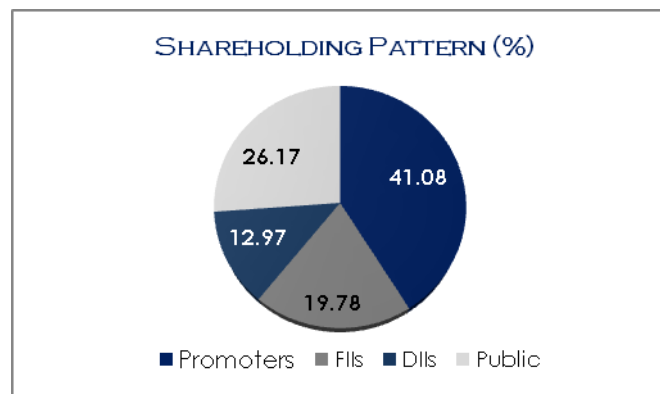


INVESTOR'S DELIGHT

9TH MARCH, 2011

COMPANY	WELSPUN CORP LTD.
NSE Code	WELCORP
BSE Code	532144
FV	Rs. 5
Equity Capital (Rs in mn)	1,022
Market Capitalization (Rs in mn)	38,632
CMP	Rs. 189
Target Price	Rs. 217
Upside	15 %



ABOUT THE COMPANY

Welspun Corp is a one stop service provider offering complete pipe solutions with capabilities to manufacture line pipes ranging from 0.5 inch to 100 inches, along with specialized coating, double jointing and bending.

It currently has a capacity of ~2 mn MTPA in Dahej, Anjar in Gujarat, India, Little rock in USA and Saudi Arabia. The company is a preferred supplier to most of the fortune 100 oil and gas companies.

KEY DEVELOPMENTS IN Q3FY11

- a) It has successfully completed the investment in Saudi plant, which has commenced production in Q4FY11.

- b) Implementation of L-SAW plant at Anjar is on schedule, and is likely to be commissioned by the end of Q1FY12.
- c) The Mandya plant in Karnataka has started production and is ramping up to achieve desired level of production.
- d) Welspun Middle East is establishing its presence in Dubai to cater to the buoyant markets of Middle East and Africa.
- e) It bagged an order for supplying pipes for shale gas, which would act as a key demand driver.

Q3FY11 RESULT UPDATE

The company witnessed yoy growth of 3.3% on the revenue front. However, on qoq basis, revenues declined by 14.4% to touch Rs.15.8 bn mainly attributed to lower sales volume. Volumes in the pipe segment declined by 29% on qoq basis to 1,63,000 tons in Q3FY11. This was on account of inventory build up of 40,000-50,000 tons.

Average blended realizations declined by 9% to touch Rs. 57,033 per ton. This was on account of higher steel prices. Management has given a guidance of selling 950,000 tons of pipe sales for FY11. In the plate and coil segment, the company expects to sell 0.5 mn tons in FY11.

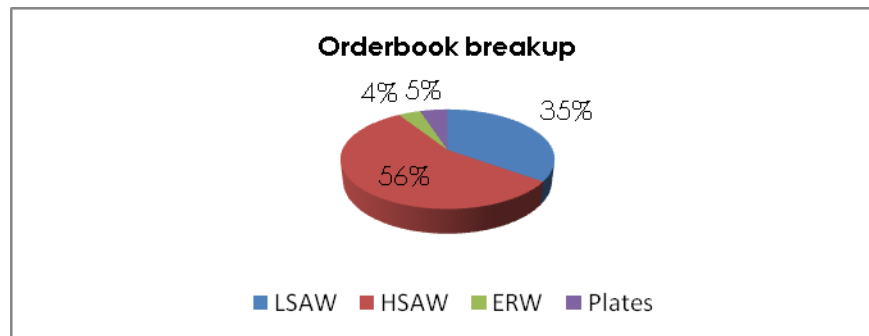
Lower pipe sales volume resulted in 9% decline of EBITDA on qoq basis. As per the management, EBITDA/ton decreased by 7% to touch Rs. 11,000 in Q3FY11. Management expects to maintain this level in the coming quarters. However, OPM improved by 116 bps on qoq basis in Q3FY11. This was mainly attributable to reduction in material costs by 14% and other overheads by 23.4% on qoq basis.

Q3FY11 PAT margin stood at 9.2%, an improvement of 190 bps on qoq basis, and decline of 101 bps on yoy basis.

INVESTMENT RATIONALE

Healthy Order book

The company has an order book worth Rs. 50 bn, comprising of 776K tons of pipes and plates order of 40k tons. It received fresh orders worth Rs. 23.5 bn in Q3FY11.





Foraying in new markets

After establishing its strong presence in USA, Latin America and UAE, the company has expanded into the Middle East. It is plans to venture in African, European and Australian markets.

Capacity expansion to drive growth

In to domestic market, its Mandya plant in Karnataka has been commissioned. The 0.35 MTPA LSAW plant at Anjar is expected to be operational from Q1FY12.

In its quest to venture into the markets of USA and UAE, the company recently commissioned 0.3 MTPA HSAW plant in Middle East and 0.35 MTPA HSAW plant along with coating and double jointing facility at little rock, Arkansas, USA.

CONCERNS

Securities Exchange Board of India (SEBI) order has imposed a restriction on the promoters of the company from trading shares of its own/group companies. However, it has no bearing on any of its business operations or financial performance.

OUTLOOK AND VALUATION

At the CMP, the sock is valued at 6x at annualized 9MFY11EPS. With due consideration to factors like a) higher crude oil prices to drive demand for pipes, b)strong order book and good revenue visibility for next nine months, c) we recommend **'BUY'** with a target price of Rs. 217 (7x at annualized 9MFY11 EPS), for investors with a horizon of 6-9 months.



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