

India Power

Exploring expansion opportunities

Kolkata-based India Power Corporation (formerly known as DPSC Limited) is one of the oldest integrated power utilities in the country. It was founded in 1919 as a part of Andrew Yule and Co. by the British conglomerate with the objective of supplying electricity to coal mines in the Asansol-Raniganj belt of West Bengal. Subsequently, the company distributed electricity to industries and commercial establishments as well. It continued to be a public undertaking until 2010, before it was taken over by India Power Corporation, a private sector company. The two companies were merged and rechristened India Power Corporation Limited in September 2013.

Today, India Power owns a distribution licence in West Bengal for an area covering 618 sq. km. The aggregate technical and commercial (AT&C) losses in the area are less than 3 per cent as against the national average of 25 per cent and the system reliability is at an

impressive 99.5 per cent, one of the best in the industry. The generation portfolio of the company currently consists of around 100 MW of wind energy in Rajasthan, Gujarat and Karnataka. India Power is working on an ambitious expansion strategy. From June 1, 2014, it started operations under the distribution franchise it won in 2013 for power distribution in Gaya, Bodh Gaya and its adjoining towns in Bihar. It has chalked out significant investment plans for upgrading the existing distribution network, which suffers from extremely high AT&C losses.

Operations Distribution

India Power has a combined distribution area of around 1,700 sq. km in West Bengal and Bihar. It caters to a variety of consumer segments including critical industries such as underground coal mines, railways and large industries. It also serves retail consumers in its licensed area.

Significant infrastructure investments have been made in the Asansol network, including the installation of 100 per cent automated meter reading systems and ring main circuits for increased reliability and efficiency. Such measures have helped reduce AT&C losses to 3 per cent.

Investments are also being made in Gaya to reduce transmission and distribution losses, which are currently close to 70 per cent. The company is targeting to bring down the loss levels to around 15 per cent in the next four to five years. These areas have more than 100,000 customers across the agricultural, commercial and domestic segments. The operations of this franchise are being controlled by a special purpose vehicle, India Power Corporation (Bodh Gaya) Limited.

Generation

India Power boasts of a substantial renewable energy portfolio with around 100 MW of wind energy and 2 MW of solar energy. The wind portfolio constitutes a 60 MW plant in Jaisalmer, Rajasthan, a 25 MW plant in Samana, Gujarat, and an 11 MW plant in Chitradurga, Karnataka. The power generated by these is sold to the respective state discoms at varied rates as per the respective power purchase agreements.



The company also has a 2 MW solar power plant at Seebpore, West Bengal, which has been set up in a joint venture with the West Bengal government. The plant commenced generation in 2009 and generates nearly 3.3 MUs of electricity annually, which is fed to India Power's distribution network in Asansol.

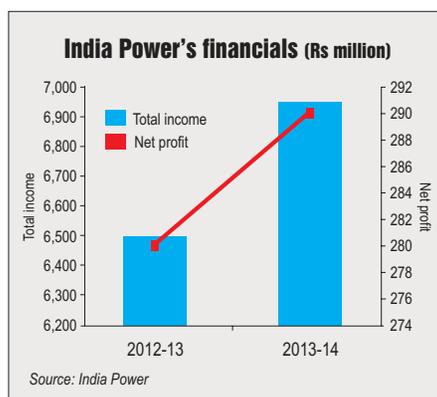
The company has around 2,000 MW of thermal capacity under development, of which the 450 MW Haldia Thermal Power Plant (TPP) is likely to be commissioned in 2015.

Financial performance

India Power has delivered a consistently sound financial performance. The total income of the firm has increased from Rs 4.17 billion in 2010-11 to Rs 6.97 billion in 2013-14. Net profit has grown from Rs 56.7 million in 2010-11 to Rs 292.4 million in 2013-14. Total income is likely to increase in the near future with the addition of revenues from the Gaya distribution circle and the operationalisation of the Haldia TPP.

Future plans

Going forward, the company plans to expand its distribution and generation businesses simultaneously. Currently, the company has a distribution network with 450 MVA of load and generation of around 100 MW. In the next three to four years, it aims to have a distribution portfolio of 1,500 MVA and a generation portfolio of 2,000 MW. While the company's current generation asset base is dominated by renewable power, the share of conventional power is expected to go up in the next few years. India Power is setting up a 450 MW coal-based power plant in Haldia, expected to be commissioned by June 2015. The Rs 26.56 billion project is being financed at a debt-equity ratio of 70:30, with the loan component being provided by the Rural Electrification Corporation and Power Finance Corporation. Apart from this project, India Power is implementing a 540 MW thermal plant in Raghunathpur, West Bengal, and has other coal-based projects under development. It is also



looking at inorganic opportunities to expand its generation portfolio.

To ensure consistent fuel supply, the company had set up a wholly owned subsidiary, Swambhu Natural Resources Limited.

In the distribution segment, several projects are under implementation to enhance capacity and system reliability. A 220/33 kV substation at JK Nagar in Asansol, West Bengal is under construction and is expected to be commissioned by September 2014. Also, two 33/11 kV substations are under construction to cater to the growing demand.

The company also has robust plans to improve distribution efficiency, reduce transmission and distribution losses and increase collections in its Gaya distribution circle. The company plans to replace all existing meters with new meters that conform to regulatory standards and concentrate on customer support. A team of engineers, officers and support staff will monitor the voltage and frequency of the power supplied to consumers and will be on call to address customer issues at short notice. In addition, several 24x7 customer care centres are being set up for each of the zones covering the 1630 sq. km area. For rural areas of Manpur, doorstep services will be provided for issuing new connections.

Further, India Power aims to expand its distribution portfolio and is looking at opportunities in the form of distribution franchises and public-private partnership opportunities throughout the

country. The company aims at being an integrated power utility on a national scale in the next three to four years.

Challenges and the way forward

India Power's portfolio of upcoming generation projects is largely coal dominated. The company believes that the lack of adequate coal availability could be a challenge, but it is working on a strategy to ensure long-term availability of coal. "Our long-term fuel strategy includes domestic sourcing through linkages and imported coal sourcing through the acquisition of coal mines. We may need to adopt trading and e-auctions in the short term to secure coal in case of shortages. With the new government and active policy measures in place, we feel that fuel availability from domestic mines will increase significantly and there will be an improvement in the domestic coal output," says Hemant Kanoria, chairman, India Power Corporation Limited.

Apart from fuel availability, Kanoria adds that there are other structural challenges that need to be dealt with, in areas such as financing of the power sector and distribution reforms. He emphasises that the government should promote more private participation in the distribution sector. He points out that private discoms should be allowed to take part in government schemes such as the R-APDRP, which will help the distribution franchisees reduce losses faster in high-loss areas. "Financing schemes should be available to a distribution franchisee keeping in mind that the franchisee is responsible for a portion of the overall licensed area and its compliance should be limited to its franchise area," says Kanoria.

Despite these challenges, India Power is well placed to deliver in its newly acquired distribution circles while offering reliable power supply in its existing licensed areas. The company's investment plans in the generation segment augur well for the projected load growth in its licensed areas. ■

Jaspreet Kaur Anand