

Welspun posts 73% rise in June quarter net

THURSDAY, JULY 29, 2010

Expects orders worth Rs1,000-2,000 crore in next few weeks; order book as on 30 June at Rs5,000 crore; expects to maintain profit margin of 16-17% in FY11

Mumbai: Steel pipemaker Welspun Corp Ltd, formerly Welspun Gujarat Stahl Rohren, said on Wednesday it posted a 73% increase in net profit in the quarter-ended June, led by higher volumes and cost control.

The firm posted a consolidated net profit of Rs190 crore in April-June, compared with Rs110 crore a year ago, on a 25% jump in net sales to Rs2,420 crore.

The firm, which has an order book of Rs5,000 crore, expects new orders worth Rs1,000-2,000 crore in the coming weeks, B K Goenka, chairman and managing director, told reporters at a press conference after announcing the results.

These orders would come from both international and domestic markets, Goenka added.

To fulfill this growing demand, the firm is expanding its capacity by 450,000 tonnes with an investment of around Rs400 crore in FY11.

Besides, the firm is in the process of acquiring majority stake in infrastructure firm MSK Projects and has entered the middle east market with acquisition of Aziz Pipes.

Analysts are optimistic about the business model of Welspun, with its recent acquisitions helping it enter newer markets. The company has also bid for projects in Europe and Australia. Fourteen of sixteen brokerages have a "buy" rating on Welspun, according to Thomson Reuters I/B/E/S, as analysts are bullish over the company's order book and expansion plans.

The company expects to maintain a profit margin of 16-17% in FY11, Goenka said, adding the global pipeline market was "very, very competitive and challenging."

"The market is very challenging because steel prices are going up and down and with the quarterly pricing mechanism it is difficult to get into long-term contracts," he said.

Global mining firms have switched to quarterly contracts for supplying coking coal and iron ore - key raw materials in steel manufacturing - making it difficult for buyers of the alloy to get into long-term contracts.

Shares in the firm ended up 2.97% at Rs254.9 in a weak Mumbai market.