Early Warning System

IFC-37910

HFE Equity

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Quick Facts

Countries	India
Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	A
Voting Date	2016-11-09
Borrower	HERO FUTURE ENERGIES PRIVATE LIMITED
Sectors	Energy
Investment Type(s)	Equity
Investment Amount (USD)	$ 62.50 million

Project Description

PROJECT DESCRIPTION

The proposed transaction is an equity investment of upto USD 125 million in Hero Future Energies Private Limited ("HFE" or the "company"), a leading developer of solar and wind power projects in India. The company is part of Hero Group (the "group"), a leading industrial conglomerate and a market leader in automotive manufacturing, mainly two wheeler motorbikes and ancillary businesses with Hero MotoCorp Limited being its flagship entity. The group also has other diversified business interests in the country and abroad.Since its incorporation in 2012, the company has identified projects of more than 2 GW and plans have a total installed capacity of around 1000 MW in the next 12 months. Both operational and under construction projects are located in the Indian states of Andhra Pradesh, Madhya Pradesh, Karnataka, Maharashtra, Rajasthan, Tamil Nadu and Telangana. The company has also secured/implemented over 25 MW of rooftop projects and also plans to further expand its rooftop solar business. It is also actively looking to expand its international business in various geographies. The proposed IFC investment is part of fresh equity infusion to support the expansion plans for the company.All the projects are developed by/under wholly owned special purpose vehicles (SPVs) of HFE, HWEPL (Wind Holdco) and HSEPL (Solar Holdco). Most of the under construction capacity is being developed with third party engineering procurement construction (EPC) contracts signed with reputed technology suppliers. The contracts include supply, erection and commissioning ("E&C") of wind turbines and solar panels. The SPVs also sign a comprehensive operation and maintenance (O&M) contract with these technology suppliers for long term operations/maintenance services. While the projects are mostly developed by third party contractors/vendors, HFE maintains very strong oversight over each processes (like land take, licensing, evacuation planning, technical aspects etc.) and is deeply involved in the project development. This is done through a dedicated team of qualified personnel at the site supported by a larger team of technical experts based at the corporate office and in charge of overall project development at the company level.

OVERVIEW OF IFC'S SCOPE OF REVIEW

IFC's review consisted of appraising technical, environmental, health and safety (EHS) and social information submitted by the company including: the environment and social impact assessment (ESIA) report of an operating wind project; draft Environment and Social Management Framework (ESMF) manual dated April 2016; environmental and social (E&S) due diligence (ESDD) reports for eight operational wind and solar projects; company's policies on occupational, health and safety (OHS) environment, corporate social responsibility (CSR) and prevention of sexual and harassment; EHS manual; Human Resource (HR) policy manual; and other EHS records - clauses for contractors, standard operating procedure (SOP) for drilling and blasting operations during excavation, EHS induction, work permit records and emergency response plan.The review included site visits in April and July 2016 to company's (a) operational wind power project in Dhar, in Madhya Pradesh; (b) under construction wind power project in Zaherabad, near Hyderabad, in Telangana; and (c) proposed wind power project site in Anantpur, in Andhra Pradesh as well as discussions with corporate EHS, business development, HR (and CSR) management and project specific personnel on land acquisition, EHS and contractor management. In addition the appraisal process included meetings with the senior management (chief executive officer, project and finance head) to discuss the Action Plan and way forward approach. IFC's appraisal process also included meetings with village representatives, community elders, land/revenue officials and some impacted households for some of the company's sites and operations visited.

IDENTIFIED APPLICABLE PERFORMANCE STANDARDS**

While all Performance Standards are applicable to this investment, IFC's environmental and social due diligence indicates that

Investment Description

- International Finance Corporation (IFC)

Hero Future Energies Private Limited (“HFE” or the “company”) is a leading developer of solar and wind power projects in India. The company is part of Hero Group (the “group”), a leading industrial conglomerate and a market leader in automotive manufacturing, mainly two wheeler motorbikes and ancillary businesses with Hero MotoCorp Limited being its flagship entity. The group also has other diversified business interests in the country and abroad.

Since its incorporation in 2012, the company has identified projects of more than 2 GW and plans have a total installed capacity of around 1000 MW in the next 12 months. Both operational and under construction projects are located in the Indian states of Andhra Pradesh, Madhya Pradesh, Karnataka, Maharashtra, Rajasthan, Tamil Nadu and Telangana. The company has also secured/implemented over 25 MW of rooftop projects and also plans to further expand its rooftop solar business. It is also actively looking to expand its international business in various geographies. The proposed IFC investment is part of fresh equity infusion to support the expansion plans for the company. All the projects are developed by/under wholly owned special purpose vehicles (SPVs) of HFE, HWEPL (Wind Holdco) and HSEPL (Solar Holdco).

Contact Information

ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/

Bank Documents

- ESIA Report [Original Source]