

# **M&A Prospects in Indian Power Generation Sector (Volume 2): Identifying Thermal, Wind, Solar and Biomass Power Plants likely to be up for Sale**

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## **Abstracts**

### **Emerging Policy & Structural Dynamics in Power Sector is Tilting Towards Risk**

Coal and Gas supply shortage has resulted in many power plants stranded or operating at a sub-optimal PLF levels, IPPs / MPPs are hardest hit

The fuel shortage threatens India's power expansion plan

Coal block auctions may have addressed fuel supply woes to some extent, but private power generators may have to face tariff under-recovery to the extent of 60-65 paise per unit.

Auctioning of coal linkages will only add to the worries of the power generators as competitive prices will put pressure on their already debt laden balance sheets

### **Growth by Acquisition**

Recently, JSW Energy acquired the 1,391 MW hydroelectric power assets of Jaypee Group worth over Rs 9,700 crore.

NTPC wants to achieve the objective of 128 GW of power capacities by 2032 and it anticipates land acquisition bill to lead to more time for land acquisition and it tide over this it has adopted acquisition as integral part of growth strategy

Rupee Devaluation, Tariff under-recovery, Fuel Linkage Issue, Burgeoning Debt Burden to force companies with leveraged Balance Sheet to put assets on the block

As per an estimate, as many as 700 thermal plants across India applied for an environmental clearance between 2006 and 2010. Between them, they were looking to add 701,820 MW of capacity-about six times India's overall power capacity in 2011 and seven times the target for the 12th five-year plan (2012-17)

Companies that had acquired land, signed MoUs (memorandums of understanding), coal linkages, etc are now looking to sell and exit

While auctioning the coal blocks is a very commendable step in terms of transparency and fuel security, sustainability of mining at these prices seems doubtful. Due to aggressive bidding, private power producers with capacities nearing 10,000 mw might face 60-65 paise tariff under-recovery resulting into a whopping shortfall of around Rs. 1300-1350 crore in 2015-16.

Auctioning of coal linkages will also force new thermal power plants with capacity of around 15,000 MW to quote aggressive competitive prices and thereby resulting into a tariff under-recovery. Further, projects nearing completion also face time overrun due to time taken in planning process for auctions.

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