

# Opportunities abroad genuinely attractive: Tata Power's Sardana

Anil Sardana says Indian firms being forced to explore business in countries where investment climate is more favourable

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In India, Anil Sardana says, a few good opportunities arise, and even when they do come, it leads to fierce competition, making projects unviable. Photo: Hindustan Times

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**Mumbai:** Power projects in the country face multiple challenges, primarily over land and the environment, **Anil Sardana**, managing director of **Tata** Power Co. Ltd, said in an interview. This forces Indian companies to explore business in other countries where the investment climate is more favourable.

Sardana heads the country's largest integrated power company with a presence in all three segments of power business—generation, transmission and distribution. He explained his company's strategy of scouting for opportunities abroad and also spoke about the future of the 4,000 megawatts (MW) Mundra ultra mega power project (UMPP). Edited excerpts:

## **How big is the loss from the Mundra project?**

At current coal prices, we are making a loss of 60 paise on every unit we sell and during fiscal 2014, we will be generating and selling around 27,000 million units. So you can calculate the quantum of losses we will

be making from running the Mundra project. Our equity contribution to the project is around Rs.4,000 crore, and we have already impaired Rs.2,650 crore.

After our equity, there is nothing left for us in the project, following which, control of the project will go to the lenders. I don't know whether they (the lenders) will be interested in running the project by bearing the loss on each unit of electricity generated at the Mundra project.

**Did problems with the Mundra UMPP prompt the company to scout for opportunities abroad?**

There are multiple challenges faced not only by us, but other corporates too, which made us scout for opportunities abroad. In India, land and environmental issues are the primary concerns. Apart from that, many states are claiming that they have become, or are on the verge of becoming, a power surplus state. So few good opportunities arise, and even when they do come, it leads to fierce competition, making the project unviable. This is one reason which deters you from committing to large investments.

Besides, opportunities available outside the country are genuinely attractive—challenges involved in the project are predictable, making them far less risky and the outlook of these countries towards investment is sincerely positive. It is not that, while looking for opportunities abroad, we did not consider or do any due diligence on the opportunities which came our way in India. But what can one do when several of your projects are yet to see any real movement because of procedural issues? Where should you invest?

The central level cabinet committee on investment and single-window mechanisms at the state level should work in earnest to remove procedural roadblocks to make the investment climate attractive in our country.

**Have you set any target for the business on overseas operations?**

There are no such targets. Our current mining operations in Indonesia and shipping operations between Indonesia and India account for close to 35% of our company's revenue. Shareholders do not bother where they get their return on equity from. Our job is to give them bang for the buck.

**You have talked about putting two additional units of 800MW each and running them on a merchant basis to compensate for the loss you are making on the Mundra UMPP. What's the status of this proposal?**

We have moved an application for statutory permissions such as those for environmental clearance and we are also talking to other stakeholders in the project to get their concurrence. But it is going to be a long-drawn process.

**In February, you said you will transfer your interest in the Indonesian mining company to the books of Coastal Gujarat Power Ltd (the special purpose vehicle running the Mundra project) to give comfort to lenders.**

Essence of this option was to give assurance to lenders that their debt will be serviced as per schedule. We have taken approval of the board and our lenders are satisfied by this gesture.

**For the last few years, Tata Power has been adding 250MW of renewable capacity every year. Your total renewable portfolio is 873MW. Are you planning to hive off the renewable portfolio into a separate entity and list it?**

We have no such plans. We are a listed entity and these assets have given value to the shareholders.

**Since 2009, when you started your retail distribution options in Mumbai, Tata Power has been aggressive in adding consumers (currently close to 400,000), but you also seem to be engaged in a corporate war with your competitors.**

I don't see things in this perspective. The customers always love to have competition and it is healthy competition. And when there is competition, regulatory intervention does take place and sometimes such interventions have an impact on the other side, following which issues get raised in different fora.

The right way forward for the power distribution is separation of the wire and supply business.

The wire business such as transmission line becomes a natural monopoly and for supply licences, compete with each other. Just like now you can buy talk time from any mobile service provider by buying a prepaid SIM card, why can't an electricity consumer buy a prepaid card for electricity too?

**By bidding for a distribution franchise in Jamshedpur, you seem to have changed your distribution business strategy.**

We were never in favour or against the franchise or public-private partnership model for privatisation of the power distribution business. But some state governments that invited bids for franchises in certain cities or circles, wanted to give out a very minuscule part of the whole distribution business—such as meter reading and bill collection. Our view was that we need to be more serious as it involved large investments, and lakhs and lakhs of consumers.

Hence, we decided to participate in the Jamshedpur bidding process as the qualification norms were very stringent, so that only experienced players could enter the bidding process.

And then we had several rounds of talks with the Jharkhand authorities in our pre-bidding conferences, so participants in the bidding process and the authorities were almost on the same page about the criteria for final selection. So we decided to bid and won the bid.

**In the transmission business, after your successful joint venture with Power Grid Corporation of India Ltd, PowerLinks, you have showed little interest in transmission sector projects.**

The reason for staying away from franchise bids in the distribution sector and transmission sector are similar. The transmission sector bids were designed in such manner that they favoured select equipment manufacturers or engineering procurement and construction companies, and participation by the utilities was not given any thought.