

Healthy order book provides earnings visibility

The company's order book stands at Rs 6,600 crore (1.1x its FY09 revenues) which are executable over the next 12 months. The order book is expected to further grow in the times to come as various orders are now being placed by oil & gas players across the globe on the strengthening of crude prices. Welspun which has been accredited by more than 40 global oil & gas majors is expected to benefit from this encouraging business environment.

Status of new initiatives

Coil Mill – The Anjar mill is still under trial production and the commissioning is expected during Q4FY10. This coil mill which has an annual capacity to produce 1.5 million TPA would ensure easy access to coils, a critical raw material for its helical SAW pipes segment.

LSAW Pipe Mill – The work on 300,000 TPA LSAW pipe mill project at Anjar is under progress & the project is targeted to be completed in the second half of the next fiscal.

HSAW Pipe Mill – The spiral pipe mill project of 100,000 TPA in Bangalore is as per schedule and is expected to be ready by the first half of 2011. This mill would cater to the pipe demand in the water segment. Another 200,000 TPA spiral project is being planned to cater to the pipe demand in oil & water segments, which will be ready over the next 15 months with a capex of Rs 150 crore. The company has also successfully mobilized the funds through the QIB as well as FCCB issue.

Future Outlook

With the company consolidating its position as one of the leading line pipe players especially for critical oil & gas applications coupled with the strong order book & positive industry outlook, we remain optimistic on the growth prospects of the company. Further with the ramping up of production at its plate mill & its US subsidiary over the next few quarters, we believe the company would be in the higher growth trajectory in FY11.

Valuation & Recommendation

For the first nine months of this fiscal WGSRL has already recorded an EPS of Rs 23 on consolidated basis. **We therefore revise the earnings estimate for this fiscal from Rs 23.8 to Rs 30.0, representing an upgrade of 26% from the original estimates. Similarly we have revised our FY11 earnings forecast by 17% from Rs 30 to Rs 35.**

At CMP of Rs 266, the stock is currently available at 8.9x & 7.6x its FY10 & FY11 estimated earnings of Rs 30.0 & Rs 35.0 respectively. We reiterate a **STRONG BUY** on the stock at current levels with a price target of Rs 420, an upside of ~58% for a time horizon of 12 to 15 months.

Result Update



VENTURA

Kyon ki bhaiya, sabse bada rupaiya.

Welspun-Gujarat Stahl Rohren	Q3FY09	Q3FY08	% Chg.	Q3FY09	Q2FY09	% Chg.	9M200912	9M200812	% Chg.
Net Sales	1520.4	1456.6	4.4	1520.4	1813.2	-16.2	5213.4	4039.8	29.1
Other operational Income			-			-	0.0		0.0
Total Oper. Income(TOI)	1520.4	1456.6	4.4	1520.4	1813.2	-16.2	5213.4	4039.8	29.1
Raw Materials Cons.-	841.9	1262.5	-33.3	841.9	949.2	-11.3	3018.4	2988.6	1.0
% to TOI	55.37%	86.67%		55.37%	52.35%		57.90%	73.98%	
Stock adj. (-)Inc / (+)Dec-	53.5	-244.7	LP	53.5	276.3	-80.7	332.5	-335.6	LP
% to TOI	3.52%	-16.80%		3.52%	15.24%		6.38%	-8.31%	
Net Raw Mat adj. for stock	895.3	1017.8	-12.0	895.3	1225.5	-26.9	3350.9	2653.0	26.3
% to TOI	58.89%	69.87%		58.89%	67.59%		64.27%	65.67%	
Other expenses	332.3	265.8	25.0	332.3	258.3	28.6	905.6	825.5	9.7
% to TOI	21.85%	18.25%		21.85%	14.25%		17.37%	20.43%	
Contribution Net_Sales	292.8	173.0	69.2	292.8	329.3	-11.1	956.9	561.3	70.5
Personnel	34.8	30.2	15.3	34.8	35.9	-3.0	102.4	87.6	17.0
% to TOI	2.29%	2.07%		2.29%	1.98%		1.96%	2.17%	
Total expenditure	1262.4	1313.8	-3.9	1262.4	1519.7	-16.9	4358.9	3566.0	22.2
Operating Profit	258.0	142.9	80.6	258.0	293.5	-12.1	854.5	473.8	80.4
<i>% to TOI</i>	<i>16.97%</i>	<i>9.81%</i>		<i>16.97%</i>	<i>16.18%</i>		<i>16.39%</i>	<i>11.73%</i>	
Non-Operating Income	4.3	5.0	-15.5	4.3	3.2	34.1	11.4	15.3	-25.4
Interest	32.3	48.0	-32.6	32.3	48.0	-32.6	142.1	123.4	15.2
Exceptional Items		0.0				-	0.0	0.0	0.0
Gross Profit	229.9	100.0	130.1	229.9	248.6	-7.5	723.8	365.7	97.9
Depreciation	37.4	31.6	18.6	37.4	37.6	-0.4	111.2	91.0	22.3
PBT before Extra-ord	192.5	68.4	181.5	192.5	211.1	-8.8	612.6	274.8	123.0
% to TOI	12.66%	4.70%		12.66%	11.64%		11.75%	6.80%	
Extraordinary Items			-			-	0.0	0.0	0.0
PBT	192.5	68.4	181.5	192.5	211.1	-8.8	612.6	274.8	123.0
Tax Rate	33.66%	33.75%		33.66%	3.91%		33.70%	33.85%	
Prov. for Tax- Cur	64.8	23.1	180.7	64.8	70.8	-8.5	206.5	93.0	122.0
Profit after Cur. Tax	127.7	45.3	181.9	127.7	140.2	-8.9	406.1	181.8	123.5
Prov. for Tax- Def	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit after Tax	127.7	45.3	181.9	127.7	140.2	-8.9	406.1	181.8	123.5
<i>% to TOI</i>	<i>8.40%</i>	<i>3.11%</i>		<i>8.40%</i>	<i>7.73%</i>		<i>7.79%</i>	<i>4.50%</i>	
Face Value	5.0	5.0	0.0	5.0	5.0	0.0	5.0	5.0	0.0
Equity Share capital	102.0	93.3	9.3	102.0	93.4	9.1	93.4	93.3	0.2
EPS (Rs.)	6.3	2.4	157.8	6.3	7.5	-16.6	21.2	9.8	117.2
CEPS (Rs.)	8.1	4.1	96.5	8.1	9.5	-14.9	27.0	14.6	84.4

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