

Indian groups move to fill power void

James Fontanella-Khan and Varun Sood

Indian power companies are raising more than \$6bn to fund generation projects over the next three years as acute energy shortages continue to affect businesses and the livelihoods of the country's 1.2bn population.

Indian businesses have lost \$8.6bn in revenues for the 2008-09 financial year because of energy cuts, according to an industry report from the Manufacturers' Association for Information Technology and Emerson Network Power.

Their ambitious plans risk being scuppered, however, as many face considerable challenges, including environmental hurdles, business rivalries and family disputes.

Reliance Power, which last year raised \$3bn in an initial public offering, said it would raise an additional \$4.1bn in debt during the 2009-2010 financial year to fund part of its 33,480MW power generation projects.

However, Anil Ambani, who controls Reliance Power, is locked in a dispute with his elder brother, Mukesh, over the price of the gas that would power many of the projects and has so far been unable to generate any power.

Adani Power, the electricity generating unit of Adani Enterprises, recently raised \$630m in an IPO in an effort to fund a proposed 1,980MW plant in Tiroda, west India. However, the group's plans could falter after green activists flagged the damages that coal mining would have on the local environment.

According to Prafulla Bhamburkar, assistant manager of Wildlife Trust of India, Adani Power wants to mine for coal in almost 1,600 hectares of forest land. "Any industrial activity in the area poses a risk to the tigers and other animals," it said.

Adani Power said it was awaiting a decision by the ministry of environment and forests on the matter.

NHPC, India's largest hydro power producer, launched an IPO on Friday to raise \$1.25bn to fund plans to build 11 power stations, adding 4,622MW of power by 2012. The group hopes to add another 12,000MW by 2020.

However, NHPC admitted there were obstacles to be overcome.

"Water is our raw material," S.K. Garg, chairman of NHPC, said. "Undertaking large projects in the Himalayas and the north-east [areas with huge potential for generating power from running streams of water] is fraught with risks."

The only company whose projects seem to be proceeding on schedule is Tata Power, which in July raised \$335m from a sale of global depository receipts. The company plans to spend \$4.9bn in the next three years to expand its power capacity.

Ratan Tata, chairman of Tata Power, said recently that the company had plans for 10,000MW worth of projects, including a 4,000MW plant in the western state of Gujarat and 1,050MW facility in West Bengal. However, it is still unclear from where Tata will raise the extra cash to fund the schemes.

Financial Times, London, Aug. 11th 2009, Companies, online.