



AUDIO CONFERENCING SERVICE

TRANSCRIPTION REPORT



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Operator:

Thank you for standing by and welcome to the Reliance Power second quarter FY13 earning conference call presented by Mr J. P. Chalsani.

At this time, all participants are in a listen-only mode. There will be presentation followed by a question and answer session at which time if you wish to ask a question, please press *1 on your telephone.

I would like to hand the conference over to Mr. J. P. Chalsani now. Over to you, sir.

Mr. J. P. Chalsani:

Thank you. Good afternoon and welcome to each one of you.

I am sure that you had some time to go through the results. I will just brief you once more on the results and the progress and thereafter there will be a quick 10 to 15 minutes of briefing and then we can have the Q&A.

As you looked at the results, our top line is Rs.1181 crores and operating revenues were about Rs.1079 crores, and the net profit is Rs.240 crores. More important is to look at the operating performance and the project execution performance and the project development, these are three areas.

Let me first take the operating performance of generating assets. The Rosa plant has locked 78% of availability during this quarter. Phase 2 has locked in fact 100% availability and the phase 1 was about 56%. Phase 1 locked 56% fundamentally because of the reason that we took unit 1 under extended capital overhaul. We have been running these units as most of you are aware that at 105% load factor, which is normally not done for many of the chinese machines till date on this. Because it is common practice to do for BHEL machines and things like that, so we wanted to be absolutely sure that the 105% loading of the unit on a consisting basis has no impact on the turbine, and unit 1 being the one which has actually operated for the longest period of time, the entire turbine was split open and we looked at each and every component and reassembled the

turbine, and everything was perfect, but in the process we took 63 days in fact for the captive overhaul of the unit 1, which was a deliberate attempt for us to do it because we wanted to be sure being the first unit and everything is fine with turbines when we load 105%. That is the reason the availability had come down in the phase 1, but still phase 2 had locked in the 100% availability. PLF is 62.5, but that also depend upon this quarter being the quarter of monsoon, so that is a gap of 16% between availability and the PLF which has resulted in, including once or twice we took shut down because of the payment default, all this put together with the deemed condition, that is the PLF of 62.5. And the Rosa has locked a PAT of 141 crores, which includes as we said two things, the last quarter we explained that the truing-up petition what is filed for the phase 1 last year that whatever is income instead of taking it one single quarter we have been taking a quarter to quarter basis, so there is 12 crores of that coming in this quarter, it will continue to happen in next two quarters as well, we talked in the last quarter also. This is the truing-up of phase 1, interstate and various things. Second one is for the phase 2, now we filed the tariff petition based on the phase 2 cost and everything, and till now we were charging phase 2 based on the phase 1 provisional tariff, so now we filed this, so therefore we are now performance of the revised tariff, and that starting from the last quarter as well as this quarter, therefore that also taken into consideration, that is got 16 crores for the last quarter and another 16 crores this quarter anyway would have come in this quarter. So, if you look at the number which is not part of this 16 crores for the phase 2 and 12 crores which is as _____ distribution of the truing of income of the last year, that is how it is 141 crores at Rosa, anyway as we move ahead then we can talk about Rosa. As you know that we have signed the FSAs for Rosa already, but now we are looking at revising those FSAs with respect to the new norms including the let us say how we proceed price pooling and various aspects which I am sure that will be part of the Q&A.

The solar PV has been doing quite well. In fact the compared month on month basis the expected generation versus actual generation in all three months it exceeded the expected generation. In fact in October it locked 21% PLF. Just going back to Rosa, the overall unit has been doing very well and in October the plant had 102% plus availability for this project as a whole, that is 1200 megawatt, and we have the PLF of about 86-87% on this October. So, solar has got October at 32% and even the quarter of July-August-September the generation from the solar plant actually is more than what is expected as per the BHI, and this had a profit of close to 7 crores in this quarter, solar PV.

Butibori, we continue to supply from alternate sources through Reliance Infra, based on that the profit has been about 33 crores, and as you know the Butibori the first unit has been synchronized and the second unit the light up has been done during this quarter, right now we are going through the commissioning activities and we expect to synchronize this unit towards the end of this month. And here the fuel supply agreement is now based on the Minister of Power's recommendation that even for the medium term PPA should enter into it, and there is a possibility that we would be able to enter into fuel supply agreement for the first unit some time in this month, and probably the Butibori

will start supplying power from its own starting from 1st of December. In the meanwhile we are exploring various opportunities for the long-term time of this power and I think probably by end of this year we would be in a position to give a clear road map of how this power is going to be tied up in the long-term basis which is beneficial to the company. That is on the operating plan for Rosa, solar PV and Butibori.

Now, coming to the status of the projects wise, I already explained to you on the Butibori unit 2 which is now under commissioning, expected to be done by end of this month. Sasan is we have seen some new site is slowing on the continuous basis from Sasan. As you know that coal mine wise the production has commenced and more and more machines are getting commissioned, in fact today we have a stock of a lakh of ton at the coal mine. We are actually slowing down the coal production to match the requirement of the power plant. Therefore on the coal mine side it is fully stabilized operation today. And on the power plant side as you have seen in the media that we got connected to the _____ then we have started power from the grid, so therefore switchyard system is ready and the plant is on the national grid now. And the boiler has been lighted up 10 days back, now we are doing the commissioning activities and touchwood if everything goes well towards the end of this year is what we shall synchronize Sasan unit. And subsequent units are progressing well and this should come in the same sequence of about 3 months gap between unit to unit. I can say that Sasan as per the positive concern is now on the track and it has picked up, it has got its own momentum now, things are expected to happen on an automatic basis.

On the Chhatrasal block which is linked to the expansion creating more capacity in the Sasan area, which is linked with _____, as you know that now the earlier blocked coal mines on the _____ basis are started getting clearance. The Chhatrasal stage 1 forest clearance in all probability is expected this week, and once that comes then based on whatever the conditions stipulated in that we need to fulfill them and go ahead with the stage 2. So, it least it would stop the uncertainty about when will the clearance come, so now the date line start for expansion capacity in Sasan area once we get the Chhatrasal, and this is going to be a big positive for the company with the expansion capacity.

On solar PSP, which we have the PPA with NVBN, and the plant is supposed to be commissioned in May 2013 is on track. We started manufacturing the reflectors at site and the turbine is arrived at the port and it should start moving towards, and which is on track and expected to be commissioned anywhere between end of March to May, May is the PPA schedule.

On the wind, out of 45 megawatt 27.5 is done and the balance is expected to be done by the end of this year.

The Tilaiya, the major hurdle was the land, and probably the problem is now resolved on this and especially the forest land. There was an issue with the state after the stage 1 and stage 2 clearances received, issue was is it to be treated as a private sector project or as a

government sector project, as most of you or all of you are aware that depending upon what category it is treated as then you have different treatment to forest land. If it is a private sector project you have to provide an equivalent amount of revenue land and then also pay for the compensatory forestation. If it is a government land you don't need to provide the revenue land and just need to pay for the compensatory forestation, they pick any of the degraded forest and do that. They wanted a clarification from Government of India, fortunately last week the Minister of Power Government of India has told categorically stating that the UMPP is to be treated at the same footing as central government project for the purpose of forest clearance. So with this now the things in Tilaiya should move forward quickly, because as you know that for the power plant we also have the stage 2 forest clearance. The moment this clarification has gone I think the power plant land should get handed over to us quickly, because all the clearances are available there on this, that is one good news on that.

On the Krishnapatnam project, as you know that you are all aware of ____ with respect to the procurer serving us the termination notice and we having gone to the court, and now while the case is going on in the court the attempts have been made between us and procurer to see whether we can resolve the issue. The last hearing in the court sometime towards the first week of October I think, both us and procurer said that we are in the process of discussing, we will need more time, so the court has given time till 22nd November to come back and to tell them how things are proceeding on this, so there are some discussions happening with the procurer whether probability of you know withholding the termination notice and going to see as various options are being discussed, so therefore it is little fluid at this stage to say, but we can say that there is a dialogue between us and the procurer to see whether we can amicably resolve this issue through whatever is the process _____. There was some progress last week and we hope more and more progress will keep happening on that.

On Samalkot, obviously the biggest hurdle is the gas availability, and we are still pursuing and we are still hold the same view that the pooling is the only option which is what we also keep hearing now from this, and in fact the current Petroleum Minister, actually recently he was the Power Minister, he was the man who actually written to the Prime Minister and another places saying that power should be made the first priority and then the gas needs to be done. Now in a different role we are opting a _____, this now picked up momentum, would happen, parallelly as you know that we are also working on creating the floating terminal along with Shell at Kakinada, that is progressing quite well with respect to the initial approach and everything, in fact we have the POR approved by the Government of India Minister of Environment and Forest, now we are doing the state level clearance and go back to the environmental clearance there and we have done lots of basic engineering and detail engineering that is out in the market for the floating terminals and there are lots of things are happening there so that we are ready with the terminal by the time the domestic gas is available, so it is much more easy to do the pooling.

On hydro project, the Tato as I said last time also, it is in the most advanced stage on this the CA clearance and everything, and this project will sell power to Delhi Distribution Companies and Bombay on a cost plus basis, as you know the hydro projects are free to sell power in a cost plus basis approach. In case of Delhi the PPI is signed, PPI has gone to regulator, regulatory hearing is over, it is in the final stage of approval, we expect the order to be issued by the Delhi regulator during this month, and we already started the process of financing of this project, so this should be our first hydro project which should take off in a quarter or two.

As far as the Indonesian coal mines are concerned, all approvals as we said are ready, in fact most important aspect is the Indonesian Government at Jakarta, its central government declared it and every coal mine from the point of view of clear boundary on clean and clear decongestion on this. All our three coal mines in Indonesia, ID1, ID2, and ID3 have been notified by the Government of Indonesia at the central level, that is clean and clear license. On the forest clearance is the other major thing which we had a state level approval and its now getting processed in the central level where the interim approval has come, the final approval is expected. We are ready with, as we said last time also, that we can do the coal mining and transport through barge upto 7.5 – 8 million tons without waiting for the railway line and we don't need the forest ____ just wait for the coal pipe cycle we changed then we will be in a position to start production and sell the coal from the Indonesian coal mines.

That's in nutshell and most of the projects I think I covered with respect to the operating plans under construction as well as under development, I am sure that you would have many more questions, now we can open it up for Q&A please.

Operator:

Sure sir.

At this time participants if you wish to ask a question please press *1 on your telephone keypad and wait for your name to be announced.

The first question comes from Mr. Vishal from BNK Securities. You may go ahead please.

Mr. Vishal:

Good evening sir. The receivables have shot up to about 10000 crores.

Mr. J. P. Chalsani:

10000 or 1000?

Mr. Vishal:

1000 crores, sorry. I am very sorry. Sir, any specific....

Mr. J. P. Chalsani:

I will tell you on this, in this the Rosa receivables as on 30th September which is roughly about 600 crores, but that includes the billing of September, so which is not due, which will be due now in the first week of November. Plus it has receivable from other things, so if you look at the Rosa that thing is set now, as we speak today there is 450 crores of dues including if you take the current bills which is due now is about 650 – 700 crores is what is due as on today, it is little more than 2 months. The important aspect to be seen here, obviously we did have some concern in between, but now having signed the escrow for 257 crores and started getting money from that, this was the first month where the entire escrow become operational.

Mr. Vishal:

August was the first month of the escrow to be operational.

Mr. J. P. Chalsani:

Pardon?

Mr. Vishal:

August was the first month for the escrow to be fully operational?

Mr. J. P. Chalsani:

Yeah, including phase 2. This month against a bill of 265 crores for the current month, which means that September bill what we paid and which was due in October we actually received 315 crores, so not the current bill we also recovered about 50 crores extra, so as we move forward I think one is that we will..., there is no issue with respect to the current bill getting recovered because of escrow being there, and probably we will be able to liquidate this arrears also which is currently at around 2 months level. There was a concern in between, but what you are seeing in the account is including which was not due.

Mr. Vishal:

Okay. So, what will be the arrears that we need to recover that is balance to be recovered?

Mr. J. P. Chalsani:

Today as we speak it will be around 670 crores.

Mr. Vishal:

670 crores, sure sir. Sir my next question is a little structural one, sir if gas pooling is implemented, sir will it be feasible for you to compete in case 1 bid along with coal or you will need a separate category if gas pooling is implemented the way it is being talked about?

Mr. J. P. Chalsani:

Obviously my understanding from the session which is happening at Delhi which all of you know that there are lots of things being talked about on the case 1 bidding in the case 2 bidding and comments going backward and forward and as an association we commented, then the banks have commented, I was told that for the gas based plants they will come up with the separate set of guidelines and a separate set of bidding for gas, not being done along with the coal based plants, that is what I have been told, but I have no paper in front of me, but our expectation is that what Government of India is looking at is because the gas is going to be one which is everybody in the country would have a full gas as pass through cost sort of thing on this, so obviously we will run that as one segment of competitive bidding.

Mr. Vishal:

Okay. Sir one last question, I will come back in the queue for the others, but just one last question, what will be the generation loss due to grid restriction, like were there any loss due to UPPCL telling us we don't need power.

Mr. J. P. Chalsani:

Let's look at the last quarter. Our availability is 78% less, and the P&L about 63%. There is roughly a gap of 14% between the two. On this about less than 2% is what is the backing down. Sometimes what also happens on the backing down is there's a second category where we say we will not generate and put it on steam generation, shut down the unit and steam generation. That is also part of the configuration which has happened on this, so that we put it as a backing down, but backing down becomes our thing, not by them. If you are simply asking the UPPCL one, it's about 2% in the last quarter.

Mr. Vishal:

Okay, so only 2%

Mr. J. P. Chalsani:

Yeah, because we need to see, what is to be seen is this power is anyway it's got to pay the fixed tariff, okay of 156 or 155 whatever it is, so let's say the variable cost of this is going to be 3 rupees, on a pool basis, including the imported coal, unless he gets a power cheaper than 3 rupees there's no point I go and buy from the market. And if you see that daily report of UP, the Rosa has been one of the main stay for them, compared to everything. So therefore, from that angle there is no backing down, but there could be backing down on our own saying that sir if you don't pay we will not generate power.

Mr. Vishal:

Perfect. Sir, thank you, I'll come back.

Mr. J. P. Chalsani:

Let's understand one thing, our efforts has always been that we need to have reasonable control on the receivables, we never wanted it to go outside the control then it takes years together to get it back, my own experience of my initial days in NTPC. We never allowed it to go beyond a point. We're always keeping that you know mission corpus 2 months business, and where it is required to put the pressure we'll put the pressure by pulling out units, which we have been doing and in future if required we'll do but probably with whatever ____ to get the escrow agreement signed, now escrow agreement having been signed put in operations, so therefore that threat of pulling out the unit is not required, because they themselves will say that you know you have an escrow why do you want this. So we achieved our objective of getting the entire escrow agreement signed.

Mr. Vishal:

So we don't need one more escrow right in addition to this are we working on additional escrow?

Mr. J. P. Chalsani:

No, no, we don't need, see 357 crores is escrow what we have, and I think your billing can never be more than 325 crores.

Mr. Vishal:

Right, okay sir, thank you very much. I'll come back.

Operator:

Thank you sir. The next question comes from Mr. Murtuza from Kotak Securities. You may go ahead please.

Mr. Murtuza:

Yeah, hi sir. Just a question, you mentioned that you've now recognized the revenues for even the phase 2 on the revised ____ that you've filed, just on the overall second quarter earnings, can you, there was a quantification of how much of the revenues are pertaining to these kind of you know the tariff order revisions, which is how we can differentiate from the previous quarters, let's say revenue line?

Mr. J. P. Chalsani:

There are two things which I explained in my opening comments. There is something which we did last quarter as well, and that would happen in any cost plus project in a continuous basis. There is always a truing-up exercise happen at the end of the year, okay, based on what is your actual working capital, working capital interest and you know your investment of the long-term loans and things like that. That was done and that had resulted in about 48 crores to be recovered, okay.

Mr. Murtuza:

Which would be in the revenue line and flowing all the way down.

Mr. J. P. Chalsani:

Yeah, therefore, I mean last year truing-up to be recovered in this year, we could have recovered the entire 48 crores and accounted for it in the first quarter, but what we said in fact if you see last year also we clearly said we are recovering that on equal basis in the four quarters. So, 12 crores recovered last, we've taken into the accounts last quarter, and 12 crores taken now, and the 12 crores in the next two quarters each we'll take, that's our adjustment. So, therefore there is 12 crores truing-up of phase 1....

Mr. Murtuza:

Which is belonging to FY 2012.

Mr. J. P. Chalsani:

Yeah. And then we as you know the phase 2 one unit has been declared COD as 12th of March and the second unit got declared as COD 1st of April. And we have earlier the regulator allowed us to bill on it provisional basis, because we're not gone to him to file the application for the tariff revision. Now we have filed the tariff revision on this, in fact obviously the in the tariff revision there is no surprises, the cost what is put there is

lower than the cost what is originally approved on this, so therefore there is no ____ with respect to the approval of the tariff petition. Then so we went ahead and now recognized that whatever we billed till date if we will get the tariff of phase 2 for the phase 2 portion. So which is let's say it is roughly about 33 crores till now, in that 16 crores will belong to the previous quarter, only two quarters happened till now, and the 16 crores anyway belongs to this quarter. So effectively if you want to see the prior quarter things what we have taken, the 12 crores of the last year and 16 crores prior to this quarter.

Mr. Murtuza:

Of the previous quarter which is being recognized in this quarter.

Mr. J. P. Chalsani:

Yeah.

Mr. Murtuza:

All right sir. Thank you so much.

Operator:

Thank you sir. The next question comes from Mr. Girish Nair from BNP. You may go ahead please.

Mr. Girish Nair:

Good evening, sir. Thanks a lot for taking the questions. I wanted to ask why are I mean we see there is a section that is opposing coal price pooling, I just wanted to understand what are the reasons based on which they are opposing coal price pooling and you know how is the government trying to overcome this?

Mr. J. P. Chalsani:

I always find one thing, Girish is one of the most informed on this. He always wants to check whether his information is right or wrong, centerpage. Anyway, still I know that you know it everything on this, my information, my discussions with the Ministry of Power and the Ministry of Coal including the Coal Secretary, who I met last week, is that all of them feel the price pooling is the best one, it is easy to do it, and personally I believe price pooling is the best one to do, easy to pool. They have written to all utilities, my understanding is most utilities said there is no problem, except what I understand was they were expecting that there could be some resistance coming from one or two public utilities who feel that the as you know when you do the price pooling part of it for some projects which are predominantly based on the linkage coal they are not really using

imported coal, to some extent their coal cost would go up. For people who are predominantly on the imported coal and now when you do this pooling, their coal cost will come down. This is in my opinion it's not subsidiary or anything because at the end of the day the coal cost what CIL is supplying to the various people is a pass through concept only, it ultimately gets on to the distribution company unless somebody is looking at it as my discom versus your discom on a overall basis in the country level it's not going to make any difference, ultimately it is going to the ultimate consumer. Therefore, the Ministry of Power and CIL is fully convinced on this. So I understand that PMO is convinced on this and the Coal Ministry per se, at least this is what the Secretary of Coal also mentioned is fully convinced on the price pooling to happen, but because of some of the opinions the Coal India Board is still considering it, so I'm really not too sure whether it is November item or the December item to get it approved. But my personal view is it would definitely happen because it's good for the country.

Mr. Girish Nair:

Right, thanks, and the second question is would it be possible for you to give us a timeline for you know the ramp up of production from your Indonesian coal mines and what would be the jorc reserves for the three mines?

Mr. J. P. Chalsani:

Jorc reserves I think we have already shared, \$1.3 billion, as far as the production ramp up is that if Girish can give me the price cycle as we move forward in the future so I can actually give the production. Basically what I'm saying is the production of you know internationally the coal commodity depends upon what are the costs, what is the price, market price. Currently the market prices are low, so therefore you know we will keep looking towards the market prices, because right today we are not in a position to consume ourselves, the coal excess have shot already what we need for our own power plants, okay, so as we move forward is what we will see and how to produce all the ramp up. Each one of them is ready for a 10 million ton, but the first coal mine, the ID1 what we call it, is the one which is ready right now, including the land acquisition, and there what they did is you don't need to wait for the forest clearance to start production, non-forest area you can start, in India as you know you can't. If there is some forest land in the project unless you get the clearance even in the rest of the area you can't walk, but whereas in Indonesia, if there is a forest land you can avoid that forest land and balance area you can walk. So we have acquired the land which is non-forest area, and as I mentioned last time to you that pending the railway transportation the barge transportation we have done the study and can go about 7 – 7.5 million tons. All that is done, but we will just wait for the market to see how it happens then we'll start production.

Mr. Girish Nair:

Let's say if the market is up in the next quarter itself, how....

Mr. J. P. Chalsani:

I think we need a time period of 90 days.

Mr. Girish Nair:

90 days, okay. Right. Thanks a lot, sir. Those are my questions. Thanks very much.

Operator:

Thank you, sir. The next question comes from Mr. Amit from M K Global Financial. You may go ahead please.

Mr. Amit Golchha:

Good evening, sir. In case of Rosa, GE report says that the first unit was shut down for about 2 months, and the second unit was shut down for about 15 days, and specifically it mentions that the second unit was shut down mainly because of the turbine related issues which were there, so one, if you can brief about those issues, and second this overhaul which we have taken in this quarter, I suppose we also took the similar overhaul in Q2 FY12 and Q3 FY12, for both the units earlier.

Mr. J. P. Chalsani:

See when we say overhaul, normally whenever you take overhaul you only take the boiler overhaul, which is done always. As I explained in my opening comments these units are being loaded at 105% consistently, that is the units are having 315 megawatts, in fact we are declaring availability at 315 megawatts to NTPCL. These machines on a consistent basis are not overloaded till now, not tested for this sort of a thing anywhere including in China. Even the manufacturers also started saying that you know you are actually running this plant at 105%. So the overloading if at all if it is called overloading has no impact on the boiler at all, because it is just generating more steam. The only thing if at all there can be an impact of overloading is on the turbine, so because no chinese machines are actually running at 105% load factor, and we are running it on this, we want to be sure that we are in the right direction, because normally BHEL machines you know it can easily run at 105% in this country, and even the European machines, you can run on this. So that's what we never found any problem in running at 105% including the vibrations and every single parameter was within the control, but still we wanted to be sure so we took the turbines for a capital overhaul and completely ripped apart the entire turbine, checked every single component of it and reassembled the turbine on this. That's why it took 63 days, otherwise normally it could have been completed in 30 days if it is just a boiler overhaul. But that's required because this is one unit which

has run the longest, the unit 1. So therefore not just for Rosa, including Butibori, including for any future projects we are sure that now you know these chinese made machines can easily operate at 105% without a problem. That's the reason why we took that target. You can see the result in October. The whole project is available at 102% availability. As per as the unit 2 is concerned, yes we did have a small problem in the turbine, so therefore we need to stop that and then see what is the problem, it was basically some small screw coming out was creating a problem, this was set right. That was the issue on this.

Mr. Amit Golchha:

That was not because of the overloading?

Mr. J. P. Chalsani:

No, no, nothing, it's just our external portion of it, not even inside. And you can see the result of this in October.

Mr. Amit Golchha:

Yeah in October you said. In last two quarters our fuel cost per unit has gone up significantly, I would assume that it's because of Butibori whatever power you are selling it to Reliance Infra.

Mr. J. P. Chalsani:

No, no, Butibori we are actually buying and selling it on this.

Mr. Amit Golchha:

But the power purchase cost would be booked in the fuel cost only? That's why it is going up?

Mr. J. P. Chalsani:

No, actually what you are saying is if you see the line item it is fuel and power. Whatever power we bought for Butibori it is also shown as a cost there, it's not just the fuel cost alone.

Mr. Amit Golchha:

Right, so that's what I have assumed, but....

Mr. J. P. Chalsani:

Actually if you see, obviously if you see our last quarter and this quarter, in both quarters, our imported coal is 40%.

Mr. Amit Golchha:

40%?

Mr. J. P. Chalsani:

Yeah.

Mr. Amit Golchha:

Is this imported coal or it's the e-acution....

Mr. J. P. Chalsani:

No, I'm telling imported coal is 40%, for the last quarter we had almost 60% of domestic coal linkage, and this time it has come down to 40%, the linkage coal, and we had to buy the domestic coal as well, washed coal. It is actually 40, 40, 20 is what is the....

Mr. Amit Golchha:

And also is it possible to get the....

Mr. J. P. Chalsani:

Amit if you see in absolute terms the fuel cost, it has come down compared to the last quarter, that's because number of units have reduced.

Mr. Amit Golchha:

And is it possible to get the linkage coal separately for phase 1 and phase 2? Linkage coal received from Coal India for phase 1 and phase 2.

Mr. J. P. Chalsani:

Yeah, because they are two separate

Mr. Amit Golchha:

You said

Mr. J. P. Chalsani:

As far as Coal India is concerned they will supply on two FSAs, but as far as the plant is concerned we just mix both as one single one, we don't recognize it as phase 1 and phase 2. In fact one of the things what we have done now in Rosa is when we filed the petition for phase 2 we also told the regulator to look at combined availability of phase 1 and phase 2 as far as the fixed cost is concerned, for the purpose of calculating the fixed cost is concerned. Therefore we have a flexibility of unit loading, otherwise we'll have a partial loading in phase 2, partial loading in phase 1. We said that as far as the availability is concerned just combine the whole thing on this, so let us say the station availability is 90%, so that means phase 1 is 90, phase 2 is 90, station availability is 85, phase 1 is 85, phase 2 is 85. Now otherwise we are measuring them differently. If you look at it today the current year the phase 2 has 92% availability and phase 1 has somewhere around 75% availability, so this is making the difficulty, because as far as they are concerned they are treating this as one single station. So therefore that's the regulator in principle has agreed, so hopefully this clarification will come, then it's much more flexibility for us in terms of which unit to run and also to load and improve the operating parameters.

Mr. Amit Golchha:

Okay, I just was wanting to understand that are we receiving any coal in phase 2 or is it that we are receiving coal in phase 1 and we are basically running in both.

Mr. J. P. Chalsani:

No, no, phase 2 also we are getting the coal.

Mr. Amit Golchha:

We are getting the coal, and whatever current areas we have in case of Rosa, is there a liquidation plan already in place in NTPCL?

Mr. J. P. Chalsani:

It's a 2 month equivalent is what is outstanding today.

Mr. Amit Golchha:

So this will get collected by.., and is there any plan which is already in place?

Mr. J. P. Chalsani:

No, I wish it is tomorrow, what I'm saying is the one side through escrow we can recover up to 340 crores, because now the escrow has become operational. For example I said that we have already recovered 50 crores extra in this month, because our billing was 265 crores and we got 315 crores. One way is 50 crores, but second way is that if you look at it UPS increased their tariffs now, and they are expected to get the loans because that was one of the major constraint they had to get the loans, and hopefully with this new tariff what is declared by the regulatory commission the banks which were waiting for this will now sanction the loans, and hopefully our current expectation that before the end of December will be back to normal. At least the current bills will always recover more than the current bills, because of the escrow being there.

Mr. Amit Golchha:

So basically this arrear will get

Mr. J. P. Chalsani:

Yeah.

Mr. Amit Golchha:

Liquidated....

Mr. J. P. Chalsani:

Yeah, and also you need to measure our performance with respect to everybody else who is selling UP.

Mr. Amit Golchha:

Right sir. Secondly in case of Sasan you said that after Chhatrasal stage 1 clearance you will proceed for Sasan expansion. With regard to that there was a media article sometime back which was mentioning that the clearance which was to come there have been some....

Mr. J. P. Chalsani:

Unfortunate thing is that maybe you all can read the minutes which are on the MOF website. Environment clearance many a times takes more than one sitting, which is very very common. We have the POR approval, we had the full hearing of their terms, they wanted couple of additional inputs to be provided to them before they give the clearance, and which we are providing them in the next sitting, it will go back again to them, that's it. This is as most of you who follow the environmental clearance process, it is very clear that you know it's not necessary that in one sitting you go and get cleared.

Mr. Amit Golchha:

So just wanted to understand sir, once this stage 1 clearance of Chhatrasal is in place, would we start the construction of this one?

Mr. J. P. Chalsani:

Let us say the stage 1 clearance comes then obviously you know that this clearance is most of you have read that are coming with little more conditions compared to what was normal earlier, and then between stage 1 and stage 2 clearance there is a process of anywhere between 4-6 months to go back and get the stage 2 clearance. After stage 2 clearance is what you pay the money and they tell you that you have done the compliance and then you can take over the land, that's the process of that, so therefore let us say that that's anywhere between 6-8 months period. And we expect the environment clearance for Sasan expansion before end of this year, this calendar year. So we should be ready by then with everything else so that we can start the work.

Mr. Amit Golchha:

So you will start the work only after the stage 2 clearance?

Mr. J. P. Chalsani:

No, you cannot start the work unless you have the forest clearance. See we don't want to have a situation here where your plant is ready but sufficient coal is not ready, mismatch between the two, so as I mentioned last time also that we want to have a control of the timeline not the external, the clearances. So once we have the stage 1 clearance which comes this week obviously we have much more clarity on the timelines, till now we didn't even know the timeline, because stage 1 to stage 2 is predictable, okay, there's no uncertainty once stage 1 comes, so therefore once we get this clearance this week we are more certain about the timeline and then we'll start the activities of building the plant. I also said earlier also we are on record stating the stage 1 clearance is the most important one, because that sets the timeline, which is what we are expecting this week.

Mr. Amit Golchha:

And post your stage 2 clearance of Chhatrasal, say approximately how...

Mr. J. P. Chalsani:

Let me once again clarify, once you have the stage 1 clearance, stage 2 is actually complying with certain conditions, nothing else, there is no uncertainty, so once you have the stage 1 clearance it's a process, process started rolling, so there is nothing like

whether you'll get the clearance or you will not get the clearance. Therefore the most important thing we are waiting actually is for the stage 1 forest clearance. As you all know we had to go ____ some issues on this, so therefore once we get the stage 1 clearance this week hopefully, this week or in the next couple of weeks, then uncertainty with respect to the forest clearance is out of the window. Then it's a question of simple timeline are set, so therefore everything will start rolling thereafter.

Mr. Amit Golchha:

Okay sir, and post stage 2 clearance how much time approximately it will take to start the production from this mine, Chhatrasal?

Mr. J. P. Chalsani:

See what happens is the coal production is much shorter time period compared to the creation of the coal infrastructure, evacuation of the coal from there. So that's the anywhere of 24 months cycle time.

Mr. Amit Golchha:

24 months, okay. So, basically the work on the mine will start sometime after your work on the power project starts

Mr. J. P. Chalsani:

Yeah, that's what I said, the power project to start we are waiting for stage 1 clearance because at least stage 1 clearance then thereafter you know the timelines. Once the stage 1 comes, uncertainty is over. You just set the power project.

Mr. Amit Golchha:

Okay, and you said that in case of Samalkot you will start with the LNG terminal also this time, so what is going to be the capex on that particular part?

Mr. J. P. Chalsani:

No, we mentioned earlier also that in fact we made it public that we've working with Shell together to jointly develop this FSR, floating storage and recalcification unit, which is we start with 5 MMTPA and can be expanded to 10 MMTPA later, and the total project cost I think right now it is too premature to estimate the number because we are out in the market to check the floating terminal cost and everything, it's anywhere between 400-500 million dollars, total project cost.

Mr. Amit Golchha:

That's for 10 million tons?

Mr. J. P. Chalsani:

No, 5 million tons.

Mr. Amit Golchha:

And because earlier what we understood is that once the gas surety comes in then only you will go ahead with the LNG terminal.

Mr. J. P. Chalsani:

No, but if you look at this today this is also an independent one where Shell is not looking at power plant no, for them the terminal is a business, and Shell is the largest gas business company in the world, so they look at it the terminal as an infrastructure creation. And if you look at the demand wise there can't be a better demand than in Andhra, anywhere in the country, both from the point of view of capacity, power capacity, as well as they are close to Kakinada, the entire industrial corridor between Kakinada to Vizag. Huge amount of demand there, even today in fact demand is there for LNG for the industries which are actually naphtha and other things, so therefore this terminal on a stand alone basis whether Samalkot comes or not is a good terminal to be there in the east coast of the country, because there's no other terminal out there, but as far as we are concerned our main motivation is that yes we've Samalkot there and anyway even if the domestic gas gets rammed up we will continue to have a pooling scenario in future for quite some time to come, so it's a good business to be in, and once you have your own terminal that's when you have a better leverage compared to anyone else.

Mr. Amit Golchha:

And this will be a 50-50 JV between you and Shell?

Mr. J. P. Chalsani:

Yeah but the fourth company also has an option to join, with a minority, small stake, but otherwise it's yes.

Mr. Amit Golchha:

Thank you very much sir, I'll come back for further questions.

Operator:

Thank you sir. The next question comes from Mr. Vivek Sharma from ICICI Securities, you may go ahead please.

Mr. Vivek Sharma:

Sir my questions have been answered.

Mr. J P Chalasani:

Thank you.

Operator:

Thank you sir. The next question comes from Mr. Anirudha Gangadhar from Nomura, you may go ahead please.

Mr. Anirudha Gangadhar:

Yeah good evening sir, three questions from my side. Could you tell me the revenues which have been provided from as regarding the ____ is concerned, you mentioned it's a 33 crore margin, let me know the units provided and the topline if that's possible. Secondly sir, you mentioned that there is a 16 crore additional topline in this quarter on account of the new tariff petition, but you mentioned that the fixed cost is pretty much lower than previously, so there is no ROE attrition for a prior period in this quarter as far as Rosa is concerned, is that understanding correct? And sir the third thing is that you mentioned that the coal cycle needs to change before we start production in Indonesia, would you be able to tell us what is the indicative price after which you'll be comfortable in starting production?

Mr. J. P. Chalsani:

Let me start with your first question.

Mr. Anirudha Gangadhar:

Yes sir, 133 crores sir.

Mr. J. P. Chalsani:

Okay, net profit is 33 crores, that answers your first question, and we have been supplying on an average, we are supposed to supply 134 megawatts you know at 85% PLF, so that's what we've been supplying. Okay. Number of units, I don't have it readily but it's easy for you to calculate, 134 megawatts at 85% PLF, that's what we have

been fulfilling the requirement. And as far as the Rosa is concerned, see there are two things, one I said is the certainty of regulator approving our petition that is with respect to the original project cost what he has approved, but tariff wise he has given us a provisional tariff which is much lower than based on the project cost what he approved. It just said provisionally go and bill at this, which is a very-very low tariff, so therefore with respect to that obviously the tariff will be higher now. Am I clear? They have not given us a provisional tariff based on the cost what he approved, okay, he has given a provisional tariff saying that okay just go and bill a particular number based on the phase 1 and things like that, he said you go ahead and do this, so therefore compared to the provisional tariff to the tariff based on the cost what we have incurred there is an ___ cost of 66 crores I think per year. If you had gone by provisional tariff vis-à-vis the actual cost incurred till date based on the fixed cost recovery if you look at it, the fixed cost recovery we were actually under recovering to the extent of on the basis of 66 crores per annum, so obviously for the first 6 months we under-recovered by 33 crores. In that obviously we'll make it 50-50. 16 crores belongs to the previous quarter and 16 crores belongs to this quarter. Am I clear?

Mr. Anirudha Gangadhar:

Right sir, so that is a direct accretion to our ROE which we would have got this time around when we talk about 141 crores as the profit.

Mr. J. P. Chalsani:

Yeah, because cost wise we have taken earlier. And as far as the Indonesia is concerned I don't think I'm in a position to give a guidance at this stage, because this is the one which will go back to the board and they will decide at what point of time they will give the green signal to go ahead and do that. And only thing what we say is that we would because this is what you need to understand is that it's a question of early monetization versus what you call preserving your commodity, whereas in the normal case where it is an operating mine, fully operational, your compulsions are different, because already you have put in everything, you are operating, your people are there, your fixed cost is there and everything on this, therefore you look at it in a different way for the cycle, and when you have an option to wait and watch on this in a different way, but I don't think even if you ask me a follow on question you will be able to get an MO from me.

Mr. Anirudha Gangadhar:

That is fine sir, which means if the current levels sustain we are not seeing any production at least this year or

Mr. J. P. Chalsani:

But do you think that this is the prices will sustain?

Mr. Anirudha Gangadhar:

Sir, our understanding is that it will sustain for some time.

Mr. J. P. Chalsani:

It depends upon what is the definition of some time.

Mr. Anirudha Gangadhar:

That's right.

Mr. J. P. Chalsani:

Let's wait and see, see basically the question is that long-term sustenance then we'll have a different view what is to be done. Maybe you know we can wait till the end of this calendar year and then see how things shape up.

Mr. Anirudha Gangadhar:

Fair enough sir, thank you very much for your answers.

Operator:

Thank you sir. The next question comes from Mr. Avinash Ranjan from Kotak. You may go ahead please.

Mr. Avinash Ranjan:

Good evening sir. This is Avinash from Kotak. Would it be possible for you to give the amount of power bought and sold, or basically power traded in terms of million units and amount in Rupee lakhs.

Mr. J. P. Chalsani:

I just mentioned to the previous question, the topline is 133 crores. And the units wise as I mentioned it is easier to calculate 134 megawatt at 85% PLF, and anyway subsequently we will provide that finer details, but that is what it is, topline is 133 crores.

Mr. Avinash Ranjan:

My second question is regarding the capex for this quarter, from the consolidated balance sheet, it approximately works out to be around say Rs 70-75 billion, would it be possible

for you to give a break up for the capex incurred during half year ended September 30, 2012?

Mr. J. P. Chalsani:

Capex on cash basis for this quarter, I'm giving you for this quarter. It's on a cash basis it comes to about a little over 2800 crores. Okay. And predominantly most of it is coming from the debt.

Mr. Avinash Ranjan:

Okay. Sir, would it be possible for you to give a project wise breakup for this?

Mr. J. P. Chalsani:

That you can ask Kasturi, she'll give you.

Mr. Avinash Ranjan:

Okay, thank you very much sir.

Mr. J. P. Chalsani:

I think we'll take one last question.

Operator:

Thank you sir. Sure sir. The next question comes from Mr. Abhinav Sharma from HDFC Securities, you may go ahead please.

Mr. Abhinav Sharma:

Yeah, good afternoon sir. My question is again on these Indonesian mine production. Sir, could you tell us what will be our cash cost here?

Mr. J. P. Chalsani:

I think we should wait for some time to discuss on that cash cost, because when we start producing is what we know.

Mr. Abhinav Sharma:

Okay, and for our grade of coal what would be the price levels currently prevailing?

Mr. J. P. Chalsani:

See, three mines have three different things, one particular mine is 4200 kcal coal, one mine is 3800 kcal coal, the price of this is being declared today, it is publicly available in the Indonesian coal mine.

Mr. Abhinav Sharma:

Okay, but we are pretty clear that as long as these prices sustain, we will not start production from these mines.

Mr. J. P. Chalsani:

I didn't say that, we said we'll just wait and watch. We will keep evaluating various options, and then take a decision at the right time, otherwise we are not saying that you know like the previous question was saying if it continues that mean we'll not take out the coal, no, that is not my answer.

Mr. Abhinav Sharma:

Okay, and sir just to clarify, on the Butibori plant, this 33 crores is the net profit and not the operating profit?

Mr. J. P. Chalsani:

Net profit.

Mr. Abhinav Sharma:

Okay, okay sir, thank you.

Mr. J. P. Chalsani:

Thank you very much to each one of you, but at the same time let me clarify that Kasturi and his team are fully available after this call for any clarifications, and if you think that they are not giving you any satisfactory answers, then all of you have my mobile number, you can send it to me. I'll call you. Thank you very much.

Operator:

Thank you sir. That does conclude our conference for today. Thank you for participating on Reliance conference bridge. You may all disconnect now.