

Investors Keen to Be Part of India's Green Growth

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The Wall Street Journal : Prabha Natarajan

NEW DELHI -- India has made it into the A-list of global investors in renewable energy, a recognition of the country's proactive government energy program, natural resources and mushrooming swathe of entrepreneurs.

India ranked as the third favored destination with 35% of the respondents saying they would invest in India, behind the U.S., which was targeted by 53% of the respondents, and China (38%), according to a report, called Green Power 2011: The KPMG Renewable Energy M&A Report," released Wednesday by KPMG that is based on a survey of 500 executives active in the renewable energy arena globally.

For instance, India's wind-energy companies, which are in the midst of a hectic pace of development, have attracted more than \$586 million of project financing this quarter. This already is 63% of the \$934 million raised in all of 2010.

"The Indian market has become increasingly dynamic in recent years as a result of strong natural resources, greater accommodation to international investment compared with China and a variety of government incentives," the report said.

While Indian banks continue to be the main source of funding, international lenders are taking note. HSBC and Sumitomo Mitsui Banking Corp. provided \$110 million debt project financing in March for a wind farm in the western state of Gujarat.

The pace of growth and investments in India is part of a worldwide trend. Deal activity among renewable energy companies globally surged 70% in 2010, and continues to maintain this hectic clip in the first quarter, according to the report.

In the first quarter, 141 transactions worth \$11.2 billion were signed, while last year, an average of 96 deals worth \$5.5 billion were announced in each quarter.

"All in all, 2011 looks set to be another buoyant year," the report said, but added a caveat that the first quarter data doesn't reflect the impact of the tsunami in Japan in March.

The survey data also revealed that investors preferred to invest locally rather than across borders. But nearly 60% of Asia-Pacific acquirers said they are targeting India or China. India also features as one of the top three destinations for solar energy companies along with the U.S. and Italy.

"With India it is a combination of factors," said Siobhan Smyth, head of renewables at HSBC, who was interviewed as part of the survey.

"There is a portfolio standard on a state-by-state basis. Developers have the ability to get [public-private agreementss due to utility obligations. Then there are the generation-based incentive and tax-depreciation incentives. You are looking at 15% to 20% returns depending on the state you look at and the type of assets you are buying."

(The views expressed above are the personal views of the author)

Source: Ministry of External Affairs, Govt. of India
