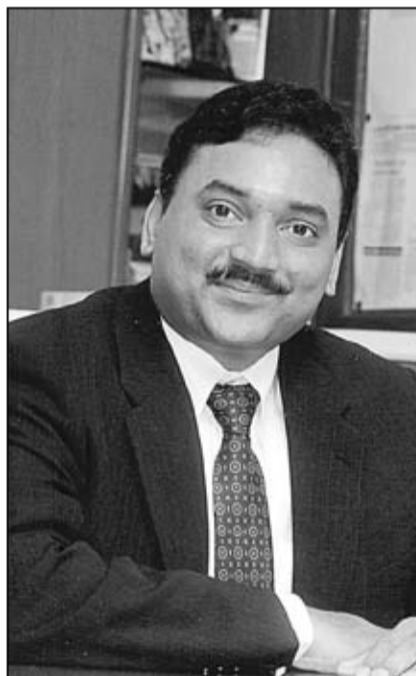


L. Madhusudhan Rao, chairman, Lanco Infratech Ltd.

'One project every six months'

LAGADAPATI MADHUSUDHAN RAO is the executive chairman of Lanco Infratech Ltd. Mr Rao has an M.Tech degree from India and an MS from Wayne State University in Detroit, the US. In 1989, Mr Rao joined the core team which established the integrated metallurgy complex of Lanco Industries at Srikalahasti in Andhra Pradesh. He became managing director of Lanco Industries in 1992 and chairman of the consolidated new company — Lanco Infratech Ltd — in 2002.



L. Madhusudhan Rao

Excerpts from an interview with **S. UMAMAHESHWAR:**

You seem to be more aggressive on the power sector than in areas where you are present. What is the latest on this front?

We have a target of generating 15,000 megawatt (MW) of power by 2015. Currently, our projects — both operational and under development — have a capacity of 8,000 MW. Three large coal based projects — Amarkantak in Chhattisgarh, Udipi power project in Karnataka, and Ampara power project in UP — are at the execution stage. These are financially closed and are under construction. Amarkantak Unit-I is expected to get operational in a month or so. Thereafter, for every six months, we have one project coming up.

These projects would make a little over 4,000 MW. Apart from this, we have two coal-based projects with a total capacity of 4,000 MW at a development stage. These projects — 1,320 MW Amarkantak Unit 3 and 4 and 2,640 MW Paban project in Orissa — could be financially closed by mid-2009. We are also bidding for several other projects and have qualified

for projects with a total capacity of 10,000 MW. We are also trying to acquire coal mining assets in South Africa, Australia and Indonesia.

What will be your investment in these projects?

Today, the total capacity of projects under execution is 4,000 MW. We have a total capital outlay of Rs 13,000 crore, which will be invested over the next three years. We have already tied up for debt, which will be 80 per cent of the total capital outlay.

Has the economic slowdown had any negative impact on the power sector in general and your project execution in particular?

In terms of liquidity, we don't see any effect. Though there could be a slowdown in the economy because of anti-inflationary measures being taken by the government and the financial meltdown in the United States and Europe, I don't think there will be any great effect on the power sector.

How much will the rise in interest rates affect your margins?

'The plans for wind power is at an advanced stage. We will be an end-to-end player. We would like be the developer for 50 per cent of the produce.'

Every one per cent rise in interest rate will increase the project cost by a half per cent. Therefore, the cost of our projects have gone up by three or 3.5 per cent. However, we are trying to keep our costs in control by using value engineering. Generally, we take a long term call at a levelised interest rate of 10 per cent for a period of 10 years.

What are your plans for non-conventional energy?

We have plans for wind and solar energy. The plans involving wind power are at an advanced stage. We will be an end-to-end player. We would like be the developer for 50 per cent of the produce, 10 per cent of which could owned by Lanco for short to medium term. We are prototyping our 2 MW machine which will introduce by September-October 2009. The manufacturing unit would be set up near Tada in Nellore and it will be a Special Economic Zone. Apart from this, we will also have a small assembling unit in Germany.

On the solar power front also we will be an end-to-end player. We have tied up with technology partners in

Europe and the US and have spoken to our bankers. The solar power business will be put under a separate company called Lanco Solar. The manufacturing plant, which would be an SEZ, could come up either in Orissa or AP. We are very close to finalising our business plan. Shortly, we will announce more details.

What is your investment for wind and solar power?

For wind power, we will be investing around Rs 300 crore for setting manufacturing facilities and Rs 300 crore for buying land in India, Europe and the US. For solar, the overall investment plan in the first phase will be close to \$1 billion.

There is sudden interest in renewable energy in India. Why?

The credit should go to Europe, especially Germany. German subsidies for renewable energy have encouraged this sector to put in efforts to make it viable. We have achieved grid parity for wind power and will soon achieve it for solar energy. Wind power projects can get operational in a short time of five months. State governments should encourage wind power by giving a tariff of Rs 5-6 per unit to bridge their power deficit.

What are your plans for nuclear power?

It has a very reasonable cost of power generation. However, the entry of private companies in the sector depends on the policy of government. However, we don't think that the government will allow the private sector to set up nuclear power plants so soon. If the government allows, we would like to set up a power plant with a minimum capacity of 1,000 MW.