we get that issue resolved all this and there could be different options to resolve that issue. It is being sub judice now that I do not want to really comment this except giving the status, we will see how it happens on that.

Vivek Sharma: What tariff are you contemplating under the revised force majeure and change of law method.

J.P. Chalasani: I am coming to that. There are petitions, which are changing now during operating period like royalty on coal and the green Sasan coal and various things have gone up that will not actually improve your profitability or anything because it comes on the both cost side and revenue side, I pay and I get reimbursed therefore it is not even a tariff impact they just simply say they do not revise the tariff for that purpose they will say that and we are suppose to get a supplementary bill of X amount and they will give the X amount so the tariff does not get revised for that, two petitions are there one is for these things and subsequently after filing the diesel price were changed for the mining so we filed that, those two come under change in law during operation period which has no impact in tariff but we get reimbursed the cost for recurring additional cost, but what gets impacted is the change in law during construction and the force majeure during FE variation on this. I think there are five or six items on the change in law during construction the number, I will ask my colleagues to give the exact number I do not remember whether it is anywhere between 11 to 15 paise have been change in law during operations and another 9 paise also something for foreign exchange. So that exact number is what I will ask Kasturi to give it to you I do not remember it right away, around it is about 20 paisa should be the impact, but do not hold me to that number, I will calculate and definitely give the numbers.

Vivek Sharma: Sure I understand Sir just small second question what is your off take plan for from the Butibori plant for FY'14, FY'15 you have explained that it is tied-up under long-term what is your off take plan right for FY'14.

J.P. Chalasani: See FY'14 one unit which we declared commercial second it is not a commercial, 50% is tied-up already with RInfra.

Vivek Sharma: How much Sir.

J.P. Chalasani: 50% in that Rs.5.20 tariff which was at the short-term bit on there.

Vivek Sharma: It is for the whole year.

J.P. Chalasani: Yes it is there till 31st March, now because we have tied-up to short-term out to 31st March from various bidders various things that they need their power from fist time basis the long-

term power so we are one of them, they have also tied-up from other people so that is all the unit goes there on this and our aim is now first this unit itself to fully load which we are constantly looking for various opportunities like as I said that in the last few months we started from April after we start from April itself then we supply to JSW for some period of time, BEST for some period of time, and Reliance Infra second bid procures on some period of time so we are now looking at various opportunities so therefore these are purely short-term somebody is asking for 45 days, some body is ask about 60 days so we will keep looking at various options and keep to the extent possible things that how much can we load actually with all that you are seeing the first quarter our PLF is 44% and of course in addition to that some part of it also we have an option to take and supply when the unit was facing the initial teething trouble so we took from outside also and supplied in addition of this 275 million is another PPA, but we will continue to do those efforts and all of us know how is the market today in the exchange and various things on this so it is a challenge to keep try but what is our real aim there to do is that the once the MERC approves our tariff our cost which is what is going through process and that should get cleared by first week for September on this and thereafter and by the time we will have our fuel supply agreements in position so our discussion with ministry of power, ministry of coal is that if we agree to supply the power at the same tariff as a long-term tariff which is approved by the regulator so you should give me the coal so with that and this we agree, because we have only stopped the coal supply because we do not want linkage coal to be used for merchant, here it is not merchant anywhere because whatever the tariff is fixing the cost is approving for the long-term PPA and the same tariff will supply even in this period on this, then the coal comes once we get the domestic coal from WCL which is nearby, cost of generation is not high then it is more easy to go and sell power in the market our aim is that so hoping that we clear everything in September by the time we have a fuel supply agreement so sometime starting October we will keep trying because then the situation also improves for the demand on this we will keep trying to load if possible second unit is also commercial and loaded fully, between October to the March so the next two quarters that is what is our plan for Butibori.

Vivek Sharma:

And Sir what is the status regarding Chitrangi is it safe to assume that Chitrangi project maybe it is on the backbone and we are focusing more on Sasan expansion?

J.P. Chalasani:

See at the end of the day there is coal for about 2500 megawatts whether we do this of three of 800 megawatts at Sasan or we do in Chitrangi the surplus coal monetization wise is same, we will keep Chitrangi because that we can always develop that project because it is a project with the clearances, the land everything in position on this water supply is there on this so tomorrow with the linkage with the pit head with the linkage coal we can develop that because at the end of the day between the two of 6000 megawatts between Chitrangi and Sasan 6000 or 6500 megawatts which we take up this basis. So we have X amount of

coal coming from Sasan the coal mines and the balance anyway has to be linkage coal or they transported from Thilaya at some point of time once we have permission to convert into power. So therefore I think the numbers wise for the company it does not make a difference between the two but it is much more quicker to do in Sasan because the OSBL which actually takes longer time is not required because the current OSBL what is built in Sasan both for coal transportation and water transportation the current system itself can take care of expansion therefore we do not need to build any new coal conveyer from coal mine to this place except connecting Chhatrasal to Moher Amlori and we do not need any additional water drawing requirement on this the same existing water conveying system as well as the water linkage what is done by the government of India is sufficient for this. So therefore it is much quicker because it is a brownfield project within this place and there is no OSBL requirement on this you can ramp up quiet quickly, that is the advantage what Sasan expansion have so therefore the priority for Sasan expansion and as I said that we are just waiting for the environment clearance which the movement the new committee forms Mr. Raja committee's tenure is over, so it will go for getting environment clearance.

Moderator: Thank you. We have the next question from the line of Pankaj Sharma from UBS Investment Research. Please go ahead.

Pankaj Sharma: Sir just very generic question related with the sector in most of the cases we have seen that the generation has not been growing as the capacity is increasing so like there are different issues related with SEB's inability to buy power fuel challenges et cetra so do you think that this is the problem which would continue to impact the sector for a very long time or do you think that there are any solutions near-term so that I just wanted to get your views on this issue because I think this is very, very relevant for the entire sector and not just Reliance Power per se.

J.P. Chalasani: If I can answer this question it is like explaining the entire sector.

Pankaj Sharma: That is why Sir I have made it open-ended so to get as much as information for this.

J.P. Chalasani: No, I was just talking to few of the media people just before this call so I was telling that in a country where we have such a low power captive consumption and at the same time saying that I am power surplus is something wrong with the country that means that as a country we cannot use power for anything because our power capita consumption is slow low on this, so therefore it is not the question of power being surplus of this it again comes back to the question of the purchasing capability of the discoms as rightly put it to buy the power and then actually supply on this. As long as the distribution utilities continue to have this gap between the average realizations per unit they sell versus the cost and they continue to be negative are marginal so then we will allow this convenient system of not buying and

not increasing the gap between the two and they are now trying to put in more money the and the government may give or may not give is a situation today. I personally do not believe that there is a surplus power in this country at all and even the states where you are talking about there is a surplus power on this. Therefore it comes back to the issue of the simultaneously happening is the paying capability of the distribution company just to go and second is the function of the tariff of the bulk supply on this and if a plant has got the competitive tariff in my opinion currently the competitive tariff is anywhere between three to four on a long-term basis I am talking about not the short-term basis because we are getting a long-term power today between three and four has become really a challenge on this and you are saying that every single bit what has come out in the recent past is 475 plus going up a 6 bucks on this so therefore as long as your tariff is competitive you will not have an issue of getting yourself dispatched on this but as I said that it is a tariff as well as the paying capability of the distribution companies to keep improving on this. So otherwise we will find a situation like this you will still have a less than 1000 units of per capita consumption but we will say that no we do not need power so that is the situation so therefore it is both distribution and reforms and second is your tariffs being low both are important now you can ask me Sir when will that happen, so obviously that is what I have been waiting for 33 years, lets hope that sometime it will happen. So that is my view.

Pankaj Sharma:

Okay Sir. Sir just one question on Rosa Sir at these levels lets say if you look at first quarter when you have very high availability factor and PLF for about 72% what would be the average ROEs you would be making on that plant.

J.P. Chalasani:

I think lets talks about this is better because I consistently have been giving the guidance that we will be anywhere between 25% to 30%, but each time we tend to be different on this but that is what is with the efficiencies in terms of fuel efficiency what we are getting in terms of the heat rates and auxiliary consumption and efficiency in terms of our OPEX which is we get paid on the norms and the working capital interest and all these put together plus the plant operating at 100% availability, of course 100% availability is no meaning beyond 85%, beyond 85% we only get paid provided there this PLF on this, 100% availability only gives an indication plant is beautiful it is a robust plant it is available on there but commercially does not make as long as but this 85 or 100, 105 the numbers of it remains the same.

Pankaj Sharma:

Sir does it mean that when your PLF improve let say to a 85% to 90% level the ROEs could even become higher because as you are saying that heat rate and auxiliary consumption efficiencies could be even higher in that sense.

J.P. Chalasani:

See fortunately what happen to us is that the when you are saying 72% PLF but if you look at the machine loading for us whenever we did normally the machine loading has always

been high when we did not operate we did not operate at all so that way even during this period we were able to get good efficiency on it but higher the PLF because more units are pumping out, the more units are pump out our fuel efficiency cost savings will keep increasing so obviously the bottom line is expected to go up but then that also depends upon what is your coal price the coal price keeps coming down and obviously that marginal benefit what they get also keeps coming.

Pankaj Sharma: Right, so Sir just one last thing on this. Do you have any sense on what would the typical heat rate and aux we would have at these levels in Rosa?

J.P. Chalasani: I have seen NTPC for 30 years, they never gave a heat rate, I do not know whether they give it in analysts' conference.

Pankaj Sharma: So that is why I put a caveat.

J.P. Chalasani: From NTPC I will put the same caveat here.

Moderator: Thank you. We have the next question from the line of Shailendra Kumar Jain from BNP Paribas. Please go ahead.

Girish Nair: Hai sir, this is Girish Nair here from BNP Paribas. I just have two questions. Any update on the case in Supreme Court of Tata Power versus the government of India regarding surplus goal? The second was essentially I was trying to understand on Sasan would you be capitalizing the four units this year or is it just commissioning, because the way I look at it if you capitalize, then you are capitalizing it when the tariffs are lower, so would it not make sense to rather delay it the next year, it may sound a bit naïve but those are the two questions that I have.

J.P. Chalasani: On Tata Power case we also want to explain the whole case, we went and mentioned (indiscernible) 41.24 bench on this and therefore he has agreed to expedite it and he has now listed it for 10th of September, September 10, the case is coming for hearing, we moved an application for early hearing this was heard and now fixed for September 10, we are expediting the issue so that at least in some analysts call I want to say the decision is not buried, that is on the coming for hearing. So we moved in application for early ____ now we expect in the September. So we are separating the issues, at least to be in some analyst call like, I want to say now this issues no ____ so that is on the Tata power case.

As far as Sasan is concerned I think we made it clear in end of March results that in Sasan we took a decision with the approval of everybody that we will be capitalizing the Sasan only after the full planted commission. The rationale for that is in case of a cost plus project

we get the tariff fixed for each units separately depending upon how much is the extent of capitalization happening for that unit. But in a competitively bid project we have a single tariff for all the units on this. Even if we are commissioning only one unit you get the same type of tariff on this, so therefore we took this decision in fact we gave it in accounts clearly this particular thing, so therefore Sasan would get capitalized after all the units are commissioned.

Moderator: Thank you. We have the next question from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: Good evening sir. My question is a follow up on the Sasan unit one which you have where you have declared COD, but you have not capitalized the same, so what is the accounting treatment currently for the operating loss probably at 70 paise tariff level. Are you adjusting this against the project cost for CWIB?

J.P. Chalasani: First of all 70 paise you will not have an operating cost. It is a captive coal based plant even at 70 paise there will be significant amount of positive EBITDA. Because what you need to cover is your field cost and your O&M cost.

Sumit Kishore: I meant depreciation.

J.P. Chalasani: Because you said operating margin EBITDA will be there. Currently what would happen because we are not capitalizing it on this whatever comes gets into work in progress, gets into capital cost.

Sumit Kishore: Is there is any depreciation that would you have to take on the operating unit?

J.P. Chalasani: No, because we are not capitalizing there is no depreciation coming in.

Moderator: Thank you. We have the next question from the line of Murtuza Arsiwala from Kotak Securities. Please go ahead.

Murtuza Arsiwala: Hai sir, essentially it is again a followup on Sasan project only. What we are saying is that the entire plant will start reflecting Sasan has a project will start reflecting in consolidated earnings only in FY15 and nothing before that in terms of P&L, so there will be no depreciation, no interest, no revenue, no EBITDA. Thank you so much sir.

J.P. Chalasani: Yes, you are right.

Moderator: We have the next question from the line of Rakesh Vyas. Please go ahead.

- Rakesh Vyas:** Sir again follow up on Sasan itself. Two things sir, first with this treatment how would the project cost change what is the expectation now in terms of project cost and secondly in terms of the actual cash flow movement the obligation to lenders will start only once you capitalize all units and for that have we got our loan restructured?
- J.P. Chalasani:** No, we do not need to do any loan restructuring, as it is the debt servicing commences, there is a moratorium period, so debt serving commences only after the full plant is commissioned even in normal circumstances, so therefore there is no question of debt servicing happening. I think that starting after March 15. So therefore there is nothing.
- Rakesh Vyas:** But in terms of interest payment, because now what I understand is interest normally is always getting paid, so it although is not getting pass through to P&L but cash flow will actually be out and therefore.
- J.P. Chalasani:** Getting capitalized and getting in a project cost.
- Rakesh Vyas:** That is why my second question was that, what is the expected project cost now?
- J.P. Chalasani:** It also depends upon what is exchange rate and what rate you calculate on this, I think it should be now somewhere around 25,000 Crores.
- Rakesh Vyas:** Including this statement?
- J.P. Chalasani:** Depends upon which way calculate. Today it will be differently calculated, tomorrow it will be different.
- Rakesh Vyas:** But the last appraised?
- J.P. Chalasani:** Last upraised was 20,800 Crores.
- Rakesh Vyas:** Is the treatment similar for Butibori as well currently?
- J.P. Chalasani:** Butibori is a cost plus project. We have already declared commercial one unit.
- Rakesh Vyas:** So only for the 50% of the project cost is the depreciation and entire sitting with P&L.
- J.P. Chalasani:** Whatever the capital cost attributable to one unit, like the value setting is not ready, whatever the capital cost attributable to the particular unit is the depreciation cost.

- Rakesh Vyas:** Because typically what we have also seen is sir the balance of plant per se is normally fully capitalized along with the first unit, but per se whatever is the current capital cost that you have incurred 50% of that is being treated currently?
- J.P. Chalasani:** It depends, the test is that what assets are put to use, how much assets are put to use on this. Even if you are doing balance of plant you are doing it for the ex-capacity, you are using let us off the capacity of it, cooling towers you are doing it but we are not using the cooling tower at all, basically the test is the asset put to use.
- Rakesh Vyas:** Sir can I have the lost numbers for Butibori or if you can highlight what was the revenue hard anything on that front and units sold as well?
- J.P. Chalasani:** 128 Crores is revenue and EBITDA is about 22 Crores.
- Moderator:** Thank you. We will take the next question from the line of Parag Gupta from Morgan Stanley. Please go ahead.
- Parag Gupta:** Just one question on coal mining, we have seen this news article on NTPC potentially talking about moving out of coal mining in Jharkhand because of all the local issues of that, how do you see that playing for your project, which is Tilaiya, I know you are still in the initial stages, but are you seeing the same issues impacting you as well or are they going to be completely different cases all together?
- J.P. Chalasani:** Really difficult to say that let us understand that the situation is slightly more sensitive in Jharkhand compared to other states, like we did in Madhya Pradesh so our experience has been completely different on this. Having said that for the same given situation it also depends upon company to company how you respond and what you do, so therefore it is very difficult for me to say today will we face the same situation as NTPC what it faced last week, it is difficult to answer. But we do recognize the fact that doing a project in Jharkhand is much more sensitive compared to doing it elsewhere and as long as we recognize that this is an issue then we try to respond to that extent on this so you came to some extent mitigate the issue but I would not be really say that I am going to face the same situation or not.
- Parag Gupta:** Given the ground reality is what would your estimate on how long will take to develop the min and the project?
- J.P. Chalasani:** Mine actually you have seen in Sasan gestation period for mine is not long, what is long in the gestation period is the power plant and the coal transportation system between the mine and the power plant. I say the mine is not a long gestation period even if you start let say

couple of years after you start the power plant you will still be ready in time to start, therefore mine gestation period is not the issue. The issue is that when do I start the power plant and when do I start my the link between the mine and power plant, the coal transportation system that is the critical part which decides the time on this, mine is not and also mine what happens is mine is a very large area your operation initially get concentrated in particular area, so therefore what you always do is that you work in a phased manner saying that okay first you attack the area where you need to start your operations initially and talk to the people and get the mood out that is what we have done in Moher Amlohri. We knew the situation, that is the reason right in the beginning we brought in TERI into the picture on this and we made them to go and talk to everyday there, we got few other NGOs, we have been talking and then now we are in a situation where we also can talk directly to them on this, so we built though the land acquisition per se was not happening on this, but our CSR activities in Tilaiya is going on for last 3.5 to 4 years that is why we are trying to build the relationship there, we have today our medical facilities there running let say mobile, health clinics, and things like that and between there is other things there, so we are trying to build a relationship, so therefore we are trying everything possible there just knowing that is the sensitive area, but when real situation comes how it shapes up you only hope for the best, second thing is that how well you will react to a situation like that.

- Moderator:** We will take the next question from the line of Anirudh Gangahar from Nomura. Please go ahead.
- Anirudh Gangahar:** One question on the accounting part, could you help us to split the fuel cost between Rosa and Butibori and where are we getting our coal from Butibori?
- J.P. Chalasani:** Butibori we are basically getting predominantly e-auction coal from WCL and then some imported coal. The e-auction coal what we are getting from WCL if I remember right is somewhere around Rs.1.6, Rs.1.7 for 1000 Kcal.
- Anirudh Gangahar:** Will that be for the quarter sir?
- J.P. Chalasani:** Normally on average the e-auction coal delivered at Butibori including transportation was coming to Rs.1.6, Rs.1.7 range for 1000 Kcal.
- Anirudh Gangahar:** What was the quantity that we consumed?
- J.P. Chalasani:** Kasturi will give you the two numbers.
- Anirudh Gangahar:** Sir as far as our projects are concerned Sasan expansion and Chitrangi when is the earliest you can expect these projects to be up and running?

- J.P. Chalasani:** Sasan expansion is the one which will start quickly as I was explaining sometime back because it is brownfield project and we have no OSBL to be created and also the plant boundary on this, so the gestation period for Sasan expansion will be the quickest one and once we have the environment clearance and Chhatrasal spread out in let us say in the month or two and we start the construction, you can expect the first unit to come in somewhere in 30 months.
- Moderator:** Thank you. We have the next question from the line of Abhinav Sharma from HDFC Securities. Please go ahead.
- Abhinav Sharma:** Good evening Sir, we mentioned about ordering out our Sasan expansion and Tilaiya project, so I just wanted to understand what kind of competitive situation we are seeing in the BTG equipment space as of now, specifically for these two projects?
- J.P. Chalasani:** I love buying now, completely buyers market, with the type of competition I am seeing in the market I wish that whatever I need for future I should buy now that is how the competition is both Europeans, domestic manufacturers and the Chinese, and Japanese (indiscernible) 55.17 is competing and competing fiercely, at least I have not seen in my career such competition.
- Abhinav Sharma:** So despite Indian rupee depreciating significantly we have not seen any reduction in competition?
- J.P. Chalasani:** In fact I am surprised that with rupee depreciation still some of this foreign manufacturers are able to compete with domestic manufacturers, I am surprised, converted the current exchange rate and also take some depreciation rate, but still when you compute in rupees even then they were able to do it and that is one I saw and second I am also surprised to see that some of these manufacturers both domestic and as well as the European manufacturers are actually trying to give you offers which are similar to Chinese, so that is why you said that in the comment was that I love to buy in the current period.
- Abhinav Sharma:** Just one more thing on this are the prices similar to the ones we had seen when we had bid out Sasan.
- J.P. Chalasani:** I thought you got the measures when I said I love to buy everything now.
- Abhinav Sharma:** Sir just lastly on the Sasan expansion project, Sir what kind of off take arrangements if any do we have?

- J.P. Chalasani:** See we have right now the PPMs can be transferred to this is with UP for 4 units and MP for 2 units. UP, 3.76 is the tariff and MP 2.45 is the tariff. So now it is up to us whether we say that we will transfer to this place and honor that or we honor part of it for UP from here and then say that when Chitrangi comes because my commitment is for Chitrangi, all options are available.
- Abhinav Sharma:** With these new SBD is coming up where we are talking about pass through fuel cost, sir do we see any risks of these PPA is not being actually converted into finalization? These tariff like 3.7?
- J.P. Chalasani:** In fact that is the reason we are keeping them alike, we do not know what sort of HBD will come out, that is why we kept them alike.
- Abhinav Sharma:** So the distribution company what kind of stand they will have in this case?
- J.P. Chalasani:** Today 3.73 is forcing me to start, now you have seen UP signing with Rs.5 now, already signed QPPS.
- Moderator:** Thank you. We have the last question from line of Rishikesh Bhagat from Batlivala and Karani securities. Please go ahead.
- Rishikesh Bhagat:** Sir just one question, I would like to know this I did not get the rational for this capitalization of all units of Southern post commissioning, post COD, can you explain?
- J.P. Chalasani:** What we are saying is tariff being fixed same for each unit, you do not have a separate tariff fixation for the project unit by unit unlike in Rosa, unlike in Butibori we took the decision saying that okay we will do this after the project is fully done till then we will continue to put them as work in progress and whatever the revenue is coming in we will get into the capital cost part of this on this, and accounting standard clearly says that it if there is a judgment what you need to be applied for this and that is what we have done and which is what disclosed in our accounts.
- Rishikesh Bhagat:** What was the tariff for this renewals for solar?
- J.P. Chalasani:** PV is Rs.17.91 because that is the whole tariff in MERC and wind is Rs.5.81, CSP is a big project which is Rs.11.97.
- Moderator:** Thank you. Participants on behalf of Reliance Power that concludes this conference call. Thank you for joining us, you may now disconnect your lines.