

Adani, Tata, six more eye 51% stake in two UP discoms

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NEW DELHI: At least eight companies, including Adani Group, Tata Power Ltd and Greenko Group, are eyeing a majority stake in two Uttar Pradesh electricity distribution companies in the largest such privatization in the sector, said three people aware of the developments.

Sterlite Power Ltd's Serentica Renewables, Torrent Power Ltd, ReNew Energy Global Plc, RP-Sanjiv Goenka Group's CESC Ltd, and a GMR and Électricité de France (EDF) consortium are also interested in acquiring UP government's 51% stake each in Purvanchal Vidyut Vitran Nigam Ltd (PUVVNL) and Dakshinanchal Vidyut Vitran Nigam Ltd (DVVNL), the people said on the condition of anonymity.

The request for proposal (RFP), a formal document to solicit bids, is likely to be floated by July.

"Given that such a large discom opportunity is coming up for consideration, there is a significant interest in the transaction," the first person. "The expectation is that the transaction for both the discoms would be completed by Deepawali this year." Grant Thornton Bharat LLP is running the transaction for the majority stake sale in the two distribution companies (discoms) with a combined annual revenue of around ₹50,000 crore.

UP's bid to sell a controlling stake in the two discoms marks a renewed effort by states to privatize unprofitable utilities after the central government started the process to divest majority shareholding in such distribution companies in Union Territories. India's 67 power distributors have been struggling with prolonged aggregate transmis-



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sion and commercial losses, which rose from 15.37% in FY23 to 16.87% in FY24. However, private discoms reduced their AT&C losses from 17.17% to 12.12% during the period.

According to government data, PUVVNL and DVVNL, along with 11 other utilities, saw an improvement of over 5% in their AT&C losses in FY24.

It may be the largest discom privatization in the country in terms of size, revenues and complexity, and the success will be determined by the tariff and efficiency curve provided to the bidders and how the baselines are set, said Sambitosh Mohapatra, partner and leader, climate and energy, PwC India.

"Realistic targets for AT&C (aggregate technical and commercial) losses should be set and the regulatory framework should allow for the recovery of losses in the initial years over a time period," Mohapatra said. "Investors would want a gradient allowing time to invest, improve customer services and recoup the AT&C losses."

In February, the UP government allowed the Uttar Pradesh Power Corp. (UPPCL), which operates the state's government-owned discoms, to sell 51% in DVVNL and PUVVNL, while retaining the remaining 49%.