

BLACKSTONE ON \$515M INDIA SPENDING SPREE

NY private-equity firm signs three deals in short stretch
BY CHRIS NELSON

NEW YORK — The global credit crunch doesn't appear to have spoiled The Blackstone Group's appetite for India's torrid economy. The U.S.-based private-equity firm signed investment deals with a trio of Indian companies this summer worth approximately \$515 million, including two contracts totaling \$315 million in just over a week.



Kumar

Blackstone kicked off its spending spree in mid-June with an agreement to purchase global business-process outsourcing service provider Intelenet Global Services Pvt. Ltd. for an undisclosed sum. However, The Economic Times, an Indian business daily newspaper, quoted anonymous sources in a recent article who estimated the deal's value at \$200 million.

Blackstone followed the Intelenet deal with an announcement in mid-August that it would pump \$150 million into Nagarjuna Construction Co. Ltd., India's third-largest construction company, in exchange for a 12.5-percent stake in the Hyderabad-based company and a seat on its board of directors. Just days later, Blackstone inked a deal to acquire a majority interest in Gokaldas Exports Ltd., India's largest garment maker and exporter, for \$165 million.

Blackstone has said it has a "huge pipeline" of deals in India and is targeting investments ranging from \$50 million to \$500 million, even as the credit markets in Europe and the United States remain frozen. The New York-based company currently manages \$80 billion in assets worldwide; it completed \$109 billion in deals last year and \$21.7 billion in July alone for its private-equity fund.

Blackstone and Intelenet's management announced on June 17 that they had reached an agreement to buy the Mumbai-based company from current owners Barclays Bank Plc of England and Indian mortgage firm Housing Development Finance Corp. Ltd. Blackstone said it had formed a "special-purpose vehicle" to carry out the purchase.

Intelenet has grown rapidly since its founding in 2000, from just 25 employees and one office to more than 17,000 workers employed at 18 locations in India, Australia, the United States and the United Kingdom.

"This development will enable us to continue with our ambitious growth plans," Susir Kumar, Intelenet chief executive officer said.

Blackstone acquired a 50.1-percent stake in Gokaldas from the Hinduja family, the founders of the company, for approximately \$6.80 per share and, according to rules set by the Securities and Exchange Board of India, will make an open offer to Gokaldas' public shareholders to purchase an additional 20 percent of the company's stock.

"Gokaldas is the leading company in India in an industry that has seen significant growth in the Asian region post the elimination of the garment quota regime of 2005," Akil Gupta, chairman and managing director of Blackstone Advisors India Pvt. Ltd, said in an Aug. 20 statement. "These, combined with our highest regard for the Gokaldas Exports management team were key factors in our decision to enter into this partnership."

Bangalore-based Gokaldas employs approximately 47,000 workers at 46 manufacturing plants that are capable of producing and exporting a combined 2.5 million garments per month. The company exports its products to the United States and Europe for brands such as Adidas, Gap, Nike, Tommie Hilfiger and Abercrombie & Fitch.

The company plans to establish a special economic zone near Bangalore to house some 50 to 60 apparel companies. It will promote an apparel textile park with the necessary infrastructure to accommodate a variety of manufacturers. Gokaldas expects to begin construction on the textile park approximately six to eight months after it acquires the land.

"Blackstone is an ideal partner to help us realize our long-term vision of building a global industry leader," Gokaldas managing director Rajendra Hinduja said. "Blackstone is a long-term partner and intends to work with us to deepen our customer relationships and accelerate our growth plan."

The agreement with Nagarjuna gave Blackstone a 12.2-percent stake in the Hyderabad-based company — India's third-largest construction firm. Nagarjuna's board of directors approved the deal Aug. 20. Nagarjuna, which is listed on the Bombay Stock Exchange, earns much of its revenue from public-works projects and from contracts with energy and utility companies.

"This investment will not only allow us to make additional investments in public-private infrastructure projects, but will also extend our capital base, enabling us to bid for larger projects going forward and strengthening our strategic position in the market," Nagarjuna managing director A. Ranga Raju said.

Nagarjuna will raise the cash by issuing new shares of stock and convertible warrants. Blackstone routed the investment through Blackstone FP Capital Partners Ltd., its subsidiary in the Republic of Mauritius.

Blackstone made its first Indian investment last December, following the mid-2006 launch of its Indian fund, when it sunk \$50 million in Pune-based Emcure Pharmaceuticals Ltd. A month later, Blackstone invested \$275 million in the Hyderabad-based media- and food-production- and distribution company Ushodaya Enterprises.

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