

Foreign Power Cos Pull the Plug on India Plans

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Cash-rich global power utilities, which were looking at India to fuel their growth ambition, are losing patience and, in some instances, have even wrapped up their presence in the country due to uncertainties in the sector and the slow pace of reform.

Lured by the demand-supply mismatch in electricity generation and the merger and acquisition opportunities in India, almost half a dozen foreign players, including giants like E.ON of Germany and France-based GDF Suez, had come scouting for opportunities in India around two-three years back.

However, E.ON has already closed its India office while others are either in the process of shutting shop or have put their plans for the country on the back burner. "E.ON remains fundamentally interested in the long-term growth opportunities that the Indian power sector may offer in the future and will continue to monitor the market as it develops. Currently, we are not running an office in Mumbai anymore," Heike Cosse from the political affairs and corporate communications team of E.ON told ET.

Responding to ET's query, GDF Suez said, "We see opportunities to grow our portfolio in the country, but cannot comment further in this early stage." Two industry executives said that GDF looked at a few M&A proposals, but is not very keen to invest in power sector right now.

Despite permission for 100% foreign direct investment in power projects, India has only two foreign players operating power plants—AES of the US and China Light and Power (CLP). AES has scaled down its operations restricting presence to its stake in a plant in Odisha. CLP has scrapped thermal power plans and will only pursue renewable energy projects.

"We hope that the issues affecting the thermal power generation are resolved soon with substantial and durable reform of the sector. Until then, it would be difficult for us to justify further invest-

Short Circuit

Opportunity for foreign power utilities

India allows 100% FDI in power units

India plans to add 88,000 mw 2013-2017

Highly-leveraged Indian utilities are scouting for equity investors

Key dampeners for Growth

Lack of fuel availability

Problems in land acquisition for projects

Delay in getting clearances

Discoms' inability to pay dues to generators



ments in the thermal power sector in India," said Rajiv Mishra, managing director of CLP's India arm.

India plans to add 88,000 mw of power generation capacity in the 12th Five-Year Plan ending 2017. The government's ambitious target of \$1 trillion investment during the five years in infrastructure, led by \$400 billion investment in power sector, hinges on a substantial participation from the private sector. Foreign investment in the sector would have gone a long way given that local generators are struggling with huge debt and high interest rate. Also, equity investment in existing projects by these global majors would have helped highly leveraged companies like Lanco, GMR, GVK, among others.

"We have been talking to foreign utilities for stake sale but they feel that the risk potential in the country is very high. With so many uncertainties, overseas investors are not keen to enter the market right now even if they have a long-term positive view," said T Adibabu, chief operating officer, Lanco Infratech. Consultants advising some of these

global utilities say that these companies were aware of challenges faced by the Indian power sector at the time of the entry, but had made plans of expanding in the country hoping that government would implement initiatives to revive the sector and expedite projects. But they are losing patience due to continued delay in projects, problems relating to fuel availability and land acquisition, and the slow pace of reforms in the sector.

"These global utilities are serious long term players with growth aspirations and don't want to wait. They may allocate resources in other countries for better returns but could return to India if they see stability," said Rahoool Panandiker, principal, The Boston Consulting Group.

Indian companies are wary of new investments but those keen to expand their power generation capacity, like Tata Power are looking at countries like Vietnam and South Africa.

"In the 90s, more than 20 international power companies were keen to invest in India. At that time, investments could not materialise as there were instability around policy and regulatory regime. Electricity Act 2003 broadly addressed these, but now the foreign investors are very concerned over fuel availability, financial situation of distribution utilities and delay in getting key clearances," said Debashish Mishra, senior director, Deloitte.

Germany's E.ON has closed its India office, US-based AES has scaled down its India ops, while China Light and Power has scrapped thermal power plans