

GVK to Buy BIAL Stake for ₹614 cr

Threat from Changi & Tatas forces co to pay premium for Siemens' 14%



Bangalore airport

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Hyderabad-based GVK Power and Infrastructure will become the largest shareholder in Bangalore International Airport (BIAL) after agreeing to bite the bullet and pay a premium in difficult market conditions to buy Siemens' 14% stake.

GVK, which was given time till August 20 to exercise its right to buy Siemens shares, said on Monday it had agreed to the transaction for ₹614 crore. After approvals and documentation are

complete, GVK will own 43% in BIAL while Siemens will hold 26%. GVK already runs the airport's day-to-day operations.

The deal values BIAL at ₹4,384 crore, an 8.6% premium over the price of ₹105 per share GVK had paid in 2009 for acquiring the stakes of L&T and Zurich Airport. GVK had resisted doing the transaction on the 2009 valuation, but had to give ground as the prospect of rivals entering the fray appeared imminent.

ET had reported on Monday that Singapore's Changi International and the Tatas had shown inter-

est in acquiring Siemens' stake at ₹114 per share. GVK, which as the second-biggest shareholder had the first right to buy Siemens' stake, was offering only ₹60 per share as it felt that the 2009 valuations were no longer valid due to change in business conditions.

"BIAL is an important and strategic asset for us and when Siemens had an offer of ₹114 per share, we had no choice but to exercise that right (of first refusal)," Sanjay Reddy, managing director, BIAL, told ET.

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BIAL too Important an Asset to Let Go

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GVKPIL shares closed at Rs 17.40, up 1.75% on BSE on Monday. Reddy, however, did not comment on the funding for the buy and whether GVK was looking to raise debt from the market.

"Right now we have just accepted the RoFR and the details are being worked out and we are trying to close the transaction," he said. The buy will give GVK additional two seats on the board.

Aviation experts say GVK must have exercised its right reluctantly considering the money involved, but BIAL was too important an asset to let go. "In the long term, BIAL will be a

stronger asset for GVK even better than the Mumbai airport. The revenue share of the government in Mumbai airport with GVK is 37% whereas in BIAL it is only 4%," said Kapil Kaul, CEO, India and Middle-East, Centre for Asia Pacific Aviation, an aviation research and advisory firm.

"Also, Mumbai has structural issues and is a locked airport whereas BIAL has a lot of scope of expansion and development," he added. GVK plans to invest Rs 4000-5,000 crore to expand BIAL. Work on expanding the terminal's capacity to 17 million passengers is underway. After the next phase, the airport will have the ability to handle over 30 million passengers.