

Tata Eyes Coal Assets Freed By Global Fracking Boom

India's second-largest generator, is seeking coal assets in the U.S., Canada and [Colombia](#) as prices of the fuel drop amid surging shale gas supplies in [North America](#).

Initial purchase talks are on for several mines, Managing Director Anil Sardana said in an interview, declining to identify the assets. Acquisition prospects in [South Africa](#), where Tata Power has scouted for more than a year, have dimmed because of infrastructure concerns, he said.



Tata Power Managing Director Anil Sardana

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Cheap coal may help Tata Power, led by Cyrus Mistry, to turn its biggest power plant profitable after a purchase of mines in [Indonesia](#) turned sour as the Southeast Asian nation levied export taxes. U.S. power generators have turned to gas extracted from shale rocks as hydraulic fracturing, or fracking, has made the country the world's biggest producer of the less polluting fuel, while freeing up coal reserves.

Lack of railroad facilities and inadequate port handling capacities that can transport coal from the mines to the nearest shore are veering Tata Power away from assets in South Africa, Sardana said. The acquisition costs for such mines increase because miners have to spend time and money to build the infrastructure, he said.

Tata Power [gained](#) 0.5 percent to 95.30 rupees in [Mumbai](#) yesterday, trimming this year's loss to 14 percent. The benchmark S&P BSE Sensex slipped 0.2 percent in the same period.

Coal Shortage

A shortage of local coal supplies and Indonesia's move have driven up costs for Indian utilities including [Adani Power Ltd. \(ADANI\)](#) and Tata Power, which have little choice but to bring in Indonesian supplies because buying coal from other nations would boost shipping charges.

Trouble for Tata Power began when Indonesia imposed a pricing benchmark pegged to global spot prices in 2011. Tata Power, which owns stakes in PT Kaltim Prima Coal and PT Arutmin Indonesia, both controlled by PT Bumi Resources, and a 26 percent stake in PT Baramulti Suksessarana, had won the contract to build a 4,000-megawatt plant at Mundra in Gujarat state in December 2006 after bidding the lowest tariff of 2.26367 rupees a kilowatt-hour.

The coal from Indonesia, which was \$42.13 a ton at the time, has since jumped 79 percent.