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TNB eyes 30% interest in GMR for RM1.2b

by P PREM KUMAR

TENAGA Nasional Bhd (TNB) plans to subscribe for a 30% equity interest in Indian firm GMR Energy Ltd (GEL) for RM1.2 billion cash.

GEL is part of GMR Infrastructure Ltd, which is one of the largest diversified infrastructure conglomerates in India.

TNB, via its wholly owned unit, Power and Energy International (Mauritius) Ltd, entered into a conditional subscription agreement with GEL yesterday.

The proposed subscription will be funded through a combination of internally generated funds and borrowings, the utility giant said in a filing to Bursa Malaysia yesterday.

"The breakdown of the source of funding will be determined later and will depend on, among others, TNB's cash reserves and future funding requirement," TNB said.

The share purchase is due to positive and improving fundamentals of India's power sector.

It is in line with TNB's intention to invest in a sizeable diversified power portfolio in India with meaningful operational upsides as well as visibility on cashflows from strong operational portfolio contracted under long-term power purchase agreements.

The equity purchase is expected to be completed by the fourth quarter of this year, subject to permission of Bank Negara Malaysia and the Finance Ministry as well as a nod from the Competition Commission of India.

"India has a favourable economic outlook and stable political landscape, coupled with favourable demographics, a rapidly growing energy sector, and cultural and strategic fit with Malaysia, creating an attractive

investment opportunity.

"India has a large and supply constrained power market with demand spurred by economic growth and TNB will be able to capture the long-term growth of the Indian electricity market," TNB said.

It said GEL also has a sizeable power portfolio comprising an operating capacity of 2,300 megawatt (MW), and another 2,330MW of capacity is under construction or development.

"In addition the portfolio has a balanced fuel mix of coal (2,000MW), gas (623MW) and renewable sources of hydro (1,980MW) and solar energy (25MW)," TNB added.

TNB said GMR Infrastructure has also been identified as a suitable strategic partner for TNB in India, given its strong position as one of the largest infrastructure development companies in India with businesses spanning

energy, airports, transportation and urban infrastructure.

TNB will also have the opportunity to partner with Temasek Holdings Pte Ltd and IDFC Bank Ltd both of which are longstanding, committed, top-tier financial partners of GMR Infrastructure.

"There is also potential for TNB and GEL to establish an operations and maintenance partnership to capture attractive market opportunities as well as further expand the platform via organic development and inorganic acquisitions," TNB said.

GMR owns, develops, operates and manages two major airports in India and one in the Philippines; 15 power-generation projects; nine modern highways; and one double-rail track line of Eastern Dedicated Freight Corridor. It is also currently developing two Special Investment Regions in the south of India.