

'The task of restoring faith in India is half done'

After being in distress for three years, CLP India, wholly-owned subsidiary of Hong Kong-based CLP Holdings, has managed to turn around its Jhajjar power plant in Haryana and is now looking forward to setting up another plant in Gujarat. Though this augurs well for the investment climate, **RAJIV MISHRA**, CLP India's managing director tells **Jyoti Mukul** the company is cautiously optimistic. Excerpts:



RAJIV MISHRA
MD, CLP India

Why has CLP opted for project specific bond issue for the 1320-Mw Jhajjar power plant?

This will enable us to reduce our cost of financing. In bonds, there are fixed interest rates, which banks do not allow us. The problem is that as an independent power producer, our rates do not go up because interest rates increase. We had financed the project at 66:34 debt equity ratio, which is higher than the 70:30 norm in the sector. Jhajjar was, in fact, the first project after Dabhol, to have foreign currency commercial lending, which we were able to hedge. We have demonstrated our capability of getting funding from all sources if the project is viable. We'll do the same for our renewable portfolio.

At one time, your Hong Kong-based parent company had threatened to exit India. What is the investment plan now?

The task of restoring faith in India is half done. Our group's attitude towards India remains cautiously optimistic. In the long-run, we feel there is a lot of demand but the stark fact was that we were making losses. We hope for a solid year in 2015. We will hopefully get into a position where we can restart making investment. Consistent with that theme, in January this year, we signed a memorandum of understanding with the Gujarat government to build up to 2,000 Mw imported coal plant next to our gas-based plant. The task is to get approvals in place by next year, by when Case-1 bids would have restarted as well. In Gujarat, there is more supply than demand, so we will have to

fundamentally depend on other states. There are a few steps left. This will enable us to complete the process of restoring faith in India with our board.

While we were setting right our conventional business, we continued to expand on the renewable front. On wind, we have about 1,100 Mw, of which 800 Mw is spinning. We have become India's largest wind power generator in terms of capacity. We are looking at expanding into solar.

How attractive are the rates for both conventional and renewable power?

We in the private sector have caused a fair bit of problems for ourselves. Whenever there is a bidding, the bids are non-viable. Unless there are dramatic changes, like if coal prices tumble like oil - but you cannot depend on it - who knows what happens in 25 years? All private companies are losing money. If the private sector bids for sustainable tariff, only then will it work. If fundamentally rate is aggressive, you will not be able to recover full costs; there will be trouble at some point or the other. Unlike wind and like conventional, solar energy has competitive bids envisaged for all solar projects, so one has to hope bids are sustainable. One hopes after the terrible experience with conventional generation, right lessons have been learnt by generators and bankers.

Has the situation eased for the project? What is the capacity utilisation at the Jhajjar and Paguthan plants?

Until June 2013, we had a big struggle. There was not enough coal. The first year of operations saw availability of only 32 per cent. We incurred close to ₹500 crore losses in the first year and a half and had to impair the asset as well. It start-

ed getting better only after we got the Haryana government's permission for 35 per cent blending with imported coal. We were struggling with the rest of industry, but that did not give us much comfort. We had problem even with our gas-fired power plant, which worked at five per cent plant load factor last year. For the three years, our fundamental approach was not to increase exposure to conventional power.

We focused on getting our existing investment right. Now, we have turned around on both our power plants. Last year was the first full year when we recovered all our capacity charges for Jhajjar. From July 2013, we were able to declare full availability at there.