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Apollo Global to Invest in Welspun Group

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MUMBAI -- Apollo Global Management LLC has agreed to invest up to 22.50 billion rupees (\$501 million) in three units of Welspun Group, an Indian conglomerate with businesses ranging from making pipes for the oil industry to supplying textiles to top retailers.

U.S.-based Apollo and its affiliated funds will invest in pipemaker Welspun Corp. as well as two unlisted entities, Welspun Maxsteel Ltd. and Welspun Infratech Ltd., Welspun Group said in a regulatory filing Wednesday.

This is the biggest investment so far for Apollo in India and is the latest example of growing private-equity interest in the second-fastest-growing major economy in the world.

In March, Hero Group tied up with an affiliate of Bain Capital LLC and a unit of Government of Singapore Investment Corp. (Ventures) Pvt. Ltd. to buyout partner Honda Motor Co. in Hero Honda Motors Ltd. Earlier this year, Apax Partners LLP and outsourcing company iGate Corp. partnered to acquire Patni Computer Systems Ltd. for \$1.22 billion.

Apollo's head of international private equity, Sanjay Patel, told reporters the company is looking at more deals in India, especially in the chemicals, metals, telecommunications and media sectors. "We are very focused on significant stakes in good-governance companies with competent promoters," he added.

Welspun Group Chairman B.K. Goenka said Apollo as an investor will help the group's businesses in the energy sector.

"Apollo is one of the leading investors in the oil and gas segment," Mr. Goenka told a press conference. "Apart from the cash, the investor will bring a lot of knowledge to the table."

Under the agreement, Apollo will invest 13.05 billion rupees in Welspun Corp., including about 7.88 billion rupees by subscribing to fully and compulsorily convertible debentures. The debentures will have a coupon of 5% and should be converted within 18 months at 225 rupees a share.

The private-equity company will also subscribe to non-voting global depository receipts of 5.17 billion rupees at the same price.

Welspun Corp. and Apollo have also agreed to buy the entire founders' stake in Welspun Maxsteel, the filing said.

Welspun Corp. will buy 87.5% of Welspun Maxsteel for 8.05 billion rupees and Apollo will acquire the remaining for 1.40 billion rupees.

Apart from these, Apollo will invest 1.30 billion rupees in Welspun Maxsteel, a producer of gas-based direct reduced iron.

It said also Apollo and affiliated funds are in talks to invest up to 6.75 billion rupees in Welspun Infratech in the form of debt and equity.

Welspun Infratech is a unit of Welspun Corp. and offers construction and infrastructure services in India.

Shares of Welspun Corp. closed 2.8% up at 173.90 rupees on the Bombay Stock Exchange, where the benchmark index rose 1.1%.

Welspun Group expects to close the deal by Aug. 12, and Mr. Goenka said two Apollo representatives will join the board of Welspun Corp.

"The money will be used in our expansion plans, which include setting up of infrastructure and building a steel-slab plant," said Mr. Goenka without elaborating.

Welspun Maxsteel is planning to set up a steel-slab plant with a capacity of 1.5 million metric tons a year.

Apollo's Mr. Patel said the private-equity company's total fund size is \$15 billion and 20%-30% of that is invested outside the U.S. It is targeting an average 30% return from India, he added.

Apollo's last major investment in India was in November 2009 when it bought \$100 million of global depository receipts from Dish TV India Ltd.

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