

To
BSE Limited
Mumbai

August 5, 2021

Dear Madam/ Sirs,

Sub: Clarification

Ref: Scheme of Arrangement

As per the clarification required in your email dated August 4, 2021, we, Welspun Corp Limited (WCL), provide the clarifications as under:

Query 1: In valuation report by RBSA Valuation Advisors LLP, it has been observed that the asset approach is not used for Valuation of CRPS (Cumulative Redeemable Preference Shares). Reason for the same is not found. Kindly clarify.

Reply:

A net asset methodology is most applicable for businesses where the value lies in its underlying assets and not in the ongoing operations of the business.

CRPS are compulsorily redeemable in nature and are considered akin to quasi debt instruments. CRPS differ from equity shares since they have a preference over equity shareholders on payment of dividend and repayment of preference capital. Further while equity shares represent residual rights in the assets/ earnings of a company, a return on CRPS is fixed in terms of dividend or repayment of capital.

Fair value of CRPS is primarily dependent upon its key terms, including, coupon rate, tenor of CRPS, existing short-term borrowing rates of WCL, credit rating and other relevant factors and its face value may not be representative of its fair value.

Considering the aforementioned, Asset approach has not been adopted for valuation of CRPS.

Query 2: Also clarify how INR 10 arrived under Income Approach for CRPS in Share Entitlement Ratio table.

Reply:

CRPS of WCL are not listed on any stock exchanges. Further, CRPS issued by the other companies may not be comparable with the CRPS of WCL in terms of the coupon rate, tenor, credit rating, redemption term, etc. and accordingly, their market price may not be

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Corporate Identity Number: L27100GJ1995PLC025609

comparable with CRPS of WCL. Considering the aforementioned, Market approach has not been adopted for valuation of the CRPS of WCL.

Fair value of CRPS is primarily dependent upon its key terms, including, coupon rate of CRPS, tenor of CRPS, credit rating, return/ yield expectation on similar instruments, redemption term, etc. and its face value may not be representative of its fair value. Accordingly, Asset approach has not been adopted for valuation of CRPS.

Considering the aforementioned, the valuation of CRPS of WCL has been carried out adopting the income approach considering *inter-alia* the coupon rate of CRPS, tenor of CRPS, existing short-term borrowing rates of WCL, credit rating of WCL and other relevant factors.

CRPS of WCL shall carry a coupon rate of 6% per annum and are redeemable, at face value, upon the expiry of 18 months from the date of the issue. Considering inter-alia:

- The financial position of WCL and its ability to pay dividend on CRPS,
 - Short-term tenor of CRPS,
 - Existing short-term borrowing rate of WCL,
 - Credit rating of WCL,
 - Unsecured nature of CRPS and other relevant factors,
- the coupon rate of 6% per annum on CRPS was considered broadly in line with the return/ yield expectation on similar instruments.

Accordingly, under the income approach, the expected cash flows from CCPS were discounted at 6% per annum to arrive at the fair value of CRPS.

3. In TPG & Co, valuation report ,value of Investment in Welspun Captive Power Generation Ltd. is shown as Rs 10.40 crores. WCPGL nos. of equity share is taken as 872,193 equity shares. Kindly provide clarification on 872,193 equity shares.

PI find enclosed Audit Balance sheet of Welspun steel limited for FY 2020-21. PI refer page no 28 and schedule no 5 – No of Equity share of WCPGL own by Welspun steel Limited is 872,193.

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5 Non-current investments

Particulars	As at 31/03/2021 (Rs.)	As at 31/03/2020 (Rs.)
Trade, Unquoted:		
Investments in Equity Instruments:		
In subsidiaries at cost:		
10,000 (10,000) equity shares of Rs.10 each of SUIL Hydro Power Private Limited	-	100,000
Less: Provision for diminution in value of investment (Written off during the year)	-	(100,000)
10,000 (10,000) equity share of Rs.10 each of Welspun Energy Orissa Private Limited	100,000	100,000
In joint venture at cost:		
51,000 (51,000) equity shares of of Rs. 10 each of Welsteel Enterprise Private Limited	510,000	510,000
In other at cost:		
1,400 (--) equity shares of Rs.10 each of Welassure Private Limited	856,800	-
In others at fair value through OCI:		
872,193 (931,269) equity shares of Rs.10 each of Welspun Captive Power Generation Limited	103,965,525	66,213,226

For Welspun Corp Limited



Pradeep Joshi
Company Secretary and Compliance Officer
 FCS-4959

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