

We are divesting non-core assets and drawing up 10-year road map: Praveer Sinha, Tata Power

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*We could be the biggest in power space. We expect a consolidation which would be a huge opportunity for companies like us, **Praveer Sinha**, CEO & MD, **Tata Power**, tells **ET Now**.*

Edited excerpts:

It is a very interesting phase for power companies. How are you mapping growth for next 6-12 months?

Tata Power is going through a phase of consolidation. We are divesting some of our non-core assets and are trying to come up with a roadmap for next 10 years' growth. The growth would be in conventional power generation but also huge emphasis would be given in renewable power and services business. This will include transmission and distribution and some of the other value-added services including roof top solar power. So, there is a great opportunity for a huge transformation in the way power is produced and used. We are very excited about it.

Would you be able to put numbers to this "sizeable opportunity," when it comes to renewable?

Not at this stage but we are working out our strategy for the next few years and hopefully in the next few months, we should be able to come back to you with our numbers. We are going to be big players. We are possibly going to be the biggest in this space and like in every other area, we expect a consolidation here and that would be a huge opportunity for companies like us.



You are already in the process of selling some of your non-core assets like the defence business is already out of your balance sheet. What is the estimated value of a non-core business which you have sold and which you are planning to sell by 2020?

We have already done two transactions and about Rs 4,000 crore of divestment. We are looking at some more non-core assets sale in the next financial year. That is still under finalisation and we need to do the valuations of those divestments. At this stage, I do not have the numbers but all those non-core areas but we would love to move out of those areas where we are not able to add value or scale up the business. We will use this money for investing in core areas and where there is a huge growth opportunity.

What would you like to classify as non-core areas?

We divested Tata Communication and the defence business. We have large investments in some of our companies. They are not listed companies --Tata Projects and some others. At some stage, we will be looking at opportunity to divest these companies.

What about Mundra power project? Are you actively looking at selling a stake there?

The stake thing is off the table but what has happened is that in last few months the state governments, who are beneficiaries of this power plant, have been in active discussion with us and have also constituted high-powered committee headed by retired a Supreme Court judge and they are examining the whole thing in totality. They are actively in discussion with all the stakeholder so that a practical and workable solution comes out.

We expect something will come out of it once the interactions are over and the report is finalised. We are very positive that things will happen. There is a genuine desire that this is an excellent asset which produces low cost power. Effort is on to collectively come up with a solution which is acceptable to all.

What is the current status when it comes to your Indonesia operations? What are the positives and the hindrances you are facing in this project?

As far as the investment in Indonesia is concerned, the coal mine is doing very well. All the coal investments that we have put together

they produce nearly 66 million tonnes of coal. The international prices of coal has gone up so the coal mines are doing well. They are producing to full capacity and making good profit. The challenge that we got into is that the Indonesian government has come up with law which says that even if you have a bilateral agreement, there is a minimum price at which you need to sell coal and because of that there was problem over the agreement that we had with CGPL. That is the challenge that we have faced whereby the cost of coal went up for the CGPL plant. This is a huge negative.

Do you want to sell the coal assets in Indonesia and then increase your dependence on local coal sourcing because now local coal sourcing is not that challenging?

You have two questions – first of all let me address the imported coal question. The location of this plant is in Gujarat in Mundra and the cost of coal on per kg basis on kilo calorie basis is much lower for imported coal compared to Indian coal because Indian coal has very low calorific value. You need to transport it over a long distance and today the difference is nearly 30% to 40%. It does not make economic sense to use domestic coal in this plant.

Secondly, technically also it is not possible to use 100% domestic coal. It is designed for a certain quality of coal. The boilers will not accept the domestic coal. So, you cannot use 100% domestic coal in this. As far as the power cost of this plant is concerned, this is one of the lowest cost power producer. It is within the first 20% in merit order. We are procuring 80% of power at a cost higher than this price and hence it makes a lot of sense for all these beneficiary states to continue to buy power from this plant.

Though the government may claim a lot of good things, the reality is that the power sector is in a broken down shape. Old players are struggling. The smaller players have gone belly up. Why is the Indian power sector so fragile despite government action? If large players like Tata Power are facing the heat, I wonder where the sector is headed.

Let me put this a little bit in perspective. Today, we have in the country an installed capacity of 370 gigawatt. Nearly 200 gigawatt has been added in last 10 years and the consequent increase in supply of coal or the PPAs have not happened. As a reason, we have about 40,000 megawatt of stressed assets there. This is more of a temporary phenomenon.

All of a sudden, there was so much capacity addition that no one had envisaged. Fortunately, all the plans came up during the last 10 year period and once we are able to sort out some of the issues about coal and the PPAs, we should be back on track. There has been a lot of good things and a few bad things. This sector requires deep pockets, long term PPAs, and payment obligation. These are

sectoral challenges.

Over a period of time, we should be able to sort this out. In any case, out of 370 gigawatt, it is only 40 gigawatt that is stressed. So 33 MW is good. Let us look at the positive side of that.

What was the rationale behind your acquisitions of the Prayagraj project? Are you looking at more such acquisitions?

The Prayagraj acquisition has been done through the resurgent platform where Tata Power is one of the partners and there are other investors as well. We always look at state-of-the-art technology. Fortunately, Prayagraj has super critical equipment. It also has a long term PPA for 90% of the quantity. It has a fuel supply agreement. The tariff of this plant is very low. In sum and substance, we are looking for projects that have all the things tied up, are competitive and can sustain in the long run. If tomorrow some more opportunities like that come, we will definitely use the resurgent platform to bid for more projects.

That would also include some of the stressed assets, some of the NCLT cases?

Absolutely right. We will definitely look but then they need to meet these criteria. These are certain basic minimum requirements and if they meet those requirements, we will definitely be looking at them.

ET Now: Are you already looking at any of the cases?