

WELSPUN



Dare to Commit



Engineering Excellence

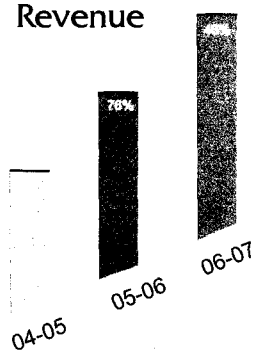
WELSPUN GUJARAT STAHL ROHREN LIMITED

12th ANNUAL REPORT 2006-2007

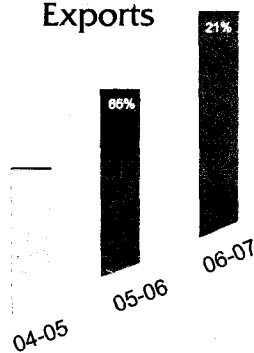


Financial Highlights

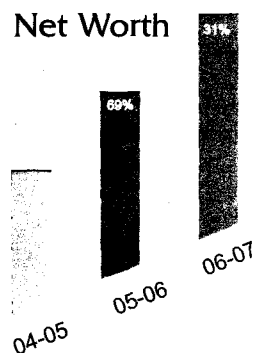
Revenue



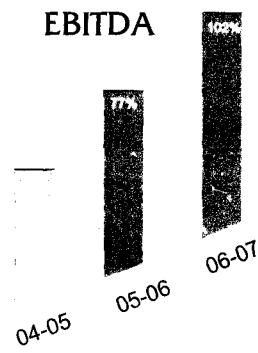
Exports



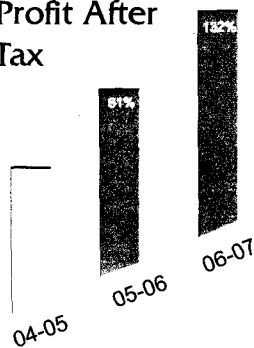
Net Worth



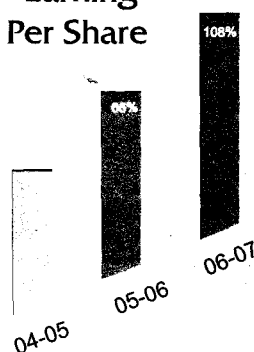
EBITDA



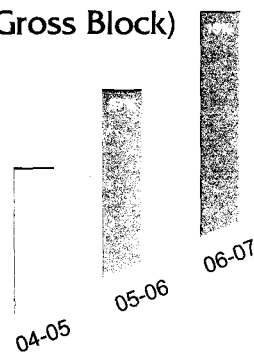
Profit After Tax



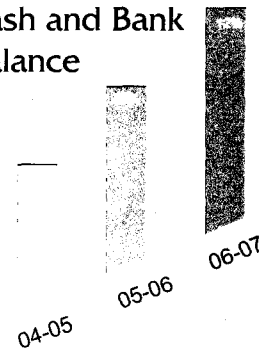
Earning Per Share



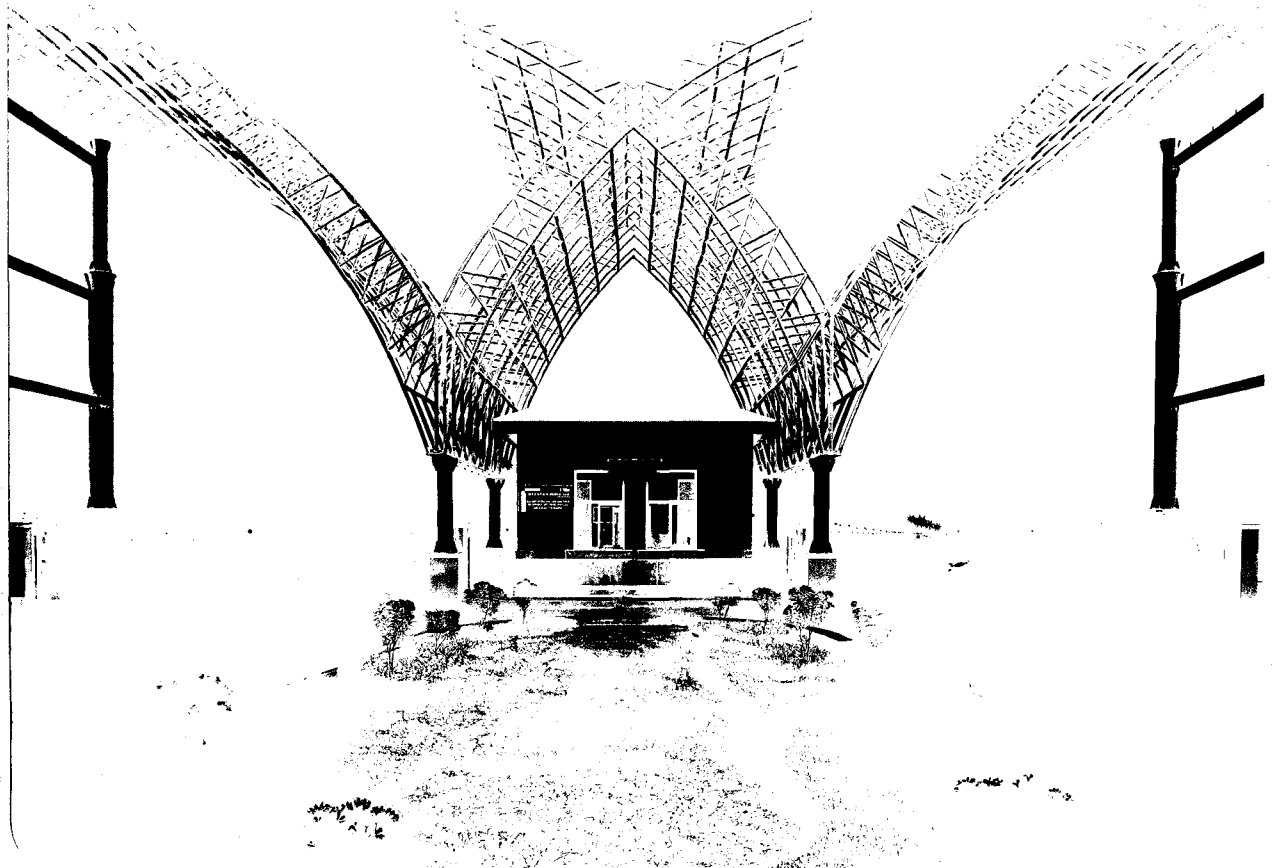
Fixed Assets (Gross Block)



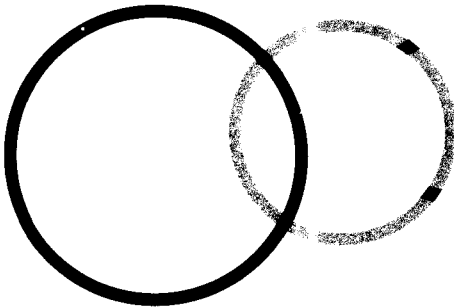
Cash and Bank Balance



World is our canvas...



Engineering Excellence





World is our canvas...

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Forward looking statement

In this Annual report we have disclosed forward-looking information to enable investors comprehend our prospects and take informed investment decisions. This report and other statements, set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of the future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

WELSPUN



Dare to Commit

Our Vision



WELSPUN

We aim to...

emerge as a global leader...

preferred by every home

serve...with passion

grow...@ speed

innovate...with quality

excel...with ethics

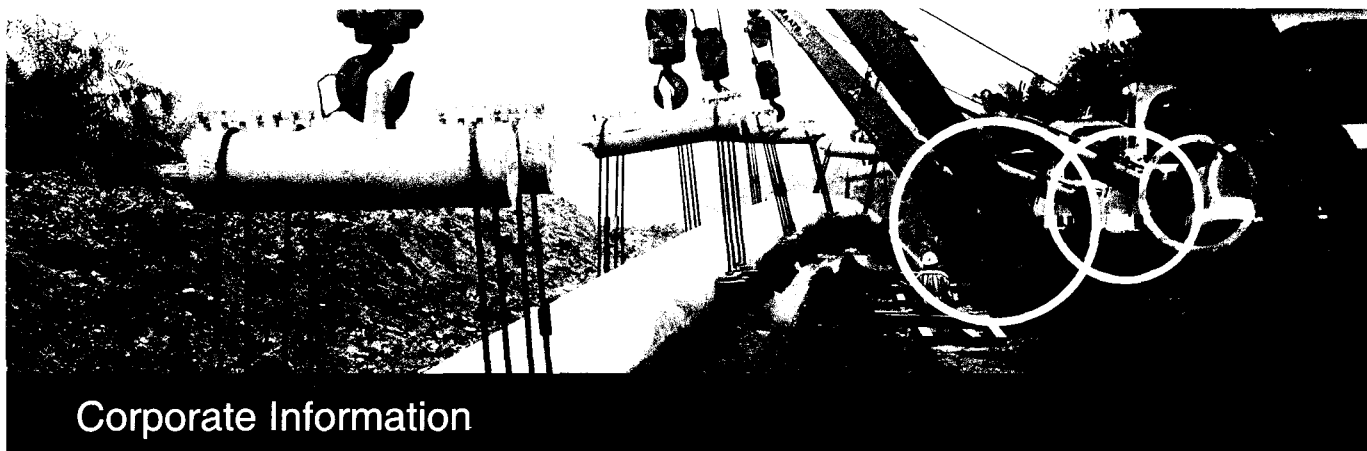
Delighting all stakeholders...

We are...WELSPUN

WELSPUN



Dare to Commit



Corporate Information

Board of Directors

Shri. G. R. Goenka
(Chairman)

Shri. B. K. Goenka
(Vice Chairman & Managing Director)

Shri. R. R. Mandawewala
(Director)

Shri. M. L. Mittal
(Executive Director Finance)

Shri. Braja K. Mishra
(Chief Executive Officer & Executive Director)

Shri. Raj Kumar Jain
(Director)

Shri. Sanjeev Ghai
(Nominee Director of IFCI Ltd.)

Shri. K.H. Viswanathan
(Director)

Shri. Ram Gopal Sharma
(Director)

Shri. Nirmal Gangwal
(Director)

Shri. N. Shankar
(Nominee Director of Exim Bank)

Company Secretary

Shri. Ramesh H. Ved

Auditors

MGB & Co., Chartered Accountants

Registered Office

Village Jolva & Vadadla, Near Dahej,
Taluka : Vagra,
Dist. Bharuch, Gujarat - 392 130.
Tel: +91-2641-256011/256281
Fax: +91-2641-256285

Corporate Office

Trade World, 'B'-wing, 9th Floor,
Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai 400 013, INDIA
Tel: 022-66136000/ 2490 8000
E-mail: welspun@bom2.vsnl.net.in
Website: <http://www.welspunpipes.com>

Bankers

Andhra Bank,
Bank Of Baroda,
Bank Of India,
Canara Bank,
ICICI Bank Ltd.,
Industrial Development Bank Of India
Oriental Bank Of Commerce,
Punjab National Bank,
State Bank Of Bikaner & Jaipur,
State Bank Of India,
State Bank Of Travancore,
Union Bank of India

Factory

- i. Jolva & Vadadla, Near Dahej, Taluka : Vagra,
Dist. Bharuch, Gujarat - 392 130.
- ii Versamedi, Tal - Anjar, Dist. - Kutch,
Gujarat - 370110

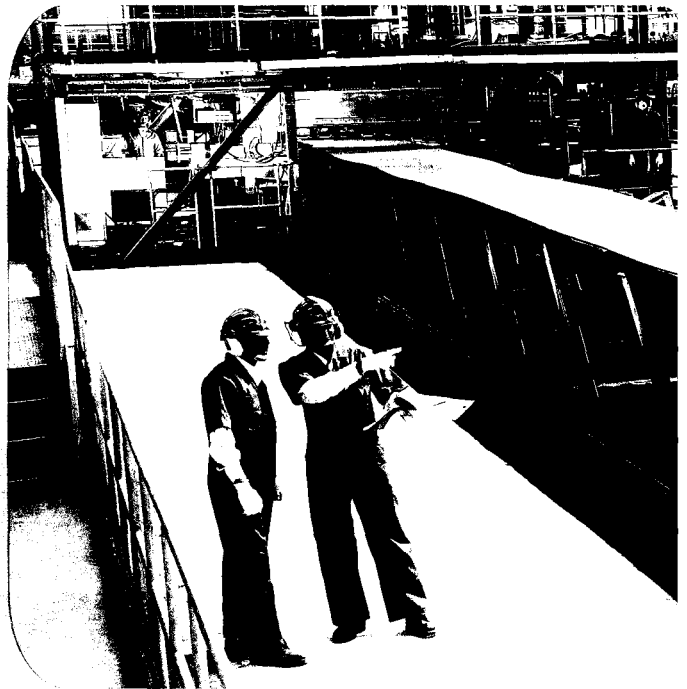
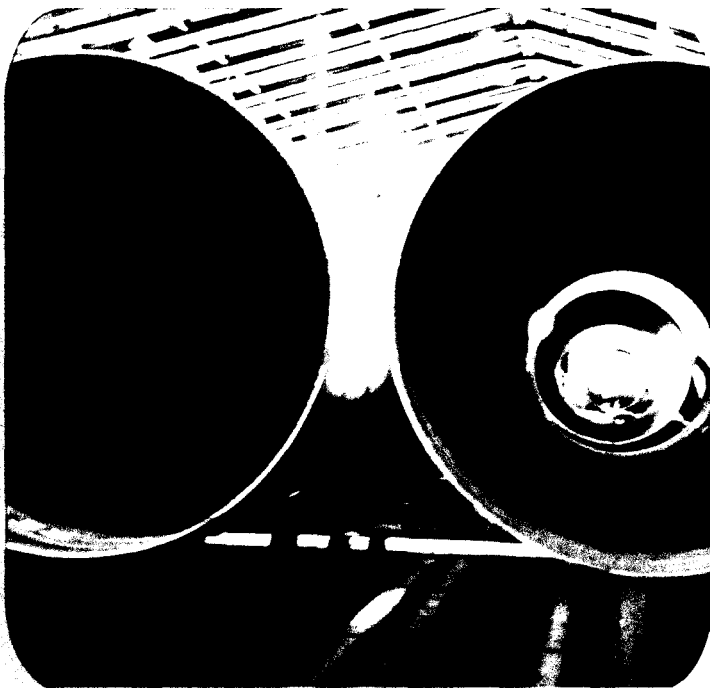
Stock exchanges where the company's securities are listed

Bombay Stock Exchange Ltd. (Formerly Known as The Stock Exchange, Mumbai)
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001

The National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051

Luxembourg Stock Exchange.
11, av de la Porte-Neuve, L-2227 Luxembourg

4P's of Engineering Excellence

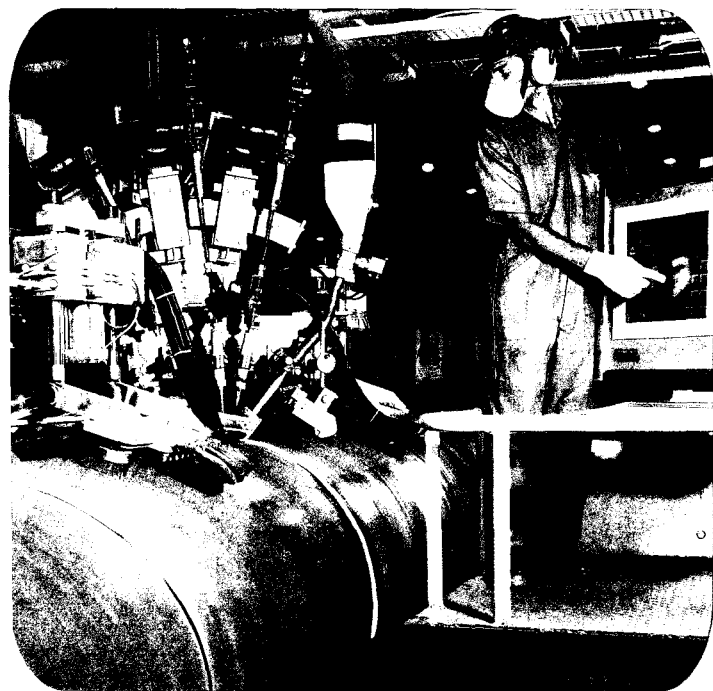
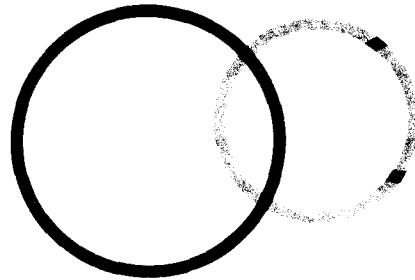


Products

We provide complete solutions for all line pipe requirements. We manufacture pipes in varying sizes and diameters, ranging from as small as ½ inch to as large as 100 inches of highest grades, up to X 80. We also offer complete coating as well as bending solutions, making us one of the most preferred suppliers for the entire range of products. Our products are rated at par, if not as the best in the industry. The core of all our products is Engineering Excellence!

People

Our people are of paramount importance. We employ trained staff members who together with their expertise and technical know-how have attained and utilize the best operating practices. Our people, through their diligence and perseverance ensure that all the products that come out of Welspun are engineered through excellence.



Processes

Our processes are supported by stringent quality and testing parameters ensuring that only the very best products go to the next level. Our impeccable processes ensure that the products we manufacture not only meet but also exceed our customer's expectations. We continuously strive to attain excellence through our processes.

Practices

The practices followed in our company ensure that from start to finish requirements of safety, specifications of products and timeliness of delivery are taken care of. These measures aim towards developing a sustainable development model & satisfaction of all stakeholders & associated parties. Another aspect of our corporate ethos is contributing back to the society by enriching life of all people associated with us, our integral policy and aggressive efforts are made at all level to fulfill these objectives.

Statement of the Vice Chairman and Managing Director

My dear fellow Stakeholders,

Once again we have come to the end of another prosperous year, where we have grown manifold if I might add. It gives me immense pleasure to announce that our company has been rated as India's 'Fastest Growing Company' in the annual listings conducted by India's premier magazine, Business Today. Also Standard & Poor in association with CRISIL has recognized Welspun as "Top 100 Indian Corporate". I would like to express my gratitude for the support and cooperation extended by you, my fellow stakeholders. Your continuous encouragement has enabled the seed sown in 1995 to flourish magnanimously.

This growth, that has been manifested over the last few years is probably just the tip of the iceberg and we will see Welspun emerging as a much stronger and robust company. The strong culture of Engineering Excellence, which has been built over the years, will always remain a key differentiating attribute.

Today, we are being faced with dynamic growth situations. Our GDP has grown by 8%+ over the last three years. The growing economy therefore demands energy security in terms of new energy sources, be it domestically in the form of Oil & Gas (O&G) finds or internationally, through tie-ups with O&G rich regions like the Middle East. Globally, most of the countries are also busy utilizing their O&G assets to the maximum through further exploratory and development activities. Additionally they are entering into long term strategic tie-ups with other rich O&G producing nations. All this has led to an unprecedented time for the pipe industry, a backbone on which O&G transportation from source to customer will become imperative. Going forward the demand for pipes is expected to increase sharply, contributed by not only the large demand anticipated for new pipes but also stemming from the large number of pipe lines that had



I can assure you, my esteemed friends that W.G.S.R.L. is fully geared up to contribute and meet the intense demand for the highest quality pipelines traversing the length and breadth of continents across the globe.

As I reflect back on the orders received by W.G.S.R.L. and the enquiries that have been generated over the last year, one clear phenomenon that emerges is, Welspun's recognition as a 'truly global player'. We have received enquiries from every top Oil and Gas Company to supply pipes across the globe for the most critical and demanding applications, where quality requirements are becoming extremely stringent. Not only have many of these inquiries resulted in strong orders, but most of them have also resulted in repeat orders and/or an increase in the ordered quantity.

B. K. Goenka

Vice Chairman & Managing Director

Some of the new clients that we have added this year are the likes of Exxon Mobil (World's no. 1 profitable company) and Kinder- Morgan (one of the World's largest pipe line companies) besides many other respected O&G majors.

The level of enquiries that we are seeing originating these days, are testimony to two things namely, Global demand is unprecedented and Welspun has been truly recognized as the preferred vendor by almost all O&G players. It is no wonder that our order book is hugely tilted towards export's orders and that too, to the most developed economies like the United States of America.

I reiterate that our current order book position which is close to INR 52,000mn. is just the tip of the iceberg.

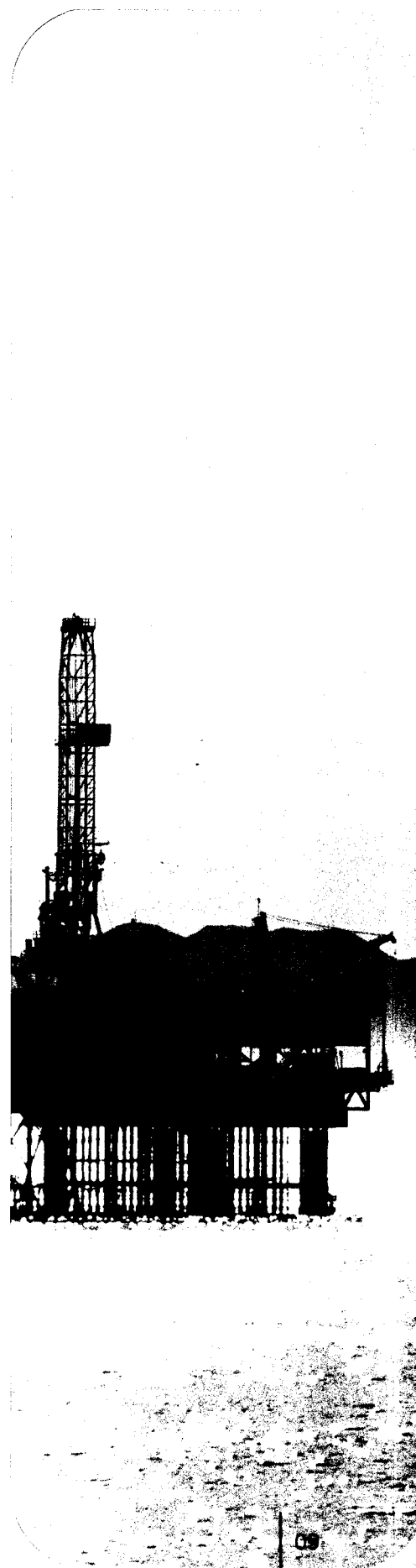
Raw Material Security

While, I see no concern with the burgeoning demand and W.G.S.R.L.'s execution capabilities, raw materials have always remained a matter of great concern, on account of right quality and right prices. There is a tremendous premium that Welspun is paying to secure its raw materials, particularly due to the far and few numbers of high width plates and coils suppliers.

In my last annual statement, I had mentioned our Plate Mill project. I am glad to inform you, that we have enhanced the capacity to 1.5 mn. tonnes with a total capital outlay of approximately INR 18,000 mn. Our Plate Mill is well under implementation and our commercial operations are likely to commence by December 2007. This will go a long way in not only securing our raw material's requirements but also in providing us internal flexibility to take short gestation orders and also significantly contribute to the top-line and bottom-line growth of the company. Besides this, the additional capacity which we have planned is certainly going to be a growth driver, as all high-grade steel plates are imported due to the non-availability of the required quality product within the country and besides pipe making our plates could be used for ship building and heavy construction.

Organic Growth Engine

Welspun not only intends to supply pipes from India but also becomes localized by implementing projects to cater to the local demand. One such initiative that we have undertaken is the implementation of a World-class spiral pipe making facility in the United States which will cater to both the American continents. This facility includes high grade spiral pipe making (350,000 ton pa), coating and bending. On the basis of enquiries that we have been receiving and the eagerness demonstrated by our customers, we anticipate the facility to be immediately in business once it is commissioned by middle of 2008.



Statement of the Vice Chairman and Managing Director

The above initiatives, which will lead to direct freight saving, will complement our existing facility in terms of offering a more competitive cost solution to our customers.

WELSPUNITES- Our Biggest Asset

Our company has emerged as a truly global entity on account of each and every employee that has contributed to its development. We firmly believe that our Human Resources are of utmost importance and we make continuous efforts to ensure their Safety, health and sound environment. Welspun has become the 1st company in the Indian pipe industry to offer Employee Stock Ownership Plans (ESOP's) to its employees, clubbed with Performance Evaluation Screen (PSE), at a senior level. We have created an environment to promote result oriented people and utilize various employee motivational exercises to bring out the best results of our well trained and well qualified employees.

Another aspect that is close to our hearts is contributing back to the society. We hold the 5 'E's (Enrichment of mind, Enrichment of body, Education, Empathy, Empowerment of Women and contributions for other social activities) as our guiding path. In the previous years we devised numerous means of giving back to the society at large, where Welspun as a family jointly contributed and in the coming year we plan to strengthen such initiatives. The number of activities has increased manifold and today this journey has become dear to each Welspunite.

All the stakeholders are of paramount importance and to facilitate an easier understanding of the company and its functions, we have added a section of F.A.Q.'s that will help in comprehending the working of the company. To enable us to serve you better, we welcome all your suggestions through the feedback form attached, in this Annual Report.

Appreciation

Finally, I would like to put on record my appreciation and gratitude towards all my stakeholders including customers, financial institutions, suppliers and employees amongst others.

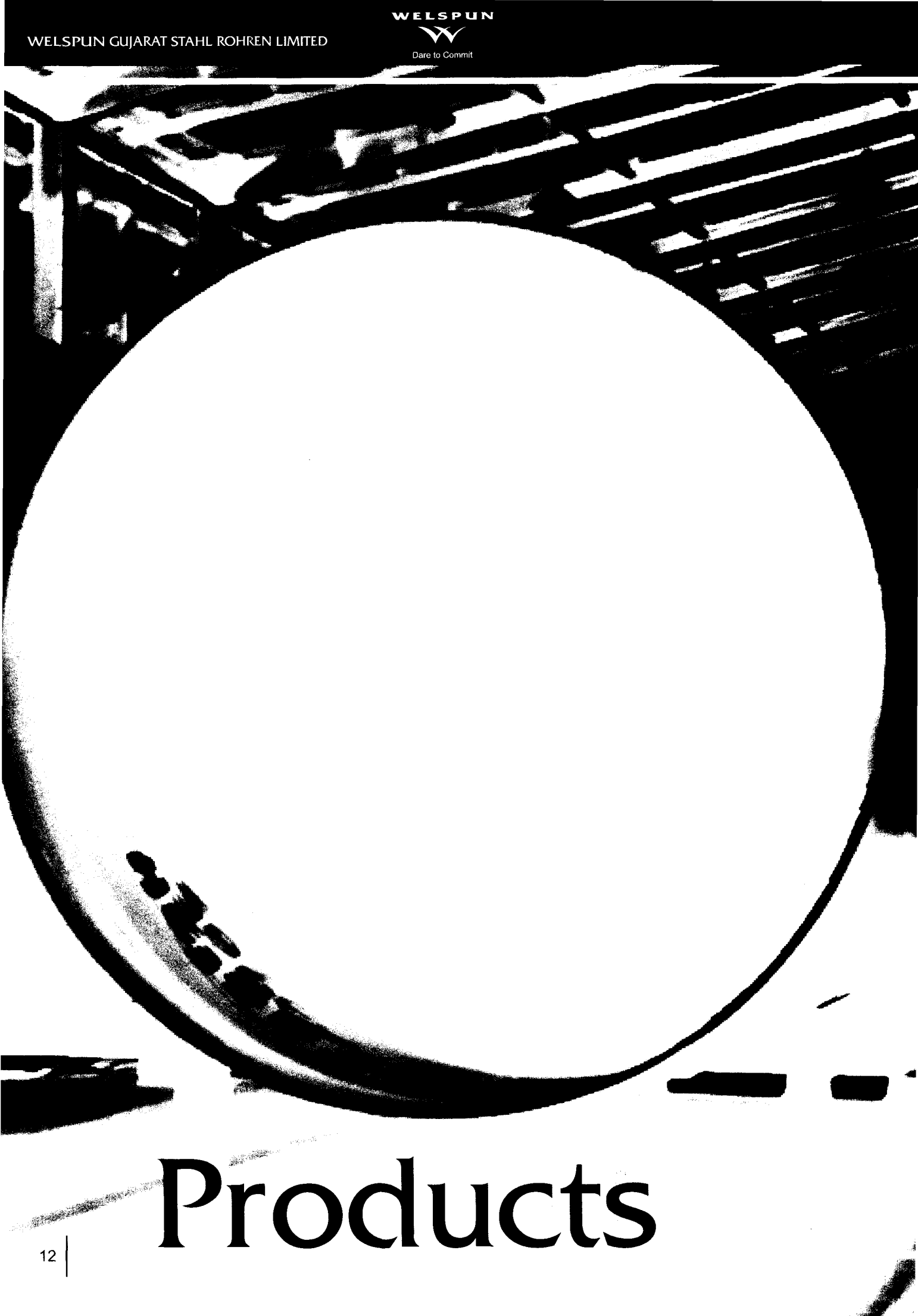
We are committed to fast-track growth in the coming year and beyond, to levels that are unparalleled.

Yours Sincerely,



B. K. Goenka
Vice Chairman & Managing Director





Products

Engineering Excellence

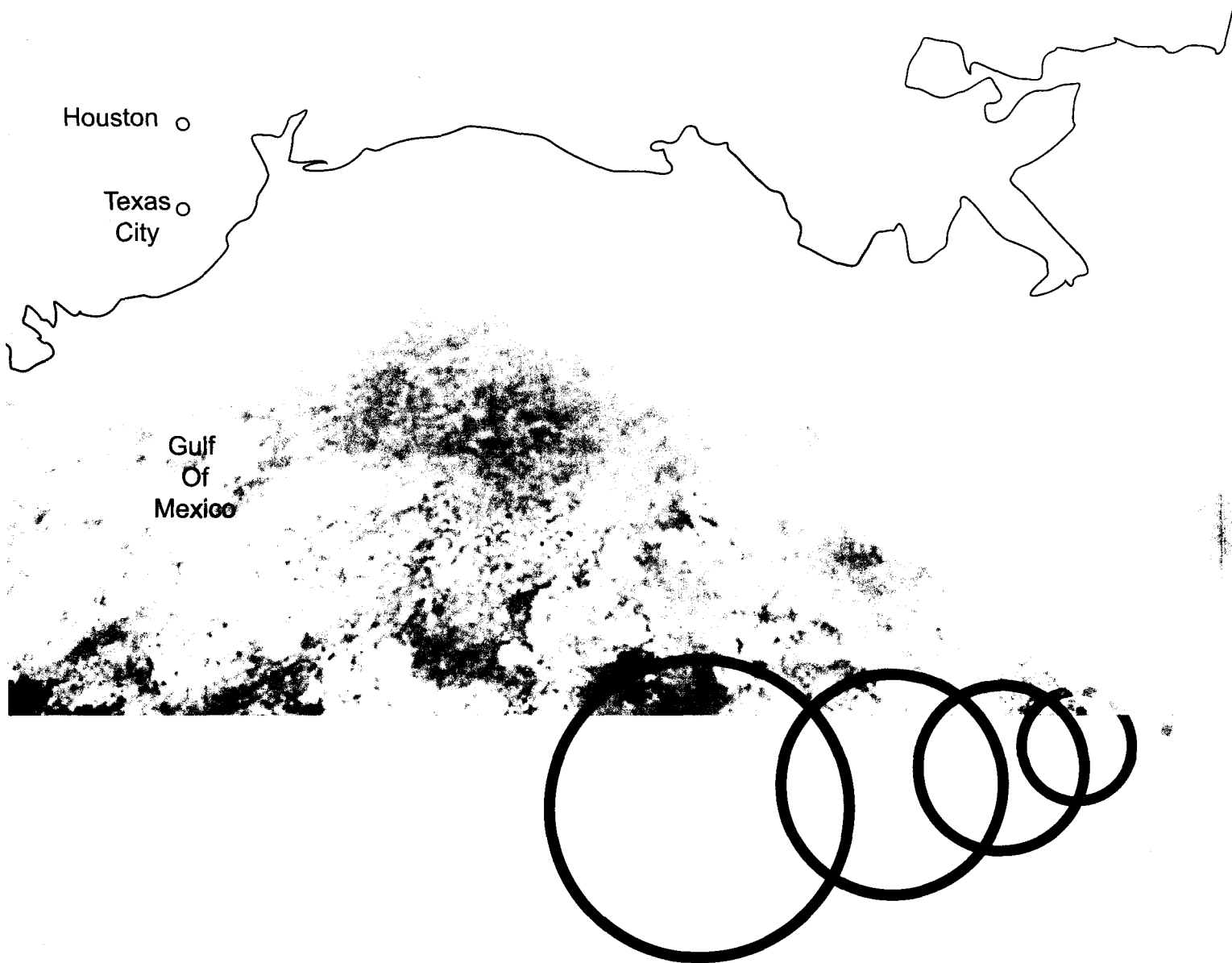
Products

We provide complete solutions for all line pipe requirements. We manufacture pipes in varying sizes and diameters, ranging from as small as ½ inch to as large as 100 inches of higher grades, up to X 80. We also offer complete coating as well as bending solution, making us one of the most preferred suppliers for the entire range of products. Our products are rated at par, if not as the best in the industry. The core of all our products is Engineering Excellence!

Our core belief in fostering 'Engineering Excellence' is evident in our products and Welspun is proud to prove this belief in being able to produce line pipes, which is laid across 3.2 kilometers, for the deepest pipeline laid in the Gulf of Mexico, U.S.A. After passing various tests and vigorous stringent norms, Welspun was chosen to be one of the major suppliers to this prestigious one-of-its-kind project known as the "Independence Trail" project. The project requirements were delivered not only as per verifications provided, but were delivered on scheduled time. Due to the flawless completion of the projects, Welspun is additionally receiving repeated orders thereafter from most of its clients.

All our Pipes are manufactured in accordance with national - Indian Standards (IS) and international - American Petroleum Institute (API) and International Organization of Standardization (ISO) specifications. This is besides meeting the standards and specifications desired by our key customers like - TOTAL, Shell, Saudi Aramco, Chevron, Clough Engineering, PGN, MITCO, Exxon Mobil, Enterprise, to name a few.

World's Deepest Pipeline Enterprise, Gulf of Mexico Welspun Pipes



Need we say more ?

DIRECTORS' REPORT

To,

The Members,

WELSPUN GUJARAT STAHL ROHREN LIMITED

Your Directors have pleasure in presenting the 12th Annual Report on the business, operations and financial performance of the Company during the financial year ended 31st March, 2007.

Financial Results

(Rs.in Million)

Particulars	For the year ended	
	31/03/07	31/03/06
Income from operations & other income (Total Income)	26827.55	18316.77
Profit before interest, depreciation & tax	3374.69	1674.29
Less : Financial Expenses (Net)	708.06	418.85
Gross Profit / (Loss)	2666.63	1255.44
Less: Depreciation	475.55	351.90
Profit before tax for the year	2191.08	903.54
Less : Provisions for current taxation	636.35	115.50
Provision for deferred taxation	93.02	162.40
Previous years	26.78	3.90
Fringe benefit tax	9.07	8.02
Profit after tax for the year ("PAT")	1425.86	613.72
Add : balance brought forward from previous year	1624.76	1107.83
Profit available for appropriation	3050.62	1721.55
Transfer to General Reserve	145.00	-
Equity Dividend & Tax of Earlier Years	2.15	-
Proposed Dividend on preference shares & tax	1.76	23.33
Proposed Dividend on equity shares & tax	163.58	73.46
Balance carried forward to next year	2738.13	1624.76

PERFORMANCE

During the year under report, your Company produced 500,969 MT of pipes as compared to 377,271 MT in the previous year and registering a growth of 32.78%. Total Income recorded growth of 46.46% whereas PAT registered growth of 132.33%.

Your Company catered to various esteemed customers across the globe registering exports turnover growth of 21.33% to Rs.12828.75 mn from Rs.10573.43 mn in the previous year.

This is an evidence of sharp improvement in operational efficiency and resultant contribution to profitability. This also exhibits improvement in ability to fetch higher realizations which is a recognition of high quality standards of pipes.

DIVIDEND

The Board recommends dividend @20% for the year ended 31st March 2007 i.e. Rs. 1 per Equity Shares of Rs.5/- each.

PROSPECTS

Your Company has made significant progress in clinching orders and the value of the orders presently on hand, domestic as well as international, is Rs.40,000 mn.

In line with the trend seen in the year under report, your Company's capacity utilization should significantly improve, besides there being higher realization.

The Industry is witnessing buoyancy across the globe as pipeline laying for various uses is getting added impetus year after year and your Company being an eminent supplier with distinctive features would be better placed to tap the benefits.

You are aware that your Company is setting up a 1.5 million tones Plate-Cum-Coil Mill at Anjar in Gujarat to predominantly meet its captive requirements of high grade plates and coils of Spiral and LSAW pipes. The mill is scheduled to be operational by December 2007. The Mill confers strategic advantage of backward integration as well as assured supply of key raw material for manufacturing critical application pipes and timely execution of orders. This will be a strong factor for capturing orders in the competitive scenario, besides bringing in higher profitability.

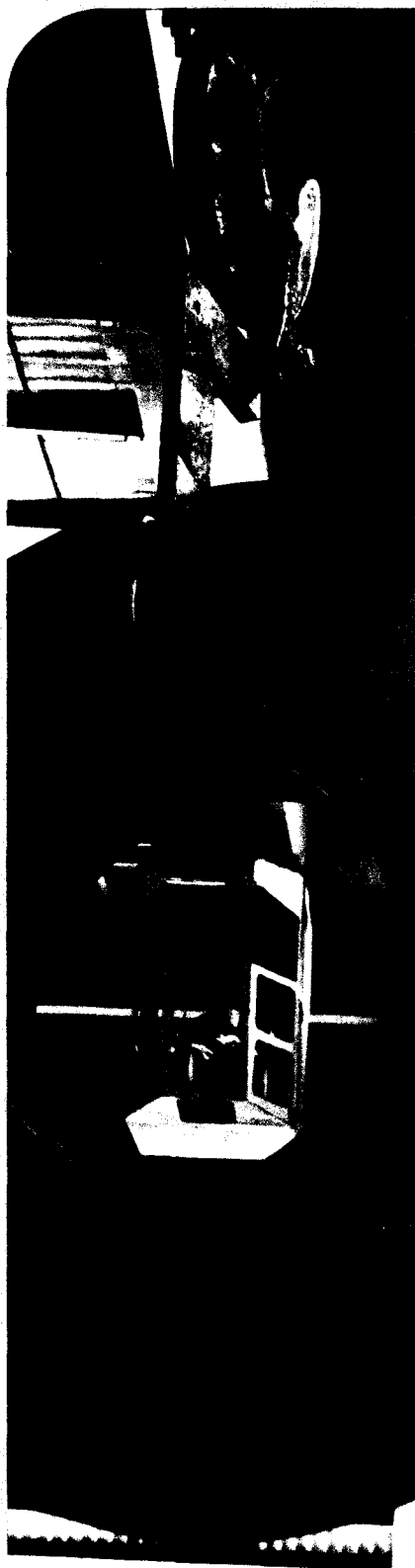
Considering strategic importance of location of manufacturing facilities for catering key destinations, your company has undertaken to set-up a unit in the USA through a subsidiary company for manufacture of pipe with an annual capacity of 300,000 MTPA at a project cost of US\$75 mn.

DETAILS OF UTILIZATION OF FUNDS RAISED THROUGH PREFERENTIAL ISSUE / PRIVATE PLACEMENT OF SECURITIES

During the year under review, the Company has outstanding Convertible Bonds and Warrants, which were raised on preferential allotment / private placement basis. Status of application of funds are as under:

- (a) FCCB's of US\$40 mn (2004-05) were utilized for part financing Pipe Mill Project at Anjar. As on the date FCCB of US\$1.57 were outstanding.
- (b) 7% OCCP of US\$5 mn (2004-05) were utilized for part financing Pipe Mill Project at Anjar. As on the date NIL OCCPs were outstanding.
- (c) FCCB's of US\$75 mn (2005-06) were utilized for part financing Plate cum Coil Mill Project at Anjar and the funds not required immediately for the Project, has been kept in fixed deposits. As on the date Nil FCCB has been converted into equity shares.
- (d) 8% OCCP & Warrants of US\$ 25 mn (2005-06) were utilized for part financing Plate cum Coil Mill Project at Anjar. As on the date NIL OCCPs and Warrants were outstanding.

DIRECTORS' REPORT



DIRECTORS

Since our last Report, no change in the directorship took place except appointment of Shri Narayanswamy Shankar a nominee of Exim Bank w.e.f. 25.09.2006. Your Directors welcome the new member on the board of the Company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri G.R.Goenka, Shri R.R.Mandawewala and Shri M.L.Mittal retire by rotation at the forthcoming Annual General Meeting. They are eligible for re-appointment.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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) That the Directors 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) That the Directors have prepared the accounts for the financial year ended 31st March, 2007 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 Auditors of the Company. 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

The Auditors' observation read with notes to the accounts are self-explanatory and therefore does not call for any comments.



EMPLOYEES STOCK OPTION SCHEME

The Company has granted Stock Options to eligible directors and employees of the Company and its subsidiary company for the first time.

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

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

The Company has adopted intrinsic value method for the valuation and accounting of the aforesaid stock options as per SEBI guidelines, and accordingly has accounted Rs.4.45 mn as employee compensation and Rs. 0.59 mn as Directors Remuneration for the year ended 31st March 2007.

The fair value of the options as per the Black Schole's Model comes to Rs. 59.41 per option. Had the Company valued and accounted the aforesaid option as per the Black Scholes Model, the net profit for the year would have been higher by Rs. 5.02 mn and the diluted earnings per shares (with face value of Rs.5/- each) would have been Rs. 8.69 instead of Rs. 8.66 per share.

The Black Schole Model captures all the variables with their respective appropriateness which influences the fair value of stock options. The significant assumptions to estimate the fair value of options as per Black Scholes Model are :

Risk Free Interest Rate: 7.26%

Expected Life of the Options: 2.5 years

Expected Volatility: 57.08%

Expected dividend yield: 0.61%

Details of Options granted during the year under review are given below:

- a. Option granted : 2,550,000 options
- b. The pricing formula: Exercise price will be 25% discount to the latest available closing market price of the equity shares of the company, prior to the date of grant.
- c. Options vested: Nil
- d. Options exercised : Nil
- e. Total number of shares arising as a result of exercise of options : 2,550,000
- f. Options lapsed : Nil
- g. Variation of terms and conditions: N.A.
- h. Money realized by exercise of options: N.A.
- i. Total number of options in force : 2,550,000
- j. Employee wise details of options granted to :
 - Sr. Managerial Personnel
 - o Whole Time Directors : between 150,000 -250,000/ eligible person
 - o President, CEO, COO : up to 100,000 / eligible person
 - o Vice Presidents & General Managers: up to 50,000 / eligible person
 - o Managers : up to 30,000 / eligible person
 - 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. 8.66 as compared to last year of Rs. 4.24

DIRECTORS' REPORT

THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD 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 part of the Directors' Report.

PARTICULARS OF EMPLOYEES

As required by 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

Ministry of Company Affairs, Government of India, has exempted the Company from attaching the Annual Reports and other particulars of its subsidiary companies along with the Annual Report of the Company as required under Section 212 of the Companies Act, 1956. Therefore, the said Reports of the subsidiary companies viz. (1) Welspun Pipes Inc. USA (2) Welspun Natural Resources Pvt. Ltd. (3) Welspun Enterprises (Cyprus) Ltd. (4) Welspun Lone Star Tubulars LLC are not attached herewith.

PUBLIC DEPOSITS

The Company does not accept any deposit from public within the meaning of Section 58-A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules, 1975.

LISTING WITH STOCK EXCHANGES

The Company's equity shares are listed on the Bombay Stock Exchange Ltd., (BSE) and the National Stock Exchange of India Ltd. (NSE).

The Foreign Currency Convertible Bonds (FCCB's) issued by the Company are listed on the Luxembourg Stock Exchange (LSE) and the Singapore Stock Exchange (SGX).

Annual listing fees for the year 2006-07 have been paid to BSE, NSE, LSE and SGX.

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 & Analysis is enclosed as a part of the Annual Report.

SIX SIGMA

Your company is visioning systems approach in solving day to day as well as business problems, deriving data based decisions and methodology based thought process developed at all levels of employees working at all locations. This required a very strong business transformation movement every where across group companies. Six Sigma has been identified as one business transformation tool to set and accomplish the business transformation & business excellence targets for the Company.

During the year under report, your Company deployed Six Sigma, as a business improvement strategy, to address the issues across the spectrum from material downgrade to loss in efficiency and cost reduction. Since its inception, there have been several process and business improvement programs taken up and closed successfully, providing the management with the desired tangible as well as intangible benefits.

The people involved in Six Sigma initiative at various locations range from the Directors up to the officer and workers level. The Company has hired services of an external consultant to train and support the employees through the methodology journey in the initial phases. In the process, the employees get certified as Green Belts and Black Belts as experts to deploy Six Sigma in their respective functional areas as well as any where else in group companies.

CONSOLIDATED FINANCIAL STATEMENTS

As stipulated by Clause 32 of the Listing Agreement with the Stock Exchanges, 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 form part of the Report.

ACKNOWLEDGEMENT

The Board wishes to express and place on records its gratitude for the faith reposed in and co-operation extended to the Company by the Financial Institutions, Banks, Government Authorities, Customers, Suppliers and Shareholders of the Company. Your Directors wish to place on record their deep sense of appreciation for the devoted and sincere services of the Executives, Staff and Workers of the Company for its success.

Place: Mumbai

Date: 20th June 2007

For and on behalf of the Board
Vice Chairman & Managing Director

FORM A
(SEE RULE 2)

Form for disclosure of particulars with respect to conservation of energy

		Current Period 2006-2007	Previous Period 2005-2006
A. POWER AND FUEL CONSUMPTION			
1. ELECTRICITY			
(a) Purchased			
Unit (in '000s)		1195.57	1472.68
Total Amount (Rs In Lacs)		94.42	85.36
Rate/Unit (Rs)		7.90	5.80
(b) Own Generation			
(i) Through D.G. Set (CPP)			
Generator Unit (in '000s)		53585.29	43446.96
Units Generator Per Units Of Fuel		N/A	N/A
Cost / Unit (Rs)		3.94	2.90
(ii) Through Steam Turbine / Generator		Nil	NIL
2. Coal (Specify Quality And Where Used)		Nil	NIL
3. Furnace Oil			
Quantity (K. Ltrs.)		9745.59	5104
Total Amount (Rs In Lacs)		1517.59	914.55
Average Rate Cost/Unit (Rs)		15572	17918
4. Others/Internal Generation		Nil	NIL
B. CONSUMPTION PER UNIT OF PRODUCTION			
Products	Standard	Current Year	Previous Year
NAME OF PRODUCT	Welded Pipes		
ELECTRICITY		264.55	118.96@
FURNACE OIL (K. Ltrs)		9716.61	0.04#
COAL (SPECIFY QUALITY)		-	-
OTHERS (SPECIFY)		-	-
NAME OF PRODUCT:	M.S. Pipes		
ELECTRICITY		458.27	94.73
FURNACE OIL (K. Ltrs)		0.21	-
COAL (SPECIFY QUALITY)		-	-
OTHERS (SPECIFY)		-	-
NAME OF PRODUCT:	M. S. Plates		
ELECTRICITY		-	498.70
FURNACE OIL (K. Ltrs)		-	0.68
COAL (SPECIFY QUALITY)		-	-
OTHERS (SPECIFY)		-	-

@ Considered production of pipes at Bharuch & Anjar

Considered production of pipes at Anjar.

The Captive Power Plant at Dahej is dual fuel operated and Diesel is used as pilot and Gas as main fuel. Consumption ratio varies according to load. Therefore individual output fuel wise cannot be worked out.

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	Developing manufacturing of API 5L X80 Grade Helical SAW pipes.
02	Benefits derived as a result of the above R&D.	We will enter in selected group of pipe suppliers globally who will have such technology to cater to the market demand of Helical SAW Pipes. The demand of Helical SAW pipe is increasing day by day for onshore projects.
03	Future plan of action	The company has regular system of plans/efforts for constant improvement in the operational process and product as part of R & D activities
04	Expenditure on R&D (a) Capital (b) Recurring (c) Total (d) Total R&D expenditure as a percentage of total turnover.	Nil Rs. 8.35 mn (Expenditure of Laboratory cost centre at Bharuch Plant) + Rs. 228.48 mn at Anjar plant Rs. 236.83 mn 0.88%
01	Technology absorption, adaptation and innovation. Efforts, in brief, made towards technology absorption, adaptation and innovation.	<p>Technology absorption, adaptation and innovation.</p> <p>I) SPIRAL-2 Plant at Anjar</p> <ol style="list-style-type: none"> 1. Mill modification for 28" Dia. to 60" Dia. of Spiral - 2 Mill. 2. Welding gap controlling system installed. 3. Spiral Seam UT new machine installed. 4. Mounting of 1400 Dia. Bul Gear at Decoiler. 5. Installation & Commissioning of Linsinger Milling machine. 6. Installation & Commissioning of High Pressure Pump & replacement of valves of Hydro Testing machine. 7. Fixed Head rack replacement & Electrical system modified at End Facer. 8. NACE lab installation. <p>II) SPIRAL-1 Plant at Anjar</p> <ol style="list-style-type: none"> 9. Installation & Commissioning of new Strip UT machine 10. Installation of heavy duty edge milling machine. 11. Set up of heavy duty edge pre-bending. 12. Installation of ID/OD Welding, Earthing brush & Flux recovery system. 13. Installation & Commissioning of Fluoroscopy machine set up. 14. Modification of End Chamfering machine. <p>III) ERW-16" Plant at Anjar</p> <ol style="list-style-type: none"> 15. Installation of Weld roll box with rollers & Edge Miller 16. Installation & Commissioning of Online UT machine of GE make <p>IV) ERW-6" Plant at Anjar</p> <ol style="list-style-type: none"> 17. Installation of pipe straightening machine. <p>V) COATING Plant at Anjar</p> <ol style="list-style-type: none"> 18. Installation of FBE bag Hoppers. 19. Set up for descaling of induction coils. <p>VI) Plant at Bharuch</p> <ol style="list-style-type: none"> 20. Installation of another Charpy Impact testing machine of higher capacity. 21. Design and procurement of pull rods for expander. 22. Installation of on line flux heating system on OD welding stations.. 23. Motorised return Pendium Metal Tensile Tester

FORM B (Contd) (SEE RULE 2)

Form for disclosure of particulars with respect to absorption.

02	Benefits derived as a result of the above efforts, etc. Product improvement, cost reduction, product development, import substitution, etc.	<p>I) SPIRAL-2 Plant at Anjar</p> <ol style="list-style-type: none"> 1. Increased our Mill capacity to compete in market to meet the customer requirements for future orders. 2. Improved weld quality & minimized repair percentage. 3. Defect free product to meet specific customer requirements. 4. Smooth feeding & flow of coils from decoiler to next station. 5. Improved V-groove geometry & helps in proper ID/OD welding with less repair work. 6. Achieved the required specified pressure during hydro testing. 7. Minimized chattering & increased the productivity. 8. Established the in house capability to meet the customer requirements for Sour Service <p>II) SPIRAL-1 Plant at Anjar</p> <ol style="list-style-type: none"> 9. Defect free product to meet specific customer requirements. 10. Improved V-groove geometry & helps in proper ID/OD welding with less repair work. 11. Minimized off-set of edges and ensured proper forming of the pipe. 12. Improved weld quality & minimized repair percentage and minimized wastage of flux. 13. To ensure defect free product to meet specific customer requirements. 14. To maintain the square ness and chatter free bevel of pipe. <p>III) ERW-16" Plant at Anjar</p> <ol style="list-style-type: none"> 15. Enhanced the capacity and better edge preparation for proper weld quality. 16. Defect free product to meet specific customer requirements. <p>IV) ERW-6" Plant at Anjar</p> <ol style="list-style-type: none"> 17. Improved the quality of pipes. <p>V) COATING Plant at Anjar</p> <ol style="list-style-type: none"> 18. Control and ease of material movement. 19. Increased the induction efficiency and reduced the electricity cost. <p>VI) Plant at Bharuch</p> <ol style="list-style-type: none"> 20. Due to stringent requirement and procurement of higher grade material, higher properties are achieved . Hence, to measure these higher capacity machine required. 21. It helped in smooth expansion of low diameter high thickness pipes. 22. It helped in reducing the welding defects in the pipes.
03	<p>In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:</p> <p>(a) Technology imported</p>	<p>SPIRAL- II Plant at Anjar</p> <p>Basic engineering consultancy, process engineering and technical know how from</p> <ol style="list-style-type: none"> a) U&S Germany for Welding b) WK (HOESCH) Germany for Milling. c) EMG Germany for Gap control. d) GE Germany for Ultrasonic Testing.

FORM B
(SEE RULE 2)

Form for disclosure of particulars with respect to absorption.

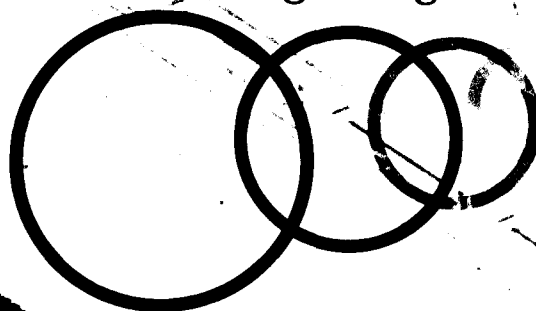
	<p>COATING Plant at Anjar</p> <p>e) Basic engineering consultancy, process engineering and technical know how from EUPEC GmbH Germany</p>
(b) Year of import	<p>Anjar Plants</p> <p>Commenced in Spiral-II in 2007, and in Coating 2005.</p>
(c) Has technology been fully absorbed?	<p>Yes, at both the plants</p>
(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	<p>Not Applicable</p>
Foreign exchange use and earned	
Activities relating to exports;	<p>The efforts and investment put in by the Company in the previous years for expanding the market reach has yielded tremendous result. The Export turnover for the year has increased to Rs. 12828.75 mn from Rs 10573.43 mn.</p>
Initiatives taken to increase exports;	<p>Up gradation & Investment in quality control and enhancing equipments for meeting the global standards</p>
Development of new export markets for products and services and export plans;	<p>-</p>
Total foreign exchange used and earned.	<p>Used : Rs. 16.13 bn</p> <p>Earned : Rs. 10.88 bn</p>



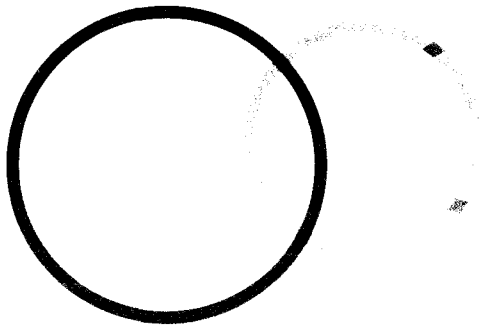
people



Engineering Excellence



People



Our people are of paramount importance. We employ trained staff members who together with their expertise and technical know-how have attained and utilize the best global operating practices. Our people, through their diligence and perseverance ensure that all the products that come out of Welspun are engineered through excellence.

At Welspun, we are committed to working with employees to develop and enhance each individual's skills and capabilities. The growth of each employee is of supreme importance to us. Welspun has become the 1st company in the Indian pipe industry to offer Employee Stock Option Plan (ESOPs) to its employees, clubbed with Performance Evaluation Screen (PES) at a senior level, we have created an environment to promote result oriented people and utilize various employee motivational exercises.

Employee strength

Welspun boasts of highly talented and extremely professional employee strength of 4,232 people (Find division on the chart below). These employees are evenly distributed in its production centers (List below), its head-offices in Mumbai and its offices in Manhattan, New York.

Production Centers

- Anjar, Vapi and Bharuch in the state of Gujarat
- Silvassa in the Union Territory of Dadra;
- Palghar in the state of Maharashtra

	HO	Anjar WGSRL	DAHEJ	TOTAL
Direct Employees	143	1702	1041	2886
Indirect Employees	9	750	496	1255
TOTAL	152	2452	1537	4141

Training aspects

In the year 2006-2007, 3.75 man-days of training on an average has been provided to every employee. The trainings range from the levels of contractual workers to the skilled engineers; from the front-end officers, marketing executives to the housekeepers and back-end staff; besides many others across its offices in India and abroad.

Rewards and Benefits

Employees at Welspun are rewarded based on their 'Performance Management System'. A thorough scanning on the 'Key Result Areas' is done based on the scores and ratings each employee get. The ratings are based on various level - including the 'Production dispatch schedules' given to each employee working right from the Shop Floors to the ones at the corporate office.



The rewards are based on the following:

- A - Actual performance of the Company
- B - Individual performance levels as depicted through the performance rating.
- C - The actual performance of the company versus the goals employees set for themselves.
- D - Future plans and targets evolved by the company

In continuation of Welspun's pursuit to become a truly "Learning Organization", various graduate and undergraduate degrees are being provided to employees from renowned institutes like Birla Institute of Technology and Science (BITS) Pilani, All India Management Association (AIMA), Jayapuria Institute of Management in courses like B.S. Engineering Technology Degree M.S. Manufacturing Management Degree, Professional Diploma in HRD, Professional Diploma in Marketing & Professional Diploma in International Business Management.

Besides this, Welspun has tied up with the Government of Gujarat to install an Industrial Training Institute (ITI) in its Anjar facility premises. This institute will be providing vocational training in various industrial skills to both male and female candidates.

Welspun truly believes that able guidance and direction by seniors can give a major boost to the confidence and performance of its employees. 'Welspun Net', an initiative across the group has been set up wherein employees were designated with a set of mentors to interact and guide them in recording career aspirations. Adequate measures are taken to make a healthy Career Road - map of all the mentees. Each session captures various aspects of career planning in a detailed and structured way

In Mumbai, employees can spend their weekends relaxing in resorts situated at the hill stations of Lonavala and Khandala, near Mumbai, at a nominal rate. Health conscious Welspunite also has the provision of using the facilities at a gym situated in the office vicinity.

Additionally, a healthy and nutritious lunch and snacks is provided for every Welspunite at a nominal rate.

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 shareholders 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 individuals with considerable experience and expertise across a range of field such as finance & accounts, general management, business strategy.

Composition and category of directors; attendance of each director at the board meetings and the last AGM; number of other companies on the Board or Committees of which, a director is a Director, Member or Chairperson; and number of board meetings, dates on which held, are as under:

Name of the Director	Category	Board Meeting Attended during the Year 2006-07	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	
Shri G.R.Goenka-Chairman	P, NE	1	No	4	1	-	Nil
Shri B.K. Goenka-Vice Chairman & Managing Director	P, E	8	No	14	6	3	4M
Shri Braja K. Mishra- CEO & Executive Director	E	6	No	2	2	1	1C
Shri M.L. Mittal – Executive Director (Finance)	E	9	No	7	6	-	1C, 3M
Shri R.R.Mandawewala	P, NE	3	No	11	3	9	1C, 4M
Shri Saijeev Ghai (Nominee IFCI Ltd.)	NE, I, L	8	No	5	-	-	5M
Shri K.H.Viswanathan	NE, I	8	No	-	3	-	1M
Shri Rajkumar Jain	NE, I	9	Yes	2	1	-	2C
Shri Ram Gopal Sharma	NE, I	7	No	1	-	-	Nil
Shri Nirmal Gangwal	NE, I	6	No	2	1	-	2M
Shri N.Shankar (Nominee EXIM Bank)\$	NE, I, L	1	No	1	-	-	Nil

\$ Appointed w.e.f. 25th September 2006.

Abbreviations: P = Promoter, I = Independent, E = Executive Director, NE = Non-Executive Director, L = Lenders, C=Chairperson, M=Member.

9 meetings of the board of directors were held during the financial year 2006-07 on the following dates: 30th May 2006, 13th June 2006, 31st July 2006, 12th September 2006, 4th October 2006, 18th October 2006, 11th December 2006, 20th December 2006 and 29th January 2007.

The terms of reference stipulated by the Board of Directors to the Audit Committee are as contained under clause 49 of the Listing Agreement.

The Audit Committee was constituted by the Board of Directors at its meeting held on 23rd August, 1997 and was re-constituted from time to time. The Committee comprises 3 non-executive independent directors. 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
Shri Rajkumar Jain	Chairman	6
Shri K.H.Viswanathan	Member	5
Shri Sanjeev Ghai	Member	5

Six meetings of the Audit Committee of the Board of Directors were held during the financial year 2006-07 on following dates: 30th May 2006, 13th June 2006, 31st July 2006, 18th October 2006, 29th January 2007 and 5th February 2007.

12. Remuneration committee

The Company has duly constituted Remuneration Committee consisting of independent, non-executive directors. During the year under review, 3 meetings of the Committee were held on 13th June 2006, 31st July 2006 and 8th January 2007. Terms of Reference, composition, remuneration paid 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 3 independent and non-executive directors as on 31st March, 2007 viz. Shri Rajkumar Jain, Shri K.H. Viswanathan and Shri Sanjeev Ghai.

c. Remuneration Policy

Remuneration to Executive Directors

The details of remuneration paid/ payable to the directors for the Financial Year 2006-07 are as under:

1) Shri. B.K Goenka - Vice Chairman & Managing Director.

Salary & Allowances	Rs.4.50 mn
Perquisites	NIL
Commission	1% commission on profits as computed u/s. 349 & 350 of the Act.
Service Contract	Yes
Tenure	5 years
Notice Period	1 Month
Severance Fees	NIL
Stock Option	NIL

2) Shri. M.L.Mittal - Executive Director (Finance)

Salary & Allowances	Rs.4.25 mn
Perquisites	NIL
Commission	NIL
Service Contract	-
Notice Period	-
Severance Fees	NIL
Stock Options	150,000

3) Shri. B.K.Mishra - CEO & Executive Director

Salary & Allowances	Rs.10.30 mn
Perquisites	-
Commission	NIL
Performance Linked Incentives	-
Service Contract	-
Notice Period	NIL
Severance Fees	-
Stock Options	250,000

CORPORATE GOVERNANCE REPORT

d. Particulars of pecuniary relationship or transaction of the Non-Executive Directors vis-a-vis the Company.

Apart from the fees for attending each meeting of the Board of Directors and the Committee of the Board of Directors, no other fee or remuneration was paid to the non-executive directors during the reporting year.

None of the directors had any transaction with the Company. Few transactions have taken place with some of the companies in which a director holds directorship. These transactions were took place at the prevailing market value as normal commercial transaction and the same were disclosed fully to the Board.

V. Share transfer and investor's grievance committee

a. Composition

The Share Transfer and Investor Grievance Committee was constituted in accordance with the Clause 49 of the Listing Agreement. The Chairman of the Committee is a non-executive director. The composition of the Committee is given hereunder:

Name of the Member	Member/ Chairman
Shri K.H.Viswanathan	Chairman
Shri B.K.Goenka	Member
Shri R.R.Mandawewala	Member
Shri M.L.Mittal	Member

Compliance Officer:
Shri Ramesh Ved - Chief Financial
Officer & Company Secretary

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

During the Year under review total 17 Investor's complaints / requests were received. Break-up and number of complaints / requests received under different category is given hereunder:

1. Non-Transfer / delay in transfer / split etc. of Shares : 8
2. Non receipt of Duplicate Share Certificates : 1
3. Stop Transfer : Nil
4. Delay in De / Re- materialisation of Shares : Nil
5. Payment of Allotment Money / Dividend : Nil
6. Name Correction : 3
7. Non receipt of Annual Report : 5

All the complaints / requests received during the year ended 31st March 2007 were solved within the time to the satisfaction of the investors/shareholders and no complaints were pending as on 31st March 2007 for more than 30 days. All the shares received for transfer / transmission have been transferred / transmitted and no transfer is pending as at 31st March 2007.

VI. General body meetings

The details of Annual General Meetings (AGM) held in the last three years are given hereunder:

Meeting	Day & Date of Meeting	Time	Place
9th AGM	Thursday, 30th September, 2004	3.45 pm	Registered Office: Village Jolva and Vadadla, Near Dahej, Taluka Vagra, Dist. Bharuch, Gujarat - 392 130.
10th AGM	Friday, 30th September 2005	2.15 pm	Registered Office: Village Jolva and Vadadla, Near Dahej, Taluka Vagra, Dist. Bharuch, Gujarat - 392 130.
11th AGM	Friday, 29th September, 2006	12.30 pm	Registered Office: Village Jolva and Vadadla, Near Dahej, Taluka Vagra, Dist. Bharuch, Gujarat - 392 130.

During the year under report, no resolution was passed by the shareholders of the Company as a Special Resolution or by way of 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 management to the Board

All details relating to financial and commercial transactions where directors may have a pecuniary interest are provided to the Board, and 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. 20 of Note on Accounts annexed to the Balance Sheet and Profit & Loss Accounts.

b. Non-Compliance

There were no non-compliance by the Company during the year under review and hence no penalties and stricture was imposed on the Company by the Stock Exchange or SEBI or any authority on any matter related to capital market during last 3 years.

CORPORATE GOVERNANCE REPORT

c. Whistle Blower Policy

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

d. Code of Conduct

The Company has Code of Conduct for Board members and senior management personnel. All Board members and senior management personnel have complied with the Code.

e. Brief Resume of director being 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 General Meeting, annexed to this Annual Report.

f. 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 / noted by the Board. The Company published its un-audited / audited financial results in Western Times (English and Gujarathi editions), Economic Times (English Edition) and Business Standard (English Edition)

These results are simultaneously posted on the website of the Company at www.welspunpipes.com and the website of Securities and Exchange Board of India at www.sebidifar.nic.in. 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 Wednesday, 29th August, 2007 at 12.30 p.m. at the Registered Office of the Company at Village Jolva & Vadadla, Tal:Vagra, Dist. Bharuch, GUJARAT - 392 130.
2. Financial Year of the Company is 1st April to 31st March.
3. Date of Book Closure: Wednesday, 11th July 2007 to Tuesday 17th July 2007 (both days inclusive).
4. Dividend payment date: 29th August, 2007.
5. Listing on Stock Exchanges: National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Ltd., Mumbai (BSE)

The Foreign Currency Convertible Bonds (FCCB's) issued by the Company are listed on the Luxembourg Stock Exchange (LSE) and the Singapore Stock Exchange (SGX)

Annual listing fees for the year 2007-08 have been paid to BSE, NSE, LSE and SGX.

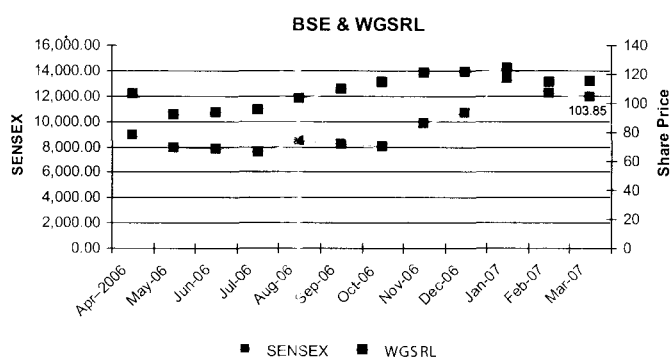
Stock Code /Symbol:

Bombay Stock Exchange Ltd. : 532144

National Stock Exchange of India Ltd. : WELGUJ; Series : EQ

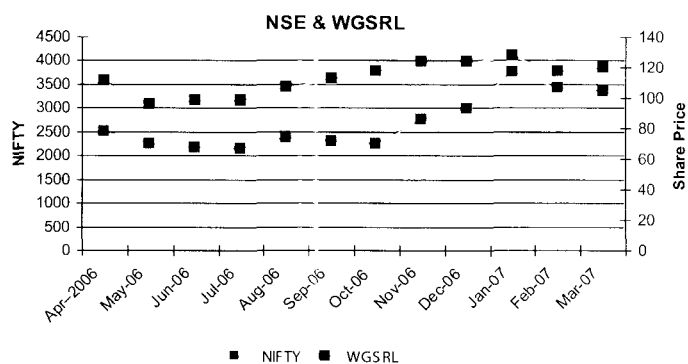
ISIN No. (For dematerialized shares) : INE 191B01025

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



Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
Apr-2006	89.00	71.35	93.00	70.00
May-2006	91.20	67.90	90.90	67.55
Jun-2006	74.45	53.00	75.25	50.10
Jul-2006	69.85	46.60	69.80	46.65
Aug-2006	78.80	61.75	78.80	61.65
Sept-2006	79.80	71.10	82.10	71.30
Oct-2006	81.85	65.00	80.00	69.55
Nov-2006	88.90	68.55	89.00	69.50
Dec-2006	95.80	79.50	95.80	80.00
Jan-2007	121.50	92.05	121.50	92.40
Feb-2007	126.00	90.00	126.00	90.20
Mar-2007	109.80	94.00	109.50	80.00

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



Month	BSE Index	Closing Price of shares (Rs)	NSE Nifty	Closing Price of shares (Rs)
Apr-2006	12,042.56	77.65	3557.60	77.45
May-2006	10,398.61	69.05	3071.05	69.50
Jun-2006	10,609.25	67.65	3128.20	67.00
Jul-2006	10,743.88	65.50	3143.20	66.45
Aug-2006	11,699.05	73.60	3413.90	73.70
Sept-2006	12,454.42	71.20	3588.40	71.55
Oct-2006	12,961.90	69.35	3744.10	69.80
Nov-2006	13,696.31	85.65	3954.50	85.90
Dec-2006	13,786.91	92.60	3966.40	92.80
Jan-2007	14,090.92	116.95	4082.70	116.95
Feb-2007	12,938.09	106.65	3745.30	106.65
Mar-2007	13,072.10	103.85	3821.55	103.90

CORPORATE GOVERNANCE REPORT

8. Registrar and Transfer Agent:

The Company has appointed Registrar and Transfer Agent to handle the share transfer work and to solve the complaints of shareholders. Name, Address and telephone number of Registrar and Transfer Agent is given hereunder:

M/s. Intime Spectrum Registry Ltd.

Unit : Welspun Gujarat Stahl Rohren Ltd.

C-13, Pannalal Silk Mills Compound,

LBS Marg, Bhandup (West), Mumbai - 400 078

Tele. No.: +91-22-25963838 Fax No.: +91-22-25946969

Contact person: Shri Subodh Vichare

9. Our Registrar and Share Transfer Agent register 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.

10. Distribution of Shareholding:

Value of Rs.	No of Shareholders	Percentage of Shareholders	Total No. of shares held	Percentage of shares held
Upto - 5,000	31,407	92.97	32,096,110	4.59
5,001-10,000	1,088	3.22	8,140,455	1.16
10,001-20,000	627	1.86	9,114,535	1.30
20,001-30,000	216	0.64	5,388,225	0.77
30,001-40,000	89	0.26	3,171,300	0.45
40,001-50,000	75	0.22	3,570,875	0.51
50,001-1,00,000	101	0.30	7,438,180	1.06
1,00,001 and above	179	0.53	630,181,985	90.14
Total	33,782	100.00	699,101,665	100.00

11. Shareholding of the Directors of the Company as on 31st March, 2007

Name of the Director	No. of Shares	%
Shri. B.K. Goenka	140	0.00
Shri R.R. Mandawewala	140	0.00

Beside, the following directors have been granted options pursuant to Employees Stock Option Scheme entitling to subscribe for shares of the Company:

Name of the Director	No. of Shares
Shri Braja K. Mishra	250,000
Shri M.L.Mittal	150,000
Shri Satish Bansal (Director in Welspun Pipes Inc, 100% subsidiary of the Company)	150,000

Apart from the above, none of the directors hold any share or convertible securities in the Company.

12. De-materialization of shares and liquidity:

As on 31st March, 2007, 88.48% shares have been dematerialized and have reasonable liquidity on the National Stock Exchange of India Ltd. and the Bombay Stock Exchange Ltd.

13. Outstanding GDRs/ ADR's/ Warrants or any other Convertible Instruments, conversion date and likely impact on equity :

As on 31st March, 2007 outstanding Foreign Currency Convertible Bonds represents 23.11 mln equity shares of Rs. 5/- each, outstanding Warrants represent 8.55 mln equity shares of Rs.5/- each and Stock Options granted but not vested represents 2.55 mn equity shares of Rs.5/- each. FCCBs representing 23.11mn equity shares are convertible at any time before 2010.

8.55 mln warrants have since been subscribed by the holders therefore on 30th April 2007 for equal number of equity shares of the Company.

Options representing 2.55 mn equity shares shall vest and can be exercised in the ratio of 30% at the end of first year from the date of grant i.e. from 8th January 2007, 35% at the end of second year and 35% at the end of third year.

14. Plant locations:

- i) Village Jolva and Vadadla, Near Dahej, Tal: Vagra, Dist: Bharuch, Gujarat - 392130
- ii) Village Versamedi, Tal-Anjar, Distt-Kutch, Gujarat - 370110 (both in INDIA).

15. Address for correspondence:

The Company Secretary,
Welspun Gujarat Stahl Rohren Ltd.,
B-9, Trade World, Kamala Mills Compound,
Senapati Bapat Marg,
Lower Parel, Mumbai-400 013.

Tel: +91-22-66136000, +91-22-24908000, Fax: +91-22-24908020 /21

Certificate of Practicing Company Secretary on Corporate Governance Report

To The Members of
Welspun Gujarat Stahl Rohren Limited

We have examined the compliance of conditions of Corporate Governance by Welspun Gujarat Stahl Rohren Ltd., for the year ended on 31st March, 2007, 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 grievance received during the year ended 31st March, 2007, the Registrars of the Company have certified that as at 31st March, 2007, there were no investor grievance 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
20th June 2007

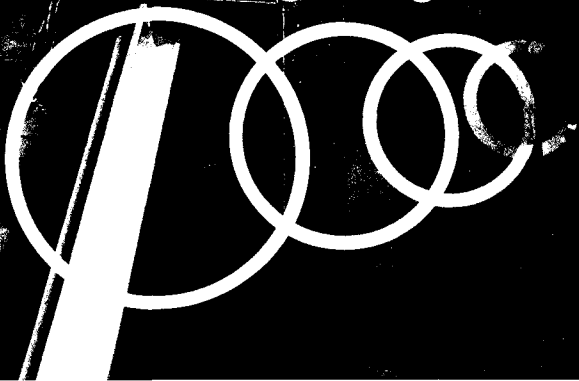


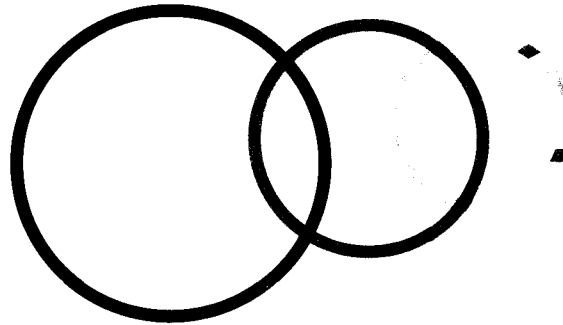
World is our canvas...

Processes



Engineering Excellence





Processes

Our processes are supported by stringent quality and testing parameters - ensuring that only the very best products go to the next level. Our impeccable processes ensure that the products we manufacture not only meet but also exceed our customer's expectations. We continuously strive to attain excellence through our processes.

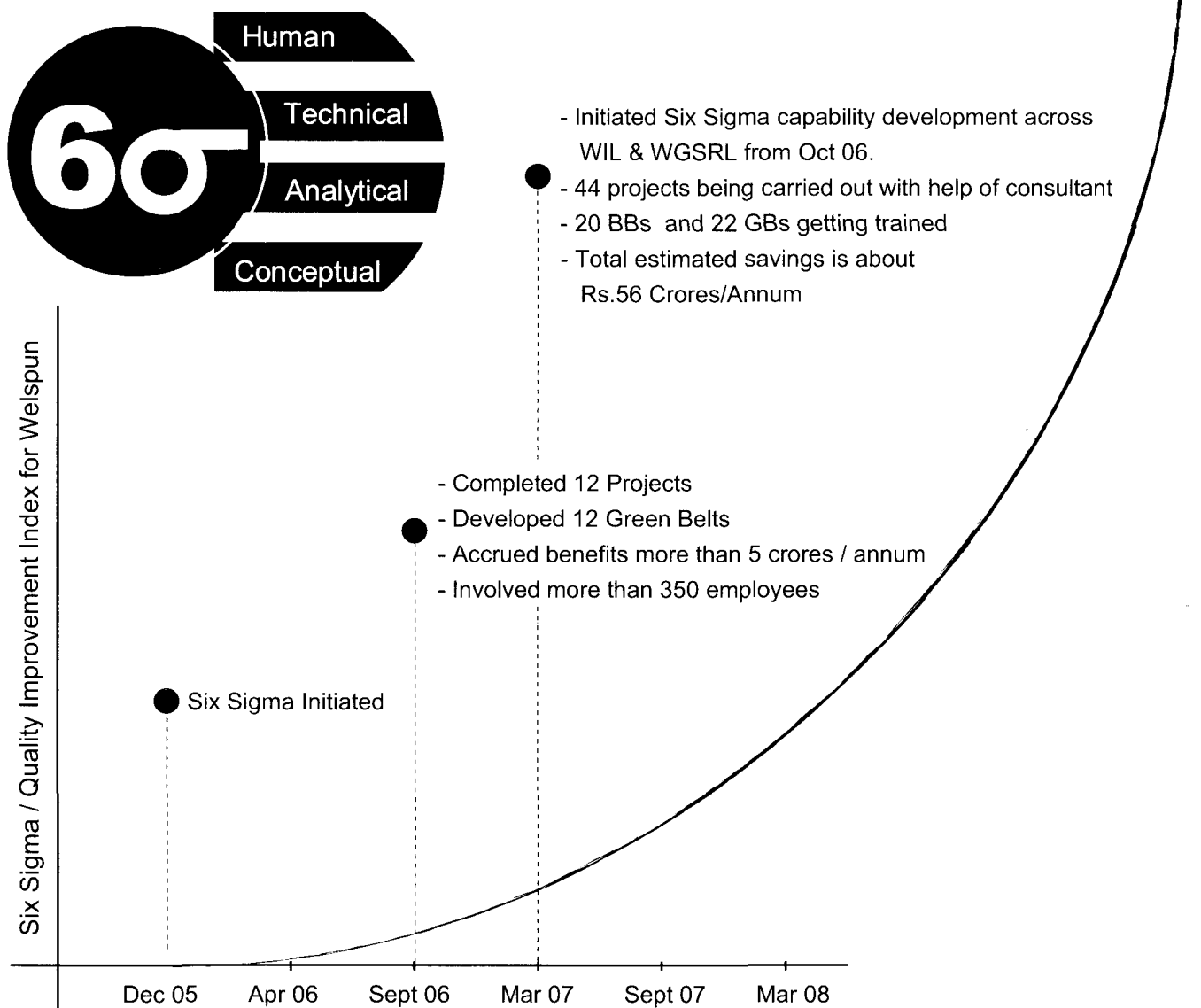
Welspun's quality control does not just mean certifying the final product; instead it refers to the continuous monitoring of each and every stage of the cycle to get the well finished Welspun SAW pipes. Total Quality Management (TQM) is incorporated at each level of not only the manufacturing process, but also the administrative process.

Right from selection of input materials, to the final finished product, utmost care is taken to see that at each step the exact process and techniques are followed, to give the perfect well tested product. Both Dahej and Anjar facilities have been visited and audited by prestigious clients and has the approval of The American Petroleum Institute. Stringent procedures and quality control systems ensure that the facility lives up to global standards of excellence.

Six Sigma, (the metric for measuring defects and improving quality, and a methodology to reduce defect levels below 3.4 defects per (one) million opportunities) followed by renowned company's world-wide has become an element of many T.Q.M initiatives at Welspun. Initiated in December '05, the key concepts of Six Sigma are followed religiously and today, it has become a breakthrough in improving our processes.

Six Sigma at Welspun - A journey for breakthrough improvement

Welspun Six Sigma Growth Plath



Management Discussion and Analysis

Successive recognitions and priceless repeat orders one after the other, from our customers across the globe is a testimony to our quality and performance. Amongst the league of the top players across the globe, Welspun with strong culture of 'Engineering Excellence' has embarked newer heights!



B. K. Mishra
Executive Director & CEO

Industry Perspective and Business Analysis.

"Pipes becoming the preferred mode of transportation" is no longer a dream, with companies making a landmark impact on this mode of transportation.

The Strong growth of the Indian Economy and Infrastructure development has given tremendous potential for all segments of the industry to grow. The economy is expected to achieve 10% growth rate per annum in the next 5 years period, giving impetus to all the sectors. To fuel this growth, the country needs a consistent flow of Oil and Gas covering its entire length and breath. The network of Oil and Gas pipelines in India is at an early stage of Development, with the total pipeline infrastructure being only 18,000 kms., supplying 94 mmcmd of gas. There have been increasing E&P (Exploration and Transportation) activities and accelerated rollouts of Oil and Gas transportation infrastructure globally. The Indian pipe transportation industry comprising of Longitudinal Submerged Arc Welded (LSAW) pipes, Helical Submerged Arc Welded (HSAW) pipes and Electric Resistant Welded (ERW) pipes, is in the midst of a major boom in demand. Besides transportation, pipes usage in water and sewage transportation, is also on an upswing. The building and construction industries are also major marketplaces for pipes. With the construction market booming and further development of new markets for steel pipes ranging from commercial farming to water pipes, the future of steel tubing industry certainly looks bright. To capitalize on this opportunity, Pipe Companies have embarked on a capacity expansion drive.

Accrediations, the absence of which had earlier stunted the Indian pipes' participation in the global opportunity, are now more forthcoming. Indian players have gained a strong foothold in U.S.A., the most stringent market, which speaks volumes about quality standards and cost competitiveness. Internationally, consolidation and rationalization of excess capacity has occurred in some segments. Cost containment, improved processes and quality control measures have led to productivity gains and quality improvements across the entire pipe industry. The surge that the Oil and Gas industry saw is

remotely connected with E&P activities (be it drilling rigs or E&P engineers or seamless pipes) is now evident on pipe transportation, which has led to long term sustainable demand in the pipeline business. The Pipe Industry is expected to experience considerable change and varying growth rates in these booming economic times. The global export market of steel pipes is stated to be close to U.S. \$27 billion a year with the U.S.A., Middle East, South & Latin America, Western Europe and Australia being the biggest importers.

Logistics form a major part of the cost for most of the Oil and Gas companies and the cost of transportation through pipe lines is now being encouraged. Market surveys show that transportation through Pipelines is significantly more cost effective in comparison to transportation by railways and roads.

GLOBAL SCENARIO

Consistent Energy requirement driving Transportation demand

Global markets have been unable to keep pace with the growing demand of Oil and Gas. Countries ranging from third world countries to the most developed economies today have a growing need for energy, oil and gas and therefore imports of the same have become a necessity. The demand arising from all the mixed economies has identified a need for the transportation of this energy which has given an upward push to the demand for Oil & Gas transportation. Global markets are predicted to see a demand for pipes worth U.S. \$ 68 bn. over the next 3 to 4 years and this figure is likely to go up viewing the various growth drivers for pipes internationally. Having secured the required accreditations, the Indian pipe manufacturers are positioned to tap at least 21% of the U.S.\$68bn global demand (excluding India). In India too, with the demand-supply situation tilting in favour of suppliers and well-timed capacity expansions, Indian pipe manufacturers are ready to move into a significantly higher growth orbit.



Increase in Oil and Gas and E&P budgets

The unprecedented and continued firmness in crude oil prices, depleting output from productive oilfields and increasing demand have resulted in significant investments from oil majors in hectic E&P activities. This is evident from the sharp increase in the rig count (number of rigs deployed for E&P activities), higher rig utilization rates (95% currently compared to ~80% a year ago) and doubling of rig day rates. For pipe manufacturers, this spells boom as increased E&P activities would translate into an exponential growth in demand for line transportation pipes used for transporting oil and gas over long distances.

Market Analysis

Increasing reliance on imported Oil and Gas

The OECD countries (Organization for Economic Cooperation and Development, formed by 30 developed countries) account for 59% of the global oil and 52% of natural gas consumption. However, with supply being unable to keep pace with the rapidly rising demand, these countries are becoming increasingly reliant on imported Oil and Gas. This has given impetus to the demand for Oil and Gas transportation infrastructure. The share of demand from the Middle East and Asia, from the total length of pipeline projects envisaged globally, is high at 34%, which is a major demand driver for the domestic players.

E&P activities taking place in more complex environments (deep-sea waters)

This recent upsurge in the market due to the robust activities in E&P, especially in complex environments (like deep offshore) within countries like the U.S.A., Europe, Middle East, Far East and Africa where large amounts of Oil and Gas have been discovered has set a platform for long term sustainable demand for pipes. Significant amounts leading to Billions of Dollars, being spent solely on these activities, have led to transportation becoming essential as development and production from a proven field is at a much lower cost of U.S. \$ 6- \$8 per barrel. Hence, even if the prices of crude oil decrease dramatically, transportation will still be a necessity for E&P companies to recover the investments made by them in discovering the commercial find, thereby not affecting the demand for pipes.

Replacement Market

A recent entrant in the growth drivers of pipes is the demand arising from the replacement of old pipelines, dominantly in the U.S.A and Russia. These Pipes had been laid in the late 1960's and 1970's. The average life of a pipe used for transportation is approximately 25 yrs. to 30 yrs. More than 1 million miles of gas pipelines out of the 1.5 million miles in U.S.A were laid prior to 1975. These pipelines, which have outlived their economic life, have led to a pressing need for replacement to ensure the smooth flow of operations. Recently, few accidents in old pipelines and the resultant legal, commercial, reputational and organizational damages, to some of the top-most Oil and Gas majors, have lead to other utilities, considering the replacement of old pipes faster than envisaged earlier. Thus, the replacement market has additionally pushed the demand for pipes even further.

Huge Gas Discoveries

Gas being looked upon as the fuel for the future provides excellent opportunities for the pipe industry. Unlike oil, transportation of gas from alternative sources is much more costly and poses technical limitations. The large gas finds in the Middle East, Russia, Alaska, K.G. Basin (India) etc provide major boost for the pipe industry.

Migration from traditional modes of transportation

The total transportation of Oil and Gas through pipelines in the U.S.A. is around 60% and in India, it is only 30%. Given the low penetration level, the share of pipelines in Oil and gas transportation will be significant in the future.

Large scale creation of local gas networks

Demand for ERW pipes will be driven by the increased use of pipelines to distribute gas in cities. The demand for ERW pipes is likely to aggregate to U.S. \$1bn based on the demand for 36,000 kms.

Need for Self Sufficiency

The ongoing problems in Oil and Gas rich regions have led to countries like the U.S.A. revising their import strategies to meet not only the ongoing demand for Oil but also to store as future reserves. This in turn has led to the rise in the demand for pipes, leading to increased investments in E&P activities in their own countries to discover Oil & Gas domestically and catering to the ever-rising need of not only the demand but also to avoid a global monopoly.

GLOBAL DEMAND ESTIMATION OVER THE NEXT FIVE YEARS

Geographical Zone	Total Length (Kms)	Required tonnage (m tonnes)*	Total value (US\$ bn)*	Addressable market for Indian players(%)*	Estimated market opportunity (US\$ m)
Middle East and Asia	79,074	24	25	40.0	11.0
North America	65,988	20	21	8.0	2.0
Europe	31,654	9	9	2.0	0.2
Latin America	22,565	7	7	2.0	0.1
Australasia	13,673	4	4	5.0	0.2
Africa	12,036	4	3	15.0	0.6
Total	224,990	67	68	21.0	14.0

Source: Simdex

RISING GLOBAL PIPELINE CAPEX

North American Market

North America accounts for roughly 40% of the total pipeline CAPEX. Demand comes from both replacement of old pipelines and from new pipelines for natural gas. Approximately 65% of North America's existing pipelines are more than 30 years old and close to replacement. Increased spending in North America is expected to come from the increasing 'Rockies' Natural Gas production, higher use of LNG, and the 'Canadian oilsand' projects.

Source: JP Morgan Research

Some of the major proposed pipeline projects in North America

Projects	Estimated Tonnes	Pipelines Miles	Tube Diameter (Inches)
Alaska Gas	1,900,000	1,800	48
Altex	570,000	2,000	30
Mackenzie Gas	418,000	760	30
TCPL - Keystone	400,000	1,200	30
Enbridge - Alberta Clipper	385,000	1,000	36
Enbridge - Gateway	360,000	721	36
Kinder Morgan - TMX	348,000	1,000	30-36
Enbridge - South Access Phase 2	136,000	321	36-42
Enbridge - Gulf Coast	na	2,055	36
Texas Gas	na	555	36-42
CenterPoint	na	730	30,36,42
Total	4,517,000	12,142	

Source: JPMorgan Estimates

Market Overview and Analysis

Other Markets

Saudi Aramco has lined up mega projects totaling U.S.\$45bn to increase oil production, build petrochemical complex and new pipelines. Russia plans to build gas pipelines to supply China with natural gas. Work is currently under way on a 2800kms. oil pipeline. China Petroleum Pipeline Bureau has commented that China plans to build 25,000 kms. of Oil and Gas pipelines by 2010.

DOMESTIC SCENARIO

In addition to up surge in global demand for SAW pipes, the Domestic demand is estimated to grow to 4 million tonnes (Source:SSKI Research) amounting to U.S. \$ 4 billion, at an estimated average realization of U.S. \$1,000 per metric tonne. Currently, pipelines have not been the prime mode of transportation. Only 30% of India's Oil and Gas transportation is through pipelines as compared to 60% in the U.S.A. which means, that there is great potential for pipelines to be used domestically. Additionally, in the domestic market, demand for pipes used in Oil and Gas exploration and transportation, including water and sewage transportation, is on an upswing

Domestic market demand break-up

USD(bn)	SAW
Domestic demand over the next five years	4
Total market size	9
Less : Imports (assuming a 25% share)	2
Addressable market for Indian players	7

Source: CRIS INFAC, SSKI Research

Demand for transportation infrastructure next five years

Product	Existing (Kms)	Expected additions (Kms)
Crude	7,810	1,500
Products	8,864	5,000
Gas	9,988	9,000
Total	26,662	15,500

Source: CRIS INFAC, SSKI Research

The domestic Oil and Gas majors are increasingly becoming conscious of the amounts of investments that have been made in transportation through more expensive sources. The domestic players are now increasingly becoming aware of the dearth and growing need to invest in pipe lines as opposed to the more expensive modes of transportation like rail or road.

The recent E&P activities that have taken place in south-east India, like K.G. Basin,

leading to the discovery of crude, have further boosted E&P projects to be undertaken in the future. This has resulted in significant growth in the demand for pipes in the immediate future.

WELSPUN'S PREPAREDNESS TO CAPITALISE ON THE OPPORTUNITY

1) Engineering Excellence

Welspun is synonymous with Engineering Excellence with highly skilled engineers who bring the required expertise to the table combined with their knowledge base and experience. It is the inherent philosophy of Welspun to ensure that all our products are engineered to excellence and are at par, if not better, than the best in the industry. Welspun is amongst the few producers of high grade pipes of X 80. Welspun is also the first company to successfully manufacture the largest diameter pipes, 56 inches for both LSAW as well as HSAW in X 70 Grade. Welspun is also the only manufacturer today, who has supplied pipes to be laid below 8000 ft. of water, forming the World's deepest pipeline - "The Independence Trail" project. Welspun's products have thus achieved enviable tolerance limits and all the above factors clubbed together complement the engineering excellence that has been built up within the organization. After Scaling new heights in most challenging off-shore projects in U.S.A, Welspun is also currently involved in supplying pipes for most of the ongoing on-shore projects in U.S.A.

2) Excellence through Capacity

Welspun has a Sustainable Competitive Advantage of manufacturing pipes of varying qualities, grades and sizes that are used in long distance transportation of Oil and Gas for critical purposes and in complex regions. Welspun currently has an operational capacity of 1 million metric tonnes p.a., to produce pipes from ½ inch to 100 inches in outer diameter and upto 40 mm. wall thickness. Our capability today, is at par with the dominant players in the industry, worldwide into a wide range:

PRODUCT	Outer Diameter (inches)	Wall Thickness (Millimeters)
LSAW	16" to 60"	Upto 40 mm
HSAW	18" to 100"	Upto 25 mm
ERW	1.5" to 16"	Upto 14 mm

Coating	Capacity of 6.24 Mn. Sq Mts. P A	OD - 6" to 64 "
Bending Facility	Size range of 6 inches to 42 inches	

Short Summary and Application for these products are as under:

LSAW (Longitudinal Submerged Arc Welded) pipes are made from Steel Plates of very high grade and are used for extremely critical applications, like long distance transportation of Oil and Gas in critical applications and difficult terrains like offshore applications, sour gas applications etc.

HSAW (Helical Submerged Arc Welded) pipes are made from Steel Coils and are used in long distance transportation of Oil and Gas in relatively lesser critical areas like transportation under the surface, in deserts etc.

ERW (Electric Resistant Welded) pipes are relatively smaller in diameter and are used in local distribution of Oil and Gas, like within the city gas pipeline networks etc. They are also used for varied other applications such as structural pipes, domestic water supply, automobile boiler tubes etc

As evident, our products are mostly high grade line transportation pipes for Oil and Gas across countries in various continents.

Management Discussion and Analysis

3) Excellence through Backward Integration - "PLATE CUM COIL MILL"

The timely and competitively priced availability of raw-material forms an Integral part of the production process. Currently the raw material accounts for over 80% of the cost of production and approx 72% of the total price of Pipes. Despite the fact that Welspun enjoys remarkable operating relationships with the World's major Steel suppliers like, Voest Alpine, Mittal Arcelor, Posco etc, due to current demand supply mismatch, the plates have a long enough lead time of almost 12 months, thus restricting orders with shorter delivery schedules.

To have a sustainable competitive advantage and also to combat the risk involved in the business, Welspun has gone into Backward Integration and is setting up a "1.5 million metric tonnes Plate cum Coil Mill" in Welspun City at Anjar, Gujarat. This project costing approx Rs. 18,000 million is fully funded, with Rs. 13,000 million as Term loan from Indian financial institutions/banks, FCCB's (raised in Dec 2005) of U.S.\$ 75 million (equiv to Rs. 3,300 million) and Promoters warrants/preference shares of U.S.\$ 25 million (approx Rs. 1,125 million). The facility will start trial production in July/ Aug -2007 and is likely to commence commercial operations in Q4, FY 2007-08.

Rationale for the project:

Even though the conversion of Steel Plates into Pipes forms the most important part of the Value chain, the Steel Plate makers (on account of consolidation) accrue almost two times the margins in comparison to the Pipe makers. The demand supply gap of good quality pipe grade plates is expected not only to remain for a few years but also to widen with the commissioning of new LSAW mills in Iran and Russia backed by plans to build huge pipe line projects. Viewing this situation, Welspun has gone into Backward Integration and is currently setting up a Steel Plate cum Coil Mill that will provide better operational flexibility and give a direct boost to the margins, adding considerably to the bottom line in FY 2008-09.

The recent announcement by the Government of India stating a ban on the exports of Iron Ore is good news for us as this means that the procurement of the basic raw material for plate cum coil mill (i.e. slabs) will not be a concern.

4) Excellence through OPERATIONS in U.S.A.

Welspun in December 2006 announced a project in the U.S.A. to make HSAW pipes. This project will be a step further to promote and strengthen the company's identity in the U.S.A.

The U.S.A. is a very high potential market for us and the company supplies pipes to a number of renowned companies. The growing demand for HSAW pipes in the region and a bulk of the orders coming to Welspun has led to the requirement of having a domestic presence in the U.S.A. The Freight constitute the second largest cost of pipes and savings on account of freight cost would be significantly higher than small additional cost that Company has to incur for operating in U.S.

5) Excellence through its KEY STRENGTHS

Welspun has a competitive edge over its peers domestically and internationally too in terms of meeting challenging technical criteria, less than a handful would qualify as competition to Welspun. The company is very well equipped to not only meet the increasing demand but also the stringent quality and logistic requirements. Some of our key strengths are as under:

a) World's Deepest Gas Pipeline

Welspun has supplied pipes to the world's deepest offshore gas pipeline project in the Gulf of Mexico, U.S.A. This exceptionally critical project was being conducted for the first time in History. The pipes that were laid in this project were to reach the 8000 ft. deep, 15 wells that consisted of gas fields measuring 1800sq. miles. The gas discovered was in an outstandingly dangerous and critical area that was very highly prone to hurricanes and powerful storms.

The supply by Welspun to such an exceedingly critical project is one of Welspun's biggest achievements and our participation itself acts as a strong reference for other Oil and Gas companies that are looking to source pipes.

b) One of the largest capacities of Saw Pipes in Asia

Welspun has one of the largest high grade SAW pipes capacities in Asia, excluding Japan. Though there is a sharp increase in the demand of SAW pipes, there are only a limited number of players that can actually meet the demand. This becomes all the more difficult because of the stringent requirements of quality and diameter of these pipes for critical purposes. In India, our capacity for LSAW and HSAW is unmatched in the industry.

c) Frame Agreements

Welspun has entered into frame agreements with two of its most renowned clients, Saudi Aramco and Chevron. These framed agreements automatically qualify us for every project that the companies undertake. These frame agreements give us immense creditability, making us the preferred partners in business and also automatically give us a higher rating in comparison to most of our peers.

d) Truly an International Company

Welspun is predominantly into global exports with 80% to 90% of the Orders booked with renowned International companies. A significant amount of the order book consists of orders from the U.S.A. and Latin America that are to be executed over this coming fiscal year. Welspun bagging large bulk orders and repeat orders from International companies acts as a strength and reconfirms our position as a company capable of taking and productively executing large orders befitting global standards.

e) Only Indian Company short listed for most of the global orders

Welspun is the only Indian company to qualify for most of the internationally large orders. The kind of projects that Welspun bids for and receives, substantiates not only our Order Book position but also sets us apart from other domestic players.

Welspun has been approved by over forty oil and gas majors, globally. Approvals form a stringent undefined entry barrier for new or not-so-experienced entrants. Pipes are a long term investment and it is extremely important for Oil and Gas companies to enter into definitive agreements with pipe manufactures that are well qualified and experienced.

Management Discussion and Analysis

These approvals thus act as a major strength for Welspun. Some of the major approvals are from:

ENTERPRISE	PGN, INDONESIA
KINDER MORGAN	MITCO, MALAYSIA
HUNT OIL COMPANY	EXXON MOBIL
ENERGY TRANSFER	BRITISH PETROLEUM
ANARDARKO	BRITISH GAS
TEXAS GAS	PETRONAS, MALAYSIA
TOTAL	SHELL
SAUDI ARAMCO	GAZPROM
CHEVRON	
CLOUGH ENGG.	

f) Building its own Jetty at Dahej

Welspun is building its own Jetty at Dahej that will be operational by December 2007. This is a huge strength for us, as most of our products are exported and the shipment of these products is a considerable cost constituent. Besides reduction in transportation costs, the Jetty will also provide for operational flexibility. This will be because at any one given time, two barges can be handled at the Jetty. In addition to this, at least one barge can be parked in front of the Jetty.

g) Health and Safety (HNS)

HNS of our employees in all our plants is of core importance to us. The company ensures that all the specified safety procedures are strictly adhered to at all times. All the employees are thoroughly trained and all the safety procedures are strictly followed. This is a significant strength for Welspun as it meets the international standards approved by most Oil and Gas majors

h) First from India

Welspun has a respectable list of 'firsts' to its credit as under:

- o Supply of large diameter Line-pipes for off-shore applications in the U.S.A.
- o Supply of 56" X 70 Line-pipes to Iran
- o Production of Line-pipe grade i.e. X 80
- o Highest production recorded for a day for LSAW plant (1,750 MT.)

6) EXCELLENCE through Awards and Recognition

1. Fastest Growing Company from Business Today (April -2007)
2. Ranked amongst " India's Top100 Corporates 2007" by Standard & Poor's (S&P), World's leading rating agency along with CRISIL, India's leading rating agency.
3. **Highest exporter Award** (Iron and Steel based products) from Engineering Export Promotion Council (EEPC)
4. **Outstanding Export Performance Award** from the Government of Gujarat

RISKS, THREATS AND CONCERNS

The pipe industry as such has limited risks that could threaten the business model and the production of pipes. Some of the Key risks involved are mentioned below:

Unavailability of raw material

The unavailability of raw material is the biggest risk factor for the pipe manufacturing industry. Raw materials like Steel Plates and Coils are the main components of the pipe manufacturing process. Long gestation supplies of these materials or any subsequent delay in delivery could impact the production cycle of the business.

Sudden and sharp increase in raw material prices

Currently the raw materials required for the types of pipes that Welspun manufactures form the bulk of the cost structure owing to the fact that these high grade Steel Plates and Coils are presently imported from countries over long distances to India. If the price of these raw materials were to shoot up sharply without any prior notice, pipe manufacturing companies could be at a risk causing a direct impact in the production cycle. Though most of the raw materials required are pre-committed and fully tied up, increase in the cost of steel prices sharply could pose a performance risk by the suppliers.

Cost of Freight

A sharp and unprecedented increase in the cost of freight is another risk factor involved in the pipe manufacturing companies. Presently, the cost of freight is calculated prior to the execution of the order. If this cost were to rise sharply and suddenly, the pipe manufacturing companies could be at risk if not tied up properly.

Management Discussion and Analysis

Discussion of Financial Analysis

Financial Condition

1. Share Holders Fund

a) Share Capital

The Authorized share capital is Rs. 2,150 million, divided into 1170 million equity capital and 980 million Preference capital of Rs. 5 and Rs. 10 each respectively. As on 31st March, 2007 the paid-up capital of the Company is Rs. 699 mn with 139 mn. outstanding shares. If earlier FCCB of US \$40 mn (convertible at Rs. 71.42 per share). and all warrants (convertible at Rs. 80.07) issued to promoters in October - November - 2005 are converted, the company shall have paid-up Capital of Rs. 751 mn. with 150 mn outstanding shares. If even FCCB of US \$ 75 mn. (Convertible at Rs. 162.64 per share) is converted than paid - up capital will increase to Rs. 857 mn with total outstanding shares as 171 mn. Assuming conversion of Warrants issued in May 2007 of \$ 35 mn convertible at Rs 102.20/share and exercise of rights in respect of 1.66 mn ESOPs at Rs. 80/ share the total outstanding shares will stand at Rs.938 mn with 187.77 mn outstanding Shares by FY 08-09.

b) Reserves and Surplus

The reserves and surplus increased by Rs. 1,685 mn. and amounted to Rs. 5,768 mn at the end of the FY 06-07.

i) Capital Reserve

The balance as of March 31st, 2007 amounted to Rs 1,057 mn. same as in previous year.

ii) Securities Premium account

The addition to the share premium account is Rs. 681 mn during the year. The Premium on Redemption of FCCB's adjusted against the security premium amounted to Rs. 259 mn during the year.

Rs. million

Securities Premium account	FY 06-07	FY 05-06
As per Last Balance Sheet	1,395	2
Add: Received during the year	681	1,494
Less: Premium on redemption	(259)	(100)
Total	1,817	1,395

iii) Profit and Loss account

The balance retained in the profit and loss account as on 31st March 2007, is Rs. 2,738 mn(Rs. 1,625 mn) after providing an equity dividend of 20% in the current financial year and the amount transferred to General Reserve is Rs.145 mn. The total Shareholders fund (Networth) of the company increased to Rs. 6,467 mn as on 31st March 2007 as against Rs. 4,948 mn as on the previous year end.

2. Loan Fund

The Loan fund of the Company increased from Rs. 8,027 mn to Rs. 15,146 mn in the FY 06-07. The Company has primarily used long term debt to fund the Plate-cum-Coil mill project in Anjar. Therefore the total secured debt/equity ratio of the Company increased from 0.79:1 to 1.80:1 The project is being carried out to secure raw material for the strong order book position and expected growth in demand for the Company's products. The Company's new pipe making capacity is already booked extensively with advance orders, yielding assured cash-flows to service the increase in the associated debt and its repayments.

Secured Loan

i. Terms Loan

The term loans of the Company increased from Rs. 2,953 mn to Rs. 11,106 mn in the FY 06-07. The increase (net of repayment) is on account of loans availed by the company for Plate-cum-coil Mill project and Pipe Mill expansion Project.

ii. Working Capital

The working capital loan of the Company decreased from Rs. 980 mn to Rs. 529 mn on account of realization received at the year end.

Unsecured Loan

In the FY 04-05 and FY 05-06, the company raised \$40 mn and \$75 mn FCCB in 2 trenches respectively. Out of which \$40 mn is nearly converted into equity shares with only \$3.25 mn outstanding shares, together with \$ 75 mn comprises the unsecured Loan of Rs. 3,405 mn, balance Rs. 106 mn is the deferred Sales Tax Loan which is same as last year.

3. Fixed Assets

During the year, the gross block of fixed assets went up from Rs. 7,893 mn to Rs. 9,112 mn which amounts to a growth of 15 %. The prime reasons for the increase in the fixed assets were due to ongoing pipe mill expansion at Anjar. The increase in the Net block of the fixed assets due to capacity expansion of Rs. 744 mn. The accumulated depreciation of the Company stands at Rs. 1877 mn which is an increase of 34 % in the FY 06-07.

Rs. million

Fixed Assets	FY 06-07	FY 05-06	Growth %
Gross Block	9,112	7,893	15%
Less: Depreciation	1,877	1,402	34%
Net Block	7,235	6,490	11%
Capital Work-In-Progress	9,214	3,623	154%
	16,448	10,113	63%

Management Discussion and Analysis

i) Capital Expenditure

Out of Total Expenditure, the amount incurred as capital expenditure is Rs. 6,810 mn comprising of additions to gross block of Rs. 1,219 mn. and Rs. 5,591 mn on account of increase in capital work in progress as 31st March, 2007. Out of the total CWIP (capital work in progress) of Rs. 9,214 mn as on 31st March 2007 the expenditure on plate-cum-coil mill at Anjar is Rs. 8,502 mn.

ii) Additions to Gross Block

During the year Rs. 1,249 is added to the Gross Block comprising of Rs. 343 mn investments in Land and Building, Rs. 906 mn in Plant & Machinery, Office Equipments, Furniture and fixtures.

4. Investments

In the FY '07, the investments increased from 0.01 mn to 256 mn mainly due to short term investment made in Mutual funds and treasury instruments out of the proceeds of FCCBs raised for plate-cum-coil mill project.

5. Deferred Tax

The Deferred Tax Liabilities recorded as Rs. 794 mn as compared to 701 mn in the previous year. Deferred means future tax liability or asset, resulting from temporary differences between book (accounting) value of assets and liabilities, and their tax value which is usually at a much higher rate. The recent capacity addition and the resultant investment in plant & machinery results in accelerated depreciation for tax purposes resulting in creation of deferred tax, a non-cash outgo provision.

6. Net Current Assets

A) Current Assets, Loans and Advances

i) Inventories

The inventory level of the Company decreased from Rs. 5,429 mn in the previous financial year to Rs. 5,135 mn in the FY 06-07. The inventory turnover ratio stands at 3.82 times as compared to 2.96 times previous year with days of 96. This was mainly due to the better inventory management during the financial year FY 06-07.

Rs. million

Particulars	FY 06-07	FY 05-06
Inventory Turnover ratio	3.82	2.96
Days to sell inventory	96	123

ii) Sundry Debtors

Debtors of the Company increased by Rs. 2,780 mn and amounted to Rs 5,849 mn, an increase of 91% while the sales grew by over 46 %. These debtors are considered good and realizable. Debtors are at 22% of revenues for the year ended March 31st 2007, as compared to 17% for the previous year, representing an outstanding of 61 days against 57 days in the previous year. This increase is due to large orders executed in the 2nd half of FY 06-07

Particulars	FY 06-07	FY 05-06
Debtors Turnover ratio	6.00	6.43
Collection Period (days)	61	57

iii) Cash and Cash Equivalents

The cash and bank balance of the Company showed a healthy balance and increased from Rs. 3067 mn to Rs. 3434 mn.

iv) Loans and advances

Advances are primarily towards amounts paid in advance for the value and services to be received in future. The loans and advance of the Company increased by Rs. 688 mn in the FY 06-07 and amounted to Rs. 1911 mn. This was mainly due to advances given to subsidiaries for project investments and other advances increased by Rs. 390 to Rs. 803 mn in FY 06-07 mainly due to advances paid to suppliers

Rs. million

Loans and Advances	FY 06-07	FY 05-06
Advance to Subsidiaries	113	0.00
Balance with customers & Excise Authorities	860	673
Other Advances	803	413
Deposits	135	137
	1,911	1,223

B) Currents Liabilities and Provisions

i. Current Liabilities

The current liabilities of the Company, which mainly represent the amount payable to vendors for supply of goods and services, increased by Rs. 1,059 mn. This increase was due to the growth in the sundry creditors and acceptances, made by the Company to pay either a time-draft or a sight-draft by the Company.

Rs. million

Current Liabilities	FY 06-07	FY 05-06
Acceptances	8,086	7,495
Sundry Creditors		
Due To Small Scale Industrial Undertakings	4	10
Due To Others	1,879	1,444
Trade Advances and Deposits	73	60
Interest Accrued But Not Due	47	22
Unclaimed dividend	0	-
	10,089	9,031

Management Discussion and Analysis

ii. Provision

In the FY 06-07, the provision increased from Rs. 125 mn to Rs. 469 mn, mainly due to the increase in the provision for tax and provision for the proposed dividend.

Rs. million

Provisions	FY 06-07	FY 05-06
For Proposed Dividend (Including Tax on Dividend)	165	97
For Taxation	291	17
For Retirement Benefits	13	11
	469	125

Results of operations

Rs. million

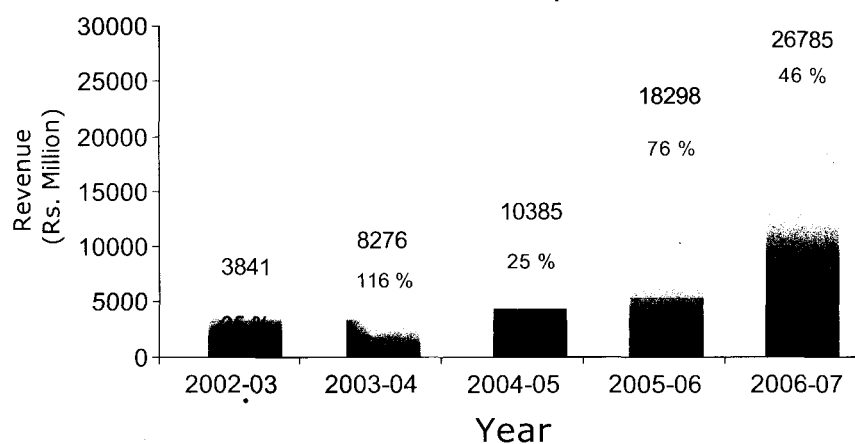
Particulars	FY 06-07	%	FY 05-06	%	Growth %
Sales & Services	26,785	100%	18,298	100%	46%
Cost of Materials	20,224	76%	13,574	74%	49%
Manufacturing & Other Expenses	3,229	12%	3,069	17%	5%
PBIDTA	3,375	13%	1,674	9%	102%
Financial Expenses	708	3%	419	2%	69%
Depreciation	476	2%	352	2%	35%
PAT	1,426	5%	614	3%	132%

1. Income

a) Sales

The Company achieved Sales of Rs. 26,785 mn in the FY 06-07. The increase in Sales was due to higher top-line contribution from the Anjar facility which contributed almost Rs. 15,268 mn in this year. The growth in sales as compared to the previous financial year is 46%. The export sales for the year are Rs. 12,829 mn which is around 48% of the total sales.

Sales & Services Graph



b) Other income

The income from other sources increased from Rs. 19 mn to Rs. 43 mn in the financial year FY 06-07. The Company carries out currency hedging as part of its normal business practice for mitigating the risk of potential loss arising from currency fluctuations when settling its import/export contracts. When there is a mismatch of the forward currency contract with the actual consignment arrival or dispatch date, the Company tends to generate an income / loss arising from the currency rate differences at the time of settlement. Since this other income is a subset of the Company's operational income, this could be viewed as the Company's 'Other Operational Income'.

Rs. million

Other Income	FY 06-07	FY 05-06
Miscellaneous Income	17	16
Dividend Received (Gross)	2	3
Foreign Exchange Difference	24	-
Total	43	19

2. Expenditure

a) Cost of Materials

Rs. million

Cost of Goods	FY 06-07	FY 05-06
(A)Raw Material Consumed		
Opening Stock	1,196	1,051
Purchases (Net)	19,932	13,987
	21,128	15,038
Less: Closing Stock	2,074	1,196
Total (A)	19,054	13,842
Purchases of Finished Goods (B)	1,130	-
Cost of Materials (A) + (B)	20,184	13,842
Increase / (Decrease) in Stock (C)		
Closing Stock		
Finished Goods	252	250
Goods In Process	578	620
	830	870
Less: Opening Stock		
Finished Goods	250	44
Goods In Process	620	558
	870	602
Total (C)	(40)	268
Total (A)+(B)-(C)	20,224	13,574

Management Discussion and Analysis



The cost of material increased by Rs. 6,342 mn and amounted to Rs. 20,184 mn in the FY 06-07. This was mainly due to the increase in the purchase of material for higher turnover and due to better Raw Material management and increased margins on sale of finished products. As a percentage of sales, the cost of materials increased from 74 % in FY 05-06 to 76 % in the FY 06-07.

b) Manufacturing and Other Expenses

The manufacturing and other expense of the Company decreased by 5.21% and amounted to Rs.3,229 mn in the FY 06-07. The Manufacturing expense includes the stores and spares, freight and forwarding, staff cost, rent, rates and Taxes etc. Freight which used to be 7.04% of sales reduced to 4.83% of sales due to better logistics management.

PBIDTA

The company earned an operating profit of Rs.3,375 mn. representing 13 % of Total revenues as against Rs. 1,674 mn for FY 05-06 representing 9 %, that is a growth of approximately 102 % over the previous year. The growth in operating profits are strictly on account of Company's premium positioning, where it is able to command better realizations by bidding and completing most challenging projects where only few companies could qualify internationally. The management expects to retain this premium positioning by bidding for more challenging projects and covering un-chartered territories.

c) Financial Expenses (net)

The financial expenses (Net) of the Company amounted to Rs.708 mn which is a increase of 70 % over the previous financial year. The interest paid by the Company in the FY 06-07 was Rs.329 mn due to increased business and for servicing the loans for pipe mill capital expenditure at Anjar. An increase in the discounting and other finance charges by Rs. 47 mn, also adds to the increase in the financial expenses in FY 06-07.

d) Depreciation

The depreciation for the FY 06-07 was Rs.476 mn as compared to Rs.352 mn in the previous financial year representing 1.7 % and 1.9% of total revenues respectively on account of depreciation on pipe facility at Anjar capitalized during the later part of the year 05-06. The depreciation as a percentage of average gross block is 21% and 18 % for the years ended 31st March 2007 and 2006 respectively.

e) Profit after tax

The Profit after tax for the FY 06-07 is Rs. 1,426 mn as against Rs. 614 mn in the FY 05-06. This represents 5% and 3% of the total revenue in FY 06-07 and FY 05-06 respectively. It shows a 133 % jump in revenues as compared to the previous year due to, additional revenue from Anjar facility and optimization of expenses and better margin business in FY 06-07

3. Dividend and Earning Per Share (Basic)

In recognition to shareholders contribution, the company declared dividend of 20 % on Equity Shares, in FY 06-07 as against 10% in FY 05-06. The Earning Per Share (basic) increased from 5.14 per share to nearly double at Rs.10.68 per share in the FY 06-07 representing a growth of 107% as compared to the previous financial year.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's position and expectations may be "forward looking statements" within the meaning of applicable securities laws & regulation. Actual result could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the market in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

WELSPUN

WELSPUN GUJARAT STAHL ROHREN LIMITED

Dare to Commit



World is our canvas...

CORPORATE SOCIAL RESPONSIBILITY

Welspun as a group considers Corporate Social Responsibility (C.S.R.) an autonomous part of its being. We believe in not only nurturing our own employees but also the society at large. In sync with our guiding path of five E's, Enrichment of mind, Enrichment of body, Education, Empathy, Empowerment of Women and contributions for other social activities we try to make continuous efforts to better the lives of everyone involved with us both, directly or indirectly. In our endeavour to improve the lives of people and secure a future for our youth, Welspun has taken initiatives to further the cause and continuously look for other possibilities to make the difference. We have undertaken numerous projects in chosen areas.

Welspun's employees are in such large numbers that we believe that we can start by making a difference to the lives of our own employees and their families.

ENRICHMENT OF MIND

We believe that nurturing of the mind directly leads to nurturing of the body. At Welspun, mind enriching activities are undertaken.

Workshops on Yoga and nutrition

We regularly conduct workshops on Nutrition and Yoga where by the benefits of the same are explained to all. Employees are taught easy steps that can be practiced at their work places as well, to derive the benefits of Yoga. Classes on nutrition are also held at all our plants. These workshops have greatly helped in enhancing the lifestyles of most of our employees and their families.

ENRICHMENT OF BODY

Medical camps for women

Welspun has undertaken various initiatives in providing medical facilities at all our plant locations. Apart from regular visits by Doctors, we continuously organize medical camps both, for women and men. We hold Cancer detection camps as well. The aim of this exercise is to ensure that all our employees are physically fit which in turn leads to their mental health. In pursuit of the same we have set up a gym at our plants which is accessible to all the employees. In addition to the above amenities, we extend any help required to our employees, at all times when the need may arise.

EDUCATION

Education is the strongest base that success rests on, it is our belief that it takes you far and in our endeavour to better the lives of individuals, especially children through education and vocational training, we have initiated the following:

Economically Backward Children

Welspun extends help to children who are incapable of looking after them selves, by supporting and encouraging the underprivileged sections of society in terms of education etc. We try to ensure that children at a young age are focused on receiving an education rather than working to make ends meet. Welspun makes for not just contributing to their cause but also communicating with these children on an ongoing basis so as to also receive constant updates on the progress achieved thus boosting their confidence.

Educational Institutions

Welspun, in its sincere efforts to improve the lives of children that are instrumental in shaping up the future of our country, has set up "Welspun Vidya Mandir", a school up to class 10. Recently we have also set up 'Welspun Anganvadi', which is a pre-primary school for children; these schools are open not only to the children of the Welspun employees but also the children of the other local families. Regular events are held at these institutions and children are encouraged to take up activities that significantly contribute to their over all growth and development.

EMPATHY

Empathy is the core of all our social endeavours. We take initiatives that benefit the society at large. Our contributions are aimed at improving the lives of and helping individuals in our society to become self supportive.

Visually Impaired Children

Welspun is closely associated with blind and visually impaired children, specifically girls. We have tied up with a Blind School and try to ensure that we make a difference to the lives of the visually impaired, even if in a diminutive way. We not only provide employment to the orphans and others associated with the blind but also work towards a more enriching life for the visually impaired.

Besides generous contributions to provide self esteem to the visually impaired we hand out products made by them to our employees on special occasions like birthdays etc. This is a mutually beneficial relationship, whereby our employees feel touched and closer to the organization and the visually impaired receive proceeds that are utilized for life enriching purposes like education, recreation, training and over all stability.

Water Effluent Plant

We treasure our internal employees and in our efforts to make the lives of our employees not only fruitful, but also more safe and enriching, we have set up a Water Effluent Plant at Welspun City at Anjar in Gujarat. This plant recycles the water to be used for industrial and household purposes, thereby not only ensuring safety but also more security for our employees and the society at large.

Jatropha Plantation

The Jatropha plant is a drought resistant perennial and grows well in Sandy and well drained soil. Under our initiative to convert the desert area of Anjar in to a lush and more serene environment we have undertaken a drive of Afforestation at Welspun City where thousands of saplings of the Jatropha tree were planted extensively. The Jatropha seeds have excellent oil content of 37%. The oil can be combusted as fuel for simple diesel engines.

Blood Donation Camps

Welspun, in its endeavour to help the underprivileged, organizes Blood Donation Camps at our various locations. These are held in association with renowned Blood Banks and the blood collected these campaigns is utilized for the economically backward sections of society which comprise of individuals belonging to a state of indigence. It is also contributed to individuals suffering from Cancer and other critical diseases, who are unable to pay for their blood requirement. We hold these camps every quarter.

The Welspun family as a whole makes sincere efforts to donate blood on a regular basis and contribute back to the society. There is active participation by our employees in large numbers.

EMPOWERMENT OF WOMEN

In our endeavour to empower women, we have taken up numerous initiatives involving multiple activities that have in one way or another trained women to look after themselves and to generate funds that have led to their empowerment. Some such initiatives are mentioned below:

Project "Kishori"

At Welspun, we understand the importance of being not only educated but also well versed with computers, in today's dynamic environment. As part of vocational training, we are supplying infrastructure facilities and man power to offer free computer classes at Dharavi which is the largest slum in Asia. We organize computer courses that are offered to working women who intend to apply for positions in both Government and non-government organizations.

Project "Lijjat"

Programmes providing training in the art of papad making have been organized, where women of one hundred and forty eight Welspun families from a tiny village in Versamedi, have participated and have trained for two to three hours daily. This project has provided vocational training and in turn has led to the women making a small amount of money that today makes a significant difference to their lives therefore empowering them.

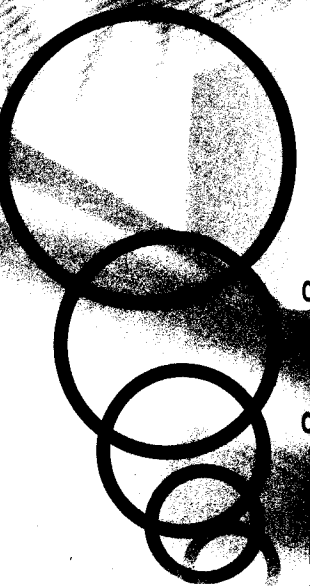
C.S.R is an ongoing activity at Welspun and we will continue to contribute back to the society and make a difference to the lives of as many people as possible.

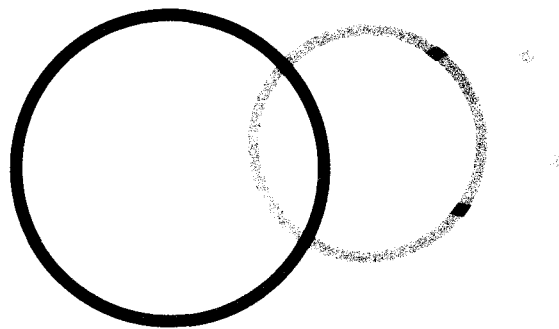


Practices



Engineering Excellence





Practices

(Environment, Society, Safety and Health)

The practices followed in our company ensure that from start to finish requirements of safety, specifications of products and timeliness of delivery are taken care of. These measures aim towards developing a sustainable development model & satisfaction of all stakeholders & associated parties. Another aspect of our corporate ethos is contributing back to the society by enriching life of all people associated with us is one of our integral policy and aggressive efforts are made at all level to fulfill these objectives.

Environment - Welspun City, a 2500 acre township set up in the heart of the barren lands of Anjar, Kutch in the state of Gujarat is a prime example of continuous efforts of protecting our environment with a strong emphasis on a-forestation. Welspun City is in the process of turning itself in the creation of a green belt. The process, once completed, will be a veritable forest of about 500,000 trees. Welspun additionally has the most modern effluent treatment plants and waste disposal systems. The company is conscious of maintaining the ecological balance at all plant locations. Another effort in this direction is rain water harvesting.

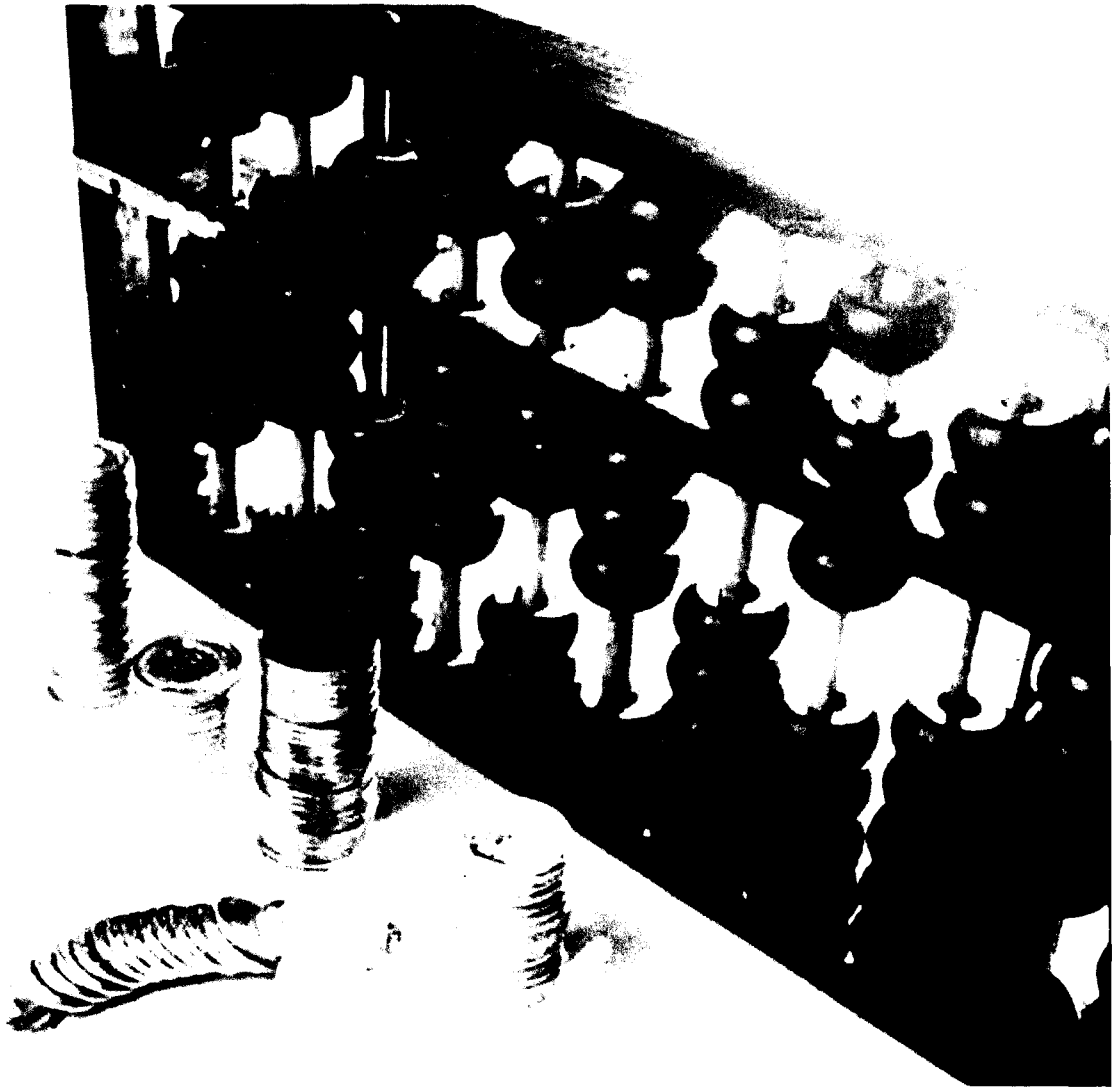
Society - The sincere dedication of every employee is coupled with another invaluable asset - the strong belief of contributing to the society. Today, each and every Welspunite is proud to practice the principles paved by the 5 'E's (Enrichment of mind and body, Education, Empowerment of Women and Empathy & contributions for other social activities) and realizing the overarching vision of overall development. Compliance to C-TPAT (Customs Trade Partnership against Terrorism) demonstrates Welspun's endorsement of eradication of any act & kind of terrorism.



Health and Safety

The safety and health of employees are of utmost concern for Welspun. In all our factories, we follow stringent safety methods. Elaborate training is provided on fire-fighting and other safety measures. Welspun provides the required medical facilities at all the plant locations for emergencies and unforeseen health hazards. Doctors and ambulances are available 24X7 in the health centers situated in each factory. Welspun has also tied up with Accord Hospital and Divine Life Hospital. The facilities are ISO 9001 certified by QMS. ISO 14001, OHSAS 18001 by LRQA. API - 5 L, 5CT, 2B. Each employee is provided with a Personal Protective Equipment (PPE) gear which consists of safety shoes, helmets, uniforms, aprons, goggles and ear plugs for safety.

The vision is to provide each and every employee including their immediate family members to be insured under a group medical insurance plan for various health risks. Modern medical facilities are provided to the local populace around each production plant of Welspun. Another step in this direction is the organization of medical camps like cancer detection and blood donation camps. For a healthy mind regular yoga classes, motivational workshops including specialized workshops and regular health check-ups particularly for the women employees etc. are conducted both, at the plant and at the corporate level.



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*World is our canvas...*

**Auditors' Report****To the Members of Welspun Gujarat Stahl Rohren Limited**

1. We have audited the attached Balance Sheet of Welspun Gujarat Stahl Rohren Limited ("the Company") as at 31st March 2007, and also the Profit and Loss account 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 (Auditors' 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 accounts as required by law have been kept by the company, so far as appears from our examination of books.
 - (c) The Balance Sheet, the Profit and Loss account 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, the Profit and Loss account 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 31st March 2007 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 with the significant accounting policies and notes to accounts as per Schedule 18, 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 31st March 2007;
 - ii) In the case of the Profit and Loss account, 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.

Mohan Bhandari

Partner

M. No. 12912

For MGB & Co

Chartered Accountants

Mumbai, 14th May, 2007



Annexure referred to in paragraph 4 of Auditors Report to the Members of Welspun Gujarat Stahl Rohren Limited on the accounts for the year ended 31st March 2007.

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
(b) According to the information and explanations given to us, the fixed assets of the Company are physically verified by the management according to a phased periodical program, which in our opinion is reasonable having regard to the size of the Company and nature of its fixed assets.
(c) During the year, substantial part of the fixed assets has not been disposed off by the Company.
- (ii) (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of 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) On the basis of our examination of records and in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventories as compared to the book records were not material and have been properly dealt with in the books of account.
- (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. Accordingly, sub-clause (b), (c) and (d) are not applicable.
(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. Accordingly, sub-clause (f) and (g) are not applicable.
- (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 with regard to purchase of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in the aforesaid internal control systems.
- (v) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
- (vi) In our opinion and according to the information and explanation 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) We have broadly reviewed the books of accounts and records maintained by the Company pursuant to the Rules prescribed by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Act and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of records with a view to determining whether they are accurate or complete.

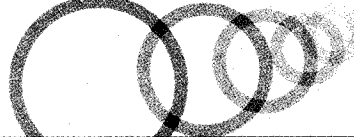


Annexure referred to in paragraph 4 of Auditors Report to the Members of Welspun Gujarat Stahl Rohren Limited on the accounts for the year ended 31st March 2007.

- (ix) (a) According to the records of the Company, the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues as applicable have been deposited regularly with the appropriate authorities except for delay in few cases. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March 2007 for a period of more than six months from the date they became payable.
- (b) According to the records of the Company, the disputed Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess, which have not been deposited, are as under :

Name of the Statute (Nature of dues)	Amount in (Rs. in million)	Period to which the amount relate	Forum where dispute is pending
Sales Tax	0.69	2000-2001	Sales Tax Tribunal
	1.72	2001-2002	Joint Commissioner of Sales Tax, Appeals
	0.92	2001-2002	Sales Tax Tribunal
	0.51	2002-2003	Sales Tax Tribunal
The Central Excise Act, 1944			
- Excise Duty	18.31	2005-2006	Commissioner of Central Excise
- Excise Duty	31.20	2006-2007	Commissioner of Central Excise
- Service Tax	31.46	2005-2006	Commissioner of Central Excise

- (x) The Company does not have accumulated losses as at 31st March 2007 and has not incurred cash losses during the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to Financial Institutions or Banks and debenture holders.
- (xii) Based on our examination of the records and the information and explanations given to us, 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) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in securities, debentures and other investments. Accordingly, the provisions of the clause 4(xiv) of the Order are not applicable to the company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given guarantee for loans taken by others from banks and financial institutions.
- (xvi) In our opinion, the terms loans have been applied for the purpose for which they are raised except in respect of funds pending utilisation, which have been temporarily invested.



Annexure referred to in paragraph 4 of Auditors Report to the Members of Welspun Gujarat Stahl Rohren Limited on the accounts for the year ended 31st March 2007.

- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company and related information as made available to us, we report that no funds raised on short-term basis have been used for long-term purposes.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
- (xix) The Company has not issued any secured debentures during the year.
- (xx) We have verified the end use of money raised by Public issues as referred in Note 3 to Schedule 18 of the financial statements.
- (xxi) On the basis of our examination and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

Mohan Bhandari

Partner

M. No. 12912

For MGB & Co.

Chartered Accountants

Mumbai, 14th May, 2007


Balance Sheet, as at March 31, 2007

Rs. million

Particulars	Schedules	As at 31.03.07	As at 31.03.06
Sources of Funds			
Shareholders' Funds			
Share Capital	1	699.10	865.27
Reserves and Surplus	2	5,767.74	4,082.56
		6,466.84	4,947.83
Share Application Money (Refer Note 1)		68.45	68.45
Loan Funds			
Secured Loans	3	11,635.08	3,933.28
Unsecured Loans	4	3,511.15	4,093.69
		15,146.23	8,026.97
Deferred Tax Liabilities (Net) (Refer Note 16)		793.95	700.92
Total		22,475.47	13,744.17
Application of Funds			
Fixed Assets			
Gross Block	5	9,111.91	7,892.70
Less: Depreciation		1,877.26	1,402.39
Net Block		7,234.65	6,490.31
Capital Work-In-Progress (Refer Note 13)		9,213.65	3,622.51
		16,448.30	10,112.81
Investments	6	256.29	0.01
Current Assets, Loans and Advances			
Inventories	7	5,135.15	5,428.87
Sundry Debtors	8	5,849.38	3,069.75
Cash and Bank Balances	9	3,433.90	3,066.55
Loans and Advances	10	1,910.87	1,222.59
		16,329.30	12,787.76
Less : Current Liabilities And Provisions			
Current Liabilities	11	10,089.78	9,031.02
Provisions	12	468.64	125.39
		10,558.42	9,156.41
Net Current Assets		5,770.88	3,631.35
Total		22,475.47	13,744.17

Significant Accounting Policies and Notes to Accounts 18
As per our attached report of even date
For MGB & Co.

Chartered Accountants

Mohan Bhandari

Partner

M. No. 12912

Mumbai, 14th May 2007

For and on behalf of the Board
B.K. Goenka

Vice - Chairman & Managing Director

M.L. Mittal

Executive Director - Finance

Braja K. Mishra

C.E.O. & Executive Director

Ramesh H. Ved

Chief Financial Officer &
Company Secretary

Profit And Loss Account For The Year Ended 31st March, 2007

Rs. million

Particulars	Schedules	Year ended 31.03.07	Year ended 31.03.06
Income			
Sales and Services (Gross)	13	28,522.98	19,117.65
Less : Excise duty		1,738.16	819.99
Sales and Services (Net)		26,784.82	18,297.66
Other Income	14	42.73	19.11
Total		26,827.55	18,316.77
Expenditure			
Cost of Goods	15	20,224.01	13,573.64
Manufacturing and Other Expenses	16	3,228.85	3,068.84
Financial Expenses (net)	17	708.06	418.85
Depreciation		475.55	351.90
Total		24,636.47	17,413.23
Profit Before Tax		2,191.08	903.54
Provision For Taxation			
- Current Tax		(636.35)	(115.50)
- Earlier Years		(26.78)	(3.90)
- Deferred Tax		(93.02)	(162.40)
-Fringe Benefit Tax		(9.07)	(8.02)
Profit After Tax		1,425.86	613.72
Balance Brought Forward		1,624.76	1,107.83
Profit Available for Appropriation		3,050.62	1,721.55
Appropriations:			
General Reserve		(145.00)	-
Proposed Dividend on Equity Shares		(139.82)	(64.42)
Tax on Proposed Dividend		(23.76)	(9.04)
Proposed Dividend on OCCPS		(1.50)	(20.46)
Tax on Proposed Dividend		(0.26)	(2.87)
Dividend on Equity Shares for earlier period		(1.89)	-
Tax on Dividend		(0.26)	-
Balance Carried To Balance Sheet		2,738.13	1,624.76
Earnings Per Share (Equity Shares of Rs. 5/- each)			
(Refer Note 21)			
- Basic		10.68	5.14
- Diluted		8.66	4.24
Weighted Average No. Of Shares Used In Computing			
Earning Per Share - Basic		133,293,520	114,882,835
- Diluted		164,593,401	140,314,150

Significant Accounting Policies and Notes to Accounts 18

As per our attached report of even date

For MGB & Co.,

Chartered Accountants

Mohan Bhandari

Partner

M. No. 12912

Mumbai, 14th May 2007

For and on behalf of the Board

B.K. Goenka

Vice - Chairman & Managing Director

M.L. Mittal

Executive Director - Finance

Braja K. Mishra

C.E.O. & Executive Director

Ramesh H. VedChief Financial Officer &
Company Secretary

Schedules Forming Part of Accounts

Rs. million

Schedule - 1 Share Capital	As at 31.03.07	As at 31.03.06
Authorised		
234,000,000 (234,000,000) Equity Shares of Rs. 5/- each	1,170.00	1,170.00
98,000,000 (98,000,000) Preference Shares of Rs. 10/- each	980.00	980.00
	2,150.00	2,150.00
Issued, Subscribed and Paid Up (Refer note 2 & 3(ii))		
139,820,333 (128,843,727) Equity Shares of Rs. 5/- each fully paid up	699.10	644.22
Nil (22,105,000) 8% Optionally Convertible Cumulative Preference Shares of Rs. 10/- each fully paid up	-	221.05
Total	699.10	865.27
Schedule - 2 Reserves and Surplus	As at 31.03.07	As at 31.03.06
Capital Reserve		
As per Last Balance Sheet	1,057.26	1,057.26
	1,057.26	1,057.26
Securities Premium		
As per Last Balance Sheet	1,395.08	1.54
Add: Received during the year	680.57	1,493.86
Less: Premium on redemption (Refer Note 3(c))	258.81	100.32
	1,816.84	1,395.08
Employees Stock Options Outstanding-(Net) (Refer Note 5)	5.05	-
	5.05	0.00
General Reserve		
As per Last Balance Sheet	5.46	5.46
Add: Appropriated during the year	145.00	-
	150.46	5.46
Profit and Loss Account	2,738.13	1,624.76
Total	5,767.74	4,082.56

Rs. million

Schedule - 5 Fixed Assets (At Cost)										Rs. in million
Particulars	Gross Block			As At 31.03.2007	Up to 31.03.2006	Depreciation		Net Block		
	As At 01.04.2006	Additions	Deductions			For the Year	Deductions	Upto 31.03.2007	As At 31.03.2007	As At 31.03.2006
Land	35.84	9.87	0.00	45.71	0.00	0.00	0.00	0.00	45.71	35.84
Building	1,344.30	333.30	0.00	1,677.60	114.32	41.70	0.00	156.02	1,521.58	1,229.97
Plant & Machinery	6,355.37	848.34	22.65	7,181.06	1,235.61	414.31	0.41	1,649.51	5,531.55	5,119.76
Office & other Equipments	92.99	31.05	1.52	122.52	31.85	14.27	0.29	45.83	76.69	61.14
Vehicle	26.36	9.36	3.22	32.50	4.60	3.08	1.13	6.55	25.95	21.76
Furniture & Fixture	37.85	17.09	2.42	52.52	16.01	3.87	0.53	19.35	33.17	21.84
Total	7,892.71	1,249.01	29.81	9,111.91	1,402.39	477.23	2.36	1,877.26	7,234.65	6,490.31
Previous Year	5,032.68	2,878.37	18.33	7,892.70	1,057.83	352.99	8.43	1,402.39	6,490.31	

Rs. in million

Particulars	Gross Block			Depreciation				Net Block		
	As At 01.04.2006	Additions	Deductions	As At 31.03.2007	Up to 31.03.2006	For the Year	Deductions	Upto 31.03.2007	As At 31.03.2007	As At 31.03.2006
Land	35.84	9.87	0.00	45.71	0.00	0.00	0.00	0.00	45.71	35.84
Building	1,344.30	333.30	0.00	1,677.60	114.32	41.70	0.00	156.02	1,521.58	1,229.97
Plant & Machinery	6,355.37	848.34	22.65	7,181.06	1,235.61	414.31	0.41	1,649.51	5,531.55	5,119.76
Office & other Equipments	92.99	31.05	1.52	122.52	31.85	14.27	0.29	45.83	76.69	61.14
Vehicle	26.36	9.36	3.22	32.50	4.60	3.08	1.13	6.55	25.95	21.76
Furniture & Fixture	37.85	17.09	2.42	52.52	16.01	3.87	0.53	19.35	33.17	21.84
Total	7,892.71	1,249.01	29.81	9,111.91	1,402.39	477.23	2.36	1,877.26	7,234.65	6,490.31
Previous Year	5,032.68	2,878.37	18.33	7,892.70	1,057.83	352.99	8.43	1,402.39	6,490.31	

1. Addition to Gross Block include Rs.4.37 mn (Loss of Rs.9.26 mn) being realignment gain of foreign currency loans accounted as per consistent accounting policy.
2. Depreciation for the year includes Rs.1.67 mn (Rs.1.09 mn) transferred to Pre-operative expenses.
3. Depreciation for the year includes prior period depreciation of Rs.2.30 mn.
4. Plant & Machinery includes Gross block of Rs.62.41mn in respect of expenditure incurred on capital asset, ownership of which does not vest in the Company.



Schedules Forming part of Accounts

Schedule - 6 Investments	Rs. million	
	As at 31.03.07	As at 31.03.06
Long Term (at cost)		
Equity shares in Wholly Owned Subsidiary companies-Unquoted		
Welspun Pipes Inc. (10,001 shares of \$1 each fully paid up)	0.44	-
Welspun Enterprise (Cyprus) Limited (1,800 shares of Euro 1 each fully paid up)	0.11	-
Equity shares in Other Subsidiary company-Unquoted		
Welspun Natural Resources Private Limited (5,100 shares of Rs.10 each fully paid up)	0.05	-
Non-Trade - Quoted		
100 (100) Equity shares of Welspun India Limited of Rs 10 /- each fully paid up	0.01	0.01
*.100 (100) Equity shares of Welspun Syntex Limited of Rs 10 /- each fully paid up (Market Value-Rs.0.01 mn (Rs.0.01 mn))	0.00	0.00
Non-Trade - Unquoted		
* 100 (100) Equity Shares of Welspun Power and Steel Limited of Rs.10/- each fully paid up	0.00	0.00
Current Investments		
Units of Mutual Funds		
Chola Liquid Fund - Daily Dividend (157,437 units of Rs.10/- each)	1.58	-
SBI Mutual Fund-MIIF-Insta cash fund Dividend (147,948 units of Rs.10/- each)	1.57	-
LIC Mutual Fund Dividend Plan (642,510 units of Rs.10/- each)	34.05	-
LIC Mutual Fund Liquid Plan (1,293 units of Rs.10/- each)	0.01	-
Prudential ICICI FMP series retail dividend (5,000,000 units of Rs.10/- each)	50.00	-
Prudential ICICI Swift cash option Daily Dividend (131,791 units of Rs.10/- each)	1.32	-
Prudential ICICI - Institutional Plan - Daily Dividend (27,028 units of Rs.10/- each)	0.27	-



Schedules Forming Part of Accounts

Schedule - 6 Investments	Rs. million	
	As at 31.03.07	As at 31.03.06
Deutsche Mutual Fund - Institutional Plan Div. (54,082 units of Rs.10/- each)	0.54	-
Optimix Active Debts Multi Manager Dividend (1,200,000 units of Rs.10/- each)	12.00	-
HSBC Cash fund - Institutional Plan - Daily Div. (6,805 units of Rs.10/- each)	0.07	-
HSBC Liquid Plus - Institutional Plan - Daily Div. (234,926 units of Rs.10/- each)	2.35	-
Lotus India FMP - Inst. Plan Dividend (5,032,675 units of Rs.10/- each)	50.33	-
Bonds		
9.45% Union Bank of India Bond (100 bonds of Rs.10,00,000 each)	101.59	-
Total	256.29	0.01

* Denotes amount less than Rs.10,000

Mutual Fund Units bought and sold during the year :-

Rs. million

Name of the Fund	Face Value	Quantity (Nos)	Cost
Principal Cash Management Fund	10	175,217,827	1,889.70
NLFID CAN Liquid Plan	10	46,850,865	470.86
DWS Insta Cash Plus Fund	10	22,780,144	228.49
LIC Liquid Fund Dividend Plan	10	253,080,565	2,785.94
LIC Dividend Plan	10	179,756,694	1,979.82
LIC Floating Fund Dividend Plan	10	97,393,112	992.59
DSP ML- Daily Dividend Plan	1000	250,527	251.15
PRUD. ICICI - Super Inst. Daily Dividend	10	44,216,227	444.32
PRINCIPAL MUTUAL FUND - Inst. Plan Reinvst. Daily	10	15,096,035	151.94
DEUTSCHE Inst. Plan - Daily Dividend option	10	26,240,365	263.97
NLFID CANLIQUID - Inst. Plan - Daily Dividend option	10	9,981,663	100.45
UTI- Daily Income option	1000	1,279,166	1,308.91
ING VYSYA - Inst. Plan Daily Dividend Option	10	35,149,672	353.74
BIRLA CASH PLUS - Inst. Plan Daily Dividend Option	10	42,266,993	426.99
SBI MF - MAGNUM - Inst. Income Saving Dividend	10	15,050,732	151.99
SBI MF - MAGNUM - Inst. Cash Fund Dividend Option	10	2,283,234	24.45



Schedules Forming Part of Accounts

Rs. million

Name of the Fund	Face Value	Quantity (Nos)	Cost
TATA LIQUID FUND - High Inv. Daily Dividend	1000	181,724	205.00
CHOLA LIQUID - Daily Div. Reinvestment Plan	10	9,868,716	99.58
HSBC- Cash Fund Inst. Plan - Daily Dividend	10	28,944,031	289.69
HSBC- Liquid Plus - Inst. Plan - Daily Dividend	10	8,754,283	87.84
KOTAK Liquid Inst.Premium Daily Dividend	10	8,083,531	99.32
UTI - Money Market Fund daily dividend	10	19,896,456	349.93
ICICI - Sweep Cash option daily dividend	10	26,008,347	260.24
ICICI - Prudential Isnt Liquid Plan- Daily Plan	10	16,000,000	160.19

Rs. million

Schedule - 7 Inventories	As at 31.03.07	As at 31.03.06
(As taken, valued and certified by the management)		
Raw Materials	2,074.36	1,195.96
Stores and Spares	295.49	286.33
Finished Goods	252.19	250.49
Goods In Process	578.13	620.48
Goods In Transit	1,934.98	3,075.61
Total	5,135.15	5,428.87
Schedule - 8 Sundry Debtors	As at 31.03.07	As at 31.03.06
(Unsecured and Considered Good, unless otherwise stated)		
Over Six Months (Considered Good)	324.83	33.99
Others (Considered good)	5,524.56	3,035.76
Total	5,849.38	3,069.75
Schedule - 9 Cash and Bank Balances (Refer Note 14)	As at 31.03.07	As at 31.03.06
Cash In Hand	6.29	1.88
Balance With Scheduled Banks		
- In Current Accounts	108.85	428.98
- In Margin Money Accounts	267.50	584.71
- Fixed Deposits Accounts	1,201.03	254.00
Balance With Non-Scheduled Banks		
- Fixed Deposits Accounts	1,850.23	1,796.98
Total	3,433.90	3,066.55



Schedules Forming Part of Accounts

Rs. million

Schedule - 10 Loans and Advances		As at 31.03.07	As at 31.03.06
(Unsecured and Considered Good, unless otherwise stated)			
Advances			
(Recoverable in cash or in kind or for value to be Received)			
Loans and Advance to Subsidiaries		112.85	-
Balances with customs and excise authorities etc.		859.78	672.93
Other Advances		802.80	413.10
Deposits		135.44	136.56
	Total	1,910.87	1,222.59
Schedule - 11 Current Liabilities		As at 31.03.07	As at 31.03.06
Acceptances		8,086.11	7,495.06
Sundry Creditors			
Due To Small Scale Industrial undertakings		4.43	10.06
Due To Others		1,879.24	1,444.26
Trade Advances and Deposits		72.55	59.86
Interest Accrued But Not Due		47.09	21.78
Unclaimed dividend *		0.36	-
	Total	10,089.78	9,031.02
* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.			
Schedule - 12 Provisions		As at 31.03.07	As at 31.03.06
For Proposed Dividend (Including tax on proposed dividend)		165.34	96.79
For Taxation		290.71	17.13
For Retirement Benefits		12.59	11.47
	Total	468.64	125.39
Schedule - 13 Sales and Services		Year Ended 31.03.07	Year Ended 31.03.06
Sales		27,260.98	18,558.09
Job Work and Other Charges Received		28.47	141.76
(Tax deducted at Source Rs.2.37 mn (Rs.3.94 mn)			
Export and Excise Benefits		1,233.53	417.80
	Total	28,522.98	19,117.65

Schedules Forming Part of Accounts

Rs. million

Schedule - 14 Other Income	Year Ended 31.03.07	Year Ended 31.03.06
Miscellaneous Income	17.27	16.33
Profit on Sale of Short Term Investments	0.00	0.25
Dividend Received (Gross)	1.78	2.53
Profit on Foreign Exchange Derivative Contracts and Exchange Difference	23.68	-
Total	42.73	19.11

Schedule - 15 Cost of Goods	Year Ended 31.03.07	Year Ended 31.03.06
(A) Raw Material Consumed		
Opening Stock	1,195.96	1,051.01
Purchases (Net)	19,932.23	13,986.78
	21,128.19	15,037.79
Less: Closing Stock	2,074.35	1,195.96
Total (A)	19,053.84	13,841.83
(B) Purchases of finished goods	1,129.52	-
Total (B)	1,129.52	0.00

(C) Increase/(Decrease) in Stock		
Closing Stock		
Finished Goods	252.19	250.49
Goods In Process	578.13	620.48
	830.32	870.97
Less : Opening Stock		
Finished Goods	250.49	44.14
Goods In Process	620.48	558.64
	870.97	602.78
Total (C)	(40.65)	268.19
Total (A)+(B)-(C)	20,224.01	13,573.64



Schedules Forming Part of Accounts

Rs. million

Schedule - 16 Manufacturing and Other Expenses	Year Ended 31.03.07	Year Ended 31.03.06
Store and Spares Consumed	332.61	334.93
Coating and Other Job Charges	77.71	126.63
Power, Fuel and Water Charges	215.66	164.23
Material Handling and Transport Charges	437.55	254.28
Ship Chartering Expenses	857.43	1,034.46
Loss on Foreign Exchange Derivative Contracts and Exchange Difference	0.00	324.72
Directors' Remuneration	43.14	22.58
Salary, Wages and Allowances	514.58	354.70
Contribution to Funds	26.97	19.10
Staff Welfare Expenses	53.83	34.25
Rent	64.58	18.15
Rates and Taxes	10.26	6.52
Repairs and Maintenance		
- Plant and Machinery	9.22	7.30
- Buildings	6.18	4.51
- Others	10.38	4.45
Travelling and Conveyance Expenses (Directors' travelling Rs.17.42 mn (Rs.22.54 mn))	88.40	57.71
Communication Expenses	14.19	15.57
Professional and Consultancy Fees	54.69	18.08
Insurance	35.00	29.13
Directors' Sitting Fees	0.22	0.12
Printing and Stationery	7.91	7.03
Security Charges	8.88	7.63
Membership And Subscription	7.34	7.29
Vehicle Expenses	8.15	6.86
Bad Debts Written Off/ Provision for Doubtful Debts	-	53.93
Miscellaneous Expenses	44.01	22.84
Loss on Sale / Discard of Fixed Assets	0.95	8.47
Auditors Remuneration	2.85	2.41
Commission on Sales	273.39	102.20
Sales Promotion Expenses	22.77	18.76
Total	3,228.85	3,068.84

Schedules Forming Part of Accounts

Schedule - 17 Financial Expenses(Net)	Rs. million	
	Year Ended 31.03.07	Year Ended 31.03.06
Interest on/		
Term Loans	254.04	93.78
Debentures	26.04	15.19
Working Capital	46.66	47.46
Others	1.94	1.39
	328.68	157.82
Discounting and Other Charges	419.17	372.46
	747.85	530.28
Less: Interest Received (Gross)	39.79	111.43
(Tax deducted at source Rs. 7.70 mn (Rs.23.16 mn))		
Total	708.06	418.85

Schedule: 18 Significant Accounting Policies and Notes to Accounts
A. Significant Accounting Policies
1. Accounting Convention

- The financial statements have been prepared under the Historical Cost Convention on the basis of going concern and in accordance with the accounting standards referred to in Section 211(3C) of the Companies Act 1956.
- The Company generally follows mercantile system of accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties.
- The preparation of the financial statements in accordance with the generally accepted accounting principles 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.

2. Fixed Assets

- Fixed Assets are stated at cost less accumulated depreciation. The cost includes cost of acquisition/construction, installation and preoperative expenditure including trial run expenses (Net of Revenue) and borrowing costs incurred during pre-operational period.
- The Capitalized cost of system software includes license fees, cost of implementation and system integration services. These costs are capitalized as intangible assets in the year in which the relevant software is implemented.

3. 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.

**Schedule: 18 Significant Accounting Policies and Notes to Accounts****4. Depreciation**

- (a) Depreciation on 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. The rates of depreciation derived from these estimated useful lives are higher than those given in Schedule XIV to the Companies Act, 1956.
- (b) Depreciation on Plant and Machinery of Longitudinal Welded Pipe Plant is provided considering it as a continuous process plant based on the opinion from a technical expert.
- (c) System software (Intangible assets) is amortized over a period of five years from the date of its implementation.

5. Investments

- (a) Long-Term Investments are stated at cost. Provision for diminution in value of long-term investments is made, if the diminution is other than temporary.
- (b) Current Investments are stated at cost or fair value which ever is lower.

6. Revenue Recognition

- (a) Sale of goods is recognized when the risks and rewards of ownership are passed on to the customers. Export Sales are accounted for on the basis of date of bill of lading. Gross Sales include excise duty, value added tax incentive, adjustments for price variation and liquidated damages.
- (b) Export benefits (under Target plus /Duty free entitlement certificate scheme of EXIM policy), are considered accrued when utilized.
- (c) Revenue from Services is recognized when the services are complete

7. Inventories

- (a) Inventories are valued at lower of cost or net realizable value.
- (b) Excise Duty on finished goods as at the close of the year is provided, wherever applicable, and included in valuation of finished goods.
- (c) The basis of determining cost for various categories of inventories is as follows:
 - i) Raw Material, Stores and Spares : Moving weighted average basis.
 - ii) Goods in Process, Jobs in Progress and Finished Goods : Direct costs and related overheads.

8. Foreign Currency Transactions

- (a) The company is exposed to currency fluctuations on foreign currency transactions. With a view to minimize the volatility arising from fluctuations in the currency rates, the company follows established risk management policies including the use of exchange forward contracts and other derivative instruments.
- (b) Foreign currency transactions are recorded at the exchange rate prevailing on the date of such transactions. Monetary assets and liabilities in foreign currency as at the Balance Sheet date are translated at the exchange rates prevailing at the date of Balance Sheet. Gains and losses arising on account of difference in foreign exchange rates on settlement / translation of monetary assets and liabilities are recognized in the Profit and Loss Account.
- (c) In respect of forward contracts assigned to the foreign currency assets as at the balance sheet date, the proportionate premium/ discount for the period up to the date of balance sheet is recognized in the profit and loss account. The exchange difference measured by the change rate between the inception of forward contract and date of balance sheet is applied on foreign currency amount of the forward contract and is recognized in the profit and loss account.

Schedule: 18 Significant Accounting Policies and Notes to Accounts

- (d) Gain and Losses on account of foreign exchange fluctuations attributable to fixed assets acquired prior to 1st April 2004 are adjusted to the carrying amount of respective assets and in case of assets acquired after 1st April 2004, gain or losses arising on account of difference in exchange rates on settlement/cancellation of forward contracts is recognized in the Profit and Loss Account.
- (e) Any profit or loss arising on settlement or cancellation of other derivative contracts (swap and currency options) is recognized as income or expenses for the period. The effect of derivative contracts outstanding at the year-end, in the form of unrealized gains/losses, is not recognized.

9. Retirement Benefits

- (a) Contribution to Provident Fund is charged to Profit and Loss account.
- (b) Liability for Leave Encashment at the year end is provided on the basis of actuarial valuation.
- (c) Future Liability for Gratuity at the year end is accounted for on the basis of actuarial valuation as per the Group Gratuity Scheme.

10. Employees Stock Option Scheme

In respect of stock options granted pursuant to the Company's Stock Options Scheme, the intrinsic value of the options is treated as discount and accounted as employee compensation cost over the vesting period.

11. Accounting for Taxes on Income

- (a) Current tax is determined as the amount of tax payable in respect of taxable income of the year.
- (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.

12. 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 under operating leases are recognized as an expense on accrual basis in accordance with the respective lease agreements.

13. Impairment of Assets

If the carrying amount of fixed assets exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and value in use determined by the present value of estimated future cash flows.

B. Notes to Accounts

1 Share Application Money (Warrants)

During the previous year, the company had issued 12,850,206 warrants, each of Rs. 80.07 to the promoters paying 10% of the issue price, carrying right to subscribe for equal number of fully paid equity shares of Rs.5 each. Out of the above, the holders have subscribed for 4,301,500 warrants of Rs. 5 each fully paid up. The balance amount in the share application money represents application money of the outstanding warrants.

2 Optionally Convertible cumulative preference shares (OCCPS)

The company had issued 22,105,000 8% OCCPS of Rs. 10 each. These OCCPS have been converted into 37,74,116 equity shares of Rs 5/- each fully paid up at a conversion price of Rs. 58.57 each, pursuant to exercise of option for conversion by the holders.



3) Foreign Currency Convertible Bonds (FCCB)

- (a) (i) The Company had raised US\$ 40 million (Rs. 1749.80 million) by way of 40,000, 1% Foreign Currency Convertible Bonds (FCCB) of US\$ 1000 each during the year ended 31 March 2005. The Bondholders have an option to convert these bonds into equity shares at a conversion price of Rs. 71.42 per share of Rs. 5/- each fully paid up (at the Exchange Rate prevailing on the day immediately preceding the conversion date), price shall be adjusted annually, but in no event be greater than Rs. 71.42 per share or less than Rs. 64.29 per share. The conversion price shall be subject to certain conditions. The principal amount will also be subject to adjustments, such that it represents for the bondholder a yield-to-conversion date of 3% p.a. (calculated on semi annual basis).
- (ii) During the year, 72,02,490 equity shares of the face value of Rs. 5 each were issued at a conversion price of Rs. 71.42 each, as fully paid equity shares on conversion of FCCB.
- (b) (i) The Company had raised US \$ 75 million (Rs. 3433.50 million) by way of Zero Coupon Foreign Currency Convertible Bonds during the year ended 31 March 2006. The Bondholders have an option to convert these Bonds into equity shares, at an initial conversion price of Rs. 162.64 per share with a fixed rate of exchange on conversion of Rs. 45.78 = US \$ 1 at the option of the Bondholder at any time on or after 8 December, 2005. The conversion price is subject to adjustment in certain circumstances. The Bonds may be redeemed in whole, at the option of the company, at any time on or after 30 May 2007 subject to satisfaction of certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the Bonds will be redeemed on 29th November 2010 at 142.773 per cent of the principal amount so as to give a gross yield of 7.25% per annum to the bondholder.
- (ii) The net proceeds received from the issue of FCCB of Rs. 3375.51 million have been utilized for the object of the issue viz. for funding of Plate and Coil Mill Project at Anjar. The issue proceeds of Rs 1740.40 million (Rs. 1784.40 million) (net of unrealized exchange loss of Rs. 90.80 million (Rs. 46.80 million) pending utilization have been invested in short term deposits with Banks outside India.
- (c) During the year, the premium of Rs. 258.81 million (Rs. 101.30 million) payable on FCCB is adjusted against Securities Premium Account (SPA). In the event that the holders of FCCB's exercise the conversion option, the amount of premium adjusted against SPA will be suitably adjusted in the respective years.

4) Secured Loans

(a) Term Loans

From Financial Institutions:

- (i) Term Loan of Rs. 244.16 Million (Rs. 350.47 million) is secured by first pari passu charge by way of mortgage on entire immovable and movable fixed assets of the company except Coating Division at Bharuch and is personally guaranteed by promoter director(s) of the company. The loan is also secured by second /floating charge on current assets subject to prior charge in favour of banks for working capital facilities.
- (ii) Term Loan of Rs. 10.00 million (Rs 26.67 million) is secured by first mortgage and pari passu charge of immovable properties including leasehold right both present and future of Coating Division at Bharuch and personal guarantee of promoter director(s) of the company. The loan is also secured by second charge on movables subject to prior charge in favour of banks for working capital facilities for the Coating Division at Bharuch.

Schedule: 18 Notes to Accounts
From Banks:

Term Loans of Rs.10,020.48 million (Rs. 1874.52million) are secured by first pari passu charge by way of mortgage on entire immovable and movable fixed assets of the company both present and future. The loans are also secured by second / floating charge on current assets subject to prior charge in favour of banks for working capital facilities. Out of the above, Rs.1581.40 million are also secured by personal guarantee of promoter director(s) of the company.

(b) External Commercial Borrowing (ECB)

- (i) ECB of Rs. 231.48 million (Rs. 701.71 million) are secured by first pari passu charge by way of mortgage on entire immovable and movable fixed assets of the company both present and future, and personal guarantee of promoter director(s) of the company. The loans are also secured by second /floating charge on current assets subject to prior charge in favour of banks for working capital facilities.
- (ii) ECB of Rs. 599.50 million (Rs. Nil) are secured by first charge by way of hypothecation of raw materials, finished goods and goods in process, stores & spares and book debts of the Company and second charge on entire immovable and movable fixed assets of the company

(c) Working Capital facilities

The working capital facilities from banks are secured by first charge by way of hypothecation of raw materials, finished goods and goods in process, stores & spares and book debts of the Company and second charge on entire immovable and movable fixed assets of the company and are also personally guaranteed by the promoter director(s) of the company.

(5) Employee Stock Options

In respect of options granted under the Company's Stock Option Scheme, in accordance with guidelines issued by Securities and Exchange Board of India, the accounting 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. In the current year salaries, wages, bonus etc. includes charge of Rs. 5.05 million on account of Employees Stock Options Scheme.

(6) Small Scale Enterprises

- (a) Rs. 3.12 million (Rs 6.94 million) are due for more than 30 days as at the balance sheet date to the following Small Scale Enterprises.

Supreme Rolls & shear Pvt Ltd, Sea linkers pvt ltd, Paramand Industries, Indian Engineering Works, Swami Steel, Innovative Engineers, Shruti Industries, Boifigoli transamission, SMC pneumatics India pvt ltd, De tox corporation, Hi-tech Butterfly valves, Precision Engineering tools.

- (b) Disclosure under the Micro, Small, Medium Enterprise Development Act, 2006

		Rs. million
Particulars		Amount
i.	Delayed payments due as at the end of March 31, 2007 on account of - Principal - Interest due	3.12 0.55
ii.	Total interest paid on all delayed payments during the year ended March 31, 2007	-
iii.	Interest due on principal amounts paid beyond the due date during the year but without interest amount	-
iv.	Interest accrued but not due	-
v.	Total Interest due but not paid	0.55



The above information and that given in Schedule -11 "Current Liabilities" regarding SSI undertakings has been determined to the extent such parties are identified on the basis of the information available with the company.

(7) Foreign Exchange Differences

- (a) The difference in foreign exchange on realignment/realization and profit on cancellation of forward contracts credited to profit and loss account Rs. 229.79 million (Loss of Rs.238.35 million) and loss of Rs.0.27 million (gain of Rs. 25.06 million) has been adjusted to carrying cost of fixed assets/capital work in progress.
- (b) The Company is exposed to various financial risks, most of which relate to changes in exchange rates, interest rate etc. The Company hedges risks of the aforesaid nature using combination of forward contracts, options and swaps etc. The outstanding foreign currency derivative contracts as at 31st March, 2007 are as follows:

Forward and Option Contracts

- i) For Payments to be received against exports and other receivables.

Rs. million

Derivative Contracts	Amount in Foreign Currency	Equivalent Indian Rupee
USD/ INR	371.63	16723.04
EUR/ USD	7.00	398.99

- ii) For Payments to be made against imports and other payables.

Rs. million

Derivative Contracts	Amount in Foreign Currency	Equivalent Indian Rupee
USD/ INR	211.45	9495.70
EUR/ USD	97.10	5550.70
EUR/INR	23.06	1378.48
GBP/ USD	1.20	101.83

- iii) Derivative Interest Rate Swaps Contracts

Rs. million

Derivative Contracts	Equivalent Indian Rupee
INR	1500

- iv) Derivative Currency Swap Contracts

Rs. million

Derivative Contracts	Amount in Foreign Currency	Equivalent Indian Rupee
USD	10.00	435.10
JPY	1,216.14	128,508.99
CHF	7.43	323.49

- v) As at Balance Sheet date, the Company has foreign currency payable that is not hedged by a derivative instrument or otherwise is amounting to Rs.1674.73 million.

Schedule: 18 Notes to Accounts

8) Advances and Deposits include Rs. 14.03 million (Rs. 14.03 million) to Companies in which Directors are interested as members.

9) Managerial Remuneration

Managing Director and Whole Time Director are in receipt of remuneration within the limit prescribed in Schedule XIII to the Companies Act, 1956 and approved by the members of the Company as under :

Particulars	Rs. million			
	Managing Director		Whole Time Directors	
	31.03.07	31.03.06	31.03.07	31.03.06
Salaries and Allowances	4.50	3.61	15.55	9.26
Commission	22.06	9.35	-	-
Perquisites/Contribution to Provident Fund	-	-	1.03	0.36
Total	26.56	12.96	16.58	9.62

Notes:

(i) Salary and Allowances includes basic salary, house rent allowances and leave travel allowances but excludes leave encashment and gratuity.

(ii) Perquisite includes amortization of Employees Stock Options amounting to Rs. 0.59 millions.

The Computation of net profit in accordance with Section 198 of the Companies Act, 1956 and commission payable to Managing Director is as under :

Particulars	Rs. million	
	31.03.07	
Profit before Tax as per Profit and Loss account	2191.08	
Add : Managerial Remuneration	43.14	
Directors' fees	0.22	
Depreciation	475.55	
Loss on sale of assets	0.95	
Wealth Tax	0.14	
Total	2711.08	
Less: Depreciation u/s 350	475.55	
FCCB Premium Adjustment	29.67	
Net Profit for Section 198	2205.86	
Commission to Managing Director @1%	22.06	
Maximum permissible managerial remuneration to whole time director under Section 198 of the Companies Act, 1956 @ 10% of the profits computed above	220.58	
Restricted as per service agreements to	43.14	



10) Contingent Liabilities not provided for

Particulars	Rs. million	
	31.03.07	31.03.06
Bank Guarantees given	3812.59	4176.82
Corporate Guarantees given	3241.78	1566.18
Bills Discounted	161.94	413.29
Letter of Credits Outstanding (net of liability provided)	8209.50	5552.80
Claim against the Company not acknowledged as debts	70.66	--
Custom duty on pending export obligation against import of raw material and machinery	325.10	53.78
Disputed income tax/service tax /sales tax/ excise liability	84.81	94.08

- 11) The Company is eligible for Sales Tax Incentive under the Incentive Scheme 2001 for Economic Development of Kutch District and has been registered under the Scheme with Industries Commissioner, Gujarat. The Company has received the provisional Eligibility Certificate under the said Scheme for Rs. 686.12 million (Rs. 385.96 million). Pending the issue of Final Eligibility Certificate the Company has availed sales tax incentive of Rs. 585.81 million till 31st March 2007 under the Scheme.
- 12) (a) The company's claim for refund of excise duty paid on export of goods is disputed by the excise authorities by issue of show cause notices, and hence the company has reversed, the refund receivable of Rs. 241.59 million accounted in the previous year, and adjusted in export and excise incentives in schedule 13. This benefit would be recognized when granted.
- (b) As per the terms of contract the portion of the sales amounting to Rs.42.95 millions for the previous year is relatable to refund of excise duty by the customer from the Excise Authorities. The Excise Authorities have issued the show cause notices disputing the claim made by the said customer, hence the amount is treated as not recoverable and adjusted against sales, and henceforth will be recognized on certainty of recovery.
- 13) Capital Projects
- (i) The Pre-operative Expenses (including borrowing costs) of Rs 49.03 million (Rs. 214.53 million) in respect of projects capitalized during the year have been allocated proportionately to the direct cost of building and plant and machinery.
- (ii) Borrowing costs (net) capitalized / allocated to fixed asset / Capital work in progress is Rs.177.09 million (138.02 million)
- (iii) Capital Commitments not provided for Rs.4280.61 million (Rs. 2552.24 million), net of advances
- (iv) Capital Work in Progress, includes Capital Advances Rs.2226.15 million (Rs. 799.07 million) and Preoperative Expenses Rs. 517.66 million (Rs. 216.36 million).



Schedule: 18 Notes to Accounts

(v) The details of Preoperative Expenses are as under:

Rs. million

Particulars	31.03.07	31.03.06
Opening Balance	216.36	130.18
Add : Expenditure incurred during the year		
Power, Fuel and Water Charges	6.59	14.35
Material Handling and Transport Charges	2.54	14.38
Labour charges	5.21	--
Repairs & Maintenance Expense	--	0.74
Salary, Wages and Allowances	43.02	35.90
Contribution to Funds	2.73	0.99
Staff Welfare Expense	1.10	2.26
Rent	0.79	1.59
Rates & Taxes	0.07	2.64
Traveling & Conveyance Expenses (Directors Rs. 4.01 million (Rs. 3.57 million))	11.56	8.60
Communication Expenses	1.42	1.78
Professional and Consultancy Fees (Includes Auditors Remuneration Rs. Nil (Rs.1.00 million))	63.10	30.89
Insurance	18.16	8.76
Vehicle Expenses	4.41	2.60
Security Expenses	3.39	--
Miscellaneous Expenses	5.97	10.77
FCCB Issue Expenses (Includes Auditors Remuneration Rs. Nil (Rs. 0.85 million))	--	57.99
Depreciation	1.67	1.09
Finance Cost	408.82	110.53
Provision for Income Tax	40.41	9.96
Sub Total	837.32	445.74
Trial Run Expenses		
Raw Material Consumed	--	409.74
Power and Fuel Charges	--	9.49
Salary and Wages	--	6.07
Sales Commission	--	1.22
Freight Outward	--	2.82
Trial Run Recoveries		
Net Sales	--	132.90
Captive Consumption	--	(2.38)
Stock in process transferred to operation	--	(271.48)
Finished goods transferred to operation	--	(0.19)
Stock of Scrap transferred to operation	--	(5.68)
Sub Total	--	16.71
Less : Income		
Interest on Foreign Fixed Deposits	114.72	25.22
Interest on Bonds etc. (Gross) (Tax Deducted at Source Rs. 8.06 million (Nil))	77.06	2.47
Dividend received on units in mutual funds (Gross)	39.95	1.96
Foreign Exchange Difference (Net)	32.78	0.27
Miscellaneous Income	6.12	1.92
Total	566.69	430.89
Less : Amount allocated to Assets Capitalized during the year	49.03	214.53
Balance Carried to Balance Sheet	517.66	216.36



14) Cash & Bank Balance

(a) The Bank deposits of Rs Nil (Rs. 403.06 million) pledged with banks as Margin Money, which are to be mandatorily applied against letters of credit issued and acceptances, have been excluded from Cash and Bank Balances and Sundry Creditors respectively.

(b) Rs. 70.66 million is not available for use by the company in view of legal matter pending against the company.

15) Segmental Information

The Company is engaged in the business of production of steel products which in the opinion of the management is considered the only business segment in the context of Accounting Standard - 17 on Segmental Reporting. Also, the company does not consider any significant difference as regards the risks and returns of the product with reference to export and domestic sales. Therefore, Segment Information as required by Accounting Standard - 17 is not applicable.

16) Taxation

The component of deferred tax balances are as under

		Rs. million
Particulars	31.03.07	31.03.06
Deferred Tax Assets		
Retirement Benefits	4.18	3.86
Total	4.18	3.86
Deferred Tax Liabilities		
Fiscal allowance on fixed assets	798.13	704.78
Total	798.13	704.78
Deferred Tax Balances (Net)	793.95	700.92

17) Auditors Remuneration includes

Particulars	31.03.07	Rs. million
		31.03.06
Audit Fees	2.25	1.85
Tax Audit Fees	0.50	0.25
Taxation Matters	-	0.20
Out of Pocket expenses	0.10	0.11

18) Prior period expenses of Rs. 302.98 million (net) (Rs. 51.58 million income) has been accounted in the current year under the following account heads.

ds.

		Rs. million
Account Head	31.03.07	31.03.06
Expenses		
Stores and Spares consumption	9.91	--
Ship chartering Expenses	--	32.79
Freight and Forwarding	6.23	--
Finance Expenses	(0.61)	--
Depreciation	2.30	--
Commission and Discounts	--	(84.37)
Miscellaneous Expenses	0.61	--
Income		
Export and Excise Incentives	241.59	--
Sales	42.95	--



Schedule: 18 Notes to Accounts

19) Operating Lease

The Company leases office, residential facilities and DG Set 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.

Particulars	Rs. million	
	31.03.07	31.03.06
Lease Rental charges for the year	23.23	601.44
Future lease rental obligations payable (under non-cancellable leases)		
Not Later than one year	9.15	20.97
Later than one year but not later than five years	1.37	7.19
Later than five years	0.13	0.44
Total	10.65	28.60

20) Related party disclosures

Related parties with whom transactions have taken place during the year and balances outstanding as on the last day of the year. Particulars of Subsidiaries / Associate Companies

Name of the Subsidiary Company	Country of Incorporation	Ownership (%)
Direct Subsidiary		
Welspun Natural Resources Pvt. Ltd	India	51%
Welspun Pipes Inc	USA	100%
Welspun Enterprise (Cyprus) Ltd	Cyprus	100%
Indirect Subsidiary		
Welspun Lone Star Tubular LLC	USA	60%

Others

Welspun India Limited, Welspun Syntex Limited, Welspun Power and Steel Limited, Refined Salts Private Limited, Vipuna Trading Limited, Good Value Polyplast Limited, Mertz Securities Limited, Welspun Trading Limited, Welspun Mercantile Limited, Krishiraj Trading Limited, Sequence Apartments Private Limited, Welspun Foundation for Health and Knowledge.

Directors /Key Management Personnel:

Name of the Related Party	Nature of Relationship
G. R. Goenka,	Chairman
B. K. Goenka	Vice chairman & Managing Director
R. R. Mandawewala	Director
M. L. Mittal	Executive Director - Finance
B. K. Mishra	Chief Executive Officer & Executive Director



Transactions with Related Parties

Rs. million

Transactions with Related Parties	31.03.07	31.03.06
Sales (net) to and recoveries from:	5192.03	1,052.74
Welspun Trading Limited	5042.83	942.39
Others	149.20	110.35
Purchase of Goods and Services:	22.94	84.88
Welspun India Limited	21.32	80.97
Others	1.62	3.91
Purchase of Fixed Assets:	159.88	118.71
Welspun Power and Steel Limited	157.37	118.62
Others	2.51	0.09
Rent Paid/Licence fees:	3.01	2.61
Welspun India Limited	1.87	0.11
Good Value Polyplast Limited	0.58	0.80
Mertz Securities Limited	0.26	--
Vipuna Trading Limited	0.30	--
Others	--	1.70
Donation given:	1.45	0.90
Welspun Foundation for Health and Knowledge	1.45	0.90
Loans/Advance/Deposits given/(repaid):	144.40	11.00
Welspun Power and Steel Limited	30.00	92.99
Welspun Power and Steel Limited	--	(92.99)
Welspun Pipes Inc.	107.19	--
Sequence Apartments Private Limited	--	11.00
Others	7.21	--
Loans/Advance/Deposits received/repaid	0.01	--
Welspun India Limited	0.01	--
Investment in subsidiary	0.60	--
Welspun Pipes Inc.	0.44	--
Welspun Enterprise Cyprus Ltd.	0.11	--
Welspun Natural Resources Pvt. Ltd.	0.05	--
Balances written off	0.38	0.36
Welspun India Limited	0.38	--
Welspun Power and Steel Limited	--	0.36
Equity share issued (Including securities premium)	2.78	440.51
Welspun Mercantile Limited	2.32	264.35
Krishiraj Trading Limited	0.46	176.16
Share application money received	--	68.45
Welspun Mercantile Limited	--	31.23
Krishiraj Trading Limited	--	37.22
Share application money given	1.60	--
Welspun Natural Resources Pvt. Limited	1.60	--
Reimbursement of expenses (net)	5.19	0.99
Welspun Lone Star Tubulars LLC	5.47	--
Welspun India Limited	--	0.94
Others	(0.28)	0.05



Schedule: 18 Notes to Accounts

Transactions with Related Parties

Rs. million

Transactions with Related Parties	31.03.07	31.03.06
Closing Balances		
Loans/Advance/Deposits given:	207.74	64.03
Welspun Power and Steel Limited	30.00	--
Sequence Apartments Private Limited	11.03	11.03
Welspun Pipes Inc	107.19	--
Mertz Securities Limited	19.00	19.00
Good Value Polyplast Limited	15.50	15.50
Vipuna Trading Limited	15.50	15.50
Welspun Lone Star Tubulars LLC	5.47	--
Welspun Enterprise Cyprus Ltd.	0.19	--
Others	3.86	3.00
Corporate guarantee given	3186.99	1511.38
Welspun Power and Steel Limited	301.36	300.00
Welspun Trading Limited	1971.92	1211.38
Welspun Pipes Inc	913.71	--
Sundry Debtors	2721.70	152.66
Welspun Trading Limited	2719.91	150.89
Others	1.79	1.77
Share application money outstanding	1.60	68.45
Krishiraj Trading Limited	--	31.23
Welspun Mercantile Limited	--	37.22
Welspun Natural Resources Private Limited	1.60	--
Investment outstanding	0.60	0.01
Welspun Pipes Inc.	0.44	--
Welspun Enterprise Cyprus Ltd.	0.11	--
Welspun Natural Resources Pvt. Ltd.	0.05	--
Others	--	0.01

* Details of remuneration paid to directors are disclosed at Note 9 above.

21) Earning Per Share

Rs. million

Particulars	Year Ended 31.03.07	Year Ended 31.03.06
I) Profit computation for Basic Earning per Share of Rs. 5 each		
Profit After Tax	1425.86	613.72
Less: OCCP Dividend	1.71	23.31
Profit available for Appropriation to Equity Share Holders	1424.14	590.41
Adjustments for Diluted EPS:		
Interest on FCCB (Net of Tax)	1.07	4.79
Profit for Diluted Earning per Share	1425.22	595.20
II) Weighted Average number of equity shares for Earning per Share computation		
a) For Basic earning per share	133,293,520	114,882,835
b) For Diluted Earning per Share	164,593,401	140,314,150
III) Earning Per Share		
Basic	Rs. 10.68	Rs. 5.14
Diluted	Rs. 8.66	Rs. 4.24



22) As required by the Clause 32 of the listing agreement, the following disclosure is made:

Rs. million

Sr.	Particulars	Balance as on 31st March		Maximum amount outstanding during the year	
		2007	2006	2007	2006
1.	Loans and advances in the nature of loans to subsidiary:				
	-Welspun Pipes Inc	107.19	--	107.19	--
	-Welspun Enterprise Cyprus Ltd	0.19	--	0.19	--
	-Welspun Lone Star Tubular LLC	5.47	--	5.47	--
2.	Loans and advances in the nature of loans to associates	--	--	--	--
3.	Loans and advances in the nature of loans where there is no repayment schedule, or interest below rate specified as per Section 372A of the Companies Act, 1956	--	--	--	--
4.	Loans and advances in the nature of loans to firms/companies in which directors are interested	--	--	--	--
5.	Investments by the Loanee in the shares of the Company	--	--	--	--

Note: Loans to subsidiaries are interest free and there is no repayment schedule

23) Remittance in Foreign Currency on Account of Dividend

Particulars	2006 - 2007
Number of Non- resident shareholders where direct remittances have been made by the company	44
Number of shares on which dividend is remitted	4,82,28,491
Year to which dividend relates	2005-2006
Amount remitted (Rs. In Millions)	30.79

24) The previous years figures have been regrouped / rearranged / recast wherever considered necessary to confirm to this year's classification. Figures in bracket pertain to previous year.



Schedule: 18 Notes to Accounts

25 Additional information pursuant to Part II of Schedule VI of the Companies Act, 1956

i) Licensed & installed capacity		Licensed	Installed
1. Welded pipes	MT	Not applicable	930,000 (930,000)
2. Coating of pipes	000'SQMS	Not applicable	14,500 (14,500)
3. M.S. Plates	MT	Not applicable	12,000 (12,000)

Rs. million					
ii) Production, purchase, sales and stocks		31st March 2007		31st March 2006	
		Qty	Amount	Qty	Amount
Opening stock					
Welded Pipes	MT	8,030	245.80	1660	39.75
M S Pipe	MT	-	-	-	-
M S Plate	MT	17	0.51	13	0.89
Others		-	4.18	-	3.31
			250.49		43.95
Production					
Welded Pipes	MT	500,969	-	377,271	-
M S Pipe	MT	-	-	4	-
M S Plate	MT	143	-	78	-
Coating	000'SQMS	229	-	1890	-
Purchase of Finished goods					
Welded Pipes		22,518	1,129.52		
Sales (inclusive of excise duty)					
Welded Pipes	MT	525,257	27,171.34	370,902	18193.78
M S Pipes / Sheets	MT	-	-	4	0.15
M S Plate	MT	158	4.99	61	1.65
Coating	000'SQMS	229	84.64	1903	249.64
Others		-	-	-	112.87
			27,260.98		18,558.09
Note: Production and sales of welded pipes includes work on job work basis 2107 MT (1025 MT)					
Closing Stock					
Welded Pipes	MT	6,260	252.13	8030	245.8
M S Pipe	MT	-	-	-	-
M S Plate	MT	2	0.06	17	0.51
Others		-	-	-	4.18
			252.19		250.49
iii) Raw material consumed					
H.R. Coils	MT	333,906	9,811.91	184,425	4416.6
H.R. Plates	MT	203,893	7,591.98	203,572	8030.33
M S Slab	MT	128	2.31	139	3.1
Welding and Coating Materials		-	1,647.63	-	1391.8
			19,053.83		13,841.83
iv) Raw material consumed					
Imported	%	54	12,305.68	71.53	9901.09
Indigenous	%	46	6,748.15	28.47	3940.74
		100	19,053.83		13,841.83
v) Stores and spares consumed					
Imported	%	9	57.11	23.6	79.06
Indigenous	%	91	275.50	76.4	255.87
		100	332.61		334.93
vi) CIF value of import					
a. Raw materials		-	13,854.66		9665.26
b. Capital goods		-	892.19		1130.12
c. Stores and spares		-	59.41		119.18
vii) Expenditure in foreign currency					
a. Travelling expenses		-	9.83		9.08
b. Freight charges		-	850.06		1128.71
c. Membership & other fees		-	1.06		2.93
d. Foreign technician expenses		-	61.93		153.11
e. Sales Commission (net)		-	205.16		103.44
f. Interest		-	25.16		27.39
g. Professional and consultancy		-	14.17		-
h. Discounting and other bank charges		-	139.66		-
i. Others		-	20.22		-

	Rs. million			
	31st March 2007		31st March 2006	
	Qty	Amount	Qty	Amount
viii) Earnings in foreign currency				
a. FOB Value of Exports	-	10,779.22		9981.33
b. Income from subletting of vessel	-	-		476.26
c. Interest income	-	100.66		27.27

Signatures to schedules 1 to 18

As per our attached report of even date

For and on behalf of the Board

For MGB & Co.

Chartered Accountants

Mohan Bhandari

Partner

M. No. 12912

Mumbai, 14th May 2007

B.K. Goenka

Vice - Chairman & Managing Director

M.L. Mittal

Executive Director - Finance

Braja K. Mishra

C.E.O. & Executive Director

Ramesh H. Ved

Chief Financial Officer &
Company Secretary

Cash flow statement annexed to the balance sheet for the year ended

Rs. million

Particulars	31.03.07	31.03.06
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and exceptional items	2,191.08	903.54
Adjustments for:		
Depreciation	475.55	351.90
Unrealised exchange difference	(255.99)	11.18
Employee Stock Option compensation	5.05	-
Interest income	(39.80)	(111.43)
Dividend income	(1.78)	(2.53)
(Profit)/Loss on sales/redemption of units mutual funds(net)	-	(0.25)
Interest expenses	328.68	157.82
Profit on prepayment of debentures	-	(7.98)
Loss on sale of fixed assets	0.95	8.47
Operating Profit before working capital changes	2,703.74	1,310.72
Trade and other receivables	(3,326.05)	(944.01)
Inventories	293.72	(1,672.09)
Trade and other payables	430.20	1,539.96
Cash generated from operations	101.61	234.58
Taxes paid (Net)	(398.62)	(102.14)
NET CASH GENERATED FROM OPERATING ACTIVITIES	(297.01)	132.44
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (Including capital work in progress)	(6,253.35)	(5,324.55)
Loans & Advances to Subsidiaries	(112.85)	-
Repayment of loans given	-	2.93
Interest received	44.71	104.48
Dividend received	1.78	2.53
Purchase of short term investments	(17,493.53)	(2,446.47)
Purchase of long term investments	-	0.01
Investments in Subsidiaries	(0.60)	-
Sale of short term investments	17,237.84	2,496.98
Sale of long term investments	-	2.60
Sale of fixed assets	4.27	1.46
NET CASH USED IN INVESTING ACTIVITY	(6,571.73)	(5,160.03)

	Rs. million	
Particulars	31.03.07	31.03.06
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of equity shares	-	440.50
Proceeds from issue of OCCP/Warrants	-	68.45
Interest paid	(303.43)	(152.42)
Dividend paid (including corporate dividend tax)	(98.59)	(6.52)
Redemption of debentures	-	(14.95)
Proceeds from issue of FCCB	-	3,375.51
Proceeds from long term borrowings	8,897.07	2,209.62
Proceeds from short term borrowings	599.50	2,979.09
Repayment of long term borrowings	(1,408.07)	(646.13)
Repayment of short term borrowings	(450.39)	(2,620.00)
NET CASH FROM FINANCING ACTIVITY	7,236.09	5,633.15
NET INCREASE IN CASH AND CASH EQUIVALANTS	367.35	605.56
Cash and cash equivalent Opening balance	3,066.55	2,460.99
Cash and cash equivalent Closing balance	3,433.90	3,066.55

Notes:

1. Cash and Cash equivalents at end of year includes unrealised loss of Rs 90.80 mn (Rs.46.80 mn) being on account of fixed deposits in foreign currency.
2. Cash and Bank balances includes Rs. 70.66 mn which is not available for use by the Company (Refer Note 14).
3. The balance in the Cash and Cash equivalents includes Rs 0.36 mn set aside for payment of dividend and accordingly is not otherwise available to the Company.
4. Conversion of preference shares and FCCB (Refer note 2 and 3 of notes to accounts respectively) have not been considered in the above Cash flow statement being non cash transaction.
5. Previous year's figures have been regrouped/recast wherever necessary.

As per our attached report of even date
For MGB & Co.

Chartered Accountants

Mohan Bhandari

Partner

M. No. 12912

Mumbai, 14th May 2007

For and on behalf of the Board
B.K. Goenka

Vice - Chairman & Managing Director

M.L. Mittal

Executive Director - Finance

Braja K. Mishra

CEO & Executive Director

Ramesh H. Ved

Chief Financial Officer
& Company Secretary



Balance Sheet Abstract and General Business Profile

I. Registration Details

Registration No. : 04-25609
 Balance Sheet Date : 31.03.2007
 State Code : 04

II. Capital Raised During The Period (Amount In Rs. Thousands)

Public Issue : -
 Bonus Issue : -
 Right Issue : -
 Private Placement : -

III. Position Of Mobilisation And Deployment Of Funds (Amount In Rs. Thousands)

Total Liabilities	: 22,475,466	Total Assets	: 22,475,466
Sources Of Funds		Application Of Funds	
Paid Up Capital	: 699,102	Net Fixed Asset	: 16,448,298
Reserves And Surplus	: 5,767,738	(Including Capital Work In Progress)	:
Share Application Money	: 68,449	Investments	: 256,302
Deferred Tax Balances (Net)	: 793,946	Net Current Assets	: 5,770,866
Secured Loans	: 11,635,082	Misc. Expenditure	: -
Unsecured Loans	: 3,511,149		

IV. Performance Of The Company (Amount In Rs. Thousands)

Turnover And Other Income	: 26,827,547	Total Expenditure	: 24,636,468
Profit Before Tax	: 2,191,079	Profit After Tax	: 1,425,860
Earning Per Share (Rs.)	: 10.68	Dividend Rate	: 20%

V. Generic Names Of Three Principal Products Of The Company (As Per Monetary Terms)

Item Code No. (Itc Code) : 73 - 05
 Product Description : Steel Pipes And Tubes

For and on behalf of the Board

B.K. Goenka
 Vice - Chairman & Managing Director

Braja K. Mishra
 CEO & Executive Director

M.L. Mittal
 Executive Director - Finance

Ramesh H. Ved
 Chief Financial Officer
 & Company Secretary

**STATEMENT PURSUANT TO SECTION 212
OF THE COMPANIES ACT, 1956, RELATED TO SUBSIDIARY COMPANIES**

Name of the Subsidiary Company	WELSPUN NATURAL RESOURCES PVT. LTD.	WELSPUN ENTERPRISE (Cyprus) Ltd.	WELSPUN PIPES INC	WELSPUN LONESTAR TUBULAR LLC
FINANCIAL YEAR OF THE SUBSIDIARY ENDED ON	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007
SHARES OF THE SUBSIDIARY COMPANY HELD ON THE ABOVE DATE AND EXTENT OF HOLDING				
(i) Equity shares	51,000 equity shares of Rs.10 each	1800 common stock of Euro 1 each	10,001 common stock of US\$ 1 each	24,00,000 common stock of US\$ 1 each
(ii) Extent of holding	51%	100%	100%	60%
Net aggregate amount of profit / (lossess) of subsidiary for the above financial year so far as they concern members of the Company				
(i) Dealt with in the accounts of the Company for the year ended 31 March 2007 (Rs.million)	-	(0.19)	-	(0.36)
(ii) Not dealt with in the accounts of the Company for the year ended 31 March 2007 (Rs. million)	-	-	-	(0.23)
Net aggregate amount of profits / (Losses) for previous financial year the subsidiary as far as it concern the members of the Company.				
(i) Dealt with in accounts of the Company.	-	-	-	-
(ii) Not dealt with in the accounts of the Company.	-	-	-	-

For and on behalf of the Board

B.K. Goenka
Vice - Chairman & Managing Director

Braja K. Mishra
CEO & Executive Director

M.L. Mittal
Executive Director - Finance

Ramesh H. Ved
Chief Financial Officer
& Company Secretary

**Auditors' Report****To the Board of Directors of Welspun Gujarat Stahl Rohren Limited**

1. We have audited the attached Consolidated Balance Sheet of Welspun Gujarat Stahl Rohren Limited ("the Company") and its subsidiary Companies ("the group") as at 31st March, 2007, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto and the Consolidated Cash Flow statement for the year ended on that date. These financial statements are the responsibility of 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 of 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. (a) The financial statement of subsidiary, with total assets of Rs. 1,701,522 as at 31st March, 2007 and total revenues of Rs. Nil for the year ended on that date, have not been audited by us. These financial statements have been audited by another auditor whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of that subsidiary, is based solely on the report of the other auditor.
(b) The financial statements of the following subsidiaries namely Welspun Pipe Inc., Welspun Enterprises (Cyprus) Limited and Welspun Lone Star Tubular LLC, with total assets of Rs. 182,062,923 as at 31st March 2007 and total revenue of Rs. Nil for the year ended are consolidated based on the management estimate and therefore unaudited.
4. Subject to the matter referred to in paragraph 3(b) above
 - (a) We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.
 - (b) Based on our audit and on consideration of the reports of the Company on separate financial statements of subsidiaries, in our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (i) In the case of the Consolidated Balance Sheet of the consolidated state of affairs of the group as at 31st March, 2007.
 - (ii) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of the group for the year ended on that date; and
 - (iii) In the case of the Consolidated Cash Flow Statement of the consolidated cash flows of the group for the year ended on that date.

Mohan Bhandari

Partner

Membership No. 12912

For MGB & Co.

Chartered Accountants

Mumbai, 14th May 2007



Consolidated Balance Sheet, as at March 31, 2007

Rs. million

Particulars	Schedules	As at 31.03.07
Sources of Funds		
Shareholders' Funds		
Share Capital	1	699.10
Reserves and Surplus	2	5,767.21
		6,466.31
Share Application Money		68.45
Minority Interest		69.43
Loan Funds		
Secured Loans	3	11,635.08
Unsecured Loans	4	3,511.15
		15,146.23
Deferred Tax Liabilities (Net) (Refer Note 12)		793.95
Total		22,544.37
Application Of Funds		
Fixed Assets		
Gross Block	5	9,111.91
Less: Depreciation		1,877.26
Net Block		7,234.65
Capital Work-In-Progress (Refer Note 9)		9,258.08
		16,492.73
Investments	6	255.69
Current Assets, Loans and Advances		
Inventories	7	5,135.14
Sundry Debtors	8	5,849.38
Cash and Bank Balances	9	3,573.22
Loans and Advances	10	1,796.50
		16,354.24
Less : Current Liabilities And Provisions		
Current Liabilities	11	10,089.79
Provisions	12	468.63
		10,558.42
Net Current Assets		5,795.82
Miscellaneous Expenditure (To the extent not written off)		
Preliminary Expenses		0.13
		0.13
Total		22,544.37

Significant Accounting Policies and Notes to Accounts

18

As per our attached report of even date

For MGB & Co.

Chartered Accountants

Mohan Bhandari

Partner

M. No. 12912

Mumbai, 14th May 2007

For and on behalf of the Board

B.K. Goenka

Vice - Chairman & Managing Director

M.L. Mittal

Executive Director - Finance

Braja K. Mishra

C.E.O. & Executive Director

Ramesh H. Ved

Chief Financial Officer &
Company Secretary



Consolidated Profit And Loss Account for the Year ended 31st March, 2007

Rs. million

Particulars	Schedules	Year ended 31.03.07
Income		
Sales and Services (Gross)	13	28,522.98
Less : Excise duty		1,738.16
Sales and Services (Net)		26,784.82
Other Income	14	42.73
Total		26,827.55
Expenditure		
Cost of Goods	15	20,224.01
Manufacturing and Other Expenses	16	3,231.60
Financial Expenses (net)	17	706.09
Depreciation		475.55
Total		24,637.25
Profit Before Tax		2,190.30
Provision For Taxation		
- Current Tax		(636.35)
- Earlier Years		(26.78)
- Deferred Tax		(93.02)
- Fringe Benefit Tax		(9.07)
Profit After Tax		1,425.08
Minority Interest in Profit/(Loss)		(0.23)
Profit After Tax and Minority Interest		1,425.31
Balance Brought Forward		1,624.76
Profit Available for Appropriation		3,050.07
Appropriations:		
General Reserve		(145.00)
Proposed Dividend on Equity Shares		(139.82)
Tax on Proposed Dividend		(23.76)
Proposed Dividend on OCCPS		(1.50)
Tax on Proposed Dividend		(0.26)
Dividend on Equity Shares for earlier period		(1.89)
Tax on Dividend		(0.26)
Balance Carried To Balance Sheet		2,737.58
Earnings Per Share (Equity Shares of Rs. 5/- each) (Refer Note 16)		
- Basic		10.68
- Diluted		8.66
Weighted Average No. Of Shares Used In Computing		
Earning Per Share - Basic		133,293,520
- Diluted		164,593,401

Significant Accounting Policies and Notes to Accounts

18

As per our attached report of even date

For and on behalf of the Board

For MGB & Co.

Chartered Accountants

Mohan Bhandari

Partner

M. No. 12912

Mumbai, 14th May 2007

B.K. Goenka

Vice - Chairman & Managing Director

M.L. Mittal

Executive Director - Finance

Braja K. Mishra

C.E.O. & Executive Director

Ramesh H. Ved

Chief Financial Officer &
Company Secretary



Schedules Forming Part of Accounts

Rs. million

Schedule - 1 Share Capital		As at 31.03.07
Authorised		
234,000,000 Equity Shares of Rs. 5/- each		1,170.00
98,000,000 Preference Shares of Rs. 10/- each		980.00
		<u>2,150.00</u>
Issued, Subscribed and Paid Up		
139,820,333 Equity Share of Rs. 5/- each fully paid up		699.10
	Total	<u>699.10</u>

Schedule - 2 Reserves and Surplus		As at 31.03.07
Capital Reserve		
As per Last Balance Sheet		1,057.26
		<u>1,057.26</u>
Securities Premium		
As per Last Balance Sheet		1,395.08
Add: Received during the year		680.57
Less: Premium on redemption		258.81
		<u>1,816.84</u>
Employees Stock Options Outstanding-(Net) (Refer Note 5)		5.05
		<u>5.05</u>
General Reserve		
As per Last Balance Sheet		5.46
Add: Appropriated during the year		145.00
		<u>150.46</u>
Foreing Currency Translation Reserve		
As per Last Balance Sheet		-
Addition during the year		0.02
		<u>0.02</u>
Profit and Loss Account		2,737.58
	Total	<u>5,767.21</u>

Schedule - 3 Secured Loans		As at 31.03.07
Term Loans		
From Financial Institutions		
In Foreign Currency		244.16
In Rupee		10.00
		<u>254.16</u>
From Banks		
In Foreign Currency		137.06
In Rupee		9,883.42
		<u>10,020.48</u>
External Commercial Borrowings		830.98
Working Capital From Banks		
In Rupee		529.46
	Total	<u>11,635.08</u>



Schedules Forming Part of Accounts

Rs. million

Schedule - 4 Unsecured Loans**As at
31.03.07**

Foreign Currency Convertible Bonds	3,404.70
Deferred Sales Tax Loan	106.45
(Repayble In six equal annual instalments from Financial Year 2009 / 2015)	
Total	3,511.15

Schedule - 5 Fixed Assets (At Cost)

Rs. million

Particulars	Gross Block			Depreciation				Net Block	
	As At 01.04.2006	Additions	Deductions	As At 31.03.2007	Up to 31.03.2006	For the Year	Deductions	Upto 31.03.2007	As At 31.03.2007
Land	35.84	9.87	0.00	45.71	0.00	0.00	0.00	0.00	45.71
Building	1,344.30	333.30	0.00	1,677.60	114.32	41.70	0.00	156.02	1,521.58
Plant & Machinery	6,355.37	848.34	22.65	7,181.06	1,235.61	414.31	0.41	1,649.51	5,531.55
Office & other Equipments	92.99	31.05	1.52	122.52	31.85	14.27	0.29	45.83	76.69
Vehicle	26.36	9.36	3.22	32.50	4.60	3.08	1.13	6.55	25.95
Furniture & Fixture	37.85	17.09	2.42	52.52	16.01	3.87	0.53	19.35	33.17
Total	7,892.71	1,249.01	29.81	9,111.91	1,402.39	477.23	2.36	1,877.26	7,234.65

Notes :

1. Addition to Gross Block include Rs.4.37 mn being realignment gain of foreign currency loans accounted as per consistent accounting policy.
2. Depreciation for the year includes Rs.1.67 mn transferred to Pre-operative expenses.
3. Depreciation for the year includes prior period depreciation of Rs.2.30 mn.
4. Plant & Machinery includes Gross block of Rs.62.41mn in respect of expenditure incurred on capital asset, ownership of which does not vest in the Company.

Schedule - 6 Investments**As at
31.03.07****Non-Trade - Quoted**

100 Equity shares of Welspun India Limited of Rs 10 /- each fully paid up	0.01
* 100 Equity shares of Welspun Syntex Limited of Rs 10 /- each fully paid up	0.00
(Market Value-Rs.0.01 mn)	

Non-Trade - Unquoted

100 Equity Shares Of Welspun Power and Steel Limited	
of Rs.10/- each fully paid up	0.00

Current Investments - Units of Mutual Funds

Rs. million

Name of the Fund**As at
31.03.07**

Chola Liquid Fund - Daily Dividend (157,437 units of Rs.10/- each)	1.58
SBI Mutual Fund-MIIF-Insta cash fund Dividend (147,948 units of Rs.10/- each)	1.57
LIC Mutal Fund Dividend Plan (642,510 units of Rs.10/- each)	34.05
LIC Mutal Fund Liquid Plan (1,293 units of Rs.10/- each)	0.01
Prudential ICICI FMP series retail dividend (5,000,000 units of Rs.10/- each)	50.00
Prudential ICICI Swift cash option Daily Dividend (131,791 units of Rs.10/- each)	1.32
Prudential ICICI - Institutional Plan - Daily Dividend (27,028 units of Rs.10/- each)	0.27
Deutsche Mutual Fund - Institutional Plan Div. (54,082 units of Rs.10/- each)	0.54
Optimix Active Debts Multi Manager Dividend (1,200,000 units of Rs.10/- each)	12.00
HSBC Cash fund - Institutional Plan - Daily Div. (6,805 units of Rs.10/- each)	0.07
HSBC Liquid Plus - Institutional Plan - Daily Div. (234,926 units of Rs.10/- each)	2.35
Lotus India FMP - Institutional Plan Dividend (5,032,675 units of Rs.10/- each)	50.33

Bonds

9.45% Union Bank of India Bond	
(100 bonds of Rs.10,00,000 each)	101.59

Total**255.69**

* Denotes amount less than Rs.10,000



Schedules Forming Part of Accounts

Mutual Fund Units bought and sold during the year:

Rs. million

Name of the Fund	Face Value	Quantity (Nos)	Cost
Principal Cash Management Fund	10	175,217,827	1,889.70
NLFID CAN Liquid Plan	10	46,850,865	470.86
DWS Insta Cash Plus Fund	10	22,780,144	228.49
LIC Liquid Fund Dividend Plan	10	253,080,565	2,785.94
LIC Dividend Plan	10	179,756,694	1,979.82
LIC Floating Fund Dividend Plan	10	97,393,112	992.59
DSP ML- Daily Dividend Plan	1000	250,527	251.15
PRUD. ICICI - Super Inst. Daily Dividend	10	44,216,227	444.32
PRINCIPAL MUTUAL FUND - Inst. Plan Reinvst. Daily	10	15,096,035	151.94
DEUTSCHE Inst. Plan - Daily Dividend option	10	26,240,365	263.97
NLFID CANLIQUID - Inst. Plan - Daily Dividend option	10	9,981,663	100.45
UTI- Daily Income option	1000	1,279,166	1,308.91
ING VYSYA - Inst. Plan Daily Dividend Option	10	35,149,672	353.74
BIRLA CASH PLUS - Inst. Plan Daily Dividend Option	10	42,266,993	426.99
SBI MF -MAGNUM - Inst. Income Saving Dividend	10	15,050,732	151.99
SBI MF -MAGNUM - Inst. Cash Fund Dividend option	10	2,283,234	24.45
TATA LIQUID FUND - High Inv. Daily Dividend	1000	181,724	205.00
CHOLA LIQUID - Daily Div. Reinvestment Plan	10	9,868,716	99.58
HSBC- Cash Fund Inst. Plan - Daily Dividend	10	28,944,031	289.69
HSBC- Liquid Plus - Inst. Plan - Daily Dividend	10	8,754,283	87.84
KOTAK Liquid Inst.Premium Daily Dividend	10	8,083,531	99.32
UTI - Money Market Fund daily dividend	10	19,896,456	349.93
ICICI - Sweep Cash option daily dividend	10	26,008,347	260.24
ICICI - Prudential Inst. Liquid Plan- Daily Plan	10	16,000,000	160.19

Rs. million

Schedule - 7 Inventories

As at
31.03.07

(As taken, valued and certified by the management)

Raw Materials	2,074.36
Stores and Spares	295.49
Finished Goods	252.19
Goods In Process	578.12
Goods In Transit	1,934.98
Total	5,135.14



Schedules Forming Part of Accounts

Rs. million

Schedule - 8 Sundry Debtors		As at 31.03.07
(Unsecured and Considered Good, unless otherwise stated)		
Over Six Months (Considered good)		324.82
Others (Considered good)		5,524.56
Total		5,849.38
Schedule - 9 Cash and Bank Balances (Refer Note 10)		As at 31.03.07
Cash In Hand		6.45
Balance With Scheduled Banks		
- In Current Accounts		248.01
- In Margin Money Accounts		267.50
- Fixed Deposits Accounts		1,201.03
Balance With Non-Scheduled Banks		
- Fixed Deposits Accounts		1,850.23
Total		3,573.22
Schedule - 10 Loans and Advances		As at 31.03.07
(Unsecured and Considered Good, unless otherwise stated)		
Advances		
(Recoverable In cash or in kind or for value to be received)		
Balances with customs and excise authorities etc.		859.78
Other Advances		801.20
Deposits		135.52
Total		1,796.50
Schedule - 11 Current Liabilities		As at 31.03.07
Acceptances		8,086.11
Sundry Creditors		
Due To Small Scale Industrial undertakings		4.43
Due To Others		1,879.25
Trade Advances and Deposits		72.55
Interest Accrued But Not Due		47.09
Unclaimed dividend *		0.36
Total		10,089.79

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.



Schedules Forming Part of Accounts

Rs. million

Schedule - 12 Provisions		As at 31.03.07
For Proposed Dividend (Including tax on dividend)		165.34
For Taxation		290.71
For Retirement Benefits		12.58
		468.63
	Total	10,558.42
Schedule - 13 Sales and Services		Year ended 31.03.07
Sales		27,260.98
Job Work and Other Charges Received (Tax deducted at Source Rs. 2.37 mn)		28.47
Export and Excise Benefits		1,233.53
	Total	28,522.98
Schedule - 14 Other Income		Year ended 31.03.07
Miscellaneous Income		17.27
Dividend Received (Gross)		1.78
Profit on Foreign exchange forward contracts and exchange difference		23.68
	Total	42.73
Schedule - 15 Cost of Goods		Year ended 31.03.07
(A) Raw Material Consumed		
Opening Stock		1,195.96
Purchases		19,932.23
		21,128.19
Less: Closing Stock		2,074.35
	Total (A)	19,053.84
(B) Purchases of finished goods		1,129.52
	Total (B)	1,129.52
(C) Increase/(Decrease) in Stock		
Closing Stock		
Finished Goods		252.19
Goods In Process		578.13
		830.32
Less : Opening Stock		
Finished Goods		250.49
Goods In Process		620.48
		870.97
	Total (C)	(40.65)
	Total (A)+(B)-(C)	20,224.01



Schedules Forming Part of Accounts

Rs. million

Schedule - 16 Manufacturing and Other Expenses		Year ended 31.03.07
Store and Spares Consumed		332.61
Coating and Other Job Charges		77.71
Power, Fuel and Water Charges		215.66
Material Handling and Transport Charges		437.55
Ship Chartering Expenses		857.43
Directors' Remuneration		43.14
Salary, Wages and Allowances		514.58
Contribution to Funds		26.97
Staff Welfare Expenses		53.83
Rent		64.58
Rates and Taxes		10.26
Repairs and Maintenance		
- Plant and Machinery		9.22
- Buildings		6.18
- Others		10.38
Travelling and Conveyance Expenses		88.40
(Directors travelling Rs.17.42 mn)		
Communication Expenses		14.19
Professional and Consultancy Fees		57.25
Insurance		35.00
Directors' Sitting Fees		0.22
Printing and Stationery		7.91
Security Charges		8.88
Membership And Subscription		7.34
Vehicle Expenses		8.15
Miscellaneous Expenses		44.20
Loss on Sale / Discard of Fixed Assets		0.95
Auditors Remuneration		2.85
Commission on Sales		273.39
Sales Promotion Expenses		22.77
Total		3,231.60

Schedule - 17 Financial Expenses (Net)		Year ended 31.03.07
Interest on		
Term Loans		254.04
Debentures		26.04
Working Capital		46.66
Others		1.95
		328.69
Discounting and Other Charges		419.17
		747.86
Less: Interest Received (Gross)		41.77
(Tax deducted at sources Rs. 7.60 mn)		
Total		706.09

**Schedule: 18 Significant Accounting Policies and Notes to the consolidated Accounts****Background**

Welspun Gujarat Stahl Rohren Limited (hereinafter referred to as "the parent Company", "the Company", WGSRL) together with its subsidiaries (collectively referred to as "Group") are engaged in the business of Production and coating of High grade Submerged Arc welded pipes and other related activities.

A. Significant Accounting Policies**1. Accounting Convention**

- (a) The financial statements have been prepared under the Historical Cost Convention on the basis of going concern and in accordance with the accounting standards referred to in Section 211(3C) of the Companies Act 1956.
- (b) The Group generally follows mercantile system of accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties.
- (c) The preparation of the financial statements in accordance with the generally accepted accounting principles 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.

2. Basis of Consolidation

- (a) The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS-21) on Consolidated Financial Statements (CFS) issued by the Institute of Chartered Accountants of India. The CFS relate to WGSRL and its subsidiaries. The consolidated financial statements have been prepared on the following basis:
 - (i) The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances, intra group transactions and resulting profits or losses on intra group transactions.
 - (ii) The Consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events similar circumstances and are prepared to the extent possible, in the same manner as the Company's separate financial statements.
 - (iii) The Subsidiary Companies considered in the consolidated financial statement are as under :

Name of the Subsidiary Company	Country of Incorporation	Ownership as at 31-3-2007 (%)
Direct Subsidiary		
Welspun Natural resources Pvt Ltd *	India	51%
Welspun Pipes Inc #	USA	100%
Welspun Enterprise (Cyprus) Ltd #	Cyprus-Russia	100%
Indirect Subsidiary		
Welspun Lone star Tubular LLC #	USA	60%

* Acquired during the year.

Incorporated during the year

3. Use of Estimates

The preparation of CFS in accordance with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as of the date of financial statements and the reported amount of revenue and expenses of the year. Actual results could differ from these estimates. Any revision to such accounting estimate is recognised prospectively in current and future periods.

**4. Comparability**

This is the first year of consolidation, hence previous year comparative is not applicable.

5. Fixed Assets

- (a) Fixed Assets are stated at cost less accumulated depreciation. The cost includes cost of acquisition/construction, installation and preoperative expenditure including trial run expenses (Net of Revenue) and borrowing costs incurred during pre-operational period.
- (b) The Capitalized cost of system software includes license fees, cost of implementation and system integration services. These costs are capitalized as intangible assets in the year in which the relevant software is implemented.

6. 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.

7. Depreciation

- (a) Depreciation on 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. The rates of depreciation derived from these estimated useful lives are higher than those given in by Schedule XIV to the Companies Act, 1956.
- (b) Depreciation on Plant and Machinery of Longitudinal Welded Pipe Plant is provided considering it as a continuous process plant based on the opinion from a technical expert.
- (c) System software (Intangible assets) is amortized over a period of five years from the date of its implementation.

8. Investments

- (a) Long-Term Investments are stated at cost. Provision for diminution in value of long-term investments is made, if the diminution is other than temporary.
- (b) Current Investments are stated at cost or fair value which ever is lower.

9. Revenue Recognition

- (a) Sale of goods is recognized when the risks and rewards of ownership are passed on to the customers. Export Sales are accounted for on the basis of date of bill of lading. Gross Sales include excise duty, value added tax incentive, adjustments for price variation and liquidated damages.
- (b) Export benefits (under Target plus /Duty free entitlement certificate scheme of EXIM policy), are considered accrued when utilized.
- (c) Revenue from Services is recognized when the services are completed.

10. Inventories

- (a) Inventories are valued at lower of cost or net realizable value.
- (b) Excise Duty on finished goods as at the close of the year is provided, wherever applicable, and included in valuation of finished goods.
- (c) The basis of determining cost for various categories of inventories is as follows:
 - i) Raw Material, Stores and Spares : Moving weighted average basis.
 - ii) Goods in Process, Jobs in Progress and Finished Goods : Direct costs and related overheads.



Significant Accounting Policies and Notes to Consolidated Accounts

11. Foreign Currency Transactions

I. Accounting of Transaction

- (a) The functional currency of each entity in the group is its respective local currency. Monetary assets and liabilities in foreign currencies are converted into functional currency at the rates of exchange prevailing at the Balance Sheet date. Transactions in foreign currencies are converted into functional currency at the rates of exchange prevailing at the date of the transaction.
- (b) The Group is exposed to currency fluctuations on foreign currency transactions. With a view to minimize the volatility arising from fluctuations in the currency rates, the Group follows established risk management policies including the use of exchange forward contracts and other derivative instruments.
- (c) Foreign currency transactions are recorded at the exchange rate prevailing on the date of such transactions. Monetary assets and liabilities in foreign currency as at the Balance Sheet date are translated at the exchange rates prevailing at the date of Balance Sheet. Gains and losses arising on account of difference in foreign exchange rates on settlement / translation of monetary assets and liabilities are recognized in the Profit and Loss Account.
- (d) In respect of forward contracts assigned to the foreign currency assets as at the balance sheet date, the proportionate premium/discount for the period up to the date of balance sheet is recognized in the profit and loss account. The exchange difference measured by the change rate between the inception of forward contract and date of balance sheet is applied on foreign currency amount of the forward contract and is recognized in the profit and loss account.
- (e) Gain and Losses on account of foreign exchange fluctuations attributable to fixed assets acquired prior to 1st April 2004 are adjusted to the carrying amount of respective assets and in case of assets acquired after 1st April 2004, gain or losses arising on account of difference in exchange rates on settlement/cancellation of forward contracts is recognized in the Profit and Loss Account.
- (f) Any profit or loss arising on settlement or cancellation of other derivative contracts (swap and currency options) is recognized as income or expenses for the period. The effect of derivative contracts outstanding at the year-end, in the form of unrealized gains/losses, is not recognized.

II. Translation and Exchange Rates

Financial Statements of Overseas non-integral operations are translated as under :

- (a) Assets and Liabilities at the rate prevailing at the end of the year. Depreciation is accounted at the same rate at which assets are converted.
- (b) Revenues and expenses at yearly average rates prevailing during the year. Off Balance Sheet items are translated into Indian Rupees at year-end rates.
- (c) Exchange differences arising on translation of non-integral foreign operations are accumulated in the Foreign Currency Translation Reserve until the disposal of such operations.

12. Retirement Benefits

- (a) Contribution to Provident Fund is charged to Profit and Loss account.
- (b) Liability for Leave Encashment at the year end is provided on the basis of actuarial valuation.
- (c) Future Liability for Gratuity at the year end is accounted for on the basis of actuarial valuation as per the Group Gratuity Scheme.

13. Employees Stock Option Scheme

In respect of stock options granted pursuant to the Company's Stock Options Schemes, the intrinsic value of the options is treated as discount and accounted as employee compensation cost over the vesting period.

**14. Accounting for Taxes on Income**

- (a) Current tax is determined as the amount of tax payable in respect of taxable income of the year.
- (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.

15. 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 under operating leases are recognized as an expense on accrual basis in accordance with the respective lease agreements.

16. Impairment of Assets

If the carrying amount of fixed assets exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and value in use determined by the present value of estimated future cash flows.

17. Miscellaneous Expenditure

In case of Indian Subsidiary, share issue expenses are deferred and amortized over a period of five years.

B. Notes to Accounts**1. Share Application Money (Warrants)**

During the previous year, the Group had issued 12,850,206 warrants, each of Rs. 80.07 to the promoters paying 10% of the issue price, carrying right to subscribe for equal number of fully paid equity shares of Rs.5 each. Out of the above, the holders had subscribed for 4,301,500 warrants of Rs. 5 each fully paid up. The balance amount in the share application money represents application money of the outstanding warrants.

2. Optionally Convertible Cumulative Preference Shares (OCCPS)

The Group had issued 22,105,000 8% OCCPS of Rs. 10 each. These OCCPS have been converted into 37,74,116 equity shares of Rs 5/- each fully paid up at a conversion price of Rs. 58.57 each, pursuant to exercise of option for conversion by the holders.

3. Foreign Currency Convertible Bonds (FCCB)

- (a) (i) The Group had raised US\$ 40 million (Rs. 1749.80 million) by way of 40,000, 1% Foreign Currency Convertible Bonds (FCCB) of US\$ 1000 each during the year ended 31 March 2005. The Bondholders have an option to convert these bonds into equity shares at a conversion price of Rs. 71.42 per share of Rs. 5/- each fully paid up (at the Exchange Rate prevailing on the day immediately preceding the conversion date), price shall be adjusted annually, but in no event be greater than Rs. 71.42 per share or less than Rs. 64.29 per share. The conversion price shall be subject to certain conditions. The principal amount will also be subject to adjustments, such that it represents for the bondholder a yield-to-conversion date of 3% p.a. (calculated on semi annual basis).
- (ii) During the year, 72,02,490 equity shares of the face value of Rs. 5 each were issued at a conversion price of Rs. 71.42 each, as fully paid equity shares on conversion of FCCB.
- (b) (i) The Group had raised US \$ 75 million (Rs. 3433.50 million) by way of Zero Coupon Foreign Currency Convertible Bonds during the year ended 31 March 2006. The Bondholders have an option to convert these Bonds into equity shares, at an initial conversion price of Rs. 162.64 per share with a fixed rate of exchange on conversion of Rs. 45.78 = US \$ 1 at the option of the Bondholder at any time on or after 8 December, 2005. The conversion price is

Notes to Consolidated Accounts

subject to adjustment in certain circumstances. The Bonds may be redeemed in whole, at the option of the Group, at any time on or after 30 May 2007 subject to satisfaction of certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the Bonds will be redeemed on 29th November 2010 at 142.773 per cent of the principal amount so as to give a gross yield of 7.25% per annum to the bondholder.

- (ii) The net proceeds received from the issue of FCCB of Rs. 3375.51 million have been utilized for the object of the issue viz. for funding of Plate and Coil Mill Project at Anjar. The issue proceeds of Rs 1740.40 million (net of unrealized exchange loss of Rs. 90.80 million) pending utilization have been invested in short term deposits with Banks outside India.
- (c) During the year, the premium of Rs. 258.81 million payable on FCCB is adjusted against Securities Premium Account (SPA). In the event that the holders of FCCB's exercise the conversion option, the amount of premium adjusted against SPA will be suitably adjusted in the respective years.

4. Secured Loans

a. Term Loans

From Financial Institutions:

- (i) Term Loan of Rs. 244.16 million is secured by first pari passu charge by way of mortgage on entire immovable and movable fixed assets of the Group except Coating Division at Bharuch and is personally guaranteed by promoter director(s) of the Group. The loan is also secured by second /floating charge on current assets subject to prior charge in favour of banks for working capital facilities.
- (ii) Term Loan of Rs. 10.00 million is secured by first mortgage and pari passu charge of immovable properties including leasehold right both present and future of Coating Division at Bharuch and personal guarantee of promoter director(s) of the Group. The loan is also secured by second charge on movables subject to prior charge in favour of banks for working capital facilities for the Coating Division at Bharuch.

From Banks:

Term Loans of Rs. 10,020.48 million are secured by first pari passu charge by way of mortgage on entire immovable and movable fixed assets of the Group both present and future. The loans are also secured by second / floating charge on current assets subject to prior charge in favour of banks for working capital facilities. Out of the above, Rs.1581.40 million are also secured by personal guarantee of promoter director(s) of the Group.

b. External Commercial Borrowing (ECB)

- (i) ECB of Rs. 231.48 million are secured by first pari passu charge by way of mortgage on entire immovable and movable fixed assets of the Group both present and future, and personal guarantee of promoter director(s) of the Group. The loans are also secured by second /floating charge on current assets subject to prior charge in favour of banks for working capital facilities.
- (ii) ECB of Rs. 599.50 million are secured by first charge by way of hypothecation of raw materials, finished goods and goods in process, stores & spares and book debts of the Group and second charge on entire immovable and movable fixed assets of the Group

c. Working Capital facilities

The working capital facilities from banks are secured by first charge by way of hypothecation of raw materials, finished goods and goods in process, stores & spares and book debts of the Group and second charge on entire immovable and movable fixed assets of the Group and are also personally guaranteed by the promoter director(s) of the Group.



5. Employee Stock Option

In respect of options granted under the Company's Stock Option Scheme, in accordance with guidelines issued by Securities and Exchange Board of India, the accounting 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. In the current year salaries, wages, bonus etc. includes charge of Rs. 5.05 million on account of Employees Stock Options Scheme.

6. Contingent Liabilities not provided for

	Rs. million
Particulars	31.03.07
Bank Guarantees given	3812.59
Corporate Guarantees given	3241.78
Bills Discounted	161.94
Letter of Credits Outstanding (net of liability provided)	8209.50
Claim against the Group not acknowledged as debts	70.66
Custom duty on pending export obligation against import of Raw material and plant and machinery	325.10
Disputed income tax/service tax /Sales Tax/ Excise liability	84.81

7. The Group is eligible for Sales Tax Incentive under the Incentive Scheme 2001 for Economic Development of Kutch District and has been registered under the Scheme with Industries Commissioner, Gujarat. The Group has received the provisional Eligibility Certificate under the said Scheme for Rs. 686.12 million. Pending the issue of Final Eligibility Certificate the Group has availed sales tax incentive of Rs. 585.81 million till 31st March 2007 under the Scheme.

8. (a) The company's claim for refund of excise duty paid on export of goods is disputed by the excise authorities by issue of show cause notices, and hence the company has reversed, the refund receivable of Rs. 241.59 million accounted in the previous year, and adjusted in export and excise incentives in schedule 13. This benefit would be recognized when granted.
- (b) As per the terms of contract the portion of the sales amounting to Rs.42.95 million for the previous year is relatable to refund of excise duty by the customer from the Excise Authorities. The Excise Authorities have issued the show cause notices disputing the claim made by the said customer, hence the amount is treated as not recoverable and adjusted against sales, and henceforth will be recognized on certainty of recovery.

9. Capital Projects

- (i) The Pre-operative Expenses (including borrowing costs) of Rs 49.03 million in respect of projects capitalized during the year have been allocated proportionately to the direct cost of building and plant and machinery.
- (ii) Borrowing costs (Net) capitalized / allocated to fixed asset / Capital work in progress is Rs.177.09 million.
- (iii) Capital Commitments not provided for Rs.4280.61 million, net of advances
- (iv) Capital Work in Progress, includes Capital Advances Rs.2226.15 million and Preoperative Expenses Rs. 524.99 million.

10. Cash & Bank Balance

- (a) The Bank deposits of Rs Nil pledged with banks as Margin Money, which are to be mandatorily applied against letters of credit issued and acceptances, have been excluded from Cash and Bank Balances and Sundry Creditors respectively.
- (b) Rs.70.66 million is not available for use by the Group in view of legal matter pending against the Group.



Notes to Consolidated Accounts

11. Segmental Information

The Group is engaged in the business of production of steel products which in the opinion of the management is considered the only business segment in the context of Accounting Standard - 17 on Segmental Reporting. Also, the Group does not consider any significant difference as regards the risks and returns of the product with reference to export and domestic sales. Therefore, Segment Information as required by Accounting Standard - 17 is not applicable.

12. Taxation

The component of deferred tax balances are as under

Rs. million

Particulars	31.03.07
Deferred Tax Assets	
Retirement Benefits	4.18
Total	4.18
Deferred Tax Liabilities	
Fiscal allowance on fixed assets	798.13
Total	798.13
Deferred Tax Balances (Net)	793.95

13. Prior period expenses of Rs. 302.98 million (net) has been accounted in the current year under the following account heads.

Rs. million

Particulars	31.03.07
Expenses	
Stores and Spares consumption	9.91
Freight and Forwarding	6.23
Finance Expenses	(0.61)
Depreciation	2.30
Miscellaneous Expenses	0.61
Income	
Export and Excise Incentives	241.59
Sales	42.95

14. Operating Lease

The Group leases office, residential facilities and DG Set 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. million

Particulars	31.03.07
Lease Rental charges for the year	23.23
Future lease rental obligations payable (under non-cancellable leases)	
Not Later than one year	9.15
Later than one year but not later than five years	1.37
Later than five years	0.13
Total	10.65

15. Related party disclosures

Related parties with whom transactions have taken place during the year and balances outstanding as on the last day of the year.

Particulars of Associate Companies

Welspun India Limited, Welspun Syntex Limited, Welspun Power and Steel Limited, Refined Salts Private Limited, Vipuna Trading Limited, Good Value Polyplast Limited, Mertz Securities Limited, Welspun Trading Limited, Welspun Mercantile Limited, Krishiraj Trading Limited, Sequence Apartments Private Limited, Welspun Foundation for Health and Knowledge.

Directors /Key Management Personnel:

Name of the Related Party	Nature of Relationship
G. R. Goenka	Chairman
B. K. Goenka	Vice chairman & Managing Director
R. R. Mandawewala	Director
M. L. Mittal	Executive Director - Finance
B. K. Mishra	Chief Executive Officer & Executive Director

Transactions with Related Parties

Transactions with Related Parties	Rs. million
Sales (net) to and recoveries from:	31.03.07
Welspun Trading Limited	5192.03
Others	5042.83
Purchase of Goods and Services:	149.20
Welspun India Limited	22.94
Others	21.32
Purchase of Fixed Assets:	1.62
Welspun Power and Steel Limited	159.88
Others	157.37
Rent Paid/Licence fees:	3.01
Welspun India Limited	1.87
Good Value Polyplast Limited	0.58
Mertz Securities Limited	0.26
Vipuna Trading Limited	0.30
Donation given:	1.45
Welspun Foundation for Health and Knowledge	1.45
Loans/Advance/Deposits given/(repaid):	31.55
Welspun Power and Steel Limited	30.00
Others	1.55
Loans/Advance/Deposits received/repaid	0.01
Welspun India Limited	0.01
Balances written off	0.38
Welspun India Limited	0.38
Equity share issued (including securities premium)	2.78
Welspun Mercantile Limited	2.32
Krishiraj Trading Limited	0.46
Reimbursement of expenses (net)	(0.28)
Others	(0.28)
Remuneration to Directors	43.14
Vice Chairman & Managing Director	26.56
CEO & Executive Director	12.02
Others	4.56
Closing Balances	
Loans/Advance/Deposits given:	94.89
Welspun Power and Steel Limited	30.00
Sequence Apartments Private Limited	11.03
Mertz Securities Limited	19.00
Good Value Polyplast Limited	15.50
Vipuna Trading Limited	15.50
Others	3.86
Corporate guarantee given	3186.99
Welspun Power and Steel Limited	301.36
Welspun Trading Limited	1971.92
Welspun Pipes Inc	913.71
Sundry Debtors	2721.70
Welspun Trading Limited	2719.91
Others	1.79

Notes to Consolidated Accounts

Rs. million

16. Earning Per Share

Particulars	Year Ended 31.03.07
I) Profit computation for Basic Earning per Share of Rs. 5 each	
Profit After Tax	1425.31
Less: OCCPS Dividend	1.71
Profit available for Appropriation to Equity Share Holders	1423.60
Adjustments for Diluted EPS:	
Interest on FCCB (Net of Tax)	1.07
Profit for Diluted Earning per Share	1424.67
II) Weighted Average number of equity shares for Earning per	
Share computation	
a) For Basic earning per share	133,293,520
b) For Diluted earning per Share	164,593,401
III) Earning Per Share	
Basic	Rs. 10.68
Diluted	Rs. 8.66

Signatures to schedules 1 to 18

For and on behalf of the Board

As per our attached report of even date
For MGB & Co.
Chartered Accountants

B.K. Goenka
Vice - Chairman & Managing Director

Braja K. Mishra
C.E.O. & Executive Director

Mohan Bhandari
Partner
M. No. 12912
Mumbai, 14th May 2007

M.L. Mittal
Executive Director - Finance

Ramesh H. Ved
Chief Financial Officer &
Company Secretary

Consolidated Cash flow statement annexed to the balance sheet for the year ended

Rs. million

Particulars	31-03-2007
CASH FLOW FROM OPERATING ACTIVITIES	
Net Profit before tax and exceptional items	2,190.30
Adjustments for :	
Depreciation	475.55
Unrealised exchange difference	(255.97)
Employees Stock Option Compensation	5.05
Interest income	(39.80)
Dividend income	(1.78)
Interest expenses	328.68
Loss on sale of fixed assets	0.95
Preliminary expenses	(0.13)
Operating Profit before working capital changes	2,702.85
Adjustments for :	
Trade and other receivables	(3,324.53)
Inventories	293.72
Trade and other payables	430.20
Cash generated from operations	102.24
Taxes paid (net)	(398.62)
NET CASH GENERATED FROM OPERATING ACTIVITIES	(296.38)
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of fixed assets (Including capital work in progress)	(6,297.78)
Interest received	44.71
Dividend received	1.78

Consolidated Cash flow statement annexed to the balance sheet for the year ended

Rs. million	
Particulars	31-03-2007
Purchase of short term investments	(17,493.53)
Sale of short term investments	17,237.84
Sale of fixed assets	4.27
NET CASH USED IN INVESTING ACTIVITY	(6,502.71)
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from issue of Shares (Minority Interest)	69.67
Interest paid	(303.43)
Dividend paid (including tax on dividend)	(98.59)
Proceeds from long term borrowings	8,897.07
Proceeds from short term borrowings	599.50
Repayment of long term borrowings	(1,408.07)
Repayment of short term borrowings	(450.39)
NET CASH FROM FINANCING ACTIVITY	7,305.76
NET INCREASE IN CASH AND CASH EQUIVALANTS	506.67
Cash and cash equivalent Opening balance	3,066.55
Cash and cash equivalent Closing balance	3,573.22

Notes:

1. Cash and Cash equivalents at end of year includes unrealised loss of Rs 90.80 mn being on account of fixed deposits in foreign currency.
2. Cash and Bank balances includes Rs. 70.66 mn which is not available for use by the Company (Refer Note 10).
3. The balance in the Cash and Cash equivalents includes Rs 0.36 mn set aside for payment of dividend and accordingly is not otherwise available to the Company.
4. Conversion of preference shares and FCCB (Refer note 2 and 3 of notes to accounts respectively) have not been considered in the above Cash flow statement being non cash transaction.

As per our attached report of even date

For MGB & Co.

Chartered Accountants

Mohan Bhandari

Partner

M. No. 12912

Mumbai, 14th May 2007

For and on behalf of the Board

B.K. Goenka

Vice - Chairman & Managing Director

Braja K. Mishra

CEO & Executive Director

M.L. Mittal

Executive Director -Finance

Ramesh H. Ved

Chief Financial Officer &
Company Secretary

Statement pursuant to exemption received under Section 212 (8) of the Companies Act, 1956, relating to Subsidiary Companies

Rs. million

Sr. No	Name of the Subsidiary Company	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in Subsidiary	Turnover	Profit Before Taxation	Profit After Taxation	Proposed Dividend	Country
1	Welspun Natural Resources Private Ltd.	INR	1.00	0.10	-	1.70	1.60	-	-	-	-	-	India
2	Welspun Pipes Inc.	USD	43.51	0.43	0.02	107.64	107.19	-	-	-	-	-	Delaware (U.S)
3	Welspun Enterprise (Cyprus) Ltd.	EUR	57.87	0.11	(0.19)	0.11	0.19	-	-	(0.19)	(0.19)	-	Cyprus
4	Welspun Lone Star Tubular LLC.	USD	43.51	174.04	(0.59)	178.92	5.47	-	-	(0.59)	(0.59)	-	Delaware (U.S)

Frequently Asked Questions

1. What Products does the company manufacture? What are the basic raw Materials for them? What are the uses of these products?

Welspun is a one stop shop for all pipe requirements to meet any requirement for the oil, gas, water and structural industry. Welspun's size range starts from ½ an inch in outer diameter to 100 inches. This size range coupled with state of the art coating and bending facilities makes Welspun a unique company in Asia. There are three kinds of products being manufactured namely:

- LSAW (Longitudinal Submerged Arc Welded) pipes are made from Steel Plates of very high grades and are used for extremely demanding applications of oil and gas, like deep sea off-shore applications, sour gas applications and for other critical applications. Welspun offers pipes from 16 inches to 60 inches, with 6mm. to 65 mm. wall thicknesses making it one of the few companies globally, to have the capabilities to offer such pipes.
- HSAW (Helical Submerged Arc Welded) pipes are made from Steel Coils and are used in long distance transportation of oil and gas. Welspun offers pipes ranging from 18 inches to 100 inches in diameter and from 5 mm. to 30 mm. in wall thickness, making it one of the few companies to produce high wall 56 inch outer diameter pipes for both HSAW and LSAW applications.
- ERW (Electric Resistant Welded) pipes are relatively smaller in diameter and are used in local distribution of oil and gas, like city gas pipeline networks etc. They are also used as boiler tubes and specialty chemical tubes. Welspun offers pipes ranging from as small as 0.5 inches to 16 inches in diameter and is one of the only companies to offer API grade ERW pipes.

2. What is the current capacity? What is the division of these capacities according to the products?

The current operational capacity is 1 million tonnes. It has been divided as under:

- LSAW: 350,000 tonnes, HSAW: 400,000 tonnes, ERW: 250,000 tonnes.

3. What has been the capacity in the last three years?

The capacity in the last three years has been: FY 2004-05: 400,000 tonnes, FY 2005-06: 700,000 tonnes, FY 2006-07: 1,000,000 tonnes.

4. What is capacity utilization rate currently?

In a pipe mill, pipe production per hour increases gradually. It therefore, takes time to reach the optimum level of production, sometimes even two to three years. Since most of the new capacities within WELSPUN have been added in last one or two years the rate of capacity utilization in FY2007 was 50% and it is being increased to higher levels say 75% by FY 2007-08.

5. What is optimal level of capacity utilization as a norm for the industry?

The optimum level varies according to the specifications of the products, with respect to size of pipes and outer diameter of pipes. The current capacity figures of Welspun are based on an average diameter of 36 inches. The capacity can multiply three fold if it were to produce pipes of only 56 inches diameter.

6. What are the entry barriers to this industry?

There are various entry barriers to this industry, like accreditations, sizes (very small and very large diameters), qualities and capacity utilization. Accreditations are the most important barriers for new entrants into the industry and are required for sourcing any business from oil and gas majors as they are extremely cautious and conservative in approving new mills. Faulty products can lead to accidents and create havoc, capital and industrial losses. (damages, legal liabilities, losses for oil and gas companies) It took WELSPUN five years, despite having the most modern plants and machinery, to get major accreditations from oil and gas players and many of these accreditations, particularly from TOTAL, EXXON MOBIL, Chevron are only available to Welspun in this part of the world.

7. Who are the major players that WELSPUN has got accreditations from?

WELSPUN has gotten accreditations from over forty Oil and Gas majors worldwide, making it technically qualified to bid for almost all projects domestically and internationally. Given below is a list of some of them GAIL, ONGC, Enterprise, Kinder Morgan, Great Nile Petroleum Oil Company, Sudan, Hunt Oil Company, Energy Transfer, Occidental, Anadarko, Texas Gas, Dow, Egpc, Stolt Offshore, Total, France, Saudi Aramco, Chevron, Us, Clough Engg, Australia, Pgn, Indonesia, Mitco, Malaysia, Achilles, Norway, Fpal, Uk, British Petroleum, British Gas, Petronas, Malaysia, Qatar Petro, Shell, Gazprom

8. What is Welspun's competitive advantage?

Welspun has a competitive advantage because of the following:

- Accreditations by most of the Oil and Gas majors across the globe
- Manufacturing ability and experience of pipes from ½ an inch to 100 inches in diameter and also large diameters like 56" in both LSAW and HSAW
- Experience of manufacturing High grade pipes like X 70 and X 80
- Latest technology

9. What is the competitive advantage in terms of technology?

Welspun uses the most updated plants and machinery to manufacture pipes with plant and equipments supplied by the leaders in their respective categories like JCO press and expander from SMS Meer (Manesman Demag, Germany). Most of the technicians and engineers at Welspun are trained with these world class technologies, have significant international exposure and are well versed with the best operating practices. Within Welspun, quality is of paramount importance wherein products are checked at each and every stage and any sub-standard product is rejected leading to only the right pipes being transferred to the next level. At the cost of suffering a high wastage in the initial years, Welspun has built up a culture of doing things right the first time, which has led to significant control of wastage and compliance with stringent quality requirements.

10. Which are the key exports markets for the company?

The key exports markets currently for Welspun are U.S.A, Latin America, Middle East, Far East and North Africa.

11. Who are your competitors internationally?

Internationally our competitors are: Europipe from Germany, Sumitomo, Nippon Steel and JFE from Japan, ILVA from Italy and Corinth from Greece.

12. What are the other auxiliary services provided by the company?

Besides bare pipes, Welspun provides coating and bending solutions.

13. Is there a shortage of steel plates globally? What are the prices of Steel Slabs and are they easily available?

Steel Plates globally for the kind of specifications required to manufacture high grade pipes as similar plates are also used for ship-building. There are no manufactures within India and all plates are imported mainly from Western Europe. This has led to significant demand supply mismatch, leading to huge scarcity premium. Slabs are relatively more easily available with significant steel making capacities in Brazil, Russia and China.

14. What is latest order book size of the company?

Currently the Order Book is blocked with orders worth Rs. 5.3 bn, most of which are to be executed in FY 2007-08.

15. Is the company looking at any overseas market for setting up facilities? What benefits is the company seeking from these tie ups?

The company is keen to look at various avenues to offer localized solutions to its customers. Efforts have been made in this direction and the company is establishing a world class Spiral Plant in U.S.A. of 300,000 tones which will be operational by May 2008. This facility shall meet demand domestically in the U.S.A. and shall cut down on costs of freight and shipment.

16. What are the raw materials risks involved? What are your strategies to counter act them?

Steel plates and coils are the basic raw materials required and their sudden unavailability or sharp increase in their costs can be a risk factor. As a prudent internal policy, each time the company bids for a large order it ties up the raw material suppliers based on which it finally bids. On winning the contract, once the customer opens the LC in favor of the company, the company opens an LC for the steel suppliers, thus securing its raw material availability. This arrangement locks everyone in the chain since most of the contracts are firm price contracts.

17. In case of orders delivered over a long period of time, how are the payments structured?

Welspun's payments are made usually against letter of credit once the shipment has taken place.

18. What is the operational cycle? What portion of the orders under execution are taken in the stock?

The operational cycle defers from project to project. In general the company manages to get 3 to 4 months credit for the raw materials. Besides this one has to factor one month for storage at the raw material stage, one month for production and one month for delivery to the customer. The final payments come to the company within one month of delivery. Thus the net working capital cycle comes to approximately one month.

19. When will the Plate cum Coil Mill be operational? How would it affect the business?

The Plate cum Coil Mill will be commissioned in December 2007. FY 2008-09 will see a considerable impact of the Steel Plate cum Coil Mill in the income statement and on the profitability since a significant portion of the scarcity premium in current EBDITA that is being made by Steel plate/coil suppliers will also be available to the company. The Plate cum Coil Mill will help increase the margins and the overall profit.

20. How is plate cum coil mill being funded?

The plate cum coil mill, costing approx Rs 18,110 million, is fully funded as under:

- Term loan - Rs 12,900 million - 8-10 year loan at 8-9% interest rates
- Promoter's equity - Rs 1,250 million - already raised and fully converted in April 2007.
- FCCB - Rs 3,300 million - already raised at 0% coupon and convertible up to December 2010 at Rs 162.6/share
- Balance Rs 660 million from Internal accrual

21. What is going to be debt-equity mix for the company?

Since the company is currently in a growth phase, its debt equity may be higher than the desired level of 1.5:1, but by May 2008, once most of the projects are complete, one can expect significant reduction in debt: equity based on the earnings that will kick in and also the re-payments of loans that will take place. Debt: equity ratio of 1.5:1 seems to be a comfortable norm for the capital intensive business that we are in.

22. What is the planned capital expenditure in FY 2007-2008 and how is it being funded?

The tentative capital expenditure and its funding plan is as under:

- Balance expenditure of Plate mill - Approx Rs 9,500 million - fully funded by way of loan and equity, refer answer for question no 20 for details
- Balance expenditure of US project- Approx Rs 3,900 million, the company is trying to maximize local loan, such that its equity contribution is minimum. In any event the promoters have already committed Rs 1,500 million as equity to WGSRL which could be utilized to fund any such equity requirements.
- Maintenance and balancing capex in Anjar and Bharuch pipe mills for de-bottle necking, improving efficiency, new testing equipments etc - to be funded from internal accruals

23. What is the current non-converted equity capital, how is this being converted and what will be the fully diluted equity?

As on date the current equity capital is Rs 746 million, with total paid-up shares as 149.21 million of face value Rs 5 per share. Outstanding shares to be converted in (million) are as under:

FCCB ISSUE CONV @ Rs.71.42 (million shares)	FCCB ISSUE CONV @ Rs.162.64 (million shares)	ESOP Rs.80.00 (million shares)	WARRANTS @ Rs. 102.20 (million shares)	TOTAL (million shares)
1.17	21.11	2.55	14.68	39.51

Though raising equity capital has remained inevitable in the past in view of the large capex that the company has undertaken, the company has strived to ensure that dilution happens over a period of time rather than upfront in one given year. Based on this policy, the total fully diluted equity by FY 2009 is expected to be 187.77 million shares

W.G.S.R.L.
Events Calendar - FY2007 - 2008

DATE	EVENTS / ANNOUNCEMENTS
Week 29 of 2007 Week starting July 16.	Q1 Board meeting and Results followed by Investors / Analysts Call
Week 42 of 2007 Week starting Oct. 15.	Q2 Board meeting and Results followed by Investors / Analysts Call
Week 3 of 2008 Week starting Jan. 14.	Q3 Board meeting and Results followed by investors / Analysts Call
Week 18 of 2008 Week starting April 28.	Q4 Board meeting and Results followed by investors / Analysts Call

Accolades

(Certifications & Awards)

From a sapling to a sturdy oak, the right mix of soil, weather and water has transformed Welspun into a winner.

Integral to any business is the recognition of its achievements. True to the sense, Welspun has been feted with many awards and testimonials that speak for its stringent quality parameters, product innovation, best vendor relationships and its leadership in exports.

2007	<ul style="list-style-type: none">- Ranked in 'India Top 100 Corporates - Standard & Poor's & CRISIL., March 2007- Fastest Growing Company - Business Today, May 2007
2006	Highest Exporter Award (Iron and Steel based product - non SSI) - Engineering Export Promotion Council (EEPC)
2004	<ul style="list-style-type: none">- Leaders in Innovation - Federal Express and Economic Times- Fastest Growing Steel Company - Construction World-NICMAR
2001-02, 2002-03	Export performance Awards - Engineering Export promotion council (EEPC)
1997-98	Outstanding Export Performance Award - Government of Gujarat
1996-97	<ul style="list-style-type: none">- National Exports Award for Outstanding Performance - Government of India- Outstanding Exports Award - Outstanding Export Performance - Ministry of Industry & Commerce, Government of India



WELSPUN GUJARAT STAHL ROHREN LIMITED

Regd. Office : Village Jolva & Vadadla, Near Dahej, Taluka Vagra, Dist. Bharuch, Gujarat – 392 130
Corporate Office : B-9, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013

NOTICE

NOTICE is hereby given that the 12th Annual General Meeting of Welspun Gujarat Stahl Rohren Limited will be held on **Wednesday, the 29th day of August 2007** at the Registered Office of the Company at Village Jolva & Vadadla, Near Dahej, Taluka Vagra, Dist. Bharuch, Gujarat – 392 130 at 12.30 p.m. to transact the following business:

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Balance Sheet as at 31st March, 2007 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 Preference and Equity Shares.
- 3) To appoint a Director in place of Shri G.R.Goenka, who retires by rotation, and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Shri R.R.Mandawewala, who retires by rotation, and being eligible, offers himself for re-appointment.
- 5) To appoint a Director in place of Shri M.L.Mittal, who retires by rotation, and being eligible, offers himself for re-appointment.
- 6) 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:

- 7) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956 (the “Act”) and, Schedule XIII to the Act and subject to approval of Banks and Financial Institutions and such other approval as may be required under the Act or otherwise, Shri B.K.Goenka, Vice Chairman & Managing Director of the Company be and is hereby re-appointed as Vice Chairman & Managing Director of the Company for another period of 5 years w.e.f. 1st July, 2007 on an aggregate remuneration upto a limit of Rs. 55 lacs p.a. irrespective of adequacy of profits and in addition he shall be entitled to 1% commission on profits as computed u/s. 349 & 350 of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary, alter, increase, enhance or widen the scope of the remuneration, to the extent specified in Schedule XIII to the Act as amended from time to time.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to increase the aforesaid ceiling w.e.f. 1st April, 2008 and thereafter at the end of every 12 months by not more than 25% of the ceiling of the remuneration drawn in the preceding financial year.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to enter into an agreement /issue a letter for increase in remuneration and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this resolution.”

- 8) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 198, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956 (the “Act”) and Schedule XIII to the Act, and subject to such other approval, sanction if any, as may be required, approval of members of the Company be and is hereby accorded to increase remuneration of Shri M.L.Mittal- Executive Director - Finance w.e.f. 1st April 2007 from Rs. 42.50 Lacs p.a. to Rs. 65 Lacs p.a. irrespective of adequacy of profits.

RESOLVED FURTHER THAT Shri M. L. Mittal be eligible to participate in the Employee Stock Option Scheme as approved by the Company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary, alter, increase, enhance or widen the scope of the remuneration, to the extent specified in Schedule XIII and other applicable provisions, if any of the Act as amended from time to time.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to increase the aforesaid remuneration w.e.f. 1st April, 2008 and thereafter at the end of every 12 months by not more than 25% of the remuneration drawn in the preceding financial year.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to enter into an agreement /issue a letter for increase in remuneration and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this resolution.”

- 9) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 198, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956 (the “Act”) and Schedule XIII to the Act, and subject to such other approval, sanction, if any, as may be required, approval of members of the Company be and is hereby accorded to increase remuneration of Shri Braja K. Mishra- Chief Executive Officer and Executive Director w.e.f. 1st April 2007 from Rs. 103 Lacs p.a. to Rs. 150 Lacs p.a. irrespective of adequacy of profits.

RESOLVED FURTHER THAT Shri Braja K. Mishra be eligible to participate in the Employee Stock Option Scheme as approved by the Company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary, alter, increase, enhance or widen the scope of the remuneration, to the extent specified in Schedule XIII and other applicable provisions, if any of the Act as amended from time to time.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to increase the aforesaid remuneration w.e.f. 1st April, 2008 and thereafter at the end of every 12 months by not more than 25% of the remuneration drawn in the preceding financial year.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to enter into an agreement /issue a letter for increase in remuneration and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this resolution.”

By Order of the Board

Place: Mumbai
 Date: 14th May, 2007

B. K. Goenka
 Vice-Chairman & Managing Director

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

Item Nos. 3-5

1. Shri G.R.Goenka

Shri G.R. Goenka aged 65 years is Chairman of the Company. He has more than 4 decades of experience in industrial / trading activities.

He is also a member of the Board of Welspun India Ltd. and Welspun Syntex Ltd.

Shri G. R. Goenka does not have any share capital in the Company.

2. Shri R.R.Mandawewala

Shri R.R.Mandawewala aged 45 years, is a qualified Chartered Accountant. He has been associated as promoter with Shri B.K. Goenka from the Welspun Group's first project in 1985. He has more than 20 years of experience in the field of finance and administration. He has been responsible for operations and marketing and for implementation of the projects undertaken by the group for its textile business.

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



Directorship:

Welspun Syntex Ltd., Welspun India Ltd., Welspun Finance Ltd., Welspun Zucchi Textiles Ltd, Welspun USA, Inc., Welspun Mercantile Ltd., Welspun Wintex Ltd., Welspun Trading Ltd., Krishiraj Trading Ltd., Welspun Anjar SEZ Ltd, Welspun Power and Steel Ltd., Welspun Developers and Infrastructure Pvt. Ltd., MEP Cotton Pvt. Ltd., Welspun Energy Pvt. Ltd., Welspun Urja India Ltd., Welspun Holdings Private Limited, Welspun Home Textiles UK Limited, CHT/Holdings Limited and its subsidiaries.

Membership / Chairmanship of Committees:

Shri R.R.Mandawewala is a member of Share Transfer & Investors Grievance Committee of Welspun India Ltd, Welspun Syntex Ltd and Welspun Gujarat Stahl Rohren Limited. He is also a member of Audit Committee of Welspun Finance Ltd and Chairman of Audit Committee of Welspun Zucchi Textiles Ltd. He is also a member of the Remuneration Committee of Welspun Syntex Ltd and is a member of Finance Committee of Welspun India Ltd., Welspun Syntex Ltd. and Welspun Gujarat Stahl Rohren Limited and also a member of Project Committee of Welspun India Ltd.

He holds 140 equity shares in the Company.

3. Shri M.L.Mittal

Refer explanation given in respect of Item No. 8

ITEM NO. 7

Shri B. K. Goenka is at the helm of the affairs of the Company since inception of the Company. The term of his appointment as Vice Chairman and Managing Director is expiring on 30th June 2007.

He was instrumental in conceiving the projects and their expansions and negotiating with machinery supplier, technology consultants and arranging for necessary resources including project finance for attainment of the business plans from time to time. The success of growth is attributable to him to a great extent. Under his guidance and supervision, the operations have reached highest efficiency level as well as economy of operations, which has contributed to a great extent to the profitability of the Company. With the challenges ahead in the global competitive environment warranting shouldering of additional responsibilities, it is imperative to consider re-appointment and enhancement of remuneration of Shri B.K.Goenka.

In view of the above it is proposed to appoint Shri B. K. Goenka as Managing Director of the company for a period of 5 years w.e.f. 1st July, 2007 on an aggregate remuneration upto a limit as given in resolution at item no. 7.

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

Directorship:

Welspun India Ltd., Welspun Syntex Ltd., Welspun Zucchi Textiles Ltd., Welspun Finance Ltd., Welspun Power & Steel Ltd., Welspun Wintex Ltd, Welspun Mercantile Ltd., Welspun Trading Ltd., Krishiraj Trading Ltd., Vipuna Trading Ltd., Mertz Securities Ltd., Goodvalue Polyplast Ltd., Welspun Developers & Infrastructure Pvt. Ltd., Welspun Energy Pvt Ltd., Welspun Logistics Limited, Welspun Urja India Limited, Welspun Natural Resources Pvt Ltd., Welspun Anjar SEZ Ltd., Giant Realty Pvt. Ltd. (formerly: Welspun Mines & Minerals Pvt. Ltd.), Welspun Home Textiles UK Limited, UK, Welspun Pipes Inc., USA, Welspun Enterprises (Cyprus) Limited, Welspun Realty Pvt. Ltd.

Membership / Chairmanship of Committees:

He is a member of Finance Committee of Welspun India Limited, Welspun Gujarat Stahl Rohren Limited and Share Transfer and Investor's Grievance Committee of Welspun India Limited, Welspun Syntex Ltd. and Welspun Gujarat Stahl Rohren Limited, Project Committee of Welspun India Limited and Member of Remuneration Committee of Welspun Syntex Ltd.

He holds 140 shares in the Company.

Members are requested to approve the said resolution as an Ordinary Resolution.

None of the directors of the Company except Shri B. K. Goenka and Shri G. R. Goenka is any way concerned or interested in the said resolution.

ITEM NO. 8

Shri M.L.Mittal aged 48 years is a Chartered Accountant and has been a director of the Company since inception and has been overseeing Finance, Account & Taxation, Secretarial & Legal and Administration Department of the organization. He has been instrumental in arranging finance in the form of long term loans as well as working capital facilities. During his tenure, the Company had undergone several expansions, restructuring of finance etc.

successfully.

The span of control entails shouldering of significant responsibility, which has multi dimensional operating functions. Considering growth in the top-line as well as bottom-line of the financials of the Company in the last financial year it was proposed to re-designate him and revise his remuneration as mentioned in the resolution at Item No. 8.

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

Directorship:

Welspun India Limited, Welspun Gujarat Stahl Rohren Limited, Welspun Syntex Limited, Welspun Finance Limited, Welspun Power and Steel Ltd., Welspun Trading Ltd., Welspun Retail Ltd., Gyanshankar Investment and Trading Co. Pvt. Ltd., Welspun Energy Pvt. Ltd., Welspun Urja India Ltd., Giant Textiles Pvt. Ltd., Fair well Textiles Pvt Ltd., Pyramid Textiles Pvt Ltd., Core Textiles Pvt Ltd.

Membership / Chairmanship of Committees:

He is a member of the Finance Committee of Welspun India Limited, Welspun Syntex Limited and Welspun Gujarat Stahl Rohren Limited. He is also a member of the Share Transfer & Investor Grievance Committee of Welspun India Limited, Welspun Gujarat Stahl Rohren Limited and Welspun Syntex Limited. He is also a member of Project Committee of Welspun India Limited. He also Chairman of the Audit Committee of Welspun Finance Limited.

He does not hold any share in the Company.

Members are requested to approve the said resolution as an Ordinary Resolution.

None of the directors of the Company except Shri M.L. Mittal is any way concerned or interested in the said resolution.

ITEM NO. 9

Shri Braja K. Mishra, who is presently Chief Executive Officer & a member of the Board, had joined the organization a decade ago when the Company was in its nascent stage. He is responsible for the entire operations of the Company, which includes diverse activities of the business.

In view of the role played by Shri Braja K. Mishra in the growth of the Company, it is proposed to redesignate him as CEO and Executive Director and revise his remuneration as mentioned in the resolution at Item No. 9.

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

Directorship:

Welspun Power and Steel Ltd., Welspun Logistics Ltd, Welspun Energy Pvt. Ltd., Welspun Urja India Pvt. Ltd., Welspun Pipes Inc. (USA).

Membership / Chairmanship of Committees:

He is Chairman of Audit Committee of Welspun Power and Steel Limited

He does not hold any share in the Company.

None of the directors of the Company except Shri Braja K.Mishra is any way 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 will remain closed from Wednesday, 11th July 2007 to Tuesday, 17th July 2007 (both days inclusive).
3. Members are requested to immediately inform about their change of 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: Intime Spectrum Registry Ltd., Unit: Welspun Gujarat Stahl Rohren Ltd., C-13, Pannalal Silk Mills compound, LBS Marg, Bhandup (West), Mumbai - 400078.

By Order of the Board

Place: Mumbai
Date: 14th May, 2007

B. K. Goenka
Vice-Chairman & Managing Director

Privilege
Coupon

SPACES

15% OFF*

India's 1st Chain of Value Retail Home Stores

WELHOMETM

10% OFF*

Validity: Aug 1st 07 ~ Jan 31st 08

*Conditions Apply

Privilege
Coupon

SPACES

15% OFF*

India's 1st Chain of Value Retail Home Stores

WELHOMETM

10% OFF*

Validity: Feb 1st 08 ~ Jul 31st 08

*Conditions Apply

Privilege Coupon

Name _____

Address _____

Tel. _____

E-mail _____

Folio No. _____

D.O.B. _____

For store use only

Bill No. _____

Bill Date _____

Bill Amount _____

Store _____

Privilege Coupon

Name _____

Address _____

Tel. _____

E-mail _____

Folio No. _____

D.O.B. _____

For store use only

Bill No. _____

Bill Date _____

Bill Amount _____

Store _____

This Privilege Coupon can be redeemed at
SPACES Home & Beyond and WELHOME Outlets listed below.

Terms & Conditions

- This Voucher cannot be converted to cash for either full value or unutilized portion.
- No two schemes can be clubbed together.
- This Voucher is not valid during End-of-Seasons sale or any other Promotional scheme in the store.
- Voucher is redeemable by the bearer and if lost/stolen, Welspun Retail Ltd will not be liable for replacement or compensation.
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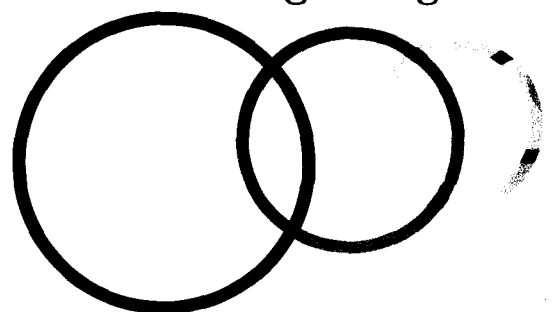
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