Two former Ostro executives to set up clean energy firm

NEW DELHI: Ranjit Gupta and Murali Subramanian, the former head honchos of global private equity firm Actis Llp's Ostro Energy Pvt. Ltd, are in talks with Singapore's state investment firm Temasek Holdings Pte. and Swedish private-equity firm EQT Partners to raise around $500 million to set up a green energy platform in India.

Gupta and Subramanian were former chief executive officer (CEO) and chief operating officer (COO) of Ostro Energy, respectively. Their next innings in the Indian clean energy space follows the acquisition of Ostro Energy by ReNew Power Ventures at an enterprise value of $1.5 billion, in India's largest renewable energy deal last April. Factors such as size, quality and age of the Ostro Energy assets were key attractions for ReNew Power.

"They (Gupta and Subramanian) are in talks with Temasek and EQT. Temasek is expected to make the substantive part of the investment. It will be similar to what Actis did with Ostro," said one person aware of the development, requesting anonymity.

Another person, who also did not want to be named, said: "There have been preliminary talks. Nothing has been finalized."

Backed by Actis, Gupta and Subramanian spearheaded the growth of Ostro Energy through a prudent renewable energy auction strategy, entailing an equity investment of $280 million and a debt of about $900 million. It helped Ostro Energy leapfrog from a 50 megawatt (MW) project in Rajasthan to 1.1 gigawatts (GW) when it was sold.

Mint had reported on 12 July that Temasek's investment strategy in India was to sharpen focus on areas such as platform investments to tap specific opportunities. With a $235-billion portfolio, Temasek has significant exposure to Singapore and Asia. EQT Partners has so far raised around €61 billion through 29 funds. It has around €40 billion under management and portfolio companies in Europe, Asia and the US.

Subramanian and a spokesperson for EQT Partners declined to comment. Gupta could not be immediately reached for comment.

In an emailed response, a Temasek spokesperson said: “As a matter of policy, we decline to comment on market speculations and rumours.”

Last year, Temasek had agreed to invest $400 million in the National Investment and Infrastructure Fund (NIIF), a fund set up by the government of India to boost infrastructure financing in the country. Its India portfolio stands at around $10 billion, with an average annual investment of $1 billion. The Singapore firm has bought stakes in AU Small Finance Bank Ltd, Adani Ports and Special Economic Zones Ltd and payments technology firm Pine Labs. It has also invested in technology companies such as CarTrade and PolicyBazaar.

There has been growing interest in India’s clean energy space. ExxonMobil Corp., the world’s most valuable energy company, for instance, plans to form a partnership with state-owned GAIL (India) Ltd to set up a green energy platform in India. Malaysia’s state-run oil and gas company, Petroliam Nasional Bhd, or Petronas, has also acquired Amplus Energy Solutions Pvt. Ltd, one of India’s largest rooftop solar power producers.

India has been working on the largest clean energy programme and has an installed renewable energy capacity of 74.79GW. Of this, solar and wind power account for 25.21GW and 35.14GW, respectively. With competitive solar bids and India’s wind energy sector having transitioned from a feed-in tariff regime, which ensures a fixed price for wind power producers, to tariff-based competitive auctions, obtaining finance at the lowest cost has become key.