

Indo Rama to venture into power business

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COUNTRY'S second largest polyester manufacturer Indo Rama Synthetics (IRSL) is looking to venture into power generation activity as a separate business. The company recently started its second polyester manufacturing plant in Nagpur for which it set up two captive power plants of 15 mw capacity each.

"We have acquired some experience in the power generation business and are looking to venture into it in the times to come. These two power plants are basically for captive consumption though we will be selling 22 mw to the Maharashtra government in order to ease the power crisis there," said IRSL chairman and managing director O P Lohia.

While one of the power plants became operational in February this year, the other plant will be functional by the end of this month. The company is also hoping to expand

power generation from the two plants to 40 mw by the end of this year.

The Special Purpose Vehicle, Indo Rama Petrochemicals Ltd (IRPL), that was formed for setting up the captive power plants is also merged with the parent company. "The merger has been approved by our board of directors today and it will result in cost saving to the tune of over Rs 25 crore per year. Prior, to the merger, IRPL was supplying power to IRSL at Rs 4 per unit but the amalgamation would mean power would be available at Rs 3 per unit. Further, we will also save around Rs 5-6 crore per year by way of taxes," Lohia said. Power will be sold to the state government at Rs 6 per unit.

The company will firm up plans for power generation by the end of this year and though the group's focus would remain on the synthetic fibre business, the foray would mean increased profitability for the company. IRSL has

been at the receiving end of high crude prices and raw material scarcity throughout last year. Though the situation seems to be improving, company officials said that the lure of higher returns has resulted in the group looking at power generation as a separate field of activity.

IRSL registered 7.17 per cent growth in total income from Rs 1,933.67 crore to Rs 2,072.46 crore in fiscal year 2006-07 but profit for the year was down by 60 per cent from Rs 51.83 crore last year to just Rs 20.64 crore. Increase in raw material costs which went up by 32.78 per cent has been attributed as the biggest reason for the fall in profit.

As an indication of better times in the offing, the company's last quarter performance was better with profit growing by 91 per cent at Rs 6.69 crore from Rs 3.50 crore and total income at Rs 636.23 crore up 20.49 per cent from Rs 528.03 crore from the same period last year.