

GDF Suez to Buy Meenakshi Energy Plant

Transaction could mark a revival in global investor confidence in power sector

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Ending months of negotiations, French energy powerhouse GDF Suez is all set to buy a power plant owned by Meenakshi Energy, part of the little known eponymous infrastructure group based in Hyderabad. This transaction could mark a revival in global investor confidence in India's battered power sector which has been besieged by regulatory and financial woes.

GDF Suez — which is part owned by the French government will buy a 900 MW coastal thermal plant from Meenakshi for an equity value of \$175 million to \$185 million (Rs 1087 crore - Rs 1149 crore). Located in Krishnapatnam in Andhra Pradesh, the Rs 4500 crore project, largely fuelled by imported coal, is already partially commissioned.

The first unit with a capacity of 300 MW is running and the company is ramping up capacity by adding 2 more 300 MW units. For the operational unit, the company has already signed a first of its kind agreement with power trading firm PTC, under which the PSU will supply coal to the unit in return for an equivalent value of electricity.

A final announcement is expected by Tuesday.

GDF is the world's largest independent power company generates 116,000 mw of electricity—more than 50% of India's installed capacity of 211,766 mw.

Meenakshi Group's Chairman and Managing Director Devineni Suresh told ET: "The discussions are still going on with GDF Suez and the final agreement is yet to be signed." He refused to divulge details on valuation. "The negotiations are still going on and the valuations may change even at the last minute," said Suresh.

GDF did not respond to ET's questionnaire till the time of going to press.

Standard Chartered Bank is an advisor in the deal. ET was the first to report about the ongoing GDF-Meenakshi negotiations in its edition dated July 23, 2013.

Hyderabad-based Meenakshi Group, which started a decade and half ago, has businesses such as property development, roads and power projects.

The group's power sector projects include three hydro electric power projects with a cumulated capacity of 62MW, located on River Kolab in Oris-



sa. The group is also implementing two biomass energy projects of 31MW and 10MW at Dazilka and Sunam in Punjab.

Paris-headquartered GDF, with interests in generation and distribution as well as natural gas has been strategically looking to expand its India footprint by buying out assets that have been hamstrung by lack of fuel linkages or cash. It has had discussions with several Indian utility companies for thermal, hydro and even renewable projects.

Last year, it bought a strategic 26% stake in a 3.5-million-tonne floating LNG import facility being set up off the Andhra Pradesh coast by Andhra Pradesh Gas Distribution Corp, a joint venture between GAIL Gas and Andhra Pradesh Gas Infrastructure Corp. It had also looked at BG's India assets.

"They are among the handful of European utility companies that are still keen on the long term prospects of India. They have been engaged in several conversations with Indian promoters for buyout opportunities. Along with strategic interests from Malaysia, Middle East and Singapore, GDF has been very opportunistic for plants which have fuel linkages and PPAs in place," said an investment banker privy to the company's plans.

"Foreign investors with strong financial muscle and operational and execution capabilities can add value to the good Indian energy assets, whose Indian promoters are looking to raise funds to retire debt and execute other infrastructure projects on hand," added another investment banker. Both spoke on condition of anonymity.

Investments by foreign utilities in India's power sector has been few and far between. Way back, in 2002, Hong Kong's CLP bought a gas based unit while in 1992, US multinational AES became the first foreign company to invest in India's power sector.

More recently, Abu Dhabi's TAQA increased its total capacity in India to 350 MW in December 2012 when it acquired an interest in a hydroelectric plant in Himachal Pradesh together with Jyoti Structures.

The 100-MW facility is expected to begin operations later this year. TAQA is also expanding capacity at its lignite power plant in the Neyveli region of the southern Indian state of Tamil Nadu from 250 MW to 550 MW.