

# India's power future

---

**Jamie Bullen**

25/02/2015

India's Ministry of New and Renewable Energy said in late 2014 that India is targeting 22.1GW of new solar capacity over the next five years, and \$250 billion in private investment for its power sector.

Private developers are so far willing to match these ambitious announcements with their own. In February 2015 two domestic developers proposed [16,000MW of new solar additions in the state of Rajasthan](#).

The administration of President Narendra Modi, which took office in May 2014, wants to use hydro, wind, gas and coal-fired projects to help eliminate India's power deficit – which stood at 3.3% of demand in January 2015.

Coal-fired deals dominated Indian power project finance in 2014 – with 23 closing in total, according to *IJGlobal* data. Overall, \$10 billion in power and renewables investment closed in India in 2014, as 42 deals. That was a massive improvement on the \$2 billion, split among just 11 projects, that closed in 2013.

## New power sources

Conventional sources – coal and hydro – will be central to the additions. India plans to double coal production by 2019, said Piyush Goyal, the new minister of state for power, coal, new and renewable energy, in November 2014.

India will increase imports of hydropower from Nepal, in the wake of a long-delayed bilateral agreement that signed in late 2014, and Bhutan. Most of the output from GMR's planned \$1.6 billion Nepali hydro project would be transmitted to India, its home country. State-owned enterprises in Bhutan and India are also collaborating on a 600MW hydro project in Bhutan that would export electricity to India.

But renewables will account for a growing share of new power capacity – and maybe even a majority – and solar will be a priority.

India plans that \$100 billion of the targeted \$250 billion in outside investment would be directed towards renewables, \$70 billion would go towards reviving stalled projects and \$50 billion would go towards transmission and distribution.

But domestic developers dominate new Indian power and renewables development. Indian sponsors closed all of 2014's power project financings, according to *IJGlobal* data.

In February 2015 Reliance Power signed a memorandum of understanding with the government of Rajasthan to develop, over a decade, 6,000MW of solar. Adani Power is considering building a 10,000MW solar project in Rajasthan as a joint venture with state-run Rajasthan Renewable Energy Corporation.

[Actis](#) is a rare outside player to be delving into Indian power or renewables. The London-based private equity firm is planning to invest a comparatively trifling \$230 million in Indian renewables.

## Domestic finance

Modi is keen to use foreign capital to reduce domestic banks' heavy exposure to Indian infrastructure assets – and has embarked on a world tour to promote the idea of an India that is open to foreign investment.

But while outside investors are again looking at Indian infrastructure, local lenders remain the main sources of debt for domestic power projects. Of the seven leading lenders to Indian power projects that closed financings in 2014, six are Indian, according to *IJGlobal's* League Tables. Indian sponsors are also the main buyers of construction-stage and operational power assets.

In November 2014 JSW Energy of India agreed to one of the country's largest power acquisitions – 100% stake in the operating 300MW Baspa II and the 1,091MW Karcham Wangtoo hydro plants in Himachal Pradesh state from Jaiprakash Power Ventures for Rs97 billion (\$1.57 billion).

[JSW](#) swooped after Abu Dhabi National Energy Company (TAQA) withdrew as buyer. When the two acquisitions close, JSW will own total operational capacity of 4,531MW.

Separately, Adani Power of India agreed in late 2014 to pay \$680 million to acquire a coal-fired plant in Chhattisgarh from Avantha Power.

But India's ministry of power is understood to have [scrapped private bidding](#) for the 4,000MW Cheyyur Ultra plant in Tamil Nadu and the 4,000MW Bedabaha plant in Odisha – for now, at least. Only state-owned companies had submitted bids.

The firms known to have shown interest, before withdrawing, are all Indian:

- Adani Power
- CLP India
- Jindal Steel & Power
- JSW
- Sterlite Energy
- Tata Power.

*Thank you for printing this article from IJGlobal.*

*As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.*

*If you have been given this article by a subscriber, you can contact us through [www.ijglobal.com/sign-in](http://www.ijglobal.com/sign-in), or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.*