



*Tata Power Company Limited  
October 29, 2009*

## Conference Call Transcript

Event: The Tata Power Company Ltd. Conference Call

Event Date/Time: October 29, 2009 / 18:30 hrs

Hosted By:



Dalal & Broacha Stock  
Broking Pvt Ltd.

Mr. Raj Mehta



*Tata Power Company Limited  
October 29, 2009*

## **CORPORATE PARTICIPANTS**

**Mr. Prasad Menon**

Managing Director - Tata Power

**Mr. S. Padmanabhan**

Executive Director - Tata Power

**Mr. S. Ramakrishnan**

Executive Director Finance - Tata Power

## **CONFERENCE CALL PARTICIPANTS**

**Mr. Venkatesh**

Citi Group - Mumbai

**Mr. Shankar**

Edelweiss - Mumbai

**Mr. Dhawal Doshi**

MF Global - Mumbai

**Mr. Madan Gopal**

Centrum Broking - Mumbai

**Mr. Parag Gupta**

Morgan Stanley - Mumbai

**Mr. Shilpa Krishnan**

JP Morgan - Mumbai

**Mr. Rakesh Vyas**

HDFC Mutual Fund - Mumbai

**Mr. Sumit Aagarwal**

HSBC - Mumbai

**Mr. Shashi Kiran Rao**

Standard Chartered Capital Market - Mumbai

**Mr. Pankaj Sharma**

UBS - Mumbai



*Tata Power Company Limited  
October 29, 2009*

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## **PRESENTATION**

### **Hina - Moderator**

Good evening Ladies and Gentlemen. I am Hina, the moderator for this conference. Welcome to The Tata Motors (Power) stand-alone Q2 FY 10 results conference call hosted by Dalal and Broacha Stock Broking Private Limited. For the duration of the presentation all participant lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants in the conference. I now hand over the floor to Mr. Raj Mehta. Thank you and over to you Mr. Mehta.

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### **Raj Mehta - Dalal and Broach Stock Broking Private Limited - Mumbai**

Thank you Hina. Good evening everybody. This is Raj Mehta from Dalal and Broacha Stock Broking. I would like to extend a warm welcome to all of you for Tata Power's stand-alone second quarter FY '10 results conference call. We have with us Mr. Prasad Menon, Managing Director, Mr. S. Ramakrishnan, Executive Director, Finance, Mr. S. Padmanabhan, Executive Director, Operations and Mr. Agrawala, Executive Director, Business Development and Strategy. I would now like to handover the proceedings to Mr. Menon for his introductory remarks and business outlook after which we can have the question and answer session. Thank you and over to you sir.

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### **Prasad Menon - Managing Director - Tata Power**

Thank you. Good evening everybody. Welcome to this analyst call for the Q2 FY '10 results for Tata Power. I think there was a bit of slip of the tongue earlier when somebody said Tata Motors, this is Tata Power. Our operations continue to be robust and the major expansion projects are well on track. The detailed financials will be explained shortly by our ED (Finance) Mr. Ramakrishnan and as you know we will communicate our consolidated numbers separately towards the end of November '09. So this particular call would be limited to Tata Power stand-alone numbers only. Some of the key developments for this quarter. We have commissioned the third and final unit of 30 MW at Haldia in September '09. So now we have completed the 120 MW in total in Haldia. We have also



*Tata Power Company Limited  
October 29, 2009*

commissioned 120 MW Power House #6 in Jamshedpur in August '09 and the operations in Haldia and Unit 8 in Trombay continue to be in the stabilization period - as you know Unit 8 was commissioned late in March '09 - and both these units are stabilizing well. We have generated around 220 million units from these units in this quarter and we expect generation volumes to stabilize at a higher level as the units achieve greater stability. Standar and Poor's has affirmed the companies BB- ratings and revised the outlook to positive from stable reflecting the company's progress on its projects under execution. We are also actively pursuing IPP projects linked to the two captive coal blocks in Tubed and Mandakini; Tubed being in Jharkhand and Mandakini in Orissa, the captive plant for Corus in the Netherlands and the coastal Maharashtra project. We expect to seek capital approval from our Board for these projects in the next 6-12 months. We are also in the final stages of announcing a JV with a European partner for developing hydro projects. Just giving a few more details on the ongoing projects - all the units of Haldia as I mentioned are now commissioned. Overall generation in Haldia was impacted since Unit 3 was commissioned in mid September and repairs on Unit 1 had to be carried out but I am happy to inform you that now all three units are on line and we believe that they will be stable going forward and therefore we expect higher generation from Haldia. On wind, the total installed wind capacity right now is just short of 200 MW at 195 MW. We are pursuing other wind projects in line with our plans to commission another 100 MW each year within the next two years and the Mundra UMPP is proceeding as per schedule and the overall progress achieved is about 31%. All packages have been issued to bidders and 87% of them have been awarded. Over 8000 people now are working at the site and civil construction and erection work is progressing well and deliveries of main equipment have started. The agreement has been signed with the Adani Group for the cooling water system intake channel and work on the new coal jetty with 400 KV evacuation line and construction work in the coal and ash handling areas are progressing well. We still expect the first unit to be commissioned by September 2011. In Maithon, which is our JV with DVC, work is progressing as per schedule and overall we have 60% work completed. All the packages have now been ordered and all works related to plant water, coal handling, ash handling and railway infrastructure are progressing well. A Fuel Sales Agreement is expected to be signed in the next quarter. The first unit is expected to be commissioned in the third quarter of FY 11. Under IEL we have Unit 5 in Jojobera, which is progressing well and has achieved 72% overall project progress. The 132 KV switchyard foundation is 90% complete, chimney shell erection is complete and we are targeting synchronization for the third quarter of FY '10. Coming to the captive coal blocks that I mentioned earlier - (for) the Mandakini coal block, which is in Orissa, mining plan has been approved by the Ministry of Coal and the application for ground water has been submitted in April '09 and the Tubed



*Tata Power Company Limited  
October 29, 2009*

coal block mining plan application has been approved and the application for environmental clearance has been made in March 2009. Now I will just pass this on to my colleague Mr. Padmanabhan, who will give you a few of the key regulatory highlights.

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### **Mr. S. Padmanabhan - Executive Director Operations - Tata Power**

Good evening everyone. MERC, during this quarter, had in their Tariff Order directed Tata Power to explore the possibility of supplying consumers of Reliance Infra by using the Reliance Infra network. Subsequent to that there have been several discussions with all the stakeholders and the consumer forums as well as MERC and recently MERC has published the Interim Order on the protocol for changeover. So far we have received about 13,000 completed applications and over 30,000 enquiries from consumers of various categories to changeover from Reliance Infra to Tata Power. We expect for the current year, that is the next five months, the total load increase due to this changeover to be about 30 MW. The other important event from the Regulation point of view is that MERC has published the MYT draft proposal for multiyear tariff and the approach paper has been consulted by the Regulator with all the state utilities, the consumer forums and other stakeholders. I now hand it over to Mr. Ramakrishnan for the financial performance.

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### **Ramakrishnan - Executive Director Finance - Tata Power**

Good evening. I will take you through the results, but I hope you have received the mail wherein we have sent the ads that will be published in the papers tomorrow. First I will cover the results achieved by us so far for the first six months, which is H1 of FY '10. Gross generation at 8306 MUs as against 7394 MU in the previous year, up by 12%. The generation in the license area was 5831 MU as against 5562 MU in the previous year up by 5% and generation outside the license area was 2475 MUs as against 1831 MUs in CY up by 35%. Sales at 8115 MU as against 7492 MU in PY, up by 8%. Sales in license area were flat at 5739 MU as against 5778 in the previous year and sales outside license area were 2458 MU as against 1829 in previous year up by 34%. Total power revenue at Rs. 3736 Cr as against Rs. 3985 Cr down by 6% and the current half year revenue includes Rs. 232.4 Crores of revenue adjustment pertaining to previous years. The cost of power purchase stood at Rs. 73.41 Cr as against Rs. 395 Cr the previous year down by 81% primarily due to lower



*Tata Power Company Limited  
October 29, 2009*

power purchases in the Mumbai License Area. The cost of fuel stood at Rs. 2181.64 Cr as against Rs. 2663.35 Cr down by 22%, which is the main reason for our revenues also falling since the tariff is linked to the fuel cost. Depreciation at Rs. 230.20 Crores as against Rs. 149.41 Cr up by 54% over previous year, depreciation is higher primarily on account of Unit 8, Haldia and wind units getting commissioned. Other expenditure stood at Rs. 260.62 Cr as against Rs. 191.97 Cr up by 36% - the increase of Rs. 13 Cr due to commissioning of new units at Haldia, Unit 8, Rs. 11 Cr due to higher R&M expenses in the generation division and Rs. 33 Cr due to lower valuation of DG set. Profits from operations before Other Income, Interest and Exceptional Items stood at Rs. 818.91 Cr as against Rs. 420.17 Cr up by 95%. Continuing the results for H1, Other Income due to Gain on Exchange stood at Rs. 27.43 Cr as against previous year's of Rs. 115.59 Cr lower by 76%. It is due to lower P&L impact and conversion of the 273 million US dollar loan we had given to subsidiary into a loan without specific repayment schedule as well as the exchange rate movement compared to the previous year. Profit Before Interest and Exceptional Items stood at Rs. 1002 Cr as against Rs. 695.80 Cr higher by 44%. Interest at Rs. 219.47 Cr as against Rs. 120.25 Cr higher by 82%, Rs. 39 Cr of the increase in interest is in Mumbai License Area primarily due to Unit 8 and other capitalizations, Rs. 46 Cr increase in interest outside license area due to new units commissioned at Haldia, wind unit, as well as Unit 8 merchant, Rs. 20 Cr of increased interest is due to higher borrowing to fund the projects being set up under our subsidiaries and this has been off set by repayment of short term borrowings in Q2, which we did after the GDR issue. Tax stood at Rs. 222.26 Cr as against the previous year of Rs. 123.07 Cr up by 80%. Key reasons for the increase of Rs. 42 Cr apart from higher tax due to higher profits are the higher effective tax rate due to increase in MAT and the change in computation of the MAT profit where the provision for diminution value of assets now attract MAT. Profit after tax stood at Rs. 560.27 Cr as against Rs. 452.48 Cr higher by 24%. Statutory Appropriation was Rs. -18.89 Cr as against Rs. 37 Cr the previous year. Profit After Tax and Statutory Appropriation is Rs. 579.16 Cr as against Rs. 415.48 Cr higher by 39% over the previous year.

I now take you through the highlights for Q2 FY '10. The gross generation was at 4046 MU as against 3459 in Q2 of previous year up by 17%. Generation in LA was 2824 MU as against 2559 MU in previous year up by 10%. Generation outside license area was at 1222 MU as against 899 MUs up by 36%. Sales at 3935 MU as against 3377 MU in previous year; up by 16%. Sales in license area were 2758 MU as against 2537 up by 9% and sales outside license area was at 1212 MU as against 898 in previous year up by 35 %. The revenue Rs. 1721.09 Cr as against Rs. 1958.88 Cr was down by 12%. As I mentioned for H1 the reduction in revenue has been mainly due to reduction in fuel cost, which forms



*Tata Power Company Limited  
October 29, 2009*

part of the tariff. Cost of power purchase stood at Rs. 25.26 Cr, a significant drop from Rs. 130.13 Cr down by 80% primarily due to lower power purchase for Mumbai License Area. Cost of fuel stood at Rs. 1067.95 Cr, a significant drop from Rs. 1373.99 Cr down by 22%. Depreciation at Rs. 118.37 Cr as against Rs. 76.30 Cr up by 55% - depreciation higher primarily on account of commissioning of Unit 8, Haldia and wind units. Other Expenditure stood at Rs. 120.77 Cr as against Rs. 104.93 Cr, up by 16% primarily due to commissioning of units in Haldia, Unit 8, Trombay of about Rs. 8 Cr and Rs. 6 Cr increase due to higher R&M expenses in the generation division. Profit from Operations before Other Income, Interest and Exceptional Items stood at Rs. 298.42 Cr as against Rs. 188.87 Cr up by 58%. Other income due to Gain in Exchange stood at Rs. 3.09 Cr as against previous year's Rs. 76.70 Cr lower by 96%. Last year we had an exchange gain of Rs. 76.70 Cr due to changing exchange rate as well as due to this year, changing the loan given by us to our subsidiary, into a loan without a specific repayment schedule. Other Income stood at Rs. 72.42 Cr as against Rs. 111.73 Cr lower by 35% over previous year. The decrease is primarily due to the timing of Rs. 39 Cr dividend from NDPL, which was received in Q1 in the current year as against Rs. 34 Cr received in Q2 in the previous year. Profits before Interest and Exceptional Items stood at Rs. 373.93 Cr as against Rs. 376.80 Cr, lower marginally by 1%. Interest at Rs. 101.82 Cr as against Rs. 68.09 Cr higher by 60% over the previous year - Increase of Rs. 21 Cr in the Mumbai License Area interest due to Unit 8 and other capitalization, an increase of interest of Rs. 23 Cr outside license area due to commissioning of Haldia, Unit 8 merchant and wind units, reduction in the treasury interest by Rs. 8 Cr, primarily due to repayment of corporate and short-term borrowing after we raised funds through the GDR. Tax stood at Rs. 88.92 Cr as against Rs. 46.78 Cr up by 90% over previous year. One is that we had to provide for tax as per the current MAT rules not only for Q2 but also for Q1 as well, as the new rules provide that the provision for diminution of value of assets, we need to provide for MAT. These are the two key reasons for the increase in tax. Profit After Tax stood at Rs. 183.19 Cr as against Rs. 261.93 Cr lower by 30% over the previous year. As I said earlier, the main reasons for the decrease is the foreign exchange gain that we had in the previous year and the fact that we increased the dividend in Q1 itself this year as against a dividend released during Q2 apart from higher tax that we had to pay for both Q1 and Q2 due to the change in the MAT rule. Statutory Appropriation was Rs. 1 cr this year compared to previous year Rs. 9 Cr and hence Profit After Tax after Statutory Appropriation stood that Rs. 182.19 Cr as against Rs. 252.93 Cr lower by 28%. With this we complete our presentation and I will pass it on for the question and answer session.



*Tata Power Company Limited  
October 29, 2009*

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### **Hina - Moderator**

We will now begin the question and answer interactive session for the conference participants connected to the conference service from Airtel. Participants who wish to ask question may please press "\*" "1" on their touchtone enabled telephone keypad. On pressing "\*" "1" participants will get a chance to present their questions on a first-in-line basis. To ask a question, participants may please press "\*" "1." The first question comes from Mr. Venkatesh B from Mumbai Citi Group. Mr. Venkatesh, you may ask your question now.

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### **Venkatesh - Mumbai Citi Group**

Good evening sir. My first question is in terms of your CapEx plans over the next three years. There seems to be a gap of around \$240 million in terms of what you need in terms of equity. How do you plan to bridge this gap? This is the first question. Secondly, Mr. Menon mentioned this thing about partnership with a European partner for hydel project. We missed it. Can you provide some more details on the same and lastly the effective tax, the tax this quarter was around 89 Crores. What portion of this is actually attributable to the first quarter?

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### **S. Ramakrishnan - Executive Director - Tata Power**

I will answer your first question. In terms of funding we have a presentation on our website - what we made to investors. Your understanding is that we are short of \$240 million.

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### **Venkatesh - Mumbai Citi Group**

Around 1100 crores for the equity side!



*Tata Power Company Limited  
October 29, 2009*

**S. Ramakrishnan - Executive Director - Tata Power**

It is right, however we have funds with us that will last us almost till September of 2010 within which period we will finalize our appropriate funding plans. The second question that you asked was regarding the European party. If you hold your horses we will be making an announcement tomorrow and you will get the full details and the third is regarding the tax. Rs. 12 crores, I believe is the increase due to Q1 provision of the MAT being applicable in Q1.

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**Venkatesh - Mumbai Citi Group**

Sir, would it also be fair to assume that going forward your tax rates would be on the higher side, effective tax rates would be at around 28-29%?

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**S. Ramakrishnan - Executive Director - Tata Power**

Effective tax rate will be what you see for H1, not for what you see for Q2 or it will be what you see for H1.

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**Venkatesh - Mumbai Citi Group**

Thank you very much sir and all the best.

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**S. Ramakrishnan - Executive Director - Tata Power**

Thank you.

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**Hina - Moderator**

Thank you sir. The next question comes from Mr. Shankar K from Edelweiss Mumbai. Mr. Shankar, you may ask your question now.

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**Shankar - Edelweiss - Mumbai**



*Tata Power Company Limited  
October 29, 2009*

Good evening sir. Congratulations on the good set of numbers. Just couple of cosmetic questions. What is your outstanding cash balance and outstanding debt as of now?

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**S. Ramakrishnan - Executive Director - Tata Power**

The debt is about 4000 crores. Cash is 650 crores.

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**Shankar - Edelweiss - Mumbai**

And just wanted to get some colour on I think so the Chairman made a statement saying that target of around 25000 odd megawatts and even in the press release there is some mentioning about pipeline projects and all, is it possible to get some indication on whether what would these be like?

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**S. Ramakrishnan - Executive Director - Tata Power**

See, the list of pipeline projects is available in the presentation, which is available on our site. After those our MD just made an announcement - there are four projects, which we believe are in more advanced stages of planning and development, which we hope to announce for capital approval by the Board in the coming 6 to 12 months. There are two IPPs one in Jharkhand, one in Orissa, the Dehrand project in Maharashtra and the project for Corus outside of India.

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**Shankar - Edelweiss - Mumbai**

And all this will aggregate equal up to 25 GW.

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**Prasad Menon - Managing Director - Tata Power**

No, 25, 000 MW that you are talking about has a different timeframe target so I do not see you can sort of tally the current specific plan with the long term plan.

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**Shankar - Edelweiss - Mumbai**



*Tata Power Company Limited  
October 29, 2009*

Okay sir, that is all from my side. Thanks.

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**Hina - Moderator**

Thank you Mr. Shankar. The next question comes from Mr. Dhawal Doshi from MF Global, Mumbai. Mr. Doshi, you may ask your question now.

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**Dhawal Doshi - MF Global - Mumbai**

Hello sir. Sir if you can just tell us the units sold on a merchant basis from each of the plants and the realization that you have earned for the same?

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**S. Ramakrishnan - Executive Director - Tata Power**

The realizations are between Rs. 5.50 to 6 per unit and we gave you the total for the quarter.

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**Dhawal Doshi - MF Global - Mumbai**

No sir, specifically for the merchant?

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**S. Ramakrishnan - Executive Director - Tata Power**

Yes we gave you specifically for the merchant that we sold in the quarter was 220 MU - the rates are somewhere which is 5.50 and 6.

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**Dhawal Doshi - MF Global - Mumbai**

220 MU and 5.5 to 6, thank you.

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**Hina - Moderator**



*Tata Power Company Limited  
October 29, 2009*

Thank you Mr. Doshi. The next question comes from Mr. Madan Gopal from Centrum Broking, Mumbai. Mr. Gopal, you may ask your question now.

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**Madan Gopal - Centrum Broking - Mumbai**

Good evening sir, my first question is what is the cost of imported coal now at Trombay 8 Unit.

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**S. Ramakrishnan - Executive Director - Tata Power**

Yes. We hear you. I am just requesting Mr. Padmanabhan to sort of respond to you.

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**Mr. Padmanabhan - Executive Director of Operation - Tata Power**

The average cost today is around \$60-\$65 a tonne.

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**Madan Gopal - Centrum Broking - Mumbai**

Including transportation?

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**Mr. Padmanabhan - Executive Director of Operation - Tata Power**

No, this is the FOB and then you have to add transportation to that which is around \$20 a tonne.

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**Madan Gopal - Centrum Broking - Mumbai**

You mentioned that the current quarter tax has increased primarily because of two reasons, one is MAT for quarter one and quarter two combined and second is due to having to provide MAT for diminishing value of assets. Can you tell me what is that exact number which you would have given?

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*Tata Power Company Limited  
October 29, 2009*

**S. Ramakrishnan - Executive Director - Tata Power**

We had provided them for I think 33 Crores in writing down the value of the DG set which we hold, so on that we had to provide.

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**Madan Gopal - Centrum Broking - Mumbai**

It was 33 Crores.

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**S. Ramakrishnan - Executive Director - Tata Power**

Yes.

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**Madan Gopal - Centrum Broking - Mumbai**

Okay. Thank you very much sir.

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**Hina - Moderator**

Thank you Mr. Gopal. The next question comes from Mr. Parag Gupta from Morgan Stanley, Mumbai. Mr. Gupta, you may ask your question now.

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**Parag Gupta - Morgan Stanley - Mumbai**

Hi good evening sir, just want to check as far as your Tubed and Mandakini mines are concerned what is the CapEx plan. When do you expect the first set of coal to start coming out and what are your commissioning date assumptions for the projects associated with that?

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**S. Ramakrishnan - Executive Director - Tata Power**

As far as the CapEx plans are concerned they are being worked out now because we have received the mining plan approval for one of the mines now, so the other one we will work out once the mining plan is approved. The target is to get the coal somewhere in 2012. The exact details we work out only when the



*Tata Power Company Limited  
October 29, 2009*

land is handed over to us, for which the process has started in Orissa in terms of acquisition and we will start in Jharkhand after the ministry gives us the approval for the mining plan.

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**Parag Gupta - Morgan Stanley - Mumbai**

Right. Is it fair to assume that the project associated to that would come up only sometime after the coal starts coming off or would you look at some kind of temporary linkages till then?

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**S. Ramakrishnan - Executive Director - Tata Power**

**S. Ramakrishnan - Executive Director Finance – Tata Power**

Once the plant land is acquired we will go ahead. Once we get definite visibility on it. We will go ahead and place orders for the equipment and in case that time frame does not suit the coal delivery we will make arrangements for temporary linkage.

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**Parag Gupta - Morgan Stanley - Mumbai**

Sure thanks a lot.

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**Hina - Moderator**

Thank you Mr. Gupta. The next question comes from Ms. Shilpa Krishnan from JP Morgan, Mumbai. Ms. Krishnan, you may ask your question now.

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**Shilpa Krishnan - JP Morgan - Mumbai**

Thank you. Good evening everybody. My question is relating to merchant power once again. It seems that your EBIT as well as your EBITDA has seen a decent growth during this quarter and I am trying to figure out what percentage of that is



*Tata Power Company Limited  
October 29, 2009*

attributable to merchant power. So in this regard my specific query is if you sold 220 million units at an average realization of between 5.5 - 6, what was the corresponding weighted average realization for the remainder of your sale?

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**S. Ramakrishnan - Executive Director - Tata Power**

Unfortunately we do not look on it that way and I will have to work it out and Soniya will send a mail to you.

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**S. Ramakrishnan - Executive Director - Tata Power**

We are worried about the rate only in case of merchant, because everywhere else we offer it under two part tariff, so we really do not look at the total tariff but since you want that I will ask Sonia to calculate and give.

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**Shilpa Krishnan - JP Morgan - Mumbai**

Not a problem but from your understanding and analysis of the performance during this quarter do you think this decent growth in EBIT and EBITDA that you clocked is largely attributable to merchant sale?

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**S. Ramakrishnan - Executive Director - Tata Power**

I will say it is also attributable to merchant sale.

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**Shilpa Krishnan - JP Morgan - Mumbai**

And my second question is what was T8 PLF for the quarter.

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**S. Ramakrishnan - Executive Director - Tata Power**

Which PLF.

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*Tata Power Company Limited  
October 29, 2009*

**Shilpa Krishnan - JP Morgan - Mumbai**

Trombay Unit 8.

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**Mr. Padmanabhan - Executive Director - Tata Power**

Unit 8 was between 65-70%.

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**Shilpa Krishnan - JP Morgan - Mumbai**

Thank you.

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**Hina - Moderator**

Thank you Ms. Krishnan. The next question comes from Mr. Rakesh Vyas from HDFC Mutual fund, Mumbai. Mr. Vyas, you may ask your question now.

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**Rakesh Vyas – HDFC Mutual Fund – Mumbai**

Hi, good evening Sir, just wanted to understand the MERC draft paper that has come out. What is the ROE which they have suggested?

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**S. Ramakrishnan - Executive Director - Tata Power**

See, they have debated. I do not know whether you have followed the CERC draft paper when it came. The CERC talked of both ROE approach and ROCE approach. Same thing here also they have talked and as you know CERC finally decided for generation and transmission they will stay with the ROE and not the ROCE. MERC has to go through the process and make announcement. So, this paper is something similar to CERC's first white paper for generation and transmission. Of course CERC did not have anything in distribution being a State subject, so MERC covers distribution also.

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*Tata Power Company Limited  
October 29, 2009*

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**Rakesh Vyas – HDFC Mutual Fund – Mumbai**

Got your point Sir. Just wanted to also understand when they are talking about ROE approach, are they bound to follow CERC norms now given that MYT has come up for revision in this year?

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**S. Ramakrishnan - Executive Director - Tata Power**

See, only when they announce we will know, but we know one thing that CERC's decision on generation and transmission is taken as a guidance by the State regulators while finalizing the regulation.

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**S. Padmanabhan - Executive Director - Tata Power**

Actually the ROE continues to be 14%.

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**Rakesh Vyas – HDFC Mutual Fund – Mumbai**

Right sir. What I was trying to understand is in the new MYT are they looking at 15.5% ROE?

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**S. Ramakrishnan - Executive Director - Tata Power**

Let me put it this way. Last time when the five year was approved by MERC it was also after CERC announced, so at that time they did follow the CERC suggestions on generation and transmission, That is all I can say about the past. Now this one we will have to await and see.

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**Rakesh Vyas – HDFC Mutual Fund – Mumbai**

Secondly sir, the IPP that is planned for the captive coal block, just wanted to understand what probably would be the timeframe for commissioning and any thought process on the kind of.....

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**S. Ramakrishnan - Executive Director - Tata Power**



*Tata Power Company Limited  
October 29, 2009*

Unfortunately, today we do not have timelines to give it to you. If you ask me will I be estimating an average time frame, middle of 2013, somewhere there. It could be six months earlier, six months later depending upon how we progress on the land.

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**Rakesh Vyas – HDFC Mutual Fund – Mumbai**

Sir, when you are approaching the lenders, what kind of offtake agreements are we currently on a broad base looking at from these projects?

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**S. Ramakrishnan - Executive Director - Tata Power**

See, all the current projects that we have already taken all the loans we have specific PPA except for the 200 MW which are on merchant for which we have no PPA.

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**Rakesh Vyas – HDFC Mutual Fund – Mumbai**

And for the new projects which are likely to come up for IPP?

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**S. Ramakrishnan - Executive Director - Tata Power**

For the new projects we are yet to approach the lenders.

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**Rakesh Vyas – HDFC Mutual Fund – Mumbai**

Finally, on this one itself, is there any norm by Government of India when they provide a coal block allocation as to what minimum off take could be on the case-win bidding or on the regulated basis or you can have a 100% merchant from these?

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**S. Ramakrishnan - Executive Director - Tata Power**

This is one matter in which there are different interpretations for different people. The most conservative interpretation is you have to give them to IPP on a case-1



*Tata Power Company Limited  
October 29, 2009*

base or supply only to IPP. The other interpretation is since the merchant power anyhow reaches distribution companies not IPP, distribution companies, how does it matter whether you sell on the spot basis to distribution company or on a long-term contract to distribution company. So the interpretation is not still sort of final at this point of time. The worst can be you can participate in a Case 1 base even there as we know margins for a captive-coal project will be pretty high. If we are allowed to participate in the merchant later that will be even better.

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### **Rakesh Vyas – HDFC Mutual Fund – Mumbai**

In any case are the State Governments helping you out with these projects? In the sense is there any contractual obligation to supply them at some price?

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### **S. Ramakrishnan - Executive Director - Tata Power**

We have an obligation in Orissa where the land is being got through the government that a certain percentage of power should be made available to them at a regulated price and certain amount at variable cost.

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### **Rakesh Vyas – HDFC Mutual Fund – Mumbai**

Thank you so much Sir. Thanks a lot.

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### **Hina - Moderator**

The next question comes from Mr. Rajesh Balwari from CLSA Hong Kong. Mr. Balwari, you may ask your question now.

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### **Rajesh Panjwani – CLSA – Hong Kong**

Sir, my questions have been answered. Thanks.

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### **S. Ramakrishnan - Executive Director - Tata Power**

Thanks Rajesh, normally you start first.

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*Tata Power Company Limited  
October 29, 2009*

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**Rajesh Panjwani – CLSA – Hong Kong**

Yes, the line was bad. I was waiting for 15 minutes to get connected.

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**S. Ramakrishnan - Executive Director - Tata Power**

Okay.

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**Hina - Moderator**

Thank you Mr. Panjwani. The next question comes from Mr. Sumit Agarwal from HSBC Mumbai. Mr. Aggarwal, you may ask your question now.

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**Sumit Agarwal - HSBC – Mumbai**

Hello Sir and Congratulations on a good set of numbers, just wanted to get for this Mumbai distribution your 500 Mw would be free starting next year.....

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**S. Ramakrishnan - Executive Director - Tata Power**

Sumit are you on the mobile phone, because we do not hear you properly.

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**Sumit Agarwal - HSBC – Mumbai**

Sir, by next year starting, you would have 500 MW of power plants capacity available to be sold in the Mumbai distribution or anywhere else. Just wanted to check how much of that load you have already tied up or how much of the load are you looking at to tie up by this year end?

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**S. Ramakrishnan - Executive Director - Tata Power**



*Tata Power Company Limited  
October 29, 2009*

See, the extra load that we are likely to get in the coming years because of the switchover customers, we will have to definitely service out of that capacity. Since the switchover has just started now, I think a clearer picture will be known in three months time.

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**Sumit Agarwal - HSBC – Mumbai**

Okay sir, just wanted to check it out, you said for your captive coal mines you have already got the mine plan approval. Am I right in hearing that?

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**S. Ramakrishnan - Executive Director - Tata Power**

We have the allocation. Once allocation is done you have to buy data from the ministry and you analyze the data and prepare a mining plan and then you submit approval for mining plan environmental approval and all those. Once it is approved by the Central Government, then the State Government will start getting you the land. So we have done all these in one case which is Mandakini and in case of Tubed we have done all this from our side, but we have not got the approval from the Government.

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**Sumit Aggarwal - HSBC – Mumbai**

Okay fine. Thanks a lot sir. I will come back if I have any other doubt.

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**S. Ramakrishnan - Executive Director - Tata Power**

Sure, thank you.

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**Hina - Moderator**

Thank you Mr. Agarwal. The next question comes from Mr. Shashi Kiran Rao from Standard Chartered Capital Market, Mumbai. Mr. Rao, you may ask your question now.

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**Shashi Kiran Rao – Standard Chartered Capital Market – Mumbai**

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October 29, 2009*

Thank you sir for taking my question. Just to clarify a bit on the taxation. Are we to understand that you have 12 Crores of additional tax in Q2 due to Q1 provision and 33 Crores due to MAT which means a 45 Crores of extra taxation this quarter?

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**S. Ramakrishnan - Executive Director - Tata Power**

Yes, but if you want to make a judgment on what it is likely to the full year since you all are always worried about that if you take our H1 figure, that is the likely percentage that will be apply for the full year results.

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**Shashi Kiran Rao – Standard Chartered Capital Market – Mumbai**

So, this is somewhere around 28%.

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**S. Ramakrishnan - Executive Director - Tata Power**

If you see the figure I think it is 123 Crores on 575 Crores or whatever that comes.

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**Shashi Kiran Rao – Standard Chartered Capital Market – Mumbai**

This is for last year?

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**S. Ramakrishnan - Executive Director - Tata Power**

Then it is 222 and 782.

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**S. Ramakrishnan - Executive Director - Tata Power**

Yes, it comes to 28.4%.



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October 29, 2009*

**Shashi Kiran Rao – Standard Chartered Capital Market – Mumbai**

So, this year you would say that this quarter at least it is somewhere around 16%, that is what you would say?

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**S. Ramakrishnan - Executive Director - Tata Power**

This quarter we are paying a total tax of 32.7%. Provision, deferred and current tax whereas for the whole half year it is 28.4, last year it was 21.4.

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**Shashi Kiran Rao – Standard Chartered Capital Market – Mumbai**

Okay. That answers my first question. My other question is on extra load that you require right now. Are we to understand that in the next few quarters we will be adding some 30 MW of load in your Mumbai license area.

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**S. Padmanabhan - Executive Director - Tata Power**

Yes. See as I told you earlier on in the session that about 13,000 customers have asked for changeover as of now and for that when each customer asks for a changeover we do the calculation of how much load he would use and as of now, we would need 30 more megawatts to service them as soon as the changeover starts. This is probably in the next six months.

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**Shashi Kiran Rao – Standard Chartered Capital Market – Mumbai**

Are you preparing to purchase this extra capacity?

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**S. Padmanabhan - Executive Director - Tata Power**

Currently our allocation that we have is enough to serve that. As you know the Tata Power Distribution has an allocation of 487 megawatts. It is at the peak usage that you touch that level, November, December, January, February.

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*Tata Power Company Limited  
October 29, 2009*

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**S. Ramakrishnan - Executive Director - Tata Power**

Also the peak is truly Q1 of any financial year by when we get other 500 megawatt out of the current usage by Reliance Infra, so we believe the current capacity should see us through before that capacity comes to us.

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**S. Padmanabhan - Executive Director - Tata Power**

So basically till March end we have power available because we do not expect any peak during this period and this 30 megawatts and it will grow as more consumers come in over the next one to three months, we expect the 30 will come close to 50-60 megawatts and we have enough power to service them.

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**Shashi Kiran Rao – Standard Chartered Capital Market – Mumbai**

Okay sir, thanks a lot for taking my question.

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**Moderator**

Thank you Mr. Rao. The last question comes from Mr. Pankaj Sharma from UBS Mumbai. Mr. Sharma you may ask your question now.

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**Pankaj Sharma - UBS – Mumbai**

Good evening sir. Two questions sir. One is on this 1050 MW Maithon JV Project. This release, it is saying that you have achieved 54% completion and if I remember it right, the last quarter's press release also says 54% completion, so is there any mistake here or there is no progress on the plant in this quarter?

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**S. Ramakrishnan - Executive Director - Tata Power**

The progress achieved so far is 60%, did I read 54? Last time I said 64% is it. Then last time it was 54 and now it is 60%.

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**Pankaj Sharma - UBS – Mumbai**

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Sir, second question would be on the generation side. What is the plan in terms of these four units which you have told, two IPP and one Dehrand project and one Corus Unit. What is the likely commissioning you would see at this point in time?

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**S. Ramakrishnan - Executive Director - Tata Power**

As we said you know firm commissioning dates we can only tell you after we have visibility on land, but typically we felt we will go for approval to our Board likely within the next 6 to 12 months. Typically, projects of this kind get commissioned within three years and completed within four years – that is the rough time frame. So you can then judge the broad band of timeframe within which these could be commissioned.

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**Pankaj Sharma - UBS – Mumbai**

What is the status on land acquisition for Dehrand? There was some news article saying that it is almost complete and there is a lot of progress achieved on that front. So is it near completion or is it still some time before land acquisition would be complete for Dehrand?

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**S. Padmanabhan - Executive Director - Tata Power**

As you are aware the Dehrand plant is acquired through the MID Act. Last week the government of Maharashtra has issued what is known as the 32-1 notice which enables the acquisition practice. Now the people on the ground are in the process of negotiating the land rate. Now there are no more government processes to be completed. Now the next set of activities is the negotiations with various farmers and the affected persons. After the negotiations are complete it will be one uniform rate for everybody. That rate has to be cleared by the Industries Secretary Department. That we expect in the best case if everything goes well in about four to six months time to actually physically possess the land and to answer an earlier part of your question the capacity for Dehrand today as cleared by the MOEF as 1600 MW and we can add 800 more in that land.

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**Pankaj Sharma - UBS – Mumbai**



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October 29, 2009*

Thanks sir. Thanks very much.

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**Hina - Moderator**

Thank you Mr. Sharma. Due to time constraints we will not be able to take any further questions. I would hand over the floor back to Mr. Raj Mehta for the final remarks.

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**Raj Mehta – Dalal and Broacha Stock Broking Private Limited - Mumbai**

Thank you Hina. On behalf Dalal and Broacha Stock Broking we would like to sincerely thank the top management of Tata Power for spending their time and discussing the company's stand-alone second quarter FY '10 results and that concludes the call. Thank you.

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**S. Ramakrishnan - Executive Director - Tata Power**

Thank you.

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**Moderator**

Ladies and Gentlemen, this concludes the call. You may now disconnect your lines. Thank you for connecting to conference service. Have a good evening ahead.