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Rel Infra gets nod for Rs 4,300-crore equity capital infusion

fe Bureau Mumbai, May 24

HE board of directors of Reliance Infrastructure Limited (Rel Infra) on Sunday approved a proposal for new equity capital infusion of about Rs 4,300 crore (\$913 million) into the company. The promoter group's holding will increase from 38% to 48%.

This fresh equity capital infusion is proposed through a preferential offer of warrants to be converted into 42.9 million equity shares, to the promoters, Reliance Anil Dhirubhai Ambani Group. Life Insurance Corporation, and other insurance companies, who have been long-term shareholders of the company over the past several decades and who collectively hold approximately 20% of equity, will be provided an opportunity to participate in the proposed offering on the same terms and conditions, a release by the company disclosed.

The preferential offer, which is subject to necessary approval from shareholders, will be made at a price of This fresh equity capital infusion is proposed through a preferential offer of warrants to be converted into 42.9 million equity shares. The preferential offer will be made at a price of around Rs 1,000 per share

around Rs 1,000 per share. As per current Sebi guidelines, Reliance Infrastructure will receive 25% of the amount on allotment, through an upfront payment of around Rs 1,075 crore (\$ 228 mn), and the balance upon conversion.

Simultaneously, the board had approved cancellation of 43 million equity warrants issued to the promoter group on January 20, 2008. The upfront payment of Rs 783 crore made earlier by the promoter group against those warrants, has accrued directly to the company's reserves.

The effective purchase cost to the promoter group, after considering the upfront payment of Rs 783 crore already received on warrants issued earlier, which have now been cancelled, works out to Rs 1,183 per share—representing a premium of 83% to the average price of the preceding 3 months.

Commenting on the development, Anil Ambani, chairman, Reliance Infrastructure Ltd., said: "We have a great sense of excitement at the unprecedented opportunities unfolding before Reliance Infrastructure, in high growth areas of power and infrastructure development. The new equity capital infusion reflects our strong confidence in future growth prospects of the company."

The company will substantially enhance its net worth to over Rs 16,000 crore, and further augment its borrowing capabilities to Rs 32,000 crore at even a debt: equity ratio of 2:1, thereby enabling greater participation in mega growth opportunities in high growth infrastructure areas, thereby generating superior returns for its over 1.6 million shareholders.