

IL&FS plans to list some units

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MUMBAI

Public works developer and financier Infrastructure Leasing and Financial Services Ltd (IL&FS) is planning initial public offerings (IPOs) in units managing its energy, waste management and environmental consultancy assets, seeking to raise money to tap emerging business opportunities.

The plan, which will take shape over the next three to five years, will help monetize the group's diverse businesses and allow it to tap new opportunities in these sectors in a focused manner.

"The mandate of IL&FS is to commercialize the infrastructure projects and provide value-added financial services to the sector. We are now defining the next level of play," vice-chairman and managing director Hari Sankaran said in an interview on Tuesday. "We are looking at creating separate companies in energy, waste management and environment."

IL&FS' plans to restructure its business come against the backdrop of expectations that investments in infrastructure will gather momentum starting in 2015-16 as economic growth accelerates after two years of sub-5% expansion

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during which many projects were stuck because of delays in securing mandatory approvals and completing land acquisition.

In a 5 January report, **Prabhudas Lilladher Pvt. Ltd** said it expects a revival in investment to be visible this calendar year, as pent-up demand and benefits of measures taken by the seven-month-old National Democratic Alliance government flow through and positive sentiment translates into decision making by corporate entities. Urban infrastructure projects such as roads and power plants will get a boost, it said.

The IL&FS group already has three publicly traded units—**IL&FS Engineering and Construction Co. Ltd**, **IL&FS Transportation Networks Ltd (ITNL)** and **IL&FS Investment Managers Ltd**.

The energy, waste management and environmental consultancy businesses are currently privately held, but have operational portfolios.

IL&FS Energy Development Co. Ltd (IEDCL), for example, has 1,000 megawatts (MW) of power generation capacity in operation and another 3,000MW in various phases of execution. Its 1,200MW thermal power project in Cuddalore, Tamil Nadu, is due for completion in 2015, Sankaran said.

IL&FS Environmental Infrastructure & Services Ltd (IEISL) provides consulting services to developers on environmental initiatives. "IEISL operates as programme manager to conceive, steer and manage projects that have a complex interface between government, business and communities promoted by IL&FS," according to its website.

Besides plans for listing the above businesses, the company has already started the process of listing its wind energy assets in Singapore and is awaiting approval from the Singapore Stock Exchange, Sankaran said.

IL&FS is also looking at selling its operational road assets. "We are looking at selling part or majority stake in road assets to pension funds if we get good valuations," Sankaran added.

Having separate companies for different businesses is a good idea because each sub-segment in the infrastructure segment needs a specialised focus, said Manish Aggarwal, partner, corporate finance, infrastructure, and head of the energy and natural resources practice at audit and consulting firm KPMG India.

"Many investors nowadays are also looking at specific sectors to invest in and this move could also help in attracting capital, which is crucial for infrastructure, especially in its initial years," Aggarwal added.

IL&FS also has a financial services arm which raises money to fund infrastructure projects and that business may also pick up as new infrastructure projects start to get bid out.

On Wednesday, IL&FS announced that it had received a commitment of a further ₹550 crore for its infrastructure debt fund (IDF), taking the total commitment it had received till now to ₹1,380 crore. Next, the fund will look to raise money from international investors by the end of the next fiscal year.

"Now we will raise money from overseas investments. We should try and double the IDF investment by end of next fiscal with foreign investment. We have already invested our first ₹750 crore," said Sankaran, adding that the fund had received two or three opportunities to deploy capital. He declined to share details.

Sankaran also hinted that IL&FS will raise funds for its private equity unit. IL&FS private equity has a fund size of \$3.2 billion.

Sankaran is optimistic of a revival of investment in infrastructure.

"We need to give this government credit for three things, firstly they have brought back India into the global limelight. From where we were less than one year ago to where we are today, it's a sea change in terms of global positioning which is absolutely essential for the capital raising that we need as a country. If we have not done this we could not have begun to discuss capital raising globally," Sankaran said.

He, however, said he will still prefer to wait until February's Union budget to invest any new money.

Although investor sentiment towards infrastructure projects has changed for the better, the challenge for the government and stakeholders is to ensure execution, said Vishwas Udgirkar, senior director, infrastructure, at **Deloitte Touche Tohmatsu India Pvt. Ltd**.

"The proof of the pudding is in the eating. Ultimately the execution of the projects will determine whether the infrastructure sector picks up. Some steps have been taken by the government and slowly solutions are coming through but ultimately implementation will be key," he said.

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