



## COAL FOR POWER

# PTC in barter deal with two Hyderabad generation companies

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Power trading firm **PTC India Ltd** will supply coal to the plants of Hyderabad-based generation firms **Simhapuri Energy Pvt. Ltd** and **Meenakshi Energy Pvt. Ltd** in return for an equivalent value of electricity in an effort to tie up long-term sources of power.

The deal, the first of its kind in India, will also see PTC paying the two companies a fee to generate electricity.

"We will be supplying around 1.5 million tonnes per annum (mtpa) of coal to them for generating electricity for us. We will be paying them a fee for doing so. We have adopted this strategy as it will provide us with an assured electricity supply for our power-trading business," said a senior PTC executive, who did not wish to be identified.

The two companies will generate 270MW of power each for PTC. Both Simhapuri and Meenakshi are merchant power plants, which means the companies are free to sell the power to customers of their choice. Simhapuri has a generation capacity of 540MW and Meenakshi 400MW, and both projects are coming up near the Krishnapattnam port in Andhra Pradesh.

Y. Harish Chandra Prasad, chairman, **Malaxmi Infra Ventures (India) Pvt. Ltd**, the company behind Simhapuri Energy, could not be reached for comment. A spokesperson for Meenakshi Energy did not respond to queries from *Mint*.

PTC will supply coal to these projects from the coal blocks that it plans to acquire in Indonesia as reported by *Mint* on 28 January.

The company plans to create a \$1 billion (Rs3,960 crore)

Power trader is in discussions with two more players for similar deals

overseas blocks. Prices of imported coal, including freight, are around \$90 (Rs3,546) per tonne. The company has set a target of bringing 15mtpa of coal to India for a minimum period of 30 years, enabling it to supply fuel to projects with an aggregate generating capacity of 5,000MW—and, as the two deals with Simhapuri and Meenakshi show, get power in return.

While PTC's deals are structured pretty much like barter, experts term them "tolling arrangements" because PTC will pay the generators a fee. The firm is in talks with Unicorn Powergen Pvt. Ltd. and Sanghi Industries for similar deals for 1,030MW and 1,500MW of power, respectively.

Industry analysts say that PTC's move should be seen as a strategy to de facto own the generation asset and thus exercise control over the entire value chain. "This indeed is a unique arrangement since traditionally coal suppliers and power purchasers have been mutually exclusive. The power generation company also has risks hedged as both ends of the supply chain are tied to the same entity, and thus, improve the risk profile of investment. This may help the power generation assets to be financed at relatively lower cost, which in turn may lower the final energy generation costs," said a senior industry analyst who did