RattanIndia Power Limited

Building up its project pipeline

RattanIndia Power Limited is not new to the power business, even though it commissioned its maiden power project only recently this year. The company was incorporated in 2007 and was earlier known as Indiabulls Power Limited. It was set up as the power sector subsidiary of the real estate conglomerate, the Indiabulls Group, to capitalise on the emerging opportunities in the power sector.

The company came to the forefront when it won the bid to set up a 1,320 MW power project at Bhaiyathan in Chhattisgarh in 2008. It won the project through competitive bidding with an unprecedented and aggressive bid of Re 0.81 per unit. In due course, four other thermal power projects – Amravati (Phases I and II) and Nashik (Phases I and II) – were announced by the company. These projects, aggregating 5,400 MW of capacity, were all based in Maharashtra. To fund these aggressive expansion plans, in 2009, the company launched an initial public offering that received an overwhelming response.

The company has since achieved an operational capacity of 1,640 MW spread across two projects – Phase I (1,350 MW) of the Amravati project, which was commissioned in March 2015, and the partly commissioned Phase I of the Nashik project (the first unit came online in February 2014). Besides thermal, the company has ventured into the renewable energy segment, installing 6 MW of capacity.

Meanwhile, the Bhaiyathan project has failed to make headway and has reportedly been scrapped. Plans for Phase II of the Amravati and Nashik projects worth 2,700 MW too have been put on hold since 2011 for want of fuel and power offtake arrangements. The company did, however, participate in the recently concluded coal auction in an attempt to revive these projects.

The challenges notwithstanding, RattanIndia Power prides itself on the commissioning of the Amravati project, the last three units of which were operationalised in the short span of over a month. This, according to the company, is a first in thermal plant construction in the country. The company attributes this success to the strong backing of Rajiv Rattan, co-founder of the Indiabulls Group, who took control of the group's power business in July 2014. He bought out the shares of other promoters for Rs 2.5 billion and infused fresh equity of Rs 3.6 billion to accelerate the pace of plant completion. Rattan has now become the sole owner of the power business, which was rebranded RattanIndia Power Limited in October 2014.

Project details

Phase I of the Amravati project achieved financial closure in 2009. The power purchase agreement (PPA) for 1,200 MW of capacity was signed with Maharashtra State Electricity Distribution Company Limited (MSEDCL) at a levellised tariff of Rs 3.26 per unit. Recently, the project was granted a compensatory tariff of Rs 1.55 per unit by the Maharashtra Electricity Regulatory Commission (MERC) for allowing imported coal costs as a pass-through.

Phase I of the Nashik project was initially proposed to comprise two 660 MW units; however, the configuration was subsequently changed to five units of 270 MW each. Unit 1 was commissioned in February 2014 and Unit 2 is at the final stages of commissioning. The entire project is expected to be commissioned by December 2015. The project has a long-term PPA with MSEDCL for 650 MW of power at a levellised tariff of Rs 3.42 per unit. The coal requirement is estimated at 5.94 million tonnes per annum. For both these projects, the main plant equipment has been supplied by Bharat Heavy Electricals Limited.

Financial performance

During 2014-15, RattanIndia Power

"We are geared up to contribute to the sector"

Views of Rajiv Rattan, Chairman, RattanIndia Power Limited

What are the major milestones that the company has achieved so far?

RattanIndia has set a new benchmark in power plant construction and erection in India by commissioning three units within a time span of 39 days at one site. With this, the Amravati plant (Phase I) is now fully commissioned with a capacity of 1,350 MW (five units of 270 MW each). We have also commissioned the transmission system for power evacuation from the plant. The transmission system includes a 104 km, 400 kV D/C quad moose line from the Amravati project to the Akola substation and a 7 km long, line in line out 400 kV single circuit line connecting Koradi to Akola. RattanIndia Power Limited has also completed a 25 km long railway line between Walgaon and the Amravati plant. The plant is now fully operational with a transmission line and railway line in place, and power is being supplied to MSEDCL under a 25-year long-term PPA.

At Nashik, Unit 1 with a generation capacity of 270 MW has already been commissioned and Unit 2 is ready for commissioning. The company will replicate the execution success of the Amravati plant at its Nashik plant and is confident of commissioning it by December 2015, thereby taking the total installed capacity from 1,620 MW to 2,700 MW.

What are the fuel requirements of the Amravati project? What is the tariff for power sale from the project?

The fuel supply agreement with Coal India Limited (CIL) for meeting 100 per cent of the project's coal demand is in place. However, due to coal shortage, the plant load factor has been under pressure, though with the flexibility of smaller sized units, we are able to run one unit at 100 per cent capacity. The tariff for 2015-16 will be around Rs 3.63 per kWh.

Which are the company's other proposed power projects, including renewable energy projects?

In thermal power, our focus has been on commissioning 2,700 MW of capacity (under Phase I). Phase II of 2,700 MW (1,350 MW at each location) will be taken up once there is clarity on the PPA and the ability of CIL to fulfil our 100 per cent coal requirement. Since all clearances, balance of plant and required land are already in place, Phase II can be completed quickly. Besides thermal power, we will focus on expanding our renewable power portfolio. We are targeting 2-3 GW of production in the coming years. The group has three operating solar plants with a total installed capacity of 6 MW. We have another 100 MW at various stages of development and construction. Further, we are actively looking at the rooftop solar segment since net metering policies have been brought out by a number of states. Sustainable clean energy is going to be the key focus of the group in the near future.

What is the total investment amount proposed in the company's upcoming projects?

The proposed investment for Phase II projects is around Rs 130 billion for which financial closure has already been achieved.

What are the key challenges being faced by the company and how are they being resolved?

We are facing challenges in sourcing coal and have been bearing a loss due to CIL not being able to supply sufficient coal. We are mitigating this by either importing coal or sourcing it through e-auction. On the tariff front, we have appealed to the MERC for additional compensation for the loss due to coal issues. The company has also appealed to the MERC for compensation for losses on account of changes in laws, which have increased the project's capital and operational costs.

What is your outlook for the power sector over the next few years and the company's role in it?

We are hopeful that due attention will be given to the power sector to galvanise growth. The process has already been initiated in the form of the coal mine auctions. CIL is also expected to increase coal production to 1 billion tonnes per annum by 2020. Further, the government's focus on the solar power segment with the target of achieving 100 GW of solar power by 2020 is expected to give a fillip to the segment. Our company is fully geared up to contribute to the fast growing power sector in the country.

Limited's total income for the nine-month period ending December 2014 stood at Rs 4.8 billion as against Rs 2.04 billion for the same period in 2013-14. Given that the company's projects are still being ramped up, it reported a net loss of Rs 4.49 billion during the nine-month period in 2014-15 compared to a loss of Rs 841.7 million during the same period in 2013-14.

Outlook

A key positive for the company is that its operational and under-construction capacity (2,700 MW) is tied up under long-term PPAs and it has fuel linkages in place. For the remaining 2,700 MW of capacity under development facing challenges, the company has land and other requisite clearances in place offering strong growth prospects. The company has significant expansion plans on the renewable energy front as well.

The rebranding exercise has infused new vigour into the company, as visible from the swift commissioning of Phase I of the Amravati project. Whether this can translate into the timely commissioning of its remaining projects remains to be seen. ■

Reya Ramdev