

# Qatar fund in talks for 10% stake in Hinduja Power

It may pay Rs200 crore, at Rs40 a share, for the stake; Hinduja will get a premium to be decided by the promoters

BY BAIJU KALESH  
 baiju.k@livemint.com

MUMBAI

Qatar Investment Authority, or QIA, the sovereign investment fund promoted by the emirate's ruling family, is in the final stages of negotiations to purchase a 10% stake in Hinduja National Power Corp. Ltd, or Hinduja Power, said two persons familiar with the development.

The fund will pay Rs200 crore, at Rs40 a share, for the stake in the company that's building a 1,040 MW coal-based energy plant at Visakhapatnam in Andhra Pradesh.

"We have been in dialogue with quite a few investors," Ashok K. Puri, managing director of Hinduja Power, said in an interview earlier this week, declining to give any more details. "The Hinduja will be in the driver's seat and till the deal is finalized, we will not be able to comment about the transaction."

The West Asian country is emulating sovereign wealth funds established by other nations and seeking to diversify its investments by gaining a share of the power business in energy deficient India, which is building utilities to help maintain its economic growth rate



Power pact: Hinduja Power managing director Ashok K. Puri.

A QIA official reached on phone declined to comment. There was no response from the fund to queries emailed on Wednesday evening.

The Hinduja will get a premium for the 10% stake that will be decided by the promoters, said Puri, who joined the company in 2008 after retiring as chairman and managing director of Bharat Heavy Electricals Ltd, (BHEL), India's largest power equipment maker.

Three-fourths of the Rs5,200 crore plant, scheduled to start generating power by 2013, will be funded by banks, while one-fourth, or Rs1,300 crore, will be put in by the Hinduja. SBI Capital Markets Ltd, the investment banking arm of State Bank of India, India's largest lender, is the syndicator of funds to the project.

"We have received expressions of interest from a dozen banks and India Infrastructure Finance Co. Ltd (IIFCL), and we have initial approvals," Puri said.

"We are in the process of arranging the funds for the power project," a senior SBI Capital Markets official said on condition of anonymity as the process hasn't been concluded.

The risks associated with a power project narrow from conception to construction and finally to commissioning, said Samir Palod, partner at the \$1.2 billion (around Rs5,520 crore) 3i Infrastructure Fund.

"At an early stage, the risks are higher as land, fuel, money, power purchase agreement have to be tied up. Private equity investors take (on) construction risk at the second stage of

the project," he said, adding that returns are higher in the first two stages, commensurate with the risk involved.

3i has a 7.5% stake in Adani Power Ltd, which is building a 2,600MW power plant in Gujarat.

The Hinduja power plant, which started life in 1995 as a joint venture with UK-based National Power Plc, was delayed after the partner walked away from the deal in 2000. The project was subsequently mired in controversy over land acquisition, which has since been resolved, Puri said. "We have 1,100 acres of land, enough to build this plant," he said.

The company has also signed a power purchase agreement with the Andhra Pradesh government for 25% of the electricity that will be generated. Of the rest, 60% will be sold to PTC India Ltd, or PTC, the country's sole power trader, and 15% to other industries in the state.

"PTC will also help us sell power to other states," Puri said.

The company will settle on its engineering and procurement contractor (EPC) by February and will source the 4.6 million tonnes of coal needed to fire the plant every year from the Mahanadi coalfields. Larsen and Toubro Ltd, BHEL, and Reliance Energy Ltd with Shanghai Electric Co. are among the companies that have bid for the EPC contract, which accounts for 80% of the project cost.

"We have plans to build 10,000MW (of power utilities) in seven-eight years and have started preliminary talks with Gujarat, Maharashtra and Tamil Nadu (for additional projects)," Puri said. According to the Integrated Energy Policy of the Indian government, the country needs to generate 800,000MW by 2031-32 from 160,000MW now to meet the growing needs of the world's fastest-growing economy after China.