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Goldman Sachs-led Consortium to Invest \$220 m in Essel Highways

Investment via structured debt deal to be one of the biggest in sector

Our Bureau

Mumbai: A consortium of investors led by Goldman Sachs Inc has agreed to invest \$220 million in Essel Highways, the road infrastructure holding company of Subhash Chandra-controlled Essel Group, through a structured debt transaction in one of the biggest fundraising exercises in the sector.

Goldman, the lead investor, has already paid an initial \$85 million, a third of the total, in exchange for debentures. Other financial institutions and investors will be investing the remaining portion after corporate milestones are achieved. The funds will be used to fi-

nance new projects and strategic acquisitions, the company said in a statement on Friday.

ET reported on June 21 that Goldman was in advanced talks for a \$200-250 million deal with Essel Group in its road subsidiary.

With assets valued at nearly \$2 billion, the company has a road development portfolio of 14 projects, 10 of which are operational, equalling over 4,400 lane km across six states. The firm has an order book of close to ₹11,000 crore, its website showed.

Essel Infra Raised \$132 m in March >> 8

Investment momentum has increased in roads in past few months

Road To Funds

Essel Highways has 14 road assets: 10 operational, 4 under construction

OPERATIONAL

2 national highways, 8 state highways

UNDER CONSTRUCTION

3 national highways, 1 state highway

ORDER BOOK: ₹11,000 crore

Order pipeline & execution picking up in road sector, says Jefferies

AT 4.7 MILLION KM, India has the world's second-largest road network



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The group's infrastructure holding company, Essel Infrastructure, raised \$132 million in March from Piramal Group and Dutch pension fund APG Asset Management for its solar power project platform.

Investment momentum has increased in the road infrastructure space in past 12-18 months with many infrastructure-focused investors looking at putting money into Indian assets, analysts said. Global institutional investors such as Goldman Sachs and sovereign and pension funds have been actively looking at cash-generating infrastructure projects.

"With infrastructure asset supply becoming scarce in western markets, there is a significant opportunity to attract meaningful investments for India from these investors," Ambit Capital said in a recent note. "A corpus of up to \$50 billion is likely to get invested in Indian infrastructure over the next five years."

Canadian pension investment manager PSP Investments is negotiating a deal to take control of four toll road assets in Rajasthan, Punjab, Uttar Pradesh and Bihar.

ISquared Capital, a \$3-billion global infrastructure fund managed by former Morgan Stanley executives, acquired three operational road assets for about ₹1,000 crore in January.

"Execution is picking up in the roads sector, which is also confirmed by equipment makers as well as lenders. Roads tracker for May-June suggested positive trends in the road sector with large order pipeline and pickup in execution," Jefferies said in a note on July 19.

This is the first investment by Goldman Sachs in Indian roads. It has an exposure of about \$370 million in alternative energy and is one of the largest investors in real estate in India.

Through PE and structured financing transactions, Goldman Sachs has been active in India with investments of more than \$1.5 billion. That includes \$370 million in ReNew Power, a wind power infrastructure firm, and \$150 million in Piramal Realty, the property investment arm of the Piramal Group. It also plans to jointly invest \$250 million in commercial real estate assets in India along with realty developer Nitesh Estates.

At 4.7 million kilometres, India has the second-largest road network in the world. According to the Indian Brand Equity Foundation, the national road network transports more than 60% of

