

BUSINESS UPDATE

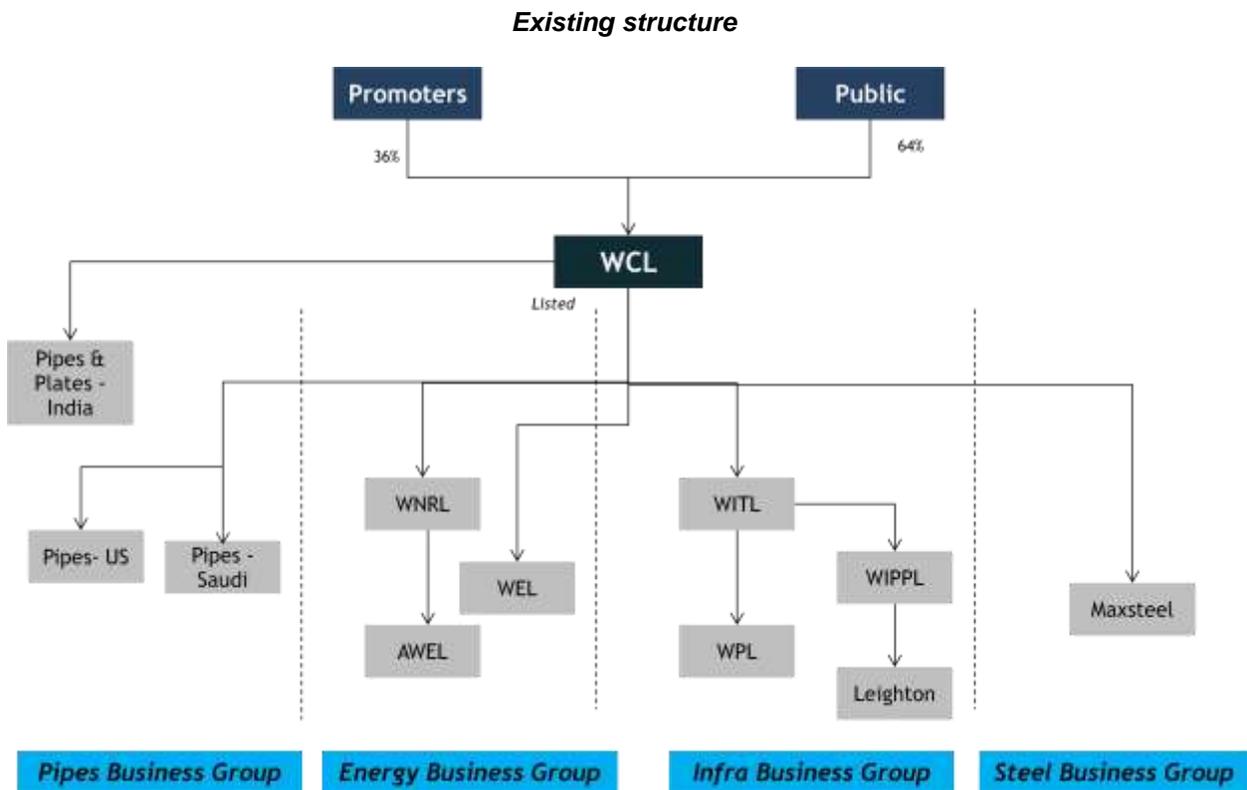
Welspun Corp Ltd. – Highlights of Proposed Demerger

- **To create renewed business focus and enhance shareholder value creation**

The Board of Directors of Welspun Corp Limited in its meeting held on 30th May 2013 decided and approved a reorganization of its business into two distinct and focused listed companies as under:

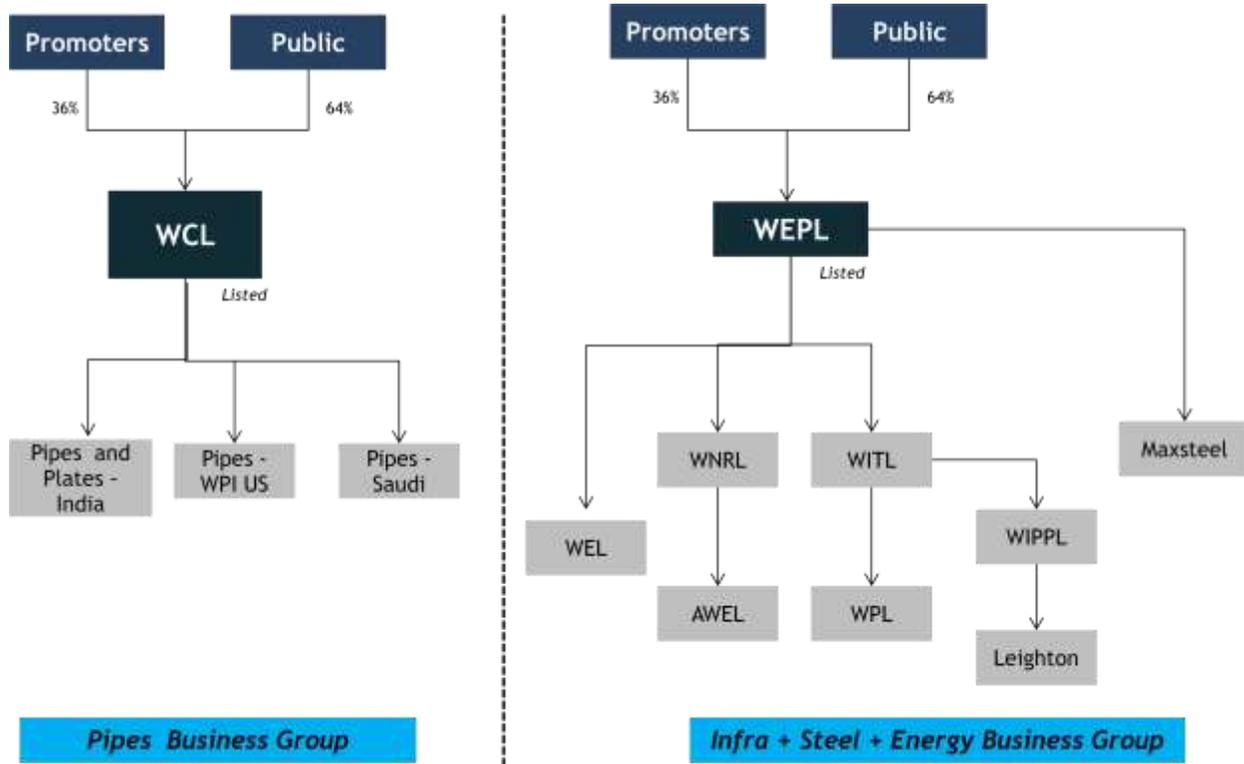
- 1) Existing Company (“Welspun Corp Ltd” or “WCL”) to focus solely on the Pipes and Plates business in India and globally; and
- 2) Demerged or new Company (“Welspun Infra Enterprises Ltd” – being renamed as Welspun Enterprises Ltd (“WEPL”)) focused on Steel, Infrastructure, Oil & Gas exploration and Energy businesses

The reorganization is subject to statutory approvals to the Scheme of Arrangement under section 391-394 of the Companies Act, 1956 as well as other approvals.



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Proposed structure post demerger



Key highlights of the demerger scheme

- Creates focused business entities in:
 - Pipes and plates
 - Steel, Infrastructure, Oil & Gas and Energy
- Vertical demerger creates a mirror shareholding across both entities resulting in **no dilution** for any of the existing shareholders
- Compliant with the “demerger” definition under Section 2 (19AA) of the Income Tax Act and hence tax neutral
- Scheme requires approval of only one High Court (Gujarat High Court) which is expected to expedite the process
- Demerger Appointed date: 1st April 2012 and expected Demerger Effective Date: 31st January 2014

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Rationale for the demerger

Under the current structure, Welspun Corp is a conglomerate with business interests spread across – Pipes (Pipes & Plates), Steel (DRI) and Infrastructure (Infra, O&G and Energy). Each of these businesses have different financial characteristics, their own sector cycle and stage of development. As a result, each business has a different market perception and return expectations among investors and stakeholders. Historically, stakeholders have expressed concern regarding the complexity of the WCL corporate structure and the challenges of co-mingling what are relatively new long gestation businesses with a well-established, dynamic and diverse pipes business.

Historic data shows that specialized companies with balance sheets tailored to respective business cycles have easier access to capital markets, are better understood by a wider investor and creditor base and have produced higher shareholder returns over the longer run.

Benefits of the demerger

The Board believes the demerger will maximise long term shareholder value by:

- Enhancing management focus on the two companies independently and providing each company with **greater flexibility** to pursue strategic objectives;
- Allowing both companies to **adopt independent capital structures** and financial policies appropriate for their operational requirements and strategic objectives;
- Providing **greater investment choice for shareholders**, with direct participation in the future performance of the relatively nascent infrastructure, energy and steel businesses; and
- Allowing **closer alignment** between business performance and management incentive plans for each business – **driving accountability** and management engagement.

Proforma for the demerger, the net debt for WCL will decline significantly; to the tune of ~Rs.11 bn for FY13. The consolidated profitability of WCL, which is negatively impacted currently by high interest, depreciation and exceptional items, will improve significantly post the demerger – FY13 PAT would have been higher by ~Rs. 2.7 bn.

The demerger will provide the various businesses under WEPL the flexibility to pursue their independent plans:

- **Infrastructure:** The consolidation of the EPC business under Leighton Welspun is expected to yield synergistic cost savings, open up new markets and improve operating performance. The BOT business is fully operational with positive cash flows after servicing debt obligations. The infrastructure business is self-sufficient to meet its commitments and liabilities.
- **Maxsteel:** Maxsteel has no cash interest and debt repayment obligations until September 2014. The recent developments in the gas scenario in the country indicate an improvement in the availability of cost-effective gas in the medium term. Maxsteel is already exploring proven alternate technologies to generate and/or procure alternate sources of gas at competitive prices without significant capex.
- **Energy:** Welspun Energy is one of the largest renewable energy players in India and has the largest operational solar energy capacity in the country. Current operational capacity of 130 MW is expected to rise to ~400 MW by 2014. The business is well-funded for its existing growth plans.



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- **Oil and gas:** Exploration in the existing blocks is continuing. There are no plans for new acreages.

Management Comments

Commenting on the reorganization, Mr. B. K. Goenka, Chairman, Welspun Corp Ltd said: "We believe that the demerger will create two focused, independently run companies with enhanced value creation across each business. We are committed to all of our businesses. The demerger will better enable the management team to protect, grow and nurture each line of business in a more distinct manner, bring more clarity on each business to pursue its strategic objectives and enhance shareholder value."

About Welspun Corp Ltd. (WCL) www.welspuncorp.com

Welspun Corp (www.welspuncorp.com) is a one-stop service provider offering complete pipe solution with a capability to manufacture line pipes ranging from ½ inch to 121 inches, along with specialized coating, double jointing and bending. With current capacity of 2.425 mn MTPA in Dahej, Anjar and Mandya in India, Little Rock in the USA and Dammam in Saudi Arabia, Welspun takes pride in being a preferred supplier to most of the Fortune 100 Oil & Gas companies. With 360 degree abilities, Welspun Corp has undertaken some of the most challenging projects in different parts of the world. Welspun Corp has continued to further strengthen its capabilities by setting up a world class plates and coils manufacturing facility. With business excellence being a clear focus, the company is on the path of innovation and technology edge, state-of-the-art facilities and global scale operations.

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