

# Virus outbreak has impacted renewable business, says Tata Power CEO Sinha

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India imports nearly 90% of its solar panels from China and is very much dependent on China and Taiwan for sourcing these panels, says Praveer Sinha, managing director and chief executive officer, Tata Power. Edited excerpts of an interview:

**Has there been any impact of the Covid-19 outbreak on the renewables industry?**

The renewable business is definitely getting impacted. Many of the projects, which were supposed to be completed in February-March, are getting delayed.

There will be a delay of another two or three months for these projects to be completed. India imports nearly 90% of its solar panels from China and is very much dependent on China and Taiwan for sourcing solar panels. **Have you all taken a call not to supply power to some of the states?**

What we have been informing the states is that you need to resolve this issue and we have

been waiting for more than a year now and have been in active discussion with all the states. We have told them that if they do not resolve it quickly, we will be constrained to close the units sometime around 10 March.

We have only given them a notice that please expedite it and we hope that good sense will prevail and they would be able to close this transaction before 10 March.

**Of the five states, which are the ones that have shown an inclination towards a tariff increase? What is the average quantum of increase that you would hope for and what are the**

**accumulated losses at Mundra right now?**

Gujarat has already agreed to this. They have issued a government order saying that they are ready to revise the power purchase agreement (PPA) and sign it with us.

We also understand that Maharashtra has moved forward and the new government is taking a decision on this and hopefully we will meet the deadline of 10 March to sign this. Punjab has been in discussion for a long time.



Praveer Sinha, MD and CEO, Tata Power.

The other states, which are Rajasthan and Haryana, are waiting for Punjab to take a decision and that is what is delaying the whole sequence of signing of the revised PPA.

We have an accumulated loss of about ₹11,000 crore as of December 2019 and this year our losses of course have come down drastically because of lower coal prices and better sourcing of coal and also because of the better blending that we have done. Nonetheless, this needs to be resolved

for us to continue supplying from this power plant. This plant is one of the lowest cost plants even with the revised tariff and it will be really sad that this is not able to generate and schedule power to all the five states.

**One of the reasons for worry is that Jefferies is now questioning your debt reduction plans. They believe that it is not material enough. What are your numbers? How much can you reduce debt because**

**monetisation of plants may suffer a setback?**

I don't think so. I think there was misplaced information with Jefferies because we have already gone ahead and concluded a deal for the synergy plant in South Africa, the money is expected within March this year. We are also in discussions for the Zambia plant and we expect by the second quarter of next financial year, we will be able to close that. We are also in discussions for our shipping business, we expect to close it by Q2 of next year.

We are also discussing one of the coal companies Baramulti Suksessarana Tbk (BSSR) and Antang Gunung Meratus (AGM), which again we expect to divest by Q3 of next year. So I think there is a concrete plan, we have been able to get money from Arutmin in last one year, we have got more than \$100 million from them and on a monthly basis, we get \$5-6 million.

So I think everything is on track. It is just a question of getting right buyer and a right price because we would not like to do a knee-jerk reaction and just sell it. So I think we are very much on track and FY21 all

these transactions will get completed.

**What is the debt and what is the target?**

We will get ₹3,500 crore to ₹4,000 crore from all this. We will get another ₹1,000 crore from Arutmin. So ₹5,000 crore is something that we expect. We are also looking at monetising some of the land that we have but is not being utilised by us.

So we expect another ₹1,000 crore from the land monetisation.

So in total, we expect ₹6,000 crore of debt reduction by the end of FY21.

**Where would that take your gearing level? There is also apparently fresh capex. The Jefferies**

**note also pointed this out, almost ₹6,000 crore of fresh capex that you are also planning. Besides, one reads about the infrastructure investment trust (InvIT) that seems to be in the works for a lot of marquee names such as the Abu Dhabi Investment Author-**

**ity. Where will the net gearing be as some of these things play out?**

We do capex for our regulated business whether it is the transmission and distribution in Mumbai or the Delhi distribution and some of the capex we will do in our generation projects especially for FGD and all this generate fixed rate of return for us, they give us 15.5 percent return on equity.

So these are very good capex that we have been doing and

they have been helping us in improving our Ebitda.

If you see, since last year our average Ebitda increase is in the range of around 22-24%.

In last three quarters we have got an Ebitda,

which was what we did the whole of last year.

So I think whatever investments that we are doing are generating good cash for us and is useful for the growth of the company.

Also, what we have been looking at is that how do we look at monetising some of the

other businesses and we have great opportunities especially in renewable where we can leverage the growth that we have.

We already have 2,700 megawatt of operating renewable assets, we have another 700, which is under commissioning now and various activities are going on over there.

So I think on an overall basis we have a very good portfolio and they are operating at nearly 98-99% of ability.

So we do look at some sort of financing arrangement and how do we leverage that for our future growth in renewable business.

**Is there a very big problem in terms of the shipping of coal?**

Yes, the shipping has not been impacted. In fact, the shipping has increased against the general perception that in China the supply of coal would have reduced. It has increased because there coal mines are not operating and all the coal that is being produced in the other countries are being shipped over there and we are also getting all our shipments because we have firm contracts with all the coal companies and the shipping companies.

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**'We have an accumulated loss of ₹11,000 cr as of Dec 2019, this year our losses have come down drastically because of lower coal prices.'**