

THE HINDU Business Line

Welspun to focus on pipe & plates biz; demerge other units

June 3, 2013

NEW DELHI, JUNE 3:

Welspun Corp today said it has decided to solely focus on pipe and plates business and all its other units will be de-merged into a separate holding company, Welspun Enterprises Ltd.

In a statement, the company said that Welspun Corp — the flagship company of the Welspun group — will solely focus on pipe and plates business in India and globally.

The de-merged company — Welspun Enterprises — would focus on steel, infrastructure, oil and gas exploration and energy businesses.

The de-merger will not result in any dilution of stake for any existing shareholder of Welspun Corp, it further said, adding that the new entity will also be listed on the bourses.

“Vertical de-merger creates a mirror shareholding across both entities resulting in no dilution for any of the existing shareholders,” the company said, adding that it expects de-merger to become effective by January 31, 2014.

It further said that the company Board approved the proposal on May 20, 2013.

“We believe that the de-merger will create two focused, independently run companies with enhanced value creation across each business. We are committed to all of our businesses,” B K Goenka, Chairman, Welspun Corp, said on the reorganisation of company’s businesses.

He added that “the de-merger 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.”

According to the company, net debt for Welspun Corp, after the de-merger, would decline to the tune of Rs 1,100 crore for the last fiscal (FY13).

“The consolidated profitability of Welspun Corp, which is negatively impacted currently by high interest, depreciation and exceptional items, will improve significantly post the de-merger — FY13 profit after tax (PAT) would have been higher by Rs 2,700 crore,” the company said.

Explaining the rationale of the de-merger, Welspun said that its business interests spread across sector and its stakeholders have expressed concerns regarding the complexity of its corporate structure and challenges of co-mingling new businesses with well established pipes business.

It added that the company Board believes that the de-merger will maximise long-term shareholder value due to various reasons including independent management focus on the two companies and providing each company a greater flexibility to pursue its strategic objectives.

Welspun Corp has a total pipe manufacturing capacity of 2.425 million tonnes per annum and is the second largest line pipe company in the world. It has 4 plants in India and one each in the US and Saudi Arabia.

Post de-merger announcement, shares of the company rose 3.94 per cent to close at Rs 47.45 apiece on the BSE in an otherwise weak market today.