

CAPITAL MARKET

Hot Pursuit

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Welspun Corp jumps after getting PE funding

Welspun Corp rose 4.08% at Rs 176.10 at 12:11 IST on BSE after the company announced that private equity firm Apollo Global Management will invest Rs 1305 crore in the company.

Welspun Corp made the announcement during trading hours today, 29 June 2011.

Meanwhile, the BSE Sensex was up up 164.42 points, or 0.89%, to 18,656.87.

On BSE, 11.10 lakh lakh shares were traded in the counter as against an average daily volume of 95,956 shares in the past one quarter.

The stock hit a high of Rs 178 and a low of Rs 172.05 so far during the day. The stock had hit a 52-week high of Rs 275 on 4 October 2010 and a 52-week low of Rs 144.35 on 18 January 2011.

The stock had underperformed the market over the past one month until 28 June 2011, falling 2.39% compared with the Sensex's 1.24% rise. The scrip had also underperformed the market in past one quarter, sliding 15.88% as against 2.38% decline in the Sensex.

The mid-cap steel pipes maker maker has an equity capital of Rs 102.38 crore. Face value per share is Rs 5.

Funds affiliated with Apollo will invest Rs 1305 crores in Welspun Corp (WCL), of which Rs 788 crores will be invested through a preferential allotment of fully/compulsorily convertible debentures (FCDs/CCDs) and Rs 517 crores 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, a premium of 27.7% over the ruling market price. Further, Apollo will subscribe to non-voting GDRs of Rs 517 crore at Rs 225 per share.

WCL and funds affiliated with Apollo have also agreed to acquire the entire promoter stake in Welspun Maxsteel (WMSL). As part of the transaction, WCL will purchase 87.5% of WMSL's equity for Rs 805 crore and Apollo will purchase 12.5% of WMSL's equity for Rs 140 crore. Further, Apollo will invest an additional Rs 130 crore for capital expenditure of WMSL.

WMSL is currently producing direct reduced iron (DRI) and is proposing to set up a 1.5 million metric tonnes per annum 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 Group'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.

Apollo and its affiliates are also in active discussions with Welspun Infratech (WITL), a subsidiary of WCL, to explore an additional investment of up to Rs 675 crore (in the form of debt, equity or a combination of the two) in WITL 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.

Welspun Corp's consolidated net profit declined 29.1% to Rs 118.06 crore on 34.3% rise in net sales to Rs 2163.20 crore in Q4 March 2011 over Q4 March 2010.