

Sanmar may tap mkt for expansion

TNN / 01 July 2011

CHENNAI: Sanmar Engineering, a Sanmar Group firm, said it is scouting for partners to diversify into high-pressure engineering valves business and the nuclear sector.

"We would like to fill this gap with a couple of joint ventures," says Vijay Sankar, deputy chairman of The Sanmar Group. "We have catered to the requirements of this (nuclear) space in the past. With this sector opening up, it presents a huge opportunity," said Sankar, adding that the company is not averse to tapping the market to fund the expansion.

"Till date, our expansion has largely been met through ploughing back profits, internal accruals and debt. While these sources are cheaper forms of finance, if the need arises, we are open to raising capital from outside," said Sankar.

The engineering division clocked a turnover of Rs 1,225 crore last year, of which the foundry business accounted for Rs 750 crore. Sankar said the company is eyeing a 20% compounded annual growth rate for the next five years. The engineering company is looking to close its books with Rs 1,500 crore in turnover this year.

Sanmar Engineering, which has completed 35 years, has five joint ventures and 12 business units spread in five locations across the globe. On the Rs 254-crore debt restructuring of TCI Sanmar Chemicals, Sankar said the company is in talks with banks.

A consortium of banks led by Bank of India had advanced around \$565 million to fund an Egyptian acquisition. The group had acquired Trust Chemicals in Port Said in 2007 so that Sanmar could ship raw materials from Port Said to its plant in Cuddalore, Tamil Nadu.

While banks have asked for a corporate guarantee, Sankar says this is a non-recourse loan with a small element of guarantee. "When it comes to repayments, we have a track record of zero defaults," he said.