NOTE ON DELAY OF THE PROJECT

1. Brief Summary

SKS POWER GENERATION (CHATTISGARH) LTD (SPGCL) implementing the project in two Phases, Phase – I (2 x 300 MW) and Phase II (2 x 300 MW).

The Environment Clearance for the project (4X300MW) was received on 05-10-2010 and was extended further upto 04-10-2017.

The Consent To Establish (CTE) for the project (4X300MW) was received on 24-01-2011 from CECB.

The Consent To Operate (CTO) for Unit I (1X300MW) from CECB was received 12-06-2017 and extended upto 01-04-2018.

The CTO for Unit II (1X300MW) on oil from CECB was received on 06-07-2017.

All other Statutory Clearances including water, coal, railway siding, boiler certificate, power evacuation, transmission line, etc. are in place.

Financial closure was achieved on 19.12.2011 for Phase I while financial closure for Phase II has lapsed.

The Original Scheduled Commercial Operation Date (COD) was September 2013 for Phase I and December 2013 for Phase II respectively.

2. Reasons for delay in Implementation of the project

a) Land related issues

SPGCL requires 874 acres of land for setting up 1200 MW out of which 568 acres in already under possession. There was a delay in land acquisition by Chhattisgarh State Industrial Corporation leading to delay in project execution.

About 348 acres of balance land is still under litigation pending in the Hon’ble Supreme Court for adjudication due to stay proceedings put up by local villagers.

b) Cancellation of coal block

SPGCL was allocated 73.85 MT of coal through Fatehpur coal block along with M/s Prakash Industries on 06.02.2008. However, the coal
block was cancelled vide ruling of Hon’ble Supreme Court vide its order dated 24th Sep’2014.

c) Delays in FSA
LOA for 1200 MW was assigned to the Company by SECL in 2009 but LOA was converted to FSA for 600 MW only in 2013 after a delay of 4 years. LOA for Phase II is available.

d) Poor financial condition of EPC Contractor:
SPGCL’s EPC contractor Cethar Ltd. could not perform due to financial stress leading to delay in project execution.

SPGCL was constrained to take over the control of site management from Cethar Ltd. with effect from Jan’ 2014 to expedite the project execution including payment to many suppliers for Cethar, which delayed the supply contract for SPGCL. Active Site management by SPGCL has helped in bringing back the project on track.

e) Lack of PPAs
PPA was signed between SPGCL and Govt. of Chhattisgarh (“GOCG”) on 05.11.2011 for supply of 35% (30%+5%) power from the Project capacity out of which, 30% aggregate capacity was to be at CERC Tariff and 5% Net power was to be supplied at variable charges. However, GOCG vide its letter dated 25th Sep’ 2013 has refused to take 30% aggregate power at CERC Tariff but would like to continue with 5% net power at variable charges.

Discoms have not come up with significant number of long term PPAs owing to their poor financial health. Many long term bids have been withdrawn or cancelled. For example, Telangana State’s 2000 MW long term bid was withdrawn, UP 3800 MW bid was withdrawn, UP 6000 MW was restricted to ~2,000 MW and Rajasthan 1000 MW was restricted to 500 MW. Thus, additional ready capacity of 15,000-20,000 MW is lying idle for want of long term bids.

f) Financial Issues

Sithe Global (subsidiary of Blackstone), our Joint Venture investor, had committed to invest equity of Rs. 965 Cr. for both the phases against which, they invested Rs. 493 Cr. and stopped investment after Dec’ 2013 leading to delay in project execution and cost overrun due to lack of PPAs, lack of secured fuel, constraints in transmitting power to various regions and uncertainty in Indian power sector.

SBI had underwritten entire debt requirement for both the phases for an amount of Rs. 5,170 Cr. (Rs. 2,840 Cr. for Phase I and Rs. 2,330
Cr. for Phase II) subject to down selling of non-hold portion of debt underwritten for Phase I, vide its sanction letter dated 11th Oct’ 2011. Currently the underwriting for Phase II has lapsed due to inability in down selling of non-hold portion of Phase I.

Conclusion

As mentioned above, due to various factors like delay in land acquisition, cancellation of coal block, delay in signing FSA, lack of case-1 bids, financial stress of the EPC contractor, investor’s exit from the project, etc., the project has been delayed significantly.

Hence, SPGCL requests MOEF to extend the validity of Environmental Clearance for a further period of 5 years with effect from 04-10-2017.