

# Welspun to hive off infra, energy & sponge iron biz

Reeba Zachariah | TNN

**Mumbai:** The \$4 billion textiles-to-pipes Welspun Group is undertaking a major restructuring, hiving off its infrastructure, energy and sponge iron businesses into a separate company. Welspun Corp, the world's No. 2 large diameter pipe maker will carve out all the non-pipes businesses into a new entity called Welspun Enterprises. The equity structure of the spun-off company will mirror shareholding pattern of the already listed Welspun Corp in which the promoters hold 38% and private equity biggie Apollo owns 22%.

The restructuring is aimed at simplifying Welspun Group's multiple businesses, each having its own dynamics and risk return profiles. The realignment is expected to provide greater flexibility to each of the businesses. "The core pipe business will remain with Welspun Corp and the growth businesses will be housed in a new company," said B K Goenka, chairman, Welspun Group. The Mumbai-based group entered the pipes business in 1997 and this unit accounts for almost 90% of Welspun Corp's sales and operating profit.

## STREAMLINING OPERATIONS

- > Welspun Group, led by **B K Goenka**, joins the growing list of enterprises that are restructuring businesses
- > IT services firm Wipro demerged its consumer care and medical diagnostics units into a separate company
- > L&T hived off its hydrocarbons business into a subsidiary for better focus earlier this month



The vertical demerger, for which Axis Capital and law firm Amarchand Mangaldas are the advisors, will be fair to all shareholders, Goenka added. The new entity will be listed after the required approvals are in place. Welspun Corp shares closed nearly 4% higher on BSE on Thursday, giving the company a market value of about Rs 1,350 crore.

The separation will have no impact on the composition of Welspun Corp's board and leadership of the constituent businesses of Welspun Enterprises. Every division of Welspun Enterprises—infrastructure, oil & gas, renewable energy and sponge iron units—will be under separate companies.

The group has been building these new businesses through partnerships and ac-

quisitions. In the oil & gas space, it has a joint venture with the Adani Group while it forayed into sponge iron business through the acquisition of Vikram Ispat from Aditya Birla Group. The purchase of the BSE-listed MSK Projects aided the group's entry into roads sector. It holds 40% in Leighton Contractors, which is into engineering, procurement and construction (EPC) play. It also has interests in wind and solar energy sectors.

"Different businesses are valued differently. The demerger will sharpen the financial metrics of Welspun Group," said an industry observer. For example, "a pipe-focused company will be able to better serve the needs of customers and accelerate investments to capitalize on market growth opportunities", the person added.