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## POWER FIRMS WANT FRESH CREDIT LINES

# Coal import fiat to gencos may face financial hurdles

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**THE UNION POWER** ministry's diktat to imported coal-based (ICB) power plants to run at full capacity will force them to ask for fresh credit lines. These plants are facing severe financial crunch, with some of them even starved of working capital.

A clutch of ICB units told *FE* that they welcomed the government's directive and would want to comply with it, but added that the feasibility of their units scaling up capacity utilisation would hinge on the lenders giving timely support and state-run discoms clearing a large part of their pending dues on an urgent basis.

They also want the Centre to bolster liquidity support to states to enable them to clear the dues to gencos. Besides, they said, the Centre should ask state-run sector-specific lender PFC-REC to issue a letter of comfort to banks to let them raise working capital limits of gencos.

The ICBs have a combined capacity of 17,255 megawatt (MW), or about 8% of the country's total installed thermal power capacity, but their plant load factor is an abysmal 25% at present. ICB capacity of 7,500 MW is completely shut.

Industry sources said the order issued by the power ministry by using Section 11 of the Electricity Act may enable some units to stock up fuel and raise their PLFs in the short term itself, if the Centre facilitates recovery of all "prudent costs" of costlier fuel and ensures payment discipline by state-run discoms. Other units, including those in the insolvency arena, would still struggle to comply, they added.

An IL&FS executive said the firm doesn't have the funds to import coal. "If the banks issue a letter of credit to us, or the ₹4,200-crore receivables from Tamil Nadu discom are made fungible to be used for coal imports, we will be able to operate the plant at full capacity," the source said.

Power plants say scaling up capacity utilisation to hinge on lenders giving timely support & state discoms clearing dues

- Some want govt to bolster liquidity support to states to help them clear dues
- They also said govt should ask PFC-REC to issue letter of comfort to banks

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Many ICBs have huge amounts to be received from discoms. Essar Power's 1,200 MW Salaya ICB plant has pending receivables of around ₹150 crore. JSW Energy, with two of its plants running on imported coal -- Ratnagiri and Tornagallu, has pending receivables of over ₹1,300 crore from discoms.

Simhapuri Energy of Madhucon Projects and Coastal Energen in Tamil Nadu are before the National Company Law Tribunal. Coastal Energen has defaulted on an amount of ₹1,458 crore to State Bank of India.

Besides ICBs, other private power producers would also need to raise loans to step up coal imports. According to Ashok Khurana, director-general of Independent Power Producers Association, a 1,000 MW power plant would require a letter of credit of around ₹500 crore to import coal and meet the 10% blending norm. "With their working capital limits exhausted due to the large pile-up of receivables, there is no way that the IPPs are financially equipped to open these LCs for imported coal to meet the blending requirements stipulated by the ministry of power. In view of this strained liquidity position, it is imperative that a mechanism may be put in place to enable the developers to open LCs and take advance action for importing coal." To encourage ICBs to improve their capacity utilisation, the power ministry said they can sell any surplus power produced on exchanges in case the power purchase agreement (PPA) holders do not buy it. Further, it said if the ICB plants are under the NCLT, the resolution professionals must take steps to make them functional. The order will remain in force till October 31, 2022.

In case the plants have PPA with multiple discoms, and if the discom does not schedule the power as per its PPA, the power shall be offered to other PPA holders, and any remaining quantity thereafter will be sold through the power exchanges, the ministry said.

Since the coal cost is not a pass-through, a committee constituted by the ministry with representatives from the Central Electricity Authority and and Central Electricity Regulatory Commission will work out a rate that will ensure it meets all the "prudent" costs of using imported coal for generating power, that will include the current coal price, shipping costs, O&M costs and a fair margin.

The ministry's order also noted that where generators or the group companies own coal mines abroad, the mining profits will be set off to the extent of the shareholding of the generating/group company in the coal mine. This would help Tata Power that owns stakes in mines in Indonesia. The PPA holders can pay to the generating company on a weekly basis according to the benchmark rate worked out by the group or at a rate mutually negotiated with the generating company. The rates worked out by the committee will be reviewed every 15 days taking into consideration the change in the price of imported coal and shipping costs. According to analysts, compliance with these directives will improve only if the Centre manages to persuade banks to start fresh lines of credit to financially constrained gencos and reduce their cost of borrowings.