"Lanco Infratech Limited"

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MODERATORS: MR. SUMIT MANIYAR
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MR. SAURABH

Moderator: Ladies and gentlemen, good morning and welcome to the Q4 FY'2011 Earnings Conference Call of Lanco Infratech hosted by Religare Capital Markets Limited. As a reminder 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. If you should need any assistance during this conference call, you may signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Sumit Maniyara of Religare Capital Markets. Thank you and over to you Sir.

Sumit Maniyar: Thanks Farah. Welcome everyone to the fourth quarter conference call of Lanco Infratech. We have with us Mr. Suresh Kumar the CFO of Lanco who would be assisted on the call by the investor relation's team Mr. Saurabh and Mr. Vibhu. Over to you Sir.

Saurabh: Thanks Sumit. Good morning and welcome everybody to Lanco's FY'11 earnings call. I am Saurabh from IR team. I will quickly walk you through the performance of the company for the year and then hand over to our CFO Mr. J. Suresh Kumar for his comments.

On the revenue side, on consolidate basis the revenues before elimination grew by 18% of from Rs.95328 million in FY'10 to Rs.112652 million in FY'11 mainly on account of increase in revenue from power vertical. Total revenue after elimination stands at 80,044 million in FY'11 as against 82,336 million in FY'10, a marginal drop out 3% due to higher elimination of revenue. Most of the revenue on this year in increase in construction is from subsidiaries consequent to elimination is higher on year-to-year basis.

EBITDA before elimination grew by 44% from Rs.18045 million in FY'10 to Rs.26068 million in FY'11 and after elimination grew by 26% of from 17110 million in FY'10 to 21487 million in FY'11.

Profit after tax before adjustment for profit on condition with subsidiaries and association product stood at Rs.8628 million in FY'11 registering a growth of

55% over FY'10. Profit after tax after elimination is down by 3% year-on-year basis from Rs.4586 million to Rs.4461 million. Net profit derived after adjusting for non-cash items such as depreciation, deferred tax, MAT credit and other inter-company elimination stood at Rs.13021 million registering a growth of 30% towards FY'10. On cash EPC basis company earned Rs.5.45 per share as against Rs.4.18 per share in FY'10. Commenting on the segmental performance beginning with the EPC in construction the revenue and EBITDA for FY'11 stood at Rs.59617 million and Rs.8765 million respectively; however, it has been a bit lower than what we had expected mainly due to shift in the milestone payment at various project levels. EBITDA margins were at 15% for the year as a whole. In the power business vertical revenue for FY'11 stood at 49452 million registering a growth of 37% over the previous year.

There was a huge jump in EBITDA on account of increase in operating capacity. EBITDA stood at Rs.16538 million compared to 8549 million in FY'10 registering a growth of 93%. The figure do not include the EBITDA for UPCL to the tune of 1680 million as it is not yet being consolidated in account **previous cost that would be concern 4:30**. EBITDA margin stood at 50% compared to 45% for the previous year. During the years power division traded 7842 million units including **(indiscernible) 4.46** 32920 million. There is average **utilization** of around Rs.4. Rupees per unit. During the year merchant **utilization** was pretty healthy with wonderfully realizing 4.25 and ___4.57 per unit for the year. Under that the sources vertical which includes griffin coal revenue is for one month of operation stood at 1342 million and EBITDA at 487 million, property development revenue and EBITDA for FY'11 stood at 1673 million and loss of 4 million in EBITDA are just development within the company. The Mosar Baer and Corate orders Lanco marked its foray into the lucrative external EPC business. Order book as on March 31, 2011 stands at 302 billion. Major orders received during the years includes 1200 megawatts EPC order from Mosar Baer Group company, 1820 megawatts BOP order from Mahagenco rolled at EPC building and other industrial figure. In the power vertical we have synchronized OTP power plant, Anpara power plant, **(indiscernible) 6.17** plant and some other renewable power plant. Power stating division gives 43 million units during FY'11 compared to 4269 million units in FY'10. Total power portfolio under operation and under construction stands at 9300 megawatts of which 3292 megawatts is already installed and the rest around 6000 megawatts project has financially closed and in various stages of construction. Now I would like to hand over to our CFO Mr. J. Suresh Kumar for this conference.

J. Suresh Kumar: Good morning everyone. Welcome all of you to this concall. As Saurabh has detailed out some of the high points of the performance this year we would like to highlight the fact that performance has been extremely good for the power business. Clearly as the numbers show power has delivered on various fronts whether on the revenue side, on the EBITDA side, the margin side or on the merchant tariff side. I think generally we are very pleased with the way power business has shaped up. Of course there were many other things that we could have achieved this year particularly on the commissioning of Udupi and Anpara but if not this year at least early part of fiscal 12 we are on the verge of adding close to about 700 odd megawatts. So we are really enthused with the way power business has faired so far. Clearly for us the EPC has not done well enough though we have been guiding towards a very flattish performance for the fiscal year 2011, on the EPC side we were still anticipating internally at least for 10% growth, which did not come through on account of the fact that some milestones got postponed to the early part of fiscal 12, but I think there would be some pushes and pulls on a quarter-on-quarter basis but surely should be evened out over a year. So with that backdrop I will open it up for questions from the participants. I am happy answer as much as I can, on this call.

Moderator: Thank you very much Sir. Our first question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Towari: Sir I have a couple of questions, first on our Griffin Mines in your notes to accounts there is a some information given about revenue EBITDA and PAT of those mines I wanted to just confirm whether the consolidated numbers include those numbers or exclude those numbers the wording is not very clear actually?

J. Suresh Kumar: It includes those numbers.

Atul Towari: Okay and now that you have some visibility into financials and operations for those mines so far FY'12 assuming a steady state current scenario what will be the revenue EBITDA and PAT for those mines and what will be the interest cost for the acquisition debt that you have taken if you could give some idea about that?

J. Suresh Kumar: I think I will not comment much on operations because we ourselves are in the process of finalizing our operating plans and we just took over in March so we are in the process of understanding the operations in greater detail and looking at various operating level changes that we need to bring particularly on the mining operations and other cost structures that are prevailing at the mine level so it will take us I think a couple of more months before we can really give a very clear direction on where the operating numbers are going to head so I will step back on that front, but if you want to see on the interest cost you should go on the assumption that it is a $550 million debt. That is there on the consolidated balance sheet of Griffin and that will translate to interest cost of close to about US $20 million per annum.

Atul Towari: Okay sir and in this quarter all these subsidiaries combine together again from your notes to accounts appear to have contributed net profit of actually Rs.28 Crores so is it fair to assume that company along with the interest cost is making positive PAT is it a right understanding?

J. Suresh Kumar: But you need to appreciate that we have consolidated Griffin for one month operation only, so there will be some one time costs there will be some one time income so it is not necessary that would be the trend going forward for the full year on a month-on-month basis. So I do not want you to be guided by that.

Atul Towari: Sir the second question is on a status of Amarkantak II power supply so are you selling some power to Haryana now and when do you expect the final resolution and what is the current status?

J. Suresh Kumar: Well arguments are in place from both sides so I believe the next hearing date is sometime in July. In the interim we are supplying to the extent they are able to evacuate. Chattisgarh is taking its share of the power 35% to the extent it is able to evacuate. Haryana is taking 65% to the extent it is able to evacuate. The pricing and all those discussions are left to the order of APTEL. Right now we have been told to supply power with no price that is being fixed, it is subject to the order of Aptel or whichever higher court finally decides. So now my read is we should go on the premise that most of the power is going to Haryana and Chattisgarh in line with what our intent has been all along.

Atul Towari: Okay, so 35% is going to Chattisgarh and the rest of it the Haryana and in this quarter & the 4th quarter you have not sold any power to Chattisgarh and Haryana?

J. Suresh Kumar: No, we were all pushing it into UI we started selling- giving power to Haryana and Chhattisgarh only in May.

Atul Towari: Okay and the price has not been fixed also for Chhattisgarh right?

J. Suresh Kumar: Price for Chattisgarh has been fixed as per the PPA that we have signed in Chattisgarh, which is based on CRC, so there, is no issue there. The pricing issue is more on the Haryana side and which is why the matter has gone to the Haryana ERC and post the ERC order it is gone to Aptel and we are awaiting the order of Aptel.

Atul Towari: Okay and sir lastly when do you expect CODs of Udupi and Anpara in this quarter or next quarter.

J. Suresh Kumar: Well we are hoping for COD of Anpara unit one this quarter itself in June but when I mean COD I would like to temper a bit because it is subject to stabilization of the plant so I need to run it on full load on a continues basis for a number of days before I can start scheduling power, my read is while we are hopeful with June you assume in the second quarter of this year.

Atul Towari: Thank you Sir. Thanks a lot for answering.

Moderator: Thank you. Our next question is from the line of Roshan Dodhia from ICICI Securities. Please go ahead.

Roshan Dodhia: Sir what is the merchant realization in this quarter?

J. Suresh Kumar: For the quarter it will be some where around 4.75 - 5 range.

Roshan Dodhia: Sir you are correct me fine wrong if I look on the quarter-on-quarter basis there is a negative other income of 236 million could you explain why is that?

J. Suresh Kumar: Other income?

Roshan Dodhia: Yes, if I add the first nine months and then subtract so it is a negative other income of 236 million?

J. Suresh Kumar: 23 Crores.

Roshan Dodhia: Yes and there is a negative taxation also that I am getting

J. Suresh Kumar: It will be a MAT credit somewhere in the system.

Roshan Dodhia: Then there is a negative tax of around 25 odd Crores so could you explain that in Q4 FY'11?

J. Suresh Kumar: Can you just repeat your question?

Roshan Dodhia: Yes, if I add the tax numbers for nine months and if I subtract what you have shown in the consolidated basis I am getting a negative tax of around 25 Crores?

J. Suresh Kumar: Yes, but you had a deferred tax credit assets this time. There was a deferred tax asset.

Roshan Dodhia: Yes, so what is the amount of deferred tax asset?

J. Suresh Kumar: Vibhu will give it to off line but I remember there are a deferred tax receipt as well as a MAT credit that has come in.

Roshan Dodhia: The MAT credit in the other income trend on the other income there is a negative other income I am getting out 23 Crores in Q4 FY'11.

J. Suresh Kumar: We will discuss off line. Send it to Saurabh I think he will give you that. If you see the press release I am showing for the quarter there were also deferred tax receipt of almost 59 -60 Crores there was also a MAT credit of 47 Crores.

Roshan Dodhia: Okay, if there are any other question I will come back to you.

Moderator: Thank you. Our next question is from the line of Parag Gupta from Morgan Stanley. Please go ahead.

Parag Gupta: Just three questions firstly there has been a large elimination that has happened in Q4 resulting in large elimination for the entire year if you could just explain what has happened in the fourth quarter and how do we see this going forward so that is the one. The second is could you give us a sense on what is happened with Gas supply for your Kondapalli II & III plants and thirdly could you give us a sense on what are you looking at for Udupi second unit in terms of when do you think you can start scheduling power?

J. Suresh Kumar: Yes, I will take the last question first actually. For obvious reasons we are running both units of Udupi so we have been able to demonstrate to the Government that both the units can run on full load at any given point of time. Provided there is evacuation available. Technically, we are gearing up in such a way that tomorrow if the transmission line is ready I can virtually push the plant into full load, demonstrate all the parameters of test whatever is required to show that this plan can run continuously on a full-load basis without any hiccups. I can demonstrate that very quickly. So honestly I am waiting for transmission capacity to be in place.

We are very confident that we will be able to quickly ramp up & stabilize the operations and announce COD of unit 2 at the earliest. But the issue with transmission capacity is that it is dependent on lot of things and which are not under the control of Lanco today particularly on the construction side, on the civil side of the transmission towers, erection, stringing all those things are subject to third party performance besides that you have this monsoon intervention in that particular area, which is hilly terrain, forests, and this monsoons add to the execution problems. My lead on a conservative basis, do not assume anything happening before September on the transmission side by which time all these execution related constraints could come out and realistically look at December quarter. We are not idling the plan, we are mechanically running the plan, we are technically doing 50- 50 between unit 1 and unit 2, that is how we are at least making sure that whatever are the operation related technical issues that are there in running the plant we are addressing it in due course without keeping it for the last minute.

Your second question was on the gas, the positive part of gas situation is since April we have been getting good amount of gas for Kondapalli 2 and fortunately the PLF has been much better than what it was through the March quarter, it was more on account of the order that had provided for the gas as a priority for fertilizer and power, so we have been beneficiaries of that policy. So PLFs have been reasonably good for April and most part of May. With regards to Kondapalli 3, it did not have clarity based on the policy of the government towards gas allocation. As of now, there has not been any changes to the policy. Despite the news/ reports that we have seen in the last couple of days, a policy remains, as it has been along that priority will be given for fertilizer and power projects which are coming within the Eleventh Five Year plan, which is ending March 12. Kondapalli Phase 3 is part of that priority list so far because our plants is going to like to be commissioned much before March 2012. So we are quite hopeful that the policy framework will remain consistent and the rules of the game may not be change midway, but ultimately it’s the government policy which we do not have control over. We are working on the basis that, if at all some gas is there in the system, it will be given priority to the project that are eligible for gas inline with the policy. As of now constructions going in full swing, we are likely to commission the GT in the second quarter of this year, so for Phase 3 and Phase 4, so let us wait until there is some more clarity on the gas front.

Your first question was on consolidation, the way we have been eliminating intergroup profit is, historically most of our revenue was structured in such a way that we are earning from our associates. Now over the last year or so we have been earning significant amount of revenue from our subsidiaries and of course margins that we are earning on those contracts are higher relative to other contracts and therefore the elimination impact will always look high, but you need to also appreciate that it is a function of revenue mix that you have, this year revenue mix has been predominately from subsidiaries and therefore eliminate also will be high and it looks a bit stretched because the standalone performance of the EPC business could have been better but because of some postponement of revenue through fiscal 2012, standalone numbers look weak and therefore the elimination impact will look even more pronounced, may be that is the reason why you all may be thinking that elimination seems to be slightly off the mark, but I think it is a normal thing, only thing is because my standalone numbers are less, you all are feeling that, but it's more of timing differences which has resulted in this, my fixed cost has to be absorbed over the revenue of this period it cannot be carry forward or anything, so obviously there will be some accounting limitations for the way the picture has emerged and we have no control over the accounting policies, we have been following this policy for the last many years and we are continuing to follow that policy.

Parag Gupta: Thank you.

Moderator: Thank you. Our next question is from the line of Avinash Agarwal from Sundaram Mutual Fund. Please go ahead.

Avinash Agarwal: Just wanted some clarifications, have we included Udupi unit 1 in our numbers this quarters?

J. Suresh Kumar: Not under consolidated numbers but they will be consolidated as an associate in your net profits and associates. Only my profit after tax you will get consolidated, but not a line by line.

Avinash Agarwal: Only after our unit 2 is commercialized will we consolidate the number?

J. Suresh Kumar: Therefore the EBITDA & topline will not include Udupi, and your bottom line will only include 26% of the bottom line of Udupi in the consolidated numbers. So to that extent, you need to adjust your numbers.

Avinash Agarwal: But when we show our power numbers, we include Udupi in that, right, segmental?

J. Suresh Kumar: Only to the extent of 26% share of the PAT of Udupi, only to that extent it is included but not on a line-by-line basis.

Avinash Agarwal: Did Udupi make profit this year; I mean are we getting money from the SEB for this plant?

J. Suresh Kumar: I am eligible for a certain tariff. We have accounted on the basis of an accrual basis based on the tariff that we will get as per CERC. What we are receiving in cash is the cash cost, meaning thereby the depreciation part and the profit part is being postponed to a date post receipt of CERC approval for the project cost. But we will get it though I am including and accumulating receivables from Karnataka I will get paid only after the ERC, CERC approves by project cost. Based on which the tariff gets determined finally. So all the accruals will be cleared post the final approval.

Avinash Agarwal: But we are having no problems in evacuating from unit 1?

J. Suresh Kumar: Not at all.

Avinash Agarwal: Would it be safe to assume that our EPC has not done well lastly because of this project; the revenues being delayed from Udupi 2?

J. Suresh Kumar: Not truly because of Udupi, we could have got some more earned some more revenue from the Orissa project as well as from the Vidharbha project. Since the Vidharbha project environmental approval came in late some revenue also got postponed, in terms of recognition from a pure accounting kind of point of view. I think if you add Udupi, Vidharbha and Babandh put together, it is like upwards of some 500 to 600 Crores that got postponed. So that obviously changes the numbers.

Avinash Agarwal: There was a recent coal linkage committee meeting where they have said that Babandh plant of ours **is on maximum** **32:0** timeline, is there some problem we are facing there because of which we could be denied the coal linkage in future?

J. Suresh Kumar: **T**here was some show cause that we got, but we responded to that and matter has been settled. They had asked for some clarifications, which we had given and those clarifications have been satisfied.

Avinash Agarwal: From Amarkantak 2 since the tariff has not been determined for the Haryana part of it, are we getting some cash for the power that we are selling there or we are right now not getting any money from there?

J. Suresh Kumar: They will give us some cash, for Haryana honestly we not yet billed.

Avinash Agarwal: Thanks for answering my question.

Moderator: Thank you. Our next question is from the line of Ameesh Shah from Credit Suisse. Please go ahead.

Ameesh Shah: Just wanted a clarification that does our Amarkantak projects have a fuel agreement or are we getting coal only on the basis of MOU or on the basis of LOAs that we have right now?

J. Suresh Kumar: You want a straight answer?

Ameesh Shah: I just wanted to understand whether there is an FSA at this point of time or LOA at this point of time?

Suresh Kumar: Unit 1 we have in FSA and unit 2 it is more of a MoU.

Ameesh Shah: Second thing is that there were these news reports recently where some government officials have commented that during FY'12 they might consider not giving any coal linkage to merchant power projects, obviously this should apply to non-FSA based project, that is why we are asking about Amarkantak as well but are you getting anything of that sort of from CI, where they are allocating coal for Q4 FY'12?

J. Suresh Kumar: Let us wait. Right now it is just a press note, something which has no sanctity in our view, we do not know exactly, we have not been officially told about any such plan, so right now the status is there is a FSA for unit 1 of Amarkantak, there is MoU for unit 2. Unit 2, from our point of view, we are selling on a long-term basis whether it is Haryana or Chhattisgarh or both, what proportion what tariff that is a separate discussion. Our intention has all along been to supply to a discom on a long-term basis.

Ameesh Shah: A similar question was pertaining to our obviously even this is not converted into a policy as of now, but again there are news reports where they are saying that gas allocation from KGD6 to merchant power projects which they categorize as non-priority. They are planning a dual pricing, the pricing of that gas being higher than the $4.2 that the others get. So anything on that, do you expect that to happen and if yes by when?

J. Suresh Kumar: I have absolutely no clue of what is going to happen on that because there is so much lack of clarity on gas allocation for phase 3 and 4, this is an added uncertainty as we see it, but honestly again based on press reports there is no clear administrative action from the ministry nor from the government and we have not been communicated about any plans. But it is an added uncertainty that is the way we see it.

Ameesh Shah: Now we have decided the revenue mix of Kondapalli 3 project, how much will be sold on merchant how much we will be contracted out of that?

J. Suresh Kumar: The truth of the matter is we have submitted some case 1 bids and as per policy unless you identify the fuel source case I bids has no meaning so it is like chicken and egg kind of a situation. Unless I have the gas source; my case I bid will not be opened. That is why all the bidders who put in bids none of them are able to tie up, it is not just.

Ameesh Shah: I understand, let us say hypothetically when you get gas allocated, what is the strategy of how much will be merchant how much will be contracted based projects?

J. Suresh Kumar: It depends, if I am locking at a reasonably high tariff, which reduces the risk of fuel price movements then I would rather lock in at those levels, if I am not able to derisk my fuel cost. It is a function of lot of things actually.

Ameesh Shah: Lastly I understand that the booking of profits or revenues from Udupi project on an associate way basis will continue until the last unit or the second unit of Udupi is commissioned, is that right? As you said till the third quarter of FY'12 is when we expect the second unit to come in, until that time we should be building only the 26% of profits which are coming from Udupi?

J. Suresh Kumar: 26% of the profit getting consolidated at LIL level. Only at the PAT level, it is not line by line.

Ameesh Shah: Thanks Suresh. That is from my side.

Moderator: Thank you. Our next question is from the line of Anirudh Gangahar from Nomura. Please go ahead.

Anirudh Gangahar: Couple of questions from my side, one you mentioned that there has been some deferral in account of EPC revenues, can you please quantify it and when can we expect the same to come in to the books and would it mean that the margins are going to be better in this first few quarters unlike what the spend has been typically for each of the business. Second question that you mentioned only 700 megawatts coming up in the early part of this year could you please quantify that in terms of COD and not just commissioning?

J. Suresh Kumar: I cannot answer, quite of few of those questions, but I will try as much as I can to answer every minute point that you put. Technically speaking, commissioning is certainly going to happen for Anapara for unit 1 in the first half surely. We are hopping that around that we should be in a position to look at Anapara II as well because they are no constrains in Anapara II for commissioning like the way Udupi is having constraints. We will not have an issue with Budhwill project, which is 70 megawatts. When I said 700 megawatts in the first half I meant Anapara two and Budhwill that is one guidance we are giving you. We always been saying that Udupi is mechanically ready, basically if you give me evacuation today, I will prove in a month or so that I can run on full load and announce the COD, but the realistic take on that is it may not happen before September. So we are just being slightly conservative and pushing it to the quarter of December. So you will see 700 megawatts by September getting commissioned. In terms of COD it will actually be more because Anapara one and Anapara two technically COD will happen in the first half. Then you see another 600 megawatts of COD of Udupi coming the December and of course you will see the 740 megawatts of Kondapalli by March 2012. That is the best way I can answer to you. When it comes to EPC revenue accounting yearly for me when I look at construction business I do not look at quarter-on-quarter I cannot, it is not possible to identify that this milestone will be achieved by June 30, this milestone will be achieved by September 30 I do not think I am in a position to make that statement and you need to appreciate that when you are seeing the construction and EPC business. Having said that I do believe that over the next two quarters this postponement would get recognized in some form or the other.

Anirudh Gangahar: Just one follow question, on this Haryana part are we booking any revenues even from the Chattisgarh side, is it flowing into the P&L, because the plant is technically commissioned?

J. Suresh Kumar: It is commissioned.

Anirudh Gangahar: Are we booking revenues from Chattisgarh?

J. Suresh Kumar: We have not yet started the billing, as I said we started supplying power only in the end of May.

Anirudh Gangahar: We will be booking for Chattisgarh, but Haryana we are yet away.

J. Suresh Kumar: Haryana we will be billing, our intention has always been to supply to Haryana and Chattisgarh. Our intention has not been anything else. It is only the pricing which is the discussion point, nothing else there. So we are actually supplying power it's only the ultimate tariff which will be determined by the APTEL to whom we have appealed.

Anirudh Gangahar: So currently for this quarter we will be recognizing revenue for sale to Chattisgarh on CERC basis and on Haryana is for 2.32 till the time of pricing result. Is it correct?

J. Suresh Kumar: No, why should I, it has not been determined, if that is the case then why I am disputing, if I ask for a bill at 2.32. It would not be like that. The billing will be on a different level all together.

Anirudh Gangahar: Fair enough. I will probably take this offline. Thank you.

Moderator: Thank you. The next question is from the line of Shilpa Krishnan from JP Morgan. Please go ahead.

Shilpa Krishnan: I just have one question pertaining to your cash flow statement I am referring to Page 5 of your earnings release, where you have reported net cash of Rs.34 billion from operating activities this includes some Rs.12.5 billion positive contribution from working capital, so could you just highlight what happened which led to a positive contribution form working capital?

J. Suresh Kumar: The project started giving me my advances.

Shilpa Krishnan: Mainly it is relating to project advances and most of the advances would be from again your own projects right?

J. Suresh Kumar: Cash is cash. Whether we get it from own projects or some third party clients it includes Moser Baer it includes Koradi it includes subsidiaries, it includes associates I do not differentiate.

Shilpa Krishnan: Okay not an issue also wanted to clarify the cash flow statement includes your associates like Udupi or it does not include?

J. Suresh Kumar: It will not include.

Shilpa Krishnan: Okay and finally for Udupi it was an associate?

J. Suresh Kumar: Only the closing balance includes some balances of associates as well. In the last line if you see the line items, marketable investments long-term deposits and some cash and bank balances at associates I think there is some 100 Crores of Udupi that is part of that 663 Crores.

Shilpa Krishnan: Okay and finally, on Udupi is there a receivable in your books that you carried in March 2011, which is probably not reflecting in the working capital changes. Is there any tariff receivables?

J. Suresh Kumar: It would not be significant; we have not more than Rs. 100 Crores.

Shilpa Krishnan: Thank you.

Moderator: Thank you. The next question is from the line of Salil Desai from IDFC. Please go ahead.

Salil Desai: Sir again on Udupi if you look at monthly generation numbers for the last couple of months, we are still at about 60 odd percent PLF, is this because the state is not evacuating power because the load is low?

J. Suresh Kumar: No it is not like that, my plant is taking long to stabilize, I started only in November and December, it will take some time to stabilize and I have to also back down for some time, because I had to show Unit II operations, we need to to evacuate some power from unit two as well through grid & I did not have other alternative evacuation infrastructure. I had to back down unit one for some time. So that obviously impacted my overall PLF and stabilization process, but I think we have more or less crossed that stage now and I think, you will certainly see a lot of improvements over the coming quarters.

Salil Desai: So we need not wait for unit two also to get commission so that both these are efficiently stable and we can have higher PLF. One can independently go to 80% PLF levels odd in the next couple of months?

J. Suresh Kumar: Surely.

Salil Desai: Sir second coming back on EPC now the milestones that you saw which were getting postponed are you seeing some visibility on these, since you are already two months into new fiscal say environmentally whether it came and then have you started work over the site mill? Do you see that happening?

J. Suresh Kumar: I have not seen visible impact of milestones moved around, but it would have some impact because I actually got my environmental minutes in November, it is clearing the project but when they gave us the commencement of business certificate it was only February. So between the grades of approval of the minutes to the final issue of letter, it took us more than about three months. So I started my work only in February. It will have a cash impact, which was not anticipated earlier.

Salil Desai: Sir finally the deferred tax asset that we have recognized that would be largely because of losses, it there any at subsidiary level or how does it work if you can help me understand?

J. Suresh Kumar: I do not think I have losses at any subsidiary, that I can assure you. Deferred tax assets I think came at Kondapalli. Kondapalli deferred tax assets got created.

Salil Desai: Thank you very much.

Moderator: Thank you. The next question is from the line of Nishit Jalan from Nomura. Please go ahead.

Nishit Jalan: There are two questions which I had, firstly the PLF in Amarkantak unit one, according to our calculation it is around 73% so I wanted to understand why is the scale is so low, is it a problem with coal supply or something else and secondly if I look at eliminations I see that the elimination in Q4 has been quite high in terms of percentage for example if I look at your revenues you have eliminated around 10 billion of revenues, but the profit that you have eliminated is 2.5 billion, which implies a kind of 25% a margin historically these has been around 10%-12%. So if you can help me understand why was it so high this quarter?

J. Suresh Kumar: Eliminations is not there for this quarter only. We see it on overall basis and typically accounting policy says that you need to eliminate profit that you earn from your subsidiary contract wise. It does not say on a very global basis; so there will always be a dichotomy between what I have shown on a standalone versus what has actually been eliminated. I think it is a very big subject and I am happy to spend some time but I do not think I am in position to explain to you on a call. It is a very big subject, but I should tell you typically the revenue that we earned this year was predominantly from our subsidiary and going forward also a good chunk of revenues will come form our subsidiary. So you will keep facing this question say quarter-on-quarter basis. So because we earned major revenue from our subsidiaries and since you need to follow a certain accounting policy of elimination you have to live with this huge gap between what is the standalone number and what is the eliminated number. Now may be this quarter it looks very pronounced for example had I booked all the revenue that I was supposed to book, assuming that all the milestones we had achieved for Udupi, Babandh and Vidharbha the difference would not have been so much, it would have been like may be a 50-60 Crores higher elimination related to the standalone profit that are declared for the quarter. It looks very pronounced because of the accounting process for elimination. I do not how better to answer this, but this is at least the way I am seeing it. If you dive into details we will appreciate why we eliminated so much. That is the best way I can answer honestly.

Nishit Jalan: Okay Sir. Thank you.

Moderator: Thank you. The next question is from the line of Pranav N from TPG. Please go ahead.

Pranav N: I just wanted to ask you on Amarkantak, how is it? How is that Amarkantak ASP this quarter were higher than last quarter, then why is it that the PAT was significantly lower than last quarter. I just wanted to understand this. May be it is a miscalculation on my end that I just wanted to confirm?

J. Suresh Kumar: See while ASPs are high the profit of unit one and unit two combined, unit two II realization were like 2.80 something.

Pranav N: That is still higher than last quarter right.

J. Suresh Kumar: Yes but PLF were bad. 63% PLF was bad.

Moderator: Thank you. The next question is from the line of Abhishek Jain from India Nivesh. Please go ahead.

Abhishek Jain: Thank you. Another question is what was the cost per tonne of coal in the last FY'11; because the cost of coal has increased around 25%-30%?

J. Suresh Kumar: Coal cost has not gone up 20%-30% at all. Our linkage coal and e-auction coal has been more or less flat through the year.

Abhishek Jain: So can you give me the number what was the cost per ton coal cost in FY'11?

J. Suresh Kumar: It depends on the mix, the typical linkage coal is somewhere around Rs.900 to Rs.1000 a tonnes. The e-auction coal is around 2000 a tonne.

Abhishek Jain: Imported coal?

J. Suresh Kumar: We have no imported coal.

Abhishek Jain: Thank you sir.

Moderator: The next question is from the line of Vijay Kumar from Spark Capital. Please go ahead.

Vijay Kumar: I would just want to get some color on the next year revenue, which you are looking at in the EPC segment and broadly how much of execution we would be expecting in our subsidiaries and how much of execution in the non-subsidiary and external orders, a broad framework because that is basis on which we go about projecting our FY'12 numbers?

J. Suresh Kumar: Why don't you discuss this with Vibhu? We are staying away from guidance honestly.

Vijay Kumar: Because that is critical for the estimates for the next year?

J. Suresh Kumar: Typically the way we approach such thing is it is an order book of 30000 Crores typical pipeline is executed over four year period. We do not give guidance year-on-year, quarter-on-quarter.

Vijay Kumar: Let me put it differently Babandh and Vidharbha two projects, which you have, which should contribute significantly to your revenues next year. What kind of execution are you seeing there and are you seeing any bottleneck from this point on in the execution.

J. Suresh Kumar: For 30000 Crores over the next four years.

Vijay Kumar: I am talking specifically on Babandh and Vidharbha.

J. Suresh Kumar: We cannot give you specific.

Vijay Kumar: Thank you.

Moderator: Thank you. Our next question is from the line of Patam Bafna from B & K securities. Please go ahead.

Gautam Bafna: My question is regarding our quarterly profit number. I understand the fact that there has been higher elimination, but still our existing PAT is around are 17 Crores in this quarter can you take me through that?

J. Suresh Kumar: As I said earlier it is because of the revenue mix and also the fact that some milestones have got postponed to the next quarter will impact quarter performance so all I can say is the mix has been different in this quarter and also the fact that I have not been able to recognition revenue this quarter because of milestone deferment lead to a subdued performance on a quarter level.

Patam Bafna: Thanks.

Moderator: Thank you. Our next question is from the line of Amit Golchha from Emkay Global. Please go ahead.

Amit Golchha: Since you said that Udupi II would be most likely be commissioned in Q3 FY'12, and considering the fact that this is almost ready and just because of the transmission line it is getting delayed, do you have recourse in terms of collecting fixed changes at least for this period going forward. Do you have any recourse in the regulation revolution, which allows you since it is none of your fault…?

J. Suresh Kumar: See we have contractual recourse and we are working towards claiming deam generation charges. We are pursuing.

Amit Golchha: Yes Sir basically you will find with the permission.

J. Suresh Kumar: We are pursuing, but we do not know whether we will get it or not.

Amit Golchha: If you can give me some color on the merchant power tie-ups that you have done in Q1 and Q2 Amarkantak and Kondapalli?

J. Suresh Kumar: Amarkantak we have tied up through the year.

Amit Golchha: Is it possible to give the **rate**?

J. Suresh Kumar: **I**t is around Rs.4.20 mark.

Amit Golchha: And sir in Kondapalli?

J. Suresh Kumar: In Kondapalli it is still in the process.

Amit Golchha: And thirdly sir is it possible to provide the e-auction and linkage mix this quarter and year-end, coal linkage and e-auction?

J. Suresh Kumar: **Probably** 75 : 25.

Amit Golchha: Thanks a lot. All the best.

Moderator: Thank you. Our next question is from the line of Ravindra Vashist from IDFC. Please go ahead.

Ravindra Vashist: I had a couple of question on the Kondapalli extension. Do we have a plan B in case we do not get gas is not available from KGD-6?

J. Suresh Kumar: Yes we have plan B and we are workingPon plan C also but the thing is you have potential sources from ONGC, GSTC, British Gas over the next two or three years, you have the sourcing ability of RLNG from the spot markets. So there are multiple options, independently these are not viable options, RLNG is pretty high in terms of delivery costs, so it does not work on independent basis, it needs to work as a combination ultimately, if at all there is a shortage in gas for some reason or the other. The way we are approaching is you need to look it at a judicious mix between Reliance KG gas, RLNG as well as ONGC, GSTC, British Gas. So we are looking at it slightly in a more in the holistic basis and we are definitely not saying that there is an independent fall back option. The option is to look at various blending possibilities and minimizing your fuel cost as much as you can. That is the basic fall back strategy that we want to follow but we need some more clarity regarding on how much gas can come from potentially from Reliance, ONGC, and GSTC and in what timeframe and at what cost? We are trying to evaluate all those possibilities.

Ravindra Vashist: Sure but as you said ONGC and GSPC will take a couple of years for production happening in there

J. Suresh Kumar: Not necessarily, I am not saying that we are waiting for everyone to reach their peak producing levels so it will gradually ramp up, so it will happen over a period of time.

Ravindra Vashist: Sure, secondly on Anapara if I understand, the fuel in Anapara is a passthrough and on the fixed cost there is a certain return on equity, which was a part of the competitive tariffs which happened, so what are the kind of returns on equities that we are looking at in Anapara and what is the situations of the coal mine which has been allocated for the Anapara projects?

J. Suresh Kumar: We have been allocated coal linkage and as for the PPA that we have signed with UP for a fuel cost and passthrough, the arrangement that we have is that whatever is fuel cost incurred that will have to be reimbursed by the UP, whether the coal is coming from the Coal India, e-auction or from imported coal, as long as like-, we get the coal from Coal India blended basis, and at a blended price we are indifferent to the price of coal, what we are paying for the coal. Ultimately it is the transparent purchased by us and it is a transparent process of reimbursing the fuel cost by UP.

Ravindra Vashist: Right, just to understand that the return on equity on the fixed part, because as you said the fuel is completely a passthrough, so we do not need?

J. Suresh Kumar: Well on Anapara given that there is 1100 megawatts of PPA and 100 megawatts of merchant, I think on an overall blended basis ROE should be around 17%-20% range.

Ravindra Vashist: Sir would it be possible to give a breakup with the 1100, which is fixed 1100 megawatt, which is fixed at U.P. what is the return on equity that we make over there?

J. Suresh Kumar: Probably 13%-14%.

Ravindra Vashist: So that is basically in terms of paise per unit?

J. Suresh Kumar: No it is an ROE. I am saying it from 13%-14% ROE on the 1100 megawatts thing, merchant will give you a additional RoE; it could vary overall between 17-20.

Ravindra Vashist: On the 1100 megawatt was there a PLF also which is kind of decided like 80% PLF on the 1100 MW. So is this on the capacity or on the PLF capacity or on the PPF, what I am trying to understand is if let us say…?

J. Suresh Kumar: Availability base.

Ravindra Vashist: What is the availability Sir?

J. Suresh Kumar: It is 80%.

Ravindra Vashist: That is all I want to get. Thank you Sir.

Moderator: Thank you. We will now taking our last question; our last question is from the line of Shankar. K from Edelweiss. Please go ahead.

Shankar K: Just wanted to understand how have you funded the griffin assets so far and going forward how will it be?

J. Suresh Kumar: 100% through debt. Payment of 500 odd million completely by way of debt and the tranche of 250 which makes two years, it is expected to be funded out of internal accruals.

Shankar K: So what is the interest that you have incurred for this 500 million in this quarter, which has been recognized in the consol numbers?

J. Suresh Kumar: We have a LIBOR plus 450 basis points.

Shankar K.: So in the future Capex what will you incur, that will be another three or four years is that included in it or are you working on it?

J. Suresh Kumar: See the CapEx will begin only 12-15 months down the line, until then we need to go through some regulatory approvals, particularly on the environment side for building the port as well as for augmenting the rail infrastructure. So the environmental process is on right now and parallelly we will start working on the costing front and then we will also start working on the ramping up for the CapEx and be ready to start the construction 12-15 months down on the line.

Shankar K.: Lastly on the real estate projects, property development there is a bump up that we noticed in Q4, so are we saying that it is getting revived and can expect seasonal profit from the property?

J. Suresh Kumar: We have actually showing higher revenue but I think profit is slightly...

Shankar K.: We have reported some profit, because if you compare to nine months in the numbers you have marginally made a profit?

J. Suresh Kumar: I do not think so, may be at the EBITDA level, but I do not think.

Shankar K.: Yes at the EBIT level, I am saying at the EBIT level?

J. Suresh Kumar: Very significant and I do not expect anything in terms of bottom line on property and I do not think that the market in Hyderabad is getting changed much as of now. So my read is that whatever we are showing as booking revenue is mainly on account of whatever deliveries we are giving to all our customers plus there are some customers who are ready to take possessions of apartments those are the ones who are coming in, but I have not seen an enthusing trend as of now.

Shankar K.: Thanks a lot and that is all for the moment.

Moderator: Thank you. Ladies and Gentlemen that was the last question. I would now like to hand the floor back to the management for the closing comments.

J. Suresh Kumar: Thank you very much everyone for participating. I do believe that despite the eliminations from the cash profit angle, from the overall growth angle I think we delivered some fantastic results. I would request you all to consider the performance in that light and of course the way in which you approached the elimination would definitely be because it is non-cash elimination carried out and overall business performance has been positive and going forward it looks pretty positive. Cash flow wise, from a financing wise we are standing on a very strong wicket. So thank you for joining in and look forward to talking to you again during the course of the year. Thank you very much. Bye.

Moderator: Thank you and on behalf of the Religare Marketing Consultants that concludes this conference call. Thank you for joining us, you may disconnect your lines. Thank you.