



**“The Tata Power Company Ltd. –Earnings Conference Call
Hosted by Batlivala & Karani Securities India Pvt. Ltd.”**

27 October 2008

MODERATORS:

FROM B&K:

Mr Subhadip Mitra – Research Analyst

FROM TATA POWER CO.:

Mr Prasad Menon – Managing Director

Mr S. Ramakrishnan – Executive Director (Finance)

Mr S. Padmanabhan – Executive Director (Operations)

Mr Banmali Agrawala – Executive Director (BD & Strategy)

Moderator:

Ladies and gentlemen, good evening and welcome to **The Tata Power Company Limited's** Q2FY09 results conference call hosted by **Batlivala & Karani Securities (India) Private Limited**. As a reminder for the duration of the conference, all participants are in listen-only mode and 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 please signal an operator by pressing "*" and then "0" on your touchstone phone. Please note that this conference is being recorded. At this time, I would now like to hand the conference over to **Mr. Subhadip Mitra** of Batlivala & Karani Securities (India) Private Limited. Thank you and over to you, Mr. Mitra.

Subhadip Mitra:

Good evening everyone. On behalf of B&K Securities, I welcome you all to Q2FY09 result concall of Tata Power. We have with us today **Mr. Prasad Menon**, the Managing Director, **Mr. S. Ramakrishnan**, the Executive Director (Finance), **Mr. S. Padmanabhan**, Executive Director, (Operations) and **Mr. Banmali Agrawala**, Executive Director (Business Development and Strategy). First and foremost, I would like to extend my sincere thanks to the management of Tata Power for sparing time on the concall today and sharing their views with us. I would now request Mr. Menon to give us a brief update on the Q2 results and recent developments of the company and then we can move on the Q&A session. Over to you, Mr. Menon.

Prasad Menon:

Thank you, Subhadip, and good evening everybody and welcome to this particular call. We are happy to report Q2 PAT of Rs. 261.93 crores as against a Q2 PAT of Rs. 257.43 crores for the previous year. This brings the PAT of H1 to Rs. 452.48 crores as against Rs. 447.63 crores for the previous year. Our current operations continue to do well and maintain profitability with growth. Let me just give you a few updates on our ongoing projects. In Haldia, the first 45MW unit was commissioned in August 2008 and it is currently operating satisfactorily. The second 45 MW unit is under testing for commissioning in Q3 and the third unit of 30 MW is progressing well and will be commissioned this financial year, so we are hoping that by the end of this financial year we will have 120 MW up and running. Unit 8 which is the 250 MW unit that we are putting up in Trombay based on coal will be synchronized in November 2008, so we are very close to synchronization. The Mundra Ultra Mega Power Project is progressing very well. Civil work at the site is progressing fast and erection of the boiler structure has

commenced - 75% of the hard costs have been committed already and PGCIL, which will be involved in the implementation of the transmission line for evacuation of power, has now got all its approvals. As of now as far as the freight is concerned, three ships have been chartered and two ships have been ordered on Korean yards for coal transportation, resulting in a total of five out of nine that we require and we will be looking over the next few months at how best to complete our total requirement. In Maithon, which is the 1050 MW project that we are doing with DVC, the civil works are in full swing and progressing very well. Most of the orders have been placed and the overall progress is 20%, as planned. IEL, the joint venture we have with Tata Steel, is setting up Power House 6 which is a 120 MW unit based on the blast-oven gases, has reached an advanced stage and synchronization is expected by the end of December, 2008. Unit 5 which is being set up in Jojobera also under IEL, another 120 MW unit based on coal, is also progressing well. Civil work has commenced and synchronization is targeted for the Q3 of FY2010. Let me also just tell you on some other developments. We have announced our partnership with the Royal Bhutan Government to develop the 114 MW run-of-the-river Hydroelectric power project over the river Dagachhu through Druk Greenpower Corporation Limited and we have acquired a 26% stake in the project. As a part of this strategic partnership, Tata Power Trading has negotiated to purchase all the power generated from the project and will off-take power from projects for a period of 25 years. Geodynamics is a geothermal based company in Australia where we have invested about 44 million Australian dollars for a 10% stake. Geodynamics has expertise on exploring such opportunities in countries outside Australia as well including India. As far as funding is concerned, we are monitoring the current financial situation very closely. Fortunately all our major projects are fully funded and additionally we also have short-term facilities of over Rs. 500 crores. The impact of the increase in interest rates is expected to be marginal on project cost and interest expenses. We are, however, evaluating all opportunities carefully. The coal companies in Indonesia continue to perform well and we believe that despite some reduction in coal prices at the moment their performance will continue to be fine. I will now hand over to Mr. Ramakrishnan to take you through the financial performance.

S. Ramakrishnan:

We have mailed the financial performance to all of you 10 minutes ago. I hope you had the opportunity to see it. Before I get in to the

individual figures I just want to express three points. One, in the last quarter, we changed the method of accounting as far as the statutory appropriations and recognition of the amounts that we are entitled to take to the profits we make. It was an adjustment that we made in the fourth quarter of our financial year. From Q1 of this year we have been making it every quarter and hence the results of Q2 also reflect this particular accounting change that we have made. During this quarter we have profit on sale of long-term investment of hardly Rs. 0.17 crores, compared to the previous year of Rs. 85.13 crores. However, we do have a Gain of exchange (net) of Rs. 76.70 crores in this quarter compared to the previous year of Rs. 8.96 crores. I will go in to the results of the quarter. The gross generation for this quarter was 3,459 MUs as against 3,684 MUs in the previous year, a reduction of 6%. This is mainly due to our hydro unit operating at lower MUs in order to abide by the Krishna Water Accord which restricts the amount of water we can discharge. This is the third year of the four-year span in which we are supposed to fall in line and we had discharged more water in the earlier two years and hence we are restricting the discharge and so the reduction in generation. The sale in this quarter was 3,377 MUs as against 3,811 MUs in the previous year, down by 11%; the reasons are two fold. One is a reduction in generation. Last year, we used to purchase power for the entire Mumbai city and then sell it to the other two licensees that was also included in our sales, whereas this year, this quarter the purchase for entire Mumbai is being done by the licensees and hence is not reflected in our turnover. The revenues this quarter stood at Rs. 1,890 crores as against Rs. 1,330 crores the previous year, up by 42%, significantly constituted by increasing fuel costs which are a pass through as far as licence area is concerned. The operating profits stood at Rs. 269 crores as against Rs. 262 crores, an increase of 3% over the previous year. Other income which includes sale of long term investments, dividends as well as the foreign exchange variation stood at Rs. 188 crores this quarter as against the previous year of Rs. 140 crores, up by 34% over the previous year. The interest for this quarter stood at Rs. 68 crores, increased from Rs. 41 crores from the previous year, higher by 66%. The depreciation stood at Rs. 76 crores as against Rs. 71 crores, 9% over the previous year. This is due to capitalization of assets in the license area since the last year. Thus the Profit before Tax stood at Rs. 308 crores as against Rs. 289 crores the previous year up by 7% over the previous year. Taxes both current tax, FBT, deferred tax all added

together stood at Rs. 46 crores as against Rs. 36 crores the previous year leading to a profit after tax of Rs. 262 crores as against Rs. 257 crores, up by 2% over the previous year. The profit after tax after statutory appropriation, as I said from this year, we are making these adjustments every quarter as against once a year earlier, they stood at Rs. 253 crores as against Rs. 257 crores, down by 2% but not strictly comparable because these appropriations would have been made only in Q4 in the previous year. The earnings per share due to statutory appropriations as well as the FCCB conversion stood at Rs. 11.42, a reduction compared to last year's Rs. 12.39; of course this is not annualized. If I may take you through a similar figure for H1, the previous six months of the year, gross generation stood at 7,394 MUs for this six months as against 7,544 MUs the previous year, down by 2% significantly contributed by a reduction in hydro generation, however an increase in thermal generation in the six months. Sales stood at 7,492 MUs as against 7,867 MUs in the previous year, down by 5%, again the reason being this quarter the power for Mumbai is being procured by other licensees while last year we did the procurement. The revenues for the six months stood at Rs. 3,902 crores as against Rs. 2,816 crores up by 38% significantly contributed by increase in fuel prices. Operating profit stood at Rs. 580 crores for the six months compared to 515, an increase of 13% over the previous year. Other income stood at Rs. 275 crores against Rs. 246 crores, an increase of 12%, other income as I said included long-term sale, dividend, as well as foreign exchange variation. The interest stood at Rs. 120 crores as against Rs. 97 crores, an increase of 23%, depreciation stood at Rs. 149 crores as against Rs. 142 crores, up by 5%, profit before tax stood at Rs. 575 crores as against previous year's Rs. 517 crores, up by 11%. PAT stood at Rs. 124 crores compared to the previous year of Rs. 69 crores, up by 80%. The tax provision for this year is being made as an average percentage estimated for the entire year from quarter to quarter, however in the last year we used to make tax provision only for the profits of the respective quarters, that is why this difference is coming about in the tax rate. The profit after tax for six months stood at Rs. 452 crores as against the previous year of Rs. 447 crores, up by 1% over the previous year and PAT after statutory appropriation decreased to Rs. 415 crores from Rs. 448 crores, down by 7%. As I mentioned statutory appropriation are being made every quarter this year while in the previous year we used to make it only during Q4. EPS is lower at Rs. 18.78 compared to

previous year which is Rs. 22.05 due to the tax free provision as well as conversion of the FCCB. Getting in to certain physical details - generation, 69% of the generation was due to Trombay, 5% generation contributed by hydro, so significant part of the generation is contributed by the licensed areas - 74%, 21% of the generation contributed by Jojobera, 3% by Belgaum, 2% by wind, 1% by Haldia Metcoke which has just started operations in August adding up to 26% outside the licensed area. Sorry, whatever I mentioned is pertaining to Q2. Compared to 74% of Q2, the license area contributed to 81%. Compared to 26% by outside license area, the outside license area contributed to 23% this year, the license area generation going higher than the others. In terms of sales in MUs, the licensee REL and BEST contributed in Q2 to 54% of the total. Our direct customers contributed to 21% of the generation and our outside license area contributed 27%. The wind is normally an adjustment since we generate wind as well as we buy, that causes a reduction in the total adding up to 100%. This is for the quarter. As far as the half year is concerned the figures are roughly similar to half year, Reliance and BEST contribution is about 53%, the direct customers are about 24% and outside license area is 24%, so the outside license area for this quarter is higher than for the six months because the new wind and Haldia unit have come in to the generation area. If we go by revenue wise, Mumbai generation contributes a significant part of the revenue, 98% of our revenue comes from the power business of which 85% in this quarter came from licensed area, 9% from Jojobera, 4% from Belgaum, 1% wind farm and the other businesses, particularly the sale of electronic products and others contributed 2%, the difference between the six months and the quarter are not very significant, they are roughly the same. Coming to the performance of our key subsidiary NDPL produced a profit after tax this quarter of Rs. 38 crores compared to Rs. 49.2 crores. The significant reduction is because in this quarter NDPL installed lots of meters which had an individual value less than Rs. 5,000. They need to be written off 100%, so there is an additional depreciation of about Rs. 12 crores. If we adjust for that the profit is probably higher by about 2% compared to last year. Powerlinks for this quarter profit was Rs. 10.3 crores almost double compared to the last year same quarter of Rs. 5 crores for two reasons, one Powerlinks is fully commissioned and now will have the tariff as approved by the regulator while the last year we had made revenue assumption based on provisional tariff. Tata Power Trading profit this quarter was Rs. 1.5 crores, down from

last year's Rs. 1.7 croress mainly due to very large working capital losses because the power cost has almost doubled and hence the cost for interest and working capital have gone up reducing the profit margin of Tata Power Trading. I want to give you figures for half year, NDPL from six months produced Rs. 71.9 crores compared to last year of Rs. 77.5 crores. As I told you, there is an increased depreciation, figure is about a Rs. 14 crores for H1 due to the meters, if we adjust for that there is an increase of almost 10%. Powerlinks for the six months produced a profit of Rs. 19.4 crores, as compared to Rs. 13.4 crores in the previous year and Power Trading produced Rs. 2.9 crores, as compared to Rs. 2.4 crores last year. That sums up the presentation as far as results are concerned. We are now willing to take up any questions you have on the results.

Subhadip Mitra:

Moderator. I think we can move on to the Q&A session.

Moderator:

Sure, sir. Ladies and gentlemen, we will begin with the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchstone 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 Mr. Rajesh Panjwani of CLSA. Please go ahead.

Rajesh Panjwani:

Good evening Sir. My first question is regarding one query which we keep on getting from a number of our clients and just for the benefit of all of us like to clarify that we are well aware as far as the coal mines are concerned, your stake is indirectly in the mines and not in the listed entity and also that logically because of that there should not be any impact on your economic value in those mines because of the developments which have happened in Indonesia, but it would be great if you can let us know whether there has been any impact on the operations of mines and whether that production etc., continues to be as usual and that there would be no impact on the economic value of your stake in those mines because of whatever developments have taken place there.

Prasad Menon:

I think the answer to that is that the mining operations continue to perform well. There has been no impact because of the developments that you talked about in Indonesia and as you rightly said our investment is in KPC and Arutmin and we will not

get impacted by some of these developments, so investment is safe. The mining operation is safe.

Rajesh Panjwani:

The second question is recently you had announced that you would bid for the third asset of Temasek. You had participated in the sale of the first two assets, the bidding for the first two assets, but did not win it and also there were rumors about Tata Power being interested in acquisition of stakes in Bumi, now in the current environment where there is clearly a severe credit crunch and Tata Power is not exactly sitting on excess cash, you already have on a consolidated basis around 100% net gearing, it would worry investors if you were to go ahead and acquire an international asset at today's valuations of assets even if they have come down if you take up a very large borrowing commitment then it would be a cause of worry, so what have you decided on bidding for the third asset of Temasek as well as buying any stake in Bumi Resources directly?

Prasad Menon:

I think you have more or less answered the question yourself. Let me say very categorically that we will be very prudent in whatever decisions we take on getting an acquisition. We do realize that the situation in the financial world is uncertain. We are not quite sure how long it will take for it to stabilize and therefore we will not take an aggressive line.

Rajesh Panjwani:

So are you going ahead with bidding for the Temasek Asset or stake in mines, further stake in the holding company for mines?

Prasad Menon:

No

Rajesh Panjwani:

No for both of them right?

Prasad Menon:

I do not know where you got the Bumi one.

Rajesh Panjwani:

There are news articles in Economic Times and some other newspapers, just.

Prasad Menon:

That I cannot really control, but we are certainly looking at acquisitions carefully.

Rajesh Panjwani:

Okay, fine thanks a lot. My questions have been answered. I do not know, there is some disturbance from your line because the voice is not audible. I do not know it is me it is for all of us.

Prasad Menon:

There is nothing here that is causing that, but if you cannot hear clearly please do say so and we will repeat.

- Rajesh Panjwani:** Sure. Okay sir, thanks bye.
- Moderator:** Thank you Mr. Panjwani. The next question is from Mr. Venkatesh of Citi, please go ahead.
- Venkates B:** Sir, most of my questions have been answered except one. At the end of last year, the Tata Power parent annual report had a cash balance of only around Rs. 875 million, now other than that I mean the reason I am asking this question is there were preferential warrants outstanding to Tata Sons of around 10.4 million which are due to expire in December. Have these warrants been converted or is there any chance of this getting converted because the conversion price is around Rs. 1,352.
- S Ramakrishnan:** They have not been converted. The promoter still has that option to continue to do till December 17, 2008.
- Venkates B:** What is the situation on Tata Power, I mean are you facing some amount of stress because according to the balance sheet it seems like it is on the stretch side?
- S Ramakrishnan:** As of now, as we mentioned all our major projects have met funding and we have lined up short-term funding of over Rs. 500 crores, more closer to probably Rs. 1,000 crores and hence we have prepared for any eventuality in case they are affected.
- Moderator:** Mr. Venkatesh, do you have more questions.
- Venkates B:** No. That is it. I said thank you.
- S Ramakrishnan:** Oh, sorry, we did not hear you.
- Moderator:** The next question is from Mr. Abhishek Puri of JM Financial. Please go ahead.
- Abhishek Puri:** I just have a couple of questions. First of all can you give some update on Dehrand Project, the coastal Maharashtra project?
- Prasad Menon:** We are still in the process of working with MIDC on the acquisition processes and there are certain steps that the MIDC has to take and a series of notices that they have to give, that is proceeding and so we will keep pushing that harder and focussing on that.
- Abhishek Puri:** Sir, the land acquisition process has started or it has to start?

- Prasad Menon:** It has to start but it has to be preceded by certain process where the MIDC people and the revenue people get the various records etc., before they issue set of notices.
- Abhishek Puri:** I am so sorry, but your line is, Rajesh mentioned that the line is not clear.
- Prasad Menon:** I will repeat it. MIDC has a certain process that they have to follow and they issue a certain set of notices and they also have to check up all the documents from the sellers and also have to make sure about the exact property and the size of the property. Hello.
- Abhishek Puri:** Yes, I got your point sir.
- Prasad Menon:** That is proceeding and we are pushing harder.
- Abhishek Puri:** My other question would pertain in continuation to the last caller, basically on the financing side. We had on the stand-alone balance sheet we had about Rs. 28 croress of cash in hand and are we are looking at liquidating the investments at this point in time for the equity funding or we will be looking at debt for investing in the projects which are continuing?
- S. Ramakrishnan:** We will look at the investments and valuation optimally, if the valuation is inappropriate, we will wait.
- Abhishek Puri:** Do we have an option that we can raise debt on the company's balance sheet and invest that as equity contribution in the subsidiaries?
- S. Ramakrishnan:** That is why we told you that we have lined up the interim funding.
- Abhishek Puri:** So, interim funding will be used as equity.
- S. Ramakrishnan:** That is what we have lined up as a back up.
- Abhishek Puri:** So, the third question would be, the media was suggesting that there has been a short supply of rakes at few of the power plants in the last three months.
- Prasad Menon:** No, we did have some short supply in our Jojobera plant, which is the plant which supplies power to Tata Steel. We have tided over that particular problem and we are making sure that the supplies of coal are adequate.

- Abhishek Puri:** Is that the reason why the generation has been poor this quarter?
- Prasad Menon:** No, I think Mr. Ramakrishnan talked to you about the hydro generation.
- Abhishek Puri:** Hydro is the reason you would say.
- Prasad Menon:** That is the main reason.
- Abhishek Puri:** There has been no cut in Jojobera as such.
- Prasad Menon:** Little bit, very marginal, but we have also taken off one of the sets for maintenance, any reduction in generation from Jojobera is really because one of the set which has been taken for routine maintenance.
- Abhishek Puri:** Thank you so much for your answers.
- Moderator:** Thank you Mr. Puri. The next question is from Ms. Shilpa Krishnan of JP Morgan. Please go ahead
- Shilpa Krishnan:** Good evening everybody. I just have two queries. My first question is for SR. Basically I wanted to know you said the optimal increase in effective tax rate for the first half is mainly because you are estimating the tax provision for the entire year and making a provision accordingly, so I just wanted to know if some of this provision also pertains to your mines and all or is this pure organic tax that you are providing for?
- S. Ramakrishnan:** It has nothing to do with the provision relating to Coal Operating COS.
- Shilpa Krishnan:** Okay, so, is there any particular reason why you expect acceleration in PBT growth for the remainder of the year.
- S. Ramakrishnan:** This question arises from?
- Shilpa Krishnan:** Okay, you have provided, the effective tax rate has increased considerably, you know over the corresponding period in the first half of last year and since you said that this time.....
- S. Ramakrishnan:** In Q1 we had sort of explained the reason. We had a substantial increase in deferred tax arising out of the licensed area because we have changed the method of assessing the deferred tax. Normally the deferred tax provisions are borne by the customers. However, if the licensee has paid for some expenditure that we

have not incurred, then we have to automatically provide for the appropriate position, so what has happened in LA over the years, they have always paid for certain expenses that we have counted in the P&L but we have not actually paid, those had that effect in Q1, so that Q1 account is you will see that, which also contributed to this deferred tax going up, hence for the whole year as a percentage the total tax went up apart from the estimates of the profits for the year that is why the total percentage has gone up and this year we are accounting at an average percentage estimated for the entire year whereas in the last year we were doing on a quarterly basis provision, so that makes the difference.

Shilpa Krishnan:

Okay, okay that is very clear. Secondly a clarification on one of the previous points that was raised, now clearly we are seeing globally that coal mine value and coal prices coming off, coal mine valuations are more attractive compared to before. Earlier your management was talking about trying and acquiring coal mines in other parts of the world to supplement your requirements for Mundra and for other reasons, so do you see valuations currently as attractive enough or do you think you will wait for some more time?

Prasad Menon:

I think first of all I do not think we have seen any evidence of valuations change in the market place and leave aside the individual problem that is currently in place, there have been hardly any acquisitions, so we really cannot say what kind of value has been given. As far as we are concerned we have always maintained that we still need to keep in sight another 9 million tonnes of imported coal, part of which is about 3 million tonnes taken for Trombay, so that lives a gap of about 5 to 6 million tonnes and we would like to explore the possibility of getting coal if possible from countries around Indonesia so that we balance the rate, that particular process continues. Whether we will actually get good valuations are not I can say today.

Shilpa Krishnan:

Okay, thank you so much.

Moderator:

Thank you Ms. Krishnan. The next question is from Pankaj Sharma of UBS. Please go ahead.

Suhas:

Hello sir, this is Suhas from UBS. I just wanted to know, you mentioned about the lower sales in Mumbai because you are no longer supplying to one of the licensees, is that as per the ARR.

S Ramakrishnan:

Can I just explain to you?

- Suhas:** Yes.
- S Ramakrishnan:** We sell to all our generation licensees in Mumbai. What was done earlier, we used to procure, then sell it to BEST and REL. That turnover used to be reflected even though BEST and REL were a pass through. This year that pass through item is not passing through us. It is passing through another licensee. To that extent the MUs does not appear in my sale even though we are essentially selling whatever we are generating.
- Suhas:** Yes. I understand the MUs concept but even from revenue perspective there is no additional, that was just a pure pass through so you were saying there was no profit element in that.
- S Ramakrishnan:** Absolute. There is no fall because of this.
- Suhas:** Thank you very much.
- Pankaj:** Another question sir, this is Pankaj. Do we have any idea for the contribution from coal mines because at the end of the year last year we have some numbers from Bumi Mines, also after consolidation do we have some provisional numbers for Bumi Mines.
- S. Ramakrishnan:** We will be able to do that only when we announce the consolidated results again. As of now, we are only having this for the stand-alone results.
- Pankaj:** Sir is it likely that it would be done only after the end of the year for full year numbers.
- S. Ramakrishnan:** That is right.
- Moderator:** Sir would you like to go ahead with any more questions?
- Prasad Menon:** Are there any more?
- Moderator:** Yes sir, we have a few more questions.
- Prasad Menon:** Okay.
- Moderator:** Should we go ahead?
- Prasad Menon:** Do it sure.
- Moderator:** The next question is from Mr. Bhavin Vitlani of Enam Securities. Please go ahead.

- Bhavin Vithlani:** Good evening sir. Couple of questions, if I see the other income for the half year of Rs. 275 crores, even after adjusting the Rs. 75 crores of the forex gain, it has increased substantially quarter on quarter, any element which has contributed to the sudden increase?
- S. Ramakrishnan:** Dividends from our subsidiaries was distributed during this period has contributed to the increase also.
- Bhavin Vithlani:** Sir, what would be the quantum of dividend?
- S. Ramakrishnan:** We have dividend increase of Rs. 75 crores from the investments as against last year of Rs. 26 crores and for H1 it is Rs. 104 crores as against Rs. 35 crores. These are dividends as released, not as declared.
- Bhavin Vithlani:** Sir, are these dividends from Bumi?
- S. Ramakrishnan:** No. These are not. There is no dividend from our coal SPVs. We are still using the cash flows to service the loans. As far as our lenders we have to pay them the loan repayment. So we have compared to the plan made more money but that has gone towards paying the loan in advance.
- Bhavin Vithlani:** The second question pertains to Mundra UMPP. Given the current exchange rate, would we have to revise our cost given the rupee is at Rs. 50 versus Rs. 40 almost when we had financial close ?
- S. Ramakrishnan:** We have funded all our imports through foreign currency and the foreign currency gets serviced much later. Related to the sale now when the goods hit India is when the actual conversion takes place for the purpose of accounts, so from a liability servicing point of view, it happens only if the loans are being repaid and the intention is at an appropriate time take a cover to protect ourselves against the variation, so as of today if I look at it is the yen which is causing the issue but that is not material. What is material is when the goods actually hit India as well as when we take the loan whether we are able to take an appropriate cover, today the situation is extremely volatile and covers are not available at very optimum level though we have covered so far 50% of the yen that we need but we will look at covering the whole loan going forward.

- Bhavin Vithlani:** Would the project cost increase significantly and would it impact the IRR we had envisaged earlier?
- S. Ramakrishnan:** As of now, we expect that once the current credit situation settles down we will not be impacted by exchange because when we bid for the project the assumption of the exchange was Rs. 45.6. We went down to as low as Rs. 39. We believe that assumption of Rs. 46 is fair given that we are executing the project over the next two-and-a-half years probably completely even in three years.
- Bhavin Vithlani:** Okay fine. Thank you very much.
- S. Ramakrishnan:** Thank you.
- Moderator:** Thank you Mr. Vithlani. The next question is from Mrs. Sowmya Shrivatsav of Morgan Stanley. Please go ahead.
- Parag:** Hi, good evening, this is Parag from Morgan Stanley, just a couple of questions. Could you tell us what is the consolidated forex debt that you have on your balance sheet as of today and secondly could you also let us know what is the debt maturity profile?
- S. Ramakrishnan:** We have US\$980 million but I must tell you consolidated does not have too much meaning because we have a substantial part of the loan on our coal SPVs that are earning in dollars. Coal SPVs loans are denominated in dollars, so we have on coal SPVs a total loan of 900 million dollars. As far as Tata Power is concerned we have about 80 million dollars exposure on the Eurodollar loan that we have which is due for repayment in 2017.
- Parag:** Right and could you help us with your debt maturity profile please as to how much is repayable in the next one year and how much is longer term debt?
- S. Ramakrishnan:** As far as 80 million dollars is concerned, may I mail it to you?
- Parag:** Yes sure, that is fine.
- S. Ramakrishnan:** Yes. We will mail it to you.
- Parag:** And just one final question, assuming the promoters do not subscribe to the warrants, which have been issued to them and the company has to go in for additional debt phasing or are you looking at other means to finance that?

- S. Ramakrishnan:** We are arranging interim funding which will take us through almost September of next year. Within this period we will come up with an alternative proposal.
- Parag:** Are you looking at substantially higher cost of debt or would you see at reasonably lower cost debt?
- S. Ramakrishnan:** The debt will be in line with the current market rates which are of course higher than earlier and significant part of this will go towards project capitalization and a part will go to the P&L.
- Parag:** Thanks a lot.
- Moderator:** Thank you Mr. Shrivatsav. The next question is from Shankar K of Edelweiss. Please go ahead.
- Shankar K:** Hello sir, thank you for taking my question and congratulation....
- S. Ramakrishnan:** Can you speak louder?
- Shankar K:** Can you hear me now?
- Shankar K:** Okay. Congratulations on a good set of numbers. Basically, one follow up question on the previous one. Are we then trying to envisage that probably the conversion might not happen in the first place and hence we are taking this backup plan?
- S. Ramakrishnan:** We are arranging the backup plan in terms of if the liquidity in the market becomes very tight we are in a position to do, should those funds do not come.
- Shankar K:** Okay, then are you also trying to say that we might extend this exercising of this warrant tenure from
- S. Ramakrishnan:** We did not say anything about the warrant. That is for those who possess the warrant. I am only saying that I am making arrangements for the funds in an eventuality of the warrant not being exercised. .
- Shankar K:** Okay because as of now as you stated in your earlier presentation also, there is no immediate requirement of incremental increased funding till December 2009 which includes the Rs. 1,350 crores from the warrant conversion.
- S. Ramakrishnan:** That is why we are making arrangements for interim short-term funding. If we do not need it we do not use it. .

- Shankar K:** And secondly on the incentive calculation which you have spelt out in this Q2 result you are saying that you want to recover Rs. 34 crores from the tariff which is largely from the next couple of quarters, in Q1 you had earned this incentive which.....in Q1 you had spelt out that you have earned close to Rs. 23 crores Multiplied by three times because you held up one third and transferred one third in to statutory provision and gave back to the customer, so does it mean that this Rs. 34 crores is what you are going to claim as one third portion in the future tariffs?
- S. Ramakrishnan:** Rs. 34 crores is the effect of the CPROE calculation. If I make excess profit and incentives from the tariff we pay the regulator. In the next two quarters, it can go the other way, just like the first quarter went the other way – we could earn more money than we are entitled to. In that case, that itself will be recovered. It does not have to come from the tariff.
- Shankar K:** Agreed. I am not disputing it. What I am saying is in Q1 you spelt out that Rs. 23 crores was one-third share of the entire incentive and the ROE percent. Here you are mentioning Rs. 34 crores, so should we assume that this is the one-third share once again while because the reason is your statutory.....
- S. Ramakrishnan:** When I make more incentive, I give away one third and I keep two thirds. If the tariff is not enough then I have to get my two thirds. If my earnings are more, I had to give at least one third so it will operate differently, so this must be my two thirds.
- Shankar K:** So, this Rs. 34 crores is two thirds – that is what I wanted to know.
- S. Ramakrishnan:** Yes.
- Shankar K:** Sir, thirdly on the shipping plans where you spelt out that you have made arrangements for procuring five out of the nine total ships. Can you just sound us out how much is being acquired and how much has been chartered and what is exactly the CapEx.
- S. Ramakrishnan:** What our MD said is that we have acquired two, cost is about \$100 million a ship, slightly lower, and remaining we are looking at the market situation. If the markets improve and more opportunity comes towards us, that we will look at it.
- Shankar K:** How much has been paid of this \$100 million, or, when are you going to actually pay out for this?

- S. Ramakrishnan:** We have only paid the initial amount due to the yard, as the ship is being built.
- Shankar K:** And that would be kind of a bullet payment at 2011 or ...
- S. Ramakrishnan:** Please note that whatever the terms of payment, our subsidiary will be making that payment up to 2011.
- Shankar K:** Is it possible to spell out what would be the graded payment structure for that?
- S. Ramakrishnan:** No, it would not be possible because these are confidential.
- Shankar K:** So basically considering the present freight rates are you rethinking on whether to buy the incremental couple of them or not? Is that what the plan is?
- S. Ramakrishnan:** What we are saying is we have always preferred a charter within the terms that we have put and at the time when the market was moving, to protect ourselves we bought those two ships. It is a portfolio strategy, so going forward where we need four more, we will do the same - if the charter rates are good enough we will take it. If the market starts booming then we will look at it for sure such that overall cost is within the terms.
- Shankar K:** Okay, thanks a lot sir. That is all from my side.
- Subhadip Mitra:** Mr. Menon, would you like to close the call now.
- Prasad Menon:** Yes I think so, So, if it is okay, shall we close?
- Subhadip Mitra:** I think then we can close the call now, all right.
- Prasad Menon:** Thank you very much all of you.
- Subhadip Mitra:** Right sir, I believe we have had a very interesting interactive session today. I wish to once again thank the management of Tata Power for giving us an insight and sharing their views. Thank you once again gentlemen.
- Prasad Menon:** Thank you.
- Moderator:** Ladies and gentleman, on behalf of Batlivala & Karani Securities (India) Private Limited that concludes this evening's conference call. Thank you for joining us and you may now disconnect your lines.