“Tata Power Limited Q3 FY10 Earnings Conference Call”

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Moderator Ladies and gentlemen, good evening and welcome to the Tata Power Limited Q3 FY10 Earnings Conference Call hosted by Edelweiss Securities Limited. As a reminder for the duration this conference all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call please signal an operator by pressing * and then 0 on your touch-tone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. K Shankar from Edelweiss Securities Limited. Thank you and over to you sir.

K. Shankar Thank you Melissa. Welcome friends. At the outset let me thank the Tata Power management for providing me an opportunity to host this call. We are accompanied by the senior management of Tata Power represented by Mr. Prasad Menon – Managing Director. Mr. S. Ramakrishnan – ED, Finance, Mr. S Padmanabhan – ED, Operations and Mr. Banmali Agrawala – ED, Business Development and Strategy. Without wasting further time, I will quickly hand it over to the management for the proceedings, thank you.

Prasad Menon Good evening everyone. My name is Prasad Menon and we are very, very happy to welcome you to this analyst call for the Q3 FY10 standalone results for Tata Power. The consolidated numbers will be declared towards the end of February 2010. The detailed financials would be explained shortly by our ED – Finance, S. Ramakrishnan.

Our operations continue to be very steady and the major expansion projects are well on track. Operations in Haldia and Unit-8, the merchant portion in Trombay, have improved over the last quarter and in this quarter we have generated around 240 MUs from these units as against 220 MUs in the previous quarter even though Unit 8 was under performance shut down for over three weeks. In the third quarter, over 6,200 customers have been changed over from Reliance Infra to Tata Power and over 14,700 changeover applications have been received. For the year-to-date that number stands at 16,817.

I will give you a quick update on the ongoing projects. The Mundra UMPP is running as per schedule and overall progress achieved is about 42%. All packages have been issued to bidders and 92% of the hard costs have been awarded. Over 10,000 people are working on the site currently. The TG erection has commenced for Unit 1 and the TG Deck has been cast for the 2nd Unit. The external coal handling system and other civil, structural and erection work is progressing well. Going forward tight project timelines for TG commissioning, smooth coordination across the multiple vendors onsite and possession of remaining land such as the outfall channel will be crucial to project progress.

In the Maithon Project which we are doing with DVC, work is progressing as per schedule and overall 72% of work is completed. All works related to water, coal, ash handling and railway infrastructure are progressing. The EOT crane has been commissioned and the boiler pressure part erection is in progress with both units. While 50% of the coal sources have been identified, efforts have been made to expedite and finalize the remaining coal sources that would supply the linkage coal allocated to Maithon. The fuel sales agreement is expected to be signed through.

We are also awaiting approval of the DPR which have been submitted to the railways. Under IEL which is our Joint Venture with Tata Steel, the Unit # 5 project is progressing well and has achieved almost 90% overall project progress. The boiler light-up have been successfully completed in December 2009 and erection and structural work is in the final stages and synchronization is targeted in this quarter.

The two coal blocks that we been allotted that is Mandakini in Orissa and Tubed are both progressing well. In Mandakini the proposal for land acquisition has been submitted for the coal block and the public hearing has been completed successfully. The timeframe for the IPP will get firmed up once the land acquisition activities progress on the power plant side. The Tubed coal block mining plan has been approved and submitted to the government of Jharkhand. We are awaiting permission for land acquisition from the revenue secretary and we are setting up a site office to interface with the Jharkhand government for activities related to setting up an IPP linked to this coal block.

For the Coastal Maharashtra Project the public meeting with land owners has been completed and many have agreed to the compensation package. We expect the Maharashtra government to start acquiring land towards the end of this quarter. Planning activities for the 525 MW project for Corus in Netherlands are well underway. We expect to take Board approval for all these projects in the coming year. I will now request my colleague Mr. Padmanabhan to just run you through the key regulatory highlights.

Mr. Padmanabhan As you are aware during the last quarter a draft of the proposed MYT regulations was floated by MERC for the five-year control period FY11 to FY15. However, MERC has now decided to defer the MYT submission to the next year FY12 to FY16. So, FY11 will now be based on the existing regulatory framework. We have filed the FY11 annual revenue requirement based on the current regulation for generation transmission and distribution in the license area. The CERC has issued new regulation for trading margins. Regulations will come into force one month after the gazette notification. It is application only on short-term buy short-term sale transaction for the inter-state trading for a period of less than one year.

Trading margin was originally capped at 4 paise per unit for sale price less than or equal to Rs.3 per unit and it is 7 paise per unit for sale price greater than Rs.3 per unit. Now, the banking transactions not within the purview of this regulation and the long-term agreements have been exempted from trading margins. I will now request my colleague Banmali to give an update on the National Solar Mission.

Banmali Agarwala Good evening. The Government of India recently announced a 25 GW solar mission plan which is to be implemented in three phases by 2023. The first phase is of 1000 MW by 2013, the second phase is 9000 MW by 2018, and the balance by 2023. The tariff from these solar plants would be as per CERC regulation and the proposal is that all the power that is generated would be purchased by NTPC's trading arm NVVN**.** Some of the key updates of the National Solar Mission are as follows. First the developers who have already initiated solar projects with respective states would be considered for migration in to the new scheme. A draft MoU would be signed with the eligible developers by February 2010. Secondly, a proposed implementation process and timeline for the new projects under the new National Solar Mission has also been issued by the government through its nodal agency NVVN and suggestions have now been invited from solar developers and other stakeholders. Thirdly, according to the proposed timeline, expression of interest from developers are then expected by March 10^{th}, 2010 with readiness of PPAs which is expected to be there by October 31^{st}, 2020. Fourthly, the tariff that has been suggested by CERC is at about Rs.18.44 per unit for PV based generation and Rs.13.45 per unit solar thermal project. Lastly CERC also can approve project specific tariffs on case by case basis. May I now hand it over to S. Ramakrishnan for the financial results.

S. Ramakrishnan Good afternoon. Unlike the last previous quarters, this quarter we had tried to send you in advance the results, the line by line variations and the reasons wherever there have been major changes from the previous year. And hence, we probably can move on to the question and answer session straightaway.

Moderator Thank you. Ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking your question. Anyone who has a question may press * and 1 at this time. The first question is from the line of Venkatesh B from Citigroup, please go ahead.

Venkatesh B Good evening sir.

S. Ramakrishnan Good evening.

Venkatesh B Sir, my couple of questions were related to the Mundra UMPP. Now, what is the average tenure of the loans in the Mundra UMPP both the FOREX element and the domestic loans, what is the repayment period for these loans?

S. Ramakrishnan It is somewhere within 16-18 years for the foreign exchange loans and for the rupee loans, if my memory is right it is about 14 years. However the 14^{th} one has-

Venkatesh B Bullet repayment?

S. Ramakrishnan Yes, sort of 40% or 40 odd% of the payment. I will ask Soniya to fax you the individual amount and repayment term.

Venkatesh B Yes sir, thanks a lot for that sir. Sir, my second question is in the Mundra UMPP, now if you generate at say for example hypothetically at say 90% utilization. Now is it correct, and is my understanding correct that all the units which will be generated at more than 80% utilization you will be selling it at variable cost plus 25 paise incentive or am I wrong in my understanding?

S. Ramakrishnan The applicability of those percentages in my memory it is for the station and it has nothing to do with the individual units and we get that incentive of 25 paise when we cross the certain PLF number, I think it is 80% or 85%, but again I will ask Sonia to clarify.

Venkatesh B Yes sir, this would be very helpful whether it is 80% or 85% and if in the variable cost, will the transportation, the escalable and non-escalable transportation cost also be included.

S. Ramakrishnan Of course it is. The way in which we have quoted, if you know the variable cost has the coal component and the transportation component separately and the coal has an index as well as a Forex rupee variation and transportation has I think the bulk oil index and dollar to rupee change also.

Venkatesh B Okay sir. My last question is on your convertible bond $300 million. What is the conversion, exact conversion price, and the exchange rate and at what it was done at?

S. Ramakrishnan 1456.125 it is the conversion price I am told and the price has to cross 10% higher if we want-

S. Ramakrishnan I am sorry. I believe that includes the 10% price and hence the conversion price is 1456.125.

Venkatesh B Okay sir thanks a lot and all the very best.

S. Ramakrishnan Thank you.

Moderator Thank you. The next question is from the line of Shubhadeep Mitra from B&K Securities, please go ahead.

Shubhadeep Mitra Good evening sir. My question is with regard to the results. I had a query on the note number five that is attached to the results. I just wanted to understand sir, what is the impact of any previous year's recognition of revenue in quarter three results?

S. Ramakrishnan In this quarter we have no such previous year recognition at all. This happened during Q1 and it affects your YTD but this quarter result does not have any previous period regulatory adjustment and this refers purely to what we did in Q1.

Shubhadeep Mitra	I understand and secondly with regard to the amount of power that has been sold on merchant basis in this quarter. Can we have any idea as to the kind of realization that we were looking at?
S. Ramakrishnan	Yes the realization this quarter has been Rs.5.37 in Haldia and Rs.6.21 in Mumbai.
Shubhadeep Mitra	Okay, is it possible to get a breakup between in terms of volumes within Haldia and Mumbai?
S. Ramakrishnan	Last quarter about 167 MUs is Haldia, about 71 Unit-8.
Shubhadeep Mitra	Okay that was last quarter?
S. Ramakrishnan	Yeah, that unit 8 we have said was under performance test for three weeks in the month of December.
Shubhadeep Mitra	I understand, okay fine sir that is all from my side. Thank you so much.
Moderator	Thank you Mr. Mitra. The next question is from the line of Dhaval Doshi from MF Global, please go ahead.
Dhaval Doshi	Hello sir.
S. Ramakrishnan	Hello.
Dhaval Doshi	Sir, just wanted some clarification as far as the two mines that we have in Indonesia. There was certain news item stating that there were some big tax liabilities of somewhere close to $190 million of which $110 million have been paid. So, what is the exact stance as of now, I mean are we liable to pay that $80
S. Ramakrishnan	If you do not mind can I take it up when I announce the consolidated results and as of the last quarter all loan and anticipated liabilities have been provided for in our consol. This quarter results, audited results are awaited from Indonesia so we will talk about it in the month of February.
Dhaval Doshi	Okay sir thank you.
Moderator	Thank you Mr. Doshi. The next question is from the line of Abhishek Puri from JM Financial, please go ahead.
Abhishek Puri	Sir very good evening. Sir, first of all a small query and clarification, you know last time we had asked about 500 MW of power which is getting free at the Mumbai license area. Last time you mentioned that you will have a clear view by January month. So, could we have guidance on that as of now?

S. Padmanabhan Yeah see, out of the 458 MW that would be available, 100 MW has been signed with BEST, so that leaves us about 358 MW. Out of this our Tata Power distribution for the coming year there is order booking between 150 to 200 MW. So that will go to Tata power distribution to meet its new customers who hve changed over and also customers that we have acquired during the last 3 to 4 months. The remaining 200 we will give it to Tata Power Trading.

Abhishek Puri Sir the first two, for the BEST, TPC distribution will that be on regulated return basis or has that gone on tariff based bidding?

S. Padmanabhan 160 to 200 that will come to TPC distribution, it will be given to its consumers on regulatory basis.

Abhishek Puri And to BEST will also be on regulated?

S. Padmanabhan Yes, yes it will be in addition to the existing PPA.

Abhishek Puri Okay, second small query on your presentation for December I think you have given 1138 MW of capacity will be added in FY11. Could you give us a break up of that please?

S. Ramakrishnan Could you repeat the question please, I did not hear you?

Abhishek Puri Sir, as per your presentation you have given that in FY11 we will be adding 1138 MW of capacity. So, if you could just provide us the break up for that please?

S. Ramakrishnan 1050 of Maithon and wind the remaining, 88.

Abhishek Puri 88 will be wind?

S. Ramakrishnan Yes.

Abhishek Puri And Jojobera Unit 5 for Jamshedpur would be coming in next year?

S. Ramakrishnan We are targeting it for, we are trying to do it by end of the financial year. It depends how the erection and commissioning progress from now on.

Abhishek Puri And the Maithon Project will be fully erected by end of this year?

S. Ramakrishnan That is the target, October or March are the two units targeted.

Abhishek Puri Okay thank you so much for taking my questions sir.

S. Ramakrishnan Thank you.

Moderator Thank you Mr. Puri. The next question is from the line of Deepak Agarwal from Deutsche Bank, please go ahead.

Deepak Agarwal Good evening sir, this is Deepak here. Sir, I just wanted to have one clarification on the results just regarding one addition in the revenue item, which is income from future tariff determination. Now if you see for the full of last year the income was about 54 crores, but for the nine months the amount is about 242 crores. So, can you throw some light on this adjustment?

S. Ramakrishnan See this is a regulatory adjustment, we are all entitled to a certain given return. If the tariff announced and the way the cost structures move particularly the fuel, we are not allowed to recover all the tariff in the distribution in the same year in which the cost increase due to fuel had occured. But we are entitled to recover in the future tariff. So, this is that particular amount between what is recoverable and what we can actually put in to the tariff and hence we show this as separate item that is income to be recovered in the future tariff determination.

Deepak Agarwal Okay fair enough. That is it from my side, thanks a lot for taking my question.

Moderator Thank you Mr. Agarwal. The next question is from the line of Shashikiran R from Standard Chartered, please go ahead.

Shashikiran R. Thank you for taking my question sir. You mentioned in your presentation that you had to take an unscheduled shutdown in your Unit-5 of Trombay. Can you let us know the details why this has happened?

S. Padmanabhan Yes, there were primarily boiler leaks that were happening during the early part of this quarter and to get these corrected we had taken an unscheduled shutdown during the quarter. Right now, Unit-5 is on a planned outage.

Shashikiran R. Okay.

S. Ramakrishnan As long as we maintain a certain availability, our returns from the regulator towards fixed cost are not affected and we believe this unplanned outage does not affect our entitlement towards availability.

Shashikiran R. Okay, so the lower profits in this particular quarter would be more or less set in the forthcoming quarters. Is that what you are saying?

S. Ramakrishnan Not exactly, in the sense that between quarters, we have a certain seasonal variation in terms of our plan itself, the way this industry operates. Further, the merchant tariff this particular quarter was much lower than the previous quarter and in Q3 typically wind generation is a lot more during the monsoon or pre-monsoon period than in Q3. So, these variations is what sort of reflects itself in the variation of profitability. Further in the license area, we are using gas instead of oil and the way the regulatory position on that is it leads to lower incentives being earned by us even though the tariff is cheaper to the customers. So, we have made a representation to the regulator that in our efforts to reduce the tariff of the customer we should not be penalized in foregoing certain incentives and that matter is under consideration. So that is not accounted for in this particular quarter. Depending upon what decision the regulators take we will get to know later. So, these are some of the causes for Q3 profits going lower than Q2 at the operating level.

Shashikiran R. So, if I understand what you are saying the real implication is that despite the reduced output, you did not have to purchase any power from outside, so the overall power cost of the customer did not increase.

S. Ramakrishnan Yes, on the distribution side of the business.

Shashikiran R. So, as an overall basis the fixed component that you will be charging on the plant would be the same and not reduced?

S. Padmanabhan The fixed component recovery would be there.

Shashikiran R. Yes. The fixed cost recovery in absolute terms that would remain the same and would not reduce.

S. Ramakrishnan That is true, but unfortunately the first question of yours refers to distribution and second question refers to my generation. I just want to clarify to you.

S. Padmanabhan Also, the overall demand in the Mumbai during the month of December went down dramatically because of the weather conditions. That is one of the reasons why in spite of the Unit-5 outage, there was no need for buying power outside.

Shashikiran R. Exactly. Thank you sir.

S. Ramakrishnan Thank you.

Moderator Thank you. The next question is from the line of Sachin Trivedi from UTI Mutual Fund. Please go ahead.

Sachin Trivedi Hello, yes sir, I have just one question. This is regarding the tax. This quarter, we have seen tax rate in fact the tax has gone up substantially. I think one reason is because of increased MAT rate, but other than that is there any other reason?

S. Ramakrishnan No, I think the tax rate if you see from the YTD and the quarter there should not be too much of a difference. The basic increase compared to the previous years are rising out of the minimum tax, but if you compare the actuals of YTD and the quarter, you will not see much of a difference.

Sachin Trivedi Sir because in your presentation somewhere it is mentioning that provision in diminution of the value of the asset.

S. Ramakrishnan That we did during quarter one and the provision for the diesel generating sets where we have plans to use gas now instead of oil for which we have made certain provision in diminution of value that happened in Q1.

Sachin Trivedi Okay and sir, in the previous question you explained about the Unit-5. Is it fair to ask you what is the actual impact of Unit-5 in the current quarter result because I am still failing to understand…..

S. Ramakrishnan It does not affect in terms of the actual regulated return on Unit-5. The only effect that we had in Q3 we told you is about the gas being used in Unit-6 instead of oil.

Sachin Trivedi Okay sir, thanks a lot.

S. Ramakrishnan Thank you.

Moderator Thank you Mr. Trivedi. The next question is from the line of Parag Gupta from Morgan Stanley. Please go ahead.

Parag Gupta Hi Good evening. Just a couple of questions. Firstly, you mentioned that out of the Mumbai license area capacity that is going to get freed up about 200 MW could be given to Tata Power trading, just to understand, does it still await any kind of regulatory clearance or are you free to sell this to Tata Power trading starting April?

S. Ramakrishnan As per the Supreme Court judgment, it is very clear that we have the freedom to sell the way we want, but of course we need to take realities of the requirements of Mumbai and the views of the Maharashtra Government in that.

Parag Gupta Are we looking at any timelines for this? Is there an application that has already been made or is that something that we….

S. Ramakrishnan We do not have to make an application. Tata Power Trading, will have to take a call on where to sell this power. Naturally the first preference will be to within the Maharashtra state, so they are waiting for the proposals or inviting bids from different parties in the Maharashtra state before they decide to make it available elsewhere.

Parag Gupta Okay, secondly, could you just give us an idea what kind of investments you made up to date in the Mundra and Maithon project?

S. Ramakrishnan In Mundra, we have invested as equity 1471 crores so far from day 1 and in Maithon, we invested 487 crores.

Parag Gupta And just one last question, as far your other income is concerned for Q3, if you just look at it on a quarter-on-quarter basis, that number has come down and that isdespite the fact that there have been additional capital raisings also, any specific reason for that?

S. Ramakrishnan Because we raised the FCCB and GDR, does not cost us too much as you know and we used those funds to repay certain interim loans and corporate loans and that is why you see the difference in interest.

Parag Gupta And other income is that the primarily because….

S. Ramakrishnan It is the same. The surplus money that we have parked earns us some nominal interests both the FCCBs parked abroad and the surplus GDR funds.

Parag Gupta Okay, thank you.

Moderator Thank you Mr. Gupta. The next question is from the line of Mandana Gopal from Centrum Broking. Please go ahead.

Mandana Gopal Good evening sir. Most of my questions have been answered. Only one question on tax. The current year effective tax rate is around 27%, is it right to assume that the next year also would be having an effective tax rate close to this level or will it reduce because we have provided some extraordinary tax this year due to diminution assets and MAT related to that?

S. Ramakrishnan No, not really. We are under MAT and the deferred tax is a function of what type of assets we capitalize. That is the way we will target MAT for the next year also depending upon certain commissioning of wind assets that we plan to set up next year.

Mandana Gopal Okay, so that should be listed in this year in effective tax rate.

S. Ramakrishnan That is true.

Mandana Gopal Thank you.

Moderator Thank you Mr. Gopal. The next question is from the line of Shilpa Krishnan from JP Morgan. Please go ahead.

Shilpa Krishnan Hi everyone. My first question is on the switch-over customers. Mr. Menon in the beginning of the call stated that 6200 customers have already switched to Tata Power and 14700 applications have been received. Could you please tell me what kind of connected load these numbers represent?

S. Padmanabhan This is totally the actual demand in terms of MW is about 150 MW. Of these 150 which the actual per month MU is about 49 MU.

Shilpa Krishnan So, basically, Mr. Padmanabhan is saying that of the 150 to 200 MW eventual distribution that you expect by end of the year you already have the customers in hand?

S. Padmanabhan That is right. That is why we have estimated considering the next two months additional change over that will happen that will have around 200 MW requirement which in terms of MUs per month, once you finish March, it will be closer to 60 to 65 MUs per month and that is why we are planning to ensure that our customers will get the power that they need for the next year.

Shilpa Krishnan Okay great. My second question is on the ARR that you said you have already filed for FY11. Could you tell me on a ballpark basis of what kind of tariff increases it implies for your existing customers?

S. Padmanabhan I cannot tell that now. The ARR has been filed and you will have to wait for the technical validation followed by the user validation and I think we will have to wait for the regulator to announce the tariff.

S. Ramakrishnan Till we are asked by the regulators to publish the ARR content in public notice, we are not permitted to release figures.

Shilpa Krishnan Okay, no problem. And my final question is 200 MW that will be available to Tata Power Trading, do you think there is a likelihood of you selling it on a short-term basis or do you think medium-term bids are also likely, medium-to-long-term kind of bids?

S. Ramakrishnan Very likely its short-term because our own switch-over customers demand which is becoming rather unpredictable these days. So Tata Power Trading if at all they sign up, they may sign up for one year contract, anything longer may not be. From a margin point of view as we know any contract greater than a year is considered long term.

Shilpa Krishnan Okay. Thank you.

Moderator Thank you Ms. Krishnan. The next question is from the line of Sumit Agarwal from HSBC. Please go ahead.

Sumit Agarwal Thanks for taking my question. Sir, just one clarification. You mentioned that you sold 71 MUs for Unit-8 on the short-term basis. Just wanted to understand how much was the average PLF even if I considered the 3 weeks of shutdown for the Unit-8?

S. Ramakrishnan We will give it to you. We will send it to you. I do not have it offhand.

Sumit Agarwal Because is it as low as 50 to 60% for the remaining?

S. Ramakrishnan The MUs that I gave you is for 100 MW first of all and not for the total, if you remove the 3 weeks, then you have to work forward. I will ask Sandeep to mail it to you.

Sumit Agarwal Okay, not a problem. Also, about this year tariff that you have submitted with the regulator. I would expect this to be at a 14% ROE for the generation business.

S. Ramakrishnan The new MYT has not been announced so we have filed the ARR for one year only that will be as per the existing regulations which is at 14%.

Sumit Agarwal 14% okay fine, thanks very much.

S. Ramakrishnan Thank you.

Moderator Thank you Mr. Agarwal. The next question is from the line of Murtuza Arsiwalla from Kotak Securities. Please go ahead.

Murtuza Arsiwalla Hi sir, two questions; one is on this distribution the crossover customers that you are getting, is there any incremental CAPEX that we intend to incur when we are looking at these new distribution customers?

S. Padmanabhan The changeover customers are those where we would supply using the existing network of Reliance Infra from whom we have changed over. The new customers who are not in the existing network but who have applied fresh to us, for them we are incurring CAPEX and for the FY09 actual we incurred about 71 crores and in the current year as of now, we have incurred 70 crores so far and by the end of the year, we would incur about 150 crores.

Murtuza Arsiwalla And what proportion of these customers are new versus change over?

S. Padmanabhan Yes, the change over is as of the end of the quarter was 6000 and the new was close to about 3000.

Murtuza Arsiwalla Okay sir, my another question is could you able to quantify approximately what is the loss of profit on merchant sale because of Unit-8 shutdown approximately?

S. Ramakrishnan Typically, we believe that we should sell every quarter 180 to 200 MUs of merchant power; however, since in Q3 the rates were pretty low in the ight. I will say a fairly good target was over 120. We sold 70 so I will say we lost about 50 MU of which the margin could have been may be Rs. 2.

Murtuza Arsiwalla Okay and there was absolutely no loss in terms of the Unit-5 shutdown, be it on the fixed cost?

S. Ramakrishnan Yes.

Murtuza Arsiwalla Okay, thank you so much sir.

Moderator Thank you Mr. Arsiwalla. Our last question is coming from the line of Adam Worthington from Macquarie. Please go ahead.

Adam Worthington Thank you sir for your time and congratulations on a good set of results. I have got two questions, the first one is in relation to the MERC also into your Mumbai license area regulations that as you said that they have been delayed for a little while here, push out one year. Is this suggest that you do not think that they will fall in line with the CERC in 12 months' time?

S. Ramakrishnan Let me just tell you when MERC announced the current MYT, they were 2 years behind CERC, you know earlier returns were on GFA basis, the gross fixed asset, which the CERC changed to return on equity. When they announced it, the MERC moved to the new one, the reduced return, 2 years later. So from that point of view if you say that the earlier regulation of MERC is applicable for 5 years which is what they said at the announcement, that 5 year includes FY11. So, to that extent they are not. THey tried to see if they can advance it by a year so that the gap between them and CERC is only 1 year, but apparently given their various other loads they decided to stick to their 5 year term of the earlier tariff regulation.

Adam Worthington Thank you for the clarity. Now this is a follow up. Now just that means that the incentive structure is going to be exactly the same such that you can hopefully generate returns in excess of that stated regulated rate of return?

S. Ramakrishnan Yes, the regulated rate of return on the CERC as we know has moved from 14 to 16 on generation whereas in our case it remaind at 14, but the incentive and other operative structures which had been tightened by CERC, for us will not be tightened because we are under the old regime. So it is bit of a wash in a way, somewhere we will lose and somewhere we will gain.

Adam Worthington I understand. My second question was in relation to your non-core assets and how you are looking at these in terms of funding future growth and I would like to also tie that question into the comment that some government officials have made overnight about the UMPP and whether with Reliance not being able to compete aggressively for the next round without getting one up and running whether that move provide you with a competitive advantage for future growth.

S. Ramakrishnan The comments we made one was that all the projects that we are implementing that are approved by the Board are fully funded, both on equity and on loan except for some minor one for our license area. As far as the UMPP, our stated position has been that we would not like to increase our imported coal exposure due to the UMPP project while we will look at domestic coal projects as and when they are announced depending on how attractive it is.

Adam Worthington And in terms of your non-core assets that they do represent a large proportion, I guess of equity analyst valuations kind of. Is it something that we should expect to be there for the next five years or should we expect some realizations going forward?

S. Ramakrishnan Our objective is always been to realize at the appropriate time as we go forward. If you look at our performance in the last 3 years, every year we have realized some or other.

Adam Worthington Okay, thank you very much for your time.

S. Ramakrishnan Thank you.

Moderator Thank you Mr. Worthington. Thank you gentlemen of the management. Thank you Mr. Shankar.

S. Ramakrishnan Thank you.

Moderator Ladies and gentleman on behalf of the Edelweiss Securities Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.