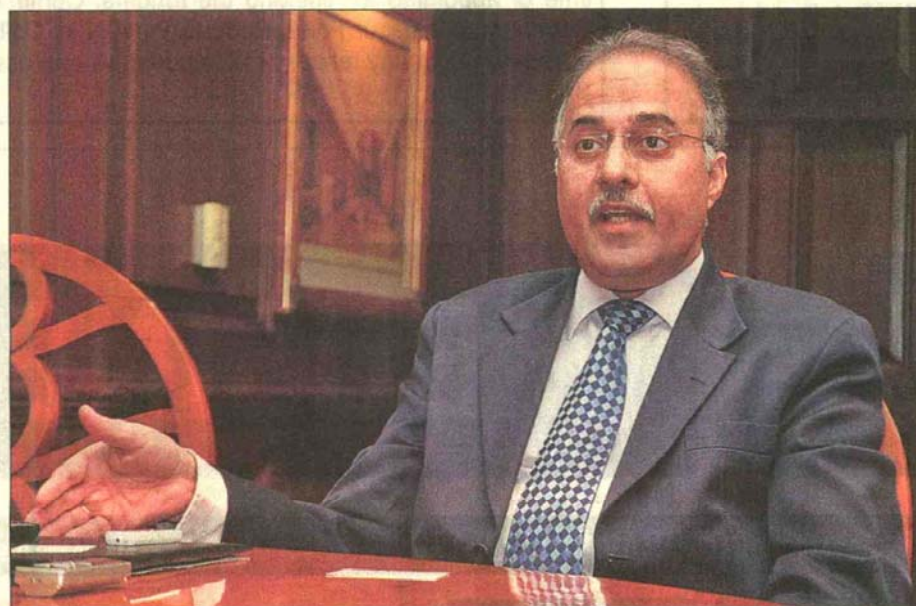


'If non-serious players enter, renewable could go the telecom way'

STRESS FACTOR Firms entering the sector only in search of high returns may lead to rise in stressed assets



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Anil Sardana, CEO and MD of Tata Power, India's largest private power company, sees a lot of opportunities in the renewable energy sector. But it could go the power and telecom way, if non-serious players are allowed to come in, he told HT. Excerpts.

Do you see risks from non-serious players entering the renewable energy sector?

It could definitely have this issue, because non-serious players are coming in. Going ahead, there will be a lack of strong background checks, and bankers will lend to them so that they can set up projects. This is what happened in the power sector.

What led to stressed assets in the power sector?

There are a lot of non-sector players who walked into the power sector in the last 10 years, assuming that perhaps this will give them tremendous amount of valuation gains. That didn't happen and it led to

stressed assets. This happened in telecom as well.

Are declining coal prices the biggest positive for Tata Power?

Coal prices are a double-edged sword. We have invested in coal mines. So if coal prices go low, our mines are going to lose. On the other hand, if coal prices become lower, it helps us in Mundra because there we have an issue of under-recovery. But the improvement in profitability is because of performance.

What are the risks of investing in India?

I am all for bidding out of projects, but it is important to make sure that the risk profile is balanced and it's not unnecessarily thrown on to the developer. Otherwise you end up with successful bidding, but unsuccessful progress on projects. So coal bidding has been successful, but all the bid-out mines are now seeing unresponsiveness from the winning bidder. At a macro level, my concern is that we are still at 1,000-kilowatt per person per year,

which is one third of the global average.

When do you see big-ticket private investment returning to the power sector?

Why do you need investment if the demand for electricity is going to stay where it is? Demand depends on the success of the UDAY scheme to turnaround state discoms. Until state discoms are pulled out of the financial mess, you can't expect people to invest without clarity on power purchase agreements and whether their money will be recovered.

Do you think judicial intervention is causing instability in policy? The cancellation of coal mines is an example.

You can't say there is instability in policy. You have to say that there has to be a sovereign promise, that is if the sovereign gives you something, it's a promise. Could you have predicted that the blocks allocated in 1994 would be illegal in 2014? There has to be a more legitimate way to support such projects.