

PFC – Acquisition Advisory Services

Power Finance Corporation, as one of the leading FI has been in the forefront in Indian power sector development with an asset base of more than Rs. 1,10,000 Crore. We have accumulated sanction over Rs. 3,67,000 Crore till 30th September, 2011 to the Indian power sector which resulted in outstanding order book of more than Rs. 1,79,000 Crore. We are the Nodal Agency for important Gol initiatives in the power sector; like UMPPs and R-APDRP. We have taken several new initiatives recently, by introducing new products like Loan for Equity Requirement to power projects against security of future revenues of commissioned projects, Debt Funding to power equipment manufacturers, fuel producers and suppliers, etc. We have created separate Business Units to promote our business in these areas. These initiatives were taken based on changing environment in power sector.

We believe the Indian power sector is likely to grow at a fast pace due to the huge demand-supply gap. The development of institutional and regulatory mechanism has improved the viability of power sector. Not only the existing players have drawn up investment plans, but new players are also entering the sector. The new players may set up new projects or acquire projects under implementation/completed projects.

Going forward, we believe there would be an increased participation of private sector players in the power sector development in the country according to the future plans of the government. The share of private sector is likely to increase to 28% in the XI Plan and to 63 % in the XII Plan in terms of the capacity addition. This would usher in competition among the private sector as well with the public sector players. Besides, there is increasing trend in demand supply gap and the requirement of procurement of power from private sector through competitive bidding as well as from state power is increasing day by day. The high cost of generation due to non-efficiency in various areas is leading to higher tariff for generation and resulting in higher electricity charges to the consumers. There is high demand for efficiency and economies in the generation leading to the lower cost of tariff. Also, open access and power trading is likely to bring in fierce competition in future.

In any industry, mergers and acquisitions are inevitable. They are necessary occurrences for any business that seeks upward growth and economy in functioning. The above situation is likely to lead to consolidation in the power sector also and hence, there is need for assistance and advice in identifying suitable projects / partners for mergers & acquisitions in order to bring in synergies & economies of scale. It is in this area that recently we took the initiative of creating Acquisition Advisory Services unit in PFC. The broad scope of services offered by PFC through this unit would include the following:-

- Identification of target project/company for acquisition/mergers
- Preliminary due diligence on the projects
- Detailed techno-commercial appraisal of projects
- Finding out the partners for merger and acquisition, etc.

PFC shall be willing to assist power projects, all over India for acquisition/mergers, which are either completed or under implementation stage but are held up because of either lack of funds or for other reasons.

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