
Patel Engineering considering power venture listing

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Mr Rupen Patel MD of Patel Engineering said that the company was considering a possibility of listing its power venture. Patel is investing around INR 6,800 crore in the power business. The venture would start generating money from sometime next year.

Here is a verbatim transcript of the exclusive interview with Mr Rupen Patel on CNBC-TV18.

Q. Could you draw up your capital expansion plans in financial terms for your power ventures? You have hydro ventures as well as thermal ventures. What is the total bill you are looking at?

A - The total investment in the power sector should be close to around INR 6,800 crore for construction of plants that we are looking at right now.

Q. Could you break it up into hydro and thermal? These are new areas that you are entering into right now. What is the debt-equity breakup? When are you expecting financial closure? For the equity component, what are you looking at, private equity, are you looking at some bit of a preferential issue? Thirdly, on the point of land acquisition issues because that has been a key concern area for a lot of new power projects?

A - The company has acquired the entire land for both power projects. As a matter of fact, part of the environmental permissions is also in. The tenders are ready to be floated for the construction of these projects and I think the tender should be floated some time next month for these projects, which should be expected shortly. We expect that the financial closure of the projects should take place in the first or second quarter of next year and the total outlay in terms of project cost as I said should be close to INR 6,800 crore.

Q. You are in terms of profit a INR 100 crore to INR120 crore company. This looks like a tall order, INR 6,800 crore of capex. Over how many years will you be able to bring in this money and in what form?

A - Normally, the projects are done in special purpose vehicles. Today, we have Patel Power, a subsidiary of Patel. The total debt to equity should be close to around 25 to 75 and we are looking at close to INR 1400 crore worth of equity to be brought in over the execution cycle of the project. Out of the INR 1400 crore, the company has already invested close to INR 400 crore till date, bringing the projects, acquiring the land and getting the required permissions for the project.

Q. Is the Patel Power listing tempting?

A - Yes, we are evaluating various options. Listing the power entity is one of them at this point in time.

Q: Do you have any amount in mind that you would like to raise from this power entity and is there a time horizon you have for this listing?

A - Like we said that we would be look at 20-30% of the equity base at some point of time.

(Sourced from CNBC TV 18)

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