

# ‘Mundra Unit Losses may Halve on Tariff Revision’

ET Q&A

Tata Power's losses at its 4,000-MW Mundra power unit are likely to halve as the company is

close to finalising revised tariff with power distribution companies (discoms). In an interview with **Rachita Prasad**, the company's **MD & CEO Praveer Sinha** said that while the company is looking for acquisition opportunities in power generation, both coal-fired and renewable, it is increasing its focus on consumer-centric businesses such as power distribution, electric vehicle charging and rooftop solar. Edited excerpts:

## When will Tata Power finalise the revised tariff for the Mundra project? How will it impact the company's losses?

The Gujarat government has approved the proposal and we have circulated the draft modified power purchase agreement to all the other four procurer states. All these states are inclined to approve the PPA. There may be some differences in views, but they are keen that some solution is found because Mundra supplies one of the lowest cost power, in spite of the increase in tariff. We are supplying at ₹2.80/unit, it will increase by 30 paise to ₹3.10, which across all five states would still be one of the best rates. We hope to achieve consensus among states in two months. Today, we are making a ₹1,500-crore loss on the project, which we will reduce by 50% upon tariff revision. We would still be making loss, but it will give us some relief in running this business.

## Some discoms are not paying generators on time and some are seeking discounts. How do things look on the ground?

The challenge for discoms is that the more they supply, whether it is in rural areas or semi-urban areas, the more money they are losing due to under recoveries. Saubhagya scheme is very good, as it has given access to electricity to people, but for every unit that



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## GROWTH STRATEGY

Our investment platform...Resurgent Power, is looking for more opportunities...all thermal & hydro assets will be (bought via) this platform

they are supplying, they are losing money heavily. Unless these discoms become financially viable, no new technology will come, no large-scale improvement will happen and they will continue to struggle to make payments. Power generators need to pay Coal India and railways in advance and transmission provider on a monthly basis. So if generators don't get paid by discoms, there is a liquidity challenge. Banks can fund working capital for some time, but eventually you need payments to come in time. People need to respect payment terms. In our case, we have problems in one or two states, where ₹200-300 crore is delayed beyond six months, otherwise, we get most of the payment within 90 days.

## Tata Power has said that clean energy will play an important role in capacity growth. What is the growth strategy?

We are not moving away from thermal. Our investment platform with ICICI Bank, Resurgent Power, is looking for more opportunities, like the recently acquired Prayagraj Power. All thermal and hydro assets will be acquired through this platform. We will also look at acquiring good transmission asset and renewable projects. We would look at existing large-scale utilities, more in solar than wind.

## You have entered consumer-centric businesses like rooftop solar, electric vehicle charging, and even power distribution. What's the plan to expand this segment?

We have typically been in business-to-business and business-to-government. We are now moving more to consumer business as an integrated service provider. The rooftop solar or micro-grid segment is competitive; but we have an advantage as we offer end-to-end solution. We are looking at large-scale rooftop solar as we can offer full services and even offer financing through Tata Capital. In 3-5 years, the rooftop solar business could become big and account for 10-15% of our business, from less than 5% now.

## What is the growth plan for power distribution and electric-vehicle charging business?

We want to grow very big in power distribution since we have good knowhow. We bid for one project in Odisha and are awaiting results. Post-election, there will be more opportunities as state discoms are finding it very difficult to sustain. In the EV business, we can not only do EV charging but also do solar power-based charging and provide automation solutions. We have 15 charging points in Delhi and 15 in Mumbai and some in Hyderabad; we will set up more.