

# Orient Green to sell biomass operations to promoter firm

Had earlier considered demerging the business into a separate, listed entity

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Orient Green Power Company Ltd. (OGPL), an independent renewable energy-based power generation firm, has decided to sell the bulk of its biomass operations to its promoter company, SVL Ltd., or its subsidiaries.

This will see the Chennai-based OGPL holding mostly wind assets. It has wind assets to the tune of 425 MW, and biomass assets worth 96 MW. The move to sell biomass operations comes even as OGPL and IL&FS Wind Energy are in parleys to merge their wind assets to create a company with 1.2 gigawatts (GW) of operating assets. IL&FS Wind has an operating capacity of 775 MW.

The biomass asset sale move also signals a change in strategy by OGPL. The firm had earlier toyed with the idea of demerging the biomass business into a separ-



**Drag effect:** The biomass unit has diluted the improvements made by the wind business, the company said.

ate listed entity and even approached the Madras High Court for its nod.

“In view of the accumulated losses and the reduced size of the operations, it was felt that demerger of biomass operations into a listed entity with limited growth potential would not create optimum value for shareholders. In order to optimise and accelerate the unlocking [of

value] for shareholders, the board of the company has approved the sale of the biomass operations, at an independent valuation, to the promoter company,” according to an OGPL statement.

## Kolhapur plant

The sale transaction will not include the 20 MW co-generation plant at Kolhapur and the 10 MW biomass unit in

Rajasthan, since OGPL has already agreed to sell them post the de-merger application to the High Court.

The biomass operations registered a revenue of ₹78 crore, falling 24% year-on-year due to a shut-down of some of the plants. The unit registered a loss before tax of ₹81 crore in 2016-17 and the unit has about ₹193 crore of outstanding debt.

A combination of factors, including lack of support from the government, had enmeshed the biomass operations in cash-flow issues, said T. Shivaraman, vice-chairman.

“The biomass operations have been a drag on the overall performance, and have diluted the substantial improvements achieved by the wind business,” according to the statement. It has contributed to more than 50% of the losses and the sale will cut outstanding debt by about ₹250 crore.