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Shipyards on fund-raising spree for expansion projects

All major shipbuilders have announced capacity expansion programme and require funds to execute them

OUR SHIPPING BUREAU
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Domestic shipyards are on a fund-raising spree for their expansion projects. ABG Shipyard is raising \$125 million syndicated loan and another \$200 million through a qualified institutional placement (QIP), while Pipavav Shipyard (PSL) is raising around Rs 800 crore through its initial public offering (IPO), which is likely to hit the market soon. Bharati Shipyard, which is setting up a new shipbuilding yard at Usgaon near Dabhol Port in Maharashtra, will raise Rs 400 crore in debt to fund the Rs 600-crore project.

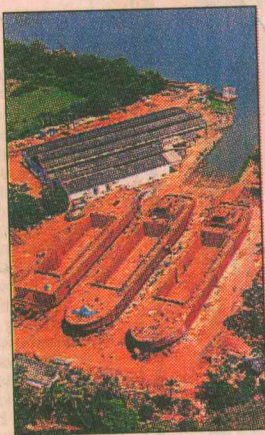
PSL recently sold a minority stake — a tad below 2% — to a slew of financial investors such as Gallion Fund, Deutsche Bank, Merrill Lynch, Blackstone and JM Financials, to raise around \$25 million.

While the two promoters of PSL — Nikhil Gandhi's Skil Infrastructure and Punj Lloyd — hold 55% stake in the company, a clutch of US-based investors — including New York Life, 2i, Citadel, Trikona — are holding around 30% stake. Indian financial institutions hold 15% stake. The IPO will account for 10%.

Last week, Chowgule Steamships (CSL) informed the Bombay Stock Exchange (BSE) that it would invest up to Rs 28

crore in Chowgule Ports & Infrastructure, which is setting up a ship repair cum port project in

for a concession period of 50 years under the Maharashtra Maritime Board (MMB).



ABG is raising \$125 million syndicated loan and another \$200 million, Pipavav Shipyard is raising around Rs 800 crore through its initial public offering and Bharati Shipyard will raise Rs 400 crore in debt

Jaigad, in Ratnagiri district of Maharashtra. Chowgule wants to develop a drydock facility having ship repairing facility and a small jetty at Lavgan and the project will cater to the requirements of small vessels, including coastal vessels, offshore supply vessels and coast guard ships. The drydock is being developed on build, operate, own, share and transfer (BOOST) basis

Senior officials from ABG Shipyard said the largest Indian shipbuilder is currently on a roadshow in the Far East to raise \$125 million. "We have already sewed the required debt,"

said an official. The fund will be used for Surat expansion project for rig manufacturing.

"At Surat, we need to invest around Rs 1,200 crore — Rs 400 crore block yard, and Rs 800 crore for assembly line. While the proposed QIP will take care of Rs 800 crore, the remaining funds will come from internal accruals," said the official. The block yard means a facility where ships would be built in several blocks and join them later for quick implementation.

Bharati's proposed yard will have the capacity to build up to 1-lakh DWT vessels in the first phase, is scheduled to be completed in two years. The yard would be spread over an area of 250 acres, of which Bharati has already acquired 180 acres.

The shipyard, the fifth yard Bharati would be operating, will be financed through a mix of debt and internal accruals. It would be investing Rs 200 crore through internal accruals and the rest Rs 400 crore would be debt.