



» **Print**

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to colleagues, clients or customers, use the Reprints tool at the top of any article or visit: www.reutersreprints.com.

Apollo to invest \$500 mln in Welspun group

Wed, Jun 29 2011

By Ketan Bondre and Swati Pandey

MUMBAI (Reuters) - Private equity fund Apollo Global Management LLC will invest about \$500 million in steel pipe manufacturer Welspun group, marking the second biggest private equity investment in India this year as firms take advantage of the rapid growth in Asia's third largest economy.



Private equity deals are rapidly growing in India, with firms such as 3i Group Plc and Blackstone Group scouting for new investment opportunities, and many others selling their holdings as valuations improve.

India saw 61 private equity buyouts worth \$3.3 billion in the first half of 2011, up 21.6 percent from the same period last year. And private equity-backed M&A in the first six months of 2011 was the highest for the first half of any year so far.

Earlier this year, Bain Capital and GIC invested about \$850 million in Hero Honda in the largest PE deal in India this year.

This is Apollo's second investment in India after it poured \$100 million into satellite television operator Dish TV (DSTV.NS: [Quote](#), [Profile](#), [Research](#)) in 2009. The private equity firm is scouting for more opportunities in chemicals, metals and industrials, Sanjay Patel, senior partner at Apollo, said at a press conference.

Welspun plans to use the funds to expand its presence in steel and infrastructure and raise its stake in group entities, Chairman B.K.Goenka told reporters on Wednesday.

"We have the vision of becoming iron ore to steel pipes business. This step is in that direction," Goenka said. "Apollo will not only bring the cash on table but will also provide their expertise in metals."

Apollo will invest 13.05 billion rupees (\$289.7 million) in the group's listed entity Welspun Corp through a preferential allotment of convertible debentures and global depository receipts (GDR), Welspun said in a statement.

It will convert the debentures in 18 months at 225 rupees each and subscribe to the GDRs at the same price, taking its total stake in the pipemaker to about 20 percent, a move aimed at boosting its capabilities in the global oil and gas sector.

The price reflects a premium of 33 percent to Welspun's Tuesday closing price.

Shares of Welspun Corp, which supplies steel pipes to top oil companies such as Royal Dutch Shell, Exxon Mobil and BP Plc and is valued at \$768.5 million, rose more than 5 percent following the news. At 0759 GMT, shares were up 4.4 percent at 176.50 rupees.

"Welspun is strongly levered to an expected pickup in global demand for...pipes used primarily in oil and gas transportation," Citigroup said in a research note, initiating coverage of the company with a "buy" rating.

"This is borne out by the fact that a number of projects which were earlier put on hold are now being revived, particularly in the U.S. We believe that investments in gas-transportation infrastructure across the globe should also boost pipe demand," Citi said.

High crude prices will also boost growth for oil transmission pipe manufacturers. Welspun's global network, with plants in India, the United States and Saudi Arabia, will allow it to service many projects, Citi said.

In an indication that global interest in India's oil and gas sector is rife, energy major BP agreed to buy a 30-percent stake in 23 oil and gas blocks from Reliance Industries in a deal valued at \$7.2 billion in February.

London listed Vedanta Resources earlier agreed to buy a majority stake in India-focused Cairn India for up to \$9.6 billion.

Apollo will also buy out the founders' holding of 12.5 percent of another group company, Welspun Maxsteel Ltd, for 1.4 billion rupees and will invest another 1.3 billion for capital expenditure in the firm.

It is also in "active discussions" with Welspun Infratech, a unit of Welspun Corp, to invest another 6.75 billion rupees, it added.

(\$1 = 45.040 Indian Rupees)

(Additional reporting by Indulal P.M., Sumeet Chatterjee and Kaustubh Kulkarni; Editing by Jui Chakravorty)

© Thomson Reuters 2011. All rights reserved. Users may download and print extracts of content from this website for their own personal and non-commercial use only. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Reuters.