



TATA POWER
Lighting up Lives!

“TATA Power Earnings Conference Call”

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MR. S. RAMAKRISHNAN – EXECUTIVE DIRECTOR-
FINANCE, TATA POWER.
MR. S. PADMANABHAN – EXECUTIVE DIRECTOR-
OPERATIONS, TATA POWER.
MR. BANMALI AGRAWALA- ED, BUSINESS DEVELOPMENT.

Moderator

Ladies and gentlemen good day and welcome to TATA Power Q2 FY12 earnings conference call. Joining us on the call today from Tata Power are Mr. Anil Sardana, Managing Director, Mr. S. Ramakrishnan, Executive Director, Mr. S. Padmanabhan, Executive Director – Operations and Mr. Banmali Agrawala, ED – Business Development. As a remainder all participant 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. 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. 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 and good evening. Good morning to those who have joined us from US. Let me start by welcoming you all to this Q2 and H1 results. When we move on, we would want to emphasize that we had a rather very good Q2 this year.

If you look at all our operational results in terms of what we have done at the company level as also various investment vehicles, all of them have done quite well. And we are therefore quite happy announcing that we had at Tata power level, improvement to the extent of about 20% in revenues. And also the profit after tax moved 13% better than the previous quarter. Similarly at the consolidated level we had good results. And we have already got those details and my colleague SR would take you through that in the detailed financial statements. While we move to our other highlights it's important for me to mention that during this quarter we did the COD for Maithon, There the unit 1 has now been performing. We are getting coal good enough for us to generate about 375 megawatt and that's what we are working on.

We have also commissioned the Lodhivali DG Sets which is very close to Mumbai area of operations. The idea of this project would be to provide standby and for those of who wish to know the very first testimony of our usage of these assets came in, when we had issues with regards to some unrest as you know in the southern states and since the power supply and the coal supply eventually got into some difficulty there, and Maharashtra also did not get its share of its imports from there, these units were pressed into service. More so we are looking forward to the Mumbai regulator looking at making this unit to become a stand by unit and also to meet the peaking power requirements. That's under process and that should happen soon. We also commissioned another set of our wind assets which is added to what is already one of the significant wind generation that Tata Power has and as you know that we have already upwards 300 megawatt wind size.

The coal companies continue to do well. We have had higher coal production this quarter as also the reason for next point I will talk the coal companies actually earned well because of the continuing higher level of prices as well. Now considering the long term coal prospects and the

price assumptions that were given to us at the end of the last financial year when we had tested for impairment we again did that exercise and we have made a provision for impairment of close to about 823 crores in the consolidated accounts. Since we had taken a call to restructure and transfer part of our holding in the coal SPVs to the company holding the Mundra assets. We therefore have no impairment in Tata Power because TATA Power is the common entity for holding both the investments.

I just want to add to this that the company did this because we clearly realize that the future cash earnings would have improved performance to the extent that the impairment has now been taken. And therefore we look forward to recognition of that aspect. Coming very quickly to the other works that the company has been pursuing in terms of projects. The Mundra unit continue to move on in terms of the closeness to completion. The transmission line that we are all waiting for did not get completed in terms of stabilization till 12th of October. So we have got that line in stabilized format on 12th of October and immediately we have taken up rest of works. So we are thankful to PGCIL for completing the balance part of work and now this is that the works for synchronization of unit 1 have commenced. As I mentioned last time that I want to say that, so we don't have repeat questions being raised on that, that we have 7 months at our disposal to commission the unit from commission and stabilize the unit from the date of availability of the commissioning power. It is our endeavor to do that in 4 months' time. We are just moving towards that. However we would have the option in case of any such operation that requires us to take more time to take longer time so as to manage within that 7 months. On Maithon, the second unit continues to progress in terms of its closeness to commissioning as we talk, the good news is that the steam blowout is happening which is a critical sign of readiness of the boiler as well as the turbine side. And for those who are aware that it can clearly be known that it's well on its way.

We have challenges in Maithon with regards to the railway sidings and that in terms of the land availability despite the fact that all R&R and other issues have been addressed the land availability progress is relatively slower. And therefore as of now we transport all the coal through the road which is from commercial prospect is not an issue but is an issue from the point of view that carrying that large quantity of coal through those roads, etc., and therefore from considering all safety aspects, etc., the company is cautious in terms of making sure that our eyes should very strongly remain towards completion of railway infrastructure rather than continuing to depend on the old transportation. The railway infrastructure as are works are happening now and this is the land availability targets that have been shown would happen towards FY13 and in the half yearly period of FY13. So you could say that it could be close to about 10 months from now that we will have railway siding delivered. That's on Maithon. The rest of the projects that we have in terms of Dagachhu, the Mithapur Solar, the other wind capacities that we continue to add. And some of the other initiatives that we have taken in Kalinganagar, capacity addition in solar continue to be on targets, continue to move as was conveyed earlier and projected. So that's what I have to say at this time and since we have limitation of time, I would request SR, my colleague to quickly take you through some of the financial issues and highlights.

S. Ramakrishnan The financial results have been forwarded to you. So we probably can move straight on to the Q&A.

Moderator Thank you very much sir. We will now begin the question and answer session. Participants who wish to ask a question may press * and 1 on their touch tone telephone. Participants are requested to use only handsets while asking a question. Anyone who has a question may press * and 1 at this time. We have the first question from the line of Prakash Goyal from ICICI Securities, please go ahead.

Prakash Goyal Good evening sir. I have 2 questions. First with regard to tax rate. On a standalone level if we address for Forex item, we are getting a tax rate of about 34% and if we address for impairment as well as Forex losses on a consolidated basis we are getting a tax rate of about 53%. So want to know whether we have been working with a MAT number on a standalone level. Why it has been higher at this quarter?

S. Ramakrishnan See tax has 2 components on this standalone both current and deferred tax. The method of providing deferred tax for regulated business has changed. Earlier the regulated business used to get actual tax paid reimbursed with a promise that they will get the deferred tax paid in future. Hence we had not accounted for any deferred tax liability in our regulatory business. With the new MYT regulation in Mumbai and the regulatory orders in JSERC, the current rule is they pay you PAT on the basis on your ROE entitlement and not on the basis of actual tax paid. So what it does is even though we pay MAT, we get reimbursed as a tax rate. However we don't get deferred tax when we start paying and hence accounting wise we had to reverse the deferred tax, rather we had to provide for the deferred tax liability that we had not provided earlier because the fact the regulator will be reimbursing it. That's one of the reasons for the PAT going up.

Prakash Goyal So would this change in accounting method be profit neutral for you at a standalone level?

S. Ramakrishnan I don't know when you say profit neutral. If it is reporting profit, it is not neutral. We are examining with the accountants, auditors, see where the PAT that we receive more tax reimbursements than what we will be paying can be accounted in some manner. We did not have time at this quarterly results. We will examine but if that is not possible, it will of course have an adverse effect at this point. But in the long run, it is neutral.

Prakash Goyal No the other income such as dividend that has been received from Bumi used to get taxed at a 20% rate earlier. Because the company would move to a full tax rate because of this, would that not get taxed at a higher rate?

S. Ramakrishnan No the coal SPV dividend is now taxed as per the new law which is at 15%. However because of the MAT we had to provide for the MAT rate.

Prakash Goyal So that will continue?

- S. Ramakrishnan** That will continue. Of course you know that the foreign subsidiary dividend adds to the income tax is meant for this year it may change when the direct tax code becomes effective. When that becomes effective it's for you and me to await government's announcement.
- Prakash Goyal** Sir my second question pertains to the dividend received from the coal SPV, is there any better way of bringing that money back to the company. Because we are incurring almost 45% tax in Indonesia and on top of that we are paying close to 15 to 20% tax back in India.
- S. Ramakrishnan** See the dividend does not attract any PAT in Indonesia, the profit does.
- Prakash Goyal** No I am just saying the profitability of the coal.
- S. Ramakrishnan** I understand. So let's talk about it separately. The profit does attract tax in the coal companies in Indonesia. The only arrangement we have tried to do is, we have tried to do certain infrastructural arrangements for the coal mines, not as part of coal companies but as a separate set of companies which are held 30% and 70% between us and Bumi so that the tax arbitrage becomes 45% and 30% will take effect. The real effect you will see in the coming years as the infrastructure start getting commissioned. I am told by Mr. Dube that the PAT rate for infrastructure company is 25%. Other than that the only way to reduce tax is to make less profit. The dividend that we get from the coal companies into India is of course taxed by these Indian authorities. But the rate is no different in the sense that this 15% may be removed also. You never know. If the tax rate is as per the full tax rate, it may be higher also.
- Prakash Goyal** No we have been seeing from other infrastructure companies like any profitable subsidiary, they have been giving loans and other equity investments in the parent and other places.
- S. Ramakrishnan** If you remember we also have the 275 million loan in to that company. And we have even started bringing back the loan which is also out of earnings which is out of another method of getting the same money back without paying tax. If you remember our capital for the coal SPV is 1 million only and the remaining is in the form of shareholders loan in the form of 275 million. We have brought back 25 million. We will be bringing in the loans also. While the dividends helped the reporting profits, the return of loan doesn't. So we judiciously mix the 2 in getting back.
- Prakash Goyal** My last question pertains to Mundra. What has been the debt equity ratio now? Is there any change in debt equity ratio?
- S. Ramakrishnan** The loans were originally were sanctioned on 75- 25 basis. And the lenders said that they will disperse the loans up to a maximum of 63% of the project cost before they review. At this point of time because of the coal prices going up, they are reviewing the whole arrangement. And we have made a very same proposal that has been made today in the restructuring proposal by our board that at least 75% of the coal mine ownership will be transferred in to CGPL based on

which we believe the institutions/lenders should resume disbursing the loans as per the original arrangement that they will go off 63% of the project cost at this point of time.

Prakash Goyal

Okay sir that's all from my side. All the best sir. Thank you.

Moderator

Thank you. We have the next question from the line of Venkatesh B from Citigroup, please go ahead.

Venkatesh B.

Sir can you first provide us some of the production, sales, realization and cost of production data for the coal mines in the second quarter?

S. Ramakrishnan

We had a production of 17 million compared to last year same quarter we had over 12 million only. We have a sale over 16 million compared to about 13 million last year. We have a FOB of over \$95 compared to close to \$74 last year.

Venkatesh B.

Sir what about the cost of production?

S. Ramakrishnan

Cost of production is about \$46. However it has deferred stripping provision of \$5 or so per tonne compared to \$36 last year.

Venkatesh B.

Sir my second question is on this CGPL restructuring, now each 75% or may be higher amount of the Indonesian coal companies has transferred to CGPL, do you get any tax advantages? I wonder why you would get these tax advantages because anyway the coal companies are not domicile in India whereas CGPL is domiciled. But what is the thought process? Is there any alternate way to support the CGPL by may be an equity infusion from the Tata power standalone. So why this method why not any other alternative?

S. Ramakrishnan

We have provided for in the notes to the account that any other option which may have the same effect also. The issue of tax goes back to my question to the first person depends on how the dividend for foreign subsidiary is going to be featured in the future tax law of the country. If it is treated as pure income, it may be advantageous for Mundra since Mundra has a loss, but if it is treated as a separate dividend and given concessional rate what benefits Tata Power doesn't necessarily benefit Mundra when the dividend goes directly in.

Venkatesh B.

Sir what about if you merge Mundra UMPP in the standalone parent? So couldn't you take the benefit of the losses, you can make up with your business income?

S. Ramakrishnan

Definitely but you know that any action we have to examine from various points of view and tax is one of them.

Venkatesh B.

Sir anything has come out, we have been reading in the press that you have been talking to the beneficiary states about handling the situation?

- S. Ramakrishnan** No.
- Moderator** Thank you. We have the next question from the line of Reena Sanghvi from SPA Securities, please go ahead?
- Reena Sanghvi** Yeah good evening sir. Congratulations sir for the good numbers. Sir I have few questions regarding NDPL and Power link, like what is the current regulatory equity of NDPL and what are the Capex going forward, for the full year FY12 and FY13?
- S. Ramakrishnan** In NDPL, the regulatory equity as of now is 895 crores. The powerlinks is 468 crores. What is your next question, NDPL Capex is about 200 crores per annum I think. It has sort of come down. Powerlinks is almost nil. Its only routine capital expenditure. There is nothing happening in powerlinks.
- Reena Sanghvi** Okay and sir what you said about NDPL?
- S. Ramakrishnan** About 200 crores.
- Reena Sanghvi** 200 crores. Sir for each year?
- S. Ramakrishnan** Yeah. It used to be higher earlier. Having spent a substantial amount in the initial year is coming down.
- Reena Sanghvi** Okay so 200 crores will be for FY13 or FY12 you are saying or combined together?
- S. Ramakrishnan** No it's per year
- Reena Sanghvi** Per year. Okay sir. And sir how much Capex the company is planning to incur in Mumbai license area individually for generation transmission and distribution?
- S. Ramakrishnan** The plan is for 1171 crores between generation, transmission and distribution but if it is CapEx not necessarily capitalization because transmission takes a longer time to capitalize.
- Reena Sanghvi** Okay and sir current regulated equity is for this 3 business generation, transmission, and distribution?
- S. Ramakrishnan** Generation is 1457, transmission is 573, and distribution is 304 as of now.
- Reena Sanghvi** And sir in order to increase like Bumi is planning to increase its reduction to 100 mmtpa so what would be the CapEx required for that and what would be Tata Power share if there be?
- S. Ramakrishnan** First of all whatever are the investments made to increase the production capacity will be funded out of internal generations/leasing arrangements that they are entering into with various people

whether it is equipments or infrastructure. We don't have to put it any money and it is run in a judicious manner, so that it doesn't affect too much the cash flow to the owners.

- Reena Sanghvi** Okay and sir right now what is the debt for our two Bumi mines KPC and Arutmin?
- S. Ramakrishnan** They are debt free.
- Reena Sanghvi** Okay. And company is also planning to fund that by internal accruals. So going forward, we also mean debt free, is that right sir?
- S. Ramakrishnan** Yeah the agreement we have is debt free but it may have some leasing arrangement commitments which is different from debt.
- Reena Sanghvi** Okay sir. Thank you. That's it from my side.
- Moderator** Thank you. The next question is from the line of Abhishek Puri from Deutsche Bank, please go ahead.
- Abhishek Puri** Yes good evening sir. Congratulations for good results. Sir couple of things, one our consolidated power EBIT margins are down sharply in this quarter, any specific reasons for the same.
- S. Ramakrishnan** One is Maithon while commissioning has spent a fairly substantial amount money on fuel plus it had to buy power and make up for the 2 months that the commissioning was not there, which supplied for Delhi Distribution Company due to which it incurred a loss of 50 odd crores. That is one major reason for the reduction. And also CGPL have been paying for the port charges even though the improvisations of the port has been very marginal and those also get written-off because not all of it can be capitalized on to the fuel that goes through the port at his point of time. That is also another 50 odd cores so these are the two main reasons for the fall.
- Abhishek Puri** And in terms of the inventory built up, how much would be there at currently at CGPL now?
- Anil Sardana** Close to about a million tonnes.
- Abhishek Puri** Okay sir as regards the MTM ForEx losses that we have built in during this quarter, how much would be payable over a period of say next 6 months or next one and a half years.
- S. Ramakrishnan** See most of the losses of the 700 odd crores come from CGPL's long term loan which CGPL's booked capitalizes. And the remaining is from various accounts. Some are due to the coal companies' VAT to be paid, so there is a difference between Indonesian Rupee and Dollar which has led to some particular loss. And you have Tata Power one in the standalone books.

- Abhishek Puri** Right. Sir just last question from my side. How much of CapEx is pending for CGPL and if the debtors don't sanctioned beyond 63%, then how much will we have to invest from Tata Power standalone side?
- S. Ramakrishnan** The 63% is 75 is 12% of 17000 crores. So it's about 2000 crores.
- Abhishek Puri** Right. So that will be able to know about this decision.
- S. Ramakrishnan** We believe that with our restructuring proposal, the cash flows justify the ratio we are looking for. And we are reasonably confident that the loans will flow.
- Abhishek Puri** Alright. Sir thank you so much and all the very best.
- Moderator** Thank you. The next question is from the line of Seetharaman Iyer from MSFL, please go ahead?
- Seetharaman Iyer** Thank you for the opportunity. I wanted to know what is the revenue and cost gap at NDPL in terms of per unit gap?
- S. Ramakrishnan** See the revenue is accounted for if you ask me at an accrual basis it will make money. The revenue is always greater than cost. But on cash flow basis I think we are accumulated this quarter another 200 odd crores of regulatory assets. It will stop from this quarter, because we are allowed to pass on the power purchase cost increase from 1st of January onwards but for the regulatory assets to decrease will take some time.
- Seetharaman Iyer** Okay. Sir after going through your Bhivpuri statements, in that one of the revenue items is management income from KPCs, it's about \$60 million. So what is this?
- S. Ramakrishnan** That's the part of tax planning, somebody asked this.
- Seetharaman Iyer** Okay and sir, this impairment loss of 823 crores, so of this 4500 odd crores that you have invested, this amount could be deducted, is that the right way of looking at it?
- S. Ramakrishnan** No. In CGPL, the impairment is on physical asset. The physical asset from today are 14,000 crores or so. So the impairment is on physical asset being worth only 13,200 Cr. As far as the 4,000 odd crores the Tata power has invested because of the restructuring proposal, low impairment has been recognized.
- Seetharaman Iyer** Okay and this impairment has been done on a DCF basis?
- S. Ramakrishnan** The impairment has been done on the DCF basis till March when we did low impairment, the coal prices have gone up. The outlook of coal prices in the coming first 3-4 years have gone up by \$10-12. And the long term coal prices have up by \$4. Though in the recent week coal prices have fallen marginally but this outlook is based on a consultant's report that was obtained by us

and we are going as per that. So this will be reviewed from quarter-to-quarter. Should the long term outlook of coal price go down, we will restore some of the impairment we have done. Or should it go against us then you will have to provide more.

Seetharaman Iyer And in terms of the worst case scenario, what happens is if it goes on to zero, I mean if your total value of investments.

S. Ramakrishnan It's very simple. As we have time and again shared with you, once you combine the ownership in mines and the power company. So for every dollar that the price goes up, one tonne we need 3 tonnes of ownership. We have price exposure, we believe of about 5 million tonnes of coal when all the units of Mundra are under production and dispatching. In which case we need ownership of about 15 million tonnes. Even at 75 million tonnes of production by the coal mines, our 30% leads to 22.5. So frankly on the coal price, we are reasonably hedged between the 2. So the question of it going to zero, does not arise. Or alternately if power plant goes on to zero, in the coal holding will go up by 4000 crores.

Seetharaman Iyer Okay thank you sir.

Moderator Thank you. The next question is from the line of Abhijit Patakar from ICICI bank, please go ahead.

Abhijit Patakar Sir just wanted to check with you what's the direct ForEx adjustment that you have routed through the balance sheet apart from this 700 odd crores that you have done?

S. Ramakrishnan I think about 100 odd crores, the standalone results shows 90 crores.

Abhijit Patakar I am looking at much you would have taken directly routed through balance rate where you would have adjusted.

S. Ramakrishnan In Tata power, our policies we don't take anything to the balance sheet as far as ForEx is concerned and hence in the standalone as well as in the consolidation, there is nothing that has gone to the balance sheet. However in CGPL, accounts if you really see it has gone to the balance sheet which we have reversed in the consolidation and taken into P&L. The policy is not to take anything to the balance sheet, this is the policy that is there in the Tata Power for last 2 -3 years ago. The current standards do not permit us to change this policy

Abhijit Patakar Okay. Also you mentioned that 200 crores is the regulatory asset that was developed in the NDPL this quarter, so how much is the total regulatory asset after.

S. Ramakrishnan I think it is about 3000 odd crores. It will be ultimately before it starts going down.

Abhijit Patakar Okay sir. Thanks a lot sir. I will get back to you.

- S. Ramakrishnan** Thank you.
- Moderator** Thank you. The next question is from the line of Nikhil Salvi from IDFC Securities, please go ahead.
- Ashish** Hi sir. This is Ashish. Just a couple of questions.
- S. Ramakrishnan** Can you talk a little louder please?
- Ashish** Just to reiterate what you said sometime back for my understanding. So the impairment has been taken at the asset level and since we propose to merge our stake in the Coal SPVs with CGPL, we have not taken any equity impairment at this stage.
- S. Ramakrishnan** That's right.
- Ashish** Right. Secondly if you can help me on what assumptions has this particular impairment test been done. So as to monitor if coal prices were to go up further, is there any.
- S. Ramakrishnan** Coal prices we can roughly share with you the next 3 years or so the coal prices are upwards of 120, the benchmark coal price. The long term coal price is 83 subjected to 2% inflation.
- Ashish** Right sir. Thank you very much.
- Moderator** Thank you. The next question is from the line of Venkatesh from Citigroup, please go ahead.
- Atul** Hello sir. This is Atul here. I had a question on your ForEx MTM that you have taken. You just mentioned that most of it is on long term debt taken by CGPL. Now in terms of the revenues of the CGPL, when the revenues accrue, do you have some natural hedge in terms of receiving some part of your revenue in terms of ForEx?
- S. Ramakrishnan** No all our revenue will be in rupee. I just want to clarify in the previous question, my colleague correct me to the long term price of coal is \$83 subjected to 2% inflation from today.
- Atul** And for next three years it is 100?
- S. Ramakrishnan** It's over 120 and then starts coming down.
- Atul** Okay sir so there is no ForEx revenue in CGPL, but once you merge this 75% stake in coal SPV, CGPL will have decent amount of revenue in dollars.
- S. Ramakrishnan** Yes because of the coal dividend.
- Atul** And probably use to service debt without actually realizing economic impact of this.

- S. Ramakrishnan** 100% of our liabilities in the next 3 years have been hedged. Beyond that we haven't hedged. So we need to review our hedge strategy because it is the board's decision to restructure by transferring the coal the assets. We will do so.
- Venkatesh B.** Okay so you mean 100% of liability of CGPL have been hedged.
- S. Ramakrishnan** That's right.
- Venkatesh B.** Okay but then obviously in this quarter you have not booked any MTM on those hedges.
- S. Ramakrishnan** No the problem is this. We are on the balance sheet taking the hit for the entire loan not just the 3 year repayment going forward. Hence you will get an entry which is more than whatever you are talking about, as you know the project repayment in the initial 3 years are not very substantial. These are very long term loans and they start getting paid with a moratorium after commissioning of the individual units, the individual units are going to get over the next 18 months.
- Venkatesh B.** Okay thank you sir.
- S. Ramakrishnan** Thank you
- Moderator** Thank you. We have the next question from the line of Abhishek Puri from Deutsche Bank, please go ahead.
- Abhishek Puri** Sir this is a follow up and the merchant sales from the Tromby unit 8, the realizations have been pretty high at 5.22. Can we know the customers who have bought this?
- S. Ramakrishnan** We ourselves have bought it. But if you see the MUs have been not so great. So we have been buying at times when the rates have been good.
- Abhishek Puri** And this we have bought for Mumbai distribution side or....
- S. Ramakrishnan** Most of it is because on the one hand we have been threatened that we shouldn't sell outside Maharashtra. On the other hand Mumbai needs it so we buy it.
- Abhishek Puri** Just for clarity sake, does a regulator need to approve this transaction or it can be.
- S. Ramakrishnan** Short term transactions we don't have to go for prior approval but we need to justify later the fairness of the profits which we have been doing. Every quarter these details have submitted to the regulations. Further Mumbai also has a transmission bottleneck during peak period. So it is very difficult to get external power in to Bombay during peak hours.
- Abhishek Puri** Okay fair enough. Thank you so much sir.

- Moderator** Thank you. The next question is from the line of Pankaj Sharma from UBS securities, please go ahead.
- Pankaj Sharma** Good evening sir. Sir one question on Bombay distribution circle, what is the status on proposed directive on the cross subsidy charge that would be levied on Tata Power if the good quality customers move from Reliance Infra to Tata Power?
- S. Padmanabhan** The cost of subsidy charge is already in effect and from all the categories that are there right now, in spite of the cross subsidy charge, it is still cheaper to take electricity from Tata power.
- Pankaj Sharma** Okay sir. Thank you sir.
- Moderator** Thank you. We have a question from the line of Rakesh Vyas from HDFC Mutual Fund, please go ahead.
- Rakesh Vyas** Actually I missed out this restructuring part which you were trying to highlight. Can you just repeat it for my sake?
- S. Ramakrishnan** As it is there in the notes of the account. Board today took a decision that they will transfer at least 75% of Tata Power holding in the coal SPVs to CGPL or any other similar arrangement which will have an affect. So what is that is the investment that Tata Power holds in CGPL will because of the benefit of the proposed coal holding, the decrease in equity value because of the impairment in the fixed asset is more than made up by the value of the coal SPV share and hence it can be considered not necessary to make an impairment from the standalone account which means our equity in CGPL is not impacted.
- Rakesh Vyas** But the impairment is on the balance sheet of CGPL, is that correct?
- S. Ramakrishnan** That's right. The physical asset of the project because of the high coal prices have been impaired to the extent of whatever reported. 900 odd crores in the CGPL's book out of which Tata Power is already holding written-off 100 odd crores in foreign exchange variation and hence the net comes to around 800 odd crores. All these are available in the notes to the account.
- Rakesh Vyas** And the 75% is derived based on the 5 million tonne of the initial exposure.
- S. Ramakrishnan** It is derived more. That is the simplistic model that I shared with everybody. It is derived based on the expected DCF of cash flow other than the simple thumb rule that I have been sharing with you all.
- Rakesh Vyas** Okay so this 75% will take care of no equity losses. That's correct to assume.
- S. Ramakrishnan** That's right. At least 75.

- Rakesh Vyas** And what was the coal price assumed for the calculation of 75%?
- S. Ramakrishnan** What we consumed the same coal price, we sell that and make money.
- Rakesh Vyas** But this coal price assumption is on the benchmark that you were highlighting.
- S. Ramakrishnan** Always. See you derive based on the coal you consume or the coal you produce yourselves. Derivative is based on the base coal price of 6200 CV which is same for consumption as well as for holding.
- Rakesh Vyas** Okay got your point sir. And secondly sir have we started the trial production at Mundra?
- Anil Sardana** There is nothing like trial production. You go through the sequence of commissioning your unit, once the commissioning part is available. Since the commissioning part got available in October, just to elaborate your point, so it become clear that is what your meaning of trial is. We have commissioned first the ship yard, we have commissioned all the equipments that feeds in to unit 1 that will be associated transformer of the associated equipment. As we have started to take trial runs for all the drives that exists, to support the boiler and turbine side of the unit 1, so that if you are saying is the trial run, yes that's started. And we are moving ahead with the entire commissioning side.
- Rakesh Vyas** And when is the boiler light up expected sir?
- Anil Sardana** See boiler light up, etc., has been long back. In fact the unit were in fact to give you a little technical idea the entire work up to taking the steam in to steam turbine was also demonstrated what we call as after the blowout we actually dumped the steam and then we took the unit unfortunately so I would put it today in to a preservative mode. There we actually had to spend money to preserve those lines which were actually ready at that stage which were June of 2011. So therefore we at that stage went in to preservative mode, now we are unblocking the units to get back to a utilization mode. So, boiler light up, etc., as a matter that has been done. Of course light up is an activity that you do to produce steam again and that we will do once you are going through the cycle as a part of process.
- Rakesh Vyas** And one very small question. The port charges are they recoverable from any party during this time?
- S. Ramakrishnan** No.
- Rakesh Vyas** No. okay great. Thank you so much.
- Moderator** Thank you. As that was the last question, I would now like to hand the floor over to Mr. Sardana for closing comments.

Tata Powers
November 14, 2011

Anil Sardana

Thank you. I found this time the interest was quite enlightening in fact we saw a large number of analysts on the call. So thank you to each one of you for being on the call this time particularly from friends in India. We realize that it is late hours. But we are happy that this hour is also very suitable to our friends on the western side. So therefore thanks to those and those who are from the Eastern side, apologies that we made you wake up at this late hour. Thanks once again to each one of you and good night. Thank you.

Moderator

Thank you. On behalf of Tata Power, that concludes this conference. Thank you for joining us and you may now disconnect your lines.