

Facts on coal and Jindal Power Limited story

Media is stating things without understanding full facts on coal block allocation. Here are a few facts:

The success of Jindal Power is due to our efficient planning, implementation and operations and not because of so called cheap coal. If had we bought coal from Coal India through long-term linkage, it would cost around Rs 700 a tonne. Whereas we are producing coal at around Rs 500 a tonne and paying royalty of Rs 147. So total cost works around to Rs. 650. This cost will, however, go up now as we will have to go deeper to mine coal and resort to underground mining soon for which the coal price will be more than Rs 2000 /tonne.

So, the cost difference is not even Rs 100/tonne, which translates into a gain of may be 5 paise for every unit of power that our plant produces at present .

Let us not forget that the coal blocks that were allocated to us, and to several others, were the ones which Coal India did not find economical to mine. We started a difficult coal mine, which did not have a good stripping ratio and had to remove a lot of over burden to start mining.

There was no infrastructure in that area when we went there. So, we invested in a 270km long , 400KV transmission line to evacuate the power. We brought water from 30km away from our own built a check dam on a river to store water and constructed around 50 km of roads to start the project work.

JPL has put up power project on pit-head (7 km from the coal mines) . We have put up a pipe conveyor to transport coal which is the most efficient and the most environment friendly way of transportation.

- Had we put up this plant 1500 km away as in many cases - this would have resulted in high costs and lower profit.

Even on capital cost we were efficient and set up the plant at a cost of Rs 3.8 crore a mega watt due to good project implementation . We ordered our equipment from BHEL and managed to keep costs low.

Then, we are operating the power plant on load factor of 97-98%, which makes us very efficient on the generation side.

When it comes to selling power, we been selling around 150 mega watt to Chattisgarh, at around Rs 3 a unit, which is the tariff fixed by the regulator . Another 100 mega watt is sold to an industrial estate, where the tariff was Rs 2.50 a unit and has now been revised to around Rs 3 a unit. The rest is being sold in the open market on competitive bid basis as like many other power producers . It was Rs 6 a unit only for short time in 2008 but It depends on demand and supply. Sometimes we are selling power at Re 1 or Rs 2 a unit as well. There are times when we have shut production at our units because there is no demand. Also, state electricity boards with generation capacity have been selling power in the open market when they have a surplus at similar rates .

The average tariff per unit for us has come down over the years and works out to Rs 3.40 a unit now, compared to Rs 3.85 last year. So you can see it is coming down. We hope that readers will appreciate that in the competitive open market, power will be sold at the market price.

- In fact, we are very keen to sell power in the medium to long term basis but not much opportunity is available in the market.

- In any case, 100% of power is sold through competitive bid at the lowest rate in the bid. Power has also been sold at less than Rs 2,75 per unit also many times.

In fact in the absence of a long-term PPA, we had a lot of difficulty in getting banks to provide funds for financial closure of the project, finally the loans were only given to us after guarantees were given by the parent company (Jindal Steel and Power).

We have not done anything wrong. We have done everything efficiently and honestly. We are paying handsome taxes, royalties and other cesses and whatever profit is generated is being ploughed back to create more capacity. In fact we are investing around Rs 14,000 crore in setting up a 2,400 MW plant at the same location, with two units expected to commence production by March 2013 and two by 2014.

It can be observed from the above that a larger portion of the profitability has not come from the coal cost only, but there are a large number of factors like efficient mining, low transportation cost, low capital cost, lower interest rate, efficient operation of plant, low operating and maintenance expenses and efficient selling of power.

You will also observe that the company took a grave risk while setting up the plant as no state government was willing to sign PPA despite various efforts made by the company.

You will also observe that power market opened up only after Electricity Act 2003. Had that not happened, this plant would have been under serious danger of stalling.

Even today Most private power companies are losing money and no one sheds a tear for all those or even tries to help them and if there is a good company making profits which has inspired many entrepreneurs to set up power projects then unfortunately attempts are being made to discredit it.

Lastly and most importantly to reduce the power tariffs we need to remove the supply side constraints and increase the generation capacity, by helping the power projects get coal and remove the hurdles they are facing

As more power plants commence generation, with increased supply tariffs will go down further and availability will improve and the Governments objective of giving power for all will be achieved.

We also need to expedite reforms in power sector including distribution and not try to sensationalise the story of a company working efficiently in setting benchmarks in its efforts of Lighting up the nation.