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OGPL to sell biomass business to promoter firm for ₹275 crore

FE BUREAU
Chennai, June 30

DEBT-RIDDEN ORIENT GREEN Power Company (OGPL), a leading listed independent renewable energy-based power-generation company, on Friday announced that its board of directors has approved the sale of the bulk of its biomass operations to its promoter company, Shriram Ventures (SVL), or its subsidiaries.

OGPL, promoted by Chennai-based Shriram Group, has approved the sale at an enterprise value of ₹275 crore.

The hiving off of the biomass business comes at a time when OGPL has been in the process of merging its wind business with IL&FS Wind Energy.

Private equity companies-backed OGPL had 96 MW of biomass, of which it had already sold 30 MW in Rajasthan and Maharashtra. Under the agreement, it is now planning to sell the remaining 68 MW to SVL, the promoter of OGPL, or to its subsidiaries. OGPL vice-chairman T Shivaraman said the decision was taken to enhance the value of OGPL's shareholders.

Biomass operations registered revenues of ₹78 crore, lower by 24% on a year-on-year basis, due to the shutdown of some of the plants. The biomass operations registered a loss before tax of ₹81 crore in FY17. The biomass operations have around ₹193 crore of outstanding debt.

The biomass operations have been a drag on the overall performance and have diluted the substantial improvements achieved by the wind business.

The biomass business has generated very low EBITDA over the past three years and has contributed to over 50% of the losses. In addition, sale of the biomass operations will result in reduction of outstanding debt by about ₹250 crore and will meaningfully support efforts of the OGPL management to de-leverage the balance sheet.

OGPL CEO S Venkatachalam said the reduced interest outgo will improve the operating performance while enhancing the positive cash flows of the wind operations. Further, the sale of the biomass operations will result in an increased net worth of over ₹250 crore in the consolidated balance sheet. In view of the accumulated losses and the reduced size of the operations, it was felt that a demerger of biomass operations into a separate entity would create



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SALE STRATEGY

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optimum value for shareholders. OGPL's group debt stands at ₹1,800 crore.

Shivaraman said OGPL and IL&FS are in the final stage of finalising the merger. "We have an exclusivity till July-end, hopefully we should be able to do it before that," he said.

OGPL will merge its wind assets, to the tune of 425 MW, with IL&FS Wind Energy, which has around 700 MW. The merged entity would be listed. The company has got approval from its private equity investors, who hold around 22% in the company for the merger. SVL holds 50% and the balance is held by others, including the public.

Shivaraman said the merger is part of the company's de-risking strategy. Of OGPL's total wind portfolio of around 425 MW, 300 MW is in Tamil Nadu, while IL&FS has a pan-India presence.