

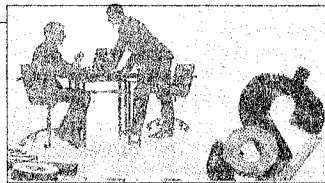
PE investors may pick 8% in Bhilwara Energy for Rs 600 cr

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NEW DELHI

BHILWARA Energy, the power generation company of the LNJ Bhilwara Group led by the Jhunjhunwalas, is close to striking a Rs 600-crore private equity deal with a consortium of investors for 5-8% equity. The pre-IPO deal could peg the valuation of the power generation firm between \$2 and \$3 billion. Merrill Lynch and Kotak are the merchant bankers appointed for the private placement of the company.

The company has just bagged two new projects worth 710 mw in Arunachal Pradesh which takes its total project portfolio to 2,850 mw, making it the second-largest hydro power generation firm in the private sector after the Jaiprakash Power Venture. Incidentally, on a per mw basis, the valuation of Bhilwara Energy would be just half of Jaiprakash Power Venture which is also doing pre-IPO placements and the projected valuation of the company during the IPO would be about \$5.5 billion.

Speaking to ET, LNJ Bhilwara Group chairman Ravi Jhunjhunwala said: "Given the new projects that we have bagged in



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Arunachal Pradesh, our total fund requirement in the next 3-5 years would be Rs 18,000-20,000 crore. We should finalise our pre-IPO deal by next month and the IPO should hit the market by summer."

Bhilwara Energy is planning to raise around Rs 1,000-1,200 crore through the public offer. Currently, two thirds of Bhilwara Energy is controlled by two public listed firms of the Bhilwara group: textile firm RSWM

and graphite electrodes maker HEG. The latter is the single largest shareholder in Bhilwara Energy with 39.16% stake. The remaining shares are held by other privately held companies of the group and external financial investors.

Last year Bhilwara Energy had raised Rs 105 crore through a private equity placement to New York Life Investment Management and Wachovia Corporation. The two firms together had picked up 8.5% in the power generation company at an enterprise valuation of Rs 1,230 crore. This means that the early PE investors would generate valuations in multiples in less than a year and well before the IPO.

The Power sector has been generating huge valuations in the stock market with power generation, finance and equipment firms witnessing lot of investor interest. 2008 is expected to be a big year for power sector firms who have large fund raising plans through a mix of public offers and private placements. The biggest of them — Reliance Power — is planning to raise up to \$2.9 billion by diluting 10.1% stake, and has a planned power capacity of 28,000 mw largely through coal and gas fired projects.

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