

PE, Apollo Global Management, to invest \$500 mn in Welspun Corp

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The promoters of the Welspun Group, a \$3 billion textile-to-pipe conglomerate, said in a press conference that private equity heavyweights Apollo Management will be investing \$500 million in Group.

Transaction should be completed by FY 12.

The deal involves three companies of the group -- Welspun Corp, Welspun Max Steel and Infratech.

Apollo will acquire 13.3% share at the price of Rs 225 per share.

UPDATE:

Welspun Corp announced that Apollo Global Management, 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 12, 2011.

The Board of Directors of Welspun Corp (WCL), Welspun Maxsteel (WMSL), and Welspun Infratech (WITL) have considered and agreed to accept Apollo's investment proposals in meetings held on June 29, 2011.

As a part of the total investment plan, Apollo will invest Rs 1,305 crore in WCL. Of this Rs 788 crore will be invested by way of a preferential allotment of Fully / Compulsorily Convertible Debentures (FCD/CCD). Another Rs 517 crore will be invested by way of non-voting Global Depository Receipts (GDRs).

The FCDs/CCDs 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.

Apollo will also acquire the entire promoter's 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 Rs 805 crore and Apollo will be purchasing 12.5% of WMSL equity for Rs 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 is 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. Nothing as yet has been confirmed so far.

Commenting on this investment, B K Goenka, Chairman of Welspun said, "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."

He further added "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, said "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.”

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