

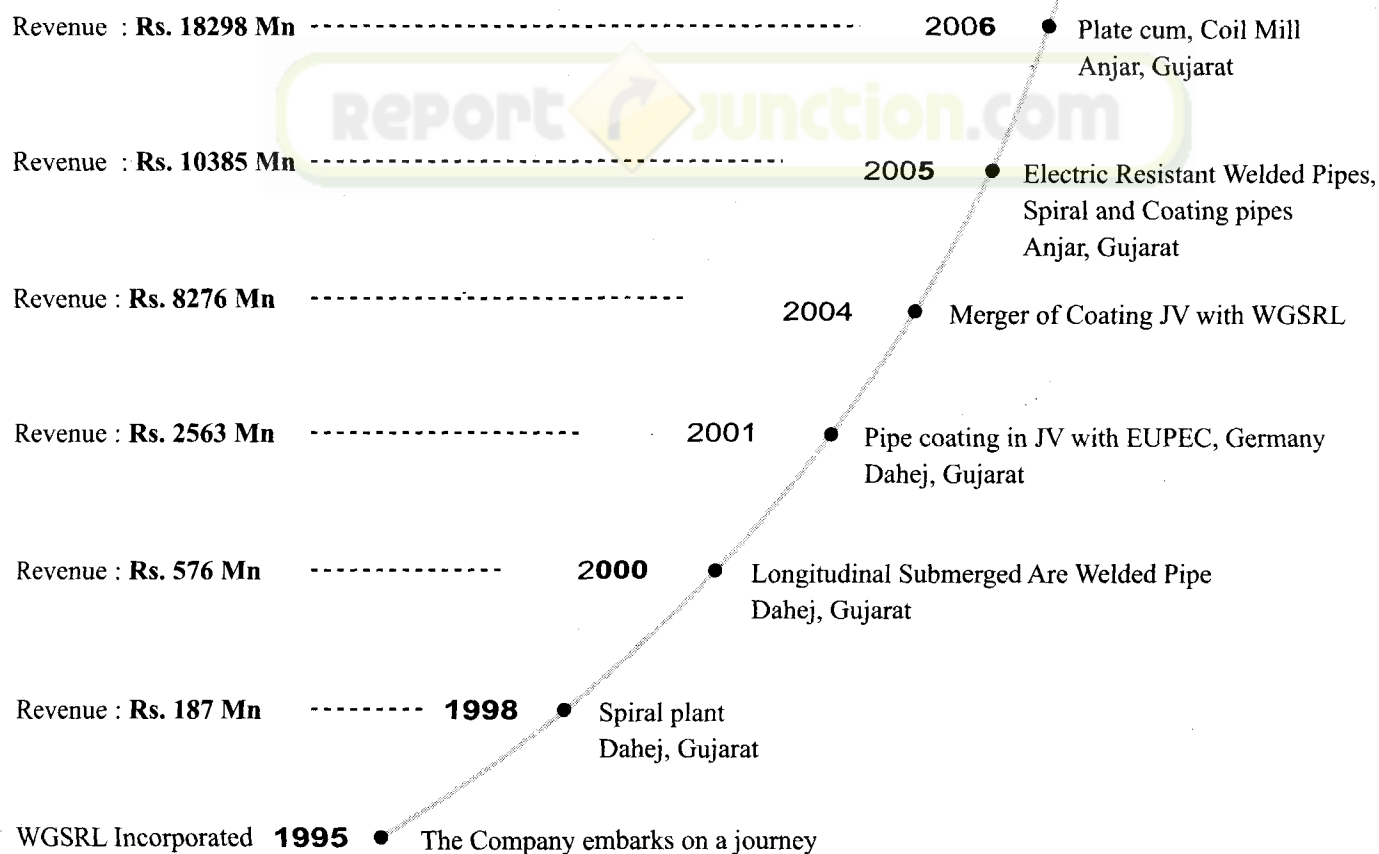


WELSPUN GUJARAT STAHL ROHREN LIMITED



An Unbound Journey...

growth ∞



11th ANNUAL REPORT 2005-2006

WELSPUN



Dare to Commit

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WELSPUN GUJARAT STAHL ROHREN LIMITED**WELSPUN GUJARAT STAHL ROHREN LIMITED****COMPANY INFORMATION**

BOARD OF DIRECTORS	Mr. G.R.GOENKA Mr. B.K.GOENKA Mr. R.R.MANDAWEWALA Mr. MURARILAL MITTAL Mr. BRAJA K. MISHRA Mr. RAJ KUMAR JAIN Mr. SANJEEV GHAI Mr. K.H.VISWANATHAN Mr. RAM GOPAL SHARMA Mr. NIRMAL GANGWAL	CHAIRMAN VICE CHAIRMAN & MANAGING DIRECTOR DIRECTOR DIRECTOR (FINANCE) CHIEF EXECUTIVE OFFICER & DIRECTOR DIRECTOR NOMINEE DIRECTOR OF IFCI LTD. DIRECTOR DIRECTOR DIRECTOR
COMPANY SECRETARY	Mr. RAMESH H. VED	
AUDITORS	MGB & CO., CHARTERED ACCOUNTANTS	
BANKERS	BANK OF BARODA, PUNJAB NATIONAL BANK, STATE BANK OF INDIA, ICICI BANK LTD., CANARA BANK, ANDHRA BANK, ORIENTAL BANK OF COMMERCE, BANK OF INDIA, STATE BANK OF TRAVANCORE, STATE BANK OF BIKANER & JAIPUR, INDUSTRIAL DEVELOPEMENT BANK OF INDIA	
REGISTERED OFFICE	VILLAGE JOLVA & VADADLA NEAR DAHEJ, TALUKA : VAGRA, DIST. BHARUCH, GUJARAT - 392 130. TEL: +91-2641-256011/256281, FAX: +91-2641-256285	
CORPORATE OFFICE	TRADE WORLD, B-WING, 9TH FLOOR, KAMALA MILLS COMPOUND, SENAPATI BAPAT MARG, LOWER PAREL, MUMBAI - 400 013. TEL: +91-22-66136000/ 24908000, FAX: +91-22-24908020/ 21 EMAIL : sales_wgsrl@welspun.com WEBSITE : www.welspunpipes.com	
FACTORY	I) VILLAGE JOLVA & VADADLA NEAR DAHEJ, TALUKA : VAGRA, DIST. BHARUCH, GUJARAT - 392 130. II) VILLAGE VERSAMED, TAL - ANJAR, DIST. - KUTCH, GUJARAT.	
LISTING OF SHARES	BOMBAY STOCK EXCHANGE LIMITED PHIROZE JEEJEEBHOY TOWER, DALAL STREET, MUMBAI 400 001 THE NATIONAL STOCK EXCHANGE OF INDIA LTD. EXCHANGE PLAZA, BANDRA KURLA COMPLEX, BANDRA (E), MUMBAI - 400 051.	

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Forward looking statement

In this Annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plan', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.



Statement of the Vice Chairman & Managing Director

Welspun today thrives in a dynamic environment. Increased energy consumption across countries has led to the oil and pipe industry to boom. It is a well established fact that the transportation of petroleum products by pipelines is usually preferred to other modes of transportation, across the world. Pipelines that traverse the length and breadth of continents across the world are now the back bone of economies. All this has pushed up demand for high quality large diameter pipes. Simdex, a US based agency has forecasted based pipeline requirements of approx 60 million tones which can translate into pipe supplies worth over 60 bn USD. These amongst others demand drivers (that you shall read about inside) have prompted Welspun to gear upto the challenges of meeting such intense demands.

Welspun is Geared to meet challenges...

Allow me to elaborate... Welspun's forte is supplying pipes for critical off shore applications, testimony to which is the successful delivery of pipes in the Gulf of Mexico. The project required us to supply pipes that were to be laid over 3000 metres under the sea, making it the **'Deepest Pipeline Project' in the world**. The timely completion of this project is a matter of great pride.

Welspun is also a one stop solutions company for all pipe related requirements, as it provides an exhaustive size and product range incorporating global best technologies (from M/s. Mannesmann Demag of Germany). It is therefore no surprise that Welspun is the undisputed choice of companies worldwide. Our list of clients reads like a veritable who's who of the Global Oil and Gas majors. The latest additions to our list of client accreditations are from Kinder Morgan and the Hunt Oil from USA. With the burgeoning client list, Welspun is well placed to participate in almost all major oil and gas biddings across the globe.



B. K. Goenka
Vice Chairman & Managing Director

"The company has grown manifold in the last year, its stakeholders have grown with it. Therein lies the real victory...."

We at Welspun take pride in the fact that we are the only company to successfully manufacture and deliver high thickness large diameter line pipes for Oil and gas applications across continents. Only a select few across the world are able to match this feat of making a 56" Outer Diameter with 19mm wall thickness spiral pipes. Our process, speed and quality have been the cornerstones of all our manufacturing.

Anjar – a promising tomorrow...

We are indeed growing @ speed, as is mentioned in our vision statement, and the catalyst here is no doubt the new facilities at the Anjar plant. Anjar has established itself in record time as the new growth engine for the company. This facility was built from scratch within a time period of 12 months and was inaugurated by the Chief Minister Narendra Modi. Anjar contributed INR 5,545 mn in '06 as opposed to a mere INR 116 mn in '05. I expect big things from Anjar in the coming financial year...

The company is fast emerging as a truly Indian multinational with footprints in new markets and more challenging projects by the day.

What next?

On the fast track to growth, our company has announced plate mill project with an investment of over INR 12,000 million, and capacity of 1.0 mn tonne. Today high grade steel plates are imported from outside the country due to *paucity of such quality plates within the country*. Add to this the logistics costs and the prices become stifling and beyond a point unviable. This mill will fully cater to our pipe requirements and with Anjar being a pipeline hub, we hope to provide raw material support to other pipe manufacturers in the area as well.

People and Social Responsibility at Welspun ...

We at Welspun believe that people are valued assets and indispensable cogs in the company wheel. Welspun prides itself in garnering result oriented people & has established

performance based reward system as part of the continuous employee motivation exercises. Welspun impart adequate training to all its employees in a bid to keep them up to desired level of expertise. Welspun rewards PES (Performance Evaluation Screening) incentives at a senior level within the organization.

At Welspun, Corporate Social Responsibility is not a one off effort, nor does it involve keeping aside a few funds to be distributed for socially relevant projects. It is a continuous process that is concomitant to any progress in the company, and only in this way does it hold any significance for us. Welspun's focus has always been overall development and the Welspun Vidya Mandir at Anjar was established with a view to provide basic education to children in and around Welspun City, Anjar. Today the school is adding more classes to its existing ones, as it needs to cater to the growing demand for education in the area.

To Welspun the health of its employees is of paramount importance and it is this concern that had prompted Welspun to lay the foundation of its hospital at Anjar.

Welspun is also a green corporate that is proactively planting trees in the area in order to increase forestation in the area.

The Way Forward...

The company has gone through a sea change in the past after the commissioning of the Anjar plant and with the *plate mill on the anvil; I expect our company to touch new heights*. The way forward is to concentrate all efforts on emerging markets, forge new and meaningful relationships while honouring the existing ones with commitment.

Appreciation...

I would like to express my gratitude and appreciation to all stakeholders, financial institutions, and employees for their support. Welspun owes its growth and prosperity to all of you.



DIRECTORS' REPORT

To,
The Members,
WELSPUN GUJARAT STAHL ROHREN LIMITED
Your directors have pleasure in presenting the 11th Annual Report on the business, operations and financial performance of the Company during the financial year ended 31st March, 2006.

FINANCIAL RESULTS:

Particulars	(Rs. in Million)	
	For the year ended	
	31 st March, 2006	31 st March, 2005
Income from operations & other income	18316.77	10646.96
Profit before interest, depreciation & tax	1674.29	945.65
Less : Interest / Finance costs	418.85	203.39
Gross Profit / (Loss)	1255.44	742.26
Less: Depreciation	351.90	240.96
Profit before tax for the year	903.54	501.30
Less : Provisions for current taxation	115.50	45.50
Provision for deferred taxation	162.40	124.35
Previous Years	3.90	(6.84)
Fringe Benefit Tax	8.02	-
Profit after tax for the year	613.72	338.30
Add : balance brought forward from previous year	1107.83	736.19
Balance transferred from	-	39.86
Amalgamated Company		
Profit available for appropriation	1721.55	1114.35
Proposed Dividend on preference shares & tax	23.33	6.52
Proposed Dividend on equity shares & tax	73.46	-
Balance carried forward to next year	1624.76	1107.83

PERFORMANCE

During the year under report, the Company produced 377,275 MT of pipes as compared to 241,832 MT in the previous year and 78 MT of steel plates from its new manufacturing facilities at Anjar and registered growth of 72% in the total income from operations and 81% in profit after tax, over previous financial year.

During the year under report, the Company registered remarkable growth in the international market. The export turnover increased by 50% to Rs.10,573.43 mn from Rs.7051.11 mn in the previous year. The key export orders executed by the Company during the year under report includes supplies for Independence Trail Pipe Line Project in USA, South Suateria-West Java Gas Pipeline Project Phase II & South Suateria-West Java Gas Pipeline-Offshore in Indonesia, Gazoduc 42" Sougueur-Hadjret Ennousse Pipeline Project in Algeria, Russia, Ras Laffan-Mesaieed Ethane Transmission project In Qatar.

DIVIDEND

The Board has proposed dividend @ 8% per annum on the 8%-Optionally Convertible Cumulative Preference Shares amounting to Rs.17.68 mn and @7% per annum (pro-rata) on 7% Optionally Convertible Cumulative Preference Shares amounting to Rs. 2.78 mn (excluding Corporate Dividend Tax).

The Board has also recommended dividend @10% for the year ended 31st March 2006 on fully paid-up Equity Shares.

PROSPECTS

Both the plants at Bharuch and Anjar have sufficient domestic as well as export orders for execution. Some of the major orders, which the Company is currently executing, are from Indonesia, USA and Russia valued at Rs.10,544 mn.

The Company is setting-up 1 mn tonnes Plate-Cum-Coil Mill to meet its captive requirement of high-grade plates for the

Spiral and LSAW pipe. It would obviate the need to import plates and would also be instrumental in achieving significant growth in profit margin.

The Plate mill is expected to be fully operational by December 2007.

DETAILS OF UTILIZATION OF FUNDS RAISED THROUGH PREFERENTIAL ISSUE OF SECURITIES.

During the year under review, the Company has outstanding Convertible Bonds, Preference Shares and Warrants, which were raised on preferential allotment basis. Status of use / application of funds is given below:

(a) Issue of US\$ 40 million FCCB:

US\$ 40 mn raised during the financial year 2004-05 through issue of Foreign Currency Convertible Bonds due 2010 for part financing Pipe Mill Expansion Project at Anjar has been utilized for the expansion project.

Out of US\$ 40 mn, US\$25.62 mn of FCCBs has already been converted into equity shares of the Company at the option of holders of FCCBs.

(b) Issue of US\$5 million 7% Optionally Convertible Cumulative Preference shares (7% OCCP):

US\$ 5 mn raised during the financial year 2004-05 through preferential issue of 7% OCCP Shares for part financing Pipe Mill Expansion Project at Anjar has been utilized for the purpose of meeting capital expenditure for the expansion project.

On 2nd May, 2006, the holders have opted for conversion of the entire OCCPs into equity shares. The Company has issued and allotted to the OCCP holders 37,74,116 equity shares of Rs.5/- each fully paid-up at a pre-determined price of Rs. 58.57 per share.

(c) Issue of US\$ 25 million 8% Optionally Convertible Cumulative Preference shares and Warrants with rights to apply for equity shares (8% OCCPs and Warrants):

During the year 2005-06, the Company raised US\$25 mn through preferential issue of 8% OCCP Shares and Warrants for part financing backward integration Plate-Cum-Coil Mill Project at Anjar. As mentioned in the Notice of EOGM, the entire proceeds of issue have been utilized for the purpose of meeting capital expenditure for the backward integration project.

On 31st March 2006, the OCCP holders have opted for conversion of the entire OCCPs into equity shares and accordingly, the Company has allotted 12,00,000 equity shares of Rs.5/- each fully paid-up at a premium of Rs.75.07 per share as per the terms of issue of OCCP.

Further, the Warrant holders have opted to subscribe for 43,01,500 equity shares of Rs.5/- each fully paid-up at a premium of Rs.75.07 per share against the equal number of Warrants held by them. After conversion, the number of Warrants outstanding is 85,48,706 against which equal number of equity shares can be subscribed within 18 months from the respective dates of allotment of Warrants.

(d) Issue of US\$ 75 million Foreign Currency Convertible Bonds:

During the year 2005-06, the Company raised US\$75 mn through issue of Foreign Currency Convertible Bonds for part financing backward integration Plate-Cum-Coil Mill Project at Anjar.

The utilization of proceeds of FCCB is as under:

- US\$1.15 mn has been used for meeting expenses relating to issue of FCCB;
- US\$ 33.85 mn remitted to India and has been used for meeting capital expenditure of Plate Mill Project at Anjar; and
- US\$40 mn, not required immediately for the Plate-cum-Coil Mill Project, has been kept in Fixed Deposits.

Till the date of this report, no FCCB has been converted into equity shares.

DIRECTORS

Since the last report, the changes in the Board of Directors of the Company are as under:

- Shri Nirmal Gangwal was appointed as an additional director w.e.f. 31st December 2005;
- Shri Sanjeev Ghai, Nominee of IFCI Ltd. was appointed as a director in place of Shri Sanjoy Chowdhury w.e.f. 1st February 2006.

Your directors welcome new members on the board of the Company and place on record their appreciation of the services rendered and contributions made by Shri Sanjoy Chowdhury during his tenure.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Braja K. Mishra, Shri K.H. Viswanathan and Shri Rajkumar Jain retire by rotation at the forthcoming Annual General Meeting and being eligible have offered, themselves, to be re-appointed. The Board recommends their re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed :

- (i) That in the preparation of the accounts for the financial year ended 31st March 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the directors have prepared the accounts for the financial year ended 31st March, 2006 on a going concern basis.

AUDITORS

Your Company's Auditors M/s. MGB & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, have given their consent to act as Auditors of the Company. Members are requested to consider their re-appointment as the Auditors of the Company and to fix their remuneration by passing an Ordinary Resolution under Section 224 of the Companies Act, 1956.

AUDITORS' REPORT

The Auditors' observations read with notes to the accounts is self-explanatory and therefore, does not call for any comments.

THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

In terms of the above rules, your directors are pleased to give the particulars as prescribed therein in the Annexures, which forms part of this report.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts is being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Corporate Office of the Company.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

PUBLIC DEPOSITS

The Company does not accept any deposit from public within the meaning of Section 58-A of the Companies Act, 1956 read with The Companies (Acceptance of Deposit) Rules, 1975.

LISTING WITH STOCK EXCHANGES

The Company's equity shares are listed on Bombay Stock Exchange Ltd., (BSE) and the National Stock Exchange India Ltd. (NSE).

The Foreign Currency Convertible Bonds (FCCBs) issued by the Company are listed on the Luxembourg Stock Exchange (LSE) and the Singapore Stock Exchange (SGX).

Annual listing fees for the year 2006-07 have been paid to BSE, NSE, LSE and SGX.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is annexed hereto as a part of this Report. A certificate from the Company Secretary in practice regarding compliance of conditions of Corporate Governance as prescribed under Clause 49 of the Listing Agreement is attached to this Report. A separate report on Management Discussion & Analysis is enclosed as part of the Annual Report.

ACKNOWLEDGEMENT

The Board wishes to express and place on record its gratitude for the faith reposed in and co-operation extended to the Company by the Financial Institutions, Banks, Government Authorities, Customers, Suppliers and Shareholders of the Company. Your Directors wish to place on record their deep sense of appreciation for the devoted and sincere services of the Executives, Staff and Workers of the Company for its success.

For and on behalf of the Board

**Vice Chairman
& Managing Director**

**Chief Executive Officer
& Director**

Place: Mumbai
Date: 13th June, 2006



FORM A (SEE RULE 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	CURRENT PERIOD 2005-2006	PREVIOUS PERIOD 2004-2005
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A. POWER AND FUEL CONSUMPTION

1. ELECTRICITY

(A) PURCHASED

UNIT (IN '000S)	1472.68	1156.42
TOTAL AMOUNT (Rs IN LACS)	85.36	58.08
RATE/UNIT (Rs)	5.80	5.02

(B) OWN GENERATION

(I) THROUGH D.G. SET (CPP)

GENERATOR UNIT (IN '000S)	43446.96	19937.85
UNITS GENERATOR PER UNITS OF FUEL	The Captive Power Plant at Dahej is dual fuel operated and Diesel is used as pilot and Gas as main fuel. Consumption ratio varies according to load. Therefore individual output fuel wise cannot be worked out.	

COST/UNIT (Rs)	2.90	1.56
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(II) THROUGH STEAM TURBINE / GENERATOR	Nil	Nil
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2. COAL (SPECIFY QUALITY AND WHERE USED)

3. FURNACE OIL

QUANTITY (K. Ltrs.)	5104	Nil
TOTAL AMOUNT (Rs IN LACS)	914.55	Nil
AVERAGE RATE COST/UNIT (Rs)	17918	Nil

4. OTHERS/INTERNAL GENERATION

B. CONSUMPTION PER UNIT OF PRODUCTION

PRODUCTS	STANDARD	CURRENT YEAR	PREVIOUS YEAR
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NAME OF PRODUCT:	Welded Pipes		
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ELECTRICITY-Units		118.96@	87.31
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FURNACE OIL (K. Ltrs)		0.04#	-
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COAL (SPECIFY QUALITY)	-	-	-
------------------------	---	---	---

OTHERS (SPECIFY)	-	-	-
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NAME OF PRODUCT:	M.S. Pipes		
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ELECTRICITY-Units		94.73	-
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FURNACE OIL (K. Ltrs)	-	-	-
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COAL (SPECIFY QUALITY)	-	-	-
------------------------	---	---	---

OTHERS (SPECIFY)	-	-	-
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NAME OF PRODUCT:	M. S. Plates		
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ELECTRICITY		498.70	-
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FURNACE OIL (K. Ltrs)		0.68	-
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COAL (SPECIFY QUALITY)	-	-	-
------------------------	---	---	---

OTHERS (SPECIFY)	-	-	-
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@ Considered production of pipes at Bharuch & Anjar

Considered production of pipes at Anjar.

FORM B (SEE RULE 2)

Form for disclosure of particulars with respect to absorption.

Research and Development (R&D)

01 Specific areas in which R&D is carried out by the Company	Developing manufacturing of X120 grade pipes.
02 Benefits derived as a result of the above R&D.	We will enter in selected group of pipe suppliers globally who will have such technology to cater to the market demand.
03 Future plan of action	
04 Expenditure on R&D	
(a) Capital	Nil
(b) Recurring	Nil
(c) Total	Nil
(d) Total R&D expenditure as a percentage of total turnover.	N. A.

Technology absorption, adaptation and innovation.

01 Efforts, in brief, made towards technology absorption, adaptation and innovation.	<ol style="list-style-type: none"> 1. Installation of CTOD testing machine. 2. Fabrication, erection and commissioning of plate conveyor in forming bay to ensure smooth feeding of plates. 3. Conversion of forming tools with existing radius to another radius for execution of other orders. 4. New x-ray machines (4 nos) installed.
02 Benefits derived as a result of the above efforts, etc. Product improvement, cost reduction, product development, import substitution, etc.	<ol style="list-style-type: none"> 1. We have the in house capability to meet the customer requirements for fracture toughness assessment. 2. It helped in smooth feeding and flow of the plates from one station to another station. 3. It resulted in substantial saving in cost. If this was not done, we had to produce new dies. 4. Increased the productivity.
03 In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	
(a) Technology imported	Basic engineering consultancy, process engineering and technical know how from NTERTEC GmbH, and EUPEC GmbH Germany.
(b) Year of import	Commenced in 1996-97, and for Coating 1999-2000.
(c) Has technology been fully absorbed?	Yes
(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	Not Applicable

Foreign exchange earnings and outgo :

Activities relating to exports;	The efforts and investment put in by the Company in the previous years for expanding the market reach has yielded tremendous result. The Export turnover for year has increased to Rs 10573.43 mn from 7050.11 mn.
Initiatives taken to increase exports;	Upgradation & Investment in quality control and enhancing equipments for meeting the global standards
Development of new export markets for products and services and export plans;	-
Total foreign exchange used and earned.	Used : Rs. 12.34 bn Earned : Rs. 10.48 bn

CORPORATE GOVERNANCE REPORT

I. PHILOSOPHY ON CORPORATE GOVERNANCE.

The Board of Directors of the Company acts as a trustee and assumes fiduciary responsibility of protecting the interests of the shareholders and other stakeholders of the Company. The Board supports the broad principles of Corporate Governance. In order to attain the highest-level good Corporate Governance practice, Board lays strong emphasis on transparency, accountability and integrity.

II. BOARD OF DIRECTORS.

The Company's Board comprises individuals with considerable experience and expertise across a range of field such as finance & accounts, general management, business strategy.

Composition and category of directors; attendance of each director at the board meetings and the last AGM; number of other public companies on the Board or Committees of which, a director is a director, Member or Chairperson; and number of board meetings, dates on which held, are as under:

Name of the Director	Category	Board Meeting Attended during the Year 2005-06	Attendance at the Last AGM	No. of other Directorship (as last declared to the Company)	Member / Chairperson in No. of Board Committees including other Companies (as last declared to the Company)
Shri G.R.Goenka-Chairman	PNE	Nil	No	2	Nil
Shri B.K.Goenka-Vice Chairman & Managing Director	PE	3	No	12	4M
Shri Braja K.Mishra-CEO & Director	E	4	No	2	1C,1M
Shri M.L.Mittal - Director (Finance)	E	6	Yes	6	1C,3M
Shri R.R.Mandawewala	PNE	4	No	9	1C,4M
Shri Sanjoy Chowdhury (Nominee IFCI Ltd.)#	NE, I, L	4	No	2	2M
Shri K.H.Viswanathan	NE, I	5	No	1	2C,3M
Shri Rajkumar Jain	NE, I	4	Yes	2	3C,4M
Shri Ram Gopal Sharma	NE, I	5	No	1	1M
Shri Nirmal Gangwal*	NE, I	1	No	2	1M
Shri Sanjeev Ghai (Nominee IFCI Ltd.)\$	NE, I, L	Nil	No	5	4M

Ceased to be director w.e.f. close of business hrs on 31st January 2006.

* Appointed w.e.f. 31st December 2005.

\$ Appointed w.e.f. 1st February 2006.

Abbreviations:

P = Promoter, I = Independent, E = Executive Director, NE = Non-Executive Director, L = Lenders, C=Chairperson, M=Member.

6 meetings of the board of directors were held during the financial year 2005-06 on the following dates:

30th April 2005, 30th June 2005, 30th July 2005, 24th September 2005, 18th October 2005 and 31st January 2006.

III. AUDIT COMMITTEE

a. **Terms of reference:** The terms of reference stipulated by the Board of Directors to the Audit Committee are as contained under clause 49 of the Listing Agreement.

b. Composition

The Audit Committee was constituted by the Board of Directors at its meeting held on 23rd August, 1997 and was re-constituted from time to time. The Committee comprises 3 non-executive independent Directors. The Chairman of the Committee is an independent director. The composition of the Committee and attendance of the members is given hereunder:

Name of the Member	Member/Chairman	Number of Meetings Attended
Shri RajkumarJain	Chairman	3
Shri K.H.Viswanathan	Member	3
Shri Sanjoy Chowdhury	Member	2
Shri Sanjeev Ghai®	Member	Nil

® Inducted w.e.f. 1st February, 2006.

Three meetings of the Audit Committee of the Board of Directors were held during the financial year 2005-06 on following dates:

30th June 2005, 1st October 2005 and 31st January 2006.

IV. REMUNERATION COMMITTEE

The Company has duly constituted Remuneration Committee consisting of independent, non-executive directors. During the year under review, 1 meeting of the Committee was held on 30th June 2005. Terms of Reference, composition, remuneration paid are as under:

a. Terms of reference

To recommend appointment of, and remuneration to, Managerial Personnel and review thereof from time to time.

b. Composition of the committee

The Committee comprises of 3 non-executive directors as on 31st March, 2006 viz. Shri Rajkumar Jain, Shri K.H. Viswanathan and Shri Sanjeev Ghai.

c. Remuneration Policy:

Remuneration to Executive Directors

The details of remuneration paid/ payable to the directors for the Financial Year 2005-06 are as under:

1) Shri. B.K Goenka - Vice Chairman and Managing Director.

Salary & Allowances	3.61 mln
Perquisites	NIL
Commission	9.35 mln
Service Contract	Yes
Tenure	5 Years
Notice Period	1 Month
Severance Fees	NIL
Stock Option	NIL



2) Shri. M.L.Mittal - Director (Finance)

Salary & Allowances	3.00 mln
Perquisites	NIL
Commission	NIL
Service Contract	-
Notice Period	-
Severance Fees	NIL
Stock Options	NIL

3) Shri. B.K.Mishra – CEO & Director

Salary & Allowances	5.20 mln
Perquisites	0.36 mln
Commission	NIL
Performance Linked Incentives	1.88 mln
Service Contract	-
Notice Period	-
Severance Fees	NIL
Stock Options	NIL

d. Particulars of pecuniary relationship or transaction of the Non-Executive Directors vis-a-vis the Company.

Apart from the fees for attending each meeting of the Board of Directors and the Committee of the Board of Directors, no other fee or remuneration was paid to the non-executive directors during the reporting year.

None of the directors had any transaction with the Company. However, transactions have taken place with some of the companies in which a director holds directorship. These transactions were took place at the prevailing market value as normal commercial transaction and the same were disclosed to the Board.

V. SHARE TRANSFER AND INVESTORS' GRIEVANCE COMMITTEE

a. Composition

The Share Transfer and Investor Grievance Committee was constituted in accordance with the Clause 49 of the Listing Agreement. The Chairman of the Committee is a non-executive director. The composition of the Committee is given hereunder:

Name of the Member	Member/ Chairman
Shri K.H.Viswanathan	Chairman
Shri B.K.Goenka	Member
Shri R.R.Mandawewala	Member
Shri M.L.Mittal	Member

Compliance Officer: Shri Ramesh Ved – President Finance & Company Secretary

b. Number of Shareholders complaints / requests received during the year. :

During the Year under review total 68 Investor's complaints / requests were received. Break-up and number of complaints / requests received under different category is given hereunder:

1. Non-Transfer / delay in transfer / split etc. of Shares : 48

2. Non receipt of Duplicate Share Certificates : 12
3. Stop Transfer : Nil
4. Delay in De / Re- materialisation of Shares : 8
5. Payment of Allotment Money : Nil
6. Name Correction : Nil

All the complaints / requests received during the year under review were solved within the time to the satisfaction of the investors/shareholders and no complaint were pending as on 31st March 2006 for more than 30 days. All the shares received for transfer / transmission have been transferred / transmitted and no transfer is pending as at 31st March 2006.

VI. GENERAL BODY MEETINGS

The details of Annual General Meetings held in the last three years are given hereunder:

Meeting	Day & Date of Meeting	Time	Place
8 th Annual General Meeting	Saturday, 27 th September, 2003	1.00 pm	Registered Office: Village Jolva and Vadadla, Near Dahej, Taluka Vagra, Dist. Bharuch, Gujarat – 392 130.
9 th Annual General Meeting	Thursday, 30 th September, 2004	3.45 pm	Registered Office: Village Jolva and Vadadla, Near Dahej, Taluka Vagra, Dist. Bharuch, Gujarat – 392 130.
10 th Annual General Meeting	Friday, 30 th September 2005	2.15 pm	Registered Office: Village Jolva and Vadadla, Near Dahej, Taluka Vagra, Dist. Bharuch, Gujarat – 392 130.

During the year under report, the following Special Resolution were passed by the shareholders of the company:

- a. Alteration of Articles of Association of the Company for giving effect to increase in authorized share capital of the Company.
- b. Resolution under Section 81(1A) of the Companies Act, 1956 authorizing further issue of securities on preferential allotment basis and approving Employee Stock Option Scheme.
- c. Resolution under Section 81(1A) for modification in the terms & conditions of securities issued by the Company.
- d. Resolution under Section 149(2A) of the Companies Act, 1956 authorizing commencement of new businesses.

During the year under review, no resolution was passed through Postal Ballot.

VII. MANAGEMENT

a. Management Discussion and Analysis

Management Discussion and Analysis of various businesses of the Company is separately given in the Annual Report.

b. Disclosures by management to the Board

All details relating to financial and commercial transactions where directors may have a pecuniary interest are provided to the Board, and the interested directors neither participate in the discussion, nor do they vote on such matters.

VIII. DISCLOSURE

a. Related Party Transactions:

For related party transactions, refer Note No. 16 of Note

on Accounts annexed to the Balance Sheet and Profit & Loss Accounts.

b. Non-Compliance

There were no non-compliance by the Company during the year under review and hence no penalties and stricture was imposed on the Company by the Stock Exchange or SEBI or any authority on any matter related to capital market during last 3 years.

c. Whistle Blower Policy

The Company has a Whistle Blower Policy and no personnel have been denied access to the Audit Committee.

d. Code Of Conduct

The Board of Directors of the Company at their meeting held on 29th January 2005 agreed to implement a Code of Conduct for Management to be applicable to all directors and senior management. The Code was reviewed by the Board at its meeting held on 31st January, 2006.

All Board members and senior management personnel have complied with the Code.

e. Brief Resume of director being re-appointed.

A brief resume, nature of expertise in specific functional areas, names of companies in which the person already holds directorship and membership of committees of the Board and his shareholdings in the Company forms part of the Notice of General Meeting, annexed to this Annual Report.

f. Accounting Standards

The Accounting Standards laid down by the Institute of Chartered Accountants of India and applicable to the Company were followed by the Company in preparation of accounts of the Company.

IX. MEANS OF COMMUNICATION

The quarterly, half-yearly and yearly financial results of the Company are sent out to the Stock Exchanges immediately after they are approved / noted by the Board. Company published its un-audited / audited financial results in Western Times (English and Gujarathi editions) and Economic Times (English Edition).

These results are simultaneously posted on the website of the Company at www.welspunpipes.com and the website of Securities and Exchnage Board of India at www.sebiedifar.nic.in. The Official press release is also available on the website of the Company.

X. GENERAL SHAREHOLDER INFORMATION.

1. Annual General Meeting shall be held on Friday, 29th September, 2006 at 12.30 p.m. at the Registered Office of the company at Village Jolva & Vadadla, Tal: Vagra, Dist. Bharuch, GUJARAT – 392 130.
2. Financial Year of the Company is 1st April to 31st March.
3. **Date of Book Closure:** Monday 25th September 2006 to Friday, 29th September 2006 (both days inclusive).
4. **Dividend payment date:** 29th September 2006

5. **Listing on Stock Exchanges:** National Stock Exchnage of India Ltd. (NSE), The Bombay Stock Exchange Ltd., Mumbai (BSE)

The Foreign Currency Convertible Bonds (FCCBs) issued by the Company are listed on the Luxembourg Stock Exchange (LSE) and the Singapore Stock Exchange (SGX)

Annual listing fees for the year 2006-07 have been paid to BSE, NSE, LSE and SGX.

Stock Code /Symbol:

The Bombay Stock Exchange Ltd. : 532144

The National Stock Exchange : WELGUJ;
of India Ltd. Series : EQ

ISIN No. (For dematerialized shares) : INE191B01025

6. **Stock Market price data, High & Low price of equity shares on The Bombay Stock Exchange Ltd., Mumbai and the National Stock Exchange of India is as under.**

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April – 2005	42.00	35.10	Trading suspended for giving effect to the Scheme of Arrangement	
May - 2005	71.00	52.10	72.00	56.50
June - 2005	72.25	55.05	72.50	60.00
July - 2005	79.00	65.90	79.00	65.75
August- 2005	84.90	73.70	85.10	73.00
September-2005	92.40	72.00	92.50	70.15
October-2005	113.00	87.00	113.00	86.75
November-2005	105.80	89.70	105.40	89.75
December-2005	94.20	80.50	94.80	80.60
January-2006	104.00	84.60	103.80	84.10
February-2006	96.55	85.10	99.60	85.80
March-2006	93.50	82.50	94.50	82.50

7. **Performance in comparison to broad-based indices i.e. BSE- Sensex and NSE- Nifty is as under:**

Month	BSE Index	Closing price of Shares (Rs.)	NSE Nifty	Closing price of Shares (Rs.)
April-2005	6,154.44	36.20	1902.50	Trading suspended for giving effect to the Scheme of Arrangement
May-2005	6,715.11	60.45	2087.55	60.55
June-2005	7,193.85	67.40	2220.60	67.10
July-2005	7,635.42	77.20	2312.30	77.65
August -2005	7,805.43	76.25	2384.65	76.30
September-2005	8,634.48	87.00	2601.40	86.90
October-2005	7,892.32	95.00	2370.95	95.10
November-2005	8,788.81	90.30	2652.52	90.05
December-2005	9,397.93	86.15	2836.55	86.40
January-2006	9,919.89	96.70	3001.10	96.50
February-2006	10,370.24	91.80	3074.70	92.05
March-2006	11,279.96	86.95	3402.55	86.80