

# **WELSPUN CORP LTD**

World's Leading Line Pipe Manufacturer

## **INVESTOR PRESENTATION**

**May 2019**



# SAFE HARBOUR

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# WELSPUN GROUP



**WELSPUN INDIA**  
HOME TEXTILES

**Global Leader in  
Home Textiles**



**WELSPUN CORP**  
PIPES AND PLATES

**Global Leader in  
Large Diameter Pipes**



**WELSPUN ENTERPRISES**  
INFRASTRUCTURE AND ENERGY

**Infrastructure  
Investments in Oil & Gas**

**WELSPUN GROUP**  
LEADING TOMORROW TOGETHER

**Group Revenue  
US\$ 2.7 Billion**

**Fixed Asset Base  
US\$ 0.9 Billion**

**Employees  
25,000+**

# WORLD'S LEADING LINE PIPE MANUFACTURER...

...focussed on midstream segment of Oil & Gas industry value chain

## Upstream



## Midstream



## Downstream

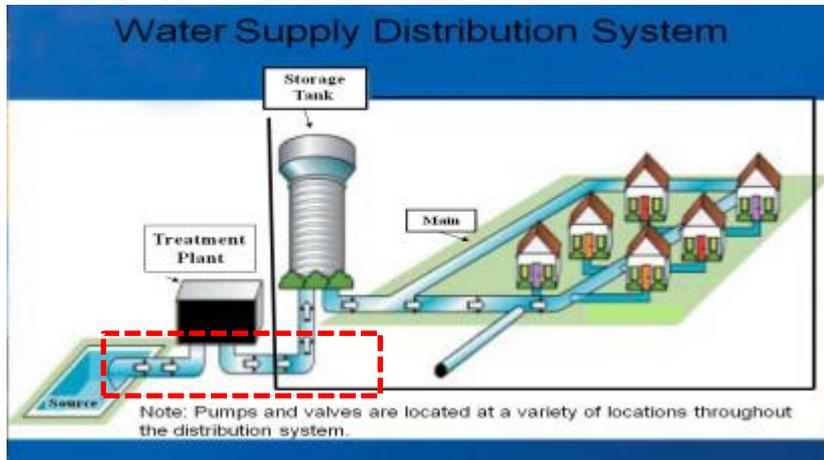


Exploration / Production

Transportation

Distribution / Retail Sale

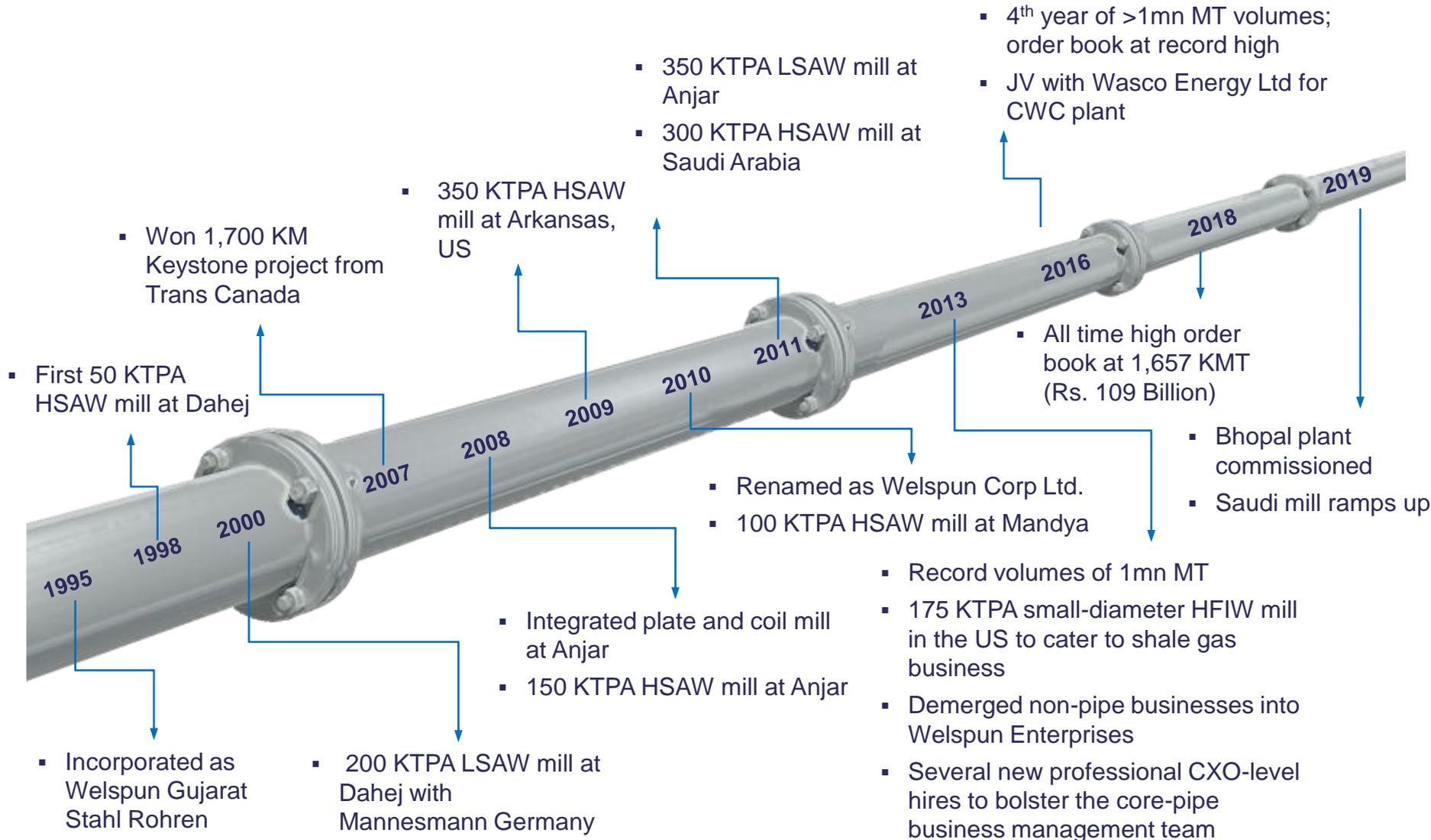
...and Water transmission value chain



Line pipes are used for transporting oil, gas or water over long distances (interstate or from offshore/ under-sea) or as gathering lines (from well to processing centre)

*Denotes WCL's presence*

# EMERGED TO BECOME LEADER



# KEY STRENGTHS

**End-to-end products & solutions**

**Advanced technological prowess**

**Focus on R&D and pipeline technology**

**Diversified global presence**

**Expertise in complex projects**

**Partnerships with global giants**

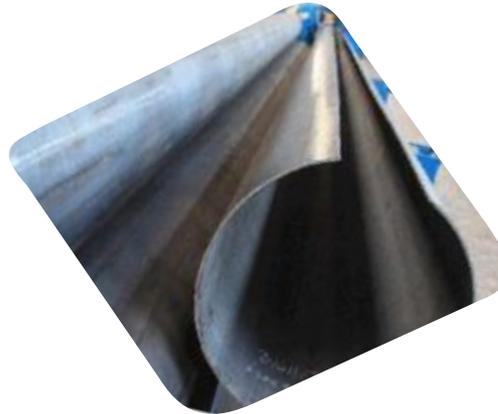
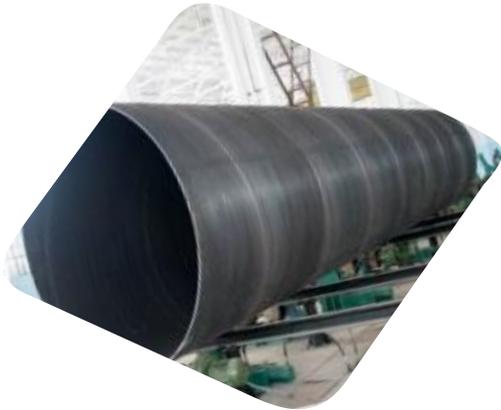
**Experienced professional team**



# END-TO-END PRODUCTS & SOLUTIONS

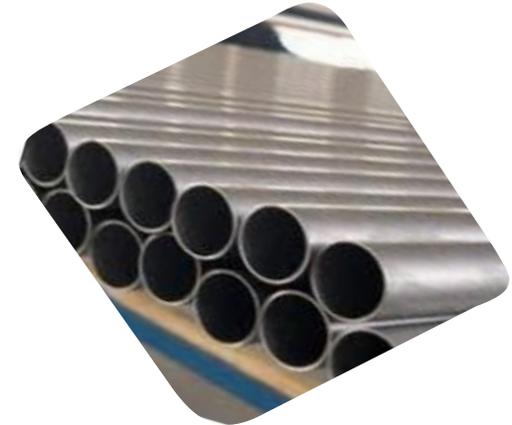
## HSAW Pipes

- Helically welded pipes made from HR coils; used for on-shore oil, gas & water transmission
- 18 – 140 inch diameter, moderate wall thickness



## ERW/HFIW Pipes

- High-frequency electric welded pipes made from HR coils; used for downstream distribution of oil, gas & water
- 1.5 – 20 inch diameter, low/moderate wall thickness



## LSAW Pipes

- Longitudinally welded pipes made from HR plates; used for onshore / off-shore oil & gas transmission
- 16 – 60 inch diameter, high wall thickness

**Coating Systems:** Concrete Weight Coating, Double Jointing, 3LPE, 3LPP, DJ, Internal Solvent /Solvent free coating, Coal Tar Enamel, Inside Cement Mortar Lining

**Ancillary services:** Pipe bending, Dump Site & Inventory management

# FOCUS ON R&D AND PIPELINE TECHNOLOGY

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## Technical knowhow with optimal solutions

Experience of delivering pipe with stringent specifications gives us the edge for prestigious and challenging projects like Keystone Pipeline, Peru LNG, Wasit Gas Program, Independence Trail, IGAT-IV, Master Gas - I

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## Dedicated R&D facility

Fully equipped Growth Workshop facilities to facilitate capability enhancement, capacity expansion, de-bottlenecking, automation and product development programs

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## Continuous research

Continuous research in steel, strain-based and deep sea pipelines, welding technology and consumables, and quality integrated management systems

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## Technical expert team

Technical experts, who belong to various international technical committees for oil and gas pipeline research, contribute to the development of new standards for line pipe durability

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# DIVERSIFIED GLOBAL PRESENCE



## Plant Locations

- Anjar, India
- Dahej, India
- Mandya, India
- Bhopal, India
- Little Rock, USA
- Dammam, Saudi Arabia

## Marketing Offices

- Mumbai, India
- Houston, USA
- Dammam, Saudi Arabia

● Manufacturing Plants

■ Countries Served

# EXPERTISE IN COMPLEX PROJECTS

## Independence Trail

233 Kms, 24" deep sea gas transmission pipeline in Gulf of Mexico  
**Complexity:** High collapse resistance

**Deepest**

**Heaviest**

## IGAT- IV

100 Kms, 56" of high pressure gas transmission pipeline in Persian Gulf  
**Complexity:** Large diameter high wall thickness, X70 grade of steel

## Peru LNG

118 Kms, 34" gas transmission pipeline  
**Complexity:** Pipeline in service at very high altitude

**Highest**

**Longest**

## Keystone Pipeline

Sole Supplier, Canada to USA Crude Oil Pipeline (~1700 kms, 36")  
**Complexity:** Very long distance hydrocarbon pipeline supplied by a single manufacturer

## Arabiyah-Hasbah (Wasit Gas Program)

100 kms, 36" of gas pipeline in Saudi Arabia  
**Complexity:** Highly sour gas

**Offshore**

**Stringent tolerance level**

## Stampede Oil Export SCR\* Pipeline

~32 kms, 18" oil pipeline in Gulf of Mexico  
**Complexity:** Only WCL could match specifications

Note: \*SCR = Steel Catenary Riser

# PARTNERSHIP WITH GLOBAL GIANTS

## Oil & gas



## Transportation



## Others



Approvals & accreditations from marquee customers across the globe

# ADEQUATE CAPACITIES FOR GROWTH

## US Facility



## Saudi Facility



## India Facility



Products (KMT)	US	Saudi Arabia	India
LSAW	-	-	700
HSAW	350	375	755
ERW/ HFIW	175	-	200
Coating Systems	✓	✓	✓

**Total combined installed capacity @ 2.55 mn MT**

Modern manufacturing facilities leads to minimum maintenance capex

Port based facilities
  
 
 All major accreditations
  
 
 Best in class equipment & practices

# AWARDS & RECOGNITIONS

**OHS category in  
engineering sector : Anjar  
(2018)**



**Best energy  
practices**

**Golden Peacock National  
Quality Award : Anjar  
(2017)**



**Golden Peacock  
Award**

**By The Martin Luther King  
Jr Commission of AR  
(2017)**



**Salute to  
Greatness Award  
2017**

**DL Shah Quality Award  
Quality Council of India  
(2016)**



**“Gold Award”  
Anjar pipes**

**Pretreatment Excellence  
Award  
(2016)**



**Environment  
Excellence Award**

**International Safety Award  
Anjar  
(2016)**



**International  
Safety Award  
With merit**

**Quality Systems Excellence  
Award for Manufacturing  
(Large Size Category)  
(2016)**



**Excellence  
Award First Prize**

**Best Customer Award  
(2015)**

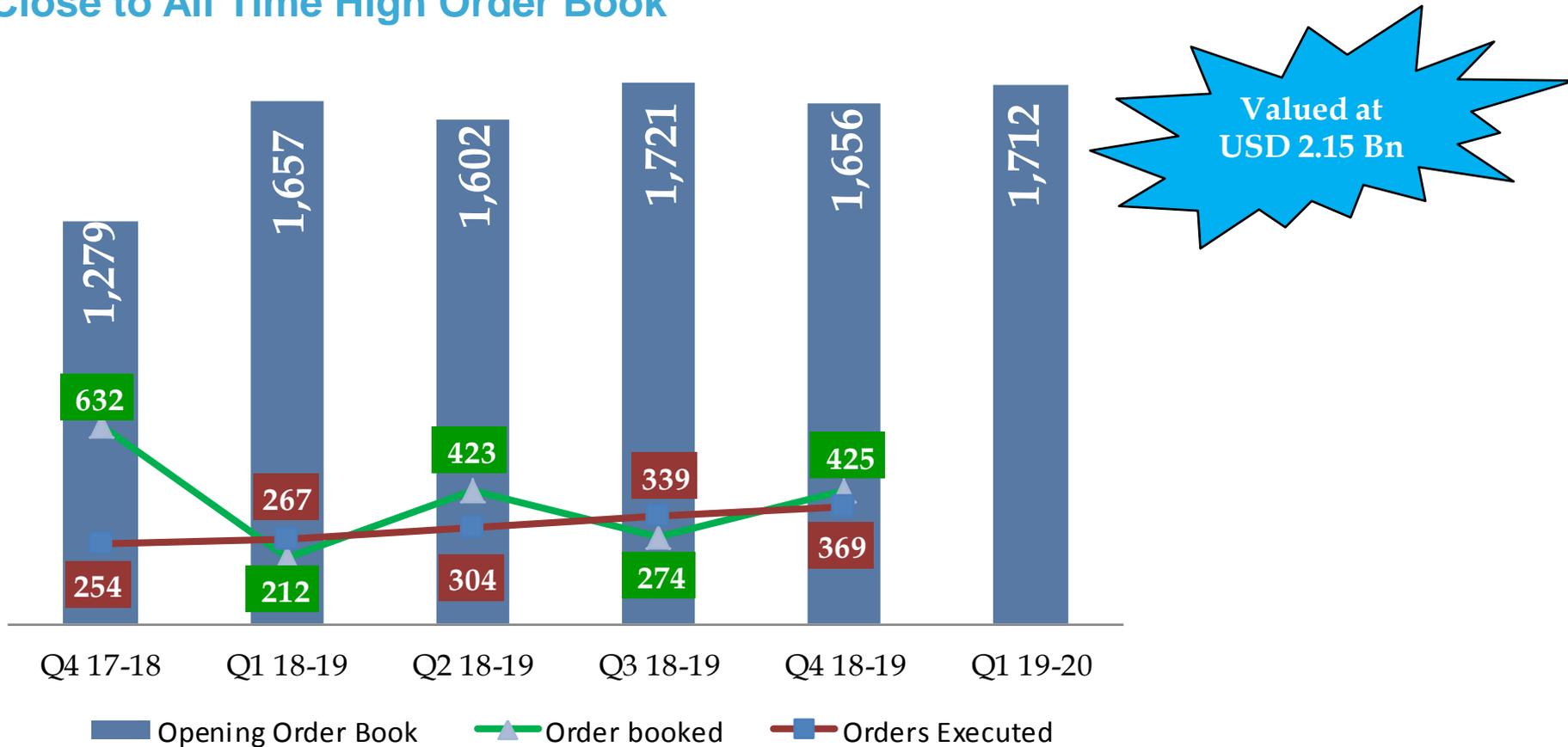


**Best Customer**

*and many more....*

# ORDER BOOK TREND

Close to All Time High Order Book

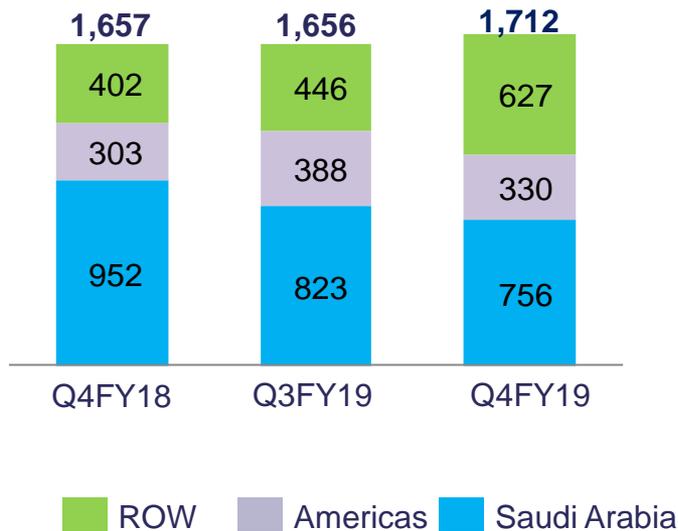


Opening order book mentioned above for Q1 FY 19-20 at 1712 KMT is as of 10th May with sales execution up to April 2019

# ORDERBOOK ANALYSIS (including Saudi Arabia operations)

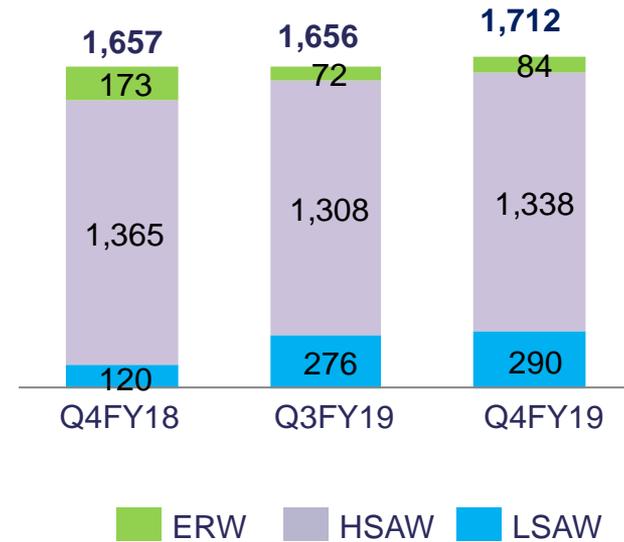
## Order book by Region

(KMT)



## Order book by Type

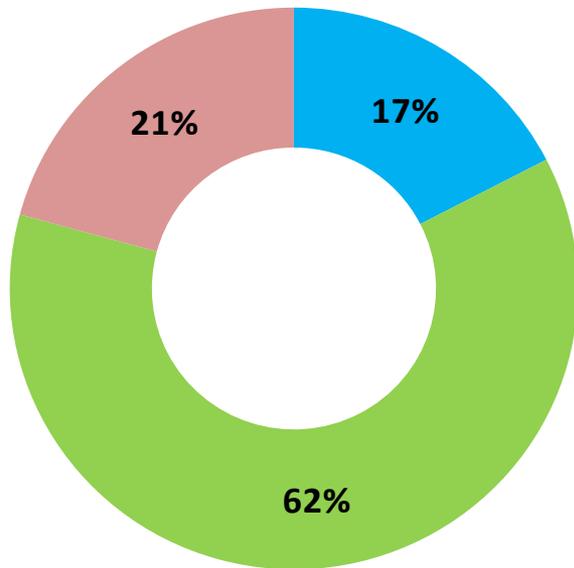
(KMT)



*Note: All numbers on this page includes all JV operations – Saudi Arabia and CWC*

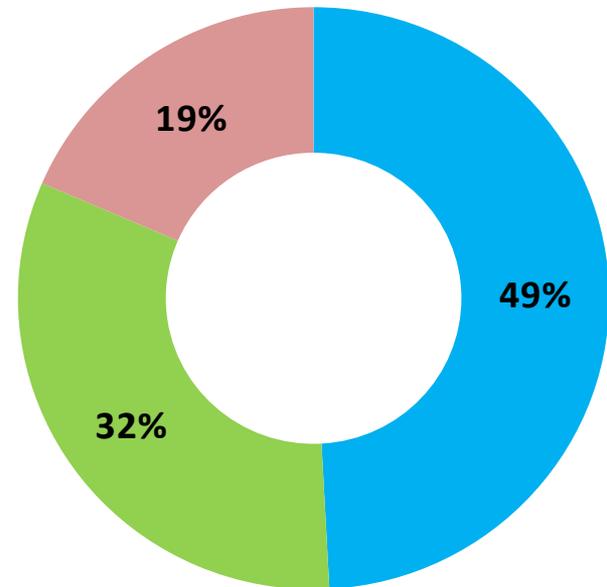
# SALES VOLUME BREAK-UP

**FY19 Pipe Sales Volume : 1,279 KMT**  
(including Saudi Arabia operations – 237KMT)



■ LSAW ■ HSAW ■ ERW

**Sales by Type**



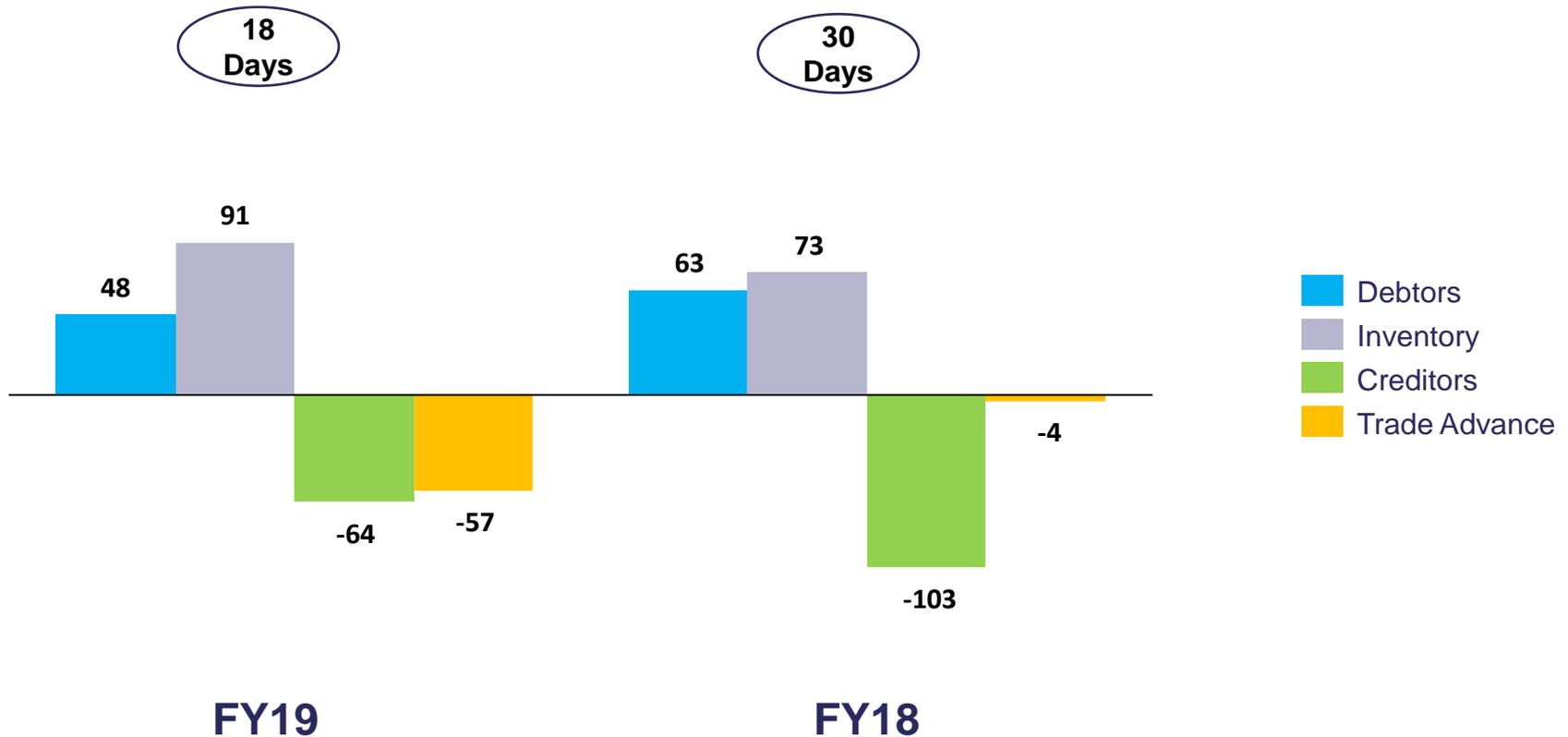
■ India ■ US ■ Saudi Arabia

**Sales by Plant**



# NET WORKING CAPITAL UNDER CONTROL

## IND AS Basis



## Cash conversion cycle at 18 days vs. 30 days in FY18

*\*Includes Debtors + Inventory – Creditors – Trade Advances  
 FY18-19 figures are only for continuing operations*

# INCOME STATEMENT – ANNUAL TREND

Rs mn	FY16	FY17	FY18	FY19
<b>Pipe Sales Volume (KMT)</b>	<b>1,100</b>	<b>935</b>	<b>1,084</b>	<b>1,279</b>
<b>Revenue</b>	<b>73,801</b>	<b>60,355</b>	<b>63,633</b>	<b>89,535</b>
<b>Operating EBITDA</b>	<b>7,777</b>	<b>5,935</b>	<b>6,008</b>	<b>8,968</b>
EBITDA	8,908	7,370	7,101	7,077
Depreciation	3,865	3,861	2,582	2,597
Finance cost	2,411	2,357	1,702	1,774
<b>Profit before tax and share of JV</b>	<b>2,632</b>	<b>1,152</b>	<b>2,818</b>	<b>2,706</b>
Tax	792	258	202	1,223
Non Controlling Interest	275	(163)	(53)	(84)
Share of profit/(loss) from associates & JVs	(47)	(793)	(859)	(885)
<b>Net Profit / (loss) (Continuing Operations)</b>	<b>1,518</b>	<b>264</b>	<b>1,810</b>	<b>683</b>
Net Profit / (loss) (Discontinued Operations)	-	-	(227)	(815)
<b>Net Profit / (loss) for the period</b>	<b>1,518</b>	<b>264</b>	<b>1,583</b>	<b>(132)</b>

Note:

Prior period figures are restated wherever necessary; All numbers of this sheet are based on IND-AS disclosures

FY18 and FY19 figures are reclassified and regrouped as continuing operations (Pipes) and discontinued operations (PCMD and 43 MW power)

Pipe sales volumes are based on total operations including Saudi

# BALANCE SHEET – ANNUAL TREND

Rs mn	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19
<b>Net Worth</b>	<b>27,989</b>	<b>28,094</b>	<b>28,540</b>	<b>27,976</b>
Short Term Loans	5,680	2,203	126	1,750
Long Term Loans	20,757	16,227	13,738	11,297
<b>Gross Debt</b>	<b>26,437</b>	<b>18,430</b>	<b>13,864</b>	<b>13,047</b>
Cash & Cash Equiv.	12,883	7,365	9,649	10,191
<b>Net Debt</b>	<b>13,554</b>	<b>11,065</b>	<b>4,216</b>	<b>2,856</b>
Net Fixed Assets (incl CWIP)	37,646	33,877	30,619	16,144
Net Current Assets #	13,944	12,746	13,596	10,460
Net Assets Held for Sale *	-	-	-	11,642
<b>Total Assets</b>	<b>86,385</b>	<b>82,469</b>	<b>76,933</b>	<b>82,000</b>
Net Debt to Equity	0.48	0.39	0.15	0.10
Net Debt to EBITDA	1.52	1.50	0.59	0.40

Note:

Prior period figures are restated wherever necessary; All numbers of this sheet are based on IND-AS disclosures

\* Net Assets Held for Sale = Assets or disposal groups classified as held for sale less Liabilities directly associated with disposal groups classified as held for sale

# Net Current Assets as on 31-Mar-19 excludes Net Asset Held for Sale

# MARKET OUTLOOK

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## USA

- **Rising fracking in the Permian basin** → Booming oil & gas production
- Constrained oil & gas evacuation pipeline capacity driving pipeline demand
- **Local US players incl. WCL, will continue to command good margins & higher volumes due to:**
  - Current oil prices profitable for shale drilling
  - Pipeline infrastructure bottlenecks
  - Restrictions placed on pipe imports in US

## Saudi Arabia

- Strong demand in both oil & gas as well as water sectors: Big projects by Saudi Aramco and SWCC
- **Big potential in the medium term with**
  - the recent find of shale gas in Saudi Arabia
  - the intent to connect the entire GCC and Middle East nations through a pipeline network
- WCL Saudi **confirmed order book for more than two years**; favourable order mix translating to significantly better profit margins
- WCL Saudi operations achieved **break-even at EBIDTA level in Q4FY19**
  - Profitability expected to further improve in the coming quarters

# MARKET OUTLOOK....cont.

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## India

### Oil & Gas:

- **Large-diameter pipe demand** driven by gas grid development by GAIL & oil pipeline network by IOCL
- **Small-diameter pipe demand** from City Gas Distribution projects
- New government policy to grant pricing freedom to new gas discoveries → Increase in exploration activities in the country → higher pipeline demand

### Water:

- Government focus on issues surrounding water scarcity & stress → Significant demand from water projects is expected across states
- **WCL Bhopal Facility:** Geared to meet local demand & become a sizeable player in Central India

### Exports:

- **WCL well-placed to service LSAW pipes demand across geographies with**
    - its global approvals and accreditations
    - an impeccable track record of supplying pipes for complex projects for Oil & Gas majors
  - With oil demand & price remaining strong, the export business from India plants is expected to benefit
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## Near Term Potential for Further Growth

**Global Bid Book:** 3.3 million tons

**Global Upcoming Bids:** 18.8 million tons

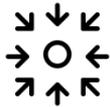
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# WELSPUN CORP - WAY FORWARD



## Higher Profitability

- ❑ Close to all time high **Order Book**: 1,712 KMT; provides strong visibility for the future across geographies
- ❑ Profitability associated with these orders is significantly better than recent profitability trends
- ❑ Likely to continue in the medium term



## Focus on Core Assets

- ❑ Rich legacy & expertise of delivering pipes for many prestigious & challenging projects, thus **focus on pipe business**
- ❑ **Divestment of non-core businesses** - Plate & Coil Mill Division (PCMD) and 43MW power plant
- ❑ Unlocking significant value for shareholders



## Leaner Balance Sheet

- ❑ Focus on free cash flows by calibrating capex and effective management of working capital
- ❑ Excess cash being used for **pre-paying debt** and to **buyback shares**, thus making the balance sheet leaner
- ❑ Asset-light approach to further improve Return ratios



## Buyback of Shares

- ❑ Utilising the Company's surplus cash reserves and in order to enhance shareholder value
- ❑ Announced plans to buyback its shares for a maximum aggregate consideration of **Rs. 3.9 billion** at a price not exceeding **Rs. 140 per share**

# THANK YOU

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