

'Bank Takeover of Ailing Power Units not Enough'

PSUs have been reluctant to acquire pvt sector assets on worries of being questioned by CAG

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Mumbai | New Delhi: The government's plan to make state-run banks take over distressed assets could be seen as a shot in the arm for the beleaguered power sector, but industry players say the success of the move would hinge on resolving issues related to electricity offtake.

The government is considering encouraging state-run banks to acquire assets of loan defaulters in steel, power and shipping sectors, and rope in state-run companies to manage them, in an attempt to help the lenders get rid of non-performing assets.

"This move would have helped the distressed projects if the main problem was financing or quality of management. But more than 24,000 MW of projects are stranded either due to lack of fuel or due to lack of power purchase agreements. A change of hands wouldn't resolve the fundamental issues of the sector," said Ashok Khurana of the Association of Power Producers. The association estimates that around 14,000 MW of power generation capacity has coal available, but are stranded due to lack of power purchase agreements, while another 10,500 MW of capacity is stranded due to lack of coal.

A senior government official said banks would soon start discussions with the power ministry to explore the viability of the plan to take over distressed assets and getting PSUs to run these



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plants till a new promoter is found. Banks are exploring if they can give the operation contracts to PSUs.

In the past, public sector units like NTPC have seen proposals from the private sector, but turned them down on valuation concerns, a problem that may be resolved if the banks were to step in. PSUs have also been reluctant to acquire private sector assets on worries of being potentially questioned by government auditor Comptroller and Auditor General or the CBI. But this new proposed route may remove those roadblocks as well.

A senior NTPC executive told ET, "We have been looking at acquisition of private plants but valuation of assets has been the biggest challenge. The issue would not be there if banks join in. We may explore options together with banks."

Growth in electricity generation has been slow as demand from state-run power distribution companies (discoms) remained muted, with them opting for planned outages instead of buying more power to keep a check on their bills.

In the second quarter of 2016-17, total generation growth was a dismal 1.3% year-on-year. Thermal power generation expanded just 0.3%, even as the inventory of coal increased.