

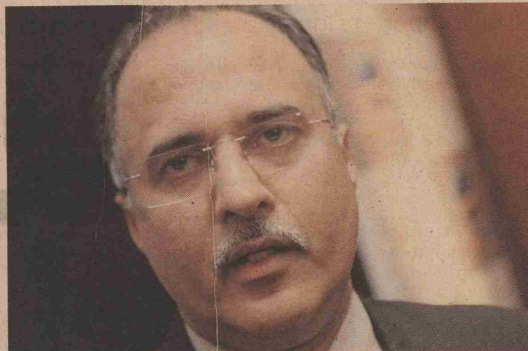
# CERC panel report may mean ₹1,500-cr relief for Tata Power

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**C**ENTRAL electricity regulator CERC's panel report could mean a ₹1,500-crore relief for Tata Power's struggling Mundra power plant, but a final verdict is still sometime away, managing director Anil Sardana told *FE*. Even as policy clarity is awaited, the company's lenders have agreed to grant waivers on a breach of debt covenants including the debt to equity ratio at the company's Coastal Gujarat Power (CGPL) unit that runs the 4,000 MW plant.

The CERC appointed panel, headed by Deepak Parekh, has recommended a 45-55 paise per unit hike at Tata Power's flagship plant, pegging coal prices at \$79 per metric tonne and the Rupee at 55/\$, but Anil Sardana said the final figure will be contingent on the currency and international cost of coal as fluctuations are built into the formula.

"The contours of the report are drawn on the recommendations of CERC in its orders, but the verdict is still sometime away," Tata Power's managing director Anil Sardana said. When will it be out? "No idea, it depends on the CERC," replied the Tata Power head. "When we had submitted our petition, we had requested for a 57 paise hike, coal price was at \$84, and the rupee at 55 to a dollar." International coal prices are currently close to \$75/metric tonne while the rupee closed at 67.63 on Tuesday.



Tata Power MD Anil Sardana said the contours of the report are based on the recommendations of CERC in its orders, but the verdict is still 'sometime away'

As the Mundra plant runs up annual losses of ₹2,000 crore, the company is currently facing a working capital crunch which has forced it to shelve plans to expand the Mundra plant.

The company had earlier outlined plans for an 1,800 MW expansion, two units of 900 MW in the plant, hoping that by selling power at higher prices from the increased capacity would help soak up losses on account of the current tariff. "This plan no longer makes sense," Sardana conceded.

"When we originally came up with the plans, it made a lot of sense, and the maths showed that we could cover our losses, but now with the rupee sliding, this is no longer the case," he said.

The company has, however, managed to get some relief from its lenders who have in principle agreed to a waiver of debt covenants on the Coastal Gujarat Power (CGPL) that runs the Mundra plant. Tata Power has been in talks with lenders seeking waivers after it breached covenants linked to the debt-equity ratio because of impairments resulting from coal price hikes and forex losses.

"They have accepted the waivers except for the fact the letters and communications and revisions need to be worked through," said Sardana. The breach had hurt the company's ability to borrow further, as rating agency Moody's had downgraded

Tata Power last year, citing defaults on the covenants.

"We wrote off ₹2,650 crore of equity due to impairment, so we had only ₹2,300 crore of equity left. It was non-cash impairment, money is still there, nothing changed on the ground, it is only that the potential to earn has changed, so we asked for the waiver," he explained.

The company had plans to transfer ownership of its coal assets in Indonesia to CGPL, to help stem the bleeding at the plant, but this may no longer happen, Sardana said. Lenders have asked that the cash flow from the profitable mining operations are used to cover CGPL's debt obligations, instead of the operator of the Mundra plant directly owning the asset.

Tata Power was awarded the Mundra plant in 2006 when it bid a tariff of ₹2.26/unit, beating rival bids from Reliance Energy, Essar Power, Adani Enterprises among others. But after the Indonesian government changed regulations that marked up coal prices to international prices, Tata Power has run up losses at the plant.

The CERC in April awarded the company and peer Adani Power, which also has a 4,600 MW plant in Mundra, compensatory tariffs to account for the losses incurred by the companies due to the law changes in Indonesia. A panel set up by the CERC to decide on the quantum of hike has recently submitted its report to the CERC.