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Pvt cos tap hydel power projects

After roads, it's now the turn of hydel projects to go the BOT way. Rather than power utilities, private sector construction companies are investing in hydel power. A number of construction companies, including Jaiprakash, Gammon and Nagarjuna Construction, have taken up hydel-power projects on a BOT basis. While two such projects are already operational, many more may follow.

As of now, only two large hydel projects have been developed by private sector players Jaiprakash Associates and LNJ Bhilwara Group, respectively. The Delhi-based Jaiprakash Associates has developed a 300 MW hydel project on the river Baspa in Himachal Pradesh through its subsidiary – Jaiprakash Hydel Power.

Jaiprakash is working on two more hydel projects – a 400 MW project at Vishnu Prayag in Uttaranchal which will become operational this year, and a 1,000 MW project in Himachal Pradesh. Another 82 MW hydel project has been developed by LNJ Bhilwara Group, also in HP at a cost of Rs 320 crore. This project was completed in '01.

The government is considering to set up a 50,000 MW hydel-power project over the next 15-20 years which is 1.5 times the total capacity set up, approximately 32,000 MW since independence till date. The estimated amount to be spent on hydro-power projects is to the tune of Rs 2 lakh crore. The ministry of power has identified around 162 projects spread across 16 states through out India.

However, others are also trying to join the fray. Gammon India is working on a 60 MW hydel project in Sikkim, the company has received the letter of intent and is conducting a feasibility study. The project cost is estimated at Rs 450 crore. The project will be implemented by Gammon Infrastructure Projects, a subsidiary company set up for equity investments in infrastructure projects.

Another 100 MW hydel project, also in Himachal Pradesh, is being jointly promoted by Nagarjuna Construction, SSJV Projects and Maytas Infrastructure. The cost of this project is estimated at Rs 499 crore. Others like Patel Engineering (PEL) are also interested in hydel power. Currently, Patel Engineering is tapping the markets for equity, part of which could go into funding hydel projects. PEL has already formed a JV with L&T to venture into the hydro power business.

Rupen Patel, MD, PEL said: "The company intends to bid for various projects on an annuity, IPP, BOT or BOOT basis and invest in subsidiaries, and JVs within and outside India. We have submitted applications for IPP in Himachal Pradesh and Uttaranchal. Annuity, IPP, BOT and BOOT projects require private sector investment in the form of capital infusion with the autonomy to operate and generate revenue."

A hydel project has high capital costs and a long gestation period – construction can take 5-7 years, more than coal or gas-based power. However, once completed, expenses are minimal and most of the income goes forward as EBTIDA margin. Hydel projects are larger than other infrastructure projects like roads. There are a few companies which can bid for large hydel projects. Margins in this business can be as high as 20%, compared to 7-10% margins in road projects.

Private sector participation in the road sector has increased exponentially over the past year. The National Highway Authority has given out 29 road contracts on a BOT basis in '05 against zero such projects in '04 and one project for the year before. Hydel power could witness a similar jump.