

BUSINESS UPDATE

Resilient Performance in Challenging Times

**- Healthy Order Book: 694,000 MT, valued at Rs. 5,500 cr |
Net-Cash positive**

July 28, 2020, Mumbai: Welspun Corp Ltd. (WCL), flagship Company of the Welspun Group, announced its consolidated financial results for the quarter ended June 30th, 2020.

- Order Intake of 210 KMT in Q1 FY21 despite Covid-19 impact
- Reduction in Net Debt by Rs. 230 cr vs March 20, Net Cash Position of Rs. 198 cr
- Current Order Book of 694 KMT, valued at Rs. 5,500 cr
- Income from Operations stable at Rs. 2,069 cr
- Q1 FY21 Operating EBITDA at Rs.183 cr
- Free Cash Flow generation of Rs. 279 cr

Key Highlights of the Quarter ended June 30th, 2020

A) Global Order Book position:

Current Global Order Book stands at **694 KMT** valued at **Rs. 5,500 cr (US \$734 mn)**

B) Financial Highlights (Consolidated) for Continuing Operations (Ind AS):

- Pipes – Considered as continuing operations & PCMD – Considered as discontinued operations
- Prior period figures are restated and reclassified wherever necessary

1. Pipe Sales Volume (Total Operations):

- 222 KMT vs. 319 KMT, **down 30% YoY**

2. Total Income from Operations:

- Rs. 2,069 cr, **stable YoY**

3. Operating EBITDA:

- Rs. 183 cr, **down 29% YoY**

3. Reported EBITDA:

- Rs. 197 cr, **down 19% YoY**

4. Profit (Continuing Operations):

- PBT (before share of JVs) stands at Rs. 115 cr, vs Rs. 148 cr YoY
- PAT (after Minorities & share of JVs) stands at Rs. 58 cr, vs Rs. 126 cr YoY

5. Debt position:

- Net Cash stands at **Rs. 198 cr**

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- The Company has further reduced the Gross Debt by paying its long term NCDs of Rs. 250 cr and repaying commercial paper of Rs. 250 cr. This demonstrates the Company's strong liquidity position and comfortable cash flows.
- Gross and Net Debt position is as per details below:

Figures in Rs. Cr

Consolidated debt	30-Jun-20	31-Mar-20	30-Jun-19
Gross Debt	479	995	1,107
Cash & Cash Equivalents	677	963	911
Net Debt	(198)	32	196

6. Forex

The Company follows a policy of hedging its steel and forex exposure. However, there are impacts due to the cost of forex hedging and timing mismatch. The impact for this quarter is as under:

Figures in Rs. Cr

Transactional Forex impact	Q1FY21	Q1FY20	FY20	FY19
Forex impact in Other income	-	20	44	26
Forex impact in Other Expense	(5)	(20)	(61)	(41)
Net gain/(loss)	(5)	0	(17)	(15)

7. Update on Saudi business:

The Saudi business continues to contribute towards profitability.

Key figures of Saudi JV, which is not consolidated as per Ind-AS:

Particulars (in US\$ mn)	Q1FY21	Q1FY20	FY20	FY19
Saudi Arabia Ops:				
- Pipe Production (KMT)	25	105	484	263
- Pipe Sales (KMT)	41	138	500	237
Revenue	44	125	479	202
EBITDA	12	13	100	(6)
PBT	8	7	75	(24)
PAT – Welspun share	3	3	29	(11)

8. Project Status:

The Bhopal coating plant is completed and is currently under trials. Looking at the business prospects and optimal utilisation of assets, management is in the process of relocating one more spiral mill from Anjar to Bhopal with target date of operations in Q3 FY21.

9. Business outlook:

While we are seeing improvement both in oil prices and consumption, but prolonged Covid-19 and associated uncertainty is still holding back big capex programs by Global E&P and Midstream

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companies. However, India seems to be capitalizing upon this opportunity and offers a potentially bright outlook.

India Facilities

In India, we have a robust order book of 356 KMT spread between O&G, exports and water projects. About 14,700 km of additional gas pipelines are at various stages of development to complete the National Gas Grid. As per the National Infrastructure Pipeline (NIP), capex of Rs. 1 lakh crore is expected to be spent between FY20-25 to further augment the oil & gas pipeline network. We are already seeing traction in terms of increased tendering activity from domestic PSU companies.

In the domestic water segment, irrigation projects will drive demand, though we anticipate a delay in some states as they continue to fight against Covid-19.

As far as export market is concerned, we have already started receiving enquiries for potential upcoming projects in Middle East and South East Asia. We are in close discussions with customers and are confident to bag a few strategic orders in due course of time.

USA Facility

After a brief lull when operations were impacted due to the lack of orders and the Covid scenario, both the plants in Little Rock (HSAW and HFIW) have now restarted operations.

At HSAW, execution of a large order from one of our longstanding customer is currently under progress. The HFIW operations continues to run although at a lower utilization.

Welspun US is well-prepared to tackle the current challenges, thanks to its local manufacturing presence, excellent track record and strong customer relationships and has order visibility for the next 2 quarters. We are also well positioned to book a few more orders for our USA facility.

JV in Saudi Arabia

After the impact of Covid shutdown and the demand slowdown due to falling oil prices, our Saudi plant is again fully operational and we have a clear visibility of the next 2-3 quarters.

We have recently secured our first order under the long term agreement with a large customer to supply HSAW pipes for O&G applications. We are also pursuing large projects in water segment where we are L1.

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10. Update on Plate & Coil Mill Division (PCMD) Divestment:

Both parties to the Business Transfer Agreement (BTA) for sale of PCMD, have reiterated their commitment to consummate the transaction stipulated in the BTA on or before March 31, 2021. Further, the Company has already received an advance amount as per the understanding, for the aforesaid transaction.

11. COVID-19 Update

Towards the end of Q4FY20, the operations of the Company and its subsidiaries were impacted due to the shutdown of all plants and offices following lockdown imposed by government authorities to contain spread of COVID-19 pandemic. The Company and its subsidiaries have since then resumed operations in a phased manner and are operating in accordance with the health and safety guidelines, as issued by the respective government authorities. However, the different forms of lockdowns and restrictions again imposed by state governments is creating a few operational challenges.

We have adopted several additional measures encompassing global best practices, across our offices and plants globally to keep our employees and service providers safe.

Management Comments:

Commenting on the results, **Mr. B. K. Goenka**, Chairman, Welspun Group said, "This quarter was a challenging one, impacted by high volatility in oil prices and halting of economic activity. The nationwide lockdown has resulted in several challenges for the business. Welspun Corp is taking all the necessary steps required to face this difficult environment. We have continued our focus on strengthening customer relationships, employee safety, cost optimisation, cash collections and accelerating digital adoption. The Company has a healthy order book and is now in a net cash position which is indeed a tremendous achievement and will help us to weather the storm. Further I am extremely optimistic that the business prospects being pursued globally would also yield positive results and will add further strength to the company's position in these challenging times."

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Detailed reconciliation of Operating EBITDA is provided hereunder:

Figures in Rs. Cr

Reconciliation of Operating EBITDA	Q1 FY21	Q1 FY20	FY20	FY19
Reported EBITDA	197	242	1,276	708
<u>Less:</u> Items in Other income				
Treasury income	(13)	(19)	(61)	(83)
Profit on sale of non-current investments	-		-	(18)
<u>Add:</u> Items in Other expenses				
Fair valuation on IL&FS bonds incl. its SPVs	-		-	117
MTM loss/fair valuation on other bonds	-	36	39	141
Fair Valuation of non-current Investments	(1)		5	-
Impairment of loan to JV	-		25	-
Other Provisions	-			33
Operating EBITDA	183	258	1,284	897

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Consolidated Performance Snapshot

Figures in Rs. Cr unless specified

Particulars	Q1 FY21	Q1 FY20	FY20	FY19
Ex-Saudi Arabia/ CWC operations				
- Pipe Production (KMT)	105	191	1,144	989
- Pipe Sales (KMT)	181	181	1,001	1,042
Total operations				
- Pipe Production (KMT)	130	296	1,629	1,252
- Pipe Sales (KMT)	222	319	1,502	1,279
Continued Operations (Pipes)				
Total Income from Operations	2,069	2,047	9,957	8,953
Operating EBITDA	183	258	1,284	897
Reported EBITDA	197	242	1,276	708
Finance Cost	28	39	144	177
Depreciation and Amortisation	53	54	233	260
Profit before tax and share of JVs	115	148	899	271
Tax expense	78	38	412	122
Non-controlling interest	(2)	(1)	(19)	8
Share of profit/(loss) from JVs	23	17	206	(89)
PAT after Minorities & JVs (I)	58	126	674	68
Cash PAT	44	179	1,040	659
Discontinued Operations (PCMD & 43MW)				
Profit After Tax (II)	(6)	(8)	(38)	(81)
Profit for the Period (I + II)	52	118	635	(13)

Notes:

a) Prior period figures have been restated, wherever necessary

b) Cash PAT = PBT (excluding one-time non-cash items) + share of JVs and minorities – Current tax + Depreciation

Figures in Rs. Cr

Consolidated Balance Sheet - Key figures	30-Jun-20	30-Jun-19
Net Fixed Assets (incl CWIP)	1,599	1,653
Net Current Assets #	914	878
Net Debt / (Cash)	(198)	196
Net Worth	3,273	2,918
Net Assets Held for Sale *	873	1,247
ROCE (pre-tax)	33.1%	23.4%

Net Current Assets excludes Net Asset Held for Sale

* Net Assets Held for Sale = Assets classified as held for sale less Liabilities of assets held for disposal

ROCE (pre-tax) = TTM EBIT adj. for one-offs/ Avg. Capital Employed; both taken for continuing operations

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Q1 FY21 Investor / Analyst conference call:

WCL management would be happy to answer investor queries on a conference call. Please find details below:

Date: Tuesday, 28th July 2020

Time: 5:00 PM IST

Dial in details:

- Primary Access: +91 22 6280 1325 / +91 22 7115 8226
- Local Access: 70456 71221
- 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 is a one-stop service provider offering complete pipe solution with a capability to manufacture line pipes ranging from 1½ inches to 140 inches, along with specialized coating, double jointing and bending. With current capacity of more than 2.5 million MTPA in Dahej, Anjar, Mandya and Bhopal in India, Little Rock in the USA and Dammam in Saudi Arabia, Welspun takes pride in being a preferred supplier to most of the Fortune 100 Oil & Gas companies. With 360 degree abilities, Welspun Corp has undertaken some of the most challenging projects in different parts of the world. With business excellence being a clear focus, the company is on the path of innovation and technology edge supported by its state-of-the-art facilities and global scale operations. The Line pipe industry caters to the sectors like energy and water resource management where in the line pipes supplied are used to construct cross-country pipelines for transportation of oil, gas, petro-products and water in the safest and most environment friendly way.

About Welspun Group

A US\$ 2.7 billion enterprise, Welspun Group is one of India's fastest growing conglomerates with businesses in Line Pipes, Home Textiles, Infrastructure, Oil & Gas, Advanced Textiles and Floorings. The Group has a strong foothold in over 50 countries with more than 25,000 employees and over 100,000 shareholders. Headquartered in Mumbai, Welspun Group's manufacturing facilities are strategically located in India, USA and Saudi Arabia. Known for technological and operational excellence, the Group has established a leadership position in the Line Pipe & Home Textiles sectors globally. Its clients include most of the Fortune 100 companies.

For further information please visit www.welspuncorp.com

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