

From a B2B or B2G company, Tata Power becoming a B2C co: Praveer Sinha

The transformation that Tata Power is going through will also transform the power sector.

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*The private sector can play a very critical role in reforming the distribution business. By private sector, I mean not only India's private sector, but also global private sector companies, says **Praveer Sinha**, CEO & MD, **Tata Power NSE - 1.14 %**. Excerpts from an interview with ETNOW.*



You have always been very vocal about flagging off the issues in the power sector. A year ago, there was some hope but given how the dynamics are moving for the power sector and what is happening to government collection, GST and discoms, are we reaching a stage of no hope for the Indian power sector?

One of the biggest problems is the discoms and until and unless the financial viability of the discoms is established, it would be very difficult for the power sector to improve. When I talk of power sector, it is conventional generation, renewable projects as also the transmission business. Everything is dependent on money that is collected by discoms and paid to generating and transmission companies.

Until and unless, there is a large-scale improvement in distribution companies and they become financially viable, it would be very difficult to bring about any reforms in the power sector. We have seen in Delhi how we have been able to convert a loss-making company with very dilapidated condition of the network into one of the most modern distribution companies in the world. It is as good as anywhere else in the US or Europe in terms of the quality of power and in terms of the service that is being provided to the consumers.

If big ticket reforms have to happen, if the financial viability has to be established, one of the big things that need to happen is the distribution reforms, apart from the tariff that needs to be revised and the regulatory process that needs to become more transparent.

Given where the economy is and given that GST collections have been low, the fact that states this time are struggling to get their share even from the central government in GST, the state of financials for states will not improve. So can we say discoms will remain under pressure?

I do not think so. One of the big things to happen was UDAY (Ujwal DISCOM Assurance Yojana) three years back. UDAY talked about transferring the losses of the discoms to the state government and this was done over a period of three years. 2019-20 will be the year when total losses will get transferred to the state government.

The state governments' financial condition will be under huge stress and their ability to do the overdraft and get money for development programme, salary will be under stress. It is very important that the reforms take place because otherwise we are just moving from one of the UDAYs to the other UDAY and the various other things that keeps on happening but the needle is not moving. If the needle has to move, the reforms in the distribution sector has to happen. Initial winds of change are happening. We have bid for Odisha and I am expecting that the bid will get decided in December. This is for CESU, which is a large area consisting of five cities and the areas nearby which is nearly 30,000 square kilometre area.

We have also been in discussion with another four states and all of them are appreciating that the condition of the discoms financially is unsustainable. They have to do this sooner than later and until and unless that happens, the power sector will continue to struggle. Whether it is the stress asset or the long-term PPAs which have to happen, the renewable projects which are getting stuck because the ability of the discoms to purchase additional power is restricted, in the long run, the only way that the sector can transform and change itself is through the distribution reforms and the writing is there on the wall.

It is noted that Tata Sons chairman N Chandra himself has called for privatisation of power discoms. We all know discoms are bleeding and continue to do so. Do you really think the answer lies in privatisation?

It lies in privatisation because until and unless, the private sector comes in and there is more accountability in the way these discoms are run, it would be very difficult to make them commercially viable, because the private sector will not only bring in the money that is required for improving the network, but also bring the technology and the domain knowledge that is needed for transformation.

The private sector can play a very critical role in reforming the distribution business. It has been seen in many other countries also when they brought about distribution reforms and brought in the private sector. By private sector, I mean not only India's private sector, but also global private sector companies.

They will bring the best-in-class experience, best-in-class processes and they will also bring the technology and the domain knowledge and convergence, which unfortunately the existing government discoms cannot bring about. While on one side, we want to really leapfrog by talking about smart grids and smart metering, we also need to appreciate that these are things which will happen only if the foundational technologies are implemented in terms of the distribution automations SCADA, GIS and their integration.

The only hope is large scale privatisation and that can be done through different models. It can be the PPP model or the hybrid reforms that have been done in some of the states, especially in terms of the hybrid franchise. Some of the other services can be outsourced also. They are the only way that we will be able to bring in the change and improvements in the working of these power companies.

The problems around Mundra have not yet been resolved. Are you looking at recapitalising the balance sheet by looking either at rights issue or some kind of fundraising?

Yes, the Mundra issue is very much there and we are trying to resolve the issue with all the states. Once the government in Maharashtra and other places are fully functional, we will try to get that sorted out.

We expect that this will happen in the next few months, but meanwhile, we also keep on looking at growth opportunities.

"The only hope is large scale privatisation and that can be done through different models. I" - Praveer Sinha

We have identified that renewable and distribution business and some of the new services, especially in terms of home automation, EV charging are new ways that we would be carrying out our growth plans. Many of these do not require the high capital that we were earlier incurring in large coal-based plants. As part of our growth, we keep on looking at how we first deleverage and divest some of the existing assets internationally; secondly, look at getting some original capital through various mechanisms which will help us generate enough revenue and money for growth.

I am going to ask you a slightly big picture question. What should your shareholders expect from Tata Power now? For next five, seven or even 10 years, what is in your shareholders to stay committed to your stock?

The big ticket change that will happen is consolidation will take place in the power sector, in the renewable space first where there are more than 25 players. Consolidation will take place and people will look at long-term projects, long-term investments and not short-term investments and valuation of the business. This will ensure that there is a certain amount of gravity in terms of what sort of pricing needs to be done for bidding purposes, what are sustainable levels at which these plants have to operate and financially become viable.

That aspect will bring about a certain amount of cleaning and Tata Power will be able to make a big dent because of its knowledge of the power sector and knowledge of the renewable business where many of the new technology interventions will be used.

The second area that Tata Power will be working on is distribution. Again this is an area which is very unique to Tata Power because over a period of time, it has developed huge skill-sets and domain knowledge and it will leverage in the opportunities that will come up. They may not be very many but whatever will come up in the various states and we are seeing some of the states have already initiated the process of distribution reforms. Tata Power will play a very major role over there.

The third is the business services or business solutions in terms of home automation, EV charging, some of the smart metering and smart city solutions that Tata Power is coming up with. Again this will be an area which is unique to Tata Power because of its understanding of the sector and of how the convergence of IT and electrical technology has taken place and how the digitalisation that takes place in power sector can provide better services to the consumers. Going forward, there is huge expectation and I am sure Tata Power will lead the way in the power sector in years to come.

Tata Power went global between 2000 and 2010 and acquired assets, expanded the balance sheet. You expanded your operations by a lot of inorganic growth. Last 10 years you have been stuck with a clutch of regulatory issues; you have been struggling with debt, you have recapitalised your balance sheet and you have not been getting true benefits of acquisitions between 2000 and 2010. What would be the core fix in the next five years?

We are going through a huge change within Tata Power and the learnings that we have got from international players, especially in power services business, are what we are trying to bring over here. The consumer will play a very critical role and that is why we are coming up with a huge amount of products and services which are consumer related. We are talking of doing 100 cities for rooftop solar energy and that programme is going very well. We have already done nearly 40 cities and we will complete 100 cities in the next six to eight months.

Secondly we are getting into microgrids where we, over a period of five years, will cover 10,000 villages and nearly 25 million consumers.

The third is a distribution reform. Many of the initiatives that will pan out in the next five years are B2C businesses, whereby we will be directly interacting with consumers, providing them value-added services which was never heard of in the power sector.

Our objective is that in future, 50% of our revenue will come out of services business which is distribution, rooftop, microgrids and solar pumps. The huge change that is happening within power sector and within Tata Power is from a B2B or B2G company, we are becoming a B2C company. That will bring in uniqueness without incurring large capital expenditure. Without overleveraging our balance sheet, we will be able to go for asset light business models which will help us to grow and help us to bring about new services to our consumers.

This is a change that we are expecting to happen and this will benefit not only our consumers but also stakeholders and we are very confident that going forward, the transformation that Tata Power is going through will also transform the power sector, whereby consumers will start demanding these changes in other cities also where Tata Power is not there.

More consumer-centric solution, more distribution energy solutions which is coming up. More consumer interactions and behaviour changes will change the way Tata Power will provide services to its consumers.