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Amid falling demand, IL&FS power unit in TN an outlier

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Infrastructure Leasing & Financial Services' (IL&FS)' Tamil Nadu Power Company (ITPCL) is likely to see a turnaround. In October, the plant load factor (PLF) of its Cuddalore power unit touched a new peak, even as the overall thermal power PLF in the country stood at an all-time low.

According to an IL&FS statement issued on Monday, the Cuddalore plant reported a record PLF of 82 per cent in October.

In the same month, the all-India thermal power PLF was at 49.18 per cent, according to the data released by the Central Electricity Authority (CEA).

The higher PLF of the Cuddalore plant has been because of two major reasons — state discom sourcing more power from this unit and an early end to the wind season, impacting wind energy generation. ITPCL is a special purpose vehicle (SPV) of IL&FS Energy Development Company, which is part of the IL&FS Group.

IL&FS officials are hopeful the improvement will help

restructure debt of the SPV. ITPCL posted a loss for the last two financial years and currently falls in the amber category, implying the firm can only service its operational payments and senior secured debt obligations.

“Look forward to resolving its debt in consultation with the lender,” said C S Rajan, managing director, IL&FS.

In its statement, IL&FS

said the subsidiary's financials should turn around soon.

The resolution of its debt may help the company move into the green category, which would indicate it can service all its payment and debt obligations.

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In January 2019, rating agency ICRA noted that PLF of the plant was modest. It flagged the

high counter-party credit risk due to delay in payments from Tamil Nadu Power Genera-

tion and Distribution Company (Tangedco), which has a power purchase agreement (PPA) with the first unit for 540 megawatt (Mw) of power. Less than a year-ago, Power Trading Corporation of India (PTC) signed a medium-term contract to procure power from the second unit (550 Mw), which has further helped improve the PLF.

With improvement seen in offtake in the last eight months, the plant generated 690 million units of power in November 2019. This is close to twice of what it generated in the same month last year. Revenue for

last month has been pegged at ₹315 crore and PLF for November was at 80 per cent.

As of November, the combined dues from Tangedco and PTC were ₹1,400 crore. ITPCL is in talks to resolve the non-payment issue with the discom.

ITPCL, in its statement, said it has approached lenders with a restructuring plan. Its total term loans stood at ₹5,557 crore. Lenders, including Punjab National Bank, State Bank of India, Bank of Baroda, and Life Insurance Corporation of India, have exposure to the subsidiary.