

Torrent group on ambitious power trip - Plans to invest Rs 70-80 billion in next five years :

- **Torrent** group plans to propel itself into the league of power giants like Reliance Energy and Tata Power by merging three independent companies — **Torrent** Power AEC (TPAC), **Torrent** Power SEC (TPSC) and **Torrent** Power Generation Ltd (TPGL) - into one mega entity.
- **Torrent** is also planning to invest Rs 7,000-8,000 crore over the next five years in power generation and distribution projects in Gujarat, Uttar Pradesh, Maharashtra, Karnataka, Uttaranchal and Himachal Pradesh, a senior company official said.
- In 2004-05, Reliance Energy's turnover was Rs 4,131 crore and Tata Power's net sales stood at Rs 3,930 crore. TPAC's Rs 1,300 crore revenues in FY05 and TPSC's Rs 1,000 crore would add up to Rs 2,300 crore for the last financial year. The third **Torrent** company, TPGL, is expected to add over Rs 2,000 crore to the revenues once its mega gas-based power plant of 1,100 MW is commissioned in two years' time.
- TPAC's director Ashok Modi said that the group has appointed a committee to work out a suitable business model for the operations of the three companies and appoint professional consultants to advise them. The merger of the three companies would be examined by this committee.
- "But, if the committee suggests some other model, we may consider that too," claimed Modi. The 1,100-MW Sugem power project near Surat of TPGL is being set up at a cost of Rs 3,096 crore, and it will be commissioned in 2007-08. Debt to the tune of Rs 2,167 crore will be funded by a financial consortium led by IDFC Ltd.
- The **Torrent** group will pick up the entire equity of around Rs 900 crore in this project, out of which around Rs 300 crore have already been funded. "It would make a lot of business sense for the group to merge the three entities as it would create greater synergies and reduce costs considerably. But whether the shareholders of the two listed companies would benefit or not will depend on the merger ratio effected between the three entities," said analyst Vinod Sharma, director of Anagram Securities.
- TPSC has got the licence to distribute power in Surat. Currently, it has no power generation facility of its own and is fully dependent on the Gujarat Electricity Board for its electricity supply. Once TPGL's plant is commissioned, it will supply 50% of its output to TPSC, which will free the latter from GEB's high-cost supplies.
- TPAC has the distribution licence for Ahmedabad, along with a 400-MW coal-based plant and a 100 MW gas-based power plant. It will also get 25% of TPGL's output in the future. The remaining 25% production of TPGL would be sold to Power Trading Corporation (PTC), for which an agreement has already been signed.
- Market analyst Arun Kejriwal said that the trading volumes in TPAC and TPSC stocks used to be very low in the past. Recently, the volumes have risen, but they are still quite small in the case of TPSC.

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