

NEWS CENTER

Welspun Gujarat raises \$ 250mn via FCCBs, QIP

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[Welspun Gujarat](#), the flagship company of the Welspun Group, has successfully completed the capital raising exercise of USD 250 million.

In an interview with CNBC-TV18, Akhil Jindal, Director of Welspun Group spoke about the company's capital raising initiative and the road ahead.

Below is a verbatim transcript of the interview. Also watch the video.

Q: Could you give us details of the qualified institutional placement (QIP) – the USD 100 million that you raised –

A: Essentially this is a total fund raising plan of Welspun Group. What we have done is that we had taken an enabling resolution of USD 250 million in the month of June. So a total of USD 250 million has been raised in the last two months – USD 150 million by way of Foreign Currency Convertible Bond (FCCB) and USD 100 million by way of QIP.

Obviously this has been placed with very large institutional investors. This is a large size placement, in fact the largest placement by Welspun Group ever in the capital market and to that extent a lot of future growth plans have been funded with this placement. All these investors are blue-chip investors. We have seen lot of traction coming from Asia. Usually the European investors are shy of Asian paper. But this time we have seen lot of participation coming from the European large players also.

So this shows that growth story of Welspun Gujarat is pretty well-known and well understood in the market now and more and more participation is coming from the new investors. These are the people who understand the bond market and the equity market pretty deeply and sharply, so this has been a very good response to the Welspun paper.

Q: How much of this is in preparation or readiness for the Alaska pipeline bidding, which will open soon? Do you expect a significant upside or benefits coming from that project?

A: The Alaska pipeline is one of the most challenging projects that have been discussed. This is a big pipeline – 2,800 miles long pipeline, which would bring gas from Alaska to the Mainland Canada and US. This pipeline is of such a difficult size that not many companies in the world have been able to supply the pipes in that range. This is the 48 inch pipe and usually not many companies are approved or they have done 48 inch pipe.

So I am sure many of such similar projects where Welspun has established its worldwide positioning – where we have supplied pipe for the deepest pipeline in the world and the thickest of the forests and deepest of the mountains – now this is all getting true. This Alaska pipeline is certainly one of the big projects that Welspun is eyeing and we are one of the few short listed companies to bid for that.

Q: What would it involve though in terms of bidding or money range that you need to keep handy in your war chest?

A: It is more of a creditation, more of an accreditation, more of an approval, which Welspun has achieved. We are partner with TransCanada in Canada, which is implementing this project. We are also one of the preferred vendors for Exxon Mobil, which is another key stakeholder. Today when Exxon is taking out oil from the field – equal amount of gas also comes out. So what they need to do is to put the gas back into the field. They are investing half a billion dollars every

single year to put the gas back. Now Exxon, Transcanada and Alaska Government all need this pipeline as soon as possible basis. Welspun being one of the four short listed companies has fair amount of chance to play a significant role in this pipeline.

This is almost a USD 6 billion pipe requirement. So hypothetically even if 30-40% order comes to us, we are looking at a size of almost USD 2 billion for Welspun to execute over next 3-4 years.

Q: How much dilution has this QIP, FCCB combination led for your group? Will you need to raise any more money for the rest of this financial year?

A: FCCB and QIP put together is USD 250 million. QIP has entailed a dilution of around 9% and FCCB has entailed a dilution of 12%. So total being around 21%. Not just for this year but for many years our funding requirement in the capital market is probably met. We are also going to deleverage our balance sheet considerably with this money and as a result, our balance sheet would become healthier to be ready for any future growth, future expansion that may come through.

Q: Do you understand that this USD 6 billion pipe order for the Alaska pipeline will be broken up between 3-4 players who are bidding or could it all go to one player – so it could be all or one situation on that order?

A: It is a little early to speak about it because the bidding is going on, the technical presentations are on and in some time the commercial bids would also be sent there. So it's a little early to talk about the actual award of that contract. But I can tell you that no one company in the world has the ability or capability or capacity to fulfill the entire requirement.

So in all probability this would be distributed between 2-3 players and in that sense Welspun is eyeing 30-40% of that contract, which is in itself is a large piece of business, which would keep us busy – at least our US plant for many more years.