



TATA POWER
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“TATA Power Q4 FY11 & Year-End Results Conference Call”

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MODERATORS **MR. S. RAMAKRISHNAN – EXECUTIVE DIRECTOR,
FINANCE, TATA POWER**
**MR. S. PADMANABHAN – EXECUTIVE DIRECTOR,
OPERATIONS, TATA POWER**

Moderator:

Ladies and gentlemen, welcome to the Q4 FY11 and the Year-End Results Conference Call of TATA Power. Joining us on the call today from TATA Power are Mr. S. Ramakrishnan, Executive Director, Finance and Mr. S. Padmanabhan, Executive Director, Operations. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. S. Ramakrishnan. Thank you. And over to you, sir.

S. Ramakrishnan:

Good afternoon. We are pleased to welcome you to the analyst call for FY11 standalone and consolidated results for TATA Power. A line by line explanation of our financial statements has already been circulated to you. We take questions on the results after my briefing regarding the key highlights. The 120 MW domestic coal-based Unit 5 plant in Jojobera owned by IEL was commissioned in March 2011. Power generated from this unit is being sold to Tata Steel. A consortium comprising TATA Power and SN Power Norway bagged the "236 MW Dugar Hydro Electric Project" in Chenab Valley, Himachal Pradesh. The 3 MW Mulshi solar power plant was commissioned in March 2011. Our Strategic Electronics Division (SED) has been awarded the prestigious order to modernize the Airfield Infrastructure of Indian Air Force (IAF) by the Ministry of Defense (MoD). The 1094 crores contract was won through competitive bidding. TATA Power's wholly-owned subsidiary Bhira Investments Limited priced at \$450 million 60-year hybrid capital security offering guaranteed by TATA Power in April 2011 at 8.5% per annum payable semi-annually.

Sub-division of each equity share for face value of Rs. 10X10 shares of rupees one each has been recommended by the Board to the shareholders for their approval. CRISIL has reaffirmed 'AA/Positive/P1+' and ICRA reaffirmed 'LAA and A1+' rating assigned for TATA Power Non-Convertible Debenture program and Short-Term Debt program. In this quarter we have also seen improved realization on coal.

Coming to key projects, first we talk about CGPL Mundra Ultra Mega Power Plant. The Mundra project has progressed over 80% on an overall basis. Unit 1 boiler light-up was done in March 2011 and steam blowing is in advanced stage of completion. Sea water intake channel is fully charged and C.W. pump for Unit 1 commissioned. Coal unloading and handling facilities at port are commissioned and the first coal shipment was unloaded in March 2011. Commissioning activity for balance coal handling system are progressing as scheduled. Erection at 400 kV switchyard is completed for Unit 1 and testing for the equipment is in progress. Power evacuation system for Unit 1 is delayed due to forest and land issues. PGCIL is making all efforts necessary to commission it on time. Turbine generation building and main control room building construction is nearing completion; common balance of plant is progressing as per plan. Unit 1 is expected to be ready for commissioning in September 2011. Unit 2 boiler hydro test is complete and chemical cleaning is planned to start in May 2011. Unit

3 boiler hydro test was completed in March 2011 Turbine, generator erection is in progress. Construction of remaining Unit 4 and 5 is progressing as per schedule.

Coming to the Maithon project, Maithon project is 95% complete on an overall basis. Unit 1 oil synchronization was successfully completed in March 2011. Maithon has been awarded a short-medium term sale of 309 MW to Delhi on competitive bid basis. PPAs have been signed with NDPL for 154.5 MW and BRPL for 154.5 MW. PPA from NDPL started in April for which power has been supplied through power purchases. Long-term PPA for Maithon begin in April 2012. Work is in progress for power evacuation lines at Maithon and Ranchi. Due to storm, two PGCIL towers of Maithon were affected and they are being reconstructed at this point. Connection agreement has been signed with PGCIL. Fuel supply agreement was signed with Bharat Coking Coal for 1.659 million tonnes per annum. Coal Offtake Agreement has been signed with Tata Steel of up to 1 million tonne per annum. Phase I of Railway siding is expected to be completed by December 2011, till then the coal will be transported by road for which contract for coal transportation has been signed. Unit 1 is expected to be commissioned in June 2011. Unit 2 is expected to commission around four months after Unit 1. CCL has issued letter of assurance for 1.975 million tonnes per annum coal for Unit 2. Final FSA will be signed on commissioning of Unit 2.

Dagachhu hydro project, civil works are in progress. Excavation for main access tunnel and auxiliary channel has been completed at power house side, construction of upstream cofferdam is completed. Commissioning is for the project is targeted for 2013. Dehrand - All statutory clearances for commencement of initial phase of 1600 MW at capacity are in place. Acquisition of land is progressing peacefully. We are working on optimizing various design parameters, economic options for coal sourcing and logistics are under evaluation. The plant is expected to be commissioned within four years on completion of the land acquisition. Mithapur solar project, orders have been placed for development of solar field and balance of plant. Site leveling work is in progress. Commissioning of this plant is expected in December 2011. 105 MW of wind capacity is under construction in Maharashtra and Tamil Nadu. Commissioning is expected in phases over December 2011 to March 2012.

The financial performance slides had already been sent to you. So we are now ready for questions and answers on the financial performance of the company.

Moderator: Sure sir, thank you very much. We will now begin the question and answer session. The first question is from Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Yes, sir, my question is on Bumi Coal Mines. Sir, what was the production and sales volume in ASP in fourth quarter in FY11 and the corresponding number for last year?

S. Ramakrishnan: The production in Q4 FY11 was about 13 million, down compared to a 15 million production in the previous year.

- Atul Tiwari:** Okay sir and sales volume?
- S. Ramakrishnan:** Sales volume also roughly about 14 million this quarter compared to about 16 million last year.
- Atul Tiwari:** Selling price?
- S. Ramakrishnan:** Realizations are higher this year by about \$15.
- Atul Tiwari:** Okay. So that would be around \$75 or \$80 roughly or more than that?
- S. Ramakrishnan:** I am sorry, it is higher by \$25 compared to last year, and it is running around \$87 at this point of time.
- Atul Tiwari:** Okay. And sir, about Maithon project, what is the contracted PPA rate?
- S. Ramakrishnan:** You are talking about the Delhi I?
- Atul Tiwari:** The Delhi one, the short-term sale you are doing.
- S. Ramakrishnan:** I believe the rate is Rs. 3.45.
- Atul Tiwari:** And how long this contract will be in force?
- S. Ramakrishnan:** For NDPL it is there till March 2012, after which all the long-term contracts kick in from 1st April 2012.
- S. Padmanabhan:** That will be on a CERC basis.
- Atul Tiwari:** Okay. And NDPL is around 160 MW you told, right?
- S. Ramakrishnan:** 154.5 or something like that.
- Atul Tiwari:** Okay. And the remaining one? Because....
- S. Ramakrishnan:** See, the long-term contracts roughly we had originally planned at about 300 go to Delhi, 300 go to DVC, West Bengal is 150 and the remaining we had offered to Punjab, Punjab regulators had some queries, so now we are debating whether we should offer a part of the capacity to Jharkhand. But all these are from 1st of April 2012 until then they are available for us to sell as we deem fit.
- Atul Tiwari:** Okay. Sir, till the third quarter of this year, in your consolidated results, you were giving a line item called royalty towards coal mining, but when we saw your presentation for the FY11 results, that line item is not there. So can you give us that number for the full year FY11 royalty towards coal mining in the...

- S. Ramakrishnan:** Actually, if you read notes to my accounts, there is one note regarding VAT and royalty, which I am sure gives you the figure that you are looking for.
- Atul Tiwari** And sir, finally for Mundra project, because we are very close to commissioning, you will be getting 25% of the total coal volume at fixed prices for five years, right?
- S. Ramakrishnan:** Yeah.
- Atul Tiwari:** Sir, because we had heard that Bumi was asking for a higher rate. Now is there any truth to it and has the fixed price...
- S. Ramakrishnan:** See, there is a minimum price obligation set by the government for any contract and they had allowed a one year transition period within which the long-term contract are supposed to fall in line. This period perhaps start from 1st of October. However, we have been representing to the government that this is not a pure trading arrangement, it is an integrated investment cum trading arrangement and we will have to wait the outcome of that representation.
- Atul Tiwari:** Okay. Now if it is under that minimum price, what would be the price then? If it is based on Indonesian government's minimum price, what would be the level at which TATA Power will get coal at, at that minimum price?
- S. Ramakrishnan:** I do not off-hand know the exact number. We may have to pay \$25-30 per tonne more.
- Atul Tiwari:** Okay. Vis-à-vis say \$35-40 as of now?
- S. Ramakrishnan:** I do not know what it is now but I have given you the extra burden.
- Moderator:** Thank you. The next question is from Abhishek Puri from JM Financial. Please go ahead.
- Abhishek Puri:** Just one of the query on the Mumbai license area. If we deduct the generation component from the sales would we get the outsourced energy that we bought?
- S. Ramakrishnan:** We can give you the energy that we bought so that you do not have to go through the trouble. My colleague, Mr. Padmanabhan will give you the extent of the external power purchase at our distribution in Mumbai but you must remember that last year we were not permitted to use our own capacity. From 1st of April, all our capacity is available for us.
- S. Padmanabhan:** For the full year FY11, we purchased 1,510 million units from our site and for the quarter we purchased 442 million units.
- Abhishek Puri:** Secondly, if I may ask on the merchant sales on the Unit 8 Trombay were lower than last year. Any specific reasons for that?
- S. Ramakrishnan:** For the quarter or the year?

- Abhishek Puri:** For the quarter. I guess it is about 138 MUs with 162 MUs.
- S. Padmanabhan:** For the quarter we had 138 MUs compared to 162 MUs last year. We had two unplanned outages in Unit 8 during the current quarter and that is the main reason for the 24 million units drop.
- Abhishek Puri:** The reasons for unplanned outage?
- S. Padmanabhan:** No, we had unplanned outage, there was a problem with the cooling water pump and for the full year we had sales of 608 million units compared to 473 million units last year.
- Abhishek Puri:** Okay. And if I may ask the last question, the difference between the merchant rates for Unit 8 and Haldia, is about Rs. 1.70 per unit.
- S. Padmanabhan:** The realization for Unit 8 for the current year is around Rs. 5 per unit. And for Haldia it is about Rs. 3.60 per unit.
- Abhishek Puri:** Yeah, basically, for the fourth quarter, what you have given in the presentation 5.08 and Haldia 3.38. There is a huge differential of 1.70. Anything...
- S. Ramakrishnan:** You must remember Mumbai has transmission constraints. So during the peak hours you can realize better rates in Mumbai because you do not have the external power competition whereas in other hours you have, the Eastern region is fully exposed from it.
- S. Padmanabhan:** That is one thing. Secondly, the power has to be wheeled from Haldia which is the generation centre in the East to the load center which is typically in the west or in the north. So to that 3.38 paise, the customer has to add in, the buyer has to add an additional transmission cost which works out about a rupee.
- Abhishek Puri:** And just last thing if you can tell me the cash cost at the coal assets level in the fourth quarter?
- S. Ramakrishnan:** The cash costs have sort of gone up, \$41. This is not cash cost, this excludes deferred shipping costs. Maybe there is a small deferred shipping also in. Cash costs will be higher by a couple of dollars.
- Moderator:** Thank you. The next question is from Bhavin Vithlani from Enam Securities. Please go ahead.
- Bhavin Vithlani:** Could you help me with the fuel cost for the year for Mumbai merchant and the Haldia?
- S. Padmanabhan:** The total fuel cost for the entire company for the full year is 3,486 crores.
- Bhavin Vithlani:** My question is the fuel cost Rs. Per kWh. For Mumbai unit 8 merchant and Haldia.

- S. Ramakrishnan:** Full cost is about Rs. 4 which means variable cost between Rs. 2.70 or so whereas in Haldia, the variable cost is hardly slightly above a rupee. .
- Bhavin Vithlani:** Okay. In the recent presentation which is on your web site you have highlighted about Rs. 21-odd billion of CapEx on Mumbai operations. Could you guide us for the likely commissioning timelines?
- S. Ramakrishnan:** The different segments are being commissioned during different years. A significant part will be commissioned this year and next year.
- Bhavin Vithlani:** Okay. A ballpark percentage would also help.
- S. Ramakrishnan:** 60-40.
- Bhavin Vithlani:** Okay. And any other plans for CapEx for Mumbai distribution business?
- S. Padmanabhan:** The total distribution CapEx for FY11 is 185 crores and for generation it is about 98 crores and transmission is 215 crores. Totally comes to about 499 crores.
- Bhavin Vithlani:** Okay. Sir, could you help us with the regulated equity as on March 11 for the entities?
- S. Ramakrishnan:** The regulated equity I have told is generation is 1442, transmission is 560, distribution is 222.
- Moderator:** Thank you. The next question is from Darshan Dodhia from ICICI Securities. Please go ahead.
- Darshan Dodhia:** Sir, what is the amount invested in Maithon debt as well as equity as of 31st March 2011?
- S. Ramakrishnan:** The Maithon total debt is 2420, equity is 1163 and we hold 74% on that.
- Darshan Dodhia:** Okay. And in Mundra power project?
- S. Ramakrishnan:** 8134 is the debt, 3172 is equity, and we own 100%.
- Darshan Dodhia:** Sir, what is the consolidated cash and debt on the books as of 31st March 2011?
- S. Ramakrishnan:** Consolidated cash is 2346 crores, consolidated debt is 24762 crores.
- Darshan Dodhia:** Sir, in terms of if I can get a Maithon breakup as to 1050 MW, if you can break it up as to how much you are selling on a regulated basis for one year and how much you expect to sell in the short-term market?
- S. Ramakrishnan:** See, this year, we are committed to sell 300 MW to NDPL. We have to sell 150 MW per unit to DVC and the rest is available but please keep in mind that the Unit 1 is coming in June, Unit 2 is coming four months later. So you will have to work out the weighted average.

- Darshan Dodhia:** Fine, sir, thank you, sir. I will come back to you, sir.
- Moderator:** Thank you. The next question is from Jeff Evans from Macquarie. Please go ahead.
- Jeff Evans:** I am trying to clarify the realization for coal for this quarter.
- S. Ramakrishnan:** Yeah, we will give it to you, I think it is \$87.4 per tonne.
- Jeff Evans:** There was a massive increase from last quarter, is it not?
- S. Ramakrishnan:** The increase compared to last year by about \$25.
- Jeff Evans:** Even Q3 I think there is an increase, I think there was 70 from regulation and \$75, what this quarter has driven high realization.
- S. Ramakrishnan:** I do not have an answer for that. I need to get back to you. I have the figure, I do not have the answer.
- Jeff Evans:** Just still on the coal, can you give a breakup of debt in cash and SPV?
- S. Ramakrishnan:** The debt on the SPV level, I believe the closing debt as of 31st March is \$587.76 million. You asked the two information, one, what is the other one?
- Jeff Evans:** One debt, one cash?
- S. Ramakrishnan:** Cash on hand is 72.19 million as of 31st March 2011.
- Jeff Evans:** Wonderful. And just lastly on the coal assets. You guys have gotten full annual CapEx so what about the CapEx for the SPV, how much do you expect to put in?
- S. Ramakrishnan:** We do not expect to put in any money from the SPV into the coal company. And the coal company's CapEx, you will have to wait for Bumi's announcement, we are bound by some confidentiality arrangements between the two.
- Jeff Evans:** Sure. Sorry I have one last question. Just on the deferred shipping cost. I think it is 362 crores for the year. For the first three quarters it was 250 crores. What is this quarter in the Q4 has really driven, I guess, that write-back for deferred shipping cost?
- S. Ramakrishnan:** Come again. I am not....
- Jeff Evans:** The deferred shipping cost, can you explain why that was minus 100 in the fourth quarter, how come that has increased?

- S. Ramakrishnan:** See, we have worked on based on the actual digging that has been done what the mine is Typically, whenever there is a rain, please understand we move more over and produce less of coal. We are bound to add where there is rain this on to the deferred shipping cost. Because during the rainy time we work above the surface and away from the pit, so typically the actual stripping ratios in terms of what work we have done tends to be higher than the long-term plan.
- Jeff Evans:** So if I were to assume whether improved in FY12, I would expect not such a large write-back in FY12 on deferred stripping?
- S. Ramakrishnan:** Function of rains and function of whether we do another reserve statement which is a long-term strip ratios need to be reset.
- Moderator:** Thank you. The next question is from Sumit Kishor from JP Morgan. Please go ahead.
- Shilpa:** Hi, this is Shilpa from JP Morgan. I had two related questions. The first one is regarding your Delhi distribution. We are hearing Reliance Infrastructure management saying they are facing liquidity and solvency issues out there.
- S. Ramakrishnan:** That is what we read in the papers.
- Shilpa:** Yeah, are you facing similar issues as indicated, my question?
- S. Ramakrishnan:** We are facing issues with similar nature but we are managing it.
- Shilpa:** I see, okay. A related question is given what you are seeing in the electricity distribution in India as a whole, are you convinced that it make sense to commit investments in electricity distribution?
- S. Ramakrishnan:** I thought we are discussing the results, madam.
- Shilpa:** Sorry.
- S. Padmanabhan:** Are you referring to the huge losses that the State Electricity Boards are having at the moment?
- Shilpa:** Exactly. Hearing that distribution companies are not able to pass on increases in tariffs, they have to take the burden on their balance sheet and so on, are you convinced that you are doing the right thing by having electricity distribution?
- S. Padmanabhan:** One matter of fact is what we just discussed that across the country there is an accumulated loss of close to 60,000 crores to 70,000 crores from all the State Electricity Board that is one issue. The second factor is we are operating in two distribution circle; one in Delhi and one in Mumbai. In the case of Mumbai, the tariff adjustments have been consistently happening year-on-year and the receivables to that extent is not very high. But in Delhi, yes, there has been two,

three years of no tariff increase. We have represented it to the Delhi Electricity Regulatory Commission and what we understand is in the month of July there would be a new tariff that would be announced, that would mitigate the problem that we have right now.

Shilpa: Okay, got it. Sorry to press this further. But you are also investing more in Mumbai Electricity Distribution. We have had issues where Reliance Infrastructure has not been able to pass on all the tariff increases corresponding to the cost increase that it had seen. So it is not that they have been absent in Mumbai.

S. Padmanabhan: In the case of Mumbai for TATA Power the tariff increases over the last three years has been more or less very similar to what we had asked the regulator for. Our issue is only today as of now in NDPL and Delhi.

S. Ramakrishnan: In any regulated business will have certain periods of difficulties, but you need to look at from a long-term point of view. From a long-term point of view, I do not believe that the regulators either in Mumbai or Delhi have denied us genuine reimbursement of cost. That is the only statement I can make. There are hiccups here and there but that is a part of the regulated business, you take fertilizers, for example, probably even airports in Delhi and Mumbai, everywhere it is a part of that business that you cannot have an one-to-one cash flow matching, there are sometimes the cash flow get stuck a bit but ultimately you recover all the costs associated with the operations and make profit. And unless you invest capital you cannot make profit. That is the way the regulated business is.

Moderator: Thank you. The next question is from Abhishek Puri from JM Financial. Please go ahead.

Abhishek Puri: This is one of the follow-up queries on NDPL. We were going through the staff papers put up on DERC web site, I think the company is projecting 4500 crores of under recoveries in the year of FY12...

S. Ramakrishnan: If no tariff increase is given.

Abhishek Puri: That is right. I think till FY11, it is actually 2600 crores and in the accounting our profitability is increasing, so are we accounting for reasonable tariff hikes in the numbers per se?

S. Ramakrishnan: No, see, the way the regulatory accounting happens is whatever the reimbursements that we are supposed to get from future tariff is also accounted as income from an accrual accounting concept. So when you read our profits, you also have read our current assets. Current assets show apart from what customers give us or yet to give us, it also shows what the regulatory future tariff from where we are supposed to get. We do account it as profit because as per the act we are entitled to all these sums of money. The question is when we are getting it?

Abhishek Puri: If you can let us know the debt level and cash level at NDPL?

- S. Ramakrishnan:** Can we mail it to you?
- Abhishek Puri:** Yeah, sure. One of the questions in the Mumbai license area, I think the Reliance Infrastructure circle is up for bidding and we have not seen your application in the bidding, any reasons for that?
- S. Padmanabhan:** TATA Power already has the full license for the entire Mumbai area.
- Abhishek Puri:** But the assets are owned by Reliance Infra at this point in time and we are giving them the wheeling charges?
- S. Ramakrishnan:** Bidding is not for the asset.
- S. Padmanabhan:** Bidding is for the license.
- Abhishek Puri:** But the assets would come along with the license, if I am not mistaken?
- S. Padmanabhan:** That is one of the things that everybody has asked the regulator to respond to as to how the value of the assets would be done and how the asset would be transferred in case there is a new licensee coming into the picture.
- Abhishek Puri:** Okay. And the license that we have is expiring in August 14th?
- S. Padmanabhan:** That is right.
- Abhishek Puri:** As per the terms and conditions do we have an optionality to extend it further or we will have to rebid like Reliance Infra is doing?
- S. Ramakrishnan:** Our licenses are identical so we are waiting to see the process of where ultimately the Reliance end. We see no reason why the process should be any different for us.
- Abhishek Puri:** In that light, we are spending about 98 crores in the MLA distribution side. What is the mechanism of recovering that cost or is it given back free of cost to the MSEDCL and all or what...?
- S. Ramakrishnan:** It is not given free of cost. Asset continues to belong to us. We can offer it to anybody who has the license at that time. It can be our own or whoever else.
- Abhishek Puri:** And that asset valuation would be done by an independent valuer set up by MERC...?
- S. Ramakrishnan:** I will answer you once the Reliance license is complete.

S. Padmanabhan: In fact, that is the issue that is open right now. In case, there is a new licensee, how would the transfer of assets take place, how would the regulated assets be valued, there are quite a lot of issues that are not clear at this stage.

Abhishek Puri: And sir, regarding your full year tax rate on standalone basis, it seems to be a bit on the lower side....

S. Ramakrishnan: There are three reasons for the low. I think our analyst thing that is posted, one is we have a higher dividend from subsidiaries as part of our total profits. These are not subject to MAT. Two, we have 54 crores MAT credit that we have taken this year which has reduced the tax. And three, last year, we commissioned wind units which lead to high deferred tax provision, whereas this year we do not have such a commissioning of wind which claim huge tax depreciation which leads to deferred tax. These are the three reasons for the overall tax to be lower compared to the declared results.

Moderator: Thank you. The next question is from Rajesh Panjwani from CLSA. Please go ahead.

Rajesh Panjwani: I joined the call a bit late, so you may have already answered it. My question is the same one regarding there have been some talk of....

S. Ramakrishnan: You missed that answer. For your benefit I will give it to you. The Offtake Agreement which has a fixed price or fixed price with normal escalation, is also subject to the minimum price requirement from the export point of view of the government and the transition period of one year was given that ends in September. We are discussing with government to say that this agreement is not a pure trading agreement. It is an Integrated Investment cum Offtake Agreement. And hence, they should relook at that for our agreement. So we will know only when that whole representation decision is finally taken.

Rajesh Panjwani: Okay. This is basically ruling which impacts any exports outside Indonesia and....

S. Ramakrishnan: In fact, it affects all transaction including domestic transaction, Rajesh. Not only exports.

Rajesh Panjwani: Okay. So as of now, the way the things stand right now your fixed amount we were suppose to get at fixed price that is impacted but what you are trying to do is you have made a representation and you are trying to make a case....

S. Ramakrishnan: We are making a representation to say this is not a pure trading Offtake Agreement, it is an Integrated Investment Cum Trading Agreement arrangement that we have. Let us see where it leads to. I am not guessing the outcome.

Rajesh Panjwani: Okay. When should we know what the outcome is?

S. Ramakrishnan: We always keep you informed every quarter you are up on a call with us.

- Rajesh Panjwani:** Okay. And what would be the financial impact if like....
- S. Ramakrishnan:** Somebody asked the question. I have not done the exact calculation. Probably about \$30 to \$35 in that.
- Rajesh Panjwani:** Okay. And this is on 3 million tonne, right?
- S. Ramakrishnan:** This is I think 2.6 or something like that.
- Moderator:** Thank you. The next question is from Bhavin Vithlani from Enam Securities. Please go ahead.
- Bhavin Vithlani:** Sir, I have some follow-up questions on the NDPL. Could you give us the regulated activity as on March 11 and going forward, how do you perceive the incentives to come across.
- S. Ramakrishnan:** The regulated equity in '11 is 833, incentives we earned is 95 crores and the last three years incentive average is about 70 crores or so.
- Bhavin Vithlani:** Going forward as....
- S. Ramakrishnan:** Going forward, incentives are going to be tougher and tougher because you know that you cannot keep on reducing the AT&C loss.
- Bhavin Vithlani:** But then we have seen certain players like Torrent coming to single digit loss level, so, could we target to come in that level and so that the incentive levels could be maintained at these levels?
- S. Ramakrishnan:** I never said we would not reduce. I only say it is tougher and tougher. The same reduction is not easy.
- Bhavin Vithlani:** Okay. And what would be the CapEx in NDPL going forward?
- S. Ramakrishnan:** I do not have it off hand. Probably in the range of about 1200 crores a year, but I can ask my team to send you.
- Bhavin Vithlani:** Okay. And what is the percentage increase in tariff you are anticipating with the current ARR being approved?
- S. Ramakrishnan:** Your guess is as good as mine but we believe that we expect any increase in tariff exceeding 25% is a bit unrealistic and hence all the regulatory backdrop we may not be able to recover immediately in one year probably it will take three to five years is our judgment at this point of time. But we need to see because the regulator has not even started having public hearing and others on the regulatory submissions that we have made.
- Moderator:** Thank you. The next question is from Jayshree Gupta from SMC Global. Please go ahead.

- Jayshree Gupta:** Sir, I have a question regarding REC mechanism, means about renewable energy certificate that is implemented for the distribution and generation companies also? What will be the impact in the near future and where the situation is there at the moment?
- S. Ramakrishnan:** From a distribution point of view you are asking or from a generation point.
- Jayshree Gupta:** Sir, first, for the distribution segment and next for the generation segment in the coming years?
- S. Ramakrishnan:** See, from the distribution segment I am not aware of we being entitle to any specifics because we are not setting up any generation facility of any renewable energy. Those will be set up by our generation wing. So the certificate if anybody wants to sell on the certificate basis will be with the generation, not with the distribution company.
- Jayshree Gupta:** Okay. And actually I want to understand the clear position for the distribution company because already the mandate the government had said that this will be implemented for the distribution....
- S. Ramakrishnan:** No, distribution company has to only source the certain percentage of the power that they sell from certain sources, whether it is solar or renewable, whatever. And those rates are higher, but since they mix it up with the thermal and other power procurement, the regulator will consider the power procurement cost including that of renewable in their submissions, so they are not losers in any manner at this point. But what they have said is if you found it not possible to source this power you go and buy the renewable certificate, failing which there could be penalty for non-compliance. But all these are on paper, all these are concept, we need to see how they play out in the marketplace in the coming years.
- Moderator:** Thank you. The next question is from Rohit Singh from IDBI Capital. Please go ahead.
- Rohit Singh:** My question pertains to Maithon Power Project. Basically, you were expected to sign FSA with the CCL for 2 million tonnes. So what is the update on that front?
- S. Ramakrishnan:** We did say that we have signed one FSA for Unit 1 and as per the new policy, we have what is called the letter of assurance the Unit 2, but nowadays FSA gets signed only after commissioning of the unit.
- Rohit Singh:** Okay. And sir, second question pertains to our own captive old blocks, basically, more on tubedcoal, what is the progress on that front?
- S. Ramakrishnan:** We are still in the process of land acquisition.
- Rohit Singh:** Something has been acquired or...?

- S. Ramakrishnan:** Nothing has been acquired in Tubed. Mandakini we have made some progress on land acquisition not in Tubed.
- Rohit Singh:** Okay. And sir one more question basically I want to know your outlook on the coal price realization from Indonesian coal mines?
- S. Ramakrishnan:** Coal is a commodity, extremely difficult to predict, there are a lot of other experts like you in the field of coal who are sending analyst reports. But we can report to you as and when our results are known.
- Moderator:** Thank you. The next question is from Abhishek Tyagi from CLSA. Please go ahead.
- Abhishek Tyagi:** Sir, a couple of questions; one was regarding what was the average realization for the coal mine for the full year actually, not just for the fourth quarter?
- S. Ramakrishnan:** The full year realization is about \$76 compared to about \$60 previous year.
- Abhishek Tyagi:** And the cash cost sir for the full year?
- S. Ramakrishnan:** I do not have the cash cost, ours is excluding deferred stripping, it is about \$38 compared to \$32.
- Abhishek Tyagi:** Sir, secondly on the Maithon project, how much coal are you expecting from the linkage and if there is any shortfall what is the fall back option you have?
- S. Ramakrishnan:** We have already made some arrangements about a million tonnes from TATA Steel, coal company called West Bokaro. The remaining we are hoping to get from linked coal.
- Abhishek Tyagi:** But the imported coal would not be an option at that location?
- S. Ramakrishnan:** The imported coal can be an option once our Railway infrastructure is ready. But that we will use only if we are forced to.
- Abhishek Tyagi:** And sir, on NDPL, what is the regulatory asset which you are carrying as of now because of
- S. Ramakrishnan:** Regulatory dues are over 2400 crores.
- Abhishek Tyagi:** And sir, one thing again on the standalone company's tax rate. Are all the benefits you mentioned was there in the fourth quarter? Because your nine months tax expense was higher than your full year tax expense.
- S. Ramakrishnan:** We told you, the dividend income some part mainly came in Q4. The tax credit judgment were again made in Q4 and the deferred tax provision which is lower compared to last year also normally comes in Q4 because of commissioning of the wind units in Q4.

- Moderator:** Thank you. The next question is from Aditya Baheti from B&K Securities. Please go ahead.
- Aditya Baheti:** Hi, sir, can you please comment on the dividend which you got from the coal SPVs, the quantum of the dividend?
- S. Ramakrishnan:** Coal SPV declared a dividend of 21 crores to the parent company.
- Moderator:** Thank you. The next question is from Vivek Sharma from ICICI Securities. Please go ahead.
- Prakash :** Hi, sir, this is Prakash Goel. Just wanted to find out what has been the cash flow received in fourth quarter from Bumi in the SPV?
- S. Ramakrishnan:** We received as I have told in terms of cash 13.2 million in Q4 but the coal companies had to pay tax pertaining to a period that we were not shareholders in that company, we reimburse that particular share and that added to another 47 million. So totally we got 60 million. Some of it is our own, what we paid we got back at 47 million we received.
- Prakash:** The total payment received during the quarter
- S. Ramakrishnan:** 60 million.
- Prakash:** And that is inclusive of the consulting fee charge that you received?
- S. Ramakrishnan:** Yes.
- Prakash :** The other thing which we wanted to know was with regard to Mundra, there is a concern about losses in the first year. Any kind of guidance on that, what kind of heat rate in the...
- S. Ramakrishnan:** There is no guidance. We have always maintained that we do have coal exposure. We have not asked for a price increase on 55% of the coal, of which 25% we had this Offtake Arrangement with these folks but however, since we have the coal holding Indonesia, that provides a hedge for whatever pressure Mundra will come under. That has been our statement earlier that continues to be our statement.
- Prakash :** Many of the power companies under Case I is approaching regulator because of the significant entries in the coal cost for compensation for the increase in the coal cost. Are you planning any kind of move similar to that?
- S. Ramakrishnan:** We have not come to any conclusions, we are looking at what are the various ways in which we can mitigate the effect of this coal exposure.
- Prakash :** Okay, sir, that is all from my side, thank you.

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Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand over the floor back to Mr. S. Ramakrishnan for closing comments.

S. Ramakrishnan: Thank you very much. The one important point I forgot to mention in my speech we did increase the dividend from Rs. 12 to Rs. 12.50. With that happy announcement I close the meeting. Thank you.

Moderator: Thank you. On behalf of TATA Power that concludes this conference call. Thank you for joining us and you may now disconnect your lines.