

We'll tap market after 50% of project is over: Gaur

The Jaypee group plans to raise about Rs 2,350 crore through initial public offer (IPO) of infrastructure subsidiary Jaypee Infratech. The company is raising Rs 1,650 crore through fresh issue of shares at a price band of Rs 102-117 per share. In addition, parent company, Jaiprakash Associates is divesting 6 crore equity shares through offer for sale at the same price. In an exclusive interview with ET's Arun Kumar, group founder Jaiprakash Gaur said the IPO would help in funding the ongoing 165-km Yamuna Expressway project and unlock shareholders' value. Excerpts:

Jaypee Infratech with 6,175 acres is developing five integrated townships between Noida and Agra. Would you describe it as an infrastructure company or a real estate company?

This is an infrastructure company. We were awarded the expressway and land was given as part of the project. Being an infrastructure player, the company was given 10 years tax holiday. At the same time, we have large parcels of land along the expressway. We have started developing the first parcel in Noida and will start developing other parcels in the course of this year. This is probably a unique business model in which infrastructure and real estate are the core business areas. In the Noida project, we are going to develop approximately 80-million square ft. Of this we have only sold 21-million square ft with saleable value of approximately Rs 6,300 crore.

As substantial part of expressway is already completed, what is the purpose of raising funds?

The expressway project entails a capital expenditure of Rs 9,739 crore. Of this, we have already spent Rs 6,250 crore from promoters' contribution, internal accrual and long-term debt from banks. Our intent is to enter the market after completing more than half of the project so that investors have complete visibility in term of its completion. This is in line with our group's philosophy. We have never entered the market at the planning stage of the project even in other areas.

The project is being financed through promoter equity contribution of Rs 1,250 crore, internal accruals of Rs 955 crore and we have tied up debt of Rs 6,000 crore, of which Rs 4,044 crore has already been disbursed to us. Proceeds from fresh issue will be utilised towards completion of the expressway.

Is the proposed price band of Rs 102-117 per share not on higher side in the current market condition when many real estate and infrastructure companies have lined up their IPOs?



On the contrary, the price is on the lower side. Our group philosophy is to reward shareholders. Given the inherent strength of the company in term of prime land bank and the expressway, which is in advance stage of implementation, the merchant bankers have priced the issue conservatively. A discount of up to 5% to the issue price, which will be decided through book building process, shall be offered to retail investors.

By when will the expressway project be completed?

It will be completed by March 2011.

In 2011-12, when the expressway will be ready, what percentage of revenues will come from toll business?

Since, we are in the midst of the IPO, I cannot give any financial projection.

In FY10, what was Jaypee Infratech's revenue and profit?

The full year figures have not been announced. In the first three quarters ending December 2009, it has reported a net profit of Rs 399 crore and a turnover of Rs 533 crore.

(BCCL, the publisher of this newspaper, has a pre-IPO holding of 0.082% in Jaypee Infratech)



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