



Transcript

Conference Call of The Tata Power Company Limited

Event Date / Time : 29th January 2009, 7 PM IST

Event Duration : 55 min 30 sec

Presentation Session

Moderator:

Good evening ladies and gentlemen. I am Shirley, moderator for this conference. Welcome to The Tata Power Company Limited Q3FY09 conference call hosted by Tata Securities 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 the operator by pressing "*" and then "0" on your touchstone phone. Please note this conference is being recorded. At this time, I would now like to hand over the conference to Mr. Suresh Guruprasad of Tata Securities Limited. Thank you and over to you Mr. Suresh Guruprasad.

Suresh Guruprasad:

Thanks Shirley. Good evening everyone. We at Tata Securities are very pleased to host this call for the third quarter ended 31st December 2008 result of Tata Power. Today we have with us Mr. Prasad Menon, MD of Tata Power, Mr. S. Ramakrishnan, Executive Director - Finance, Mr. S. Padmanabhan, Executive Director - Operations, and Mr. Banmali Agrawala, Executive Director- Business Development and Strategy. Welcome to you all Sirs. I would like to express my sincere thanks to the management of Tata Power for sparing time on this call today and sharing their views with us. I would now request Mr. Menon to give us a brief update on the Q3 results and the recent developments of the company and then we can move on to the Q&A session. Over to you Sir.

Prasad Menon:

Thank you Suresh and very good evening to all of you and welcome to this analyst call for Q3FY09. Our detailed financials will be presented to you by our Finance Director Mr. Ramakrishnan shortly, but before that I would just like to take you through our expansion projects and also just tell you a little bit about our current operations.

As you know, our current operations extend from our Licence Area in Mumbai, which includes Trombay, our Hydros, Belgaum, and Jojobera and some of our Wind operations in the western region. I am happy to report to you that all these operations are performing extremely well and these are borne out by our numbers on the generation in terms of million units as well as the sale of power.

Let me next take you through the ongoing projects. Haldia unit, which is taking gas from the met coke plant of Tata Steel has three units, one of 30 MW and two each of 45 MW. We have now commissioned successfully the first two units of 45 MW, the second one being commissioned in December '08 and the third unit of 30 MW is expected to be synchronized by the end of February '09 and commissioned by April '09. We have received permission to export power in December '08 from West Bengal and when fully commissioned, Haldia will be able to export over 600 million units of power per annum after meeting its commitments to the West Bengal State Electricity Board. Unit 8 in Trombay, which is a 250 MW unit based on coal was synchronized in January '09 and is expected to be commissioned in the next four to six weeks. 100 MW will be sold through Tata Power Trading on merchant-basis as per the PPA with them and when commissioned, Unit 8 will be able to sell over 600 million units per annum on a merchant-basis. As per the current statutory approval, we will use Unit 4 as a standby unit.

On Wind, we have commissioned additional capacity of 21.6 MW this quarter in Gujarat as well as in Karnataka and we now have a total installed capacity of 124 MW. Another 52 MW will be commissioned by March '09 and a further 20.8 MW will be commissioned by April '09. The Mundra project of CGPL is proceeding very well and we have completed over 13% of the work. We are targeting commissioning the 1st unit by September '11 with the other units coming up every four months after that. Structural erection is in progress for the first two boiler units and civil work is progressing very well at site. We now have over 2,500 people working on the site. Work on the Mundra Port is progressing as per schedule and the intake channel development agreement has been executed. We have also signed an agreement with the Gujarat Water Infrastructure Limited to make the Narmada river water available for the project. We are holding quarterly meetings with Power Grid to ensure evacuation readiness before commissioning.

And on the Shipping side, we have now chartered three ships with another two ships having been ordered on Korean yards for coal transportation. We are evaluating our options to tie up the remaining shipping requirements in view of the drop in freight rates. CGPL has completed all pre-disbursement conditions and received its first disbursement of loans in this quarter on contracted terms.

The Maithon project is also progressing extremely well. Work on both Unit 1 and Unit 2 is on schedule and over 21% of the work has been completed. We have practically completed ordering for all the packages and we have signed PPAs with NDPL in Delhi and with the West Bengal State Electricity Board for 300 MW and 150 MW respectively and the balance 300 MW with the Punjab State Electricity Board is awaiting final approval. 100% linkage for coal has been sanctioned and FSAs are under discussion.

IEL, which is our joint venture with Tata Steel, is actually now working on two projects. Power House 6, which takes blast-furnace gas from Tata Steel is now in an advanced stage of completion and is expected to synchronize in February '09 with commissioning expected in March '09. This is a 120 MW unit. Unit 5 in Jojobera, which is also a 120 MW unit, is also progressing well and we are expecting synchronization of this unit in the third quarter of financial year 2010.

All our projects are fully funded except IEL, which is a joint venture with Tata Steel, and efforts are under way to fully fund the IEL project. Discussions are on with the institutions for funding the coming year's capex in the Mumbai Licence Area and you will know that DoCoMo recently signed agreements with Tata Teleservices and Tata Sons to acquire a 26% stake in TTSL as a strategic partner. As an existing shareholder, we are looking at the opportunities that the transaction provides.

On the Indonesian coal mining companies, the operations of the coal mines continue to be robust. Though coal prices have fallen from a peak of 140 dollars per tonne, they are now more or less steady at about 80 dollars per tonne. I would like to remind you that when we acquired a stake in the mining companies, coal prices were around 45 to 50 dollars per tonne. The costs of the mining operations have come down due to a reduction in fuel oil prices. Now I would like to hand you over to Mr. Ramakrishnan who will run you through the financials.

S. Ramakrishnan:

I will take you through the financial performance. The published results have been emailed to you and I will take you through the financial highlights. Broadly, I will first talk about the profit before tax, which is now at Rs. 126 crores as against previous year's Rs. 196 crores. The main reason for this variation, as you are aware, is that we changed the method of accounting pertaining to the Licence Area of operation. Previously we used to provide for the annual performance review as an adjustment to be made at the end of the financial year, which means in Q4. Since the beginning of this financial year, we have been making these adjustments every quarter. If the previous year's result were to be published on the basis of quarterly review of the adjustment needed for the annual performance, the previous year would have been lower by Rs. 65 crores. Which means if the accounting was on the same basis, the gap of Rs. 70 crores you see in the PBT would have been reduced to the extent of Rs. 65 crores and the gap would be marginal. The second reason is of course the increase in operating and interest cost; we have a difference in interest costs as we will explain to you of about Rs. 56 crores. We had an interest income of Rs. 11 crores reducing this gap to Rs. 45 crores. The explanation of the Rs. 45 crores is that Rs. 6 crores is due to interest resets particularly in the Licence Area and hence we are getting out of the Rs. 6 crores, about Rs. 4.5 crores reimbursed from revenue. Additional Rs. 6 crores of interest is due to new units that have been commissioned particularly at Haldia and the Wind units. And the balance Rs. 33 crores is due to the borrowings we had to make to fund our equity in the SPVs as well as for our own capex requirements. In spite of these two differences, the gap in profit has been Rs. 70 crores only because our current operations have performed well.

Going through the results line-by-line, particularly the major items where there have been differences, the gross generation is at 3,847 MUs as against 3,672 MUs, an increase of 5%. Generation in the Licence Area was 2,937 MUs in this year as against 2,897 MUs in the previous year. Generation outside Licence Area was 910 MUs in Q3 this year as against 775 MUs in Q3 last year. There was higher generation at the Hydros due to a scheduled annual outage of Unit 7 in Trombay during the quarter. Belgaum had a higher off take by Karnataka, because the Karnataka State had poor monsoon and hence they have been relying on our DG set more this year compared to previous year. We have commissioned additional generation of units for Wind in Gujarat and Karnataka and these have also contributed to increased generation.

Coming to the sales in MUs, sales in MUs are 3,717 this quarter as against 3,614 previous year, up by 3%. Sales in the Licence Area was 2,826 MU this quarter as against 2,858 in the previous year. The reduction as you can see is due to the annual shutdown of Unit 7, which led to a reduction in the sales in Licence Area during this quarter. Sales outside Licence Area were 904 MU this quarter as against 774 in previous quarter.

Coming to revenues in rupees crores, the revenues this quarter was Rs. 1,777 crores compared to the previous year of Rs. 1,419 crores, an increase of 25% contributed by increased sales as well as an increase in tariff, caused by increase in fuel prices. If you look at the cost, I will take you through certain cost lines where there have been substantial variation. The staff cost this quarter was Rs. 69.02 crores as against Rs. 40.12 in the previous year. Last year we had reversed certain excess provisions to the extent of Rs.10 crores and hence the Rs. 40 crores that you see in last year without the reversal would have been Rs. 50 crores. And last quarter, that is Q2 of FY09, the staff cost was Rs. 75 crores compared to that this quarter we are at Rs. 69.02 crores. Other expenditure is another area where you see significant variation compared to previous year. The expenditure was Rs. 120.32 crores in Q3 of this year as against Rs. 86.89 crores in Q3 of last year. Of the increase, Rs. 10 crores was used for repairs and maintenance and the timing of the repair and maintenance is always discretionary. This time it had been timed in Q3 and Rs. 7 crores represent a one-off expenditure due to certain business development expenditures written off during this quarter. During Q2 FY09 the other expenditure was Rs. 104 crores.

Depreciation this quarter was Rs. 81 crores as against Rs. 70 crores last year, up by 16%. This is due to commissioning of units in Haldia and wind as well as certain capital expenditures, which have been commissioned in the Licence Area during this quarter. Other income stood at Rs. 46 crores as against previous year's Rs. 37 crores, up by 24%. We had a higher forex gain of Rs. 25 crores, which was offset by the income we had last year from sale of long term investment of Rs. 23 crores and we had a higher other income this year of Rs. 7 crores. Interest of Rs. 95 crores compared to Rs. 39 crores during the last year, which I had explained, I will explain again. Of the increased interest, of about Rs. 56 crores we had an earning of Rs. 11 crores of interest, so the net interest increase is Rs. 45 crores, Rs. 6 crores is due to increased interest rate due to resets of which Rs. 4.6 crores is a pass through. Rs. 6 crores is due to

commissioning new units, both at Haldia and Wind. The balance Rs. 33 crores is due to borrowing to fund our SPVs and equity for capex requirement.

The tax stood at Rs. 11 crores as against -1 crore previous year. In previous year, we had a tax reversal of Rs. 28 crores in Q3, which was due to the reversal of provision in the Licence Area and it was passed on to the consumers during truing up in Q4. Thus the PAT this year stays at Rs. 115 crores as against Rs. 197 crores the previous year and PAT after tax-free appropriation stays at Rs. 101 crores as against Rs. 197 crores previous year. Previous year we never used to make statutory appropriation on a quarterly basis, it was done at the end of the year while we are doing it now on the basis of every quarter.

Coming to the key subsidiaries performance, NDPL this quarter earned Rs. 45.2 crores compared to Rs. 32.1 crores the previous year, an increase of 40%. Powerlinks earned Rs. 12.4 crores as against Rs. 8.8 crores, an increase of 40%. And Tata Power Trading earned Rs. 1.3 crores as against Rs. 1.1 crore the previous year, an increase of 18%. Looking at the same figures in terms of year-to-date, NDPL has earned year-to-date Rs. 117.09 crores as against Rs. 109.50 crores previous year, an increase of 7%. Powerlinks earned Rs. 31.7 crores as against Rs. 22.2 crores the previous year, an increase of 42.98%. Tata Power Trading year-to-date has a profit of Rs. 4.2 crores as against Rs. 3.4 crores, an increase of 23.5%. That completes our presentation and we would hand you over to the moderator for the Q & A.

Question and Answer Session

Moderator:

Thank you Sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone key pad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing # key. To ask a question, please press * and 1 now.

Our first question comes from Mr. Abhishek Tyagi of CLSA.

Rajesh Panjwani:

Good evening Sir, this is Rajesh Panjwani here from CLSA.

Prasad Menon:

Hi Rajesh.

- Rajesh Panjwani:** Sir, first let me say that the level of disclosure and discussion has improved substantially in the current quarter and we hope that that continues to be at current levels and even better going ahead.
- Prasad Menon:** I thought we were always transparent Rajesh.
- Rajesh Panjwani:** No. You were always transparent sir, but the way you have explained the reasons for the interest cost going up, item by item, I think that is commendable.
- Prasad Menon:** Okay.
- Rajesh Panjwani:** Okay. Sir, first question is on, you mentioned that the interest cost has gone up and one of the reasons is the investments and CAPEX. Sir can you give us what has been the CAPEX done in the first nine months and what is the extent of investments being made in the first nine months or 3rd quarter or both, if you have?
- Prasad Menon:** Okay, we will just give that to you now.
- Rajesh Panjwani:** Okay. The other question is, you had mentioned about the project you are planning to set up as a JV with IOC. So can you tell us what is the status of the fuel availability for this project?
- Prasad Menon:** Yeah. Actually Indian Oil has applied either for a coal linkage or for a coal mine captive for them and it is that linkage or coal mine, which we will use.
- Rajesh Panjwani:** Okay. So as of now that it is in the application stage.
- Prasad Menon:** That's right. But we believe that there is a special dispensation for public sector companies as you know and IOC will be doing it on that basis.
- S. Ramakrishnan:** Rajesh, my answer to your question. Year-to-date we have invested Rs. 888 crores in the equity of the SPV and we have contributed Rs. 250 crores as our own money in our capex which is normally 30% of the capex. Adding up to close to about Rs. 1138 crores of investments as equities into SPV equity and Capex.
- Rajesh Panjwani:** Okay. And would a fairly large part of it have happened in third quarter? Or is it spread across...
- S. Ramakrishnan:** I can say roughly about 40 to 50% happened in third quarter.

- Rajesh Panjwani:** Okay. And Sir you mentioned that there has been borrowing for this, so what is the rate at which you are borrowing? And you also mentioned a reset and you mentioned that a part of that is passed through in tariffs and a part of that is not passed through in tariffs. So, is it because a part of the loan is for Licence Area and part of the loan is not for Licence Area?
- S. Ramakrishnan:** That's true. There are two loans, which have been reset, one is for the Licence Area, which loans were taken earlier, where the interest rate moved from roughly about 9% to 13% and the other loan was for one of our projects. I think it was Haldia. I am sorry it was a corporate loan to fund our equity where the interest moved from 10% to 13%.
- Rajesh Panjwani:** Okay. And are these projects with three year resets?
- S. Ramakrishnan:** The Licence Area was with a three year reset, the corporate loan is a one year reset.
- Rajesh Panjwani:** Okay. And what is the interest rate at which you are getting the fresh loans for?
- S. Ramakrishnan:** If it is a long term, we are looking at anywhere between 12% to 13%, short term could be a bit lower. The long term is not reacting as volatile to the market as the short term. When it went up, the short term went up faster, when it came down the short term came down faster. Whereas long term is moving with a lag, it goes up a little later, comes down also a little later and not to the same degree.
- Rajesh Panjwani:** Okay. Sir, my last question is on your mines in Indonesia. Now we fully well understand that you have a stake in mines and not stake in Bumi and so you are not impacted by the events which have unfolded at the parent group of Bumi Resources. But we keep on getting these questions on whether the operations are going on well, whether whatever cash flows you were supposed to receive from those mines, have been coming on time. So can you just tell us about the dividends or cash flows, which you are supposed to receive from mines. How have they been compared to last year?
- S. Ramakrishnan:** See; let me answer the question in two parts, First, the operations when the prices were going up were throwing in lot more cash than they used to. Even now they continue to throw up cash because the prices in our view are still healthy to cover the operating costs and give us some surplus. Two, the Bumi level happenings have not affected us as I said. Unless ,there is a change of control

at Bumi, it doesn't start affecting us because our partnership agreement, the joint venture agreement is with Bumi Resources. As of now, we have been informed that the Bakries are still in control. So there is no change. Coming to roughly the figures that you are talking about, so far we have received in the current year about USD 222 million compared to USD 45 million for half year of '07, because '07 was a half year for us. We went into them only during the end of June, so that's for half year.

Rajesh Panjwani:

Okay. And basically you would have utilized that entire 220 million dollar to repay your debt, which you had taken for...

S. Ramakrishnan:

As we had told you in the earlier analysts conference that, our defined loan commitments are much lower, but the loan clause also says if you make more profits you will have to accelerate the repayments of loans. So you can say, a significant part of the money has gone towards the normal servicing of loans as well as accelerated repayments.

Rajesh Panjwani:

Okay. And these 220 million dollars is for the first nine months.

S. Ramakrishnan:

This is for calendar year, because they maintain accounts as per calendar year.

Rajesh Panjwani:

Okay. And these 45 million dollars basically...

S. Ramakrishnan:

Of '07 calendar year.

Rajesh Panjwani:

Okay. And Sir lastly, what do you believe would be the impact on your expansion plans with the new mining law, which has been proposed in Indonesia?

S. Ramakrishnan:

Our preliminary understanding is that the mining law, if at all clarifies many things concerning CCOW. However, based on the law they are supposed to pass certain set of regulations. Only when those regulations are passed, full clarity will emerge.

Rajesh Panjwani:

Okay. Thanks a lot Sir.

Moderator:

Thank you Sir. Our next question comes from Mr. Atul Tiwari of Citigroup.

Atul Tiwari:

Yeah, hello Sir. Sir, I have a couple of questions. Sir, this annual performance adjustment that you used to do at the end of the year, till last year and you mentioned the Rs. 65 crore rupees, which would have occurred say in Q3 08. So

what would be the amount for full year FY08 and Q1 and Q2 08, so that we could make comparisons.

S. Ramakrishnan:

I will just tell you because it's a little bit more complicated, so I will try to explain it simply or maybe complicate it further.

Atul Tiwari:

Okay Sir.

S. Ramakrishnan:

Our tariff normally includes provision for two types of expenses. One is for the power, the distribution buys from our own generation and second is for the power that they buy from outside. During '07-'08, the allocated capacities, since the PPAs were not effective, the regulator made a certain allocation of capacity to us - we got an allocation of 360 MW. I just want to tell you, as of today, we have a PPA for 477 MW, so we were allotted less MW; hence we were permitted to buy more from outside. This purchased power cost is a part of tariff and it is done on an annual basis, the tariff is fixed same for right across all the 12 months period as per the tariff order. However, we purchased power varying within quarter-to-quarter. Q3 being a winter month, we tend to purchase less. So since we recover the same amount in the tariff from the consumers, but buy less during the winter, the winter quarter tends to generate more surplus than otherwise. And hence we have the surplus. Let me complete it; you may ask how come then this quarter you don't have the same surplus. In this year, I had adequate capacity through the PPA and hence the external purchase amount allotted in the tariff was much lower, so the external purchase variation did not influence the variation. For your information, the surplus profit we made in Q3 last year, a significant part of it was taken away in Q4, which includes summer months also.

Atul Tiwari:

Okay sir, so what would be this amount for the Q1 '08 and Q2 '08 and the full year '08, I mean do you have those numbers with you?

S. Ramakrishnan:

I don't have it off hand. I will give it to you a little later before the call ends or I will mail it to you.

Atul Tiwari:

Okay Sir, my second question is on consolidation of Indonesian mines. Sir, when you do consolidate them will you be consolidating them with a lag or, I mean, what is the plan of consolidating the results?

S. Ramakrishnan:

No we consolidate it for respective periods, the Indonesian coal mines accounts are audited quarterly, but the closure takes place around the time our standalone accounts are published and hence our consolidated will lag in terms of

timeframe, but it will be for the same period. There is no lag in the consolidation period.

Atul Tiwari: Okay, so basically you will be publishing the consolidated accounts with lag?

S. Ramakrishnan: We are, as of now, publishing annual consolidated results only. We are examining the quarterly publishing like other Tata group companies are doing on which we may take a decision coming from the following financial year.

Atul Tiwari: Okay Sir, and Sir, my last question is on average realization that we calculate from your result, for Q2 '09 your average realization was 5.70 and in this quarter it is 4.72, so has the tariff come down or what could explain the dip?

S. Ramakrishnan: What we are allowed to charge of course, first, it is the mix between the Licence Area and other areas. Now, since the other areas are also coming up, to that extent the analysis differs. But independent of that, we have a tariff plus we have what is called FAC, which is an additional charge we levy the consumers based upon the amount of money we spend on the fuel. If the fuel prices go up, the regulator has given us permission to charge an added amount called fuel adjustment charge and hence when you see effective charge that includes the tariff as well as the fuel, the tariff does not change from month to month, the fuel adjustment charge does change.

Atul Tiwari: Okay so, this decline in average tariff is mostly due to FAC?

S. Ramakrishnan: I don't know which analysis you are doing. FAC contributes a substantial amount of what you are saying.

Atul Tiwari: Okay Sir, thanks a lot.

Moderator: Thank you, Sir. Participants are kindly requested to restrict with one question in the initial rounds. Our next question comes from Mr. Parag Gupta of Morgan Stanley.

Parag Gupta: Hi, good evening.

S. Ramakrishnan: Good evening.

Parag Gupta: Just had two questions, firstly you mentioned about the investments in the SPVs of Rs, 888 crores, now could you just give an idea of how much of that has gone into individual power projects, primarily Mundra and Maithon

and how much of that has gone as equity funding of your SPV, which holds the Indonesian coal assets?

- S. Ramakrishnan:** In this quarter, I don't see any amount, I am just giving you an off cut but Soniya can mail it to you. In this quarter no money has gone into the Indonesian coal mines because Indonesian coal mines took money only at the time of acquisition and they have enough funds to take care of themselves going forward. So, if you really ask me a reasonable part, I am guessing again, about 50% would have gone into Mundra, may be one third would have gone into Maithon and the remaining to our CAPEX. But, Soniya can give you the figures if you need you can mail us and she will provide you the figures.
- Parag Gupta:** Sure and could you just give us an idea of what would be your consolidated and standalone debt at the end of December?
- S. Ramakrishnan:** Our consolidated debt as of 31st December 2008 is Rs. 4,594 crores, in the standalone and consolidated is Rs. 10,067 crores.
- Parag Gupta:** And could you help me with your cash position as well?
- S. Ramakrishnan:** As of today the cash on hand on 31st is approx. Rs. 350 crores standalone.
- Parag Gupta:** Great, thanks a lot.
- Moderator:** Thank you, Sir. Our next question comes from Mr. Shashikiran of Standard Chartered Capitals.
- Shashikiran:** Hello, Sir, I have questions on the mines, you said USD 222 million dollars, you are referring to the PAT number?
- S. Ramakrishnan:** No, we are referring this to the surplus cash that has been given by the coal companies to our investment company.
- Shashikiran:** Okay, because for the first nine months if I could recollect well, the mining company itself had an earnings of about 700 million dollars, so is this cash?
- S. Ramakrishnan:** This is cash so; there will be a bit of a lag between your PAT figure you see and the cash available with the company. This is surplus cash distributed to share holders.
- Shashikiran:** Okay, of the consolidated debt of 10,064 crores, that will also include the debt related to the Bumi subsidiary?

- S. Ramakrishnan:** Frankly there is not too much debt at the coal companies, but we have a debt at our SPVs, which acquired the interest in the coal mines. If you know, at the time of acquisition our loans were USD 950 million though we have started repaying these, but that is what contributes to a big difference between the standalone debt and the consolidated debt as of now.
- Shashikiran:** Okay, I am given to understand most of these Rs. 5,000 odd crores would come off this whatever is left of the 950 million dollars, is that right?
- S. Ramakrishnan:** Pardon, come again.
- Shashikiran:** If I understand correctly most of the difference between 10,064 crores and 4,600 crores that you have at the standalone level is constituted mainly of whatever remains of the 950 million dollar debt that you have at acquiring Bumi mines.
- S. Ramakrishnan:** The rest of the companies are just drawing down, for example Mundra's debt also goes into consolidated, but those have all not become substantial enough at this point of time.
- Prasad Menon:** But they will going forward, but as of now not really.
- Shashikiran:** Okay, thanks Sir. That answers my question.
- Moderator:** Thank you, Sir. Participants are kindly requested to restrict with one question in the initial round. Our next question comes from Mr. Pankaj Sharma of UBS Securities.
- Pankaj Sharma:** Sir hi, good evening, Sir.
- Prasad Menon:** Good evening.
- Pankaj Sharma:** Sir, could you please help me with the percentage holdings in other Tata Group companies, such as Tata Teleservices, , Tata Tele (Maharashtra) and others?
- S. Ramakrishnan:** We hold 11% in TTSL and 8% in TTML and Tata Communications we hold 17% beneficial interest.
- Moderator:** Thank you, Sir. Our next question comes from Ms. Shilpa Krishnan of J. P. Morgan.
- Shilpa Krishnan:** Hello, yes. My question is, Sir, could you kindly explain the gain on exchange of Rs. 20.9 crores that you have reported this quarter?

- S. Ramakrishnan:** One moment. See, we have given loan to our SPVs, so that becomes our asset. I will tell you broadly what figures we have, we had Euro notes that are pending, we in turn have the FCCB on the liabilities side and on the assets side we have the loan given to the SPV and we are on a contract with Bangladesh, they are supposed to pay us. So those two are roughly the assets and we have certain fuel payments, credits that have been given by the procurers. So, if you see we have roughly gained about Rs. 45 crores of the assets that we have and we have Rs. 25 crores on the liabilities side this quarter more because of the supplier credit provided this quarter for the coal payment and hence the net foreign exchange gain is Rs. 20 crores. For your information, in Q2 when we ended, the exchange rate was Rs. 46.94 and in Q3 end it is Rs. 48.45, so the weakening of the rupee has caused a gain because of the foreign exchange assets that we have.
- Shilpa Krishnan:** Okay, got it, Sir, if you don't mind just one small follow up question, on the 220 million dollars of dividend inflow that you mentioned that you have, are you providing for further tax at the SPV level?
- S. Ramakrishnan:** This is in terms of cash inflow that has come into our SPVs. Our SPVs are not subject to any sizeable tax, they are in Mauritius and Cyprus.
- Shilpa Krishnan:** Okay, thank you.
- Moderator:** Our next question comes from Mr. Vishal Saraf of SBI Mutual Fund.
- Vishal Saraf:** Hi, Sir, can you give the amount of sales realization received from sale of power outside the Licence Area in terms of revenue, that is rupees crores?
- S. Ramakrishnan:** The revenue of outside Licence Area in rupee crores is Rs. 267 crores this quarter and Licence Area is Rs. 1490 crores and there is an intra company elimination of Rs. 7 crores, because the wind of ours sells into Licence Area, so there is an elimination.
- Vishal Saraf:** Okay, so these Rs. 266 crores is primarily the realization from the sale of these 904 million units which you mentioned?
- S. Ramakrishnan:** Yes, MUs outside Licence Area is 904, that's right.
- Vishal Saraf:** So, Sir I believe we would be selling most of these units on merchant basis or these are on fixed price basis?

- S. Ramakrishnan:** When we say outside Licence Area, it includes our operation in Jojobera, it includes our operation in Belgaum, includes our operation in Haldia. As we present it here, as of now our merchant sale is limited, because during the quarter, Haldia's export permission was received, around end of December. So what we have shown you earlier is that if Unit 8 and all units in Haldia are fully commissioned, then annually we will be able to export 1200 MUs in terms of capacity when we operate fully and they are fully commissioned per year.
- Vishal Saraf:** Okay, Sir and we have not entered into any power sale tie up for these 1200 million units?
- S. Ramakrishnan:** for Unit 8, 100 mega watts have been tied up with Tata Power Trading for the purpose of trade.
- Vishal Saraf:** Okay, Sir just one more follow up question on the TTSL holdings you mentioned is 11% currently, are there any convertible warrants or other instruments which have been issued by TTSL, which might lead to this 11% going up?
- S. Ramakrishnan:** We don't have, but I think TTSL has issued to the original promoter, so there will be some dilution when that warrants are converted.
- Vishal Saraf:** Okay, you would not have any indication of the dilution, which will take place?
- S. Ramakrishnan:** I don't have at this point of time and TTSL being an unlisted company and a closely held company, I am not sure I am authorized to even share that information.
- Vishal Saraf:** Okay, Sir. That's all from my side, thanks a lot.
- Moderator:** Our next question comes from Mr. Bhavin Mithlani of Enam Securities.
- Bhavin Mithlani:** Good evening, Sir. Couple of questions, one Sir, could you give us the breakup in the depreciation and interest, which was due to capitalization of Haldia and the Wind units and second is, are these units operational so they have contributed to the revenues?
- S. Ramakrishnan:** The wind units and the Haldia unit are operational. The contribution of increased depreciation due to the new units of Haldia and Wind is to the extent of Rs. 10 crores of additional depreciation and I think we mentioned a figure of Rs. 6 crores of additional interest due to the newly commissioned units earlier when I explained the interest expense.

- Bhavin Mithlani:** And the power income includes the income from Haldia and Wind units?
- S. Ramakrishnan:** Yeah, but as I said during the last quarter, bulk of the power was sold to West Bengal government because the permission to export we received was only in mid December.
- Bhavin Mithlani:** Okay and the expectations of, as you mentioned of four to six week for the 250 mega watts to be operational, the coal used for this would be the imported coal largely from Bumi, which would be roughly 100 dollars realization?
- S. Ramakrishnan:** Unit 8 is on imported coal. All units at Trombay put together import coal from Indonesia, from three sources one of which is the KPC mine in Indonesia in which we have investment.
- Bhavin Mithlani:** Sir, what is the landed cost of coal currently?
- S. Ramakrishnan:** We are unable to share that with you.
- Bhavin Mithlani:** Okay, thank you very much.
- Moderator:** Thank you, Sir. Participants are requested to restrict with one question in the initial rounds. Our next question comes from Mr. Girish Nair of BNP Paribas.
- Girish Naik:** Good evening, Sir. Just a question on the mines, actually I wanted to know who decides the dividend payment and what is the dividend payout ratio on the mines?
- S. Ramakrishnan:** If it is in Indian jurisdiction, the board decides the dividend and the share holders approve the same.
- Girish Naik:** Okay and how frequently are the dividends paid out?
- S. Ramakrishnan:** The dividends are declared once a year, surplus cash is given as non-interest bearing loans to be recovered from dividend declared,. That is done on a monthly base.
- Girish Naik:** Okay and do you contribute to the CAPEX of the coalmines?
- S. Ramakrishnan:** No, as of today the CAPEX of the coalmines have been funded from their internal generation.
- Girish Naik:** Okay, thanks Sir.

- Moderator:** Our next question comes from Mr. Aman Batra of Kotak Securities.
- Aman Batra:** Good evening, Sir. A quick take on any kind of tariff indications you can give for the PPAs signed for Maithon?
- S. Ramakrishnan:** PPAs has been signed on regulated basis, CERC will determine the tariff.
- Aman Batra:** Okay and what is the projected CAPEX as per the approved schemes in the license area for the next two years.
- S. Ramakrishnan:** The budgets for the two years is about Rs.1000 crores and we are processing some of the approvals with the regulator as we speak.
- Aman Batra:** Okay, thank you Sir.
- Moderator:** Our next question comes from Mr. Abhishek Puri of J.M. Financials.
- Abhishek Puri:** Sir, very good evening.
- S. Ramakrishnan:** Good evening.
- Abhishek Puri:** Sir, just couple of things, one in the initial con call of third quarter you had mentioned about Rs. 1000 crores of investments planned in this year, you have already overshoot that target I guess, do you think fourth quarter would entail some more CAPEX?
- S. Ramakrishnan:** I am not clear, Abhishek, could you speak louder and could you repeat that question?
- Abhishek Puri:** I said, in the start of the quarter you had said that Rs. 1000 crores of CAPEX commitment is there for this year, for financial year '09 and we have already spent close to 1100 crores, is there some more amount?
- S. Ramakrishnan:** Where did we make this commitment on 1000 crores of capital expenditure? What we mentioned to you was the equity portion of our contribution. We didn't mention the gross CAPEX at all.
- Abhishek Puri:** So, what would be the indicative amount in fourth quarter and FY10, if you could share that number?
- S. Ramakrishnan:** FY10 or FY09?
- Abhishek Puri:** Fourth quarter of FY09 and FY10?

- S. Ramakrishnan:** We will give you fourth quarter of FY09 in terms of equity investment expected from SPVs and equity part of our CAPEX that we propose to spend together will be about Rs. 600 crores.
- Abhishek Puri:** Greater than Rs. 600 crores? In the fourth quarter itself.
- S. Ramakrishnan:** Yes. As fourth quarter normally peaks as you know. Like the government, everybody spends a lot during the fourth quarter.
- Abhishek Puri:** I agree Sir. On Bumi investment side, I mean, Bumi management has been buying out various assets in Indonesia, does that impact your operations in any way?
- S. Ramakrishnan:** No, it doesn't. Bumi resources own 70% of our coal mines and lot of other things, so it doesn't affect the coal mines in which we have investments.
- Abhishek Puri:** But, I presume they have bought over one operator of the mines who is going to operate the KPC mines and Arutmin mines, going forward.
- S. Ramakrishnan:** No, they have purchased some shares or sold some shares in one of the contractors who worked for one of the mines of ours.
- Abhishek Puri:** Right, so your contribution would be there along with them, right?
- S. Ramakrishnan:** No, we will not, this is a contractor employed by the mines and the ownership of that contractor has been purchased by Bumi perhaps, if that is what you are referring to. So, it doesn't affect us, because the contractual agreement between the mines and that contractor remains same irrespective of whether they are owned by Bumi or anybody else.
- Abhishek Puri:** Okay and the last thing, could you share the debt numbers on the SPVs, which have bought this share in the mining companies?
- S. Ramakrishnan:** Yeah, we will give it to you. At the time of acquisition our loans were USD 950 million and as of today it is USD 850 million.
- Abhishek Puri:** Thank you so much, Sir.
- Moderator:** Thank you, Sir. Participants are requested to restrict with one question in the initial rounds. Our next question

comes from Mr. Rakesh Vyas of Nomura Securities. Mr. Rakesh.

Rakesh Vyas:

Yeah, hi. Good evening, Sir.

S. Ramakrishnan:

Good evening.

Rakesh Vyas:

Yeah, I actually had a couple of questions related to Indonesian coal mines, one is I just wanted to understand the interest reset period for the debt we have taken through SPVs?

S. Ramakrishnan:

See, the interest reset we talked about in our presentation pertains more to the Licence Area loan and one corporate loan that we had. The SPV loans are LIBOR linked loans, so they get reset automatically. See if it is on a monthly LIBOR or a six monthly LIBOR basis, because we have two streams of loans.

Rakesh Vyas:

Okay, got it, Sir and the second question is related to the CAPEX involved in the Indonesian coal mines, any idea what is the planned CAPEX for the next year?

S. Ramakrishnan:

I will not be able to share that with you till that board approves that CAPEX.

Rakesh Vyas:

Okay, thanks a lot, Sir.

Moderator:

Our last question comes from Mr. Sumit Agarwal of HSBC.

Sumit Agarwal:

Yeah, hi Sir, just wanted to know how much loan you have taken on the SPV to fund our equities in them. I am not talking of the mining business; I am talking of the other SPV where you have paid Rs. 46 crores of interest?

S. Ramakrishnan:

You are talking about the loans in the SPVs. See there are these two SPVs which are doing projects Maithon Limited and the CGPL, which is the Mundra project. Mundra project has a loan today of Rs. 1177 crores and Maithon has Rs.460 crores; these are effectively the two large ones.

Sumit Agarwal:

Sir, my question was the Rs. 36 crores interest additional that you had, because of the borrowings you had to do to fund your equity contribution, so I just wanted what was that loan?

S. Ramakrishnan:

That is not at the SPV, this is at Tata Power.

Sumit Agarwal:

Yeah, so that is what, what was that loan which was taken by Tata Power? The loan amount?

- S. Ramakrishnan:** See, we have various types of loans in our books, we have certain long-term loans, we have a loan of Rs. 1000 crores from LIC, which is in two tranches, one at 10.10% other at 10.4%. These are the two large loans and the other corporate loans frankly at this moment are short-term loans which have varying interest from time to time.
- Sumit Agarwal:** Sir, what I was looking at is, on this additional Rs. 33 crores interest that you have paid on some amount of borrowings that you would have taken, I wanted to know what was that additional borrowings?
- S. Ramakrishnan:** I have given you, say Rs. 33 crores roughly, if you take even at 10% comes to about Rs. 1,300 crores a year, so I have already explained to you Rs. 1,000 crores, so I don't know what more I need to explain.
- Sumit Agarwal:** Okay fine, that's what I wanted and also Sir, just wanted to know about your equity contributions that you would be expected to do in next year that is FY10, if you can give that data?
- S. Ramakrishnan:** We gave you the figure for Q4; I will ask Soniya later to share with you for FY10.
- Sumit Agarwal:** Thanks a lot, Sir. Thanks for the information.
- Prasad Menon:** Thank you.
- Moderator:** There are no further questions. Now I hand over the floor to Mr. Suresh Guruprasad for closing comments. Over to you, Sir.
- Suresh Guruprasad:** Thank you, Shirley. Thanks to all the participants for being part of this call and also thanks to the Tata Power management for taking time out to discuss the results. We look forward to interacting with you all once again in the future. Have a great evening.
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