The Financial Express – May 27, 2015

INTERVIEW: RAJIV MISHRA

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It seems power companies are trying to commit suicide again

CHINA Light and Power (CLP) has had a roller-coaster ride in India. In 2012, the exasperated CEO of the Hong Kong-based MNC shot off a letter to the Prime Minister over troubles at its Jhajjar plant in Haryana. Cut to 2015, the company pledges $2 billion for its second coal-based plant, in Gujarat. It seems to have weathered the initial storm. Rajiv Mishra, *managing director, CLP India, in a free-wheeling conversation with FE's* **Sumit Jha**, *shares his thoughts on India's power sector. Excerpts*

What is the fuel supply scenario at the Jhajjar plant?

We have power purchase agreements with Delhi (10%) and Haryana (90%). There's plenty of coal now. However, our availability has been around 80%. While domestic coal supply has definitely improved, the situation has eased somewhat since we were allowed to blend imported coal a year-and-a-half ago.

What's the reason for the low availability despite a normal supply?

That's one thing people overlook — all power plants are inherently assumed to be base load. Truth is, the load varies throughout any given day and that's why the country needs gas-based plants. We actually have the plants, but don't have the gas. In a base load plant, output has to be cut when demand is low. On an average day in the last few months, we would probably have been cycled three times a day. This is where the government's recent attempts to run some of the stranded gas plants at 25-30% PLF have to be appreciated.

Another problem that gencos face is the discoms' inability to buy power?

This is one of the reasons for the easy coal supply situation — a lot of distribution companies are not supplying power to consumers. That pulls down generation.

No investment is happening in generation of late.

India has been on a new project holiday since 2008. The lack of new investments is probably a good thing as it has contained the size of the problem. If Coal India (CIL) continues to increase production by 7% for three-four years, we are likely to see a big difference.

Has the private sector played its part in ensuring the industry's profitability?

Every time there is a competitive bid, we (private sector) have managed to screw it up — that's the most respectable word I can use. How can one prevent you from committing suicide if you are so hell bent on it? In the recent coal block auctions, the final price offerings were incredible. It seems companies are trying to commit suicide. Well, if you keep trying, you will succeed eventually.

Private power producers' failure to turn a profit has almost always been laid at the government's door. You don't agree with that?

That's the easiest thing to do. I am not saying the government is not to blame, but the problems would have been a lot more manageable had we not played ball. Towards its fag end, the previous government came up with a new standard bidding document for Case 2 projects on which bids were called. CLP and the Association of Power Producers (APP) thought it was disastrous, nothing short of it. The entire private sector withdrew from the bidding process. Now, at the very least, you cannot have a repeat of the past mistakes. First, you must realise that 4,000 MW plants are not awarded anywhere in the world. On top of that, can we really supply power at ₹1.19 paisa for 25 years? I am not sure. The companies probably got carried away by the bidding process.

Would CLP be interested in bidding for ultra mega power plants?

No way! Too big. If we have ten years of great profit-making performance where our shareholders make decent returns then, maybe, I can nudge the board, but it would be irrational to take that kind of risk on one project. CLP has got $20 billion in market cap and $1.4 million in profit last year. All of that could be wiped off by one UMPP gone bad.

Has the sector's risk appetite come down? How do you see the aggressive bidding in coal mine auctions?

By definition, people who have won these coal blocks should make more than ₹2 lakh crore in profits, and only then can ₹2 lakh crore be transferred to states. If one looks at the last 20 years and adds profits of every listed power company in India other than NTPC, one realises that these companies will struggle to make money. I can pay only if I have some money.

Have the coal auctions heralded desperation for firms that were struggling?

If the proposed capping of fixed cost is at a higher level, companies can still make money. I won't second-guess what each of them have assumed and we obviously didn't take part. So, there are two things: Is the cap on fixed cost high enough to absorb the fuel cost? If it is not, they will lose money. So you go back to a situation where survival becomes a concern.