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CLP's India Unit May Consider Initial Share Sale in 2013.

By Saurabh Chaturvedi

New Delhi – The Indian unit of CLP Holdings Ltd. may consider selling shares locally next year to raise funds for large power projects it plans to build or has bid for, as the company aims to secure finances for its growth in the south Asian nation.

The wholly owned unit of Hong Kong-based CLP group may also consider joint ventures to build power projects, CLP Power India Pvt. Ltd. Managing Director Rajiv Ranjan Mishra said in a recent interview.

Large projects that may spur the company's funding requirements include a 4,000 megawatt coal-based project it has bid for last year. It is currently awaiting the outcome of the bid.

The power sector in India is facing an acute shortage of fuel — coal and gas. This has also affected funding for new projects, as lenders fear the fuel shortage will force electricity stations to run at below capacity and hurt their operators' finances and ability to repay.

Mr. Mishra said the company takes projects only when it is sure about funding, supply of fuel and equipment.

"We operate at the lower end of the risk spectrum," he said. "We are very conservative that way."

Selling shares and forming joint ventures for power projects will be a shift in the company's strategy, as Mr. Mishra said it has historically raised debt mostly from multi-national lending agencies such as ADB and rest of the funds from its own cash flows and from the parent.

He said the company doesn't want to depend on the parent to "indefinitely fund" its projects.

Mr. Mishra didn't provide details like the stake it could sell or the funds it wants to raise. On likely joint ventures, he said the company will own majority stakes in such projects.

However, "an initial public offering and forming alliances with strategic partners will ultimately depend on the requirement of funds," he added.

The company, which entered India in 2002 with the acquisition of a majority stake in a gas-based power plant in the western Gujarat state, bets big on the long-term prospects of the local power sector in spite of the current fuel shortages hurting growth of the 202 gigawatt industry.

CLP Power India now fully owns and operates the 655 megawatt gas-based power plant in Gujarat and owns a 1,320 MW coal-based plant at Jhajjar, in the northern Haryana state, which will be shortly made fully operational.

It runs wind farms totaling 500 MW and expects to raise the capacity by 44% by mid-2013 to 720 MW. The company is also “eyeing opportunities” to build solar power projects, Mr. Mishra added.

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