

Welspun Corp Limited

- '1 mn Ton' Pipe Order Book
- Significant contribution by International Operations
- Well poised to get new prestigious orders

- Sales up by 12% in FY 12 and 24% in Q4 FY 12
- Operating EBITDA sustained despite difficult market conditions

Mumbai, May 29 2012: Welspun Corp Ltd. (WCL) the flagship Company of the \$3.5 billion Welspun Group today announced its financial results for the FY2012 & 4th Quarter FY 2012.

Consolidated Financial Summary of Q4 FY12 and FY 2012 (Figures in Rs. Million)

Particulars	FY 2012	FY 2011	Change %	Q4 FY12	Q4 FY11	Change %
Sales	89,766	80,221	12%	26,998	21,744	24%
Other Income	2,676	1,139	135%	1,061	410	159%
EBITDA	11,246	13,784	-18%	3,673	2,852	29%
Interest	3,999	2,240	79%	1,157	755	53%
Depreciation	3,515	2,439	44%	918	632	45%
PAT	2,385	6,330	-62%	1,186	1,181	0%
Cash PAT	6,192	9,700	-36%	2,360	2,218	6%
EPS (Rs./Share)	9.71	28.66	-66%	4.53	5.41	-16%
Reported EBITDA Margin (%)	12.5%	16.22%		13.60%	13.12%	
PAT Margin (%)	2.66%	7.89%		4.39%	5.43%	

Operational Numbers after accounting for exceptional items*:

Particulars	FY 12	Q4 FY 12
Operational EBITDA	10,467	1,551
PAT	3,685	469
CASH PAT	7,492	1,644

* FY12 operational performance was impacted by foreign exchange provisions of Rs ,1244 million and provisions made towards amicable settlement with a customer of Rs 649 million. Total Foreign Exchange provision was Rs. 1,517 mn

Analysis of Results

FY 2012 Results - (Figures in parenthesis pertains to last year)

- Sales
 - Consolidated Sales up by 12% Rs. 89,766 mn (Rs.80,221 mn)
 - Total Pipes sales volume of 835 K MT('000 MT) in FY12 (909 KMT)
 - Plates sales volume up by 9% - 531 K MT (485 KMT).

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- DRI sales volume of 631K MT in FY 12 (344K MT for the 7.5 month consolidation period since acquisition).
- **Analysis of Operational EBITDA for FY 12**
 - Pipes EBITDA - Rs 8,730 million (Rs 12,130 million); EBITDA/ton - Rs 10,500/ MT (Rs 13,400/MT).
 - Margins were relatively lower due to weakness in pipe market and overall challenges in the global business environment
 - Margins in the Indian operations continue to remain weak given over-capacity in the industry. The environment in India also validates our strategy of setting up plants in international markets closer to our key customers and differentiate in terms of product quality and service
 - Margins were further impacted as some of the plants viz. Anjar LSAW mill and Saudi HSAW mill were in early stages of operation and were ramping up.
 - Plates EBITDA - Rs 656 million (Rs 1,770 million); EBITDA/ ton- Rs 1,234/MT (Rs.3,700/MT).
 - Plate margins declined due to the plate market globally; owing to significant capacity surplus in the global plate market. The supply-demand mismatch and lack of quality slab availability kept spreads at all-time low levels.
 - The plate mill did perform exceedingly well in terms of volumes; doing sales of 531 KMT for the year.
 - DRI (Maxsteel) EBITDA - Rs (130) million for FY 12 (7.5 months of acquisition).
 - Maxsteel EBITDA has suffered on account of lack of gas supply from Reliance and GAIL. This sudden decline in gas availability has forced the Company to cut down production and rely on expensive RNLG gas. Maxsteel, which generated Rs 553 mn of EBITDA in first quarter; reported Rs (130) million of EBITDA for the post-acquisition period.
 - Due to lack of gas supply from Reliance and GAIL, gas cost has risen to \$10.247/ MMBTU (\$6.427/ MMBTU) resulting in energy cost increase to Rs 6,197/ton (Rs 3,574/ton) of DRI.
 - EBITDA impact of increase in gas cost alone is Rs 1875.1 mn (Rs. 1632.50 million due to price increase, Rs 242.60 million due to loss of production due to the shortage of gas).
 - Welspun Infra - EBITDA of Rs 1,221 million (Rs 200 mn). The increase was largely due to the acquisition of Leighton Welspun Contractors and the improved performance of Welspun Projects.
 - 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.
 - The group has been very disciplined in building out its infrastructure business, and has stayed away from projects with sub-par returns.

EXCEPTIONAL ITEMS:

- Exceptional volatility in foreign exchange has resulted in sharp depreciation of Rupee from levels of Rs 44.60 to Rs 50.87 against the US dollar; this sharp decline in the Rupee resulted in a forex provision of Rs 1,517 million in FY12.
- In addition, during the current year, we also amicably settled claims with our customers on certain disputed orders; as a result Q2 of FY 12 witnessed a one-time settlement charge of Rs 649 million

Interest and Depreciation Impact:

- Interest expense - Rs 3,999 million (Rs 2,317 million), increase largely due to the consolidation of acquired businesses viz: Welspun Maxsteel and Leighton Welspun Contractors, and due to additional debt taken to fund new capacities during the year

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- Depreciation – Rs 3515 million (2,439 million), increase of Rs 1,076 largely due to capitalization of the new Anjar LSAW mill and other expansion projects - Rs. 669 million in the Indian pipe operations, Rs. 391 million in Saudi, Rs. 688 million in US, Rs 219 million on account of acquisition of Maxsteel.
- Consequently, Profit after Tax FY12 - Rs. 2,385 million (Rs. 6,330 mn)

The consolidated Net Debt position stands at Rs 23,727 million for FY 12 (as against Rs 16,192 million last year), resulting in net debt: equity ratio of 0.48.

Production and Sales in Metric Tonnes

Production Volume (in tons)	Q4 FY12	Q4 FY11	Change %	FY 2012	FY 2011	Change %
Total Pipes Consolidated	232,860	238,044	-2%	818,742	957,657	-15%
Plates & Coils	143,292	127,325	13%	507,015	499,960	1%

Sales Volume (in tons)	Q4 FY12	Q4 FY11	Change %	FY 2012	FY 2011	Change %
Total Pipes Consolidated	219,927	269,163	-18%	835,059	909,025	-8%
Plates & Coils Total	172,962	129,220	34%	531,068	485,157	9%

Annual Dividend Proposal

In line with the previous year the Board of Directors proposed 10% dividend, resulting in total cash outflow on dividend and dividend tax of Rs 132 million in FY 12.

Order Book position

The year began with a total outstanding order book (pipe and plate) of Rs. 54 billion (comprising of 726 K MT of pipes and 32 K MT of Plate Orders). During the year, we have added pipe orders worth Rs.83 billion (1,163K MT) from domestic and international Oil & Gas majors. A majority of our order book is from repeat customers, a testimony to Welspun's ability to deliver high end products with most challenging specifications. After executing orders in FY12, the current order book (pipe and plate) stands at Rs. 74 billion comprising of 1,029 K MT of pipes and 139 KMT of Plates (54 K MT of External Orders and internal plate orders of 85 KMT)

The Infrastructure business has a cumulative current order book position of Rs 33,336 million; Rs. 3,536 million for Welspun Projects and Rs. 29,800 million for Leighton Welspun Contractors.

Status of Projects:

LSAW Plant at Anjar (Gujarat): LSAW Plant (capacity of 350,000 MTPA) at Anjar after commissioning in December 2011 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.

Saudi Plant: During the current fiscal year, we successfully ramped-up and stabilized the Saudi mill (capacity of 300,000 MTPA). The mill also received customer certifications to manufacture oil and gas pipes.

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

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ERW Plant in US: 175,000 MTPA ERW and Coating Plant in US will be commissioned by March 2013 as per schedule. 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 \$80 million.

Business Strategy and Outlook

- The Company recently reappointed Mr. Braja K. Mishra as Managing Director of the Company to strengthen the core pipes business. Mr. Mishra was associated with the Company from June, 1996 (joined as General Manager) to March, 2009 (resigned as CEO and ED) and played a major role in the growth of the Company's business. This is part of our overall business objective of refocusing our efforts on the pipe business.
- The outlook for the pipe business is mixed
 - On the demand side, drilling activity in North America is expected to remain close to current levels in the next year, with any slowdown in dry gas drilling activity to offset by an increase in oil and liquids directed drilling. In other parts of the world, drilling activity is expected to rise with the current oil and gas prices and led by growth in technology of development of deepwater and unconventional reserves as well as complex conventional gas drilling. Newly found shale gas reserves, especially in the North America should have a positive impact on the pipes & tubes industry.
 - The Company is exploring new business opportunities in new geographies; and is evaluating the potential relocation of its plants to attractive geographies.

Demand for ERW pipes remains robust on account of shale gas activity and the company is likely to be well positioned to capture that market after its new ERW mill is commissioned.

- However, capacity utilization in the sector continues to be low – and will take some time to correct. In spite of the global challenging economic environment and demand-supply mismatch, new strong orders of from International and domestic customers speak volume about our technological strength and will continue to drive our growth.
- The global plate industry is still facing a challenged demand environment. Steel slab prices continue to be high, further impacting margins. We expect some easing of supply constraints in the slab market; and hope to continue strengthening the technical capabilities of our plate mill in the following years to come.
- Welspun's infrastructure business (Welspun Projects & Leighton Welspun) has shown positive growth, and continues to win substantial orders during the year. However, on account of the general slowdown in the sector – the Company is committed not to make new capital commitments towards the business, unless the economics are highly compelling.
- Welspun Maxsteel Ltd continues maintain its edge with good customer base but is struggling with lack of adequate gas availability. It is forced to buy most of its gas requirements from alternative sources at higher cost to operate the DRI plant. We are working hard with regulatory bodies and the government to improve our gas position, and are confident of a turnaround in the near future.
- Welspun Energy has successfully scaled up its renewable business and has developed four operating assets generating 30 MW. It is further developing 105 MW over the current year. Given

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the strong operating performance and execution track record of the company, we believe that Welspun Energy will not need any further capital commitments or direct funding from Welspun Corp.

Management comments

Commenting on the results, Mr. B. K. Goenka, Chairman, Welspun said, “The year 2011-12 has been a good year for us with all-round new businesses coming in. It is challenging environment going forward, but Welspun continues to maintain a healthy order book, and is going from strength to strength in terms of capturing newer pipes & tubes markets. Continuity of the orders from the export markets further strengths Welspun’s global positioning and is testimony to our enduring emphasis on Engineering Excellence. Welspun is very well positioned to capitalize on the emerging opportunities since it has enhanced global footprint and is now present in some of the most promising markets.”

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

Welspun Corp (www.welspuncorp.com) is a one-stop service provider offering complete pipe solution with a capability to manufacture line pipes ranging from ½ inch to 120 inches, along with specialized coating, double jointing and bending. With current capacity of 2.2 mn MTPA in Dahej and Anjar, Gujarat, India, Little Rock in the USA and Saudi Arabia, Welspun take pride in being a preferred supplier to most of the Fortune 100 Oil & Gas companies. With 360 degree abilities, Welspun Corp has undertaken some of the most challenging projects in different parts of the world. Welspun Corp has continued to further strengthen its services to become an integrated Pipe manufacturer by setting up a world class plates and coils manufacturing facility. Since its inception, Welspun Corp is committed to its strategy of complete integration by being a one stop solution in the Line Pipe segment, capturing the entire value chain from manufacturing of Plate & Coil to Line pipe and finally to Pipe laying. With business excellence being a clear focus of Welspun Corp, the company will persist with its clear mandate on innovation and technology, state-of-the-art facilities and global scale operations.

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