

TATA POWER
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“TATA Power Limited Q4 FY09 Results Conference Call”

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HSBC 

MODERATORS: MR. PRASAD MENON, MD – TATA POWER
MR. S. RAMAKRISHNAN – ED, FINANCE – TATA POWER
MR. S. PADMANABHAN – ED, OPERATIONS – TATA POWER
MR. AGRAWALA – ED, BD AND STRATEGY – TATA POWER
MR. SUMEET AGARWAL – HSBC SECURITIES

Moderator Ladies and gentlemen, good morning and good evening and welcome to the conference call for TATA Power hosted by HSBC Securities and Capital Markets India Private Ltd. As a reminder, for the duration of this presentation, all participant lines will be in a listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should anyone need assistance during this conference call, please signal the operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sumeet Agarwal of HSBC Securities. Thank you, and over to you, Mr. Agarwal.

Sumeet Agarwal Good evening everyone. First, I would like to apologize for this delay due to some unavoidable circumstances. We, on behalf of HSBC, would like to invite everyone for this conference call with the Senior Management of TATA Power to discuss their full-year results of FY09 and the business outlook going forward. We have with us the senior management, Mr. Prasad Menon, the Managing Director, Mr. S. Ramakrishnan, ED, Finance, Mr. S. Padmanabhan, ED, Operations, and Mr. Agrawala, ED, BD & Strategy. We would like to hand over the conference call to the Senior Management of TATA Power, Mr. Prasad Menon, for the initial comments, after which we would move on to the Q&A session. Over to your, Sir.

Prasad Menon Thank you and good evening everybody and my apologies again for keeping you so late. Unfortunately, our board meeting also went on a little longer than we anticipated. So welcome. I'll just take you quickly through some introductory remarks after which I will hand over to Mr. Ramakrishnan on the Financials.

Our standalone operations continued to be robust and the major expansion projects that we have are on track and we'll give you some more detail a little later on. On a consolidated basis, we continue to show growth and the Indonesian coal mines, KPC and Arutmin, where we hold 30% stake have performed well during 2008 and are profitable even at current coal prices.

The total installed capacity has increased to 2785 MW in FY09. This includes the commissioning of the 250 MW Unit 8 in Trombay, 90 MW in Haldia and 81 MW of wind generation. In March, the merchant generation was about 10% of overall generation outside the Mumbai LA and the contribution from our merchant capacity is showing an increasing trend as Haldia and Unit 8 in Mumbai stabilize. We have realized rates between Rs.6 and Rs.7 per unit for power traded from Haldia and Unit 8. All of you will recall that the Honorable Supreme Court has upheld our license to distribute power to retail customers in the Mumbai License Area and post this, we have recently added further 2400 new retail customers in distribution.

On the PPAs, the Honorable Supreme Court has confirmed the MERC's order approving our PPAs with BEST and TPC distribution. And in line with our policy of strategic disinvestment in non-core investments we have divested 6% of our holdings in TTSL, TATA Teleservices to NTT-DoCoMo for the consideration of about Rs. 316 Crores.

On our projects, Haldia - the first two units of 45 MW each are now operational and the third unit of 30 MW is expected to be commissioned by June of this year. In the 4th Quarter of FY09 we generated over 90 million units of which 73 million units were sold through TATA Power trading. As the generation achieves stable state, we expect a higher contribution of merchant sales from Haldia.

In wind, 81 MW of additional capacity was commissioned in this year. It would be distributed as follows: 36 MW in Karnataka, 29.6 MW in Gujarat and 15 MW in Maharashtra. With this, our total installed wind capacity as of FY09 has grown to 159.25 MW. An additional 37.7 MW will be commissioned in FY10.

CGPL which is running the Mundra project is progressing as per schedule and over 23% of the work is already complete. We now have over 6000 people located on the site and civil structural and the erection work is progressing well. The turbine generator deck staging work is complete in Unit 1 and the erection of front and LHS water panels of Unit 1 boiler is complete. The TG deck column casting is completed and ceiling girders have been erected for Unit 2. On chimney #1 the windshield concreting is in progress and has achieved an elevation of 162.5 meters. And chimney #2 has achieved an elevation of 12.5 meters. Structural erection is in progress for Unit 3 and foundation work is in progress on Unit 4 and Unit 5 so you can see that they are progressing on all fronts there. Over 20% of concreting for the cooling water intake channel, the pump house and the outfall channel have been completed and the power evacuation coordination meetings with PGCIL are being held regularly. Contracts have been awarded by PGCIL for new lines and for strengthening of the existing lines.

In Maithon, work on both Unit 1 and Unit 2 each of 525 MW is progressing as per schedule and overall about 48% of the work is completed. All packages have been ordered now and the drum lifting for Unit 1 has been completed in March 2009. The foundation for Unit 2 and the raft casting for TG #2 has also been completed. The tower and gantry erection and Stringing has been completed inside of 400 kV switchyard. The slip form erection for Chimney is in progress and we have achieved an elevation of 55 meters. PPAs have been signed with

DVC, NDPL - that's North Delhi Power Limited, WBSEB for about 750 MW and TPTCL has signed a PPA with PSEB on behalf of Maithon.

In IEL, which is our joint venture with Tata Steel for the captive power we generate there the Power House #6 was synchronized in February 2009 and was inaugurated in May 2009. Unit #5 in Jojobera is progressing well and has achieved over 60% completion and synchronization is targeted for the 3rd Quarter of FY10. Now I would like to hand over to Mr. Ramakrishnan for the financials.

S. Ramakrishnan

First, I will talk about the standalone results for FY09. The gross generation stood at 14807 MUs as against 14717 MUs units in previous year, up by 1% over previous year. Generation in license area was 10994 Crores MUs in FY09 as against 11491 in previous year. It has gone down. Generation outside LA was 3813 MUs in FY09 as against 3226 MUs in FY08.

Regarding sales, sales stood at 14703 MUs as against 14959 MUs in the previous year, lower by 2% over previous year. Sales in license area was at 11024 MUs in FY09 as against 11864 in FY08 and sales outside license area were at 3811 MUs in FY09 as against 3222 in FY08. The revenues stood at 7072 Crores compared to 5797 Crores for the previous year, up by 22%. The sale revenues were lower due to lower power purchase on behalf of distributors in Mumbai License Area. The generation in Mumbai License Area was lower due to planned outages of Unit 6 and Unit 7 for regular maintenance since both these units are between 15-20 years old. However, continued focus on operational efficiencies resulted in higher performance incentives in the Mumbai License Area. Outside Mumbai License Area generation and sales were higher approximately by 20% due to higher

demand and commissioning of new units in Haldia and wind units in Gujarat and Karnataka.

Continuing with the standalone financials, Other Operating Income was Rs 165 Crores compared to Rs 119 Crores in the previous year. The increase is mainly due to higher billing by our SED division for the Pinaka and COTS program.

Key reasons for the increase in costs are as follows: Staff Costs stood at Rs 292 Crores in FY09 as against previous year Rs 250 Crores up by 17%. It is higher on account of new hires for the SED division to handle the new contracts, new hires for the eastern region projects and Services division apart from regular salaries increments. Other Expenditure stood at Rs 480 Crores in FY09 compared to Rs 433 Crores in previous year up by 11%. It is higher on account of transmission and repair and maintenance charges of Rs 17 Crores in licensed area most of which is a pass through. There were higher financial charges of Rs 17 Crores towards hedge premium paid for hedging exposure and due to higher expenditure in SED, which is now handling larger projects of about Rs 15 Crores. Depreciation stood at Rs 329 Crores compared to previous year Rs 291 Crores up by 13% is higher on account of Haldia and wind units that were commissioned during the year as well as other schemes in license area including the coal jetty. Other income stood at Rs 632 Crores compared to Rs 498 Crores in the previous year up by 27%. Other Income included higher Forex gains of Rs 112 Crores, higher Dividend income of Rs 75 Crores, higher Treasury income of Rs 21 Crores offset by lower income on sale of long-term investment of Rs 59 Crores due to TTSL that was sold in the current year compared to Tata Tele Maharashtra and Power Trading Corporation which were sold in the previous year. Interest stood at Rs 306 Crores compared to Rs 168 Crores higher by 82%. Of the increased interest, net of interest earned of Rs 117 Crores,

the interest expense of about Rs 13 Crores is due to interest reset of which Rs 9 Crores are pass through, Rs 19 Crores is due to new units that have been commissioned and the balance Rs 85 Crores is due to borrowing to fund our investments in the SPVs.

Tax stood at Rs 195 Crores compared to previous year Rs 100 Crores up by 95% over previous year mainly due to the deferred tax higher by Rs 77 Crores due to the commissioning of new wind assets. Profit after tax for the year stood at Rs 922 Crores compared to Rs 870 Crores higher by 6% over previous year. Statutory appropriation increased our profit after tax due to reversal of Rs 45 Crores of tax rate provisions that are not applicable any longer compared to a provision of Rs 59 Crores in the previous year. So the profit after tax after statutory appropriation stood at Rs 968 Crores compared to Rs 811 Crores up by 19% over previous year. EPS is higher at Rs 43.69 compared to Rs 38.64. The board has decided an increase in dividend to Rs. 11.5 per share compared to Rs 10.5 the previous year.

Coming to the consolidated results, the total income stood at Rs 17588 Crores compared to Rs 10891 Crores up by 61%. The substantial reason for the increase has been the coal company's performance during the year has been much better due to higher coal prices as well as (the fact that) we have been in the coal mines for the entire 12 months of the current year while in the previous year we had been in the coal mines only for nine months. The impairment provision has been made for Rs 280 Crores on account of recognition of goodwill impairment loss relating to our investments in certain overseas joint ventures. The Board considers it prudent to make such a provision in a year when performance has been very good otherwise.

The Total Expenditure stood at Rs 14979 Crores compared to Rs 9362 Crores up by 60%. Again a substantial part of the expenditure increase

is due to the coal mine operations for 12 months as well as that in this current year's consolidation, NDPL is treated as subsidiary and hence its entire revenue as well as expenditure lines has been brought into the book. Profit from Operations before other income interest and exceptional items stood at Rs 2609 Crores compared to the previous year of Rs 1529 Crores up by 71%. A substantial part of this increase is attributed to the coal companies as can be seen from the segmental results. Other Income stood at Rs 564 Crores compared to Rs 523 Crores up by 8%. Profit Before Tax, share of associates minority interest and statutory appropriation stood at Rs 2464 Crores compared to Rs 1553 Crores up by 60%. Provision for tax in the current year stood at Rs 991 Crores compared to previous year of Rs 398 Crores up by 148%. Of this Rs 210 Crores of the tax provision is due to standalone provision as explained in the standalone statement to you earlier compared to Rs 132 Crores for previous year. Rs 662 Crores is on account of provision for tax by the coal companies as against Rs 204 Crores in the previous year. This provision included a part of the tax due to previous year also and the previous year's provision is about Rs 174 Crores compared to Rs (-22) Crores in the previous year. Hence, the Rs 192 Crores of provision for tax pertaining to previous year is due to the coal companies.

As per our agreement with the earlier owners of this share we are supposed to get reimbursed for the tax pertaining to the period before we became shareholder and we will be able to redeem Rs 215 Crores from them for the same and this amount has been utilized to reduce the goodwill on acquisition to this same extent of Rs 215 Crores. Thus, in this year the total tax provision due to coal companies is Rs 854 Crores. Consolidated profit after tax stood at Rs 1264 Crores compared to Rs 996 Crores up by 27%. EPS on consolidated basis stays at Rs 57.09 compared to Rs 47.47 in the previous year.

Coming to the key subsidiaries' performance, NDPL had revenue of Rs 2363 Crores compared to Rs 2620 Crores the previous year, and an operating profit of Rs 276 Crores compared to Rs 474 Crores the previous year, and had a profit after tax of Rs 171.5 Crores compared to Rs 281.6 Crores. The previous year's statement included revenues of about Rs 220 Crores due to the regulator reimbursing for the depreciation of the previous year once the judgment was obtained in Supreme Court which is no longer available this year. NDPL had declared a dividend of 14% compared to 12% the previous year. Powerlinks which is our subsidiary and the joint venture with Power Grid had a revenue of Rs 259 Crores compared to Rs 249.8 Crores in previous year, had an operating profit of Rs 249.1 Crores compared to Rs 240.8 Crores the previous year and had a profit after tax of Rs 65.33 Crores compared to Rs 58.42 Crores, a growth of 11.83%. Powerlinks had declared a dividend of 10% compared to 8% the previous year. TATA Power Trading had revenue of Rs 2167.29 Crores compared to Rs 879.86 Crores, had an operating profit of Rs 10.61 Crores compared to Rs 4.47 Crores, had a profit after tax of Rs 7.63 Crores compared to Rs 4.29 Crores, a growth of 77.86%. It had maintained the dividend at 20%.

Coming to some of the funding actions during the last year, during the year, Tata Power raised project loans of about Rs 850 Crores for our Mumbai License Area, Wind and Haldia projects at an average rate of 12%. For meeting working capital requirements we utilized our working capital lines to the tune of Rs 300 Crores. We raised bonds of Rs 900 Crores and availed short term lines of Rs 150 Crores to meet our equity infusion in the SPVs. CGPL and Maithon continued to draw funds from lenders as per schedule since both these projects have achieved financial closure. The total expenditure incurred by CGPL is Rs 2684 Crores of which Rs 951 Crores is at equity from us and Rs

1733 Crores is the project borrowings by the Mundra project. Similarly, Maithon so far has expensed Rs 953 Crores of which equity invested is Rs 350 Crores and the remaining Rs 603 Crores is a project loan drawn by the company as of 31st March, 2009. Industrial Energy Ltd. had a long-term debt of Rs 300 Crores and has received sanction for the remaining debt of Rs 475 Crores. We hope to achieve financial closure for the entire amount by the end of June this year.

CAPEX plan for the coming three years in the Mumbai License Area will be about Rs 3900 Crores. We are in discussions with lenders for funding requirements. We believe we should be in a position to tie this up in the coming three months.

We are evaluating all options to raise appropriate funding in order to meet our equity requirements in the coming years. In the meanwhile we have lined up short term funds to the extent of Rs 1300 Crores to meet our requirements which should take us through the entire financial year. We will now open the floor for questions and answers.

Moderator

Thank you Sir. Ladies and gentlemen, we will now begin the question-and-answer session. At this time participants who have questions may please press * followed by 1 on their touchtone telephones. If your questions have been answered and you wish to withdraw from the questioning queue, please press * followed by 2. You are requested to use handset while asking a question. Our first question is from the line of Shashi Kiran Rao of Standard Chartered. Please go ahead.

Shashi Kiran Rao

Just a couple of questions: one is on your taxes and the second is on your revenues. On the revenue side, you have had a significant growth in the revenues from power division, only part of which could be accounted for by the higher traded revenues. Can you just give me a breakup of how the revenues have come in...

- S. Ramakrishnan** Are you asking from the consolidated numbers?
- Shashi Kiran Rao** Consolidated numbers. Standalone is, I think, very transparent.
- S. Ramakrishnan** As we mentioned the last year NDPL was treated for a significant part of the year as a joint venture, whereas this year it has been treated as a subsidiary. And hence the entire turnover of NDPL is now appearing in the top line, whereas in the previous year, a significant part of the year only 49% appeared at the turnover. That itself is an explanation for the increase in revenue. And second of course Mumbai License Area for the full year had an increase in fuel costs. Fuel is a pass-through due to which there is an increase in turnover. And the third is we have commissioned Haldia and the Wind units which were not in operation earlier.
- Shashi Kiran Rao** But Haldia and the Wind units are anyway part of your standalone revenues also.
- S. Ramakrishnan** That's right.
- Shashi Kiran Rao** So I think standalone revenues are very transparent. My question was mainly on consolidated revenues.
- S. Ramakrishnan** On a consolidated basis, apart from standalone, we have power business as Powerlinks, NDPL, and Power Trading.
- Shashi Kiran Rao** So basically now considering NDPL and Power Trading revenues were increased, I think it explains this. And other bit on was on taxes. Your tax rate is, even adjusting for your Rs 174 Crores of previous year tax system for Bumi, your tax rate seems to be hovering somewhere around 40%. I mean if I calculate the current taxes...
- S. Ramakrishnan** The coal companies had decided that they should make a provision since this has been one of the good years for taxes and make

provisions at somewhere around 40% of their profits. And they also made a provision for the previous years' for which they had not made tax provision and hence 30% of whatever provision they made is coming into our accounts. As you know we had, on a conservative basis, made a provision last year even though the coal companies had not made a provision. Net of that we have made provision in this particular year. So a significant part of the reason for the increase is due to A) Coal companies making provisions on a conservative basis but it also has a provision for previous year as you can see from the statement.

Shashi Kiran Rao Okay sir of the Rs 662 Crores if I understand it correctly you have a total tax of around, Rs 836 Crores from the coal company 662 plus 174. Now of the 662 Crores how much will the taxes be on a regular basis and how much of it is extra provision that we have made?

S. Ramakrishnan The provision that has been made as I told you is on 40% basis on the profits.

Shashi Kiran Rao Okay and what is your normal tax rate?

S. Ramakrishnan The total tax rate is 45% less allowance the effective tax rate was about 40%.

Shashi Kiran Rao Thank you. Thank you.

Moderator Thank you Mr. Rao. Our next question is from the line of Rajesh Panjwani of CLSA, please go ahead.

Rajesh Panjwani Sir, again I have a follow-up question on this tax issue. So Rs 662 Crores was the tax on account of coal companies without considering this provision. Now what is PBT from the coal companies?

- S. Ramakrishnan** Rajesh, you know the tax rate, you know the tax and I am sure you can find the PBT because I am constrained by certain confidentiality agreements I have with my partner.
- Rajesh Panjwani** Okay no issues. See there you have provided segmental data, now if I look at the segmental data the coal companies have PBIT of around 1400 Crores and I can estimate that PBT would be close to let us say 1100 Crores or so. If I look at the tax rate 660 Crores that is much higher than 40% it is almost like 55-60%.
- S. Ramakrishnan** You are taking from this Rs. 1463 Crores?
- Rajesh Panjwani** Yes I am taking from Rs. 1463 Crores there would be, between stand alone and consolidated.
- S. Ramakrishnan** There is hardly any interest, there are no loans on this particular company so if you really see there is no interest at all because these coal companies are debt-free except for some minor working capital borrowings they have because all the debt is taken by the two promoters.
- Rajesh Panjwani** Okay, okay so you are basically paying the tax on Rs.1463 Crores entire amount? Okay sir fine. Sir, as far as your, the provision you have made for goodwill write-down, is it going to be a recurring feature?
- S. Ramakrishnan** See if you see the goodwill is close to about Rs Rs.4800 Crores. The provision we have made is very nominal which is about some Rs 280 Crores or whatever. Since these are the years of high coal prices the Board felt it prudent to make such a provision.
- Rajesh Panjwani** So it is not necessarily a recurring feature.
- S. Ramakrishnan** I do not make any forward looking statements Rajesh and you know it.

- Rajesh Panjwani** But Sir this is a policy, right. This is not a forward looking statement.
- S. Ramakrishnan** The policy has been stated very clearly that we do not write off goodwill over x number of years which is our earlier policy. We say that every year we will do evaluation on a certain basis and if evaluation shows that there is a need for certain provision we will do so. So a similar exercise will be carried out at the end of the year on a conservative basis and on that basis we have made this provision.
- Rajesh Panjwani** Okay, so is it fair to say that part of the provision is in a way linked to the coal prices also?
- S. Ramakrishnan** It is linked to the long term outlook of our valuation experts on the value of the investment that we have.
- Rajesh Panjwani** Okay. Sir, on coal mines at what benchmark coal prices does the coal assets breakeven?
- S. Ramakrishnan** The current operations are continuing to be profitable even at these low prices because as we said the oil prices are a significantly fallen so the costs of mining operations have also gone down.
- Rajesh Panjwani** Yes I understand at current prices but what is the breakeven price, like is it more or less close to the current price or there is sufficient headroom?
- S. Ramakrishnan** See we said that earlier also and we made the statement, if our realizations go down further by another \$5 to \$10 we will come into an area where the breakeven will come but we believe that the coal prices are at a rock bottom.
- Rajesh Panjwani** Okay, okay and Sir you mentioned as far as project financing is concerned you have borrowed around Rs. 850 Crores during the year

so that is primarily invested as equity in your subsidiaries, is that correct?

S. Ramakrishnan No, the borrowing statement we made is for our projects. See there are two types of borrowing we do. One is borrowing for projects which are our divisions and second is borrowing to invest into our SPVs. The figure that is given to you is a combined one but what we said was a Rs 900 Crores of our bond issue is significantly towards SPVs.

Rajesh Panjwani Okay, and sir what would be the standalone gross and net debt at the end of FY09 and the consolidated gross and net debt? That is my last question?

S. Ramakrishnan Gross is Rs. 5100 Crores on standalone basis and Rs. 14,200 Crores on consolidated.

Rajesh Panjwani And net?

S. Ramakrishnan You will deduct them by about 350 Crores, you get the net.

Rajesh Panjwani Okay fine thanks a lot sir.

Moderator Thank you Mr. Panjwani. Our next question is from the line of Parag Gupta from Morgan Stanley, please go ahead.

Parag Gupta Just a couple of questions, firstly on your coal SPV, could you just help us with what is the financial position like in terms of outstanding debt and the cash and how much was the total dividend that you achieved for the year?

S. Ramakrishnan Our current loan we started with the loan of USD 900 mn. Today the loan position outstanding is USD 764 million. Last year we received as dividend and technical services fee, USD 252 million.

- Parag Gupta** Meaning Sir, last year you mean Fiscal '09.
- S. Ramakrishnan** This is for our FY09, yes. Our year it is slightly different from the coal company. They go by calendar year. We go by our financial year.
- Parag Gupta** And as far as the coal assets are concerned both KPC and Arutmin what is your outlook in terms of volumes, in terms of production sales and visualization?
- S. Ramakrishnan** See I will not be in a position to share any of this information since our partner agreement says that they share it first with the public and then we do, so you will have to wait for the Bumi announcement.
- Parag Gupta** Sure, and secondly as far as the coal mining operations in India are concerned both for Mandakini and Tubed, could you just help us with one what is the total capex you envisage? Secondly, how much is the additional capex investments you have made in the year?
- S. Ramakrishnan** As of today the only investments we have made are towards what we call as planning and development expenses of that nature for obtaining approval of mining plans from authorities. Only after those mining plans are approved we will really be in a position to advise you what the capital expenditure is.
- Parag Gupta** Okay. But is there any sense of what you think could be your CAPEX for million...
- S. Ramakrishnan** A lot of this depends also on whether we go through our own mining operation or do we contract it out fully. As we know these are joint ventures with other partners where you have to come up to your final decision on this. Once we do that we will be in a position to announce it.
- Parag Gupta** Sure, thanks a lot.

- Moderator** Thank you Mr. Gupta Our next question is from the line of Girish Nair of BNP Paribas, please go ahead.
- Girish Nair** Sir I mean Rajesh has asked all the questions that I wanted to, so I just have one question that is, is it possible for you to share the debt servicing schedule at least on a consolidated basis for the firm?
- S. Ramakrishnan** Could we mail it to you Girish? Soniya will send you for various loans and when what debt is supposed to be paid.
- Girish Nair** Sure thanks. Thanks sir.
- Moderator** Thank you Mr. Nair. Our next question is from the line of Kavita Johani of Dalal & Broacha, please go ahead.
- Kavita Johani** Yes could you please give me the current cash for the consolidated and standalone?
- S. Ramakrishnan** Rs 400 Crores of cash on standalone and Rs 1200 Crores of cash on consolidated.
- Kavita Johani** And could you please repeat the figures for debt?
- S. Ramakrishnan** The debt was given as Rs 5100 Crores for standalone and Rs 14,200 for consolidated.
- Kavita Johani** Thank you.
- Moderator** Thank you. Our next question is from the line of Venkatesh B of Citigroup, please go ahead.
- Venkatesh B** Sir, my question was similar to what was earlier asked on debt repayment schedule but specifically it was on the coal acquisition loans, coal mine acquisition of USD 764 million. When is this amount

repayable by and what is the exact payment you need to make for the coming year and the year after that?

S. Ramakrishnan The monthly payment on this is roughly about USD 10 million a month. So this is the way it runs at this point of time.

Venkatesh B Okay. But is there something like you make payments of around, \$120 million per year for a 12-month period. Is there something like you pay in this manner for two to three years then there is a big bullet payment or something like that?

S. Ramakrishnan The recourse loan has a bullet at the end of five years I think where I think 40% of the loan gets paid but when they send you the debt payment schedule it will have all these features.

Venkatesh B Yes sir, I would also request if Soniya could send this over. Do you foresee that in any way that the in the next year or one year or two years there is a possibility that the dividends might not be enough to meet the interest payments and the debt repayments on this loan and you might have to refinance it or you know raise more debt on the books of the parent to pay this. Do you see this happening?

S. Ramakrishnan We can say that during Q4 of FY09 and Q1 of FY10 we have enough money to take care of our servicing requirements. Going forward we need to watch the coal price. We also need to watch the time, the schedule of payment of taxes by the coal company for which they have made provisions.

Venkatesh B Okay, thanks a lot sir.

Moderator Thank you. Our next question is from the line of Bhavin Vithlani of Enam, please go ahead.

- Bhavin Vithlani** Sir, my question pertains to Mumbai license area and the 250 MW merchant project. Sir could you give us an update on what is the capex plan for Mumbai license area and what is the regulated equity as on March of 2009 and the second question is for the 250 MW merchant, have we started merchant and if yes what is the average tariff we have been receiving in the last month?
- S. Ramakrishnan** See as far as the return is concerned, as we know the generation gets us a return of 14% still in MERC but with incentives we earn at least 30% higher than this particular number. Transmission and distribution we earn 16% where the incentive is probably increased by another 10%. The incentives are not so great in the other. From Unit-8, at this point of time, 100 MW of power is available for merchant. We are trading through Tata Power Trading and the realization is somewhere between Rs. 6 to Rs. 7 per unit at this point of time.
- Bhavin Vithlani** Sir if this all put together, could the blended RoE be upwards of 40% for Unit-8?
- S. Ramakrishnan** It will be a bit difficult for me to comment at this point of time. Do not forget Unit-8 is also linked to imported coal prices and the contract is up for a revision in July when we expect coal prices to go down and the merchant prices have also been changing. Pre-election the prices were pretty high and after election they have come to reasonable level so we need to watch closely for me to give a comment. The other is for RoE on a long term basis you know I have to predict the long term merchant price. We can only say that it is definitely high, even the blended one is pretty high compared to a regulated one.
- Bhavin Vithlani** Sir, capex plan for the Mumbai distribution and the Delhi distribution with this.

S. Ramakrishnan The next three years Mumbai distribution has about Rs 2800 Crores of expenditure of which 70% will be loan which we are in discussions with institutions and 30% will be our own funds. In FY10 we believe about Rs 1100 Crores out of this will be paid.

Bhavin Vithlani And for the Delhi distribution?

S. Ramakrishnan I do not have the numbers off-hand for Delhi distribution but if I remember we normally spend about Rs 300 Crores per year so that is the type of capex expenditure that is incurred by NDPL but if you want the exact figures I will ask Soniya to give it to you.

Bhavin Vithlani And sir in the Rs. 171 Crores of profit we have earned in NDPL, were there any incentives in it?

S. Ramakrishnan Yes, the AT&C reduction which we make is far higher than what was asked for by the regulator. When that happens it does make a substantial impact.

Bhavin Vithlani So we are seeing the profit decline significantly. What could be sustainable level of profits for NDPL?

S. Ramakrishnan NDPL, as we told you, the last year had a five-year disallowance of depreciation which has been restored by a Supreme Court order. And that Rs 220 Crores was included in the income of FY08. Actually it is not appearing in FY09. FY09 prices have a certain incentive. We believe the incentives are difficult to keep earning year after year because once the AT&C losses come to a lower level, it becomes harder to keep reducing them. So I will say that this profit reported of FY09 probably will be roughly be profit we can expect going forward because we will incur some more capital expenditure also which also enables us to earn some revenue which will probably be set off against some of these incentives that we will not have going forward.

- Bhavin Vithlani** Sure. Thank you very much and wish you all the best for the future.
- Moderator** Thank you Mr. Vithlani. Our next question is from the line of Rakesh Vyas of Nomura, please go ahead.
- Rakesh Vyas** I have a couple of questions actually. One is related to the coal mine SPV debt. Are we following any hedging policy on that?
- S. Ramakrishnan** The loans are in dollars. The coal revenues are in dollars. The coal dividends are in dollars, so we do not have any current hedge. We have taken some interest hedge especially for those installments which are falling due later in the loan schedule.
- Rakesh Vyas** So currently we would probably enjoy the lower LIBOR rate as the interest cost probably would be lower this year.
- S. Ramakrishnan** We, as I told you we have taken some interest cover, which are higher than the current rate for loans falling due in the later year.
- Rakesh Vyas** Okay. Also sir, can you just give us some guidance in terms of the capex at the mines for FY10?
- S. Ramakrishnan** I will not be in a position to give that to you. Only thing we can say is given the current coal prices we have started to review all the capex except that capex that lead to cost reduction we have put all the other capex on hold at this point in time.
- Rakesh Vyas** Okay, and sir my last question is on the NDPL, last year I think we earned close to Rs. 100 Crores on the regulated return in NDPL exclusive of incentive. Is this year we are earning less than that?
- S. Ramakrishnan** If you want the current figures you need to give me time we will send you a mail. The information that I have here is that the year FY09 we have earned an incentive income of Rs 79 Crores.

- Rakesh Vyas** Sir because I believe our total regulated equity is much higher so 16% of that would have resulted in more than 92 Crores which you are accounting right now.
- S. Ramakrishnan** Our regulatory equity is Rs 685 Crores.
- Rakesh Vyas** Okay sir. My number is probably a bit higher than that. Thank you. And also sir, can you please send us the debt repayment schedule? Thank you so much.
- Moderator** Thank you Mr. Vyas. Our next question is from the line of Sumit Kishore of JP Morgan, please go ahead.
- Shilpa Krishnan** Hi, this is Shilpa Krishnan here. I just have one clarification. First of all I want to know where the HoldCo interest is shown. It is obviously shown under interest expenses, right?
- S. Ramakrishnan** We show it in the consolidation. The interest includes the interest paid by our SPVs which hold these investments in coalmines.
- Shilpa Krishnan** Right, so could you share with me the interest on the HoldCo debt of these coal mines?
- S. Ramakrishnan** Yes we will give it to you.
- Shilpa Krishnan** Okay. What I wanted to clarify in this regard is the profit that you said is attributable to the coal company is Rs. 8.5 odd billion, is that after that interest?
- S. Ramakrishnan** I do not know what profit. If I told you operating profit it would not be after this interest. If I told you PBDIT it would not be after this interest. If I told you PAT naturally it is after.

- Shilpa Krishnan** It is after the interest and what about the Rs. 2.8 billion impairment provision? Is this 2.5 billion PAT after the Rs. 2.8 billion impairment provision?
- S. Ramakrishnan** Yes we have made provision for impairment as well as the provision for taxes even after all that. Whatever consolidated PAT. I am giving you for this year takes into consideration these two major provisions.
- Shilpa Krishnan** So excluding that impairment provision the PAT would obviously have been much higher, just wanted to clarify. Thanks.
- Moderator** Thank you. Our next question is from the line of Aman Batra of Kotak Securities, please go ahead.
- Aman Batra** Just needed some clarification on your distribution plans in the Mumbai License area you are highlighting some capex of Rs. 2800 Crores, just wanted to get a sense how much of that is approved by the regulator.
- S. Ramakrishnan** I just want to clarify that Rs. 2800 Crores I gave you includes both the transmission and distribution. The distribution capex we expect will be somewhere in the region of about Rs 300 Crores per year going forward for the next three years.
- Aman Batra** Okay and this is approved by the regulator or how does that work?....
- S. Ramakrishnan** It is under processing by the regulator as you know regulators are working on our tariff order as well as some of these capital expenditure requirements.
- Aman Batra** Okay fine. Thanks a lot sir.
- Moderator** Thank you Mr. Batra. Our next question is from the line of Atul Tiwari of Citigroup, please go ahead.

Atul Tiwari Sir my question is on the effective interest rate. What is the effective interest rate you are paying on the SPV debt, the Coal SPV?

S. Ramakrishnan It is Libor plus 3%.

Atul Tiwari Libor plus 3% and after hedging it would be, you mentioned that you have hedged some of the latter interest payments.

S. Ramakrishnan Yes we have hedged the latter interest. What do you want?

Atul Tiwari What is the effective rate working out to?

S. Ramakrishnan We will give it to you.

Atul Tiwari Okay, and sir finally what was the absolute interest cost that you paid, say in USD million in FY08-09?

S. Ramakrishnan It is \$44 million USD that is the interest that we have paid in that year. I might give you the effective interest rates since the loans keep reducing over a period. 5.2% is the effective rate that it came to last year.

Atul Tiwari Okay sir thank you sir. Thanks a lot.

Moderator Thank you Mr. Tiwari. Our next question is from the line of Shankar K of Edelweiss, please go ahead.

Shankar K Thanks for taking my question. Congratulations on good set of numbers. Broadly my questions are on the capex, if you could throw more color on the entire breakup of Mumbai distribution capex largely and also what is the capex that you are likely to incur in some of both Mundra and Maithon SPVs and any other capex that you are likely to incur.

- S. Ramakrishnan** See if your interested to know what is the capex I am going to spend this year as a division in TATA Power we are spending Rs 1341 Crores and the SPVs we are spending about Rs 4200 Crores of CAPEX for which we will have to contribute our Rs. 1300 Crores of equity.
- Shankar K** Both put together?
- S. Ramakrishnan** Both put together we will spend about Rs. 1700 Crores.
- Shankar K** Of equity? This is in FY10?
- S. Ramakrishnan** It is in FY10, yes.
- Shankar K** And about FY11 is it possible?
- S. Ramakrishnan** SPVs will have a CAPEX of about Rs.5600 Crores and we will be spending similar amount of Rs. 1300 Crores of capex in our divisions.
- Shankar K** Okay. Now any color on how do you plan to fund this?
- S. Ramakrishnan** All colors are being looked at. It is rainbow at this point of time.
- Shankar K** Okay. That is all from my side sir. Thanks.
- Moderator** Thank you. Our last question is from the line of Amish Shah of Credit Suisse, please go ahead.
- Amish Shah** Sir, just one clarification that this coal mine consolidation happens at the KPC and Arutmin level or does it happen at the Tata Power Mauritius and Tata Power Cyprus level?
- S. Ramakrishnan** The consolidation first gets consolidated at the SPV level and then comes into Tata Power. We have the two companies with Indonesian GAAP. It comes as IFRS into the holding company and then it reconverts itself to Indian GAAP in Tata Power.

- Amish Shah** Sir just a clarification on that, is it Rs. 662 Crores of tax provisions that you are saying which is relating to the coal mines, ideally they should get consolidated, ideally you should get your dividend income after that income tax provision, right and therefore it should not reflect into Tata Power consolidated accounts. Is that a correct assessment?
- S. Ramakrishnan** It depends on where you will do the elimination first.
- Amish Shah** Yeah, that is exactly what I am asking.
- S. Ramakrishnan** The question is how you want to do the elimination. If you do on both sides, in one you account for full investment, you eliminate in the other or you eliminate and then account so it is the same
- Amish Shah** No sir, my question is like is it that 40% tax rate that you are talking about is at the Indonesian mines level? You know which is equivalent to that Rs. 662 Crores of provision that you have made. So ideally you know the dividend that you get should be net of that Rs. 662 Crores at a KPC and Arutmin level and therefore the tax that reflects in the consolidated accounts of Tata Power should not be so high, right?
- S. Ramakrishnan** 30% of the tax coal companies pay will come into my provision only between the PAT of the company and my dividend. Since dividend is declared out of the profit after tax there is an elimination that will happen. The tax rate will come straight. There cannot be any cut off on the tax front.
- Amish Shah** Sir I am sorry to drag this further but you know if I want to calculate the tax ...-
- S. Ramakrishnan** Then you will have to contact my financial controller separately offline and hold discussions.

Amish Shah Okay sir just last question further just clarifying this. Last year we had provided about \$50 million at the TATA Power Mauritius and Cyprus level, right.

S. Ramakrishnan That is right.

Amish Shah You know this was a conservative provision that we had made just in case if prior year's tax liabilities comes up. So the 662 Crores that we are talking about right now is not related to prior year, it is just related to FY09, that is correct?

S. Ramakrishnan That is right.

Amish Shah Okay. Thank you.

Moderator Thank you Mr. Shah. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for their closing comments.

Sumeet Agarwal Thank you very much ladies and gentlemen. If there are any further questions of course you are quite welcome to contact Sonia or Sanjay. And thank you very much and good night.

Moderator Thank you gentlemen of the Tata Power management. Thank you Mr. Sumeet Agarwal. Ladies and gentlemen, on behalf HSBC Securities and Capital Markets India Private Limited that concludes this evening's conference call. Thank you for joining us and you may now disconnect your lines. Thank you.