

# Time to shine



Prasad Menon

India's largest private sector power utility, Tata Power, has embarked on a journey of mega growth. Several projects in the pipeline, including the 4,000mw Mundra power project, will catapult its current installed capacity of 2,300mw to more than 11,000mw by 2012. Juggling resources and deadlines on numerous long-gestation projects is going to be challenging, so Tata Power MD **Prasad Menon** and his team are pumping up energy levels to take on all obstacles.

In an interview with *Christabelle Noronha* and *Shubha Madhukar* in his tastefully decorated office at Bombay House, Mr Menon shares his excitement about the company's changing business outlook and discusses the opportunities and challenges of growth in new areas.

**A lot has happened at Tata Power over the last year. How would you rate this past financial year for the company?**

The past year has been very exciting, full of activity. Soon after I joined Tata Power in October 2006, the first task on our plate was bidding for the Mundra mega power project. We won, but it was

very challenging and yet a huge opportunity. For the first time in the world, a 4,000mw thermal power station is being built at one place at one time. It is an enormous task.

Soon thereafter we realised that in about six years time, the company will be importing about 22 million tonnes of coal every year as fuel for our western projects. In April 2007, we acquired a 30 per cent stake in two of Indonesia's largest coal mines in order to secure the supply of fuel. At that point when we paid about \$1.2 billion for that stake, many said that we had paid too much, but it has now gone up in value.

The 1,050mw power project in Maithon, Jharkhand is progressing well; in fact, it is a live project. There are other smaller projects also — the 250mw thermal power project in Trombay will be operational this year; in the east, we have a 120mw project at Haldia with Haldia Met Coke and two 120mw projects with Tata Steel in Jamshedpur.

We have been allocated two coal blocks, one in Jharkhand and another in Orissa, specifically for power projects that will lead to an additional 1,500mw. Two captive power projects, including one for Tata Steel in Orissa will further add 1,000mw to Tata Power's capacity.

We are in the process of acquiring land in Dehrand near Alibaug in Maharashtra

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where we intend to put up a 2,500mw project. Looking forward, Tata Power will be at least five times its current size in five to six years. That's the kind of growth that will take place.

**Tata Power seems intent on seriously getting into new areas, namely shipping and defence. How do these feature in the overall strategy?**

Getting into shipping is actually in line with our growth plans. Over the next 20-25 years, we will have to bring in a lot of coal for our power plants here. This has to be done to match with our tariff bids and a model of part ownership and part contracting will mean significant control over prices. We have formed a shipping company in Singapore and have taken options for four ships and completed negotiations for three ships on contract, but we'll probably need to buy another two more.

As for defence, Tata Power's strategic electronics division (SED) has been active in the production and supply of defence systems for many years now. But after the government opened up the defence sector recently, this industry has started picking up. The potential is enormous, not just for SED alone but also in working with other Group companies. We operate largely in defence electronics — missile control systems, the Pinaka rocket launcher, electronic warfare, gun control systems, mostly in electronics designs and what is known as ruggedisation (making equipment rugged enough to endure battlefield conditions).

**What other areas is Tata Power looking at?**

Renewable resources are an area that we want to pursue, as we believe that this will differentiate us from others. We are already active in wind power; we generate about 100mw, which will grow to 200mw by the end of the year and thereafter, we'd like to scale it up to 500mw. We have a joint venture with Tata BP Solar for solar energy. We are looking at various other options of low carbon electricity generation, including biogas and hydropower. We want to grow

in the entire sustainable and renewable business over the next four or five years.

We are also looking at growth from the transmission and distribution system in India. We are already in the distribution business (in Mumbai and Delhi, the latter through New Delhi Power, a 51:49 Tata Power — Delhi government joint venture). We are also in the transmission business (through Powerlinks Transmission, a joint venture with the Power Grid Corporation of India). These are two sectors where we would like to grow, as and when opportunities arise.

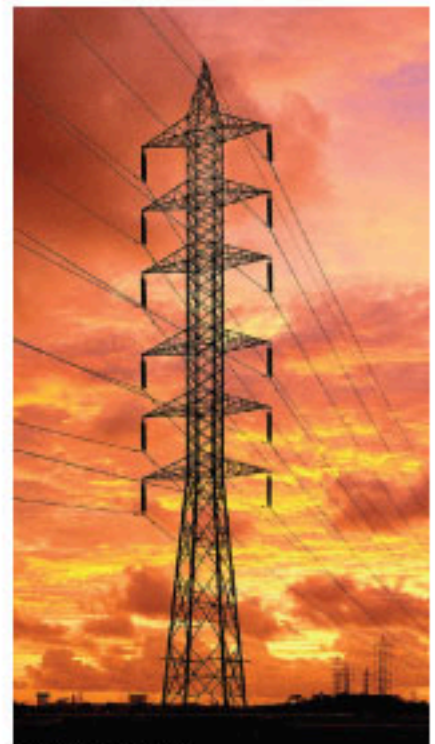
We are looking at international opportunities in South East Asia, Australia and Southern Africa — in new fuels, new technologies, thermal generation, etc. For instance, we have entered the coal bed methane sector. We have been given two concessions in partnership with others, which will yield in three or four years. Perhaps we will be in a position to put up a gas-based plant.

**What problems will the company face with this pace of growth?**

The biggest problem is finding resources for all our new projects, new ventures and new businesses. In an environment where there is already a shortage of skilled people, this is a big challenge. We need to develop skills. We are looking at a very, very deep engagement with the ITIs and engineering colleges, which will begin soon.

The character of the power generation industry has undergone a change. Today there are no licences; instead there is a bidding process. This is a skill that, like most companies, we need to develop. So we are actually learning how to bid successfully.

Our company is also in a transformation phase — we are changing to become a more commercial organisation that looks at business from the customer perspective; this is an important area that needs to be tackled. Traditionally, Tata Power has



Transmission lines

been a cost plus kind of company and therefore people have got used to functioning with that background. Our people now need to open up and understand that there is huge competition out there, that customer demands are going to be enormous, that growth will come mainly from understanding the business, the strategy, moving outside of the company... All these realities mean that people need to change.

**Are there any specific reforms that you would like to see in the Indian power sector?**

Privatisation of distribution is a key reform and it should be done very, very fast. Unfortunately, it is not happening. On an average, the transmission and distribution losses are 30-31 per cent; the better organisations are at 14-15 per cent. Internationally, it is only 10-11 per cent. If we can minimise these losses... Can you imagine the savings to the country in terms of power that will be available? In terms of carbon dioxide emissions?

Second, many power plants are very old and inefficient. If we concentrate our efforts on improving their efficiencies



Tata Power: Lighting up Mumbai

we would gain the twin benefits of greater power saving and lower carbon dioxide emissions. So here is something that can actually be done, solely by the government. (The problem here is that power is a state subject.) Huge savings are possible with reforms, and consumers will eventually benefit and pay lower prices.

There is an acute power shortage in most states. There is an ambitious plan of generating another 80,000mw in the Eleventh plan. The power situation will improve to some extent but I don't think we will be able to get to a state where supply and demand match anytime soon.

India's problem is that there are more than 400 million people who do not have access to power. How do we get to a stage where there is electricity for all? According to the government, it will happen by 2012. But coal is increasingly being looked upon as the devil. We have to balance development and the effects of climate change. Looking at it from the point of view of emitted carbon dioxide per capita, we are at 1.2, whereas US and China are at 5 or 6. The fact is that we are growing fast.

The problem is that India is deficient in fuels other than coal. We have large reserves of coal but very little oil and gas. We have large potential in hydropower, but most of it is in hilly areas and in the north east.

Rehabilitation is a huge issue and these projects have longer gestation periods. Then there are issues with nuclear power, which can be a very big area for India. So we are dependent on coal both in terms of fuel reserves and the price.



Tata Power facility at Trombay High

**What challenges does the company face on the business front and how does it plan to counter threats?**

There are environmental challenges because our industry is one of the largest emitters of carbon dioxide. How do we contain and improve our environmental problems? The climate change issue is something that we are addressing very strongly. We already have a sustainability council and a chief sustainability officer, whose role is to map emissions, understand how emissions can be controlled, to set goals and to come up with new technologies aimed at sharp reductions in emissions.

The other challenge we face is to manage the huge growth and transformation of people. Because we are growing so fast and have so many projects on hand, we need to develop competencies in project and construction management.

For many, many years we have not added a greenfield project at Tata Power. We just added on to our Trombay facility (a brownfield project). So we did not have to develop competencies in acquiring land, getting environmental approvals, putting construction teams in place, building a project from scratch, etc. Now, we are building project and construction management skills as we go.

As of now the transmission and distribution sector is lagging a little behind and hasn't opened up the way power generation has. But we need to be ready for any sudden opportunity that might come up. We need to build these competencies so that we can identify the right opportunities and be a successful bidder.

The capability to quickly pull a team together to evaluate an opportunity and come up with a solution — speed, rigour, discipline and knowledge all being put together — this is something that we need to do quickly; but we are learning as we grow so that we can catch up and deliver. ●