

*Thermal*



*Renewable*



*Distribution*



**INDIA POWER CORPORATION LIMITED**  
**(formerly DPSC Ltd.)**

*Adding Power To Life*

**Corporate Presentation**

**March, 2015**

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- Corporate Structure
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## Company Overview

## Background

- ▶ 1919: DPSC (now IPCL) was incorporated
- ▶ 1932: Received license for generation and distribution
- ▶ 2003: Erstwhile IPCL was incorporated as a Power Generation, Distribution, Transmission & Trading Co.
- ▶ 2008: Equity shares of DPSC listed on NSE with effect from April 2008
- ▶ 2010: Erstwhile IPCL acquired controlling equity stake in DPSC through competitive bidding
- ▶ 2012: Started implementing 450 MW Thermal Power Project in Haldia through SPV, IPCHL
- ▶ 2013: Amalgamation of IPCL with DPSC ; name changed to India Power Corporation Ltd.
- ▶ 2013: Awarded distribution franchisee (DF) through competitive bidding by SBPDCL in Gaya district of Bihar (Business handed over by SBPDCL w.e.f 01-06-2014)

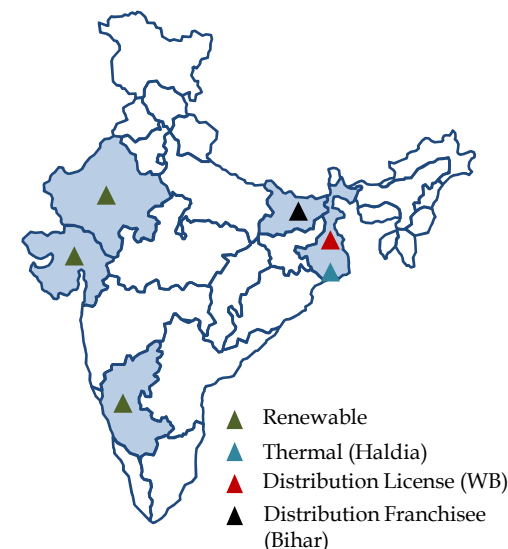
## Business Overview

- ▶ 250 Megavolt Ampere (MVA) distribution capacity in a licensed area of 618 sq.km in Asansol area of West Bengal (WB)
- ▶ Distribution franchisee with 200 MVA capacity covering ~1500 sq.km in Gaya district (Bihar)
- ▶ Generation capacity of 109.2 Mega Watt (MW), of which 95.2 MW comes from wind power and balance 14 MW (12 MW thermal and 2MW solar) is embedded source of power for distribution business
- ▶ Implementing 3 x 150 MW coal-fired thermal power plant in Haldia, West Bengal through SPV, IPCHL

## Consolidated Financial Performance

- ▶ Constant growth in revenue at a CAGR of ~14% & improving operating margins over the last 5 yrs
- ▶ During FY14, clocked net revenue of Rs. 694.5 crore (Cr) , of which ~ 93% comes from distribution and balance from generation business (excluding embedded), with EBITDA margin of ~ 13%

### Geographic Presence

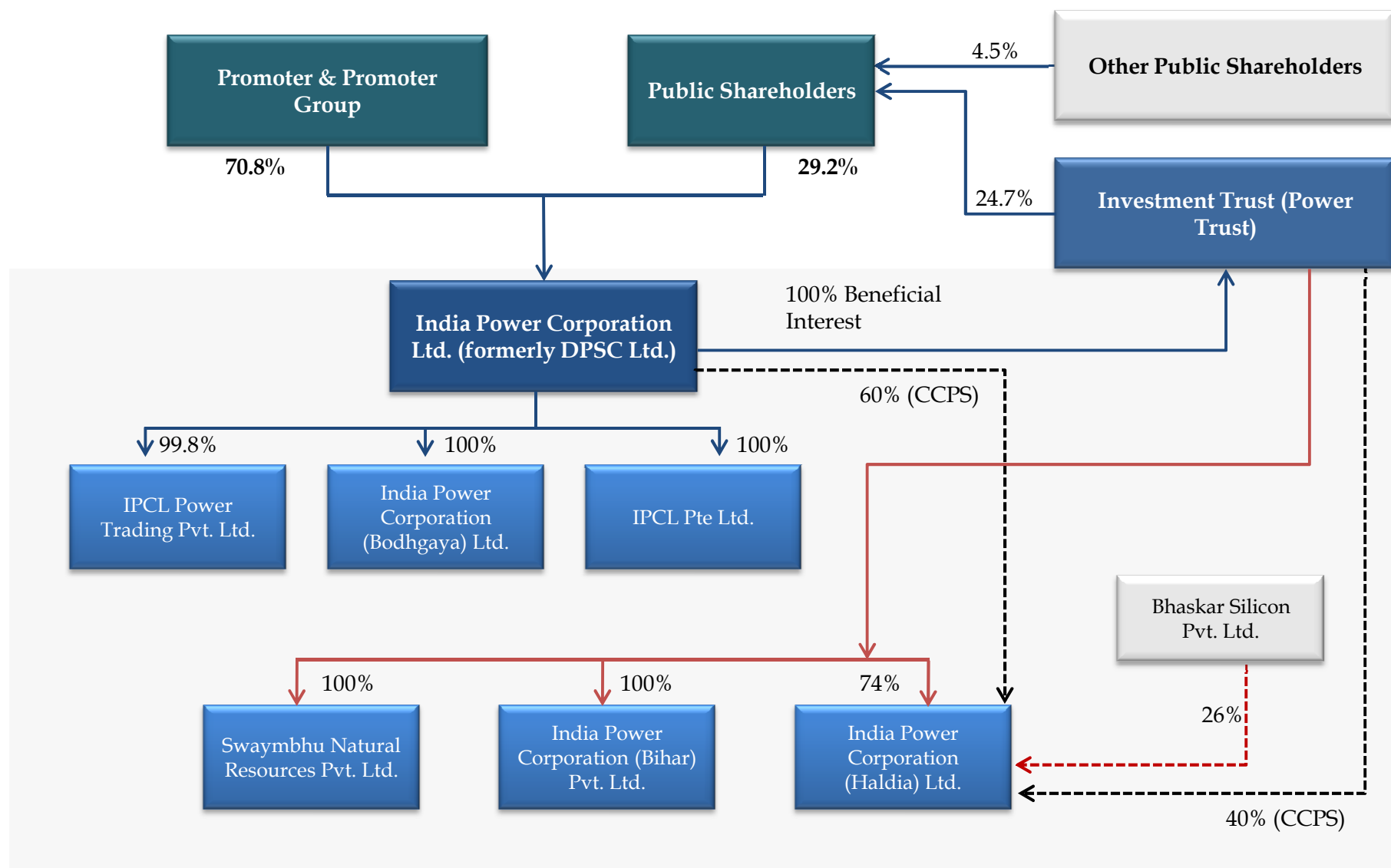


### Awards & Recognition

- ✓ 'Most Productive Company' award by CII in 2012-13
- ✓ 'Energize award for Excellence in Wind Energy'
- ✓ Certificate of Excellence from INC INDIA 500

*Maintaining leadership position in terms of low T&D losses of < 3% with reliability index of over 99%*

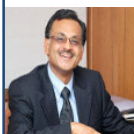
# Corporate Structure



Note: Corporate Structure as on 28 February, 2015 (Representing Post Amalgamation)

CCPS - Compulsorily Convertible Preference Shares

# Distinguished Board of Directors



**Hemant Kanoria,  
Chairman**

- Over 34 years of experience in industry, trade and financial services
- Presently an Honorary Board Member of CGDC Vienna & Council Member of Indo-German Chamber of Commerce
- Previously held the position of Chairman of FICCI National Committee on Infrastructure and has also been on the Board of Governors of IIM-C



**Debi Prasad Patra**

- Retired IAS officer, over 24 years of government administrative experience
- Held several key portfolios including the post of Under Secretary, DM of Darjeeling, MD of WBIDC etc.
- Currently the Executive Chairman of MCC PTA India Corp. Pvt. Ltd. (MCPI) and Board Member of various power companies like India Power Corporation Ltd. and India Power Corporation (Haldia) Ltd.



**Jyoti Kumar  
Poddar**

- Over 25 years of industry experience
- Handled Indian & Sri Lankan operations in solar business for Shell Solar Ltd., Netherlands
- Actively involved towards contributing to the green energy mission of the country by setting up power projects in India



**Nand Gopal  
Khaitan**

- An Attorney-At-Law, Advocate and Notary Public, practicing in the Hon'ble Calcutta High Court and the Hon'ble Supreme Court of India
- Stood first in the preliminary, intermediate and final Attorney examinations and was awarded Bell Chamber's Gold Medal by the Incorporated Law Society, High Court, Calcutta



**Sunirmal  
Talukdar**

- 36+ years of experience in corporate finance, risk management, M&A, public reporting and corporate governance
- Possesses consistent track record of revenue achievement, team building and exemplary leadership qualities
- Previously headed the entire gamut of financial functions of the Hindalco Group having an annual turnover of USD 14 billion



**Sunil Kanoria**

- Chartered Accountant with over 26 years of experience in the financial services industry
- Presently Senior Vice President of ASSOCHAM and the Governing Council Member of CIDC
- Previously held the prestigious post as Member of the Working Group on Construction for the Tenth Five Year Plan (2002-07) of Planning Commission, Government of India

# Distinguished Board of Directors



**Amit Kiran Deb**

- Retired IAS officer, over 35 years of government administrative experience
- Held several key position in Government of West Bengal like Chief Secretary, Special Secretary, Power Department, Principal Secretary to Chief Minister, Home Secretary, etc.
- Served the Government in various critical departments and portfolios



**Tantra Narayan Thakur**

- Former Chairman cum Managing Director of PTC India Ltd. & PTC India Financial Service Ltd.
- Led the introduction of power trading in India including development of a power market
- Over 40 years of extensive experience in power sector, financial management and treasury management



**A. K. Goswami**

- 40 years of working experience in India & abroad as Executive Director and Vice President
- Earlier worked as Commissioned Officer in Indian Air Force & recipient of Commendation for excellence of service
- District, State and National Scholar, Chartered Engineer and member of different societies



**S. Sthanunathan**

- IAS officer (1976 batch) and held senior positions in the Government of India and Government of Kerala over a period of last 38 years
- Previously on the Boards of IOC, ONGC and GAIL and Chairman of Petronet LNG Ltd.
- Last assignment was as a Secretary, Department of Heavy Industry that involved supervision of the functioning of 36 Public Sector Enterprises including BHEL



**Smt. Dipali Khanna**

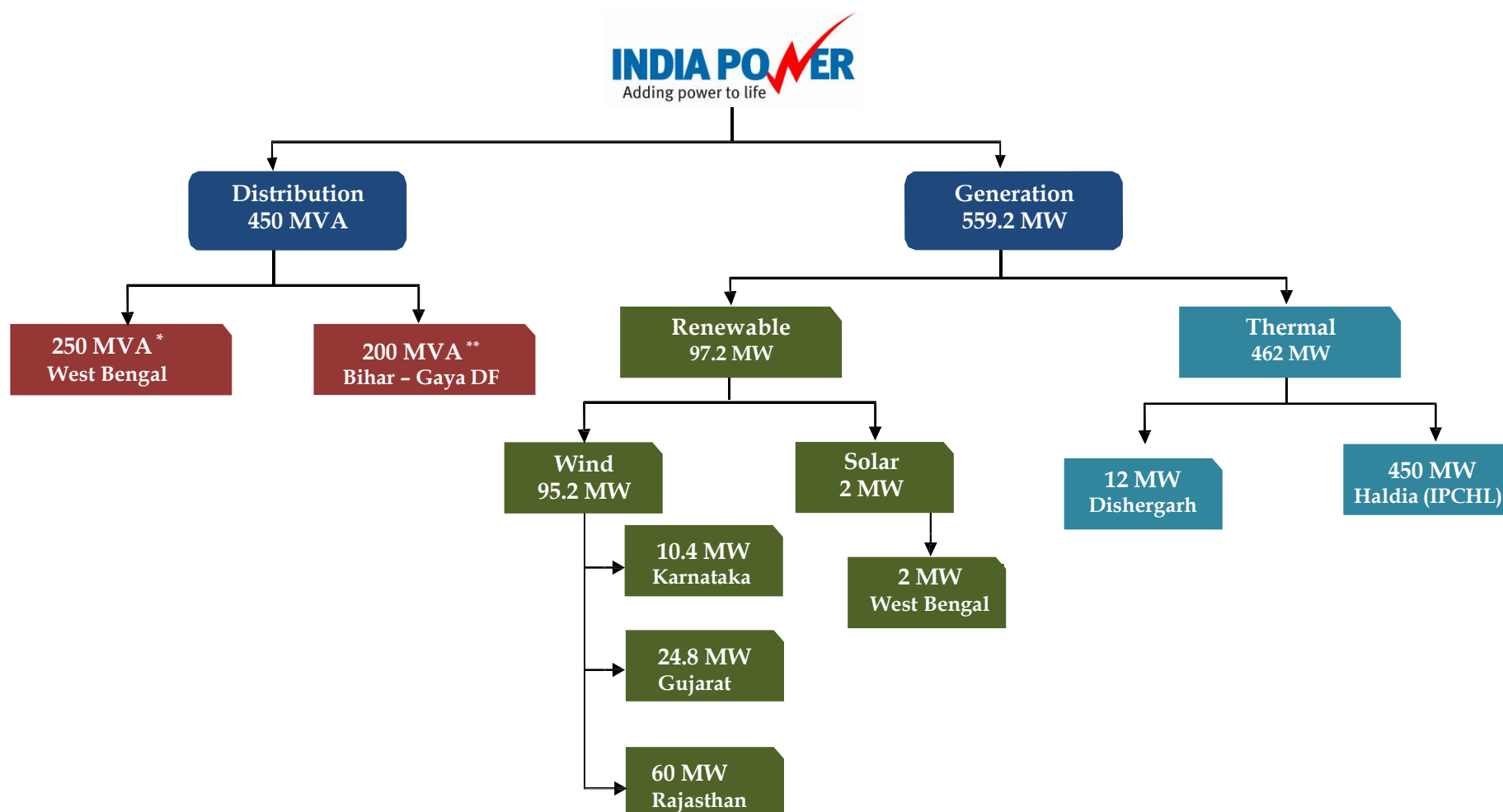
- A former officer of the Indian Railway Accounts Service (1976 batch), retired as the CEO of the Indira Gandhi National Centre of Arts (IGNCA), New Delhi
- Previously she has worked as Additional Secretary and Financial Advisor for various Ministries
- Actively served on the boards of four large PSUs under the Ministry of Defence, two PSUs under the Ministry of Power and one PSU each under Ministry of Tourism and Ministry of Information & Broadcasting
- She is a director designate on the board of IPCL

# Experienced Management Team



	Designation	Experience
Jyotirmay Bhaumik	Whole Time Director (IPCHL)	<ul style="list-style-type: none"> <li>30 years of experience with NTPC</li> <li>Experience across various functions in executive position</li> </ul>
Shrirang Karandikar	Chief Executive Officer	<ul style="list-style-type: none"> <li>Over 3 decades of experience in business operations &amp; development in various Power Sector Utilities</li> <li>Previously worked with MSEB, NTPC, NDPL, Torrent Power, Kalpataru Power and Crompton Greaves</li> </ul>
Partha Sengupta	Chief Executive Officer (SNRL)	<ul style="list-style-type: none"> <li>30 years of experience with Tata Steel</li> <li>Experience includes handling businesses in China, Africa, Canada, South-East Asia and Australia</li> </ul>
Laxmi Narayan Mandhana	Chief Financial Officer	<ul style="list-style-type: none"> <li>Prior experience with HNG as CFO cum Company Secretary</li> <li>Experienced in disinvestments, M&amp;A, banking, legal, accounting &amp; taxation matters</li> <li>Experience also includes fund raising through PE, Rights, QIPs, IPO/FPO etc.</li> </ul>
Somesh Dasgupta	President (Corporate Affairs & Admin)	<ul style="list-style-type: none"> <li>Has been with DPSC for 27 years</li> <li>National Vice-President of National Institute of Personnel Management (NIPM)</li> </ul>
D. V. Bhaskar Reddy	President (Haldia Project) IPCHL	<ul style="list-style-type: none"> <li>About 22 years of experience in Project Development &amp; Project Execution</li> <li>Served at NSL Power Ltd, KSK Energy Ventures Ltd, Bhushan Steel Ltd, Tata Projects Ltd, Thermax Ltd &amp; Walchandnagar Industries Ltd.</li> </ul>
Sunil Gupta	Head (Resource Mobilization)	<ul style="list-style-type: none"> <li>Over 30 years of experience in various areas of Finance &amp; Accounts in infrastructure projects</li> <li>Experience in raising funds through ECB's, Chinese funding, INR loans, MTN Program etc</li> <li>Prior to joining IPCL, served NTPC &amp; Lanco Infratech</li> </ul>
Ranjan Banerjee	Sr. Vice President (HR)	<ul style="list-style-type: none"> <li>2 decades of experience with large Indian conglomerates and leading MNCs</li> <li>Rich knowledge of people management across industries and experience managing complex people dynamics in highly competitive environment</li> </ul>
Prabhajit Kumar Sarkar	Vice President (Strategic Business Initiatives)	<ul style="list-style-type: none"> <li>Varied experiences in the power sector including development of power markets</li> <li>Areas of expertise includes business development, corporate planning, strategy formulation &amp; implementation</li> <li>Started his career with PTC India, followed by L&amp;T and PXIL</li> </ul>
Nitin Bagaria	Company Secretary & Vice President (Legal)	<ul style="list-style-type: none"> <li>Over 8 years of experience in Corp. Legal, Listing Compliances, Corp Gov &amp; Company Law Matters</li> <li>Previously associated with Punj Lloyd, Simplex Infra, MBL Infra &amp; Kirloskar Consultants</li> </ul>
A.V. Dhananjaya Rao	Vice President	<ul style="list-style-type: none"> <li>Lawyer &amp; MBA with over 25 years of success in legal operations &amp; contracts management</li> <li>Worked in Gulf in senior position for five years with prestigious organizations like Doosan Heavy Industries, Saudi Electricity Co.</li> <li>Prior to overseas assignments, worked in India Heading the Legal Dept. for various corporates.</li> </ul>
Sushil Kumar Verma	Head (Construction)	<ul style="list-style-type: none"> <li>36 years of experience in project &amp; financial mgmt, construction &amp; planning of thermal power plants</li> <li>Worked with BHEL for 35 long years</li> </ul>

## Business Segments



\* As Distribution Licensee

\*\* As Distribution Franchisee

# Currently under implementation, expected COD of Phase I - April 2016

# Distribution Business – West Bengal

## Overview

- ▶ One of the oldest power utility in India with over 9 decades in the industry
- ▶ Distribution licensee with 250 MVA capacity covering 618 sq.km in the Asansol – Raniganj belt of West Bengal
- ▶ Distribution network divided into 3 distribution circles in Dishergarh, Seebpore and Luchipur which are further divided into 11 (33/11 Kilovolts-KV) substations
- ▶ Supplies power to critical utilities like Railways, Hospitals, underground Coal Mines of Eastern Coalfields Limited (ECL) etc

## Key Differentiators

**2.70%**

**T&D loss** one of the lowest in India as compared to industry average of 24%

**99.24%**

High **Reliability Index** delivering uninterrupted supply of power by implementing the Ring Main System

**98.14%**

Maintaining high **Collection Efficiency**

**100%**

**Automatic Meter Reading (AMR) Implementation** across its complete customer base (industrial) for an efficient billing cycle

## Expansion Plans

### Substation

- Final stages of commissioning of 220/33 KV transmission system at JK Nagar in West Bengal with a capital outlay of Rs 111 Cr to source power at competitive rates (EPC work has mostly been completed, COD is expected soon)
- Completion of this project will allow connectivity through the National Grid







### Entering into LT segment



- Plans to enter into the LT segment with a Capex plan of Rs.190 Cr over the next 4 years

### Distribution network expansion

- Applied for parallel distribution licenses in Burdwan, Bankura, Purulia & East Midnapur in West Bengal.
- Further plans for the distribution network are in the anvil

## Competition in the Asansol-Raniganj belt

Peers	T&D Loss	HT	LT
IPCL	2.7%		 *
DVC	3.9% <sup>1</sup>		
WBSEDCL	22.3% <sup>1</sup>		

 Strong presence  Limited presence T&D- Transmission & Distribution

\* Company has initiated entry into the LT segment

HT- High Tension

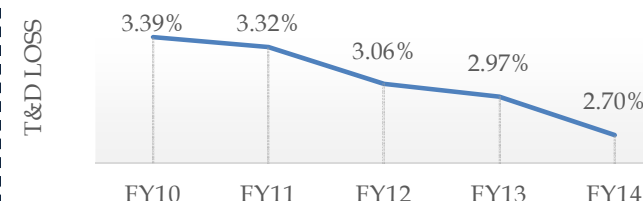
<sup>1</sup> Average T&D loss of the entire license area in W.B

LT – Low Tension

<sup>1</sup>Source- DVC T&D loss- NCD Issue Document –March 2013, WBSEDCL – Planning Commission

- **IPCL** is the only private sector entity in the region and has been the preferred utility company for providing high quality services to its customers. It operates a distribution system at 33 KV & 11 KV, primarily catering to industrials with limited number of retail consumers. Also, IPCL is the preferred supplier of power in the catchment area of ECL.
- **DVC** operates a distribution system at 33 KV & above concentrating on HT & Extra High Tension (EHT) consumers.
- **WBSEDCL** operates primarily at the retail level (LT) with low presence in HT segment.

### IPCL - Improving operational efficiency



## Overview

- ▶ In December 2013, Company through its wholly owned subsidiary India Power Corporation (Bodhgaya) Ltd. was awarded the distribution franchisee (DF) in Gaya district of Bihar through competitive bidding
- ▶ Operations have been taken over from June 2014
- ▶ Tenure of the franchise agreement is 15 years
- ▶ DF area includes Gaya, Bodh Gaya (hub for Buddhist Pilgrimage), Manpur and their adjoining areas, covering 1,500 sq.km
- ▶ Company has targeted AT&C losses to be brought down to ~13% from the current ~66% in the next five years

### Capex Plan (Rs)

**70 Cr**

Over the next 4 years, to be funded by a mix of debt & equity (70:30)

### Key Metrics

#### Current

Connected load	~ 200 MVA
Input Energy (annual)	~ 638 MU
AT&C losses	~ 66 %
Collection Efficiency	~ 98%

MU – Million Units

AT&C - Aggregate Technical and Commercial

## AT&C Losses Mitigation Strategies

### Network Overhaul Plan

**Balance** the load on its existing feeders & improve overall network condition by adequate sizing of conductors & optimization of distribution lines. Putting LT AB cables & meter installation/replacement

### Capacitor Banking

**Improved** power factor of primary and secondary distribution system thereby reducing technical losses and enabling higher transmission capability

### AMR Implementation

**Provide** theft control in high AT&C project areas and increase operational efficiency

### Improving Infrastructure

**Improving** cash collection infrastructure in DF area helping reduce commercial losses & attracting new consumers

### Cycle Balancing

**Make** revenue stream uniform, and efficient utilization of man power as bill generation & distribution are evenly distributed

*No competition in the DF area as IPCL is the sole distribution franchisee in that region*

## Wind Energy

- ▶ Operational capacity of 95.2 MW in wind energy spread across Karnataka, Gujarat and Rajasthan

State	COD	MW	PPA with	PPA rate (Rs/unit)	Tenure (years)
Karnataka	2005-06	10.4	BESCOM	3.40 <sup>1</sup>	20
Gujarat	2006-07	24.8	GUVNL	3.37	20
Rajasthan	2011-12	52.0	AVVNL	4.46	20
	2012-13	8.0	JVVNL	5.18	25

<sup>1</sup> Upto 10th year, the rate is fixed, thereafter it will be decided by the regulator

COD- Commercial Operation Date

PPA- Power Purchase Agreement

## Solar Energy

- ▶ India's first grid-integrated Photo Voltaic Solar Power Plant in association with the WBGEDCL
- ▶ Location: Jamuria area of West Bengal
- ▶ Capacity: 2 MW (3 million units) – embedded source of power for distribution business
- ▶ Saves 0.7 Metric Ton of CO<sub>2</sub> emission a day

*Renewable power generation accounts for 89% of company's installed capacity*

## Overview

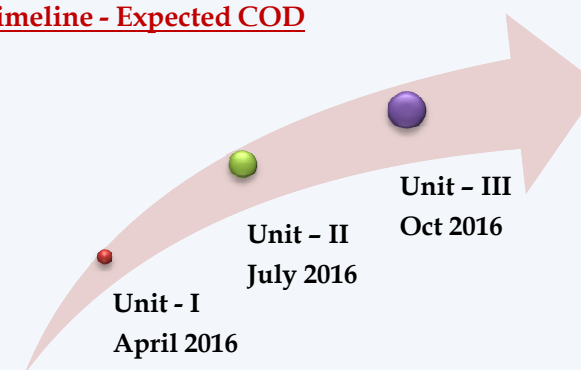
- ▶ Company is implementing 3 x 150 MW coal fired power plant in Haldia through IPHCL
- ▶ Total project cost of Rs 3,307 Cr funded by a mix of debt and equity in 70:30
- ▶ Long term PPA for 25 years signed with WBSEDCL for 300 MW with assured regulated return of 15.5%
- ▶ Balance 150 MW may be sold on merchant basis or consumed in existing distribution business
- ▶ Project monitored by an experienced team and supported by reputed consultants

## Current Status

Particulars	Progress
Land	✓ Entire project land under possession
Clearances	✓ Environment clearance for 3 x 150 MW received ✓ Chimney height clearance received
Civil Works	✓ 90% Engineering work completed; 90% Foundation work completed
BTG Contract	✓ Awarded to BHEL ✓ 90% engineering completed; Boiler Turbine Generator (BTG) erection started; Boiler drum lifted for Unit I & II. Chimney shell casting also completed
BOP Packages	✓ 90% engineering completed
Capex	✓ Around Rs 1,405 Cr has been incurred till Dec-14 (Equity infusion of Rs 511 Cr; Debt drawn from REC & PFC of Rs 894 Cr)

<b>Project Cost (Rs Cr)</b>	<b>3,307</b>
Equity	1,001
Debt	2,306
Equity infused (Dec-14)	511
Debt drawn (Dec-14)	894

### Timeline - Expected COD



## Consolidated Financials

# Consolidated Financials



(in Rs Crores)

Income Statement	FY 12	FY 13	FY 14	9M FY15^
Net Sales	541.5	649.8	694.5	465.8
Other Income	3.2	9.4	2.9	1.5
<b>Total Income</b>	<b>544.7</b>	<b>659.2</b>	<b>697.4</b>	<b>467.3</b>
<i>YoY growth (%)</i>	<i>31%</i>	<i>21%</i>	<i>6%</i>	
Power, Oil & Fuel Cost	451.3	470.8	475.0	314.0
Employee Expenses	35.5	46.9	42.2	30.5
Other Expenses	22.8	69.1	86.3	61.4
<b>Total Expenses</b>	<b>509.6</b>	<b>586.8</b>	<b>603.5</b>	<b>405.9</b>
<b>EBITDA</b>	<b>35.1</b>	<b>72.4</b>	<b>93.9</b>	<b>61.4</b>
<i>Margin (%)</i>	<i>6%</i>	<i>11%</i>	<i>13%</i>	<i>13%</i>
Depreciation	6.3	11.0	14.6	11.4
<b>EBIT</b>	<b>28.8</b>	<b>61.4</b>	<b>79.3</b>	<b>50.0</b>
<i>Margin (%)</i>	<i>5%</i>	<i>9%</i>	<i>11%</i>	<i>11%</i>
Interest	11.4	19.0	34.7	30.7
<b>PBT</b>	<b>17.4</b>	<b>42.4</b>	<b>44.6</b>	<b>19.3</b>
<i>Margin (%)</i>	<i>3%</i>	<i>6%</i>	<i>6%</i>	<i>4%</i>
Tax	5.6	14.9	15.6	6.5
<b>PAT</b>	<b>11.8</b>	<b>27.5</b>	<b>29.0</b>	<b>12.8</b>
<i>Margin (%)</i>	<i>2%</i>	<i>4%</i>	<i>4%</i>	<i>3%</i>

Balance Sheet	FY 12*	FY 13*	FY 14*	6M FY15*^
<b>Liabilities</b>				
Share Capital	97.4	97.4	97.4	97.4
Reserves & Surplus	19.0	818.6	846.2	865.2
Share Suspense A/c	0.0	60.4	60.4	60.4
<b>Net Worth</b>	<b>116.4</b>	<b>976.4</b>	<b>1,004.0</b>	<b>1,023.0</b>
Total Debt	155.4	237.5	370.8	438.5
Other Current Liabilities	194.6	126.8	161.8	175.2
Other Non Current Liab.	48.4	165.0	176.5	173.6
<b>Total Liabilities</b>	<b>514.8</b>	<b>1,505.7</b>	<b>1,713.1</b>	<b>1,810.2</b>
<b>Assets</b>				
Net Fixed Assets	256.6	320.5	358.8	359.0
Non Current Assets	128.4	997.8	1,112.5	1,195.0
Cash	17.1	5.4	15.5	14.6
Other Current Assets	112.7	182.0	226.3	241.5
<b>Total Assets</b>	<b>514.8</b>	<b>1,505.7</b>	<b>1,713.1</b>	<b>1,810.2</b>

Key Ratios	FY 12	FY 13	FY 14	6M FY15^
<b>Interest Coverage</b>	2.3	3.4	3.0	2.2
<b>Total D/E</b>	1.3	0.2	0.4	0.4
<b>Debtor days</b>	41	39	47	55
<b>Creditor days</b>	38	51	57	71

Note: Figures of FY13 and FY14 are post amalgamation of IPCL with DPSC  
 Figures of 9M FY15 Income Statement & 6M FY15 Balance sheet are standalone  
 Figures of IPHCL not consolidated

## Investment Summary

## End to End utility platform

- Integrated power utility through multi-fuel generation capacity along with a multi location distribution network with strong expertise in distribution business with over 95 years of experience
- Currently the only private power distributor in Asansol - Raniganj coal belt of West Bengal with lowest T&D loss figures in India at below 3% against country average of 24%
- Operates distribution franchisee for 1500 sq.km area in Gaya,Bihar
- Current generation capacity of 109.2 MW (95.2 MW (Wind Power) , 12 MW (Thermal Power), 2 MW (Solar Power).
- Further 450 MW thermal power plant under development

## Robust business model with low risk profile

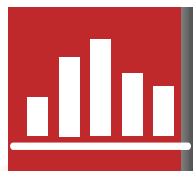
- Regulated assets (distribution business -16.5% RoE) provides annuity revenues of assured returns
- Upside originating from operational efficiencies (cutting AT&C losses, lower working capital requirement)
- National grid connectivity to increase power sourcing capabilities , reducing dependence on expensive sources of power
- Generation business ensures relatively limited risk
  - Ready off-take and distribution platform provide integration benefits
  - Greater proximity to port allows attractive economies even on imported coal

## High visibility on near term expansion plans

- Distribution business--
  - Current capex being undertaken to grow distribution business in and around the licensed area of Asansol & distribution franchise model in Gaya, Bihar
  - Setting up 220/33 kV substation at JK Nagar for interconnection with national grid for enhancing capacity and better grid coverage
- Generation business- Strong growth with an increase in its generation capacity from 109.2 MW in FY 14 to more than 559 MW by October 2016

## Industry Background

## India Power Sector



### Key Trends

- ▶ India has the world's 5<sup>th</sup> largest generation capacity but one of the lowest per capita consumption figures
- ▶ The consumers are served by around 74 distribution utilities – 4 SEBs, 13 electricity dept, 40 corporatized discoms & 17 private distribution companies
- ▶ Over FY 2007-13, electricity production has expanded at a CAGR of 5.5%
- ▶ India loses about 0.4% percent of its GDP due to electricity shortage
- ▶ The industry attracted FDI worth USD 6 bn during April 2000 to July 2013
- ▶ Initiated e-auction of coal blocks, 32 out of 204 cancelled coal blocks has been allocated at a estimated cost of over Rs 2 lakh Cr



### Challenges

- ▶ *Securing fuel* from international coal market is becoming costly & uncertain
- ▶ *Lack of credible information* hinders decision making in arresting power theft, making investments and estimating losses
- ▶ *High power loss in transmission and distribution* leading to continuous rise in the financial losses of the distribution utilities
- ▶ *Ageing and improperly maintained infrastructure*
- ▶ Over Rs 1 lakh Cr of power plant investments are at the risk of becoming non-performing due to *insufficient power evacuation* aggravating the energy deficit



### Road Ahead

- ▶ *Strong growth in generation capacity* led by per capita consumption, urbanization
- ▶ GoI targets a *growth in renewable energy* consumption of over 6% CAGR and capacity addition of 18,500 MW during the 12<sup>th</sup> FYP with a capital outlay of Rs 3,186 bn (88% of which is funded by the Private Sector)
- ▶ USD 75 bn of investments planned for the 12<sup>th</sup> and 13<sup>th</sup> FYP in the T&D sector
- ▶ The *distribution franchisee model* is seen as the way forward to encourage Public Private Partnership (PPP) and reduce AT&C losses

### Snapshot

#### Generation (as on 31 Jan, 2015)

Total Installed Capacity	258,701 MW
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#### Capacity by Ownership

State Sector	94,753 MW
Central Sector	70,675 MW
Private Sector	93,272 MW

#### Capacity by fuel mix

Thermal	180,361 MW
Hydro	40,867 MW
Nuclear	5,780 MW
Renewables	31,692 MW

#### Transmission & Distribution

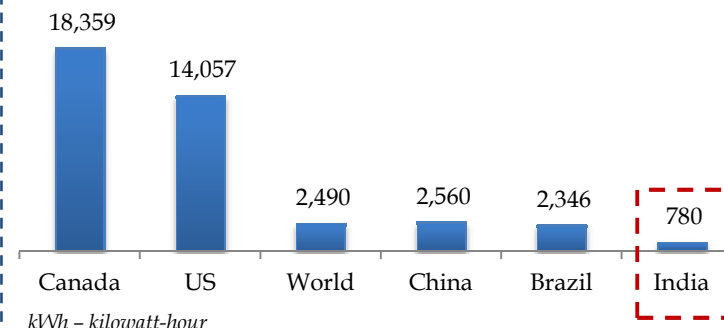
AT&C Losses	~24%
Discom Losses	Rs 120,000 Cr

# Indian Power Sector Opportunity: Generation

## Actual Power Supply position during the year 2013-14

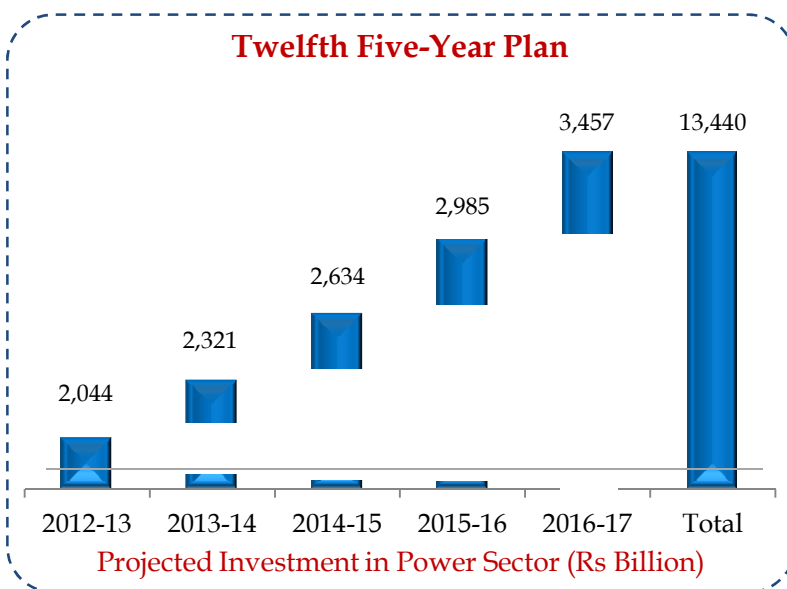
Region	Surplus / (Deficit) %		State	Surplus / (Deficit) %	
	Energy	Peak		Energy	Peak
Northern	-6.0	-6.9	WB	-0.3	-0.4
Western	-1.0	-2.4	Bihar	-4.1	-6.2
Southern	-6.8	-7.6	Karnataka	-9.5	-7.2
Eastern	-1.3	-1.8	Delhi	-0.3	-6.3
North-Eastern	-6.5	-5.4	U.P.	-14.0	-5.8
<b>All-India</b>	<b>-4.2</b>	<b>-4.5</b>	J&K	-21.9	-20.1
			Andhra P.	-6.9	-6.5
			Tamil N.	-5.9	-7.6
			Assam	-6.4	-8.2

## Electricity Consumption per capita (kWh)



India remains one of the lowest in terms of per capita consumption. However, increasing power consumption in the future will require capacity addition & opens up a huge opportunity for the generation sector to reduce the deficit.

## Twelfth Five-Year Plan



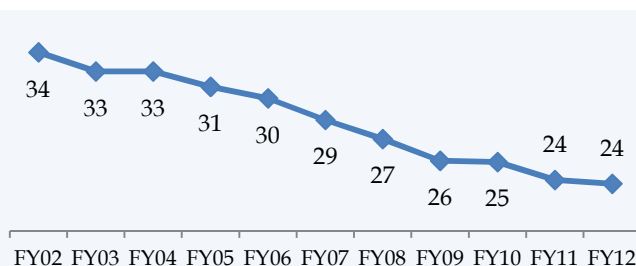
## Government Initiatives

- ✓ GoI has proposed to extend 10 year tax holiday on all power projects which begin generation, distribution or transmission of power by March 31st, 2017.
- ✓ Rs 500 Crores is provided for Ultra Mega Solar Power projects in Rajasthan, Gujarat, Tamil Nadu, Andhra P. and Laddakh.
- ✓ Rs 400 Crores is provided for a scheme for solar power driven agricultural pump sets and water pumping stations.
- ✓ Rs 100 Crores is provided for the development of 1MW Solar Parks on the banks of canals.

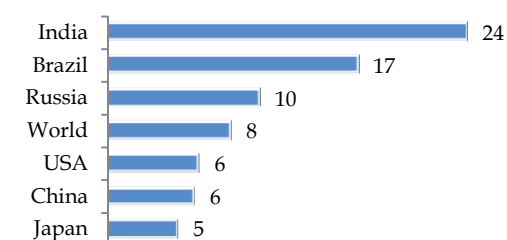
# Indian Power Sector Opportunity: Distribution

- Distribution continues to be the weakest link in the power sector with high AT&C losses, moderate tariff hikes and weak financial conditions of state discoms with total losses reaching over Rs 1,20,000 Cr.
- India's T&D losses remain high at around 24% compared to world average of 8%.
- The distribution sector has been a monopoly of the SEBs with very limited involvement of the private sector.

Poorly maintained and overburdened distribution networks, inadequate metering and thefts leading to **high T&D losses (%) in India**



## T&D losses by country\* (2012 - % of output)



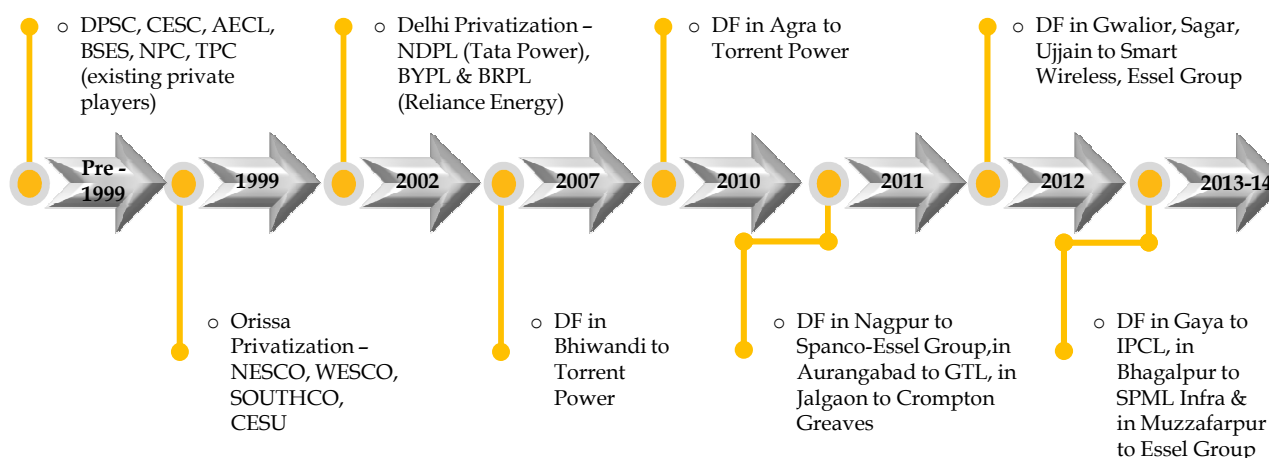
\* Data for India is FY 2012 & for other countries is as of Dec 2011

## Addressing the challenge:-

- Privatizing T&D for efficiency
- Deployment of smart technologies and smart grids
- High penalties for thefts
- PPP models for distribution – distribution franchise, parallel license, open access

**Lack of focus has resulted in poor operational and financial performance of the sector with high calls for Private Participation in terms of franchising, PPP, and equipment suppliers**

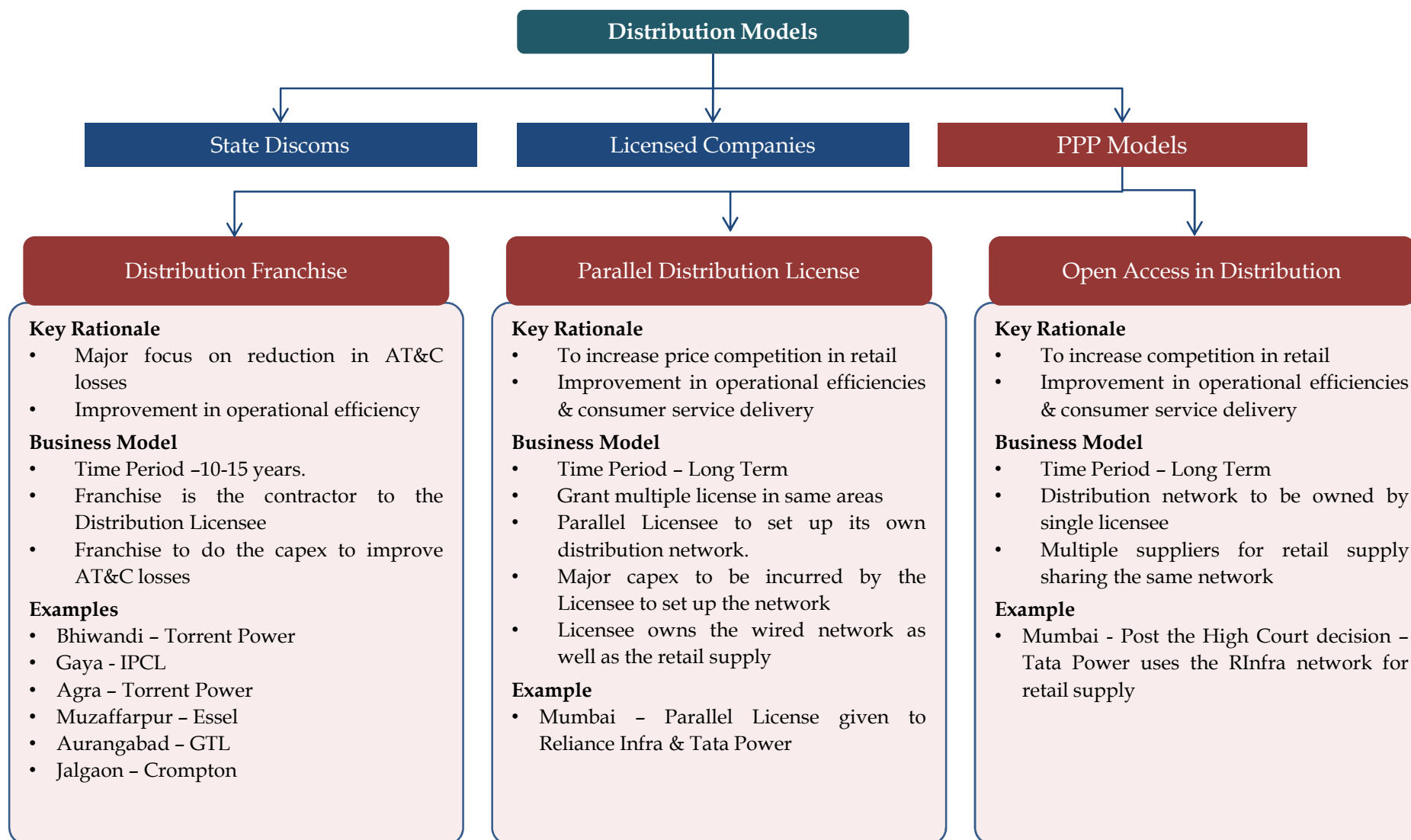
## Privatization of Distribution Industry in India



## State Initiatives

- ✓ Private sector participation is limited to 15 distribution licensees and a few DFs, both at rural and urban level.
- ✓ Bihar Govt. has initiated privatization of power distribution in 12 towns to reduce T&D losses.
- ✓ In FY14, UP Govt. allocated Rs 3,715 Cr to upgrade power distribution network.
- ✓ Rajasthan Govt. has started adopting the PPP model to reduce financial distress on discoms.

Source: CEA; International Energy Association; Power Plus Distribution Report, The World Bank Database



*Private participation in the power distribution sector should be pursued in order to attract investment and to harness the efficiencies of the private sector.*

- ▶ The distribution franchise model has emerged as a key solution for cash strapped & loss making discoms.
- ▶ Discoms can tie up with private players who have strong distribution business management skill set as well as financial strength to incur capex required for the infrastructure.
- ▶ This would result into reduction in AT&C losses, improved collection efficiency and better customer satisfaction.
- ▶ Financial benefits are shared along with the licensee.

Key benefits for all stakeholders		
	Contribution	Benefits
<b>Consumer</b>	<ul style="list-style-type: none"> <li>Improved Revenue Collection</li> <li>Improved Consumption</li> </ul>	<ul style="list-style-type: none"> <li>Improved Service Level</li> <li>Better Availability &amp; Quality of Power</li> </ul>
<b>Licensee</b>	<ul style="list-style-type: none"> <li>Established Distribution Infrastructure</li> <li>Supply of Power</li> <li>Employee Support</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in Losses</li> <li>Improvement in Collection Efficiency</li> <li>Capex Investments in Infrastructure</li> </ul>
<b>Franchisee</b>	<ul style="list-style-type: none"> <li>Strong Expertise in Distribution Business Management</li> <li>Financial Strength to make Investments</li> </ul>	<ul style="list-style-type: none"> <li>Access to consumer area for 10-15 years</li> <li>Financial Returns for Performance Turnaround</li> </ul>

## Distribution Franchisee models

Types	Responsibility of Franchisee	Compensation structure and bidding criteria	Benefits
<b>Outsourcing</b>	<ul style="list-style-type: none"> <li>Metering</li> <li>Billing</li> <li>Collection</li> </ul>	<ul style="list-style-type: none"> <li>Fixed fee</li> </ul>	<ul style="list-style-type: none"> <li>Operational efficiency</li> </ul>
<b>Revenue Collection</b>	<ul style="list-style-type: none"> <li>Metering</li> <li>Billing</li> <li>Collection</li> </ul>	<ul style="list-style-type: none"> <li>Fixed fee plus incentive</li> </ul>	<ul style="list-style-type: none"> <li>Operational and collection efficiency</li> </ul>
<b>Revenue and O&amp;M</b>	<ul style="list-style-type: none"> <li>Metering</li> <li>Billing</li> <li>Collection</li> <li>O&amp;M</li> </ul>	<ul style="list-style-type: none"> <li>Fixed fee plus incentive</li> </ul>	<ul style="list-style-type: none"> <li>Operational and collection efficiency</li> <li>Reduction in manpower</li> </ul>
<b>Input Based</b>	<ul style="list-style-type: none"> <li>Metering</li> <li>Billing</li> <li>Collection</li> <li>O&amp;M</li> <li>Input Supply</li> </ul>	<ul style="list-style-type: none"> <li>Right on revenue to franchisee</li> <li>Utility received bulk supply charges</li> </ul>	<ul style="list-style-type: none"> <li>Operational and collection efficiency</li> <li>Reduction in manpower &amp; distribution losses</li> </ul>
<b>Input &amp; Investment</b>	<ul style="list-style-type: none"> <li>Metering</li> <li>Billing</li> <li>Collection</li> <li>O&amp;M</li> <li>Input Supply</li> <li>Capex</li> </ul>	<ul style="list-style-type: none"> <li>Right on revenue to franchisee</li> <li>Utility received bulk supply charges &amp; depreciated value of Capex</li> </ul>	<ul style="list-style-type: none"> <li>Operational, collection &amp; technical efficiency</li> <li>Reduction in manpower &amp; distribution losses</li> <li>Avoided investments</li> </ul>

IPCL Gaya DF model falls in the 'Input & Investment' model category

Source: 'Progress of Private Franchisees' – Crisil Infrastructure Advisory

## Annexure

## **S**TRENGTHS

- Strong pedigree with over 9 decades of legacy in power business
- Stellar operational efficiency reflected in its track record of maintaining T&D losses of < 3%
- Led by distinguished board & management team having extensive industry experience
- Among few utilities in India to qualify and bid for distribution franchise providing scope for expansion

## **W**EAKNESSES

- Low market share due to geographically concentrated distribution business
- Regulated business (Distribution) limits upside potential to returns

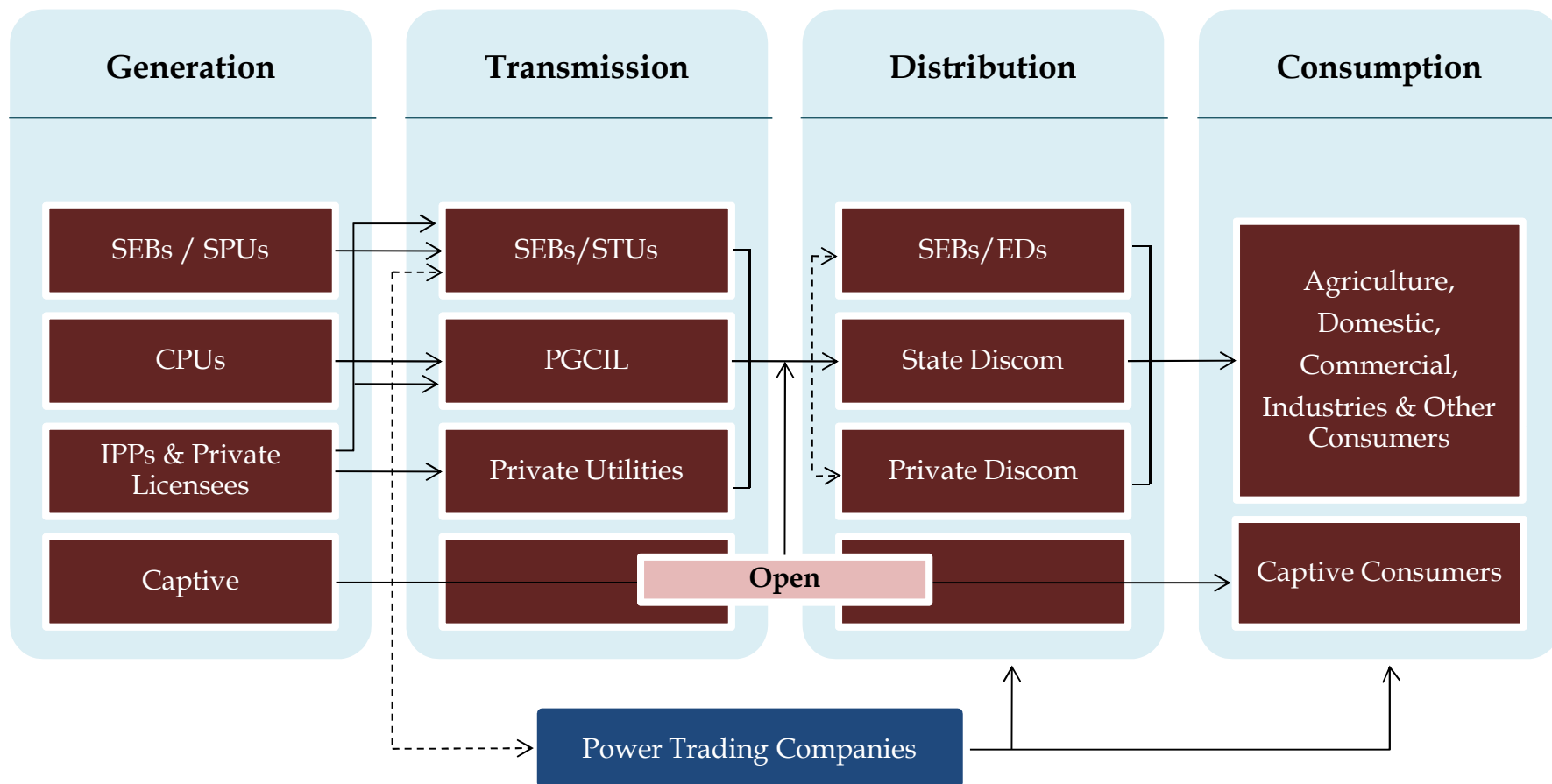
## **O**PPORTUNITIES

- Poor operational & financial performance of discoms offering huge opportunities for pvt. sector
- Increasing planned capacity addition for 12th & 13th FYP indicating a growing room in T&D infrastructure
- 255 Towns identified by Shunglu Committee for implementation of Distribution Franchise

## **T**HREATS

- Fluctuating international prices of coal and changes in international policies regarding import of coal
- Change in price for procurement of power from external sources
- High risk of financial losses in case of non-performance in terms of loss reduction

*IPCL, that evokes a sense of dependability, overcomes its weaknesses by combining its operational expertise with a sharp focus on consumer experience*



**Legends:** IPPs - Independent Power Producer, CPUs - Central Power Utilities, SEBs - State Electricity Boards, STUs - State Transmission Utilities, SPU - State Power Utilities, PGCIL - Power Grid Corporation of India Limited, EDs - Electricity Departments, Discoms - Distribution Companies

## R-APDRP

### Restructured Accelerated Power Development & Reform Programme (R-APDRP)

- ✓ Approved as a Central scheme in 2008 with a total outlay of Rs 51,577 Cr over the 11<sup>th</sup> FYP with a focus on actual, demonstrable performance in terms of AT&C loss reduction
- ✓ Taken up in 2 parts: Part A – establishing reliable & automated system and adoption of IT for accurate data collection; Part B – Projects to strengthen the distribution system
- ✓ At the end of 11<sup>th</sup> FYP, 1,402 projects have been approved for 29 States/UTs under Part A (estd. cost Rs 5,196 Cr) and 1,086 projects have been approved for 20 States under Part B (estd. cost Rs 24,776 Cr)

## RGGVY

### Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)

- ✓ Launched by GoI in April 2005 for providing access of electricity to all rural households
- ✓ Involved electrification of all un-electrified villages plus a free connection for BPL households
- ✓ Scheme provided a subsidy of 90% of the total project cost and balance 10% was to be provided by the REC as loan
- ✓ Phase 1 of the RGGVY scheme was approved for implementation with a capital subsidy of Rs 5,000 Cr during the remainder of 10<sup>th</sup> FYP; scheme was approved to be continued in the 11<sup>th</sup> FYP with a capital subsidy of Rs 28,000 Cr
- ✓ As on 15 Oct 2013, out of the total 1,12,795 villages to be covered under RGGVY, works in 1,07,649 (95%) have been completed

## Open Access

- ✓ Introduced in the Electricity Act and has ensured that end consumers, especially those with higher demands, have the right to choose the electricity supplier other than the geographical distribution licensee
- ✓ The recent initiative in Maharashtra, to extend open access to LT consumers, has further empowered consumers to choose among distribution licensees on the basis of supply tariffs and service delivery standards
- ✓ Effective implementation of open access is crucial for opening up consumer choices as well as encouraging a healthy trading function in the country
- ✓ The open access at interstate level is fully operational

## IPDS

### Integrated Power Development Scheme (IPDS) has been introduced in Union Cabinet chaired by PM Shri Narendra Modi with the objectives of:

- ✓ Strengthening of sub-transmission and distribution network in the urban areas;
- ✓ Metering of distribution transformers / feeders / consumers in the urban areas.
- ✓ IT enablement of distribution sector and strengthening of distribution network as per CCEA approval for completion of targets laid down under RAPDRP for 12th and 13th Plans by carrying forward the approved outlay for RAPDRP to IPDS.
- ✓ The scheme will help in reduction in AT&C losses, establishment of IT enabled energy accounting / auditing system, improvement in billed energy based on metered consumption and improvement in collection efficiency

- AECL – Ahmedabad Electricity Company Limited
- AMR – Automatic Meter Reading
- ASSOCHAM – Associated Chambers of Commerce & Industry of India
- AVVNL – Ajmer Vidyut Vitran Nigam Limited
- BESCOM – Bangalore Electricity Supply Company Limited
- BHEL – Bharat Heavy Electricals Limited
- BRPL – BSES Rajdhani Power Limited
- BSES – Bombay Suburban Electric Supply
- BYPL – BSES Yamuna Power Limited
- CEA- Central Electricity Authority
- CESC – Calcutta Electric Supply Corporation
- CESU – Central Electricity Supply Utility of Orissa
- CGDC – Centre for Global Dialogue and Co-Operation
- CIDC – Construction Industry Development Council
- CII – Confederation of Indian Industry
- CSE- The Calcutta Stock Exchange Limited
- DF – Distribution Franchisee
- DPSC – Dishergarh Power Supply Company Ltd/ DPSC Limited
- DVC – Damodar Valley Corporation
- ECL – Eastern Coal Fields Limited
- FICCI – Federation of Indian Chamber of Commerce & Industry
- GAIL – GAIL (India) Limited
- GUVNL – Gujarat Urja Vikas Nigam Limited
- HNG – Hindusthan National Glass & Industries Ltd
- IOC – Indian Oil Corporation Limited
- IPCHL – India Power Corporation (Haldia) Limited
- IPCL – India Power Corporation Limited
- JVVNL – Jaipur Vidyut Vitran Nigam Limited
- NDPL – New Delhi Power Limited / Tata Power Delhi Distribution Limited
- NESCO – Northern Electricity Supply Company of Orissa
- NPC – Noida Power Company
- NSE- National Stock Exchange of India Limited
- NTPC – NTPC Limited
- ONGC – Oil & Natural Gas Corporation Limited
- PFC – Power Finance Corporation Limited
- PSU – Public Sector Unit
- PTC – PTC (India) Limited
- PXIL – The Power Exchange India
- REC – Rural Electrification Corporation Limited
- SBPDCL – South Bihar Power Distribution Company Limited
- SEB – State Electricity Board
- SOUTHCO – Southern Electricity Supply Company of Orissa
- SRNL – Swayambhu Natural Resources Pvt. Ltd.
- TPC – Tata Power Company Limited
- WBGEDCL – West Bengal Green Energy Development Corporation Ltd.
- WBIDC – West Bengal Industrial Development Corporation Limited
- WBSEDCL- West Bengal State Electricity Distribution Company
- WESCO – Western Electricity Supply Company of Odisha

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