

# Welspun Corp Limited

## Investor Presentation | Q4 FY22



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# Q4 FY22 at a Glance

Pipes		Other Verticals	
<p>Production (Line Pipes)</p> <p>229 KMT</p> 	<p>Sales (Line Pipes)</p> <p>269 KMT</p> 	<p>Sales (Billets)</p> <p>18 KMT</p> 	<p>Sales (SS Pipes)</p> <p>1,160 MT</p> 
<p>Order Book (Line Pipes)</p> <p>925 KMT</p> 	<p>Active Bids – Outlook (Line Pipes)</p> <p>1,250 KMT</p> 	<p>Sales (SS Bars)</p> <p>1,248 MT</p> 	

**Note: Pipe Sales & Production volumes and Order Book include Saudi Arabia operations**

## Financial Results for Q4 FY22

Particulars (Rs Cr)	Q4FY22	Q3FY22	QoQ
<b>Total Revenue from Operations</b>	<b>2,011</b>	<b>1,442</b>	<b>39.5%</b>
<b>Other Income</b>	<b>402</b>	<b>58</b>	<b>599.0%</b>
Reported EBITDA	474	168	181.8%
Depreciation and Amortisation	63	64	-1.2%
Finance Cost	30	27	10.0%
<b>Profit before tax and share of JVs</b>	<b>380</b>	<b>77</b>	<b>395.9%</b>
Share of profit/(loss) from Associates and JVs	13	(16)	-
Exceptional Items - Income / (Expenses)	-	-	-
Tax expense	130	22	483.9%
Non-controlling interest	27	(7)	-
<b>PAT after Minorities, Associates &amp; JVs (I)</b>	<b>236</b>	<b>46</b>	<b>415.7%</b>
<b>Basic EPS from Continuing Operations</b>	<b>9.0</b>	<b>1.8</b>	

Q4FY22 includes Gain of Rs.359 crores in “Other Income” from the Saudi IPO

*Note:*

- Consolidated Financials pertaining to continuing operations
- Prior period figures are restated wherever necessary

## Financial Performance

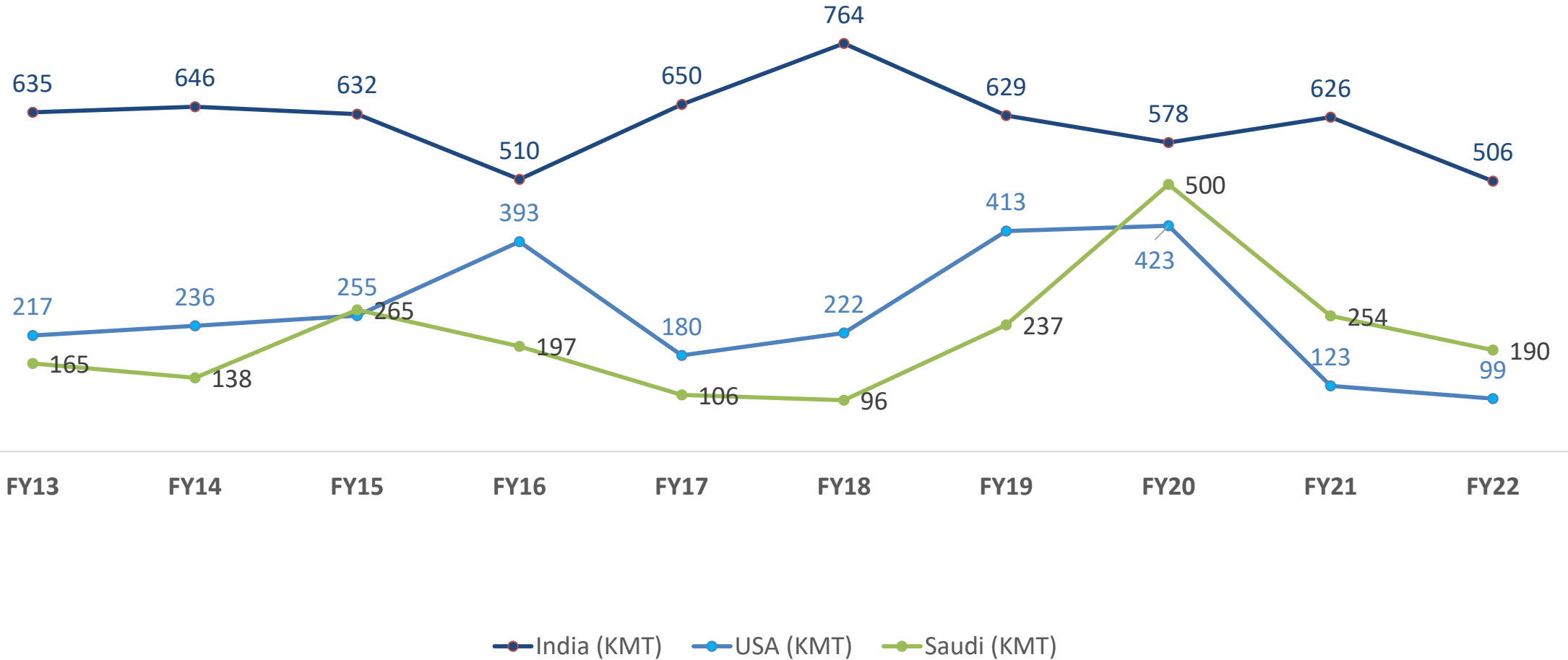
Particulars	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
<b>Revenue (INR cr)</b>	9,083	7,705	8,451	7,380	6,035	7,587	8,954	9,957	7,153	6,505
<b>EBITDA (INR cr)</b>	919	844	951	891	737	815	708	1,276	1,152	1,023
<b>Basic EPS</b>	6.1	2.8	2.6	5.8	1.0	6.0	2.6	25.6	29.8	16.8
<b>Net Worth (INR cr)</b>	2,750	2,957	2,799	2,799	2,809	2,854	2,798	3,215	4,209	4,528
<b>Net Debt / (Cash) (INR cr)</b>	2,314	2,568	1,910	1,355	1,106	422	286	32	(447)	(173)
<b>Net debt/Equity</b>	0.84x	0.87x	0.68x	0.48x	0.39x	0.15x	0.10x	0.01x	-0.11x	-0.04x

**Note:**

- Consolidated Financials
- Prior period figures are restated wherever necessary; All numbers of this sheet are based on IND-AS disclosures
- From FY19 figures are pertaining to continuing operations (Pipes) only

# Sales Volume Mix: Line Pipes

**Consistent Performance in India**



## Business Outlook

### Line Pipes

India continues to be strong, both in O&G & Water sectors, with strong emphasis on creating an O&G pipeline network across the country. Also water distribution network and irrigation is a key priority. Further, CGD connectivity will provide a huge impetus for ERW pipes. Active discussions for several orders in the export markets which have seen an improvement in prospects due to high oil prices, increased demand and Europe looking to diversify its energy supply. Saudi market strong, Saudi Aramco has increased its capital expenditure guidance to \$40 billion - \$50 billion for 2022 from \$31.9 billion in 2021. O&G market in the US also buoyant as evident from the recent order win (single largest order in the history of the company).

### Ductile Iron Pipes

Huge impetus on creating drinking water supply infrastructure. Jal Shakti Ministry was allocated a total of Rs. 86,189 crore for FY23 higher from Rs. 69,052 crore allocated in the previous fiscal year. Our internal forecasts based on interactions with various industry participants, indicate a robust demand for DI pipes over the next 5-7 years with projected demand outstripping supply.

### Long Products

Demand uptick stemming from the Government's thrust on infrastructure, particularly in the rural markets, apart from the pickup in the construction activity, which will lead to increased offtake of Long Products. The government has a fixed objective of increasing rural consumption of steel from the current 19.6 kg/per capita to 38 kg/per capita by 2030-31.

### Stainless Steel and Tubes & Pipes

Big push for localization of these products under Atmanirbhar Bharat initiatives. Implementation of quality order, mandatory BIS certification in India and withdrawal of export benefits by Chinese Government will act as major catalysts for the growth of this sector which is poised to grow at CAGR of 6-7% per annum. The Key Sectors are Power, Nuclear & Defence from where we see a significant demand pull.

## Strategy for Long Term Value Creation

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- 1** Business Growth & Diversification to improve Earnings Predictability and Enhance Margins

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- 2** Building Resilience: Maintain Robust Balance Sheet

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- 3** Accelerate ESG Initiatives

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- 4** Enhancing Returns through Prudent Capital Allocation

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## WCL as “it was”: High Quality Line Pipe Business



*Top*  
**3**

Among Line Pipe Manufacturers globally



**50+**

Approvals from O&G majors; Qualifies for global bidding



**15+**  
*MN MT*

Pipes delivered since inception with multiple repeat orders

**2.55 mn MT Pipes Capacity**

**6 manufacturing facilities  
in 3 countries**

**Used in Oil & Gas, Water  
industry & Structurals**

# Approvals & accreditations: Line Pipes

### Oil & gas



Logos of oil and gas companies: Shell, TOTAL, Chevron, ONGC, Petrobras, ConocoPhillips, Gasco, ExxonMobil, bp, British Gas, Reliance Industries Limited, M.O.G.E., Statoil, PTTEP, IndianOil, PERU LNG, Gazprom, and Qatar Petroleum.

### Transportation



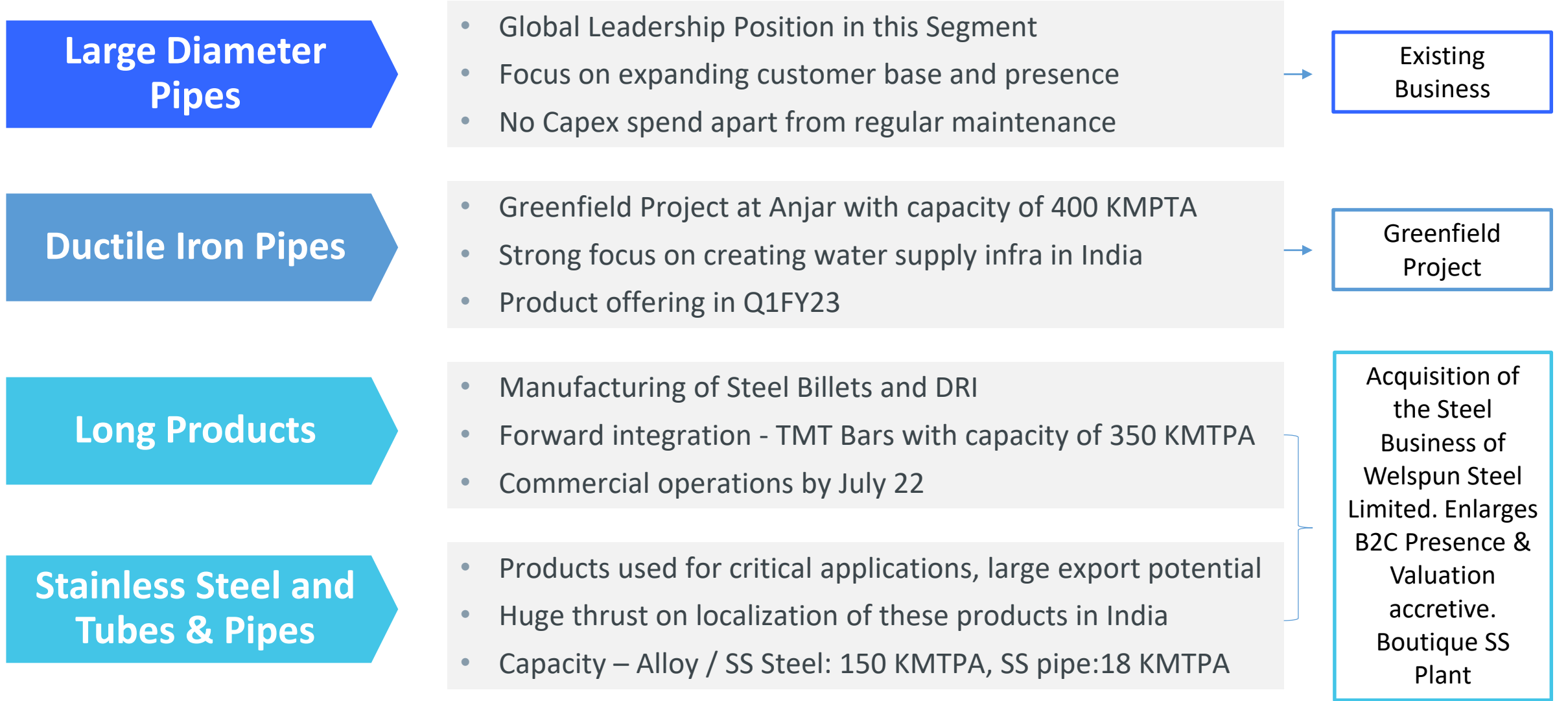
Logos of transportation companies: TC Energy, Enterprise Products, Williams, Kinder Morgan, Plains All American Pipeline, Energy Transfer, NGL Energy Partners LP, and Enbridge.

### Others



Logos of other companies: Fluor, Bechtel, Agip, Odebrecht, Dow, M, and Saline Water Conversion Corporation.

# Diversification of Steel Business: Solid Platform for Higher Value Products and B2C Initiatives



## Our Manufacturing Facilities

Capacity <sup>1)</sup>	India					US	Saudi Arabia	Total
	Anjar	Dahej	Mandya	Bhopal	Jhagadia	Little Rock	Dammam	
Products / City	Anjar	Dahej	Mandya	Bhopal	Jhagadia	Little Rock	Dammam	
LSAW	350	350						700
HSAW	250	50	150	305		350	375	1,480
ERW/ HFIW	200					175		375
<b>Line Pipes (KMT)</b>	<b>1,655</b>					<b>525</b>	<b>375</b>	<b>2,555</b>
TMT Bars (KMT)	350							350
DI Pipes (KMT)	400							400
SS Bars (KMT)					150			150
SS Pipes (KMT)					18			18



**Port based facilities**



**All major accreditations**



**Best in class equipment & practices**

Note: 1) TMT Bars & DI Pipes Capacities are upcoming

## WCL “The Way Forward”: Business Growth & Diversification Strategy

	Existing	New			Planned
Business	Large Diameter Pipe and Coating	Pig Iron and DI Pipes	Specialty Steel	Billets & TMT	Plastic Products
Scale	Amongst the Top 3 manufacturers globally	One of the largest standalone single location facility	Integrated producer from steel-making to finished products	One of the largest players in the Key Growth Market of Western India	Acquisition <sup>1)</sup> of a national level brand (largest player)
Target	B2B	B2B	B2B	B2B + B2C	B2C
		Greenfield	Acquisitions		

Note: 1) Acquired Sintex BAPL Ltd.’s Senior Secured Unlisted Non-Convertible Debentures with outstanding of Rs. 1,176.61 Crore for a purchase price of Rs. 403.16 Crore

## New & Planned Acquisitions

### Plastic Products

- National Brand with >10% market share (Year: 2018) in India
- Extensive Distribution (~ 900) and Retail (~ 13,000) Network
- Potential Synergy of leveraging this Distribution Platform for products such as TMT, DI and ERW pipes (Building Materials).

### Billets & TMT

- Location Advantage of Anjar (Port based) for Raw Material imports and exports of Finished Goods
- Maximum Demand for Long Products in Western Region: Target Markets are Gujarat & Rajasthan
- TMT Bars through dealer & retail network, with direct impact on end users. Transition to B2C segment and leveraging Brand Welspun

### Specialty Steel

- High Entry Barriers with approvals required from Process Licensors & EPC's
- Existing Group Company that has enabled WCL's entry in this segment
- Strong Improvement in recent performance: Pipe Sales Volumes higher by 50% for FY22

**Transition to B2C**

**Distribution  
Network  
+  
Strong Brand**

**High Barriers to  
Entry**

## Rationale for Business Growth & Diversification Strategy

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- Earnings predictability, stronger revenue and improved competitiveness with business diversification. Strong presence in the B2C segment.

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- Dominant presence across each product segment.

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- Greater economies of scale will provide a larger and stronger base for potential future growth.

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- Synergies especially in raw material sourcing, common infrastructure, technical manpower.

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- Significant Value Creation for all stakeholders – Shareholders, Employees, Customers, Suppliers, Communities etc.

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# Our ESG Journey

## Environmental & Social

Detailed Benchmarking versus peers on ESG factors

Mapping universe of issues, objectives and risk and prioritizing them based on Materiality for WCL

Arrive at baseline scenario in line with WEF metrics and identification of improvement areas

Formulation of a strategic roadmap outlining key actions to be undertaken in short, medium and long term

Public reporting and disclosures of ESG performance

**Maturity Assessment**



**Materiality Analysis**



**Baseline & Gap Analysis**



**Roadmap**



**Communication and Reporting**

## Corporate Governance

### Board Matters / Entity Level Controls

- ESG Committee at the board level setup
- Several key actions taken in line with leading practices

### Related Party Framework

- As-Is analysis of existing policy and process flow
- Refine scope, applicability, responsibility and appropriate controls in RPT framework

### Ethics Framework

- Conducted Ethics culture survey
- Developed a road map for training and awareness programs
- As-Is analysis, benchmarking and gap assessment of existing policies
- Updated Policies Finalized: Whistle-blower Policy, Code of Conduct, Fraud Prevention Policy & Fraud Response Plan, Disciplinary Action Matrix and Anti-Bribery & Anti-Corruption Policy

**Major transformation to further strengthen ESG across our organization**



## Sustainability Targets

Aspects	FY 2020-21	Goal 2025	Goal 2030	Goal 2040
<b>Carbon Neutrality</b> - % Renewable Energy (RE)		10% RE	20% RE	Carbon neutral
<b>Water Neutrality</b> - Water Intensity	0.63 KL/MT	0.55 KL/MT	0.40 KL/MT	Water neutral
<b>Waste to Landfill</b>	1.53 MT	1.00 MT	0 MT	Zero waste to landfill
<b>Impacting Lives in CSV</b>	1,60,735	5,00,000	1,000,000	2,000,000
<b>Sustainable Supply Chain</b> - % suppliers assessed as per ESG compliant Code of Conduct		100% critical suppliers assessed	100% (all suppliers)	100% (all suppliers)

Note: 1) Sustainability targets for Line Pipes India business 2) Impacting Lives in CSV through Welspun Foundation

## ESG Initiatives in FY22



### Several management interventions with ESG at the core:

- MoU with BP India Pvt Ltd. to jointly explore carbon emission mitigation and reduction opportunities in WCL's energy, logistics, mobility and waste management activities
- Project for Installation of 300 KW Solar Panels at Anjar – expected generation of 446,315 KWH p.a.
- Rain water harvesting developed for 974 KL, RO rejected water utilized for Process consumption
- Optimization of manufacturing processes to reduce Waste Intensity
- Including ESG in internal audit framework, formalizing key governance roles, expanding the scope of stakeholder relationship committee

**Ranked in Top One-Third in Steel Industry by S&P Global's Dow Jones Sustainability Index (DJSI) Corporate Sustainability Assessment**

## Capital Allocation at WCL

- Consistent Dividend paying Company
- Dividend Distribution<sup>1)</sup> policy aims for a balance between the quantum of dividend paid and amount of profits retained in the business for reinvestment
- Expansion and diversification of product offerings remains a key growth enabler
- Will now shift focus on Incubation, Stabilisation & Ramping of the new businesses

*Note: 1) Dividend Distribution Policy* [https://www.welspuncorp.com/system/downloads/attachments/000/000/338/original/Dividend\\_Distribution\\_Policy\\_08.05.2017.pdf?1494308856](https://www.welspuncorp.com/system/downloads/attachments/000/000/338/original/Dividend_Distribution_Policy_08.05.2017.pdf?1494308856)

**Thank You**

**Welspun Corp Limited**

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