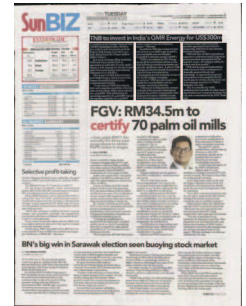


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TNB to invest in India's GMR Energy for US\$300m

PETALING JAYA: Tenaga Nasional Bhd (TNB) is planning to subscribe for a 30% stake in selected power assets in India's GMR Energy Ltd (GEL) on a fully diluted basis for US\$300 million (RM1.2 billion).

In a stock exchange filing yesterday, TNB said it has entered into an agreement to subscribe for new equity shares in GEL through its wholly owned unit, Power and Energy International (Mauritius) Ltd (PEIML).

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

"At the time of TNB's investment, GEL will comprise a portfolio of best-in-class power assets, with a total capacity of c.4,630MW. This will include an operating capacity of c.2,300MW and, in the pipeline, capacity of c.2,330MW

under construction/development assets," TNB said.

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

"TNB's investment in GEL Energy meets all its investment criteria as this deal delivers tremendous potential and unlocks significant value. It places TNB in prime position to benefit from India's superior long-term electricity consumption growth potential, in one of the world's largest emerging economies," TNB president and CEO Datuk Seri Azman Mohd said in a separate statement yesterday.

TNB said in its filing that the strategic rationale of the proposed subscription includes the positive fundamentals of the Indian power sector, visibility on cash flows from strong operational portfolio

contracted under long-term power purchase agreements and exclusive partnership with best-in-class strategic and financial partners.

TNB said 83% of GEL's operational capacity is contracted under long-term power purchase agreements for the next five years, "providing a stable, de-risked cash flow profile".

TNB said the proposed subscription will be financed with a combination of internally generated funds and borrowings. It expects the proposed subscription to be completed by the fourth quarter of this calendar year and to be earnings accretive to TNB by financial year 2018.

GEL is controlled by GMR Infrastructure Ltd while its other major shareholders are Temasek Holdings Pte Ltd, and a consortium led by IDFC Bank Ltd.