

THE HINDU Business Line

Plate unit closure not to impact Welspun Corp

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Welspun Corp expects no major impact on its financials due to the closure of plate and coil facility at Anjar in Gujarat.

Akhil Jindal, Director, said the demand for plate has remained sluggish for the last few months and the company is waiting for major orders to restart the plant.

“The decision will not hit our profitability as 90 per cent of revenue is generated through the pipe division,” he added.

Welspun Corp’s Anjar unit has a production capacity of one million tonne a year and caters to industrial and infrastructure applications.

The company sources steel slabs from large steel companies to convert them into plates and pipes. Most steel companies such as Essar Steel, JSW Steel and SAIL now prefer to sell value added steel products and specialised steel which provides them higher margins compared to slabs, said an analyst.

The lack of backward integration has made it difficult for Welspun to compete in the market, particularly when the entire infrastructure space including ship building, pre-engineered building and power projects are going through a tough time, the analyst said.

Even as the plate division reduced the loss at EBITDA (earning before interest, tax, depreciation and amortisation) level to Rs 6 crore in the December quarter against Rs 22 crore registered last year, the future of the business remains weak unless there is a major turnaround.

The company recorded 16 per cent increase in sales at Rs 1,604 crore (Rs 1,385 crore) in the December quarter, while its net profit was at Rs 8 crore against a loss of Rs 93 crore in the same period last year.

Goutam Chakraborty, Research Analyst, Emkay Global Financial Services, said the sharp fall in crude prices in the last few weeks has led to the postponement of many oil and gas projects. This has depressed demand for pipes especially in the overseas market, he said.