

Seven Weeks in Sapugaskanda

1996 was not a pleasant year for the power industry. No rains in the catchment areas and falling hydropower reserves led the CEB to impose daily power cuts. Productivity plummeted and generator imports soared as the manufacturing sector tried desperately to catch up.

For the Power sector April is the cruelest month. Water levels in the hydro-power reservoirs drop to dangerous levels and the monsoon rains as always are an uncertainty.

Against this scenario Lakdhanavi Pvt Ltd. was awarded the tender to build an emergency thermal power generation plant in Sapugaskanda to stave off impending power cuts in the first quarter of this year.

A fully owned subsidiary of Lanka Transformers, Lakdhanavi focuses on development of power generation projects on a build own and operate basis. Given just seven weeks to be up and running the 21MW power plant, now fully operational can, at a pinch, provide enough electricity for an additional 200,000 houses.

The Sapugaskanda plant which runs on diesel, meets the emission control standards of the Environmental Authority. In order to meet the rising demand for electricity the CEB has had to encourage short term, low fixed cost, thermal power plants. With the hydropower alternative having reached saturation, these are stopgap measures pending the final solution-coal power. Despite the serious misgivings of the socio-environmental lobby, coal power yields high efficiency.

Coupled with ample global reserves and stable prices the economic attractions are obvious.

With Sri Lankan engineers using mainly locally manufactured components Lanka Transformers/Lakdhanavi tender won the CEB's approval on attractive costing. The CEB thermal generators imported to overcome the '96 power crisis spent on average 12 US cents to make one Kilowatt-hour of electricity. Lakdhanavi's thermal plant can generate a Kilowatt-hour at 9 US cents.

Lanka Transformers has an impressive history. Set up in 1982 as a joint venture between the CEB and ABB, a Swiss based European Multi-National to manufacture transformers for the CEB, the company soon diversified into other sectors. A Switchgear and Feeder Pillar production plant followed the manufacture of transformers. A hot dip galvanizing plant set up in 1992 led to the galvanizing of the CEB's transmission lines. Galvanizing prevents rust for the better part of 30 years. Until Lanka Transformers offered the product the CEB imported the galvanized transmission lines at a substantial cost. The recent entry of several private service providers into the wireless telecommunications sector too has boosted the demand for galvanized products.

Beginning as a company that could provide limited local alternatives for the CEB's equipment requirements Lanka Transformers has consistently expanded the scope of its operations. A metal fabrication plant was set up in 1994 for the

design and fabrication of steel structures for use in sub station and power plant switchgear.

Power generation was the logical step forward. Using Lakdhanavi as its vehicle Lanka Transformers started its foray into power generation with a 24MW heavy diesel plant at Lindel Estate to supply the national grid. This was followed by a modest 2MW mini-hydro power plant at Belihul Oya.

In 1999 another subsidiary, Energy Services was formed to provide consultancy services. When the CEB performs energy audits for factories, Energy Services helps firms implement the recommendations of the energy audit. At times the implementation involves capital investment. In such cases Energy Services arranges funding through the NDB's E - Friends facility. In fact Energy Services will go as far as to guarantee that the cost saving made by implementing the Energy audit will service the E Friends loan repayments.

Being in a secure niche market has not made the company complacent. It has used its CEB demand as a base to launch a variety of locally manufactured alternatives into the direct market to compete with imported products. Lanka Transformers' financials read more like that of a hot dot com stock rather than a staid power utility: No long-term liabilities and an average dividend of 47%. Its turnover for 1999-a healthy 1.6 billion.

(Courtesy — Achievers April 2000)