

Ananda Krishnan exit suggests end to power deals
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KUALA LUMPUR, March 5 — Analysts said today the Malaysian government's move to purchase power assets might be the start of an overhaul of the country's power generation industry in the long run.

"It actually comes as a surprise that Ananda Krishnan would want to dispose of his power assets and exit the power business, but it could be because the power purchase agreements (PPAs) are coming to an end," Reuters quoted an analyst, who declined to be named because of the sensitivity of issue, as saying today.

Tycoon T. Ananda Krishnan is nearing a deal to sell his US\$3 billion (RM9 billion) worth of power assets to a government company as he seeks to shed risky businesses, sources with knowledge of the deal told Reuters today.

The sources did not confirm the sale price, but The Star newspaper reported that the sale to 1 Malaysia Development Berhad (1MDB) was indicated at a price range of RM9.92 billion and RM11.16 billion.

The Energy Commission has confirmed that a new power generation tender exercise will replace the current PPAs that expire in 2016-2017.

Currently state-run utility Tenaga Nasional Bhd, which posted a third consecutive quarterly loss in January, is the offtaker of the electricity generated by Tanjong's plants in Malaysia.

Under PPAs, which are long-term deals that underpin foreign power investment in southeast Asian countries, generators are able to pass on fuel costs to end users and hence enjoy guaranteed returns.

Goldman Sachs is advising 1MDB, said two sources, who declined to be named because the deal is not public. A spokeswoman for Goldman Sachs in Hong Kong declined to comment. Standard Chartered is advising the seller.

The deal would come as a surprise to potential buyers of the power assets in the Middle East. Saudi Arabian water and power project developer Acwa Power had recently said it was "very keen" to buy the power assets being sold by the Malaysian tycoon. Others had also expressed interest.

"This is an extraordinary price to pay given the location of the assets and the short-term PPAs (power purchase agreements) for many of the assets," said a second source.

Ananda's Tanjong Energy Group owns and operates eight power plants and has investments in five in Bangladesh, Egypt, Malaysia, Pakistan, Sri Lanka and the United Arab Emirates, with a total net generating capacity of 3,951 MW.

The sale had attracted 12 local and international bidders, including the country's No.2

lender CIMB and the Employees Provident Fund.

Another source with knowledge of the auction process said Tanjong Energy Group, through which Ananda holds his power sector assets, had set a high asking price for the assets as it had paid a steep price for them.

"The requested valuation of the assets made it very difficult for a strategic investor to compete. I believe a government-owned entity with a lower cost of equity is a natural buyer," the source, who declined to be named because of the sensitivity of the matter, said.

1MDB officials were not available to comment on the report.

The sale by Malaysia's second-richest man would be the country's biggest power asset deal and the largest in Southeast Asia. Ananda also plans to sell satellite operator MEASAT Global Bhd, Singapore's Straits Times newspaper reported last week.

Ananda, reckoned by Forbes to have assets of US\$9.5 billion, was taking advantage of the higher risk appetite in the market to hive off riskier assets from his empire that runs from telecoms to pay-TV, analysts told Reuters.

The largest regional deal in the sector was struck in 2008 when Temasek Holdings sold its Singapore generation firm PowerSeraya to Malaysia's YTL Power for US\$3.03 billion.

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