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TNB subscribes for 30% of India's GMR Energy for RM1.2b

BY TAN SIEW MUNG

KUALA LUMPUR: Tenaga Nasional Bhd (TNB) will subscribe for 30% stake in India's GMR Energy Ltd for US\$300 million (RM1.2 billion), which is presently under the control of GMR Infrastructure Ltd.

In its bourse filing yesterday, TNB said the investment is in line with the group's five-year International Expansion Roadmap, which is targeted to secure new generation capacity internationally.

TNB signed an agreement to subscribe for the 30% stake in GMR Energy through its wholly-owned unit Power and Energy International (Mauritius) Ltd.

It also inked a shareholders' agreement with GMR Infrastructure and the group's GMR Renewable Energy Ltd, as well as GMR Energy Projects (Mauritius) Ltd.

GMR Energy has a portfolio of best-in-class power assets, with a total capacity of about 4,630mw, including an operating capacity of about 2,300mw and in the pipeline, capacity of about 2,330mw under

construction or development assets, according to the filing.

In addition, GMR Energy has a mix of coal (2,000mw), gas (623mw) and renewable sources of hydro (1,980mw) and solar energy (25mw).

Other major shareholders of GMR Energy include Temasek Holdings Private Ltd (12.35%) and a consortium led by India's IDFC Bank Ltd (5.54%).

The proposed subscription will be funded via internal funds and/or borrowings.

Underpinning the rationale for the purchase of the stake, is the positive and improving fundamentals of the Indian power sector. In addition, 83% of GEL's operational capacity has been contracted under long-term power purchase agreements for the next five years, "providing a stable, de-risked cash flow profile."

The proposed subscription, to be completed by the fourth quarter of 2016, is expected to be earnings-per-share accretive to TNB by the financial year ended Aug 31, 2018.