

# Looking to divest South Africa, Zambia assets: Tata Power

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A consensus has been reached with five states to a modification to the Mundra power purchase agreement, says Praveer Sinha, managing director and chief executive officer, Tata Power. Edited excerpts:

**Already the losses have started falling in Mundra. When do you expect that you also will be able to get the advantage of a higher compensatory tariff? How will the current quarter look like? I assume change will come in this quarter?**

As far as Mundra is concerned, you would be aware that the high-powered committee (HPC) report came and subsequent to that the Gujarat government agreed to the modification of the power purchase agreement (PPA). The PPA has since then been circulated to the other four states also and there has a lot of discussion with them. Some of the states, especially Punjab and Haryana, had certain issues in terms of accepting the revised PPA as suggested by Gujarat. However, they have discussed these with us and we have now come to an understanding and hopefully we should be in a position to get this sorted out and go to the Central Electricity Regulatory Commission (CERC) and get a final approval in the next few months.

**In terms of a timeline you are saying that the consent from all the five states on the agreement could come through over the next few months itself?**

Absolutely right. We have agreed and there has been consensus between us and Punjab and Haryana and so also with Rajasthan and Maharashtra. So we definitely expect that this will get sorted out and we are proposing to go to CERC in next week or 10 days and thereafter we will try to get on board all the other states and get the PPA issue resolved.

**So in April-May-June perhaps you still will have to bear with the old rate. This could be for the July-**

**August-September quarter for sure?**

Definitely, but as you would have seen in case of Adani, the effective date continues to be 15 October, 2018. Therefore, we expect that this benefit or the modifications that would be agreed would be effective 15 October 2018.

**On Q4 numbers, what supported the business this time is the improved performance from the renewable segment. Can you tell us what was the overall plant load factor (PLF) there, what is the contribution and are you looking at aggressively expanding this business?**

The Q4 performance for all our businesses have been good and the operating revenue, operating profit, earnings before interest, taxes, depreciation, and amortization (Ebitda) and profit after tax (PAT) before exceptional items, all have improved tremendously in Q4 and even for the renewable business we see a huge improvement in the Ebitda, as well as PAT. We expect that this will have a much larger contribution. This year we commissioned 200 megawatt (MW) and there is another 400 MW that will get commissioned in this financial year. Therefore, we expect the impact of all this will improve the profitability of the renewable business.

We have huge plans to grow and we are looking at 6-10 times growth in the next 5-6 years in the renewable portfolio and we expect that this will play a major role in times to come for Tata Power.

**Going back to the Mundra point again, the loss will come down to zero once the new tariff comes in. That's how it would be designed and then you would get some back charges. Can you give us any ballpark figure as to what would be the back charges that you may get and when. Will that be for second half, will that be in the first half itself?**

It's difficult at this stage to give you the exact numbers but the total under recovery is about 70 paise. We expect that 50% of that we will be able to recover, about 35 paise, and that recovery will happen from the period of 15 October. So that



Praveer Sinha, MD and CEO, Tata Power.

is the amount. Typically CERC, whenever there is a previous recovery, retrospective recovery is there, they give a period of six months to the beneficiaries to make the payment so that there is no immediate burden on all the beneficiaries to pay the full amount

**On Prayagraj, what is the latest there? The Uttar Pradesh state regulatory body had asked you to reduce the tariff before taking over. Have you agreed to lower tariffs and what would the impact be on your return ratios?**

The Uttar Pradesh Electricity Regulatory Commission (UPERC)

order was on the petition filed by the State Bank of India (SBI). Our arrangement is with SBI for the amount that has been agreed with them and we have not changed our arrangement with SBI. The matter was taken up in Allahabad high court last week and the court took cognizance of it and has referred the matter to Appellate Tribunal of Electricity (APTEL) for an early hearing and also to decide the matter quickly because it is in the interest of public and in interest of all the stakeholders that this gets resolved by 30 June. Since then we have filed the petition in APTEL and hopefully in the next six to eight weeks a formal decision should come from APTEL.

**Your PPA with Brihan-**

**mumbai Electricity Supply and Transport Undertaking (BEST) is done and dusted, isn't it? It is renewed and the Maharashtra Electricity Regulatory Commission (MERC) has approved it, has it not?**

Absolutely right and we have started supplying them power from 1 April. This PPA is for five years and that is already on.

**To ask you even about Prayagraj, if the Uttar Pradesh government were to continue to insist on a lower tariff, does the deal stand?**

There is no danger to the deal because it is not the Uttar Pradesh Power Corpora-

tion that is the beneficiary, it is the regulatory commission that had taken a decision on reducing the tariff. As we have gone to APTEL we expect some resolution in that.

**Would you want to apply for more power plants considering these ambushes that keep coming. Just now we heard that the GMR Rajahmundry deal is done and sustainable debt has been cut. Are you still interested in those other seven to eight plants that SBI had?**

Yes, we keep examining many proposals. Of course we look at all the proposals through a resurgent platform and we definitely look at them

in terms of how much PPA is tied up, how much of coal is allocated and what sort of tariff is there. So we definitely keep on looking at it and we definitely have an appetite but we would be careful in taking some of these projects subject to them meeting the qualifying requirements that we have set ourselves for.

**The debt front, you over-all debt is still very high at almost Rs49,000 crore. The standalone debt is higher. Can you give us an indication in terms of a timeline by when you plan to reduce your debt? How much could the debt reduction be over the next 12-18 months?**

Our debt equity ratio has reduced from 2.5 last year March to 2.2 this year. Our debt absolute numbers have gone up but there has been some amount of debt repayment consequent to divestment that we did in Tata Communications in Panatone. We are also now going ahead with our investment in some of our international assets, specially the one is South Africa and Zambia. Apart from that there are some other divestments that we are looking at in India. Hopefully many of them will happen in this financial year because the whole exercise and process takes bit of time. We expect that we will be less than 2 debt equity ratio by the end of this financial year.

**This quarter it's actually renewables that have saved the day—the thermal as well coal have been very subdued. Do you see either of them doing better in the first half of the current year?**

Our performance in all the plants have been very good—all our coal based plants, transmission and distribution—all of them have done very well except for Mundra where we had negative ₹300 crore and the coal mines where because of the domestic market obligation the sale prices came down and realisation was much less than the previous year but other than that all our present operations, all our plants have been doing very well and we expect that our existing operations will continue to give us the right support that it has been providing.

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