



1st November 2016
BJ/SH-L2/

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra-Kurla Complex
Bandra (East)
Mumbai – 400 051.

Dear Sirs,

Response to verification of news appeared in the media

This has reference to your letter No.NSE/LIST/92029 dated October 27, 2016 in connection with the communication purported to have been written by Mr. C. P. Mistry to the Directors of Tata Sons Limited, containing *inter alia* references to the Mundra Ultra Mega Power Project, which is housed in the Company's wholly owned unlisted subsidiary - Coastal Gujarat Power Limited (CGPL), and our earlier clarificatory email dated 26th October 2016 on this subject.

With particular reference to the Mundra Ultra Mega Power Project, we wish to clarify that when the Mundra bid was made in December 2006, it was approved by the board after considering all business aspects including associated risks. The Board also approved a long term contract for supply of coal on terms mirroring the bid along the acquisition of the Indonesian coal mines and ships to hedge the risk of changes in coal prices. The pattern of bidding was same for other imported coal based projects including other ultra mega projects made by other bidders. However, in 2010, there was sudden change in Indonesian regulations which mandated that coal be sold by mines at prices to be declared by Government of Indonesia on monthly basis. This change was unprecedented and never in the history had the Government taken the role of deciding thermal coal prices and that too on monthly basis. This adversely impacted Mundra as well as other bid-out imported coal based projects. This matter has been in public knowledge since last 4 years. It is also in public domain that since last 4 years as it has been the subject of legal proceedings before Central Electricity Regulatory Commission, Appellate Tribunal for Electricity and the Supreme Court. The matter has been covered in our Annual Reports in the MD&A, as also has been disclosed in the notes to the accounts. A provision was built up for impairment eventually aggregating to ₹ 2,650 crore. The provision was based on available estimates of future assumptions of all inputs including coal and rupee-dollar rates over the useful life of assets. Subsequently, that provision against Mundra was written back only when the low coal price prediction made the Company to impair the coal mines investment and provide ₹ 2,250 crore. A change in the long term predictions can again result in the need for a provision. The Mundra issue has been discussed by various committees of the Board and the Board many times. It is a matter that is watched closely, including follow through for sustainable resolution through a favourable court decision in the ongoing legal proceedings.

The Company has employed rigorous processes in preparation of all Accounts/ Financial Statements including detailed review by the Board of Directors and the concerned Committees. The Accounts and Financial Statements of the Company have also been reviewed by the Statutory Auditors. The Company would like to reiterate that its Annual Reports, Accounts and Financial Statements, as published from time to time, present a true and fair view of the state of affairs of the Company and its business and the Company has disclosed all material facts as required under applicable laws.

...2

TATA POWER

The Tata Power Company Limited

Registered Office Bombay House 24 Homi Mody Street Mumbai 400 001

Tel 91 22 6665 8282 Fax 91 22 6665 8801

Website : www.tatapower.com Email : tatapower@tatapower.com CIN : L28920MH1919PLC000567



-2-

As regards the queries/advice in point 2 of your communication, we wish to clarify as under, *ad serialim*:

- 2(a) The Company is managed by a duly constituted Board and its Committees, each having its defined role and processes, *inter alia* in respect of investment decisions, risk assessment and mitigation management. Further, this project was bid for in 2006 when the concept of a formal Risk Management Committee was not introduced and all proposals were deliberated and approved by the Board. All required information has been periodically given to the stakeholders and the Company has complied with its obligations under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Since the advent of the Risk Management Committee, the subject has been discussed periodically.
- 2(b) The Board comprises professionals with extensive experience and integrity and have always discharged their legal and fiduciary obligations with a great sense of responsibility.
- 2(c) The Company is cognizant of various disclosure requirements and has always been upfront in keeping upto high standards of governance pursued by Tata Power and the Stock Exchanges are duly informed of various developments.
- 3&4. The Risk Management and other Committees have already deliberated on these issues at length, periodically.
- 5. Mr. Cyrus P. Mistry continues to be the Chairman of the Company as per the latest Corporate Governance Report submitted by the Company and there is no change in the status.

We trust the matter is adequately responded and addressed.

Yours faithfully,
For The Tata Power Company Limited

(H. M. Mistry)
Company Secretary