

WELSPUN



Dare to Commit

WELSPUN Corp Limited



To embrace change
&
gear up for the future

19th Annual Report
2013-14

financial highlights (consolidated)

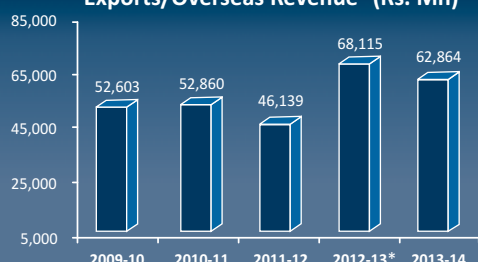
Total Income (Rs. Mn)



PAT (Rs. Mn)



Exports/Overseas Revenue# (Rs. Mn)



Basic EPS (Rs. / Share)



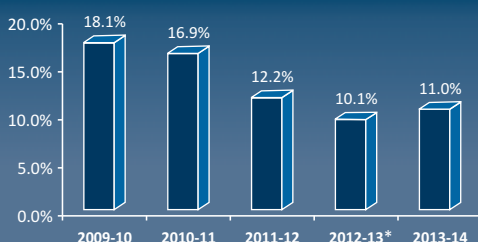
Reported EBITDA (Rs. Mn)@@



Networth (Rs. Mn)



EBITDA Margin (%)



Fixed Assets (Gross Block- Rs. Mn)



Note : FY 14 and FY13 figures are after taking into consideration the demerger of the Company while FY10, FY11, FY12 figures are pre-demerger.

^^ FY 2013-14: Includes other income of Rs. 1,744 million, Total unrealised foreign exchange of Rs. 1,046 million

^ FY 2012-13: Includes other income of Rs. 1,879 million, Total unrealised foreign exchange gain of Rs. 232 million

@ @ : For FY11, FY12, FY 13 & FY14 Other Income, a part of Reported EBITDA includes Interest Income for the respective years

FY 2011-12: Includes Other Income of Rs. 2,676 million which includes interest income of Rs. 1,339 for FY12. Operational Performance was impacted by foreign exchange provisions on Rs. 1,248 million, and provisions made towards amicable settlement with a customer of Rs. 649 million. Total foreign exchange provision was Rs. 1,517 million.

FY 2010-11 : Includes export rebate of Rs. 734 mn on receipt of favourable judgement from Honorable Supreme Court and provision of Rs. 2,007 mn on account of settlement with one of the customers thereby ending long pending litigation

@ FY10: Forex Provisioning made in the previous year were recovered during the year

*** Net worth includes CCDs of Rs. 7,884 million.

** Includes tangible & intangible assets and CWIP

*Post Demerger Effect showing results of Pipes & Plates business as continuing operations.

Includes Deemed Exports

contents

2



Corporate Information

6



Chairman's Statement

10



Directors' Report

16



Corporate Governance Report

28



Management Discussion and Analysis

50



Corporate Social Responsibility

58



Financial Section

Forward Looking Statement

In this Annual Report we have disclosed forward-looking information to enable investors comprehend our prospects and take informed investment decisions. We have tried, wherever possible, to identify such statements by using words as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of the future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our 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 statements, whether as a result of new information, future events or otherwise.

corporate information

Company Identification Number: L27100GJ1995PLC025609

Date of Incorporation: 26th April 1995

Date of Being Listed on Stock Exchange: BSE: 27th March 1997
NSE: 4th December 2003

Type of Business : Manufacturing of Steel Pipes, Plates, Coils and generation of Power

Registered Capital : Rs. 2500 million

Paid Up Capital : Rs. 1314.74 million divided into 262,948,299 equity shares of Rs.5/- each fully paid-up

Par Value / Share : Rs. 5/- each

Securities Registrar & Transfer Agent

: Link Intime India Private Ltd.
C- 13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai - 400078

■ Board of Directors

Mr. Balkrishan Goenka
(Chairman, Non-Executive)

Mr. Braja Mishra
(Managing Director)

Mr. Rajesh R. Mandawewala
(Director)

Mr. Mukul Sarkar
(Nominee Director of Exim Bank Ltd.)

Mr. Mintoo Bhandari
(Nominee Director of Insight Solutions Ltd.)

Mr. Raj Kumar Jain
(Director)

Mr. K.H. Viswanathan
(Director)

Mr. Ram Gopal Sharma
(Director)

Mr. Nirmal Gangwal
(Director)

Mr. Utsav Bajjal
(Nominee Director of Insight Solutions Ltd.)

■ Chief Financial Officer

Mr. S. Krishnan

■ Company Secretary

Mr. Pradeep Joshi

■ Auditors

MGB & Co., Chartered Accountants

■ Registered Office

"Welspun City",
Village Versamedi, Tal. Anjar, Dist Kutch,
Gujarat - 370110, India
Fax: +91-2836-279060
Tel: +91-2836-662079

■ Corporate Office

Welspun House, 5th Floor,
Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai - 400 013, INDIA
Tel: +91-22-6613 6000/ 2490 8000
Fax: +91-22-2490 8020/21
E-mail: CompanySecretary_wcl@welspun.com
Website: <http://www.welspuncorp.com>

■ Stock exchanges where the Company's securities are listed

Bombay Stock Exchange Ltd.
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 051

The National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex, Bandra (E),
Mumbai - 400 001

Singapore Exchange Securities Trading Limited (the "SGX-ST")
2 Shenton Way, #19-00 SGX Centre 1, Singapore - 068804

■ Bankers

Allahabad Bank
Andhra Bank
Bank of Baroda
Bank of India
Canara Bank
Central Bank of India
Citibank N.A.
Corporation Bank
DBS Bank Ltd
Export - Import Bank of India
ICICI Bank Limited
IDBI Bank Ltd
Oriental Bank of Commerce
Punjab National Bank
Standard Chartered Bank
State Bank of Bikaner & Jaipur
State Bank of India
State Bank of Travancore
Union Bank of India

■ Manufacturing Units of the Company

- Village Jolva & Vadadla, Near Dahej, Taluka : Vagra, Dist. Bharuch, Gujarat - 392 130.
- Village Versamedi, Tal - Anjar, Dist.- Kutch, Gujarat - 370110
- KIADB Industrial Area, Gejjalagere, Taluka Maddur, Dist. Mandya, Karnataka -571428

■ Manufacturing Units of the Subsidiaries

- 9301, Frazier Pike, Little Rock , Arkansas 72205, USA
- 2nd Ind City Dammam, Kingdom of Saudi Arabia, P. O. Box 12943, Postal Code 31483

important changes and developments

YEAR

- 2014
 - Achieved the 1 Million MT mark for the Second Consecutive Year in Production, Sales and Order Booking.
 - All time High Annual Pipe Production and Sales Volumes.
 - Double Jointing plant commissioned in Saudi Arabia; Internal & External Coating Plant commissioned in Anjar, India.
 - Single Largest Order from Saudi Arabia and First Order from Shell USA.
 - New Customer breakthroughs : Statoil, TOTAL and South Stream (only Indian company allowed to participate)
- 2013
 - Achieved 1 million MT mark in Production, Sales and Order Booking.
 - New 175,000 MTPA, HFIW Mill at Little Rock commissioned and received the API certification.
 - Demerger of other businesses (Infra, DRI, Oil & Gas and Energy) into Welspun Enterprises Limited, for effective business focus.
- 2012
 - Initiated new HFIW mill of 175,000 MTPA in Little Rock, Arkansas, US.
 - 50,000 MTPA capacity expansion of the already existing 100,000 MTPA HSAW capacity in Mandya, Karnataka.
- 2011
 - WCL raised \$290 million in the form of GDRs (US \$115 million) & CCDs (US \$175 million).
 - Saudi plant commenced production.
 - L-SAW plant at Anjar commissioned.
 - Welspun Middle East established its presence in Dubai to cater to the bouyant markets of Middle East and Africa.
 - Acquired 35% stake in Leighton Contractors (India) Private Limited (renamed as Leighton Welspun Contractors Private Limited)
 - Awarded "EEPC Top Exporter for the Year 2011" - Gold Trophy
 - Awarded "IACC Best Indian Manufacturing Company in the US 2011"
- 2010
 - Initiated capacity expansion in India of LSAW by 350,000 MTPA in Anjar, Gujarat, HSAW by 100,000 MTPA in Mandya near Bangalore.
 - Fund raising of US\$ 250 million of which US\$ 150 million was raised through FCCB (Foreign Convertible Currency Bonds) in Oct 2009 and \$ 100 million through QIP (Qualified Institutional Placement) in Nov 2009.
 - Foray in infrastructure by way of investment in Welspun Projects Limited (formerly known as MSK Projects India Ltd.)
 - Completed investment in Middle East company with 300,000 MTPA HSAW facility in Saudi Arabia.
 - Change in name of Welspun Gujarat Stahl Rohren Limited to "Welspun Corp Limited" w.e.f. 27/04/2010.
- 2009
 - Commissioning of the US Pipe Mill in Little Rock Arkansas, with the capacity of 350,000 MTPA of HSAW pipes.
 - Commissioning of the Coil Mill at Anjar, Gujarat.
- 2008
 - Recognized as 2nd Largest (Large Diameter) Pipe producer in the World by The Financial Times, UK.
 - Plate Mill got operational from 28th March 2008. Achieved Level II automation, Rolled X-70 API Grade of 4.5 meters wide.
 - Double Jointing & Coating facility commissioned at the Little Rock facility in Arkansas U.S.
 - Awarded "Emerging Company of the Year" for Corporate Excellence 2008 by Economic Times.
 - Commissioning of additional HSAW Mill with the capacity of 150,000 MTPA at Anjar, Gujarat.

financials at a glance

(Rs. in Million)

Particulars	Year ended 31st March (Consolidated)				
	2014	2013 [*]	2012	2011	2010 [@]
Income Statement Data					
Total Income	78,791	92,711	92,442	81,360	73,822
Operating Expenses (COGS, Mfg and Other Expenses)	70,352	83,520	81,195	67,576	60,450
Reported EBITDA	8,439	9,191	11,247	13,784	13,372
Normalized EBITDA	7,742^{^^}	7,079[^]	10,901^{###}	14,461^{###}	13,186[#]
Depreciation / Amortization	4,063	3,531	3,515	2,439	2,061
Gross Profit	1,412	2,076	3,732	9,104	11,301
EBIT	4,376	5,659	7,732	11,345	11,311
Finance Costs (Gross)	2,964	3,583	3,999	2,240	2,071
PAT (After Minority Interest)	734	1,404	2,385	6,330	6,104
Balance Sheet Data					
Current Assets	36,719	60,072	78,620	56,995	51,471
Current Liabilities	22,793	41,803	57,394	34,774	33,510
Net Current Assets	13,926	18,269	21,226	22,221	17,961
Fixed Assets **	50,372	51,025	63,625	48,645	38,283
Investments (Current and Non Current)	11,398	10,082	19,785	14,405	1,596
Deferred Tax Assets	-	-	66	-	-
Gross Debt	37,411	38,907	53,407	38,060	25,476
Cash and Bank Balance	1,447	5,923	10,255	7,508	17,028
Liquid Investments	11,143	9,848	19,431	14,366	1,595
Cash and Liquid Investments	12,590	15,771	29,686	21,875	18,623
Net Debt	24,821	23,137	23,721	16,185	6,853
Networth	29,569	27,504	48,816^{***}	33,735	29,011
Minority Interest	1,012	1,015	3,433	2,024	-
Average Shareholders Fund	28,536	38,160	41,276	31,373	22,304
Deferred Tax Liability (Net)	5,609	5,417	5,036	4,344	3,352
Capital Employed	73,601	72,843	110,692	78,163	57,839
Capital Employed (Net of Cash and Liquid Investments)	61,011	57,073	81,006	56,288	39,217
Average Capital Employed (Net of Cash and Liquid Investments)	59,042	69,039	68,647	47,752	36,615
Cash Flow Data					
Net Cash Flows by Operating Activities	1,885	271	14,287	6,665	3,843
Net Cash Flows by Investing Activities	(1,222)	(435)	(22,054)	(22,574)	(3,885)
Net Cash Flows by Financing Activities	(5,139)	(680)	9,634	5,585	2,767
Financial Ratios					
EPS - Basic (Rs/share)	2.79	6.06	10.89	30.95	31.69
EPS - Diluted (Rs/share)	2.79	6.06	9.71	28.66	28.40
EBITDA Margin (%)	10.71%	9.91%	12.17%	16.94%	18.11%
PAT Margin (%)	0.93%	1.51%	2.58%	7.78%	8.27%
Net Debt to Shareholders Fund	0.84	0.84	0.49	0.48	0.24
Net Debt to EBITDA	2.94	2.52	2.11	1.17	0.51
Return on Avg. Shareholders Fund	2.57%	3.68%	5.78%	20.18%	27.37%
ROCE [EBIT/ (Avg. Capital Employed)]	7.41%	8.20%	11.26%	23.76%	30.89%

Note : FY 14 and FY13 figures are after taking into consideration the demerger of the Company while FY10, FY11, FY12 figures are pre-demerger.

@ Prior to revised Schedule VI

* Post Demerger Effect showing results of Pipes & Plates business as continuing operations.

^^ FY 2013-14: Includes other income of Rs. 1744 million, Total unrealised foreign exchange of Rs. 1,046 million

^ FY 2012-13: Includes other income of Rs. 1879 million, Total unrealised foreign exchange gain of Rs. 232 million

FY 2011-12: Includes Other Income of Rs. 2,676 million which includes interest income for FY12. Operational Performance was impacted by foreign exchange provisions on Rs. 1,248 million, and provisions made towards amicable settlement with a customer of Rs. 649 million. Total foreign exchange provision was Rs. 1,517 million.

FY 2010-11 : includes export rebate of Rs. 734 mn on receipt of favourable judgment from Honorable Supreme Court and provision of Rs. 2,007 mn on account of settlement with one of the customers thereby ending long pending litigation"

FY 2009-10 : Forex Provisioning made in the previous year were recovered during the year

** includes Capital Work-In-Progress

*** Net worth includes CCDs of Rs. 7,884 million.



financials at a glance

(USD in Million)

Particulars	Year ended 31 March (Consolidated)				
	2014	2013*	2012	2011	2010 [#]
Income Statement Data					
Total Income	1,302	1,703	1,928	1,787	1,555
Operating Expenses (COGS, Mfg and Other Expenses)	1,163	1,534	1,693	1,484	1,273
Reported EBITDA	139	169	235	303	282
Normalized EBITDA	128 ^{^^}	130 [^]	227 ^{###}	318 ^{##}	278 [#]
Depreciation / Amortization	67	65	73	54	43
Gross Profit	23	38	151	254	238
EBIT	72	104	161	249	238
Finance Costs (Gross)	49	66	83	49	44
PAT (After Minority Interest) ##	12	26	50	139	129
Balance Sheet Data					
Current Assets	613	1,107	1,545	1,278	1,146
Current Liabilities	380	770	1,128	780	746
Net Current Assets	232	337	417	498	400
Fixed Assets **	841	940	1,251	1,091	853
Investments (Current and Non Current)	190	186	389	323	36
Deferred Tax Assets	-	-	1	-	-
Gross Debt	624	717	1,050	853	567
Cash and Bank Balance	24	109	202	168	379
Liquid Investments	186	181	383	283	31
Cash and Liquid Investments	210	291	585	431	367
Net Debt	414	426	466	363	153
Networth	494	507	960 ^{***}	756	646
Minority Interest	17	19	67	45	-
Average Shareholders Fund	476	703	811	704	497
Deferred Tax Liability (Net)	94	100	99	97	75
Capital Employed	1,228	1,342	2,176	1,753	1,288
Capital Employed (Net of Cash and Liquid Investments)	1,018	1,051	1,592	1,262	873
Average Capital Employed (Net of Cash and Liquid Investments)	985	1,272	1,349	1,071	815
Cash Flow Data					
Net Cash Flows by Operating Activities	31	5	298	146	81
Net Cash Flows by Investing Activities	(20)	(8)	(460)	(496)	(82)
Net Cash Flows by Financing Activities	(85)	(12)	201	123	58
Financial Ratios					
EPS - Basic (US \$/share)	0.05	0.11	0.23	0.68	0.67
EPS - Diluted (US \$/share)	0.05	0.11	0.20	0.63	0.60
EBITDA Margin (%)	10.71%	9.91%	12.17%	16.94%	18.11%
PAT Margin (%)	0.93%	1.51%	2.58%	7.78%	8.27%
Net Debt to Shareholders Fund	0.84	0.84	0.49	0.48	0.24
Net Debt to EBITDA	2.94	2.52	2.11	1.17	0.51
Return on Avg. Shareholders Fund	2.57%	3.68%	5.78%	20.18%	27.37%
ROCE [EBIT/ (Avg. Capital Employed)]	7.41%	8.20%	11.26%	23.76%	30.89%

Note : FY 14 and FY13 figures are after taking into consideration the demerger of the Company while FY10, FY11, FY12 figures are pre-demerger.

@ Prior to revised Schedule VI

* Post Demerger Effect showing results of Pipes & Plates business as continuing operations.

^^ FY 2013-14: Includes other income of Rs. 1744 million, Total unrealised foreign exchange of Rs. 1,046 million

^ FY 2012-13: Includes other income of Rs. 1879 million, Total unrealised foreign exchange gain of Rs. 232 million

FY 2011-12: Includes Other Income of Rs. 2,676 million which includes interest income for FY12. Operational Performance was impacted by foreign exchange provisions on Rs. 1,248 million, and provisions made towards amicable settlement with a customer of Rs. 649 million. Total foreign exchange provision was Rs. 1,517 million.

FY 2010-11 : includes export rebate of Rs. 734 mn on receipt of favourable judgment from Honorable Supreme Court and provision of Rs. 2,007 mn on account of settlement with one of the customers thereby ending long pending litigation"

FY 2009-10 : Forex Provisioning made in the previous year were recovered during the year

** includes Capital Work-In-Progress

*** Net worth includes CCDs of Rs. 7,884 million.

Exchange rates used for Balance Sheet Items is Closing rate as on 31 March	59.915	54.285	50.875	44.60	44.90
Exchange rates used for Profit & Loss Items is Average rate for the year	60.496	54.451	47.946	45.53	47.47



- B K Goenka,
Chairman, Welspun Group

message from the chairman

My dear fellow stakeholders,

The year 2013-14 will be remembered as a transition year for Welspun Corp Limited where we position ourselves well for the future. We strive to better our operational performance in order to deliver on our strategic commitments and to create value for all our stakeholders and community at large.

This has been one of the most challenging periods for the Steel Industry, which has had an adverse impact on the Pipe Industry. However, we have withstood this unprecedented period and also emerged stronger and more resilient to capitalise on future opportunities. Our multi-location manufacturing facilities, our local 'insider' status in the key Oil & Gas markets along with our multiple product strategy have been the driving factors during this period. Today, we are amongst the leading companies in the Line Pipes business; however, we aim to replicate this leadership position even within product segments, geographic regions and above all, to emerge as a thought leader.

Order Book

To adapt and address the needs of the local markets, we have implemented a Business Unit (BU) framework which has enabled us to remain committed to our esteemed customers while successfully adding new customers like Statoil, TOTAL and Shell (USA). I am glad to inform you that despite the challenging business environment, when most customers globally have held back their capital expenditure programs, we at Welspun Corp have achieved 1 million tonnes of new order bookings for a second consecutive year. For example, Saudi Aramco - one of the largest oil & gas player, has given our Middle East facility probably their single largest pipe order - a record in itself. A continued healthy order book is a testimony of our quality to delivery and first-class customer service. It is with pride that we can say that our products are globally well recognized and amongst the best in the industry.

Business Re-Organization

I take this opportunity to reiterate that during the last one year, Welspun Corp undertook the demerger exercise. Now, the demerger is complete with Infrastructure, Steel, Energy and Oil & Gas businesses becoming a part of Welspun Enterprises Limited. This will enable Welspun Corp to have laser sharp focus on the Line Pipes vertical. It will ring fence the pipes cash flows, which will be used for de-leveraging the Welspun Corp Ltd. as well as enhancing the business without any capital allocation uncertainty.

Financial Performance

During the last financial year we delivered robust pipes sales and production volumes, much in line with the previous year performance, crossing a million tonnes in order book, production and sales for a second consecutive year. Our operational EBITDA and Cash PAT have also improved for the continuing businesses on a post-demerger comparable basis. In continuation to our dividend distribution during the last 6 years, this year the company has declared a 10% dividend.

Corporate Social Responsibility

Welspun as a group is committed to building a sustainable and progressive community. Our social mission is enshrined within the 3E's i.e. Education, Empowerment and Environment & Health. We have been investing in providing quality education by tying up with government schools in Kutch. Through this programme, we reach out to students and teachers in order to help achieve a higher standard of education whilst also working towards their individual training and development. Several vocational centers have been set up to train women in villages with the craft of cutting & stitching, owing to which hundreds of women have enriched and empowered their lives by gaining financial stability. We have also built a drinking water purification RO plant in Vapi, Gujarat which provides purified drinking water to villages in its surrounding areas. Welspun believes in creating a thriving environment and nothing can sustain if we ignore our natural surroundings. Thus, on the basis of this belief, we have hosted many Green World initiatives where we have planted thousands of trees in and around our Anjar facility. All these efforts have been undertaken to give back to our society, and more so to thank the community for their undeterred support throughout our growth journey.

Finally, I express my humble gratitude to all the stakeholders including our lenders, employees, customers and suppliers who have provided their support and co-operation during all these years. I am committed to constantly improve the factors that are in our control and make the best of those factors that are beyond our control to take Welspun Corp Ltd. to the highest level of performance while delivering sustainable shareholder value.

Many Thanks,



B. K. Goenka

directors' report

To,
The Members,
Welspun Corp Limited

Your directors have pleasure in presenting the 19th Annual Report of your Company along with the Audited Financial Statement for the financial year ended March 31, 2014.

financial results

(Rs. in million)

Particulars	Standalone		Consolidated	
	For the Year Ended		For the Year Ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Revenue from operations (Net)	48,676.12	66,321.65	77,047.23	90,832.10
Profit before finance cost, depreciation & tax	4,219.72	5,970.50	8,439.16	9,190.62
Less : Finance costs	2,239.81	2,988.98	2,964.04	3,583.23
Gross Profit / (Loss)	1,979.91	2,981.52	5,475.12	5,607.39
Less: Depreciation/Amortization	2,255.69	2,289.90	4,063.01	3,531.24
Profit before tax for the year	(275.78)	691.62	1,412.11	2,076.15
Less : Provision for taxation	-	-	-	-
Current Taxation	-	138.38	414.57	(44.07)
MAT Credit Entitlement	-	(138.38)	-	(138.38)
Deferred Taxation	(100.36)	186.73	17.01	675.31
Profit after tax for the year (after Minority Interest)	(175.42)	504.89	733.90	1,404.28
Profit / (loss) before tax from discontinued operations	-	188.03	-	(2,569.96)
Less : Tax expense of discontinued operations	-	162.06	-	(102.55)
Profit / (loss) after tax before share of results of associates and minority interest from discontinued operations	-	25.97	-	(2,467.41)
Profit / (loss) for the year from discontinued operations	-	25.97	-	(2,107.51)
Profit / (loss) for the year	(175.42)	530.86	733.90	(703.23)
Add : balance brought forward from previous year	14,156.03	13,510.35	17,705.39	18,296.99
Profit available for appropriation	9,988.28	14,041.21	17,536.63	17,593.76
Transfer to Statutory Reserve	-	-	93.01	-
Transfer to General Reserve	-	53.09	-	56.27
Transfer to / (From) Debenture Redemption Reserve	-	(321.92)	-	(321.92)
Proposed Dividend on equity shares & tax	153.81	153.81	153.81	153.81
Equity dividend & tax of earlier years	-	0.20	-	0.20
Balance carried forward to the next year	9,835.49	14,156.03	17,290.82	17,705.39