

News monitored for: Kotak Investment Banking



Power sector may see \$1-billion PE inflows in six months

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PRIVATE equity investors may deploy nearly \$1 billion in the Indian power sector in the next six months, according to Sanjay Sethi, executive director & head of infrastructure group at Kotak Mahindra Capital.

"We are advising at least half a dozen power companies who are willing to raise private equity funds, and several other investment bankers too are," Mr Sethi told ET in an interview. Global PE funds have been big investors India's infrastructure sector, especially power.

"The investments could be in the range of \$50-250 million in some group holding companies and subsidiaries, mainly unlisted and having strong growth prospects," said Mr Sethi.

The energy sector, which had fallen off the radar of PE investors last year, has shown a strong recovery this year. According to Venture Intelligence, a Chennai-based research company, there were 22 investments worth \$2 billion in the power sector in 2010 till November, compared to 21 investments worth \$560 million in 2009. Global funds including General Atlantic, Goldman Sachs, Morgan Stanley, Everstone, Norwest, Olympus Capital, 3i, Temasek, IDFC PE, Argonaut and Ascent Capital have been among the big investors in power companies like Asian Genco, Tata Ultra Mega, GVK Energy and GMR Energy during the year.

According to power sector analysts, many of the companies are eyeing PE funding since most of the banks are close to maximum limit for exposure to the sector. "Banks are also cautious as there

Company	Investors	Amount*	Month
Asian Genco	General Atlantic, Goldman Sachs, Morgan Stanley, Everstone, Norwest	425	March
Tata Ultra Mega	Olympus Capital	300	June
GVK Energy	3i, Others	267	Nov
GMR Energy	Temasek	200	Apr
GMR Energy	IDFC PE, Argonaut, Ascent Capital	100	June

were a few incidences of firms not able to draw sanctioned money due to delay in offtake of projects," said a senior investor banker who was not willing to be named.

However, power companies with strong profile are attracting global funds, who are betting high on better return prospects at the time of companies going public for raising money. "With the country aiming at high growth target, power sector has become one of the most stable bets for PE investors," said Arun Natarajan, chief executive officer at Venture Intelligence. It has been observed that the volume of deal size is increasing, which is a positive sign for a capital intensive sector, he added.