



“Lanco Infratech Limited Earnings Conference Call”

August 16, 2011





*Lanco Infratech Limited
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Moderator

Ladies and gentlemen good day and welcome to the Lanco Infratech Q1 FY12 Earnings Conference Call hosted by UBS Securities. As a reminder for the duration of this conference, all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your touch-tone telephone. Please note that this conference is being recorded. At this time, I would now like to hand the conference over to Mr. Pankaj Sharma from UBS Securities. Thank you and over to you sir.

Pankaj Sharma

Good morning and welcome everyone to the 1st Quarter of FY12 conference call for Lanco. First of all please accept my sincere apologies for the delay in start of the call. Today we have with us Mr. Suresh Kumar, CFO and the Investor Relations Team of Mr. Vibhu Agarwal and Saurabh Garg. We would start with the opening remarks from the management and then the floor will be open for the questions. With this I hand it over to the management. Saurabh, please.

Saurabh Garg

Thank you Pankaj. First of all my sincere apologies for delay. Good morning everybody and I welcome everybody to Lanco's Q1 FY12 earnings call. I will just quickly walk you through the performance of the company for the quarter and then handed over to our CFO Mr. Suresh Kumar for his inputs.

Suresh Kumar

On the financial performance before elimination the revenue grew by 22% up from Rs. 25,611 million in Q1 FY 11 to Rs. 31,152 million in Q1 FY 12. Total revenue after elimination stands at Rs. 19,691 million in Q1 FY 12 against Rs. 21,359 million in Q1 FY 11, a drop of 8% due to higher elimination of revenue. The EBITDA before elimination grew by 18% up from Rs. 6322 million in Q1 FY 11 to Rs. 7455 million in Q1 FY 12. EBITDA after the elimination for the quarter stood at Rs. 5151 million. Coming to the bottom-line, profit after tax before adjustment for profit on transaction with subsidiaries and associates stood at Rs. 2350 million in Q1 FY 12. Profit after tax after elimination stood at 138 million in Q1 FY 12.

Cash profit derived after adjusting for non-cash items such as depreciation, defer tax, and match credit and intercompany elimination stood at Rs. 3657 million in Q1 FY 12. On segment wise performance in EPC revenue before elimination up by 64% from Rs. 10,558 million in Q1 FY 11 to Rs. 17,299 million in Q1 FY 12. EBITDA before elimination up by 59% from Rs. 1949 million in Q1 FY11 to Rs. 3104 million in Q1 FY 12. EBITDA margins before elimination stood at 18% for both the quarters.

Order book under EPC and construction as on 30th June 2011 stands at Rs. 310 billion. During the quarter EPC division has achieved another milestone by winning its first international EPC order of Rs. 3653 million in Iraq for a plant capacity of 2x125 MW; it is a gas-based power plant. In power segment revenue down by 25% from Rs. 14,344 million for Q1 FY 11 to Rs. 10,770 million primarily due to lower revenue in forward trading and lower realization in merchant capacities. EBITDA stood at Rs. 3719 million compared to Rs. 4665 million in Q1 FY11. Those figures do not include the EBITDA of Rs. 744 million as it has not yet been consolidated as a subsidiary. EBITDA margins were impressive at 35% compared to 33% of the previous year. During the quarter total generation was 2309 million units excluding Udipi power and realized Rs. 7950 million that means average realization of around 3.45 per unit. As far as the Merchant capacities are concerned that too Kondapalli II& Amarkantak I, total generated 1103 million units and realized Rs. 4190 million, that means average realization of Rs. 3.8.

On the power trading segment, power trading division has traded 1433 million units during Q1 FY12 compared to 1477 million units in Q1 FY11. On the resources business side, during the quarter production of the coal was 0.7 million tons and on the other hand sale of 0.8 million ton. So revenue, the top-line in the resources stood at 2623 million and the EBITDA was 600 million. And in the property segment, our revenue was down by 2% from 354 million in Q1 FY11 to Rs. 347 million in Q1 FY12. On the other hand, EBITDA was up from negative 30 million Q1 FY11 to positive 23 million in Q1 FY12. With this I would like to hand over the floor to Pankaj for Q&A session.

- Moderator** Sure. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Abishek Anand from JM Financial, please go ahead.
- Abishek Anand** Just on Amarkantak, could we know the realization in the complete plant and why is the profitability down YOY?
- Suresh Kumar** First is the PLFs were down relative to last quarter and if you look at realizations last quarter to this quarter the difference is almost Rs. 1.40. If I remember in the last quarter our realizations were much higher. This time I think we got somewhere around 360-370 this quarter, while we had tied up power with Karnataka at a higher tariff, we could not supply power to Karnataka at that point of time because there was a lot of congestion in the system and while we had the PPA, we did not get an open access. By force we had to push some power into the UI market as well given that we couldn't supply power to Karnataka because of availability of access. Otherwise it should have been in a good quarter but for congestion related issues and of course PLF related issues.
- Abishek Anand** Sir, is the supply to Haryana continuing and are we booking some realization on it?
- Suresh Kumar** Actually this quarter in June there was not a significant supply to Haryana but we did start supplying in the quarter in June 2011. Currently we are supplying as much as we can to Haryana as well as to Chhattisgarh in the ratio of 65:35 per unit.
- Abishek Anand** In terms of realization for Haryana?
- Suresh Kumar** When we are billing them at CRC tariff and they are paying I think, Rs 2.32 currently despite there being a clear message that it would not be the old PPA price, it has to be at a price that is determined by the tribunal, while we are billing them at CRC which works out to some 260-270 if remember right and while they are paying 232.



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- Abishek Anand** Sir, one more question on the road project, I have seen an increase in your order book. Did we see some new projects in that?
- Suresh Kumar** I think it is largely the new Kanpur-Aligarh that came into the order book. The new order book is coming in the form of Aligarh-Kanpur Highway that we won in NHAI bid added to the order book.
- Abishek Anand** Sir, just a last question from my side. Could you help us out with the consolidation schedule for Udipi as well as Anpara?
- Suresh Kumar** What is the issue there?
- Abishek Anand** When are we going to do the consolidation for Udipi as well as Anpara?
- Suresh Kumar** Anpara it looks to be in the quarter of December, Udipi also will be around that time. We are working on then few options on Udipi and if we are able to achieve them, then we will probably look at consolidating from December quarter. It is all the function of whether we will be able to get our transmission lines Udipi II in place by the December quarter but we will have to wait and watch, we will keep you all posted.
- Abishek Anand** Sure, that's all from my side. Thank you sir.
- Moderator** Thank you. The next question is from the line of Atul Tiwari from City Group, please go ahead.
- Atul Tiwari** Just wanted to get your views on the likely merchant realization for Amarkantak-1 and Kondapalli over the next 2 to 3 quarters. So in terms of whether you have already signed up a few PPAs or you are in process of signing up and what is the likely realization?
- Suresh Kumar** Amarkantak-I we tied up right up to June at Rs. 4 levels at busbar, right up to June for almost the entire capacity. Of course, UP government can decide whether it wants to take the entire 100% of the PPA or up to 80% without any penalty. It is all the function of how the UI prices are going to trade going forward now over the next 2 to 3 quarters because UP is currently in election mode for the May 2012 elections in UP. So it is a

function of how much UP would like to consume right up to election. Also Amarkantak-I we tied up to June 2012 at Rs. 4 busbar. Kondapalli is tied-up up to September and after some scope from October onwards they have, L1 fore some bids and they are expecting some PPA to be signed on a short-term basis. Up to September Kondapalli is booked, I think, Kondapalli for the 1st Quarter made about close to Rs. 4.30 realization and I think September quarter realization should be around Rs. 370-375 on a busbar basis and from October onwards while we are putting some bids and we are L1, we have not yet signed the PPA. So we will be probably upwards of 3.5 for the rest of the two or three quarters.

Atul Tiwari

Okay sir. Lastly on Anpara project, I understand that there could be always some last-minute delays but delay of 7-8 months. Are you facing any special issues therein commissioning the project or it is just a normal course of delay?

Suresh Kumar

There was some technical issues which we have to grappled with; it seems to be sorted out. So we are quite comfortable that by September we should see some announcements from us for both the units of Anpara in terms of commissioning and clearly by the December quarter you will see them running full speed.

Atul Tiwari

Thank you sir.

Moderator

Thank you. The next question is from the line of Abhishek Puri from the Deutsche Bank, please go ahead.

Abhishek Puri

I had couple of queries one regarding Kondapalli, the CapEx data on the earnings release is missing this time. Has been the project put on hold or something?

Suresh Kumar

Not at all, in fact Kondapalli gas turbine is almost ready for synchronizing so I don't think there is any let up on construction schedule. The way we are going it really looks like, you're going to see a commissioned unit 3 and unit 4 anytime gas turbine, but of course awaiting gas from government towards commissioning and once the Group of minister decides and

started allocating gas and we can quickly synchronize the gas turbine with the grid, we are waiting for gas allocations.

Abishek Puri Okay how about the gas allocations in Kondapalli-I do I understand the AP government has given additional gas sometimes in June. Is that still continuing in July-August?

Suresh Kumar AP government has allocated gas on a priority basis to plants which are highest in the merit order. So in any case Kondapalli-I it is a capacity contract where we get paid on the basis of availability and since we are anyway earning our 80% being generation from Kondapalli-I, even if we run it at low PLF, it doesn't impact significantly on the bottom line and we don't rank in that merit order because there are other plants which are cheaper.

Abishek Puri Okay, lastly just on consolidated profits, just help me, reconcile numbers. We had reported PAT of 138 million and the eliminated part is about 2.2 billion. If I add up all the profitability of the power segment, it is about 1129 millions, about 113 crores. Would that mean that at a different level you would have made a significant losses on PAT level?

Suresh Kumar No, actually not on the PAT level, at the operating level, yes, but not at the PAT level.

Abishek Puri Operating level in segmental information I'm seeing close to 9% EBIDTA margins?

Suresh Kumar But it also includes Forex gains over there, right.

Abishek Puri 82 crore ForEx gain which has come primarily from Griffin?

Suresh Kumar It is not 82 crores, 60% of the 82 crores is coming from Forex gain.

Vibhu Agarwal Abhishek, there is a total ForEx of 82 crores and from there around 60% of this amount pertains to Griffin.

Abishek Puri And balance is from?



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Suresh Kumar Balance is other operations, solar operations and other worldwide operations.

Abishek Puri Forex gain has come in primarily on appreciation for the loans which we have taken.

Suresh Kumar Yeah, basically loans and predominantly Aussie Dollar appreciation versus US Dollar, which is contributing to the gain.

Abishek Puri Thank you so much and all the very best.

Moderator Thank you. The next question is from the line of Manish Maheshwari from Blue Chip India, please go ahead.

Manish Maheshwari Sir, recently we gauged in the news in the media that Perdaman case was being dismissed by the Australian Supreme Court. Can you provide us with more clarity on that particular issue as what exactly is the development out there?

Suresh Kumar Basically two petitions that were filed, one was suit of damages against Griffin Coal as well as against Lanco Infratech to the tune of the 3.5 billion Dollars. Though another suit filed seeking an injunction for creating security over its mines in favor of lenders of Griffin acquisition that is to Lanco's lenders for Griffin acquisition. Suit that has been dismissed by the courts in Australia was against its injunction petition for seeking a freeze order creation of security. That matter has been dismissed by the court in favor of Lanco while the other matter is still pending, we are going through the legal process of as prescribed by the Australian court and we will await decisions on that matter before having any clarity but one of the two petitions has been dismissed and the other one which is the main one pertain to the 3.5 billion dollar suit, that has still going on.

Manish Maheshwari All right sir, I will come with more questions.

Moderator Thank you. The next question is from the line of Shubdeep Mitra from Edelweiss, please go ahead.

- Shubdeep Mitra** I actually have two questions, firstly with regard to the Udipi plant; I understand that there is some technical snag because of which PLF was lower. So as of now is the plant back in operation?
- Suresh Kumar** Yeah, in the month of July we were back. It is going well.
- Shubdeep Mitra** And secondly in case of Udipi also, are we getting tariff based on a provisional tariff?
- Suresh Kumar** Yeah, we are.
- Shubdeep Mitra** Okay so by when are we looking at the tariff getting finalized here?
- Suresh Kumar** Well we are working towards the quarter of December but it's all the function of where we are on the transmission line because the bottleneck is there and until transmission line is ready, we won't be able to complete the COD of the plant and until COD is done we won't be having to fix on the overall project cost of the project. So, actually 'chicken and egg', until I have the project cost firmed up, I cannot apply to CRC for determining the project cost. Anyway when CERC, Okayed the project cost my tariff will get determined by the regulatory commissions on CERC guidelines. It is inter linked in a big way, so I think critical is when the transmission lines gets ready, working towards December but giving the way monsoons are shaping up in that region, it seems too optimistic on our side to expect to happen that by December. We are taking over a good chunk of civil works on the transmission side ourselves and putting our best to make sure that transmission lines are ready.
- Shubdeep Mitra** So till the time the transmission lines are not ready we are selling the power on UI basis?
- Suresh Kumar** Yes, per unit, whatever we generate, we will sell it in the UI market.
- Shubdeep Mitra** As of now we would be billing them on an accrual basis or is it like whatever is the provisional tariff number that is what we are billing and then only later on we can?

- Suresh Kumar** **Yeah, we are billing them on the provisional basis.**
- Shubdeep Mitra** **Okay fine and secondly with regard to our other pipeline projects which are coal-based, are we looking at delay seeping in or slight postponement because of the eminent coal issues?**
- Suresh Kumar** **I don't think so because it is better if you announce commissioning of the projects which is only then you start getting coal. Sooner you commission the better, it should not be the other way around just because coal is not available, and you should not postpone your commissioning. It should be the other way around, you need to commission a project and demand your coal. That is a much better situation to be in rather than postponing the projects.**
- Shubdeep Mitra** **Okay, understood. Thank you so much.**
- Moderator** **Thank you. The next question is from the line of Anirudh Gangahar from Nomura Securities, please go ahead.**
- Anirudh Gangahar** **Could you tell us the status of the coal supply at Amarkantak both for unit 1 and unit 2 at this point of time? Also if you could help us with your other projects which were lined up - the road projects and the 70 MW Hydro project last time you mentioned that we are hoping to get these projects done by the end of this quarter. Are we still on track or do we have some more delays on that?**
- Suresh Kumar** **As I said earlier, June quarter we were trying to but Budhil is not going to happen in June quarter, it's going to cross I guess, December as well. We are facing some issues over there on the construction side. There were some issues technical issues on the equipment which we are just trying to sort out but doesn't look like it will happen before December but as far Budhil is concerned, if you look at road projects, we are likely to complete both the projects by the end of this month, August and we are looking for commissioning by end of September as far as the road projects is concerned. And your question on Amarkantak coal, we have Amarkantak-I, we are getting coal from Coal India which will meet close to about 65%**

to 70% PLF in the form of linkage coal and the balance goal for unit 1, we are either buying it e-auction market, recently we started buying imported coal as well but not in a big quantity. If you look at unit 2 at Amarkantak we are getting coal to the extent of about 50% PLF today and the rest is being purchased from the e-auction market as well as imported coal market. Imported coal we just started buying otherwise till date we have been either depending on domestic linkage coal or e-auction coal.

Anirudh Gangahar Sir, some clarifications please. For Amarkantak-II you are getting coal to the extent of 50% PLF, is it for both Haryana and the Chhattisgarh PPA related that you are getting?

Suresh Kumar Yeah. Actually we are getting the coal only for Haryana related supply. We are not yet getting credit for what we are supplying to Chhattisgarh and that process is on, once it is accepted by all that virtually 100% of the power is going to Haryana and Chhattisgarh and the quantity of the coal that we will get through linkage will only increase. Right now we are only getting 50% PLF.

Anirudh Gangahar And the composition of the proportion of imported coal is it sectorized, in Amarkantak?

Suresh Kumar What does it mean sectorized?

Anirudh Gangahar I mean you have recently started importing some imported coal at Amarkantak. Are we expecting this proportion to increase going ahead or is it just a one-off that we have just got some imported coal this quarter?

Suresh Kumar If you see in some pockets e-auction coal prices are also gone up, maybe because of seasonal related issues but given that there is not a much of delta now between e-auction coal and imported coal giving quality of issues that could be there, we are also trying to blend with imported coal because the plants give us the tactical ability to blend imported coal as well. We are just trying it out and trying to see if it makes sense to look at imported coal as well and the gain is on PLF and on heat rates. So there is a trade-off between the two so we are just trying to like to see what makes

sense. So we are just starting to use imported coal and see if we can operate at higher PLF if possible.

Anirudh Gangahar Finally just one follow-up on the Amarkantak tariff, any timeline on the resolution of the case in Amarkantak II?

Suresh Kumar Maybe August end, that's what we are hearing because next hearing is end of August, probably will get some clarity then but we are quite hopeful that something should happen this quarter by September but it is not stopping the flow of power as far as we are concerned, we continue to supply power to Haryana and Chhattisgarh and it is only the tariff that is an issue between us and Haryana. Intent is very clear that we want to supply power to them. We are also waiting eagerly so hopefully we should settle something this quarter.

Anirudh Gangahar Thank you very much sir.

Moderator Thank you. The next question is from the line of Salil Desai from IDFC Securities, please go ahead.

Salil Desai One clarification again on this Forex gain, is it the part of other income or that has been booked?

Suresh Kumar Accounting requires you to take it as top line.

Salil Desai Even though it is for reprising of debt or re-statement of debt, is it?

Suresh Kumar Yeah.

Salil Desai Okay, fine. And the balance would be entire 80..?

Suresh Kumar It is basically translation at the quarter end rates of your assets and liabilities. The sales is to be included as part of the top-line.

Salil Desai Second is, it is small number but if I see my elimination of profits from associates, it actually seems to be a gain of 9 crores. Any clarification how this comes about?



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Suresh Kumar Sir, it is loss sir.

Salil Desai Sorry, it is a loss?

Suresh Kumar Loss in Udipi. We are consolidating Udipi's 40 crore loss.

Salil Desai Sir, that comes under associate profits, and then when we see elimination of profit come associates, there is a negative number in this?

Suresh Kumar Okay, that is loss in the road projects, contrast revenue.

Salil Desai Okay, so I would presume that those are fixed price?

Suresh Kumar Yes.

Salil Desai Sir, finally on this transmission line that we have taken up at Udipi. Has our part of the work has started already?

Suresh Kumar Yeah, we started work.

Salil Desai So in that sense there is a little more confidence that we could have a December completion, is it?

Suresh Kumar No, you don't take it as confidence, we are just trying to make sure that something happens if not December by March. Please do not take it as definitely it will happen in December. We are just making sure that the responsibility is ours.

Salil Desai Further damage is not being contained as far as...?

Suresh Kumar Yeah, we are not now subjected to third-party execution.

Salil Desai Okay, fine sir. Thank you very much.

Moderator Thank you. The next question is from the line of Ravinder Vashisht from IDFC Mutual Fund, please go ahead.

- Ravinder Vashisht** Couple of questions on Amarkantak-I. Sir, just want a clarification, you have mentioned that we have linkage for both units available. Amarkantak-II, I understand fuel supply agreement has not been signed yet. How about Amarkantak-I has it been signed?
- Suresh Kumar** It has been signed.
- Ravinder Vashisht** Sir, also just wanted to in your open remarks you mentioned that we have been billing Haryana at the CRC tariff whereas the revenue that they have been paying us at as Rs 2.30 per unit. How much is the CRC tariff come to in Amarkantak?
- Suresh Kumar** Currently about 260-270 range.
- Ravinder Vashisht** So what would be the excess revenue that we would have booked till now for Amarkantak-I?
- Suresh Kumar** Not much, maybe about couple of crores?
- Ravinder Vashisht** Sir, on Udipi, in terms of since we have imported coal units. So what is the landed cost of coal at plant that we have today?
- Suresh Kumar** Maybe about landed price should be around \$115-\$120 range.
- Ravinder Vashisht** And what would be the GCV for that coal sir?
- Suresh Kumar** We are close to about 5800 Kcal.
- Ravinder Vashisht** Sir, also in terms of, that's Udipi project being delayed because of extraneous reasons. Are we looking at some sort of reschedulement with the banks? Is there some discussion going on at that level?
- Suresh Kumar** See, what typically happens is, when COD dates change due to force majeure issues, third parties have not contributed to their part of their obligations. Typically your loans repayment dates gets automatically postponed because most of the repayments are linked to COD dates. Typically, if you look at our projects if they COD plus 6 months or COD

plus 12 months depending upon whether it is a hydro or thermal power plant. Similarly in our case, our COD dates since they have changed our repayment dates also change, that doesn't mean that there is a reschedulement. If it was based on performance of Lanco then normally banks do not agree to the repayment dates getting shifted. Typically they appreciate the reasons are clearly third-party reasons; it is not seen as a negative from the banks. So honestly the way you need to read it is, what is there in the loan covenants, in the loan documents and how is the repayments linked.

- Ravinder Vashisht** But at the same time. I understand that the interest during construction is increasing because we are capitalizing it...
- Suresh Kumar** Karnataka is going to reimburse me that cost in the form of tariff. What is the issue.
- Ravinder Vashisht** That is it my side. Thanks.
- Moderator** Thank you. The next question is from the line of Darshan Dodhia from ICICI Direct, please go ahead.
- Darshan Dodhia** Sir, I would like to know PAF for these gas-based power plants?
- Suresh Kumar** Kondapalli-I would be upwards of 85% PAF availability factor and that is why we are getting deemed 80%, deemed generation benefit. In the case of Kondapalli-II my PAF will be up close of 90%.
- Darshan Dodhia** Sir, if I look at your PAF, is there some sort of back down have you 38:50 received in this quarter because if your PAF is 85 and I'm talking about Kondapalli-I and your PLF is 66%. So to what extent you have lost your revenue on account of back down?
- Suresh Kumar** I have not lost any revenue in Kondapalli-I. I will get my revenue based on 80% PLF. Even though I am actually running at 60%-65% PLF.
- Darshan Dodhia** Okay sir. Thank you.

- Moderator** Thank you. The next question is from the line of Vijay Kumar from Spark Capital, please go ahead.
- Vijay Kumar** My doubt is regarding the difference on Udipi power projects between the Rs. 2.6 and Rs. 2.7 tariff and 2.32 which is actually getting paid. Now could you explain what caused this difference is it because of the cost escalation at the project level or is it because of coal prices being higher?
- Suresh Kumar** What typically happens is, you are talking about Udipi or Amarkantak-II?
- Vijay Kumar** Sorry, I am talking about Amarkantak-II?
- Suresh Kumar** It can only be basically coal and the interest cost which was different from what was contemplated in the earlier PPA. Earlier PPA there was a cap of Rs. 2.32 in the form of tariffs. And since then interest cost has gone up and coal cost has gone up so, therefore, our running cost is about 2.60-2.70 range. To that extent they are not paying me, that is because they are paying me on the basis of the earlier PPA tariff.
- Vijay Kumar** Correct me if my understanding is wrong, I thought this was the case one bid and the escalation in the coal cost would not be in line with increases in market rates? Is that not the case?
- Suresh Kumar** The fact is it is not a case one bid. It was a MoU and the PPA was signed in line with CRC guidelines except that there was a cap on tariff. That is the only difference.
- Vijay Kumar** Right now if it is with the appellate tribunal, so at that level if it goes against you then what is the recourse that you would have?
- Suresh Kumar** Let us first see what happens in the tribunal. Then we will see what happens after that.
- Vijay Kumar** But then what is the sanctity of this cap of Rs. 2.32. If it was there in the document what was the reason why it was there?

- Suresh Kumar** It is basically a contract between two parties. There is no basis, except that the two parties agreed on the PPA with a cap tariff at that point of time. Then we terminated the PPA and also parallelly we got into this dispute at the tribunal level. So we will await the order of the tribunal and then we will decide the next course of action.
- Vijay Kumar** Thanks, that's it from my side.
- Moderator** Thank you. The next question is from the line of Abhishekh Bansal from Credit Suisse. Please go ahead.
- Abhishekh Bansal** Just one question, if I adjust for the Forex gain in the Griffin mines, out of the Rs. 262 crores of revenue that we have reported, let us say if I take about 5 crores of Forex gains, which is about Rs. 213 crores of revenue. First of all just to clarify is the coal production almost equal to the coal sales number during the quarter?
- Suresh Kumar** It will not be
- Abhishekh Bansal** So what is the coal sales numbers during the quarter?
- Suresh Kumar** 0.8 million tons.
- Abhishekh Bansal** So that translates into about \$57 per ton of coal realization that is a fair number to take? We are primarily selling most of that internally within Australia. So \$57 is what we are earning even within Australia right now, is that right?
- Suresh Kumar** No, it is the weighted average of the exports as well as domestic. Domestic, I do not think we should currently target more than \$34-35 a ton, on domestic side. Whatever bump off we are getting to the gross realization will be on account of export.
- Abhishekh Bansal** Approximately about 13% odd total sales is happening internationally?
- Suresh Kumar** Yeah, about a million ton. Million ton is going international out of 3.8-4 million tons.

- Abhishekh Bansal** **So about 25% odd?**
- Suresh Kumar** **Yeah.**
- Abhishekh Bansal** **Thanks.**
- Moderator** **Thank you. The next question is from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.**
- Sanjeev Zarbade** **Just wanted to understand significance of this latest court ruling on development of our mines and so far as securing fuel supplies to our own mine? And also where does it leave us so far as the second charge that is there against us by Perdaman?**
- Suresh Kumar** **What happened last week over the freezing order dismissal, I think it will at least ensure us Griffin will have financing in place for its current as well as its future requirements and will be in position to offer security to its lenders in whatever form lenders we get, that is in the form of negative pledge or direct mortgage of the land in favor of lenders. So it will be business as usual post this order.**
- Sanjeev Zarbade** **So we should be able to raise our finances, there is no problem as of now?**
- Suresh Kumar** **Absolutely no and that is the crux of the judgment actually. We anyway have to incur Capex for ramping up the mine from the current 4 million tons to as high as 18-20 million tons per annum. So I definitely need to raise financing.**
- Sanjeev Zarbade** **So far as the supply to the Perdaman Chemicals plant is concerned, how is that working out?**
- Suresh Kumar** **The supply that will begin about three to four years from now, once this project is ready and ready to start producing urea. And it is also a function of when Perdaman completes its financial closure and begins work on the project and completes the Greenfield project that it is proposing to build. So a lot of variables over here and once the project is ready then we need to supply coal to them.**

- Sanjeev Zarbade** **Thank you for taking my questions.**
- Moderator** **Thank you. The next question is from the line of Parag Gupta from Morgan Stanley. Please go ahead.**
- Parag Gupta** **Two questions, firstly as far as Kondapalli-III is concerned, can you give us an idea on what is going to happen once your gas turbines are synchronizing commission given that there is no PPA at this point in time. So how are you thinking of off-take for the balance part of fiscal 2012 and next year? And the second question is on Griffin, given that we were earlier expecting 4 million tons to up to 6 which now does not seem to be the case. How do we see the production ramping up? And a related question to that is how do we see the Capex ramping up both from your mine perspective and the logistics as well?**
- Suresh Kumar** **I will take Griffin first. Our read is there is no issue of increase in production. We can increase production that is not an issue; the question is do you have enough capacity to export given that your Bunbury will not be ready at least for the next three years. We are exporting as much as we can through Kwinana and there is a limitation on the capacity that we can export through Kwinana because there are other ore producers who are also using Kwinana as from where they export. So I can certainly produce more but I have bottlenecks on capacity to export given that there is not enough capacity at Kwinana berth. Secondly, if you look at it from a Capex build up angle, we are expecting the environmental approvals from the authorities by about June 2012 or maximum September 2012 by which time we intend to complete our financial closure also for the Capex and we will start spending predominantly from September 2012 onwards and we will take about three to three-and-a-half years to spend close to \$1 billion of Capex between rail, port, and mining equipment and in about four years from now we should be in a position to operationalize the berth at Bunbury and so we will spread it over the next four years and largely Capex starting from 12 months from now.**
- Parag Gupta** **How about Kondapalli-III?**

Suresh Kumar

Kondapalli-III, the issue is not about PPA, the issue is more about being allocated gas because it is actually a ‘chicken and egg’ situation for us. I bid for some case 1 bids. Case 1 bids will be opened only if I demonstrate to them that I have gas allocation. There are some Case 1 bids where we are L1. But we are not able to get the bids approved in our favor because we need to demonstrate that we have a source of gas. So it is actually ‘chicken and egg’, so we have represented to the government to explain to us the situation on gas allocation and we are quite hopeful that anytime we should get some clarity on how much gas all the gas plants would get in this year. So we are also awaiting feedback from the government on this matter. As soon as we get that, of course, you will be the first people to know. Actually the situation is more driven by availability of gas rather PPA.

Parag Gupta

Just given that background, I know that gas allocation is the constraint for signing PPAs, but are we looking at a situation out here where you plant could actually be idling for a bid till the time you await clarity on the gas allocation? And the second related question to that is can you synchronize and commission your plant as soon as you get the allocation or will there be some lag out there as well?

Suresh Kumar

Actually no, if you give me gas today I will synchronize it today. We are waiting for that gas allocation to happen. Once gas allocation is in place then the flow will begin. That is not the issue. Your point is taken but there could be a possibility that if not both, at least one plant of Kondapalli would be ideal for some point of time given that gas may not be available for both the units. We need to factor that in our overall captive costs and decide accordingly but I think given the dynamics I think we will still be able to handle it.

Parag Gupta

Thanks, Suresh.

Moderator

Thank you. The next question is from the line of Shweta Prabhu from Anand Rathi. Please go ahead.

- Shweta Prabhu** **Just two questions, basically what would your outlook going forward in terms of execution and the projects and if any concerns you see going forward?**
- Suresh Kumar** **Execution, only thing that is pending today is Anpara which we need to synchronize the second unit as well and commission both the units by the September quarter. I think the execution pain around Anpara is more or less over now. We have sorted out whatever technical issues were there at the commissioning level of Anpara and surely by December quarter you will see both the units of Anpara running and commissioned. Udipi, of course, all of us know the situation around the transmission. Other than that there are some concerns around hydro projects. Budhil hydro can create some surprises till the last minute. But other than that I am not seeing much of execution issues around the other plants. Those issues around gas availability.**
- Shweta Prabhu** **In terms of lower realization which you are facing right now I think is a concern, so what do you think would be the outlook for that as well?**
- Suresh Kumar** **I think on a year-on-year basis if you see realizations during the quarter of September for example, will definitely be much higher than what it was last year last quarter. So realizations were not as bad as one is thinking it would be because despite reasonably good monsoon we are still seeing realizations this quarter upwards of Rs. 3.50 per unit. Compare it what happened last year in the September quarter and the December quarter, things were much lower. So there is definitely a year-on-year increase in realizations in the quarter of September and December. But definitely summer quarter was not as good as it was last year. These overall for the year if you are making close to about Rs. 4 per unit, I think it is a reasonable achievement.**
- Shweta Prabhu** **So regarding the Anpara project you are saying it should be done by September quarter. So December quarter should have a better outlook on this then?**
- Suresh Kumar** **Yeah.**

Shweta Prabhu **That's all, thank you.**

Moderator **We have our last question from the line of Anirudh Gangahar from Nomura Securities. Please go ahead.**

Anirudh Gangahar **Just one follow-up Suresh, in case Kondapalli-III is idling, what happens to the loan repayment schedule for Kondapalli-III? Secondly if you can just tell us that had we been able to recover the charges fully on Udipi, would we have been profitable this quarter, had the technical snags not occurred?**

Suresh Kumar **Your Kondapalli repayment begins only in 2013. So to that extent we are protected because of idling related delays of Kondapalli. Udipi, even if had I recovered my full tariffs, then I would have been marginally profitable, had they given me the full tariffs.**

Anirudh Gangahar **Thank you.**

Moderator **Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor back to Mr. Pankaj Sharma for closing comments. Please go ahead.**

Pankaj Sharma **Thanks everyone for dialing in and thanks to the management for their time. Thanks.**

Suresh Kumar **Thank you.**

Moderator **Thank you gentlemen of the management. Ladies and gentlemen on behalf of UBS Securities, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.**