

Reliance Power Limited Q1 FY-15 Earnings Conference Call

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Moderator Ladies and gentlemen good day and welcome to the Reliance Power Limited Q1 FY15 Earnings Conference call. As a reminder all participant lines will be in the listen-only mode. 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. Shrikant Kulkarni. Thank you and over to you, Mr. Kulkarni.

Shrikant Kulkarni Good morning everybody and first of all apologies for delayed start of this call. Let me I mean as it has been the practice in the past we have already shared the numbers with you so all the results are with you for some time. So I am sure you have had a chance to look at the numbers. So I really do not want walk you through the numbers because they are there with you. Let me straight get on to the projects and as we do normally we start with our project which are in the operations then we get on with the projects which are in the construction and then finally we will touch up on the projects which are in the development phase. So that would be the flow of what I will share with you and I would rather like to keep this as brief as I can and that should allow us a good time to do the Q&A at the end of it.

So the Quarter 1 for the 2014-15 financial year Rosa continued to perform well and both on the operational as well as financial front as I am sure many of you are aware that Rosa is a 1,200 megawatt project where the tariffs are determined by the regulator. The entire power is sold to the State of Uttar Pradesh and that is essentially the nature of the project. In purely in number terms availability recorded by Rosa was the 104%; ELF was 94% and these are the highest quarterly numbers that we have seen coming out of Rosa.

Purely in terms of fuel side of it because that is typically a query for linkage coal based projects and Rosa as you know is a project which receives its coal supplies from Coal India so that is the linkage coal based project. We have been getting coal as by weight somewhere in the range of around 67% linkage based supplies and balance is primarily met through the market coal supplies so that is the coal for you and then in terms of receivables all of us understand that the distribution segment in the power sector is one of the most financially stressed segment and notwithstanding that Rosa has actually kept its receivables at very commendable levels and as we speak we are in fact the receivables which are overdue are in fact less than one month billing. So I think that is quite creditable.

The other broad numbers that which I am sure some of you would be keen to know so I may share it upfront is that purely this is a year where besides Rosa you have another coal based project which has now started contributing significantly in the overall P&L numbers that is Butibori project in Maharashtra. So we have been earlier sharing with you as to what is the proportion of that overall operating revenue and EBITDA that Rosa has been contributing to so that number is somewhere in the vicinity of around 67% to 68%. I think that broadly covers what I wanted to share with you about as far as Rosa is concerned.

Now we turn on to Butibori project which is a 200 to 300 which is 600 megawatt linkage coal based project located at a place called Butibori near Nagpur in Maharashtra. The output of this power project is sold entirely to Reliance Infrastructure Mumbai distribution which caters to the Mumbai suburban area under a long term 25 year power purchase agreement approved by MERC. Now this project actually began its 25 year PPA term on 1st April 2014 which means that is the beginning of your PPA supplies under the long term PPA. As you know that this project did supply in the previous period under a medium term PPA much smaller quantum of power though. It was roughly around one-fourth of this overall plant size. So now the entire plant output is going under a long term PPA to Reliance Infrastructure Mumbai distribution.

So that supply has begun and this project also contributed to both the top line EBITDA in the bottom line. In terms of you would have seen as actually giving you some guidance in terms of our tariff petition we already have a provisional tariff order in place from Maharashtra Electricity Regulatory Commission as we commissioned our second unit and with that the entire station some time end of March 2014 we have proceeded with the submission of our finally audited accounts for the entire station to the Maharashtra Commission and thereafter they have now a process which is well laid down in terms of going through the prudent check and so on and so forth and that process is currently on. We are now moving towards what they call it as public hearing and thereafter you will have the final tariff order coming in. So I

think we are all well on our way in terms of getting final tariff order as far as the Butibori project is concerned.

The fuel side of the equation again as far as FSA are concerned as you know there are two units of 300 megawatts each and the first unit which is 300 megawatts we already have a fuel supply agreement in place. The second one was the one which actually underwent a conversion which was from a GCPP to IPP and this standing linkage committee which comprises of members from various ministries had given its go ahead and green signal based on the

Ministry of Power's recommendation that this unit will be treated as IPP and the linkage stands converted to IPP. So now that linkage is to be converted in to FSA and as you would have seen the government has made it very clear that all coal based projects which are now getting in to operation they would be given coal so we are quite confident that this fuel supply agreement would be put in place very soon.

In terms of the overall contribution to the top line and EBITDA the Butibori's contribution has been of the order of around 27% and 28% of the top line as well as the EBITDA line. I think I did talk about the PLF levels in Rosa and the availability level is 104% and 94%. When it comes to Butibori; Butibori this being the first quarter of full operations it has through the quarter gone through this stabilization process which has been relatively fast and it has touched the availability levels in the later part of the quarter which were as high as 8% and through the quarter the PLF levels have been of the order of 67% to 70%.

So that is the Butibori project for you. We now turn on to the other projects which are in the renewable category before I come to Sasan. So Solar PV project in the quarter under the review recorded a PLF of 22.3% which has been a very consistent and a good performance. As you know this project is located in the State of Rajasthan. It sales power to the Rlnfra's Mumbai distribution under a preferential tariff which is 17.91 so that project again did well. It generated 19.5 million units as we would have already noted.

Then our wind project in Maharashtra which is at Vashpet again this is a project which recorded a PLF of 25% in the quarter under consideration. There is a whole lot of seasonality that comes in as far as the wind projects are concerned and considering that 25% PLF in the first quarter of the financial year is a good performance and what I must say that if you see the Quarter 1 of the previous year the wind project was not there. So it really came in on stream in the second quarter so you really do not have a comparable quarter for this project in the previous year.

This project sells at a preferential tariff of Rs. 5.81 to our Rlnfra's Mumbai distribution. So that is the wind project as far as at Vashpet is concerned. Now we moved on to the Sasan project. Sasan ultra mega power project this is a project which is a flagship project for a flagship initiative of Government of India UMPPs and this is an integrated project which means that it has its coal mine as well as the power plant and therefore when it comes to fuel quantity, quality and price they are within the control of the developer unlike the other projects. So this project has to be again viewed in terms of its performance in two parts one is the construction side of the equation and the other one is the operation side because you have as we speak four units in operation and the other two units are in the advanced stages of construction. So let me first talk about the construction side of the equation.

Now you saw in this quarter was completed on 30th June two units in having a quick succession of one month in April and May 2014 respectively the third unit and the fourth unit got commissioned which is quite a creditable performance and then we would also as some of you may have noted that the fifth unit which I mentioned that is in an advance stage of construction has announced its boilerlight up which we had shared with you and that should get go through the commissioning in this quarter. So by end of this quarter we will have all five units operating and then the sixth unit would be the only one which would be going through the advanced stages of construction and commissioning. And that process is quite well on its track all the resources have been saturated at the site which means we are maintaining the construction momentum and well are on our way to complete the sixth unit in this year. So that is the Sasan and the key message there is that the construction is well on its track.

Now coming to the operating performance as you know that four units are operating and I think I have mentioned this in the past that you have as the units come on stream they go through the stabilization and then they start delivering the performance which you want

them to and quite in sync with the thought that I have shared with you we have the units which have been commissioned earlier in the whole journey so those units have started performing well and they are already recording a high availability and a high plant load factors upwards of 80s and then you have the new units which have come more recently on stream which are in the region of 70s and then on the overall basis somewhere the PLF levels have been of the order of 70% to 75%. So clearly Sasan's operational performance the earlier units will stabilize the new units are going through stabilization and on the whole plant is all moving towards a stabilized level of performance on expected lines.

So that is the Sasan operating performance. I think some of you may also be keen to understand as to where do we stand as far as the regulatory petitions are concerned and I think last quarter I had mentioned that primarily all these petitions can be viewed in three buckets one is the change in law in operations period; the second one is the change in law in construction period and then the third one being of course the one which is caused by the depreciation of rupee vis-à-vis the US Dollar which is what we call it as ATRV foreign exchange regulation related petition. So where we stand on this is we had those hearings in early May and we are looking to get the orders from the commission now on this.

As far as the foreign exchange rate variation petition is concerned I am sure you would have noted that sometime in the month of February 2014 the commission had come up with a what I can call it as an interim order wherein they had clearly mentioned that this is certainly an issue and the depreciation has been indeed in that sense unforeseen and it has impacted the industry and the pain caused by this ought to be shared between the seller and the procurers. So that principle had been agreed and thereafter what commission has done is sought a considerable amount of information from us which we submitted and thereafter we had the hearing on the same sometime early May and then thereafter the record of proceedings of that hearing has been released recently they have asked for some more information which we will submit. But that is again moving in the right direction in terms of the hearing is getting completed and the commission's order coming thereafter.

So that is the brief as far as the petition's updates are concerned. Now the other project which is in construction like Sasan is our CFP project and there as we have mentioned the commissioning activity work is going on and of course now with the start of monsoon DNI levels are little less favorable or predictable and we will of course just try and grab every possible opportunity in terms of DNI availability and have this unit to commission by end of this calendar year. That is where things are as far as Solar CSP project which is a 100 megawatt project selling power to NVVN which is the NTPC subsidiary under the Jawaharlal Nehru National Solar Mission.

So that completes the projects under operations projects which are under construction and then we quickly move on to the projects which are under development. So Chitrangi project 4,000 megawatts and Sasan expansion 2,000 megawatts collectively a kind of an opportunity in the Sasan area of 6,000 megawatts which I have often mentioned in the previous calls. And I have also mentioned that which one is going to proceed is essentially going to be function of ultimately the economics how it works out but as we speak and we had mentioned this to you earlier also Sasan expansion project the expert appraisal committee ESC of Ministry of Environment & Forest they have recommended this and we had shared this with you earlier also. So we are now what we are hoping is that that now gets formalized in terms of the formal EC getting granted to us as far as Sasan expansion is concerned. As you know Chitrangi already has with CC in place.

Now as far as the other important linked issue there being the Chhatrasal coal block forest clearance stage one you know that stage one is already there and stage two is what we are working towards. The CCI cabinet committee on investments had taken a decision in the respect of Tilaiya and all future integrated coal based UMPPs that when it comes to the compensatory afforestation the non-forest land to be used for the compensatory afforestation need not be acquired by the developer but it would be acquired by the state forest department and that is actually essentially meaning that it is treated as if it is a central government project. So that treatment we expect that the Chhatrasal coal block which is also allocated coal block to an UMPP would get extended to Sasan UMPP as well and so we believe that once that is clarified the stage two forest clearances for Chhatrasal coal block should also be on its way.

But again I think we just need to wait and watch how soon that happens. And those are the two important milestones which we have highlighted in the past as to what are the key

conditions precedents that we are really looking at as far as Chitrangi and Sasan expansion are concerned.

Let me just talk about Tilaiya. Tilaiya again I think I have already mentioned a little while ago that the decision of CCI so that is clearly positive but I think as I mentioned in the past that there are two tracks that we are working on. Track one is the track where we work on land, R&R primarily essentially talking about coal block because power plant we have already made lot of progress on that. The coal block land and R&R and of course the forest clearance stage one and stage two for the coal block and of course the coal corridor. So those are the priorities that is the track one. Track two is the track where we have as you know filed a petition in the central electricity regulatory commission. During this quarter I am happy to share with you that commission has admitted our petition. What that means is that the point that we had made that look this project is a case two project; it is an ultra-mega power project wherein the procurers do undertake certain amount of obligations primarily with regard to the land and if that has taken a long period of time in the intervening period the economics of the project just cannot be held constant there so you really need to look at that and address this through a mechanism and this is what we had requested for in the CERC and CERC has admitted this petition.

I must also share with you that when this petition was admitted during the course of the hearing the lead procurer which is Jharkhand there is a project located in the State of Jharkhand they had clearly supported this point that yes, you ought to address this issue because there has been a considerable amount of delay in the procurer's performing their obligations and in the intervening period a whole lot of macroeconomic parameters have undergone a change. The land and R&R scenario in the country has also undergone a significant change you have a new land act which is coming to place now and it obviously brings in a very different time dimension as well as the cost dimension as far as land and R&R issues are concerned. So clearly you need to address that dimension and I think the CERC has certainly seen this issue very closely and then they have now admitted a petition.

So that is as far as Tilaiya is concerned. And our future journey on Tilaiya is going to be on both these tracks and we obviously need a positive outcome on both these tracks for us to proceed with Tilaiya. Now then I turn on to the other UMPP. Krishnapatnam UMPP we have talked about this in the past in previous call so we are meeting on the phone in two months span of time. So there has been really no development or movement as far as Krishnapatnam is concerned. The matter is in Delhi High Court as well as in CRC. So that is the third UMPP of Krishnapatnam.

Then talking about Samalkot which I am sure many of you would have questions and queries about where we stand on this is again I think the gas availability is the key issue and out of the almost something like you have a grid connected capacity of the order of around 25,000 megawatts which is connected with the gas pipeline grid and that is where the existing projects which are to the tune of around 16,000 megawatts they are operating at a pretty low plant load factor of around 20% or so. And then new projects of course are looking to get gas so clearly gas availability is an important issue and as I am sure most of you are aware that the gas pooling which means you will try pool domestic gas with the LNG has been really identified as a way to move forward as far as making gas available to these projects is concerned and also the fact that if more domestic gas becomes available in future may be two years, three years from now then that gas and all the incremental gas going in to the power sector so you effective to have more and more amount of domestic gas coming in to that pool meant to cater to the power sector needs.

Now that is the gas availability is concerned. Now once you make gas available then you need to really figure out as to how are you going to use this plant and clearly given the overall pricing scenario for gas both domestically as well as international gas as well as the fact that there is going to be limited gas these projects have been positioned more or as peaking power projects or in the last call you would have heard me saying that they are also being considered as providers of what we call it as ancillary services. Now once you have position a project as an ancillary services provider essentially to help grid-stabilize sequence, etc., then the whole perspective is not so much tariff but how do you really keep this capacity available and be able to use that in a very on as required basis. So clearly that is the scenario as far as Samalkot is concerned the entire industry or Planning Commission, the Ministry of Power we are all working together to see how best to move forward on this.

Domestic gas pricing have been a point of discussion in the industry I am sure all of you have noted that and I think government is looking to get some clarity on that because once you have clarity on domestic gas pricing then naturally that gives you the dimensions of what needs to be done as far as price pooling is concerned and what kind of intervening period support the government may have to provide to till the domestic gas availability improves significantly. So that is as far as Samalkot is concerned.

Quickly moving on to hydro which is and I had mentioned that of the stacks that we have on the hydro side the Tato-II which is a 700 megawatt project located in Arunachal Pradesh that is the one which is ahead on in various respects and that is where we do have a techno-economic clearance from CEA and we also have the environmental clearance in place. As far as forestclearance is concerned the Ministry of Environment & Forest, the FAC, the Forest Advisory Committee had short to do what they call it as the basin studies and these comprehensive basin studies have now been completed. All the results are there in front of MoEF now and what FAC has now said is that they have taken a look at it they want EAC to take a look at it and then finally take a call as to how to proceed that means as a result of this basin studies what kind of the environment management plan requirement they would like to stipulate on the project that will come out of that. So once that EAC applies its mind on the comprehensive basin studies we will also have the FC coming through as required by the FAC. So then you will have all the CA clearance, the EC clearance and the FC clearance which are very critical for a project to proceed with. That is the Tato-II project.

Then we talk about Indonesia coal which again many of you would have noted in the previous calls that we have always talked about a two stage approach is stage one being a asset like approach and the stage two where we make investments in infrastructure, logistics to take out the coal in a significant magnitude the stage one being a relatively liked on asset using largely an MDO kind of a model the mine operator kind of contractor kind of model and looking at something like 5 million tone to 7 million tons of coal. Now that we are in a complete state of readiness to roll out our stage one where we want really to take a more calibrated call on this is essentially the off take arrangements where again we have made good progress but if and of course the important point of pricing scenario and at this point in time the way the thermal coal the pricing scenario is there in the markets the international seaborne coal thermal coal markets we want to look at this and watch this for a while before we sort of kick start the activity in terms of stage one which is the asset light 5 million tons to 7 million tons per annum kind of a coal production.

So that is as far as Indonesia is concerned and then I would mention about the CBM, Coal Bed Methane which is another at Sohagpur which is this project in Madhya Pradesh and that is a resources side project. I had mentioned to you this that we had drill test to test wells the results were quite encouraging we continue to do de-watering as we do more and more amount of dewatering the amount of gas which is getting coming out is increasing. So those are all the encouraging signs but how we would move to phase two where we have to drill 13 odd more wells that is going to be essentially we are going to look at how the domestic gas pricing scenario unfolds because as you know that January 2014 there came in a notification which talked about how the gas pricing is going to be worked out for all the domestic gas whether it is coming from whoever sources it is coming from. But now again the industry debate that is going on is that whether different sources need to be priced differently. So clearly we need to see how the domestic gas pricing scenario unfolds for us to move forward with our phase two.

At the end of phase two that once we complete that we then establish the commerciality of this block and then get in to the production phase. So that is the CBMSohagpur for you. I think I have covered practically all projects in the development phase also. Now we can take Q&A.

Moderator

Thank you very much, sir. We have the first question from the line of Hardik Shah from ICICI Securities. Please go ahead.

Prakash Goel

This is Prakash Goel here from ICICI Securities. My question is with regard to the Butibori arrangement. What is the kind of profit that we have accounted for during this quarter and how much is different from the last year because last year you were supplying under the trading arrangement?

Shrikant Kulkarni

Well, I think I have mentioned this earlier that roughly in the broad range while the top line and EBITDA lines contribution of Butibori is in the range of around 27%.

Prakash Goel I wanted at a PBT level if that is possible?

Shrikant Kulkarni I do not have that number readily in front of me but may be if Kasturi can later on help you with that. And as far as last year again I do not have the last years. Last year was I think was a half unit operation purely in sales it was a medium term PPA selling 134 net megawatt capacity. So you are really talking about essentially kind of an half of a unit net capacity wise. Now of course it is entire 600 megawatts coming in so clearly last year numbers would really not be comparable but those are the EBITDA now kind of in the revenue line numbers indications that I have given you and may be four out of six.

Prakash Goel If I remember correctly last year under the supply arrangement you were buying it from the market and supplying it to Reliance Infra and other medium term PPA?

Shrikant Kulkarni It was a combination there was never a one track approach because wherever the economics made sense we generated on our own and wherever economics we felt would actually be more better and allow us to honor our obligations under the PPA we did buy and then make it available under the PPA so that the obligations under PPA are performed. But yes, so I think what you mentioned is right but that is partially right because we had generated power and sold under PPA as well as arranged power from other alternative source which is allowed by the PPA approved by the regulator and given it to the Reliance Mumbai Distribution.

Prakash Goel Second question is with regard to Sasan how would we go about accounting once the complete project is announced commercial then we will account in the books of account P&L per se?

Shrikant Kulkarni That is correct and that is what is in consistent with the stated approach that we had mentioned on the previous calls as well and of course in the published accounts as well that when all the six units are commissioned that is the time when the entire stations gets capitalized and then it comes in to the P&L mode.

Prakash Goel As of now what is the tariff that is likely to be accounted for this year? Is it going to be Rs. 0.75 or Rs. 1.30?

Shrikant Kulkarni No, we are billing as per as you know that our first unit came on 31st March, 2013, and then so that is the first year that is 2012-13. Then 2013-14 constitutes the second year and 2014-15 constitutes the third year. So we are in the third year and whatever is the tariff in the PPA which I understand is Rs. 1.31 that is the tariff applicable for this year.

Prakash Goel So all the litigation with regard to the COD of 1st Unit is now sorted out?

Shrikant Kulkarni No, this was the petition filed by WRLDP. Again on this petition hearings all have taken place and we are looking to get the orders basically as to how like the commission wants to take it a panel call on that. So that is there but telling that as you are aware that as far as we are concerned this is the third year and the whole billing process goes as per this third year applicable tariff in the PPA for which is Rs. 1.31.

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

Abhishek Puri First of all what is the effective tariff for Butibori? If I recall correctly the provisional order said the fixed cost is about Rs. 825 crores and energy charge was about Rs. 1.23?

Shrikant Kulkarni Okay, let us break this whole question in to couple of parts. One is as far as fixed charge is concerned it is straight whatever that number is there and then whatever at 85% which is the target availability you get the unit fixed charge and that is what is the fixed charge. As far as this is a regulated tariff EPA under the multier tariff regulation announced by Maharashtra Electricity Regulatory Commission. Now as you know the way it works is that you have a stipulated e-Trade; stipulated heat rate, stipulated auxiliary consumption, stipulated secondary oil consumption, and so on and so forth. And you really all those norms are there and you have to calculate your tariff using those norms which are there by the regulator. And what is get multiplied in terms of the pricing so is essentially as you know that is the essential characteristic of all the cost plus projects with necessary penalties and incentive mechanisms built in to it which is there in the MYT Regulation because it often costless is seen in very differently. So this is where the price of the fuel or the price of secondary oil, etc. In fact as far as Maharashtra is concerned even the water there is a separate charge because of the specific situation there in Maharashtra. The water is also a pass through and all those are worked out as per the procurement price for the fuel, oil and water, etc. We are as you would have noted that we already have one FSA in place and for the other units the FSA we have a standing

linkage committee approval which is a multi-ministry committee of converting this LOA for second unit being the JCCP Unit in to IPP and that is where the FSA is yet to be put in place and that is what we are working on and Government of India has actually made announcement that once the unit is operational it is supplying long-term power to distribution companies with the regulator approved PPA, etc., that the coal will be given. So we are quite clear that this FSA is going to happen. In the intervening period we continue to secure coal through market sources and naturally because we ought to perform our obligation with the PPA; PPA will allow us to do so which is approved by the regulator and which is what we are doing. I think that is where therefore the fuel price is what goes in to it is essentially the price of the coal that we are buying at which is currently predominately a market coal and that is where we stand as far as the energy charge is concerned.

Abhishek Puri Just to understand energy charge will be at the actual cost right now fixed charges will be what is approved by the regulator at 90% of the actual cost that you have asked for?

Shrikant Kulkarni No, they have already given us a provisional tariff order and fixed charge will be as per that order. So now we are in the final tariff stage. We have already filed. They have gone through the technical validation session, TVS as they call it and now we are heading towards the final lap of this process which is basically public hearing and thereafter the commission will write its order for the final tariff. So you are absolutely right as far as the energy charge is concerned and they establish the efficiency norms but the prices of whatever we are procuring fuel adds that is how the energy charge will get computed and fixed charge is as per the provisional tariff order that you already have.

Abhishek Puri Sir, my second question is on the depreciation policy that you have mentioned in the notes to accounts there is some change in the policy. If you can just elaborate on that?

Shrikant Kulkarni See I think at best is because this is are you referring to the Note #7?

Abhishek Puri Yes.

Shrikant Kulkarni No, this is if I understand correctly this was primarily solar PV related issue and it is primarily the kind of life which is taken previously a life which is considered now the change which is moved from 25 year to 15 year that has brought in this particular delta. It is nothing to do with your projects which are the projects like Rosa, Butibori because that is where you have a regulator determines the depreciation rates and that is essentially whatever is the regulator determine depreciation rate and whatever he gave that goes in to your accounts. So clearly this is the Rs. 7 crores note that you are referring to is primarily in the context of PV and where the underlying life that is been considered is different from 25 to 15. It was a left out item in terms of the mention of specific life which was earlier taken as 25 and now it has been taken as 15 and for more details of course you can get in touch with Kasturi who can give you little more elaboration on that.

Abhishek Puri And my last if I may ask on Samalkot when is the debt servicing is starting the interest the principle repayment?

Shrikant Kulkarni It starts on June 2015.

Moderator Thank you. Our next question is from the line of Anujay Sen from Emkay Global. Please go ahead.

Amit Golchha This is Amit Golchha from Emkay Global. Basically first question is on Sasan basically you mentioned 5 units would be commissioned by Q2 FY15 but you did not give the timelines for the 6th Unit so just wanted to check what is the timeline for your 6th Unit?

Shrikant Kulkarni Yeah, the 6th Unit I think it should follow in a quarter's time or so. I think we have clear that we will bring this in this calendar year.

Amit Golchha And when is the PPA basically PPA timeline I understand is starting from June so this last month was the timeline for the 6th Unit, correct?

Shrikant Kulkarni No, PPA is on and the moment you bring even first unit that time onwards we start supplying power under the PPA.

Amit Golchha No, I was asking for the 6th Unit basically the timeline for the 6th Unit PPA?

Shrikant Kulkarni You see the PPA the way in fact if you really go in to the PPA the PPA I have said the timeline wherein that assume the time gap between various units as four months and it was going in to 2015 or 2016 in fact the last unit. So we had accelerated the whole execution of the project

and then we had requested Government of India for the procurers also to do the needful in terms of their obligations while we kept our pace on, we have come across situations where some of the obligations which procurers were supposed to do could not get performed in the timeframe. In fact they got delayed in a much, much significant way. Notwithstanding that we are trying to keep a fairly well paced commissioning of various units and which is what is there in front of you vis-à-vis the PPA obligations, etc., we are much ahead of that.

Amit Golchha Second thing is on basically Butibori. Basically first I want to understand is the follow up question. You said that the sixth billing is on as per the fixed charge which is approved by the regulator?

Shrikant Kulkarni Yeah.

Amit Golchha Is the recognition also happening at that charge or recognition is happening at the understanding or the assessment of yours towards the regulations? What I want to understand is that fixed charge which you are billing is that what is also getting recognized or you are recognizing at the overall tariff which will be there as per your assessment?

Shrikant Kulkarni I think because this is a very accounting-oriented question. I would suggest that you will take it up with Kasturi because we have made a petition, there is an order, and there is a billing which is in line with what the order tells us. And energy charge at the norms which are prescribed multiplied by whatever are the prices which are the procurement prices that is where the energy charge is going. Now whether in accounts because a different treatment, etc., may be you can take it up with Kasturi on an offline basis.

Amit Golchha So second question on Butibori is basically was there any under recovery in Butibori in Q1 because of the lower PAF which was there?

Shrikant Kulkarni No, see the PAF obligation is an annual obligation. So the way the PPA agreements are structured and that is typically true off if you look at the PPA. The whole what you call it as reconciliation arising out of what is the actual availability factor and what is the target availability factor that happens at the end of the year.

Amit Golchha No, that is correct sir but?

Shrikant Kulkarni We are now in the first year of the long term 25-year PPA. This is the first quarter. At the end of 2014-15 there will be a reconciliation. So what happens in this 12 months starting April 2014 will decide as to whether there is any adjustment plus/minus whatever it is. As we speak we effectively get whatever is an agreed annual fixed charge divided by 12 months in whatever months that we have supplier for.

Amit Golchha So it is not adjusted for the PAF monthly basis?

Shrikant Kulkarni That is what I am saying it is an annual obligation. Target availability is an annual obligation.

Amit Golchha Sir, basically in most of the other PPAs we have seen is that it gets monthly-adjusted based on the PAF and if there is under recovery and then if the PAF reaches the –

Shrikant Kulkarni That is why I am saying that I am talking about PPA for this project. So it is an annual obligation.

Amit Golchha So as per you basically there was no under recovery in recognition?

Shrikant Kulkarni No.

Amit Golchha And last thing on basically this Butibori FSA which you are yet to sign. What is the sales standalone it right now are they willing to sign or they have asked for some more letters or which they were asking earlier?

Shrikant Kulkarni See this project is already running operating. It is supplying the power to distribution companies under a long term PPA; PPA has been approved by the regulator. The coal price whatever price at which the coal becomes available under notified price mechanism gets completely passed on to the consumers. So all the ingredients which are required for them to go ahead and sign they are all in play. Standing linkage committee has already converted this linkage from erstwhile GCPC status to the IPP status. So even that has been done and that was done based on the Ministry of Power's recommendation which in turn was based on CEA's recommendation so we have gone through all that journey.

So we are now at a stage where FSA should get signed. Clearly you would have noted that this government has made it very clear that once the project is in operation it is supplying power to distribution companies there is a long-term PPA. Then the coal would be made available

and that is where we will continue to work very closely with both the Coal India subsidiary which is close to us which is WCL and the Ministry of Coal to ensure that this happens in a short period. So I really do not see any new requirement coming on the board because every possible requirement that one could have thought off is already been fulfilled.

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

Deepak Agarwal Sir, first question is can you explain the sequential increase in the interest cost because as we understand there is only one unit of Butibori became operational on first of April but sequentially the interest cost is up by almost Rs. 80 crores so what explains this hike?

Shrikant Kulkarni I think I will explain to you in a directional terms. You are absolutely right that Butibori came on stream last year you had one unit and this year you have both the units coming in so why is it really – But you must appreciate the fact that when you have multi unit stations and you start the process of capitalizing such as what we did like in Butibori you have a whole lot of other the balance plant, things which are catering to the station as a whole. They do not necessarily get capitalized just because you have first unit got capitalized. So many of those things they get capitalized once they are fully ready as a station level capability.

So that is one. So therefore once the second unit and the entire station got capitalized everything else which is in this space of BOP and the station level auxiliaries, etc., got capitalized and therefore you really do not necessarily see a mathematical **action49.06** to it is kind of a relationship there which is what perhaps you are seeking to see there. And then you once have some amount of wind depreciation that must have come in to play because of course magnitude wise it may not be very high but there is certain amount of wind depreciation because in the quarter one last year we did not have the wind coming in to P&L mode but it came in to P&L mode only in the second quarter last year and therefore there is like-to-like basis you do not have the wind depreciation sitting inside the first quarter of the last year.

Deepak Agarwal The number seems to be too high because in the next quarter?

Shrikant Kulkarni That is what I am saying. This is my directional explanation. Now if you really want to drill down further and get more details I think you need to get in touch with Kasturi on an offline basis.

Deepak Agarwal The next questions is on Butibori like as you were mentioning Butibori is about 26-27% of the top line and EBITDA. So this translates in to an approximate realization of Rs. 6. So is that a fair assessment that you are getting about Rs. 6 in this one?

Shrikant Kulkarni Well, I think it is a question of what kind of mix up market coal we get in a given particular period. So depending on how because again there sources of primarily two. One is the e-Auction and this thing. Yes, it could be getting closer to that and but if suddenly let us say like we have seen that the imported coal market the prices did come down, rupee was thankfully very stable during this period and if that scenario stays then naturally your imported coal component as much as this contributing in to this whole market coal portion that helps you. So yes, you are right. I mean it is somewhere in that vicinity.

Deepak Agarwal My last question is on the regulation side just that we have seen that CRC move completely the incentive system from availability to PLF for all the CGS. So do you foresee in the next round of MYTRegulation revision the state regulators might go to PLF regime and which can hurt the plants like Butibori in your case?

Shrikant Kulkarni See I think you must appreciate that the fact remains that the coal availability has been an issue in most cases and that issue is not just going to go away in next couple of months or three months or so. So keeping all those aspects and whatever are the issues with regard to coal quality availability, reliability coming out of Coal India, etc., we individually as well as through the APC mechanism have initiated process there. This matter is also sub-judice as far as CRC order is concerned the tariff regulation for 2014 to 2019. So I do not want to say that okay CRC circulation is here and therefore now the state regulators are going to do this. Let us see what happens on the CRC regulation when it goes through this whole process which is the legal process which is currently on. And then let us take a call as to or try and gets as to what will happen at the state level.

I think at this stage it will be premature to predict with any degree of certainty as to what is going to happen at the state level. The fact remains is that once you talk about all those kind

of changes it is not necessary CRCs have applied their mind differently if you really look at 2004 to 2009 and 2009 to 2014 these two five-year periods it is not necessarily true that the state regulators have simply taken the CRC regulation and applied in to their state. Their time frames are different in many states as you rightly observed. The multiyear tariff time frames are different and may be the circumstances the mix of GENCOs in their states and IPP is also not necessarily the same. So I think I would rather not get in to the game of guessing as to what the CRCs are going to do. And let us see what happens in terms of ultimately the NTPC's tariff regulation in terms of once it goes through this whole process you know that NTPC has challenged it; ATPL also, and power producers has also made its case there and then we will see as to at the end of what happens and that will set may be some tone or then that would be a right time for us to discuss as to what CRCs might do or may not do.

- Moderator** Thank you. Our next question is from the line of Anirudh Gangaha from Nomura. Please go ahead.
- Anirudh Gangaha** First question is that there was some media reports which suggested that the Stage-2 FC of Chhatrasal has been revealed. I just wanted to confirm whether that is indeed correct or not?
- Shrikant Kulkarni** No, this was easy actually the environment clearance. Stage-2 is yet to happen the FC. I do not know what media reported and how it reported with us. See there is basically one is the environment clearance then you have FC Stage-1 and FC Stage-2. What perhaps may have been misconstrued is the easy coming through. So I think stage two is yet to happen.
- Anirudh Gangaha** Next question is from the last call to this call as far as clearances are concerned there has been really no progress. Is it primarily attributed to the change of government and we are waiting for things to happen so whatever we were expecting to come in three months now should come in now three months going forward is that the right way to understand it?
- Shrikant Kulkarni** Well, you are asking the question and answering it to yourself so I do not have anything to comment on because I think if you really look at at-least on the regulatory front we had a **(Tilaiya 55:36)** petition getting admitted so that was a positive development. So I think in the current environment I would tend to look at the positive sides of it. Yes, we continue to work on some of these issues like clearances, etc., and I think you are right in a way because once you have a new government and may be they want to look at issues in a much deep dive way and which is what they are doing and in fact coal based projects getting coal to the capacities which have come on stream, etc., has been identified as one of the key priorities by the government and the minister. So they are clearly focused on that and therefore that actually makes us positive and hopeful as to that yes, things will move. I mean yes, this may be a time frame where we have to really keep tracking it and keep closely monitoring it and which is what we are doing.
- But I think on the whole the sense that we have is that the government is clearly focused on its priority in terms of how do you ensure that the investments which have been made they run well. The assets are not stranded for fuel and all the necessary changes that you need to do or actions they need to take with Coal India or Coal India subsidiaries are taken. So that is my response to you but you are talking about specific time frames whether two months, three months let us see how it unfolds.
- Anirudh Gangaha** And sir, the third question was that of the last three, four quarters we were expecting the final unit of Sasan your commentary itself to be ready by July this year. Now we are talking about December this year. Any reasons for the delay, sir as compared to your earlier guidance? I know it is within the TPA and all the other timelines but any particular reason is operationally everything okay?
- Shrikant Kulkarni** Everything is okay. See if you look at units the way they came on stream we had one coming in January the other in April, May, the boiler light up of the 5th Unit has been announced. So they are coming in kind of I mean you will see that in the calendar year 2014 you would have as many as five units effectively coming in. So clearly I do not see any issue with regard to either operations or constructions. We have saturated all the resources at the site and therefore the units are going through the commissioning. I mean the 5th unit is now moving from boiler light up stage to the commissioning stage and that process is on. Sixth Unit is in advance stages. So I really do not see clearly some of those timelines that you were essentially try and put in your best, you saturate all the resources, you expect some of the things that you need to happen may be but if there are any issues there you need to recalibrate your journey and that is where I think in this year alone you will see as many as five units which is quite significant if you really look at it in 12 months' timeframe.

Anirudh Gangaha And sir, final clarification is that apart from the COD of the 1st Unit which is still subject to a CERC order, are the rest of the commissioning and the CODs have been accepted by all the procurers?

Shrikant Kulkarni Yeah absolutely, there is no issue.

Moderator Thank you. We will take the next question which is a follow up one from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar My first question pertains to Butibori, how much linkage coal you have received in percentage terms for the 1st unit?

Shrikant Kulkarni Well, as I said there are two – one is the FSA covering unit which is covered by FSA the other one is where LOA is there but FSA is yet to be signed. So my understanding is that that is where the WCL is sort of beginning to make those supplies. Substantial part of this quarter was market coal based and which is why some of you observed the numbers there in terms of energy chart. I think moving forward this unit will start getting linkage coal. So at this point in time the linkage coal supplies are relatively less much significant portion of the coal supplies are market coal for Butibori and moving forward this unit will start coming in to in the linkage coal supply mode. There is the unit which is already got FSA and so I would visualize that half of the unit getting linkage coal supplies which as you know that the linkage performance is of the order of around 50% to 60% which is typically the Rosa performance. That is what I would get moving forward basis in this quarter which is essentially Q2. Q1 was much insignificant portion of the linkage coal supplies because from the time you sign FSA for these supplies to start there is a whole lot of process which happens at the subsidiary level. So we were quite focused on doing that part of it during that quarter. But in the interim we ensure that the plant continues to operate using market coal and we perform our obligations under the PPA and PPA which is approved by the regulator allows us to do so actually ensure that the plant is available and whatever is the price of the fuel that gets passed through to the distribution company.

Mohit Kumar Sir, what are the PAF for the Butibori in this quarter?

Shrikant Kulkarni It will be somewhere in the 75% range.

Mohit Kumar My last question pertains to did we read in the press there was some dispute on the FSA with WCL whereby we have been supplied coal under cost plus mines. So can you throw some light on that?

Shrikant Kulkarni See that is WCL has signed an FSA which is as per the Government of India's policy that once you have LOA you satisfied all the conditions and FSA get signed. WCL's issue has been that basically they need to go deeper to really extract out that coal and notified prices they find it very difficult. So WCL as a subsidiary has been telling MOC or telling its customers, etc., I would like to give you coal I have no problem because it is deeper mines then I would like to you to pay me what they call it as cost plus so in their parlance. So that is something which all the projects including the NTPC's Mouda project which is also been catered to by WCL. Some of the private sector projects which have been catered to by the WCL. That is where WCL has been saying but Ministry of Coal and many other bodies which are involved in this whole issue which is also turning out to be a policy issue is that they are saying that okay, if such is the case then the best case would be to actually WCL to do within its own area some kind of a pulling whereby if the yes, you may have new mines which are opened with a deeper extraction and may be the earlier mines have a relatively less deeper this thing and you have on a weighted average pool basis a coal price which is let us say notified price plus may be a 10% or 15% kind of 20%. So that is the MOC issue which is pending at the MOC level where MOC will have to give that guidance to WCL as to how to proceed on this issue. So I somehow feel that that is more of a pricing issue and not so much of a coal availability issue and as far as the pricing is concerned as you know that as we speak today where we are buying coal from the market and we are able to pass it on to the distribution companies. So whatever happens on the pricing issue of course our endeavor is to ensure that we get most of competitive coal and which is what individually as well as through the mechanism of APP, Association of Power Producers we have been telling the Ministry of Coal that your guidance to WCL should be that they do the price pooling so that effectively within their own area the consumers get coal the new consumer get coal or everybody gets the coal at may be instead of 100% of the notified price may be 110% of the notified price and that is what has been done to ensure that the price is competitive. But irrespective whichever way that decision

goes whatever price we get coal from WCL that will be a pass through under the MERCMTY Tariff Regulation.

Moderator

Thank you. Participants that was the last question. I now hand the floor back to Mr. Kulkarni for closing comments. Thank you and over to you, sir.

Shrikant Kulkarni

Yeah, thanks. I think so sorry about the delayed start of the call but I think we had good questions. I am sure some of you do have queries which are more deep dive in terms of the accounting policy or more specifics. So my suggestion as has been in the past it would be to be in touch with our investor relations team Kasturi and I am sure they can sort to the extent possible, feasible, doable share whatever you are looking for and I think that is about it from my side. Thank you very much once again.

Moderator

Thank you, sir. Ladies and gentleman, on behalf of Reliance Power Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.