

# Chairman's message

My dear fellow stakeholders,

It is with great eagerness that I look forward to sharing my thoughts on Welspun Corp with you every year. This gives me an opportunity not only to introspect on what we did in the year gone by, but also share my thoughts for the Company for the future.

## FY18 in review

I believe FY18 was a year of inflection for Welspun Corp.

During the year, we saw significant changes in policy across the globe. The year saw the rise of protectionist policies by all major economies, especially on the steel side. Oil & gas as well as steel prices were volatile, with an increasing trend in prices especially in the latter half of the year. The rupee appreciated from the FY17 level for most part of the year. We started the year with a modest order book of around 600 KMT. Undoubtedly, the business environment was challenging.

However, we demonstrated our resilience in this tough environment. We booked new orders in excess of 2 Million MT for the year, a record for your Company. We ended at a historic-high order book of 1.6 Million MT. WCL crossed the 1 Million MT milestone in sales volumes – fifth time in six years that this coveted milestone was achieved.

Our operational performance also reflected in our financial position. With a continuous focus on maintaining financial discipline, your company was able to bring down the gross debt levels as well as the interest costs during the year. We made pre-payments of close to ₹ 7bn of higher cost debt, mainly consisting of NCDs. The undivided focus towards realigning debt book to match the business and repayment of debt wherever possible, has yielded results

with net debt going down by more than half to ₹ 4.2 Billion at FY18 end.

All this has been made possible by the Company's global manufacturing base, technical excellence, client accreditations and reach across major key markets. WCL's multi-locational line pipe capacity – spread across India, US and Saudi Arabia – helped us become a local player in each of these key markets and overcome any local content restrictions. Our exceptional track record and experience of delivering pipes with stringent specifications gives us an edge for prestigious and challenging projects. Our technical prowess and strong customer relationships has made us one of the preferred vendors for clients globally. We have also been continuously working on expanding our offering; the latest example being our Concrete Weight Coating facility.

## A positive outlook for FY19

We are optimistic on the demand situation for FY19. The recent rise in the crude oil prices has improved the outlook for the pipeline market as higher prices are expected to drive investment into the sector. Demand for small diameter pipe continues to show good traction in Americas region. Large diameter segment is showing early signs of revival, with gas export projects gaining momentum. Demand from oil & gas segment in MENA is expected to pick-up over the course of the year. We see strong demand in the domestic market, especially in the water segment, driven by river-linking

and irrigation projects across states. In India, large diameter pipe demand for the Oil & Gas segment is expected to be driven by expansion of National Gas Grid while small diameter pipes is expected to be driven by City gas distribution and North east connectivity projects. However, competitive pressures remain in the domestic market. Demand outlook for our Plate and Coil Mills division remains satisfactory, although margin challenges remain.

Our order accretion in FY18 has laid a solid foundation for growth in FY19 and beyond. This will enable significant capacity utilisation and better margins, particularly for the US and Saudi Arabia facilities. We have no major capex plans for the year which should help generate positive cash flows and reduce our net debt further. Your company is well on track to achieve its vision of being nil net debt by 2020.

## Long-Term Growth Potential

With increasing global population, GDP and improving living standards, as per the industry estimates, global energy demand is expected to grow by about 25 percent by the year 2040. The world will need to pursue different economic energy sources to keep up with this considerable demand growth. The fuel mix will consistently evolve, although oil and gas would remain the dominant source of energy for next couple of decades. The capacity of current global pipeline infrastructure continues to be deficient compared to the future

requirements. There are bottlenecks in the transportation of oil and gas from the producing regions to the consuming areas or to the export terminals. Even distribution hubs are short on storage capacity as well. These factors provide opportunities for the large diameter pipes across the globe.

Apart from oil and gas, the water segment also provides a huge opportunity for growth. Depleting availability of fresh water and lack of efficient infrastructure for transporting river water and desalinated seawater will drive pipeline demand. In the Middle East, the opportunity for pipelines lies in the fact that most of the desalination plants are at quite a distance from the consuming centres. While in India, interlinking of major rivers and irrigation projects are expected to provide huge potential demand for pipes.

Your company will continue to leverage its strengths – local presence in key markets, approvals from all major customers, technical expertise – to maintain and grow its leadership position in large-diameter pipelines.

### Technology

At Welspun, we put technology at the forefront of everything we do. With our dedicated R&D Facility to facilitate capability enhancement, capacity expansion, de-bottlenecking, automation and product development programs, we have acquired an experience of delivering pipe with stringent specifications for several prestigious and challenging projects. We have a team of technical experts, who belong to various international technical committees for oil and gas pipeline research continuously researching on steel, strain-based and deep sea pipelines, welding technology and consumables, and quality integrated management systems.

### Human Capital

As the first principle of the business, we at Welspun consider our human capital as our biggest resource. Thus,

we are constantly working on enhancing our human resource delivery by adopting the latest & best practices for people development and technology oriented human resource. One of the key highlights of the year was the stabilization of Success Factors (SF), one of the best-in-class Human Resource Management Systems. Your company continues to remain focused on building an agile organization that delivers on business strategy and provides an enriching employee experience.

### Sustainability

Welspun believes in doing business which is not only consistent with the environment but also helps sustain the same in the long run. Your company has worked on several initiatives towards energy efficiency, emission and water management to minimize the impact of the business activity on the environment. The waste generated at the Anjar plant

is used in co-processing at a nearby cement plant as it has a high calorific value. We will continue to play our part responsibly in and around the region we operates in.

### My Sincere gratitude

I take this occasion to express my heartfelt gratitude to our Board of Directors, our Management, our dedicated employees' and our esteemed customers and suppliers, bankers and investors, for their devotion, support and commitment to Welspun. I strongly believe that, with your support, we will be able to strengthen our engineering excellence and reach new heights, thus setting benchmarks for the whole industry.



**Balkrishan Goenka**  
Chairman  
Welspun Group

