

## Apollo to invest up to Rs 22.50bn in Welspun Group

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**The transaction is expected to close on or before August 12th, 2011.**



Welspun Corp Limited (WCL), a leading global pipe manufacturer, and certain of its affiliates, today announced that it has agreed to a transaction by which funds affiliated with Apollo Global Management, LLC (NYSE: APO; together with its affiliates, "Apollo") - one of the world's leading private equity firms - will invest in the Welspun Group. The transaction is expected to close on or before August 12th, 2011.

The Board of Directors of Welspun Corp Limited (WCL), Welspun Maxsteel Limited (WMSL), and Welspun Infratech Limited (WITL) have carefully

considered and agreed to accept Apollo's investment proposals in meetings held on 29th June 2011 and these Boards have universally viewed this transaction as a positive, landmark event in the trajectory of the Welspun Group. As a part of the total investment plan, funds affiliated with Apollo will invest INR 1,305 Crores in WCL, of which INR 788 Crores will be invested by way of a preferential allotment of FCD/CCD (Fully/Compulsorily Convertible Debentures) and INR 517 Crores by way of non-voting Global Depository Receipts ("GDR's"). The FCD's/CCD's will carry a coupon of 5% and will be mandatorily and fully converted within 18 months into equity shares at Rs 225 per share, which represents 13.3% of the equity capital of WCL. Further, Apollo will subscribe to non-voting GDR's of INR 517 Crores at the same price of Rs 225 per share.

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The Board of Directors of WCL and funds affiliated with Apollo have also agreed to acquire the entire Promoter stake in WMSL. WMSL is currently one of the largest gas-based merchant direct reduced iron ("DRI") producers in India and is proposing to expand downstream into the production of high-end steel slabs. With this transaction, WCL has taken firm steps in the direction of becoming a more vertically integrated manufacturer in the oil & gas line-pipe industry and continues in the direction of accomplishing the "ore to pipes" vision of the company. As part of the transaction, WCL will be purchasing 87.5% of the WMSL equity for a total consideration of INR 805 Crores and Apollo will be purchasing 12.5% of the WMSL equity for a total consideration of INR 140 Crores. Further Apollo will invest an additional INR 130 Crores for capital expenditure. The above investment plan is subject to necessary regulatory and statutory approvals and is expected to be completed within 45 days.

Apollo and its affiliates are also in active discussions with WITL, a subsidiary of WCL, to explore an additional investment of up to Rs 675 Crores in WITL (in the form of debt, equity or a combination of the two) and its subsidiaries. The end use of the funds in WITL will be project specific and the form of such investments is being actively reviewed and considered.

WMSL is currently producing DRI and is proposing to set up a 1.5mn MTPA high-end steel slab facility. This initiative is an important step in creating an integrated business model (from iron-ore to DRI to Plates-and-Coils to Pipes) and will enhance Welspun's already impressive capabilities to compete in the global oil & gas line-pipe market. More specifically, it will enable the business to withstand underlying volatility in steel prices and deliver predictable business and optimal solution

to customers.

Commenting on this investment, Mr. B. K. Goenka, Chairman of Welspun said, "We are extremely delighted to have Apollo as one of our largest stakeholders. Apollo is one of the largest private equity fund managers in the world. Apollo's investment in Welspun is a landmark transaction for the Indian capital markets and demonstrates trust and confidence in Welspun's management team, the firm's global reach in servicing some of the largest oil and gas companies in the world, and our collective vision for the future of the industry. We believe that this partnership will pave the way for Welspun to continue on its path of becoming one of the leading line-pipe companies in the world."

Joshua Harris, Managing Partner and Co-Founder of Apollo Global Management, LLC said "Since 1990, Apollo has developed substantial expertise and valuable relationships across a handful of core industries through our private equity investment activities. Welspun represents a leading global franchise that operates at the intersection of energy and metals -- two of our core verticals -- and we are very enthusiastic regarding the prospects of the company."

Mintoo Bhandari, the Managing Director of AGM India Advisors Ltd, said "Welspun has a strong history of growth and profitability in global oil & gas line pipe industry and is at the cusp of becoming a leading, global integrated pipe manufacturer. The track-record of operational performance at Welspun is unique and we believe that the management is committed to building on its current, impressive capabilities."

Sanjay Patel, Head of International Private Equity and Senior Partner of Apollo Management International LLP said, "Our investment in Welspun is consistent with our approach of investing in sectors in which we have significant knowledge and experience at Apollo and in companies in which we believe we can add significant value. We believe the timing is right for both Apollo and Welspun to come together to deliver upon the considerable potential inherent in Welspun."