

WCL/SEC/2019

May 17, 2019

To,

BSE Ltd. (Scrip Code-532144) Department of Listing, P. J. Towers, Dalal Street, Mumbai – 400 001.	National Stock Exchange of India Ltd. (Symbol: WELCORP, Series EQ) Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051.
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Dear Madam/ Sirs,

Sub.: Clarification on media article titled: “Auditor Flags Potential Write-Off in Welspun’s Investment in Saudi Joint Venture”.

With reference to the above mentioned subject, kindly note the following clarification:

Post our Q4 Results announcement on 15th May, we have noticed a media article titled: “Auditor Flags Potential Write-Off in Welspun’s Investment in Saudi Joint Venture”

Management would like to clarify that there is no cause for concern and would like to place the following facts:

- The Auditing and Assurance Standards Board of the Institute of Chartered Accountants of India’s had issued last year its new reporting standard, SA 701, Communicating Key Audit Matters (KAM) in the Independent Auditor's Report, which is effective for audits of financial statements for periods beginning on or after April 1, 2018.
- Major change due to this SA 701 is the inclusion of a key audit matter paragraph. Key audit matters (KAMs) are those matters that, in the audit engagement team’s professional judgment, were of most significance in the audit of the financial statements of the current period. KAM is not an audit qualification. Before KAM, the auditors were not required to report issues where they had received a satisfactory explanation from the Management, which has changed with the issuance of SA 701.
- In the Independent Auditor’s Report of 15th May’19, they have identified as KAM, the Investments made by way of equity, loans, and other receivables in our JVs to the aggregate of Rs. 2,927 million, due to the past deteriorated financial position of the JVs. However, given the strong profitability outlook in the Saudi JVs, the Management submitted its assessment to the auditors that no provision is required to be made in respect of this amount. The Auditors conducted detailed procedures on the Management’s assessment, and noted that the same is reasonable. It is relevant to note that the Independent Auditors have issued an unmodified report.

**Welspun Corp Limited**

Welspun House, 5th Floor, Kamala City, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013, India.

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Registered Address: Welspun City, Village Versamedi, Taluka Anjar, District Kutch, Gujarat 370 110, India.

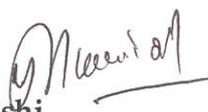
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Corporate Identity Number: L27100GJ1995PLC025609

- Our business prospects in the Saudi Arabian (KSA) JVs are extremely positive for the next few years. As reported in our Q4FY19 results release, the performance has turned around and the Production and Sales Volumes have significantly ramped up in KSA over the course of the year. Profitability has also improved significantly with the KSA JVs achieving break-even at EBIDTA level in Q4FY19. As indicated in our Q4FY19 results release, we expect the profitability to further improve in the coming quarters.
- Our current order book at this JV of more than 750 KMT (close to all-time highs) offers clear future visibility for the next two years, with significantly better profit margins due to changes in order mix. Further, we maintain a very positive outlook for Saudi market. We see strong demand in both O&G as well as water sectors, driven by Saudi Aramco and SWCC respectively as both of them are actively working on development of a few big projects. Further, the recent find of shale gas in KSA and their intent to connect the entire GCC and Middle East nations through a pipeline network with this gas, is another big potential in the medium term. We have a leadership position in KSA, with proven execution capabilities, track record of on-time delivery of quality pipes, and a very reputed local JV partner.

Thanking you.

For Welspun Corp Limited


Pradeep Joshi
Company Secretary
FCS-4959



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