

# China Light & Power says it may reconsider India investments

Tells PM it's bleeding financially on daily basis

SUDHEER PAL SINGH  
New Delhi, 15 January

Fuel troubles in the power sector have put a question mark on the viability of the country's largest foreign direct investment in the sector. Hong Kong-based China Light & Power (CLP) has said it might have to "reconsider" its India investment if coal and natural gas supply to its two power plants was not streamlined.

In a letter to Prime Minister Manmohan Singh, its chief executive officer has cited shareholder concerns on the viability of the projects as the reason. CLP, currently has investments of an asad \$12,000 crore across six states, with a power generation capacity of 2,700 Mw. "The pressure is mounting and the management needs to urgently find remedial solutions or reconsider present and future investments in the country," CEO Andrew Brandler wrote to Singh.

The company's main concern is the lack of coal supply for its 1,320-Mw plant in Haryana's Jhajjar. The plant has been incurring losses, which will lead to inability to pay dues to banks and financial institutions, both local and foreign, the company says. "The Jhajjar project is losing large sums of money as contracts with various agencies of the government are not being honoured," Brandler said. CLP had in July 2008 bagged the project, which became operational in January 2012. The company has to run the plant at 80 per cent availability to recover its capacity charges in full. However, with supply from Coal India dipping below 50 per cent of the requirement, the project has been facing huge underrecoveries.

Also, CLP's 655-Mw gas-based power plant in Gujarat is facing loss of efficiency due to declining gas supply. "Under these circumstances, it is becoming increasingly difficult to sustain operations in



**CLP FACT FILE**  
A major power company in Asia-Pacific

- **Revenue:** HK\$91.6 billion in 2011
- **Operations:** in Hong Kong, Chinese Mainland, Australia, India, Southeast Asia and Taiwan
- **India ops:** Entered in 2002 by acquiring majority stake in GPEC. Operates through wholly-owned CLP India Pvt Ltd. India accounted for 3% of CLP's revenues in the half year ended June 2012
- **Projects:** A 655-Mw gas power project at Baruch, Gujarat; a 1,320-Mw supercritical plant at Jhajjar, Haryana; and 619 Mw of wind power projects in six states

India, as our profitability dips to alarming levels and we bleed financially on a daily basis," the CEO said. The company saw huge opportunity in the country's energy sector in 2002 but the reality was "grim and disappointing" now, he said.

CLP India Managing Director Rajiv Mishra confirmed Brandler had written to the PM and the power minister. In a detailed response to a *Business Standard* questionnaire, Mishra said CLP had not heard from the PM or his office yet but it was hopeful of establishing contact soon. A questionnaire to the PMO remained unanswered. A PMO official said the CLP letter had been received. "Brandler's concerns have been addressed at the highest level. PMO had asked Coal India to meet supply commitments for 60,000 Mw of projects to be commissioned by 2015, including CLP's plants. That exercise is on," he said. Another email, sent to Power Secretary P Umashankar, did not elicit any response.

## ECONOMY

• CL says railways to blame for coal shortage in North

# Railways to blame for coal shortage in North: CIL

BS REPORTER  
New Delhi, 15 January

Coal India Ltd (CIL), monopoly supplier of the fuel and blamed by China Light and Power (CLP) for unending supply problems for its thermal power project at Jhajjar, Haryana, has blamed the railways for the fuel supply issue.

"We have ensured at least 75 per cent coal availability to all power stations in the region supplied by Central Coalfields but coal supply to Jhajjar has been less than 50 per cent. This happened due to lack of railway rakes for loading," a top CIL official said.

He said CIL had asked CLP to meet the shortfall by lifting coal directly from its pithead and to transport it through private sidings. Coal India is now mulling shifting extra coal from its other fields to meet the shortage in thermal plants located in the northern region, including Jhajjar.

An official in the Prime Minister's Office said CIL had been ordered to meet supply for 60,000 Mw capacity projects to be commissioned by 2015. For those where supply still remains inadequate, a cabinet note is being prepared to ensure supply through imports, by working out a methodology for price pooling, he said.

The current imbroglio over the coal crunch began in 2009, when CIL refused to sign fuel supply agreements for new power projects, citing constrained output. Under pressure from the government, however, it started supplying coal to meet half the demand from projects where letters of assurance had been signed.