

Operator

Ladies and gentlemen, good day, and welcome to the Tata Power Q4, FY12 Analyst Conference Call. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. We have with us today Mr. Anil Sardana, Managing Director; Mr. S. Ramakrishnan, Executive Director; Finance and Mr. S. Padmanabhan, Executive Director, Operations. I would now like to hand the conference over to Mr. Anil Sardana, Managing Director. Thank you and over to you sir.

Anil Sardana, Managing Director

Thank you, Jayant. Good evening and welcome to all the analyst friends on the call. Let me start that the outset by mentioning that the results for the year are with you including for the quarter four. And I'm happy to state that both in terms of growth and also in terms of performance. The company has sent a very strong fundamentals.

At the Tata Power Standalone level, as well as Tata Power Consolidated, the fundamentals have clearly shown growth in revenue, as well as in the profitability contribution. We have had two specific provisions that we made during the year. One of course related to Mundra, which because of the foreign exchange variation and also some of the other outlook on the coal prices on long-term.

We have made a provision of impairment. And similarly for the coal company in order to make sure that we take care of the deferred stripping costs. We have made the provision, the total provisions on the consolidated side adds up to 24 crores or 60 crores. So, you'd sum and we are conscious of the fact that the Mundra as a entity certainly has a difficult and challenging time. The change in gold prices need resolution and we have appealed to stakeholders and the government.

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

We also announced our power sector 4A international 4A by moving to a joint venture in Africa and I am happy to add today that the company has been successful as a successful bidder for 235 megawatt in the bid results that were announced yesterday in Johannesburg.

So, that makes our beginning in the power sector side in the international, as you know we are already been on the geothermal side, we have already been in the coal side, but that takes us in the other aspects of the power sector in Africa also now.

In terms of the two key projects, Mundra, we continue to run the unit successfully in fact as we talk during the month the Mundra unit has been clocking very high level of availability and performance. And also in terms of Maithon now that both the units are commissioned, we are looking forward to the second unit being successfully commercially operated by end of this month.

As you are also aware that the 25 megawatt project, solar project at Mithapur was commissioned on schedule including the last minute work that was transferred to us in terms of the associated transmission line with the result, the company has been able to secure the PPA that we have signed with the GUVNL. And therefore we continue to have the advantage of the higher tariffs and associated with the Mithapur solar project.

Having talked about Mundra Unit 1, let me mention that the other units are in schedule as we had mentioned before and by July, we expect to commission our unit 2 from Mundra also and the rest of the units will follow. Maithon, I have already mentioned this part, the other part that I just want to mention about Maithon is the fact that the besides these two units, which we mentioned, we are also doing the first pilot using the imported coal that we have been able to get for the unit and made arrangements for it to be shift from the Eastern Coast to the project site and railways have consented to carry the cargo to the nearest site.

So, that's another first to make sure that to the extent that the 80% will be provided for, of the allocation in terms of FSA, the balance part will be made good both through the important goal has also the - from TATA Steel because we are very bullish that Maithon should be able to on a blended basis, generate far pretty competitive. The other projects which we have been referring to let me quickly go through them.

The Dagachhu Project is moving as per schedule and the tunneling work is progressing well. And our commissioning dates stays as what we have been mentioning earlier as FY14.

Kalinganagar project has kick started. We have already awarded the main plant and the civil works. The site is getting all the clearances. The first phase of the project is commenced and again by the H1 of FY14 we expect to commission the CPT1. The other

projects in the Eastern region in terms of Tiruldi in Jharkhand and the project in the associated with Mandakini and also the projects being pursued as they are progressing well. And we will make announcements in terms of their financial closure in short time.

So, that's the brief on the projects. I invite you to raise your questions now and we'll be happy to respond to them.

Questions And Answers

Operator

Thank you so much sir. We will now begin with the question-and-answer session. [Operator Instructions]. We have first question from the line of Vikas Goyal from ICICI Securities. Please go ahead.

Analyst

Sir this is Prakash -. Good evening.

Anil Sardana, Managing Director

Good evening.

Analyst

I would like to start with a humble request of sharing the presentation results much ahead of the concall. We have being seeing it for unless for last a few quarters - into presentation or the result does not coming adequately before, to for us to go through the result and ask any informed question about the quarter?

Anil Sardana, Managing Director

Pointed noted.

Analyst

So, that is one submission. We have it on the day two, right now once the result is out because obviously we understand that managing your time might be difficult going by the quantity of disclosure which the company makes which is definitely appreciable, but right now we don't get time, enough time to go through the result before we can ask or inform the questions to the management.

Anil Sardana, Managing Director

Okay.

Analyst

So that was part one. Part two is likely with regard to the impairment of -. This was second time impairment which has been done would like to know what is the key assumption that has been taken while starting this impairment because if you do impairment our estimate, the impairment number on the core this is significantly higher and we are seeing that management is doing impairments in a, so far in the - basis what are the assumptions that has gone into the oral impairment -?

Anil Sardana, Managing Director

A major change, since we did the last assumption has been the outlook on foreign currency.

Analyst

Okay.

That we did an assessment in Q2 when we made that provision and our exercise in Q3 did not call for any further. However, the outlook as at the end of Q4 particularly on foreign currency outlook based on the consensus that we have received from different people has been very weak rupee which is mainly contributed to this substantially.

Analyst

Fair enough. Sir would it be possible for your to spare three key assumptions while calculating this impairment number, one is the coal cost is, long-term coal cost assumption and the second will be INR to dollar conversion rate, and third will be the station hit rate. So if you can say these three assumption probably will be, we as an analyst paternity will be able to make a estimate as to what we should be looking forward into the impairment?

Anil Sardana, Managing Director

Actually these are available for you from third-party sources. But because unless you have the full model providing part information can be misleading.

Analyst

No, what we want to have a sense of direction. Like know we understand that the complexity of the model would be far higher than...

Anil Sardana, Managing Director

Coal price is somewhere in the mid 90s with 2% increase going forward on a long-term basis. What are the two other questions you asked?

Analyst

You talked about the USD change?

Anil Sardana, Managing Director

Foreign exchange is available on the - and we take foreign exchange is long-term that has been now looked at in the range of 45.5 in the long run, though it is higher in the initial period.

Analyst

So, 45 is in the long run and third is the station hit rate?

Anil Sardana, Managing Director

45, 50 compared to 42 we had earlier.
Okay.

Anil Sardana, Managing Director

And what's the third question you asked?

Analyst

The station hit rate?

Anil Sardana, Managing Director

So the station hit rate for this type of super critical units you can take it with 40% efficiency and what exactly to take.

Analyst

Okay. Sir just on the coal cost side let me, when you \$90 is that for benchmark or the landed cost number?

Anil Sardana, Managing Director

No. That's a benchmark. Therefore we planning to pass.

Analyst

So, basically your number let me know the delivered cost would be significantly lower based on that discount that you get to the benchmark?

Anil Sardana, Managing Director

We don't get any discount because of the Indonesian current rule you know that. That's what we have been making. We get no discount we assume it to be at the HBA price that the Indonesian Government has now stipulated on all manufacturers.

Analyst

Okay. Thanks a lot sir. That's all from my side.

Anil Sardana, Managing Director

Vikas only assumption that you need to run to clearly is the fact that while we get no discounts to the HBA price, the HBA price for the local asset value already has a discounts built in the HBAs that you have to keep that into mind.

Analyst Anil Sardana, Managing Director

So, we are happy to tell you that at this stage, we are already using 50-50 as the blend ratio.

Analyst

Thanks a lot sir.

Anil Sardana, Managing Director

Thank you.

Analyst

That's all from my side.

Operator

Thank you. We have the next question from line of Parag Gupta from Morgan Stanley. Please go ahead.

Parag Gupta

Hi, Good evening. Just two questions. Firstly could you just elaborate a bit more on how is been the trial runs at Mundra with respect to low cost, with low GCV coal. So if you could give us a sense of what kind of - value you are using and what is the pricing? And secondly with respect to Maithon you mentioned that you are looking at importing coal to increase your availability, have you already received approval from the regulators for the same?

Anil Sardana, Managing Director

The first question is in terms of the low CV coal you mentioned and right now what we have blending is a coal that about 4,200 kilocalories as receipt basis and that's considering the HBA price, you can calculate the discount to the list price. That's number one.

Number two question Parag you had was in respect of Maithon, I have mentioned the fact that we are doing the first pilot with the first consignment that we're getting on the low CV to Maithon with the objective that we should be able to top up and take advantage of the declared schedule. So that we are able to run our units beyond the 80% that will be provided through the FSA, just in case tomorrow there are challenges for the Coal India to supply.

So, that we are able to blend it, tested and be prepared for it for all times to come. So, its not just the coal testing it's also the testing of logistics up to the site to make sure that whether railway agrees to carry the consignment whether the siding arrangement right up to project facilitates carrying the coal in an effective and efficient manner. So, that's the exercise that's being done. You asked about the fact whether we have been able to get approval of the regulator at this stage? We don't intend to go to regulator prior to doing this part. We have talked to our customers informally and they are happy to absorb more power. And they should be able to compensate us for that blend of imported coal.

Sure. Thank you.

Operator

Thank you. We have the next question from the line of Abhishek Puri from Deutsche Equities. Please go ahead.

Abhishek Puri

Yes. Good evening, sir. Two questions from my side. One, just wanted to reconcile the daily distribution profit that you've given. I think for the full year number the profitability looks at about 338 crores versus the last three quarters if I add up was about 153 crores.

So, which means I think the fourth quarter has locked the profitability of about 185 crores. Are my numbers correct or just wanted to check it is alright?

Anil Sardana, Managing Director

Abhishek you need to appreciate that the tariff last year was declared and made effective after the H1 was already over.

Abhishek Puri

Absolutely.

Anil Sardana, Managing Director

So, therefore what you said is right. Most of this would appear in the last two quarters and the last quarter as you said would therefore contribute to a higher number.

Corporate Participant

We have given the Q4 number also to you Abhishek.

Abhishek Puri

Right. But the Q4 number which has been given on this slide is I think about 74 crores and if I add up all four quarters profitability it's not adding up to 338 crores it has been given for the full year. That's why I wanted to check if there is one-time component which is there in fourth quarter?

Anil Sardana, Managing Director

We will check that part and maybe you will get a mail from --.

Abhishek Puri Anil Sardana, Managing Director

In Q4 in this year have been 15.75.

Abhishek Puri

That's the production?

Anil Sardana, Managing Director

Production, sale is roughly similar and last year was 13.2.

Abhishek Puri

Right.

Anil Sardana, Managing Director

And 13.8 was the sale. Therefore the revenue is about \$92 compared to \$87 earlier.

Abhishek Puri

Okay.

Anil Sardana, Managing Director

The cost of production is significantly higher from \$41 to \$47.

Abhishek Puri

Okay.

Anil Sardana, Managing Director

Abhishek just one request on the semantic when you say booming it could missed just because they have now in that portfolio. Yeah, so I would appreciate that if you address that has KPC and - they are investment as.

Abhishek Puri

Alright, I will take of that. Just the last question if I can, step to the debt numbers and cash numbers at the coal mining SPV that we have?

The outstanding debt is 790 million. A cash we have is 211.7 million as of 31st, March.

Abhishek Puri

790 million includes the bonds that with therefore?

Anil Sardana, Managing Director

Yes.

Abhishek Puri

Alright thank you so much and all the best sir.

Anil Sardana, Managing Director

Thank you.

Operator

Thank you. We have the next question from the line of Sumit Agarwal from ICICI Bank. Please go ahead.

Sumit Agarwal

Yes, sir just wanted, you said the Mundra one has operated at a reasonable -, what was the - and what was the PLF if you can give those numbers?

Anil Sardana, Managing Director

PLF numbers for Mundra, I don't have, one second. The -- I have the figure for, from the morning report that I can tell you Sumit, which is that in the May the PLF is about 84% till date.

Sumit Agarwal

PLF?

Anil Sardana, Managing Director

PLF.

Sumit Agarwal

And what was the -?
You are talking about the availability?

Sumit Agarwal

Yeah, availability?

Anil Sardana, Managing Director

It will be higher than 84, so it could be well above 94, 95.

Sumit Agarwal

Okay. Second thing, if I heard rightly you said the total provisioning was 2,460 crores?

Anil Sardana, Managing Director

1,800 crores, you are talking about?

Corporate Participant

What he said was you if you add the impairment and the deferred stripping.

Sumit Agarwal

Yeah.

Corporate Participant

The non-cash cost they add up to about to 2,400 crores.

Anil Sardana, Managing Director

2,460.

Corporate Participant

That's what he said.

Sumit Agarwal

2,460 crores?

Yeah.

Sumit Agarwal

And this is for the full year we are talking of?

Anil Sardana, Managing Director

Yeah, right.

Sumit Agarwal

Okay, sir. And sir if I can just slip on the Mundra, sorry Maithon side, what's the status of the railway siding and the land availability if this debt were there?

Anil Sardana, Managing Director

The, in terms of the railway siding the work is continuing. And the land is sort of getting across to us in - bounds. We have paid money for the R&R power as was decided between us and the government to all the people and in our own judgment it will be up-till December that the land will be fully available to us.

Sumit Agarwal

So till the railway siding is not ready how is the transport of the fuel done currently?

Anil Sardana, Managing Director

So, Sumeet I mentioned to you that, what we have done is the made alternate arrangements. We have taken two sidings from the Eastern Railways and from BCCL. One siding which belongs to BCCL which is very close to our project site. We have taken over that on a lease from them till such time that our siding own siding becomes ready.

And we have taken from Eastern Railway at the Asansol siding for the main circuit just in case we are able to get coal where on the main circuit itself, we can unload and from Asansol then we can truck it to our site. So we have made both alternate arrangements to make sure that we have a robust alternate arrangements to Maithon, my fault.

Sumit Agarwal

Okay, sir. Thanks a lot, sir.

Anil Sardana, Managing Director

Thank you. Can we have the next speaker?

Operator Bhavin Vithlani

Good evening gentleman.

Anil Sardana, Managing Director

Good evening.

Bhavin Vithlani

First if you can help me with some full year data on the KPC - production volumes and FOB and cost for the full year.

Anil Sardana, Managing Director

Okay. So you want for the full year. Our financial is different from their calendar year. We, the mine production is 67 million sales is 65 million last year at 58%. Before the revenue \$94 compared to \$76 last year. And cost of production is \$43.5 compared to \$36.7 last year.

Bhavin Vithlani

Okay. In the earlier calls you were highlighting about automation which will help in reducing the cost of mining. Any update on that and because you were speaking about \$3 to \$4 reduction in the cost?

Anil Sardana, Managing Director

Yeah, In fact Bhavin, some of that has started to show up not entirely for the two reasons that number one, we are right now also opening new mines therefore there is more cost on account of opening of those new mines with offsets the advantage that we get due to the cost of reduction. Number two there has been a spurred in fuel cost which is the prime in fact that almost constitute 50% of the total costs of mining and gets impacted because the oil costs which is used for trucks as well as for running various excavators and equipments which impacts the cost of production.

So, those two are the reasons why moved from 36.7 to 43.58. Part of what you mentioned in terms of automation and the conveying systems instead of trucking has already started to show some advantage, but most of it will start to show up once we stabilize on having opened up new mines.

Bhavin Vithlani

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

Anil Sardana, Managing Director

Normally in our arrangement with - it is they who give guidance, we give actual.

Okay. Right. So, is there any change in the outlook, we are seeing some softening in the coal prices in the last couple of months?

Anil Sardana, Managing Director

It hasn't changed the long-term outlook. The reading probably from middle of this year, the coal price will start firming up is the judgment that our marketing department of our mines.

Bhavin Vithlani

Fair enough. One last question if you can help us with the outlook on the two coal mining projects in the Orissa and Jharkhand?

Anil Sardana, Managing Director

Sorry. You wanted to know status?

Bhavin Vithlani

Right. The status and the outlook on.

Anil Sardana, Managing Director

The status for, let me start with Mandakini which I've mentioned to you is ahead of Tubed and as we talked, the land acquisition has progressed and we are in fact now submitting the last part of our R&R obligations for acquiring the balance part of the land. I had mentioned to you last time that the mining plan and environmental clearance for Mandakini mines has already available and we are therefore well in our position to move ahead.

As far as the Tubed and therefore it continues to have the outlook of FY13-14 that I've mentioned before depending on the rest part of opening up that once they do that we get to understand clearly that as to when exactly get could be used that coal and the Tubed coal which is closed to about 8 to 10 months behind Mandakini, we are to get the clearances on the environmental side as also the land acquisition settlement et cetera is progressing with the state government. So, that's a status on the two mines.

Bhavin Vithlani

Sir, any view when would be equipment ordering and the work on the power plant site commenced?

Anil Sardana, Managing Director

So, let me start with - which is the project which has linked to the Tubed Mining that's where they were two issues if you may have read it in the newspapers. One was the Jharkhand Government reviewing all the projects which were being developed in their state. I am very happy note that they canceled their arrangement with 21 projects but - was one of the few projects that they have continued the arrangement.

And one month after that we should hope for that clearance. Once these milestones are completed, the ordering part will automatically be within the quarter of these milestones being completed.

Bhavin Vithlani

Sure. And the project linked with Mandakini?

Anil Sardana, Managing Director

Yeah. The project linked with Mandakini is the Naraj Marthapur project. The Wildlife approval that is done by a committee headed by Chief Minister hasn't facts for last one year and there are many projects which are today are held up because of non-convening of that committee.

And once they approved that they have to refer the matter through the Court process to award the Wildlife and Forest approval. So, we are one waiting for that part. Once that happens, we will progress. Meanwhile, we have started to look at alternate options to, because the mine could be available earlier as I had mentioned Mandakini is progressing faster.

So, we have started to look at some of the alternate lands which are within the Tata Group Companies reach. Some of the other Tata Companies have land in Orissa and we have therefore started to explore possibility of using some of those lands which we will declare if we are able to come to an arrangement with such of the companies.

Bhavin Vithlani

Okay. Thank you so much.

Anil Sardana, Managing Director

Thank you.

Operator

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

Venkatesh B

Good evening sir.

Anil Sardana, Managing Director

Good evening.

Venkatesh B

Can you give us a breakup of these costs, I mean what exactly are the cost items here? Because you have hardly generated anything this year but while you had such a big operating costs, I was wondering what is a breakup of this 308 crores?

Anil Sardana, Managing Director

See, you need to understand that there is cost on account of the board service agreement and there is cost on account of the fixed expenses of the OEM, staff et cetera. So that is what is showing here in terms of the cost.

Corporate Participant

In slide fax to all of you, we may not had time, we have given the operating profit, EBIT and PAT.

Venkatesh B

Yes, sir I was actually asking a break up of this 308 crores cost. So I said operating income is 8 crores operating profit is a negative 300 crore. So I am telling, so the operating cost in between is basically 308 crores. Right? So I just wanted a break up those cost numbers? How much portion is a fuel cost in it and how much is OEM and how much is depreciation?

Anil Sardana, Managing Director

See the prime part closed to about 60% of that is the port charges itself and the rest is in terms of the fixed costs which are already committed including the interest committed including the interest and finance charges. So, I think that's the detail.

Venkatesh B

Sir if 60% of this cost is port charges but that means that you basically have imported a lot more coal?

Anil Sardana, Managing Director

No, take or pay obligation on the ships as well as the port whether we use it or not, we have to pay a certain charge for both these.

Venkatesh B

Okay.

Anil Sardana, Managing Director

That is the biggest chunk of these 300 crores. Our own operating expenses hardly 22 crores or something like that. But bulk of it is the standing charges that we had to bear.

Venkatesh B

How much is the fuel cost sir, there fuel cost elements?

Anil Sardana, Managing Director

Fuel is hardly any number.

Corporate Participant

See - and you need to understand that the UMPP board service agreements et cetera had been done before Tata's took over the system - company.

The other aspect that is important for us to understand is that these port despite of the fact that the ports are built for long term they start to charge the fixed costs on a given date and we all know the target delayed are commissioning despite the fact that we have already ahead and therefore we had intended that we will start using ports from a particular time but because of the transmission line delays of about seven months plus, these costs have coming into the system without having actually used that for unloading -.

Venkatesh B

Okay.

Anil Sardana, Managing Director

So, that's a feedback that we have provided to the Ministry of Power to say that in future they should make sure that this aspect is taken care for UMPP and other case two projects.

Venkatesh B

Sir, what is the final, what is been decided what is going to be the debt equity of Mundra UMPP now? Is it going to be 75, 25 or lower?

Anil Sardana, Managing Director

We are under discussions with the lenders. We have said that we will make available the cash flow from the - and hence we are recursion to maintain and disburse the originally sanctioned loans. The matter they have in particular agree to put up their credit committee for the - is till awaited.

Venkatesh B

And when do you think this process of merging the SPV with coastal Gujarat Power Limited will happen by?

Anil Sardana, Managing Director Venkatesh B

Sir that should at least an year or so I guess?

Anil Sardana, Managing Director

Maybe in next quarter financial matters, we'll wait and see.

Venkatesh B

Okay. Sir my second question is on Maithon. You made a loss of 174 crores in this current year. Now, what exactly went wrong in Maithon because it's fairly uncommon for a regulated ROE project to make losses. I assume that you would have assumed that the project will get commissioned much faster and everything will be in place.

So, and that is why you thought before the PPA starts we will have, we will try to sell the power. But shouldn't this have gone into the planning when you are actually going to commission a project because in high-end side, it looks like the fact that you are selling power, you signed an agreement with say an NDPL to sell power at a particular rate. Was in high-end a mistake when you have been done all things have come to on time, the railway siding and all those things?

Anil Sardana, Managing Director

Well, part of your assessment is okay. In terms of fact yes we had the agreement based on the predictions that the system would be ready. It's not an issue of railway siding because the coal transport to the project was on. It was in fact the issues related to the fact that the transmission line and the evacuation systems got delayed.

Now, yes so part of that is there and the rest is of course the fixed cost in terms of the element of interest, the other fixed cost as are payable for the OMSA contract by MPS.

Venkatesh B

Okay. Sir my last and final question. Sir as sales-side analyst, we get terribly confused as to how to deal with this line item called deferred shipping cost because in certain quarters and certain years there is a positive number. So, when there is a positive number you really we do not adjusted as an exceptional item. When there is a negative and usually suddenly there is a quarter

where there is a massive negative number and then we write that no this is an exceptional item and we remove it from the profits and show that recurring profits look good.

So, how would you philosophically, how do you deal with these number, should we be assuming that anyway this is not a cash cost we just knock it out from the number and look at it in isolation without these numbers, whether it is a positive or a negative number because what I understand in my last interaction was that you were planning at some stage to move to accounting for this as for example on an actual basis rather than making these provisions. So, from a philosophically basis, how do we deal with this number?

We from this quarter from this year onwards hopefully these are item will not appear. Since the coal companies have decided to write-off the deferred shipping and not accumulate. The KBC did that from the previous quarter, - has been done it from this quarter. Typically in coal mining that is way you focus more on cash cost rather than the pro-rated cost that we report.

Venkatesh B

Okay. Thank you very much sir. And the very best for the future.

Anil Sardana, Managing Director

Thank you.

Operator

Thank you. Our next question from the line of Darshan Dodhia from ICICI Direct. Please go ahead.

Darshan Dodhia

Sir couple of questions from my side. One is that what is the regulated equity for the standalone business as on 31st March?

Anil Sardana, Managing Director

2,563.

Darshan Dodhia

2,563. Okay. Hello?

Anil Sardana, Managing Director

Yeah.

Darshan Dodhia

And for the transmission and distribution space?

Anil Sardana, Managing Director

No 2,563 is total. Distribution is 1,630, transmission is 651.

Distribution 282.

282. And the what's the CapEx because you have build to the regulator for approving some CapEx. So has the regulator approved the CapEx or it is still lead to be for FY13 and '14?

Anil Sardana, Managing Director

Far a - process. We will get it with the orders.

Darshan Dodhia

Okay. And next question is in case you have done this pilot for Maithon project, in case you have beneficial is go for ready to accept. So are you, is it a possibility that you are going to run the second unit of Maithon at imported coal or at plus buildings?

Anil Sardana, Managing Director

No, Darshan we don't plan to have the whole unit to run on the imported coal for the simple reason that now Coal India is signing the FSA with Maithon which is guarantying 80% of the supply. So we are doing this pilot to blend it. You must have seen also the CA

advisory to all the generators saying that you should plan for the imported coal for topping up, so that the availability mismatch can be removed and a country can actually get the benefit of higher generation. So, we having being experienced in the imported coal and having access to the fact that we've been able to do blends very well.

We are one of the first ones to do this part that we are moving ahead and doing this and testing it in the system. So that we are completely prepared. And we have done as I mentioned in the call before, we have done an informal discussions with the beneficiary and they are keen that we should do this pilot and they would be keen to off-take part on a blend basis.

Darshan Dodhia

So, then what will be the landed cost and the DCB which you will be importing for this Maithon unit for the topping out part?

Anil Sardana, Managing Director

We have already talked about the fact that this will be at the HBA pricing and we are looking at right now importing 4,200 kilo calorie coal on a receive basis.

Darshan Dodhia

So, the FOB would -- the landed cost -- the Maithon plant would be?

Anil Sardana, Managing Director

No, you need to assume the FOB, HBA for this kind of a coal will be about \$50 or so. And then you had another close to about nine plus the inland transportation and assume the price.

Fine. Fine sir. Thank you sir.

Anil Sardana, Managing Director

Thank you.

Operator

Thank you. Ladies and gentlemen, in the interest of time we will take the last two questions. We have the next question from the line of Harish Bhiyani from RBS. Please go ahead.

Harish Bhiyani

Yes sir. Good evening.

Anil Sardana, Managing Director

Good evening.

Corporate Participant

Good evening.

Harish Bhiyani

My first question is on Maithon. If we look at the project cost that is.

Anil Sardana, Managing Director

Abhishek can you be little louder please? Harish, sorry.

Corporate Participant

Talk louder please.

Harish Bhiyani

Yes sir. The first question is on Maithon, if you look at the project cost it has increased by about 18% to 52 billion. Wanted to know the reason for the same apart from ICD what else could be there?

Anil Sardana, Managing Director

In fact the Maithon increased of costs is on two accounts. One is of course the railway siding costs that is there and the other increase in cost is the civil works. These are the two costs that had increased. And the, what is useful as I had mentioned before in some previous quarter call, that Maithon today both in terms of the railway siding and also in terms of the entire coal system and water system the support will support our two additional units there without any further cost addition.

So therefore we have moved that and we are very fortunate that we've already started to get a clearance with the - has already been approved by the environment people. And therefore the process is already set into motion for capacity addition at that plant.

Harish Bhiyani

Okay. I have a couple of associated questions on Maithon. First is on the FSA we had already signed this FSA with BCCL for about 1 million tonnes, 1.5 million tonnes, that was at 60% - level, is that is correct number A? And B on the second FSA where we have alloy when are we signing that and on Tata Steel will they be procuring entirely imported coal for us was that the agreement and on the PPA side since about 450 plus 300 - 750 megawatt PPA have already started and we just have 600 megawatt commercial operations as of now.

So where do we intend to get that 150 megawatt additional? Plus in the presentation if you look at the PPA status for the remaining 300 megawatt it is written as under negotiation. So, just wanted to understand what happened with -?

Anil Sardana, Managing Director

Harish, while your voice was very fable but let me try and attempt if I've heard all your questions right. Number one and they may not be in the entirely in the sequence that you asked.

Number one our PPA is for 750 megawatt have not commenced. The TPA set of commenced are exactly half of what you said. The 375 megawatt will commenced once, we do the commercial operations for Unit 2 which I have mentioned we should be able to do finish by this month end.

So that's first.

Harish Bhiyani

Okay.

Anil Sardana, Managing Director

Number two point that you asked was in terms of Tata Steel doing imports for us no. Tata Steel is committing to us the middlings, not the imported coal. Imported coal Tata Power is well competitive to do the imports on it's own. We have been doing that in western region and that's what we are trying to now take our experience to the eastern region.

Third part you mentioned about the FSA. The FSA as is now a subject matter of discussion between the power fertility and the Coal India and their subsidiaries and therefore the revised FSA that's been signed or that's been negotiated with BCCL. What we are doing is doing an amendment through the existing PPA by saying that they will give us the status of MFC which the most favorite company

which would mean that whatever becomes the final agreement between the various other people and the Coal India will also apply to this project, we are not therefore waiting for an agreement to first happen between others.

Harish Bhiyani

Okay. So, if I understood correctly, basically the FSA which we have with BCCL that will be under the new norms and not that 60% that we had talked about earlier?

Anil Sardana, Managing Director

That's correct.

Harish Bhiyani

And on that PSEB, PPA?

Anil Sardana, Managing Director

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

Harish Bhiyani

Okay. Okay. So, in case PSEB they don't sign the FSA basically we can sell it any other party?

Anil Sardana, Managing Director

You are talking about FSA or you're talking about PPA?

Harish Bhiyani

PPA, PPA. Sorry. PPA?

Anil Sardana, Managing Director

Yeah. No, no it's not their, they don't sign, they want to sign tomorrow it's us.

Harish Bhiyani

Okay. Okay.

We have to make a choice whether we want to sell that to somebody else at higher price or we want to sell to PSEB depending on our decision.

Harish Bhiyani

Okay. Okay. I have a couple of more questions. So I'll ask them directly. So you can answer in one go.

Anil Sardana, Managing Director

I appreciate Harish. Thank you so much.

Harish Bhiyani

Sir I have a couple of more questions.

Anil Sardana, Managing Director

No, no why don't you write that to Preeti and you will get the response because let others get their opportunity.

Harish Bhiyani

Quickly, sir. I'll ask them quickly. On Bhumi on that KPC Bhumi has given that CY14, production will increase to 100 million tonnes. So what's your, what's your confidence level in terms of that?

Anil Sardana, Managing Director

Harish, I think it's a question that has been already answered. That you please ask KPC for response on the outlook.

Harish Bhiyani

Okay. And sir on Mundra, the project cost is increased why I am asking this is because if you look at the debt disbursement as in Q3 that was 121 billion versus total debt disbursal requirement of 127 that is one. and secondly on the given that we are investing a lot of in went so large, geothermal was the ROIC threshold that we look for when we are investing in any project and what's our cost of capital that you take into assumption?

Anil Sardana, Managing Director

I think the first point that the Mundra cost has increased is not correct. Mundra cost, physical cost remains same as what we had before and that's not increasing.

Harish Bhiyani

Okay.

So that part you should be clear. On the geothermal and wind project as - you would want to respond.

Corporate Participant

See, normally the ROE that look for is between 14% to 16%. But the with ROEC certificate mechanism that has coming to play. We believe it is going to be more in the range of 16% plus - and if it is geothermal outside of India, we do look for the 16.

Harish Bhiyani

Okay, sir. Thank you so much.

Operator

Thank you. We have the last question from the line Abhishek Puri of Deutsche Equities. Please, go ahead.

Abhishek Puri

Thank you so much for giving another opportunity. Just one thing on the first question that you answered was on the impairment reassessment that you have done and I mean it - provision this quarter because of the ForEx, if we understand correctly the ForEx component is a pass through the change in the exchange rate is pas through?

Anil Sardana, Managing Director

Not it is not loans. It is only on the coal costs based on which we have quoted the variable costs. It is not a pass through as far as the capital funding is concerned. So the servicing burden that increases because of a different outlook on the foreign currency.

Abhishek Puri

Okay.

Anil Sardana, Managing Director

Has affect the provision.

Abhishek Puri

Sir, now since you have run the plants for almost two months. Can you give us some sense on as a tariff and the fuel cost that we are getting at this point in time?

Anil Sardana, Managing Director Abhishek Puri

The fuel cost and tariff will not be dependent on the rest of balance of plant. If you can give us numbers?

Anil Sardana, Managing Director

The - consumption does and hence the fuel cost tariff. Okay.

Abhishek Puri

Regarding this tariff.

Anil Sardana, Managing Director

What the tariff is? Rs.2.40 is the contractual tariff.

Abhishek Puri

That is after considering, where the rupee is currently?

Corporate Participant

That's correct.

Anil Sardana, Managing Director

It is after considering the fuel cost but without considering, - right?

Corporate Participant

Yeah but this is only, based on the current exchange.

Anil Sardana, Managing Director

On the current but not based on change of - that we may have. That is the separate process that we have it is the actually one that we have billing the -. Whereas the change of laws we have to through -.

Abhishek Puri

And the last thing if I can slip to is where do you see the resolution coming in for Mundra now? Whether it is a central government policy change you would be looking for? Or you have to get all the files procure us together to make a

Anil Sardana, Managing Director

We'll keep you inform that in progress.

Abhishek Puri

Thank you so much sir.

Anil Sardana, Managing Director

Thank you.

Operator

Thank you. That was our last question. I would now like to hand the conference over to Mr. Anil Sardana for closing comments. Please go ahead sir.

Anil Sardana, Managing Director

Thank you, Terence. And once again thanks to all the participants on this call. And we are sure that if you have anymore questions or any queries, please redirect those to Preeti and we will be happy to respond to them. And we look forward to a continuing interactions with you all. Thank you so much once again for joining the call.

Operator

Thank you so much. On behalf of Tata Power that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.