



BUSINESS UPDATE

Welspun Corp achieves sustained performance

- **New orders worth Rs 11 billion secured, order book at Rs 44.2 billion**
- **Capacity expansion for water pipes at Mandya (Karnataka)**
- **New ERW expansion in US to cater to the entire product range**
- **Apollo participation will enable long term value creation**

Mumbai, November 3, 2011: 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 2nd Quarter of FY 2012.

Consolidated Financial Summary

(Figures in Rs. Million)

Particulars	Q2 FY12	Q1 FY12	Q2 FY11	H1 FY12
Sales	20,345	17,457	18,524	37,802
Operating EBITDA	3,202	2,951	3,193	6,153
Interest	621	434	374	1,056
Depreciation	845	768	614	1,613
PAT (Adjusted)	1,453	1,191	1,778	2,644
Cash PAT (Adjusted)	2,364	2,157	2,852	4,521

Note: Q2 FY12 performance is adversely impacted by Rs 1,108 million - foreign exchange provision of Rs 458.4 million and provisions of Rs 649.4 million related to amicable settlement with customers.

Financial Highlight H1 FY2012/ Q2FY2012:

- Sales
 - Supported by volume growth from US pipe plant and Saudi pipe plant
 - Sustained volumes of plate and coil
- Strong Operational EBITDA of 15.7% in Q2 FY2012 despite setback on gas supply in DRI business - impact of Rs 250 million.
- Interest is higher mainly due to consolidation of businesses - Saudi operations: Rs 33 million, Welspun Projects: Rs 38 million, Leighton Welspun: Rs 5 million and Welspun Maxsteel: Rs 76 million.
- Depreciation is also higher on account of capitalizations in India operations: Rs 19 million, US operations Rs 37 million and consolidation of acquired businesses including Saudi operations: Rs 97 million, Leighton Welspun and Welspun Project of Rs 39 million and Welspun Maxsteel: Rs 39 million.
- Consequently, Adjusted Profit after Tax is at Rs. 2,644 million, equivalent to 7% in H1 FY2012.
- Exceptional volatility in foreign exchange has resulted in sharp depreciation of Rupee from Rs 44.70 levels to Rs 48.98 per dollar and has resulted in a provision of Rs 458.4 million.
- The consolidated Net Debt position stands at Rs 27,291 million, resulting in net debt: equity of 0.55 times

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- Pipe business continues to show sustained traction with EBITDA margin in excess of Rs 12,000/MT against Rs 11,600/ MT in the previous quarter.
- Plate industry is witnessing an unusual trend of slab prices being higher than plate prices resulting in negative delta, Globally large stand alone plate companies (viz in Korea) continue to report negative delta margin which we believe is not sustainable. We are expecting to reach around 500,000 MTPA target for the year and in the next two years the business may cross a volume of 750,000 MTPA.
- Welspun's infrastructure business recorded a soft quarter due to elongated monsoon. This has been a seasonally weak quarter and going forward the second half should result in business off take, resulting in sustainable growth.
- Due to non availability of gas from the assured sources, the company had to buy gas from alternative sources at extremely high cost (over three times costlier alternative energy) to operate the DRI plant at sub-optimal capacity, thereby adversely impacting entire margins from Rs 555 million EBITDA in Q1 to Rs 221 million EBITDA in Q2.

Order Book

The quarter began with a total outstanding order book (pipe and plate) of Rs. 50 billion. Further in this quarter, we added orders worth Rs. 11 billion from domestic and international Oil & Gas majors. After executing orders in Q2 FY12, as on 30th September 2011, the current order book (pipe and plate) stands at Rs. 44.2 billion, comprising of 565 K tonnes of pipes and 27 K tons of Plates.

Similarly on infra side, Welspun enjoys an order book of approx Rs 50 billion between Welspun Projects and Leighton Welspun Contractors P Ltd.

Status of Projects/New Initiatives

LSAW Plant at Anjar (Gujarat): LSAW Plant with the capacity of 350,000 MTPA at Anjar has successfully completed its trial run and is being capitalized in H2 FY2012.

Capacity expansion for water pipes at Mandya (Karnataka): Given the strong demand for water pipes, the company is expanding its Mandya plant capacity from 100,000 MTPA to 150,000 MTPA. This expansion shall be carried out within the original budget of Rs 100 Crs.

New ERW Plant in US: To service its O&G clients across the entire product range, the Company is putting up 200,000 MTPA ERW Plant in US, at a cost of USD 76 million @ 26% IRR. This new initiative of ERW pipes from 8"-24" will enable the company to offer product range from ½ " to 120" from its various facilities. The project is expected to be completed in 12 months and shall achieve optimal utilization in FY 14.

Slab Expansion in Welspun Maxsteel Ltd: Welspun's vision is to have a strong integrated positioning as a pipe-player by becoming an iron-ore to pipe company. Directly Reduced Iron (DRI) business had an excellent beginning with strong profitability in Q1 FY2012, however, lack of gas supply from assured sources has adversely impacted the Q2 FY2012 performance. Looking at the uncertain gas environment, the proposed slab expansion at Welspun Maxsteel is contingent upon securing long term gas availability at reasonable prices or on alternative fuel source/technology.

Management comments

While deliberating on the results Mr B K Goenka, Chairman of Welspun said, "While the world is witnessing continuous volatility, we believe that the long term demand scenario remain intact. Welspun's commitment to enhance its global footprint is fortified by our new ERW pipe expansion in US. We at Welspun are committed to create long term shareholders value."



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Outlook

There is significant evidence that the global economy is facing more long-term obstacles once again than one would like to think. The global economy is trying to recover from the most recent global recession that started on 2009. The different aspects of global economic scenario, geo-political structures and environmental overhang are making short term outlook challenging. However we believe that the medium to long term prospects of our various businesses continue to be strong:

Line Pipes: Volatility in the global market has resulted in uneven order flows. While demand for pipes continues to be robust globally, current deferment of orders by large oil and gas companies may result into lumpy order flows in near future. During the period under review, the Company received new orders worth Rs 11 billion signifying the capability and strength of the business. We believe that going forward the US government and the EU steps to correct the economic concerns will result into spending on pipe infrastructure (including replacement) - crucial for revival of economic activities. Consequently, the Line Pipe business is expected to see an upside in the demand. There are plans of major downstream capex programs by most of the large oil & gas companies. The recent Shale Gas development in North America and Europe shall enable energy security in the region. India is also preparing construction of pipelines (both in Government as well as in private sector) as the domestic gas availability is poised to increase over the years. Latent demand from the US replacement market and TransCanada's proposed Alaska pipeline hold further upside potential in medium and longer terms.

Plates & Coils: The plates & coil business is undergoing through one of the most challenging phase globally. The company shall continue to work on building high-end plate capabilities, resulting in our ability to provide plates & coils for our extreme end captive consumption.

Infrastructure: India's need for Infrastructure is well understood and emphasized; Welspun Infratech is taking part in this growth story by bidding for various prestigious projects which should fructify in the coming quarters thus resulting in not only strong developer position but also enhancing order book position for our EPC business.

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.

About Welspun Maxsteel Ltd www.welspunmaxsteel.com

Welspun Maxsteel Ltd. is the largest merchant producer of gas based Direct Reduced Iron (DRI) in the country and the first and the only one of its kind in the world to produce both HBI and DRI from the same reactor using state of the art technology. WMSL was formed on 22 May, 2009 after Welspun Steel Ltd. completed the acquisition of Vikram Ispat, the Sponge Iron division business of Grasim Industries Ltd. The facilities are spread across 435 acres of land with a captive Port, and is located in Salav Village in Raigad District of Maharashtra.

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