



“Tata Power Earnings Conference Call”

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MODERATORS

MR. ANIL SARDANA – MANAGING DIRECTOR, MR. S. RAMAKRISHNAN – EXECUTIVE DIRECTOR, FINANCE, MR. S. PADMANABHAN – EXECUTIVE DIRECTOR, OPERATIONS, MR. BANMALI AGRAWALA - EXECUTIVE DIRECTOR, BUSINESS DEVELOPMENT

Moderator

Ladies and gentlemen good day and welcome to the Tata Power Q1 FY12 earnings conference call. Joining us on the call today from Tata Power are Mr. Anil Sardana – Managing Director; Mr. S. Ramakrishnan – Executive Director, Finance; Mr. S. Padmanabhan – Executive Director, Operations and Mr. Banmali Agrawala – ED, Business Development. As a reminder all participants lines will be in the listen only mode. There will be an opportunity for you to ask question at the end of today’s presentation. If you should need assistance during the conference, please signal an operator by pressing “*” followed by “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anil Sardana, Managing Director. Thank you and over to you sir.

Anil Sardana

At the outset let me first apologize to all for holding you up, though, of course, the technical glitch was more so on account of not being able to convey our details to the stock exchange. On behalf of team Tata Power, my Executive Director colleagues on the Board and on personal behalf a warm welcome to you for this Q1 FY12 standalone and consolidated results for Tata Power. We have just about circulated 15 minutes back the financial statement and you know the reason why this came in late to you but hope fully you would have seen those through and we will take all the questions that you would have on the results after we give you a brief highlight. Let me take this opportunity to quickly run you through some of the key highlights of Q1 FY12.

During this quarter we had the Maithon 525 megawatt. As you must be aware this is the first footprint of 525 coal based unit in this country and this unit achieved full load towards ends June and this month we are targeting to do the commercial operations of the unit.

On the financial side Tata Power did quite a good work. We had during this quarter the perpetual debentures offered for 1,500 crores. You are aware that they were well received in the market and the issue has been rated as AA by CARE. One of our wholly owned subsidiaries internationally Bhira Investments also raised US\$ 450 million and this again on a similar basis had a very long tenure, 60 years hybrid bond which was, of course, backed by and guaranteed by Tata Power and we closed the issue successfully at the coupon of 8.5% payable semi annual.

During this quarter also CRISIL reaffirmed our ratings, similarly the ICRA reaffirmed ratings that has been assigned to our nonconvertible NCD program and the short-term debt program.

The other satisfying part with regard to our Mundra project was the fact that we completed our steam growing during the quarter and then ready to synchronize our unit looking forward to doing that for a given the first unique footprint of 800 megawatt supercritical in this country and to that effect while we had the other ships bringing in coal from our target mines, we tested our Capesize after it was delivered on sea in healthy conditions and within the much less than the considered time. So it tested our departure port, it tested our voyage, it tested our port at Mundra and it tested the entire unloading within the expected time. So a very successful and

other satisfying Capesize download that we could do and time is much less than 72 hours, and the coal is right there at Mundra waiting to be utilized.

On the other project side we commissioned our wind project of Tamil Nadu in April 2011. We have been doing successful commissioning on wind. As you know we are one of the largest players in wind. On the project nearby which is close to Mumbai location is the Dehrand project. We could successfully signed the R&R, rehabilitation package which had the consent of all the locals and the Government of Maharashtra and we are hopeful that that will expedite our land acquisition at the project.

Coming very quickly to the progress on some of our investments and projects going forward – I have said a little bit about Mundra already. This has been moving rather ahead of schedule. From our side as you are aware that we have shortened the gestation period and successfully brought the project to this stage. As per the supplementary agreement that we had with the beneficiaries, the 400 kV system including the connectivity and the downstream load, we were to get by February 2011, we understand that the beneficiaries and their contract with PGCIL are trying to expedite everything possible to get the line as soon as possible. We have been given to understand it should be somewhere in the middle of September and even if we assume that between the beneficiaries and the power grid there is some bit of disconnect or delay in terms of downstream loading of about 1,000 megawatt was alluded to synchronize and ramp-up 800 megawatts, it could appear so by middle of October that we have that load. And we should instead of taking a contractual period of seven months which we have done it was supposed to be February, as you know February was the line commissioning and September was our COD date, we would take lesser period, we will attempt to take lesser period to try and do it within the four months period, however, contractually we still have seven months. But we will try and do it earlier. The system as I have talked about coal handling has been very successful. We have coal right up to the plant and way to go into bunkers. All the other common systems, etc., are ready and the other good part is that the Unit 2, 3, 4 and 5, all our progressing very fast and we are hopeful that we will be able to do everything in line with our planning once we have the connectivity available and also that the future connectivity perhaps will come on schedule as is now being planned consequently the delay in the first system which got impacted due to the right upload.

On the other project that we have at Maithon. The project in terms of progress has advanced to near completion. The first unit will see the COD this month. We have been able to somehow stack coal at site, because most of our analyst friends must be aware that the railway system related to the project is a long-haul one. The way we have planned the project is that the railway system should be ready by end of this calendar year. Therefore, for Unit 1 we will motor all the coal from the nearby mines and for Unit 2 we will make sure that we have the Unit 2 starts getting catered through the railways rakes and then ultimately Unit 1 also to the same rakes catering to the coal delivery. And in terms of the coal tie-ups, it is important to mention that because this has been a topic that has been under discussion and also in the media. The subject matter of tie-up has an advantage because we have a buffer linkage with

Tata Steel which gives us an advantage of up to 1 million tons per annum in terms of good quality coal and, therefore, the coal that we will need from the various subsidiaries of Coal India which is BCCL as well as the CCL, will therefore, to that extent in percentage terms come down and that, therefore, gives us the advantage of the fact that we will continue to get that linkage which is there. And once it has the rake linkage, as you are aware, in that case the assurance becomes a little more formidable and we are trying to work that out to make sure that we further tie it down to associated washeries that we do at the mine mouth. So those are the securitization efforts that we have been able to make in this short time after we got to know that coal could be a challenge to make sure that Maithon with the coal which is going to come from very contiguous mines continues to be fully secure.

Moving on to other projects, which is in terms of the coverage the Dagachhu, a project which is in Bhutan we are doing it along with the local bodies which is owned by the Bhutan Government. It has been moving on time and as predicted earlier we should be able to move the project and commission it by 2013.

Moving on to the other projects the Dehrand project which is contiguous to Maharashtra is a part of our needs that will cater to the Mumbai requirement. The Dehrand project is more dependent on the land part which was getting impacted due to the R&R package that was not getting finalized because of the changes that have happened at the state level. The good part is that we are one of the first ones to have got over that. We have been able to sign that successfully and now things will move on. We are also working parallelly with the issues to anchorage to make sure that the coal sourcing and logistics are tied up. There are challenges to this in fact, because as you know all this port areas near Mumbai are overloaded and, therefore, to that extent we want to assure ourselves that for the life of the project we will have the anchorage which is sort of given to us on guarantee basis and then move on to the rest of the planning. So with that in view, while we are working on the land side, we will also make sure that logistics is completely tied up end to end.

Moving on to our efforts on solar. We had earlier announced that we completed our 3 megawatt project comfortably at Munshi. Now we have ordered this 25 megawatt project at Mithapur which is moving on. We had some bit of challenges in terms of making sure that the local soil conditions, etc., are endured. We have sorted out those issues. The work has started on ground. There are some bit of challenges in terms of getting the clearances for dispatch of the material from the foreign soil. Those clearances are being tied up with the Government of Gujarat. We have committed to doing the project by December 2011 and as it seems the rest of the issues fortunately, the other projects could be talking about we do not have, which is the land because a part of the land that we have tied up with Tata Chemicals itself. We have de-risked that part. We have de-risked the part that the material will be in time. Now it is for the beneficiaries to actually make arrangements to tie it locally with their system and make sure that we have the lines and we have the evacuation system in time. We have committed to doing that before December 2011.

On the wind besides the fact that we have already done an aggressive roll-out, additional 100 megawatt capacity is under construction in Maharashtra and Tamil Nadu. Again before the end of this calendar year, December 2011, we will make sure that that gets onto the bar and, therefore, that will continue to make us move aggressively on the wind side and will continue to be making us one of the large contributors to the renewables and to the wind programs.

One point that I wanted to briefly touch which has been the subject of discussion which is with regard to the imported coal issue related to Mundra. While there could be different questions but our company which is CGPL, wrote a communication to the Ministry of Power which was a subject matter of media coverage. I wanted to add that it is a larger issue and it is a larger issue in the sense that when we know that imported coal is an important need in terms of energy security and in terms of meeting the requirements, therefore, I am sure that the concerned authorities would have to deal with imported coal as an issue for both Case 1 evaluation as also for making sure that the power for imported coal is dealt with and is dealt in a manner that is found to be palatable to the entire system of people who generate and the customers who are able to consume it. Now, therefore, what I understand from the communication is that there are issues around as to how this issue will be dealt by the government and the beneficiaries, not just for Mundra at the station but for this to be absorbed in the system is the larger sense of the issue. And once that happens we are hopeful that that type of an agreement or that type of concept will be grandfathered back to the projects which are there today which have to use the imported coal. Now besides this I wanted to bring it to the analyst friend, this concept that this is one part which certainly has to be formed in terms of long-term solution. But as CGPL, as Tata Power, is this the only solution that we are looking for? Well, the answer is that the company is evaluating all options to ensure that in case the solution that is found out is compensating or is dealing with the matter to a particular extent or a part thereof, the company is going to be looking at options of sourcing coal from various other alternative mines which could be low-grade, low cost coal and do pilots at Mundra to make sure that this certifies an efficiency, how could we make sure that we are able to burn the coal effectively and with a better equation than what we will have with the coal that we had tied. And as analyst friends are aware, perhaps we were the only company/CGPL had a complete mirrored tie-up for a particular period of time or a particular quantity and going forward we would have done that so for larger quantities perhaps if the situation on ground would not have changed to the extent that they have changed. So I just wanted to give this overview, keep this in mind while you ask the rest of the questions, let us not repeat this part.

I would request you to now pose your questions.

Moderator

Thank you sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Prakash Goel from ICICI Securities, please go ahead.

Prakash Goel

On a consolidated level the tax rate is as high as 50% and if we adjust for the gain on account of exchange benefit, it is as high as 55%. Is it on account of dividend elimination that has happened at a standalone level while consolidating?

- S Ramakrishnan** There are two factors. One is, the coal companies have done better, the coal tax rate is 45%. Second is, we have commissioned or we plan to commission from wind units this year in the standalone against there is a deferred tax. When we say tax, we have both tax paid and deferred tax provisions.
- Prakash Geol** The dividend you receive on a standalone level from coal SPV, does that get taxed?
- S Ramakrishnan** Yes, it gets taxed at 15% or 16% effectively. Since our results we are at a MAT level. Ultimately the provision for that is at the MAT level.
- Prakash Geol** Is there any other better way of bringing that money back in the balance sheet from the SPV?
- S Ramakrishnan** Not in the P&L, you can get the money back if the return of that loan which also we will do and that will not add to the P&L.
- Prakash Geol** So in that way you could have reduced the tax bill to that effect, the dividend received?
- S Ramakrishnan** No, we could not have reduced the tax rate but that is the return of loan which happens in the balance sheet, it does not come to the P&L.
- Prakash Geol** The second question I had about the Mundra power, basically from the last two quarters including this quarter, you have been mentioning there is impairment test being carried out and no provision is required. Some information we need because when we do the model we find certain negative value come out, the DCF exercise that we do. We want to find out where are we exactly different in terms of the set of assumptions that is being used?
- S Ramakrishnan** First of all the impairment exercise in terms of the period of PPA and hence the coal price which used will not necessarily today's price it is based on the expert view of the long term price also. As you know it is far lower than today's prices.
- Prakash Geol** Would it be possible for you to share what assumptions that we have taken for impairment exercise.
- S Ramakrishnan** We will do so offline. If you reach us we will tell you.
- Moderator** Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.
- Atul Tiwari** What is the commissioning date of Maithon Unit 1 and 2 currently? Should we assume September?
- R. Ramakrishnan** The Unit 1 is expected to start commercial date this particular month end which is what the MD told you.
- Atul Tiwari** The date of Unit 2.

- R. Ramakrishnan** Four months from the date of Unit 1.
- Atul Tiwari** For Mundra, though you gave a description of the Unit 1, but what is the exact date that you are currently expecting for commissioning of the unit 1?
- Anil Sardana** As I explained before that the exact date is not in our hands. We are ready and we are waiting for the connectivity to be available. Unless we have a clear line of sight on 400 KV line to be commissioned which we said that the beneficiaries and powergrid are trying to do their best to get it as soon as possible, the moment that line comes then this process starts because the synchronization has a process in terms of how the unit is rolled out and that is what will begin as soon as the line is available.
- Atul Tiwari** Current expectation is around October 15th?
- Anil Sardana** If it is October 15th, then you can assume that from four months from that you will achieve the COD of the unit.
- Atul Tiwari** On your results in the presentation that you have sent us there is the exchange gain of Rs. 240 crores in CGPL which has been taken in consolidated P&L and then there is an exchange gain in KPC. So in which line items in the consolidated P&L this exchange gain has been included?
- R. Ramakrishnan** There is an exchange gain and loss difference between this quarter and last quarter which is 200 odd crores.
- Atul Tiwari** There is an exchange gain of Rs. 150 crores from CGPL?
- R. Ramakrishnan** This is different. Last year we had an exchange loss of 150 crores odd and this year we have a loss of very nominal 4 crores or something. So when we talk about these two differences that is what we talk as if it is gain, it is not a gain it is a reduced loss from the last quarter.
- Atul Tiwari** The same thing applies to this KPC and Arutmin VAT receivable also.
- R. Ramakrishnan** But there I think it is a positive one if I am not mistaken, compared to a lower one last year.
- Atul Tiwari** Normally this is included in other Income or in some other line item?
- R. Ramakrishnan** It is shown as Forex.
- Atul Tiwari** You have raised this \$450 million at the SPV level, so do you have any use of this money?
- R. Ramakrishnan** We have temporarily used it to repay the non-recourse loans. Rest of the money we are still holding depending upon our business development efforts leading to fruition we will use it appropriately.

- Atul Tiwari** But on this money you are paying around 8.5%, whereas the previous loan I believe was at much lower rates. So this month a very temporary arrangement that you have done but what is the long-term use of this money?
- R. Ramakrishnan** Long-term use that we have always maintained it for the purpose of acquisition of coal resource.
- Atul Tiwari** My final question is again on the coal realization that you have given in this quarter which is around \$72. If I remember correctly in your presentation you have given \$72 for last year, 1Q FY11.
- R. Ramakrishnan** Your \$72 is previous year. This year it is \$94.
- Atul Tiwari** But in your previous conference call you had given \$63 for 1Q FY11, so there has been some grossing or netting of that realization amount? I want to confirm that.
- R. Ramakrishnan** See the amount that we have given to you today is FOB which includes payment of royalty and others. Earlier we used to report net of royalty we are now said that we make it FOB and report. So there is net of freight but not net to royalty. That is what the market pays for and hence to be realistic we have changed our method of reporting to you also.
- Atul Tiwari** My final question is, the same press reports which cited the letter written by Mundra UMPP to Power Ministry, that report had said that there could be all negative impact of Rs. 18 billion on the PAT if you have to pay coal at the current market prices. So is that number roughly in the ballpark?
- R. Ramakrishnan** I think what statement we have made was is very simple. Indonesian regulation has prevented us from obtaining coal at a fixed price with nominal increase. The quantity of coal that we were getting is somewhere in the range of about 2.5 million tons and we have maintained that our loss per tone stands somewhere between \$30 to \$40. That is our statement to analysts we have given to media report.
- Moderator** Thank you. The next question is from the line of Venkatesh B from Citigroup. Please go ahead.
- Venkatesh B** Regarding Mundra and coal mine put together, am I right in saying that your project cost in Mundra is 170 billion and the equity investment in Mundra UMPP is around Rs. 42.5 billion?
- R. Ramakrishnan** Yes.
- Venkatesh B** Now at the time of the acquisition how much equity did you put into the coal mine?
- R. Ramakrishnan** We gave the shareholders funds to the extent of about US\$275 million, 3 million is equity and rest as shareholder loans.

Venkatesh B So it is logical to assume that you would have expected that in your overall investment in Mundra plus the coal mine, you are expecting roughly around say, 13% or 14% equity investment? Would that be a logical way of thinking about the combination?

R. Ramakrishnan When we bid for Mundra we did not have the mines.

Venkatesh B On a related note, around 25% of the quantity you require for Mundra was supposed to come at a fixed price. Now obviously the Indonesian government has said that those low prices are not possible. So you had mentioned in the previous call that maybe our coal will become say, \$35 to \$40 more expensive if this happens.

R. Ramakrishnan I mentioned it in this call also just now.

Venkatesh B Yes, so now at the end of the day you own 30% in Mundra. So if you charge a higher price to Tata Power it is actually like money going from one pocket to the other pocket. So isn't it possible to impress upon the Indonesian Government that 'Okay, I was earlier for hypothetically taking the coal at, say 'x' price, now you are asking me to pay \$40 more. What you are bothered about is basically the royalty which is around 10% to 12%. So why don't you take- on that incremental \$40, I will pay you say, 10% of that \$40 which is around \$4 or \$5, that you paid to the Indonesian Government and that will be the hit which you need to take'. Whereas you anyway have an agreement with Bumi Resources for the coal mine. So why should you be actually asking the Government of India for a pass through for this additional \$40? You can get it done with \$4 or 5\$. Is there anything wrong with this reasoning?

Anil Sardana I appreciate your point. I think what you are saying is something that the Indonesian Government should also understand and decide because they are not dealing with case to case matter first of all. Number two is, all that you are trying to do is trying to assume that as if for every individual case the Indonesian Government will actually sit through and analyze and then say I will make my law of the land for each individual contract differently, number one. Number two, as I told you before, as far as Indian Government representation from CGPL is concerned, we have not asked for anything that we have assume that you compensate me this. I do not know from where have you drawn that input? As I even mentioned today in this call saying that it is a larger issue and I guess the CGPL communication is very clearly saying that we would like to understand as to how this larger issue will be dealt with. Nobody is talking about the fact that you compensate us for that \$30. So I think you are drawing on wrong analogy. We have not asked for it. Please get that communication right.

Venkatesh B Logically what is the question about dealing. For example, let us ignore Tata Power. Let us assume somebody else has bid on a Case 2 or a Case 1 at say, a tariff of Rs. 3 and now he realizes that he needs to import coal at not \$40 but at \$100 and he is going to end up making losses on his contract. But that was a competitive bid at that point in time so why should the government even think about dealing with it?

- Anil Sardana** No, we are not saying neither putting words in the mouth of the government to say whether they should think or not think. So I do not think so that you should worry about that part. We are simply saying it is a larger issue which has to be dealt with.
- Moderator** Thank you. The next question is from the line of Parag Gupta from Morgan Stanley. Please go ahead.
- Parag Gupta** Firstly your analysis presentation talks about right off of deferred exploration costs at the coal asset end. Can you give us little bit more sense on what exactly is this and is this kind of a deferred expenditure that will be coming-in in the quarters going forward as well. So that is one. The second is you also talked about better returns are coming in because of the new MYT regulations. Can you give us some more ideas on what has really changed out there in the Mumbai license area?
- R. Ramakrishnan** The deferred shipping expenditure is as per the accounting principle, but based on job report and the mine plan we expect a certain long-term strip ratio. The actual trip ratio during that particular quarter is higher that the extra expenditure is known as deferred stripping expenditure, hoping that later on there will be lesser trip ratio, that will go on, however, should the long-term mining plan change to a higher trip ratio because either better prices or the constructor, then the differential will have to be re-assessed and some may have to be written off. Some of you may recall that about three years ago we have written-off these deferred stripping expenditure because the mine plan were into deeper pit which we could afford because of better coal prices and hence we are written off. So any deferred shipping is arising out of the accounting factors and the long term mining fund. So it is with that we have made this particular provision. The second question is the MYT regulations in Maharashtra have fallen in line for generation with the CERC regulation on return on equity. So what used to be 14% has now become 15.5%. That is what we have maintained.
- Parag Gupta** How much was the CapEx that you have incurred for transmission and distribution assets in the 1st Quarter and how do you see that for fiscal 2012?
- R. Ramakrishnan** We have incurred about 151 crores of CapEx within generation, transmission, distribution in this quarter and our plan for the financial year is about 1,171 cores.
- Moderator** Thank you. The next question is from the line of Bhavin Vithlani from Enam Securities. Please go ahead.
- Bhavin Vithlani** I have three questions. Could you help us with your deferred tax for the current quarter, number one. Number two, on the NDPL front, there was a certain potential of decline in receivables because of favorable regulatory ruling which we were anticipating. Could you throw more light on that front. And third, we have seen a significant increase in the coal realizations. So if you can help us with your outlook towards the coal given the current situation because Bumi earlier had given guidance with respect of about \$90, but the world has

changed since then, so if you have any outlook on that? In line with the Bumi, you were doing a lot of CapEx to bring down the cost of mining. So could you throw more light on when do you anticipate the CapEx to be over and what is the savings in cost you anticipate on account of that?

R. Ramakrishnan The first question, the deferred tax provision this quarter on standalone result is 55 crores.

Bhavin Vithlani Consolidated basis?

R. Ramakrishnan Consolidated we will give you. The second question you had was on?

Bhavin Vithlani On the NDPL?

R. Ramakrishnan NDPL the tariff order is still awaited and we hope we get it during this month after which only we can tell you at what rate the regulatory dues of our will go down. We expect it may take a fairly long time, maybe seven years or even longer to realize all our dues. However, we will be given interest cost for the same.

The realization of coal, we gave you the numbers. It is \$94 compared to \$72 last year this quarter. We are carrying out certain projects in the coal mines which are more in the nature of transportation, conveyors and in terms of port facilities rather than pure mining and power, which should reduce the cost of coal mining by somewhere about 4\$, though you should not forget that the oil prices are pushing up the cost of coal mines.

Bhavin Vithlani My question was on the outlook of coal prices?

R. Ramakrishnan I am after all a power man, your outlook is as good as mine.

Bhavin Vithlani The deferred tax on a consolidated basis?

R. Ramakrishnan It is same, there is no deferred tax elsewhere.

Moderator Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas Wanted to understand, then this a write-off of 77 crores on provision for deferred exploration cost in Arutmin. Is it that we have not found enough reserves at Arutmin, and therefore, taking a write-off?

R. Ramakrishnan Arutmin had spent a fair amount money in earlier days on certain underground mining activity. Now it has been decided by Arutmin that they will only do open cast mining and not underground. So all expenditure pertaining to underground mining has been written-off.

- Rakesh Vyas** Secondly, taking back to Mundra and coal issue, the media article also highlights that the expected profit was around 600 crores on the investment made at Mundra UNPP whereas the loss is expected to be 18 billion on account of change in coal price. So was this a part of the communication to the Ministry or this is just a number floating around in the media?
- R. Ramakrishnan** Media number.
- Rakesh Vyas** But can you highlight to us when you are doing the impairment test are you looking at the coal price which is significantly below the bid price as well, at the time when you bid?
- R. Ramakrishnan** No, no question about it. The long-term price of coal as is given to us in this particular exercise based on exports after next three years is close to about \$85 for the benchmark so far.
- Rakesh Vyas** Can you highlight to us, I am trying to understand, is it correct to assume that till the benchmark prices are at \$85, the CGPL will not make any loss?
- R. Ramakrishnan** We never said that. We said that on an DCF basis there is no impairment.
- Rakesh Vyas** You were also highlighting that you are trying to test low grade coal, so does that low grade coal also fall under the new Indonesian regulation on the price benchmark, or are you looking at other sources apart from Indonesia?
- R. Ramakrishnan** Indonesian price regulation covers all coal.
- Rakesh Vyas** But your source for this low grade would be....
- R. Ramakrishnan** The statement made by Mr. Sardana is technical in nature. If we can burn low coal without losing too much efficiency, low CV coal, that is a fair amount available in the world, then we need to source it from whoever we believe is more profitable.
- Rakesh Vyas** Your impairment test does not account for this variation?
- R. Ramakrishnan** No.
- Moderator** Thank you. The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.
- Abhishek Puri** On Mundra- as we are very close to commissioning now have we calculated the new tariff for the first year and second year as per the CERC escalation rates now?
- R. Ramakrishnan** We will have to give it to you. We will get it from Ramesh. Though, of course, CERC will announce in September, the rate what will apply to us but still we will take a guess on that and give you.

- Abhishek Puri** One of the discrepancies which I found in the consolidated results which are being shared, the coal processing charges have increased from 419 crores to 565 crores, so which is an increase of 145 crores. Whereas I think in next year given coal processing charges are higher by 46 crores due to increasing costs. So wanted to understand what is this 46 crores?
- R. Ramakrishnan** You proceed we will answer that.
- Abhishek Puri** On NDPL, we have had higher taxes in NDPL due to higher profits, but has there been any increase in tariff or these are currently provisional tariffs that we are taking?
- R. Ramakrishnan** The entire power sector in India still accounts on the accrual basis. So we account for income yet to be passed in the tariff but we are entitled
- Anil Sardana** Sorry that is 146, not 46. So just correct your copy.
- Abhishek Puri** On NDPL what is the current debt level and the net worth, if you can share with us?
- R. Ramakrishnan** NDPL is 2,921. We have equity which is 552. Networth, we will mail it to you.
- Abhishek Puri** The debt has increased by almost 500 crore from March 2011?
- R. Ramakrishnan** Yes the debt increase is somewhere around 100 to 120 crores every month because of the regulatory.
- Abhishek Puri** These are all short-term debts?
- R. Ramakrishnan** This is a combination. One I gave you includes both long-term and short-term.
- Moderator** Thank you. The next question is from the line of Pritesh Vora. Please go ahead.
- Pritesh Vora** Can you little bit explain what is this larger issue with respect to what you have written to Ministry with respect to Mundra, because that will effect all the competitive bidding contracts?
- Anil Sardana** Since you want to really discuss that we can appreciate it if you can come over because the reason just in the beginning because I knew most of the people will be anxious to ask. And it will be good to....
- Pritesh Vora** This question is being repeated so if you can...
- Anil Sardana** The larger issue is that the country needs close to 100 million tons of imported coal to really meet its energy security. There is an issue of getting these projects on line where the developers will be able survive out of these projects and the consumer will have clarity in terms of how he has to consume that. So, therefore, we are saying the larger issue is how

would you deal with the imported coal as an issue when the carbon prices will keep changing from time to time. That is the larger issue.

Pritesh Vora But if I am not wrong, this contract was written with \$85 fuel index. So if the coal price increases.

Anil Sardana I thought you were asking about the larger issue and not this contract.

Pritesh Vora Yes, so it is linked with the issue, right?

Anil Sardana If you are wanting to talk about Mundra, we have said very clearly. As far as CGPL is concerned their communication has asked the government to say, we would want to have discussion as to how you would deal this issue in the long-term. That's it, we have not said anything else beyond that.

Pritesh Vora I have not followed. Just for my analysis. Is this contract linked with the fuel index or it is independent of fuel index?

Anil Sardana Which fuel index are you talking?

R. Ramakrishnan Our bids is on the basis that any change in coal price 45% of our fuel will also be indexed upwards in the same way, 55% of the fuel cost will remain same. Whether it is \$85 or \$120 or \$46, is all....

Pritesh Vora It is that 55 which is....

R. Ramakrishnan If you are asking for contract, that is our contract.

Moderator Thank you. The next question is from the line of Nikhil Salvi from IDFC Securities. Please go ahead.

Nikhil Salvi If you could highlight the quantum of power purchase during the quarter?

R. Ramakrishnan The 247 MUs compared to 345 last year. Last year the entire generation capacity power was not available for us, this year it is available. So in spite of increasing distribution load on us we have purchased less power.

Nikhil Salvi Second, related to your Mumbai distribution business. The regulator has recently proposed levying surcharge on customers who have migrated from Reliance Infra to your network and still continue to be on the wires of Reliance Infra. So would you believe that this would significantly reduce the price differential and hence the incentive for somebody to switch?

S. Padmanabhan As of now the actual quantum of cross subsidy surcharge has not been given. So without that it is very difficult to say what would be the difference. Yes, the different would come down. If

the surcharge is 10 paise then the differences comes down by 10 paise. But we do not know and the regulatory orders does not deal with the actual quantum of surcharge and I understand and I believe that during the MYT tariff discussion this should be addressed.

- Nikhil Salvi** Lastly, by when do we expect the tariff for FY12 to be finalized?
- S. Padmanabhan** Currently we have filed the annual performance review for the year FY10-11. That will be the first discussion and after that I think the MYT discussion will start. So I cannot give a time frame. It is up to the regulator.
- Moderator** Thank you. The next question is from the line of Darshan Dodhia from ICICI Direct. Please go ahead.
- Darshan Dodhia** Wanted to know the regulated equity in Mumbai generation, transmission and distribution as of in Q1 FY12?
- R. Ramakrishnan** The regulated equity as of Quarter 1 is 1,455 generation, 570 transmission, 252 distribution.
- Darshan Dodhia** In NDPL, now since there is an increase of 1.5% in MYT for Mumbai, is there a similar increase for NDPL as well or that asset will continue to.....
- R. Ramakrishnan** NDPL, first of all this increase is we are talking about is for our CRPs for generation and transmission. The MYT of Delhi came in three years ago. The distribution entities are already getting 15%.
- Darshan Dodhia** What is the CapEx for Bumi in CY12 and 2013?
- R. Ramakrishnan** There are two places where the CapEx is incurred. One is incurred by the coal company themselves which are basically funded through leasing arrangement, they are not paid off. Other is incurred through infrastructure companies again owned by the very same share holders which are being funded through a nominal equity and a bank borrowing. If you are interested in those details we will mail you separately, we do not have it ready.
- Moderator** Thank you. The next question is from the line of Shubhadeep Mitra from Edelweiss. Please go ahead.
- Shubhadeep Mitra** My question was with regard to the deferred tax provisioning that we have done. The 55 crores, is it entirely towards the wind asset?
- R. Ramakrishnan** Substantially towards the wind asset and other assets also will be capitalized. It is a mix because the tax depreciation for wind is very high in the first year. That is why I just said wind. Every other capitalization about which we talked about, capital expenditure, to the extent they are capitalized will lead to deferred tax.

- Shubhadeep Mitra** I understand that the rate in this particular quarter is abnormally high because of the deferred tax due to the wind assets, so is it possible to know....?
- R. Ramakrishnan** Not this quarter, this financial year. See the tax deferred the way we do, whatever the percentage of anything that happens during the year assessment, being applied for every quarter...
- Shubhadeep Mitra** Would it be prudent to assume that we can look at this kind of higher deferred taxation in the subsequent quarters as well?
- R. Ramakrishnan** It is a similar percentage unless there is some change in our judgment of estimates of capital commitment. It will run the similar percentage wise for the rest of the quarter.
- Shubhadeep Mitra** The reason why I am searching on this point is I was trying to understand what is the quantum of deferred tax just due to the wind assets because that would be the recurring part.
- R. Ramakrishnan** Not necessary because wind we do not commission every year. This year we have fairly substantial capital expenditure of probably upwards of 500 crores and it can be even as high as 800. So we have orders for 150 megawatt, how much we commission we will see. It is our judgment that it can be anywhere from 500 to 800 crores, percentage of it is a tax depreciation and the book depreciation is hardly at 7% or so. So you can now work out the deferred tax.
- Shubhadeep Mitra** Secondly the wind capacity that we are looking at commissioning in the current fiscal is around 100 megawatts, did I get that right?
- R. Ramakrishnan** That's right.
- Shubhadeep Mitra** Lastly, with regard to our pipeline projects, the Dehrand, Tubed, and Mandakini linked projects, by when are we looking at having financial closure for these projects?
- R. Ramakrishnan** As soon as we have investment approval. First of all it has to go through investment approval, then it will come for financial closure. Investment approval we will take only after the basic issues of land and some of the issues which Mr. Sardana had described.
- Shubhadeep Mitra** So we would still be looking at at least six to eight months before we go for investment approval?
- Anil Sardana** Since you mentioned Tubed and Mandakini linked it is not covered in the first one, but just wanted to tell you very quickly that there are projects in eastern region particularly which are moving ahead which we did not talk, and thanks for reminding. Kalinganagar is a project that is moving very fast and there the investment approvals, etc., will happen within this financial year including the part that you mentioned financial closure. This will have three sets of capacities. There will be a capacity of close to about 225 megawatts which will be on production gas basis which is going to be very fast track and you would see the commissioning

of that project in the next close to about 28 months completely. And then we will have the second track project which is going to be actually getting consumed mostly by the steel plant which is going to come. And as you know that Tata Steel has plans to produce progressively from 6 million tons to 10 million tons there, so therefore, progressively they will consume close to about from 450 megawatts upwards up to 600 megawatts, at that capacity. And there will be a third part which will link to Mandakini on coal that we will have in that part of the system which will be additional capacity that we will unfurl as we move along. So that is one part. On the Tubed side, the good news is I think that is the only mine in the Jharkhand side which has got its environmental clearance and is moving ahead very quickly.

Shubhadeep Mitra

So we can assume that at least these two projects would come for investment approval very soon?

Anil Sardana

Yes. And there is another project in the eastern region that we are hopeful about, based on our initial parlance that we have been able to progressively receive from authorities, which is the Maithon Phase II. There we are working towards adding 2 x 660 megawatts units very quickly because land is available, balance of plant is available, evacuation is available, water is available and we have moved ahead with the various procedural approvals that we are able to fetch through. So, therefore, that is another one which we are moving ahead very quickly.

Moderator

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

Abhishek Tyagi

Just two questions on Maithon project. The COD will happen in September for the first unit, but I think your PPA starts from April 12 for this project. So what are the interim plans for selling this power?

R. Ramakrishnan

We have a contract with the Delhi distribution for about 300 megawatts and we are committed to give from day one, 150 megawatts to DVC. Frankly the unit one is you can say, almost sold off.

Abhishek Tyagi

The second unit, will we have couple of months there as well?

R. Ramakrishnan

Yes, that is something that once we get a grip on the commissioning commercial date, then we will have to finalize the plans.

Abhishek Tyagi

But the transmission infrastructure is in place for both?

Anil Sardana

That's correct.

Moderator

Thank you. That was the last question. I would like to hand the floor over to Mr. Anil Sardana for any closing comments.

Anil Sardana

Thanks once again, if others have any more questions they can send us a mail or they can approach our team members and we will be happy to answer their questions and hopefully we

have provided clarity. If you still have some anxieties and supplementary questions do send us the details and we will be happy to respond.

Moderator

Thank you. Ladies and gentlemen on behalf of Tata Power that concludes the conference. Thank you for joining us.