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Orient Green Power to transfer biomass operations to subsidiary

Awaits shareholders' approval; sale of 9 assets for ₹275 crore gets board's nod

OUR BUREAU

Chennai, June 30

Renewable energy company Orient Green Power Company Ltd (OGPL) has announced a restructuring exercise, under which its biomass operations will be transferred to a subsidiary.

The company's board on Friday approved the sale of the bulk of its biomass operations to its promoter company—SVL or its subsidiaries. Nine biomass assets will be transferred to the subsidiary.

The board has approved the sale at an enterprise value of ₹275 crore. The transaction will be subject to the approval of shareholders, creditors and regulators.

"In biomass, costs were going up, but tariffs didn't see any revision to support the business. Also, government policy on the biomass sector

The biomass operations have been a drag on the overall performance and contributed to over 50% of losses, diluting the progress achieved by the wind business

is bleak," said T Shivaraman, Vice-Chairman, OGPL.

The proposed move is expected not only to accelerate value-unlocking for shareholders, but also benefit the wind business, which has made substantial improvements.

Reducing debt

The biomass operations have been a drag on the overall performance and contributed to over 50 per cent of losses, diluting the progress achieved by the wind business.



T Shivaraman, Vice-Chairman, Orient Green Power

Sale of the biomass operations is expected to result in reduction of outstanding debt by about ₹250 crore. After the demerger, the total debt of the group is estimated at about ₹1,810 crore.

The demerger will help de-leverage the balance sheet. 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.

"We hope to be back in black by FY18," said Shivaraman.

OGPL had made an application in May 2016 to the Madras High Court for the demerger of the biomass business into a separate listed entity which is currently pending.

Subsequent to its application for the demerger, OGPL has agreed to sell its biomass assets in Maharashtra and Rajasthan. Post the sale of these transactions, the biomass capacity will reduce to 68 MW.

In FY17, biomass clocked revenues of ₹78 crore, down 24 per cent on a year-on-year basis due to shut-down of some of the plants. It reported a loss before tax of ₹81 crore. The biomass operations have around ₹193 crore of the outstanding debt.