



## “Tata Power Conference Call”

**July 31<sup>st</sup>, 2009**



**COMPANY:** Mr. Prasad Menon - Managing Director, Tata Power  
Mr. S. Ramakrishnan - ED (Finance), Tata Power  
Mr. S. Padmanabhan - ED (Operations), Tata Power  
Mr. Banmali Agrawala - ED (Business Development & Strategy), Tata Power

**ORGANISOR:** Mr. Jaideep Goswami - Daiwa Securities SMBC India

**Moderator**

Good afternoon and welcome to the Tata Power Q1 FY 2010 Earnings Conference Call hosted by Daiwa Securities SMBC India. As a reminder, all participants' lines will be in the listen only mode and this conference is being recorded. There will be an opportunity for you to ask questions at the end of today's opening remarks. If you should need assistance during the conference, please signal an operator by pressing "\*" and then "0" on your touchtone phone. I would now like to handover the conference to Mr. Jaideep Goswami of Daiwa Securities SMBC. Thank you and over to you Mr. Goswami.

**Jaideep Goswami**

Thank you Jerry. This is Jaideep Goswami from Daiwa Securities. On behalf of Daiwa Securities I would like to extend a warm welcome to all of you for the Q1 FY `10 Post Earnings Conference Call of Tata Power. I sincerely thank the management of Tata Power for taking this call with us. With great pleasure we would like to present the top management from Tata Power. We have with us today Mr. Prasad Menon - Managing Director, Tata Power, Mr. S. Ramakrishnan – ED (Finance), Mr. S. Padmanabhan – ED (Operations) and Mr. Banmali Agrawala - ED (Business Development & Strategy). I would like to hand over the proceedings to Mr. Prasad Menon for his introductory remarks on the first quarter results and business outlook post which we can follow up with questions and answers session. Over to you Sir.

**Prasad Menon**

Thank you and a very warm Good Evening to all of you and welcome to the Analyst Call for the Q1 Financial Year `10 Results for Tata Power. Our operations continue to do well, they are robust and major expansion projects are all on track. The detailed financials will be explained shortly by Mr. Ramakrishnan but I will just take you through some key highlights. This year we will have our Q1 consolidated results in the end of August and we plan to have a separate analyst call when we get those consolidated numbers. We have recently successfully raised US\$335 million through our GDR offerings. The GDR issue has attracted quality investors which enabled us to increase the offering size from \$250 million and we plan to use the net proceeds of this offering to fund the equity requirements for the Mundra UMPP, Maithon and for our capital expenditure in Wind and the LA projects. Operations in Haldia and the Unit 8 in Trombay are currently in the stabilization period. We have generated around 250 million units from these units in this quarter and we expect generation volumes to stabilise at a higher level as these units achieve stability. In this quarter we have informed Reliance Infrastructure that we will continue to supply 500 MW of electricity till the end of March 2010 in the Mumbai Licence Area. We are evaluating various options regarding this 500 MW capacity. MERC has passed an order allowing consumers to shift from RInfra to Tata Power using their network. Furthermore MERC has also determined wheeling charges and the losses applicable for the use of this network. We will take on such consumers after arriving at a mutually acceptable protocol between the various licensees.

Let me just give you a few updates on our ongoing projects. In Haldia, the first 2 units of 45 MW each, as you know, are already operational and the third unit of 30 MW has been synchronised on June 23<sup>rd</sup> and is expected to be commissioned during this quarter. As the generation achieves stable state, we expect a higher generation from Haldia. On Wind we have commissioned a further capacity of 34.4 MW in this quarter - about 21 MW in Gujarat and another 13 MW in Karnataka. With this the total installed wind capacity as of Q1 of this financial year is now 193.65 MW. The Mundra UMPP is running as per schedule and the overall progress achieved is about 26%. Ordering of all the key equipments is complete and civil, structural and erection work is progressing well at site with over 8000 people already located there. Activities related to coal evacuation on the Mundra port are progressing very well. In Maithon, the work is progressing again as per schedule and we have an overall 54% completion on this work schedule. Ordering for all packages is complete and PPAs have been signed with DVC for 300 MW, with NDPL in New Delhi for another 300 MW and the remaining 450 MW capacity has been tied-up with West Bengal State Electricity Board and the Punjab State Electricity Board through

Tata Power Trading. The Fuel Sales Agreement is expected to be signed by the third quarter of this financial year. In IEL, which is our joint venture with Tata Steel, Power House 6 was synchronised in February '09 and was inaugurated in May of this year. Power House 6 is currently running close to full load and will be commissioned shortly. Unit 5 in Jojobera is progressing well and has achieved about 68% of overall project progress and synchronisation of this unit is targeted for the third quarter of this financial year. On the two captive coal blocks that we have been allotted - the Mandakini Coal Block in Orissa - the mining plan has been approved by the Ministry of Coal in February, administrative approvals have been obtained and Section 4(1) notification has been published for land acquisition. In the Tubed Coal Block in Jharkhand, the mining plan has been presented in May and the approval is awaited. I would now like to handover to Mr. Ramakrishnan to take you through the financial performance.

### S. Ramakrishnan

Good evening. Before I take you through the financial results I would like to explain certain regulatory developments that have impacted the results published in Q1. The Appellate Tribunal of Electricity has given an order on 15<sup>th</sup> July which has upheld the company's claim pertaining to certain items disallowed by the MERC during the year FY '07, '08 and '09. These items include sharing of gains pertaining to interest on Working Capital, Depreciation of schemes capitalized during those years and certain other corporate expenditures which aggregate to Rs. 127 crores for these 3 years and these have been recognized as a part of revenue in this quarter. Arising out of the MERC truing up orders dated 28<sup>th</sup> May 2009 to 15<sup>th</sup> June 2009, the Company has recognized a revenue of Rs. 105.4 crores and transferred Rs 24.89 crores from Tariff and Dividend Control Reserve due to reversal of past provisions no longer needed and additional efficiency gains sanctioned by the Regulator. If you see the P&L that has been handed over to you, in the Revenue account we have introduced a line called Revenue Adjustment pertaining to prior years - refer to Notes 5 and 6. These are effectively pertaining to the two orders, the impact of which we have incorporated in the current quarter. I will take you through the individual line financial highlights for Q1. Gross Generation stood at 4260 MUs as against 3935 MUs in the previous year up by 8%. Generation in License Area was flat at 3006 MUs as against 3003 MUs in the previous year. The sale at 4180 MUs as against 4116 MUs in the previous year was up by 1.6%. Sales in LA were at 2981 MUs as against 3241 MUs and sales outside License Area were at 1246 MUs as against 930 MUs in the previous year.

The total power Revenue stood at Rs. 1975.59 crores as against the previous year Rs. 1989.27 crores, a decrease of 1% over previous year. Current year Revenue at Rs. 1743.19 crores as against Rs. 1989.27 crores, down by 12% over previous year and prior year adjustments at Rs. 232.40 crores pertaining to the two orders about which I spoke little earlier. Sales MUs growth was marginal because additional sales from new capacity outside a Licence Area were largely offset by lower power purchase on behalf of distributors in Mumbai Licence Area compared to the previous year. Generation in Mumbai Licence Area was lower primarily due to outage of Unit 5 and outside of Mumbai Licence Area Generation and Sales were higher by 34% due to higher demand and commissioning of new units in Trombay Unit 8, Haldia and Wind units in Gujarat. Depreciation stood at Rs. 111.83 crores as against Rs. 73.11 crores, up by 53% over previous year. Depreciation is higher on account of Unit 8, Haldia and Wind units having commissioned this year as well as certain capital expenditure schemes in Mumbai Licence Area including the coal jetty. The key reasons for increase in operating expenditure was Rs. 5 crores in Mumbai Licence Area due to additional expenditure since we are now carrying out a retail rollout, Rs. 5 crores in Jojobera due to major overhaul of Unit 1, Rs. 5 crores due to commissioning of units in Haldia and Unit 8 in Trombay and Rs. 3 crores in SED due to work initiated on new contracts obtained. Other Income stood at Rs. 107.58 crores as against Rs. 87.20 crores up by 24% over previous year. The increase is primarily due to high dividend income and investment income. The interest stood at Rs. 117.65 crores as against Rs. 52.16 crores, higher by 126% over previous year. Rs. 20 crores was in Mumbai Licence Area primarily due to commissioning of Unit 8 and certain other capital expenditure, capitalised in the previous year, Rs. 20 crores outside

Licence Area due to new units commissioned in Haldia (Rs. 7 crores due to that), Unit 8 merchant in Trombay (Rs. 9 crores due to that) and Wind units (Rs. 6 crores) and Rs. 27 crores of increased interest due to borrowings to fund our various SPVs which are carrying out the different projects.

The tax stood at Rs. 133.34 crores as against previous year Rs. 76.29 crores, up by 75%, largely contributed by increase in profits of this quarter compared to the previous year. The Profit After Tax stood at Rs. 377.08 crores as against previous year Rs. 190.55 crores, higher by 97% over previous year. Statutory appropriations stood at Rs. -19.89 crores as against previous year Rs. 28 crores primarily due to the order which permitted us to withdraw from the reserves. Hence, the Profit after Statutory Appropriations stood at Rs. 396.97 crores as against Rs. 162.55 crores, up by 145% over previous year. EPS was higher at Rs. 17.89 as against Rs. 7.36 up by 143% over previous year. Coming to the talk of the funding as mentioned by Mr. Menon in the beginning, we have raised \$335 million through the GDR offering. The funds have been repatriated to India. This addresses Rs. 1600 crores out of the Rs. 2700 crores of equity requirement that we need till financial year 2012. We expect these funds to cater to our equity requirements for the next 18 months and our requirement for the current year is Rs. 1000 crores. As you are aware, Mundra UMPP and Maithon projects are fully funded. The other major area of fund requirements in the coming years will be the Mumbai Licence Area for which we are in discussions with PFC and IDBI to fund the debt requirements. We have sanctions for all the funding for IEL and the documentation is in the final stages. With that I finish my presentation and hand over back for question and answer session.

**Moderator**

We will now begin with the question and answer session. At this time if you would like to ask a question, please press “\*” and “1” on your touch tone phone. If your questions have been answered and you wish to withdraw your question from the questioning queue, please press “\*” and then “2”. You are requested to use handsets while asking the questions. We request all the participants to restrict their number of questions to two per participant. The first question is from the line of Mr. Venkatesh from Citi Group. Please go ahead Sir.

**Venkatesh**

Sir, firstly you explained this thing that the revenues have a non-recurring item of roughly around Rs. 232 crores. Now, is the only adjustment which we need to do is knock off Rs. 232 crores or are there other cost also because if I knock off Rs. 232 crores from the topline to look at what are the numbers on like to like basis, then the effective tax rate will become 48% rather than 26%. So are there any other costs which we need to adjust to get the like to like feel of how the numbers have been?

**S. Ramakrishnan**

You will have to adjust only tax deduction.

**Venkatesh**

What would be the tax amount which we need to deduct from this?

**S. Ramakrishnan**

It will be a prorated amount.

**Venkatesh**

The second question is why is the power purchase cost so low and secondly why is your fuel cost come down so significantly? Any particular reason if you could explain?

**S. Ramakrishnan**

Fuel prices, particularly oil which was used for generation in Trombay, has significantly fallen in the recent months - what used to be in the previous year. I am just giving you an idea about previous quarter, the oil price was at Rs. 34608 where as this year it is Rs. 21629. So, significant reduction is due to that and second, last year we ran Unit 4 on oil. Unit 4 has been shut down and now Unit 8 is running on coal. These are the two significant reasons for the fuel costs going down and as you know fuel is a pass through and it is reflected in the tariff and the revenue and hence the revenue reduction.

- Venkatesh** Sir my last question is on the coal mine acquisition debt. This was at around \$764 million at the end of March `09. What is it currently and did you get any dividends from the coal mine this quarter?
- S. Ramakrishnan** I will prefer to limit the questions to standalone since we will be doing an analyst call in August and at that time we will take up all the issues pertaining to the coal companies including sales and dollar revenues and interests if you don't mind.
- Venkatesh** Thank you very much Sir. All the best.
- Moderator** Thank you Mr. Venkatesh. The next question is from the line of Mr. Madan Gopal from Centrum Broking. Please go ahead Sir.
- Madan Gopal** Hello Sir. Good evening. Thanks for taking my question. My first question is a repeat of the earlier participant. Sir if you are adjusting Rs. 232 crores in your revenue, corresponding adjustment in fuel cost is not required?
- S. Ramakrishnan** No adjustments are needed, because these are certain expenditures and others that were disallowed by the Regulator which had been restored and these have no operating costs associated with them.
- Madan Gopal** Sir my second question is on Mandakini Coal Block and the other coal block which we have. What are the plans? Are we looking at adding some capacity using these coal blocks or selling this coal in the market?
- S. Ramakrishnan** The coal allocation is meant for power generation and we will be setting up a plant to utilise this coal for power generation.
- Madan Gopal** When is it likely the coal mining likely to start?
- S. Ramakrishnan** The coal mining is expected sometime in FY `12.
- Madan Gopal** You mentioned that Rs. 2700 crores is the total equity requirement till 2012. How much we would be requiring equity for our Mumbai Licence Area distribution CAPEX?
- S. Ramakrishnan** Since the funds are fungible, if you know, we have an investor presentation on our site which shows that the total requirement of funds is about Rs. 5600 crores or Rs. 5500 crores. I believe, that after the internal generation the remaining is the equity requirement, which is Rs. 2700 crores and since the funds are fungible it will be very difficult for me to separate between different projects.
- Madan Gopal** Thank you Sir.
- Moderator** Thank you Mr. Gopal. The next question is from the line of Ms. Shilpa Krishnan from JP Morgan.
- Shilpa Krishnan** Good afternoon everybody. My first question is pertaining to this Rs. 232 crores once again, I want to know whether it has been already billed or does it reflect as a regulatory asset?
- S. Ramakrishnan** It is not a regulatory asset. Some of them we have realised through the current truing up in the tariff. Some of them will be coming to us during the next truing up. For example The Appellate Tribunal Order which is obtained in July is yet to be given effect to by the regulator.

- Shilpa Krishnan**      Roughly 50% of this is reflecting as debtors. Sir my second question is pertaining to the overall numbers for this particular quarter. While you added quite substantially to your generating capacity last year but on the whole that doesn't seem to be fully reflecting in your operating profit numbers especially if you exclude this Rs. 232 crores...
- S. Ramakrishnan**      If you add the increase in depreciation and the interest you will find that the operating profits has in fact gone up even after accounting for this Rs. 232 crores. The increase in Operating profits has been taken to some degree you can say by the increase in the interest and the depreciation.
- Shilpa Krishnan**      Correct. So you are saying that if I look at the EBITDA, the first quarter is fairly representative of the entire capacity that's got commissioned over the course of last four quarters including your 100 MW merchant out of Unit 8, correct?
- S. Ramakrishnan**      We did mention that this quarter both the Haldia capacity and the Trombay Unit 8 are under stabilisation phase. Once it is stabilised we believe that they will generate a slightly higher MUs than they have done in this quarter.
- Shilpa Krishnan**      And finally Sir my question is pertaining to Mumbai distribution plans. Now that the regulator has said that you can have open access facility, do you think you will be required to invest in your own wires and if not how does your CAPEX estimate change?
- S. Ramakrishnan**      Of course the Regulator has permitted people to come on to others network, utilising the network of the other people, to reach our customers. So to that extent we are reviewing the capital expenditure plans submitted to the Regulator. However when we service large customers who are willing to shift, we will be setting up the network because we don't believe that the competitors' network has capacity at all the locations.
- Shilpa Krishnan**      And wherever you do not plan to set up your own network but plan to use open access facility, can you give us any indication of what is the per kilo watt hour kind of open access charges that you would be requiring to pay?
- S. Padmanabhan**      There are two scenarios which will emerge; one is customers' locations where there is no network for either Reliance Infra or Tata Power. In that case we will have to lay the network there and those will get approved by the Regulator. Now in locations where the other discoms' network is already there, there the regulator has published in the website, if you go to the MERC website, categorywise, the base tariff of Tata Power plus the wheeling charges and that by end customer per unit is already published there. So the answer to your question if you take 100 unit customer, today with the wheeling charges they would be paying about Rs. 2.26 per unit.
- Shilpa Krishnan**      Just to reclarify Rs. 2.26 is the wheeling charges, right?
- H. Ramakrishnan**      No, no, total, base tariffs plus wheeling charges. Wheeling charges are about 88 paise on the network, it will come to Rs. 2.26. This is at the lowest level 100 units, and there are various categories going upto 500 units and above. Those tariffs are already published in the website including the wheeling charges.
- Shilpa Krishnan**      Ok. Thank you so much.
- Moderator**      Thank you Ma'am. The next question is from the line of Mr. Nikhil Jalan from CRISIL. Please go ahead Sir.
- Nikhil Jalan**      Good afternoon Sir. My question is again for the Mumbai Licence Area. I wanted to know in addition to the wheeling charges that you just spoke about, would there be any other cross subsidy surcharge that will be levied?

- S. Padmanabhan** Is the question that other than wheeling charges will there be any distribution losses...
- Nikhil Jalan** Cross subsidy surcharge?
- S. Padmanabhan** No, there is no surcharge.
- S. Ramakrishnan** Actually this is not under the conventional open access where you are entitled to open access for a certain load above a certain number. This is a situation where the Regulator has permitted customers who want to come out as our customers, utilizing the other distribution licensee's network. It does not really come under the common open access policy.
- Nikhil Jalan** And, Sir, just one more question, with regards to this 500 MW that you would be supplying from your existing plant, if the demand from Mumbai exceeds more than 500 MW in the near future, let's say in next 1-2 years, then how do you expect to source this power?
- S. Padmanabhan** Currently the Tata Power distribution has a PPA for 477 MW. So apart from this it is now looking at signing up additional power from either its own generator or from outside. So your question is for the next 3 years, if you add so many consumers how much more MW will be required. Is that the question?
- Nikhil Jalan** Right.
- S. Padmanabhan** So we have projected a need for 300 more MWs which the distribution company has an order booking as of today. That can come from the generator or any other source.
- Nikhil Jalan** Ok Sir. Thank you.
- Moderator** Thank you Sir. The next question is from the line of Mr. Sashi Kiran Rao from Standard Chartered Capital Markets. Please go ahead Sir.
- Sashi Kiran Rao** Thank you for taking my question Sir. I have two questions, one is in the first quarter how much did you sell from 100 units of merchant power that you have in Trombay Unit 8?
- S. Ramakrishnan** See the Haldia and Trombay Unit 8, the merchant part, totally generated about 240 MUs in Q1.
- Sashi Kiran Rao** What was the average selling price for this?
- S. Ramakrishnan** In the Western India region our sales realization was about Rs. 6.6, in the Eastern region whatever we sold on merchant was about Rs. 5 or so.
- Sashi Kiran Rao** In addition to this, my question is on that revitalization of Unit 4 which I believe right now is not producing anything. There was some news item sometime back that you had requested for gas from KG basin gas allocation, can you tell me your plans on this?
- S. Padmanabhan** Unit 4 we had to shut down as we brought in Unit 8 starting in the end of March. This is to ensure that we meet all the environmental requirements around the Trombay area. If we have to run Unit 4 we can only run it on gas. So we have now applied to different places to get the gas for Unit 4. As of now we do not have any KG gas allocations.
- Sashi Kiran Rao** So would you be open to purchasing it from let's say Hazira or may be from the open market?

- S. Padmanabhan** It is a price issue at which you can buy so that the power generated from Unit 4 should be clearable in the market.
- Sashi Kiran Rao** But then in case of your retail rollout it could be a possible solution to that?
- S. Padmanabhan** Yes, that option is there. We want to use the power generated from Unit 4, that option is there and we need to get gas for it to be able to run in that environment.
- Sashi Kiran Rao** So do you have any plans, do you see any CAPEX in revitalizing the plant?
- S. Ramakrishnan** Unit 4 does not require any major CAPEX., What we are looking for are options for gas agreement - if KG gas is not available, from others, provided it makes economic sense for us to buy it at the price at which it is available.
- Sashi Kiran Rao** Thank you.
- Moderator** Thank you Mr. Rao. The next question is from the line of Mr. Rakesh Vyas from Nomura. Please go ahead Sir.
- Rakesh Vyas** Good afternoon Sir. I just wanted to understand about this 500 MW for which you have already informed Reliance Energy. What your plans would be - Number 1, would you probably see so much of demand from the open access that you will utilize 500 MW wholly for the Mumbai License Area itself or is there a plan of selling it off in merchant also?
- S. Ramakrishnan** We have a PPA for 477 MW but load is probably around 400 or so. While we do expect the opportunity given by the Regulator to the consumers will generate demand, it won't be to consume all that 500 MW capacity for the next 2-3 years atleast. And hence there will be some capacity that will be available which we will be selling in the market.
- Rakesh Vyas** So just wanted to understand because Reliance Energy has set out some bids for medium term power purchase. Would you be looking at that option as well to supply to them?
- S. Ramakrishnan** We haven't taken any decision. When the document is out we will of course read it to see under what terms and conditions, whether it suits our requirement.
- Rakesh Vyas** Thank you Sir. That answers my question.
- Moderator** Thank you Mr. Vyas. The next question is from the line of Mr. Bhavin Vithlani from Enam Securities. Please go ahead sir.
- Bhavin Vithlani** Good evening sir. Could you explain the PPA details for the Maithon?
- S. Ramakrishnan** We have allotted the entire capacity between NDPL, WBSEDCL, PSEB and DVC. NDPL gets 300 MW, DVC gets 300 MW. The remaining 450 MW has been given between West Bengal which has 150 MW and 300 MW to Punjab Government, all on regulated basis. So it will be the CERC pricing system that will be operational.
- Bhavin Vithlani** So all are on 15.5% plus incentives?
- S. Ramakrishnan** Absolutely that's right. Of course if we complete on schedule we will get the additional half percent
- Bhavin Vithlani** Second question pertains to the two mine blocks which you just mentioned. Any progress on the power projects which you may want to put across in association with these mines?

- S. Ramakrishnan** We are identifying land - we have identified in Orissa which is under acquisition by the Government and we have identified something in Jharkhand area, one belonging to the Government and one with the private parties and we are under discussion with both the parties.
- Bhavin Vithlani** Is it possible for you to sell everything on merchant from these two projects?
- S. Ramakrishnan** We have earlier also maintained that the coal allotted by the Government is called as given to IPP. We are still seeking clarification whether it means Case 1 bidding or merchant. That clarity is not available at this point of time.
- Bhavin Vithlani** But in case you get an opportunity, you may want to risk it and sell on a merchant basis?
- S. Ramakrishnan** We will look at both, in the sense that Case 1 has an advantage because it is in a way merchant but on a long term tie-up whereas the other merchant is something which you do on short term. So we will not think that Case 1 is likely to be any inferior, it is a question of portfolio. If you want certain PPAs on long term and certain on spot, then the long term part can be serviced through Case 1 while the spot capacity can be left out. So even in merchant that is our thinking.
- Bhavin Vithlani** And for the 200 million units which you sold on merchant in the current quarter, what was the average realization and what is the fuel cost for Unit 8 and Haldia?
- S. Ramakrishnan** We answered that - we realised about Rs. 6.60 in Q1 in Mumbai area and about Rs. 5 in Haldia. Haldia variable cost is about Rs. 0.6 and Mumbai variable cost is about Rs. 3.5 in Q1 but our coal contract gets revised from Q2 downwards and that price will be closer to Rs. 2-2.25 variable cost.
- Bhavin Vithlani** Rs 2.25 would be the fuel cost or total cost of generation?
- S. Ramakrishnan** It is the fuel cost, variable cost
- Bhavin Vithlani** Is the cost of coal very high as Rs. 2 seems to be on a little higher side?
- S. Ramakrishnan** See the Rs. 3 imported coal when we told you was around almost \$80 plus transportation. New contracts are now running at \$45-50 plus transportation. The price of coal has changed between the last time because most of our agreements are signed during Q1 so the effectiveness of it is for the 12 months - 3 quarters of one year and first quarter of following year.
- Bhavin Vithlani** What could be the landed cost in this case?
- S. Ramakrishnan** Landed cost here, probably likely to be about \$75 a ton.
- Bhavin Vithlani** From second quarter onwards?
- S. Ramakrishnan** From end July onwards.
- Bhavin Vithlani** And my last question is after having received \$335 million as QIP money do you envisage that now with this kind of cash flow in the Company you can actually start over and above the 5000 MW projects under construction?
- S. Ramakrishnan** First of all it is GDR money and not QIP. I just wanted to clarify. This is towards the part of total funding of \$ 500 million we require for these projects. If we have other projects which we are looking and we get it sanctioned by the Board, the same funding can be

used initially, but within 3 years we have to raise the remaining money needed for those projects also.

**Bhavin Vithlani**

So in the near term you may not resort to selling any investments?

**S. Ramakrishnan**

The only statement we make is that our portfolio - we keep reviewing from time to time. Whenever there is an optimum time that we believe it should be sold we will do so because we are a growth oriented company with huge requirement of funds as we go forward.

**Bhavin Vithlani**

Ok. Thank you very much Sir. Wish you all the best Sir.

**Moderator**

Thank you Mr. Vithlani. The next question is from the line of Mr. Abhishek Puri from JM Financial. Please go ahead Sir.

**Abhishek Puri**

Good evening. Just one small clarification on the FCCBs you have converted some of them. Could you tell us the outstanding amount of FCCB?

**S. Ramakrishnan**

About \$6 million of the FCCB is outstanding.

**Abhishek Puri**

In terms of the exchange gains which we have booked in this quarter, has there been any significant change in terms of our outstanding FOREX liabilities since while the rupee was depreciating last year, we were booking gains and since the rupee has appreciated in this quarter we have again booked gains?

**S. Ramakrishnan**

There is a difference between the last quarter of the previous year and this quarter. In the last quarter previous year apart from our foreign exchange liabilities of \$70 million, we had foreign exchange assets of close to \$300 million because there was a loan given by us to our subsidiary which was returnable. This particular quarter we had converted \$270 million of those loans into non-refundable loans, in the sense that without a specific time frame, and hence as of now we have only \$40 million liability in the books, no dollar effect. So that is the difference between the last quarter gain that we had booked and this quarter gain. In the last quarter gain because the rupee depreciated and we had an asset in the books, we had a gain, whereas in this quarter rupee appreciated and we had only a liability against which there is a booking of gains. So there is a difference between the two - between last quarter previous year and this quarter.

**Abhishek Puri**

Sir if I see the annual report, we still have some loans and advances through our subsidiaries in Mauritius?

**S. Ramakrishnan**

They do have, the way they are treated is, the foreign exchange variation on an asset which does not have a specific repayment, accounting wise those variations are directly taken to the reserves and not through the P&L. Whereas assets and liabilities with specific time frames of repayment of payments - those variations are taken through the Profit & Loss. So if you have received our annual report you will see these two differences in our accounting policy as well as in the Notes to the Accounts.

**Abhishek Puri**

There is no repayment attached to these kind of loans and advances given to our subsidiaries?

**S. Ramakrishnan**

No, except for the \$ 30 million loan which has specific repayment and others don't have specific repayment schedule.

**Abhishek Puri**

So these loans given to the subsidiaries go into the debt repayment of your international subsidiaries which you...?

- S. Ramakrishnan** No, they don't go into the repayment.,Only the external borrowing i.e. outside the Tata Power system go into the repayment schedule of our SPVs
- Moderator** Our next question is from the line of Mr. Parag Gupta from Morgan Stanley. Please go ahead Sir.
- Parag Gupta** Good evening Mr. Ramakrishnan. Just two questions from my side. Firstly could you just give us some idea when will we start seeing our revenues flowing in from the distribution in the Licence Area and second question is I just want to understand what's happening on the ships that you were acquiring, when are those ships going to be delivered and are there any plans to acquire any more ships going forward?
- S. Ramakrishnan** The distribution revenues are reflected even today in our Revenue, it is just that today we are having a load between 400-450 MW, that load is expected to grow. So the first question is distribution revenue has always been a part of revenues of Tata Power so far. The ships are due for delivery towards the end of next year, the two ships which are being made in Korea. We are looking at options to acquire capacity either on an ownership basis or on a charter basis.
- Parag Gupta** Thank you.
- Moderator** Thank you Mr. Gupta. The next question is from the line of Mr. Ujjal Debroy from VCK Shares & Stocks. Please go ahead Sir.
- Ujjal Debroy** Hello Sir. My question is on the Unit 8. Sir your contracts for imported coal are up for revision in July, so you talked about the cost of \$45-50 per tonne. Sir what was the landed cost you mentioned?
- S. Ramakrishnan** About \$75.
- Ujjal Debroy** Sir when next time this contract will be up for renewal?
- S. Ramakrishnan** The pricing is revised once a year. The contract is of a much longer duration.
- Ujjal Debroy** Sir will it possible for you to give an outlook for blended ROE from this particular unit?
- S. Ramakrishnan** Expected or actual?
- Ujjal Debroy** Expected.
- S. Ramakrishnan** We believe that the regulatory part of that will generate probably around 17-18% and the merchant part generally we believe that we target 25% and above but we need to see the events as the merchant market unfolds in the coming years.
- Ujjal Debroy** So blended ROE should be something around 30%?
- S. Ramakrishnan** See I don't know how you blend. 150 MW is at 17-18% and remaining 100 MW is higher than 25% - now you have to blend
- Ujjal Debroy** Ok. Thanks a lot Sir.
- Moderator** Thank you Mr. Debroy. The next question is from the line of Mr. Pankaj Sharma from UBS. Please go ahead Sir.

- Pankaj Sharma** Sir good evening. Just two questions, one is can you give us the breakup of 4260 million units of generation in terms of Licence Area and Jamshedpur, Tata Steel and Haldia and the second question is the adjustment of expenses recoverable through tariff which is almost Rs 109 crores – is it related with recovery which the Regulator has not allowed?
- S. Ramakrishnan** I will answer the first. Of the total MUs our generation in the Mumbai License Area (both thermal and hydro) and the regulated part of Unit 8 is about 3000 MU and the remaining are from outside of Mumbai.
- Pankaj Sharma** Sir 1260 would be outside License Area?
- S. Ramakrishnan** Compared to 932 earlier, I think we did present it in the presentation too.
- Pankaj Sharma** The adjustment of expenses recoverable through tariff, Rs. 109 crores. This is related with the Regulator not allowing the recovery of these cost?
- S. Ramakrishnan** He had not allowed in the past and we won the Appellate Tribunal and he has now allowed in-the truing up order
- Pankaj Sharma** Ok. Thanks Sir.
- Moderator** Thank you Mr. Sharma. The next question is from the line of Mr. Aman Batra from Kotak. Please go ahead Sir.
- Aman Batra** Good evening Sir. Just two questions, one, we wanted to understand how come Maithon still goes in CERC regulated norms and not under the competitive bidding in process? And the second is that 500 MW of power which you would probably not sell to Reliance Infra starting next year. What would be the mix of this capacity? How much of this is which Unit 4, 5, 6, 7, 8 or hydro we are talking about here?
- S. Ramakrishnan** The capacity that we use to give to Reliance is about 20% of every unit other than Unit 8. Second question on Maithon is - today the regulatory position is that a distribution company has the option to procure power either on a regulated basis or on a competitive bid basis and this has been clarified in the Delhi Regulator proceedings.
- Aman Batra** Thanks sir. Thanks a lot.
- Moderator** Thank you Mr. Batra. The next question is from the line of Mr. Subhabrata Mitra from Jetage Securities. Please go ahead Sir.
- Subhabrata Mitra** Good evening to everybody. Sir actually I missed out on the explanation given on the significant decrease in the power purchase cost.
- S. Ramakrishnan** Last year we were the franchisee for Pune area of Maharashtra and Tata Power used to purchase power and sell it to Pune. So that turnover was reflected both in the Revenue as well as in the power purchase. This year it is not there so that power purchased is no longer part of the power purchase. So this year we have procured only for our requirements and second is we are entitled to about 50 MW out of the Unit 8 whereas earlier we were entitled to slightly lower capacity out of the 144 MW of Unit 4 that we had. We have slightly more capacity and hence we have less outside purchase of power. These are the two reasons for the difference in the power.
- Subhabrata Mitra** But actually the advantage from the power purchase cost and fuel cost decrease, if you add that up and if we see the revenue decrease from 2012 to 1893. On the expenses side that decrease is more than the revenue in decrease?

- S. Ramakrishnan** That's right. So the margins are more because today we have Haldia this year which we didn't have last year. We have Unit 8 merchant this year, which we didn't have last year. So good news in a way, right?
- Subhabrata Mitra** Yes. Ok. Thanks a lot Sir.
- Moderator** Thank you Mr. Mitra. The next question is from the line of Mr. Shrish Hirani from IDFC SSKI Securities. Please go ahead.
- Shrish Hirani** Good evening Sir. I wanted to understand how will the tariff for this 500 MW uncommitted power work. If you sell it to your own distribution, how will the tariff work and second would be in case if you sell it to third parties which are non-regulated or non-committed fields then how will the tariff work?
- S. Ramakrishnan** It is the question of on what basis we agree to supply power. We have an option to respond to Case 1 in which case it will be market decided power. We can agree to sell on regulated basis in which case it will be regulated power. And if you agree supply only on a short term basis then it will be on merchant power. So all the three are possible at this point in time.
- Shrish Hirani** So when you sell it to your own arm would it be on regulated basis or again the three options open up there?
- S. Ramakrishnan** They are open, all the three are open, subject to Regulator's approval.
- Shrish Hirani** So effectively when we think about this 500 MW capacity we should think about it as non-committed capacity where all options are open and you can have upsides from higher tariff?
- S. Ramakrishnan** As of today all options are available.
- Shrish Hirani** And conceptually it is open and you can have higher tariffs and higher upsides on your ROEs going forward from FY '11 onwards?
- S. Ramakrishnan** Conceptually yes.
- Shrish Hirani** Second question was as far this open access is considered when your volumes will increase, let's say a lot of people come to you and you start supplying to the distribution franchise. If you are buying power from third party and you are using the wires of existing operator. Would there be significant CAPEX to really improve your distribution volumes?
- S. Padmanabhan** Let me take that question. The CAPEX will be incurred where there are no current networks. For example the 300 MW pipeline that I am talking about, are all new customers. The change over customers which have started in the last two weeks are all in the existing networks, where the existing network is there of another discom. **It is there that** there won't be any CAPEX involved.
- Shrish Hirani** So though effectively we don't earn anything, only on the 300 MW where we are going to spend extra amount, that is where we will earn an ROE?
- S. Ramakrishnan** We will not earn any ROE on those where there are no capital expenditures but all the others incentives and other performance parameters are there, they will continue.

- Shrish Hirani** I just wanted to understand how the regulatory mechanics will work in these two instances?
- S. Padmanabhan** In case of distribution company the Return on Equity is on the network capital expenditure that you incur. In the case of a changeover customer there is no capital expenditure other than sometimes meters will be added, or there will be a last mile addition - those things but significantly the network CAPEX will only happen when you add new networks in the system.
- Shrish Hirani** Fair point. Thank you very much Sir.
- Moderator** Thank you Mr. Hirani. The next question is from the line of Mr. Kamlesh Ratadia from Enam Holdings. Please go ahead.
- Kamlesh Ratadia** Sir just wanted to check you mentioned that in the Trombay Unit 8 from July onwards the variable cost or the fuel cost per unit will be about Rs. 2.40., did you mention that?
- S. Ramakrishnan** Somewhere in that range
- Kamlesh Ratadia** Then on the like to like basis can you throw some light on the Mundra project itself because you know even there if you have imported coal and assuming that it is at a market determined price then what is the ROE that we will make because we have a levelised tariff of Rs. 2.26?
- S. Ramakrishnan** We always maintained that Mundra has certain exposure for coal price. 45% is reimbursed by the Regulator (of the variable cost). Of the 55%, first 5 years, 25% of the coal is obtained by us at almost fixed cost which means we are exposed to about 30% of the coal to the price variation which is hedged by the holding we have which is on a much larger production base. For example the coal companies produce almost 55-60 million tonnes of coal, we have 30% holdings, so indirectly you can say we have 16.5 to 18 million tonnes of coal production ownership whereas the exposure in Mundra is 3.5 million tonnes.
- Kamlesh Ratadia** Sure if you were take that 30% which is not hedged that would be at these prices at \$45 as you mentioned plus transportation?
- S. Ramakrishnan** The way we look at it is that we don't look at Mundra ROE by itself. We look at Mundra plus coal holding of ours as one integrated investment and what it earns., In case of the coal price where it goes up, instead of earning on 18 million tonnes of coal, I will benefit on 14.5 million tonnes of coal once Mundra is commissioned because 3.5 million tonnes I will have to provide for variation for Mundra.
- Kamlesh Ratadia** Thank you very much Sir.
- Moderator** Thank you Mr. Ratadia. The next question is from the line of Mr. Sachin Trivedi from UTI Mutual Fund. Please go ahead Sir.
- Sachin Trivedi** Hello. Sir few clarifications. In Haldia what is the variable cost for us?
- S. Ramakrishnan** It is Rs 0.6 per unit for this financial year.
- Sachin Trivedi** And Sir second question regarding Unit 4 that you spoke about. Now is this Unit retired or does it still remain a regulated asset for us?

- S. Ramakrishnan** The Unit is available for working when the other Units go down. In that we have the environmental sulphur limit relaxed **in the sense that the** other Units don't consume the sulphur limit in which case we run the Unit 4.. So it is staying as or you can call it a standby for plant shutdown.
- Sachin Trivedi** So when you say that you will use it based on the pricing of the gas, we don't have any option to sell it on merchant basis or something like that?
- S. Padmanabhan** No. Once we start using Unit 4 if the gas price is right, then it will run like a full unit. It will not be on standby mode. Today what is happening is that if there is a problem with Unit 5 or Unit 8, because the coal consumption comes down if there is a shutdown I can run Unit 4 within the environment limits. That's the way we are using it today till such time gas is available.
- Sachin Trivedi** Ok Sir. Thank a lot.
- Moderator** Thank you Mr. Trivedi. On account of time constraints we now have 3 minutes left in this conference call. The next question is from the line of Mr. Sumit Agarwal from HSBC. Please go ahead Sir.
- Sumit Agarwal** Sir just taking on this Unit 4 thing forward, when the Unit 4 is on a standby does it also earn that Rs. 3 crores of ROE that it typically used to generate?
- S. Ramakrishnan** The current regulatory order includes the expenses and capital of Unit 4. Once we have a long term supply of gas we need to take a call on whether that Unit forms a part of the regulation or comes out of the regulated asset.
- Sumit Agarwal** Sir coming to our distribution CAPEX with you getting access to your competitor's wires, does the distribution CAPEX that you have targeted comes down or you would still maintain that CAPEX?
- S. Padmanabhan** To the Regulator for the current year we had given a CAPEX requirement of Rs. 250 crores. This CAPEX will get approved on case by case basis as and when we have schemes. Now these schemes will not be in the same location where the competitor already has the network already there. These schemes will be in new locations where new customers are getting acquired.
- Sumit Agarwal** Sir I am talking of the CAPEX over the next 3 years time. So some of the CAPEX definitely you would be requiring to provide access to the new customers. However, you would be also using the existing infrastructure of your existing competitor. So in that case does this mean that your CAPEX requirement comes down?
- S. Padmanabhan** Yes to that extent, if the customers to be acquired, are already is in the area where our competitors are present, there I don't need additional CAPEX requirement. Yes, to some extent it will come down.
- S. Ramakrishnan** See the Rs. 900 crores of CAPEX that we said we will spend over 3 years will come down to some extent because of this particular development.
- Sumit Agarwal** Sir who manages the customer if you are using the competitor infrastructure in terms of billings and all that?
- S. Padmanabhan** The metering, billing will be done by us. The network system support will be done by the competitor's service provider. Overall there is a protocol that has been worked out in this situation.

- Sumit Agarwal** And you pay the competitor 16% ROE?
- S. Padmanabhan** Wheeling charges.
- Sumit Agarwal** Thanks a lot and best of luck for the future.
- Moderator** Thank you Mr. Agarwal. On account of time constraints the management will now take one last question. This is a follow-up question from Mr. Sashi Kiran Rao from Standard Chartered Capital Markets. Please go ahead Sir.
- Sashi Kiran Rao** On the breakup of other expenses I believe that this was much higher this quarter on account of start-up cost in many Units. Can you give me on a normalised basis, how much would that be?
- . Ramakrishnan** We have about - Unit 8 has constituted I think Rs 5 crores. About Rs 5 crores of extra expenditure we have incurred in Mumbai distribution area because we have setup a large customer care centre to handle the large volumes that are expected. We have Rs. 5 crores in major overhaul of Unit 1 in Jojobera, Rs. 5 crores due to commissioning of Haldia and Unit 8 in Trombay and Rs. 3 crores due to increased activities in Strategic Electronic Division.
- Sashi Kiran Rao** So even on a normalised basis it seems that your other operating costs have gone up substantially?
- S. Ramakrishnan** Yes. What we have done is that we are setting up a DG Set project in Lodhivali. Now since there is a better chance of gas being available, we felt it prudent that if we use gas as a fuel, it will lead to a much lower cost of power and hence we are removing the DG Sets that have been bought and replacing them with new units. So whatever assets that we will not be putting to use, we have considered it prudent to make a provision for reduction in the value of those assets to the extent of about Rs. 33 crores.
- Sashi Kiran Rao** I would say on normalised basis it is around Rs. 53 crores higher than this?
- S. Ramakrishnan** If you remove the Rs. 33 crores the rest is our Other Income
- Sashi Kiran Rao** Sir the other question is regarding your interest on debt that you have taken to fund the equity portion - are you going to retire those short term debts?
- S. Ramakrishnan** Yes, of all the money that we have received, we will be repay all the short term debts that we had taken for funding equity or the long term debts that we have taken for the purpose of projects will continue.
- Sashi Kiran Rao** So how much of debt you expect to repay in that sense? Only for equity portion I am referring to.
- S. Ramakrishnan** I am told that we would be repaying about Rs. 700 crores of short term funds that we have taken so far.
- Sashi Kiran Rao** Ok Sir. Thanks a lot.
- Moderator** That was the last question for today's conference. I would now like to handover the conference to Mr. Jaideep Goswami for closing comments.

**Jaideep Goswami**

Thank you. On behalf of Daiwa Securities we would like to thank the top management of Tata Power Company for spending their time and discussing the Company's results with us. This concludes the call. Thank you.

**Moderator**

On behalf of Daiwa Securities SMBC India that concludes today's conference. Thank you for joining us. You may now disconnect.

**END.**