ABSTRACT

This research Study explores how various risks encountered by EPC Project organizations working in Indian Thermal Power Sector can be managed to ensure sustained business success of these organizations.

Researcher was keen to study an important issue related to a core sector industry that plays a critical role in developing India's economy. Eight (8) industrial sectors constitute India's core sector. These are - coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity. Each of these industries has been assigned weightages that is known as Index of Core Industry (ref, Press Release by Department for Promotion of Industry and Internal Trade, Office of the Economic Advisor dated 14-07-2021). Weightage-wise electricity ranks second after Crude Oil. While all industries are important, electricity or power sector holds a unique position since all other sectors are heavily dependent on the availability of reliable and quality power on 24x7 basis for their own growth. Further, access to power is linked to improvement in people's quality of life. In view of this, Power Sector has been selected in this Study.

Thermal power has been the back bone of India's power sector for many decades. Even today, it accounts for around 60% of the country's power need. It is, however, facing severe challenges in the last 6-7 years like continuously declining capacity additions, government thrust on renewable power and fierce competition due to limited opportunities. Renewable power is slowly but steadily taking a significant role in capacity addition and thermal power is on the wane. Consequently, all organizations like manufacturing, vendors, EPC contractors, designers etc. working in this sector are increasingly finding it difficult to ensure sustained business success. Amongst all, in particular, EPC (stands for Engineering, Procurement, Construction) contractors or turn-key contractors face the highest risks and uncertainties. Financial performances of these organizations in last 6 years (FY 2013-14 to 2018-19), presented in Appendix 1 paint a very poor picture. Future does not also appear to be any better. It is affecting the fundamental objective of the organizations to ensure a decent profit & growth every year as well as year after year to meet the shareholders' expectations and achieve sustained business success. Some organizations have already exited the sector and only a few are still in the fray.

Considering India's large coal reserves and also considering that the large fleet of thermal power plants built over decades, cannot be shut down or retired overnight, thermal power sector is expected to exist for another 15-20 years and may be beyond, off course at a much lower scale. Within this limited time window, each EPC organization is expected to be more vigilant, agile and efficient in manging risks to protect their profit margins and ensure growth.

Considering the huge challenges involved, Researcher intended to take up this Study to develop risk mitigation strategies that would help the EPC organizations working in Indian thermal power sector to manage risks and ensure sustained business success. This Study delves deep into subject to understand and identify the Critical Risk Factors (CRF) that are impacting the Business Success adversely, various Short-Term and Long-Term Business Success Indicators (BSI) and finally comes out with a set Risk Mitigation Strategies (RMS) and other recommendations/ frameworks to help these organizations in ensuring Sustained Business Success.

Key Words: Project Success, Short-Term and Long-Term Business Success Indicators (BSI), Project Risks, Enterprise/ Business Risks, Project Risk Management (PRM), Enterprise Risk Management (ERM), Critical Risk Factors (CRF), Risk Mitigation Strategies (RMS)