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UPDATE 1-Welspun plans plant in US, raising domestic capacity

Thu, Nov 3 2011

MUMBAI, Nov 3 (Reuters) - Pipe maker Welspun Corp will set up a new plant in the U.S. and increase capacity of its plant in south India by 50 percent, despite "challenging" short-term global outlook, it said on Thursday.

The Mumbai-based company's Karnataka plant capacity will be increased to 150,000 million tonnes per annum (mtpa) at an investment of about 1 billion rupees, it said in a statement.

The U.S. plant will be for electric resistance welded pipes with a capacity of 200,000 mtpa plant and entails an investment of \$76 million. The plant will cater to the company's oil and gas clients there, it added.

The project is expected to be completed in 12 months and shall achieve optimal utilisation in FY14, the pipemaker said.

The company makes steel pipes and plates for infrastructure and oil and gas segments.

On the impact of global uncertainty, the company said the order flows to the pipe industry have been uneven due to the volatility.

"While demand for pipes continues to be robust globally, current deferment of orders by large oil and gas companies may result into lumpy order flows in the near future," it added.

Welspun added orders worth 11 billion rupees during the September quarter. As of September-end, its combined order book for pipes and plates was 44.20 billion rupees.

Earlier on Thursday, Welspun reported a 60 percent fall in its July-September net profit to 710.8 million rupees on net sales growth of 10 percent to 20.35 billion rupees.

The sharp decline in net profit has been despite good operational performance and on account of mark-to-market forex losses, higher costs for buying expensive gas for its plant and higher interest costs, Akhil Jindal, director, Welspun Corp, told Reuters.

"We are hoping to recover that (forex loss) as we go along," he said.

Shares in the firm, which the market currently value 427.84 million, have shed 38.3 percent so far in 2011, more than the benchmark's fall of 15 percent during the same period.

On Thursday, the stock ended 1.65 percent higher at 104.65 rupees, in a Mumbai market that ended flat. (Reporting by Ketan Bondre; Editing by Rajesh Pandathil)

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