

Robust performance Strong Q1 sets the tone for FY24

Aug 4, 2023, Mumbai: Welspun Corp Ltd. (WCL), a flagship Company of the Welspun Group, announced its consolidated financial results for the quarter ended June 30, 2023.

Complete Pipe Solutions:

- Consistent improvement in Sales volume of line pipe businesses in India and the US
 - Strong pending Order Book for Line Pipes of 645 KMT valued at INR 8,675 crore
- Steady improvement in DI Pipes sales
- Strong operational and financial performance in Stainless Steel Pipes and Bars continues

Building Materials:

- Steady ramp up in Sintex and TMT bar segment with improved sales

Financials:

- Consolidated revenue from operations for Q1 FY24 rose 3x on YoY basis to INR 4,069 crore from INR 1,322 crore
- EBITDA for the quarter jumped 4x YoY to INR 418 crore from INR 102 crore; PAT surged by 40x YoY to INR 165 crore from INR 4 crore
- Net Debt reduced by INR 303 crore to INR 835 crore in the current quarter

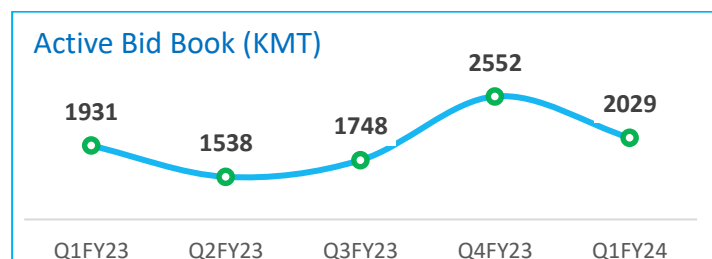
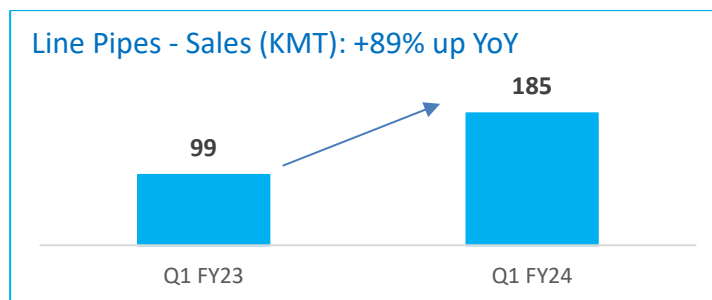
ESG:

- Progressing in line with our target
- Third party assurance (PWC) of ESG data published in the BRSR during Q1FY24

Note: Sales Volume & Order Book excludes our Saudi operations

(A) Complete Pipe Solutions:

(A.1) Line Pipes



BUSINESS UPDATE

Global Oil & Gas Scenario:

- As per the latest IEA report, the World oil demand will grow by 2.4 million bpd to 102.3 million bpd in 2023, a new record
- Total oil supply is likely to reach a record high of 101.3 million bpd in 2023 and 102.3 million bpd in 2024
- Oil prices have been stable and range bound (US\$70 - \$90 per barrel). The global oil market is likely to be in deficit in the second half of 2024, which could continue to support prices
- The overall environment for Oil & Gas capex continues to remain favourable across the world as the global upstream Oil & Gas investment is set to increase by around 11% to an estimated by US\$528 billion in 2023

(A.1.1) Key Drivers - India

- India is set to overtake China in terms of global YoY oil demand growth in 2027
- Oil demand expected to rise from 4.7 million barrels per day (bpd) in 2021 to 7.4 million bpd by 2040
- Target to increase natural gas pipeline coverage by ~54% to 34,500 km by 2024-25 and to connect all the states with the trunk natural gas pipeline by 2027
- Present refining capacity of 253.92 MMTPA is projected to increase by about 56 MMTPA by the year 2028

Outlook:

Strong export outlook with focus on Australia, Europe, South East Asia and Middle East. Upcoming hydrogen hubs and carbon capture projects to drive future demand for pipelines for H₂ & CO₂ applications

City Gas Distribution (CGD) network- Rise in demand due to new government policies

Strong traction in JJM (Jal Jeevan Mission), Nal Se Jal, Jal Nigam projects taken up by the Govt, thereby promoting this segment

Order book remains strong at 315 KMT

(A.1.2) Key Drivers – USA

- Oil supply from the USA will continue to remain strong with its shares likely to be 45% of the incremental rise to reach to the global total of 105.7 million bpd by 2028
- The USA is projected to account for over half of the global supply increase in 2023 and become the world's largest LNG exporter

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Outlook:

We see strong demand for our HSAW pipes to continue in the US market. Total order book remains strong at 330 KMT

(A.1.3) Key Drivers - Saudi Arabia

- Saudi Aramco raised its upstream spending by about 24% to US\$29 billion and plans further increase in spending to boost its crude oil capacity to 13 million bpd by 2027
- The country is heavily investing in its water desalination projects exceeding US\$14.58 billion

Outlook:

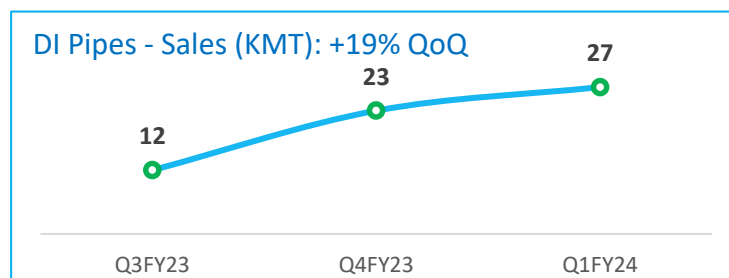
Saudi Aramco and Saudi Basic Industries Corp. (SABIC) plan to set up a joint oil-to-chemicals project that produces chemicals and base oils directly from 20 million tons of crude oil per annum. It is expected that the facility is likely to be completed by 2028, thus witnessing the significant application of line pipes.

With upgrades and expansion projects in refineries like SASREF, Petro Rabigh, and Jubail, as well as the launch of the Jizan refinery, the deployment of line pipes in Saudi Arabia is expected to increase considerably.

Recently, our associate company, EPIC has signed a contract with Saudi Aramco for the supply of large diameter Steel Pipes at a total value of SAR 1.8 Billion (approx. INR 4,000 crore). With this order our plant is fully booked for more than 1 year.

Apart from Oil & Gas segment, we expect significant demand from the investments being made on water desalination projects.

(A.2) DI Pipes



Key Highlights:

- Consistent improvement in finished products i.e. DI Pipes production and sales
- We have a strong order backlog of ~ 149 KMT valued at ~ INR 1,195 crore and are targeting sales of 175 – 200 KMT for FY24.

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Outlook:

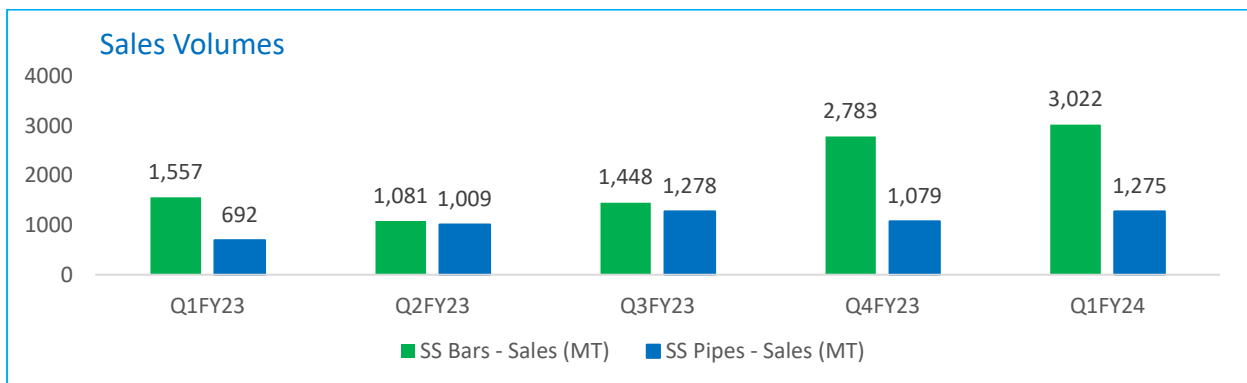
DI Pipes market is expected to grow at a strong CAGR of 13-15% in India on the back of huge investment (INR 69,684 crore in the Union Budget 2023) by the Government in water infrastructure projects.

In the next few years, DI pipes will account for 1/4th of the pipe market share in India.

We are fully geared up to become a key player in the domestic DI Pipe market and have been ramping up capacity with a size range from 80 mm to 1200 mm.

We are also exploring export opportunities in the key markets of Middle East and Africa.

(A.3) Stainless Steel Pipes and Bars- WSSL



Key Highlights:

- Strong operational and financial performance continues with complete turnaround
- While the company continues to add new customers in existing geographies, it has also made its foray into the Philippines and the USA markets
- Booked first order for super critical 6625 grade instrumentation tubes
- Successful development of S30432 (Super 304H) grade steel as well as Boiler Tubes including creep testing for the first time in the country
- Moving towards sustainability goals to green steel and accordingly have now access to green power (solar and wind)- supply commenced from May' 23
- Automatic power management system implemented and commissioned
- ESG maturity journey kick-started in partnership with EY

Outlook:

The current Order Book stands at ~ 3,864 MT valued at ~ INR 156 crore.

The company has successfully made its inroads in SEA/ NEA region and continue to work towards further market penetration.

Successful delivery of critical grades will pave way for many more opportunities in high value add product segment (nickel alloy tubing).

The company expects its performance to continue improve on the back of new grade development in critical category, geography and territory expansion and focus on sustainability and excellence initiatives.

(B) Building Materials:**(B.1) Sintex: Huge opportunities ahead**

Sintex has a pan India presence through its widespread distribution network of 900 distributors and 13,000 retailers. Further initiatives to re-energize and expand market network including distributors, retailers, plumbers and customers have been undergoing aggressively. Key products that Sintex have been offering, are Water Storage Tanks (WST), interior products, liquid storage solutions and electrical boxes.

The current market share of Sintex in Water Tanks is estimated to be about 9%. Historically, the market share was as high as 23-25%.

We acquired this iconic brand, with huge upside potential, at a very attractive valuation.

Outlook:

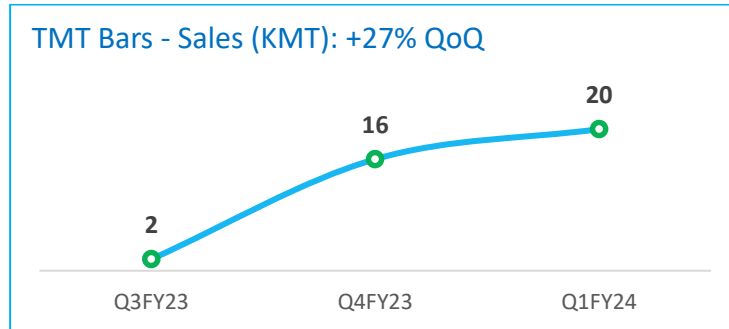
The WST market size in India is expected to grow at a CAGR of 19% between 2022 and 2026 to become double at a size of INR 9,000- 10,000 crore.

Plastic pipe market share on the other hand is likely to grow at CAGR of 10-12% between 2021 and 2025 to reach INR 60,000 crore which makes it an attractive segment to enter.

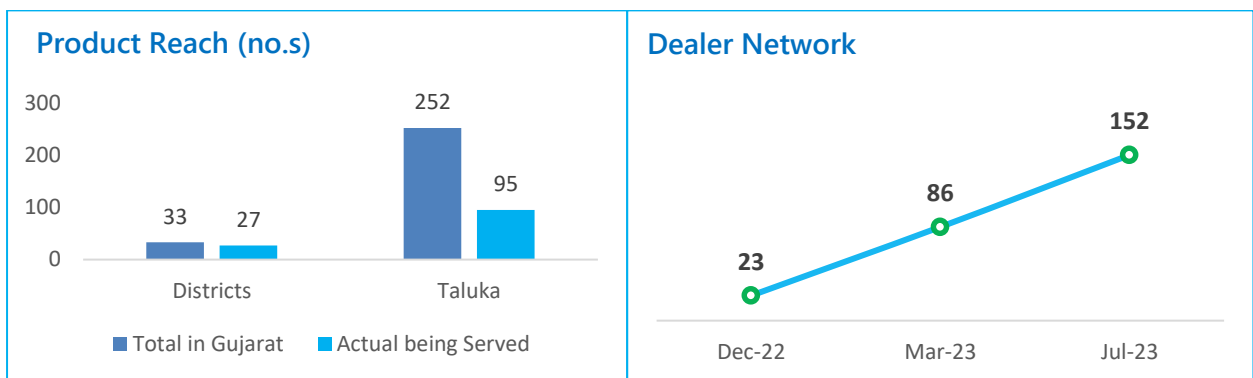
Every effort is being made to increase market share gradually by reenergizing and expanding the distribution network, focus on branding and also through additions of new products viz. plastic pipes, fittings and adhesives.

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(B.2) TMT Bars



Success Metrics:



Key Highlights:

- Steady improvement in TMT Bar production and sales on sequential basis
- Higher finished products volume resulted into reduction in sale of intermediary products
- Steady progress in increasing market penetration

Outlook:

The TMT Rebar market annual growth is expected at 7% in the coming years.

Huge infrastructure outlay by the government and strong demand for residential and commercial buildings, bridges, highways and large structures will continue to drive TMT Rebar demand in India.

We are getting strong traction for our brand, “Welspun Shield” as a Tier 1 supplier in the B2C segment in the Gujarat market.

Our innovative initiative for creating the first digital platform for distributors, dealers, retailers and influencers has been helping us deeper market penetration in the market to achieve our B2C goals.

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(C) Nauyaan Shipyard (erstwhile ABG Shipyard)

We have been disposing off metals/ metals scrap, which would result into steady cash flow. We are keeping our fixed cost at very minimal level

We are not exploring any capital intensive investment options like ship building.

We are confident of being fully monetized without having any stress on the balance sheet.

(D) ESG Initiatives

DJSI Rating:

- WCL (Line pipe business) achieved a score of 57 in DJSI rating FY 23 with a healthy 39% improvement over last year's score of 41
- Ranks in top 7% of the companies in steel sector globally

Long term sustainability goals:

- To achieve carbon neutrality gradually from 10% (2024) to 100% (2040)
- To achieve water neutrality by 2040

Aligned with UN Sustainable Development Goals through various social initiatives and programmes

We have done third party assurance (PWC) of ESG data published in the BRSR during Q1FY24

Company Outlook

Guidance for FY24

- Top line of INR 15,000 crore (growth of ~ 50%)
- EBIDTA of INR 1,500 crore (growth of ~ 90%)
- ROCE of 16% + (from 7% in FY23)
- Only Maintenance Capex
- Strong focus on growth of Sintex, DI Pipes and WSSL
- Increase in DJSI ESG rating to 60+

Management Comments



“I am happy that we started the new financial year on a strong footing and it’s in line with our stated guidance for the full year FY24. Despite seasonality, our operating and financial performances have been robust, which resulted in reduction of our net debt. Along with the steady performance in our pipe solutions vertical, performance of the building materials vertical has also seen improvement. We are confident on huge upside potential in the building material vertical, with new product offerings on the cards along with improving market share in water storage tank segment. Operational metrics in all other new businesses including Stainless Steel Pipes & Bars, DI Pipes and TMT Bars have been significantly improving. I am confident that all these together will continue to create higher value for all our stake holders” said Mr. B. K. Goenka, Chairman, Welspun Group. *“Our focus on ESG initiatives will continue in line with our stated objective to become carbon neutral BY 2040”* he added.

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Consolidated Performance Snapshot

- Prior period figures are restated after the acquisition of the Steel business of Welspun Steel Limited
- Sales Volume & Order Book excludes our Saudi operations

Sales Volumes	Q1FY24	Q4FY23	Q1FY23	FY23
Line Pipes (KMT)	185	249	99	659
DI Pipes (KMT)	27	23	-	37
SS Bars (MT)	3,022	2,783	1,557	6,869
SS Pipes (MT)	1,275	1,079	692	4,059
WST (MT)	3,538	-	-	-
TMT Bars (KMT)	20	16	-	18

Figures in INR crore

Consolidated Profit & Loss Account	Q1FY24	Q4FY23	Q1FY23	FY23
Continuing Operations				
Total Revenue from Operations	4,069	4,070	1,322	9,758
Other Income	50	62	73	320
Reported EBITDA	418	483	102	805
Depreciation and Amortisation	86	91	61	303
Finance Cost	92	95	31	243
Profit before tax and share of JVs	240	297	10	258
Share of profit/(loss) from Associates and JVs	(12)	29	4	75
Tax expense	60	85	14	134
Non-controlling interest	3	4	(5)	(8)
PAT after Minorities, Associates & JVs	165	236	4	207
Basic EPS from Continuing Operations	6.3	9.0	0.2	7.9

Prior period figures have been restated, wherever necessary

Net Debt / (Cash) position

Figures in INR crore

Consolidated debt	Jun-23	Mar-23	Dec-22
Gross Debt	2,795	3,316	3,178
Cash & Cash Equivalents	1,960	2,178	1,341
Net Debt / (Cash)	835	1,138	1,837

Saudi Financials: Key figures of East Pipes Integrated Company for Industry (EPIC):

Figures in SAR Mn

Particulars in SAR MN	Q1FY24	Q4FY23	Q1FY23	FY23
Saudi Arabia Ops:				
Sales / Revenue	39	442	206	1,439
Gross Profit	(6)	52	19	156
Operating Profit	(12)	47	12	133
Net Profit after Zakat and Tax	(19)	37	6	100
Total Comprehensive Income	(18)	37	6	100

Prior period figures have been restated, wherever necessary

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Q1 FY24 Investor & Analyst conference call: On Monday, August 7, 2023 at 10.00 AM (IST)

- Primary Access: +91 22 6280 1325 / +91 22 7115 8226
- International Toll-Free numbers
 - Hong Kong: 800 964 448
 - Singapore: 800 1012 045
 - UK: 0808 101 1573
 - USA: 1866 746 2133

About Welspun Corp Ltd. (WCL)

Welspun Corp Ltd (WCL) is the flagship company of Welspun Group, one of India's fastest-growing multinationals with a leadership position in line pipes and home textiles, along with other lines of businesses in infrastructure, warehousing, retail, advanced textiles, and flooring solutions.

WCL is one of the largest manufacturers of large diameter pipes globally and has established a global footprint across six continents and 50 countries by delivering key customized solutions for both onshore and offshore applications. The company also manufactures BIS-certified Steel Billets, TMT (Thermo Mechanically Treated) Rebars, Ductile Iron (DI) Pipes, Stainless Steel Pipes, and Tubes & Bars. The company has state-of-the-art manufacturing facilities in Anjar (Gujarat), Bhopal (Madhya Pradesh), Mandya (Karnataka) and Jhagadia (Gujarat) in India. Overseas, WCL has a manufacturing presence in Little Rock, Arkansas, USA.

WCL's expansion entails creating a diversified product portfolio and repurposing its business to add new target segments, organically and inorganically. The company recently acquired Sintex-BAPL, a market leader in water tanks and other plastic products, to expand its building materials portfolio. It has also acquired specified assets of ABG Shipyard with a potential to enter Defence and commercial shipbuilding, green steel, ship breaking, and ship repair.

The company's business growth and diversification strategy is aligned with the Welspun Group's vision of 'Har Ghar Se Har Dil Tak Welspun.'

For further information please visit www.welspuncorp.com

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