



“The Tata Power Q3 FY11 Standalone and Consolidated Results Conference Call”

February 14, 2011



TATA POWER PARTICIPANTS:

MR. ANIL SARDANA – MANAGING DIRECTOR

MR. S. RAMAKRISHNAN - EXECUTIVE DIRECTOR (FINANCE)

MR. S. PADMANABHAN - EXECUTIVE DIRECTOR (OPERATIONS)

MR. B. AGRAWALA - EXECUTIVE DIRECTOR, (BUSINESS DEVELOPMENT & STRATEGY)

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Moderator

Ladies and gentlemen good day and welcome to The Tata Power Q3 FY11 Standalone and Consolidated Results Conference Call. Joining us on the call today from Tata Power are Mr. S. Ramakrishnan - Executive Director Finance, Mr. S. Padmanabhan - Executive Director Operations and Mr. B. Agrawala - Executive Director - Business Development & Strategy. Consequent to the retirement of Mr. Prasad R. Menon on 31st January 2011, Mr. Anil Sardana has been appointed as the Managing Director with effect from 1st February 2011. Mr. Sardana has been the Managing Director of Tata Teleservices Limited for over three years and additionally of Tata Teleservices Maharashtra Limited for the last six months. He has brought about significant changes in Tata Teleservices by broadening their activities from CDMA to GSM and growing it from seventh to fourth largest in terms of subscriber base. An electrical engineer from the Delhi College of Engineering, a Cost Accountant (ICWAI) and a Post Graduate Diploma in Management from Delhi, Mr. Sardana brings with him over three decades of proven expertise in the power sector and has worked with companies like NDPL, a subsidiary of Tata Power, NTPC and BSES. He led the remarkable success of NDPL for the first five years as MD. Early on Mr. Sardana served as the Executive Director, Business Development and Strategy for Tata Power from 1st March 2007 to 3rd August 2007 and continued to be on its Board till 1st July 2008. Before I hand the call over to Mr. Anil Sardana, I would like to remind participants for the duration of this conference call your 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 touch-tone telephone. Please note that this conference is being recorded. With this I now hand the conference over to Mr. Anil Sardana. Thank you and over to you sir. Please go ahead sir.

Anil Sardana

Thank you and good afternoon. I welcome all the analyst friends on the call and welcome you for this Q3 FY11 Standalone and Consolidated Results for Tata Power. While you have already got line-by-line explanation of our financial statements, we will be pleased to take all the questions that you would have on the results after my briefing regarding the key highlights. Let me take you through some of the salient highlights for the quarter three. In our quest to be major participants in the renewables we have signed up yet another power purchase agreement and this time it is Gujarat Urja Vikas Nigam for 25 MW solar power project. We have got a large tract of land which is in Mithapur, Gujarat and the project is expected to be commissioned by December 2011. In the Mumbai operations we have achieved the first landmark of crossing 100,000 customers and we added 20,000 customers during this quarter. You are all well aware and knowledgeable about the fact that Tata Power had challenged the government's memorandum in the Bombay High Court for the case related to the dispatch of power from our generating units in Mumbai. And we are very pleased that Honorable High Court in their recent judgment had actually found the government of Maharashtra's memorandum ultra vires of the Electricity Act and they have set that aside. However, the sad part is that we have not been permitted to schedule power to our own distribution company. We therefore continue to supply 200 MW to Reliance Infra while at the same time we have

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taken necessary actions to make sure that we continue to pursue our rights. In this quarter we have also seen improved realizations on coal and the coal business seems to have done quite well. Let me also take you through several of our key projects and it is important for our analyst friends to understand that we have been delivering on our promises with regard to the projects and in the same rhythm I will take you through our largest project which in fact is the first ultra mega project which has taken off the ground significantly. You are aware that as of date four ultra mega projects has been awarded but the one which has really significantly progressed on ground and has achieved 71% of the weighted average progress till this quarter. Today as we talk, we have accomplished the Unit One turbine generator to have already been put on turning gear and the interesting part is that most of the work that is needed for us to move ahead with Unit One is getting into position. The balance of plant facilities including the coal handling facilities are in fact quite in good shape for us to take the coal. We have just one issue which actually belongs to the beneficiaries which is related to getting the clearance with regard to a village road passing from the land that has been allocated to Mundra Project.

As you are aware this was a Case 2 bidding in which the beneficiaries are obliged to provide land clear of encumbrances and therefore this village road which is the last bit that is left out is expected to be cleared by them and we are hopeful that it will get cleared by end of February. The new jetty which is called West Port Jetty has already in fact got its unloading facilities completed. The first vessel berthed in December 2010 and therefore for us to get coal and to organize logistics is well in its place. The entire switch yard work of the plant is much ahead in terms of schedule and we have been able to actually get the Unit One connected and strung right up to the base for it to take the power to the respective destinations. Then comes the connectivity to the external grid for which the Power Grid Corporation which is the responsible agency on behalf of the beneficiaries is working on the evacuation. As of now Power Grid has assured us that they would be able to complete the work by end of February. We are awaiting their final progress which according to us is happening and there are some right of way issues that they are overcoming as we talk. For the other units also, as you know that we have five units of 800 MW, the work is progressing quite well both on the boiler side as well as on the turbine side. The Unit Two boiler hydro testing has already been completed, it was done at the end of the last quarter, and the balance part of work is progressing quite well. We are very hopeful that this project will not just be ahead and be the torch bearer but we will contribute by commissioning the first 800 MW unit in this country soon.

The other update is on Maithon. Maithon has the capacity of 2 x 525 MW, in fact it is an improvisation of the 500 MW footprint that people are fully aware of and this entire 50 MW addition or 25 MW per unit addition will be in fact a gift of Tata Power again to this nation because from the same unit, by improvisation, we have been able to engineer an extra 5% out of the same concept. The work has progressed and it is 92% complete on overall basis. The boiler light up was completed in Q3 and as we speak the work has further progressed. The erection of the turbine set, basically consisting of the low pressure turbine, the intermediate pressure turbine and the HP turbine has progressed and the entire work of putting the unit

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together is in advanced stages. The 400 kV switch yard back charging has already been completed so therefore in this project the evacuation systems will actually be completely available as we move ahead.

The Unit-1 is very close to getting synchronized. We are in fact hopeful that we should be achieving that with oil this month but we will count that more so with coal which we are hopeful will be within 30 days thereafter and then we will go through towards the commercial operation of the unit in line with the processes that are well-known. The long term PPAs for Maithon kick start on April 2012 and we should actually be looking to dispatch power during those months. The fuel supply agreement for the coal has been signed with BCCL, which is the coal company which caters to the coal linkages in that area. And we have also signed for coal off take with Tata Steel which has that facility and therefore we will be able to get up to one million tonnes per annum from Tata Steel as well. The phase one of railway siding is expected to be completed by December 2011. We have made arrangements to transport the coal by road and this is an arrangement that is well proven in that area and we will pursue the same feature till such time that the railways siding is completed. As I mentioned already the switch yard is ready and would be available for us to evacuate. Unit 2 is going to be available four months after Unit 1 and the work on that has also progressed. The Unit 2 coal linkage is being tied up with CCL, which is another agency in the same area for the linked coal. So that is about Maithon. The rest of the balance of plants and arrangements in terms of water, ash etc are completely ready.

We will move on to some of the key projects undertaken in joint venture by Tata Power and we will first talk about IEL which is working on Unit 5, the 120 MW unit which has been synchronized in January 2011. It started generating power and now we have successfully carried out coal firing and we are hopeful that the commercial operations will be completed by the end of this fiscal year. We will move onto the hydro side of our joint venture which is project in Bhutan, Dagachhu, where the preliminary works have been undertaken. The civil works are in progress, the construction of the access road to the tail race tunnel has been completed and even the tunneling work of about two kilometers has been completed. As you are aware before we had mentioned that the commissioning of the project is targeted by 2013 and all the works are scheduled to fall in place for achieving this commissioning.

Tata Power also has several other projects which are in different stages of development, amongst them one of the projects is the Dehrand Project. We are pursuing the land acquisition activities; the higher percentage of land which we were to acquire is already in our possession. Close to about last 30%, 40% is being pursued now and we have already made disbursements towards the land acquisition. In terms of working on the other aspects we have moved ahead with several options that we have for the coal and the off take arrangements. We would pursue this project basis the clearance of the balance part of the land and we will apprise you more about the configuration etc. So, that is in brief the outlook of the operations and also of the

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projects. We will now be happy to take questions on the results which are already with you and we will be pleased to respond to them.

Moderator Thank you very much sir. Our first question is from the line of Rajesh Panjwani of CLSA, please go ahead.

Rajesh Panjwani My first question is on the Olympus deal, can you throw some light on what happened there?

S. Ramakrishnan As we announced in the press release the agreement feature was a late completion date by when, if transaction is not complete, either party had an option to terminate the settlement. The original date of completion was some time in October we had extended it twice till the end of December. The lenders to the SPV need to give approval for the transaction and by that extended date we had not obtained all the approvals we needed and hence since time is one of the essence of the transaction Tata Power decided to terminate the arrangement which we did on 1st January this year.

Rajesh Panjwani Okay, so it was primarily an issue of lenders approval here?

S. Ramakrishnan That is right – and within time of course

Rajesh Panjwani Okay. But would you be open to a similar transaction even today?

S. Ramakrishnan We are looking at various financing options available for the group and the timing of the different projects and we will take decisions appropriately.

Rajesh Panjwani Okay and the second question is that there is increasing concern among investors on the general financial status of the state utilities and their losses seem to be on the rise. The question is, in your dealing with them have you seen any change in the payment behavior in the recent past and what is your outlook in the longer term on the same issue, I know it is not a part of our specific issue, the industry specific issue but any comments on that?

Anil Sardana Well Rajesh, while there is a challenge as you rightly said in terms of their financial health, but that is also an opportunity for us and we clearly see as a dominant distribution player for us to participate in those opportunities and if you see that pressure is now getting built by the government and including the planning commission which has very clearly said and acknowledged that the model that is being pursued by various people including various state utilities doing small franchisee experiments, etc is not going to take them anywhere and therefore it brings opportunity for us that PPP model and the privatization model is going to come into being and we see that as an opportunity. Notwithstanding that as the opportunity in distribution we clearly are looking at opportunities in states which have done well, so therefore you cannot compare all states and brush everyone into a similar configuration. Yes, some states have done badly and their losses have increased, but similarly some states have

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done well and their losses have reduced and in fact they have done exceedingly well in terms of containing their losses, improving their financial health and it is such states that we are pursuing to do tie ups.

Rajesh Panjwani

Okay, sir my last question would be on your projects which you are planning to build on captive mines. What is the status there and when can we expect some development on those projects given that there are substantial delays in land acquisition and environment clearance, again generally applicable for the whole sector, not specifically to your company?

Banmali Agrawala

This is Banmali Agrawala here. I think we basically have two coal mine linked projects one in Jharkhand and one in Orissa. The one in Orissa as we have been reporting regularly is proceeding at a pace which is faster than the one that is in Jharkhand. As far as the mine is concerned the mining plan has been approved and the environment clearances etc also should be in line. As far as the power project is concerned at Naraj more than half the land acquisition also has been done and we should be soon in the process of acquiring all the balance land that was required. So, I think we are reasonably well in shape to proceed with that project. As far as Jharkhand is concerned, in Tubed, we are about six months may be eight months behind the time schedule that we have in Orissa so we are in the process of acquiring land and getting the necessary approvals.

Rajesh Panjwani

So, in Orissa you said you are ready to proceed with the project that means to start the process of financial closure etc?

Banmali Agrawala

Well, we still have one or two clearances that we are yet to receive. As soon as we get that which we hope to get may be in the next two or three months time, I think that will be the period when we should be in a position to let us say move further. In terms of financial closure I think this is something that has been scheduled on the balance sheet so I think it is not in the same sense I guess you are asking the question.

Rajesh Panjwani

Okay thanks a lot sir.

Moderator

Thank you Mr. Panjwani. Our next question is from the line of Prakash Goel of ICICI Securities, please go ahead.

Prakash Goel

I have a question with regard to Bumi. What has been the dividend received during the quarter from Bumi?

S. Ramakrishnan

We have not received any dividend, we have received certain fees and certain compensation arrangements that we needed from the shareholder agreement. We did receive some dividend that was in this current quarter Q4 but not in Q3.

Prakash Goel

And why is it so?

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S. Ramakrishnan We have received cash of \$56.2 mn. We had certain management and technical fees which had accrued earlier in the books which are being cleared now. As you know the company had paid taxes due to which flow to us sort of slowed down and it has restarted from now onwards.

Prakash Goel So, how much did you actually received in Q3?

S. Ramakrishnan \$56.2 million.

Prakash Goel Okay so that is to more to do with earlier accrued compensation fee?

S. Ramakrishnan Yes that is right – once we clear the fees, we cleared the past dues pending

Prakash Goel Okay and now you are receiving the dividend in Q4 that is what you are guiding?

S. Ramakrishnan We did receive from one of the Indonesian company's dividend in Q4.

Prakash Goel And what is the cash and debt at a JV level SPV level?

S. Ramakrishnan The cash in hand at this point is \$75.97 million and the debt is \$632 million.

Prakash Goel Okay and what has been the production during this quarter and sales during this quarter at Bumi?

S. Ramakrishnan We have a sale which is slightly lower than last year, we had a sale is close 16 million compared to last year and we have realizations around \$75 a ton compared to \$58 earlier.

Prakash Goel Sir, can you repeat the sales number I could not understand?

S. Ramakrishnan The sale is about 16 million.

Prakash Goel Versus last year of?

S. Ramakrishnan About 17 million, YTD Q3 realization is 73 as against almost 59, 58.6 last year.

Prakash Goel Okay and what has been the production this quarter?

S. Ramakrishnan The production has been 17.5 million roughly a million lower than last year.

Prakash Goel And what has been the cost this year, cash cost which you -?

S. Ramakrishnan Pretty high \$37 compared to \$31, high because of rains. Two things have happened, one we have to pay demurrage because ships have been waiting in the ports we could not load and

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second is when water goes into the pit, the cost of pumping and other works goes up, plus the oil price has gone up compared to the last year.

Prakash Goel Okay, a last question from my side. There is a drop in profitability in NDPL. Is it on account of lower UI?

S. Ramakrishnan Really if you see YTD, we are quite okay, this particular quarter AT&C loss reduction has not been great while we had achieved quite a bit in Q1 and Q2.

Prakash Goel So, is there any increment in the loss Q-o-Q?

S. Ramakrishnan No.

Prakash Goel Okay the targets were higher than...?

S. Ramakrishnan Yes, you can see YTD were okay at the year end also we will be okay.

Anil Sardana And you need to understand that there is a yearly target that we are suppose to achieve and the company has already received that target.

Prakash Goel Okay sir thanks a lot, that is all from my side.

Moderator Thank you Mr. Goel. Our next question is from the line of Venkatesh B of Citigroup, please go ahead.

Venkatesh B Sir, why has your debt amount actually increased Q-o-Q from 627 million to 632 million?

S. Ramakrishnan Have this gone up?

S. Ramakrishnan No, we have prepaid last quarter 15 million, Venkatesh I suggest you interact with our investor relations directly and sort this out.

Venkatesh B Okay if 632 million at the end of the quarter right?

S. Ramakrishnan Yes.

Venkatesh B Sir, what happened in Power links, why is there a profit ...?

S. Ramakrishnan See, last quarter here again, third quarter of last year we reversed all the deferred tax provisions, since they are payable by the regulator, all the three quarters fits in one quarter that is the third quarter due to which the last year Q3 results were inflated, if we adjust for that Powerlinks is almost same and marginally better.

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- Venkatesh B** Okay sir my second question is much more of a broader question. Recently coal India has cut its production targets majorly, now in terms of incremental coal that it is expected to produce in FY12, based on what numbers they disclosed, India cannot add more than say 2000 MW of capacity in FY12 based on their coal. Now, given that Maithon is also based on linkage coal what is your take on the same and do you see a long term problem because of this and are you allowed to run Maithon using imported coal?
- Anil Sardana** Venkatesh I think now Coal India is also a listed company and you should really pose these questions to them in terms of the fact that how much they can sustain and how would they grow. As far as we are concerned we have linked coal and the mines from where is this linkage is available have that capacity for us to supply that coal and to derisk ourselves that is why earlier the linkage which was all contained and attributed to BCCL, we clearly did our due diligence and split it between the two companies and also sweetened it with Tata Steel coal linkage. So we have completely de-risked ourselves and we have made sure that we will get coal at all times to come.
- S. Ramakrishnan** If at pinch we have to import we could do so and it is a pass through on the regulation provided the procurers to find the cost acceptable and given their other choices they may or may not have.
- Venkatesh B** Sir and have you already signed a fuel supply agreement with Coal India for Maithon?
- S. Ramakrishnan** For the Unit One yes, but Unit 2 it is under finalization.
- Venkatesh B** And at what level is the penal charge applicable on Coal India. Is it like 80%, 50%?
- S. Ramakrishnan** 65%, if I am not mistaken – that is right.
- Venkatesh B** Now, on the fuel supply side, it is a 65% agreement on the availability side where you earn fixed cost it is an 85% kind of a thing so...?
- Anil Sardana** Venkatesh that is why we mentioned that we have sweetened it up with Tata Steel and made sure that we get extra coal supply from Tata Steel and we can import as SR mentioned to you that if the need comes we will import but you need to understand that we have checked the capacity of the mine, they will contractually safeguard themselves with 65, but they are also in the business to earn money and they will therefore generate coal and supply us the coal.
- S. Ramakrishnan** And our PPAs on regulated basis, coming to effect from 1st April 2012.
- Venkatesh B** Okay thank you very much sir.

- Moderator** Thank you. Our next question is from the line of Bhavin Lakhani of Enam Securities, please go ahead.
- Bhavin Lakhani** Could you help me with the regulated equity for NDPL and Mumbai License Area, because you have mentioned the regulated equity has increased?
- S. Ramakrishnan** NDPL one is actually Rs 800 crores and for Bombay it is 1419 generation, 538 transmission, and 207 distribution.
- Bhavin Lakhani** And one follow up question with respect to the earlier question, you highlighted the PPA starts in April 2012. Would you be allowed to sell merchant in the interim period or would you have to honor the PPA?
- S. Ramakrishnan** Yes, we can sell; we are free to do what we want to do. Though you must remember that we have participated and bid for supply of power to two distribution companies in Delhi, on a case 1 basis which would take up part of the capacity.
- Bhavin Lakhani** Okay, sir could you elaborate more on the quantum of capacity?
- S. Ramakrishnan** 300 MW.
- Bhavin Lakhani** Okay which means that roughly 700 megawatt is free for merchant sale in the interim?
- S. Ramakrishnan** There is 200 with DVC which we need to resolve with DVC whether they are lifting or not, as per the agreement DVC agreement takes effect from the date of commissioning, while the regulated one, the other ones I told you are from 1st April, 2012.
- Bhavin Lakhani** Okay, sir as far as my understanding goes normally PPA starts at the date of the PPA or the time when the Unit-II commissions whichever is earlier.
- S. Ramakrishnan** I am talking about the PPA that we have signed.
- Bhavin Lakhani** Okay fair enough, sir one last question with respect to Mundra. We understand that the transmission line is going slow; could you throw more light on the Mundra UMPP transmission projects?
- Anil Sardana** I mentioned during the initial remarks that the Power Grid is exerting confidence that they will be able to complete the line in time. From our perspective since we already have the commissioning power at 220 KV from Gujarat, we therefore are sufficiently powered when it comes to driving all the utilities of the station, even if they make their line available to us closer to our date of synchronization we would be able to load our machines subsequent to that. While the date that they have indicated continues to be 28th February, even if it is slightly delayed we are hopeful that they would be able to match it with the synchronization date.

- Bhavin Lakhani** Thank you.
- Moderator** Thank you. Our next question is from the line of Arun Kumar of HSBC, please go ahead.
- Arun Kumar** My question is with regards to the generation which looks like the numbers have come down and also paradoxically while the merchant rates have come down and this is running across other companies also where we have seen curtailment in demand. The question is that, have the states started to back off when the power prices are going above their levels or is this back off relating to the demand or really because of the financial health the states are backing off?
- S. Padmanabhan** Okay this is Padmanabhan, let me answer that question. There are two events which happened during the last six months, the first one is monsoons were very heavy across the country, as a result the load on the systems saw a drop and in the last quarter we found that the temperature was low so as a result the peak demand also dropped. So, there was the big issue with respect to the weather and the monsoon this time. This in turn caused the oil based machines and high cost machines to be backed up, so that was the first impact that happened on our generating unit, we had to back down Unit-6 in Trombay because the off take from the discoms was not very high there. The second factor is that in different parts of the country there has been load shedding by the State Electricity Boards. This has impacted the merchant prices and what you see in the market today in the last three to four months the merchant prices were between Rs.2.50 to Rs.3 even the peak prices were around Rs.3. So, I would say two big factors one was the weather and the second was load shedding by the State Electricity Boards.
- Arun Kumar** Are you saying the second part is also significant is that correct?
- S. Padmanabhan** No, I said the two factors.
- Arun Kumar** Yes, so second factor as you said is also significant, is that the fact?
- S. Padmanabhan** Yes, I do not know the relative significance of these two factors, weather and load shedding by the State Electricity.
- Arun Kumar** Right.
- S. Ramakrishnan** See, in our case, in our specific case the merchant units generation hasn't fallen if we compare to last year it is more the regulated generation fell, in Belgaum because Belgaum did not take that much power and in Mumbai distribution because of the expensive power. Just talking about our specific results of Q3, the merchant realization did fall but not the MU, in fact if you look at the merchant MUs they are significantly higher than the previous one.
- Arun Kumar** Okay thanks, that was my question.

- Moderator** Thank you Mr. Kumar. Our next question is from the line of Abhishek Puri of JM Financials, please go ahead.
- Abhishek Puri** Sir first of all if you explain regarding the NDPL UI, the lower sales in UI you said is the reason why the results are down. Wasn't it supposed to be a past-?
- S. Ramakrishnan** Not, it is just revenues, I think you have mixed it up with profitability, what we said was the revenue of NDPL was down because previous year there is fair amount of UI sale at very good rate, this time it is not so, I do not think we give that as a reason for profitability.
- Abhishek Puri** Fair enough. Sir, regarding the Tata Power trading, why is there an operating loss being visible on that SPV?
- S. Ramakrishnan** Two things, the rates significantly fell so the amount of margins we make goes down, there is always a fixed cost of operation. Second we have to make provision for certain collections as per the strict accounting policy because the collections were delayed even though some of those collections we believe will be coming in Q4.
- Abhishek Puri** Sir, these collections are from which states, if you can just help us to understand that?
- S. Ramakrishnan** I do not know I will ask Sandeep to advice you.
- Abhishek Puri** Fair enough, sir my last question is basically regarding the merchant sale which you have done, realization is about Rs.3.7, whereas the power purchase which you have done at Mumbai is about Rs.4.8 on an average?
- S. Ramakrishnan** Yes, the realization is mixed between our plant in east and our plant in west, whereas all of our purchases have been in the west.
- Abhishek Puri** If you can just give us some breakup regarding the Haldia and Tata Power realization?
- S. Ramakrishnan** Haldia realization is almost below 3, while Mumbai realization has been close to 5.
- Abhishek Puri** Are we making any operational losses on Haldia because of that?
- S. Ramakrishnan** No, Haldia you must remember is based on hot gases while in west we have imported coal, so the fuel cost is pretty low in that place.
- Abhishek Puri** Okay fair enough thank you so much and all the very best.
- Moderator** Thank you Mr. Puri. Our next question is from the line of Shashi Kiran of Standard Chartered Securities, please go ahead.

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- Shashi Kiran** I just wanted to know in a standalone entity you had significant power purchases this year, it has been almost 173 crores against 32 crores in same quarter last year. Considering the demand side you mentioned that is slow because of the heavy monsoon, what is the reason for this-?
- S. Ramakrishnan** Switchover customers from Reliance Infra to us since our power we are not able to schedule to ourselves, we continue to sell to Reliance Infra. We had to meet this demand by purchasing power from outside.
- Shashi Kiran** That is true, do you expect that going forward now that you have won this particular case, would you be compensated for this loss that has been incurring on account of this?
- S. Ramakrishnan** We need to study the case carefully; only thing we can say is since we have won the case hopefully from 1st April we can schedule the power to ourselves that will reduce the power purchase going forward.
- Shashi Kiran** We expect an appeal against this judgment by the Maharashtra government?
- S. Ramakrishnan** The government memorandum it has been held, ultra vires itself was issued, effective till 31st March, 2011. So our view is that by the time we go to court and come back hopefully 31st March would have come and 1st of April in the light of this judgment we believe the Government of Maharashtra will not issue any further advice or directions.
- Shashi Kiran** Okay just related to this question. What is the total loss that you have incurred due to diversion and what would be a potential right back?
- S. Ramakrishnan** Very difficult to say what we will get back from the court
- Shashi Kiran** No, I am saying now that you have diverted power for almost couple of quarters now from your own unit and bought power...?
- S. Ramakrishnan** Yes the legal entitled commission is not a very direct argument to compensation for the loss of an opportunity is not a very direct argument for us.
- Shashi Kiran** But I would say that you have actually incurred losses from the fact that you have been-?
- S. Ramakrishnan** No it is an opportunity loss, we sold it at regulated rates to Reliance, it is not that we have sold it at a loss; it is an opportunity loss that we need to calculate and advice.
- Shashi Kiran** But you have also purchased power at higher rates?
- S. Ramakrishnan** That is reimbursed by the regulator.

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- Shashi Kiran** Okay.
- S. Padmanabhan** See, the excess power purchase does not impact the P&L of the company. That will be recorded under the ARR of the next year and that will get reimbursed at the tariff from the various consumers in the coming year. So the power that was sold to Reliance is sold from the generating asset which is getting the ROE as per the regulatory orders, so there is no financial loss directly.
- Shashi Kiran** Right. Thanks a lot sir.
- Moderator** Thank you. Our next question is from the line of Sumit Agarwal of Metlife, please go ahead.
- Sumit Agarwal** Sir, just wanted to check, in one of your coal project, two of your JV partners have already placed an order for their power plant, while you are talking of delays on those side, is there any disconnect on those side and second thing is for the Dehrand Power Project, you had invited the tender, what is the status of that project?
- Banmali Agrawala** Yes, as far as the- two of the partners have been placed, there is no disconnect, the location obviously different and the way we are arranging fuel for the whole the project could also be slightly different. So, I think there is no disconnect in that sense, we are getting coal from the same mine.
- Sumit Agarwal** Okay so in the interim they might be getting coal from some other sources rather than the Mandakini mines?
- Agrawala** That is right or they could have capacity in addition to whatever can be supported from the coal from the mine that is also possible.
- Sumit Agarwal** Okay and what about the Dehrand coastal Maharashtra project tender?
- S. Padmanabhan** Yes, in the sense on the BTG, right?
- Sumit Agarwal** Yes.
- S. Padmanabhan** Yes, the parties have responded with all the technical bids, they have asked for one more month extension and we should get the final technical proposals by the end of February.
- Sumit Agarwal** Sir, coming to your coal business, the coal SPV, we have been seeing a significant increase in the cash cost and this quarter you assigned a fair bit to the excess rain. Do you see the cash cost coming down from 37 odd levels or do you see that as a more of a regular thing?
- S. Ramakrishnan** If we are able to achieve a higher production, with drier days it will come down marginally, a lot will depend upon oil price.

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- Sumit Agarwal** And what is the production that will help to drive down the cash cost, because you already at 17.5?
- S. Ramakrishnan** The targets that we are looking at for the next year is more in the range of \$34. I want to qualify subject to oil prices, if oil prices run away then we have a problem.
- Sumit Agarwal** So, you mean to say that \$3 reduction in cash cost it is more to do with operating leverage that you might have and no other cost saving that would be there. Also just wanted to check what is the coal quantity that has been tied up for the long term contract with various buyers on the Indonesian mines?
- S. Ramakrishnan** See typically we have about two-thirds that go on long term contracts, one-third that don't that percentage of course keeps changing. On of two-thirds typically the price revisions takes place right through the year, so you can say every quarter of one-fourth of that gets reset, so that is why whenever the prices start going up the impact on us will follow with lead lag effects.
- Sumit Agarwal** Has the contract with the Japanese buyers done or it is under-?
- S. Ramakrishnan** Not yet done.
- Sumit Agarwal** Okay it is not yet done; okay fine thanks a lot sir.
- Moderator** Thank you. Our next question is from the line of Deepali Gautam from Centrum, please go ahead.
- Deepali Gautam** What is the total land requirement for Dehrand power plant and how much is our physical possession?
- S. Padmanabhan** The total land that we are looking at 1100 acres of which 900 acres is private land and 200 acres is government land. These are MIDC sites. Out of the 900 acres, so far we have acquired 463 acres, so that is the remaining land to be acquire.
- Deepali Gautam** Okay and 200 acres of the government land you already have under acquisition?
- S. Padmanabhan** Yes, but that will get transferred by an MIDC order which we expect to have as soon as we acquire about 70% of the private land.
- Deepali Gautam** Okay sir, sir another thing is when do we expect Corus Power Plant to start, the 525 megawatt Corus Power Plant?
- B. Agrawala** I think on that one the size of the plant is being reconfigured because I think they are able to do something with their waste gases use it a little more efficiently for their own process and the process of reconfiguring the sites, so that entire exercise will take a few more months.

- Deepali Gautam** So, you plan to further upgrade the site or?
- B. Agrawala** No, it might be smaller but as I said the final decision on that might take few more months to be taken.
- Deepali Gautam** Okay thanks a lot sir.
- Moderator** Thank you Ms Gautam. Our next question is from the line of Rakesh Vyas of HDFC please go ahead.
- Rakesh Vyas** Sir, can you throw some light on this 200 MW which you will get from 1st April if my understanding is correct from 1st April you will be allowed to schedule this power to a third party?
- S. Ramakrishnan** Our own distribution company, we just talked earlier that we are buying a fair amount of power. The load has gone up in our distribution due to switch over customers and hence frankly we will not have any more surplus power to sell, so it will be sold at near regulated rates to our own distribution....
- Rakesh Vyas** Okay so the incremental need is 200 MW as of today?
- S. Ramakrishnan** In fact it's a little bit more but always 200 will go for that one.
- Rakesh Vyas** Okay and secondly a clarification on the Indonesian coal mines, coal cash cost. You mentioned that \$34 expected for next year, is it based on the current oil prices?
- S. Ramakrishnan** The oil prices have already moved a bit, it was based on I think 69 cents oil. It was based on the prices that prevailed some time in November when our budget was approved.
- Rakesh Vyas** Okay and can you tell us if you exclude the one-off cost which were for demurrage and higher pumping cost, the cash cost would have been in \$34 range, is that correct?
- S. Ramakrishnan** We have said our cash costs last year was 30.96, not cash cost actual cost, excluding the deferred stripping this quarter was 37.24, we believe not all the increase is due to increase in cost, it is a bit due to rain related, production related issues.
- Rakesh Vyas** Okay and the lower deferred stripping cost in the current quarter, it is because of lower production is that correct?
- S. Ramakrishnan** Now, the current production because of the rain they have been more overburden removal rather than actual coal production, the way the accounting is, the deferred stripping amount that we have held in the balance sheet has gone up this quarter.

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- Rakesh Vyas** Okay and sir lastly on this coal mine itself. What quantum is currently contracted or what revisions have actually happened in last three months of the total coal volume?
- S. Ramakrishnan** I do not have statistics on that.
- Rakesh Vyas** Okay but quarter-on-quarter, has the realizations improved from these contracted cost?
- S. Ramakrishnan** It has, except it has been somewhat flat and marginally lower in the last three or four weeks.
- Rakesh Vyas** Okay that is it thanks a lot sir.
- Moderator** Thank you Mr. Vyas. Our last question is from the line of Darshan Dodhia of ICICI Securities, please go ahead.
- Darshan Dodhia** Sir, what is the production target that you have set for Bumi for FY12, because you just mentioned in your con call that if you are able to ramp up the volume...
- S. Ramakrishnan** See, last year we just crossed 60, we hope we will be able to increase it by 7% to 10% depending on weather.
- Darshan Dodhia** And sir regarding this Mandakini thing, you have got an in-principle approval of 2.5 annual production so if that would be the case, how will we be able to fire 1200 MW?
- Banmali Agrawala** With that coal we should be able to buy roughly around 500 to 600 megawatt.
- Darshan Dodhia** Yes and the balance?
- Banmali Agrawala** For the balance we would need a linkage.
- Darshan Dodhia** Okay and there was some media articles indicating that you might hike your stake in Bumi Resources, are you scouting for acquisition because last time-?
- S. Ramakrishnan** There are no discussions at the moment regarding change in the ownership pattern of the mine, we do not have any shares in Bumi Resources, we have only in the coal mines.
- Darshan Dodhia** No, there was a media article stating that Tata Power may hike their stake from current 30% to probably...
- S. Ramakrishnan** See, if you are talking about our shareholding in the coal mines then there are no discussions regarding changing the shareholding structure of coal mines. We are talking of Bumi Resources, we do not own and we do not intend to own any shares in Bumi.
- Darshan Dodhia** Okay sir thanks.



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Moderator Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Anil Sardana to add closing comments. Please go ahead sir.

Anil Sardana Well I would like to thank all the analyst friends and I hope would have got your answers. In case you still have some answers that you wish to have talk to Sandeep Tilak and you will be provided with those responses. Thank you once again for being on the call.

Moderator Thank you Mr. Sardana and members of the management team. Ladies and gentlemen on behalf of TATA Power that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines. Thank you.