



TATA POWER
Lighting up Lives!

“TATA Power Company Limited Q2FY10 Results Conference Call”

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Lighting up Lives!

Daiwa Securities
SMBC



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ORGANIZER **MR. ATUL RASTOGI –DAIWA SECURITIES SMBC PVT. LTD.**

Moderator Ladies and gentlemen good evening and welcome to the TATA Power Company Limited Q2FY10 and Half Year Ended September 2009 Consolidated Results Conference Call, hosted by Daiwa Securities SMBC India Private Limited. As a reminder for the duration of this conference all participants' 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 assistance during the conference call please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Atul Rastogi of Daiwa Securities. Thank you and over to you sir

Atul Rastogi Thanks, Melissa and good evening to everyone to this TATA Power Company Conference Call for Q2FY10 and Half Year. We have with us the senior management of TATA Power, Mr. S. Ramakrishnan — ED (Finance), Mr. S. Padmanabhan — ED (Operations) and Mr. Banmali Agrawala — ED (Business Development and Strategy). At this moment I hand it over to Mr. Ramakrishnan for his opening remarks. Over to you, Mr. Ramakrishnan.

S. Ramakrishnan Good evening. We are pleased to welcome you to this call for Q2FY10 consolidated results of TATA Power. As we have done in the last quarter we will be declaring our consolidated results on a quarterly basis and for Q2FY10 standalone results, we already held a call with you all on October 29th. So this call will be limited to the consol numbers. Some key developments since we were on the call with you:

One, the Government of India has announced National Solar Mission policy to incentivize solar-based generation. We are actively looking at the various options provided by the policy. We announced a joint venture with SN Power of Norway to develop hydro projects in the Indian subcontinent. Our FCCB issue of \$300 million successfully closed this month. CRISIL has reaffirmed its AA rating on TATA Power and revised its outlook from 'Stable' to 'Positive.' IEL, our joint venture with TATA Steel has achieved financial closure.

Before we proceed with the consolidated numbers let me recap some of the key highlights for our standalone numbers for H1FY10 and Q2FY10. PAT at Rs. 560.27 Crore in H1, higher by 24%, mainly caused by the regulatory adjustments we made in Q1 arising out of an MERC order and the ATE judgment and PAT stood at Rs. 183.19 Crores in Q2FY10, lower by 30% compared to previous year, mainly due to higher tax provision made arising out of the new tax regulation that came into effect as well as due to higher interest charges.

With that introduction, I will take you through the financial performance as for the conso and I hope you have the limited review conso results which have been published in the papers in your hands. I take you line by line. First, I will cover the H1FY10.

Total revenues stood at Rs. 9,292.35 Crore, previous year Rs. 8,706.70 Crore, up by 7%. Due to higher MUs sold in NDPL, TATA Power Trading and TATA Power with the commissioning

of the new units partially offset by lower revenues due to lower fuel cost. The revenue adjustment primarily due to Rs. 243 Crores, increase in the amount recoverable through tariff increase in NDPL and Rs. 232.40 Crores of regulatory adjustments in Mumbai License Area. Staff costs stood at Rs. 433.29 Crores, compared to Rs. 317.44 Crores, up by 36%, higher due to new units getting commissioned in TATA Power and an increased provision of Rs. 60 Crores in NDPL due to implementation of the Sixth Pay Commission. Cost of power purchase stood at Rs. 2368.22 Crores compared to Rs. 2128.95 Crores, up by 11%, due to higher power purchase of Rs. 255 Crores in NDPL. Costs of fuel stood at Rs. 2416.10 compared to Rs. 3102.29, down by 22%, due to reduction in the prices of the different fuels we use in Mumbai. Coal processing charge stood at Rs. 890.10 Crores compared to Rs. 571.60 Crores, up by 56%. This is primarily due to increased quantity of coal mined through contractors in the Indonesian operations in the current year. Depreciation stood at Rs. 425.49 Crores compared to Rs. 331.21 Crores, up by 28%, depreciation higher primarily an account of new units getting commissioned. Profit from operations before Other income, Interest and Exceptional Items stood at Rs. 1730.36 Crores, compared to Rs. 1233.13 Crores up by 40%. Other income due to gain on exchange stood at Rs. 74.69 Crores compared to Rs. 111.16 Crores, lower by 33%. Profit before Interest, Exceptional items stood at Rs. 1877.44 Crores compared to previous year of Rs. 1416.66 Crores, higher by 32%. Interest at Rs. 393.27 Crores compared to Rs. 317.30 Crores, higher by 24%, mainly due to commissioning of the various new units, hence the interest that used to be capitalized has moved into the profit and loss. Provision for tax in the current year stood at Rs. 531.21 Crores compared to Rs. 309.90 Crores, up by 71%. Of this increase about Rs. 100 Crore increase is due to increased provision in TATA Power arising out of the changes in Minimum Alternate Tax provision. Increase in tax provision by about Rs. 70 Crores in Q2 of FY10 for the coal companies compared to Q2 of previous year due to lower provisions made in Q2 of previous year which was compensated by an increased provision in Q4 of previous year. The remaining increase is due to other subsidiaries and associates where also they have been affected by the change in the Minimum Alternate Tax rules in India.

So finally, PAT stood at Rs. 960.92 Crores compared to Rs. 804.84 Crores, higher by 19% for H1. Statutory Appropriation of minus Rs. 18.89 Crores compared to plus Rs. 37 Crores previous year, leading to a PAT after Statutory Appropriation of Rs. 940.38 Crores, compared to Rs. 747.77 Crores, higher by 26%. I now take you through the results for this quarter, Q2 consolidated one. The total income stood at Rs. 4579.19 Crores compared to Rs. 4637.36 Crores, down by 1%. This is mainly due to Rs. 389 Crores increase in revenue in NDPL, offset by a decrease of about Rs. 360 Crores in TATA Power, and Rs. 80 Crores in coal companies. The reduction in TATA Power mainly is due to reduced fuel cost and the reduction in coal companies due to decreased coal prices. Total expenditure stood at Rs. 3853.80 Crores compared to Rs. 3950.14 Crores, down by 2%. The key variations for the expenditure:

The staff costs increased by Rs. 85 Crores due to an increase of 60 Crores in NDPL due to the Sixth Pay Commission. Costs of fuel decreased by Rs. 440 Crores mainly due to reduction in fuel cost of Rs. 350 Crores in TATA Power. Increase in coal processing charges of Rs. 188

Crores in coal companies due to 82% higher quantity of coal mined through contractors in the current quarter. Depreciation higher mainly on account of new units getting commissioned. Profit from Operations before Other Income, Interest and Exceptional Items stood at Rs. 725.39 Crores, compared to Rs. 687.22 Crores, up by 6%. Interest at Rs. 187.73 Crores compared to Rs. 169.47 Crores, up by 11%, mainly due to commissioning of new units and borrowing cost to fund our SPVs. Profit Before Tax, Share of Associates, Minority Interest, and Statutory Appropriation stood at Rs. 616.01 compared to Rs. 638.19, down by 3%. Provisions of tax in the current year at Rs. 246.53 Crores compared to the previous year of Rs. 120.04 Crores, up by 105%. The main reasons already explained by me during the explanation for the H1 results - increased MAT provision in the Indian companies, TATA Power and its Indian subsidiaries, increased provision in the coal companies due to under provision during the previous year which has compensated by increased provision in Q4 of the previous year. PAT at Rs. 368.73 Crores compared to Rs. 536.92 Crores, down by 31%. Statutory Appropriation of Rs. 1 Crore compared to Rs. 9 Crores leading to PAT after statutory appropriation at Rs. 367.73 Crores compared to Rs. 527.92 Crores, down by 30%.

Now going to the segment results. I am explaining first the H1 results for FY10 of the segment results. Revenue from power business stood at Rs. 6541.59 Crores compared to Rs. 6107.34 Crores, up by 7%, an increase of Rs. 435 Crores due to the TATA Power Trading, Rs. 590 Crores due to NDPL offset by lower revenue in TATA Power of Rs. 510 Crores. Revenue from coal business of Rs. 2289.20 Crores compared to Rs. 2225.10 Crores, up by 3%, primarily due to higher sales from the coal mines, in terms of volume offset by lower price realization and exchange rate fluctuation. The exchange rate for H1 was Rs. 48.6 compared to Rs. 42.24 during the previous year. Profit before interest and tax stood at Rs. 1848.81 compared to Rs. 1346.98, up by 37%. Power business up by Rs. 480 Crores due to increase in TATA Power PBT and including Rs. 232.40 Crores of revenue adjustment made in Q1 arising out of the MERC and ATE orders.

Profits in coal business up by Rs. 4 Crores. Though the realizations have remained lower it has been offset by higher production volume as well as the higher exchange rate. Explaining the segment highlights of Q2 of FY10 revenue from power business stood at Rs. 3198.62 Crores compared to Rs. 3219.02 Crores, down by 1%, an increase of Rs. 300 Crores in NDPL, Rs. 20 Crores in Powerlinks, offset by a decrease of Rs. 340 Crores in TATA Power. Revenue from coal business stood at Rs. 1130.77 Crores compared to Rs. 1213.26 Crores, down by 7% due to drop in the coal prices being offset by higher sales in terms of tonnage and exchange rate fluctuation. Profit Before Interest and Tax at Rs. 791.62 Crores compared to Rs. 714.83 Crores, up by 11%. The main changes, the power business had an increased profit of Rs. 130 Crores, of which Rs. 110 Crores is attributable to TATA Power and profits in coal business down by Rs. 70 Crores due to lower realization compared to the previous year. I will also cover the performance of some of our key subsidiaries.

NDPL had a Revenue in H1 of Rs. 1764.20 Crores compared to Rs. 1267.2 Crores. It had an operating profit in H1 of Rs. 149.10 Crores compared to Rs. 149.40 Crores. It had a PBT of Rs. 101.30 Crores compared to Rs. 87.3 Crores and it had a PAT of Rs. 67.10 Crores compared to Rs. 71.9 Crores, a reduction of 6.68%.

Going to the quarterly results of NDPL it had a revenue of Rs. 1014 Crores compared to Rs. 702.70 Crores. It had an Operating Profit of Rs. 69.10 Crores compared to Rs. 87.80 Crores the previous year. It had a PBT of Rs. 46.30 Crores compared to Rs. 48.20 Crores and a PAT of Rs. 25.70 Crores compared to Rs. 37.9 Crores, a reduction of 32%, mainly due to the change in the Minimum Alternate Tax provision that had to be made in Q2 for the entire H1.

Coming to Powerlinks, our joint venture with Powergrid, the H1 results, revenue of Rs. 146.70 Crores compared to Rs. 111.40 Crores. Operating Profit of Rs. 141.70 Crores compared to Rs. 106.60 Crores. PBT of Rs. 59.20 Crores compared to Rs. 21.90 Crores, leading to a PAT of Rs. 39.20 Crores compared to Rs. 19.4 Crores, an increase of 102%. In Q2, Powerlinks had a Revenue of Rs. 75.10 Crores compared to Rs. 55.80 Crores, an Operating Profit of Rs. 72.60 Crores compared to Rs. 53.5 Crores, PBT of Rs. 32.30 Crores compared to Rs. 11.7 Crores, PAT of Rs. 20.6 Crores compared to Rs. 10.3 Crores. The increases are mainly due to the new CERC rules applicable from the current year. We do not get advance depreciation but we get adequate depreciation which is counted as revenue whereas earlier the advance depreciation was not taken as revenue. We had more capitalization as well as we had earned certain incentives which have been now recognized.

Coming to TATA Power Trading, the H1 results, revenue of Rs. 1149.60 Crores compared to Rs. 862.70 Crores, Operating Profit of Rs. 4.30 Crores compared to Rs. 3.7 Crores, PBT of Rs. 4.80 Crores compared to Rs. 4.2 Crores, PAT of Rs. 3.40 Crores compared to Rs. 2.9 Crores, an increase of 17.24%. And the results of TATA Power Trading in Q2, revenue of Rs. 452.90 Crores compared to Rs. 449.40 Crores. Operating Profit of 2.20 Crores compared to Rs. 2 Crores, PBT of Rs. 2.3 Crores compared to Rs. 2.2 Crores and a PAT of Rs. 1.6 Crores compared to Rs. 1.5 Crores, an increase of 6.66%.

We give you briefly the results of the coal companies. The coal companies had a sale in the first half of almost about 50 million tons compared to about 25 million tons of previous year, an increase of 17%. It had a realization of just below \$60 compared to \$76 the previous year, reduction of almost 30%. The cost of production is about \$31 compared to over \$36 the previous year, a reduction of 14%. Talking about the Q2 results of the coal companies, it had a sale of over 15 million tons compared to 12.5 million tons the previous year, an increase of 23%. It had a realization of \$57.9 compared to almost \$82 the previous year, reduction of 30%. The cost of production is about \$31.1 compared to last year \$38.7. If you broadly see the performance of the coal companies between Q1 and Q2 is broadly in a band of plus or minus 5%, though of course reduced from the last year's performance due to reduction in the coal price. That completes my presentation of the results. I hand over back for question and answer.

- Moderator** Thank you sir. Ladies and gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue you may press '*' and '2.' Participants are requested to use handsets while asking a question. Anyone who has a question may press '*' and '1' at this time. The first question is from the line of Venkatesh B from Citigroup. Please go ahead.
- Venkatesh B.** Sir, few questions on the coal mine. What was the SPV level PAT in the second quarter of this year compared to the second quarter of last year? After the first quarter results you had given the number, say...
- S. Ramakrishnan** SPV, you are talking about the holding company of ours?
- Venkatesh B.** Yeah.
- S. Ramakrishnan** The holding company of ours had declared improved profitability of almost close to about \$9 million for Q2 compared to a loss of \$5 million the previous year. But I must just warn you, that the dividend we get from the coal companies are treated as non-refundable loan till they are declared as a dividend in Q4. So here you basically see that the expenditure that we incurred on the coal companies have significantly gone down because we have repaid a major part of the loan and the LIBOR rates are very low.
- Venkatesh B.** What is the loan outstanding at the end of the quarter and what is the cash balance at the SPV level?
- S. Ramakrishnan** The loan outstanding is about \$740 million and we have cash of about \$100 million.
- Venkatesh B.** What are the interest payments in the second quarter vis-à-vis this quarter and last year?
- S. Ramakrishnan** The interest paid on the bank loan in the total company is close to about \$6.81 million this year compared to \$11.62 the previous year.
- Venkatesh B.** On your consolidated results the coal mine subsidiary had an EBIT of around Rs. 3.4 billion. So is there something between this coal mine EBIT till the PBT at the coal mine level? Is there some any other numbers and when the tax is paid at the coal mine level is it like you are paying 40%-45% tax on this EBIT of Rs. 3.4 billion or do you get the benefit of the fact that there are interest payments being made, so you will knock off the interest payment and then the tax gets calculated?
- S. Ramakrishnan** I do not know where you are getting this 3.4 billion? Assuming that you get your figures for the coal mines from Bumi or wherever.....
- Venkatesh B.** No, sir, Rs. 3.4 billion is the coal

- S. Ramakrishnan** We get 30% of the profit made by the coal companies reflected here in the segment results and the tax is paid by us on that, but there are some reductions I must tell you. We do earn some management fees out of this EBITDA, which are not subject to the same level of tax as EBIT. They are tax deductible in Indonesia. So the effective tax rate probably was at somewhere between 35%-40% rather than 45%.
- Venkatesh B.** 35%-40% on a number which is much lower than the ...
- S. Ramakrishnan** It is much lower.
- Venkatesh B.** In this particular quarter for example, out of the total taxes which you have paid of around 234 Crores, how much of the tax would have come from the coal mines?
- S. Ramakrishnan** About 70 Crores increase in tax is from the coal mine compared to previous year.
- Venkatesh B.** Okay, sir, thanks a lot and all the very best.
- Moderator** Thank you. The next question is from the line of Pankaj Sharma from UBS Securities. Please go ahead.
- Pankaj Sharma** Sir, a question on the income to be recovered in future tariff determination. Basically in this quarter you have about 347 Crores and the standalone results is about 115 Crores. All of the difference is related with NDPL, if I missed that?
- S. Ramakrishnan** Most of the difference is contributed by NDPL.
- Pankaj Sharma** Do you see a risk that this income we recovered might not be allowed by the regulator or would there be...?
- S. Ramakrishnan** No no, we don't see this. We live in this risk for so long, we have got used to it.
- Pankaj Sharma** Thanks very much.
- Moderator** Thank you Mr. Sharma. The next question is from the line of Madan Gopal from Centrum Broking. Please go ahead.
- Madan Gopal** One is what is our realization on the merchant prices for the current quarter?
- S. Ramakrishnan** We have answered this question in our standalone - consol is not affected. In fact it is in our transcript, on our website, we had said that we realized somewhere between 5.5 to 6 during Q2. Unfortunately, I am unable to share that information for Q3.

Madan Gopal The second question is like you mentioned there is an increase in coal processing charge due to 82% higher quantity coal mined. Can you explain what is this, is it relating to our Bumi mine?

S. Ramakrishnan We have two mines in Indonesia. One mine is called Arutmin where we do all the coal extraction through external contractors. The payments to external contractors are treated as coal processing charge, whereas in KPC we have some done by contractors, some done by the company. So within the contractors of KPC and Arutmin the quantity mined by them has gone up, because a significant part of the increase in production has been contributed by Arutmin and hence the increase in coal processing charges. Later we will give you what is the contractor's production as a percentage of the total production this year compared to last year. Basically it is because more coal has been mined by the contractors. That is why the coal processing charge has gone up by a significant percentage, probably 80% or whatever.

Madan Gopal This is likely to impact the cash cost of coal in the mines?

S. Ramakrishnan When I produce coal I show it as staff cost, fuel and various heads because it is my operations. When I pay a contractor we are showing the entire cost of it as coal processing charges. So there is hardly any difference between two. Mix between self-production and third-party production / mining is probably changed.

Madan Gopal Okay. Thank you, sir.

Moderator Thank you, Mr. Gopal. The next question is from the line of Dhawal Doshi from MF Global. Please go ahead.

Dhawal Doshi Sir, just wanted to confirm what is the additional capitalization that is being done in Powerlinks?

S. Ramakrishnan We have got a revenue of 6.32 Crores due to additional capitalization.

Dhawal Doshi And the absolute amount of capitalization?

S. Ramakrishnan Probably it is about five times that. 30 Crores.

Dhawal Doshi Okay, thank you, sir.

Moderator Thank you Mr. Doshi. The next question is from the line of Sashi Kiran Rao from Standard Chartered Capital. Please go ahead.

Sashi Kiran Rao Sir, a question on the tax rate. What is the additional provision at a consolidated level? You had mentioned the provision that you had made for prior period taxes at the standalone level, what is the corresponding figure for the consolidated level?

- S. Ramakrishnan** We have made no prior period provision. In Q2, since the Bill became an act in Q2 we had provided a MAT less whatever they are provided in Q1 became the provision for Q2. I don't understand ...
- Sashi Kiran Rao** Basically there was some amount of taxes. Your consolidated tax rate is somewhere around 40% which is because you have some amount of taxation, that is actually due for Q1, but has been booked in Q2.
- S. Ramakrishnan** If you read the H1 figure you are better off that way except for coal increase we pay, because in coal last year Q2 we had made an under provision which was rectified in Q4. Otherwise the H1 represents the fairer taxation rather than Q2. Q2 is likely to be distorted because of the MAT provision. Rather ignore Q2 percentage and take H1 is what I am telling you.
- Sashi Kiran Rao** Okay, basically if you take a tax rate for H1 and then apply the same for Q2 that should be the approximate...?
- S. Ramakrishnan** The remaining goes to Q1. You are right.
- Sashi Kiran Rao** Okay. Thanks a lot, sir.
- Moderator** Thank you, Mr. Rao. The next question is from the line of Abhishek Puri from JM Financial. Please go ahead.
- Abhishek Puri** Sir, first of all regarding understanding the tax structure for NDPL, I presume it will be pass-through in the future tariff or that we have already claimed in the top line?
- S. Ramakrishnan** We have already claimed whatever is the pass-through. The reduction is on two accounts. We had a Tariff Order which had dis-recognized certain income, which we thought belongs to us and the Order says it belongs to the consumer. So we had to correct for the Order for the previous year as well as the current year. That had a certain effect. Whereas the increased tax on regulatory income is a pass-through, but on the incentives we earn, we have to bear.
- Abhishek Puri** So this is as per the new tariff policy which has come into being?
- S. Ramakrishnan** There is no new tariff policy in NDPL. NDPL is operating under an MYT. It is valid till 2011 March. The new one will come from 1st of April 2011 in NDPL, whereas the new one, we are expecting 1st of April 2010 in Maharashtra.
- Abhishek Puri** Similar impact would be possible in Powerlinks also because the tax rate does not seem to have gone up in the second quarter in Powerlinks?

- S. Ramakrishnan** In Powerlinks, tax rate percentage ought to have gone up. Between H1 and Q2 you will see the difference in the tax rate. In Q2 if you just blindly take the rate it is almost 35% whereas in the whole of H1 it is probably lower, 32% or something.
- Abhishek Puri** Was not this project on the MAT basis or we have to pay full tax sir?
- S. Ramakrishnan** I think we should be on MAT still.
- Abhishek Puri** So first half increase in tax rates would be on what ground, sir?
- S. Ramakrishnan** The tax provision that we read out to you includes between current tax and deferred tax. All of it is not cash tax. When we say tax it is both current tax and deferred tax added together which is what is sort of maintaining the percentage common even though the MAT has changed if you understand what I am saying. There should be some deferred tax differences, which I do not have at this point of time. My team will mail it to you.
- Abhishek Puri** Sure, sir. That will be helpful. Just last question on the gross realizations which you have given this time for Bumi, is about \$58, if I am not mistaken it is the gross realization?
- S. Ramakrishnan** FOB realization.
- Abhishek Puri** Any update on 500 MW which will be free from subsequent quarter?
- S. Ramakrishnan** No update. The position remains the same. The capacity will be available for us from 1st of April and we will put in a plan to use it and as we mentioned earlier, some of it will have to be made available to the licensees of Mumbai. The rest we will try and see how best to maximize for the purpose of merchant.
- Abhishek Puri** Okay. Thank you so much. I will come back for further questions.
- Moderator** Thank you. The next question is a follow-up from the line of Pankaj Sharma from UBS Securities. Please go ahead.
- Pankaj Sharma** Sir, this realization which has been told like \$58 for second quarter this includes the royalty payments?
- S. Ramakrishnan** This is the FOB, includes everything.
- Pankaj Sharma** If you have received any cash the way it was \$220 million in FY09, is there anything which you have received till now in first half FY10?
- S. Ramakrishnan** In H1 we have received \$57 million.

- Pankaj Sharma** Okay, sir, thank you.
- Moderator** Thank you Mr. Sharma. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.
- Atul Tiwari** You mentioned the average exchange rate at which the Bumi has been converted into Indian rupees for H1. What was the average rate for Q2 and the corresponding...?
- S. Ramakrishnan** Q2FY10 is 48.54, Q1FY10 is 48.67 and Q2 previous year is 42.77, Q1 previous year is 41.73.
- Atul Tiwari** Okay, sir. Thank you. Thanks a lot.
- Moderator** Thank you, Mr. Tiwari. The next question is the follow-up from the line of Adam Worthington from Macquarie. Please go ahead.
- Adam Worthington** The first one is related to the Mumbai License Area where I understand the regulator has put out a draft proposal. I would just be interested in your views on any changes there in particular the move to return on capital employed formula and the impact that could have on the business? Secondly, you raised successfully some equity and some convertible bonds over the last couple of months. I was wondering whether this now is sufficient to either fund your current CapEx plans or whether you feel that the balance sheet still remains a little bit stretched.
- S. Ramakrishnan** The first point is the paper that has been floated by the Maharashtra government or MERC, the regulator, talks about both Return on Equity and Return on Capital Employed. He has drawn from the experience of the Delhi regulator who had done the return on capital employed. If he follows the Delhi return on capital employed, we do not believe it will be significantly different from the return on equity. Though of course we believe that regulators are not bound but they are expected to follow the directions of CERC as far as generation and transmission are concerned. While on distribution he can make his own change or his own because there is nothing called as CERC on distribution.
- Adam Worthington** So certainly therefore you would expect the return to go up from the 14% return to 15.5% return?
- S. Ramakrishnan** CERC had an increased ROE but have tightened certain operating parameters. So till the regulator announces the tightened operating parameters it will be difficult to guess but going by CERC's conclusions reached on NTPC which is considered to be marginally positive for NTPC we believe we should also be there somewhat similar. No conclusions can be made till the actual announcements are made by the regulator. The second point is that the money that we have raised out of these two are adequate to fund the projects, approved by the Board, but for the projects under planning, about which our web site, investor presentation, talks about the

new projects, we would need to raise more money for those, but since the timing of those are not yet finally firming up, we have not worked out a plan for implementation yet.

Adam Worthington Could I just ask a follow-up question on this that your balance sheet appears relatively stretched, kind of versus other operated in the region? I was just wondering whether you could comment on what metrics do you look at to determine whether your gearing is appropriate or a little bit too stretched?

S. Ramakrishnan I do not know about the other operators in the region. In India, typically power projects are being funded on 70:30 basis, which takes the debt-equity to almost 2.2 to 3 going down and our view is that we will definitely not cross 2 on a conso basis, probably we will be around 1.8 or so when all our projects are implemented. That is our view.

Adam Worthington Is that at the group level including your collaterals or is it....?

S. Ramakrishnan At a group level.

Adam Worthington Thank you very much for your time.

Moderator Thank you Mr. Worthington. The next question is from the line of Avinash Agarwal from Sundaram BNP. Please go ahead.

Avinash Agarwal Just wanted to understand what is the kind of CapEx you are looking at the two coal mines, the KPC and Arutmin, over the next two years?

S. Ramakrishnan Till we see a significant trend in the coal prices northward, me sharing those figures have no meaning. We keep working out plans, but exact plan that we will implement is only when we get a reasonable trend. So far the good news is the coal prices are reasonably stable. They are not going southward, but till we see some traction on the northward movement, we will not unfold the plan fully, though there are lot of plans being worked out and probably shared by Bumi with a lot of other people.

Avinash Agarwal Thank you sir.

Moderator Thank you Mr. Agarwal. The last question is from the line of Sashi Kiran Rao from Standard Chartered capital. Please go ahead.

Sashi Kiran Rao Just a follow-up question on the debt that you have taken for Arutmin. You had said that loan outstanding as of date is still 740 million. Do you plan to make any fresh debt repayment out of the dividends that you have received in H1?

S. Ramakrishnan We have a debt of 739 million, we have a cash of 100 million lying with us and we will continue to pay the loans back as per the schedule or as per the agreement. If there are



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agreements that call for faster repayment out of increased profits we earn we will do. But we believe this year it is more likely to be the scheduled payments rather than any accelerated payment.

Sashi Kiran Rao Okay. Fine sir. Thanks a lot.

Moderator Thank you Mr. Rao. As there are no further questions I would like to hand the floor back to Mr. Atul Rastogi for closing comments. Please go ahead, sir.

Atul Rastogi Thanks Melissa and thanks everyone for joining in this call. On behalf of Daiwa Securities, I would also like to thank the management of TATA Power for taking the time off and doing this call.

S. Ramakrishnan Thank you.

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