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Apollo private equity to infuse Rs 22.5 bln into Welspun group; to acquire 13.3% stake in Welspun Corp

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Mumbai: Global private equity investor Apollo Global Management LLC has agreed to invest up to Rs 22.5 billion (\$500 million) in Indian pipes maker Welspun Corp Ltd, and its affiliates Welspun Maxsteel Ltd and Welspun Infratech Ltd.

As part of the agreement, Apollo will buy 13.3% equity stake in Welspun Corp Ltd for Rs 7.88 billion by subscribing to fully and compulsorily convertible debentures at Rs 225 each. The debentures will be converted into equity shares within 18 months of the issue, and will carry a coupon of 5% till then.

Apollo will invest a further Rs 5.17 billion in Welspun Corp by buying non-voting Global Depository Receipts to be issued by the company.

The issue price is at a premium of 33% to Welspun Corp shares Tuesday closing price of Rs 169.2 on the Bombay Stock Exchange.

Also, Apollo will buy 12.5% equity stake in sponge iron maker Welspun Maxsteel Ltd from the founders for Rs 1.4 billion, and will spend further Rs 1.3 billion in the company towards capital expenditure. Welspun Corp will buy the remaining 87.5% equity stake in the steel company from the founders for Rs 8.05 billion.

Apollo is in "active discussions" with Welspun Corp's infrastructure business unit Welspun Infratech Ltd to invest Rs 6.75 billion in the company through debt or equity or both, on fund specific projects.

Welspun said it expects to complete the transaction by August 12.

Welspun Corp's shares rose on the news and were trading at Rs 176.7 on the Bombay Stock Exchange, up 4.43% from the previous close.

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