BUSINESS UPDATE

Welspun Corp steers ahead in challenging times

- ***Sizeable new pipe orders worth Rs 24 billion secured, order book at 713 K MT***
- ***State of art 350 K MT LSAW Plant commissioned at Anjar, Gujarat, India***

Mumbai, February 01, 2012: Welspun Corp Ltd. (WCL), the 2nd largest (Large Diameter) Pipe Company in the World (Source: Financial Times, UK), and the flagship Company of the $3.5 billion Welspun Group has announced its Financial Results for 3rd Quarter of FY 2012.

Consolidated Financial Summary ***(Figures in Rs. Million)***

Particulars	Q3 FY12[1]	Q2 FY12	Q3 FY 11	9M FY12[2]	9M FY11
Sales	**24,497**	**20,345**	**15,862**	**62,299**	**58,604**
Operating EBITDA	**2,642**	**3,202**	**2,646**	**8,879**	**10,958**
Interest (Adjusted)	**734**	**621**	**454**	**1,790**	**1,046**
Depreciation	**984**	**845**	**653**	**2,597**	**1,808**
PAT (Adjusted)	**529**	**1,453**	**1,465**	**2,798**	**6,054**
CASH PAT (Adjusted)	**1,283**	**2,364**	**2,118**	**5,431**	**7,861**

Note:

1) **Q3 FY12 performance is adversely impacted by Rs 1,823 million - foreign exchange provision due to 8.4% depreciation of the Rupee during this quarter.**
2) **9M FY12 performance impacted by foreign exchange provisions of Rs 2,366 million and provisions made towards amicable settlement with a customer of Rs 649 million.**

Financial Highlights of Q3FY2012/ 9M FY2012:

- Sales
  - Total Pipes sales volume of 202 K MT('000 MT) in Q3 (23% higher than last year sales of 164 MT); nine months sales of 615 K MT
  - Plates sales volume of 139 K MT (12% higher than last year sales of 124 MT); 9M sales of 358 K MT
  - DRI sales volume of 134 K MT IN Q3; YTD sales (4.5 months) of ~ 201 K MT (9M volumes were 489 K MT)
- Analysis of Operational EBITDA
  - Pipes EBITDA came in at Rs 2,341 million for Q3 (versus ~ Rs 2,495 million last year); Rs 7,823 million for the 9M period. This implies an EBITDA/ton of Rs 11,500/ MT (Q3) and Rs 12,700/MT (9M). We believe this strong margin profile highlights our strong leadership position in the industry and our ability to make industry leading margins even through the downturn.
  - Plates EBITDA came in at Rs 136 million for Q3; Rs 419 million for the 9M period. The implied EBITDA/ ton for the plates business is Rs 1,000/ MT for Q3 and Rs 1,200/MT for the 9M period.
  - DRI (Maxsteel) had an EBITDA of Rs (164) million for Q3 and Rs (87) million for the 4.5 months since acquisition. The implied EBITDA/ ton for Q3 was negative Rs (1,222)/ MT and Rs (434)/MT for the 4.5 month period.

- The negative EBIDTA is due to the shortage in gas supply from APM sources and KG-D6 thereby forcing the Company to buy imported LNG gas at close to three times its contracted cost.
- The total EBITDA impact from the gas shortage is over Rs 860 million. The gas cost has moved from $ 7.4/ MMBTU in Q1 to $ 12.55 /MMBTU.
- The net EBITDA impact of the increase in gas cost is Rs 568 million in Q3 alone, as the gas cost has increased from Rs 3,845/ton of DRI in Q1 to Rs 8,145/ton of DRI in Q3. Further, the loss of production due to the shortage of gas has resulted in a further lower EBITDA by ~ Rs 300 million as compared to Q1.

- Infra (Welspun Projects, Leighton) had an EBITDA of Rs 232 million for Q3 and Rs 682 million for the 9 month period. The performance of the division was line with our expectations and resilient in the face of a general slowdown in the infrastructure sector in India.

- Exceptional volatility in foreign exchange has resulted in sharp depreciation of Rupee from Rs 48.97 levels to Rs 53.11 per dollar and has resulted in a provision of Rs 1,823 million in Q3.
    - Provision of Rs 1,548 million on account realignment of short term monetary assets and liabilities in Q3, which is likely to be reversed in subsequent quarters on realization of non monetary Assets (viz Inventories, be sold and realized in next 2-3 quarters).
    - Provision of Rs 275 million on account of Long term loans (ECB $ 150 mn and FCCB $ 150 mn)
- For the 9M FY12, foreign exchange provisions were Rs 2,366 million. Further, for the 9M period, provisions of Rs 649 million were made (in Q2) towards amicable settlement on disputed orders.

- Interest (adjusted) expense of Rs 734 million in Q3, versus Rs 621 million last quarter. This increase in interest expenses due to the consolidation of businesses: Mainly increase in interest cost of Welspun Maxsteel and higher volumes.
- Depreciation is also higher on account of capitalizations of LSAW & various expansion projects resulting in higher depreciation charge of Rs. 34 mn in India operations, Rs. 18 mn in Saudi, Rs. 28 mn in US , and Rs 54 mn in Maxsteel taking a total increase of Rs. 139 mn as compared to last quarter at Rs. 984 mn in Q3.
- Consequently, Profit after Tax (adjusted) for Q3 is 529 million; 9M FY2012 is Rs. 2,798 million.
- The consolidated Net Debt position stands at Rs 23,824 million (as against Rs 27,291 million last quarter), resulting in net debt: equity ratio of 0.50.

Breakdown of Sales and Production (Metric Tonnes)

Production Volume (in tons)	Q3 FY12	Q2 FY12	Q3 FY11	9M FY12	9M FY11	FY11
Total Pipes Consolidated	206,520	199,460	211,787	585,882	719,613	957,656
Plates & Coils	153,705	101,873	144,279	363,723	372,635	499,960
Sales Volume (in tons)	**Q3 FY12**	**Q2 FY12**	**Q3 FY11**	**9M FY12**	**9M FY11**	**FY11**
Total Pipes Consolidated	202,303	210,284	163,611	615,132	639,862	909,025
Plates & Coils*	139,317	104,179	124,511	358,106	355,937	485,157

** Includes internal sales / Note: Q3 numbers are derived based on 9M performance*

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Order Book

The quarter began with a total outstanding order book (pipe and plate) of Rs. 44.2 billion (comprising of 565 K MT of pipes and 27 K MT of Plates). Further in this quarter, we have added pipe orders worth Rs. 24 billion (351 K MT) from domestic and international Oil & Gas majors. After executing orders in Q3 FY12, as on 31 December 2011, the current order book (pipe and plate) stands at Rs. 52.2 billion comprising of 713 K MT of pipes and 52 K MT of Plates, which is excluding orders being executed in current quarter (Q4 FY12).

Similarly on infra side, Welspun enjoys an order book of approx Rs 40 billion between Leighton Welspun Contractors P Ltd and Welspun Projects.

Status of Projects/New Initiatives

LSAW Plant at Anjar (Gujarat): LSAW Plant (capacity of 350,000 MTPA) at Anjar has been successfully commissioned and has been approved by most of our large customers. It has received a few large orders, and is currently booked till August of this year. It is well on its path to ramp up its capacity utilization levels.

Capacity expansion for water pipes at Mandya (Karnataka): Given the strong demand for water pipes, the company is progressing on further expansion at Mandya plant by another 50,000 tons. The expansion is being done within the original capital expenditure budget of Rs.1,000 million.

ERW Plant in US: To service its O&G clients across the entire product range and address the strong growth in the ERW line pipe segment in North America, the Company is gearing to implement 175,000 MTPA ERW and Coating Plant in US. The project is expected to be completed in 12 months and will be commissioned by March 2013. It is likely to ramp up to optimal utilization in FY 14. We expect the total capital expenditure on the plant to be in the range of USD 65 million.

Management comments

While deliberating on the results, Mr. B K Goenka, Chairman of Welspun said, "Despite the difficult economic conditions globally, we have been able to receive sizable new orders thereby reaffirming our strong market positioning. Welspun is well poised to maintain this order book accretion momentum while delivering profitable growth. Welspun aims to focus on technological leadership and building an unparalleled global network. We shall continue to penetrate deeper into key international and domestic markets with our complete range of products, quality service and on time delivery to sustain our global competitiveness".

Business Outlook:

- The Company has been able to sustain its market positioning and has been successful in winning 330 K MT of new orders during Q3. Amidst strong competitive pressure, the Company has successfully maintained its margin profile during the quarter and is confident of tackling this challenging phase.

- The global plate industry is still facing a challenged demand environment. Steel slab prices continue to be high, further impacting margins. Given a strong focus on the plate business, we are confident of reaching our annual 500,000 MTPA target for the year. We believe that the plate mill is on track to cross annual volumes of 750,000 MT in the next two years.

- Welspun's infrastructure business (Welspun Projects & Leighton Welspun) has shown positive EBITDA growth and resultant PAT has remained marginally positive after accounting for Interest and depreciation.

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- Welspun Maxsteel Ltd continues maintain its edge with good customer base but is forced to buy most of its gas requirements from alternative sources at higher cost to operate the DRI plant. The net weighted cost of gas increasing to $12.55/MMBTU from the levels of $7.4/MMBTU in Q1 and $10.1/MMBTU in Q2. Besides taking up the matter with the highest level with the authorities, Welspun along with other Steel manufacturers (severely affected by gas) are exploring legal recourse.

About Welspun Corp Ltd. (WCL) www.welspuncorp.com

Welspun Corp Ltd. formerly known as Welspun Gujarat Stahl Rohren Ltd., started its activities in 1995 and since then has supplied pipes for some of the most prestigious projects including the World's deepest pipeline project in the Gulf of Mexico, U.S.A, heaviest pipeline project in the Persian Gulf, highest LNG pipeline project in Peru and longest pipeline project from Canada to the US. Welspun's state- of-the- art Plate, Coil and Pipe Plants are located in Dahej and Anjar in Gujarat, India, Little Rock in Arkansas, US and now in Dammam in Saudi Arabia. The Company has recently set-up a Spiral Pipe mill in Mandya, Karnataka, India. Welspun has been the leader in quality, innovation and technology. All manufacturing facilities incorporate the hybrid JCO technology from Mannesmann Demag of Germany (SMS Meer) and other leading technology provider. New initiatives in WCL includes foray into infrastructure, upstream Oil & Gas and Energy. WCL is prepared to meet the growing demand and is in a position to meet the stringent requirements and standards of highest grade products and services.
