

'Tata Power to Implement Plans to Cut Costs'

ET

Q&A

Anil Sardana

Managing Director, Tata Power

Tata Power Company may explore legal recourse after the Supreme Court ruled against compensatory tariff for Mundra, which could lead to annual losses of about ₹900 crore, but the company will focus more on working out an alternative plan to source cheaper coal in what it refers to as 'Plan B'. In his first interview after the ruling, managing director Anil Sardana told **Rachita Prasad** that the SC ruling undermines the role of a regulator and will make financiers and developers wary of investing in mega projects. Edited excerpts

What is the next step?

We will go with the advice of our senior legal counsel to explore legal recourse.

The expectation was that the SC ruling would be favourable, but it wasn't. How does this change your strategy?

I will have to preserve cash. We are a conservative company and don't believe in going over the top to leverage the balance sheet thinking that it

is only the bankers' concern. We will now have to create a headroom so that whatever be the exigency, we have cash to fund the losses.

Would the ruling have a bearing on your expansion plans?

There is no demand for thermal power. We were not looking at expanding that capacity even if the order was favourable and not looking at it now for sure. Tata Power will still be able to manage since we have a natural hedge available as we own stake in Indonesian coal mines. We have a 'Plan B' which will be implemented in a year's time.

What does 'Plan B' entail?

This plan will have methods to reduce under-recovery. Sourcing coal from alternative sources at cheaper rates would be the main aim.

You did not factor in the compensatory tariff in your earnings. But would there be any other financial implications?

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ON FINANCIAL IMPLICATIONS

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ments. We have given the bankers' guarantee from Tata Power so they will not have any sleepless nights on account of our projects as they are protected.

What's the biggest takeaway for the sector from the SC order?

We need to take it in a positive stride as consumers would have got impacted by higher tariff, even if it was 2-3 paise. The main thing is that the order has blunted regulatory com-

mission. It means that if there's a contract and if the environment changes tomorrow, then regulatory commissions have no power to revisit the contract. Then why have the regulatory commission? The order clearly says regulatory commission had no role and whatever is the contract holds true. In the past, different regulators had opened contracts and changed it.

Will this dampen the sentiments of

financiers towards the sector?

You won't get any participants if there is a similar manuscript for ultra-mega power projects. The ministry has said it plans to add 4-5 more UMPPs in the next few years; it will be very difficult to get serious participants for them. More than the developers, it will be tough to get lenders. After all, at the end of the day, these projects are executed on 70-80% debt.