

Shapoorji Pallonji gears up for Sterling & Wilson Solar IPO

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The Shapoorji Pallonji (SP) Group, for the first time in 150 years, will launch an initial public offering (IPO) for one of its 13 private businesses — Sterling & Wilson Solar — a global company that engineers and builds solar-powered projects.

The \$7-billion conglomerate, best-known for real estate and infrastructure, is also the largest single private shareholder in the Tata Group.

Sterling & Wilson Solar, a solar power EPC (engineering procurement construction) company, which recently received approvals from the Securities and Exchange Board of India (Sebi) for its IPO, has been in business since 2011 and reported ₹6,800 crore in revenue for 2017-18 with a profit of ₹450 crore.

Sterling & Wilson Solar, two years ago, was spun out of Sterling & Wilson, which was founded in 1973 and is an electro-mechanical contractor.

While there's speculation that the listing is at least partly due to a ballooning of debt, group promoters say

it goes beyond that.

SP Group Chairman Shapoor Mistry says: "Addressing debt is not our primary driver. To retain our position as the world's largest solar EPC and with the aim to capture a larger market share, a listed organisation with a large market cap will be helpful because it improves the ability to win large projects and attract the best talent."

Mistry says as solar power becomes cheaper, the global market will expand exponentially, and growing demand for renewable energy is at a pivotal juncture.

Santosh Kamath, partner and lead, Alternate Energies, KPMG India, says "the solar sector is witnessing rapid growth owing to competitive tariffs and a strong government push, and we expect the sector to add 10-15 GW (gigawatt)

annually". He says that translates into a ₹35,000-50,000 crore opportunity but pricing will be competitive due to strong competition, which will require economies of scale.



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SHAPOOR MISTRY
Chairman, SP Group

Does the coming IPO reflect a shift for the group — given that Mistry, his brother and former Tata Group Chairman Cyrus Mistry, and their father, Pallonji Mistry, have consistently embraced a low-key business style, with minimal public interaction? "Our work speaks for itself. Some of our in-house brands like Eureka Forbes and Shapoorji Pallonji Real Estate have been proactive in

the media as a business model requirement," Mistry says.

Even so, an insider who knows the Mistry business noted there was "surprise on the news of the listing, as

SP GROUP BUSINESSES

(Consolidated figures in ₹ crore)

Name of the entity	Year end	Net worth	Total debt	Net sales	PAT
Forbes & Company	FY18	315.81	1,240.15	2,769.15	32.20
Afcons Infrastructure	FY18	1,791.05	1,674.53	6,519.41	164.12
Eureka Forbes*	FY18	—	—	—	—
Sterling & Wilson	FY18	410.16	1,375.38	3,290.66	137.83
Sterling & Wilson Solar	FY18	378.31	184.13	6,870.98	450.53
Shapoorji Pallonji & Co (Standalone)	FY18	2,587.63	7,561.63	9,190.14	341.52

*Figures included in Forbes & Company

Source: SP Group

historically there has been an aversion to the glare of quarterly scrutiny, shareholder pressure, and analyst scepticism".

Another points towards how third-generation business houses are increasingly using either private-equity deals or IPOs to address problems that may arise with succession challenges. Other business groups have done that in the last decade. The Mahindra Group professionalised itself through a combination of listings for Mahindra Holidays (2009) and Mahindra Logistics

(2017) and getting CEOs to run firms, as did the Godrej Group, which listed Godrej Properties in 2010 and Godrej Agrovet in 2017.

SP Group Executive Director Jai Mavani says other strategic initiatives include raising \$300 million in 2015 for an affordable housing business called "Joyville". Key investors contributing 70 per cent of the equity were International Finance Corp, Asian Development Bank, and Actis Private Equity.

The group has signed a 50-50 joint

venture with Allianz in 2017 for income-yielding real-estate assets via a \$500 million platform, of which over 20 per cent has been invested in an IT Park in Pune.

"The group is engaged with strategic investors including pension and sovereign funds for investment in their solar and road development platform," he adds. "Further, to strengthen the balance sheet, our promoters, Mistry and his brother Cyrus Mistry, also infused ₹2,500 crore of their own funds (unleveraged) into their parent company."

Will other group companies also take the IPO route?

Kekoo Colah, executive director at the SP Group, says listing other businesses such as Afcons or SP Real Estate hasn't been discussed but the Group will look at options case by case.

Khurshed Daruvala, part-promoter and chief executive officer, Sterling & Wilson Solar, says: "The IPO reflects a willingness to adapt to the requirements of the organisation, and to be able to think of aggressively tackling a growing global opportunity."