



Welspun Corp

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Performs well on the back of sharp decline in interest costs

For the quarter ended June 2010, Welspun Gujarat Stahl Rohren (WGSRL) reported a 9% decline in Net Sales / Income from Operations to Rs 2041.13 crore. The OPM (Operating Profit Margin) increased by 30 basis points to 16.4%. The subsequent reported Operating Profit for the quarter under review stood at Rs 335.39 crore which was 11% higher when compared with corresponding period last year. The ensuing PAT for the period under review stood at Rs 189.57 crore which was 37% higher on a Y-o-Y basis comparison. There was a sharp decline reported in interest cost during the quarter under review. Interest was lower by 71% mainly on account of repayment of high cost term loans in the previous year.

Standalone results for the quarter ended June 2010

For the quarter ended June 2010, Welspun Gujarat Stahl Rohren (WGSRL) reported a 9% decline in Net Sales / Income from Operations to Rs 2041.13 crore. The OPM (Operating Profit Margin) increased by 30 basis points to 16.4%. The subsequent reported Operating Profit for the quarter under review stood at Rs 335.39 crore which was 11% higher when compared with corresponding period last year.

The employee cost increased (as a % of sales net of stock adjustment) from 1.7% to 2.0%. The other expenditure decreased (as a % of sales net of stock adjustment) from 13.9% to 13.8%. The Other Income decreased by 30% to Rs 5.20 crore. The subsequent PBIDT for the quarter under review stood at Rs 340.59 crore which was 11% higher when compared with corresponding period last year.

The Interest and Finance expense (net) for the quarter under review decreased sharply by 69% to Rs 18.89 crore while the depreciation expense increased by 11% to Rs 40.05 crore. The ensuing PBT stood at Rs 281.65 crore which was 35% higher when compared with quarter ended June 2009 figures. The tax expense for the quarter under review stood at Rs 92.08 crore resulting in a PAT of Rs 189.57 crore indicating an increase of 37% when compared with corresponding period last year.

Standalone results for the year ended March 2010

For the year ended March 2010, Welspun Gujarat Stahl Rohren (WGSRL) reported a 13% increase in Net Sales / Income from Operations to Rs 6613.94 crore. The OPM (Operating Profit Margin) increased by 600 basis points to 16.8%. The subsequent reported Operating Profit for the period under review stood at Rs 1109.85 crore which was 75% higher when compared with corresponding period last year.

The cost of consumption of raw materials and purchase of traded goods and other expenditure decreased (as a % of sales net of stock adjustment) from 73.5% to 65.9% and from 14.6% to 14.0% respectively. The employee cost increased (as a % of sales net of stock adjustment) from 1.8% to 2.3%.

The Other Income decreased by 29% to Rs 12.77 crore. The subsequent PBIDT for the year under review stood at Rs 1122.62 crore which was 72% higher when compared with corresponding period last year.

The Interest and Finance expense (net) for the year under review decreased by 4% to Rs 166.17 crore while the depreciation expense increased by 18% to Rs 147.92 crore. The ensuing PBT stood at Rs 808.53 crore which was 129% higher when compared with year ended March 2009 figures. The tax expense for the quarter under review stood at Rs 268.33 crore resulting in a PAT of Rs 540.20 crore indicating an increase of 131% when compared with corresponding period last year.

Management Comments

Speaking on the results, Mr. B. K. Goenka, Chairman and Managing Director of Welspun said, Welspun Corp has sowed seeds for future growth by venturing into infrastructure and executing multiple country strategy. Through these efforts, we look to consolidate our leadership position enabling Welspun Corp to be one of the most respected companies in the world.

Outlook

Range bound oil prices augurs well for the industry. The existing projects are being implemented thereby creating positive outlook on the demand side. As existing reserves are depleting in the developed markets, the effort on connecting new sources of gas, like Shale gas and implementation of large pipeline in various parts of the world shall provide traction. Domestic demand looks promising with pipeline infrastructure development plans being undertaken by various companies, national gas grid, formation of PNRGB, impetus on city gas distribution and opportunity in water pipelines due to growing needs for effective water management.

Other Developments

During the quarter ended June 30, 2010, the Company has allotted 194,750 Equity Shares of Rs.5 fully paid up pursuant to the exercise of stock options by employees under Welspun Employee Stock Option Plan.

Pursuant to the Share Subscription Agreement (SSA) dated March 18, 2010 entered into between Welspun Infratech (WINFRA) (a wholly owned subsidiary of the Company), Promoters of MSK Projects (India) and MSK Projects (India) (MSK), WINFRA subscribed to 17178888 equity shares of Rs.10/- each of MSK at an issue price of Rs.123/- per share and the allotment was made on April 27, 2010. Further, pursuant to the open offer triggered inter alia, by the SSA, WINFRA acquired 180 equity shares of MSK tendered under the open offer at a price of Rs 130.50 per equity share. Consequently, shareholding of WINFRA is 42.95% in the share capital of MSK Besides under a related transaction WINFRA had agreed to acquire 52.79 lakhs equity shares of MSK from the promoters of MSK and other shareholders which will raise shareholding of WINFRA to 56.15% in the share capital of MSK.

Promoters Holding

The promoters holding and promoter group shareholding has increased marginally from 40.46% as on 31st March 2010 to 40.54% as on 30th June 2010

Pledged

No shares have been pledged as on 30th June 2010

Stock Price

Currently the shares of Welspun Gujarat Stahl Rohern are quoting at around Rs 254.90 (LTP on 28th July 2010) at BSE.

Welspun Gujarat Stahl Rohren: Results

	1006(3)	0906(3)	Var. (%)	1003(12)	0903(12)	Var. (%)
Sales	2041.13	1879.80	9	6613.94	5878.31	13
OPM (%)	16.4	16.1		16.8	10.8	
Operating Profit	335.39	302.97	11	1109.85	634.64	75
Other income	5.20	4.00	30	12.77	17.88	-29
PBIDT	340.59	306.97	11	1122.62	652.52	72
Interest/Finance Charges (Net)	18.89	61.73	-69	166.17	173.50	-4
PBDT	321.70	245.24	31	956.45	479.02	100
Depreciation	40.05	36.19	11	147.92	125.42	18
PBT	281.65	209.05	35	808.53	353.60	129
Tax	92.08	70.84	30	268.33	120.04	124
PAT	189.57	138.21	37	540.20	233.56	131
EPS (Rs)*	37.1	27.0		26.4	11.4	

* Annualised on current equity of Rs 102.26 crore.

Face Value: Rs 5 each

Var. (%) exceeding 999 has been truncated to 999

LP: Loss to Profit PL: Profit to Loss

EO: Extraordinary items

Figures in Rs crore

Source: Capitaline Corporate Database