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Sembcorp to pick 45% in NCC Power Projects for \$135M

Sembcorp previously acquired 49 per cent stake in a separate power unit from Gayatri Projects for around \$220 million.

Singapore-based infrastructure firm Sembcorp Industries has struck a deal to pick 45 per cent stake in a 1,320 MW thermal power project under implementation near Krishnapatnam in Nellore district of Andhra Pradesh for Rs 848 crore (\$135 million). It will also enter into an agreement which gives it the option to buy a further 20 per cent in the project which is housed under NCC Power Projects.

NCC Power Projects is a joint venture between Gayatri Energy Ventures Pvt Ltd, a subsidiary of Hyderabad-based Gayatri Projects Ltd and NCC Infrastructure Holdings Ltd (NCCIHL), a wholly-owned subsidiary of NCC Ltd.

Post the transaction, Gayatri Projects and NCC will continue to hold a combined stake of 55 per cent in NCC Power Projects through NCCIHL.

Capital Fortunes acted as the sole advisors to NCC Power Projects on this deal.

The project is located on a site adjacent to Thermal Powertech Corporation India (TPCIL), Sembcorp's first power plant investment in India. Sembcorp had previously acquired 49 per cent stake in TPCIL from Gayatri Projects a few years ago. As part of the latest agreement it also has the right to buy another 16 per cent in TPCIL, which could give it 65 per cent stake in both TPCIL and NCC Power Projects.

Sembcorp expects to generate synergies from the proximity of the two plants as they will use the same infrastructure, such as that for coal importation and logistics. They will also be run by the same Sembcorp management team in Nellore.

Currently, around 30 per cent of the construction work of the NCC Power Project is complete and it is expected to come on stream in early 2016. Financing for the project has been secured, with 75 per cent of the project cost funded through long-term limited recourse rupee-denominated project finance loans and the remainder funded by shareholders' equity.

The project will be fuelled by both domestic and imported coal.

"Sembcorp induction will provide a much needed impetus to the project as it puts to rest apprehensions surrounding its ability to start commercial operations on time. We are now focused on finishing the execution work on the project and are hopeful of achieving the commissioning of the same on time," TV Sandeep Reddy, MD of Gayatri Projects, said.

The new project comes as Sembcorp's existing TPCIL project nears completion. Around 80 per cent of the construction of the TPCIL plant is completed, and the project is on track to begin testing and commissioning of its first 660 MW unit from the second quarter of 2014.

Commercial operations are targeted to begin in the third quarter of 2014, with the plant's second 660 MW unit expected to come on stream by the end of the year.

Tang Kin Fei, Sembcorp Group President & CEO, said, "With our first power project in India progressing well and on track for completion this year, we are now pleased to embark on our second power plant investment there. This acquisition will provide the opportunity for Sembcorp to increase our foothold in India's power market, where we see opportunities for our business to grow significantly in the years to come."

Sembcorp is buying the stake in NCC Power Projects through a wholly owned arm Sembcorp Utilities Pte, a developer, owner and operator of energy and water assets with over 5,900 MW of power capacity installed and under development. It operates in six continents with presence in emerging markets around the world.

(Edited by Joby Puthuparampil Johnson)