

TATA POWER: CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Dr. Rama Deshmukh and Dr. Atanu Adhikari wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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One Saturday in June 2008, Dr. Gobind Bagasingh, vice-president of human resources at Tata Power Company, called a staff meeting after returning from the Bombay Chamber of Commerce and Industry (BCCI) award ceremony. Tata Power Company (TPC) had been awarded the “Civic Award” for social development in recognition of its projects in the Lonavala area, which were developed with a stress on environmental protection. Bagasingh credited retired colonel Prakash Tewari, who had joined TPC as a “DGM-CSR, R&R”¹ in functional excellence in November 2007, as being responsible for this award (see Exhibit 1). He asked Tewari to speak about the role of corporate social responsibility (CSR) at TPC, with an emphasis on how he planned to lead CSR activities. Tewari’s speech touched upon the concerns of the present day and listed the challenges faced by TPC in its march towards corporate sustainability:

Dear colleagues, it gives me great pleasure to be here today! It is an achievement that we have received the Civic Award for social development. Many thanks to you for your involvement in Tata Power’s social activities and volunteering your valuable time and effort. As you know, we work on triple bottom line approach for any CSR activity. It means that any activity we take up under social responsibility should add (i) economic value, i.e., income generation scheme (ii) environmental causes like afforestation, horticulture, etc., and (iii) some social activities like education and health of the people who are staying around the area where power projects are being taken up.

As one of the most respected organizations in the world, we are responsible to our society. Our responsibility is to take care of the people who are sacrificing their land for our power projects. We are also responsible to take care of the people around that area. At the same time, we need to measure the benefit to the company of our social spending. The awards and accolades we receive for our efforts and community involvement will be dented if we cannot strike a balance between social activity and economic value addition for our shareholders.

¹ Deputy General Manager, Corporate Social Responsibility — Rehabilitation and Resettlement.

(See Exhibit 2 for TPC's vision and mission statement.)

Even in the initial positions that Tewari had occupied during his corporate career, he inspired several people. Despite having achieved a higher position in the company, Tewari himself regarded this as "just the beginning," believing that there was a long way to go, several challenges to face and innumerable opportunities to make the most of. In his office on that June evening, Tewari's thoughts were busy with the course of action that he would have to follow if he hoped to achieve his goal of corporate sustainability through CSR activities.

Over the next three days, Tewari had two important meetings: one with Praveer Sinha, the project director of Eastern Region Projects, and the other with the team of senior managers who worked with him on all CSR initiatives. The purpose of his meeting with Sinha was to discuss the possible CSR activities in the locations where TPC was planning its expansion. The challenge here was the initiation of new activities in the existing set-up. Another concern was whether they would need to seek new channel partners or continue with the existing partners. The purpose of the meeting with the core team of senior managers was to review the impact of CSR activities carried out up to that point in time. In both of these meetings, Tewari had to put forth the long-run strategy and the deliverables for the emerging CSR department that were to take shape under his leadership.

As Tewari was preparing for the meetings, he was primarily concerned with determining whether it was necessary to establish a separate CSR department, or continue with the existing pattern of having CSR as an embedded part of the key result areas for the heads of departments. Tewari wondered: if he went by the scale of expansion of the company and then proposed the establishment of a separate CSR department, then what would the nature of its composition and its deliverables be? Could the CSR activities that had until that point been carried out by project-based organizations (PBOs)² or non-governmental organizations (NGOs) provide a possible alternative to the CSR department? The challenge that Tewari faced was the recasting of the CSR department in a way that would ensure that a balance be maintained between the interests of the investors and the interests of the other stakeholders: at the same time, he believed that this should ideally lead to the long-term sustainability of the company and society at large.

TATA GROUP

TATA Group was India's largest privately owned business group, with diverse businesses in seven sectors (see Exhibits 3 and 4). Their revenue was equivalent to 3.2 per cent of India's gross domestic product (GDP). Revenues in 2007/08 were estimated at US\$28.8 billion,³ of which 61 per cent was from business outside of India. The group employed approximately 350,000 people worldwide. The major companies of Tata Group were counted among the significant companies around the world. Tata Steel became the sixth largest steel maker in the world after it acquired Corus. Tata Motors was among the top five commercial vehicle manufacturers in the world and had recently acquired Jaguar and Land Rover. Tata Consultancy Services (TCS) was a leading global software company, with delivery centers in the United States, United Kingdom, Hungary, Brazil, Uruguay and China, besides India. Tata Tea was the second largest branded tea company in the world, through its U.K.-based subsidiary Tetley. Tata Chemicals was the world's second largest manufacturer of soda ash. Tata Communications was one of the world's largest wholesale voice carriers. In tandem with the increasing international footprint of its companies, the group was also gaining

² PBOs refer to the project based organizations that are set up to perform a predetermined task. They are independent business entities with a flexible format. From www.pmforum.org/library/papers/2008/PDFs/Thiry-3-08.pdf.

³ One U.S. dollar = 42 Indian rupees.

international recognition: Brand Finance, a U.K.-based consultancy firm, valued the Tata brand at US\$11.4 billion and ranked it 57th amongst the top 100 brands in the world.

The group was named after its founder, Jamsedji Tata; a member of the Tata family had almost invariably been the chairman of the group. The company was in its fifth generation of family stewardship. The Tata Group helped establish and finance several quality research, educational and cultural institutes in India. Two-thirds of the equity of Tata Sons, Tata Group's promoter company, was held by philanthropic trusts, which created national institutions in science and technology, medical research, social studies and the performing arts. The trusts also provided aid and assistance to NGOs in the areas of education, healthcare and livelihoods. The combined development-related expenditure of the trusts and the companies amounted to approximately four per cent of the group's net profits. Tata Sons Ltd., 66 per cent of which was owned by the philanthropic trusts, was the sole proprietor of the Tata brand name and functioned as a group management company.

Tata companies were involved in the welfare of the communities incorporated in the articles of association of major companies. Through its active volunteering program, Tata encouraged more than 11,500 registered volunteers in 20 companies to devote 150,000 man-hours to volunteering. The illustrative initiatives can be seen in terms of Tata Steel's HIV/AIDS Program⁴ and Tata Consultancy Services' computer-based Adult Literacy Program.⁵ In the 2006-07 financial year, contribution to social welfare was US\$60.7 million.

Tata Power Company

TPC was one of twelve companies belonging to the Tata Group (see Exhibit 5). TPC was an India-based company engaged in the business of generation, transmission and distribution of electricity, including thermal, hydro, solar and wind (see Exhibit 6). TPC started in 1919, with operations in the states of Maharashtra, Jharkhand (at Jojobera) and Karnataka (at Bangalore). Since then, the company grew through expansion as well as product diversification (see Exhibit 7). Following the privatization of the power sector in India, the company became India's largest private player in this sector.

The company was also involved in the manufacturing of electronic equipment and broadband services, as well as project consultancy, terminalling, investments and oil exploration. Its headquarters was in Mumbai and employed approximately 3,430 people. The company recorded revenues of Rs44.73 billion (US\$1.006 billion) during the 2005-06 fiscal year ending March 2006, displaying an increase of 22.1 per cent over 2004-05. The net profit was Rs7121.1 million (US\$160.2 million) in the 2005-06 fiscal year, an increase of 20.5 per cent over 2004-05 (see Exhibit 8). The company's operations were divided into two business segments: power and other.

The power segment was engaged in generation, transmission and distribution of electricity. In the generation business, Tata Power had an installed power generation capacity of 2,300 megawatts (MW) with the Mumbai power business, which had a unique mix of thermal and hydro power. In the transmission business, the company owned and operated 1,200 circuit kilometres (km) of high voltage (220 kilovolt and 110 kilovolt) transmission network.

⁴ *Tata Steel's HIV/AIDS Program was an initiative taken by the company to spread awareness among the employees as well as among the people living in the vicinity of the company. The initiative was a role model for those in the corporate sector who wanted to contribute in the area of STD/HIV prevention. From www.tatasteel.com/corporatesustainability/health.asp.*

⁵ *TCS: Computer-based Adult Literacy Program: The program has been developed by Tata Consultancy Services, Asia's largest software enterprise, and it operates under the aegis of the Tata Council for Community Initiatives.*

In the distribution business, Tata Power had a 935 km high tension (HT) and low tension (LT) cable distribution network connecting 17 major receiving stations and more than 85 sub-stations in its Mumbai license area. The company's other segment included electronic equipment, broadband services, oil exploration and research and development.

Tata Power signed definitive agreements to purchase 30 per cent equity stakes in two major Indonesian thermal coal producers, PT Kaltim Prima Coal and PT Arutmin Indonesia⁶ in March 2007, and a related trading company owned by PT Bumi Resources in March 2007. TPC also acquired Coastal Gujarat Power Limited, a special purpose vehicle⁷ (SPV) formed for the Mundra ultra mega power project (UMPP) in April 2007. To its credit, TPC had 18 major projects in India and two projects abroad in Dubai and Malaysia (see Exhibit 9).

The company planned to expand its capabilities with 7,500 MW of additional generation capacity by 2012, including the 4,000 MW UMPP in Mundra. This expansion project began in 2006. The major competitors of TPC were Reliance Industries Limited, Torrent Power, Alstom Projects India Limited, Gujarat Industries Power Company Limited and National Thermal Power Corporation Limited.

Col. Prakash Tewari

Col. Tewari served in the Indian army for almost 25 years. He had worked with Integrated Headquarters, Ministry of Defence as director of Policy Ecology. Tewari won the United Nations Educational, Scientific and Cultural Organization (UNESCO)/Global Alliance for Disaster Reduction (GADR) award in 2005. He was also the vice-president and on the board of GADR, which was headquartered in North Carolina, United States. He worked actively in the fields of disaster, conflict, environmental and natural resource management. Tewari executed projects on biodiversity conservation, wasteland development, ground water rejuvenation, rainwater harvesting, afforestation, non-conventional energy resources and environment education.

It was with the intention of serving the community at large that he accepted an offer and began working with TPC, after taking premature retirement from the armed forces. He joined Tata and started work on CSR activities with the purpose of institutionalizing the same. According to Tewari, working with a corporate house is advantageous in terms of the speedy decision-making process and in the delegation of authority: processes in the government were bureaucratic and time-consuming. Corporate houses believed in results, and worked accordingly.

At TPC, Tewari's planned deliverables were the following:

1. Cultivate a sense of ownership among the local communities where TPC functioned.
2. Institutionalize CSR activities and align them for the long-term sustainability of the company.

⁶ Bumi Resources was first coal mining company producing quality eco-coal for its international and domestic power generation companies. Bumi Resources acquired Arutmin in 2001 from BHP Mineral Exploration Inc. PT Kaltim Prima Coal: which was the world's largest producer and exporter of thermal coal. From www.bumiresources.com.

⁷ SPV is a financial agreement between two parties to protect the common interest and secure the interest of individual parties.

POWER SECTOR IN INDIA

The availability of reliable and quality power was a prerequisite for the growth of any country. The demand for power in India was enormous, as it was one of the fastest-growing economies. The vast Indian power market offered one of the highest growth opportunities for private players. As per the Indian constitution, the power sector was a concurrent subject and was the joint responsibility of the state and central governments. The power sector in India was dominated by the government: the state and central government sectors accounted for 58 per cent and 32 per cent of the generation capacity respectively, while the private sector accounted for about 10 per cent. The private sector had a small but growing presence in distribution and was making an entry into transmission.

In order to support a desired seven per cent GDP rate of growth, the power supply's rate of growth needed to be more than 10 per cent annually. The annual per capita consumption, at approximately 580 kilowatt hours (kWh), was among the lowest in the world when compared to the 10,000 kWh per annum consumption of the developed countries. By 2012, India's peak demand would be 157,107 MW, with energy requirements of 975 BTU.⁸ India would have a peak electricity demand of 152,746 MW by 2011-12, more than double that of the 75,756 MW it required in 2003. This in itself indicated the growth potential that existed in this sector (see Exhibits 10a and 10b).

Beginning in 2006, TPC was planning to increase its production up to 10,000 MW over the next five years. This massive scale of expansion demanded significant acquisitions of some of the existing players, as well as the acquisition of land and marine resources that were owned by small and marginal populations, such as farmers and fishermen.

Maithon Power Limited was a joint venture between Tata Power and Damodar Valley Corporation, and planned to produce a 1,000 MW power plant. The project was comprised of two generating units: the commissioning of the first unit was scheduled for late 2009, and that of the second unit by mid-2010. The total land required for the project was about 1,200 acres. The majority of these lands belonged to local communities, containing homes and agricultural lands. The government issued most of the land where Tata Power carried out power operations; however, as Tewari observed, "Though the government or legal structure can give us the license to start the production operations, the license to function smoothly can be given only by the local communities." Thus, the cooperation from the local communities had always been an essential factor in the success of the business.

STAKEHOLDERS OF TPC

Farrokh Kavarana, executive director of Corporate Affairs at Tata Engineering, highlighted the importance of CSR activities:

Community development is a well understood objective and important cornerstone of the Tata business philosophy. Therefore it is incumbent on every Tata company's management to consider it to be an essential component of its strategic plan towards achieving the company's and the group's objectives. The strategy that each company evolves needs to be focused on the real needs of the communities in which the company operates and which it seeks to serve. There needs to be a dovetailing of the skills and strengths of the company and its employees with the immediate and long-term gaps in the overall development of those communities — be they in the field of education, health,

⁸ 1 BU = 0.931×10^{-4} kWh (kilowatt hours).

environment, civic amenities, infrastructure, family planning, vocational skills, etc. Essentially, one has to ensure that the strategic economic well-being of the community is brought about expeditiously. In Tata companies, we encourage the management to make a declaration of policy, strategy and budgets for environment and community development, and run activities as part of a non-negotiable minimum program aimed at generating the reputation for the Tata brand.

The stakeholders of the company are its shareholders and customers, as well as the community in which it functions. The identification of the first two is quite simple; however, the problem lies in the identification of the “key community.”⁹ Thus far, the CSR activities were oriented towards these key communities; “The difficulty was that every location and every key community was distinctly separate from another, and hence their needs differed widely.” (See Exhibit 11.)

CSR ACTIVITIES AT TPC

The CSR activities of the company were broadly divided into six thrust areas: health, education, infrastructure, energy, environment and income generation activities for the key communities. The first step when allocating the budget was the need for assessment. The action plan was prepared and the budget was made by the respective heads of departments, such as Hydro or Licensing. The funds were earmarked for the specific locations and particular activities (see Exhibit 12).

Vivek Vishwasrao, executive in charge of the hydro area,¹⁰ described the difficulty of implementing CSR activities in key communities in the hydro area:

There are 107 villages identified as the “key communities” in the hydro area which are in the vicinity of the hydro electricity power station in Maharashtra. These are the villages which have [been] affected by the construction of dams and hydro-electric production. These villages demonstrate large variety in terms of income levels, standard of living, the state of development and even the level of aspirations among the villagers. Hence it is very difficult to cater to all the villages through the single uniformed program. We have various activities like training programs (like tailoring classes for women), environmental awareness, conservation of mahseer¹¹, pisciculture and eco restoration.

Bharat Nadkarni, senior manager of the hydro area, addressed the issue of assessing CSR activities:

TPC undertakes various activities right from afforestation, bio-diversity conservation study to [the] building of roads, construction of classrooms for the village schools. . . . [T]he impact measurement for such activities can be done only in terms of “community satisfaction index” for the target audience. Looking at the diversity of the needs and the wide range of the activities, construction of such [an] index is a major challenge.

Tewari elaborated on the difficulty of impact assessment and implementing CSR activities:

⁹ A key community is defined as the local community in the vicinity of the production and transmission areas that has been directly or indirectly affected by the business of TPC.

¹⁰ Hydro area was the area in the vicinity of the dams that were constructed for hydro-electric power generation. The area was mainly concentrated at the production sites at Pune, Maharashtra (see map in Exhibit 7).

¹¹ Mahseer was one of the endangered fish species found in the Himalayan regions.

It is difficult to benchmark the activities on a single parameter as the nature and scale of the activities changes, and even the target group. Hence, while doing the impact assessment, the major challenge is going to be institutionalizing the activities across the borders. Especially in the light of the company's expansion plans in Asia and other continents.

Cultivating a sense of ownership among the local communities was a major challenge, as it required a complete transformation in villagers' behaviour and attitudes. The villagers were exposed to the world with the help of media and television on the one hand, while their ability to adapt to change was slow: they had a lot of aspirations and expectations from the company. According to Nadkarni, many of the company's efforts to grow were seen by local communities as "tricks," and "[c]ompany representatives are treated as the 'aliens' by the localities. Hence there is a need to plug in the people (either in the form of PBOs or NGOs) who can assimilate with the local communities." He thought it was difficult to create "customers' delight," within these local communities since there was a gap between the skill sets (in terms of employability) and the level of aspirations. These local communities were one of the major stakeholders for the company.

Vishwasrao stated that "the villagers have the potential to grow and sustain on their own by creating alternative job opportunities," but that it was difficult for them to do so. He highlighted two main challenges: "basic skill sets are missing," and "markets for their products are not readily available." Through discussions with the villagers, these same points were highlighted. Women from rural communities who were trained in the tailoring classes run by TPC said the following:

We wish to undertake these activities on the commercial basis; however, there is no market for the same. The tailoring has made us self-dependent and we earn around Rs800-1,000 per month which is supportive to our family, but we want to move ahead. Beyond this, the road gets blocked because of the limited opportunities.

In order to decide upon the role of employees and "modus operandi" of the CSR activities, a council was established in 1997. This council took into account the feedback of thirty-five community coordinators from all major Tata companies and came up with a comprehensive draft. The guiding principal according to the draft was to use networking as a solution, a social responsibility that was deeply embedded into the business processes of Tata companies. This was against all temptations of creating a conventional separate "organization" for this purpose. According to the draft, the Tata company would always be the locus of activity, and any efforts it made would only help companies perform better.

In accordance with this principal, TPC was running its CSR activities through the volunteering initiatives of the employees in various projects undertaken in each thrust area. The employees voluntarily participated in various CSR activities in addition to their regular working hours. As of February 2009, there were 259 TPC employees who worked as CSR volunteers: this number had increased from 118 to 259 over six months after the deliberate decision by Tewari to boost employee motivation. In reference to increasing volunteering, Tewari mentioned that the company also developed software and other mechanisms through which they keep track of employee voluntary contributions towards CSR activities. This tracking helped the company evaluate the contribution of each of the employees in terms of the number of man-hours spent by each employee, as well as the areas of contribution.

Tewari described employee motivation for volunteering: "We believe in self-motivated small team[s] who are not participating for the monetary rewards. Of course they get the due recognition as we acknowledge

their work, but then that should not be the motivating factor. The real motivation should come from within for such kind[s] of social cause[s].”

TPC ACTIVITIES AND SUSTAINABILITY ISSUES

Power generation activities were one of the major sources of pollution and contributed a quarter of all carbon emissions globally. Issues such as air pollution, waste generation etc. were highest in coal-based plants. In the year of 2007-2008, Tata Power produced 14.71 million MWh of energy, resulting in CO₂ emissions of 11.17 million tonnes, including direct activities of production as well as indirect activities associated with production process, for example air travel for company work.

India was rich in coal resources and was capable of generating power. However, the huge amount of carbon emission had a direct impact on its ecology. Banmali Agrawala, executive director of strategy and business development of TPC, rationalized this irony: “We as a country have a need for development hence we can’t afford to do anything that may hamper our march. And development needs more energy. Now since coal is the abundant resource it is a challenge figuring out how to balance the carbon footprint with our need for progress.”

Climate change was now a significant component of the company’s corporate strategy. Agrawala explained, “Our initiative is more out of our concern for balanced development and also to differentiate ourselves from our competitors. Also we are not limited to India in our growth so our efforts in this direction can be implemented and appreciated overseas as well.”

The company was working with international agencies like American Electric Power of the United States and European energy major Vattenfall¹² on their 3 Cs (Combat Climate Change) global initiative in order to take care of the externalities caused by power generation. Tata Power’s power plant emissions were better than the norms laid down by the National Ambient Air Quality Standards (NAAQS)¹³. Thus with respect to sustainability, Tewari identified two key issues: (1) the environmental hazards that were being caused by the increased production activities of power generation; (2) whether or not these environmental hazards could be minimized through the effective CSR activities? If so, how?

In regards to the issue of implementing CSR activities, Deepak Apte, assistant director of the Bombay Natural History Society (BNHS), said the following:

Ecological balance and environmental concern should be an integral part of any business model for any firm in order to make it “sustainable.” Every business activity inevitably takes a toll on the environment. But identifying these threats right in the beginning and working towards harmonizing [them] can result in synergy between the ecology and the business. Unfortunately, in [the] case of many corporat[ions], business comes first and the environmental concern follows later when the actual consequences become very rampant. In reality, both [ecology and business] should go hand in hand.

¹² American Electric Power is a major power generation company with its presence in 11 states. From www.sourcewatch.org/index.php?title=American_Electric_Power. Vattenfall is an associated member of EEF. It generates and supplies power and energy solutions to millions of customers in Northern Europe and the Nordic region. Its main products are electricity and heat. Industries and energy companies are Vattenfall’s biggest customers.

¹³ <http://www.tata.com/company/Articles/inside.aspx?artid=JbLuzxWGihw>.

Apte elaborated specifically on the relationship between BNHS and TPC:

Our association with TPC is in terms of memorandum of understanding (MOU) for the particular project. Under this project BNHS would create a baseline data and establish a protocol for the project site of TPC in Bhuj (Kutch, Gujraht). The baseline data is in terms of ecology and biodiversity which currently exists at these locations. The laid down protocols will help the company to identify the indicators (like certain species, flora and fauna) which can be monitored in the long run in order to assess the impact of the production activities on the environment and ecology.

According to Tewari, NGOs could be involved at every step of CSR, right from the creation of the baseline data to the impact assessment. When undertaking any CSR activity, the first step was the need assessment for which the baseline data¹⁴ was required. In this process, NGOs that were specialized in this function, such as BNHS, could be involved. In the second phase of the actual implementation, the role of NGOs could be minimized. The partnership could be limited to the extent of mutual benefit. In the last phase of impact assessment, the PBO or NGO could be actively involved, whereby the impact assessment could be done by a third party in an unbiased manner.

In the process of incorporating CSR activities, the role of the NGO/PBO varied at every stage. This role variation caused a major challenge: it was difficult to identify the NGOs that would fit at every stage of the process, in terms of the common goals and effective monitoring over their operations. What usually happened with NGOs/PBOs was that they grew over a period of time, and their phenomenal growth gave them a hold over the key communities. This naturally increased the bargaining power of these organizations, making it difficult to carry out checks and controls over them.

TPC's Association with NGOs

In May 2008, TPC signed an MOU with the NGO Population Services International (PSI). According to this MOU, TPC would provide the monetary support as well as manpower through TPC employee volunteering activity. Apart from direct funding, TPC employees participated in PSI's AIDS awareness program. Digambar Gaikwad, field coordinator at PSI, commented on this relationship:

TPC employees visit to PSI office and participate in the field activities. They are trained for conducting the "crowd-pulling" activities like street-plays, road-shows to spread the AIDS awareness. The skills learnt by this participation are utilized by the TPC employees in conducting similar activities for their "key communities."

Dr. Shekhar, project manager of Connect at PSI, describes relationships between corporations and NGOs:

In terms of the funds, the NGOs like PSI have to depend on government as well as corporate bodies. While negotiating with the corporat[ions] the major challenge is in terms of providing the framework for the mode of operations and the deliverables. The negotiations become smoother if the target audience for the NGO, as well as for the corporate body, is [the] same. For example, companies like Apollo Tyres, whose major customers are truck drivers, where as for PSI the same is the audience for spreading AIDS awareness. Hence, the negotiation process became easier. Ultimately for the corporate

¹⁴ Baseline data is similar to that of pre-test and post-test. In the same manner, it is a pre-project assessment of the environment.

sector, the CSR is not the core business, where as for the NGO community service, [it] is the main motive for its very existence.”

As of January 2009, the HIV awareness program (under the project name “Connect”) had educated 5,800 truck drivers: of this number, approximately 105 visited the voluntary HIV testing centre and 15 were found to be HIV-positive. In terms of the quantitative assessment, the tangible result of the whole activity was the detection of 15 HIV patients: however, the intangible results included those 5,800 community members who became aware of HIV/AIDS. The ideal “impact assessment mechanism” took into account not only the quantitative data, but also the qualitative change in terms of the attitudes and behavioral patterns.

TPC signed an MOU with an NGO called REACHA, which specialized in the field of energy conservation: they made this agreement with the intention of creating awareness about energy conservation. One of the main objectives of this association was to reach out to students and to educate them on conservation and the rational use of energy: it did this through an array of programs, from training teachers, parent teacher associations and activities such as online blogging.

COL. TEWARI'S DILEMMA

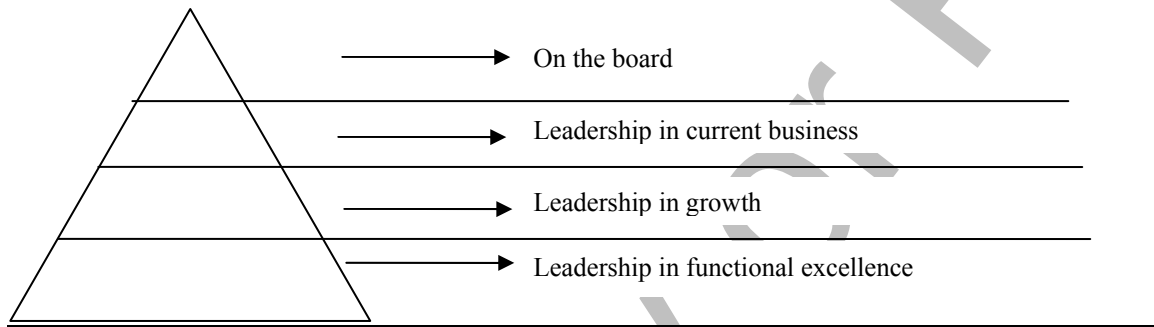
Tewari was glad that Tata power had increased its revenue by 45 per cent in the 2007-08 fiscal year. The company had also shown a reasonable stance in CSR activities: however, as the company grew, acquired land and increased production capacity, the major issue confronting Tewari concerned the composition and structure of the department. Should the company create a separate department with dedicated staff for CSR, or should these activities remain a part of operations? If TPC decided on a separate department for CSR, should such staff be hired externally or should the department evolve from the existing structure? If the CSR department became a separate entity, how would the cost to the company be monitored and how would the costs to the company be assessed?

Taking into account all the strategic as well as functional aspects, Tewari considered another model: the coexistence of a CSR department along with a PBO/NGO. In this model, the crucial task would be to strike a balance between the business and the social cause. Tewari regarded himself as a “social intrapreneur,” who acted as a link between the “business” (which worked through traditional CSR) and the “social enterprise” (which consisted of traditional NGOs). Though the end result of both the entities was the same — sustainability through social welfare — their ways and means to achieve the objective were different. While business and growth were the primary areas of concern for the corporate entity, developmental aspects took priority for the NGOs: the concept of sustainable development combined these different priorities into one goal. As the social intrapreneur, Tewari had to resolve the conflicting interests among various stakeholders; thus, he was the one who stayed within the framework of the corporate entity and tried to internalize the social enterprise.

Another challenge that Tewari faced was how to incorporate the interest of various stakeholders while undertaking CSR activities: this might require controlling and limiting the intervention of the PBOs, who over a period of time could begin to pressure and lobby the organization. Finally, the question of how to implement CSR activities within the existing organization still remained. His thoughts were broken when his secretary entered his office to show him the drafts of the agendas for the two meetings. Tewari had a quick look at the drafts and advised her to send the agendas to the members who would be present at the meetings.

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Exhibit 1**ORGANIZATIONAL CHART OF TATA POWER****Organizational Structure of Tata Power (Top Management)**

Source: Company files.

Exhibit 2**VISION AND MISSION STATEMENT OF TATA POWER COMPANY****Vision**

To be the most admired integrated power and energy company delivering sustainable value to all stakeholders.

Mission

We will become the most admired company delivering sustainable value by:

- Being a partner of choice and exceeding stakeholder expectations
- Ensuring profitable growth and value to stakeholders
- Innovating and deploying cutting-edge solutions based on eco-friendly technologies
- Relentlessly pursuing opportunities, capitalizing on synergies in the power and energy value chain and expanding our presence in related businesses of interest
- Being an employer of choice and creating a culture of empowerment and high performance
- Caring for the safety, environment and well-being of customers, employees and communities.

Source: Company files.

Exhibit 3

BUSINESS SECTORS OF TATA GROUP

Business sectors	Revenue for the year 2007 (%)	Profit for the year 2007 (%)
Information technology	25.1	11
Engineering	30.1	21.3
Materials	21.4	33.7
Service	7.3	18.5
Energy	5.7	6.4
Consumer product	5.3	4.6
Chemicals	5.1	4.5
Total	100	100

Source: Company files.

Exhibit 4

HOLDING STRUCTURE OF TATA GROUP

GROUP HOLDING STRUCTURE OF TATA GROUP				
Ownership		Promoter companies		Activities
66% Public trust 3% Families 13% Tata companies 18% Other corporate stakeholders	→	TATA Sons		1. Shareholding in main operative companies.
29% Tata Sons 51% other TATA companies 20% Jardine Matheson Group	→	TATA Industries	⇒	2. Investment to facilitate growth of operating companies select 3. Promoters group entry into new businesses

Sir Dorabji Tata Trust	Sir Ratan Tata Trust	Other Tata trusts
66% Shareholding in Tata Sons, the promoter company.		

Source: Company files.

Exhibit 5**TPC'S POSITION IN TATA GROUP OF COMPANIES**

Five largest companies		Change from 2007 to 2008 (%)
TCS	Rs869.49 bn / US\$20.3 bn	(30.4)%
Tata Motors	195.63 bn / US\$4.6 bn	(24.7)%
Tata Steel	626.19 bn / US\$14.6 bn	70.2%
Tata Communications	127.04 bn / US\$3.0 bn	(7.7)%
Tata Power	286.21 bn / US\$6.7 bn	135.8%

Note: Exchange rate US\$1 = Rs42.81

Source: Company data.

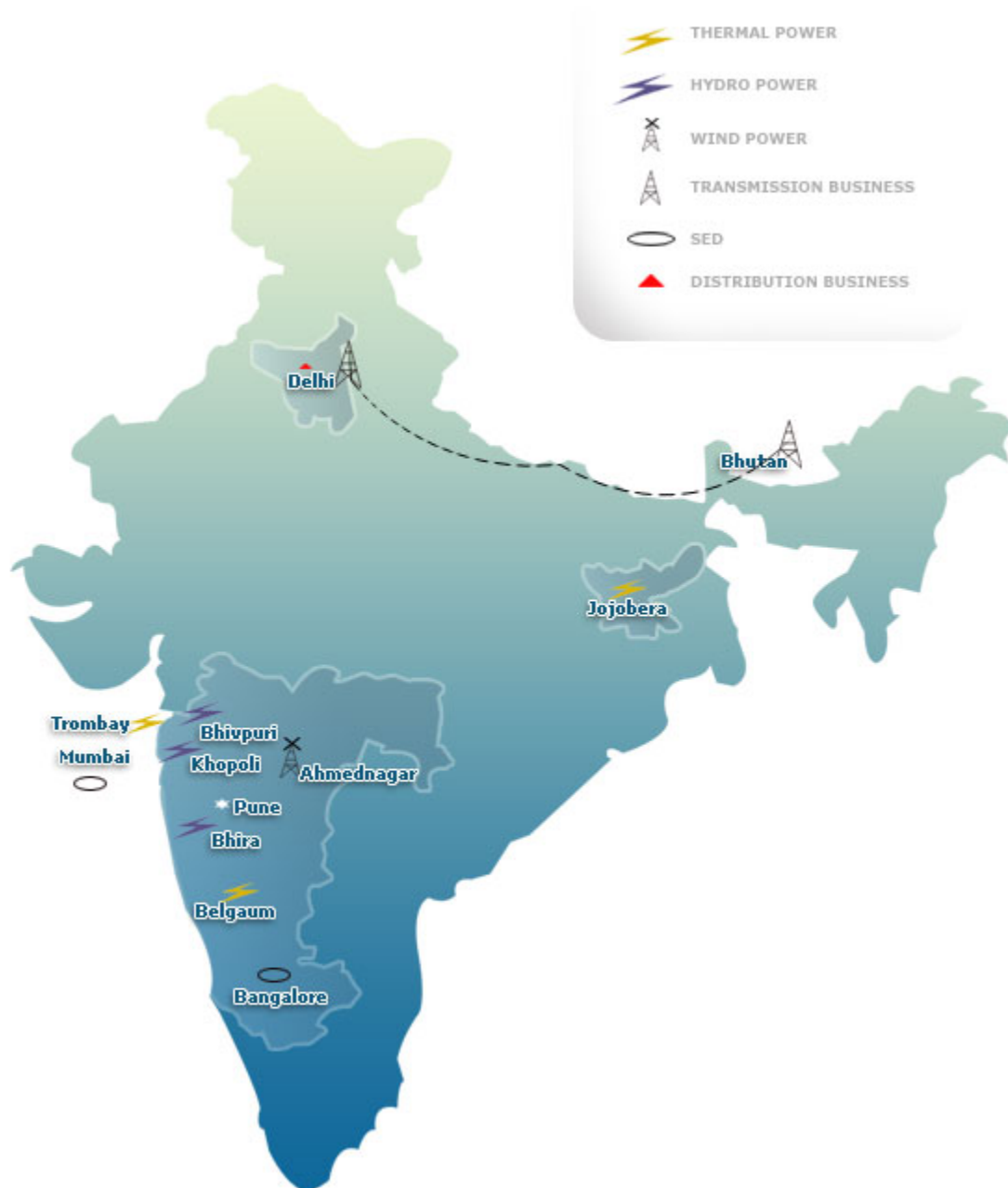
Exhibit 6**POWER PRODUCTION PROCESS: POWER GENERATION TO DISTRIBUTION**

There are primarily three processes of power generation: (1) thermal power station, where coal is used to produce electricity; (2) nuclear power station, where nuclear power is used for the generation of electricity; (3) hydro power station, where water is used to produce electricity. Power generated from these stations are of very high voltage (ranging between 275 kilovolts to 500 kilovolts). Power from these stations is then transmitted to extra-high voltage substations, where the voltage is brought down to 154 kilovolts (KV) through one type of power transformer. It is then transmitted to "primary sub-stations," where the power voltage is brought down to 66 KV through another type of power transformer. Power from primary sub-stations is then transmitted to intermediate substations, where power voltage is brought down to 22 KV. High-voltage transmission lines are used to carry power from power generation stations up to intermediate substations. Power is then transmitted from intermediate substations to distribution substations through distribution lines. In the distribution station, the power voltage is brought down to 6.6 KV (6,600 volts). This power is then transmitted to service transformers for domestic and industrial use through distribution lines. The service transformers bring down the power voltage from 6,600 volts to 220 volts/110 volts for domestic use.

Source: Written by the authors using secondary data sources (i.e. www.tepco.co.jp, authors' own experiences in thermal power industry and onsite discussions with TPC staff).

Exhibit 7

TPC'S PRODUCTION UNITS AND DISTRIBUTION NODES



Source: www.tatapower.com/aboutus/indian-network.aspx, accessed January 2, 2010.

Exhibit 8
TPC BALANCE SHEET
(in Rs10 million)

	2008	2007	2006	2005	2004
Capital raised during the year					
Public issue	0	0	0	0	0
Rights issue	0	0	0	0	0
Bonus issue	0	0	0	0	0
Private placement	83.8	0	0	0	0
Preference shares	0	0	0	0	0
Debentures	0	0	0	0	0
Others	0	0	0	0	0
Position of mobilization / deployment of funds					
Sources of funds :					
Paid-up capital	220.72	197.92	197.92	197.92	197.92
Reserves and surplus	7,817.20	5,835.19	5,357.72	4,938.55	4,852.42
Secured loans	2,331.09	1,354.30	946	1,059.07	721.73
Unsecured loans	706.18	2,279.06	1,809.00	1,800.94	999.69
Share application money	0	0	0	0	0
Total liabilities	11,075.19	9,666.47	8,310.64	7,996.48	6,771.76
Application of funds :					
Net fixed assets	3,005.49	3,030.31	3,003.02	3,246.63	3,476.71
Capital work in progress	1,681.74	781.05	211.81	0	0
Investments	4,430.00	3,570.15	3,412.17	3,502.92	2,728.83
Net current assets	1,956.27	2,278.79	1,668.18	1,224.21	550.59
Misc. expenditure	1.69	6.17	15.46	22.72	15.63
Accumulated loss	0	0	0	0	0
Loans	0	0	0	0	0
Adjustment	0	0	0	0	0
Total assets	11,075.19	9,666.47	8,310.64	7,996.48	6,771.76
Performance of company					
Turnover	6,381.75	5,059.32	4,888.40	4,317.58	4,399.07
Total expenditure	5,411.63	4,473.30	4,140.94	3,558.79	3,664.80
Profit/(loss) before tax	970.12	586.02	747.46	758.79	734.27
Profit/(loss) after tax	869.9	696.8	610.54	551.36	509.08
Earning per share (Unit curr.)	41.43	34.02	30.82	27.84	25.72
Dividend rate (%)	105	95	85	75	70

Source: Annual report of the company.

Exhibit 9

TPC PROJECTED REVENUE AND EXPENDITURE
(in Rs10 million)

Existing Operations — Financial Projections						
	2007	2008	2009	2010	2011	2012
Revenue from power supply	3724	3724	3724	3724	3724	3724
Income from operations	681	900	1013	1013	1013	1013
Operating revenue from existing operations	4404	4623	4736	4736	4736	4736
Operating profit	1031	1073	1105	1105	1105	1105
Other income	110	110	110	110	110	110
EBITDA	1141	1183	1216	1216	1216	1216
Outstanding Principal — Foreign Currency Debt in Indian Rupee (INR)						
	2007	2008	2009	2010	2011	2012
ANZ loan	0	0	0	0	0	0
Euro notes 2007	570.6	286.2	0	0	0	0
Euro notes 2017	285.3	286.2	297.66	296.0759	296.0759	296.0759
IFC loan	0	0	0	0	0	0
Kanematsu	0	0	0	0	0	0
Outstanding Principal (INR Debt)						
	2007	2008	2009	2010	2011	2012
Total Debt	1757.7	1431.7	1085.51	997.1759	930.0759	899.0759

Source: Annual report of the company.

Exhibit 10a

IMPORTANT RATIOS IN POWER INDUSTRY

Year	2007	2006	2005	2004	2003
No.of companies	121	52	66	72	89
Key ratios					
Debt-equity ratio	0.75	0.66	0.72	0.79	0.82
Long-term debt-equity ratio	0.73	0.64	0.7	0.77	0.81
Current ratio	1.59	1.62	1.56	1.78	1.88
Turnover ratios					
Fixed assets	0.47	0.43	0.41	0.41	0.52
Inventory	14.2	12.74	13.44	13.52	14.81
Debtors	4.65	5.53	4.46	2.49	2.13
Interest cover ratio	2.96	3.51	3.35	2.63	2.52
PBIDTM (%)	35.38	38.26	39.73	48.07	33.54
PBITM (%)	25.97	29.24	29.82	36.51	23.84
PBDTM (%)	26.61	29.92	30.84	34.19	24.07
CPM (%)	24.73	27.95	28.3	31.4	22.08
APATM (%)	15.32	18.93	18.39	19.84	12.39
ROCE (%)	8.79	8.87	9.44	11.83	9.66
RONW (%)	9.07	9.54	10.01	11.5	9.09

Source: www.capitaline.com, accessed January 30, 2009.

Exhibit 10b

IMPORTANT RATIOS OF TPC

	2008	2007	2006	2005	2004
Key ratios					
Debt-equity ratio	0.47	0.55	0.53	0.45	0.42
Long-term debt-equity ratio	0.43	0.5	0.52	0.45	0.42
Current ratio	1.81	1.9	2	1.66	1.52
Turnover ratios					
Fixed assets	0.93	0.78	0.8	0.72	0.78
Inventory	13.65	11.27	12.36	12.9	13.15
Debtors	4.11	3.73	5.21	5.56	5.27
Interest cover ratio	4.57	4.06	4.42	3.78	3.59
PBIDTM (%)	18.28	22.62	22.1	27.5	31.9
PBITM (%)	13.39	16.44	16	18.37	24.02
PBDTM (%)	15.35	18.56	18.48	22.64	25.2
CPM (%)	14.51	20.92	16.27	18.67	20.32
APATM (%)	9.62	14.74	10.18	9.53	12.43
ROCE (%)	7.67	8.65	8.99	9.81	14.7
RONW (%)	8.12	12.03	8.7	7.37	10.78

Source: www.capitaline.com accessed Januray 30, 2009.

Exhibit 11

COMMUNITY SUPPORT NEEDS/EXPECTATIONS

Location	Community	Attributes / Expectations
Trombay, SED and Broad Band	Urban population in and around plant; operations in the city of Mumbai and Bangalore.	Environment protection, health, education and vocational training, particularly for student community.
Transmission and distribution	Urban population in and around transmission lines and receiving stations in and around city of Mumbai.	Safety and security, health, education and vocational training particularly for student community.
Hydro	Rural population in and around generating units and headworks and downstream of generating unit.	Infrastructure, health, education, environment protection, water supply for drinking and agricultural purposes, as well as for downstream populations.
Jojobera, Wadi and Belgaum	Urban population in the township and rural population in the nearby villages.	Health, education, environment protection, additionally for the villages' infrastructural support and vocational training.

Source: TPC Sustainability Performance Report (2003).

Exhibit 12

CSR BUDGET FOR HYDRO AREA

It is estimated that approximately Rs30 million are allocated for the various activates listed below.

		% allocation
I	Infrastructure (roads, schools, bus stops, wells, etc.)	15.02
II	Health care (camps, doctors, vehicles, medicine, surgery, etc.)	7.22
III	Environment (aforestration, fisheries, environment education etc.)	8.23
IV	Vocational training (electrician, rural technician, sewing/tailoring, computer education, horticulture training course, handicraft, etc.)	7.22
V	Income generation (plantation, distribution of seed, etc.)	2.02
VI	Drinking water scheme / Flood relief / Drought relief	6.21
VII	Rural electrification	
VIII	Awareness programs (AIDS, etc.)	
XI	Sports tournaments	
X	Misc & emergencies	45.92
	Total Budget A	
	New special approvals sanctioned Drinking water schemes in seven villages like Mulshi and others; Infrastructure five km every year in Mulshi; Learning centre at Mulshi; Bhivpuri water scheme special case	
	Total budget B	54.08
	Grand total A+B	100%

Source: Company documents.