NOTICE

NOTICE is hereby given that the 17th Annual General Meeting of Welspun Corp Limited will be held on **Friday, September 14, 2012** at the Registered Office of the Company at Welspun City, Village Versamedi, Taluka Anjar, Dist. Kutch, Gujarat – 370 110 at 11.00 a.m. to transact the following businesses:

ORDINARY BUSINESS:

1) To receive, consider and adopt the Balance Sheet as at March 31, 2012 and the Profit and Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.

2) To consider declaration of dividend on Equity Shares.

3) To appoint a Director in place of Mr. K.H.Viswanathan, who retires by rotation, and being eligible, offers himself for re-appointment.

4) To appoint a Director in place of Mr. Rajkumar Jain, who retires by rotation, and being eligible, offers himself for re-appointment.

5) To consider and approve re-appointment of M/s. MGB & Co., Chartered Accountants as Statutory Auditors, who retires at the meeting and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

6) To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

   "RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) and the provisions of other statutes as applicable and such approvals, consents, permissions and sanctions as may be required, the Articles of Association of the Company be and are hereby altered in the manner and to the extent as set out here below:

   a) After the existing Article 101(e), the following new Article be and is hereby inserted as Article 101(f):

   Meeting by Electronic Mode.

   101(f) Notwithstanding anything mentioned in these Articles, the Company may hold General Meeting(s), Board Meeting(s) or Committee Meeting(s) with participation of entitled persons by electronic mode including voting and any other incidental thing(s) by electronic mode as may be permitted under applicable laws.

   b) After the existing Article 114(b), the following new Article be and is hereby inserted as Article 114(c):

   Service of Notice, Reports, Documents and other communications by electronic mode.

   114(c) Notwithstanding anything mentioned in these Articles, the Company may send any communication including notice of general meeting, annual report etc. to any persons by electronic mode as may be permitted under applicable laws.

   c) The existing Article 141 be and is hereby substituted by the following margin note and Article 141 as under:

   Board of directors

   141. Until otherwise determined by the Company in general meeting, the number of Directors shall not be less than 3 (three) and more than 12 (twelve). The appointment of the Directors exceeding 12 (twelve) will be subject to the provisions of Section 259 of the Act.

RESOLVED FURTHER that the Directors of the Company and the Company Secretary be and are hereby severally authorized to do all such acts, deeds matters and things as may be necessary to give effect to this resolution."

By Order of the B oard

Place: Mumbai
Date: May 29, 2012

Pradeep Joshi
Company Secretary

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 AND THE INFORMATION AS REQUIRED PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

BRIEF RESUME OF DIRECTORS BEING RE-APPOINTED

Item Nos. 3 & 4

Re-appointment of Mr. K.H.Viswanathan

Mr. K.H. Viswanathan, aged 50 years, is a non-executive and an independent director. Mr. Viswanathan is a qualified cost and works accountant registered with the Institute of Costs and Works Accountants of India. Mr. Viswanathan has over 25 years of experience in the accounting and finance sector and has been associated with the companies in manufacturing and the services sector.

Details of directorship / membership of the Committees of the Board of other companies are as under:

Directorship:

i) Welspun Global Brands Limited, ii) RSM Astute Consulting (Chennai) Private Limited, iii) RSM Astute Consulting International Private Limited, iv) RSM Astute Consulting (Bangalore) Private Limited, v) RSM India Private Limited, vi) Welspun Retail Limited.

Membership / Chairmanship of Committees:

He is the Chairman of - Share Transfer and Investors' Grievance Committee of the Company, Audit Committee & Remuneration Committee of Welspun Global Brands Limited and a member of the Remuneration Committee of the Company, the Audit Committee of Welspun Retail Limited and the Finance Committee of Welspun Global Brands Limited.

He does not hold any equity shares in the Company.

Re-appointment of Mr. Rajkumar Jain

Mr. Rajkumar Jain, aged 56 years, is a non-executive and an independent director. Mr. Jain is a qualified chartered accountant registered with the Institute of Chartered Accountants of India. He has over 30 years of experience in the field of finance and accounts and has been providing advice to the Company in matters relating to accounts and internal control.

Details of directorship / membership of the Committees of the Board of other companies are as under:

Directorship:

i) Welspun Syntex Limited, ii) Welspun Investments and Commercials Limited, iii) Altius Finserve Private Limited, iv) Arihant Medical Services Private Limited and v) Bharat Wire Ropes Limited

Membership / Chairmanship of Committees:

He is the Chairman of – the Audit Committee and the Finance Committee of the Company; the Audit Committee and the Remuneration Committee of Welspun Syntex Limited, the Audit Committee of Welspun Investments and Commercials Ltd. and a member of the Remuneration Committee and the QIP Issue Committee of the Company, the Finance Committee of Welspun Syntex Ltd. and Welspun Investments and Commercials Limited, Remuneration Committee of Welspun Investments and Commercials Ltd.

He does not hold any equity shares in the Company.

Members are requested to approve the proposed resolutions at Item No. 3 & 4 as Ordinary Resolutions.

None of the Directors of the Company, except Mr. K.H.Viswanathan and Mr. Rajkumar Jain is anyway concerned or interested in the said resolutions.

Item No. 6

The Ministry of Corporate Affairs ("MCA") pursuant to the General Circular No. 35/ 2011 and 72/ 2011 (the "Circulars") enabled the Company to hold meetings of the Board of Directors, Committees of the Board of Directors and the Shareholders through video conference and communication to the shareholders in electronic form.

With a view to lending strong support to the Go Green initiative of the MCA and in order to bring the enabling provisions of the Circulars in the Articles of Association of the Company, it was considered appropriate to alter the Articles of Association of the Company as set out in the Resolution.

The Board of Directors recommends the passing of the Resolution at Item No. 6 of the accompanying Notice as a Special Resolution.

None of the directors of the Company is anyway concerned or interested in the said resolution.

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the Meeting.
2. The Register of Members and Share Transfer Books of the Company remained closed from Monday, August 27, 2012 to Thursday, August 30, 2012 (both days inclusive) for the purpose of determination of shareholders entitled to dividend for the year ended March 31, 2012.
3. Members are requested to immediately inform about their change of address, change of e-mail address or consolidation of folios, if any, to the Company's Share Transfer Agent.
4. All the correspondence pertaining to shareholding, transfer of shares, transmission etc. should be lodged at the Company's Share Transfer Agents: Link Intime India Private Ltd., Unit: Welspun Corp Limited, C-13, Pannalal Silk Mills compound, LBS Marg, Bhandup (West), Mumbai – 400 078.
5. As part of the Green Initiative circulars issued by the Ministry of Corporate Affairs, the Notice and Annual Report of the Company are being sent to the shareholders on their respective e-mail addresses. However, shareholders requiring a physical copy of the Annual Report may write to the Company at the Corporate Office at 5th Floor, Welspun House, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013. The Annual Report alongwith the Notice of the Annual General Meeting is available on the website of the Company, www.welspuncorp.com.

By Order of the Board

Place: Mumbai
Date: May 29, 2012

Pradeep Joshi
Company Secretary

Regd. Office : Welspun City, Village Versamedi, Taluka Anjar, Dist. Kutch, Gujarat – 370110
Corp. Office: 5th Floor, Welspun House, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013

PROXY FORM

17th Annual General Meeting – Friday, September 14, 2012

Regd. Folio No / DP Client ID

I/ We ……………………………………………… of ………………………………… in the district of …………………………………………………. being a member(s) of Welspun Corp Limited hereby appoint ……………………………………….. of …………………………………… in the district of ………………………………….. or failing him ………………………………. of ……………………………………….. in the district of ………………………….. as my / our proxy to vote for me / us on my / our behalf at the 17th Annual General Meeting of the Company to be held on Friday, September 14, 2012 at Welspun City, Village Versamedi, Taluka Anjar, Dist. Kutch, Gujarat – 370110 at 11:00 am and at any adjournment thereof.

Signed this …….. day of ……………2012.

Signature:

Affix Re. 1 Revenue stamp

Note: The proxy in order to be effective must be deposited at the Registered Office of the Company at the above address not less than 48 hours before the time for holding the aforesaid meeting and should be duly stamped, completed and signed.

Regd. Office : Welspun City, Village Versamedi, Taluka Anjar, Dist. Kutch, Gujarat – 370110
Corp. Office: 5th Floor, Welspun House, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013

ATTENDANCE SLIP

17th Annual General Meeting – Friday, September 14, 2012.

Regd. Folio No / DP Client ID

No. of Shares held

For Physical Shareholders Only

Name & Address of the Shareholder	Regd. Folio no.	No. of shares held

I hereby record my presence at the Annual General Meeting of the Company on Friday, September 14, 2012 at Welspun City, Village Versamedi, Taluka Anjar, Dist. Kutch, Gujarat – 370110 at 11:00 am

If Shareholder, please sign here	If Proxy, please sign here

Members are requested to fill up the attendance slip and hand it over at the venue.

BOOK - POST

To,

If undelivered, please return to:

Welspun Corp Limited,
5th Floor, Welspun House,
Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai – 400 013

WELSPUN
Corp Ltd

Excellence in Engineering....

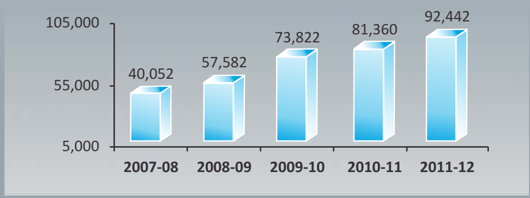
It is an art; it is a science
It requires skill; it requires vision
It needs flair; it needs innovation
It involves execution ....
.... With perfection

We are **WELSPUN**

17th
Annual Report
2011-12

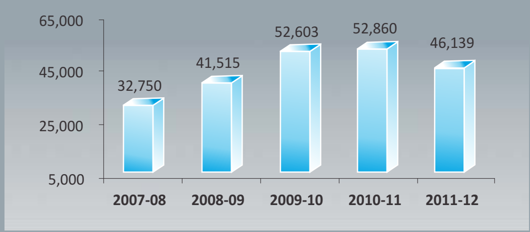
FINANCIAL HIGHLIGHTS (Consolidated)

Total Income (Rs. Mn)

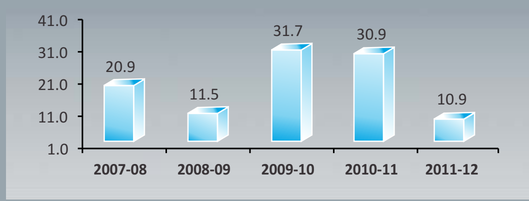


PAT (Rs. Mn)

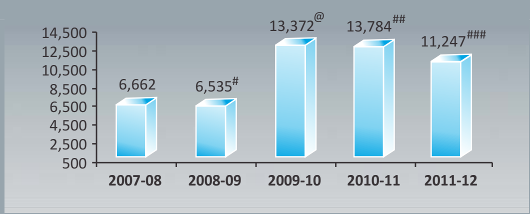
Exports/Overseas Revenue (Rs. Mn)



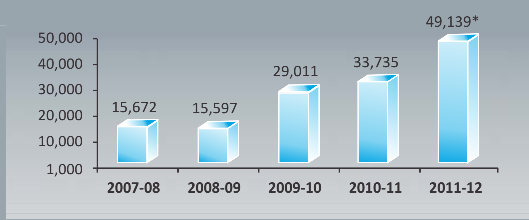
Basic EPS (Rs. / Share)



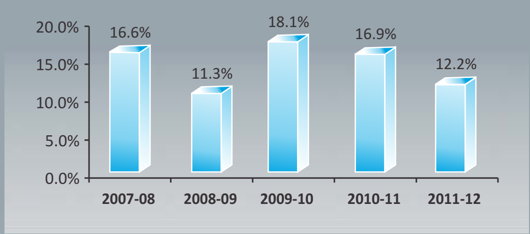
Reported EBITDA (Rs. Mn)@@



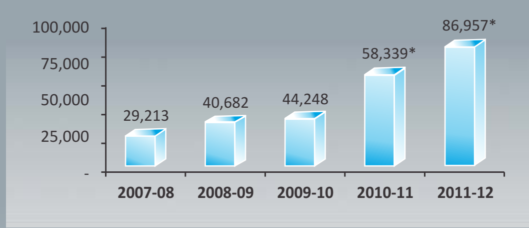
Networth (Rs. Mn)



EBITDA Margin (%)



Fixed Assets (Gross Block- Rs. Mn)



@@: For FY11 and FY12, Other Income, a part of Reported EBITDA includes Interest Income for the respective years.

 # FY 09: Figures are excluding the extraordinary item :Forex provision of Rs. 1,256 million, Provision on ECB of Rs. 178 million and Inventory write down of Rs. 385 million during FY 2008 09.

@ FY 10: Forex Provisoning made in the previous year were recovered during the year.

FY 2010 11: Includes export rebate of Rs. 734 million on receipt of favourable judgement from Honorable Supreme Court and provision of Rs. 2,007 million on account of settlement with one of the customers thereby ending long pending litigation.

FY 2011 12: Includes Other Income of Rs. 2,676 million which includes interest income of Rs. 1,339 million. Operational Performance was impacted by foreign exchange provisions of Rs. 1,248 million, and Rs. 269 million in other expenses & finance costs, and provisions made towards amicable settlement with a customer of Rs. 649 million.

** Net worth includes CCDs of Rs. 7,884 million.*

CONTENTS

Excellence in Engineering

Excellence in Engineering has been the driving force behind every venture that Welspun Corp has undertaken and it continued to be evident during the last financial year. It was the unending quest for excellence, the constant striving to do even the most ordinary things well that has made the Company a class apart.

The last financial year was a great one for Welspun Corp Ltd (WCL). In spite of the downturn the company was able to commission most of the projects it had committed to and registered a sustained performance with strong order book position of Rs. 7,447 crore. This is really creditable as overall industrial production continued to slide throughout the year.

Last fiscal, one of the biggest achievements undoubtedly was the investment by Apollo Global Management, LLC (together with its subsidiaries, Apollo) in the company. This partnership will pave the way for Welspun to strengthen its leadership position as one of the top line pipe companies in the world.

Another significant development was the announcement of expansion plans at the Little Rock facility in Arkansas. Another 200 jobs will be added at an investment of additional $80 million. During FY12, the Company also commissioned a 0.10 million tonne capacity HSAW Plant at Mandya in Karnataka which will mainly cater to the water segment. The Company also commenced operations at the new LSAW plant at Anjar with a capacity of 0.35 million tonnes. The plant will cater to the growing LSAW demand in India and globally towards transportation of offshore Oil and Gas.

Meanwhile, to strengthen the management, Mr Braja K Mishra has rejoined the Company as Managing Director, WCL after a brief stint of three years outside Welspun. He brings along with him 25 years of experience with immense critical know how about the pipe and plate industry.

With the Company's continued focus on excelling in every sphere of its operations and generating sustainable value for its customers and stakeholders, it is sure to reach to stronger heights in the years ahead.

CORPORATE INFORMATION

Company Identification Number L27100GJ1995PLC025609

Date of Incorporation 26th April 1995

Date of Being Listed on Stock Exchange BSE 27th March 1997
NSE 4th December 2003

Type of Business Manufacturing of Steel Pipes, Coils and Plates, Power

Registered Capital Rs 2500 million

Paid Up Capital Rs 1138 91 million divided into 227,781,035 equity shares of Rs 5/ each fully paid up

Par Value / Share Rs 5/ each

Securities Registrar & Transfer Agent
Link Intime India Private Ltd
C 13, Pannalal Silk Mills
Compound, LBS Marg,
Bhandup (West),
Mumbai 400078

Board of Directors

Mr. Balkrishan Goenka
(Executive Chairman)

Mr. Braja Mishra
(Managing Director)

Mr. Rajesh R. Mandawewala
(Director)

Mr. Mukul Sarkar
(Nominee Director of Exim Bank Ltd)

Mr. Mintoo Bhandari
(Nominee Director of Insight Solutions Ltd)

Mr. Raj Kumar Jain
(Director)

Mr. K.H. Viswanathan
(Director)

Mr. Ram Gopal Sharma
(Director)

Mr. Nirmal Gangwal
(Director)

Chief Financial Officer

Mr Brijgopal Jaju

Company Secretary

Mr Pradeep Joshi

Auditors

MGB & Co , Chartered Accountants

Registered Office

"Welspun City",
Village Versamedi, Tal Anjar, Dist Kutch,
Gujarat 370110
Tel +91 2836 661111
Fax +91 2836 279060

Corporate Office

Welspun House, 5th Floor,
Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai 400 013, INDIA
Tel +91 22 6613 6000/ 2490 8000
Fax +91 22 2490 8020/21
E mail CompanySecretary WGSRL@welspun com
Website http //www welspuncorp com

Stock exchanges where the Company's securities are listed

Bombay Stock Exchange Ltd
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 051

The National Stock Exchange of India Ltd
Exchange Plaza, Bandra Kurla Complex, Bandra (E),
Mumbai 400 001

Singapore Exchange Securities Trading Limited (the"SGX ST")
2 Shenton Way, #19 00 SGX Centre 1, Singapore 068804

Bankers

Andhra Bank
Bank of Baroda
Bank of India
Canara Bank
Citibank N A
Corporation Bank
ICICI Bank Limited
IDBI Bank
Oriental Bank of Commerce
Punjab National Bank
Standard Chartered Bank
State Bank of Bikaner & Jaipur
State Bank of India
State Bank of Travancore
The Hongkong and Shanghai Banking Corporation Limited
Union Bank of India

Manufacturing Units

i Village Jolva & Vadadla, Near Dahej, Taluka Vagra, Dist Bharuch, Gujarat 392 130
ii Village Versamedi, Tal Anjar, Dist Kutch, Gujarat 370110
iii KIADB Industrial Area, Gejjalagere, Taluka Maddur, Dist Mandya, Karnataka 571428

Subsidiary
iv 9301, Frazier Pike, Little Rock , Arkansas 72205, USA
v 2nd Ind City Dammam, Kingdom of Saudi Arabia, P O Box 12943, Postal Code 31483
vi Village Salav, P O Welspun Baug, District Raigad 402 202 Maharashtra INDIA Tel +91 (02144) 260110 to 260119 Fax +91 (02144) 260122

IMPORTANT CHANGES AND DEVELOPMENTS

YEAR	
2012	Initiated new ERW mill of 175,000 MTPA in Little Rock, Arkansas, US. 50,000 MTPA capacity expansion of the already existing 100,000 MTPA HSAW capacity in Mandya, Karnataka.
2011	Welspun Corp Limited acquired 87.35% stake in Welspun Maxsteel Limited (WMSL) from its group company, Welspun Steel Limited as on 18th Aug 2011. Insight Solutions Limited has acquired 12.5% of the equity of WMSL from Welspun Steel Limited, while Grasim Industries Limited has acquired the remaining 0.15% equity in Welspun Maxsteel Limited. WCL raised $290 million in the form of GDRs (US $115 million) issued to Insight Solutions Limited & CCDs (US $175 million) issued to Granele Limited. Saudi plant commenced production. L SAW plant at Anjar commissioned. Welspun Middle East established its presence in Dubai to cater to the bouyant markets of Middle East and Africa. Acquired 35% stake in Leighton Contractors (India) Private Limited (renamed as Leighton Welspun Contractors Private Limited) Awarded "EEPC Top Exporter for the Year 2011" Gold Trophy Awarded "IACC Best Indian Manufacturing Company in the US 2011"
2010	Initiated capacity expansion in India of LSAW by 350,000 MTPA in Anjar, Gujarat, HSAW by 100,000 MTPA in Mandya near Bangalore. Fund raising of US$ 250 million of which US$ 150 million was raised through FCCB (Foreign Convertible Currency Bonds) in Oct 2009 and $ 100 million through QIP (Qualified Institutional Placement) in Nov 2009. Foray into the world of infrastructure by way of investment in Welspun Projects Limited (formerly known as MSK Projects India Ltd.) Completed investment in Middle East company with 300,000 MTPA HSAW facility in Saudi Arabia. Change in name of Welspun Gujarat Stahl Rohren Limited to "Welspun Corp Limited" w.e.f. 27/04/2010.
2009	Commissioning of the US Pipe Mill in Little Rock Arkansas, with the capacity of 350,000 MTPA of HSAW pipes. Commissioning of the Coil Mill at Anjar, Gujarat.
2008	Recognized as 2nd Largest (Large Diameter) Pipe producer in the World by The Financial Times, UK. Plate Mill got operational from 28th March 2008. Achieved Level II automation, Rolled X 70 API Grade of 4.5 meters wide. Double Jointing & Coating facility commissioned at the Little Rock facility in Arkansas U.S. Awarded "Emerging Company of the Year" for Corporate Excellence 2008 by Economic Times. Commissioning of additional HSAW Mill with the capacity of 150,000 MTPA at Anjar, Gujarat.
2007	Trail run of Plate Mill producing X 70 grade with widest plate of 4.5 meters and 45 mm thickness. 43 MW captive Power Plant Commercially Operational from Sept 2007. Initiated HSAW pipe facility at the Little Rock, Arkansas US. Largest Ever Order Received by any pipe company i.e. Order from TransCanada Pipelines Limited US. Ranked amongst India's Top 100 Corporate, 2007 by S&P and CRISIL. Recognized as the "Fastest Growing Company" by Business Today. Amongst the top 20 companies to watch out for in 2008 by Business Today. Recognized as the top 3 SAW Pipe companies in the World by "CLSA Asia Pacific Markets." Recognition as "Fastest Growing Steel Products Company" by Construction World NICMAR.
2006	Setting up of 2 New HSAW Plants with a total capacity of 350,000 MTPA at Anjar, Gujarat, India. Setting up of the Bending Facility at Anjar, Gujarat. Additional Coating Plants at Anjar, Gujarat.

FINANCIALS AT A GLANCE

(Rs in Million)

Particulars	Year ended 31 March (Consolidated)			
	2012[@]	2011[@]	2010	2009
Income Statement Data				
Income from Operations	**92,442**	**81,360**	**73,822**	**57,582**
Operating Expenses (COGS, Mfg and Other Expenses)	81,195	67,576	60,450	51,048
Reported EBITDA	**11,247**	**13,784**	**13,372**	**6,535**
Normalized EBITDA	**11,120[###]**	**14,461[##]**	**13,186[#]**	**6,348**
Depreciation / Amortization	3,515	2,439	2,061	1,433
Gross Profit	**3,732**	**9,104**	**11,301**	**4,768**
EBIT	**7,731**	**11,345**	**11,311**	**5,102**
Finance Cost (Gross)	3,999	2,240	2,071	1,766
PAT (After Minority Interest)	**2,385**	**6,330**	**6,104**	**2,135**
Balance Sheet Data				
Current Assets	78,620	56,995	51,471	45,848
Current Liabilties	57,322	34,774	33,510	39,555
Net Current Assets	**21,298**	**22,221**	**17,961**	**6,293**
Fixed Assets**	**63,625**	**48,645**	**38,283**	**37,190**
Investments (Current and Non Current)	**19,788**	**14,405**	**1,596**	**1,140**
Gross Debt	**53,407**	**38,060**	**25,476**	**26,538**
Cash and Bank Balance	10,255	7,508	17,028	9,470
Liquid Investments	19,431	14,366	1,595	1,139
Cash and Liquid Investments	**29,686**	**21,875**	**18,623**	**10,609**
Net Debt	**23,721**	**16,185**	**6,853**	**15,929**
Net worth	**49,139**	**33,735**	**29,011**	**15,597**
Minority Interest	**3,433**	**2,024**	**0**	
Average Net worth	**41,437**	**31,373**	**22,304**	**15,635**
Deferred Tax Liability	**4,970**	**4,344**	**3,352**	**2,488**
Capital Employed	**110,949**	**78,163**	**57,839**	**44,623**
Capital Employed (Net of Cash and Liquid Investments)	**81,263**	**56,288**	**39,217**	**34,013**
Average Capital Employed (Net of Cash and Liquid Investments)	**68,776**	**47,752**	**36,615**	**33,073**
Cash Flow Data				
Net Cash Flows by Operating Activities	14,287	6,665	3,843	13,195
Net Cash Flows by Investing Activities	(22,054)	(22,574)	(3,885)	(7,438)
Net Cash Flows by Financing Activities	9,634	5,585	2,767	1,010

Financial Ratios				
EPS Basic (Rs/share)	10 89	30 95	31 69	11 5
EPS Diluted (Rs/share)	9 71	28 66	28 40	11 4
EBITDA Margin (%)	12 17%	16 94%	18 11%	11 35%
PAT Margin (%)	2 58%	7 78%	8 27%	3 71%
Net Debt to Net worth	0 48	0 48	0 24	1 02
Net Debt to EBITDA	2 11	1 17	0 51	2 44
Return on Avg Net worth	5 76%	20 18%	27 37%	13 66%
ROCE [EBIT/ (Avg Capital Employed)]	11 24%	23 76%	30 89%	15 43%

@ As per revised Schedule VI

FY 2011 12: Includes Other Income of Rs 2,676 million which includes interest income for FY12 Operational Performance was impacted by foreign exchange prov sions on Rs 1,248 million, and provisions made towards amicable settlement with a customer of Rs 649 million Total foreign exchange prov sion was Rs 1,517 mi lion

FY 2010 11 : includes export rebate of Rs 734 mn on rece pt of favourable judgment from Honorable Supreme Court and provision of Rs 2,007 mn on account of settlement with one of the customers thereby ending long pending litigation

 # FY 2009 10 : Forex Provisioning made in the previous year were recovered during the year

** FY 2008 09 :EBITDA would have been h gher at Rs 8,167 million which was impacted by Forex provision at Rs 1,256 mill on, Provision on ECB of Rs 178 mill on and Inventory write down of Rs 385 mill on during the year and Net Income would have been higher at Rs 3,336 million*

*** Includes Capital Work In Progress*

**** Net worth includes CCDs of Rs 7,884 million*

FINANCIALS AT A GLANCE

(USD in M llion)

Particulars	Year ended 31 March (Consolidated)			
	2012[@]	2011[@]	2010	2009
Income Statement Data				
Income from Operations	**1,928**	**1,787**	**1,555**	**1,254**
Operating Expenses (COGS, Mfg and Other Expenses)	1,693	**1,484**	1,273	1,112
Reported EBITDA	**235**	**303**	**282**	**142**
Normalized EBITDA	**232[###]**	**318[##]**	**278[#]**	**138**
Depreciation / Amortization	73	**54**	43	31
Gross Profit	**151**	**254**	**238**	**104**
EBIT	**161**	**249**	**238**	**111**
Finance Cost (Gross)	83	**49**	44	38
PAT (After Minority Interest)	**50**	**139**	**129**	**47**
Balance Sheet Data				
Current Assets	1,545	**1,278**	1,146	904
Current Liabilties	1,127	**780**	746	780
Net Current Assets	**419**	**498**	**400**	**124**
Fixed Assets**	**1,251**	**1,091**	**853**	**733**
Investments (Current and Non Current)	**389**	**323**	**36**	**22**
Gross Debt	**1,050**	**853**	**567**	**523**
Cash and Bank Balance	202	**168**	379	187
Liquid Investments	383	**283**	31	22
Cash and Liquid Investments	585	**431**	367	209
Net Debt	**466**	**363**	**153**	**314**
Net worth	**966**	**756**	**646**	**308**
Minority Interest	**67**	**45**	**0**	
Average Net worth	923	**699**	497	348
Deferred Tax Liability	**98**	**97**	**75**	**49**
Capital Employed	**2,181**	**1,753**	**1,288**	**880**
Capital Employed (Net of Cash and Liquid Investments)	**1,597**	**1,262**	**873**	**671**
Average Capital Employed (Net of Cash and Liquid Investments)	**1,352**	**1,071**	**815**	**652**
Cash Flow Data				
Net Cash Flows by Operating Activities	298	**146**	81	287
Net Cash Flows by Investing Activities	(460)	**(496)**	(82)	(162)
Net Cash Flows by Financing Activities	201	**123**	58	22

Financial Ratios				
EPS Basic (US $/share)	0 23	0 68	0 60	0 25
EPS Diluted (US $/share)	0 20	0 63	18 11%	0 25
EBITDA Margin (%)	12 17%	16 94%	8 27%	11 35%
PAT Margin (%)	2 58%	7 78%	0 24	3 71%
Net Debt to Net worth	0 48	0 48	0 51	1 02
Net Debt to EBITDA	2 11	1 17	27 37%	2 44
Return on Avg Net worth	5 76%	20 18%	30 89%	13 66%
ROCE [EBIT/ (Avg Capital Employed)]	11 24%	23 76%		15 43%

@ As per rev sed Schedule VI

FY 2011 12: Includes Other Income of Rs 2,676 million which includes interest income for FY12 Operat onal Performance was impacted by foreign exchange provis ons on Rs 1,248 m llion, and provisions made towards amicable settlement with a customer of Rs 649 m llion Total foreign exchange provision was Rs 1,517 million

FY 2010 11 : includes export rebate of Rs 734 mn on receipt of favourable judgment from Honorable Supreme Court and provision of Rs 2,007 mn on account of settlement with one of the customers thereby ending long pending litigation

 # FY 2009 10 : Forex Provisioning made in the previous year were recovered during the year

** FY 2008 09 :EBITDA would have been higher at Rs 8,167 million which was impacted by Forex provision at Rs 1,256 million, Provision on ECB of Rs 178 million and Inventory write down of Rs 385 million during the year and Net Income would have been higher at Rs 3,336 mi lion*

*** ncludes Capital Work In Progress*

**** Net worth includes CCDs of Rs 7,884 m llion*

Exchange rates used for Balance Sheet Items is Closing rate as on 31 March	50 875	44 60	44 90	50 72
Exchange rates used for Profit & Loss Items is Average rate for the year	47 946	45 53	47 47	45 91

CHAIRMAN'S MESSAGE

My dear fellow stakeholders,

The year 2011 12 took off where the previous one ended with an upbeat mood a l around But as the year progressed, growth began to moderate and uncertainty emerged in the domestic economy, fuelled by rising inflation, higher interest rates and consequent reduced liquidity, lower consumption as well as the unabated volatility in commodity prices and other input costs Add to this the steep forex fluctuations between April 2011 and mid May 2012, the rupee depreciated by 24% against the US dollar more than any other significant currency in the world That has not only raised the cost of international funds, but has also increased the cost of large infrastructure projects that require imported capital goods, consumables and intermediates

However, with our steady flow of order intake and strong fundamentals we have been able to weather the storm Welspun was able to achieve a sustained performance with strong order book position of Rs 7,447 crore healthy, considering the fact that industrial production continued to dip lower throughout the year
What was the secret behind our success? I believe it was the unending quest for excellence, the constant striving to do even the most ordinary things we l We built capabilities that made us more customer focused, worked on strengthening internal processes and streamlined the organisation to boost competitiveness Each of these initiatives will enable us to sustain our growth

Turning a new leaf

In the year gone by one of the important milestones for us was the investment by Apollo Global Management, LLC (together with ts subsidiaries, Apollo) in our company It was one of India's largest PE transactions in recent times, demonstrating the confidence and trust that Apollo has bestowed on us and our global reach in servicing some of the largest oil and gas companies in the world Further, it reflects the organisational capabilities of our Group

I firmly believe that this partnership will pave the way for Welspun to strengthen its leadership position as one of the top line pipe companies in the world The association will also open doors for future strategic business expansion and new projects, fuelling our desire to excel and grow

KEY HIGHLIGHTS 2011-12

- Strong performance even amidst overall economic slump.
- Healthy Order Book position – Rs. 7,447 crore
- Apollo's Investment in WCL – Open doors for strategic business expansion and new projects
- $80 mn investment for ERW Plant at Little Rock

Strategic Initiatives

Another significant development was the announcement of expansion plans at our Little Rock faci ity in Arkansas For the second time in three year history of this operation, we will be adding 200 jobs and investing an additional $80 million With this expansion, Welspun will bring its total overall investment to $280 million, among the highest investments made by any pipe company in US in the recent times

Through this expansion, we will broaden our product line to include the production of 6 inch to 20 inch ERW steel pipes along with Coating facility The new manufacturing lines will be located in a second building on 44 acres purchased by the company This plant is scheduled for commissioning in March 2013 and is likely to ramp up to optimal utilisation in FY14 Further, we have successfully commissioned our LSAW Plant at Anjar (Gujarat) with a capacity of 350,000 MTPA It has already received a few large orders, and is currently booked till August 2012 The plant is well set on the path to ramp up its capacity utilisation levels With this new facility, the LSAW line pipe capacity will increase to 0 70 million tonnes from the current 0 35 million tonnes catering to the growing market of LSAW pipes for the deep offshore projects across the globe

Meanwh le, to meet the demand of the buoyant water segment in India the company is further expanding its Mandya plant by another 50,000 tonnes The expansion is being done within the original capital expenditure budget of Rs 1,000 million

Human Resource

One of the most significant mainstays in the performance of the organisation has been our motivated and energetic workforce which has helped us to excel in everything we do It is with the hard work and dedication of all you Welspunites that we have been able to achieve such extraordinary feats To strengthen our management, we have taken on board Mr Braja K Mishra, the new Managing Director of WCL After a brief stint of three years outside Welspun, he has decided to join us back thus giving a renewed focus to the business He brings along with him 25 years of experience with immense critical know how about the pipe and plate industry

Corporate Governance

Another significant milestone during the period under review was the SEBI order in our favour It is a landmark judgment which has once again reaffirmed the highest standards of Corporate Governance and ethical practices that we fo low

Outlook

The current state of economy, with a moderate pace of growth, is expected to continue into the next financial year Together with the uncertain economic environment, the impact of cred t and iquidity crunch in the global market is likely to lead to postponement of new projects and delays in executing existing ones A further challenge could be delays in infrastructure development due to environmental clearances, which is likely to cause delays or postponement in the decision of some project orders

Despite the various challenges affecting the market, Welspun is committed to growth We anticipate that new opportunities will emerge in the future, primarily in the area of oil and gas exploration and water Also, with the government thrust on infrastructure development, irrigation and water supply, there is good potential in the domestic market W th the Company's continued focus on exce ling in every sphere of its operations and generating sustainable value for its customers and stakeholders, I am confident that we will continue to do well

In conclusion, I would heartily thank the Board, all our stakeholders, the management and especially our dedicated employees for their consistent support and commitment to Welspun, as well as our esteemed customers for their confidence and trust

B. K. Goenka

Excellence ….. It flows from our Vision

The ability to see future prospects and turn them into profitable business ventures. That's something that sets us apart. From **Anjar to Dahej**, from **Arkansas to Dammam**, we have always anticipated our customers' needs.

DIRECTORS' REPORT

To,
The Members,
Welspun Corp Limited

Your directors have pleasure in presenting the 17th Annual Report of your Company along with the Audited Financial Statement for the financial year ended March 31, 2012.

Financial Results *(Rs in million)*

Particulars	Standalone		Consolidated	
	For the year ended		For the year ended	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Income from operations	57,697 11	62,704 03	89,765 76	80,220 75
Profit before interest, depreciation & tax	5,077 55	8,597 00	11,246 40	13,784 02
Less : Finance cost	2,470 96	1,696 72	3,999 24	2,240 27
Gross Profit / (Loss)	2,606 59	6,900 28	7,247 16	11,543 75
Less: Depreciation / Amortization	1,843 52	1,656 65	3,515 23	2,439 47
Profit before tax for the year	763 08	5,263 63	3,731 92	9,104 29
Less : Provision for current taxation / MAT etc		1,142 36	1,211 15	1,941 49
Provision for deferred taxation	113 69	476 74	291 62	929 83
Profit after tax for the year (after Minority Interest)	649 38	3,644 52	2,385 43	6,330 25
Add : balance brought forward from previous year	13,415 48	11,074 89	16,466 07	11,439 75
Profit available for appropriation	14,064 86	14,719 41	18 851 50	17,770 00
Transfer to General Reserve	65 00	364 50	65 00	364 50
Transfer to Debenture Redemption Reserve	357 14	463 39	357 14	463 39
Proposed Dividend on equity shares & tax	132 37	475 74	132 37	475 74
Equity dividend & tax of earlier years		0 30		0 30
Balance carried forward to the next year	13,510 35	13,415 48	18,296 99	16,466 07

PERFORMANCE

Production and processing highlights for the year under report on standalone basis were as under:

Pipes: 473,617 MT (683,132 MT). The decline is mainly on account of executing orders from subsidiary companies.
Plates: 399,134 MT (396,507 MT)
H. R. Coils: 107,880 MT (103,456 MT)
Coating: 2,096 K sqm (852K sqm). This shows more demand for coated pipes.
Power: 173,117 MWH (219, 803 MWH).

Depreciation charge increased mainly due to capitalization of LSAW Plant and Plate and Coil Mill expansion projects for enhancing productivity / debottlenecking at Anjar.

Finance Costs increased mainly on account of interest on Compulsorily Convertible Debentures issued during the year under report and consideration of foreign exchange difference related to Finance Costs.

DIVIDEND

The Board recommends a dividend @ 10% for the year ended March 31, 2012 i.e. Rs. 0.50/ per equity share of Rs.5/ each fully paid up. In respect of the dividend declared for the previous financial years, Rs. 5.20 million remained unclaimed as on March 31, 2012.

EXPANSION AND ACQUISITIONS

- **Pipe Project in the United States of America**

With the belief that the new investments will pave way for the Company to continue on its path of becoming one of the most respected line pipe companies in the world, the Company through its subsidiary in the US is expanding its facilities at an estimated investment of US$79.65 million to manufacture ERW pipes with a capacity of 175,000 MTPA. With this expansion, the Company's total overall investment would touch US$280 million since inception of the facility in the US. The pipes to be produced by this US facility will primarily be used in the gas and oil industry.

- **Acquisition of Welspun Maxsteel Limited**

During the year under report, the Company acquired 113,622,058 (87.35%) equity shares of Welspun Maxsteel Limited, (hereinafter referred to as "WMSL"), a company engaged in manufacturing of gas based Direct Reduced Iron ('DRI"), at an aggregate consideration of Rs. 8,042 million under and pursuant to Share Purchase and Investment Agreement dated June 29, 2011 entered into amongst the Company, Insight Solutions Ltd., Welspun Maxsteel Ltd. and Welspun Steel Ltd. Thus, WMSL became a subsidiary of the Company w.e.f. the date of acquisition i.e. August 13, 2011.

FUNDS UTILIZATION

During the year under report, the Company has raised funds by issuing Compulsorily Convertible Debentures of Rs. 7,883.75 million and Global Depository Receipts of Rs. 5,180.85 million. Un utilized proceeds have been invested in liquid securities as at March 31, 2012.

The long term fund of Rs. 10,000 million raised during the previous financial year by issuing Secured Non Convertible Debentures have been utilized partly for capital expansion and long term working capital requirement and pending utilization, the balance has been invested in liquid securities.

The entire Foreign Currency Convertible Bonds issued by the Company during the financial year 2009 10 is outstanding and has not been converted into equity shares. The proceeds have been utilized for the purpose for which the same was raised and pending utilization, the balance is lying in bank accounts outside India.

DIRECTORS

Since the last report, the following changes took place in the Board of Directors

(i) Mr. Mintoo Bhandari was appointed as a nominee of Insight Solutions Ltd. (the "Investor") w.e.f. August 18,2011 in terms of the Investment Agreement dated June 29, 2011.
(ii) Resignation of Mr. M. L. Mittal, Executive Director (Finance) w.e.f. September 30, 2011
(iii) Resignation of Mr. Asim Chakraborty, Director (wholetime) w.e.f. October 4, 2011.
(iv) Mr. Rajesh Mandawewala relinquished from the position of the Managing Director w.e.f. April 26, 2012 to hold a senior position at group level.
(v) Mr. Braja Mishra was appointed as the Managing Director w.e.f. April 26, 2012.

Your directors appreciate Mr. M.L.Mittal and Mr.Asim Chakraborty for their services as a member of the Board.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. K.H. Viswanathan and Mr. Rajkumar Jain retire by rotation at the forthcoming Annual General Meeting and being eligible, have been recommended for re appointment.

Details about these Directors are given in the Notice of the ensuing Annual General Meeting being sent to the shareholders along with Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your directors hereby confirm that:

(I) in the preparation of the accounts for the financial year ended March 31, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;

(iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) they have prepared the accounts for the financial year ended March 31, 2012 on a going concern basis.

AUDITORS

Your Company's Auditors M/s. MGB & Co., Chartered Accountants retire at the ensuing Annual General Meeting and being eligible, have given their consent to act as the Auditors of the Company for the forthcoming tenure. Members are requested to consider their re appointment as the Auditors of the Company and to fix their remuneration by passing an ordinary resolution under Section 224 of the Companies Act, 1956.

AUDITORS' REPORT

With reference to the Comment No. (xxi) in the Annexure to the Auditor's Report (CARO), we report that the Company has terminated the service of the employee who indulged in malpractices and have taken appropriate legal actions. The Management is of the view that the outcome of the legal action will not have any material adverse implication on the state of the affairs of the Company.

EMPLOYEE STOCK OPTION SCHEME

The Company has granted stock options to eligible directors and employees of the Company and its subsidiary companies.

The particulars required to be disclosed pursuant to Clause 12 of SEBI (Employees Stock Option Scheme) Guidelines 1999 are given below:

Difference in employee compensation cost based on intrinsic value and fair value:

The Company has adopted intrinsic value method for valuation and accounting of the aforesaid stock options as per SEBI guidelines, and accordingly has accounted credit of Rs. 1.51 million as employee compensation for the year ended March 31, 2012.

Had the Company valued and accounted the aforesaid stock options as per the Black Scholes Model, the net profit for the year would have been higher by Rs. 1.18 million and the diluted earnings per share would have been Rs.2.97 per share instead of Rs.2.96 per share.

Details of stock options as required to be disclosed pursuant to Clause 12 of SEBI (ESOS and ESPS) Guidelines, 1999 are given below:

a	Options granted		During the year, no Option was granted
b	Options vested (excluding vested portion of lapsed Options)		2,090,375 (vested during the year 16,625)
c	Options exercised		86,125
d	Total number of equity shares arising as a result of exercise of Options		86,125
e	Options lapsed		69,750
f	Total number of Options in force		408,125
g	Money realized by exercise of Options		Rs 6,785,656 25
h	The pricing formula		Exercise price is to be at 25% discount to the latest available closing market price of the equity shares of the Company, prior to the date of grant
i	Variation of terms and conditions		N A
j	Employee wise details of options granted to	Whole Time Directors	Nil
		Employee who received a grant in any one year of option amounting to 5% or more of option granted during that year	Nil
		Employees, who were granted option, during one year, equal to or exceeding 1% of the issued capital (excluding o/s warrants & conversions) :	Nil
k	Diluted EPS	Rs 2 96 as compared to Rs 16 94 of last year	

THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

In terms of the above Rules, your directors are pleased to give the particulars as prescribed therein in the Annexure, which forms a part of the Directors' Report.

PARTICULARS OF EMPLOYEES

As per the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of Directors' Report.

SUBSIDIARY COMPANIES

The Ministry of Corporate Affairs vide its General Circular No. 2 / 2011 dated February 8, 2011 granted general exemption to the companies from attaching a copy of the Balance Sheet, the Profit and Loss Account and other documents of its subsidiary companies as required to be attached under Section 212 of the Companies Act, 1956 to the Balance Sheet of the holding company subject to fulfillment of conditions stipulated in the Circular.

Therefore, the said documents of the following subsidiary companies viz. (1) Welspun Pipes Limited, (2) Welspun Tradings Limited, (3) Welspun Natural Resources Private Limited, (4) Welspun Plastics Private Limited, (5) Welspun Pipes Inc, (6) Welspun Tubular LLC, (7) Welspun Global Trade LLC, (8) Welspun Mauritius Holdings Limited, (9) Welspun Middle East Pipe Coatings Company LLC, (10) Welspun Middle East Pipe Company LLC, (11) Welspun Middle East DMCC, (12) Welspun Maxsteel Limited, (13) Welspun Infratech Limited, (14) Welspun Road Projects Private Limited, (15) Welspun Projects Limited, (16) Welspun Infra Projects Private Limited, (17) MSK Projects (Himmatnagar Byepass) Private Limited, (18) MSK Projects (Kim Mandavi Corridor) Private Limited, (19) Welspun Water Infrastructure Private Limited, (20) Welspun Energy Transportation Private Limited, (21) Welspun BoT Projects Private Limited, (22) ARSS Bus Terminal Private Limited and (23) Anjar Road Private Limited will not be attached to the Annual Report. However, the aforesaid documents relating to the subsidiary companies and the related detailed information will be made available upon request by any member or investor of the Company. Further, the Annual Accounts of the subsidiary companies will be kept open for inspection by a member or an investor at the Registered Office of the Company or the respective subsidiary company.

As required under the exemption, a statement containing the requisite information for each subsidiary is attached with this Report.

FIXED DEPOSITS

The Company has not accepted any public deposit within the meaning of the Companies (Acceptance of Deposit) Rules, 1975 and, as such, no amount on account of principal or interest on public deposit was outstanding on the date of the Balance Sheet.

LISTING WITH STOCK EXCHANGES

The Company's equity shares are listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). The Secured Non Convertible Debentures are listed on the Bombay Stock Exchange Limited. The Foreign Currency Convertible Bonds and Global Depository Receipts (GDR's) are listed at Singapore Securities Trading Limited (SGX ST).

Annual listing fees for the year 2012 13 have been paid to BSE, NSE and SGX ST

CORPORATE GOVERNANCE

A separate report on Corporate Governance is annexed hereto as a part of this Report. A certificate from the Company Secretary in Practice regarding compliance of conditions of Corporate Governance as prescribed under Clause 49 of the Listing Agreement is attached to this Report. A separate report on Management Discussion and Analysis is enclosed as a part of the Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

As stipulated by Clause 32 of the Listing Agreement with the Stock Exchanges and Circular No. 2/2011 dated February 8, 2011 issued by the Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956, the Consolidated Financial Statements have been prepared by the Company in accordance with the applicable Accounting Standards issued by the ICAI. The Audited Consolidated Financial Statements together with Auditors' Report thereon forms a part of the Report.

ACKNOWLEDGEMENT

Your directors express and place on record deep appreciation to Financial Institutions, Banks, Government Authorities, Customers, Suppliers and Shareholders of the Company. Your directors also wish to place on record their sincere appreciation of the dedicated services, hard work, solidarity and profuse support by all the employees of the Company and their families at all levels without which the Company's achievement would not have been possible.

For and on behalf of the Board

Place: Mumbai

Date: May 29, 2012

B.K. Goenka

Chairman

Form A

(See Rule 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

			2011 2012	2010 2011
A. POWER AND FUEL CONSUMPTION				
1	**ELECTRICITY**			
(A)	Purchased			
	Unit (In '000s) MWH		25,205 57	12,549 63
	Total Amount (Rs In Lacs)		1,635 78	725 84
	Rate/Unit (Rs)		6 49	5 78
(B)	Own Generation			
	(I)	Through D G Set (CPP)		
		Generated Unit (In '000s) MWH	17,472 97	18,811 00
		Units Generated Per Unit Of Fuel		
		Cost/Unit (Rs)	6 99	5 80
	(I)	Through Steam Turbine / Generator		
		Generated Unit (In '000) MWH	154,972 06	219,803 29
		Total Amount (Rs in Lacs)	8,205 94	8,554 28
		Rate / Unit (Rs)	5 30	3 89
2	**COAL (Generation of Steam)**			
	Unit (In '000) kg		281,905 45	271,695 00
	Total Amount (Rs in Lacs)		9,657 91	8,401 29
	Rate / Unit (Rs /kg)		3 43	3 09
	OTHER LIGNITE & LIME STONE (For Generation of Steam)			
	Unit (In '000) kg		36,221 50	51,438 00
	Total Amount (Rs in Lacs)		881 66	1,045 53
	Rate / Unit (Rs /kg)		2 43	2 03
3	**FURNACE OIL**			
	Quantity (K Ltrs)		36 20	948 77
	Total Amount (Rs in Lacs)		8 74	228 47
	Rate / Unit (Rs /Ltr)		24 16	24 08
4	**OTHERS/INTERNAL GENERATION**			
(A)	**Natural Gas**			
	Quantity (SCM) (in '000)		32,584 34	31,599 39
	Total Amount (Rs in Lacs)		8,188 49	5,359 71
	Rate / Unit (Rs /SCM)		25 13	16 96
(B)	**Liquid Petroleum Gas**			
	Quantity (MT) (in '000)		87 37	50 00
	Total Amount (Rs in Lacs)		35 39	18 00
	Rate / Unit (Rs SCM/MT)		40 51	36 00

B. CONSUMPTION PER UNIT OF PRODUCTION

PRODUCTS	2011 2012	2010 2011
Name of Product **Welded Pipes**		
Electricity (KWH)	126 66	139 22
Name of Product **M.S. Pipes (ERW)**		
Electricity (KWH)	130 75	117 13
Name of Product **Power**		
Electricity (KWH)	6 27	5 95
Name of Product **M.S.Plates**		
Electricity (KWH)	152 55	154 83
Furnace Oil (K Ltrs)	273 59	84 53
Natural Gas (SCM/MT)	61 03	61 89
Name of Product **H.R.Coils**		
Electricity (KWH)	115 51	131 39
LPG (MT)	5 44	3 66
Furnace Oil (K Ltrs)		
Natural Gas (SCM/MT)	63 48	74 95

Form B

(See Rule 2)

Form for disclosure of particulars with respect to absorption

Research and Development (R&D)

01	Specific areas in which R&D is carried out by the Company	**Anjar Pipe Mill:** During the year, R&D Pipe Division, did extensive work in the following areas: 1 Strain based design pipeline for non sour app ication considering mechanical & physical metallurgy of steels and coating simulation 2 Performance of High Strength & Heavy Wall JCOE Pipe in Deep Sea Water Application: Analysis of Full Scale Co lapse Testing Behavior 3 Development of Sour service Offshore High Strength & Heavy Wall Line Pipe 4 Development of Sour Service Offshore High Strength & Heavy Wall Line Pipe by JCOE Process 5 Qualification of JCOE Process for Offshore High Strength & Heavy Wall Line Pipe 6 High Wall Thick DLSAW Pipes for Sour Service Offshore Application by JCOE Process 7 Development of Sweet service Offshore High Strength & Heavy Wall Line Pipe for Steel Centenary Risers (SCRs) systems 8 Development of new vendors for plates/coils for API5CT, Duel phase steel plates for strain based design & higher strength sour plates for deep sea application Development of sour plates of grade SAWL 450MS in Plate & Coil Mill Division **Anjar Plate Mill:** During the year, the Company carried out R&D activities : (I) Development of ASTM 516 GR 60 &70 ,ASTM 537 Class 1 (ii) Successful development of API X65 Sour grade plates (iii) S355C2 slab chemistry for use of API X52 coil for optimising the cost
02	Benefits derived as a result of the above R&D	**Anjar Pipe Mill:** 1 Potential supplier for high strength strain based LSAW pipes 2 Potential supplier for high strength heavy wall line pipes for deep sea application through JCOE process for both sour & non sour applications 3 Increased flexibility for plates & coils meeting the stringent pipeline requirements through vendor development 4 Increase in Customer appreciation by supplying pipes for critical applications 5 In house capability increase to supply plates for sour service application **Anjar Plate Mill:** The R&D activity resulted in reducing the raw material cost & Product Development
03	Future plan of action	**Anjar Pipe Mill:** **Product:** 1 Stabilization of high strength AP5LX80M heavy wall HSAW pipes in Anjar Spiral 2 Mill 2 Establishment of indigenously developed plates/coils at Plate & Coil Mill Division for heavy wall high strength sour service application **Process Equipments:** Development and process stabilization of LSAW Anjar to get approval of clients and thereby increase in market share **People:** To propagate the development work of WCL world wide through participation in National & International conference / seminars and publishing research papers in Journals **Anjar Plate Mill:** The Company has an ongoing program for carrying out research and development which helps the Company to improve production processes and to innovate higher grade products (a)Development for grade API X 80 plate and X 70 through coil route (b)Development of ASTM 572gr 50 type 2

Form B

(See Rule 2)

Form for disclosure of particulars with respect to absorption

Research and Development (R&D)

04	Expenditure on R&D (a) Capital (b) Recurring (c) Total (d) Total R&D expenditure as a percentage of total turnovers	 Nil Rs 8 24 million Rs 8 24 million 0 01%
	Technology absorption, adaptation and innovation.	
01	Efforts, in brief, made towards technology absorption, adaptation and innovation	
02	Benefits derived as a result of the above efforts, etc Product improvement, cost reduction, product development, import substitution, etc	
03	In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished: (a) Technology imported (b) Year of import (c) Has technology been fully absorbed? (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action	
	Foreign exchange earnings and outgo :	
	Act vities relating to exports;	Development of new Markets like South East Asia, Far East As a, Africa, East Europe, etc Supplies already initiated in Iraq and East Europe
	nit atives taken to ncrease exports;	People with relevant expertise and exper ence in the above markets appo nted in a market ng role Marketing Organizat on restructure as per the ambitions of the global business To increase the presence and v sibil ty, reg onal offices have been set up in Dubai and have a representative from the Company n Europe, De hi, Chennai (for PCMD Div sion)
	Development of new export markets for products and services and export plans;	S gnificant effort on approval of clients from these markets ongo ng We target to get approved as a supplier from global majors
	Total foreign exchange used and earned	Used : Rs 49 00 billion Earned : Rs 26 29 billion

I. PHILOSOPHY ON CORPORATE GOVERNANCE

The Board of Directors of the Company acts as a trustee and assumes fiduciary responsibility of protecting the interests of the members and other stakeholders of the Company. The Board supports the broad principles of Corporate Governance. In order to attain the highest level good Corporate Governance practice, Board lays strong emphasis on transparency, accountability and integrity.

II. BOARD OF DIRECTORS

The Company's Board comprises of mix of Executive and Non Executive Directors with considerable experience and expertise across a range of field such as finance and accounts, general management and business strategy. Except the Chairman, the nominee appointed by EXIM Bank and the nominee appointed by the Investor, all other Directors are liable to retire by rotation as per the provisions of the Companies Act, 1956.

The composition and category of Directors and relevant details relating to the Directors are given below:

Name of the Director	Category	Board Meeting Attended during the Year 2011 12	Attendance at the Last AGM	No. of other Directorship (as last declared to the Company)			Member / Chairperson in No. of Board Committees including other Companies (as last declared to the Company)!
				Pub.	Pvt	Other	
(01) Mr B K Goenka Chairman	P, E	10	No	15	3	7	7M
(02) Mr Braja Mishra Managing Director+	E	Nil	No	1	7		
(03) Mr R R Mandawewala*	P, E	9	No	15	3	15	5M
(04) Mr K H Viswanathan	NE, I	11	No	2	4		2C, 3M
(05) Mr Rajkumar Jain	NE, I	13	Yes	3	2		3C
(06) Mr Ram Gopal Sharma	NE, I	13	Yes	5			2C, 3M
(07) Mr Nirmal Gangwal	NE, I	8	No	7	3		2M
(08) Mr Mukul Sarkar Nominee EXIM Bank	NE, I, L	5	No				
(09) Mr Mintoo Bhandari Nominee of the Investor#	NE, I	6	No	2	2		3M
(10) Mr M L Mittal Executive Director (Finance)@	E	10	No				
(11) Mr Asim Chakraborty Whole time$	E, NI	Nil	No				

* Relinquished from the pos tion of the Managing Director w e f April 26, 2012

+ Appo nted as the Managing Director w e f April 26, 2012

! Cha rmanship/membersh p of the Aud t Committee and the Shareholders' Grievance Comm ttee alone considered

Appo nted as the nominee of Insight Solutions Ltd (an investor) w e f August 18, 2011

@ Resigned from the directorship w e f close of bus ness on September 30, 2011

$ Resigned from the directorship w e f October 4, 2011

Abbreviations:

P Promoter, I Independent, NI Non Independent, E Executive Director, NE Non Executive Director, L Lenders, C Chairperson, M Member.

14 meetings of the Board of Directors were held during the financial year 2011 12 on the following dates: April 18, 2011, April 28, 2011, May 26, 2011, June 29, 2011, July 28, 2011, August 17, 2011, 2 meetings on August 18, 2011, September 30, 2011, October 4, 2011, November 3, 2011, December 8, 2011, January 3, 2012 and February 1, 2012.

There is no relationship between the directors inter se.

III. AUDIT COMMITTEE

a. **Terms of reference:** The terms of reference stipulated by the Board of Directors to the Audit Committee are as contained under clause 49 of the Listing Agreement and Section 292 A of the Companies Act, 1956.

b. **Composition**

The Audit Committee was constituted by the Board of Directors at its meeting held on August 23, 1997 and was re constituted from time to time. The Committee comprises 4 non executive independent Directors having accounting and finance back ground. The Chairman of the Committee is an independent Director. The composition of the Committee and attendance of the members is given hereunder:

Name of the Member	Member/ Chairman	Number of Meetings Attended
Mr Rajkumar Jain	Chairman	8
Mr K H Viswanathan	Member	7
Mr Ram Gopal Sharma	Member	8
Mr Mintoo Bhandari	Member	4

The Company Secretary of the Company, Mr Pradeep Joshi acts as the Secretary of the Committee

8 meetings of the Audit Committee of the Board of Directors were held during the financial year 2011 12 on following dates: May 26, 2011, July 22, 2011, July 28, 2011, September 30, 2011, November 3, 2011, January 3, 2012, February 1, 2012 and March 15, 2012

IV. REMUNERATION COMMITTEE

The Company has duly constituted Remuneration Committee consisting of independent, non executive Directors. During the year under review, 1 meeting of the Committee was held on June 29, 2011. Terms of Reference, composition, remuneration paid to executive and non executive Directors are as under:

a. **Terms of reference**

To recommend appointment of, and remuneration to, Managerial Personnel and review thereof from time to time.

b. **Composition of the committee**

The Committee comprises of 4 independent and non executive Directors as on date of this Report viz. Mr. Rajkumar Jain, Mr. K. H. Viswanathan, Mr. Ramgopal Sharma and Mr. Mintoo Bhandari.

c. **Remuneration policy:**

Particulars of pecuniary relationship or transaction of the Non Executive Directors vis à vis the Company and remuneration to Executive Directors including the details of remuneration and sitting fees paid/payable to the Directors for the financial year 2011 12 are as under:

Name of the Director	Salary & Allowance	Perquisites	Commission	Service Contract/ Tenure	Notice Period	Severance Fees	Stock Option	Sitting Fees
(01) Mr B K Goenka Chairman	Rs 10 00 million	Nil	1% commission on profits as computed u/s 349 & 350 of the Act	Yes/5 years ending May 28, 2016	1 month	Nil	Nil	Nil
(02) Mr Rajesh R Mandawewala Managing Director	Rs 10 00 million	As per rules of the Company	Nil	Re inquished from the position of the Managing Director w e f April 26, 2012	1 month	Nil	Nil	Nil
(03) Mr M L Mittal Executive Director Finance	Rs 5 60 million	Nil	Nil	Resigned w e f September 30, 2011	1 month	Nil	Nil	Nil
(04) Mr Asim Chakraborty	Rs 3 67 million	As per rules of the Company	Nil	Resigned w e f October 4, 2011	1 month	Nil	Nil	Nil

No remuneration or perquisite was paid to, and no service contract was entered into with, but the sitting fees were paid to the following Directors/ nominating institutions for attending meetings of Board / Committees of the Board.

Name of the Director	Sitting Fees (Rs.)
(01) Mr K H Viswanathan	196,000
(02) Mr Rajkumar Jain	266,000
(03) Mr Ram Gopal Sharma	238,000
(04) Mr Nirmal Gangwal	96 000
(05) Mr Mukul Sarkar	60 000
(06) Mr Mintoo Bhandari	112,000

The above sitting fees paid to the non executive directors is within the limits prescribed under the Companies Act, 1956 for payment of sitting fees without approval of the Central Government and hence prior approval of the members as stipulated under Clause 49 (I) (B) is not required.

None of the Directors had any transaction with the Company. However, transactions have taken place with some of the companies in which a Director holds Directorship. These transactions took place at the prevailing market value as normal commercial transaction and the same were disclosed to the Board.

V. SHARE TRANSFER AND INVESTORS' GRIEVANCE COMMITTEE

a. Composition

The Share Transfer and Investors' Grievance Committee was constituted in accordance with the Clause 49 of the Listing Agreement to look into the redressal of investors' complaints and to review the functioning of the investors grievance redressal system.

The Chairman of the Committee is a non executive Director. The composition of the Committee is given hereunder:

Name of the Member	Member/ Chairman
Mr K H Viswanathan	Chairman
Mr B K Goenka	Member
Mr R R Mandawewala	Member
Mr Mintoo Bhandari	Member

Compliance Officer: Mr. Pradeep Joshi Company Secretary

Meetings of the Committee are held once in every fortnight or as and when required.

b. Number of Shareholders complaints / requests received during the year

During the year under review, total 136 shareholders complaints / requests were received. Break up and number of complaints / requests received under different category is given hereunder:

1. Non Receipt of Share Certificate : 65
2. Non Receipt of Dividend : 52
3. Non receipt of Annual Report : 5
4. Others : 14

All the complaints/requests received during the year under report were resolved within the time to the satisfaction of the investors/shareholders and no complaints were pending as on March 31, 2012 for more than 30 days. All the shares/debentures received for transfer/transmission were transferred / transmitted and no transfer was pending as at March 31, 2012.

VI. GENERAL BODY MEETINGS

The details of Annual General Meetings held and the special resolutions passed in the last three years are given hereunder:

Meeting	Day & Date of the Meeting	Time	Place	Special Resolutions passed
14th Annual General Meeting	Friday, 04 09 2009	11 30 am	Registered Office: Welspun City, Village Versamedi, Taluka Anjar, Dist Kutch, Gujarat 370110	u/s 198, 269, 309, 310 and Schedule XIII of the Companies Act, 1956 for appointment of, fixing remuneration to Mr Asim Chakraborty as the Director (Whole time)
15th Annual General Meeting	Tuesday, 31 08 2010	10 00 am	same as above	
16th Annual General Meeting	Thursday, 08 09 2011	10 00 am	same as above	u/s 198, 269, 309, 310 and Schedule XIII of the Companies Act, 1956 for appointment of, fixing remuneration to Mr Rajesh Mandawewala as the Managing Director

During the year under report, the resolution dated August 13, 2011 u/s 81(1A) of the Companies Act, 1956 for further issue of securities convertible / exchangeable with the equity shares of the Company and the resolution dated August 13, 2011 u/s. 31 of the Companies Act, 1956 for alteration of Articles of Association of the Company to provide rights to Insight Solutions Ltd. were passed as a special resolution.

None of the special resolutions were proposed to be conducted through postal ballot.

VII. MANAGEMENT

a. Management Discussion and Analysis

Management Discussion and Analysis of various businesses of the Company is separately given in the Annual Report.

b. Disclosures by the Senior Management to the Board

All details relating to financial and commercial transactions where the Senior Management as defined under Clause 49 of the Listing Agreement with the Stock Exchanges may have a pecuniary interest are provided to the Board, and in case of directors, the interested directors neither participate in the discussion, nor do they vote on such matters.

VIII. DISCLOSURE

a. Related Party Transactions

For related party transactions, refer Note No. 40 of Notes to Accounts annexed to the Standalone Balance Sheet and Profit & Loss Account.

b. Non Compliance

There were no non compliances by the Company and hence no penalties and strictures were imposed on the Company by the Stock Exchange or SEBI or any authority on any matter related to capital market during last 3 years.

c. Whistle Blower Policy

The Company has a Whistle Blower Policy and no personnel have been denied access to the Audit Committee.

d. Details of compliance with mandatory requirement and adoption of the non mandatory requirements of the Clause 49 of the Listing Agreement.

The Company is in compliance with the mandatory requirements mentioned under Clause 49(I) to 49(VII) to the extent applicable and in addition the Company adopted non mandatory requirement mentioned at (2) Remuneration Committee, (4) Audit Qualifications, and (7) Whistle Blower Policy of Annexure I D to Clause 49 of the Listing Agreement with the Stock Exchanges.

e. **Code of Conduct**

The Company has Code of Conduct for Board members and senior management personnel. A copy of the Code has been put on the Company's website for information of all the members of the Board and management personnel.

All Board members and senior management personnel have affirmed compliance of the same.

A declaration signed by the Managing Director of the Company is given below:

"I hereby confirm that there were no non compliance with the Code of Conduct of the Company by any of the Board member or the senior management personnel."

Sd/
Braja Mishra
Managing Director

f. **Certification by Chief Finance Officer**

A certificate obtained from Chief Finance Officer on the Financial Statements of the Company in terms of Clause 49 of the Listing Agreement was placed before the Board, who took note of it and took the same on record.

g. **Reconciliation of Share Capital Audit**

A qualified practicing Company Secretary carried out the Reconciliation of Share Capital Audit on quarterly basis to reconcile the share capital with National Securities Depository Services Limited ("NSDL") and Central Depository Services Limited ("CDSL") and the total issued and listed capital. The audit confirms that the total issued / paid up capital is in agreement with total number of shares in physical form and in demat form held with NSDL and CDSL.

h. **Brief resume of Director being appointed / re appointed**

A brief resume, nature of expertise in specific functional areas, names of companies in which the person already holds Directorship and membership of committees of the Board and his shareholdings in the Company forms part of the Notice of the Annual General Meeting, attached to this Annual Report.

i. **Accounting Standards**

The Accounting Standards laid down by the Institute of Chartered Accountants of India and applicable to the Company were followed by the Company in preparation of accounts of the Company.

IX. MEANS OF COMMUNICATION

The quarterly, half yearly and yearly financial results of the Company are sent out to the Stock Exchanges immediately after they are approved by the Board. The Company published its un audited/audited financial results in Western Times (Gujarati editions), Free Press (English Edition), Free Press Journal (English edition), Navshakti (Marathi edition).

These results are simultaneously posted on the website of the Company at www.welspuncorp.com. The official press release is also available on the website of the Company.

X. GENERAL SHAREHOLDER INFORMATION

1. **Annual General Meeting** shall be held on Friday, September 14, 2012 at 11:00 a.m. at the Registered Office of the Company at "Welspun City", Village Versamedi, Taluka Anjar, Dist. Kutch, Gujarat 370110.

2. **Financial Year** of the Company is 1st April to 31st March.

3. **Date of Book Closure**: Monday, August 27, 2012 to Thursday, August 30, 2012 (both days inclusive).

4. **Dividend payment date**: September 17, 2012.

5. **Listing on Stock Exchanges**: The Equity Shares of the Company are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited, Mumbai (BSE), the Secured Redeemable Non convertible Debentures are listed on Bombay Stock Exchange Limited and the Foreign Currency Convertible Bonds are listed on the Singapore Securities Trading Limited (SGX ST). Annual listing fees for the year 2012 13 have been paid to BSE, NSE and SGX ST.

   Stock Code /Symbol:

   Bombay Stock Exchange Limited : 532144
   National Stock Exchange of India Limited : WELCORP; Series: EQ
   ISIN No. (For dematerialized shares) : INE 191B01025

6. **Stock Market price data, high and low price of equity shares on Bombay Stock Exchange Limited, Mumbai and the National Stock Exchange of India Limited are as under:**

	BSE		NSE	
Month	**High (Rs.)**	**Low (Rs.)**	**High (Rs.)**	**Low (Rs.)**
April 2011	216 50	190 30	216 65	190 05
May 2011	195 40	170 10	195 35	159 20
June 2011	182 50	148 50	182 55	148 20
July 2011	177 95	145 10	177 95	145 05
August 2011	155 00	118 35	155 00	118 40
September 2011	133 00	107 50	132 80	107 25
October 2011	127 00	100 60	127 20	100 00
November 2011	109 50	68 25	109 75	68 10
December 2011	84 90	64 50	90 00	64 70
January 2012	129 00	81 55	129 45	81 60
February 2012	156 50	109 00	156 80	110 10
March 2012	150 50	126 40	150 40	124 20

7. **Performance in comparison to broad based indices i.e. BSE Sensex and NSE S&P Nifty is as under:**

Month	BSE Index (Sensex)	Closing price of Shares (Rs.)	NSE (S&P Nifty)	Closing price of Shares (Rs.)
April 2011	19,135 96	191 75	5,749 50	191 55
May 2011	18,503 28	176 70	5,560 15	176 35
June 2011	18,845 87	172 95	5,647 40	172 90
July 2011	18,197 20	149 70	5,482 00	148 45
August 2011	16,676 75	122 65	5,001 00	122 85
September 2011	16,453 76	111 85	4,943 25	111 85
October 2011	17,705 01	108 05	5,326 60	107 70
November 2011	16,123 46	69 20	4,832 05	69 10
December 2011	15,454 92	84 15	4,624 30	84 10
January 2012	17,193 55	115 45	5,199 25	115 70
February 2012	17,752 68	146 50	5,385 20	146 60
March 2012	17,404 20	134 90	5,295 55	134 60

8. **Registrar and Transfer Agent:** The Company has appointed Registrar and Transfer Agent to handle the share /debenture transfer work and to resolve the complaints of shareholders/ debenture holders. Name, Address and telephone number of Registrar and Transfer Agent is given hereunder:

M/s. Link Intime India Private Limited
(Formerly known as : Intime Spectrum Registry Limited)
Unit : Welspun Corp Limited
C 13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai 400 078.
Email rnt.helpdesk@linkintime.co.in

Tele. No.: +91 022 25946970
Fax No. : +91 22 25946969

9. **Debentures and Debenture Trustee**

The Secured Non Convertible Debentures issued by the Company are listed on BSE with the following identification numbers:

BSE Scrip Code	**ISIN Nos.**
945649	INE 191B07030
945651	INE 191B07055
946799	INE191B07071
946864	INE191B07089

Debenture Trustee:
IDBI Trusteeship Services Limited,
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate,
Near Custom House, Mumbai 400 001.

10. **Share / Debenture Transfer System**: Our Registrar and Transfer Agent registers shares sent for transfer in physical form within 15 days from the receipt of the documents, if the same are found in order. Shares under objection are returned within two weeks.

11. **Distribution of Shareholding**:

Shareholding Pattern as on March 31, 2012

Number of Shares	No. of Shareholders	Percentage of Shareholders	No. of Shares	Percentage of Shares held
Upto 500	70,703	92 30	7,366,959	3 23
501 1,000	3,114	4 06	2,418,896	1 06
1,001 2,000	1,350	1 76	2,034,059	0 89
2,001 3,000	472	0 62	1,190,943	0 52
3,001 4,000	216	0 28	775,680	0 34
4,001 5,000	152	0 20	721,383	0 32
5001 10,000	246	0 32	1,789,319	0 79
10,001 and above	347	0 45	211,483,796	92 85
Total	**76,600**	**100.00**	**227,781,035**	**100.00**

12. **Shareholding of the Directors of the Company as on March 31, 2012**

Name of Director	Number of Shares	%
Mr B K Goenka	140	0 00
Mr R R Mandawewala	200	0 00

None of the other Directors hold any shares or convertible securities in the Company.

13. **De materialization of shares and liquidity**: As on March 31, 2012, 96.49% shares have been dematerialized and have reasonable liquidity on Bombay Stock Exchange Limited and National Stock Exchange of India Limited

14. **Outstanding Employee Stock Options, Convertible Bonds and Compulsorily Convertible Debentures, conversion date and likely impact on equity share capital is as under:**

Outstanding as on 31.03.2012	Impact on equity share capital
375,250 Options vested but not exercised representing equal number of equity shares to be exercisable up to 08 01 2013	Increase in equity capital by 375,250 equity shares of Rs 5/ each at a premium of Rs 75 00 per share
32,875 Options not vested and not exercised representing equal number of equity shares to be exercisable up to 20 04 2013	Increase in equity capital by 32,875 equity shares of Rs 5/ each at a premium of Rs 61 75 per share
1,500 Foreign Currency Convert ble Bonds of US$100,000 each convertible in to 24,010,000 equity shares during 27 11 2009 17 10 2014	Increase in equity capital by 24,010,000 equity shares of Rs 5/ each at a premium of Rs 295 per share
1 Compulsorily Convertible Debenture of Rs 7,883,750,025 convertible into 35,038,889 equity shares at any time before expiry of 18 months from the date of allotment i e on or before 17 02 2013	Increase in equity capital by 35,038,889 equity shares of Rs 5/ each at a premium of Rs 220 per share

15. **Disclosure of Shares held in suspense account under Clause 5A of the Listing Agreement.**

There are 56,840 unclaimed Equity Shares. The Company has issued notice to the holders of those shares at the last recorded address of the members. The Company is in the process of opening of a suspense account for crediting the unclaimed Equity Shares and freezing voting rights of those unclaimed Equity Shares.

16. **Plant locations of the Company and its subsidiaries**

i) Plate and Coil Mill and Pipe Plant Village Versamedi, Tal Anjar, Dist. Kutch, Gujarat 370110
ii) Pipe and Coating Plant Village Jolva and Vadadla, Near Dahej, Tal: Vagra, Dist: Bharuch, Gujarat 392130
iii) Pipe Plant KIADB Industrial Area, Gejjalagere, Taluka Maddur, Dist. Mandya, Karnataka 571428
iv) Pipe, Coating, Double Jointing Plant 9301, Frazier Pike, Little Rock, Arkansas 72205 USA (Subsidiary's plant)
v) Pipe and Coating Plant Industrial City 2, Dammam 31483, Kingdom of Saudi Arabia (Subsidiary's plant)

17. **Address for correspondence**

The Company Secretary,
Welspun Corp Limited
5th Floor, Welspun House, Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel, Mumbai 400 013.
Tel: +91 22 66136000; +91 22 24908000, Fax: +91 22 24908020 /21
e mail: CompanySecretary WGSRL@welspun.com

CERTIFICATE OF PRACTICING COMPANY SECRETARY ON CORPORATE GOVERNANCE REPORT

To the Members of
Welspun Corp Limited

We have examined the compliance of conditions of Corporate Governance by Welspun Corp Limited, for the year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended March 31, 2012, the Registrars of the Company have certified that as at March 31, 2012, there were no investor grievances remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S. S. Risbud & Co.**
Company Secretaries

Sanjay Risbud
Proprietor
Certificate of Practice No. 5117

Mumbai
May 29, 2012

KEY MANAGEMENT TEAM

Mr. B.K. Goenka
Executive Chairman

Mr. Braja Mishra
Managing Director

Mr. R.R. Mandawewala
Group Managing Director

Mr. B.R. Jaju
Director & Chief Financial Officer

Mr. David J. Delie
President,
Welspun Pipes Inc.

Mr. L. T. Hotwani
Director, (Taxation & Accounts CMD Office)

Mr. Akhil Jindal
Director,
Group Finance & Strategy

Mr. Prashant Mukherjee
Director, Welded Pipes

Mr. Akbar Umatiya
Vice President,
Welspun Middle East

Mr. Vipul Mathur
Director,
Sales & Marketing

Excellence ..... Driven by Innovation

Innovation has been at the core of our work ethic and culture. From the **Looper Tunnel + Stationary/ Flying Welder (Spiral Mill), the Combination of IUT/RTR, and Off-Line Coating Stripper** among others, many technical milestones in pipe technology are a result of innovative thinking and execution by our teams.

GROWTH AT INFINITY

Revenue		Growth
Rs. 89,766 mn.	2012	350,000 tons LSAW pipe capacity Commissioned Mandya Plant Capacity Expansion to 150,000 MT Initiative of Setting up new ERW Plant of 175,000 tons in US
Rs. 80,236 mn.	2011	- Saudi Plant - capacity of 300,000 MT operational - 100,000 tons HSAW Plant in Karnataka operational
Rs. 73,637 mn.	2010	Foray into infra & pipe laying for O&G and water through MSK Projects India Ltd.
Rs. 57,395 mn.	2009	350,000 tons US Spiral Mill commissioned
Rs. 39,945 mn.	2008	150,000 tons Spiral Mill commissioned Commissioning of Plate Mill & 43 MW Power Plant
Rs. 26,834 mn.	2007	Anjar Facility , *A Key Contributor*
Rs. 18,298 mn.	2006	Approvals from O&G majors for new facility
Rs. 10,385 mn.	2005	New Capacity at Anjar, Gujarat for HSAW & Coating
Rs. 8,277 mn.	2004	Merger of coating J.V. with WCL
Rs. 2,565 mn.	2001	Pipe Coating in JV with EUPEC, Germany Dahej, Gujarat
Rs. 585 mn.	2000	LSAW, Dahej, Gujarat
Rs. 180 mn.	1998	HSAW, Dahej, Gujarat
Incorporated	1995	Embarked on a Growth Journey

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) should be read in conjunction with the Audited Consolidated Financial Statement of Welspun Corp Limited ("Welspun" or the "Company"), and the notes thereto for the year ended March 31, 2012. This MD&A covers Welspun's financial position and operations for the year ended March 31, 2012. Amounts are stated in Indian Rupees unless otherwise indicated. Abbreviations and acronyms used in this MD&A are identified in the Glossary of Terms in Welspun's Annual Report of FY 2011 12. The numbers used in the analysis are on a consolidated basis, the corresponding number for the previous year have been regrouped and reclassified wherever necessary.

Forward Looking Statements

This MD&A contains forward looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward looking statements. Forward looking statements are based on certain assumptions and expectations of future events. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

"It was a great year for all of us at Welspun Corp Limited, despite the downturn we have been able to secure an unprecedented order book position of over 1 million tonne. With our global capacity we are well poised to become a world leader in the pipes industry by capitalizing on existing and upcoming pipe markets through strategic positioning, marketing excellence, quality and strong relationships"

B. K. Mishra,
Managing Director, Welspun Corp Limited

THE COMPANY OVERVIEW

A leading global manufacturer of steel pipes offering the highest quality LSAW, HSAW and ERW pipes ranging from ½ inch to 120 inches, along with specialized coating, double jointing and bending. The customers include most of the world's leading oil and gas companies as well as engineering companies engaged in constructing oil and gas gathering, transportation and processing facilities.

During FY12, the Company has also commissioned the new LSAW plant at Anjar with 0.35 million MTPA capacity. The plant will cater to the growing LSAW demand globally, as well as in India towards transportation of offshore oil and gas. Today the Company has global commissioned capacity of 2.20 million MTPA at Dahej and Anjar in Gujarat, Mandya in Karnataka India, at Little Rock in the USA, and Dammam in Saudi Arabia.

The Company's mission is to deliver value to its customers through its products and its engineering excellence. The employees of the Company around the world are committed to continuous improvement by sharing knowledge across a single global organization.

The Company has deployed state of the art technology in its plants and adopted the highest standards for quality and service delivery. The Company has developed unmatched expertise to manufacture pipes of varying qualities, grades and sizes that are used in long distance transportation of oil & gas for critical purposes and in complex regions. It is amongst the few manufacturers of high grade pipe of X 80 and is also the first Company to manufacture the largest diameter pipe 56 inches in both HSAW as well as LSAW in X 80 grade.

The Company's strategy is to be a world leader in the pipes industry by capitalizing on existing and upcoming pipe markets through strategic positioning and superior customer relationship.

The Company has continued to undertake some of the most challenging projects in different parts of the world. The Company has emerged as a preferred supplier to most of the Fortune 100 Oil & Gas companies. Marketing offices in Houston (USA), Dubai (UAE), and Dammam (Saudi Arabia) enable a greater reach to the existing customers, as well as position us strategically to capture newer markets.

The Company has been exporting pipes in the global market including some of the most demanding markets like US and Middle East. The Company has become an approved supplier to over 50 major oils and gas companies across the world, enabling to bid for and undertake some key projects across the world.

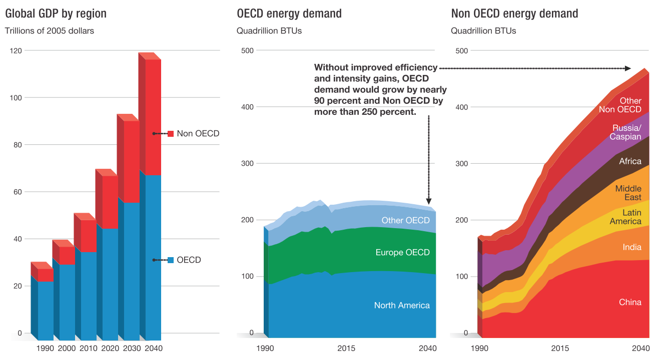
The Company has been pre approved by some of the major international oil and gas companies like British Gas, British Petroleum (UK), Shell (Netherlands), Exxon, Chevron, Kinder Morgan, Ruby (USA), Enbridge, Enterprise, TransCanada (Canada), Saipem (Italy), China National Petroleum Corporation, CP MEC (China), GASCO (Egypt), Total (France), Petronas (Malaysia), PNG (Indonesia), Saudi Aramco, Al Wasit, Saline Water Conversion Corporation, Riyadh, (Saudi Arabia) Qatar Petroleum (Qatar), Gazprom (Russia) etc to name a few, along with Indian oil and gas players like Reliance Industries Limited, GAIL, ONGC and Indian Oil Corporation Limited.

GLOBAL ENERGY DEMAND

Global energy demand is expected to be about 30% higher in 2040 compared to 2010, as economic output more than doubles and prosperity expands across a world whose population will grow to nearly 9 billion people. Energy demand growth will slow as economies mature, efficiency gains accelerate, and population growth moderates in countries belonging to the Organization for Economic Co operation and Development (OECD) including countries in North America and Europe the energy use remaining essentially flat, even as these countries achieve economic growth and even higher living standards. In contrast, Non OECD energy demand will grow by close to 60 % of the total global demand. China's surge in energy demand will extend over the next two decades then gradually flatten as its economy and population mature. Elsewhere, billions of people will be working to advance their living standards requiring more energy. *Source: Exxon Mobil The Outlook for Energy: A View to 2040*

Oil & Gas (O&G) along with coal continue to be the most widely used fuels, and have the scale needed to meet global demand, making up about 80 % of total energy consumption in 2040. The natural gas will grow fast enough to overtake coal for the no. 2 position behind oil. Demand for natural gas will rise by more than 60% through 2040. For both oil and natural gas, an increasing share of global supply will come from unconventional sources such as those produced from shale formations. *(See Figure 01)*

Figure 01



Source: Exxon Mobil The Outlook for Energy: A view to 2040

The below table (*See Figure 02)* clearly specifies that the energy demand going forward will increase from 525 quadrillion British Thermal Units (BTU) in 2010 to 633 quadrillion BTU in 2025 mainly from the Non OECD countries which accounts for almost 63% of the total demand in 2025.

Figure 02

The Outlook for Energy A view to 2040

WORLD Regions	Energy Demand (Quadr llion BTUs) 1990	2000	2010	2025	2040	Average Annual Change 2010 2025	2025 2040	2010 2040	% Change 2010 2025	2025 2040	2010 2040	Share of To al 2010	2025	2040
World	**360**	**415**	**525**	**633**	**692**	**1 3%**	**0 6%**	**0 9%**	**21%**	**9%**	**32%**	**100%**	**100%**	**100%**
OECD	189	224	227	234	224	0 2%	0 3%	0 1%	3%	4%	2%	43%	37%	32%
Non OECD	171	191	298	400	469	2 0%	1 1%	1 5%	34%	17%	57%	57%	63%	68%
Afr ca	17	22	29	44	62	2 9%	2 2%	2 6%	55%	39%	115%	5%	7%	9%
Asia Paci?c	91	125	205	267	301	1 8%	0 8%	1 3%	30%	12%	47%	39%	42%	43%
China	33	44	102	132	138	1 7%	0 3%	1 0%	29%	4%	35%	19%	21%	20%
Ind a	13	19	28	45	61	3 3%	2 1%	2 7%	62%	37%	122%	5%	7%	9%
Europe	74	79	81	82	78	0 1%	0 3%	0 1%	2%	4%	3%	15%	13%	11%
European Un on	68	72	73	73	69	0 0%	0 4%	0 2%	0%	6%	6%	14%	12%	10%
Lat n Amer ca	15	20	26	36	45	2 2%	1 5%	1 8%	39%	24%	73%	5%	6%	7%
M ddle East	11	18	30	42	51	2 3%	1 3%	1 8%	41%	21%	71%	6%	7%	7%
North Amer ca	95	114	113	118	112	0 3%	0 3%	0 0%	4%	4%	1%	22%	19%	16%
United States	81	96	94	96	90	0 1%	0 4%	0 2%	2%	6%	5%	18%	15%	13%
Russ a/Casp an	57	38	42	43	43	0 3%	0 0%	0 1%	4%	1%	3%	8%	7%	6%
Energy by Type World														
Primary	**360**	**415**	**525**	**633**	**692**	**1 3%**	**0 6%**	**0 9%**	**21%**	**9%**	**32%**	**100%**	**100%**	**100%**
Oil	136	156	177	206	220	1 0%	0 4%	0 7%	16%	7%	24%	34%	32%	32%
Gas	72	89	115	157	186	2 1%	1 1%	1 6%	37%	18%	62%	22%	25%	27%
Coal	86	90	138	148	130	0 5%	0 8%	0 2%	7%	12%	6%	26%	23%	19%
Nuclear	21	27	29	37	55	1 7%	2 7%	2 2%	29%	50%	94%	5%	6%	8%
Biomass/Waste	36	41	48	53	53	0 6%	0 0%	0 3%	10%	0%	10%	9%	8%	8%
Hydro	7	9	12	15	18	1 9%	1 2%	1 5%	32%	20%	58%	2%	2%	3%
Other Renewables	1	3	7	17	30	6 4%	3 7%	5 0%	154%	73%	338%	1%	3%	4%

Source: Exxon Mobil The Outlook for Energy, A view to 2040

From above figure we can clearly identify the growth in energy demand for Non OECD countries and specifically in India, estimated to be around 60.17%

% growth in demand for Energy from 2010 to 2025	
World	20 57%
OECD	3 08%
Non OECD	34 23%
India	**60.71%**

This ongoing rising demand for energy across the globe is prompting oil and gas companies to invest more in new pipe infrastructure though line pipes, further transitional pipes, and push the energy demand. Progressing countries in Africa, Asia Pacific, and Middle East are expected to pull in most of the energy investment in order to boost its economic operations.

GLOBAL OIL & GAS DEMAND - SUPPLY SCENARIO

The Oil Demand

The global oil demand estimate for calendar year 2012 is scaled back by 0.1 mb/d to 89.9 mb/d. Subdued global economic growth of 3.5%, well down on the near 5% expansion seen before the global credit crunch, continues to cap the expected 2012 growth. *Source: IEA Oil Market Report, 2012*

The following is the global oil demand from 2010 to 2012 broken down by regions.

Figure 03

Global Oil Demand (2010 2012)
(m llion barrels per day)

	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Africa	3 4	3 5	3 4	3 4	3 4	3 4	3 4	3 3	3 4	3 4	3 5	3 5	3 4	3 5	3 5
Americas	29 6	30 1	30 6	30 3	30 1	30 2	29 9	30 4	30 1	30 1	29 7	29 9	30 5	30 4	30 1
Asia/Pacific	27 3	27 1	26 8	28 4	27 4	28 7	27 4	27 4	28 9	28 1	29 6	28 0	28 1	29 5	28 8
Europe	15 1	15 1	15 7	15 7	15 4	14 9	14 9	15 5	14 9	15 0	14 4	14 4	15 1	14 8	14 7
FSU	4 2	4 2	4 4	4 4	4 3	4 3	4 5	4 7	4 7	4 6	4 6	4 7	4 8	4 8	4 7
M ddle East	7 3	7 7	8 2	7 6	7 7	7 5	7 9	8 3	7 8	7 9	7 7	8 1	8 5	8 0	8 1
World	**86 9**	**87 6**	**89 1**	**89 8**	**88 4**	**89 1**	**87 9**	**89 5**	**89 8**	**89 1**	**89 5**	**88 5**	**90 5**	91 0	89 9
Annual Chg (%)	2 8	3 4	3 6	3 6	3 3	2 5	0 3	0 5	0 1	0 8	0 5	0 7	1 1	1 3	0 9
Annual Chg (mb/d)	2 4	2 8	3 1	3 1	2 8	2 2	0 3	0 4	0 0	0 7	0 4	0 7	1 0	1 2	0 8
Changes from ast OMR (mb/d)	0 05	0 04	0 03	0 06	0 00	0 08	0 08	0 12	0 07	0 09	0 03	0 08	0 13	0 07	0 06

Source: IEA O l Market Report, 2012

The below figure *(See Figure 04 & 05)* explains how the global oil demand has moved from 1996 to 2012, and also how the demand growth landscape has shifted majorly toward Non OECD countries over the last three years.

Figure 04

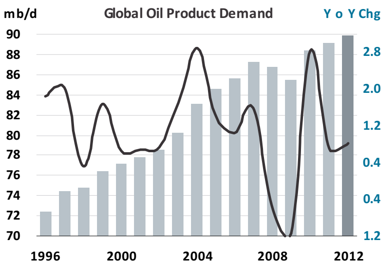
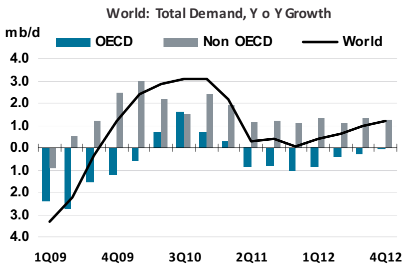


Figure 05

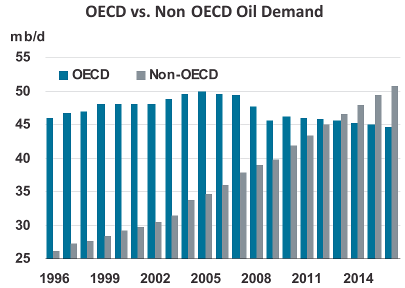


Source: IEA Oil Market Report, 2012

Demand outside the OECD developed countries was higher while those such as India and Saudi Arabia were consuming more than expected. According to OPEC, Europe's economic worries continued to hurt demand, and warning that high oil prices in the US could also have a dampening effect on the approaching summer driving season. World oil demand could also be impacted by events in Japan, which switched off its last working reactor recently amid a debate over whether the country should retain nuclear power in the wake of the Fukushima disaster last year. *Source: http://www vanguardngr com/2012/05/opec ups 2012 world oil demand forecast/*

Net oil demand growth of 7.2 mb/d during 2010 2016 (+1.2 mb/d annually) is predicted to be derived entirely from the Non OECD countries, with China alone accounting for 41% of the total and other Asia and the Middle East a further 53% combined. Income outstrips high crude prices in the growth markets in the face of persistent, if gradually diminishing, end user price subsidies. Critically, countries in the \$3,000 \$20,000 per capita income take off range for oil demand will account for 45 mb/d of consumption by 2016, a volume that will have nearly doubled in just 20 years. While China and others are not expected to attain anything like the per capita oil use levels seen in the US and elsewhere in the OECD, nonetheless favourable demographics, urbanization and industrialization push demand in the emerging markets sharply higher. *Figure 06* below gives a picture of how the oil demand landscape is shifting from OECD to Non OECD countries in the years to come. *Source: IEA Energy Outlook, 2011*

Figure 06



Source: IEA, Energy Outlook 2011

The Oil Supply

According to IEA Oil Market Report 2012, global oil supply stands at 91.9 mb/d as of May 2012. The supply capacity is expected to increase to 100.6 mb/d by 2016. Incremental supplies are evenly split between OPEC crude, OPEC gas liquids and Non OPEC total oil, while conventional crude oil accounts for less than 40% of the total increase. Sustained high crude prices have boosted upstream activity, and although the issue of resurgent costs and logistical constraints hangs over the industry, the slate of active new projects is more than sufficient to offset high rates of mature oilfield decline. Based on field by field trends, the IEA Energy Outlook assumes that 2010 baseline supply loses over 3 mb/d annually, at a rate of approximately 5%, slightly lower than last year's estimate. Higher spending since early 2009 has had a positive impact on existing assets, as well as accelerating new projects. This increased energy and oil demand from OECD as well as Non OECD countries is a positive sign for the pipe industry with opportunities to explore not only the existing markets, but also the newer regions with higher energy and oil demands. Relatively higher prices have generated new supply, but Non OPEC growth is coming from higher cost areas.

Figure 07

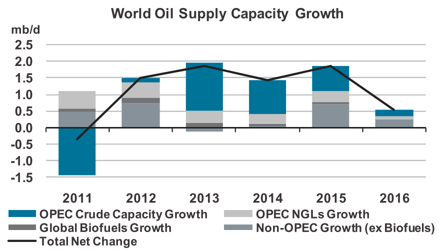
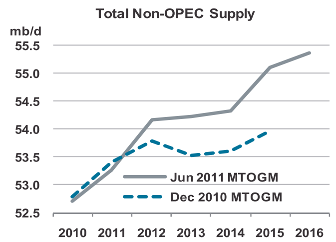


Figure 08



Source: IEA, Energy Outlook 2011

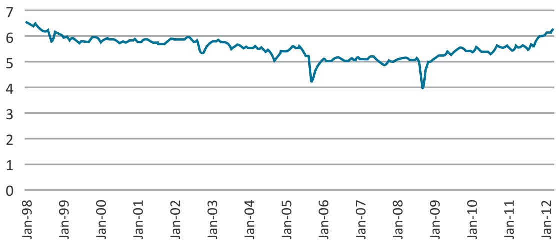
The US Oil Boom

US Energy Information Administration believes that the recent America's booming oil production is something to behold. With new drilling in North Dakota, Texas and the Gulf of Mexico, the United States is now pumping oil more than 6 million barrels a day of crude, up roughly a tenth since the middle of 2011, and the highest volume the country has managed since 1998 *(See Figure 09)*

Below is the EIA's chart:

Figure 09

US monthly crude oil production, January 1998 to March 2012 (mb/d)



Source: US Energy Information Administration, Petroleum Supply Monthly

The oil boom has been driven primarily by two factors: First, companies have taken advantage of new drilling techniques that let them tap unconventional crude resources, like the shale deposits in Texas and North Dakota. Second, relatively high global prices have made those extraction methods economical. Even with oil prices fluctuating these days, companies believe the they can still turn a profit drilling as long as it sells for at least US $50 a barrel. Unless something drastic happens in the market, this growth is expected to continue.

The US rig count as of May 2012 is at 1,977, while Canada's rig count is at 133. North Dakota and Texas are the two US states with notable increase in drilling and exploring activity. *Source: http://finance yahoo com/news/baker hughes announces 100000496 html*

GLOBAL GAS SCENARIO

According to the International Energy Agency's World Energy Outlook 2011, ample supplies, robust emerging markets and uncertainty about nuclear power all point to a prominent role for gas in global energy mix. Global gas demand is expected to increase by 576 billion cubic metres (bcm) from 3,361 bcm in 2012 to 3,937 bcm in 2017. Remarkable developments have taken place in natural gas markets in recent months. There is a strong potential for gas to take on a larger role, but also for the global gas market to become more diversified and therefore improve energy security. Recent developments have created considerable opportunities for greater future use of natural gas globally, depending on the interaction between economic and environmental factors and policy interventions in the market. *Source: IEA Kuala Lumpur Conference, 2012*

When replacing other fossil fuels, natural gas can lead to lower emissions of greenhouse gases and local pollutants. Although natural gas is considered by many as the 'cleanest' fossil fuel, it is still a fossil fuel. Its increased use could muscle out low carbon fuels, such as renewable and nuclear fuels. However, it is important to be on the cautious side of the climate benefits as increased share of gas in the global energy mix is not enough on its own to put the world on a carbon emissions path consistent with a global temperature rise of no more than 2°C.

Unconventional gas resources are now estimated to be as large as conventional resources, but their production outlook is uncertain as the use of hydraulic fracturing to produce unconventional gas has raised environmental concerns and tested existing regulatory regimes. Adhering to best practices in production can mitigate potential environmental risks, such as excessive water use, contamination and disposal. Natural gas is a particularly attractive fuel for countries and regions that are urbanizing and seeking to satisfy rapid growth in energy demand, such as China, India and the Middle East. These countries and regions will largely determine the extent to which natural gas use expands over the next 25 years. *Source: IEA World Energy Outlook 2011*

Natural Gas

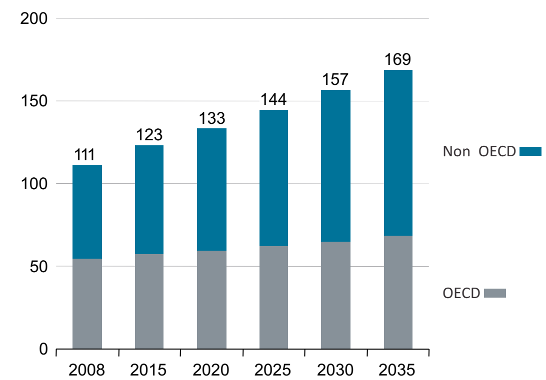
Global natural gas resources are vast, widely dispersed geographically and can help improve energy security. All major geographical regions have recoverable natural gas resources equal to at least 75 years of current consumption. However, timely and successful development of these resources depends on a complex set of factors, including government policy choices, technological capability and market conditions.

Natural gas is the world's fastest growing fossil fuel, with consumption expected to increase at an average rate of 1.6% per year from 2008 to 2035. Growth in consumption occurs in every Independent Evaluation Office (IEO) region and is most concentrated in Non OECD countries, where demand increases nearly three times as fast as in OECD countries. Increases in production in the Non OECD regions more than meet their projected consumption growth, and as a result Non OECD exports to OECD countries will grow through 2035. Non OECD producers will account for more than 81 % of the total growth in world natural gas production from 2008 to 2035.

Natural Gas consumption was 111 trillion cubic feet in 2008 and would reach 169 trillion cubic feet by 2035 as per IEA estimates. The natural gas supply is becoming larger and is getting spread over many regions and locations, which shall continue to fuel the demand for pipeline infrastructure. *(See Figure 10)*

Figure 10

World Natural Gas Consumption, 2008 2035



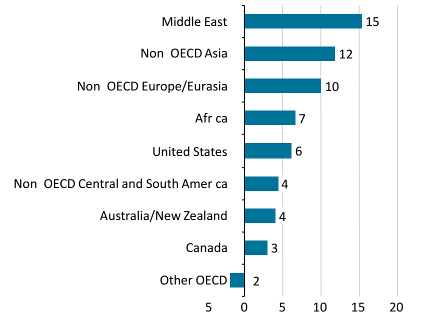
Source: IEA Report Number: DOE/EIA 0484(2011), Sept 2011

The Total world natural gas consumption for industrial uses is expected to increase by an average of 1.7% per year through 2035, and consumption in the electric power sector is expected to grow by 2.0 % per year. The industrial and electric power sectors together account for 87% of the total projected increase in natural gas consumption. Contributing to the strong competitive position of natural gas among other energy sources is a strong growth outlook for reserves and supplies. Significant changes in natural gas supplies and global markets continue with the expansion of LNG production capacity, even as new drilling techniques and other efficiencies have made production from many shale basins economical worldwide. The net impact has been a significant increase in resource availability, which contributes to lower prices and higher consumption.

The largest production increases from 2008 to 2035 are projected for the Middle East (15.3 trillion cubic feet) and non OECD Asia (11.8 trillion cubic feet). Iran and Qatar increase natural gas production by a combined 10.7 trillion cubic feet, or nearly one fifth of the total increment in world gas production. A significant share of the increase is expected to come from a single offshore field, which is called North Field on the Qatari side and South Pars on the Iranian side. The below figure gives the breakdown for the change in natural gas production be region.

Figure 11

Change in world natural gas production by region (trillion cubic feet)



Source: IEA, Report Number: DOE/EIA 0484(2011), IEA report Sept 2011

Shale Gas

Shale gas has become an increasingly important source of natural gas and crude oil in the not just the United States over the past decade, but also in other parts of the world like Canada, Europe, Asia and Australia. Shale gas has been referred to as "the biggest energy innovation of the decade" by world renowned energy economist Mr. Daniel Yergin.

The Initial assessment of shale gas resources in 48 major Shale basins in 32 countries indicates a large potential of Shale gas finds all across the globe as shown in *Figure 12*.

Figure 12

Major Shale Basins across the globe

Source: US Energy Information Administration

Below is the breakdown of the Technically Recoverable Shale Gas by Continent

Figure 13

Technically Recoverable Shale Gas by Continent

Continent		Technically Recoverable (trillion cubic feet)
North America	Canada, Mexico	1,069
Africa	Morocco, Algeria, Tunisia, Libya, Mauritania, Western Sahara, South Africa	1,042
Asia	China, India, Pakistan	1,404
Australia		396
Europe	France, Germany, Netherlands, Sweden, Norway, Denmark, U.K., Poland, Lithuania, Kaliningrad, Ukraine, Turkey	624
South America	Colombia, Venezuela, Argentina, Bolivia, Brazil, Chile, Uruguay, Paraguay	1,225

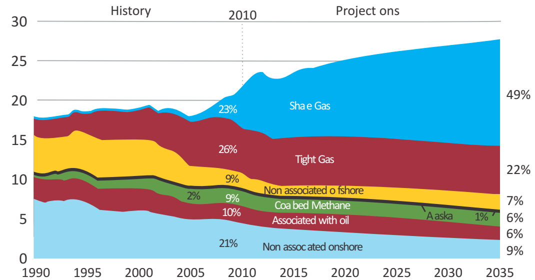
Source: Energy Information Administration (EIA),USA

Of the natural gas consumed in the United States in 2011, about 94% was produced domestically. This indicates that US domestic supply of natural gas is not as dependent on foreign producers as is the supply of crude oil, and the delivery system is less subject to interruption. The availability of large quantities of Shale gas should enable the US to consume a predominantly domestic supply of gas for many years and produce more natural gas than it consumes.

The EIA's Annual Energy Outlook 2012 projects US natural gas production to increase from 21.6 trillion cubic feet in 2010 to 27.9 trillion cubic feet in 2035, a 29% increase. Almost all of this increase in domestic natural gas production is due to projected growth in Shale gas production which is expected to grow from 5.0 trillion cubic feet in 2010 to 13.6 trillion cubic feet in 2035.

Figure 14

US Natural Gas Production, 1990 – 2035 (trillion cubic feet per year)



Source: US Energy Information Administration, Annual Energy Outlook, 2012

Although the prospects for shale gas production are promising, there remains considerable uncertainty regarding the size and economics of this resource. Many shale formations are so large that only a limited portion of the entire formation has been extensively production tested. Most of the shale gas wells have been drilled in the last few years, so there is considerable uncertainty regarding their long term productivity. Another uncertainty is the future development of well drilling and completion technology that could substantially increase well productivity and reduce production costs.

An analysis in the Annual Energy Outlook 2012 indicates that the uncertainty in the size and economics of the domestic shale gas resources could have a considerable impact on future domestic natural gas production and that 2035 shale gas production could be between 9.7 trillion cubic feet and 20.5 trillion cubic feet. US total natural gas production is projected to range between 26.1 trillion cubic feet and 34.1 trillion cubic feet. *Source: EIA, Energy Outlook 2012*

The availability of large shale gas reserves in the US has led some to propose natural gas fired power plants as lower carbon emission replacements for coal plants, and as backup power sources for wind energy.

Asia Pacific Oil and Gas Scenario

The gravity centre of natural gas market is being gradually shifted to the Asia Pacific. Within the past 10 years, Asia Pacific's annual gas consumption has doubled, growing from less than 300 bcm to 630 bcm and its proportion in global gas consumption has rapidly increased to 20% from 12%. The gas consumption in this region is expected to be doubled again over the next 20 years, and Asia Pacific is very likely to surpass the US and Europe to become the largest gas consumer in the world.

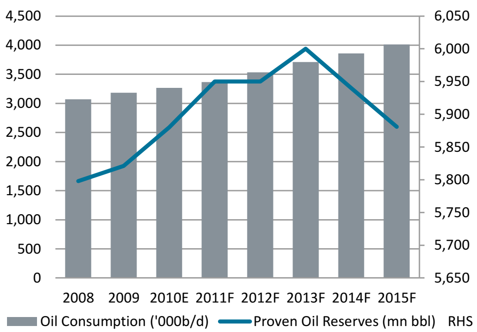
For Asia Pacific, driven by the demand growth in Japan, India and China, the region's gas consumption went up by as much as 11.5% in 2011, far higher than the regional production growth rate. Greater increase in consumption than production was a major reason for the price hike in LNG during 2011.

India Oil & Gas Scenario

India is the world's fifth largest energy consumer; oil accounts for 30% of the total energy consumption. The economic growth is the main factor driving the country's energy requirements. India has 5.8 billion barrels of proven oil reserves with an average oil production of 815,000 barrels per day (B/D). Oil consumption is estimated to rise to 4 million B/D by 2015. India has 1,115 billion cubic meters of gas reserves, which produce 39.3 bcm annually. Oil consumption is expected to rise 42.5% during 2010 20. 78 per cent of the country's sedimentary area is yet to be explored. *Source: India Brand Equity Foundation (IBEF)*

Figure 15

Growth in demand has outpaced supply expansion



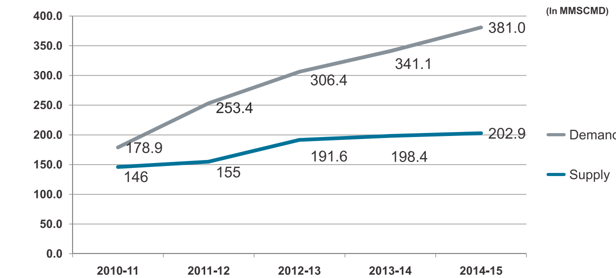
Notes: b/d Barrel/Day, mn bbl mi lion barrel
Source: BMI Forecasts 2Q 2011

India Gas Scenario

Demand & Supply: Gas consumption to increase at a slower CAGR of 7.7% on account of a slower ramp up of domestic gas supplies. The total gas demand in 2011 2012 stood at 253 mmscmd and is expected to be at 550 mmscmd by 2019 20. Though the fertilizers and power sectors will continue to be the major consumers of natural gas in 2019 20, growth in consumption from the power sector is likely to be affected by limited incremental domestic gas supplies. Demand growth from the City Gas Distribution (CGD) segment is also likely to slow down following increased usage of higher cost LNG, delay in clearances and rollout, and lack of regulatory thrust across all cities. Total gas supply stood at 155 mmscmd in 2011 12, and is expected to be at 215 mmscmd by 2019 20.
Source: Petronet LNG Presentation, May 2012

Figure 16

India Gas Demand Supply Scenario



Demand – Mercados Analysis
Supply – Directorate General of Hydrocarbons (DGH)

Source: Petronet LNG Presentation, May 2012

GLOBAL STEEL PIPE DEMAND OUTLOOK

Global business potential for new pipeline projects augments well for the pipe demand. Based on the existing pipeline projects, the global pipeline demand is projected to be around 91 million tons for about 722 projects resulting in an opportunity for supplies of more than US$ 110 billion across the globe for the next four years as presented in the table below by Simdex as on February 2012 *(See Figure 17 & 18)*

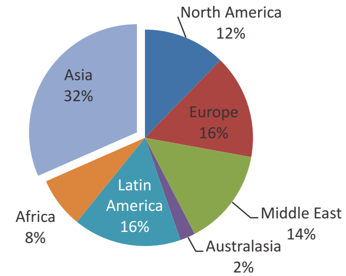
Figure 17

Global Demand in '000 MT

Region	Total Weight (' 000 MT)	USD Bn
North America	11,278	14
Europe	14,272	17
Middle East	13,341	16
Australasia	2,087	3
Latin America	14,845	18
Africa	6,950	8
Asia	28,971	35
Total	**91,744**	**110**

Figure 18

Global Demand for Pipes by Region



Assumption Note: Conversion rate of $ 1,200/ton
Source: Simdex database, Feb 2012

Besides new projects emanating for new energy finds, buoyancy in crude demand, shale gas projects, large projects like Alaska pipeline, tax breaks in US to propel capex, potential replacement market in US bodes well for the pipes demand.

The Crude Oil – primary product for transportation

With the recovery in global economies and particularly in the US market the potential for the steel pipes industry looks promising. Current oil prices and further stimulus led tax breaks will lead to higher capex in the oil & gas sector which will entail more demand for pipes. Thus, an upturn is expected in pipe order inflow, both domestic as well as international for pipes majors. Figure 19 below gives a picture of the spending plans in the US for 2012 for Oil & Gas activities.

Figure 19

Where Funds will go for US projects in 2012

	2012, million $	Change 2011 2012 %	2011, million $	Change 2010 2011 %	2010, million $
Exploration Production					
Drilling Exploration	230,695	4 0	221,846	13 1	196,091
Production	43,832	4 0	42,151	13 1	37,257
OCS Lease Bonus	1,300	284 6	338	63 3	920
Subtotal	**275,827**	**4.3**	264,335	**12.8**	**234,268**
Other					
Refining	9,000	**2.2**	9,200	73 6	5,300
Petrochemicals	300		300		300
Marketing	3,000	3 4	2,900	6 2	2,730
Crude and Products Pipelines	3,948	185 9	1,381	83 9	8,563
Natural Gas Pipelines	3,721	52 0	7,744	152 9	3,062
Other Transportation	1,000	9 1	1,100	15 8	950
Mining, Other Energy	1,100	10 0	1,000		1,000
Miscellaneous	4,200	5 0	4,000		4,000
Subtotal	**26,268**	**4.9**	**27,625**	**6.6**	**25,905**
Total	**302,095**	**3.5**	**291,960**	**12.2**	**260,173**

Source: http://www ogj com/articles/print/vol 110/issue 3/general interest/special report capital/o l liquids rich html

With the oil prices range bound between US$ 80 110 and a steady revival in global economies with stimulus led tax break leading to increased corporate capex the demand for steel pipes is becoming stronger. The MENA region is set to supply the bulk of the growth in oil output to 2035, while companies operating elsewhere turn increasingly to more difficult & costly sources.

With many of the existing reserves depleting and new finds getting connected the demand potential for pipes is positive. Crude demand growth shall certainly be an added factor to the pipe demand.

WORLD & INDIA DIRECT REDUCED IRON (DRI) SCENARIO

The total DRI production in 2011 rose to 73.3 million tonnes setting yet another new record for the industry. Growth slowed in some areas of the world, but in other regions increased production more than counteracted the declining locales. Although last year's production rose 3 million tonnes from 2010's total production, it marks nearly a 9 million tonne increase from 2009's 64.4 million tonnes.

Four nations experienced significant growth. These included the United Arab Emirates (UAE) with an increase of 1.1 million tonnes, Venezuela, which made 0.7 million tonnes more than the previous year, Mexico, which increased by 0.5 million tonnes and Russia, which saw an increase of 0.4 million tonnes. In the UAE, the growth was primarily due to the startup of a new plant at Emirates Steel combined with the ramping up toward full product on by another plant at the same steel works. Venezuela's growth is reflective of a partial recovery from a prolonged decline in production due to political and governmental factors that the DR industry experienced over the past five years. In Mexico, the growth was primarily attributed to general economic recovery from the financial crisis as both Mexico and its major market, the United States continued their recoveries. Russia's growth came from a general increase in the capacity of the six existing plants as they outperformed their prior best by over 8%.

Some countries did see a decline in production. Nations where there was significant decline included India, which produced 1.45 million tonnes less in 2011 than in 2010, and Libya, which fell by 0.8 million tonnes. India's drop in production was a result of several economic forces. First, there was a slowing of the general economic growth that has been developing for years. Although growth continued, it did not at as rapid a pace as previously anticipated. Also, some plants were not able to obtain as much iron ore as they needed due to governmental restrictions on mining. In addition, governmental allocations were placed on natural gas that gave higher priority to electric power generation and to ammonia (fertilizer) production than to the manufacture of iron and steel. India has become the leading producer in DRI over the past decade due to the large number of small rotary kilns; however, need for better quality DRI is driving shaft furnace alternatives. With smaller amounts of natural gas anticipated for industry use, coal based technology options are currently being pursued by a few India steelmakers. *Source: http://www midrex com/uploads/documents/MidrexStats2011 6 7 121 pdf*

PIPE INDUSTRY OUTLOOK AND DEMAND

Shale Gas – huge potential in pipeline demand

The discovery of Shale gas provides a huge potential for increase in pipeline demand for the coming years, especially small diameter pipes. Long term growth in Shale gas production is expected to play an important role in shaping North American, European, Australian, and Asian natural oil and gas demand. Pipelines from shale gas fields are being connected to the main trunk lines and thus creating demand potential for pipes in a consistent manner.

The Shale Gas Production in the US will also expedite the development of LNG export terminals in the US. The transition of the US from a net importer of LNG to a net exporter looks inevitable with the increase in Shale gas production there over the last five years. At present, the US only has one existing LNG export terminal located in Kenai, Alaska. Natural gas is exported here because without a pipeline or an LNG import terminal on the West Coast, it is impossible to bring the Alaskan natural gas to the lower 48 states for domestic consumption. Though the Kenai Peninsula facility is the only US terminal that is currently exporting LNG, three of the LNG import facilities have been authorized to re export delivered LNG and one has applied for authorization to do so. The total planned LNG liquefaction capacity of the US is expected to reach 17.5 million MTPA by 2016. The three LNG import facilities authorized to re export delivered LNG are located in

Freeport, Texas

Sabine, Louisiana

Hackberry, Louisiana

Source: http://www lngfacts org/LNG Today/Import Terminals asp

Source: http://www ogj com/articles/print/vol 110/issue 3/general interest/special report capital/oil liquids rich html

Oil & Gas sector remains primary demand driver for pipes industry

The oil & gas industry has been the primary end user and the biggest demand driver for pipes historically with water infrastructure development and industrial applications being the other demand centers. Higher oil and gas prices typically drive exploration capex which in turn fuels demand for drilling activity (seamless pipes) and for the transportation of resources from the oil well to the end consumer (Line pipes LSAW, HSAW and ERW pipes). Even with oil tumbling these days, most people believe that companies can still turn a profit drilling as long as it sells for at least US $50 a barrel.

Alaska Pipeline Project to boost the upcoming demand of pipes

Currently TransCanada, BP, Exxon Mobil and ConocoPhillips are working together on the next generation of resource development in Alaska on an Alaska pipeline project translating to strong demand prospects for pipe manufacturers. The Alaska Pipeline Project is continuing to advance the technical, engineering, commercial, and regulatory work needed to make the project a reality. The Alaska Pipeline Project is advancing ongoing technical and engineering work to refine plans for project design and construction. Because of a rapidly evolving global market, large scale liquefied natural gas (LNG) exports from south central Alaska will be assessed as an alternative to a natural gas pipeline through Alberta. Alaska's North Slope holds more than 35 trillion cubic feet of discovered natural gas, and Point Thomson is a strategic investment to position Alaska gas commercialization

The Replacement Demand – the potential upside

Over the past 70 plus years, a nationwide system of pipelines has been constructed to transport almost 100% of the natural gas and about 71% of the oil and refined petroleum products consumed in the United States. The majority of the materials transported by the hazardous liquid and gas transportation operators are moved via large diameter steel pipelines from wells and refineries to where they are used or distributed further. More than 60% of all US natural gas transmission lines were installed before 1970, according to the nonprofit Pipeline Safety Trust.

The approximate life of a pipeline on average is 25 30 years. A high percentage of both hazardous liquid and natural gas transmission pipelines are way beyond those years, and are expected to be considered for replacement. The need for replacing old and damaged pipelines became clear during a series of accidents across North America in 2010 and 2011 in states like Michigan, California, Illinois, Georgia, Pennsylvania, Alberta Canada etc.

DOMESTIC PIPE INDUSTRY AND DEMAND

Scope for Indian Pipe Manufacturers

Firmness in crude oil prices has led to sustained capital expenditure on global oil exploration and production. Order books of pipe manufacturers are expected to grow further with sustained capital expenditure. India has become a global pipe manufacturing hub primarily due to lower cost, high quality and geographical advantage. Asia currently accounts for a majority of the world's pipe consumption at around 30%. It will continue to enjoy a larger share of the pie given the higher GDP growth trend in the region.

With the development of new oil fields, West Asia will be a major demand driver. Further, production of natural gas in the region is rising on account of the ncreasing importance of gas as a fuel for the power and transportation sectors.

These developments will result in huge investments in pipe infrastructure to deliver oil and gas across destinations. Since freight is one of the major cost components for pipe makers, Indian pipe companies would benefit due to their proximity to West Asia.

Domestic Pipe Demand

Domestic pipeline network for oil & gas as well as water is much lower as compared to US or other developed countries. The pipeline network in India is not as thorough and developed as compared to countries in the Americas, Europe, and Middle East. With the correct government policies, requisite quality approvals, established track record and expectation of favourable demand growth in domestic and export market over the long term, it is expected that the Indian steel pipes industry will grow at a substantial rate over the next few years. The steady increase in domestic oil supply, discovery of technically recoverable Shale gas reserves, existing and new LNG terminals, and the conscious efforts to improve the water pipelines network shall provide the pipe industry immense upside potential in India.

On the Crude side, total length of crude oil pipelines in India is 6,518 kilometers (km) with a total capacity of 99.56 million metric tonnes per annum (MTPA). ONGC contributes with a 959 km long pipeline network across the country, IOCL accounts for 4,366 km long network of crude pipelines, while OIL makes up for the remaining share of crude pipeline capacity, owning the 1,193 km long Duliajan Digboi Bongaigaon Barauni pipeline *(See Figure 20)*.

Figure 20

Name of Pipeline	Capacity (MMTPA)	Length (KM)
OIL Duliajan Digboi Bongaigaon Barauni	8.4	1,193
IOC Salaya Mathura Panipat(Incldg Loop lines)	21	1,870
IOC Haldia Barauni/Paradip barauni	11	1,302
IOC Mundra panipat	8.4	1,194
ONGC Mumbai High Uran Trunk Pipeline	15.63	204
ONGC Heera Uran Trunk Pipeline	11.5	81
ONGC Kalol Nawagam Koyali	8.54	141
ONGC MHN NGM Trunk Line	2.26	77
ONGC CTF, Ank to Koyali Oil Pipeline (AKCL)	2	98
ONGC Lakwa Moran Oil Line	1.5	18
ONGC Geleki Jorhat Oil Line	1.5	48
ONGC NRM to CPCL	0.74	6
ONGC KSP WGGS to TPK Refinery	0.08	14
ONGC BUT 30 inch	6.38	203
ONGC Akhojuni Koyli Oil Pipeline	0.48	65
ONGC GMAA EPT to S. Yanam Unloading Terminal	0.15	4
Total	**99.56**	**6,518**

Source: Basic Statistics Report, Indian Petroleum & Natural Gas www petroleum nic in

Major pipes player GAIL (Gas Authority of India Limited), plans to invest Rs. 302,900 million in the next few years over new pipelines in India projected at 6,642 km in length as shown in *Figure 21* below.

Figure 21

New Pipeline Capacity Built-up

Pipel ne Projects	Approved Cost (₹ Cr)	Capacity (MMSCMD)	Length (KM)	Ant cipated Completion (Status)
DVPL PIPELINES PHASE II (Incl. compressor at Jhabua & Vijaipur)	5,837	24 to 78	610	DVPL II Pipeline and Compressors (2+1: Jhabua; 2: Vijaipur) Commissioned
VIJAIPUR DADRI PIPELINES (Incl. Compressor at Kailaras & Chainsa)	4,927	20 to 80	499	Vijaipur Dadri Pipeline commissioned Compressor at Chainsa (1+1): Mainline Machine and standby Machine Mechanically Completed. Compressor at Kailaras (1+1): Mainline Machine Mechanically Completed
DADRI BAWANA NANGAL PIPELINE	2,358	31	594	Dadri Bawana Pipeline Commissioned. Bawana Nangal: to be Commissioned in 2012
CHAINSA JHAJJAR HISSAR PIPELINE	1,315	35	349	Chainsa Sultanpur: Commissioned Sultanpur Neemrana: Commissioned
JAGDISHPUR HALDIA PIPELINE	7,596	32	2,050	Being implemented in phased manner 2012 13 onwards
DHABOL BANGALORE PIPELINE	4,994	16	1,414	Phase I Aug 2012 Phase II March 2013 synchronizing with readiness of new customers
KOCHI KOOTTANAD MANGALORE/ BANGALORE	3,263	16	1,126	Phase I August 2012 Phase II Dec 2013
TOTAL	30,290		6,642	

Source: Gail India Investor Presentation, May 2012

The following figure shows the entire GAIL pipeline network across India.

Figure 22

GAIL's Pan-India Presence

Source: GAIL India Investor Presentation, May 2012

RGTIL (Reliance Gas Transportation Infrastructure Limited) has undertaken new projects to lay new pipelines of 2,628 km cross country in the coming years. Following are the details of the new pipeline projects RGTIL is working on.

Kakinada Haldia Pipeline

- Overall length ~ 928 km; Traverses through states of AP, Orissa and West Bengal

Kakinada Chennai Pipeline

- Overall length ~577 km; Traverses through states of AP and Tamil Nadu

Chennai Tuticorin Pipeline

- Extension of Kakinada Chennai Pipeline
- Overall length ~585 km; Traverses through state of Tamil Nadu

Chennai Bangalore Mangalore Pipeline

- Extension of Kakinada Chennai Pipeline
- Overall length ~538 km; Traverses through states of Tamil Nadu, AP, and Karnataka

Source: http://www rgtil com/new_pipeline_cbm html

IOC to invest Rs. 77,000 million in pipelines by 2015

Refining and retailing major Indian Oil Corporation (IOC) plans to invest 77,000 million by 2015 to expand its pipeline network. IOC plans to lay more than 20 new pipelines to expand its network from 10,900 km to 15,000 km by 2015. IOC uses its pipelines to transport crude oil from the coast to its refineries and distribute refined products across the country. IOC also plans to transfer LNG and natural gas through it pipelines. *Source: Oil Asia Journal, Volume 32, February 2012*

ONGC to invest in E&P, potential increase in pipe demand

State owned Oil & Natural Gas Corporation Limited (ONGC) will invest Rs. 1,640,000 million in oil and gas exploration during 2012 to 2017. The company is targeting production of 149 million tonnes of crude oil during this period. About 97% of the planned CAPEX will be on exploration and production, potentially increasing demand for steel pipes. *Source: Oil Asia Journal, Volume 32, February 2012*

KEY GROWTH DRIVERS IN THE INDIAN PIPES INDUSTRY

Petroleum & Natural Gas Regulatory Board initiatives

PNGRB has initiated the push for more pipelines that will enhance pipeline infrastructure and facilitate PNG distribution in various cities across India.

PNGRB was awarded Rs. 8,550 million interstate gas pipeline project in Jammu & Kashmir to Gujarat State Petronet (GSP) led consortium. The Bhatinda Jammu Srinagar pipeline project will ensure unabated gas supply throughout the year, especially during the winters when energy needs rise. *Source: www constructionupdate com*

PNGRB also approved a 1,104 km Kochi Koottanad Bangalore Mangalore gas pipeline project in 2012. *Source: www contify com*

City Gas Distribution (CGD) to create value in long term

City gas distribution (CGD) is among the fastest growing segments in the gas sector with all major players recording rapid growth in the past couple of years. The segment would continue to grow in the coming years as well with 20 per cent growth in demand in metropolitan cities and 15% in other areas. Among the customers, demand growth from the industrial segment is expected to be the fastest followed by the transportation segment.

The CGD segment has grown on the back of a competitive regulatory environment provided by the Petroleum and Natural Gas Regulatory Board (PNGRB), which plans to roll out CGD networks in over 200 new cities by 2015. The new regulatory framework has facilitated the entry of several new players in the segment including some of the existing energy and infrastructure players, and an international major, which is exploring a joint venture with an Indian firm for gas sourcing and distribution.

Though the long term prospects are bright, the CGD segment has been stagnating since early 2011. While the Supreme Court had reiterated the PNGRB's authority in awarding licenses for the second and subsequent rounds of bidding, the board has been unable to function due to lack of quorum. In addition to the regulatory challenges, the segment has been facing transmission and supply constraints. Currently, the approximately 13,000 km of cross country pipeline network does not cover a large part of the country, especially the southern and eastern regions.

Expeditious completion of pipelines that have been approved by the government and award of new licenses for pipelines are crucial for the development of the CGD segment. The CGD industry also faces challenges in sourcing gas for networks, particularly because the government has curtailed supply to non core sectors including CGD due to a fall in production from the Krishna Godavari basin. However, given the economic and environmental advantages of CGD, especially with the increasing price of competitive fuels, several operators are sourcing liquefied natural gas (LNG) for their networks. *Source: 7th Annual Conference, Indian Infrastructure, March 2012*

Natural Gas to propel the pipe demand

Imports of liquefied natural gas (LNG) by India will soar in the next decade to fuel an expanding economy, pitting India against China and Japan for supplies as its domestic gas output struggles and overland delivery remains a dream. While buyers often complain of the link with expensive oil in long term Asian contracts for liquefied natural gas, India will have no choice but to sign up quickly if it wants to avoid being beaten to the supply by Japan and China.

Signing long term deals now would ensure more profitable operations for importers of LNG. Lackluster domestic exploration results give little reason to expect a turnaround at home. Geopolitical hurdles to pipeline supplies through fractious neighbours like Iran, Pakistan and Afghanistan have made LNG only serious source of supplies. To cope with rising imports, India plans to spend billions to increase the capacity of import terminals by proposing new LNG terminals with 25.0 million MTPA capacity adding to the existing capacity of 18.6 million MTPA.

Natural gas is approximately only about 11% of the primary energy production and consumption in the country. This is expected to increase significantly reaching around 20% by 2025. Rapid economic growth & environmental concerns lead to the rise in diversification of energy use, as many believe natural gas to be the cleanest form of energy. In spite of the growth and diversification energy consumption in India, per capita energy consumption remains low at 524 kgoe (kilograms of oil equivalent) and is only about 30% of the world average. A significant part of the Indian population does not have access to any form of modern commercial energy and 80% of the rural population use non commercial energy like biomass. However, one important factor to note is that India's energy efficiency (energy use compared to GDP) has improved faster than the world average. Current GDP growth of 7% to 8% will translate into overall energy demand growth at Compounded Annual Growth Rate (CAGR) of 7.50%.
Source: Petronet Annual Report, 2012

Liquefied Natural Gas (LNG) terminals to enhance pipe demand in India
India has LNG import capacity of 18.6 MTPA through three existing terminals.

- Dahej LNG Terminal of 10.0 million MTPA managed by Petronet LNG Limited located at the West Coast, State of Gujarat in Gulf of Cambay. Further expansion plans to 15 million MTPA underway. This terminal is well connected to major trunk pipelines HBJ & DUPL of GAIL and Gujarat's GSPL Network. *Source: Petronet LNG Corporate PPT, May 2012*
- Hazira LNG Terminal of 3.6 million MTPA operated by Shell & Total; expected throughput capacity of 10.0 million MTPA with an investment of Rs. 30,000 million. *Source: www haziralng com*
- GAIL presence at Dabhol with LNG terminal of 5.0 million MTPA. *Source: GAIL India Investor Presentation, May 2012)*
  Besides the above mentioned terminals, below are the proposed LNG terminals that could add another 25.0 million MTPA LNG import capacity if executed.
- Petronet's Kochi terminal of 5.0 million MTPA is under construction. It has tied up with 1.44 million MTPA LNG from Exxon Mobil's Gorgon Venture in Australia, and progress is on schedule with overall completion at 96.05%. *Source: Petronet LNG Corporate PPT, May 2012*
- LNG new proposed terminal at Ganagavaram, Andhra Pradesh of 5 million MTPA with estimated cost of project at Rs. 45,000 million (US$ 900 million).
- Dhamra Port Co. Limited (DPCL), a joint venture between Larsen and Toubro Limited and Tata Steel Limited is proposing an LNG terminal of approximately 5.0 million MTPA on the east coast of India.
- IOC has also proposed a 5 MTPA LNG terminal at Ennore, Tamil Nadu.
- The planned Mundra LNG terminal having a capacity of 5 MTPA (with an option to scale up the capacity) is being developed at the port city of Mundra by Adani Group and is expected to commence operations by 2014.

New LNG terminals as well as expansion of the existing ones is likely to result in increased pipe demand for transportation of LNG from the terminals to end stations.

Shale Gas in India – A new outlook
In January last year, the US Energy Information Administration estimated that India held 38 trillion cubic feet of proven natural gas reserves which was considered good enough for the needs of the nation for 29 years. As per the initial studies, many Shale sequences in well explored basins are found to be promising like Damodar, Cambay, and Krishna Godavari and Cauvery basins. Schlumberger, a global leader in oilfield services, has pegged the reserves of gas in Shale deposits across India at 300 times higher than the largest gas basin in India. In the Damodar Valley Shale gas basin alone an initial gas in place estimates are of 300 2100 trillion cubic feet (tcf) in Indian shale gas basins.

The government is still continuing its policy framework with shale gas exploration, and is keen on its efforts to increase exploration of clean non conventional energy sources. With such efforts from the government as well as technological innovations from various oil and gas corporations, India can look forward to commercial production of Shale gas within the next four to five years. A conducive regulatory environment in India coupled with technological investments will enable to unveil Shale gas potential, which shall provide further upside for pipeline investment.

Water sector – A bigger opportunity in HSAW Pipes in India
Water supply, sewerage, solid waste management, and storm water drains account for about 20% of estimated investment requirements. Further, Rs. 19,900 billion or almost Rs 1,000 billion a year is estimated to be required for O&M on urban infrastructure during the next twenty years from FY12 to FY31. About 58% of the projects that have been approved are in the water supply and sanitation sectors. This implies increases in urban infrastructure investment at 15 per cent per annum in the Twelfth Plan, 12 per cent per annum in the Thirteenth Plan and 8 per cent per annum in the Fourteenth and Fifteenth Plans. This is allocated as shown in *Figure 23*.

Figure 23

• 44 %	Urban roads (backlog very large)
• 20 %	Water, sewerage, solid waste ma nagements, storm water drains, street lighting
• 14 %	Transport and traffic support infrastructure
• 10.5 %	Renewal and redevelopment including slums
• 2.5 %	Capacity building
• 10.0 %	Other sectors

Source: HPEC Report and Recommendations, 29 Sept 2011

Jawaharlal Nehru National Urban Renewal Mission (JnNURM), a massive city modernisation scheme launched by the Government of India under Ministry of Urban Development has shown significant progress, and is on the right track to achieve the desired results. The Mission has been able to show significant achievement in upgradation and creation of Urban Infrastructure and Services in areas of water supply, solid waste management, sewerage and transport etc. Out of total allocation of Rs. 315,000 million under UIG of JnNURM, 559 projects have been sanctioned during the mission period with approved cost of Rs. 625,510 million and Additional Central Assistance (ACA) commitment of Rs. 288,830 million.

The Mission has completed its normal tenure on March 31 2012. The Government has extended the duration for 2 years i.e. up to March 2014 falling in the Twelfth Five Year Plan for completion of reforms and ongoing projects under JnNURM. *Source: Press Information Bureau, Government of India, May 2012*

WELSPUN Corp Ltd

SWOT ANALYSIS OF THE INDIAN PIPE INDUSTRY

INDIAN PIPE INDUSTRY

Strengths
- Approval & accreditation from major oil & gas companies leveraging strong market share by some players
- Safe and cost effective mode of transport for liquids & gases
- Cost effectiveness of the Indian players compared to International players
- Strong players capable of execution of the most stringent global projects
- Increasing opportunities in domestic market

Weeknesses
- Increased competition within domestic players with aggressive bidding for orders
- Policy paralysis by government in terms of FDI and FII
- Over dependence on government policies for pipeline investments and gas subsidies

Opportunities
- Low pipeline penetration in India vis à vis developed nations compared to USA & France
- Increasing O&G exploration activity across the country provides opportunity for creating pipeline infrastructure
- PNGRB initiating new pipeline projects and building of City Gas distribution
- Increasing government layout for Infrastructure building with specific focus on O&G and water
- Discovery of shale gas reserves in various parts of the country

Threats
- Volatile foreign exchange rates and crude oil prices
- Changing Government policies on Pipeline Investment
- Sharp fluctuations in steel prices and other raw materials
- Foreign competitors' foray in the domestic market
- Erosion of margins through intensifying competition
- Freight costs on pipeline Investments
- Tough global economic environment

WELSPUN'S HIGHLIGHTS

Capacities in key markets of North America, Middle East, and India

The Company's total pipe capacity has reached 2.20 million MTPA with the commissioning of 0.35 million MTPA LSAW capacity in Anjar, in FY12. Now it has capacities in India, US and Saudi Arabia. The LSAW line pipe capacity has increased to 0.70 million MTPA from earlier 0.35 million MTPA catering towards the growing market of LSAW pipes for the deep offshore projects across the globe. With the Company's investment in the Kingdom of Saudi Arabia in FY11 with capacity of 0.30 million MTPA, the HSAW line pipe capacity today stands at 1.30 million MTPA from the earlier 1.00 million MTPA. The Company has also initiated two expansion plans in its current capacities in Mandya, India with an addition of 0.05 million MTPA and setting up an ERW Mill at Little Rock, US with a capacity of 0.175 million MTPA. The Global capacity distribution of the Company is shown below in *Figure 24*.

Figure 24

Current Global Capacities in '000 MTPA

	Anjar, India	Dahej, India	Mandya, India	Dammam, SA	Little Rock, US	Total Capacity
LSAW	350	350				700
HSAW	500	50	100	300	350	1,300
ERW	200					200
Current Pipe Capacity	1,050	400	100	300	350	2,200
New Pipe Capacity Expansions*			50 (HSAW)		175 (ERW)	225
Total Capacity with Expansions	1,050	400	150	300	525	2,425
Plate & Coil	1,500					1,500

** New pipe capacities to be commissioned by end of FY13*

Initiated a new ERW Mill at Little Rock, Arkansas, USA to cater to the growing demand

To service its oil & gas clients across the entire product range and address the strong growth in the ERW line pipe segment in North America, the Company is implementing 0.175 million MTPA ERW mill and Coating Plant in Little Rock, US. This plant is targeted for commissioning in FY13 and likely to ramp up to optimal utilization in FY14. The boom in Shale gas in the US has spurred potential demand for small diameter pipes. The Company has active plans to capitalize on this phenomenon through its upcoming ERW mill, thus gradually moving toward a complete manufacturing pipes portfolio with capacities to produce pipes from ½ inch to 120 inch pipes.

With the domestic capacities, the Company is well poised to tap the opportunities arising from Oil & Gas pipeline projects in India and the water pipelines. The Company has also initiated a capacity expansion of 0.05 million MTPA in Mandya this year that will take the total capacity of the plant to 0.150 million MTPA.

In addition to the above capacities coating plant in Saudi Arabia also commissioned to cater MENA Region

With the commissioning of coating capacity of 1.0 million sq. mtrs last year at Saudi Arabia, the Company is well geared to service the growing markets of Middle East and North Africa. This has enhanced the market positioning and enabled to build strong customer relationship in that region.

Marketing and Sales offices in key markets worldwide

The presence of marketing and sales offices in Mumbai and Delhi (India), Dammam and Dubai (Middle East), and Houston, Texas (US) gives the Company a competitive advantage of strategic market presence enabling to cater to clients' specific needs, and maintain good customer relationships.

Strong order book position at Rs. 74,470 million; Outstanding Pipe Order book over 1 million tonne

The order book stands at stands at Rs. 74,470 million (US$ 1,350 million). 1,029K tonnes in pipes and 54K tonnes in plates (external orders) as on 29th May 2012. 81% of pipe orders are from export markets like North America, Middle East, Africa and South East Asia. Such large prestigious orders in the beginning of the new financial year puts the Company in an unprecedented and coveted order book position of over 1 million tonne. This demonstrates the Company's leadership position in challenging market conditions through correct market positioning and capabilities.

Investment by Insight Solutions Limited and Granele Limited (one of India's largest private equity investments)

As on 18th of August 2011, Board of Directors of the Company authorized the issuance and allotment of Global Depository Receipts (GDRs) and Compulsorily Convertible Debentures (CCDs) to Insight Solutions Limited and Granele Limited respectively. As a part of the total commitment of US$ 293 million in the Company, of which approximately US$ 178 million have been invested by way of the preferential allotment of CCDs to Granele Limited, and approximately US$ 115 million by way of non voting GDRs. The CCDs carry a coupon of 5% and will be mandatorily fully converted within 18 months into equity shares at Rs. 225 per share, which represents 12.22% of the fully diluted equity capital of the Company. Funds affiliated with Insight Solutions have also subscribed for non voting GDR's of US$ 115 million at the same price of Rs. 225 per share.

Acquisition of Welspun Maxsteel Limited by the Company

The Company acquired 87.35% equity interest of Welspun Maxsteel Limited in FY12 for a total consideration of Rs. 8,042 million. This acquisition was done with an objective of backward integration towards steel making i.e Sponge Iron used to make the steel slabs for the plate mill. Further, Insight Solutions Limited has acquired 12.5% of equity of Welspun Maxsteel Limited from Welspun Steel Limited for a total consideration of approximately US$ 31 million.

WELSPUN - A SWOT ANALYSIS

Strengths
- Good brand in large diameter pipe market with excellent past track record
- Local presence in the strongest markets enabling proximity to top clients
- International accreditations from key clients
- Existing and upcoming state of the art technological capabilities for servicing high end markets
- Excellent management efficiency to execute the most stringent projects

Weeknesses
- Execution of large number of small quantity orders
- Inability to capitalize on the forward and backward integrations
- Tougher domestic market

Welspun SWOT

Opportunities
- Persistent efforts to establish a presence in emerging markets like Iraq, North Africa, and South East Asia
- Capability to deliver for critical applications in upcoming projects
- The replacement market potential
- Growing ERW demand in the US due to the discovery of abundant shale gas reserves; Welspun well positioned to capitalize on this through the upcoming ERW plant at Little Rock, Arkansas, USA

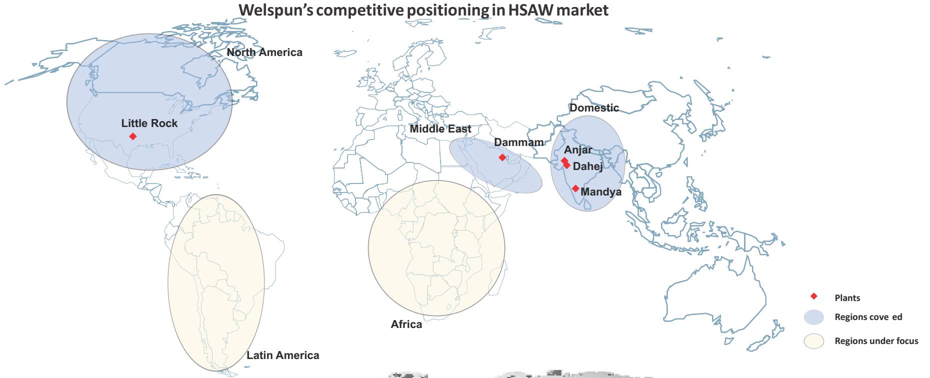
Threats / Risks
- Challenging macro environment
- Continuous erosion of margins between raw materials and finished products at various levels
- Over supply through new players
- Volatile foreign exchange rates

WELSPUN'S STRATEGY

Over the years, the Company has made its mark as one of the best manufacturers of high end quality products in the international pipe market. The Company is focused on increasing its product efficiency and building strong customer relationships by being a local player in key markets, and positioning itself strategically to capture business from newer markets. The Company's HSAW market positioning is shown below in *Figure 25*

Figure 25

Welspun's competitive positioning in HSAW market



The Company's current HSAW plants comprise of total capacity of 1.3 million MTPA, and are located near major markets of North America, Latin America, Middle East, and Africa. With its local presence in Saudi Arabia, Little Rock, Arkansas in the US and also through its Indian facilities in Dahej, Anjar, and Mandya, the Company gains competitive advantage to supply high end pipes as a local player to global customers.

Exploring new markets

The Company has traditionally received strong orders from North America, Middle East, and the domestic pipe market. Going forward, the Company is looking to establish itself in new emerging pipe markets like North Africa, Latin America, Iraq, and South East Asia. On a positive note, the Company has already received some orders from some of these emerging markets during FY12.

Capability, consistency, and continuously improving performance recognized by global clientele

The Company is receiving repeat orders from loyal customer base and has been consistently providing them with the highest quality products and services.

Leverage accreditations with international O&G majors

The Company has been pre approved with international Oil & Gas majors and is further leveraging the relationship by partnering them and do research and development on high grade critical applications for newer projects. Simultaneously, the Company is growing its delivery capabilities with multi location plants with its state of the art technologies and processes.

Continuous efforts toward becoming the most respected steel pipes company in the world.

The Company is continuously focused on improving its capacities, as well as strengthening its position as a leading global player. In Q3 FY12, the new LSAW mill with 0.35 million MTPA capacity was commissioned taking the total LSAW capacity to 0.70 million MTPA. With the implementation of the new ERW plant in Little Rock, US, the Company is positioning itself with capabilities to provide clients with the complete product portfolio from ½ inch to 120 inch diameter pipes.

WELSPUN ON THE PATH OF LEADERSHIP THROUGH:

SCALE LEADERSHIP: Scale of operations through large economical plants across the globe

TECHNOLOGY LEADERSHIP: Adopt and innovate cutting edge technology to satisfy stringent customer requirements

QUALITY LEADERSHIP: Consistent focus on quality at all levels, be the best in satisfying customers

PROCESS LEADERSHIP: Most efficient and effective processes to achieve the most optimal utilizations

PEOPLE LEADERSHIP: BEST IN CLASS PEOPLE produce extraordinary results

GLOBAL LEADERSHIP: Serve globally, act locally

BUSINESS OUTLOOK

- **The outlook for the pipe business is improving.**

  On the demand side, drilling activity in North America is expected to remain close to current levels in the next year, with any slowdown in dry gas drilling activity to offset by an increase in oil and liquids directed drilling. In other parts of the world, drilling activity is expected to rise with the current oil and gas prices and led by growth in technology of development of deepwater and unconventional reserves as well as complex conventional gas drilling. Newly found shale gas reserves, especially in the North America should have a positive impact on the pipes & tubes industry.

  The Company is exploring new business opportunities in new geographies; and is evaluating the potential relocation of its plants to attractive geographies.

  Demand for ERW pipes remains robust on account of shale gas activity and the company will be well positioned to capture that market after its new ERW mill in Little Rock, US is commissioned.

With its current global 2.20 million MTPA pipes capacity, the Company is pursuing volume growth in the coming years. The Company is confident that with its global scale of capacities, it is in a strong position to bid for and accept challenging orders.

- The global plate industry is still facing a challenged demand environment. Steel slab prices continue to be high, further impacting margins. We expect some easing of supply constraints in the slab market; and hope to continue strengthening the technical capabilities of our plate mill in the following years to come.

- The Company's infrastructure business (Welspun Projects Limited & Leighton Welspun Contractors Private Limited) has shown positive growth, and continues to win substantial orders.

- Welspun Maxsteel Limited continues to maintain its edge with good customer base but due to lower gas availability remains a major issue. It is forced to buy most of its gas requirements from alternative sources at higher cost to operate the DRI plant. The appropriate Company officials are working with the concerned regulatory bodies and the government to improve the gas scenario, and the Company is confident of a turnaround in the near future.

- Welspun Energy Limited (WEL) has successfully scaled up its renewable business and developed four operating assets generating 30MW. It is further developing 105MW in FY13.

INTERNAL CONTROL AND ADEQUACY

Management of the Company maintains adequate internal control system which is designed to provide reasonable assurance that assets are safeguarded and transactions are rightly executed and recorded in accordance with management authorization and accounting policies.

All the records are adequately maintained for preparation of financial statements and other financial information. Apart from internal controls, the Company also audits the efficiency and security of its operations, its information technologies and data, in accordance with the global standards. The Audit Committee of the Company met eight times in FY12 to review internal audit reports as well as the internal control systems and financial disclosures.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

The Company is on the path to be 'one of the most respected pipe companies in the world' and continues to grow as a global player.

As part of Human Resource initiatives and embarking towards its strategic goals, the Company is investing in attracting, developing, and retaining the highest quality talent to build a high performance management culture, backed by world class processes operating on a value framework. The underlying philosophy behind the management of human capital at Welspun is to strengthen its strategic alignment with the business through its high performance & high potential people with excellent leadership skills. The Company has 6,436 employees across various locations.

The key initiatives in the Human Capital of the Company are as follows:

- A revalidation and re identification exercise will be initiated wherein a psychometric assessment tool would also be used. Under its 'Leadership Development journey', with its top talent group of around 250 members of middle and senior management undergoing comprehensive programs since 2010, to enhance their General Management and Leadership Skills.

- Partnered with S.P. Jain Institute of Management and Research to run customized Management Development Programs (MDP) & has also partnered with IDiscoveri Education to provide specific Leadership Development. Programs (LDP). Around 120 people (of senior leadership team) are undergoing the MDP and approximately 70 people (Senior Managers and above) are already part of LDP.

- Individual Development plans (IDPs) were drawn for the key talent members (HIPO's) across all India locations. Robust implementation and review mechanism has been put into place to track the progress of the same. This group was also mapped to leadership roles, and potential successors identified through a robust succession planning process.

- Under the Capability Building, the Company has partnered with NTTF (NETTUR TECHNICAL TRAINING FOUNDATION) a renowned technical institute for workmen development, with the NTTF satellite centre which is operational since last one year. NTTF executed around 65 batches of training and covered more than 1000 workmen in a year's timeframe. As of today, approximately 80 employees across its locations have been certified as internal technical trainers.

- The Company has implemented a survey named "Great Places to Work" across the Group to understand what is working well and what needs to be improved in the Company. Close to 80% of staff and managerial employees participated in the same, and business as well as location wise results were cascaded, and action plans were drawn up. The same are being currently driven at respective locations to address the key challenges.

- In pursuit of Welspun's drive towards building a strong middle management team over the next 5 years, it has initiated hiring from top B Schools across the country and 50 lateral management graduates from top B Schools across the country were hired last year. During FY12 the Company HR has visited the campuses again to hire new group of Management Recruits who would be joining the Company in the FY13.

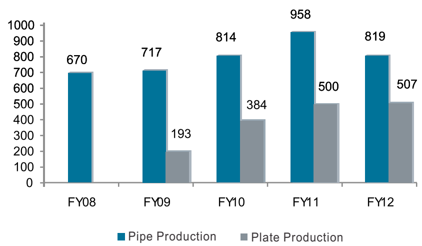
DISCUSSION OF FINANCIAL ANALYSIS

The significant developments which had major impact on financial numbers were:

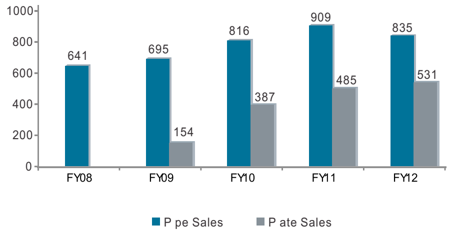
- FY12 revenue up by 12% from FY11 revenue in the current challenging global macro economic conditions.
- Pipe plant at Little Rock (Arkansas, US) is in full swing; FY12 utilization ~ 60%.
- LSAW Plant at Anjar was commissioned during the year and started commercial production in December 2011.
- Acquired 35% stake in Leighton Contractors (India) Private Limited subsequently renamed as Leighton Welspun Contractors Private Limited, "LWIN" from April 28, 2011.
- Acquired 87.35% equity stake in Welspun Maxsteel Limited, major producer of Sponge Iron, mainly Direct Reduced Iron (DRI) and Hot Briquetted Iron (HBI), and has consolidated it as a subsidiary from August 13, 2011.
- Welspun Infratech Limited (100% subsidiary of the Company) has acquired 45% equity stake in ARSS Bus Terminal Private Limited w.e.f August 3, 2011.
- Raised funds of US$ 293 million by way of US$ 178 million (Rs. 7,884 million) CCDs (Compulsorily Convertible Debentures) issued to Granele Limited, and US$ 115 million (Rs. 5,181 million) by way of non voting GDRs (Global Depository Receipts) issued to Insight Solutions Limited on August 18, 2011, both at Rs. 225 per share.

1. **Revenue**

Production in K MT (Pipes & Plates)

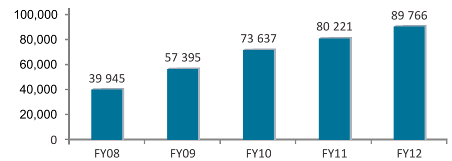


Sales in K MT (Pipes & Plates)



- In FY12, on an annualized basis, the Company has achieved over 44% capacity utilization against 57% in the previous year. The installed capacity has reached 2.20 (1.85) million MTPA with the commissioning of new plants mainly the LSAW facility at Anjar (350K MTPA), thus making the Company one of the largest line pipe companies in the world.
- Pipe production volume for FY12 was is 819K tonnes, while Plate & Coil production volume stood at 507K tonnes.
- Sales volume for pipes was 835K tonnes, slightly lower than volume in 2011. Plate and Coil division achieved an overall sales volume of 531K tonnes, comprising of external sales of 441K tonnes and internal sales of 90K tonnes in FY12.

Consolidated Revenues (Rs. Million)



Consolidated Revenues have increased by 12% to Rs. 89,766 million in FY12 from Rs. 80,221 million in FY11 primarily on account of higher sales volume of plates, better performance of international operations, consolidation of Infrastructure business 35% stake in JV with Leighton Welspun Contractors Private Limited (formerly known as Leighton Contractors Private Limited), and consolidation of Sponge Iron business of Welspun Maxsteel Limited (w.e.f. August 13, 2011).

From Indian operations, the Company has sold 481K tonnes of pipes in FY12, US operations had sales volume of 209K tonnes of pipes, while 145K tonnes was the sales volume for the Saudi operations.

2. **Breakup of Various Cost Items as a %age of Sales (Consolidated)**

(Rs n Mil ion)

Particulars	FY 2011 12		FY 2010 11	
	Amount	(%)	Amount	(%)
Sales	**89,766**	**100%**	**80,221**	**100%**
Cost of goods sold	58,911	65 6%	50,053	62 4%
Employee Benefit Expenses	4,876	5 4%	3,909	4 9%
Manufacturing & Other Expenses				
Store & spares consumed	2 376	2 6%	1 693	2 1%
Coating & other Job charges	1,440	1 6%	573	0 7%
Power, fuel & water charges	1,924	2 1%	1,421	1 8%
Freight Material handling charges	3,505	3 9%	4,464	5 6%
Construction Cost	2,207	2 5%	375	0 5%
Product Compensation & Claims	649	0 7%	2,008	2 5%
Exchange Difference (Net)	1 248	1 4%	378	0 5%
Other expenses	4,059	4 5%	2,703	3 4%
Total Manufacturing & Other Expenses	**17,408**	**19.4%**	**13,615**	**17.0%**
Total Expenses	**81,195**	**90.5%**	**67,576**	**84.2%**
Other Income	2,676	3 0%	1,139	1 4%
Reported EBITDA	**11,247**	**12.5%**	**13,784**	**17.2%**
Finance Costs	3,999	4 5%	2,240	2 8%
Depreciation and Amortization	3,515	3 9%	2,439	3 0%
PBT (Profit before Tax)	**3,732**	4 2%	**9,104**	**11.3%**
Provision for Tax	1,503	1 7%	2,871	3 6%
PAT before Minority Interest and Share of Loss from Associate Company	**2,229**	**2.5%**	**6,233**	**7.8%**
Share of Profit/(Loss) from Associate Company	14	0 0%	(3)	0 0%
Minority Interest	142	0 2%	100	0 1%
PAT	**2,385**	**2.7%**	**6,330**	**7.9%**
EPS (Basic)	**10.89**		**30.95**	
EPS (Diluted)	**9.71**		**28.66**	

a. Cost of goods sold

Cost of goods sold increased by 18% to Rs. 58,911 million in FY12 from Rs. 50,053 million in FY11 mainly because of full year operations at Mandya and Saudi Arabia, and consolidation of infrastructure and Sponge Iron business of Welspun Maxsteel Limited during the year. Cost of goods sold as a percentage to Net Sales has increased from 62.4% in FY11 to 65.6% in FY12.

b. Manufacturing and Other Expenses

Manufacturing, transportation and other expenses are Rs. 17,408 million in FY12 from Rs. 13,615 million in FY11. The increase is mainly due to forex provisioning, higher coating, stores and spares, power, and construction costs.

- Stores and spares consumption increased by 40% to Rs. 2,376 million in FY12 from Rs. 1,693 million in FY 11 due to increased global capacities.
- Coating and other job charges increased by 151% to Rs. 1,440 million in FY12 from Rs. 573 million in FY11 due to higher volume of coated pipes and job work done during the year.
- Power, fuel and water costs were higher by 35% at Rs. 1,924 million in FY12 as against Rs. 1,421 million in FY11.
- Freight, Material handling and transportation cost decreased by 21% to Rs. 3,505 million from Rs. 4,464 million due to production and shipment locally from the US and Saudi plants.
- The Company also made net provision of Rs. 649 million during FY12 on account of settlement with one of the customers (Net off settlement with one of the steel suppliers) thereby ending long pending litigation.
- The construction cost has increased by 488% at Rs. 2,207 million in FY12 from Rs. 375 million in FY11 due to consolidation of 35% of Leighton Welspun Contractors Private Limited (acquired with w.e.f April 28, 2011) under its Infrastructure business during the year.
- Foreign exchange difference (Net) increased to Rs. 1,248 million from Rs. 378 million mainly due to the 14% depreciation of the Rupee from $1 Rs. 44.60 from April 1, 2011 to $1 Rs. 50.875 at March 31, 2012.

c. Employee Benefit Expenses increased by 25% to Rs. 4,876 million in FY12 from Rs. 3,909 million in FY11 primarily on account of increase in headcount at various locations including Anjar, Mandya, US and Saudi plants, and also on account of the newly acquired Infrastructure business (35% Joint Venture with Leighton) and also in Welspun Maxsteel Limited (Sponge Iron business).

d. Finance Costs

- Finance costs increased by 79% to Rs. 3,999 million in FY12 from Rs. 2,240 million in FY11 on account of consolidation of Welspun Maxsteel Limited and Leighton Welspun Private Contractors Limited loans during the year.
- As per the new revised Schedule VI requirements the income earned on current investments is now a part of other income, and not netted off from the interest expenses during the year.

e. Depreciation/Amortization Charge

- Depreciation/Amortization charges increased 44% to Rs. 3,515 million in FY12 from Rs. 2,439 million in FY11 mainly due to commissioning of the LSAW plant at Anjar, assets consolidated of newly acquired entities (Welspun Maxsteel Limited and Leighton Welspun Contractors Private Limited).

3. Margins

a. EBITDA Margins

Reported EBITDA for FY 12 was Rs. 11,247 million. To arrive at the normalized EBITDA for FY 12 the following adjustment towards provisions and exceptional items were made during the year:

- Add: The total foreign exchange provision for FY12 was Rs. 1,517 million, out of wh ch Rs. 1,248 million in other expenses adversely impacted Operational performance while Rs. 269 million was part of finance cost.
- Add: Net Provision made towards amicable settlement with a customer of Rs. 649 million (Rs. 1,102 million paid/payable to one of the overseas customer minus Rs. 453 million net off for this amount received/receivable from one of its overseas steel suppliers, both out of court settlements)
- Less : Interest income added in the other income as per new revised schedule VI of Rs. 1,339 million which is not operating income
- Less: Dividend income /income from Sale of investments of Rs. 685 million not being operational income

Post the above adjustments the normalized EBITDA stands at Rs. 11,120 million for FY 12.

Comparatively the Reported EBITDA for FY11 was Rs. 13,784 million. To arrive at the normalized EBITDA for FY11 the following adjustment towards provisions and exceptional items were made in FY11:

- Add: Operational performance was adversely impacted by Foreign Exchange provisions of Rs. 378 million.
- Add: Net Provision made towards amicable settlement with a customer of Rs. 2,008 million on account of settlement with one of the customer thereby ending long pending litigation.
- Less : Interest income added in the other income as per new revised schedule VI of Rs. 851 million which is not part of operating income
- Less: Dividend income and income from Sale of investments of Rs. 124 million not being operational income.
- Less : One time export rebate / benefit of Rs. 734 million on receipt of favorable judgment from Honourable Supreme Court which was not considered a part of operations.

Post the above adjustments the normalized EBITDA stands at Rs. 14,461 million in FY11.

The Normalized EBITDA in FY12 is lower by Rs. 3,344 million as compared to FY11.

b. PAT Margin

Due to lower EBITDA margins profit after tax is thus lower in FY12 at Rs. 2,385 million as compared to Rs. 6,330 million in FY11. The PAT Margin for FY12 stands at 2.7% as compared to 7.9% in FY11.

BALANCE SHEET (CONSOLIDATED)

(Rs in Mil ion)

Particulars	FY2011 12	FY2010 11	Change
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1,139	1,023	116
Reserves and surplus	40,117	32,712	7,405
Compulsorily convertible debentures (Unsecured)	7,884		7,884
Net worth	**49,139**	**33,735**	**15,404**
Minority interest	3,433	2,024	1,409
Foreign currency monetary item translation difference account		65	(65)
Non current liabilities			
Long term borrowings	39,714	32,620	7,094
Deferred tax liabilities (Net)	4,970	4,344	626
Other Long term liabilities	3,405	1,819	1,586
Long term provisions	244	117	128
Current liabilities			
Short term borrowings	7,773	4,323	3,450
Trade payables	32,923	15,852	17,071
Other current liabilities (Include current portion of long term debt Rs 5,920 million for FY12 and Rs 1,127 million for FY11)	14,885	12,635	2,250
Short term provisions	1,741	1,965	(224)
Total	**158,228**	**109,499**	**48,729**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	52,585	35,928	16,657
Intangible assets	277	346	(69)
Capital work in progress	6,191	7,772	(1,582)
Build,Operate and Transfer (BOT)	4,572	4,598	(27)
Goodwill on consolidation	9,888	859	9,029
Total Fixed Assets	**73,513**	**49,503**	**24,010**
Non current investments	355	39	316
Long term loans and advances	5,061	2,936	2,125
Other non current assets	357	25	332
Foreign currency monetary item translation difference account	323		323
Current Assets			
Current investments	19,431	14,366	5,064
Inventories	25,827	18,479	7,348
Trade receivables	15,260	12,893	2,367
Cash and bank balances	10,255	7,508	2,747
Short term loans and advances	5,809	2,918	2,891
Other current assets	2,038	831	1,207
Total	**158,228**	**109,499**	**48,729**

4. Return on Average Net worth

Return on Average Net worth (RONW) is lower at 6% in FY12 from 20% in FY11 due to the combined effect of lower PAT and increase in Net worth.

Net worth at the end of FY12 increased by Rs. 15,405 million to Rs. 49,139 million (including the Compulsorily Convertible Debentures of Rs. 7,884 million) from Rs. 33,735 million in FY11. During the year (August 18, 2011) Granele Limited invested approximately Rs. 7,884 million (US$ 178 million) by way of preferential allotment of CCDs (Compulsorily Convertible Debentures) and Insight Solutions Limited invested approximately Rs. 5,181 million (US$ 115 million) by way of non voting GDRs (Global Depository Receipts). The CCDs carry a coupon of 5% and will be mandatorily converted within 18 months into equity shares at Rs. 225 per share, which represents 12.2% of the fully diluted equity capital of the Company. FY12 PAT of Rs. 2,385 million also contributed toward the increase in net worth from FY11 to FY12.

5. Surplus Funds

Temporary surplus funds are invested in short term securities such as mutual funds and government securities. Nevertheless, in order to achieve higher growth and value creation for the stakeholders, the Company wishes to deploy funds, for de bottlenecking & up gradations, capacity enhancement by way of organic and in organic initiatives and stronger focus on upstream oil and gas businesses.

6. Capital Deployment

During FY12, capital deployment increased from Rs. 109,499 million to Rs. 158,228 million mainly due to capitalization of LSAW plant at Anjar, assets acquired on consolidation of infrastructure business of 35% share of Leighton Welspun Contractors Private Limited w.e.f. from April 28, 2011, Sponge Iron business of Welspun Maxsteel Limited w.e.f. August 13, 2011, and increase in liquid investments. Besides internal accruals, the loan funds have contributed in increasing capital deployment. Geographical and market reach enhancement and increase in size as well as range of activities would economize operations and achieve competitive advantage in the market.

7. Net worth

The Net worth of the Company stands at Rs. 49,139 million as of March 31, 2012. The Net worth has increased by Rs. 15,405 million from year end FY11 mainly due current year's net profit of Rs. 2,385 million, issuance of new equity shares of Rs. 5,181 million (US$ 115 million) in the form of GDRs to Insight Solutions Limited, and CCDs of Rs. 7,884 million (US$ 175 million) to Granele Limited. The details of equity raised as part of Net worth are as under:

a. Share Capital

During the year, issued and paid up equity share capital (no. of shares) increased from 204,668,910 equity shares to 227,781,035 (of face value of Rs. 5 each) as at March 31, 2012 due to new issuance of 23,026,000 Equity Shares through GDRs to Insight Solutions Limited and 86,125 equity shares due to the exercise of stock options under ESOP plans.

b. Reserves and Surplus

i) Capital Reserve: The balance as of March 31, 2012 amounted to Rs. 1,057 million which is the same as in the previous financial year.

ii) Capital Reserve on Consolidation: The balance as of March 31, 2012 amounted to Rs. 153 million which is almost same as in the previous financial year.

iii) Securities Premium account stands at Rs. 17,252 million by ways of net addition of Rs. 4,920 million during the year on issuance of GDRs and ESOPs (net off share issue expense of Rs. 108 million and premium payable on redemption of FCCB Rs. 46 million).

iv) Debenture Redemption Reserve: Debenture Redemption Reserve has increased by Rs. 357 million during the year and stands at Rs. 1,464 million to provide for redemption of secured non convertible debentures of Rs. 11,700 million outstanding.

v) General Reserve has increased by Rs. 65 million and stands at Rs. 1.696 million at the end of FY12.

vi) Profit and Loss account: The balance retained in the Profit and Loss Account as on March 31, 2012 has increased by Rs. 1,831 million to Rs. 18,297 million after providing an equity dividend of 10% and dividend distribution tax.

8. Loan Funds

The Gross debt at the end of FY12 stands at Rs. 53,407 million up by Rs. 15,337 million over the previous year. The components included in gross debt are long term borrowings of Rs. 39,714 million, current portion of long term borrowings of Rs. 5,920 million, and short term borrowings of Rs. 7,773 million.

Major movements during the year are:

The overall long term borrowings and current portion of long term debt has gone up by Rs. 11,887 million.

Long term borrowings for FY12 were Rs. 39,714 million compared to Rs. 32,620 for FY11, an increase of Rs. 7,094 million. The increase in long term borrowings from FY11 to FY12 can attributed as below:

Increase in term loans from banks of Rs. 8,647 million from Rs. 6,121 million to Rs. 14,768 million.

Increase in inter corporate deposit of Rs. 761 million from Rs. 1,930 million to Rs. 2,691 million.

Increase in unsecured deferred sales tax loan of Rs. 533 million from Rs. 67 million to Rs. 600 million.

Increase in long term borrowings was due to the consolidation of Welspun Maxsteel Limited of Rs. 7,251 million, Welspun Infratech Limited's 35% stake in Leighton Welspun Contractors Private Limited of Rs. 2,250 million, and Saudi Arabia Joint Venture of Rs. 767 million.

Increase in External Commercial Borrowings of Rs. 962 million, and increase in Foreign Currency Convertible Bonds (FCCBs) of Rs. 942 million mainly due to Forex realignment loss.

Current portion of long term borrowings increased by Rs. 4,793 million to Rs. 5,920 million in FY12 from Rs. 1,127 million in FY11.

The short term borrowings have gone up by Rs. 3,450 million mainly due to increase in loans of Rs. 1,549 in standalone/parent WCL and Rs. 2,302 million in Welspun Maxsteel Limited.

Cash, Bank and Liquid/Current Investments for FY12 have increased by Rs. 7,812 million to Rs. 29,686 million from Rs. 21,874 million in FY11.

Net debt stands at Rs. 23,721 million as of March 31, 2012 after accounting for Cash, Bank and Liquid/CurrentInvestments.

Net Debt to Net worth ratio is at 0.48 indicating a strong Balance Sheet.

9. Fixed Assets

Net block of fixed assets (including CWIP) increased by Rs. 24,010 million to Rs. 73,513 million in FY12. This was mainly due to capitalization of LSAW pipe mill at Anjar, pipe/coating plant at Dammam (Saudi Arabia), assets acquired on consolidation of JV with Leighton Contractors Private Limited, and consolidation of assets of Welspun Maxsteel and Leighton Welspun Contractors Private Limited.

Below is the breakdown of the increase in the overall fixed assets:

Increase of Rs. 16,657 million in Tangible assets from Rs. 35,928 million in FY11 to Rs. 52,585 million in FY12; main contributors were plant and machinery Rs. 13,676 million, and buildings Rs. 1,918 million.

Increase in goodwill on consolidation by Rs. 9,029 million year over year mainly due to the acquisition of Welspun Maxsteel Limited of Rs. 5,149 million and acquisition of 35% stake in Leighton Welspun Contractors Private Limited of Rs. 3,880 million.

Capital work in progress, Build, Operate and Transfer (BOT) assets, and other intangible asset decreased by Rs. 1,676 million from FY11 to FY12.

10. Inventories

Inventories increased by Rs. 7,348 million to Rs. 25,827 million mostly due to increase in raw materials of Rs. 3,454 million, finished goods of Rs. 2,692 million, and stores and spares of Rs. 566 million.

This increase in inventory also includes the inventory consolidated after the acquisition of Welspun Maxsteel Limited, and after the acquisition of 35% stake in Leighton Welspun Contractors Private Limited during FY12.

The inventory turnover days have increased from 84 days of Net Sales in FY11 to 105 days of Net Sales in FY12.

11. Trade Receivables

Trade Receivables increased from Rs. 12,893 million in FY 11 to Rs. 15,260 in FY12. Sundry Debtors are at 62 days (59 days in FY11) of net sales during the year.

12. Cash, Bank Balances and Current Investments

Cash, Bank Balances and Current Investments at the end of FY12 stand at Rs. 29,686 million as compared to Rs. 21,874 million at the end of FY11. Current investments increased from Rs. 14,366 million to Rs. 19,431 million during the year on account of investments made in bonds and other liquid investments.

13. Long Term Loans and Advances

Long term loans and advances increased by Rs. 2,125 million to Rs. 5,061 million in FY12 from FY11 mainly due to the increase in the following:

Increase in capital advances by Rs. 771 million to Rs. 1,974 million (paid for various capital projects).

Increase in share application money by Rs. 412 million to Rs. 895 million (paid to Energy business).

Increase in other advances by Rs. 942 million to Rs. 2,192 million.

14. Other Current Assets

Other current assets increased by Rs. 1,207 million to Rs. 2,038 million mainly due to the following:

Increase in interest accrued on current investments, fixed deposits and others by Rs. 471 million.

Increase in unbilled work in process by Rs. 920 million with respect to infrastructure business.

There was a reduction of export benefit receivables of Rs. 263 million in FY12.

15. Short Term Loans and Advances

Short term loans and advances increased by Rs. 2,891 million to Rs. 5,810 million due to the following:

Increase in balances with government authorities by Rs. 1,088 million.

Increase in other loans & advances by Rs. 1,803 million.

16. Trade Payables

Trade payables have gone up by Rs. 17,071 million to Rs. 32,923 million in FY12 from Rs. 15,852 million in FY11, primarily on account of increase in acceptances and other creditors.

Current liabilities are at 134 days (137 days in FY11) of Net Sales.

17. Cash Conversion Cycle

Cash conversion cycle for the current year is 33 days compared to 6 days for FY11.

18. Liquidity

We broadly define liquidity as our ability to generate sufficient funds from both internal and external sources to meet our obligations and commitments. Our primary liquidity requirements have been to finance our working capital requirements for our operations and for capital expenditures and investments. We have financed our capital requirements primarily through funds generated from our operations, equity/equity related issuance and borrowings.

19. Cash Flows

The table below summarizes our cash flow for the periods indicated:

(Rs in Million)

	March 31,2012	March 31, 2011
Net cash generated from operating activities	14,287	6,665
Net cash generated used in investing activities	(22,054)	(22,573)
Net cash generated from financing activities	9,634	5,585
Net cash increase/(decrease) at the end of the period	1,867	(10,324)

a) Operating Activities

Net cash generated from operating activities in FY12 was Rs. 14,287 million. Net cash generated from operating activities consisting of operating profit before working capital changes and tax is Rs. 8,814 million.

Adjustments contributing toward cash inflows are trade and other receivables of Rs. 4656 million, and trade and other payables of Rs. 5,629 million.

Taxes paid of Rs. 1,453 million and increase in inventories of Rs. 3,360 million contributed toward cash outflows.

Net cash generated from operating activities FY11 was Rs. 6,665 million. Net cash generated from operating activities consisting of operating profit before working capital changes and tax is Rs. 12,392 million.

Adjustment in inventory of Rs. 2,430 million during FY11 contributed toward cash inflows for operating activities.

Taxes paid of Rs. 2,181 million, adjustment in trade and other receivables of Rs. 2,382 million, and adjustment in trade and other payables of Rs. 3,595 million contributed toward cash outflows for operating activities.

b) Investing Activities

Net cash used in investing activities was in FY12 Rs. 22,054 million.

Rs. 88 million from the sale of fixed assets, Rs. 831 million for interest received, and Rs. 445 million from dividend income contributed toward investing cash inflows for investing activities during FY12.

Cash outflows for investing activities during FY12 primarily include Rs. 4,985 million for the purchase of fixed assets (including CWIP), Rs. 13,232 million for acquisition in subsidiaries and joint ventures, Rs. 412 million for share application money given and Rs. 4,789 million for the purchase of current investments.

Net cash used in investing activities for FY11 was Rs. 22,573 million.

Rs. 55 million from the sale of fixed assets, Rs. 741 million for interest received, and Rs. 107 million received from dividend income contributed toward cash inflows for investing activities during FY11.

Investing Cash outflows for FY11 mainly included Rs. 11,089 million for the purchase of fixed assets (including CWIP), Rs. 963 million for acquisition in subsidiaries and joint ventures, Rs. 497 million share application money given, Rs. 10,928 million for the purchase of current investments.

c) Financing Activities

Net cash generated from financing activities in FY12 is Rs. 9,634 million.

Cash inflows from financing activities for FY12 primarily include Rs. 5,079 million (net off issue expenses of Rs. 108 million) proceeds from issuance of equity shares (mainly GDRs) Rs. 7,884 million proceeds from Compulsorily Convertible Debentures (CCD's), Rs. 1,152 million as net increase in other borrowings and payment from minority shareholders of Rs. 1,000 million.

Rs. 2,450 million for repayment of long term borrowings, Rs. 475 million for dividends paid including corporate dividend tax, and Rs. 2,556 million towards interest paid contribute toward financing cash outflows during FY12.

Net cash generated from financing activities during FY11 was Rs. 5,585 million.

Cash inflows for FY11 primarily include Rs. 28 million proceeds from equity shares, Rs. 10,000 million proceeds from debentures, and Rs. 364 million as net increase in other borrowings.

Rs. 1,872 million for interest paid, Rs. 476 million for dividends paid, Rs. 1,300 million for redemption of debentures, Rs. 1,158 million towards repayment of long term borrowings make up the cash outflows for financing activities for FY11.

Note on Foreign Currency Hedging

Policy: The Company has major part of its revenues and expenses in foreign currency, which provides natural hedge. The value addition is hedged through forward sale of currencies with plain vanilla products. The long term liabilities in foreign currency are kept unhedged as the Company is net foreign exchange earner. At any point of time the Company manages the net forex position to an optimum level considering potential forecasted trade exposures.

For the standalone results, the Note No. 32 in this Annual Report on page No. 154 deals with "Disclosure of Derivative Instruments and Unhedged Foreign Currency Exposure" and the table for the current year is reproduced and explained below with the help of superscripts for each numerical item.

The Outstanding foreign currency derivative contracts as at March 31, 2012 in respect of hedging are as follows:

(Rs in Mi lion)

	Particulars	March 31 2012	
		Amount Hedged	Amount Unhedged *
a)	**In respect of Short term receivables and payables**		
i)	In respect of Debtors		
	a) Existing as on the Balance Sheet date		4,240 79[(1)]
	b) In respect of future forecasted transactions	904 55[(2)]	
ii)	In respect of Creditors		
	a) Existing as on the Balance Sheet date	9,475 60[(4)]	10,540 55[(3)]
	b) In respect of future forecasted transactions	1,294 63[5)]	
b)	**In respect of Short term receivables and payables existing as on the Balance Sheet date**		
i)	Other Assets and Receivables		1,354 48[(6)]
ii)	Borrowings		3,569 44[(7)]
iii)	Other Liabilities and Payables		1,101 30[(8)]
c)	**In respect of Long term receivables and payables existing as on the Balance Sheet date**		
i)	Other Assets and Receivables		76 31 [(9)]
ii)	Borrowings		12,805 39 [10)]
iii)	Other Liabilities and Payables		2,417 44 [11)]
d)	**Other derivative Hedge instruments ****	10,578 75[(12)]	

** The Net unhedged short term payables as on March 31, 2012 is Rs 9,616 02 mi lion (as on March 31, 2011 Net unhedged short term payables was Rs 1,459 02 mill on)*

The above table is reproduced in the form of overall receivables and payables position and provides the net position as on March 31, 2012, with regard to foreign currency exposure and the net unhedged position.

Explanation for a) in respect of Short term receivables and payables (1 to 5)

(Rs in Million)

	Particulars	March 31 2012		
		Receivables	Payables	Difference
i)	**In respect of Trade receivables and payables**			
	Existing as on the Balance sheet date	4,240 79[(1)]	20,016 15[(3+4)]	
	In respect of future forecasted transactions based on orders in hand	19,440 70	15,730 17	
	Total Trade	**23,681.49**	**35,746.32**	**(12,064.83)**
ii)	**Hedges**			
	Existing as on the Balance sheet date		9,475 60[(4)]	
	In respect of future forecasted transactions	904 55[(2)]	1,294 63[(3)]	
	Total Hedge	**904.55**	**10,770.23**	**(9,865.68)**
	Net unhedged Trade	**22,776.94**	**24,976.08**	**(2,199.14)**

Conclusion: The difference between receivables and payables is after including for orders in hand and hedges in place. The net unhedged position is at optimum level, as the Company enjoys a natural hedge.

Explanation for b) in respect of Short term receivables and payables existing as on balance sheet date (6 to 8)

6. Includes Rs. 866.85 million Short term fixed deposits and balance in foreign currency account and Rs. 411.32 million advance payment to vendors and Rs. 76.31 million receivable against claims.

7. Includes Rs. 2,577.38 million ECB and Rs. 992.06 million PCFC.

8. Includes Rs. 846.92 million for Advance received from customers for future shipments and Rs. 254.38 million for claims payable.

Explanation for c) in respect of Long term receivables and payables existing as on balance sheet date (9 to 11)

9. Rs. 76.31 million represents receivable against claims.
10. Rs. 7,631.25 million represents foreign currency convertible bonds, Rs. 5,174.14 million represents foreign currency ECB loan.
11. Rs. 2,417.44 million represents claims payable.

Explanation for d) in respect of other derivative Hedge instruments (12)

**12. Other Hedge instruments

- Interest Rate Swap: Rs. 4,578.75 million (Equivalent to US$ 90.00 million) floating to fixed for ECB loan for partially mitigating interest rate volatility.
- Cross Currency Swap: Rs. 1,000.00 million (Equivalent to US$ 20.12 million) conversion of long term rupee loan into foreign currency loan on notional principal basis. This results into conversion of high cost rupee loan into cost effective LIBOR based foreign currency loan.
- Coupon Only Swap: Rs. 5,000.00 million (Equivalent to US$ 107.28 million) conversion of long term rupee loan into foreign currency loan on notional principal basis. This results into conversion of high cost rupee loan into cost effective LIBOR based foreign currency loan.

Cautionary Statement

Some of the statements in this Management Discussions and Analysis, describing the projections, estimates and expectations may be forward looking statements within the meaning of the applicable laws and regulations. Actual results may differ substantially from those expressed or implied. Important developments that could affect Welspun's operations include a shift in the industry structure, significant changes in political and economic environment in India and globally, tax laws, import duties, litigations and labour relations.

Excellence ….. Hand-in-hand with Sustainability

Act responsibly today so that future generations may enjoy a better tomorrow. It is with this vision that we have launched initiatives like **Welspun Vidya Mandir, Light of Life Trust, Project Anando, Mission Mangalam Scheme**, to name a few. So along with our own advancement, we help the world achieve all-round economic, environmental and social progress.

CATALYSING CHANGE

There are two important social cornerstones to Welspun's corporate philosophy – a strong commitment to wider, all round social progress, and to a sustainable development that balances the needs of the present with those of the future.

Our vision has been enshrined in the three E's which have become the Guiding Principles of our CSR initiatives Education, Empowerment & Health, and Environment, which in actual terms, has manifested itself in the Welspun Foundation for Health and Knowledge (WFHK).

The Foundation is an essential part of our organisation, and is active wherever we have a business presence. Through it we engage with local stakeholders, and in a process that is both consultative and collaborative, we have taken up a range of innovative programmes in the spheres of health, education, environment, as well as cultural and civic projects over the last few years.

In most of our project centers we have successfully managed to integrate with the local communities and develop mutually beneficial relationships with them.

During FY 2011 12, we took up a number of programmes in key economic, environmental and social spheres.

Education

Welspun is dedicated to improving and enhancing the quality of education thus equipping the children of today to become the leaders of tomorrow. We work closely with the government and non profit organisations to provide quality education to 3,000 tribal, rural and urban children. Some of our key initiatives are:

a. **Naandi Foundation:** (Quality Education Programme at Primary School level) Mumbai Welspun Foundation for Health and Knowledge has joined hands with Naandi Foundation in a project that covers six Municipal Corporation of Greater Mumbai (MCGM) schools in Mumbai. With our financial support, Naandi Foundation reaches out to 700 school children and provides them with quality education.

b. **Light of Life Trust: Project Anando:** (Quality Education at Secondary School Level) Salav, Alibaug, Maharashtra. This initiative aims to provide quality education to underprivileged children at Salav and Alibaug. The Light of Life Trust, in association with Welspun, supports close to 100 rural/ tribal children at Salav and Alibaug.

Livelihood Generation

Welspun has given importance to equipping youth with the skills that will help them to earn a livelihood. The focus is on helping the youth from neighbouring communities get trained for better livelihood options that will accelerate economic and social development.

a. **Jeevan Asha Computer Training Centre**

Salav, Alibaug, Maharashtra

Welspun has recently launched a computer training centre in Alibaug as part of its livelihood generation programme. The centre runs in collaboration with the Light of Life Trust.

In the current academic year, approximately 200 students from rural /tribal underprivileged families will be trained in basic computer courses to ensure employability. The course is designed to equip the candidates with computer skills. It also emphasises learning of other soft skills and English language skills to boost a candidate's employment potential in today's competitive job market.

Empowerment and Health

Anjar, Kutch – Gujarat and Salav – Maharashtra

a. **Anti-Tobacco and Health Project**

Welspun initiated an Anti Tobacco and health campaign in Alibaug government schools. This project was in collaboration with Salaam Bombay Foundation and disseminates information and creates awareness about the ill effects of tobacco through active teacher participation. The project reaches out to 33 Schools, 53 Teachers, 7 Cluster coordinators and 5 block authorities. Various activities have been held such as teacher's training workshops, student's leadership development camps and Anganwadi workers training sessions.

b. **Health Care**

Dahej

Welspun organised a free Health Camp at Jolwa Primary School, Jolwa. The Camp was inaugurated by Mr. Sulemanbhai (Sarpanch, Jolwa village) and Mr. Ghanshyambhai (Sarpanch of Vadadala village) with Welspun volunteers and participants in attendance.

The camp was the first of its kind in the locality. Doctors from the leading hospital Bharuch Global Hospital volunteered to offer their medical expertise and service. The event was welcomed by local villagers. Around 170 adults, including mothers with children, were screened and diagnosed for various health ailments.

c. **Mobile Health Van**

Mumbai

Welspun, in collaboration with the Wockhardt Foundation, launched a mobile health unit to reach out to five underprivileged neighbouring communities in Mumbai. About 1,100 people have benefited from the facilities provided by this van. The emphasis is on the health of the mother and child. Regular awareness workshops are also carried out in these communities as part of preventive health care education.

d. **Blood Donation Camp**

Welspun HO, Mumbai

Welspun took a small step towards saving lives when it organised a blood donation camp at HO in collaboration with Tata Memorial Hospital.

Altogether 123 people donated blood and 93 units were collected. As a token of appreciation, participating employees were given donor cards from Tata Memorial Hospital which can be used by the donor or their immediate family to get blood from Tata Memorial Hospital or any other blood bank in times of emergency.

e. **Women Empowerment Initiative**

Varsamedi, Anjar

Welspun pioneered Mission Mangalam Scheme with the Gujarat Government. Currently there are three Sakhi Swarnim Centers being run in Varsamedi, Dudhai and Bhadreshwar. This initiative widens their livelihood options by building capacities and providing training to rural women. Approximately 250 women have been trained under this scheme. All of them are engaged in livelihood activity which has enhanced their esteem, confidence and most importantly the family's economic standards.

Approximately 700 rural women are being empowered. The same project will be replicated in other potential villages in collaboration with the Gujarat Government.

Charitable Donations

- Donation of bed sheets and curtains to REAP organisation and the Light of Life Trust.
- School stationery donated by Welspun employees and distributed to students from the Vatsalya Foundation.

Employee Voluntary Programme

Special emphasis is being given on employee participation in the various schemes. An employee voluntary workshop was organised at Salav where 20 employees discussed the plan of action for the voluntary initiatives.

Community Development

a. **Sanitation Project**

Kharapasvariya, Gujarat

Sanitation work was undertaken at Kharapasvariya village as part of a health drive. Welspun supported the event by providing gutter covers and road widening repair work to enhance cleanliness and hygienic conditions. The villagers were overwhelmed when they were selected to receive an Award and Certificate from the Chief Minister of Gujarat for cleanliness and overall hygiene.

Other Activities

a. **CSR Expression**

Welspun HO, Mumbai

To portray the various Welspun CSR projects at different locations a special event "Welspun CSR Expression", was organised at the Head Office. It was held on the eve of Teachers' Day, and the focus was to capture the essence of the core objectives of the company's CSR initiatives.

NGOs such as Salaam Bombay Foundation, Light of Life Trust and Naandi Foundation, which had worked in collaboration with Welspun CSR teams at Salav and Anjar, participated in the programme by organising exhibitions. They also made a presentation of their activities to Mrs. Dipali Goenka, Managing Director, WGBL, the Senior Management and other Welspun employees.

b. **Welspun's Christmas Get Together Party**

Welspun organised a Christmas Get Together Party for 120 children from Welspun supported NGO's. Welspun employee volunteers organised games for the children.

FINANCIAL SECTION

Consolidated Accounts

Standalone Accounts

AUDITORS' REPORT

To
The Board of Directors
Welspun Corp Limited

1) We have audited the attached Consolidated Balance Sheet of **Welspun Corp Limited ("the Company")** and its subsidiaries, associates and joint venture Companies (Collectively referred to as **"the Group"**) as at 31 March 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

3) (a) The financial statements/consolidated financial statements of subsidiaries and joint ventues, with total assets of Rs. 48,706 million as at 31 March 2012 and total revenues of Rs. 38,284 million for the year ended on that date, have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us, and in our opinion, in so far it relates to the amounts included in respect of those subsidiaries and joint ventures are based solely on the report of the other auditors.

   (b) The financial statements of two subsidiaries with total assets of Rs. 0.2 million as at 31 March 2012 and total revenues of Rs. Nil for the year ended on that date have been consolidated based on the management estimates and therefore unaudited.

   (c) The financial statements of two joint ventures have been consolidated based on the management estimates and therefore unaudited. The total assets and total revenue considered for consolidation is Rs. 2,995 million and Rs. 365 million respectively.

   (d) The financial statements/consolidated financial statements of two associates have been consolidated based on the management estimates and therefore unaudited. The profit of such associates considered for consolidation is Rs. 14 million.

4) We report that Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standard (AS) 21 "Consolidated Financial Statements" and AS 23 "Accounting for Investments in Associates in the Consolidated Financial statements" and AS 27 "Financial Reporting of Interests in Joint Ventures", as notified by the Companies (Accounting Standards) Rules, 2006.

5) Based on our audit as aforesaid, and on the consideration of reports of other auditors on the separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :

   (a) In case of Consolidated Balance Sheet, of the State of Affairs of the Group as at 31 March, 2012;

   (b) In case of Consolidated Statement of Profit and Loss, of the Profit of the Group for the year ended on that date; and

   (c) In the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

For **MGB & Co**
Chartered Accountants
Firm Registration Number 101169W

Jeenendra Bhandari
Partner
Membership Number 105077

Mumbai, 29 May 2012

Consolidated Balance Sheet as at 31 March

(Rs. in million)

	Notes	2012	2011
Equity and Liabilities			
Shareholders' funds			
Share capital	2	1,138 91	1,023 34
Reserves and surplus	3	40,116 76	32,711 99
		41,255.67	**33,735.33**
Compulsorily convertible debentures (Unsecured) [Refer Note 2(F)]		7,883 75	
Minority interest		3,432 73	2,023 56
Foreign currency monetary item translation difference account			65 14
Non current liabilities			
Long term borrowings	4	39,714 21	32,620 46
Deferred tax liabilities (net)	5	4,970 13	4,344 08
Other long term liabi ities	6	3,405 39	1,819 06
Long term provisions	7	244 22	116 63
		48,333.94	**38,900.23**
Current liabilities			
Short term borrowings	8	7,773 27	4,322 81
Trade payables	9	32,923 01	15,851 70
Other current liabilities	10	14,885 24	12,635 00
Short term provisions	11	1,740 61	1,964 95
		57,322.13	**34,774.46**
	Total	**158,228.22**	**109,498.72**
Assets			
Non current assets			
Fixed assets	12		
Tangible assets		52,585 39	35,928 02
Intangible assets		276 95	345 94
Bu ld,Operate and Transfer (BOT)		4,571 85	4,598 35
Goodwill on conso idation		9,887 86	858 71
Capital work in progress		6,190 89	7,772 41
Non current investments	13	354 62	38 57
Long term loans and advances	14	5,060 53	2,936 01
Other non current assets	15	357 06	25 37
		79,285.15	**52,503.39**
Foreign currency monetary item translation difference account		322 97	
Current assets			
Current investments	16	19,430 62	14,366 43
Inventories	17	25,826 65	18,478 51
Trade receivables	18	15,259 93	12,892 82
Cash and bank balances	19	10,255 37	7,508 49
Short term loans and advances	20	5,809 50	2,918 30
Other current assets	21	2,038 03	830 78
		78,620.10	**56,995.33**
	Total	**158,228.22**	**109,498.72**

Notes forming part of the consolidated financial statements 1 45

As per our attached report of even date | **For and on behalf of the Board**

For **MGB & Co.**
Chartered Accountants
Firm Registration Number 101169W

B.K.Goenka
Executive Chairman

R.R.Mandawewala
Director

Jeenendra Bhandari
Partner
Membership Number 105077

Braja Mishra
Managing Director

B.R.Jaju
Chief Financial Officer

Mumbai
29 May 2012

Pradeep Joshi
Company Secretary

Consolidated Statement of Profit and Loss for the Year ended 31 March

(Rs. in million)

	Notes	2012	2011
Revenue			
Revenue from operations (gross)	22	93,447 32	82,847 82
Less: Excise duty		3,681 56	2,627 07
Revenue from operations (net)		**89,765.76**	**80,220.75**
Other income	23	2,675 84	1,139 45
	Total	**92,441.60**	**81,360.20**
Expenditure			
Cost of materials consumed	24	61,247 38	47,979 34
Purchases of traded goods	25	378 37	457 60
Changes in inventories of finished goods, work / goods in process	26	(2,714 65)	1,615 72
Employee benefits expense	27	4,875 68	3,908 78
Other expenses	28	17,408 42	13,614 72
		81,195.20	**67,576.17**
Profit before finance costs, depreciation / amortization and tax		**11,246.40**	**13,784.02**
Less :			
Depreciation and amortization expense	12	3,515 23	2,439 47
Finance costs	29	3,999 24	2,240 27
Profit before tax		**3,731.92**	**9,104.29**
Less : Tax expense			
Current tax Current year		1,224 61	1,941 44
Earlier years		31 45	0 05
MAT credit entitlement		(44 91)	
Deferred tax		291 62	929 83
Profit After Tax before Minority Interest and Share of results of Associates		**2,229.15**	**6,232.96**
Share of Profit / (Loss) from Associates		14 38	(2 72)
Minority Interest		141 90	100 01
Profit after tax		**2,385.43**	**6,330.25**
Earnings per share of Rs 5 each fully paid up (in Rs)	40		
Basic		10 89	30 95
Diluted		9 71	28 66

Notes forming part of the consolidated financial statements 1 45

As per our attached report of even date | **For and on behalf of the Board**

For **MGB & Co.**
Chartered Accountants
Firm Registration Number 101169W

B.K.Goenka
Executive Chairman

R.R.Mandawewala
Director

Jeenendra Bhandari
Partner
Membership Number 105077

Braja Mishra
Managing Director

B.R.Jaju
Chief Financial Officer

Mumbai
29 May 2012

Pradeep Joshi
Company Secretary

Note 1 Corporate Information

Welspun Corp Limited (hereinafter referred to as "the Parent Company" or "the Company") together with its subsidiaries, associates and joint ventures (collectively referred to as "the Group") are engaged in the business of Production and coating of High grade Submerged Arc Welded Pipes, Hot Rolled Steel Plates and Coils, Gas based Sponge Iron (Direct Reduced Iron DRI and Hot Briquetted Iron HBI), Infrastructure, Oil and Gas exploration, Energy and Power Generation.

Significant Accounting Policies

I. Basis of Consolidation

a) The Consolidated Financial Statements (CFS) of the group are prepared under the historical cost convention on accrual basis in accordance with the Generally Accepted Accounting Principles in India and Accounting Standard 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI), to the extent possible in the same manner that adopted by the Parent Company for its separate financial statements by regrouping, recasting or rearranging figures wherever considered necessary.

b) The consolidation of the financial statements of the parent company and its subsidiaries is done on a line by line basis by adding together like items of assets, liabilities, income and expenses. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Group Financial Statements. All significant inter group transactions, unrealized inter company profits and balances have been eliminated in the process of consolidation. Minority interest in subsidiaries represents the minority shareholders proportionate share of the net assets and net income.

c) CFS are prepared to the extent possible using uniform accounting policies for transactions and other events in similar circumstances except for policy differences for which no adjustments made in the accounts are disclosed as under :

i) In case of three subsidiaries, the liability on account of retirement benefits is provided on estimated basis as per local law instead of actuarial basis.The liability represents 11.73 % of the total employee benefits liability of the group as at the year end.

ii) In case of a subsidiary,inventories are valued on first in first out (FIFO) basis.Such inventory represents 0.80% of total inventories of the group as at the year end.

iii) In case of a subsidiary, tangible fixed assets are depreciated on written down value method representing 0.58% of total fixed assets of the group as at the year end.

iv) In case of a subsidiary, ancillary cost for arrangement of borrowings are amortised over the period of borrowings instead of expensed when incurred. Unamortised balance as at 31 March 2012 is Rs. 25.03 million.

d) The CFS includes the Financial Statements of the Parent Company and the subsidiaries (as listed in the table below). Subsidiaries are consolidated from the date on which effective control is acquired and are excluded from the date of transfer / disposal.

Notes forming part of the Consolidated Financial Statements

Name of the Subsidiaries	Nature of Business	Country of Incorporation	Extent of Holding
Direct Subsidiaries			
Welspun Pipes Limited	Manufacturer of Steel Pipes	India	100% (100%)
Welspun Natural Resources Private Limited	Oil and Gas Exploration	India	100% (100%)
Welspun Pipes Inc	SPV for Steel Pipes Business	USA	100% (100%)
Welspun Tradings Limited	Trading in Steel Products	India	100% (100%)
Welspun Infratech Limited	Infrastructure Development	India	100% (100%)
Welspun Constructions Private Limited (upto 21 March 2012)	SPV for Steel Pipe Business	India	(100%)
Welspun Mauritius Holdings Limited	SPV for Steel Pipes Business	Mauritius	89 98% (88 11%)
Welspun Maxsteel Limited (w e f 13 August 2011)	Manufacturer of Sponge Iron	India	87 35% (NA)
Indirect Subsidiaries			
Held through Welspun Mauritius Holdings Limited			
Welspun Middle East Pipes Company LLC	Manufacturer of Steel Pipes	Kingdom of Saudi Arabia	50 01% (50 01%)
Welspun Middle East Pipes Coating Company LLC	Coating of Pipes	Kingdom of Saudi Arabia	50 01% (50 01%)
Welspun Middle East DMCC	Marketing Company	Dubai, UAE	100% (100%)
Held through Welspun Pipes Inc.			
Welspun Tubular LLC	Manufacturer of Steel Pipes	USA	100% (100%)
Welspun Global Trade LLC	Marketing Company	USA	100% (100%)
Held through Welspun Natural Resources Private Limited			
Welspun Plastics Private Limited	Oil and Gas Exploration	India	100% (100%)
Held through Welspun Infratech Limited			
Welspun Projects Limited	Infrastructure Development	India	61 12% (61 12%)
Welspun Road Projects Private Limited	Infrastructure Development	India	100% (100%)
Welspun Infra Projects Private Limited	Infrastructure Development	India	60% (60%)
ARSS Bus Terminal Private Limited (w e f 3 August 2011)	Infrastructure Development	India	45% (NA)
Held through Welspun Projects Limited			
MSK Projects (Himmatnagar Bypass) Private Limited	Infrastructure Development	India	100% (100%)
MSK Projects (Kim Mandavi Corridor) Private Limited	Infrastructure Development	India	100% (100%)
Welspun BOT Projects Private Limited (w e f 12 April 2011)	Infrastructure Development	India	100% (NA)
Anjar Road Private Limited (w e f 16 March 2012)	Infrastructure Development	India	100% (NA)
Welspun Energy Maharashtra Private Ltd (upto 5 June 2011)	Infrastructure Development	India	(51%)
Held through Welspun Infra Projects Limited			
Welspun Water Infrastructure Private Limited	Infrastructure Development	India	100% (100%)
Welspun Energy Transportation Private Limited	Infrastructure Development	India	100% (100%)

e) Associates

The Group has adopted and accounted for Investment in the following Associates in this CFS using the "Equity Method" as per AS 23 issued by ICAI.

Name of the Company	Nature of Business	Country of Incorporation	Extent of Holding
Red Lebondal Limited	SPV for Steel Pipe Marketing	Cyprus	25% (25%)
Welspun Energy Limited *	Power Generation	India	26% (26%)

*Direct and Indirect subsidiaries of Welspun Energy Limited (an associate company): Welspun Energy Madhya Pradesh Limited, Welspun Energy Anuppur Private Limited, Welspun Energy UP Private Limited, Welspun Urja India Limited, Welspun Energy Chhattisgarh Limited, Welspun Renewable Energy Limited, Welspun Urja Gujarat Private Limited, Welspun Energy Meghalaya Private Limited, Welspun Energy Jharkhand Private Limited, Welspun Energy Orissa Private Limited, Welspun Energy Resources Private Limited, Welspun Solar Park Private Limited, Welspun Energy Park Private Limited, Welspun Solar Tech Private Limited , Welspun Energy Maharashtra Private Limited, Welspun Energy Rajasthan Private Limited , Solarsys Renewable Energy Private Limited, Welspun Solar Madhya Pradesh Private Limited, Welspun Solar Rajasthan Private Limited, Welspun Solar Punjab Private Limited, Welspun Solar UP Private Limited, Welspun Solar AP Private Limited, Unity Power Private Limited, Northwest Energy Private Limited, Dreisatz Mysolar24 Private Limited.

f) Joint Ventures

The Group has adopted and accounted for interest in the following Joint Ventures in this CFS, using the "Proportionate Consolidation Method" as per AS 27 issued by ICAI.

Name of the Enterprise	Nature of Business	Country of Incorporation	Extent of Holding
Direct Joint Venture			
Dahej Infrastructure Private Limited	Development of Jetty	India	50% (50%)
Indirect Joint Ventures			
Held through Welspun Natural Resources Private Limited			
Adani Welspun Exploration Limited	Oil and Gas Exploration	India	35% (35%)
Held through Welspun Infra Projects Private Limited			
Leighton Welspun Contractors Private Limited (w e f 28 April 2011)	Infrastructure Development	India	35% (NA)
Held through Welspun Projects Limited			
Dewas Bhopal Corridor Limited	Infrastructure Development	India	50% (50%)
Bul MSK Infrastructure Private Limited	Infrastructure Development	India	50% (50%)

g) Use of Estimates

The preparation of Financial Statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities disclosure of Contingent liabilities as at the date of the financial statements and the reported amount of revenue and expenses of the year. Actual results could differ from those estimates. Any revision to such accounting estimate is recognized prospectively in current and future periods.

II. Tangible and intangible assets

a) Tangible fixed assets are stated at original cost of acquisition / installation (net of Cenvat credit availed) net off accumulated depreciation, amortization and impairment losses except freehold land which is carried at cost. The cost of fixed assets includes cost of acquisition, construction and installation, taxes, duties, freight, other incidental expenses related to the acquisition, trial run expenses (net of revenue) and borrowing cost incurred during pre operational period.

b) Capital Work In Progress comprises cost of fixed assets and related expenses that are not yet ready for their intended use at the reporting date. In case of a Joint venture related to oil and gas business, expenditure related to and incurred during the exploration period are included under "Capital Work In Progress" and in case of discovery, the same will be allocated/ transferred to the respective producing properties. However, in case there is no discovery, expenditure incurred for the exploration work will be charged to revenue.

c) Build, Operate and Transfer Project Expenditure Project Roads pertains to the costs incurred by the group for construction of roads under the concession agreement entered into between the company and the respective Authority. These agreements encompass the construction, operation and maintenance of the highway on a Build, Operate and Transfer basis.

d) Intangible assets acquired are measured on initial recognition at cost. Intangible assets are carried at cost less accumulated amortization and impairment loss, if any.

e) Goodwill arising out of acquisition is amortized over a period of three years from the year of acquisition. No part of goodwill arising on consolidation is amortised.

III. Borrowing Costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of cost of such assets. All other borrowing costs are charged to revenue.

IV. Impairment of Tangible and Intangible Assets

At each Balance Sheet date, the Group reviews the carrying amount of fixed assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss. The recoverable amount is higher of the net selling price and value in use, determined by discounting the estimated future cash flows expected from the continuing use of the asset to their present value.

V. Depreciation / Amortization on tangible and intangible assets.

a) Depreciation on tangible fixed assets is provided on straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except for certain Plant and Machinery which are depreciated on the basis of estimated useful lives of 13 15 years. During the year, the company has revised useful life of computers and mobile phone (office equipments) to 4 years and 3 years respectively. The rates of depreciation derived from these estimated useful lives are higher than those prescribed in Schedule XIV to the Companies Act, 1956 [Refer note 12 (9)].

b) For determining the appropriate rate of depreciation on Plant and Machinery, continuous process plant has been identified on the basis of technical opinion by the Group / Expert.

c) Intangible assets are amortized on a straight line basis over the economic useful life estimated by the management.

d) Leasehold improvements are amortized over the period of lease.

VI. Investments

Investments intended to be held for more than a year, from the date of acquisition, are classified as long term and are stated at cost. Provision for diminution in value of long term investments is made to recognize a decline other than temporary in nature. Current Investments are stated at cost or fair value, whichever is lower.

VII. Revenue Recognition

a) Revenue from sale of goods is recognized on transfer of significant risks and rewards of ownership to the customers, which is generally on dispatch of goods. Export Sales are accounted for on the basis of date of bill of lading. Gross Sales include excise duty and adjustments for price variations.

b) Export benefits: Duty Entitlement Pass Book (DEPB), Focus Market and Focus Product Scheme are accounted on accrual basis. Target plus /Duty Free Entitlement Certificate scheme of EXIM policy are recognized when utilized.

c) Revenue from Services is recognized when the services are completed.

d) Dividend income is recognized when the right to receive the dividend is established.

e) Interest income is recognized on a time proportion basis taking into account outstanding amount and the applicable interest rate.

f) Revenue Recognition Infrastructure business

A) Revenue from Engineering, Procurement and Construction (EPC) Contracts

i) When the outcome of the construction contract can be estimated reliably contract revenue and contract cost associated with the construction contract are recognised as revenue and expense respectively by reference to the stage of completion of the contract activity at the reporting date. The stage of completion of the contract is the proportion that the contract cost incurred for the work performed up to the reporting date bears to the estimated total contract cost. An expected loss on a construction contract is recognised as an expense immediately.

ii) Determination of revenue under the percentage of completion method necessarily involves making estimates by the Company, some of which are of a technical nature, concerning, where relevant, the percentages of completion, costs to completion, the expected revenues from the project/activity and the foreseeable losses to completion.

iii) A variation is included in contract revenue when it is probable that the customer will approve the variation and amount can be measured reliably.

iv) A claim is included in contract revenue when negotiations with customer have reached an advance stage such that it is probable that the customer will accept the claim and amount can be measured reliably.

v) Unbilled costs are carried as construction work in progress which includes installation at sites and enabling works and is valued at cost.

B) Revenue from Toll Collection

Toll revenue from operations of project toll roads is recognised on the basis of actual toll collection.

C) Advances and Progress Payments and Retention

i. Advances received from customers in respect of contracts are treated as liability.

ii. Progress payments received are adjusted against receivables from customers in respect of the contract work performed.

iii. Amount(s) retained by the customers until the satisfactory completion of the contract are recognized in the financial statement as receivables. Where such retention has been released by the customers against submission of bank guarantee the amount so released is adjusted against receivables from the customers and value of Bank guarantees is disclosed as contingent liability under bank guarantees outstanding.

VIII. Inventories

Inventories are valued at lower of cost and net realizable value. The basis of determining cost for various categories of inventories is as follows

A) Steel Products Business

i) Raw Materials, Stores and Spares   Moving weighted average basis.

ii) Goods in Process and Finished Goods   Cost of Direct Material, Labour and other manufacturing expenses.

iii) Excise duty liability is included in the valuation of closing inventory of Finished Goods.

B) Infrastructure Business

i) Raw Materials is valued on First in First out (FIFO) basis. [Refer Note 1, I (c)]

ii) Contract Work in progress is valued at tender rate having regards to unbilled work, outstanding running bills and expected recovery thereof.

iii) Stores and spares are written off in the year of purchase.

IX. Foreign Currency Transactions

A) Accounting of Transactions

i) Foreign exchange transactions are accounted at the exchange rate prevailing on the date of such transactions. Current monetary assets and liabilities are translated at the exchange rate prevailing at the reporting date. Non monetary items are carried at cost.

ii) Gains or losses arising on remittance / translations at the year end are credited / debited to the statement of profit and loss except treatment as per amendment to AS 11 effective till 31 March 2020 [Refer Note 31(b)].

iii) Premium / discount on derivative contracts not relating to firm commitments or highly probable forecasted transactions and not intended for trading or speculation purpose is amortized as income or expense over the life of the contract.

B) Translation and Exchange Rates

Financial statements of overseas non integral operations are translated as under:

i. Assets and Liabilities are translated at the exchange rate prevailing at the end of the year. Depreciation at the same rate at which assets are converted.

ii. Revenues and expenses at yearly average rates (except inventories at opening / closing rates as the case may be). Off Balance Sheet items at year end rates.

iii. Exchange differences arising on translation of non integral foreign operations are accumulated in the Foreign Currency Translation Reserve until the disposal of such operations.

C) Derivative Instruments and Hedge Accounting

The Group uses foreign currency forward contracts to hedge its risk associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Group designates these hedging instruments as cash flow hedges and applying the recognition and measurement principles set out in Accounting Standard 30 "Financial Instruments: Recognition and Measurement" (AS 30). The gain or loss on the effective hedges is recorded in "Hedging Reserve Account" until the transaction is complete. The gain or loss is accounted in statement of Profit and Loss upon completion of the transaction or when the hedge instrument expires or terminates or ceases to qualify for hedge accounting.

X. Employee Benefits

a) Short term employee benefits are recognized as an expense at the undiscounted amount in the statement of Profit and Loss of the year in which the related services are rendered.

b) Post employment and other long term benefits are recognized as an expense in the statement of profit and loss of the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques except in case of few overseas subsidiaries,liability for leave encashment and gratuity is provided on estimated basis. Actuarial gains and losses in respect of post employment and other long term benefits recognized in the statement of profit and loss.In case of three subsidiaries, the liability on account of retirement benefits is provided on estimated basis.[Refer Note 1, I (c) (i)]

c) Payments to defined contribution retirement benefit schemes are charged as an expense as and when they fall due.

XI. Employee Stock Options Scheme

In respect of employee stock options granted pursuant to the Company's Stock Option Scheme, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation cost over the vesting period.

XII. Accounting for Taxes on Income

a) Current income tax is calculated on the results of individual companies in accordance with local tax regulations.

b) Deferred tax is recognized subject to consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and measured using prevailing enacted or substantively enacted tax rates.

XIII. Leases

a) **Finance Lease**

Assets acquired under finance lease are capitalised and the corresponding lease liability is recognized at lower of the fair value of the leased assets and the present value of minimum lease payments at the inception of the lease. Intial costs directly attributable to lease are recognized with the asset under lease.

b) **Operating Lease**

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments/revenue under operating leases are recognized as an expense/income on accrual basis in accordance with the respective lease agreements.

XIV. Government grants and subsidies Infrastructure business

Grants and subsidies from the government are recognized when there is reasonable assurance that (a) the Company will comply with the conditions attached to them, and (b) the grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognized as income on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs, which they are intended to compensate. Where the grant relates to an asset, it is reduced from the cost of the asset. Grants which are given as equity support are disclosed as promoter contribution under the head Capital Reserve.

XV. Provisions, contingent liabilities and contingent assets

a) Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events. A provision is made when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and in respect of which a reliable estimate can be made. Provision is not discounted and is determined based on best estimate required to settle the obligation at the year end date.

b) Contingent Assets are not recognized or disclosed in the financial statements.

XVI. Earnings per share

Basic earnings per share is computed and disclosed using the weighted average number of equity shares outstanding during the year. Dilutive earnings per share is computed and disclosed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year, except when the results would be anti dilutive.

(Rs. in million)

	2012	2011
2.Share Capital		
Authorised		
304,000,000 (304,000,000) Equity Shares of Rs 5/ each	1,520 00	1,520 00
98,000,000 (98,000,000) Preference Shares of Rs 10/ each	980 00	980 00
Total	**2,500.00**	**2,500.00**
Issued, subscribed and fully paid up		
227,781,035 (204,668,910) Equity Shares of Rs 5/ each fully paid up	1,138 91	1,023 34
Total	**1,138.91**	**1,023.34**

a) Reconciliation of the number of shares outstanding

	2012		2011	
	Number of Equity Shares	Rs. millions	Number of Equity Shares	Rs. millions
At the beginning of the year	204,668,910	1,023 34	204,322,410	1,021 61
By way of Global Depository Receipts (GDR)	23,026,000	115 13		
Equity Shares allotted on exercise of Employee Stock Option	86,125	0 43	346,500	1 73
Outstanding at the end of the year	**227,781,035**	**1,138.91**	**204,668,910**	**1,023.34**

b) Terms / right attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 5 per share. Each holder of equity shares is entitled to one vote per share, however the holders of global depository receipts (GDR's) do not have voting rights in respect of shares represented by the GDR's till the shares are held by the custodian (Refer note 2 (e)). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of the equity shares will be entitled to receive remaining assets of the company, after distribution of preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Shareholders holding more than 5% shares of the company

Name of Shareholder	2012		2011	
	Number of Equity Shares	%	Number of Equity Shares	%
J P Morgan Chase Bank, NA ADR Account (Custodian and against which GDR have been issued to Insight Solutions Limited)	23,026,000	10 11		
Life Insurance Corporation of India Limited and its Schemes	19,277,980	8 46		
Welspun Wintex Limited	13,336,576	5 85	13,189,576	6 44
Welspun Mercantile Limited	12,377,701	5 43	12,157,701	5 94
Welspun Fin trade Limited	15,148,340	6 65	14,481,444	7 08
Krishiraj Trading Limited	26,805,403	11 77	25,630,600	12 52

Notes forming part of the Consolidated Financial Statements

d) Employee Stock Options Scheme

In respect of options granted under the Welspun Employee Stock Options Scheme, in accordance with the guidelines issued by Securities and Exchange Board of India, the value of options (based on intrinsic value of the share on the date of the grant of the option) is accounted as deferred employee compensation, which is amortized on a straight line basis over the vesting period. Employee benefits expense include credit of Rs.1.51 million (Rs. 0.56 million) being amortization of deferred employee compensation.

During the year, 78,250 equity shares and 7,875 equity shares of Rs. 5 each fully paid up were issued at a price of Rs. 80.00 and Rs. 66.75 each respectively. Discount allowed aggregating to Rs. 2.27 million (Rs. 9.24 million) in respect of shares allotted pursuant to the Employee Stock Options Scheme is credited to Securities Premium as per guidelines of Securities and Exchange Board of India.

	Granted during 2006 07	Granted during 2009 10
Exercise Price	Rs 80 00	Rs 66 75
Date of Grant	8 January 2007	20 April 2009
Vesting period commences on	8 January 2008	20 April 2010
Options outstanding at the beginning of the year	523,250	40,750
Options exercised during the year	78,250	7,875
Options lapsed during the year	69,750	
Options Outstanding as at 31 March 2012	375,250	32,875

e) Global Depository Receipts

During the year, the Company has raised US$ 115.00 million (Equivalent INR 5,180.85 million) by way of issue of 23,026,000 equity shares of Rs 5 each fully paid up at a premium of Rs. 220 each (equivalent 23,026 Non Voting Global Depository Receipts each of US$ 4,994.45 each representing 1000 Equity Shares of par value of Rs.5 each). The entire proceeds have been invested in short term securities as at 31 March 2012.

f) Compulsorily Convertible Debentures (CCD)

During the year, the Company has raised US$ 178.01 million (Equivalent INR 7,883.75 million) by way of issue of unsecured, compulsorily convertible debentures. The CCD holders have an option to convert the CCD into 35,038,889 equity shares of Rs. 5 each fully paid up at a conversion price of Rs. 225 per share at anytime during a period of 18 months from the date of issue of the CCD i.e. on or before 17 February 2013. If not already fully converted before 17 February 2013, at the expiry of a period of 18 months from the date of issue of the CCD, the unconverted part of the CCD shall be deemed to be automatically converted into Equity Shares. The CCD carry a coupon of 5% (Five) annually until issue of Equity Shares upon conversion of the CCD.

(Rs. in million)

	2012	2011
3. Reserves and Surplus		
Capital Reserve		
As per Last Balance Sheet	1,057 26	1,057 26
	1,057 26	1,057 26
Capital Reserve on Consolidation	152 90	152 96
Securities Premium Account		
As per Last Balance Sheet	12,332 32	12,330 99
Add/(Less) : Received during the year	5,072 08	25 90
Discount on issue of shares under Employees Stock Option Scheme	2 27	9 24
Premium on redemption of Foreign Currency Convertible Bonds	(45 75)	(33 80)
Utilized towards share issue expenses	(108 17)	
	17,252 74	12,332 32
Debenture Redemption Reserve		
As per Last Balance Sheet	1,107 14	643 75
Add: Appropriated during the year	357 14	463 39
	1,464 29	1,107 14
General Reserve		
As per Last Balance Sheet	1,631 11	1,266 61
Add: Appropriated during the year	65 00	364 50
	1,696 11	1,631 11
Employees Stock Options Outstanding	10 77	14 90
Less : Deferred employee compensation		(0 35)
	10 77	14 55
Hedging Reserve Account [Refer Note 31, (C)]	(178 18)	(54 29)
Foreign Currency Translation Reserve	363 88	4 87
Surplus in the statement of Profit and Loss		
as per last balance sheet	16,466 07	11,439 75
Profit for the year	2,385 43	6,330 25
Less: Appropriations		
General Reserve	65 00	364 50
Debenture Redemption Reserve	357 14	463 39
Proposed Dividend on Equity Shares	113 89	409 34
Tax on Proposed Dividend	18 48	66 40
Dividend on Equity Shares of earlier year		0 25
Tax on Dividend		0 04
Total Appropriations	554 51	1,303 93
Net Surplus in the Statement of Profit and Loss	18,296 99	16,466 07
Total	**40,116.76**	**32,711.99**

Notes forming part of the Consolidated Financial Statements

(Rs. in million)

	Non Current		Current	
	2012	2011	2012	2011
4. Long Term Borrowings				
Secured				
Redeemable Non Convertible Debentures	10,000 00	11,700 00	1,700 00	
Non convertible Bonds City of Little Rocks, Arkansas, Series 2007 A	472 71	431 75	19 76	16 43
External commercial Borrowings	5,174 13	6,789 68	2,577 38	
Term Loans from Banks	13,074 15	5,029 76	1,606 00	1,090 95
Unsecured				
Foreign Currency Convertible Bonds	7,631 25	6,689 25		
Term Loans from Banks	88 08			
Finance lease obligations		0 59		2 44
Inter corporate Deposit	2,690 72	1,929 35		
Deferred Sales Tax Loan	583 17	50 08	16 69	16 69
Total	**39,714.21**	**32,620.46**	**5,919.83**	**1,126.50**

a) Redeemable non convertible debentures

Number of debentures	Face value (Rs.)	Redemption date	Rate of interest (p.a.)	Amount (Rs. in million)
1250	1,000,000	28 Nov 12	10 50%	1,250
450	1,000,000	30 Dec 12	10 40%	450
5000	1,000,000	3 Aug 25	9 55%	5,000
5000	1,000,000	28 Sep 25	9 55%	5,000
			Total	**11,700**

b) External Commercial Borrowings (ECB) comprises of USD 140 mil ion (USD 140 mil ion) and JPY 1015 20 mil ion (JPY 1015 20 million) The loan carries Interest of LIBOR plus 1 25%

The loan is repayable as follows:

Date of repayment	USD (million)	Amount (Rs. in million)	JPY (million)	Amount (Rs. in million)
6 April 2012	46 55	2,368 23	337 55	209 14
6 April 2013	46 55	2,368 23	337 55	209 14
6 April 2014	46 90	2,386 04	340 10	210 72

c) Foreign Currency Convertible Bonds (FCCB)

i) During the financial year 2009 2010, the Company had raised US$ 150 million (Equivalent INR 6,942 million) by way of issue of 1500 4 5% Foreign Currency Convertible Bonds (FCCB) of US$ 100,000 each The Bondholders have an option to convert these bonds into 24,010,000 equity shares of Rs 5 each fully paid up at an initial conversion price of Rs 300 per share with a fixed rate of exchange on conversion of Rs 48 02 = US$ 1 at any time on or after 26 November 2009 until 10 days prior to Maturity date (i e 17 October 2014) Unless previously converted, redeemed or repurchased and cancelled, the Bonds will be redeemed on 17 October 2014 at 102 8028% of the principal amount so as to give a gross yield of 5% per annum (calculated on semi annual basis) to the Bondholders

The Company has an option to redeem the Bonds at their Early Redemption Amount upon occurrence of events specified in the Offering Circular for issue of the Bonds ("Offering Circular") Further, the Company has an option to mandatorily convert the Bonds after three years as specified in the Offering Circular

ii) Premium payable on redemption of FCCB aggregating to Rs 45 75 Million (Rs 33 80 million) has been adjusted against securities premium as per Section 78 of the Companies Act, 1956 In the event, Bond holders exercise the conversion option, the amount of premium utilized from securities premium will be suitably adjusted in respective years

iii) Part of the net proceeds received from the issue of FCCB has been utilized as per objects of the issue viz funding of Plate and Coil Mill, Pipe Mill Capex Projects (Anjar and Mandya) and Investment in overseas subsidiary Pending utilization, the balance issue proceeds of USD 17 04 million equivalent INR 866 91 mi lion (USD 77 41 million equivalent INR 3,452 28 million) have been invested in short term deposits/current account with a Bank abroad and Rs 1 46 million (Rs 2 8 million) lying in current account with a Bank in India

(Rs. in million)

	2012	2011
5. Deferred Tax Liability (Net)		
Deferred Tax Liabilities		
Fiscal allowance on fixed assets	6,198 06	4,829 65
Others	104 79	(21 25)
	6,302 84	4,808 40
Deferred Tax Assets		
Employee Benefits	16 79	15 70
Other Disallowances	651 41	448 63
Unabsorbed fiscal allowances	664 51	
	1,332 72	464 32
Total	**4,970.13**	**4,344.08**
6. Other Long Term Liabilities		
Liability towards claims	2,417 44	1,561 60
Trade advances and deposits	987 95	257 46
Total	**3,405.39**	**1,819.06**
7. Long Term Provisions		
Employee benefits	149 04	67 20
Premium payable on redemption of FCCB	95 18	49 43
Total	**244.22**	**116.63**
8. Short Term Borrowings		
Secured		
Working Capital From Banks		
Foreign currency	992 06	
Rupee	2,460 85	2,355 72
Short term loan from banks		
Foreign currency	1,119 25	1,962 18
Short term loan from other parties	1,200 90	
(Secured against pledge of bonds of Rs 1,200 90 million held as current investment)		
Unsecured		
Short term Loans from Banks	2,000 21	
Other loans		4 90
Total	**7,773.27**	**4,322.81**

(Rs. in million)

	2012	2011
9. Trade Payables		
Acceptances	23,879 69	10,606 76
Others	9,043 32	5,244 94
Total	**32,923.01**	**15,851.70**
10. Other Current Liabilities		
Current maturities of long term borrowings (Refer note 4)	5,919 83	1,124 06
Current maturities of finance lease obligation (Refer note 4)		2 44
Interest accrued but not due on borrowings	906 56	390 22
Unclaimed Dividend	5 20	4 27
Share Application Money pending allotment	52 45	
Other payables		
Creditors for		
Capital goods	175 54	194 73
Expenses	1,183 75	2,374 90
Trade advances and deposits	5,438 49	7,248 93
Statutory dues	804 38	684 75
Liability towards claims	254 38	445 95
Others	144 65	164 75
Total	**14,885.24**	**12,635.00**
11. Short Term Provisions		
Employee benefits	52 08	44 91
Others for		
Proposed equity dividend	113 89	409 34
Tax on proposed equity dividend	18 48	66 40
Litigation	92 65	103 68
Liquidated Damages	572 07	482 56
Mark to Market losses on derivative Contracts	547 00	266 59
Taxation (Net)	344 44	591 46
Total	**1,740.61**	**1,964.95**

Notes forming part of the Consolidated Financial Statements

12 . Fixed Assets

(Rs. in million)

	Gross Block						Depreciation / Amortisation / Impairment							Net Block	
	As at 1 April 2011	Acquired on Acquisition	Additions	Foreign Currency Fluctuations	Deductions	As at 31 March 2012	Up to 1 Apr l 2011	Acquired on Acquisition	For the year	Foreign Currency Fluctuations	Deductions	Impairment Up to 01 Apr l 2011	Up to 31 March 2012	As at 31 March 2012	As at 31 March 2011
a) Tangible Assets															
Land - Freehold	414.52	13.66	9.15	30.03	2.23	465.12	-	-	-	-	-	-	-	465.12	414.52
Land - Leasehold	1,203.81	398.41	514.81	78.55	-	2,195.58	118.75	10.56	64.02	9.00	-	-	202.32	1,993.26	1,085.06
Buildings	6,519.89	238.27	1,578.49	373.11	14.11	8,695.65	650.96	9.82	228.17	20.62	-	0.42	910.00	7,785.66	5,868.50
Plant and Machinery	34,872.23	5,502.43	10,940.00	1,080.30	126.50	52,268.45	7,099.95	846.26	2,795.32	136.80	59.11	41.10	10,860.32	41,407.33	27,731.17
Construction Assets	236.33	-	0.93	-	-	237.26	93.61	-	19.61	-	-	-	113.22	124.04	142.72
Office and other Equipments	641.36	83.36	131.75	43.24	36.74	862.96	198.18	37.31	112.31	11.57	12.87	0.62	347.13	515.83	442.56
Vehicles	316.40	43.54	18.44	5.82	6.38	377.81	181.01	22.47	41.69	1.55	4.21	-	242.51	135.31	135.39
Furniture and Fixtures	162.73	10.83	40.20	5.51	5.96	213.31	54.61	4.36	22.55	1.59	3.15	0.01	79.97	133.34	108.11
Leasehold Improvement	-	21.90	19.47	-	1.14	40.23	-	11.35	4.51	-	1.13	-	14.73	25.50	-
Total (a)	**44,367.26**	**6,312.40**	**13,253.24**	**1,616.56**	**193.07**	**65,356.39**	**8,397.08**	**942.13**	**3,288.18**	**181.12**	**80.46**	**42.16**	**12,770.20**	**52,585.39**	**35,928.02**
b) Intangible Assets															
Goodw ll	120.23	16.70	-	17.07	-	153.99	120.23	7.32	2.23	17.07	-	-	146.84	7.16	-
Goodw ll on Consolidation	858.71	-	9,029.15	-	-	9,887.86	-	-	-	-	-	-	-	9,887.86	858.71
Software	461.76	8.44	16.18	-	0.09	486.29	115.82	6.76	93.92	-	-	-	216.49	269.79	345.94
Build, Operate and Transfer (BOT)	4,758.98	-	122.33	-	-	4,881.31	160.62	-	148.84	-	-	-	309.46	4,571.85	4,598.35
Total (b)	**6,199.67**	**25.14**	**9,167.66**	**17.07**	**0.09**	**15,409.45**	**396.67**	**14.07**	**244.98**	**17.07**	**-**	**-**	**672.79**	**14,736.66**	**5,803.01**
Total (a + b)	**50,566.93**	**6,337.54**	**22,420.90**	**1,633.62**	**193.16**	**80,765.84**	**8,793.74**	**956.20**	**3,533.16**	**198.19**	**80.46**	**42.16**	**13,442.99**	**67,322.05**	**41,731.02**
Previous Year	38,801.34	5,959.18	7,120.45	(939.21)	374.82	50,566.93	5,846.75	525.00	2,464.02	(8.21)	33.82	42.16	8,835.90	41,731.02	
Capital Work in Progress														**6,190.89**	**7,772.41**

Notes :

1) Deprec ation or the year nc udes Rs 17 93 m o n (Rs. 24 55 m on) transferred to Pre operative expenses.
2) Gross b ock of P ant and Mach nery nc udes Rs 63.49 m on (Rs.63.49 m on) n respect of expend ture on cap ta assets, ownersh p of wh ch does not vest w th the company.
3) For deta s of exchange d fference cap ta zed/decap ta zed as per amended AS 11 [Re er Note 31 (b)].
4) Cap ta work- n-progress nc udes pre-operative expenses Rs. 3,793.28 m on (Rs. 830.16 m on).
5) Pre-operative expenses of Rs. 249.45 m on (Rs. 47.02 m on) n respect of projects have been cap ta zed dur ng the year.
6) Borrow ng costs (net) transferred to fixed assets/cap ta work- n-progress s Rs. 749.58 m on (Rs 103.25 m on).
7) In case of a subs d ary, engaged n manufactur ng of Sponge ron, easeho d and aggregating to Rs.398.41 m on (gross b ock) acqu red under Scheme of Arrangement s yet to be transferred n the name of company.
8) In case of a subs d ary, engaged n manufactur ng of Sponge ron, Bu d ngs nc ude Rs. 54.43 m on (gross b ock) be ng contr bution for construction of khar and bunds (structure), ownersh p of wh ch vests w th the state government author ties.
9) Dur ng the year, the parent company has rev sed usefu fe of computers and mob e phone (office equ pments) to 4 years and 3 years respective y due to wh ch deprec ation s h gher by Rs. 15.49 m on has been charged to statement of profit and oss.

(Rs. in million)

	2012	2011
13. Non current investments		
(Valued at cost unless stated otherwise)		
A. Trade investments unquoted		
Associates		
Red Lebondal Limited (Extent of holding 25%)		
450 (450) Equity Shares of Euro 1 each	0 03	0 03
Less: Share of accumulated loss	(3 04)	(0 03)
Add : Share of Profit for the year	3 18	
Welspun Energy Limited (Extent of holding 26%)		
17,515,300 (273,000) Equity Shares of Rs 10 each	262 74	2 73
Less: Share of accumulated loss	(2 73)	(0 01)
Add: Share of Profit/(Loss) for the year	11 20	(2 72)
Investment in Joint Ventures	13 82	
B. Other investments		
i) Quoted		
Welspun Investments and Commercials Limited * [Rs 484 (Rs 484)]	0 00	0 00
5 (5) Equity Shares of Rs 10 each		
Welspun Global Brands Limited * [Rs 459 (Rs 459)]	0 00	0 00
10 (10) Equity Shares of Rs 10 each		
Standard Chartered Bank PLC IDR #	34 77	34 77
334,331 (334,331) IDR of Rs 100 each)		
National Minerals Development Corporation Limited #	29 91	
100,000 (Nil) Equity Share of Rs 10 each		
Corporation Bank	0 13	0 13
1,600 (1,600) Equity Shares of Rs 10 each		
ii) Unquoted		
Welspun Captive Power Generation Limited	0 05	0 05
5,000 (5,000) Equity Shares of Rs 10 each		
Welspun Enterprises (Cyprus) Limited	0 77	0 77
11,800 (11,800) Equity Shares of Euro 1 each		

(Rs. in million)

	2012	2011
Sarv Shakti Synthetics Limited	0 02	0 02
1,500 (1,500) Equity Shares of Rs 10 each		
Myraj Consultancy Limited	0 30	0 30
30,000 (30,000) Equity Shares of Rs 10 each		
MSK Finance Limited	0 05	0 05
500 (500) Equity Shares of Rs 100 each		
Nutan Nagrik Sahakari Bank Limited * [Rs 4800 (4800)]	0 00	0 00
48 (48) Equity Shares of Rs 100 each		
Baroda Peoples Co operative Bank Limited	0 38	0 38
37,652 (37,652) Equity Shares of Rs 10 each		
Baroda City Co operative Bank Limited * [Rs 3150 (3150)]	0 00	0 00
63 (63) Equity Shares of Rs 50 each		
Classic Organisors Private Limited	0 01	0 01
1,000 (1,000) Equity Shares of Rs 10 each		
Sindh Mercantile Co operative Bank Limited	0 01	0 01
960 (960) Equity Shares of Rs 10 each		
Worli Realty Private Limited		0 06
(Nil) 6,000 8% Redeemable Preference Shares of Rs 10 each		
Minar Trading Services Limited	0 07	
7,400 (7,400) Equity shares of Rs 10 each		
Less: Provision for diminution in the value	(0 07)	
Investment in Government Securities		
Indira Vikas Patra * [Rs 500 (500)]	0 00	0 00
Three (Two) Bonds of Rs 10,00,000 Sardar Sarovar Narmada Nigam Limited	3 00	2 00
National Saving certificate	0 02	0 02
Total	**354.62**	**38.57**
(All the above shares and securities are fully paid up)		
* Denotes figures less than Rs 10,000		
# Diminution in value of Long Term Investment of Rs 17 14 million is not provided for, considering the same to be temporary in nature		
Aggregate Book Value of Quoted Investments	64 81	34 90
Aggregate Book Value of Unquoted Investments	289 81	3 67
Aggregate Market Value of Quoted Investments	48 22	38 62

Notes forming part of the Consolidated Financial Statements

(Rs. in million)

	2012	2011
14. Long term loans and advances		
(Unsecured considered good unless otherwise stated)		
Capital advances	1,975 80	1,205 17
Less: Provision for doubtful advances	2 14	2 10
	1,973 66	1,203 07
Deposits	721 59	609 39
Less: Provision for doubtful deposits	9 43	6 60
	712 16	602 79
Loans and Advances to related parties		
Share Application Money	894 76	482 46
Other Loans and Advances	356 49	26 86
	1,251 25	509 33
Other Loans and Advances		
Advances recoverable in cash or Kind	698 35	517 08
Balances with government authorities		
Direct tax (net)	413 28	97 45
Indirect tax	6 40	
Prepaid expense	5 07	5 79
Loan to employees	0 36	0 51
	1,123 45	620 83
Total	**5,060.53**	**2,936.01**
15. Other Non Current Assets		
(Unsecured considered good unless otherwise stated)		
Long term trade receivables (including trade receivables on deferred credit terms)	256 04	
Interest receivable	2 72	1 55
Margin money deposits	21 93	23 38
Receivable towards claim	76 31	
Others	0 06	0 44
Total	**357.06**	**25.37**
16. Current investments		
(Valued at lower of cost and fair value, unless stated otherwise)		
Quoted		
i) Bonds		
10 05% Air India Limited Bonds 2031	2,978 23	
2,786 (N I) Bonds of Rs 1,000,000 each		

(Rs. in million)

	2012	2011
8 71% Andhra Pradesh State Development Loan 2022 2,674,500 (Nil) Bonds of Rs 100 each	267 70	
8 97% Andhra Pradesh State Development Loan 2022 200,000 (Ni) Bonds of Rs 100 each	20 03	
8 79% Government of India Loan 2021 6,000,000 (Nil) Bonds of Rs 100 each	624 57	
9 15% Government of India Loan 2024 5,500,000 (Nil) Bonds of Rs 100 each	570 99	
8 97% Government of India Loan 2030 16,000,000 (Nil) Bonds of Rs 100 each	1,660 99	
8 30% Government of India Loan 2040 6,350,000 (Nil) Bonds of Rs 100 each	616 98	
8 83% Government of India Loan 2041 21,600,000 (Nil) Bonds of Rs 100 each	2,229 06	
8 78% Gujarat State Development Loan 2021 100,000 (Ni) Bonds of Rs 100 each	10 00	
9 23% Gujarat State Development Loan 2021 2,500,000 (Nil) Bonds of Rs 100 each	252 60	
9 25% IDBI Bank Limited 17 (Nil) Bonds of Rs 1,000,000 each	16 91	
Industrial Finance Corporation of India Limited Deep Discount Bond 2031 26,104 (Nil) Bonds of Rs 25,000 each	114 72	
Industrial Finance Corporation of India Limited Deep Discount Bond 2032 15,650 (N l) Bonds of Rs 25,000 each	77 47	
Industrial Finance Corporation of India Limited Deep Discount Bond 2034 41,470 (N l) Bonds of Rs 25,000 each	170 50	
Industrial Finance Corporation of India Limited Deep Discount Bond 2035 4,795 (Nil) Bonds of Rs 25,000 each	14 51	
Industrial Finance Corporation of India Limited Deep Discount Bond 2036 2,190 (Nil) Bonds of Rs 25,000 each	5 70	
Industrial Finance Corporation of India Limited Deep Discount Bond 2037 14,840 (N l) Bonds of Rs 25,000 each	44 41	

(Rs. in million)

	2012	2011
9 65% Krishna Bhagya Jala Nigam Limited 2022 730 (Nil) Bonds of Rs 1,000,000 each	730 00	
8 48% LIC Housing Finance Limited 2013 50 (Nil) Bonds of Rs 1,000,000 each	49 57	
8 73% Madhya Pradesh State Development Loan 2022 1,500,000 (Nil) Bonds of Rs 100 each	151 61	
8 99% Madhya Pradesh State Development Loan 2022 50,500 (Ni) Bonds of Rs 100 each	5 06	
8 79% Maharashtra State Development Loan 2021 2,500,000 (Nil) Bonds of Rs 100 each	250 35	
9 42% National Fertilizers Limited 2016 100 (Nil) Bonds of Rs 1,000,000 each	100 00	
8 20% National Highways Authority of India 2022 141,565 (Nil) Bonds of Rs 1,000 each	144 48	
8 30% National Highway Authority of India 2027 79,000 (Ni) Bonds of Rs 1,000 each	81 77	
9 00% NTPC Limited 2027 227 (Nil) Bonds of Rs 200,000 each	45 40	
9 35% Power Grid Corporation of India Limited 2018 100 (Nil)Bonds of Rs 1,000,000 each	100 60	
9 25% Power Grid Corporation of India Limited 2018 896 (Nil) Bonds of Rs 1,250,000 each	1,121 95	
9 70% Power Finance Corporation Limited 2018 50 (Nil) Bonds of Rs 1,000,000 each	50 98	
9 36% Power Finance Corporation Limited 2021 550 (Nil) Bonds of Rs 1,000,000 each	549 47	
9 45% Power Finance Corporation Limited 2026 195 (Nil) Bonds of Rs 1,000,000 each	194 71	
9 46% Power Finance Corporation Limited 2026 595 (Nil) Bonds of Rs 1,000,000 each	600 82	

(Rs. in million)

	2012	2011
9 61% Power Finance Corporation Limited 2021 500 (Nil) Bonds of Rs 1,000,000 each	495 00	
8 80% Pondicherry State Development Loan 2022 8,00,000 (Ni) Bonds of Rs 100 each	80 01	
9 38% Rural Electr fication Corporation Limited 2016 108 (Nil) Bonds of Rs 1,000,000 each	108 50	
9 48% Rural Electr fication Corporation Limited 2021 887 (Nil) Bonds of Rs 1,000,000 each	896 10	
9 75% Rural Electr fication Corporation Limited 2021 100 (Nil) Bonds of Rs 1,000,000 each	100 00	
9 02% Rajasthan State Development Loan 2021 1,000,000 (Nil) Bonds of Rs 100 each	101 24	
9 23% Rajasthan State Development Loan 2021 1,000,000 (Nil) Bonds of Rs 100 each	101 53	
9 85% SBI Cards and Payments Services Limited 400 (Nil) Bonds of Rs 1,000,000 each	400 00	
11 40% SREI Infrastructure Finance Limited 500 (Nil) Bonds of Rs 1,000,000 each	500 00	
10 20% Tourism Finance Corporation of India Limited 2021 54 (Nil) Bonds of Rs 1,000,000 each	54 00	
11 80% TATA Iron and Steel Company Perpetual Bonds 500 (Nil) Bonds of Rs 1,000,000 each	531 25	
8 71% Tamil Nadu State Development Loan 2022 3,554,500 (Nil) Bonds of Rs 100 each	356 18	
8 72% Tamil Nadu State Development Loan 2022 1,300,000 (Nil) Bonds of Rs 100 each	130 06	
9 02% Uttar Pradesh State Development Loan 2021 2,000,000 (Nil) Bonds of Rs 100 each	200 90	
8 81% West Bengal State Development Loan 2021 2,500,000 (Nil) Bonds of Rs 100 each	250 33	
9 04% West Bengal State Development Loan 2021 500,000 (N l) Bonds of Rs 100 each	50 16	

(Rs. in million)

	2012	2011
9 28% West Bengal State Development Loan 2021 1,000,000 (Nil) Bonds of Rs 100 each	101 93	
10 85% West Bengal State Electricity Distribution Company Limited 2026 69 (Nil) Bonds of Rs 1,000,000 each	69 06	
Industrial Finance Corporation of India Limited Deep Discount Bond 2038 41,470 (41,470) Bonds of Rs 25,000 each	134 90	123 05
8 60% LIC Housing Finance Limited 2020 4 (4) Bonds of Rs 1,000,000 each	4 13	4 00
9 70% Industrial Finance Corporation of India Limited 2030 362 (242) Bonds of Rs 1,000,000 each	374 29	249 26
9 34% West Bengal State Electricity Distribution Company Limited 2025 Nil (1,411) Bonds of Rs 1,000,000 each		1,454 98
8 90% Tourism Finance Corporation of India Limited 2020 Nil (30) Bonds of Rs 1,000,000 each		30 06
9 95% Allahabad Bank Limited 2011 Nil (2,500) Bonds of Rs 100,000 each		244 18
10% Dewan Housing Finance Corporation Limited 2017 Nil (3,550) Bonds of Rs 100,000 each		358 55
10 40% Dewan Housing Finance Corporation Limited 2020 Nil (2,190) Bonds of Rs 100,000 each		220 30
11% Dewan Housing Finance Corporation Limited 2021 Nil (7,500) Bonds of Rs 100,000 each		698 78
5 85% Gas Authority of India Limited 2013 Nil (2) Bonds of Rs 1,000,000 each		1 88
9 98% Industrial Finance Corporation of India Limited 2030 Nil (56) Bonds of Rs 1,000,000 each		57 26
9 80% ICICI Bank Limited 2013 Nil (100) Bonds of Rs 10,000 each		1 01
9 40% Oriental Bank Of Commerce Limited Nil (35) Bonds of Rs 1,000,000 each		35 38
11% Shriram Transport Finance Company Limited 2020 Nil (750) Bonds of Rs 1,000,000 each		771 53

(Rs. in million)

	2012	2011
9 95% State Bank of India Limited 2026		1,034 48
Nil (99,900) Bonds of Rs 10,000 each		
ii) In Certificate of Deposits		
UCO Bank Limited 2012	243 91	
2,500 (Nil) units of Rs 100,000 each		
Allahabad Bank Limited 2012	244 43	
2,500 (Nil) units of Rs 100,000 each		
Allahabad Bank Limited 2011		976 35
Nil (10,000) Units of Rs 100,000 each		
Bank of India Limited 2011		490 67
Nil (5,000) Units of Rs 100,000 each		
Bank of India Limited 2012		227 27
Nil (2,500) Units of Rs 100,000 each		
Central Bank of India Limited 2011		1,956 01
Nil (20,000) Units of Rs 100,000 each		
Punjab & Sind Bank Limited 2011		479 20
Nil (5,000) Units of Rs 100,000 each		
Punjab National Bank Limited 2011		1,030 93
Nil (10,500) Units of Rs 100,000 each		
UCO Bank Limited 2011		2,446 07
Nil (25,000) Units of Rs 100,000 each		
Central Bank of India		146 59
Nil (1,500) Units of Rs 100,000 each		
Punjab National Bank		147 43
Nil (1,500) Units of Rs 100,000 each		
In Debentures / Bonds Quoted		
9 70% IFCI Limited Bonds 2030		183 34
Nil (178) Bonds of Rs 1,000,000 each		
9 65% IDBI Bank Limited Bonds 2030		514 90
Nil (500) Bonds of Rs 1,000,000 each		

(Rs. in million)

	2012	2011
9 34% West Bengal State Electricity Distribution Company Limited Bonds 2025		263 79
Nil (257) Bonds of Rs 1,000,000 each		
9 25% Power Grid Corporation of India Limited 2017	50 64	
40 (Nil) Bonds of Rs 1,250,000 each fully paid up		
10% Dewan Housing Finance Corp Limited Non Convertible Debentures 2015		127 80
Nil (1,260) Non Convertible Debentures of Rs 100,000 each		
10 40% Dewan Housing Finance Corp Limited Non Convertible Debentures 2020		59 86
Nil (590) Non Convertible Debentures of Rs 100,000 each		
Investment in Mutual Funds Unquoted		31 55
Total	**19,430.62**	**14,366.43**
Aggregate Book Value of Quoted Investments	19,430 62	14,334 88
Aggregate Book Value of Unquoted Investments		31 55
Aggregate Market Value of Quoted Investments	19,702 14	14,403 13
17. Inventories		
(As taken, valued and certified by management)		
Raw materials [includes Goods in transit Rs 2,775 64 million (Rs 3633 54 m llion)]	13,377 51	9,923 49
Work/Goods in process	1,833 10	1,197 02
Finished goods	8,527 48	5,835 24
Stores and spares	2,088 57	1,522 76
Total	**25,826.65**	**18,478.51**
18.Trade Receivables		
(Unsecured and considered good, unless otherwise stated)		
Over Six Months		
Considered good	1,970 57	804 32
Considered doubtful	91 51	50 57
Others		
Considered good	13,289 35	12,088 50
Considered doubtful	8 01	33 65
	15,359 44	12,977 04
Less : Provision for doubtful debts	99 52	84 22
Total	**15,259.93**	**12,892.82**

(Rs. in million)

	2012	2011
19. Cash and Bank Balances		
Cash and Cash Equivalents		
Balances with Banks :		
Current Accounts *	6,676 79	1,969 08
Unclaimed Dividend Accounts	5 20	4 27
Deposits having original maturity period of less than three months	1,877 80	3,195 89
Cheques on hand	36 20	55 99
Cash on hand	18 42	13 14
Other Bank Balances :		
Deposits having original maturity period of more than three months but less than twelve months	687 35	741 30
Deposits having original maturity period of more than twelve months	0 18	535 08
Margin money deposits	837 01	893 74
Balances with escrow account/restricted cash in banks	116 43	100 00
Total	**10,255.37**	**7,508.49**

*Includes Rs 25 56 mil ion (Rs 29 51 million) being balance in Debt Service Reserve Account, not available for use by the company

	2012	2011
20. Short term loans and advances		
(Unsecured considered good unless otherwise stated)		
Deposits	139 02	66 56
Inter corporate deposits	350 00	
Other loans and advances		
Advances recoverable in cash or kind	1,868 91	532 95
Balance with government authorities		
Direct tax (net)	11 39	4 22
Indirect tax	3,482 14	2,317 42
Prepaid expense	114 38	85 25
Loan and advances to employees	42 14	26 37
	5,518 96	2,966 22
Less: Provision for doubtful advances	198 48	114 48
Total	**5,809.50**	**2,918.30**
21. Other Current Assets		
Interest accrued on		
Current Investments	695 54	181 40
Fixed Deposits	45 79	67 18
Others	19 54	41 60

Notes forming part of the Consolidated Financial Statements

(Rs. in million)

	2012	2011
Receivable towards claim	76 31	
Export benefits receivable	245 88	508 71
Assets held for disposal	9 61	8 46
Unbilled work in progress	920 33	
Unamortized ancillary borrowing costs	25 03	23 42
Total	**2,038.03**	**830.78**
22. Revenue from operations		
Revenue from operations		
Sale of products	80,067 25	77,105 33
Sale of services	479 40	430 53
Civil contracts	7,789 97	1,263 89
Toll collection	693 81	426 66
Other operating revenues (Refer Note 41)	4,416 89	3,621 41
Revenue from operations (gross)	**93,447.32**	**82,847.82**
Less: Excise duty	3,681 56	2,627 07
Revenue from operations (net)	**89,765.76**	**80,220.75**
23. Other income		
Interest from		
Current investments	746 92	448 14
Fixed deposits	330 30	197 41
Others	262 05	205 18
Dividend Income	445 11	107 12
Profit on sale of Investments	239 87	16 43
Profit on Sale of Assets	0 10	
Gas Transportation Refund	133 14	
Miscellaneous Income	518 35	165 17
Total	**2,675.84**	**1,139.45**
24. Cost of material consumed		
Inventory at the beginning of the year	6,289 95	5,762 43
Add: On acquisitions	3,148 66	68 65
Purchases (net)	62,410 64	48,438 21
	71,849 25	54,269 29
Less: Inventory at the end of the year	10,601 87	6,289 95
	61,247 38	47,979 34
Total	**61,247.38**	**47,979.34**

(Rs. in million)

	2012	2011
25. Purchases of traded goods		
Purchases of traded goods	378 37	457 60
Total	**378.37**	**457.60**
26. Changes in inventories of finished goods, work/goods in process		
Inventories at the end of the year		
Work / Goods in process	1,833 10	1,197 02
Finished Goods	8,527 48	5,835 24
	10,360 58	7,032 26
Inventories at the beginning of the year		
Work / Goods in process	1,197 02	1,476 84
Finished Goods	5,835 24	3,071 06
Add: On Acquisition	613 67	4,100 08
	7,645 93	8,647 98
	(2,714 65)	1,615 72
Total	**(2,714.65)**	**1,615.72**
27.Employee benefits expenses		
Salaries, wages and Bonus	4,508 41	3,687 09
Contr bution to Provident and other funds	130 20	119 33
Employee compensation expenses	(1 51)	(0 56)
Staff Welfare expenses	238 59	102 92
Total	**4,875.68**	**3,908.78**
28.Other expenses		
Store and Spares consumed	2,375 99	1,692 52
Coating and Other Job charges	1,440 32	572 71
Power, Fuel and Water charges	1,923 68	1,420 53
Freight, Material Handling and Transportation	3,504 95	4,464 14
Excise duty on (increase)/decrease on stock	(9 25)	54 98
Construction Cost		
Sub contract costs	1,234 42	375 25
Plant hire costs	560 70	
Tools and equipment	80 61	
Temporary site installations	160 14	
Labour charges	170 97	
Rent	397 43	330 79
Rates and Taxes	689 62	216 60
Repairs and Maintenance		
Plant and machinery	342 89	228 23
Buildings	48 10	28 17
Others	169 21	81 63

(Rs. in million)

	2012	2011
Travelling and Conveyance expenses	370 26	317 64
Communication expenses	40 15	33 73
Professional and Consultancy fees	540 81	544 68
Insurance	242 71	164 46
Directors' sitting fees	1 11	0 65
Printing and Stationery	32 78	26 84
Security charges	34 66	33 54
Membership and Subscription	19 37	27 18
Vehicle expenses	20 34	18 14
Exchange difference (net)	1,247 66	378 20
Loss on sale / discard of fixed assets	12 12	19 33
Auditors remuneration	7 36	6 71
Product Compensation and Claims (Refer note 35)	649 39	2,007 55
Sales promotion expenses	50 25	39 75
Liquidated damages	192 97	
Commission and discounts on sales	426 64	350 24
Provision for doubtful debts and advances (net)	96 68	8 61
Bad debts and advances written off	1 46	(61 84)
Miscellaneous expenses	331 93	233 74
Total	**17,408.42**	**13,614.72**
29.Finance costs		
Interest on		
Term Loans	1,157 19	579 34
Debentures / Bonds	1,602 62	1,117 29
Working Capital	268 65	38 04
Others	43 41	156 58
Other borrowing costs	657 72	347 42
Exchange difference (Net)	269 64	1 61
Total	**3,999.24**	**2,240.27**

Note 30 Infratech Business Build, Operate and Transfer (BOT) Assets

1) The Group has undertaken various projects on Build, Operate and Transfer BOT basis as per concession agreements with the Government authorities. In respect of Build, Operate and Transfer BOT projects, the construction costs including interest incurred during the year has been recognized as an intangible asset, in accordance with Accounting Standard (AS 26) "Intangible Assets". The details of BOT Assets are as under :

(Rs. in million)

Build, Operate and Transfer BOT Project	Contract Ownership	Concessional Period	Amortization	
			2012	2011*
Jalandhar Bus Terminal Project	Punjab Infrastructure Development Board	8 Years, 5 Months and 2 days	24 14	14 04
Ludhiana Bus Terminal Project	Punjab Infrastructure Development Board	10 Years, 3 Months	17 92	8 65
Hoshangabad Harda Khandwa Road Project	Madhya Pradesh Road Development Authority	15 years	24 02	20 23
Raisen Rahatgarh Road Project	Madhya Pradesh Road Development Authority	15 years	17 35	6 28
Dewas Water Supply Project	Madya Pradesh State Industrial Development Corporation	32 Years	-	(7 69)
Kim Mandvi Corridor Project	Gujarat State Road Development Corporation Limited	20 Years	9 83	10 70
Himmatnagar bypass Project	Gujarat State Road Development Corporation	15 years	6 72	2 68
Dewas Bhopal Corridor Project	Madhya Pradesh Road Development Authority	25 Years	41 71	21 97
Kon Sawle Turade Road Project	Public Works Department, Maharashtra	15 Years	7 15	3 45

*Post acquisition, w.e.f. 16 August 2010.

2) Cash Subsidy of Rs.1,265.38 million received from Madhya Pradesh Rajya Setu Nirman Nigam Limited, and Gujarat State Road Development Corporation for the Build, Operate and Transfer (BOT) Projects, shown as "Capital Reserve" in the financial statements of a subsidiary (which is a matter of audit qualification in its Audit Report) has been directly adjusted in the consolidated financial statements by deducting the same from Project Cost as required by AS 12 "Accounting for Government Grants". However, this adjustment has no effect on the profit for the year.

Note 31 Foreign Exchange Differences

a) Loss on account of difference in foreign exchange on realignment/realization and on cancellation of derivative instruments amounting to Rs. 1,247.66 million (Rs. 378.20 million) and Rs 269.64 million (Rs. 1.61 million) is accounted in other expenses and finance costs respectively other than (b) below.

b) The Companies (Accounting Standards) Amendment Rules 2009 has amended the provision of AS 11 related to "The effects of changes in Foreign Exchange Rates" vide notification dated March 31, 2009 (as amended on 11 May 2011 and 29 December 2011) issued by the Ministry of Corporate Affairs. Accordingly, the Company has adjusted exchange difference loss amounting to Rs. 695.83 million (Rs. 8.84 million) to the cost of fixed assets and capital work in progress and exchange difference loss of Rs. 612.53 million (Gain of Rs. 130.28 million) is transferred to "Foreign Currency Monetary Item Translation Difference Account" to be amortized over the balance period of such long term liabilities but not beyond 31 March 2015. Out of the above, loss of Rs. 289.56 million (Gain of Rs. 65.14 millionhas been adjusted in the current year and loss of Rs. 322.97 million (Gain of Rs. 65.14 million) has been carried over.

c) The Group has early adopted AS 30 and accordingly loss of Rs. 178.18 million (Rs. 54.29 million) related to foreign exchange difference on Cash Flow Hedges for certain firm commitments and forecasted transactions is recognized in Shareholders' Funds and shown as Hedging Reserve Account.

Notes forming part of the Consolidated Financial Statements

Note 32

a) Finance Lease

Long term leases, which in economic terms constitute investments financed on a long term basis (finance lease) are recognized as assets and recorded at their cash purchase value. The initial tenure is three years. The minimum lease payments required under this finance lease that have initially or remaining non cancellable lease terms in excess of one year as at 31 March 2012 and its present value are as follows :

(Rs. in million)

	2012	2011
Minimum Lease payments as at		
Not Later than one year		3.12
Total		**3.12**
Less: Amount representing interest		0.09
Present Value of Minimum lease payment		3.03
Less: Amount due not later than one year		3.03

b) Operating Lease

i) The Group leases office, residential facilities, equipment etc. under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. The initial tenure of lease is generally for eleven months.

(Rs. in million)

	2012	2011
Lease rental charges for the year	397.43	330.79
Future lease rental obligations payable (under non cancellable leases)		
Not later than one year	138.55	134.42
Later than one year but not later than five years	394.83	451.81
Later than five years	5.34	12.94

ii) In case of subsidiary engaged in the manufacturing of sponge iron provides mini bulk carriers and barges on hire basis regularly. Income from hire charges is Rs. 77.75 million.

Notes forming part of the Consolidated Financial Statements

Note 33

a) Contingent Liabilities not provided for

(Rs. in million)

	2012	**2011**
Performance Guarantees/Bid Bond given by banks to company's customers / government authorities etc #	25,383 00	22,245 09
Corporate Guarantees given by the group	4,352 28	3,906 60
B lls Discounted	886 74	
Letters of Credit outstanding (net of liability provided) for company's sourcing	8,612 76	7,867 83
Claims against the Group not acknowledged as debts	539 39	74 17
Custom duty on pending export obligation against import of Raw Materials and Machineries	961 18	313 89
Disputed Indirect Taxes #	1,191 43	398 30

\# include figures of joint ventures (Refer note 39)

b) During the year, the Company has received show cause notices alleging duty evasion of Rs. 8,609.82 million on account of wrong classification of imported raw materials. Out of the above, Rs. 6,706.60 million is cenvatable duty which is revenue neutral and balance Rs. 1,903.22 million is custom duty. However, the company does not expect any monetary liability based on the opinion obtained.

c) In case of a subsidiary engaged in the manufacturing of sponge iron, show cause notices amounting to Rs. 2,203.03 million are received alleging wrong availment and utilization of input credit on import of "Iron ore pellets". The said subsidiary has replied to all these notices and does not expect any monetary liability on the basis of opinion obtained.

d) Capital and other commitments #

i) Estimated amount of contracts remaining to be executed on capital account (net of advances) is Rs. 12,557.84 million (Rs. 2,597.42 million).

ii) Other long term commitments is Rs. 3,562.26 million (Rs. Nil).

iii) The Group has committed to provide continued financial support to subsidiaries/associates based on the requirement from time to time.

iv) In case of subsidiary engaged in the manufacturing of sponge iron, long term contract for purchase of raw materials to ensure uninterrupted supply of raw material, however does not have any financial commitment.
\# include figures of joint ventures (Refer note 39)

Note 34 Taxation

i) Current income tax is calculated on the results of individual companies in accordance with local tax regulations.

ii) In case of a subsidiary engaged in the manufacturing of sponge iron, there was Search and Seizure action by Income Tax Department on 13 October 2010. Later, on the basis of records enquiries from officers/staff, the said subsidiary through affidavit of directors retracted its declarations u/s 132(4) of the Income Tax Act, 1961 pertaining to income of Rs. 320 million for the financial year ended 31 March 2010 and of Rs. 50 million of capital expenses. Hence the relevant declaration u/s 132 (4) of income was not given effect in its books of account. However, the tax paid based on its returns of income filed in pursuance of search action is provided.

Note 35 Product Compensation and Claims

During the year, the Group arrived at an out of court settlement of USD 30 million with one of its customer who has initiated counter legal action against the Group in the United States of America claiming loss / damages on account of defects in the pipes supplied.

As per the settlement terms, USD 10 million will be paid within 12 months (in two equal installments) and balance USD 20 million will be adjusted from potential business from the said customer. In case customer fails to give business to Group, then the settlement amount will be restricted to USD 22.50 million. The Group has accordingly provided the quality claim of USD 22.50 million in these accounts and reported USD 7.50 million as contingent liabilities.

Further, the Group has also entered into an out of court settlement of USD 10 million with one of its steel supplier against which the Group has initiated legal action in the court at United States of America. As per the settlement terms, the Group has received USD 7 million from the said steel supplier and balance USD 3 million will be received within 24 months (in two equal installments). The Group has accordingly accounted for USD 10 million in these accounts.

Note 36 Segment Reporting

The Group follows AS 17 Segment Reporting relating to the reporting of financial and descriptive information about their operating segments in financial statements.

The Group's reportable operating segments have been determined in accordance with the internal management structure which is organized based on the operating business segments as described below:

Steel Products which principally consist of manufacture and sale of steel pipes, plates and coils and Gas based Sponge Iron (Direct Reduced Iron DRI and Hot Briquetted Iron HBI).

Infrastructure comprises development, operations and maintenance basic infrastructure projects, toll collection, development of urban infrastructure and providing related advisory services.

Others include Oil and Gas, Energy business and development of Jetty Project.

a) **Primary Segments (business segments)**

(Rs. in million)

	2012 Steel Products	2012 Infrastructure	2012 Others	2012 Total
Net Sales/Income from operations				
Segment Revenue	80,847 97	8,969 95		89,817 92
Less: Inter Segment Revenue	52 16			52 16
Total External Revenue	80,795 81	8,969 95		**89,765.76**
Segment Results	4,299 88	762 18	(6 73)	**5,055.33**
Finance Costs				3,999 24
Unallocated Income net of Unallocated (expenditure)				2675 84
Profit before Tax (PBT)				**3,731.92**
Tax expense				1502 77
Profit after Taxes (PAT) before minority interest and share of profit / (Loss) from associates				**2,229.15**
Share of profit/ (loss) from associates				14 38
Minority Interest				141 90
Profit after Tax (PAT)				**2,385.43**
Other Information				
Segment Assets	108,321 57	16,890 92	1,956 60	**127,169.09**
Una located Corporate Assets				**31,059.13**
Total assets				**158,228.22**
Segment Liabilities	41,369 65	4,424 52	102 20	**45,896.37**
Una located Corporate Liabilities				**71,076.19**
Total liabilities				**116,972.56**
Capital Expenditure (including Capital Advances)	10,692 74	1,426 82	461 27	**12,580.82**
Depreciation / Amortization (included in segment expenses)	3,130 54	384 66	0 03	**3,515.23**

Notes forming part of the Consolidated Financial Statements

(Rs. in million)

	2011 Steel Products	2011 Infrastructure	2011 Others	2011 Total
Net Sales/Income from operations				
Segment Revenue	78,689 09	1,690 55		80,379 64
Less: Inter Segment Revenue	114 89	44 00		158 89
Total External Revenue	78,574 20	1,646 55		**80,220.75**
Segment Results	10,399 97	57 78	(6 00)	**10,451.75**
Finance Costs				2,240 27
Unallocated Income net of Unallocated (expenditure)				892 81
Profit before Tax (PBT)				**9,104.29**
Tax expense				2,871 33
Profit after Taxes (PAT) before minority interest and share of profit / (Loss) from associates				**6,232.96**
Share of profit/ (loss) from associates				(2 72)
Minority Interest				100 01
Profit after Tax (PAT)				**6,330.25**
Other Information				
Segment Assets	78,270 71	7,912 75	1,202 84	**87,386.30**
Unallocated Corporate Assets				**22,112.42**
Total assets				**109,498.72**
Segment Liabilities	29,017 15	1,136 04	64 86	**30,218.05**
Unallocated Corporate Liabilities				**45,545.35**
Total liabilities				**75,763.40**
Capital Expenditure (including Capital Advances)	9,387 12	2,217 01	193 27	**11,797.40**
Depreciation / Amortization (included in segment expenses)	2,294 78	144 66	0 03	**2,439.47**

b) Secondary Segments Geographical Segments

(Rs. in million)

	2012			2011		
	India	Outside India	Total	India	Outside India	Total
Revenue from Operations	43,626 40	46,139 36	89,765 76	27,360 54	52,860 21	80,220 75
Carrying Amount of Segment	127,667 49	30,560 73	158,228 22	79,785 18	29,713 54	109,498 72
Capital Expenditure	10,621 59	1,959 24	12,580 82	5,777 36	6,020 04	11,797 40

Note 37 **Related Party Disclosures**

a) **List of Parties where control exists :** The list of Subsidiaries is disclosed in Note 1, I (d) above.

b) **Joint Ventures**

The list of joint ventures is disclosed in note 1 I(f) above

c) **Associates**

Red Lebondal Limited and Welspun Energy Limited

d) **Other related parties with whom transactions have taken place during the year and balances outstanding as on the last day of the year.**

Welspun India Limited, Welspun Steel Limited, Welspun Retail Limited, Welspun Anjar SEZ Limited, Welspun Foundation for Health and Knowledge, Welspun Syntex Limited, Vipuna Trading Limited, Welspun Logistics Limited, Welspun Realty Private Limited, Welspun Enterprises (Cyprus) Limited, Remi Metals Gujarat Limited, Welspun Captive Power Generation Limited.

Directors /Key Management Personnel

Name	Nature of Relationship
B. K. Goenka	Executive Chairman
R. R. Mandawewala	Director *
Braja Mishra	Managing Director **
M. L. Mittal	Executive Director Finance ^
Asim Chakraborty	Whole Time Director #

* Managing Director upto 26 April 2012 ** appointed w.e.f. 26 April 2012
^ resigned w.e.f. 30 September 2011 # resigned from Directorship w.e.f. 4 October 2011

Notes forming part of the Consolidated Financial Statements

Transactions with related parties for the year ended 31 March 2012

(Rs. in million)

	Joint Venture	Associates	Other Related Parties	Key Management Personnel	Total
Sale of Goods, Services and Recoveries	**96.50**	**2.90**	**3,058.41**		**3,157.81**
		0 01	1,677 00		1,677 01
Sale of Fixed Assets			**0.48**		**0.48**
			1 81		1 81
Other Income			**17.98**		**17.98**
			0 42		0 42
Purchase of Goods and Services			**325.00**		**325.00**
			448 72		448 72
Rent and License fees paid			**76.12**		**76.12**
			101 77		101 77
Donations			**22.65**		**22.65**
			25 33		25 33
Reimbursement of expenses (net)			**51.68**		**51.68**
		0 05	84 60		84 65
Directors Remuneration				**33.55**	**33.55**
				80 44	80 44
Loans, advances and deposits given			**72.91**		**72.91**
Loans, advances and deposits given repaid					
			45 08		45 08
Loans, advances and deposits received			**10.29**		**10.29**
			83 03		83 03
Loans, advances and deposits received repaid			**58.95**		**58.95**
			25 93		25 93
Purchase of Equity shares		**260.01**			**260.01**
		2 60	0 05		2 65
Sale of Equity shares			**0.13**		**0.13**
Share application money given		**2,594.77**	**215.00**		**2,809.77**
		549 00	130 00		679 00
Share application money repaid / adjusted		**2,003.40**	**150.78**		**2,154.18**
		202 60			202 60

Balances with related parties for the year ended 31 March 2012

(Rs. in million)

Particulars	Joint Venture	Associates	Other Related Parties	Key Management Personnel	Total
Deposits			**388.38**		**388.38**
			428 37		428 37
Corporate Guarantees given	**1470 ^**	**3,529.30**	**822.97**		**5,822.27**
	700 ^	3,083 63	822 97		4,606 60
Investments in Shares		**262.77**	**0.82**		**263.59**
		2 73	0 82		3 55
Loans and Advances outstanding			**3.24**		**3.24**
			23 39		23 39
Share Application money		**699.76**	**195.00**		**894.76**
		368 40	130 00		498 40
Trade Receivables			**515.34**		**515.34**
			49 01		49 01
Trade Payables * [Rs 1187 (1187)]	**0.00**		**9.53**		**9.53**
	0 00		67 39		67 39

* Denotes figures less than Rs 10,000.
^ Transactions with joint venture has been reported at full value.

Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year

I) Sale of Goods and Recoveries Welspun India Limited Rs. 1,022.46 million (Rs. 745.99 million), Welspun Steel Limited Rs. 418.62 million (Rs. 425.46 million), Remi Metals Gujarat Limited Rs. 696.65 million (Rs. 310.26 million), Welspun Captive Power Generation Limited Rs.902.32 million (Rs. 60.84 million)

II) Sale of Fixed Assets Welspun Steel Limited Rs. 0.48 million (Rs. Nil), Remi Metals Gujarat Limited Rs. Nil (Rs. 1.80 million)

III) Other Income Remi Metals Gujarat Limited Rs. 17.98 million (Rs. 0.42 million).

IV) Purchase of Goods and Services Welspun Steel Limited Rs. 261.96 million (Rs. 388.68 million), Welspun Logistics Limited Rs. 56.82 million (Rs. 49.23 million)

V) Rent paid Welspun Realty Private Limited Rs.67.55 million (Rs. 92.53 million), Vipuna Trading Limited Rs. 4.42 million (Rs. 6.63 million)

VI) Donation paid Welspun Foundation for Health and Knowledge Rs. 22.65 million (Rs. 25.33 million) (meant for corporate social responsibility activities).

VII) Loans, Advances and Deposits given Welspun Captive Power Generation Limited Rs. 22.76 million (Rs. Nil), Welspun Steel Limited Rs. 43.04 million (Rs. Nil).

Notes forming part of the Consolidated Financial Statements

VIII) Investment in Equity Shares of Welspun Captive Power Generation Limited Rs. Nil (Rs. 0.05 million), Welspun Energy Limited Rs. 260.01 million (Rs. 2.60 million).

IX) Sale of Investments in Welspun Constructions Private Limited Rs. 0.13 million (Rs Nil) to other related parties.

X) Share Application Money given to Welspun Energy Limited Rs. 2,594.77 million (Rs. 549 million), Welspun Captive power Generation Limited Rs. 215 million (Rs. 130 million).

XI) Share Application Money given includes repaid/adjusted by Welspun Energy Limited Rs 2,003.40 million (Rs 202.60 million).

XII) Directors Remuneration

(Rs. in million)

Name	Relation	2012	2011
B. K. Goenka	Executive Chairman	14.28	57.58
R. R. Mandawewala	Managing Director *	10.00	4.74
M. L. Mittal	Executive Director Finance**	5.60	11.20
Asim Chakraborty	Whole Time Director #	3.67	6.92
	Total	**33.55**	**80.44**

* Managing Director upto 26 April 2012 ** Resigned w.e.f. 30 September, 2011
# Resigned from Directorship w.e.f. 4 October, 2011

XIII) Reimbursement of Expenses (net) Welspun India Limited Rs. 42.66 million (Rs. 80.77 million), Welspun Steel Limited Rs. 7.63 million (Rs. 0.84 million).

XIV) Loans and Advances, deposit given refunded from Welspun Anjar SEZ Limited Rs. Nil (Rs. 45.08 million)

XV) Advances received from Welspun India Limited Rs. 9 million (Rs. 25 million),Welspun Captive Power Generation Limited Rs. 1.29 million (Rs. 33.72 million),Welspun Maxsteel Limited Rs. Nil (Rs.14.41 million),Welspun Steel Limited Rs. Nil (Rs. 9.90 Million).

XVI) Advances received repaid to Welspun India Limited Rs. 23.95 million (Rs. 6.81 million), Welspun Captive Power Generation Limited Rs. 35 million (Rs. Nil), Welspun Maxsteel Limited Rs. Nil (Rs. 9.22 million), Welspun Steel Limited Rs. Nil (Rs. 9.90 Million).

Closing balances as at 31 March 2012

I) Loans, Advances and Deposits given Welspun Realty Private Limited Rs. 320.48 million (Rs. 356.48 million), Welspun Logistics Limited Rs. 52.40 million (Rs. 52.40 million).

II) Advances outstanding Welspun India Limited Rs. 3.24 million (Rs. 18.19 million),Welspun Maxsteel Limited Rs. Nil (Rs. 5.20 million).

III) Trade Receivables Remi Metals Gujarat Limited Rs. 380.49 million (Rs. 6.03 million), Welspun Captive Power Generation Limited Rs.119.82 million (Rs. Nil),Welspun Maxsteel Limited Rs. Nil (Rs. 14.33 million),Welspun India Limited Rs. 15.04 million (Rs. 28.38 million).

IV) Trade Payables Welspun Retail Limited Rs. 2.57 million (Rs. Nil), Welspun Steel Limited Rs.6.96 million (Rs. 26.58 million), Welspun Captive Power Generation Limited Rs. Nil (Rs. 40.71 million).

V) Investments held Welspun Enterprises (Cyprus) Limited Rs. 0.77 million (Rs. 0.77 million). Welspun Energy Limited Rs. 262.74 million (Rs. 2.73 million).

VI) Share Application Money outstanding Welspun Energy limited Rs. 699.76 million (Rs.368.40 million), Welspun Captive power Generation Limited Rs. 195 million (Rs. 130 million).

VII) Guarantees and Collaterals given Welspun Captive Power Generation Limited Rs. 600 million (Rs. 600 million), Welspun Urja Gujarat Private Limited Rs 1,709.30 million (Rs 1,709.30 million), Welspun Energy Limited Rs. 1,270 million (Rs. 750 million), Northwest Energy Private Limited Rs 550 million (Rs. Nil), Red Lebondal Limited Rs. Nil (Rs. 624.33 million), Adani Welspun Exploration Limited Rs. 1470 million (Rs. 700 million)

Note 38 Disclosure in accordance with Accounting Standard 7 (Revised) 'Construction Contracts'

(Rs. in million)

	2012	2011
Contract Revenue	26,738 12	12,244 79
Contract Cost Incurred	22,615 01	9,750 67
Recognized Profits / Losses	4,640 33	905 51
Advances Received	883 63	436 45
Retention Money	572 12	435 92
Gross Amount due from Customers For Contract Work	1,471 92	901 15

Note 39 The Company has the following joint ventures as on 31 March 2012 and its percentage holding is given below :

Name of the Joint Ventures	Percentage (%) Holding	
	2012	2011
Direct Joint Venture		
Dahej Infrastructure Private Limited	50%	50%
Through Welspun Natural Resources Private Limited		
Adani Welspun Exploration Limited	35%	35%
Through Welspun Projects Limited		
Dewas Bhopal Corridor Limited	50%	50%
BUL MSK Infrastructure Private Limited	50%	50%
Through Welspun Infra Projects Limited		
Leighton Welspun Contractors Private Limited (w e f 28 April 2011)	35%	NA

The proportionate share of assets, liabilities, income, expenditure, contingent liabilities other commitments and capital commitments of the joint ventures companies included in the consolidated financial statements are given below :

(Rs. in million)

	2012	2011
Assets		
Net Block (including Capital work in progress)	4,351 85	3,331 69
Non Current Investments	13 84	0 02
Deferred Tax Assets (Net)	82 41	19 03
Long Term Loans and Advances	684 41	398 16
Other Non Current Assets	280 71	24 93
Current Investments		31 55
Inventories	68 25	53 02
Trade Receivables	867 24	(93 02)
Cash and Bank Balances	927 69	81 70
Short Term Loans and Advances	496 30	19 83
Other Current Assets	920 33	

(Rs. in million)

	2012	2011
Liabilities		
Reserves and Surplus	631 32	356 22
Long Term Borrowings	1,927 14	1,964 04
Long Term Provisions	506 19	
Deferred Tax Liabilities (Net)	1,903 36	0 72
Short Term Borrowings	815 71	144 90
Trade Payables	1,706 63	100 17
Other Current Liab lities	836 85	21 30
Short Term Provisions	47 15	7 68

(Rs. in million)

	2012	2011
Revenues	**5,963.40**	**291.82**
Other Income	69 56	0 74
Cost of Materials Consumed	10 62	0 11
Employee Benefits Expense	706 32	7 73
Other Expenses	4,395 23	31 57
Profit before Finance cost, depreciation / amortization and taxes	**920.79**	**253.15**
Finance Cost	313 47	207 60
Depreciation and Amortization	203 36	59 77
Profit/(Loss) before tax	**403.96**	**(14.22)**
Tax expense	128 88	(18 71)
Profit after tax	**275.09**	**4.49**
Contingent Liab lities	5,104 64	618 15
Other Commitments	312 26	
Capital Commitments	76 48	37 26

Note 40 Earnings Per Share (EPS)

	2012	2011
I) Profit computation for Basic and Diluted EPS		
Profit after Tax (Rs in million)	2,385 43	6,330 25
Add: Interest on Foreign Currency Convertible Bonds (net of tax) (Rs in million)	149 98	233 98
Add: Interest on Compulsory Convertible Debentures (net of tax) (Rs in million)	165 61	
Net Profit after Diluted EPS (Rs in mil ion)	2,701 02	6,564 23
II) Weighted average number of equity shares for EPS computation		
a) For Basic EPS (Nos)	219,028,187	204,549,256
b) For D luted EPS (Nos)	278,200,370	229,020,787
III) EPS on Face Value of Rs. 5/ each		
Basic (Rs)	10 89	30 95
Diluted (Rs)	9 71	28 66

Note 41 Other Operating Revenues

(Rs. in million)

	2012	2011
Scrap sales	1,672 44	1,432 54
Value added tax incentive	670 30	508 15
Export benefits	483 77	1,321 77
Excess provisions written back	1,135 91	57 25
Others	454.46	301.71
Total	**4,416.89**	**3,621.41**

Note 42 Other current liabilities include an amount of Rs. 368.75 Million (Rs. 368.75 million) being VAT collected on Sales, claiming it within VAT incentive limit, not paid. If the claim of the Company is not accepted, the amount may have to be paid and/or contested in appeal.

Note 43 In the case of a subsidiary engaged in manufacturing of sponge iron, the production and profitability started suffering from May 2011 due to lower availability of gas from the gas supplier.The subsidiary's and group's profitability may continue to affect lower capacity utilisation, cost of production and profitability till the required gas supply is restored. The special leave petition (SLP) filed in the Supreme Court of India by the subsidiary along with other affected parties against the Government of India for restoration of supply of gas. The said SLP has been admitted and the subsidiary has made representation to Ministry of Petroleum and Natural Gas to reinstate the allocated supply of Gas. However, management is of the opinion that taking long term view of the matter and steps taken, it does not identify any impairment of any assets on this account.

Note 44 Acquisitions during the year

a) Acquisition of Welspun Maxsteel Limited ("WMSL")

The Company acquired 113,622,058 (87.35%) Equity shares of Welspun Maxsteel Limited at an aggregate consideration of Rs. 8,042.17 million pursuant to Share Purchase and Investment Agreement dated 29 June 2011 entered with Insight Solutions Limited, Welspun Maxsteel Limited and Welspun Steel Limited. Accordingly, WMSL became a subsidiary of the Company w.e.f. the date of acquisition i.e. 13 August 2011. Net assets acquired on acquisition is Rs. 2,893.29 million and goodwill arising on consolidation is Rs. 5148.88 million.

b) Acquisition of stake in Leighton Welspun Contractors Private Limited ("LWIN")

Welspun Infra Projects Private Limited, a subsidiary of Welspun Infratech Limited has acquired 35% equity shares in Leighton Contractors (India) Private Limited ('LCPL'), (an Indian unit of Leighton Holdings) at a total consideration of Rs. 4,700 million. LCPL was subsequently renamed as Leighton Welspun Contractors Private Limited ("LWIN"). Net assets acquired on acquisition is Rs. 930.82 million and goodwill arising on consolidation is Rs. 3879.72 million.

c) Acquisition of stake in ARSS Bus Terminal Private Limited ("ARSS")

Welspun Infratech Limited (subsidiary of company) has subscribed to 7,772,727 equity shares of Rs. 10 each fully paid up in ARSS Bus Terminal Private Limited (ARSS) for Rs. 77.72 million representing 45% of equity shares of ARSS. Net assets acquired on acquisition is Rs. 77.22 million and goodwill arising on consolidation is Rs. 0.5 million.

Note 45 Comparatives

Schedule VI to the companies Act, 1956 is revised effective from 1 April 2011. This has significantly impacted the disclosure and presentation made in the financial statements. Previous years figures have been regrouped, reclassified wherever necessary to correspond with current year's classification / disclosures. The CFS is not comparable, in view of subsidiaries incorporated/acquired/divested during the current and previous year.

As per our attached report of even date

For MGB & Co.
Chartered Accountants
Firm Registration Number 101169W

Jeenendra Bhandari
Partner
Membership Number 105077

Mumbai, 29 May 2012

For and on behalf of the Board

B.K.Goenka
Executive Chairman

R.R.Mandawewala
Director

Braja Mishra
Managing Director

B.R.Jaju
Chief Financial Officer

Pradeep Joshi
Company Secretary

Consolidated Cash Flow Statement for the year ended 31 March

(Rs Million)

		2012	2011
A)	**Cash Flow From Operating Activities**		
	Profit before tax	**3,731.92**	**9,104.29**
	Adjustments for:		
	Depreciation and Amortization expense	3,515 23	2,439 47
	Interest expense	3,071 88	1,891 24
	Interest income	(1,339 27)	(850 73)
	Loss on sale/discard of fixed assets (net)	12 02	19 36
	Profit on sale of Investments (net)	(239 87)	(7 33)
	Dividend income	(445 11)	(107 15)
	Provision for doubtful Debts and Advances (net)	96 68	8 61
	Employee compensation expenses (net)	(1 51)	(0 56)
	Exchange Adjustments (net)	412 13	(105 43)
	Operating Profit before Working Capital changes	**8,814.10**	**12,391.77**
	Adjustments for:		
	Trade and Other receivables	4,656 09	(2,381 93)
	Inventories	(3,360 04)	2,430 46
	Trade and Other payables	5,628 96	(3,594 80)
	Cash generated from operations	**15,739.11**	**8,845.51**
	Direct Taxes Paid (net of refunds)	(1,452 64)	(2,180 79)
	Net Cash from / (used in) Operating activities (A)	**14,286.47**	**6,664.71**
B)	**Cash Flow From Investing Activities**		
	Purchase of fixed assets (including capital work in progress)	(4,985 26)	(11,088 81)
	Sale of fixed assets (net)	88 16	54 98
	Purchase of long term investments		
	Subsidiaries	(8,119 90)	(959 99)
	Others	(5,112 40)	(2 60)
	Sale of long term investments Subsidiaries	0 13	
	Purchase of current investments (net)	(4,788 93)	(10,928 07)
	(Increase)/decrease in share application money given	(412 29)	(497 02)
	Dividend received	445 11	107 15
	Interest received	831 44	740 86
	Net cash used in investing activities (B)	**(22,053.94)**	**(22,573.50)**
C)	**Cash Flow from Financing Activities**		
	Proceeds from issue of equity shares (including securities premium) (Refer note 2)	5,079 47	27 63
	Proceeds from issue of compulsorily convertible debentures	7,883 75	
	Proceeds from issue of debentures		10,000 00
	Redemption of debentures		(1,300 00)
	Repayment of long term borrowings (net)	(2,450 48)	(1,158 46)
	Increase in other borrowings (net)	1,152 09	363 65
	Payment from/(to) minority shareholders	1,000 00	
	Dividend paid (including corporate dividend tax)	(475 07)	(475 65)
	Interest paid	(2,555 54)	(1,871 80)
	Preliminary expenses incurred		(0 77)
	Net cash from financing activities (C)	**9,634.22**	**5,584.60**

Consolidated Cash Flow Statement for the year ended 31 March

(Rs Million)

		2012	2011
	Net changes in cash and cash equivalents (A+B+C)	**1,866.75**	**(10,324.18)**
	Cash and cash equivalents at the beginning of the year	7,508 49	17,028 16
	Cash and cash equivalents taken over on acquisition of subsidiaries and joint venture	880 13	804 52
	Cash and cash equivalents at the end of the year	**10,255.37**	**7,508.49**

Notes :

1. Cash and Cash equivalents at end of year includes unrealised Profit of Rs. 29.11 million (Rs.49.29 million) being on account of Current Account/Fixed Deposits in foreign currency.
2. Proceeds from equity shares includes Rs. 5,072.68 million (Net of issue expenses of Rs. 108.17 million) received from "Global Depository Receipts" (GDR) (Refer note 2 (e) of Notes to Accounts).
3. Cash and Bank balances includes Rs.984.20 million (Rs. 1027.16 million) which is not available for use by the Company.
4. Previous year's figures have been regrouped/recast wherever necessary.

As per our attached report of even date | **For and on behalf of the Board**

For MGB & Co.
Chartered Accountants
Firm Registration Number 101169W

B.K.Goenka
Executive Chairman

R.R.Mandawewala
Director

Jeenendra Bhandari
Partner
Membership Number 105077

Braja Mishra
Managing Director

B.R.Jaju
Chief Financial Officer

Mumbai, 29 May 2012

Pradeep Joshi
Company Secretary

Stament Pursuant to exemption under section 212(8) of the Companies Act, 1956, relating to subsidiary companies

(Rs Million)

Sr. No	Name of the Subsidiary Company	Reporting Currency	Capital and Share Application Money Pending Allotment	Reserves	Total Gross Assets	Total Gross Liabilities	Investment other than Investment in Subsidiary	Turnover	Profit/ (Loss) before Taxation	Provision for Taxation	Profit/ (Loss) after Taxation	Proposed Dividend	Country
1	Welspun Natural Resources Private Limited.	INR	18.75	167.85	1,376.27	1,189.67	-	-	-	-	-	-	India
2	Welspun P astics Limited.	INR	11.29	38.05	49.54	0.20	-	-	(0.21)	-	(0 21)	-	India
3	Welspun Maxsteel Limited. (w.e.f. 13 August 2011)	INR	1,300.82	1,137.26	15,175.83	12,767.65	29.91	8,887.40	(828.07)	46.14	(874 21)	-	India
4	Welspun Pipes Inc #	USD	814.51	340.73	2441.29	3735.94	2,449.89	-	92.44	-	92.44	-	Delaware (U.S)
5	Welspun Tubular LLC #	USD	-	5806.63	15,002.80	9196.17	-	19,074.25	3,393.23	1,200.48	2,192.76	-	Delaware (U.S)
6	Welspun Global Trade LLC #	USD	-	(49.05)	131.06	180.11	-	110.31	5.62	-	5.62	-	Delaware (U.S)
7	Welspun Pipes Limited	INR	579.14	-	628.37	49.22	-	-	-	-	-	-	India
8	Welspun Tradings Limited	INR	50.13	249.98	4,458.33	4,158.21	-	5,467.89	40.19	12.60	27.58	-	India
9	Welspun Infratech Limited	INR	1,201.60	1,434.45	5,779.26	3,143.21	-	-	-	-	-	-	India
10	Welspun Road Projetcs Private Limited	INR	0.10	-	0.81	0.71	-	-	-	-	-	-	India
11	Welspun Projects Limited	INR	400.00	4,396.87	6,772.47	2,517.51	541.91	2,954.36	16.94	(4.52)	21.47	-	India
12	MSK Projects Himmatnagar Byepass Private Limited	INR	2.42	34.02	61.51	25.07	-	23.27	10.22	2.02	8.19	-	India
13	MSK Projects Kim Mandavi corridor Private Limited	INR	67.30	41.30	529.97	421.37	-	44.14	12.23	2.51	9.72	-	India
14	Welspun Infra Projects Private Limited	INR	358.10	2,412.00	269.94	2,310.38	4,810.54	-	-	-	-	-	India
15	Welspun Energy Transportation Private Limited	INR	0.10	-	0.11	0.01	-	-	-	-	-	-	India
16	Welspun Water nfrastructure Private Limited	INR	0.10	-	0.11	0.01	-	-	-	-	-	-	India
17	ARSS Bus Terminal Private Limited	INR	227.18	-	245.72	18.53	-	-	-	-	-	-	India
18	Welspun BOT Projects Private Limited	INR	0.10	-	0.12	0.02	-	-	-	-	-	-	India
19	Anjar Road Private Limited	INR	0.10	-	0.12	0.02	-	-	-	-	-	-	India
20	Welspun Mauritius Holdings Limited #	USD	2,419.79	59.09	3,647.43	1,168.55	-	-	33.21	1.00	32.21	-	Mauritius
21	Welspun Middle East DMCC #	USD	3.15	(12.79)	1.32	10.96	-	-	(12.16)	-	(12 16)	-	Dubai
22	Welspun Middle East Pipes Coating Company LLC #	SAR	458.14	(280.99)	2,350.86	2,173.71	-	315.64	(207.14)	-	(207 14)	-	Saudi Arabia
23	Welspun Middle East Pipes Company LLC #	SAR	1,031.83	(167.40)	7,898.40	7,033.97	-	5,980.09	(156.47)	-	(156 47)	-	Saudi Arabia

 # the financial statements of the foreign subsidiaries have been converted into Indian Rupees at the 31st March 2012 exchange rate. (1 USD = 50.875)

For and on behalf of the Board

B.K.Goenka
Executive Chairman

R.R.Mandawewala
Director

Braja Mishra
Managing Director

B.R.Jaju
Chief Financial Officer

Pradeep Joshi
Company Secretary

AUDITORS' REPORT

To the Members of **Welspun Corp Limited**

1. We have audited the attached Balance Sheet of **Welspun Corp Limited** ("the Company") as at 31 March 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ("the Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraph 4 and 5 of the said order.

4. Further to our comments in the Annexure referred to in Paragraph (3) above, we report that:

   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;

   (c) The Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Act;

   (e) On the basis of written representations received from the Directors and taken on record by the Board, we report that none of the directors is disqualified as at 31 March 2012 from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Act;

   (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;

   ii) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and

   iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **MGB & Co.**
Chartered Accountants
Firm Registration Number 101169W

Jeenendra Bhandari
Partner
Membership Number 105077
Mumbai, 29 May 2012

Annexure referred to in paragraph 3 of Auditors' Report to the members of Welspun Corp Limited on the accounts for the year ended 31 March 2012

(I) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.

(b) The fixed assets are physically verified by the management during the year as per the phased program designed to cover all the assets over a period, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) During the year, there was no disposal of substantial part of fixed assets.

(II) (a) As explained to us, the inventories have been physically verified by the management during the year except stock lying with third parties in respect of whom confirmations have been obtained. In our opinion, the frequency of such verification is reasonable.

(b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) As explained to us, the Company has maintained proper records of inventories and no material discrepancies were noticed on physical verification of inventories as compared to the book records.

(III) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.

(b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act.

(IV) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal controls systems in respect of the aforesaid areas.

(V) According to the information and explanations given to us, there are no contracts or arrangements the particulars of which are required to be entered into the register in pursuance of section 301 of the Act.

(VI) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public during the year.

(VII) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(VIII) On the basis of records produced before us, we are of the opinion that prima facie cost accounting records prescribed by the Central Government under section 209 (1) (d) of the Act, in respect of activities carried on by the Company covered under the rules under that section, have been maintained. However, we are neither required to carry out nor have carried out any detailed examination of such cost accounting records with a view to determine whether they are accurate or complete.

(IX) According to the records of the Company examined by us and information and explanations given to us:

(a) Undisputed statutory dues, including provident fund, investor education and protection fund, employee state insurance, income tax, sales tax / value added tax, wealth tax, service tax, custom duty, excise duty, cess and any other material statutory dues to the extent applicable have been deposited regularly with the appropriate authorities except for delays in few cases. There are no undisputed amounts payable in respect of the aforesaid dues outstanding as at 31 March 2012 for a period of more than six months from the date they became payable.

(b) The disputed dues of Sales Tax / value added tax, Service Tax and Excise Duty which have not been deposited are as under:

Name of the Statute (Nature of dues)	Amount (Rs. in million)	Period to which the amount relates	Forum where dispute is pending
Gujarat Sales Tax Act, 1969 Sales Tax / Value Added Tax	13.86	2000 01, 2001 02, 2002 03, 2005 06 and 2006 07	Sales tax Tribunal
	53.20	2006 07, 2007 08	Joint Commissioner of Sales Tax (Appeals)
	368.75	2009 10 and 2010 11	Assessment stage
Central Sales Tax Act, 1956 Central Sales Tax	0.9	2001 02	Sales Tax Tribunal
The Central Excise Act, 1944 Excise Duty	13.14	2008 09 and 2009 10	Commissioner of Central Excise and Customs
	29.93	2003 04, 2006 07 and 2007 08	Commissioner of Central Excise and Customs (Appeals)
	20.60	2007 2008 and 2009 10	Deputy / Assistant Commissioner of Central Excise and Customs

Name of the Statute (Nature of dues)	Amount (Rs. in million)	Period to which the amount relates	Forum where dispute is pending
Service Tax	97.55	2005 06 to 2011 12	Commissioner / Additional Commissioner of Central Excise and Customs
	31.65	2007 08 and 2008 09	Commissioner of Central Excise and Customs (Appeals)
	23.99	2006 07 to 2011 12	Deputy Commissioner of Central Excise and Customs
	21.32	2004 05, 2006 07, 2008 09 to 2011 12	Superintendent of Central Excise and Customs

(X) The Company does not have accumulated losses at the end of the financial year and has not incurred any cash losses in the current financial year or in the immediately preceding financial year.

(XI) Based on our audit procedures and as per the information and explanations given to us, the company has not defaulted in repayment of dues to banks and debenture holders during the year.

(XII) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(XIII) The Company is not a chit fund or a nidhi / mutual benefit fund / society.

(XIV) The Company is not dealing or trading in securities, debentures and other investments.

(XV) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by subsidiaries and others from banks and financial institutions are prima facie not prejudicial to the interests of the Company.

(XVI) The Company has not raised any term loan during the year.

(XVII) According to the information and explanations given to us and examination of the Balance Sheet of the Company and related information as made available to us, we report that funds raised on short term basis have not been used for long term investments.

(XVIII) During the year, the Company has not made any preferential allotment of shares to companies or parties covered in the register maintained under section 301 of the Act.

(XIX) The Company has created adequate security in respect of debentures issued.

(XX) The Company has raised funds by issue of Global Depository Receipts during the year and Foreign Currency Convertible Bonds in the earlier years which have been utilized for the purposes for which they are raised except funds pending utilization have been temporarily invested as referred in Note 2(e) and 4(c).

(XXI) Based on our audit procedures performed and according to the information and explanations given by the management, no fraud on or by the Company has been noticed or reported during the course of our audit *except fraud by an employee, who has indulged in malpractices for wrongful personal gain detected during the year, the amount is yet to be ascertained.*

For **MGB & Co.**
Chartered Accountants
Firm Registration Number 101169W

Jeenendra Bhandari
Partner
Membership Number 105077

Mumbai, 29 May 2012

Balance Sheet as at 31 March

(Rs. in million)

	Notes	2012	2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	1,138 91	1,023 34
Reserves and surplus	3	34,813 34	29,503 58
		35,952.25	**30,526.92**
Compulsorily Convertible Debentures (unsecured) [Refer Note 2(f)]		7,883 75	
Foreign Currency Monetary Item Translation Difference Account			65 14
Non current liabilities			
Long term borrowings	4	22,838 77	25,229 01
Deferred tax liabilities (net)	5	3,545 12	3,431 42
Other long term liabilities	6	2,417 44	1,561 60
Long term provisions	7	139 53	93 61
		28,940.86	**30,315.62**
Current liabilities			
Short term borrowings	8	2,928 18	1,379 01
Trade payables	9	25,361 35	12,026 22
Other current liabilities	10	8,008 43	6,761 93
Short term provisions	11	1,499 90	1,775 11
		37,797.86	**21,942.28**
	Total	**110,574.72**	**82,849.97**
ASSETS			
Non current assets			
Fixed assets	12		
Tang ble assets		30,275 43	24,701 73
Intangible assets		258 56	344 60
Capital work in progress		1,979 48	4,951 39
Non current investments	13	14,659 39	4,812 21
Long term loans and advances	14	4,175 48	3,165 70
Other non current assets	15	76 31	
		51,424.65	**37,975.63**
Foreign Currency Monetary Item Translation Difference Account		322 97	
Current assets			
Current investments	16	19,379 99	12,891 17
Inventories	17	16,498 49	13,156 35
Trade receivables	18	10,927 63	8,841 30
Cash and Bank balances	19	6,409 43	6,164 71
Short term loans and advances	20	4,372 29	3,049 78
Other current assets	21	1,239 26	771 02
		58,827.10	**44,874.34**
	Total	**110,574.72**	**82,849.97**

Notes forming part of the Financial Statements 1 56

As per our attached report of even date | **For and on behalf of the Board**

For **MGB & Co.**
Chartered Accountants
Firm Registration Number 101169W

B.K.Goenka
Executive Chairman

R.R.Mandawewala
Director

Jeenendra Bhandari
Partner
Membership Number 105077

Braja Mishra
Managing Director

B.R.Jaju
Chief Financial Officer

Mumbai
29 May 2012

Pradeep Joshi
Company Secretary

Statement of Profit and Loss for the Year ended 31 March

(Rs. in million)

	Notes	2012	2011
Revenue			
Revenue from Operations (gross)	22	60,541 39	65,331 10
Less: Excise Duty		2,844 27	2,627 07
Revenue from Operations (net)		57,697 11	62,704 03
Other Income	23	2,192 04	935 14
	Total	**59,889.15**	**63,639.17**
Expenditure			
Cost of Materials Consumed	24	36,908 84	37,412 61
Purchases of traded goods	25	6,853 50	8,938 01
Changes in inventories of Finished Goods, Goods in Process	26	(843 56)	(2,056 29)
Employee benefits expense	27	1,756 09	1,850 87
Other expenses	28	10,136 74	8,896 97
	Total	**54,811.60**	**55,042.17**
Profit before Finance costs, Depreciation/Amortization and Tax		**5,077.55**	**8,597.00**
Less: Depreciation and Amortization expense	12	1,843 52	1,656 65
Finance costs	29	2,470 96	1,676 72
Profit before tax		**763.07**	**5,263.63**
Less: Tax expense			
Current tax		71 64	1,142 36
MAT Credit Entitlement		(71 64)	
Deferred tax		113 69	476 74
Profit after tax		**649.38**	**3,644.52**
Earnings per share of Rs 5 each fully paid up (in Rs)	45		
Basic		2 96	17 82
Diluted		2 96	16 94

Notes forming part of the Financial Statements 1 56

As per our attached report of even date | **For and on behalf of the Board**

For **MGB & Co.**
Chartered Accountants
Firm Registration Number 101169W

B.K.Goenka
Executive Chairman

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Director

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Partner
Membership Number 105077

Braja Mishra
Managing Director

B.R.Jaju
Chief Financial Officer

Mumbai
29 May 2012

Pradeep Joshi
Company Secretary

Note 1 Significant Accounting Policies

I. Basis of Accounting

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on accrual basis and comply in all material aspects with the accounting standards notified under section 211 (3C), Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI)

Pursuant to the announcement of the Institute of Chartered Accountants of India (ICAI) on "Accounting for Derivatives" on the early adoption of Accounting Standard (AS 30) "Financial Instruments: Recognition and Measurement", the Company has early adopted the standard w.e.f 1 April 2007 to the extent that the adoption does not conflict with the existing mandatory accounting and other authoritative pronouncements, Company Law and other regulatory requirements.

II. Use of Estimates

The preparation of the financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amount of revenue and expenses of the year. Actual results could differ from those estimates. Any revision to such accounting estimate is recognized prospectively in current and future periods.

III. Tangible and Intangible Assets

(a) Tangible fixed assets are stated at original cost of acquisition / installation (net of cenvat credit availed) net off accumulated depreciation and impairment losses except freehold land which is carried at cost. Cost includes cost of acquisition, construction and installation, taxes, duties, freight, other incidental expenses related to the acquisition, trial run expenses (net of revenue) and borrowing cost incurred during pre operational period.

(b) Capital Work in progress comprises cost of fixed assets and related expenses that are not yet ready for their intended use at the reporting date.

(c) Intangible assets acquired are measured on initial recognition at cost. Intangible assets are carried at cost less accumulated amortization and impairment loss, if any.

IV. Borrowing Costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of cost of such assets. All other borrowing costs are charged to revenue.

V. Impairment of Tangible and Intangible Assets

At each Balance Sheet date, the Company reviews the carrying amount of fixed assets to determine whether there is any indication that those assets suffered impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss. The recoverable amount is higher of the net selling price and value in use, determined by discounting the estimated future cash flows expected from the continuing use of the asset to their present value.

VI. Depreciation / Amortization on Tangible and Intangible Assets

(a) Depreciation on tangible fixed assets is provided on straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except for certain Plant and Machinery which are depreciated on the basis of estimated useful lives of 13 15 years. During the year, the company has revised useful life of computers and mobile phone office equipments to 4 years and 3 years respectively. The rates of depreciation derived from these estimated useful lives are higher than those prescribed in Schedule XIV to the Companies Act, 1956. [Refer note 12(7)]

(b) For determining the appropriate rate of depreciation on Plant and Machinery, continuous process plant has been identified on the basis of technical opinion by the Company / Expert.

(c) Intangible assets are amortized on a straight line basis over the economic useful life estimated by the management.

VII. Investments

Investments intended to be held for more than a year, from the date of acquisition, are classified as long term and are stated at cost. Provision for diminution in value of long term investments is made to recognize a decline other than temporary in nature. Current Investments are stated at cost or fair value, whichever is lower.

VIII. Revenue Recognition

(a) Revenue from sale of goods is recognized on transfer of significant risks and rewards of ownership to the customers, which is generally on dispatch of goods. Export Sales are accounted for on the basis of date of bill of lading. Gross Sales include excise duty and adjustments for price variations.

(b) Export benefits: Duty Entitlement Pass Book (DEPB), Focus Market and Focus Product are accounted on accrual basis. Target Plus / Duty Free Entitlement Certificate scheme of EXIM policy are recognized when utilized.

(c) Revenue from Services is recognized when the services are completed.

(d) Dividend income is recognized when the right to receive the dividend is established.

(e) Interest income is recognized on a time proportion basis taking into account outstanding amount and the applicable interest rate.

IX. Inventories

Inventories are valued at lower of cost and net realizable value. The basis of determining cost for various categories of inventories is as follows :

(a) Raw Materials, Stores and Spares Moving weighted average basis.

(b) Goods in process and Finished Goods Cost of Direct Material, Labour and other manufacturing expenses.

(c) Excise duty liabilty is included in the valuation of closing inventory of Finished Goods.

X. Foreign Currency Transactions

(a) Foreign exchange transactions are accounted at the exchange rate prevailing on the date of such transactions. Current monetary assets and liabilities are translated at the exchange rate prevailing at the reporting date. Non monetary items are carried at cost.

(b) Gains or losses arising on remittance / translations at the year end are credited / debited to the Statement of profit and loss except treatment as per amendment to AS 11 effective till 31 March 2020 [Refer note 31 (b)].

(c) Premium / discount on forward exchange contracts not relating to firm commitments or highly probable forecasted transactions and not intended for trading or speculation purposes is amortized as income or expense over the life of the contract.

XI. Derivative Instruments and Hedge Accounting

The Company uses foreign currency derivative contracts to hedge its risk associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these hedging instruments as cash flow hedges and applying the recognition and measurement principles set out in Accounting Standard 30 “Financial Instruments: Recognition and Measurement” (AS 30). The gain or loss on the effective hedges is recorded in “Hedging Reserve Account” until the transaction is complete. The gain or loss is accounted in the statement of Profit and Loss upon completion of the transaction or when the hedge instrument expires or terminates or ceases to qualify for hedge accounting.

XII. Employee Benefits

(a) Short term employee benefits are recognized as an expense at the undiscounted amount in the Statement of Profit and Loss of the year in which the related services are rendered.

(b) Post employment and other long term benefits are recognized as an expense in the statement of profit and loss of the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are recognized in the statement of Profit and Loss.

(c) Payments to defined contribution retirement benefit schemes are charged as expenses as and when they fall due.

XIII. Employee Stock Options Scheme

In respect of employee stock options granted pursuant to the Company’s Stock Option Scheme, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation cost over the vesting period.

XIV. Accounting for Taxes on Income

(a) Current tax is determined as the amount of tax payable in respect of taxable income for the year computed as per the provisions of the Income Tax Act, 1961.

(b) Deferred tax is recognized subject to consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and measured using relevant enacted tax rates.

Notes forming part of the Financial Statements

XV. Leases

(a) **Finance lease**

Assets acquired under finance lease are capitalised and the corresponding lease liability is recognized at lower of the fair value of the leased assets and the present value of minimum lease payments at the inception of the lease. Intial costs directly attributable to lease are recognized with the asset under lease.

(b) **Operating lease**

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as an expense on accrual basis in accordance with the respective lease agreements.

XVI. Provisions, contingent liabilities and contingent assets

(a) Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events. A provision is made when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and in respect of which a reliable estimate can be made. Provision is not discounted and is determined based on best estimate required to settle the obligation at the year end date.

(b) Contingent Assets are not recognized or disclosed in the financial statements.

XVII. Earnings per share

Basic earnings per share is computed and disclosed using the weighted average number of equity shares outstanding during the year. Dilutive earnings per share is computed and disclosed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year, except when the results would be anti dilutive.

	(Rs in million)	
	2012	2011
2. Share capital		
Authorised		
304,000,000 (304,000,000) Equity Shares of Rs 5/ each	1,520 00	1,520 00
98,000,000 (98,000,000) Preference Shares of Rs 10/ each	980 00	980 00
Total	**2,500.00**	**2,500.00**
Issued subscribed and paid up		
227,781,035 (204,668,910) Equity Share of Rs 5/ each fully paid up	1,138 91	1,023 34
Total	**1,138.91**	**1,023.34**

a) Reconciliation of the number of Equity shares outstanding

	2012		2011	
	Number of Equity Shares	Rs in million	Number of Equity Shares	Rs in million
At the beginning of the year	204,668,910	1,023 34	204,322,410	1,021 61
By way of Global Depository Receipts (GDR)	23,026,000	115 13		
Equity shares allotted on exercise of Employees Stock Options	86,125	0 43	346,500	1 73
Outstanding at the end of the year	**227,781,035**	**1,138.91**	**204,668,910**	**1,023.34**

b) Terms / right attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 5 per share. Each holder of equity shares is entitled to one vote per share, however the holders of global depository receipts (GDR's) do not have voting rights in respect of shares represented by the GDR's till the shares are held by the custodian [Refer note 2(e)]. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of the equity shares will be entitled to receive remaining assets of the company, after distribution of preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Shareholders holding more than 5% shares of the company

Name of Shareholder	2012		2011	
	Number of Equity Shares	Percentage (%)	Number of Equity Shares	Percentage (%)
J P Morgan Chase Bank, NA ADR Account (Custodian and against which GDR have been issued to Insight Solutions Limited)	23,026,000	10 11		
Life Insurance Corporation of India Limited & its Schemes	19,277,980	8 46		
Welspun Wintex Limited	13,336,576	5 85	13,189,576	6 44
Welspun Mercantile Limited	12,377,701	5 43	12,157,701	5 94
Welspun Fintrade Limited	15,148,340	6 65	14,481,444	7 08
Krishiraj Trading Limited	26,805,403	11 77	25,630,600	12 52

Notes forming part of the Financial Statements

d) Employee Stock Options Scheme

In respect of options granted under the Welspun Employee Stock Options Scheme, in accordance with the guidelines issued by Securities and Exchange Board of India, the value of options (based on intrinsic value of the share on the date of the grant of the option) is accounted as deferred employee compensation, which is amortized on a straight line basis over the vesting period. Employee benefits expense include credit of Rs.1.51 million (Rs. 0.56 million) being amortization of deferred employee compensation.

During the year, 78,250 equity shares and 7,875 equity shares of Rs. 5 each fully paid up were issued at a price of Rs. 80.00 and Rs. 66.75 each respectively. Discount allowed aggregating to Rs. 2.27 million (Rs. 9.24 million) in respect of shares allotted pursuant to the Employee Stock Options Scheme is credited to Securities Premium Account as per guidelines of Securities and Exchange Board of India.

Stock Options outstanding as at the year end are as follows:

	Granted during 2006 07	Granted during 2009 10
Exercise Price	Rs 80 00	Rs 66 75
Date of Grant	8 January 2007	20 April 2009
Vesting period commences on	8 January 2008	20 April 2010
Options outstanding at the beginning of the year	523,250	40,750
Options exercised during the year	78,250	7,875
Options lapsed during the year	69,750	
Options Outstanding as at 31 March 2012	375,250	32,875

e) Global Depository Receipts

During the year, the Company has raised US$ 115.00 million (Equivalent INR 5,180.85 million) by way of issue of 23,026,000 equity shares of Rs 5 each fully paid up at a premium of Rs. 220 each (equivalent 23,026 Non Voting Global Depository Receipts each of US$ 4,994.45 each representing 1000 Equity Shares of par value of Rs.5 each). The entire proceeds have been invested in short term securities as at 31 March 2012.

f) Compulsorily Convertible Debentures (CCD)

During the year, the Company has raised US$ 178.01 million (Equivalent INR 7,883.75 million) by way of issue of unsecured compulsorily convertible debentures. The CCD holders have an option to convert the CCD into 35,038,889 equity shares of Rs. 5 each fully paid up at a conversion price of Rs. 225 per share at anytime during a period of 18 months from the date of issue of the CCD i.e. on or before 17 February 2013. If not already fully converted before 17 February 2013, at the expiry of a period of 18 months from the date of issue of the CCD, the unconverted part of the CCD shall be deemed to be automatically converted into Equity Shares. The CCD carry a coupon of 5% (Five) annually until issue of Equity Shares upon conversion of the CCD.

(Rs in million)

	2012	2011
3. Reserves and surplus		
Capital Reserve		
As per Last Balance Sheet	1,057 26	1,057 26
Securities Premium		
As per Last Balance Sheet	12,332 32	12,330 99
Add/(Less) :Received during the year	5,072 08	25 90
Discount on issue of shares under Employees Stock Option Scheme	2 27	9 24
Premium on redemption of Foreign Currency Convertible Bonds	(45 75)	(33 80)
Utilized towards share issue expenses	(108 17)	
	17,252 74	12,332 32
Debenture Redemption Reserve		
As per Last Balance Sheet	1,107 14	643 75
Add: Appropriated during the year	357 14	463 39
	1,464 29	1,107 14
General Reserve		
As per Last Balance Sheet	1,631 11	1,266 61
Add: Appropriated during the year	65 00	364 50
	1,696 11	1,631 11
Employee Stock Options Outstanding	10 77	14 90
Less: Deferred employee compensation		(0 35)
	10 77	14 55
Hedging Reserve Account [Refer note 31 (c)]	(178 18)	(54 29)
Surplus in the statement of Profit and Loss		
As per last balance sheet	13,415 48	11,074 89
Profit for the year	649 38	3,644 52
Less: Appropriations		
General Reserve	65 00	364 50
Debenture Redemption Reserve Account	357 14	463 39
Proposed dividend on Equity Shares	113 89	409 34
Tax on Proposed dividend	18 48	66 40
Dividend on equity shares of earlier year		0 25
Tax on dividend of earlier year		0 04
Total Appropriations	554 51	1,303 93
Net surplus in the statement of Profit and Loss	13,510 35	13,415 48
Total	**34,813.34**	**29,503.58**

Notes forming part of the Financial Statements

(Rs in million)

	Non Current		Current	
	2012	2011	2012	2011
4. Long term borrowings				
Secured				
Redeemable Non Convertible Debentures	10,000 00	11,700 00	1,700 00	
External Commercial Borrowings	5,174 13	6,789 68	2,577 38	
Unsecured				
Foreign Currency Convertible Bonds	7,631 25	6,689 25		
Deferred Sales Tax Loan	33 39	50 08	16 69	16 69
Total	**22,838.77**	**25,229.01**	**4,294.07**	**16.69**

a) The debentures together with interest are secured by first charge ranking pari passu by way of mortgage/ hypothecation of entire immovable and movable fixed assets of the Company, both present and future and second/floating charge on current assets, subject to prior charge in favour of banks for working capital facilities.

No. of Debentures	Face Value (Rs.)	Redemption Date	Rate of Interest (p.a.)	Amount (Rs. in million)
1250	1,000,000	28 November 2012	10 50%	1,250
450	1,000,000	30 December 2012	10 40%	450
5000	1,000,000	3 August 2025	9 55%	5,000
5000	1,000,000	28 September 2025	9 55%	5,000
			Total	**11,700**

b) External Commercial Borrowings (ECB) is secured by first charge ranking pari passu by way of mortgage/ hypothecation of entire immovable and movable tangible fixed assets of the Company both present and future. Further, the ECB is also secured by exclusive charge by way of hypothecation of Debt Service Reserve Account. The Loan amount comprises of USD 140 million (USD 140 million) and JPY 1015.20 million (JPY 1015.20 million). The loan carries Interest of LIBOR plus 1.25%.

The loan is repayable as follows

Date of repayment	USD (million)	Amount (Rs. in million)	JPY (million)	Amount (Rs. in million)
6 April 2012	46 55	2,368 23	337 55	209 14
6 April 2013	46 55	2,368 23	337 55	209 14
6 April 2014	46 90	2,386 04	340 10	210 72

c) Foreign Currency Convertible Bonds (FCCB)

i) During the financial year 2009 2010, the Company had raised US$ 150 million (Equivalent INR 6,942 million) by way of issue of 1500 4.5% Foreign Currency Convertible Bonds (FCCB) of US$ 100,000 each. The Bondholders have an option to convert these bonds into 24,010,000 equity shares of Rs. 5 each fully paid up at an initial conversion price of Rs. 300 per share with a fixed rate of exchange on conversion of Rs. 48.02 US$ 1 at any time on or after 26 November 2009 until 10 days prior to Maturity date (i.e. 17 October 2014).Unless previously converted, redeemed or repurchased and cancelled, the Bonds will be redeemed on 17 October 2014 at

102.8028% of the principal amount so as to give a gross yield of 5% per annum (calculated on semi annual basis) to the Bond holders.

The Company has an option to redeem the Bonds at their Early Redemption Amount upon occurrence of events specified in the Offering Circular for issue of the Bonds ("Offering Circular"). Further, the Company has an option to mandatorily convert the Bonds after three years as specified in the Offering Circular.

ii) Premium payable on redemption of FCCB aggregating to Rs. 45.75 Million (Rs. 33.80 million) has been adjusted against Securities Premium as per Section 78 of the Companies Act, 1956. In the event, Bond holders exercise the conversion option, the amount of premium utilized from securities premium will be suitably adjusted in respective years.

iii) Part of the net proceeds received from the issue of FCCB has been utilized as per object of the issue viz for funding of Plate and Coil Mill, Pipe Mill Capex Projects (Anjar and Mandya) and Investment in overseas Subsidiary. Pending utilization, the balance issue proceeds of USD 17.04 million equivalent INR 866.91 million (USD 77.41 million equivalent INR 3,452.28 million) have been invested in short term deposits/current account with a Bank abroad and Rs. 1.46 million (Rs. 2.8 million) lying in current account with a bank in India.

(Rs. in million)

	2012	2011
5. Deferred tax liabilities (net)		
Deferred tax liabilities		
Fiscal allowance on Fixed Assets	4,157 08	3,513 63
Others	104 79	(21 25)
	4,261 86	3,492 38
Deferred tax assets		
Employee benefits	15 17	14 97
Provision for doubtful debts and advances	56 49	45 99
Unabsorbed fiscal allowances	645 09	
	716 75	60 96
Total	**3,545.12**	**3,431.42**
6. Other long term liabilities		
Liability towards claims	2,417 44	1,561 60
Total	**2,417.44**	**1,561.60**
7. Long term provisions		
Employee Benefits	44 35	44 18
Premium payable on redemption of FCCB	95 18	49 43
Total	**139.53**	**93.61**

(Rs. in million)

	2012	2011
8. Short term borrowings		
Secured		
Working Capital Loan from Banks		
Foreign currency	992 06	
Rupee	735 22	1,379 01
(Secured by first charge on hypothecation of raw materials, finished goods and work / goods in process, stores & spares and book debts of the Company and second charge on entire immovable and movable fixed assets of the Company both present and future)		
Short term loan from other parties	1,200 90	
(Secured against pledge of bonds of Rs 1,200 90 million held as current investments)		
Total	**2,928.18**	**1,379.01**
9. Trade payables		
Acceptances	22,145 05	10,606 76
Others (Refer note 30)	3,216 30	1,419 46
Total	**25,361.35**	**12,026.22**
10. Other current liabilities		
Current maturities of long term borrowings (Refer note 4)	4,294 07	16 69
Interest accrued but not due on borrowings	557 86	298 27
Unclaimed Dividend	5 20	4 27
Other payables		
Creditors for		
Capital goods	175 54	194 73
Expenses	759 24	2,325 56
Trade advances and deposits	1,229 56	2,844 53
Statutory dues	732 58	631 93
Liability towards claims	254 38	445 95
Total	**8,008.43**	**6,761.93**
11. Short term provisions		
Employee benefits	2 40	1 97
Others for		
Proposed equity dividend	113 89	409 34
Tax on proposed equity dividend	18 48	66 40
Litigations	79 79	103 68
Liquidated damages	572 07	482 56
Mark to market losses on Derivative contracts	521 76	266 59
Taxation (net)	191 52	444 57
Total	**1,499.90**	**1,775.11**

Notes forming part of the Financial Statements

12. Fixed Assets

(Rs. in million)

	Gross Block				Depreciation/Amortisation				Net Block	
	As At 01.04.2011	Additions	deductions	As At 31.03.2012	upto 01.04.2011	Additions	deductions	upto 31.03.2012	As At 31.03.2012	As At 31.03.2011
a) Tangible assets								-	-	-
Freehold Land	185.75	9.15	2.23	192.66	-	-	-	-	192.66	185.75
Buildings	3,867.71	800.99	-	4,668.71	503.38	112.38	-	615.76	4,052.95	3,364.33
Plant and Machinery	26,755.50	6,476.39	16.23	33,215.66	5,916.11	1,578.56	5.17	7,489.50	25,726.16	20,839.39
Office and Other Equipments	308.98	62.67	32.09	339.56	104.14	53.00	9.09	148.05	191.51	204.85
Vehicles	56.91	2.70	3.23	56.39	21.26	5.25	1.35	25.17	31.22	35.65
Furnitures and Fixtures	110.05	20.58	3.36	127.28	38.28	8.99	0.91	46.35	80.92	71.77
Total (a)	**31,284.90**	**7,372.49**	**57.13**	**38,600.26**	**6,583.17**	**1,758.18**	**16.52**	**8,324.83**	**30,275.43**	**24,701.73**
b) Intangible assets										
Software	459.95	3.60	-	463.55	115.34	89.65	-	204.99	258.56	344.60
Total (b)	**459.95**	**3.60**	**-**	**463.55**	**115.34**	**89.65**	**-**	**204.99**	**258.56**	**344.60**
Total (a+b)	**31,744.85**	**7,376.09**	**57.13**	**39,063.81**	**6,698.51**	**1,847.83**	**16.52**	**8,529.82**	**30,533.99**	**25,046.34**
Previous Year	**29,683.49**	**2,101.21**	**39.85**	**31,744.85**	**5,057.64**	**1,658.03**	**17.15**	**6,698.52**	**25,046.34**	**-**
Capital Work in progress									**1,979.48**	**4,951.39**

Notes

1. Gross block of Plant and Machinery includes Rs 63.49 million (Rs.63.49 million) in respect of expenditure incurred on capital asset, ownership of which does not vest in the Company.
2. Depreciation/Amortisation for the year includes Rs. 4.30 million (Rs. 1.38 million) transferred to pre-operative expenses.
3. For details of exchange difference capitalised as per amended AS-11, refer note 31 (b)
4. Pre-operative expenses of Rs. 249.44 million (Rs. 42.58 million) in respect of projects have been capita ized during the year.
5. Borrowing cost a located to fixed assets / Capital work in progress is Rs. 241.41 million (Rs. Nil)
6. Capital Work in progress includes Pre-operative expenses of Rs. 52.60 million (Rs. 18.55 million)
7. During the year, the company has revised useful l fe of computers and mobile phone (Office equipments) to 4 years and 3 years respectively due to which depreciation is higher by Rs. 15.49 mil ion charged to statement of profit and loss.

(Rs. in million)

	2012	2011
13. Non Current Investments		
(valued at cost unless stated otherwise)		
A. Trade Investments Unquoted		
i) Wholly owned subsidiaries		
Welspun Pipes Inc		
10,001 (10,001) Equity Shares of USD 1 each	0 44	0 44
16,000 (16,000) Redeemable Preferred Stock of USD 1000 each #	645 50	645 50
Welspun Pipes Limited	0 50	0 50
50,000 (50,000) Equity Shares of Rs 10 each		
Welspun Infratech Limited (Refer note 43)		
48,639,899 (24,750,000) Equity Shares of Rs 10 each	1,920 85	1,000 85
28,300 (22,500) 7% Unsecured Optionally Convertible Debentures of Rs 100,000 each	2,830 00	2,250 00
Welspun Tradings Limited	50 22	50 22
5,013,402 (5,013,402) Equity Shares of Rs 10 each		
Welspun Natural Resources Private Limited	186 60	141 60
1,875,000 (1,425,000) Equity Shares of Rs 10 each		
ii) Other Subsidiaries		
Welspun Maxsteel Limited (Refer note 42(a))	8,042 17	
113,622,058 (Nil) Equity Shares of Rs 10 each		
Welspun Mauritius Holdings Limited		
102,089 (99,969) Equity Shares of USD 1 each	4 70	4 61
14,999,968 (14,999,968) Preference Shares of USD 1 each	680 04	680 04
Welspun Constructions Private Limited		0 10
Nil (10,000) Equity Shares of Rs 10 each		
iii) Joint Venture		
Dahej Infrastructure Private Limited (Extent of holding 50%)		
500,000 Equity Shares of Rs 10 each	5 00	5 00
Less: Provision for diminution in the value	(5 00)	(5 00)
iv) Associates		
Red Lebondal Limited (Extent of holding 25%)	0 03	0 03
450 (450) Equity Shares of Euro 1 each		
Welspun Energy Limited (Extent of holding 26%)	262 74	2 73
17,515,300 (273,000) Equity Shares of Rs 10 each		

(Rs. in million)

	2012	2011
B. Other Investments Quoted		
Welspun Investments and Commercials Limited * [Rs 484 (Rs 484)]	0 00	0 00
5 (5) Equity Shares of Rs 10 each		
Welspun Global Brands Limited * [Rs 459 (Rs 459)]	0 00	0 00
10 (10) Equity Shares of Rs 10 each		
Standard Chartered Bank PLC Indian Depository Receipt @	34 77	34 77
334,331 (334,331) Indian Depository Receipt of Rs 100 each		
C. Other Investments Unquoted		
Welspun Captive Power Generation Limited	0 05	0 05
5,000 (5,000) Equity Shares of Rs 10 each		
Welspun Enterprises (Cyprus) Limited	0 77	0 77
11,800 (11,800) Equity Shares of Euro 1 each		
Total	**14,659.39**	**4,812.21**
(All the above shares and securities are fully paid up)		
* Denotes figures less than Rs 10,000		
# The company has given an undertaking to banks for non disposal of its shareholding for credit facilities granted to subsidiaries		
@ Diminution in value of long term investment of Rs 3 34 million is not provided for, considering the same to be temporary in nature		
Aggregate book value of quoted investments	34 77	34 77
Aggregate book value of unquoted investments	14,624 62	4,777 44
Aggregate market value of quoted investments	31 43	37 60
Aggregate provision for dimunition in value of investments	5 00	5 00
14. Long term loans and advances		
(Unsecured considered good unless otherwise stated)		
Capital Advances		
Subsidairy (Refer note 40)	26 13	103 72
Others	88 54	1,032 44
Less: Provision for doubtful Advances	2 14	2 10
	112 54	1,134 06
Deposits		
Related parties (Refer note 40)	351 10	395 10
Others	71 57	68 60
Less: Provision for doubtful deposits	2 84	
	419 83	463 69

(Rs. in million)

	2012	2011
Loans and Advances to related parties		
Loan to Subsidiary	1,116 32	940 86
Share Application Money		
Subsidiaries	1,513 40	0 78
Other Related parties	894 76	498 40
	3,524 47	1,440 04
Other Loans and Advances		
Advances recoverable in cash or kind	113 41	121 60
Prepaid Expenses	4 87	5 79
Loan to Employees	0 36	0 51
	118 64	127 90
Total	**4,175.48**	**3,165.70**
15. Other non current assets		
Receivable towards claim	76 31	
Total	**76.31**	
16. Current investments		
(Valued at lower of cost and fair value, unless stated otherwise)		
Quoted		
i) Bonds		
10 05% Air India Limited Bonds 2031	2,978 23	
2,786 (Nil) Bonds of Rs 10,00,000 each		
8 71% Andhra Pradesh State Development Loan 2022	267 70	
2,674,500 (Nil) Bonds of Rs 100 each		
8 97% Andhra Pradesh State Development Loan 2022	20 03	
200,000 (N l) Bonds of Rs 100 each		
8 79% Government of India Loan 2021	624 57	
6,000,000 (Nil) Bonds of Rs 100 each		
9 15% Government of India Loan 2024	570 99	
5,500,000 (Nil) Bonds of Rs 100 each		
8 97% Government of India Loan 2030	1,660 99	
16,000,000 (Nil) Bonds of Rs 100 each		
8 30% Government of India Loan 2040	616 98	
6,350,000 (Nil) Bonds of Rs 100 each		
8 83% Government of India Loan 2041	2,229 06	
21,600,000 (Nil) Bonds of Rs 100 each		
8 78% Gujarat State Development Loan 2021	10 00	
100,000 (N l) Bonds of Rs 100 each		

(Rs. in million)

	2012	2011
9 23% Gujarat State Development Loan 2021 2,500,000 (Ni) Bonds of Rs 100 each	252 60	
9 25% IDBI Bank Limited 17 (Nil) Bonds of Rs 1,000,000 each	16 91	
Industrial Finance Corporation of India Limited Deep Discount Bond 2031 26,104 (Nil) Bonds of Rs 25,000 each	114 72	
Industrial Finance Corporation of India Limited Deep Discount Bond 2032 15,650 (Nil) Bonds of Rs 25,000 each	77 47	
Industrial Finance Corporation of India Limited Deep Discount Bond 2034 41,470 (Nil) Bonds of Rs 25,000 each	170 50	
Industrial Finance Corporation of India Limited Deep Discount Bond 2035 4,795 (Nil) Bonds of Rs 25,000 each	14 51	
Industrial Finance Corporation of India Limited Deep Discount Bond 2036 2,190 (Nil) Bonds of Rs 25,000 each	5 70	
Industrial Finance Corporation of India Limited Deep Discount Bond 2037 14,840 (Nil) Bonds of Rs 25,000 each	44 41	
9 65% Krishna Bhagya Jala Nigam Limited 2022 730 (Nil) Bonds of Rs 1,000,000 each	730 00	
8 48% LIC Housing Finance Limited 2013 50 (Nil) Bonds of Rs 1,000,000 each	49 57	
8 73% Madhya Pradesh State Development Loan 2022 1,500,000 (Ni) Bonds of Rs 100 each	151 61	
8 99% Madhya Pradesh State Development Loan 2022 50,500 (Nil) Bonds of Rs 100 each	5 06	
8 79% Maharashtra state Development Loan 2021 25,00,000 (Ni) Bonds of Rs 100 each	250 35	
9 42% National Fertilizers Limited 2016 100 (Nil) Bonds of Rs 1,000,000 each	100 00	
8 20% National Highways Authority of India 2022 141,565 (Nil) Bonds of Rs 1,000 each	144 48	
8 30% National Highway Authority of India 2027 79,000 (Nil) Bonds of Rs 1,000 each	81 77	

(Rs. in million)

	2012	2011
9 00% NTPC Limited 2027 227 (Nil) Bonds of Rs 200,000 each	45 40	
9 35% Power Grid Corporation of India Limited 2018 100 (Nil) Bonds of Rs 1,000,000 each	100 60	
9 25% Power Grid Corporation of India Limited 2018 896 (Nil) Bonds of Rs 1,250,000 each	1,121 95	
9 70% Power Finance Corporation Limited 2018 50 (Nil) Bonds of Rs 1,000,000 each	50 98	
9 36% Power Finance Corporation Limited 2021 550 (Nil) Bonds of Rs 1,000,000 each	549 47	
9 45% Power Finance Corporation Limited 2026 195 (Nil) Bonds of Rs 1,000,000 each	194 71	
9 46% Power Finance Corporation Limited 2026 595 (Nil) Bonds of Rs 1,000,000 each	600 82	
9 61% Power Finance Corporation Limited 2021 500 (Nil) Bonds of Rs 1,000,000 each	495 00	
8 80% Pondicherry State Development Loan 2022 800,000 (N l) Bonds of Rs 100 each	80 01	
9 38% Rural Electrification Corporation Limited 2016 108 (Nil) Bonds of Rs 1,000,000 each	108 50	
9 48% Rural Electrification Corporation Limited 2021 887 (Nil) Bonds of Rs 1,000,000 each	896 10	
9 75% Rural Electrification Corporation Limited 2021 100 (Nil) Bonds of Rs 1,000,000 each	100 00	
9 02% Rajasthan State Development Loan 2021 1,000,000 (Nil) Bonds of Rs 100 each	101 24	
9 23% Rajasthan State Development Loan 2021 1,000,000 (Nil) Bonds of Rs 100 each	101 53	
9 85% SBI Cards and Payments Services Limited 2019 400 (Nil) Bonds of Rs 1,000,000 each	400 00	
11 40% SREI Infrastructure Finance Limited 2022 500 (Nil) Bonds of Rs 1,000,000 each	500 00	
10 20% Tourism Finance Corporation of India Limited 2021 54 (Nil) Bonds of Rs 1,000,000 each	54 00	

(Rs. in million)

	2012	2011
11 80% TATA Iron and Steel Company Perpetual Bonds	531 25	
500 (Nil) Bonds of Rs 1,000,000 each		
8 71% Tamilnadu State Development Loan 2022	356 18	
3,554,500 (Ni) Bonds of Rs 100 each		
8 72% Tamilnadu State Development Loan 2022	130 06	
1,300,000 (Ni) Bonds of Rs 100 each		
9 02% Uttar Pradesh State Development Loan 2021	200 90	
2,000,000 (Ni) Bonds of Rs 100 each		
8 81% West Bengal State Development Loan 2021	250 33	
2,500,000 (Ni) Bonds of Rs 100 each		
9 04% West Bengal State Development Loan 2021	50 16	
500,000 (Nil) Bonds of Rs 100 each		
9 28% West Bengal State Development Loan 2021	101 93	
1,000,000 (Ni) Bonds of Rs 100 each		
10 85% West Bengal State Electricity Distribution Company Limited 2026	69 06	
69 Bonds (Nil) of Rs 1,000,000 each		
Industrial Finance Corporation of India Limited Deep Discount Bond 2038	134 90	123 05
41,470 (41,470) Bonds of Rs 25,000 each		
8 60% LIC Housing Finance Limited 2020	4 13	4 00
4 (4) Bonds of Rs 1,000,000 each		
9 70% Industrial Finance Corporation of India Limited 2030	374 29	249 26
362 (242) Bonds of Rs 1,000,000 each		
9 34% West Bengal State Electricity Distribution Company Limited 2025		1,454 98
Nil (1,411) Bonds of Rs 1,000,000 each		
8 90% Tourism Finance Corporation of India Limited 2020		30 06
Nil (30) Bonds of Rs 1,000,000 each		
9 95% Allahabad Bank Limited 2011		244 18
Nil (2,500) Bonds of Rs 100,000 each		
10% Dewan Housing Finance Corporation Limited 2017		358 55
Nil (3,550) Bonds of Rs 100,000 each		
10 40% Dewan Housing Finance Corporation Limited 2020		220 30
Nil (2,190) Bonds of Rs 100,000 each		
11% Dewan Housing Finance Corporation Limited 2021		698 78
Nil (7,500) Bonds of Rs 100,000 each		

(Rs. in million)

	2012	2011
5 85% Gas Authority of India Limited 2013		1 88
Nil (2) Bonds of Rs 1,000,000 each		
9 98% Industrial Finance Corporation of India Limited 2030		57 26
Nil (56) Bonds of Rs 1,000,000 each		
9 80% ICICI Bank Limited 2013		1 01
Nil (100) Bonds of Rs 10,000 each		
9 40% Oriental Bank Of Commerce Limited		35 38
Nil (35) Bonds of Rs 1,000,000 each		
11% Shriram Transport Finance Company Limited 2020		771 53
Nil (750) Bonds of Rs 1,000,000 each		
9 95% State Bank of India Limited 2026		1,034 48
Nil (99,900) Bonds of Rs 10,000 each		
ii) Certificate of Deposits		
UCO Bank Limited 2012	243 91	
2500 (Nil) Bonds of Rs 100,000 each		
Allahabad Bank Limited 2012	244 43	
2500 (Nil) Bonds of Rs 100,000 each		
Allahabad Bank Limited 2011		976 35
Nil (10,000) Units of Rs 100,000 each		
Bank of India Limited 2011		490 67
Nil (5,000) Units of Rs 100,000 each		
Bank of India Limited 2012		227 27
Nil (2,500) Units of Rs 100,000 each		
Central Bank of India Limited 2011		1,956 01
Nil (20,000) Units of Rs 100,000 each		
Punjab & Sind Bank Limited 2011		479 20
Nil (5,000) Units of Rs 100,000 each		
Punjab National Bank Limited 2011		1,030 93
Nil (10,500) Units of Rs 100,000 each		
UCO Bank Limited 2011		2,446 07
Nil (25,000) Units of Rs 100,000 each		
Total	**19,379.99**	**12,891.17**
Aggregate Book Value of Quoted Investments	19,379 99	12,891 17
Aggregate Market Value of Quoted Investments	19,651 50	12,928 77

(Rs. in million)

	2012	2011
17. Inventories		
(As taken, valued and certified by management)		
Raw materials (including Goods in transit of Rs 2,775 64 million (Rs 3,633 54 million)	8,930 06	6,670 15
Goods in Process	1,300 61	508 28
Finished goods	4,861 07	4,809 84
Stores and spares	1,406 75	1,168 08
Total	**16,498.49**	**13,156.35**
Details of Inventories Underbroad head.		
Raw Materials		
H R Coils	902 51	858 39
H R Plates	2,967 19	205 62
M S Slabs	1,915 39	1,775 03
Others	369 33	197 57
Goods in transit	2,775 64	3,633 54
Total	**8,930.06**	**6,670.15**
Goods in process		
Welded Pipes	229 57	203 67
Coating	14 94	7 61
Plates and Coils	461 43	212 29
Others	594 68	84 71
Total	**1,300.61**	**508.28**
Finished goods		
Welded Pipes	3,809 74	3,117 40
M S Plate	907 30	1,187 01
H R Coils	120 41	404 64
Coating	23 62	97 40
Others		3 39
Total	**4,861.07**	**4,809.84**
18. Trade receivables		
(Unsecured and considered good, unless otherwise stated)		
Over six months		
Considered good	1,289 06	741 57
Considered Doubtful	62 60	50 57
Less: Provision for doubtful debts	(62 60)	(50 57)
	1,289 06	741 57
Others considered good *	9,638 57	8,099 73
Total	**10,927.63**	**8,841.30**

* includes receivable from Subsidiaries Rs 2,760 50 million (Rs 127 15 million)

Notes forming part of the Financial Statements

(Rs. in million)

	2012	2011
19. Cash and Bank balances		
Cash and cash equivalents		
Balances with banks:		
Current accounts *	3,674 65	979 67
Unclaimed dividend accounts	5 20	4 27
Deposits having original maturity period of less than three months	1,877 65	3,181 89
Cheques on hand	36 00	55 92
Cash on hand	2 60	2 47
Other Bank balances		
Deposits having original maturity period of more than three months but less than twelve months	30 76	673 40
Deposits having original maturity period of more than twelve months		535 08
Margin Money Deposits	782 57	732 02
Total	**6,409.43**	**6,164.71**
* includes Rs 25 56 m llion (Rs 29 51 million) being balance in Debt Service Reserve account, not available for use by the company		
20. Short term loans and advances		
(Unsecured considered good unless otherwise stated)		
Deposits		
Related parties (Refer note 40)	37 28	37 28
Others	12 34	7 76
	49 62	45 04
Loans and Advances to Subsidiaries	191 95	0 60
Share Application Money to Subsidiaries	1,293 84	555 54
Other Loans and Advances		
Advances recoverable in cash or in kind	421 60	371 77
Balances with government authorities	2,537 30	2,134 73
Prepaid expense	49 10	34 48
Loans and advances to employees	27 37	22 10
	3,035 36	2,563 08
Less: Provision for doubtful advances	198 48	114 48
Total	**4,372.29**	**3,049.78**

(Rs. in million)

	2012	2011
21. Other current assets		
Interest accrued on		
Subsidiaries	248 33	26 11
Current Investment	616 13	145 04
Fixed deposits	45 79	67 18
Others	17 80	15 52
Receivable towards claim	76 31	
Export benefits receivable	226 43	508 71
Assets held for disposal	8 46	8 46
Total	**1,239.26**	**771.02**
22. Revenue from Operations		
Sale of Product		
Finished Goods	49,357 62	52,428 61
Traded goods	7,252 48	9,414 36
Other Operating Revenues (Refer note 46)	3,931 29	3,488 13
Revenue from Operations (gross)	**60,541.39**	**65,331.10**
Less: Excise Duty	2,844 27	2,627 07
Revenue from Operations (net)	**57,697.11**	**62,704.03**
Details of Sale of Product under broad head.		
Finished Goods		
Welded Pipes	29,227 10	33,336 45
M S Plates	14,793 23	15,360 89
H R Coils	3,097 70	2,113 02
Coating	460 97	393 21
Power	195 84	418 01
Steam	786 56	589 60
Others	796 22	217 42
	49,357.62	**52,428.61**
Traded Goods		
H R Coils	7,252 48	9,414 36
	7,252.48	**9,414.36**
23. Other Income		
Interest from		
Subsidiaries	269 36	29 01
Current Investments	692 64	269 11
Fixed Deposits	133 64	197 26
Others	124 30	173 59
Profit on Sale of Fixed Assets (net)	0 10	
Dividend Income	405 00	98 60

Notes forming part of the Financial Statements

(Rs. in million)

	2012	2011
Profit on Sale of Investments	219 87	14 85
Miscellaneous Income	347 13	152 73
Total	**2,192.04**	**935.14**
24. Cost of Materials consumed		
Inventory at the beginning period	3,036 61	3,586 44
Add: Purchases	40,026 65	36,862 78
	43,063 26	40,449 22
Less: Inventory at the end of the year	6,154 42	3,036 61
Total	**36,908.84**	**37,412.61**
Details of Raw Material Consumed		
H R Coils	8,260 85	14,091 57
H R Plates	12,470 24	8,567 08
M S Slab	15,129 09	13,970 53
Welding and Coating Materials	842 24	783 41
Others	206 43	
	36,908.84	**37,412.60**
25. Purchases of Traded Goods		
Purchases of Traded Goods	6,853 50	8,938 01
Total	**6,853.50**	**8,938.01**
26. Changes in inventories of Finished Goods, Goods in Process		
Inventories at the end of the year		
Goods in process	1,300 61	508 28
Finished goods	4,861 07	4,809 84
	6,161 68	5,318 11
Inventories at the beginning of the year		
Goods in process	508 28	564 64
Finished goods	4,809 84	2,697 19
	5,318 11	3,261 83
Total	**(843.56)**	**(2,056.29)**
27. Employee benefits expense		
Salaries, Wages and Bonus	1,562 24	1,632 48
Contribution to Provident and other funds	110 23	119 33
Employee compensation expenses (Net)	(1 51)	(0 56)
Staff Welfare expenses	85 14	99 62
Total	**1,756.09**	**1,850.87**

(Rs. in million)

	2012	2011
28. Other expenses		
Stores and Spares consumed	1,875 35	1,451 92
Coating and Other Job charges	1,833 60	290 86
Power, Fuel and Water charges	1,554 16	1,298 31
Freight, Material Handling and Transportation	1,629 53	1,938 23
Excise duty on decrease in stock	2 24	54 98
Rent	86 75	118 36
Rates and Taxes	8 23	56 40
Repairs and Maintenance		
Plant and Machinery	150 60	178 50
Bu ldings	26 36	20 14
Others	40 12	51 14
Travelling and Conveyance Expenses	156 72	254 64
Communication Expenses	20 37	24 42
Professional and Consultancy Fees	253 84	399 12
Insurance	83 02	82 17
Directors' sitting fees	1 02	0 65
Printing and Stationery	11 93	13 94
Security Charges	21 03	22 37
Membership and Subscription	14 51	24 55
Vehicle Expenses	17 65	17 85
Exchange difference (net)	831 82	428 39
Loss on sale / discard of Fixed Assets		12 81
Auditors Remuneration	7 36	6 71
Product compensation and claims (Refer note 35)	649 39	2,007 55
Sales Promotion expenses	30 56	33 20
Liquidated Damages	192 97	
Commission and Discount on Sales	422 28	149 98
Provision for doubtful debts / advances (Net)	96 68	(66 44)
Bad debts and advances written off/recovered	1 46	(82 00)
Miscellaneous expenses	117 17	108 23
Total	**10,136.74**	**8,896.97**

(Rs. in million)

	2012	2011
29. Finance costs		
Interest on		
Term Loans	127 56	163 31
Debentures/Bonds	1,602 62	1,117 29
Working Capital	20 87	38 04
Others	14 56	24 36
Other borrowing costs	437 29	333 73
Exchange difference (net)	268 07	
Total	**2,470.96**	**1,676.72**

Note 30 Micro, Small and Medium Enterprises

Disclosure of amount due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31 March is as under:

(Rs. in million)

	2012	2011
Principal amount due to suppliers under MSMED Act, 2006	16 98	4 30
Interest accrued and due to suppliers under MSMED Act, on the above amount	0 22	0 04
	17.20	**4.34**
Payment made to suppliers (Other than interest) beyond the appointed day, during the year	24 85	28 60
Interest due and payable to suppliers under MSMED Act, for payments already made	0 31	0 09
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	1 60	1 07

Note 31 Foreign Exchange Differences

a) Loss on account of difference in foreign exchange on realignment/realization and on cancellation of derivative instruments of Rs. 831.82 million (Rs. 428.39 million) and Rs.268.07 million (Rs. Nil) is accounted in other expenses and finance costs respectively other than (b) below.

b) The Companies (Accounting Standards) Amendment Rules 2009 has amended the provision of AS 11 related to “The effects of changes in Foreign Exchange Rates” vide notification dated 31 March 2009 (as amended on 11 May 2011 and 29 December 2011) issued by the Ministry of Corporate Affairs. Accordingly, the Company has adjusted exchange difference loss amounting to Rs. 695.83 million (Rs. 8.84 million) to the cost of fixed assets and capital work in progress and exchange difference loss of Rs. 612.53 million (Gain of Rs. 93.76 million) is transferred to “Foreign Currency Monetary Item Translation Difference Account” to be amortized over the balance period of such long term liabilities. Out of the above, loss of Rs. 289.56 million (Gain of Rs. 65.14 million) has been adjusted in the current year and loss of Rs. 322.97 million (Gain of Rs. 65.14 million) has been carried over.

c) The Company has early adopted AS 30 as referred to in Note 1 (i) of the Significant Accounting Policies and accordingly loss of Rs. 178.18 million (Rs. 54.29 million) related to foreign exchange difference on Cash Flow Hedges for certain firm commitments and forecasted transactions is recognized in Shareholders' Funds and shown as Hedging Reserve Account.

Note 32 Disclosure of Derivative Instrument and Unhedged Foreign Currency Exposure

(Rs. in million)

	2012		2011	
	Amount Hedged	Amount Unhedged*	Amount Hedged	Amount Unhedged*
a) In respect of Short term receivables and payables				
) In respect of Debtors				
Existing as on the Balance sheet date		4,240 79		2,630 03
In respect of future forecasted transactions	904 55		1,723 51	
i) In respect of Creditors				
Existing as on the Balance sheet date	9,475 60	10,540 55	3,530 63	7,689 66
In respect of future forecasted transactions	1,294 63		2,052 04	
b) In respect of Short term receivables and payables existing as on the Balance Sheet date				
) Borrowings		3,569 44		
i) Other liabilities or payables		1,101 30		1,181 15
ii) Other assets or receivables		1,354 48		4,781 76
c) In respect of Long term receivables and payables existing as on the Balance Sheet date				
) Borrowings		12,805 39		13,478 93
i) Other liabilities or payables		2,417 44		
ii) Other assets or receivables		76 31		
d) Other derivative Hedge instruments **	10,578 75		9,229 75	

Note : *The Net un hedged short term payables as on 31 March 2012 is Rs. 9,616.02 million (Rs.1,459.02million) resulting in natural hedge against foreign exchange rate fluctuation.

** Other derivative Hedge instruments include Coupon Only Swap for notional Rupee liability of Rs. 5,000.00 million (Rs. 5,000.00 million), Interest Rate Swap for notional foreign currency liability of USD 90 million equivalent to Rs.4,578.75 million (USD 50.00 million equivalent to Rs. 2,229.75 million) and Currency Swap for notional Rupee liability of Rs. 1,000.00 million (Rs. 2,000.00 million).

(in million)

	2012	2011
Cross Currency Hedges	Amount in Foreign Currency	Amount in Foreign Currency
In respect of short term receivables		
EUR / USD	1 50	6 57
In respect of short term payables		
EUR / USD	37 00	

Note. 33

a) Contingent liabilities not provided for

(Rs in million)

	31 March 2012	31st March 2011
Performance Guarantees/Bid Bond given by banks to company's customers / government authorities etc	18,948 50	20,025 53
Corporate Guarantees given by the company (includes Rs 6,427 23 mil ion (Rs 4,793 97 m llion) for Loans/Liab lities taken by the subsidiaries Loans / Liabilities outstanding against these guarantees are Rs 3,172 34 million (Rs 3,658 57 million)	12,249 50	9,400 57
Letters of Credit outstanding (net of liability provided) for company's sourcing	7,960 46	8,798 71
Claims against the company not acknowledged as debts	423 66	47 82
Custom duty on pending export obligation against import of Raw Materials	961 18	313 89
Disputed Indirect Taxes	74 29	160 61

b) During the year, the Company has received show cause notices alleging duty evasion of Rs. 8,609.82 million on account of wrong classification of imported raw materials. Out of the above, Rs. 6,706.60 million is cenvatable duty which is revenue neutral and balance Rs. 1,903.22 million is custom duty. However, the company does not expect any monetary liability based on the opinion obtained.

Note 34 Capital and Other Commitments

a) Estimated amount of contracts remaining to be executed on Capital account (Net of advances) is Rs. 579.94 million (Rs. 2,559.62 million)

b) Other long term commitments Rs.3,250.00 million (Rs. Nil)

c) The company has committed to provide continued financial support to subsidiaries / associates based on the requirement from time to time.

Note 35 Product Compensation and Claims

During the year, the Company arrived at an out of court settlement of USD 30 million with one of its customer who has initiated counter legal action against the company in the United States of America claiming loss / damages on account of defects in the pipes supplied.

As per the terms of settlement the company will pay USD 10 million within 12 months (in two equal installments) and balance USD 20 million will be adjusted from potential business from the said customer. In case the customer fails to give business to the company, then the settlement amount will be restricted to USD 22.50 million. The Company has accordingly provided the quality claim of USD 22.50 million in these accounts and reported USD 7.5 million as Contingent Liability.

Further, the Company has also entered into an out of Court settlement of USD 10 million with one of its steel supplier against which the company has initiated legal action in the Court at United States of America. As per the terms of settlement, the company has received USD 7 million from the said steel supplier and balance USD 3 million will be received within 24 months (in two equal installments). The Company has accordingly accounted for USD 10 million in these accounts.

Note 36 Disclosures pursuant to adoption of Accounting Standard 15 (Revised 2005) Employee Benefits

The Employees gratuity fund scheme managed jointly by Kotak Life Insurance Limited and India First Life Insurance Company Limited is a defined benefit plan. The present value of obligation is based on actuarial valuation using the Projected unit credit method. The obligation for leave encashment is recognized in the same manner as gratuity.

Defined Benefit Plan

Details of defined benefit plan of Gratuity (Funded) and Leave Encashment (Non Funded) are as follows

I Actuarial Assumptions

Economic Assumptions

Major Assumptions	2012 (%p.a.)	2011(%p.a.)
Discount Rate (p a)	8 5	8 5
Expected Return on Assets	7 5	7 5
Salary Escalation Rate	5 75	5 75

Demographic Assumptions

Major Assumptions	
Mortality	Latest Compiled Table of LIC (1994 96)
Retirement Age	60 years for all staff and workers (except Presidents and above retirement age is 62 Years)
Attrition Rate	2% up to age 44 and 1% thereafter

II Expenses recognized in the Statement of Profit and Loss

(Rs. in million)

	Gratuity (Funded) 2012	Gratuity (Funded) 2011	Leave Encashment (Unfunded) 2012	Leave Encashment (Unfunded) 2011
Current Service Cost	74 91	71 28	54 46	52 14
Interest Cost	8 52	7 17	3 89	3 55
Expected Return on Plan Assets	(6 74)	(5 49)		
Net Actuarial (Gain)/Loss recognized	(55 22)	(44 93)	(39 60)	(38 50)
Expenses recognized in the Statement of Profit and Loss	21 47	28 03	18 75	17 19

III Present Value of Defined Benefit Obligation and the Fair Value of Assets

(Rs. in million)

	Gratuity (Funded) 2012	Gratuity (Funded) 2011	Leave Encashment (Unfunded) 2012	Leave Encashment (Unfunded) 2011
Present Value of Obligation as at 31 March	99 54	98 37	46 75	46 15
Fair Value of Plan Assets as at 31 March	99 54	98 37		
Liability Recognized in the Balance Sheet			46 75	46 15

Notes forming part of the Financial Statements

IV Change in the Present Value of Obligation

(Rs. in million)

	Gratuity (Funded) 2012	Gratuity (Funded) 2011	Leave Encashment (Unfunded) 2012	Leave Encashment (Unfunded) 2011
Present Value of Obligation as at 1 April	98 37	70 78	46 15	34 27
Current Service Cost	74 91	71 28	54 46	52 14
Interest Cost	8 52	7 17	3 89	3 55
Benefits Paid	(21 96)	(5 49)	(18 15)	(5 31)
Actuarial (Gain)/Loss on Obligations	(60 30)	(45 37)	(39 60)	(38 50)
Present Value of Obligation as at 31 March	99 54	98 37	46 75	46 15

V Change in Fair Value of Plan Assets

(Rs. in Million)

	Gratuity (Funded) 2012	Gratuity (Funded) 2011
Fair Value of Plan Assets as at 1 April	98 37	70 78
Expected Return on Plan Assets	6 74	5 49
Actuarial Gain/(Loss) on Plan Assets	(5 09)	(0 44)
Contributions	21 48	28 02
Benefits Paid	(21 96)	(5 49)
Fair Value of Plan Assets as at 31 March	99 54	98 37

Note 37 Segment Reporting

i) The Company is engaged in the business of steel products which in the opinion of the management is considered as the only reportable business segment in the context of Accounting Standard 17 on "Segment Reporting".

ii) Information about Secondary Geographical Segment

(Rs. in Million)

	2012			2011		
	Within India	Outside India	Total	Within india	Outside India	Total
External Sales /Revenue from Operations	33,209 24	24,487 88	57,697 11	37,769 06	24,934 97	62,704 03
Carrying amount of Segment Assets	99,875 84	10,698 88	110,574 72	75,378 43	7,471 54	82,849 97
Capital Expenditure	3,382 64		3,382 64	4,129 62		4,129 62

Notes:

a) The Segment revenue in the geographical segments considered for disclosure is as follows:

Revenue within India includes sales to customers located within India.

Revenue outside India includes sales to customers located outside India.

b) Segment assets and liabilities include the respective amounts identified to each of the segments and amounts allocated on a reasonable basis.

Note 38 Payment to Auditors

(Rs. in million)

	2012	2011
Audit Fee	4 25	4 25
Tax Audit Fee	0 75	0 75
Other Services (Certification Fees)	2 30	1 66
Out of pocket expenses	0 06	0 05

Note 39 Operating lease

The Company leases office, residential facilities, equipment etc. under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. The initial tenure of lease is generally for eleven months.

(Rs. in million)

	2012	2011
Lease Rental charges for the year	86 75	118 36
Future lease rental obligations payable (under non cancelable leases)		
Not Later than one year	73 55	109 82
Later than one year but not later than five years	256 07	399 54
Later than five years	0 98	9 42

Note 40 Related Party Disclosures

Particulars of Subsidiaries / Associates / Joint Ventures

Name of the Subsidiaries	Nature of Business	Country of Incorporation	Extent of Holding (%)
Direct Subsidiaries			
Welspun Pipes Limited	Manufacturer of Steel Pipes	India	100% (100%)
Welspun Natural Resources Private Limited	Oil and Gas Exploration	India	100% (100%)
Welspun Pipes Inc	SPV for Steel Pipes Business	United States of America	100% (100%)
Welspun Tradings Limited	Trading in Steel Products	India	100% (100%)
Welspun Infratech Limited	Infrastructure Development	India	100% (100%)
Welspun Mauritius Holdings Limited	SPV for Steel Pipes Business	Mauritius	89 98% (88 11%)
Welspun Constructions Private Limited (upto 21 March 2012)	SPV for Steel Pipe Business	India	(100%)
Welspun Maxsteel Limited (w e f 13 August 2011)	Manufacturer of Sponge Iron	India	87 35% ( )
Indirect Subsidiaries			
Held through Welspun Mauritius Holdings Limited			
Welspun Middle East Pipes Company LLC	Manufacturer of Steel Pipes	Kingdom of Saudi Arabia	50 01% (50 01%)

Notes forming part of the Financial Statements

Name of the Subsidiaries	Nature of Business	Country of Incorporation	Extent of Holding (%)
Welspun Middle East Pipes Coatings Company LLC	Coating of Pipes	Kingdom of Saudi Arabia	50 01% (50 01%)
Welspun Middle East DMCC	Marketing Company	Dubai, UAE	100% (100%)
Held through Welspun Pipes Inc.			
Welspun Tubular LLC	Manufacturer of Steel Pipes	United States of America	100% (100%)
Welspun Global Trade LLC	Marketing Company	United States of America	100% (100%)
Held through Welspun Natural Resources Private Limited			
Welspun Plastics Private Limited	Oil and Gas Exploration	India	100% (100%)
Held through Welspun Infratech Limited			
Welspun Projects Limited	Infrastructure Development	India	61 12% (61 12%)
Welspun Road Projects Private Limited	Infrastructure Development	India	100% (100%)
Welspun Infra Projects Private Limited	Infrastructure Development	India	60% (60%)
ARSS Bus Terminal Private Limited (w e f 3 August 2011)	Infrastructure Development	India	45% ( )
Held through Welspun Projects Limited			
Anjar Road Private Limited (w e f 16 March 2012)	Infrastructure Development	India	100% ( )
Welspun BOT Projects Private Limited (w e f 12 April 2011)	Infrastructure Development	India	100% ( )
MSK Projects (Himmatnagar Bypass) Private Limited	Infrastructure Development	India	100% (100%)
MSK Projects (Kim Mandavi Corridor) Private Limited	Infrastructure Development	India	100% (100%)
Welspun Energy Maharashtra Private Limited (Up to 5 June 2011)	Infrastructure Development	India	51% (51%)
Held through Welspun Infra Projects Limited			
Welspun Energy Transportation Private Limited	Infrastructure Development	India	100% (100%)
Welspun Water Infrastructure Private Limited	Infrastructure Development	India	100% (100%)
Associate Companies			
Red Lebondal Limited	SPV for Steel Pipe Marketing	Cyprus	25% (25%)
Welspun Energy Limited *	Power Generation	India	26% (26%)
Joint Ventures			
Dahej Infrastructure Private Limited	Development of Jetty	India	50% (50%)
Indirect Joint Ventures			
Held through Welspun Natural Resources Private Limited			
Adani Welspun Exploration Limited	Oil and Gas Exploration	India	35% (35%)

Name of the Subsidiaries	Nature of Business	Country of Incorporation	Extent of Holding (%)
Held through Welspun Infra Projects Private Limited			
Leighton Welspun Contractors Private Limited (w e f 28 April 2011)	Infrastructure Development	India	35% ( )
Held through Welspun Projects Limited			
Dewas Bhopal Corridor Limited	Infrastructure Development	India	50% (50%)
Bul MSK Infrastructure Private Limited	Infrastructure Development	India	50% (50%)

* Direct and Indirect subsidiaries of Welspun Energy Limited (an associate company) : Welspun Energy Madhya Pradesh Limited, Welspun Energy Anuppur Private Limited, Welspun Energy UP Private Limited, Welspun Urja India Limited, Welspun Energy Chattisgarh Limited, Welspun Renewables Energy Limited, Welspun Urja Gujarat Private Limited.,Welspun Energy Meghalaya Private Limited, Welspun Energy Jharkhand Private Limited, Welspun Energy Orissa Private Limited, Welspun Energy Resources Private Limited, Welspun Solar Park Private Limited, Welspun Energy Park Private Limited, Welspun Solar Tech Private Limited, Welspun Energy Maharashtra Private Limited, Welspun Energy Rajasthan Private Limited, Solarsys Renewable Energy Private Limited, Welspun Solar Madhya Pradesh Private Limited, Welspun Solar Rajasthan Private Limited, Welspun Solar Punjab Private Limited, Welspun Solar UP Private Limited, Welspun Solar AP Private Limited, Unity Power Private Limited, Northwest Energy Private Limited, Dreisatz Mysolar24 Private Limited.

Other related parties with whom transactions have taken place during the year and balances outstanding as on the last day of the year.

Welspun India Limited, Welspun Steel Limited, Welspun Retail Limited, Welspun Anjar SEZ Limited, Welspun Foundation for Health and Knowledge, Welspun Syntex Limited, Vipuna Trading Limited, Welspun Logistics Limited, Welspun Realty Private Limited, Welspun Enterprises (Cyprus) Limited, Remi Metals Gujarat Limited, Welspun Captive Power Generation Limited

Directors / Key Management Personnel

	Nature of Relationship
B. K. Goenka	Executive Chairman
R. R. Mandawewala	Director *
Braja Mishra	Managing Director **
M. L. Mittal	Executive Director Finance ^
Asim Chakraborty	Whole Time Director #

*Managing Director upto 26 April 2012 ** appointed w.e.f. 26 April 2012
^ resigned w.e.f. 30 September 2011 # resigned from Directorship w.e.f. 4 October 2011

A) Transactions with related parties for the year

(Rs. in million)

	Subsidiaries	Associate / Joint Venture	Other Related Parties	Key Management Personnel	Total
Sale of Goods, Services and Recoveries	**16,790.16**	**151.36**	**1,379.64**		**18,321.16**
	21,362 82	0 02	1,322 27		22,685 11
Sale of Fixed Assets	**27.97**		**0.48**		**28.44**
	0 05		1 80		1 86
Interest received	**271.80**		**0.41**		**272.21**
	29 01		0 42		29 43
Purchase of Goods and Services	**730.04**		**80.88**		**810.93**
	2,971 52		133 93		3,105 45
Purchase of Fixed Assets					
	825 09				825 09
Rent and License fees paid			**72.16**		**72.16**
			101 77		101 77
Donations			**22.65**		**22.65**
			25 33		25 33
Reimbursement of expenses paid (net)	**299.90**		**51.68**		**351.58**
	19 25	0 05	84 21		103 50
Directors remuneration				**31.05**	**31.05**
				80 44	80 44
Loans, Advances and Deposits given	**1,509.93**		**72.91**		**1,582.84**
	1,948 46				1,948 46
Loans, Advances and Deposits given repaid	**1,357.58**				**1,357.58**
	863 99				863 99
Investment in Shares	**9,007.27**	**260.01**			**9,267.28**
	826 26	2 60	0 05		828 91
Investment in Optionally Convertible Debentures	**1,500.00**				**1,500.00**
	2,250 00				2,250 00
Sale of Shares	**0.13**				**0.13**
Share Application money given	**2,733.55**	**2,594.77**	**215.00**		**5,543.32**
	4,328 02	549 00	130 00		5,007 02
Share Application money given repaid / adjusted	**437.63**	**2,003.40**	**150.00**		**2,591.03**
	5,923 59	202 60			6,126 19

B) Closing balances as at 31 March 2012

(Rs. in million)

	Subsidiaries	Associate / Joint Venture	Other Related Parties	Key Management Personnel	Total
Loans, Advances and Deposits given	**1,381.53**		**388.38**		**1,769.91**
	1,070 59		428 37		1,498 96
Corporate Guarantees given	**6,427.23**	**4,999.30**	**822.97**		**12,249.50**
	4,793 96	3,783 63	822 97		9,400 57
Investments in Shares	**11,531.02**	**262.77**	**0.82**		**11,794.61**
	2,523 86	2 76	0 82		2,527 44
Investment in Optiona ly Convertible Debentures	**2,830.00**				**2,830.00**
	2,250 00				2,250 00
Share Application money	**2,807.24**	**699.76**	**195.00**		**3,702.00**
	556 32	368 40	130 00		1,054 72
Trade Receivables	**2,742.68**		**14.54**		**2,757.22**
	127 15		6 29		133 44
Interest Receivable	**175.04**				**175.04**
Trade Payables * [Rs 2374 (Rs 1187)]		**0.00**	**3.20**		**3.20**
	1 61	0 00			1 61
Trade Advances received					
	2,204 21				2,204 21

* Denotes figures less than Rs. 10,000/

Disclosure in respect of transactions which are more than 10% of the total Transactions of the same type with related parties during the year:

i Sale of Goods / Services and Recoveries Welspun Tradings Limited Rs. 8,701.43 million (Rs. 12,646.43 million) (Refer note 55), Welspun Tubular LLC Rs. 7,703.42 million (Rs. 8,437.01 million)

ii Sale of Fixed Assets Welspun Tubular LLC Rs. 27.97 million (Rs. Nil), Remi Metals Gujarat Limited Rs. Nil (Rs. 1.80 million)

iii Purchase of Goods and Services Welspun Tubular LLC Rs. 561.94 million (Rs. 297.79 million), Welspun Projects Limited Rs. 167.34 million (Rs. 104.21 million), Welspun Steel Limited Rs. 24.73 million (Rs. 74.41 million), Welspun Logistics Limited Rs. 50.20 million (Rs. 49.23 million), Welspun Tradings Limited Rs. 0.76 million (Rs. 2,569.52 million)

iv Purchase of Fixed assets welspurn pipes Limited Rs Nil (Rs 825.09 million)

v Rent paid Welspun Realty Private Limited Rs. 65.03 million (Rs. 92.53 million)

vi Donation paid Welspun Foundation for Health and Knowledge Rs. 22.65 million (Rs. 25.33 million) (meant for Corporate Social Responsibility activities)

vii Interest received Welspun Natural Resources Private Limited Rs. 73.29 million (Rs. 29.01 million), Welspun Infratech Limited Rs. 196.07 million (Rs. Nil)

viii Loans, Advances and Deposits given Welspun Natural Resources Private Limited Rs. 424.45 million (Rs. 963.97 million), Welspun Maxsteel Limited Rs. 1085.48 million (Rs. Nil), Welspun Infratech Limited Rs. Nil (Rs. 841.49 million)

ix Loans, Advances and Deposits given repaid / adjusted Welspun Natural Resources Private Limited Rs. 272.10 million (Rs. Nil), Welspun Maxsteel Limited Rs. 1085.48 million (Rs. Nil), Welspun Infratech Limited Rs. Nil (Rs. 841.49 million)

x Investment in Shares of Welspun Maxsteel Limited Rs. 8,042.17 million (Rs. Nil), Welspun Infratech Limited Rs. 920 million (Rs. Nil) converted out of Optionally Convertible Debentures, Welspun Mauritius Holdings Limited Rs. 0.10 million (Rs. 684.65 million), Investment in Optionally Convertible Debentures issued by Welspun Infratech Limited Rs. 1,500 million (Rs. 2,250 million)

xi Sale of Investments in Welspun Constructions Private Limited Rs. 0.13 million (Rs. Nil)

xii Share Application Money given Welspun Energy Limited Rs. 2,594.77 million (Rs. 549.00 million), Welspun Infratech Limited Rs. 1,126.55 million (Rs. 2,641.00 million), Welspun Mauritius Holdings Limited Rs. 1,513.40 million (Rs. 681.06 million), Welspun Natural Resources Private Limited Rs. 45 million (Rs. 985.30 million)

xiii Share Application Money given includes repaid / adjusted by Welspun Energy Limited Rs. 2,003.40 million (Rs. 202.60 million), Welspun Infratech Limited Rs. 411.35 million (Rs. 3,420.85 million), Welspun Natural Resources Private Limited Rs. 45 million (Rs. 1,056.86 million)

xiv Reimbursement of Expenses (net) Welspun India Limited Rs. 42.66 million (Rs. 80.77 million), Welspun Tubular LLC Rs. 281.13 million (Rs. Nil), Welspun Infratech Limited Rs Nil (Rs 19.25 million)

Disclosure of Closing balances as at 31 March 2012

i Loans, Advances and Deposits Welspun Logistics Limited Rs. 52.40 million (Rs. 52.40 million), Welspun Realty Private Limited Rs. 320.48 million (Rs. 356.48 million), Welspun Natural Resources Private Limited Rs. 1,189.61 million (Rs. 963.97 million).

ii Trade Receivables Welspun Tubular LLC Rs. 1,140.97 million (Rs. Nil), Welspun Tradings Limited Rs. 1,555.82 million (Rs. Nil), Welspun Projects Limited Rs. Nil (Rs. 115.80 million)

iii Trade Payables Welspun India Limited Rs. 0.63 million (Rs. Nil), Welspun Retail Limited Rs. 2.57 million (Rs. Nil)

iv Trade Advances received Welspun Tradings Limited Rs. Nil (Rs. 1,068.12 million), Welspun Tubular LLC Rs. Nil (Rs. 1,136.09 million)

v Investments held Welspun Infratech Limited Rs. 1,920.85 million (Rs. 1,000.85 million), Welspun Maxsteel Limited Rs. 8,042.17 million (Rs. Nil), Welspun Pipes Inc. Rs. 645.94 million (Rs. 645.94 million), Welspun Mauritius Holdings Limited Rs. 684.74 million (Rs. 684.65 million), Welspun Infratech Limited Optionally Convertible Debentures Rs. 2,830 million (Rs. 2,250 million)

vi Share Application Money given Welspun Energy Limited Rs. 699.76 million (Rs. 368.40 million), Welspun Infratech Limited Rs. 715.20 million (Rs. Nil), Welspun Pipes Limited Rs. 578.64 million (Rs. 555.54 million), Welspun Mauritius Holdings Limited Rs. 1,513.40 million (Rs. Nil), Welspun Captive Power Generation Limited Rs. 195 million (Rs. 130 million)

vii Guarantees and Collaterals given Welspun Pipes Inc Rs. 4,070 million (Rs. 3,567.60 million), Welspun Urja Private Limited Rs. 1,709.30 million (Rs. 1,709.30 million), Welspun Mauritius Holdings Limited Rs. Nil (Rs. 1,181.77 million), Welspun Middle East Pipes Company LLC Rs. 2,035 million (Rs. Nil), Welspun Energy Limited Rs. 1,270 million (Rs.750 million), Adani Welspun Exploration Limited Rs. 1,470 million (Rs. 700 million)

viii Directors Remuneration

(Rs. in million)

Name	Relation	2012	2011
B K Goenka	Executive Chairman	11 78	57 58
R R Mandawewala	Managing Director *	10 00	4 74
M L Mittal	Executive Director Finance**	5 60	11 20
Asim Chakraborty	Whole Time Director #	3 67	6 92
	Total	**31.05**	**80.44**

* Managing Director upto 26 April 2012 ** Resigned w.e.f. 30 September, 2011
# Resigned from Directorship w.e.f. 4 October, 2011

Note 41 Disclosure pursuant to Clause 32 of the listing agreement :

(Rs. in million)

	Balance as on 31 March		Maximum amount outstanding during the year	
Loans and advances in the nature of loans to subsidiaries:	**2012**	**2011**	**2012**	**2011**
Welspun Natural Resources Private Limited	1,189 61	966 87	1,283 61	966 87
Welspun Maxsteel Limited	Nil	Nil	1,085 48	Nil

Note 42 Acquisitions during the year

a) The Company acquired 113,622,058 (87.35%) Equity shares of Welspun Maxsteel Limited (WMSL) at an aggregate consideration of Rs. 8,042.17 million pursuant to Share Purchase and Investment Agreement dated 29 June 2011 entered with Insight Solutions Limited, Welspun Maxsteel Limited and Welspun Steel Limited. Accordingly, WMSL became a subsidiary of the Company w.e.f. the date of acquisition i.e. 13 August 2011.

b) Welspun Infra Projects Private Limited, a subsidiary of Welspun Infratech Limited has acquired 35% equity shares in Leighton Contractors (India) Private Limited ('LCPL'), (an Indian unit of Leighton Holdings) at a total consideration of Rs. 4,700 million. LCPL was subsequently renamed as Leighton Welspun Contractors Private Limited ("LWIN").

c) Welspun Infratech Limited (subsidiary of company) has subscribed to 7,772,727 equity shares of Rs. 10 each fully paid up in ARSS Bus Terminal Private Limited (ARSS) for Rs. 77.72 million representing 45% of equity shares of ARSS.

Note 43 Conversion and Issue of Optionally Convertible Debentures (OCD) by Welspun Infratech Limited

On 28 April 2011, Welspun Infratech Limited (a wholly owned subsidiary of the company) allotted 23,889,899 equity shares of Rs. 10 each at Rs. 38.51 per share aggregating to Rs. 920 million to the company, consequent to conversion of 9,200 OCDs of Rs. 100,000 each. During the year, the company has additionally subscribed to 15,000 7% OCDs of Rs. 100,000 each, amounting to Rs. 1,500 million. The tenure of OCDs is five years and bearing interest @ 7% p.a. for first three years and @ 11% p.a. for the remaining period if not redeemed earlier. The company has the option to convert the said OCDs into equity shares at any time within three years as per the terms of the issue.

Note 44 Net Dividend remitted in foreign exchange

Year of remittance (ending on)	2012	2011
Period to which it relates	2010 2011	2009 2010
Number of non resident shareholders	27	27
Number of equity shares held on which dividend was due	22,123,395	22,323,395
Amount remitted (Rs in mi lion)	44 24	44 65

Note 45 Earnings Per Share (EPS)

	2012	2011
I) Profit computation for Basic and Diluted EPS Profit after Tax (Rs. in million)	649 38	3,644 52
Add: Interest on Foreign Currency Convertible Bonds (net of tax) (Rs in mil ion)	149 98	233 98
Add: Interest on Compulsar ly Convertible Debentures (net of tax) (Rs in mil ion)	165 61	
Profit after Tax for Diluted EPS (Rs in mil ion)	964 97	3,878 50
II) Weighted average number of equity shares for EPS computation		
a) For Basic EPS (Nos)	219,028,187	204,549,256
b) For D luted EPS (Nos)	278,200,370	229,020,787
III) EPS on Face Value of Rs. 5 each		
Basic (Rs)	2 96	17 82
Diluted (Rs)	2 96	16 94

Note 46 Other operating revenues

(Rs. in million)

	2012	2011
Scrap sales	1,308 44	1,432 54
Value added tax incentive	670 30	508 15
Export benefits	480 50	1,321 77
Excess provisions written back	1,135 91	57 25
Others	336 14	168 43
Total	**3,931.29**	**3,488.13**

Note 47 Remuneration paid or provided in accordance with section 198 of the Companies Act, 1956 to the Directors is as under:

(Rs. in Million)

	2012			2011		
	Executive Chairman	Managing Director	Whole Time Directors	Executive Chairman	Managing Director	Whole Time Directors
Salaries and Allowances	10 00	10 00	9 01	5 50	4 74	17 62
Commission	1 78			52 08		
Perquisites / Contribution to Provident Fund			0 26			0 50
Total	**11.78**	**10.00**	**9.27**	**57.58**	**4.74**	**18.12**

Note 48 Value of Raw Material Consumed

	2012		2011	
	Rs in m llion	% of Consumption	Rs in million	% of Consumption
Imported	28,145 94	76 26	26,041 73	69 61
Indigenous	8,762 90	23 74	11,370 88	30 39
Total	**36,908.84**	**100.00**	**37,412.61**	**100.00**

Note 49 Value of Stores and Spares Consumed

	2012		2011	
	Rs in m llion	% of Consumption	Rs in million	% of Consumption
Imported	201 05	10 72	187 26	12 90
Indigenous	1,674 29	89 28	1,264 67	87 10
Total	**1,875.35**	**100.00**	**1,451.92**	**100.00**

Note 50 Value of Imports on CIF Basis in respect of

(Rs in million)

	2012	2011
Raw Materials	32,854 05	22,131 50
Capital Goods	2,286 95	81 50
Stores and Spares	567 70	946 53
Traded Goods	6,826 59	8,433 87
Coal	778 24	628 22

Note 51 Expenditure in Foreign Currency

(Rs in million)

	2012	2011
Freight, Material hand ing and Transportation expenses	1,102 64	860 90
Membership and other fees	17 52	16 74
Sales Commission (Net)	320 35	101 46
Finance Cost (including Bank charges)	745 74	586 39
Professional and Consultancy fees	153 77	250 13
Coating and other Job work charges	1,583 59	399 24
Others	80 91	26 03

Note 52 Earnings in Foreign Exchange

(Rs in million)

	2012	2011
FOB Value of Exports	25,243 00	22,054 68
Job work and Other charges	1,053 84	718 81

Note 53 Disclosure in respect of Joint Ventures

In compliance with Accounting Standard 27 on "Financial Reporting of Interest in Joint Ventures", the company's share of each of the assets, liabilities, income and expenses, etc. in respect of jointly controlled entities are as follows:

Name of Joint Venture	Description of Interest	Country of Incorporation	Ownership Interest
Dahej Infrastructure Private Limited (DIPL)	Jointly Controlled Company	India	50%

(Rs in million)

	2012	2011
Company's Share of Interest in Dahej Infrastructure Private Limited		
Assets	0 85	0 89
Liabilities	0 85	0 89
Income		
Expense	6 25	6 00

Note 54 Other current liabilities include an amount of Rs. 368.75 Million (Rs. 368.75 million) being VAT collected on Sales, claiming it within VAT incentive limit, not paid. If the claim of the Company is not accepted, the amount may have to be paid and/or contested in appeal.

Note 55 The company has been getting export / domestic orders and executing those orders through one of its subsidiaries. The realisation, income / benefits / claims, or expenses relating to such transactions are on company's account allowing it to retain a reasonable profit margin.

Note 56 Schedule VI to the Companies Act, 1956 is revised effective from 1 April 2011. This has significantly impacted the disclosures and presentation in the financial statements. Previous years figure have been regrouped / reclassified wherever neccessary to correspond with current years classifications / disclosures.

As per our attached report of even date

For **MGB & Co.**
Chartered Accountants
Firm Registration Number 101169W

Jeenendra Bhandari
Partner
Membership Number 105077

Mumbai
29 May 2012

For and on behalf of the Board

B.K.Goenka
Executive Chairman

R.R.Mandawewala
Director

Braja Mishra
Managing Director

B.R.Jaju
Chief Financial Officer

Pradeep Joshi
Company Secretary

(Rs Million)

		2012	2011
A)	**Cash Flow from Operating Activities**		
	Profit before tax	**763.07**	**5,263.63**
	Adjustments for		
	Depreciation/Amortisation expense	1,843 52	1,656 65
	Interest expense	1,765 60	1,342 99
	Interest income	(1,219 94)	(668 96)
	(Profit)/Loss on sale/discard of fixed assets (net)	(0 10)	12 82
	Profit on sale of Investments (net)	(219 87)	(14 85)
	Dividend income	(405 00)	(98 60)
	Provision for doubtful Debts/Advances (net)	96 02	(90 97)
	Employee compensation expenses (net)	(1 51)	(0 56)
	Exchange adjustments (net)	1,331 96	8 21
	Operating Profit before Working Capital changes	**3,953.75**	**7,410.36**
	Adjustments for		
	Trade and Other receivables	(2,470 29)	(599 54)
	Inventories	(3,342 15)	(113 42)
	Trade and Other payables	10,379 61	4,416 45
	Cash generated from operations	**8,520.91**	**11,113.84**
	Direct Taxes paid (net of refunds)	(253 06)	(1,321 80)
	Net Cash from Operating activities (A)	**8,267.86**	**9,792.05**
B)	**Cash Flow From Investing Activities**		
	Purchase of fixed assets (including Capital work in progress)	(2,598 43)	(3,973 21)
	Sale of fixed assets (net)	28 20	9 88
	Purchase of long term Investments		
	Subsidiaries	(9,587 29)	(3,076 26)
	Others	(260 01)	(37 42)
	Sale of long term Investments Subsidiaries	0 13	0 00
	Purchase of Current Investments (net)	(6,268 94)	(11,778 71)
	(Increase) / decrease in Share Application Money given to		
	Subsidiaries	(2,250 92)	1,595 57
	Others	(396 36)	(419 70)
	Loans given to Subsidiaries	(1,509 93)	(937 86)
	Loans given repaid by Subsidiaries	1,357 58	0 00
	Dividend received	405 00	98 60
	Interest received	543 19	559 08
	Net cash used in Investing Activities (B)	**(20,537.78)**	**(17,960.03)**

Cash Flow Statement for the year ended 31 March

(Rs Million)

		2012	2011
C)	**Cash Flow from Financing Activities**		
	Proceeds from issue of equity shares (including securities premium) (Refer note 2)	5,079 47	27 63
	Proceeds from issue of Compulsorily Convertible Debentures	7,883 75	
	Proceeds from issue of debentures		10,000 00
	Redemption of debentures		(1,300 00)
	Repayment of long term borrowings	(16 69)	(3,181 13)
	Increase/(decrease) in short term borrowings (net)	1,549 17	1,362 32
	Interest expenses paid	(1,506 01)	(1,312 89)
	Dividend paid (including corporate dividend tax)	(475 07)	(475 65)
	Net cash from financing activities (C)	**12,514.62**	**5,120.29**
	Net changes in cash and cash equivalents (A+B+C)	**244.72**	**(3,047.70)**
	Cash and cash equivalents at the beginning of the year	6,164 71	9,212 41
	Cash and cash equivalents at the end of the year	**6,409.43**	**6,164.71**

Notes:

1 Cash and Cash equivalents at end of year includes unrealised Profit of Rs 29 11 mil ion (Unrealized Loss of Rs 49 29 mil ion) being on account of Current Account/Fixed Deposits in foreign currency

2 Proceeds from equity shares includes Rs 5,072 68 million (net of issue expenses of Rs 108 17 mi lion) received from "Global Depository Receipts" (GDR) (Refer note 2 (e) of Notes to Accounts)

3 Cash and Bank balances include Rs 813 33 million (Rs 765 44 million) which is not available for use by the Company

4 Previous year figures have been regrouped/recast wherever necessary

As per our attached report of even date

For MGB & Co.
Chartered Accountants
Firm Registration Number 101169W

Jeenendra Bhandari
Partner
Membership Number 105077

Place: Mumbai
Date: 29 May 2012

For and on behalf of the Board

B.K.Goenka
Executive Chairman

Braja Mishra
Managing Director

R.R.Mandawewala
Director

B.R.Jaju
Chief Financial Officer

Pradeep Joshi
Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT,1956, RELATED TO SUBSIDIARY COMPANIES

NAME OF THE SUBSID ARY COPANY	WELSPUN NATURA RSOURCES PVT. LTD.	WELSPUN PLASTICS PVT. LTD.	WELSPUN MAXSTEEL LTD. (1)	WELSPUN P PES NC	WELSPUN TUBULAR LLC	WELSPUN GLOBAL TRADE LLC	WELSPUN PIPES LTD.	WELSPUN TRAD NGS LTD.	WELSPUN INFRATECH TD.	WELSPUN ROAD PROJECTS PVT. LTD	WELSPUN PROJECTS LTD	MSK PROJECTS (H MMATNAGAR BYPASS) PR VATE LTD.	MSK PROJECTS (K M MANDAVI CORR DOR) PVT. LTD.	WELSPUN INFRA PRO ECTS PR VATE L MITED	WELSPUN ENERGY TRANSPORTAT ON PVT. LTD.	WELSPUN WATER NFRASTRUCTURE PVT. LTD	ARSS BUS TERMINAL PRVATE LTD (2)	WELSPUN BOT PROJECTS PRIVATE LTD (3)	AN AR ROAD PRIVATE LTD (4)	WELSPUN MAUR T US HOLD NGS LTD	WELSPUN MIDDLE EAST DMCC	WELSPUN MIDDLE EAST P PES COAT NGS COMPANY LLC	WELSPUN MIDDLE EAST PIPES COMPANY LLC
FINANCIAL YEAR OF THE SUBSIDIARY ENDED ON	31st March, 2012	31 t March 2012	31 st March, 2012	31 st March, 2012	31st March, 2012	31 t Ma ch 2012	31st March, 2012	31st March, 2012	31 st March, 2012	31 t Ma ch 2012	31st March 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31 t Ma ch 2012	31st March, 2012	1st March 2012	31st Ma ch 2012	31st March, 2012	31st March, 2012	31st March, 2012
SHARES OF THE SUBSIDIARY COMPANY HELD ON THE ABOVE DATE AND EXTENT OF HOLDING																							
(i) Equity shares	18 75 000 equ ty shares of Rs 10 each	-	113 622 058 equ ty shares of Rs 10 each	10 001 common stock of US$ 1 each	-	-	50 000 equ ty shares of Rs 10 each	50 13 402 equ y shares of Rs 10 each	48 639 899 equ ty shares of Rs 10 each	-	-	-	-	-	-	-	-	-	-	1 02 089 equ y shares of US$ 1 each	-	-	-
(ii) Preference Stock	-	-	-	16 000 preference stock of US$ 1000 each	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 49 99 968 preference shares of US$ 1 each	-	-	-
(ii) Extent of ho ding / Contro	100%	100%	87.35%	100%	100%	100%	100%	100%	100%	100%	61.12%	100%	100%	60%	100%	100%	45%	100%	100%	89 98%	100%	50.01%	50.01%
Net aggregate amount of profit / (osses) of subsidiary for the above financial year so far as they concern members of the Company																							
( ) Dea t w th n the accounts of the Company or the year ended 31 March 2012 (Rs mi ions)																							
( ) Not dea t w th n the accounts of the Company for the year ended 31 March 2012 (Rs. mi ions)	-	(0.21)	(763.62)	92.44	2 192 76	5.62	-	27.58	-	-	13 12	5.01	5.94	-	-	-	-	-	-	28.98	(10.94)	(93.21)	(70.41)
Net aggregate amount of profits / (Losses) for previous financial year the subsidiary as far as it concern the members of the Company.																							
(i) Dea t with in accounts of the Company.																							
(ii) Not dealt with in the accounts of the Company.	-	(0.01)	NA	141.63	2 052 72	(70.71)	-	99.19	-	-	(200 77)	1.46	(0.04)	-	-	-	NA	NA	NA	20.83	(0.48)	(4.22)	(28.52)

(1) Became Subsidiary w.e.f 13 August 2011
(2) Became Subsidiary w.e.f 3 August 2011
(3) Became Subsidiary w.e.f 12 Apr l 2011
(4) Became Subsidiary w.e.f 16 March 2012
For and on behalf of the Board

For and on beha f of the Board

B.K.Goenka
Executive Chairman

Braja Mishra
Managing Director

R.R.Mandawewala
Director

B.R. Jaju
Chief Financial Officer

Pradeep Joshi
Company Secretary

FAQ SECTION

PIPE SEGMENT

1. **What is the current capacity of Pipes in India, US & Saudi? Whether the company is looking for any further expansion plans?**

   The current pipe manufacturing capacity is 2.20 million MTPA as explained on page no.50 (Figure 24), includes the US capacity of 0.35 million MTPA and Saudi capacity of 0.30 million MTPA. The new LSAW capacity of 0.35 million MTPA in India got commissioned in Q3 FY12. The Company has initiated the capacity expansion of 0.175 million MTPA of ERW in US, which would get commissioned by FY13, and the 0.05 million MTPA of HSAW capacity extension of the Mandya plant to be commissioned in FY13. With these additions, the total worldwide manufacturing capacity would stand at 2.425 million MTPA.

2. **What is the current utilization level for the Company in India, Saudi and US pipe plants?**

   The combined utilization levels in India, Saudi and US plants was ~ 44% for FY12 on an annualized basis. The capacity utilization depends on the diameter and thickness of the pipes. The new LSAW plant in Anjar was commissioned in December 2011, therefore utilization has been calculated on an annualized basis. The plant would take 2 3 years to ramp up and reach optimal utilization level.

3. **What is the production and sales volume in pipes for FY 12?**

   The production of welded pipes was 819K MT in FY12 and the sales volume of pipes was 835K MT in FY12.

4. **How much was the US Production during the year? What was the Sales from the US Plant during the year?**

   During the year, the US plant has produced 210K MT of spiral welded pipes with utilization level of 60%. Revenue from the US Plant was Rs. 16,987 million (US$ 354 million) for FY12.

5. **How much was the Saudi Production during the year? What was the Sales from the Saudi Plant during the year?**

   The Saudi Plant started production in the last quarter of FY11, and produced 136K MT of spiral welded pipes in FY12. Revenue from the Saudi Plant is ~ Rs. 6,012 million during the year.

PLATE CUM COIL MILL SEGMENT

6. **What is the production in the Plate Mill? What is total sale of plates during the year (External and Internal)?**

   The Company produced 507K MT of plates during the year. The total plate sale during the year was 531K MT, out of which 441K MT is external sales and 90K MT is internal consumption.

INFRASTRUCTURE SEGMENT

7. **What is the outlook on the infra segment? What is total Sales in Infra added to WCL during the year?**

   Welspun's infrastructure business (Welspun Projects Limited & Leighton Welspun Contractors Private Limited) has shown positive EBITDA growth and resultant PAT has remained marginally positive after accounting for interest and depreciation in FY12. As far as the development of the business is concerned, the opportunity size continues to be strong, with Welspun having its footprints across all the core infrastructure sectors. The total Infra business sales for FY12 are ~ Rs. 8,970 million after accounting for the consolidation of Welspun Projects Limited and Leighton Welspun Contractors Private Limited (w.e.f. 28th April 2011). During the year, Welspun Infratech Limited, subsidiary of the Company, acquired 45% stake in ARSS Bus Terminal Private Limited at a cost of Rs. 77 million.

ORDER BOOK POSITION

8. **What is the current Order Book Position in Pipes and Plates by Value? What is the percentage export and domestic breakup by volume?**

   The combined order book position of the company stands at Rs. 91,850 million (~ US$ 1.67 billion) as of June 22, 2012. The current order book consists of pipe orders of 1,242K MT and external plate orders of 55K MT, with additional internal plate orders of 107K MT. 81% of pipe orders are from international markets like North America, Middle East, North Africa, and South East Asia.

9. **Who are the Major Clients on the Order Book?**

   - TCPL, Enbridge (Canada)
   - GAIL, (India)
   - Saudi Aramco, RTCC Wasia, Al WASIT, (Middle East)
   - Zakhim, (Nigeria)
   - PTTEP, (Thailand)
   - Enterprise EPCO, Access, (US)

10. **What are the key export markets for the company?**

    The key export markets for the Company are the markets in North America, Middle East, South East Asia, Africa, Bangladesh, and Europe. The Company has a well established sales network across the globe with marketing offices in Mumbai and Delhi (India), Dammam (Saudi Arabia), Dubai (UAE) and Houston (USA).

11. **What are the new markets in pipes sector, the company is looking for?**

    The new markets for the Company are mainly CIS countries, Europe, parts of Middle East, Africa, Iraq and Far East. The Company has a sizeable existing business in Far East but from our business development initiative, we are looking to reinforce and this adds to our efforts to gather more market share in the Far Eastern market. Further, with growing popularity of natural gas and major investment taking place in the under exploited regions like Iraq in Middle East and Nigeria, Ghana, Angola in Africa provide a significant opportunity to the company for focusing upon and securing sizeable market share for line pipes in these regions. On the Latin America side, we are seeing three markets which are fairly active; Brazil, Venezuela, Columbia and Argentina. We are also seeing some demand emerging in Mexico which will add further value to the US mill.

12. **How is the company looking in Pipes sector towards the growing domestic market?**

    The domestic market is growing at a reasonable pace. Based on the existing pipeline projects, the domestic pipeline requirements is expected to be good in the next years to come with expenditure plans from major oil & gas pipeline players like GAIL (Gas Authority of India Limited), RGTIL (Reliance Gas Transportation India Limited) and GSPL (Gujarat State Petronet Limited). GAIL plans to invest majorly over the next 2 3 years in expanding its pipeline network to connect consumption centers, as the company looks to expand its gas network in North India. Welspun is looking towards this opportunity in the domestic market and started bidding for the recently announced projects.

13. Who are customers that the company has got accreditations from?

The Company has got accreditations from over 50 Oil and Gas majors world wide. To list, some of them are:

COMPANY NAME	COMPANY NAME	COMPANY NAME
AGIP Jordon	GAIL India	QATAR PETROLEUM
AL WAS T UAE	GASCO UAE	RELIANCE NDUSTRIES LIMITED India
BECHTEL US	GASCO Egypt	SA PEM taly
BRITISH GAS	GAZPROM Russia (STROYTRANSGAZ)	SAUDI ARAMCO
BRITISH PETROLEUM	KINDER MORGAN US	SHELL US
CHINA NATIONAL PETROLEUM CORPORATION	N A O C Nigeria	STOLT OFFSHORE ACERGY UK
CPMEC China	NPCC UAE	SONATRACH Alger a
CHEVRON US (Framework Agreement)	NTPC India	TOTAL France
DOW US	ONGC India	TECHN P France
EL PASO US	PETRO CHINA	TRANSCANADA (Long Term Contract)
EGYPTIAN GENERAL PETROLEUM CORPORATION	PETRONAS Malaysia	UNOCAL US
ENTERPRISE US	PDO Oman	PERU LNG US (HUNT OIL)
EXXON MOBIL (GOLDEN PASS PIPELINE) US	PGN Indonesia	VIETSOPETRO Russ a/Vietnam
GROUP F VE Saudi Arabia	PTTEP Thailand	SWCC Ind a

DEBT / INVENTORY POSITION

14. What is the current gross and net debt position as at 31st March 2012?

The gross debt (secured & unsecured) is Rs. 53,407 million comprising of long term borrowings of Rs. 39,714 million, current portion of long term borrowings of Rs. 5,920 million, and short term borrowings of Rs. 7,773 million as of 31st March 2012.

The Net Debt Position for the company is Rs. 23,721 million after taking into account Cash and Liquid Investments of Rs. 29,686 million.

15. What is the Net Debt to Net worth ratio for the company?

The Net Debt of the Company stands at Rs. 23,721 million, while the Net Worth of the Company is Rs. 49,139 million comprising of Share Capital of Rs. 1,139 million, Reserves & Surplus of Rs. 40,117 million and Compulsory Convertible Debentures of Rs. 7,884 million.

The Net Debt to Net worth ratio for the company for FY12 stands at 0.48 indicating a strong Balance Sheet.

16. What is the Inventory level of the Company? What is the Inventory turnover for the company during the year?

Inventory increased by Rs. 7,348 million to Rs. 25,827 million mostly due to increase in raw materials of Rs. 3,454 million, finished goods of Rs. 2,692 million, and stores and spares of Rs. 566 million. This increase in inventory also includes the inventory consolidated after the acquisition of Welspun Maxsteel Limited and after the acquisition of 35% stake in Leighton Welspun Contractors Private Limited during FY12.

The inventory turnover days have increased from 84 days of Net Sales in FY11 to 105 days of Net Sales in FY12.

OTHERS

17. What were the funds raised during the year by the Company?

As of 31st March 2012 total share outstanding were 227.78 million shares. In FY12, Insight Solutions Limited and Granele Limited invested approximately US$ 293 million in WCL. Approximately US$ 178 million have been invested by way of the preferential allotment of Compulsorily Convertible Debentures (CCDs) and approximately US$ 115 million by way of non voting Global Depository Receipts (GDRs). The CCDs carry a coupon of 5% and will be mandatorily fully converted within 18 months into equity shares at Rs. 225 per share, which represents 13.3% of the equity capital of WCL. Funds affiliated with Insight Solutions Limited have also subscribed for non voting GDRs of US$ 115 million at the same price of Rs. 225 per share. The above outstanding shares of 227.78 million include the GDRs of 23.02 million shares. The total shares outstanding after taking into consideration of CCDs and some ESOPs would be 263.47 million.

18. What is the planned CAPEX for the company for the further expansion plans?

There are no further expansion plans for the company besides the ongoing expansion of 175,000 MTPA ERW plant in Little Rock, US for US$ 80 million. There would be regular maintenance and need based capex during FY13 and FY14.

19. What are the strategic initiatives taken by the company?

During FY12 the Company acquired 87.35% equity stake in Welspun Maxsteel Limited, major producer of Sponge Iron and has consolidated it as a subsidiary from August 13, 2011.

The Company also bought 35% stake in Leighton Contractors (India) Private Limited subsequently renamed as Leighton Welspun Contractors Private Limited, "LWIN".

Welspun Infratech Limited (100% subsidiary of the Company) has acquired 45% equity stake in ARSS Bus Terminal Private Limited in August 2011.

GLOSSARY OF TERMS

2B	Tubular	IACC	Indo American Chamber of Commerce
5L	Line	INR	Indian Rupee (Rs)
API	American Petroleum Institute	ISO	International Organization for Standardization
BOT	Build Operate & Transfer	IEA	International Energy Agency
bn	Billion	JPY	Japanese Yen
CAGR	Compounded Annual Growth Rate	LIBOR	London Interbank Offered Rate
CARE	Credit Analysis and Research Limited	LLC	Limited Liabi ity Company
CIS	Commonwealth of Independent States	LSAW	Longitudinal Submerged Arc Welded
CRISIL	Credit Rating Information Services of India Limited	mn	M llion
CT	Casing and Tubular	MT	Metric Tonnes
CGD	City Gas Distribution	MTPA	Metric Tonnes Per Annum
CapEx	Capital Expenditure	MTOE	M llion Tonnes of O l Equivalent
DRI	Direct Reduced Iron	MMSCMD	M llion Metric Standard Cubic Meter Per Day
EBITDA	Earnings Before Interest Tax Depreciation and Amortization	NELP	New Exploratory Licensing policy
ECB	External Commercial Borrowing	OCTG	Oil Country Tubular Goods
ERW	Electric Resistant Welded	OECD	Organisation for Economic Co operation and Development
EPS	Earnings per Share	OHSAS	Occupational Health and Safety Advisory Services
EIA	Energy Information Administration	ONGC	Oil and Natural Gas Corporation
EPC	Engineering, Procurement & Construction	Q	Quarter
FCCB	Foreign Currency Convertible Bonds	QIP	Qualified Institutional Placements
FDI	Foreign Direct Investment	RGTIL	Reliance Gas Transportation Infrastructure Ltd
FSU	Former Soviet Union	RBI	Reserve Bank of India
GAIL	Gas Authority of India Limited	SAW	Submerged Arc Welded
GSPL	Gujarat State Petroleum Limited	TPA	Tonnes Per Annum
GSPC	Gujarat State Petroleum Corporation	UK	United Kingdom
GDP	Gross Domestic Product	US	United States of America
GDR	Global Depository Receipts	US$	US Dollar
GmBH	Gesellschaft mit beschränkter Haftung	VAI	Voest Alpine Industries
HBI	Hot Briquetted Iron	VAT	Value added Tax
HRC	Hot Rolling Coil	WCL	Welspun Corp Limited
HSAW	He ical Submerged Arc Welded		

EVENT CALENDAR FY 2012-13

Date	Events/Announcements
Week 33 of 2012 Week Starting Aug. 13	Q1 Board meeting and Results followed by Investors / Analysts call
Week 46 of 2012 Week Starting Nov. 12	Q2 Board meeting and Results followed by Investors / Analysts call
Week 7 of 2013 Week Starting Feb. 11	Q3 Board meeting and Results followed by Investors / Analysts call
Week 22 of 2013 Week Starting May 27	Q4 Board meeting and Results followed by Investors / Analysts call

ACHIEVEMENTS

YEAR	AWARD/RECOGNITION	BESTOWED BY
2011	Top Export for the Year 2010-11 - Gold Trophy	EEPC
2011	Star Performer	GAIL (India) Ltd.
2011	Best Indian Manufacturing Company in the US	IACC 2011
2010	Star Performer Award for the year 2008-09 All India Export Excellence Awards	EEPC 2010
2010	Top Indian Company under Metal Pipes	Dun & Bradstreet
2009	National Awards for Export Excellence - Silver Trophy	Engineering Export Promotion Council - India
2008	Most Valuable Company in Metal Pipes	Dun & Bradstreet
2008	Emerging Company of the Year	Economic Times Corporate Excellence Award
2008	2nd Largest Steel Pipe Producer in the World (Large Diameter)	Financial Times (UK)

WELSPUN

Dare to Commit

Welspun Corp Ltd. www.welspuncorp.com

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