

'Fall in imported coal prices has been offset by Re depreciation'

INTERVIEW

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New Delhi, Sept. 11

Tata Power, India's largest private power producer, is reeling under losses after running the country's first operational ultra mega power project (UMPP). This is because the price of imported coal, used to fire its plant in Mundra, Gujarat, has risen.

The company is still awaiting a decision on its petition to the electricity commission seeking a tariff revision. Recently, Standard & Poor's Ratings Services (S&P) lowered its rating of the private power producer to B+ from BB-.

Amidst all these developments, the company has started aggressively looking at opportunities overseas. Anil Sardana, Managing Director of the Rs 17,679-crore company, spoke to *Business Line* about its overseas strategy and the UMPP project. Edited excerpts:

What is Tata Power's strategy for overseas operations?

The company has prioritised four key regions: Africa, South-East Asia, West Asia and



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— **Anil Sardana, MD, Tata Power**

the South Asian Association of Regional Co-operation region. We have deployed resources in these geographies to understand the market dynamics and scout for opportunities.

Tata Power already has projects abroad. What are the updates on these?

Tata Power (through its subsidiary, Tata Power International Pte Ltd) recently signed an agreement with Clean Energy Invest AS (Clean Energy)

and IFC InfraVentures (IFC) to develop hydro projects in Georgia, for sale of power, primarily to Turkey.

Also, we have achieved financial closure for the 135 MW Amakhala and 95 MW Tsitsikamma wind project (both in South Africa). Tata Power's associate Geodynamics has commissioned a one MW geothermal pilot plant in Australia.

The company is also evaluating investment opportunities

in South-East Asian countries, such as Vietnam, Myanmar and Indonesia. In addition, we will seek opportunities to acquire or tie up energy resources across the globe. Assured access to fuel resources would ensure availability and enable de-risking of generation capacities from escalations in fuel cost.

What about the Sorik Marapi geothermal project in Indonesia?

Tata Power, along with consortium partners, Origin Energy and PT Supraco, won the 240 MW Sorik Marapi project in Indonesia. The environmental permits were received in May 2012. Land acquisition is progressing well. The power purchase agreement (PPA) finalisation is under process (but) taking more time than anticipated.

How will the Deepak Parekh panel recommendations change the scenario for the Mundra UMPP?

According to the report submitted by the Deepak Parekh panel to the Central Electricity Regulatory Commission (CERC), compensatory electricity tariff has been recom-

mended for imported coal-based thermal power plants. Currently, the levelised tariff as per the power purchase agreement for Tata Power's Mundra UMPP is Rs 2.26 a unit. If the panel's proposed formula is accepted by CERC and other stakeholders, the coal price will get compensated.

What is the current revenue loss of the Mundra project?

CGPL (Coastal Gujarat Power Ltd, the subsidiary that runs the UMPP) posted a revenue loss of Rs 548.84 crore in the first quarter compared with a loss of Rs 164.78 crore in the first quarter last year, on account of commissioning of all the five units and realignment of loss on forex liabilities due to rupee depreciation.

To what extent is the downward trend in international coal prices offering relief?

Global coal prices are down due to several factors. One of these is the global growth in production, which is growing faster than consumption. However, reduction in coal prices has got offset by rupee depreciation vis-a-vis the dollar.

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