

Welspun Infratech eyes \$100 million PE funding

Published: Saturday, Jun 18, 2011, 2:54 IST

Welspun Infratech, a unit of pipe maker Welspun Corp, may raise \$100 million, or Rs450 crore, through a private equity placement to fund its future development projects, said chief executive & managing director Parvez Umrigar.

However, he did not disclose details about the stake dilution or by when the company plans to raise the money.

The Welspun group, with a presence also in textiles, oil & gas and energy, forayed into infrastructure in March 2010 with Welspun Infra's plan to acquire 75% of MSK Projects through an open offer at a cost of Rs400 crore.

Nine months later Welspun Infra through a subsidiary bought 35% in Leighton Contractors India for Rs470 crore. Both MSK and Leighton have been renamed Welspun Projects and Leighton Welspun Contractors India.

PE firms have shown growing interest in construction firms over the last year. Sadbhav Engineering sold a 22.22% stake in its development arm for ₹400 crore to Norwest Venture Partners and Xander Group in August and GVK Power & Infrastructure offloaded 21% in GVK Energy to a 3i India Infrastructure Fund-led consortium for ₹1,200 crore. Some funds have joined hands with infrastructure companies to bid for projects.

Last year Actis inked a joint venture with Tata Realty & Infrastructure to invest \$2 billion in roads and in May. Morgan Stanley Infrastructure Partners, a \$4 billion global infra fund, entered into a \$400 million JV with Spain's Isolux Corsan to bid for highway projects.

"We will bid for projects in the core infrastructure areas of roads, power and water. All development projects will be under Welspun Infra and (cash or EPC) contracts will be executed by Welspun Projects or Leighton," Umrigar told DNA Money on Friday.

Welspun Projects' five roads, two bus terminals and one water project have been transferred to Welspun Infra. A development project is one which is owned and operated by an infrastructure company for a specified period before returning it to the government.

A cash contract or an engineering, procurement or construction (EPC) job is one where the company works for a developer who owns the asset or for the government.

Umrigar said Leighton's 13-year presence in India and strong qualification credentials will help Welspun Infra build for an array of projects. "We have already applied for qualification for road, port and water projects worth Rs50,000 crore," said Umrigar, who joined the company about seven months back, before which he was senior MD at Enam Holdings' India Infrastructure Fund.

Leighton's current order backlog is Rs2,000 crore, which Umrigar hopes will increase to Rs2,500 crore by March.