"Tata Power Limited Q3FY12 Results Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Tata Power Q3FY12 Earnings Conference Call. Joining us on the call today from Tata Power are Mr. Anil Sardana – Managing Director; Mr. S. Ramakrishnan – Executive Director; and Mr. S. Padmanabhan – Executive Director, Operations. As a reminder, for the duration of 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. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Anil Sardana – Managing Director. Thank you and over to you sir.

Anil Sardana: Thank you. Very good evening and apologies for being slightly late. Once again, welcome all the analyst friends for this Q3 Standalone and Consolidated Results. I am sure you would have got the line-by-line explanation of our results and you would have had time to go through them. We will take all your questions after short while from now. Let me take you through some of the brief highlights.

First and foremost, we have signed the Share Purchase Agreement with BP Alternate Energy Holdings. We are acquiring 51% equity of theirs that will make us own 100% of the company. We are very happy to report that true to our focus we have achieved the commercial operation of 25 MW Solar Plant in Mithapur, which, as you know had to be done before end of January. So, including the onus of building the 66 KV line, we completed the plant on 25th January 2012. So, including our existing Solar portfolio near Pune, Mulshi, now we have 28 plus MW of capacity on the Tata Power balance sheet.

We have also achieved 39 MW of wind additionally in Q3. As of end of December, we are close to about 370 plus MW of wind. We are happy that in Mundra we have been able to synchronize the country's first 800 MW super-critical unit. As we talk today, the unit is on bar and it is operating successfully even today as generating and dispatching to the grid.

On the specific issue of the window of policy change related to the gain and losses of long-term foreign exchange liabilities and assets, the company has decided to adopt that the assets are capitalized and taken through the balance sheet and my colleague, Ramakrishnan will cover that during the further discussions.

In terms of specific projects, we will very quickly update that. The Mundra UMPPs continuing on the other units as well. We are moving ahead to ensure that Unit 2 is quickly moved on with. We have done the steam blowout which is the factor which shows the entire readiness of the plant. As you all know that with the running of Unit 1, it means the entire Balance of Plant (BOP) is completely ready and is working. So, therefore, now with this steam blowout it is clear that even Unit 2 is ready and therefore we will start to work towards commissioning that. Similarly, there is work that has progressed on Unit 3, Unit 4 and Unit 5, which gives us the confidence that the committed time gap of four months to five months between the units still stays.

Maithon, the Unit 1, as we talked, is stable; it is in fact in the last fortnight has done exceedingly well. The coal supplies to the plant are being received regularly now and the Unit 2 has been again steam blowout has been completed. So, therefore, that again shows that since Unit 1 is running, the Balance of Plant (BOP) is ready and Unit 2 steam blowout shows that the Unit is now ready to move on to different balance work for synchronization and commissioning.

The work on the Railway Transport system is in progress. There are some issues related to land with the local self-government is working on and we are hopeful that we will be able to adhere to the schedule.

Moving on to the next project that we have with us, Dagachhu is the hydro project if you all remember in Bhutan, the progress on tunneling is moving quite well. It has taken more time than the original schedule because of the geological reasons but 5.3 Kms tunneling has been completed. That is a good landmark to move on. As indicated earlier, the project is slated to be commissioned by FY14.

We have moved on with the work on the production gas-based project at Kalinganagar as also the coal-based project at Kalinganagar. Site activities have commenced, equipment ordering, etc. has been taken up and we are hopeful that the project will move on and first phase gets completed in 28 months from today.

The other projects that we have been talking about is Naraj Marthapur. We have moved on and decided that the Naraj Marthapur project will be converted to a gas-based project. Since the site also incidentally falls in the eastern gas pipeline which moved from the KG Basin to the eastern region and therefore being next to Cuttack and the Load center the state government has agreed to move this project to a gas-based project and we are now along with state government working to mobilize the site next to our Mandakini captive coal block. This might push the schedule by about six months in terms of the site development, but we are happy that this decision for the reason that that will make our cost of coal movement competitive.

The work on Tiruldih at Jharkhand is progressing well. The land acquisition has progressed from where we were last quarter and we still maintain the schedules that we had announced earlier. Similarly, the work on Dehrand in terms of land acquisition is progressing and we will keep reporting the progress based on the further enhancement of activity. So, that is on the project, there are more projects, nationally and internationally which are at different stages of development and we will be in a position to announce those details once we have progressed on that and have the necessary approvals from our senior stakeholders.

Thank you, friends for being on the call and now we will take question-and-answers and I will request my colleagues to organize that.

Moderator: Thank you. We will now begin the question-and-answer session. . The first question is from the line of Prakash Goel from ICICI. Please go ahead.

Prakash Goel: First question is with regard to the segmental result on a consolidated basis. There is a sharp decline in the coal business profitability. While the top-line has gone up sharply on account of higher realization and the benefit of the Rupee depreciation, I would like to know what is the reason behind it?

S Ramakrishnan: If we see the results item line regarding deferred stripping this quarter, we have made a provision for writing off of the deferred stripping. If you know that we do this periodically about 4 or 5 quarters ago we wrote off substantial deferred stripping. On the same basis this particular quarter deferred stripping has been written off.

Prakash Goel: Can you elaborate the reason as to why such a large amount in the quarter? In a rising coal price environment, your viability of geological reserve survey would indicate a higher reserve improving viability of --?

S Ramakrishnan: We have been mentioning that if our mining plan is modified to reflect a far higher strip ratio than what was contemplated earlier. Whenever such decisions are taken there is a fair amount of write-off that happens. And with increasing coal prices then there are decisions taken we could change the strip ratio and sometimes even the geology can define it.

Prakash Goel: Is it logical to believe that stripping ratio would increase with rising coal prices because of the viability of --?

S Ramakrishnan: You opt to change, you make a change in the mining plan because you can afford to spend more money to dig deeper because the prices are higher. So, it is not that the stripping ratio changes by itself. It is thoroughly linked to the long-term mining plan the company adopts.

Prakash Goel: Second question that I had was with regard to Coal SPV. What we are seeing is that dividend received about 88.5 million. What is the tax that subsidiary is expected to pay?

S Ramakrishnan: Subsidiary does not pay any tax in Mauritius. There is a withholding tax in Indonesia which is 10%.

Prakash Goel: So, basically what I was trying to understand the total tax incidence on the money that is getting received from Bumi. We pay tax on the profit that we make in Indonesia, which is in the range of 40-45%. Then whenever we announce dividend from the mine to the SPV, then there is withholding tax of 10%. In case, we choose to bring money in India in the form of dividend, we pay 15% because of the standalone becomes a MAT company and we pay a 20%. So, net-net it is 45 plus 10 plus 20, is it a right calculation or I am missing something?

S Ramakrishnan: You are by and large very much right I do not know whether it can be arithmetically added or –

Prakash Goel: No, that is fair enough.

S Ramakrishnan: - ratios have to be multiplied. Otherwise you are right. Conceptually you are right.

Moderator: Thank you. The next question is from the line of Abhishek Tyagi from CLSA. Please go ahead.

Abhishek Tyagi: A couple of questions on the Indonesian mines. What is the sales volumes during the quarter and the realization and the cost? And second thing on the deferred stripping if there has been reassessment of the reserve as well which has taken place, and if yes, by what amount have they been hit?

S Ramakrishnan: The coal amount that has been sold this quarter is 17.52 compared to 15.79 in the previous year. The FOB revenue is about $95 compared to about $75 a year ago. The deferred stripping provision this time has been somewhat done in a different manner. The Board of that company decided that since the strip ratios are constantly changing and there is an uncertainty in terms of the amount, they decided to write-off the entire deferred stripping amount in one of the companies where substantial part of mining is done in-house.

Abhishek Tyagi: How was it different from the previous write-off which you have taken in third quarter?

S Ramakrishnan: The previous write-off last time which happened it was based on a resource statement, based on a long-term mine strip ratio. This time it has been decided that since it is constantly changing prices, due to the uncertainty of estimating they decided whatever is in the book in one of the mining companies will be written-off.

Abhishek Tyagi: Sir, another thing was you have booked ForEx gains in both standalone and consol. I thought the Rupee actually had depreciated during the quarter.

S Ramakrishnan: Let me explain you. The AS11 has given us the option to capitalize the gains or losses out of long-term liabilities of ours and net of long-term assets. If you see our liabilities are more long-term basically it is made up of two large chunks; it is FCCB that we raised and the Euro loan that we have in our books. Now, all the losses that we have had in Q1, Q2 as well as Q3 are all being capitalized if the assets fund was utilized for the purpose of fixed asset and depreciation over the life of the fixed assets or if it has been used for other purposes it has been capitalized and amortized over the life of the debt, whichever in Euro loan or FCCB. So, this has been given effect from 1st of April 2011 and hence what you see here is the pre-quarter effect. If you read the notes to the accounts both in standalone and in consolidated, you will sort of understand this better.

Abhishek Tyagi: There is increase in impairment amount also because of this?

S Ramakrishnan: No, the impairment amount remains the same in the books of CGPL. Because of the change in AS11 that we had introduced, if you see the last quarter accounts the impairment provision in the consolidated was different from the one in CGPL account which is also covered in the note the last time, it is also covered in the notes now. Now, with this change we have aligned the provision for impairment in the consolidated accounts with the provision in the CGPL standalone accounts. So, this is more an accounting adjustment rather than any increase in provisioning. We had redone the assessment of the provisioning required and found it to be roughly same as what was needed in the last quarter and hence have not made any reduction or increases to the provision.

Abhishek Tyagi Apart from the FCCBs and the Euro loans you have US dollar loan in CGPL as well, so, the losses on that have also been capitalized.

S Ramakrishnan: In the consolidated accounts, yes.

Abhishek Tyagi: Another thing was on the Mundra UMPP last time in the call you mentioned that you are evaluating using the lower CV coal. Is there any progress you have made in terms of studies, what could be the benefits and what could be the savings by using that?

Anil Sardana: As mentioned to you before we have had the first run and earlier we had mentioned to you that we will initially start with the specification coal and gradually get onto do pilot with the blended coal. We are happy to report that right from the beginning we have started to blend, of course, it is early days, just been cumulatively about full five days of running, but the good news is we have started to blend. Initially, we were blending with smaller proportion and gradually we will get on to more. As of today, whatever blending that we have done, we have not faced any difficulties, and so, just wait for furthermore time for us to continue with that experiment.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from Enam Securities. Please go ahead.

Bhavin Vithlani: Specifically, on the coal SPVs, could you give us a number on the cash cost without the deferred stripping assuming this is non-recurring in nature and also give us a progress as you had highlighted earlier that significant amount of CapEx is being going on in the coal SPV which will result in higher automation and reduce the production cost. So, progress on that as well as increase in the production volume of the coal SPV.

S Ramakrishnan: As far as the progress is concerned, many of the projects we had initiated for movement of coal as well as utilisation of port facility, 25%, 30% are already ready, the remaining will be ready by September. As far as the cash cost is concerned excluding deferred stripping, it is 40.85 compared to 35.56 last year. If you take the YTD average it is 42.38 whereas in this quarter it has become 40.85, probably the effect of some of the facilities that are commissioned have already started having it effect

Bhavin Vithlani: Once the impact of automation kicks in, in your opinion, what could be given that oil remains as is where is because it is something difficult to forecast, what would be the cash cost then?

S Ramakrishnan: I believe this is somewhere in the order of $2.5, $3 per tonne when all of them are commissioned. It is linked, of course, amount of coal is removed. It was the cost of many of these facilities are more or less fixed. So, more the coal being produced more will be the saving.

Bhavin Vithlani: And on the coal volume production how do you see that is shaping ahead in the year coming?

S Ramakrishnan: A tough question. I believe that the target we have for this year is a significant jump of at least 20%. We are hopeful that the increase in percentage will be at least in double-digit.

Bhavin Vithlani: Can you also give us a breakup of the foreign exchange debt? Given that one has now capitalized the foreign exchange losses, what would be the project cost for Mundra UMPP?

S Ramakrishnan: We will mail you the debt we have in the group in terms of long-term debt.

Bhavin Vithlani: Also, breaking up INR as well as FX?

S Ramakrishnan: Yeah, we will give you.

Bhavin Vithlani: And any update on what would now be the project cost for Mundra UMPP?

S Ramakrishnan: See the physical cost of the project has remained same. If you take the respective currency with which the project is supposed to be funded, the IDC is something we constantly evaluate based on the dates of commissioning. Otherwise, physical cost has remained the same with respect to the currency that we have planned.

Moderator: Thank you. The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: I missed out on the coal volume production. If you can give that number again?

S Ramakrishnan: 17.52 coal sold compared to 15.79 previous year's quarter. Coal mined is 18.67 compared to 17.36.

Abhishek Puri: And pricing you mentioned it $95?

S Ramakrishnan: 95 FOB compared to 75.

Abhishek Puri: The other question was on the Naraj Mathapur project. What is the reason why we have shifted the project to a gas-based project now?

Anil Sardana: There are two reasons; one, it is located next to these two twin cities; the Bhubaneswar and Cuttack cities and most of the time the use of that project will be for peaking. Number two, there is a Wild Life Sanctuary which is quite close to the project and we believe that in the long run it could actually impact the forest fun of that place and we did not want to sort of take that risk. So for that reason we discussed with the state government and decided that we move the coal-based project based on the Mandakini mines close to the mines themselves. We are very happy that the state government has accepted that and use this land for gas-based station.

Abhishek Puri: Is this wild life sanctuary is that 25 Kms radius to the land which is acquired?

Anil Sardana: That way if you have to tick the box, what you are saying is right, but we believe in the long run just ticking the boxes is not enough for a company which commits itself to sustainability. So, we had a long thought on that and because of our commitment to sustainability we thought instead of building a coal-based plant at that place since the pipeline is right in those coordinates it is better to do gas-based station there and move the coal-based closer to the mines.

Abhishek Puri: Looking at the gas position currently in the country do you think that investments in gas-based projects would be right to make at this point of time wherein we are seeing already 7-8,000 MW projects are stranded for gas availability?

Anil Sardana: We will watch, but the country, as I keep saying will have energy security concept in which there will have to be a portfolio of imported coal, imported gas, domestic coal, domestic gas, hydros, renewables. And it is not that you take the present day cost and say that the other projects are not needed. There is not enough fuel that you can produce in this country in terms of local coal, local gas and therefore you will have to decide to have a mix of all these fuels. And keeping that in mind there will have to be a portfolio of all that. As a company we believe that we should also have a portfolio of all fuels in order to make sure that we have a right mix.

S Ramakrishnan: I just want to clarify what we said was since this land is not suitable for coal we are keeping it for a gas project and locating it in an alternate land to implement this coal-based project. I do not think we said that because of this problem, instead of a coal-based project we are implementing a gas-based project. If that is the way you understood I just want to clarify.

Moderator: Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Again on the same project, if you could throw some light on land acquisition status for the coal-based project near Mandakini mines and the land acquisition for mines and environmental clearances, etc. how much time it is going to take and when do you project getting commissioned?

Anil Sardana: Let us first appraise you on the Mandakini mines. In fact, the progress of that project is on schedule. We have already got the mine plan approval and the land clearances are in place. We, in fact, have got the first level environmental clearances for that project too and now the forest clearance is in progress. In fact, by virtue of the fact that many coal mining projects were issued letters for not having adhered to the status. This wasn't one of them clearly shows that it is progressed to the satisfaction of the authorities concerned. So that is on the Mandakini mines. As far as the linked project land is concerned I do not want to declare it today because we are working with the Odisha government in terms of progressing on a particular land which is close to the mine and we will let you know as soon as those clearances are officially available.

Moderator: Thank you. The next question is from the line of Vishal Baraya from Batlivala & Karani. Please go ahead.

Vishal Baraya: The deferred stripping cost actually which are to the books, does this provide any tax benefit to the coal mining companies?

S Ramakrishnan: The deferred stripping, yes, it does.

Vishal Baraya: Deferred stripping charged?

S Ramakrishnan: It is considered as a tax deductible expenditure.

Moderator: Thank you. The next question is from the line of Harish Bihani from RBS. Please go ahead.

Harish Bihani: Wanted to understand the reason for loss at Maithon for third quarter. Is it the same as Q2? And also when is Unit 2 of Maithon coming up?

S Ramakrishnan: In Q2 we had only one month of operation of this plant whereas this time it is operated three months. The unit has just stabilized in the last two weeks. We had a fair amount of stabilization issues due to which we incurred more fuel cost than we otherwise would have. We also incurred UI charges because of inability to deliver as per the schedule. For the last two weeks the plant has been operating in a stable fashion. So, hopefully, Q4 we will see a different picture.

Harish Bihani: When is Unit 2 coming up?

Anil Sardana: Unit 2 you can expect to get synchronized within this quarter.

Harish Bihani: In 4Q and commercialized within the next three months after that?

Anil Sardana: That is correct.

Harish Bihani: And in Q2 call we had indicated we are getting coal for about 375 MW. How is the coal situation right now and how are things moving with regard to coal?

Anil Sardana: In fact, when SR mentioned to you about the reason why we had that loss, in Q3 and why things would look better in Q4, one of the key issues is also the coal supplies. We started to get coal supplies now for the full unit capacity and therefore the unit is working on a flat performance, is able to deliver to the desired expectations.

Harish Bihani: Which is for Unit 1, and how about Unit 2 we were supposed to get –

Anil Sardana: The tie-up is clear that sooner we have the Unit 2 we will also start transport coal for Unit 2.

Harish Bihani: So, it will be fair to assume that till first half of FY13 it will take some time to stabilize both the units and therefore we could have low profitability?

S Ramakrishnan: First unit is stabilized. Second unit both from point of view of coal supply road movement and the stability of the equipment what you say is true. But the first unit is stabilized.

Harish Bihani: And how about Mundra in terms of Unit I commercialization?

Anil Sardana: We are working again to make sure that within this quarter we commercialize Unit 1.

Harish Bihani: Within Q4?

Anil Sardana: That is correct.

Harish Bihani: And with regard to the arrangement in terms of merging with Bumi SPVs and other options that we were looking upon, how things are moving on that particular front?

S Ramakrishnan: We are studying the issue from various angles. Once all the reports are available and we also get a glimpse of what the taxation of overseas subsidiaries going to be we will then make appropriate action for the next steps.

Harish Bihani: How much you time will take ideally for these particulars?

S Ramakrishnan: We would like to do it by 31st March but it depends on the budget and other advice that we get.

Harish Bihani: And last quarter you had indicated that we had taken about 63% of the loan and remaining would be disbursed only once this is done, so, we are awaiting the loan disbursal till then?

S Ramakrishnan: We did have a disbursement in December. The disbursement restarted after we have given in-principle arrangement that the coal SPV will support Mundra.

Harish Bihani: So, it has started? Okay, fair enough. And on Mandakini and Tubed, generally analysts have this question that by when will the first production basically in terms of coal production to start and there is a general perception that things have got delayed over here. Your view on the same?

Anil Sardana: No, I mentioned to you that on the Mandakini we are on schedule as we had also last time mentioned to you and we maintain that part that as scheduled, Tubed coal mine is eight months following the Mandakini mine and it maintains that way. Fortunately, for us things in Mandakini have rather moved quicker and faster. So, I do not think that we are facing any of those issues at these mines today.

Harish Bihani: So, will it be safe to assume that first production will start sometime in FY14?

Anil Sardana: We had earlier mentioned that it will start somewhere in '14, '15 and we maintain that part and it is possible that some bit of overburden may start to be worked upon in FY14, but the coal production would be in '14, '15.

Harish Bihani: And the associated power projects, by when do we expect ordering for this particular project?

Anil Sardana: As I mentioned that as far as the projects related to Tubed is concerned which is Tiruldih we are expecting that next year beginning we will be able to order the equipments and in fact we are targeting that by the Q3 of FY13 we would have kept all the offers ready for us to award the assignments. As far as the new site linked to Mandakini is concerned let us give you a fairer picture once we have signed the documents for land.

Harish Bihani: Q3FY13 is what we would have the ordering would be done by that?

Anil Sardana: For the Tiruldih.

Moderator: Thank you. The next question is from the line of Vishal Baraya from Batlivala & Karani. Please go ahead.

Vishal Baraya: The current quality of coal that you are using in Mundra UMPP, could you give some specifications what will be GCV the previous coal that you are using and the blended cost of coal that you have been using for the past 5-8 days?

Anil Sardana: It will be fair to sort of let the unit run for sometime and we will share all the details with you. We can only tell you that the design GCV was 5500 kCal and as we blend, the objective is to take it down to 4500 kCal.

Moderator: Thank you. The next question is from the line of Abhishek Anand from JM Financial. Please go ahead.

Shubhadeep: I wanted to ask that on the Indonesian coal mines have the reserves been restated?

S Ramakrishnan: No.

Shubhadeep: So they still remain the same despite that higher deferred cost of mining?

S Ramakrishnan: I do not know whether you were there when we were explaining the deferred stripping. Earlier times, the new reserve statement came we realigned all the strip ratios and brought off. This time the company's board and auditors have taken a view that since the stripping ratio is constantly changing it is becoming even uncertain to make appropriate provision. Hence they have written-off the entire deferred stripping, independent of any resource or reserve statement.

Moderator: Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: Could you help me with the dividend received from the coal mining companies in the standalone entity?

S Ramakrishnan: In the P&L the amount is somewhere around $88 million or so.

Moderator: Thank you. The next question is from the line of Vaibhav Bharadia from Alchemy Shares. Please go ahead.

Vaibhav Bharadia: Actually answer to your previous question you mentioned that design GCV for Mundra was 5500 kCal and you are planning to bring it down to 4500 kCal blending. What type of coal that you are actually using or you have plan to get to that 4500 kCal target?

Anil Sardana: I do not think we have fully understood you. In terms of type means it is the same coal except that it has lower CV. So, I do not understand what exactly you are trying to aim at.

Vaibhav Bharadia: I was basically trying to understand that the source, from where you are getting the coal and—

Anil Sardana: As of now, our partnership mines, which as you know KPC and Arutmin. Arutmin has that type of coal with them. So, we are able to get it from Arutmin. But we are looking at other options because as you know the objective is lower the CV, we have more options because this is not a coal which is as much demand as perhaps the high CV coal is and therefore one is able to through short-term contracts with perhaps non-linear discounts. So, today, it is coming from what I mentioned Arutmin mines but in the days ahead it could be from other sources with deeper discounts.

Vaibhav Bharadia: That was supposed to be my next question. Are we looking for some other target across the globe, maybe some of the outside Indonesia maybe within Indonesia, to acquire any mine which is having a low quality coal?

Anil Sardana: The answer is that it is not necessarily that we have to acquire. But we are certainly looking at offtake options at other places with non-linear discounts.

Vaibhav Bharadia: In which area, which area or region do you think would be the best target for the kind of coal, type of coal that you are planning to use?

Anil Sardana: While we can detail this in separate discussion, this type of a coal exist virtually in all mining geologies because two ways; one, a lot of people blend themselves as there are many geographies or geologies where this is a coal which is unwanted typically because they do not want to export it, so they keep it for local generation and it is the local generation hasn't come there, this remains as a sedimentary reserve. So, opportunities are quite a lot for this coal to be sourced.

Vaibhav Bharadia: But in that case I think the acquisition, we have to acquire the mine in case those coal mines are not willing to export or sell it outside the local region?

Anil Sardana: We are open to all options. Our objective is offtake, our objective is cost-competiveness, and we will look at all options.

Vaibhav Bharadia: Just one last question, on the stripping ratio, actually, I could not understand that you mentioned that the stripping ratio actually changes the coal price move up and down. I will ask this question other way, that what exactly defines or drives the stripping ratio?

S Ramakrishnan: Stripping ratio does not change when the coal price change. When the coal price changes the mining plant normally modify so that because you can afford to go deeper in the pits. Because the mining plant is modified then the long-term strip ratio of the modified mining plan has to be done. So it is not that if the price is 100 and strip ratio is 2 and the price goes to 120 the strip ratio goes to 2.2. That is what I have conveyed in the earlier conversation if I am correct.

Moderator: Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Again on stripping cost, please correct me if my understanding is wrong. Because all the accumulated stripping costs have been written off in the quarter so going ahead we will not see these kind of write-off that is point number one. And that also implies that going ahead in a particular quarter whatever mining costs are actually incurred then we will be booked in that quarter only and will not be carried on the balance sheet?

S Ramakrishnan: We have two coal mines, two coal companies. One of the coal companies where substantial production is carried out by in-house are the ones where they have taken a decision to write-off all the deferred expenditure. The deferred stripping accounting for the other where substantial contractors are used and the contractors are paid as per coal produced it operates differently. They take to defer stripping whenever a new pit is opened in a big way and the write-off the deferred stripping over the tonnes of coal produced from those pits as per the plan. That company continues the same method while the KPC has taken a decision to write-off. So if you do see any deferred stripping in future you know it is not from KPC.

Atul Tiwari: Is it possible for you to disclose that how much is a deferred stripping cost being carried on the balance sheet of that company?

S Ramakrishnan: We will give it to you. Can I mail it to you? It is possible.

Moderator: Thank you. The next question is a follow-up from the line of Vishal Baraya from B&K Securities.

Vishal Baraya: Just wanted to understand the non-linear discounts that are available for low GCV coal? On a normative basis if we assume a good quality coal 6200 kCal to be available at $100. Currently, at these prices what will be the discount for the 4500 kCal coal approximate?

Anil Sardana: It will be unfair to declare these commercial stuff as a concept but since you are wanting to understand typically as you said 6332 kCal coal run rate is $100 if you were to take a coal with 70% calorific value and you assume that that will be at $70, instead of that you can assume that that could be with additional discounts. That discounts will vary. According to various aspects of how much offtake you guarantee or long you can guarantee that offtake and what kind of participation you could have in supporting that type of a coal to be infracted and transport it. It could vary from 10% up to 30% is what we understand in the market.

Moderator: Thank you. We will take a final question from Ashish Shah from IDFC Securities.

Ashish Shah: Just a couple of questions on the Delhi distribution business. If you could just highlight whether the current tariff which you are charging to the customers is that covering the fuel cost and the operating cost completely or there is still a shortfall separately?

S Ramakrishnan: We have been given permission to charge fuel such variation on power one quarter after it happens. So I think we are just going to start passing that particular burden. When we do that we probably just about breakeven from the current operation provided the fuel does not go up in the quarter that we are operating.

Moderator: I would now like to hand the floor over to Mr. Anil Sardana for closing comments.

Anil Sardana: Thank you to all analysts' friends and participants. I hope you could get your answers right. And in case you have anything more you could always contact Priti and Sanjay and we will look forward to your continuing participation and I am sure you would have been more than satisfied with the results that Tata Power has produced for Q3 and consolidated. Thank you so much.

Moderator: Thank you. On behalf of Tata Power that concludes this conference. Thank you for joining us. You my now disconnect.