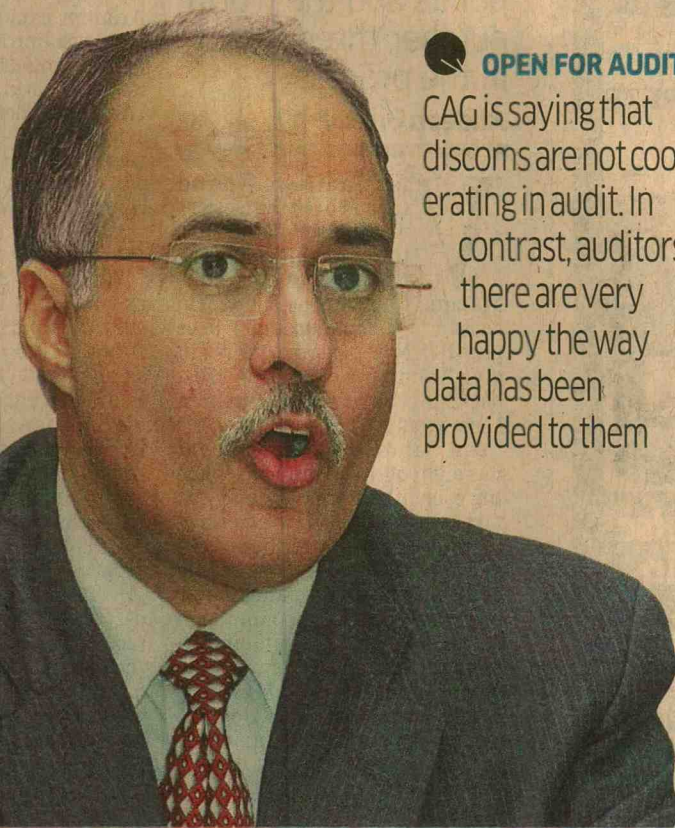


# 'Our Entire Profit is Going to Operate Mundra UMPP'



## OPEN FOR AUDIT

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## What are the implications of electricity regulator's order on Mundra UMPP?

It has given us hope of making Mundra UMPP viable. We will lose ₹500 crore annually instead of ₹1,500 crore. Central Electricity Regulatory Commission (CERC) cut auxiliary power consumption and returns on equity while our \$ 1.4 billion loan is proving expensive due to weak Rupee.

## What are the lessons Tata Power learnt from this episode?

Do not go by what government promises. It is there in the minutes that bidders kept saying that you cannot predict coal price in international market for next 25 years and ministry officials also supported that argument. But government did not consider it. We didn't bid again for UMPP because we learnt the lesson clearly.

## Do you think that CERC order for Mundra UMPP will prompt other producers to seek compensation?

It is not correct. It has to be seen if they are facing similar situation or arguing unreasonably. For instance, project developer cannot ask for compensation for lower solar radiation unless government said that sun will shine this much.

## What is your view on the CAG audit of Delhi discoms?

As long as CAG does audit we have no worries at all. But we are apprehensive about the way the case is proceeding in the Delhi high court. CAG is saying that discoms are not cooperating in audit. In contrast, auditors there are very happy the way data has been provided to them. We are worried are looking for headlines.

## Do you fear competition from Anil Ambani group's distribution companies (BSES) in Delhi like what is happening in Mumbai?

They have been there for 50-60 years while we started to add retail customers in THE fastest way possible only since 2009 end. We have 4.5 lakh customers and want to add more customers. I think customers are equally happy to come to us. Naturally that is bothering somebody and therefore somebody wants to pull the rug under our feet. Trouble is that push and pull are used to deprive customers from using our services. That is what bothers us.

## What are your concerns?

Our debt to equity had grown to 2.9 times and we want bring it down to respectable level. Once Mundra issue is resolved we will look at all the opportunities including inorganic growth. If Mundra issue continues to haunt us the 100 year old company will sink under its own weight.

## INTERESTS ABROAD

The pace of overseas investments will increase if international prospects offer better returns than India

conventional resources. Out of 308 mw of natural gas fired capacity, 108 mw of plant in Delhi is stranded due to lack of fuel.

## Will you revise your targets for capacity addition in view of present challenges?

We have not revised targets yet but there would be a review after Mundra UMPP issue is settled. After change in Indonesian coal price regime and its impact on us, we have started looking out of India for the past two years. We worked with McKinsey & Co to devise approach for international footprint and identified key markets in developing countries.

We didn't go to America and Europe because we believe that they are saturated markets when it comes to returns. We are commissioning close to 3,500 mw of projects in South Africa, Zambia, Georgia, Vietnam and Myanmar besides venturing into electricity distribution business in Nigeria. The pace of overseas investments will increase if international prospects offer better returns than India. We want to be relevant and significant player in the market we enter where return on investments are higher than what you get in India.

Tata Power has been looking at international opportunities for the past two years, and its pace of investing abroad will increase if it sees better returns internationally than in India, where the company's giant 4,000 mw Mundra ultra mega power project (UMPP) has suffered. The company's Managing Director **Anil Sardana** says that losses incurred at Mundra are a big concern, and Tata Power learnt not to trust the promises made by government. In an interview with ET's **Mitul Thakkar**, Sardana also said Tata Power is open for a CAG audit of its Delhi discom but auditors seem to be focusing on making headlines. Excerpts.

## How is Tata Power progressing towards achieving its target of 26,000 mw by 2022?

Achieving our vision depends on Mundra UMPP's performance since we have to conserve cash to feed it. Today, our entire profit is going to operate Mundra UMPP. We want to build competitive plants. Even after compensatory order, its tariff is going to be ₹2.80-2.90 per unit. You cannot get power at this price elsewhere. Our fixed cost is only 90 paise per unit and I want to ask why plants with similar pedigree are coming up. It is easy to say that 'contract' was reopened but what about the contracts that are not reopened. They are much more inefficient. Why consumers have to pay fixed cost of ₹2.25-2.30 per unit against 90 paise. Some people are blessed because they do not want to be competitive. Today, 8,560 mw of capacity is operational and 1,000 mw more is in final stage of commissioning. About one fourth of our capacity is based on un-