



SECTORAL RANK

1

COMPANY
TATA POWER

MD
ANIL SARDANA

TOTAL SCORE
50.45

REVENUES
Rs 33,394 CRORE

Light At The End Of The Tunnel

THIS IS THE FIRST time that Tata Power has emerged as the most respected company in the infrastructure category in *BW*'s survey. India's oldest power producer and its largest private integrated power company — overtaking the likes of Larsen & Toubro and Reliance Infrastructure — was mostly Mumbai-centric until a decade ago.

Today, its operations in the areas of power generation, transmission and distribution span across many states. The company generates 8,521 MW — from hydro, thermal and renewable energy sources.

Despite the mounting losses of its

'Tata Power's growth is the result of the collective effort of our employees'

subsidiary, Coastal Gujarat Power (CGPL), the parent Tata Power's business has been growing over the past few years, thanks to diversification, an increased customer base in distribution, a focus on renewables and forays abroad.

"The growth is a collective effort of our employees," says Anil Sardana, managing director, Tata Power.

The company's standalone revenues grew 13 per cent to Rs 9,567.28 crore for 2012-13, and profit after tax (PAT) stood at Rs 1,024.69 crore, slightly lower than the previous year.

The power sector has been reeling from policy setbacks. CGPL's ultra mega power project (UMPP) of 4,000 MW at Mundra, Gujarat, which became fully operational in March, has fallen victim to a policy change in Indonesia (its coal has to be exported only at international benchmark prices). Tata Power had won Mundra in 2006, with a bid of Rs 2.26 per Kwh, when Indonesia did not mandate coal export at international prices.

"The losses have crossed Rs 2,600 crore and total equity erosion may happen within the next 12-18 months unless the (power) tariffs are revised," says Krishna Kumar Sharma, executive director and CEO of CGPL, which invested over Rs 18,000 crore on setting up the power plant.

A committee formed by the Central Electricity Regulatory Commission (CERC) — which has decided to opt for a compensatory tariff to be paid till the fuel situation stabilises — is looking into the issue.

While coal supply is impacting its plants, Tata Power is also benefitting

as a seller of coal. A few months ago, it acquired a 26 per cent stake in an Indonesian coal company, BSSR, a subsidiary of Khopoli Investments, and with an estimated 1 billion tonnes in reserves. A few years ago, it bought a 30 per cent stake in two coal companies owned by Bumi Resources in Indonesia. Tata Power earns over Rs 9,000 crore a year from trading in coal mined from these assets.

In the midst of a turbulent situation, Tata Power has taken some bold measures — continuing with its ongoing non-imported coal projects in India, overseas investments, and increased investments in renewables. At present, the company is executing projects of 1,151 MW capacity, which includes 394 MW in wind energy and a thermal waste heat recovery project in Orissa.

Analysts believe that 100-year-old Tata Power is well on course to recording better growth. "The company's massive power-capacity addition and diversified business model will drive its growth," notes IndiaNivesh Securities analyst Abhishek Jain in a recent report.

Besides the Mundra plant, the company commissioned the 1,050 MW Maithon project (in Jharkhand) last year. Tata Power, whose customer base in Mumbai alone has gone up to 380,000, also executed a distribution franchise agreement for the Jamshedpur circle. Its distribution joint venture in Delhi is now profitable (PAT of Rs 309 crore for 2012-13). Power trading was also profitable — Rs 24.48 crore in profit on revenues of Rs 3,789 crore.

In addition, Tata Power, which already has 398 MW of installed wind capacity, is developing wind power projects of 160 MW. Of this, 80 MW is set to be commissioned during 2013-14. It has commissioned 28 MW of solar power and is acquiring land to set up more solar fields.

But the big growth is happening overseas — in South-east Asia, Sub-Saharan Africa, West Asia, Turkey and the Saarc region. "We have achieved considerable progress in our internationalisation efforts in the past year," says Sardana.

In India, a hike in power tariffs will more or less resolve the Mundra plant issues for Tata Power, feel analysts. Moreover, the possible bottoming-out of coal prices could yield better earnings and a favourable compensatory order on the Mundra plant, which would then absorb standalone losses and allow the consolidated entity to enjoy the full benefits of its coal business in Indonesia, says a recent analyst report from Kotak Securities.

A key aspect of Tata Power's business is its retail consumers. The company's customer and community initiatives have earned it further respect. It helped its customers replace over 5,000 old fans with energy-efficient models, offered energy audits at one-fourth the total cost, launched thermal energy storage schemes, among a host of measures. Its community initiatives have impacted over 300,000 people across 208 villages.

For Tata Power, the future can only get brighter.

— P.B. Jayakumar