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PE firms betting big on energy

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An increasing number of private equity (PE) firms are making a beeline for investing in the booming energy sector. These firms have made a total investment of \$990 million (Rs 4,158 crore) during the first five months of 2008 in this sector compared to just two deals worth \$45 (Rs 189 crore) million during the same period of 2007.

The energy sector, especially power, has been witnessing a lot of interest from PE investors, said Arun Natarajan, chief executive officer (CEO), Venture Intelligence, a Chennai-based research service company focused on PE and venture capital activities.

MONEY POWER

PE investments in energy sector between January and May 2008

Company	Sector	Deal size (\$ mn)	Investors
Roshini International Dio Energy	Biofuel	16	Origo-Sino India
Soham Renewable Energy	Renewable Energy	15	D E Shaw
Indiabulls power Services	Power	395	Farallon Capital, LN Mittal India, Internet Ventues
KLG Power	Power	50	TPG Growth
Konaseema Gas	Gas Power	125	IDFC PE, Lehman

Source: Venture Intelligence

Some of the big deals between January and May 2008 include Farallon Capital, L N Mittal India and Internet Ventures' investment of \$395 mil-

lion in Indiabulls Power Services in February 2008. In the Konaseema Gas deal in May this year, IDFC Private Equity and Lehman Brothers invest-

ed \$125 million and in the KLG Power deal, TPG Growth put in about \$50 million in April.

In the energy sector, renewable and power equipments are big attractions for PE investors, said Karthikeyan Ranganathan, Head, Investments, Baring Private Equity India. This fund is planning to invest \$1 billion in India, of which a significant amount will go to the energy sector, he said.

Natarajan said the number of investments in the energy sector will grow manifold to bridge the demand-supply gap of energy in the country.

India needs to generate an additional 70,000 MW to meet its growing power requirements. Total investment required is \$155 billion.