

Welspun Corp Ltd (WCL)

World's Leading Line Pipe Manufacturer

Investor Presentation

July 2016



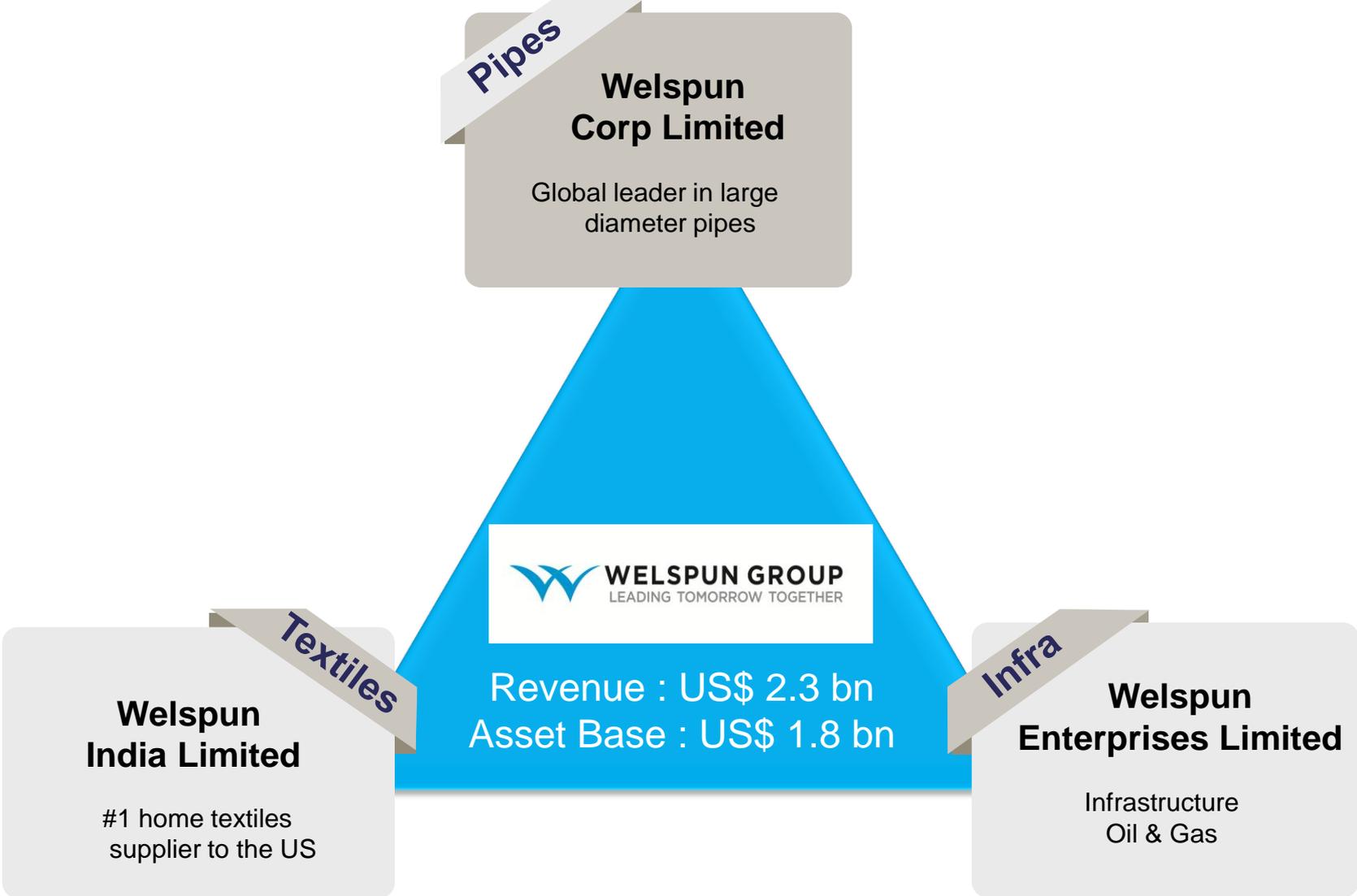
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WELSPUN GROUP



WORLD'S LEADING LINE PIPE MANUFACTURER...

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

Upstream



Midstream



Downstream

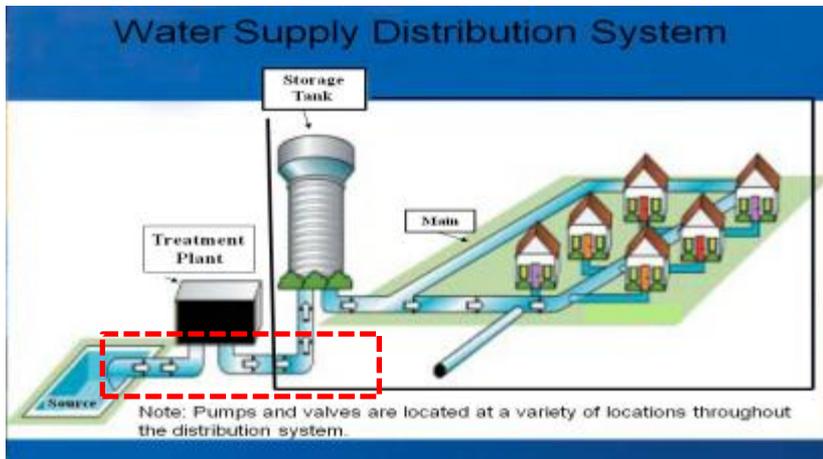


Exploration / Production

Transportation

Distribution / Retail Sale

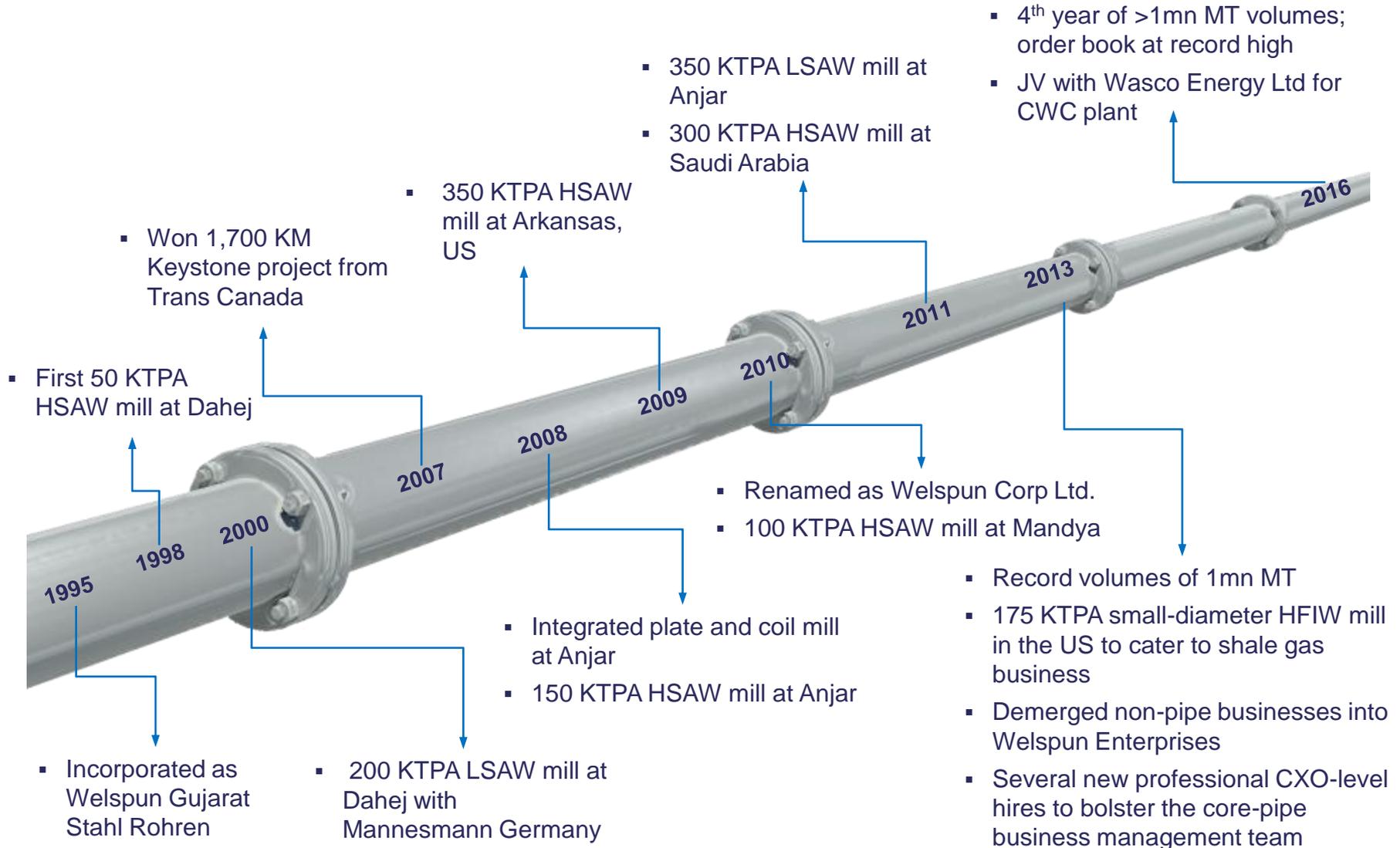
...and Water transmission value chain



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

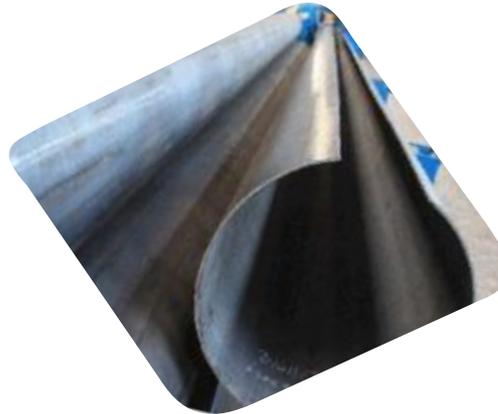
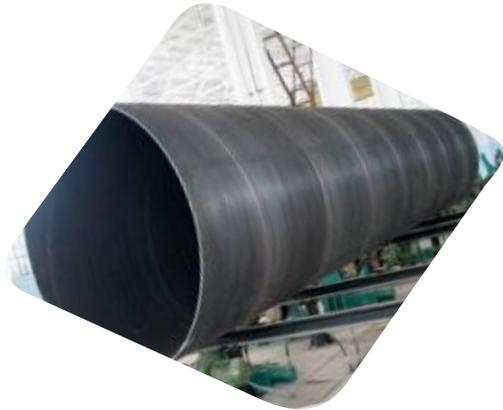
Experienced professional team



END-TO-END PRODUCTS & SOLUTIONS

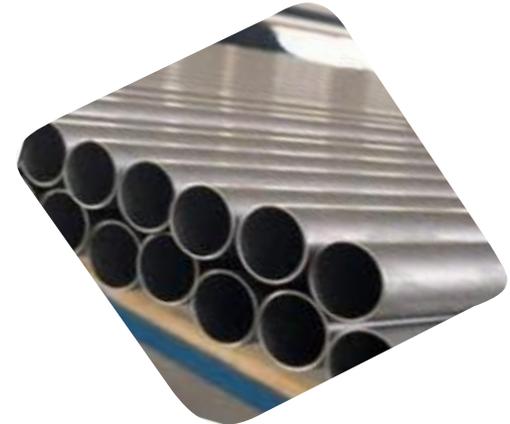
HSAW Pipes

- Helically welded pipes made from HR coils; used for on-shore oil, gas & water transmission
- 24 – 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 – 16 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

Plates & Coils: Provides WCL with vertical integration & competitive advantage in a few market segments

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

ADVANCED TECHNOLOGICAL PROWESS

Efficient Robotic Systems



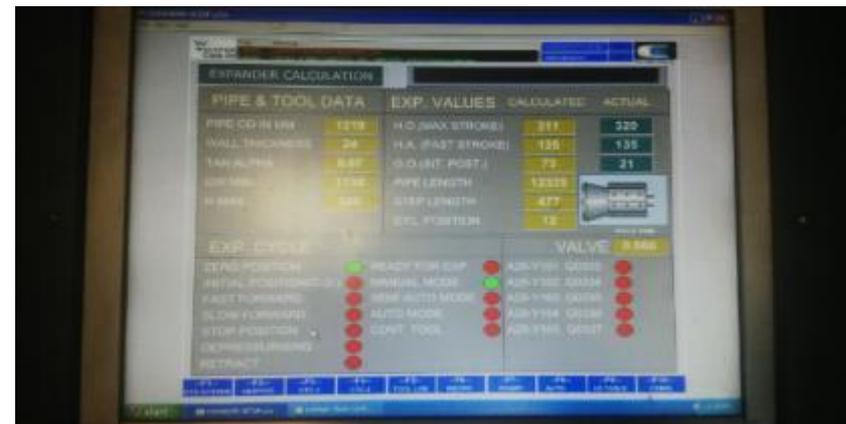
Highly Automated Plant Process Line



Integrated Pipe Traceability System



Precision Dimensional Control



FOCUS ON R&D AND PIPELINE TECHNOLOGY

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

Dedicated R&D facility

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

Continuous research

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

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

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



Well established customer relationships across the value chain

Note: Energy Transfer Corp has acquired Williams in 2015

EXPERIENCED PROFESSIONAL TEAM

Braja K. Mishra
CEO & Managing Director

- Years with WCL: 15
- Overall Experience: 28

S. Krishnan
Chief Financial Officer

- Experience – Overall/ with WCL: 33years/ 3 years

Prasanta Mukherjee
Chief Technical Officer

- Experience – Overall/ with WCL: 33 years/ 17 years

Gaurang Desai
Head PCMD & Supply Chain

- Experience – Overall/ with WCL: 21 years/ 8 years

Manish Pathak
Head, New Markets & Strategy

- Experience – Overall/ with WCL: 26 years / 8 years

Vipul Mathur
Chief Operating Officer

- Experience – Overall/ with WCL: 20 years/ 16 years

T.S. Kathayat
Head QT&TS

- Experience – Overall/ with WCL: 25 years/ 20 years

Godfrey John
Head, India & A-Pac

- Experience – Overall/ with WCL: 24 years/ 16 years

Rajeev Singh
Chief Human Resource Officer

- Experience – Overall/ with WCL: 20 years/ 2 years

OPPORTUNITIES

**Global Line Pipe
demand is attractive**

**Pipeline economics
compelling**

**Modern manufacturing
facilities**

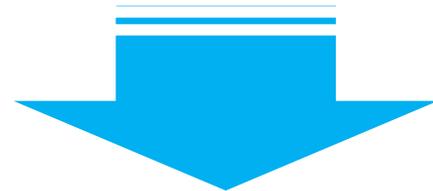
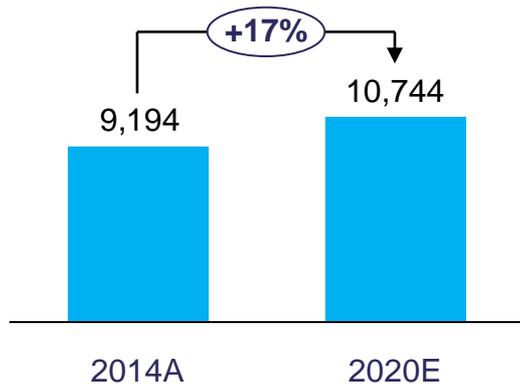
**Adequate capacities
for growth**

**Diversified business
across regions &
products**

**Healthy balance sheet to
support growth**

LINEPIPE DEMAND ACROSS GEOGRAPHIES

Global Line Pipe demand (KMT excl. China & CIS)



**Addressable market
for WCL**

Source: Metal Bulletin Research 2015: The Five Year Strategic Outlook for the Global Large Diameter Linepipe Market

North America

- LNG export terminals in USA – first operational; more to come
- Focus on LNG export projects – Prince Rupert, Coastal Gas Link
- Transnational gas pipeline projects from USA to Mexico

MENA

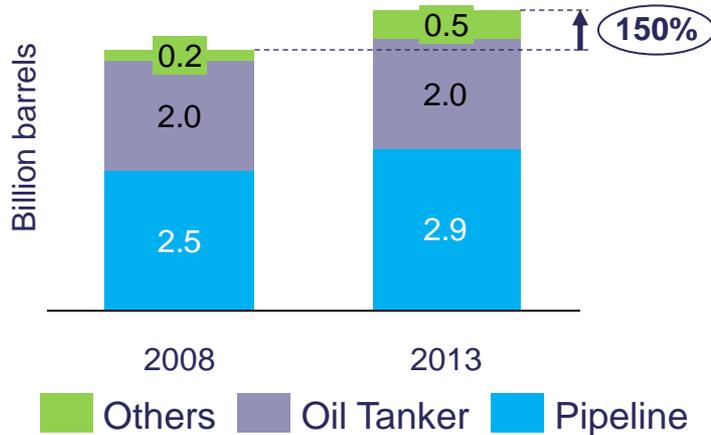
- Heavy oil development
- Enhancement of refining capacities in the region
- Iraq-Jordan Crude export pipeline (Total over 1,100 KM)
- Pipeline development in Kuwait
- Saudi – substituting oil with gas for domestic consumption; emphasis on oil exports; increased demand for water pipelines
- Opening up of Iran

India & Asia-Pac

- Doubling of gas pipelines infrastructure; activity has just begun
- ~2.5 million MT water pipeline projects expected in near future
- Transnational projects – TAPI, Middle East to India
- City gas distribution pipeline projects in multiple cities
- Offshore development in Thailand-Myanmar region

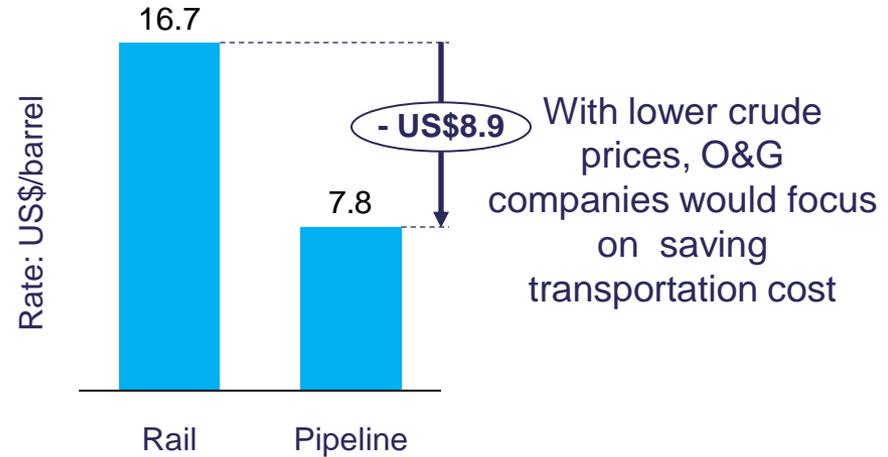
PIPELINE ECONOMICS COMPELLING

Oil Transport



Source: Argus, Petroleum Transportation North America, Aug. 22, 2014.

Pipeline: Cheapest mode of transport



Transportation cost for heavy crude from Alberta , Canada to Houston , Texas

Mode of transport to undergo a shift

Pipeline is the safest mode of hydrocarbon transmission with minimal losses

Truck/ rail transport benefitted from high crude prices, boom in production

Fall in crude prices compels focus on transportation cost

Low steel prices makes pipeline more viable over longer term

Pipeline operators could use this opportunity to build cost-effective pipelines

MODERN MANUFACTURING FACILITIES

Port based facilities

Best in class & proven
equipment & practices

All major certifications/ accreditations
including API5L, OHSAS:18001,
ISO:9001, ISO:14001, ISO:17025
(NABL)

In-house capabilities to
manufacture critical technology
sensitive equipment



Aerial view of Anjar facility – spread over >1,000 acres with captive power generation

Modern manufacturing facilities leads to minimum maintenance capex

ADEQUATE CAPACITIES FOR GROWTH



US Facility



Saudi Facility



India Facility

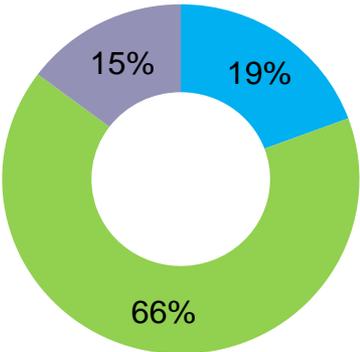


Products (KMT)	US	Saudi Arabia	India
LSAW	-	-	700
HSAW	350	300	700
ERW/ HFIW	175	-	200
Coating Systems	✓	✓	✓

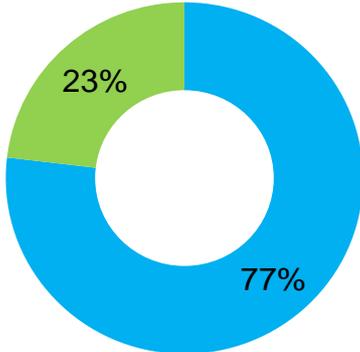
Total combined installed capacity is 2.4 mn MT

DIVERSIFIED BUSINESS ACROSS REGIONS & PRODUCTS

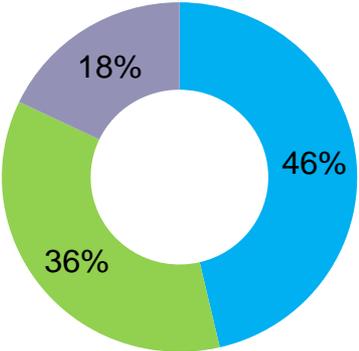
FY16 Pipe Sales Volume: 1,100 KMT



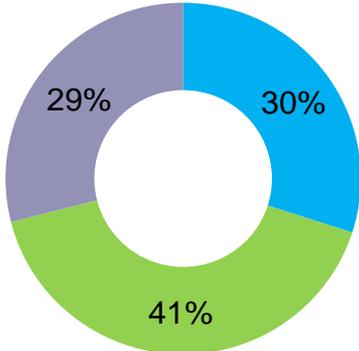
Sales by Type



Sales by Industry Segment



Sales by Plant



Sales by Region

HEALTHY BALANCE SHEET TO SUPPORT GROWTH

Rs mn	FY14	FY15	FY16
Networth	28,492	27,988	30,645
Gross Debt	38,235	30,205	34,943
Cash & Equivalent	12,590	11,111	14,700
Net Debt	25,645	19,095	20,243
Net Fixed Assets (incl CWIP)	50,372	47,415	45,537
Net Current Assets*	12,679	8,749	16,183
Current Ratio	1.61x	1.46x	1.57x
Tangible FA / Secured LT Debt	1.99x	1.86x	2.05x
Net Debt/ Operating EBITDA	3.31x	2.48x	2.22x
Net Debt/ Equity	0.90x	0.68x	0.66x
Capital Expenditure	1,666	906	1,468
Free Cash Flow	110	7,530	43

*Includes Debtors + Inventory - Creditors

FY16 HIGHLIGHTS

FY16 – DELIVERING AMIDST CHALLENGES

1+ million MT production/ sales for fourth year in a row

- Order book stands at 913K MT
- Reported EBITDA up 9% YoY to Rs 10,349 million
- PAT up 229% YoY to Rs 2,275 million

Awards during the year

- “International Safety Award with Merit” from British Safety Council, United Kingdom for 2015
- Dahej facility awarded “Prashansa Patra” for implementing Occupational Safety and Health (OSH) management systems and procedures
- Anjar Pipe facility received “Certificate of Appreciation for Good Practice in Quality System for 2015” by FICCI

US facility

- Spiral mill was running at full throttle after it underwent a major revamp in H1 FY15 to improve productivity, enhance efficiency, reduce costs and reset the mill capabilities

Saudi Arabia facility

- Executed first export order in FY15-16, thereby increasing the geographical reach
- First ever 12/18/24 MTR Manufactured & FBE Coated Pipe exported out of Dammam Port

India facilities

- Pre-qualified for a complex project 22”OD & 39 mm WT X65 (D/T ratio of 14.3) – more stringent than Independence Trail Pipeline Project (world’s deepest)
- Spiral mills were largely engaged in domestic water projects
- Plate mill accessed the wind turbine and structural plates market

RESILIENT TO CHALLENGES, READY FOR OPPORTUNITIES

Technology

- Automatic pipe dimension measurement system at LSAW, Anjar
- Automatic tack repair
- Multiple pipe handling with “Cluster vacuum lifting system” to prevent handling damages for small diameter Pipes at Little Rock facility
- OD welding station up-gradation for 1 & ½ pitch welding (between ID & OD) at Damman facility

Quality

- Total Productive Maintenance
- 7 S' Implementation
- Quality Circle & KAIZEN
- Integration of Inspection and testing Automation/ NDE systems with SAP

Enhancing Capabilities

- Concrete Weight Coating
- 12/18/24 mtr Manufactured & FBE Coated Pipe exported out of Damman
- ERW – 18 mtr

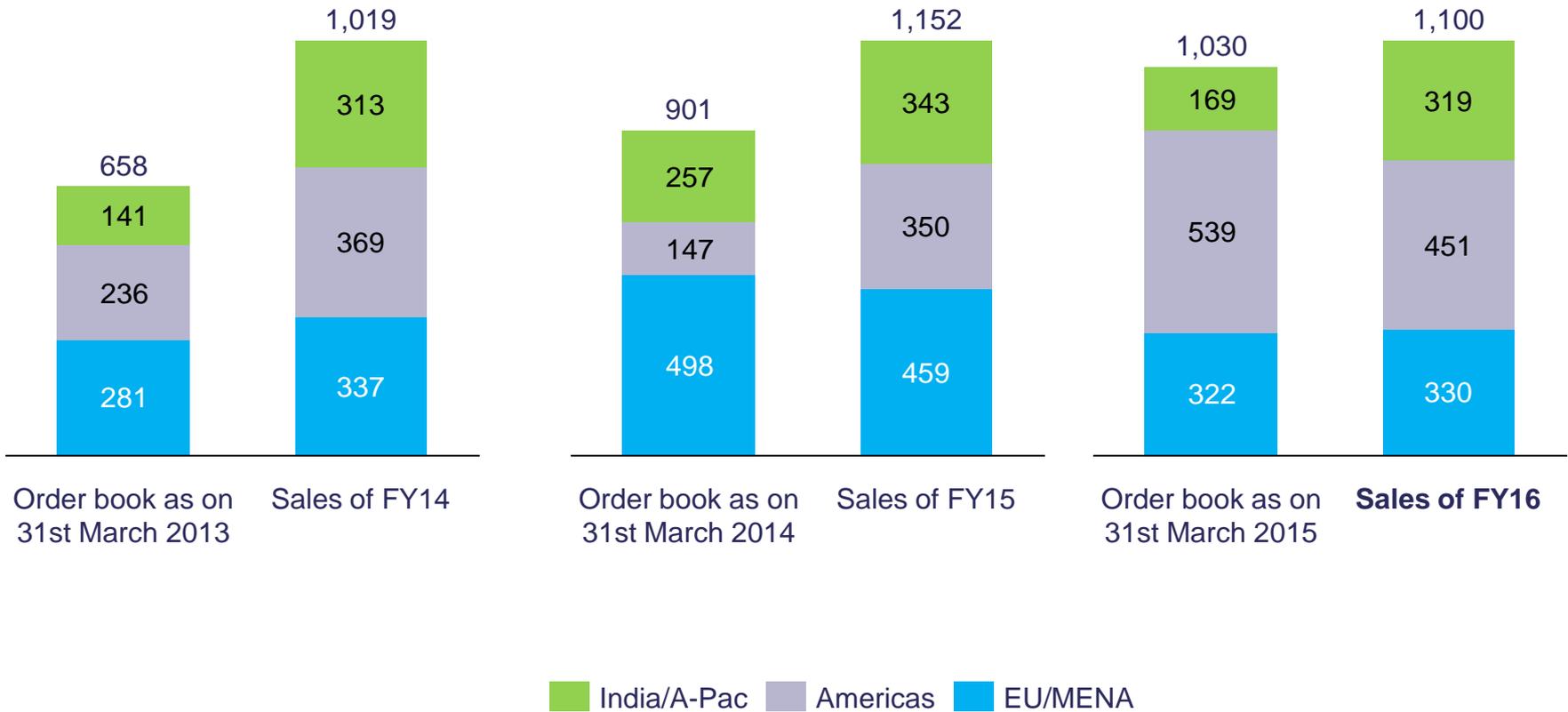
Client Engagement

- New client addition
- CRM program under development and implementation
- Engaging with customers for product development

ORDERBOOK POSITION & EXECUTION

Pipe sales tends to be higher than opening order book

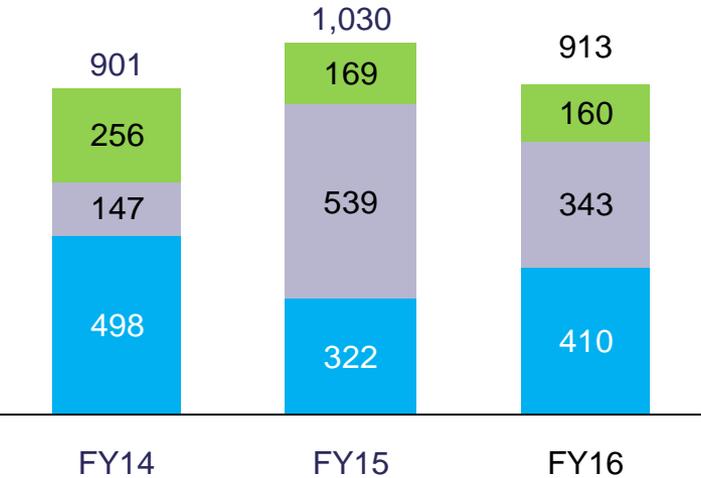
(KMT)



ORDERBOOK ANALYSIS

Order book by Region

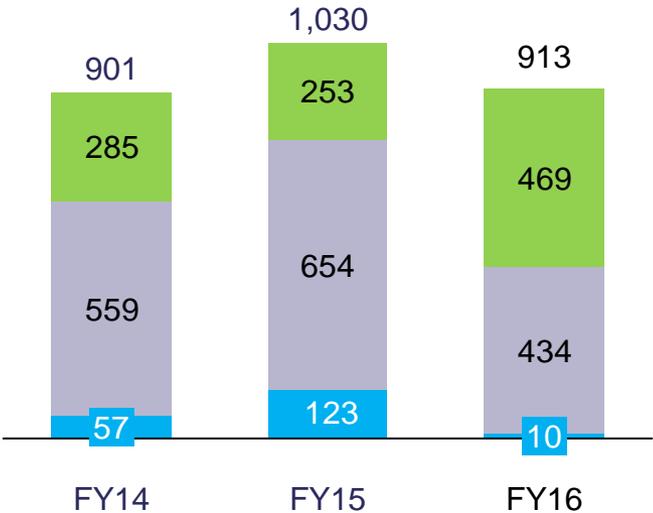
(KMT)



India & A-Pac Americas EU & MENA

Order book by Type

(KMT)



LSAW HSAW ERW

PERFORMANCE HIGHLIGHTS FY16

Rs. 83,204 mn

2% YoY



Income from Operations

1,100 KMT

5% YoY



Pipe sales volume

Rs. 10,349 mn

9% YoY



Reported EBIDTA

Rs. 9,113 mn

18% YoY



Operating EBITDA*

Rs. 2,275 mn

229 % YoY



Profit After Tax

Rs. 6,541 mn

1% YoY



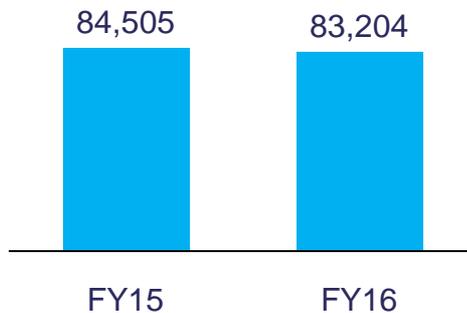
Cash PAT

*Note: *Operating EBITDA represents Reported EBITDA (-) Other Income (+) Unrealized Forex Losses (-) Unrealized Forex Gains*

FY16 FINANCIAL PERFORMANCE

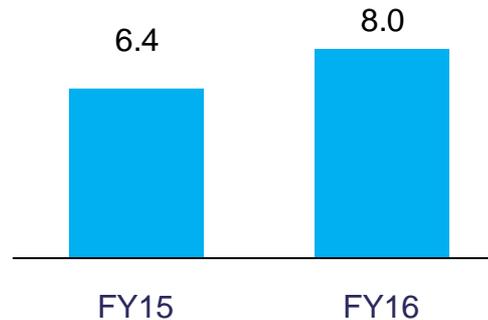
Income from Operations

(Rs. Mn)



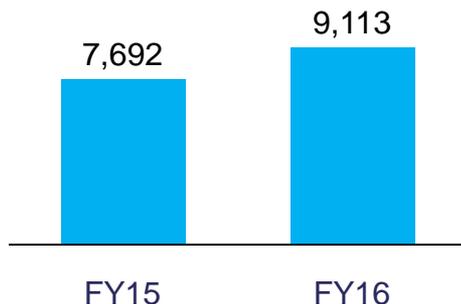
EBITDA/Ton for Pipes

(Rs. '000)



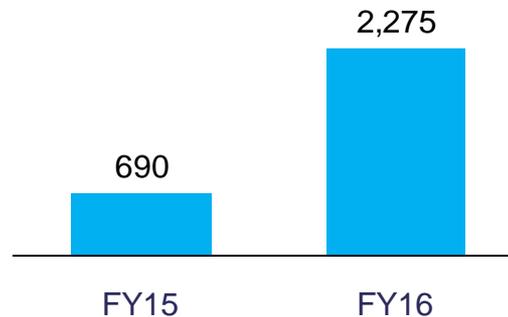
Operating EBITDA

(Rs. Mn)



Consolidated PAT

(Rs. Mn)

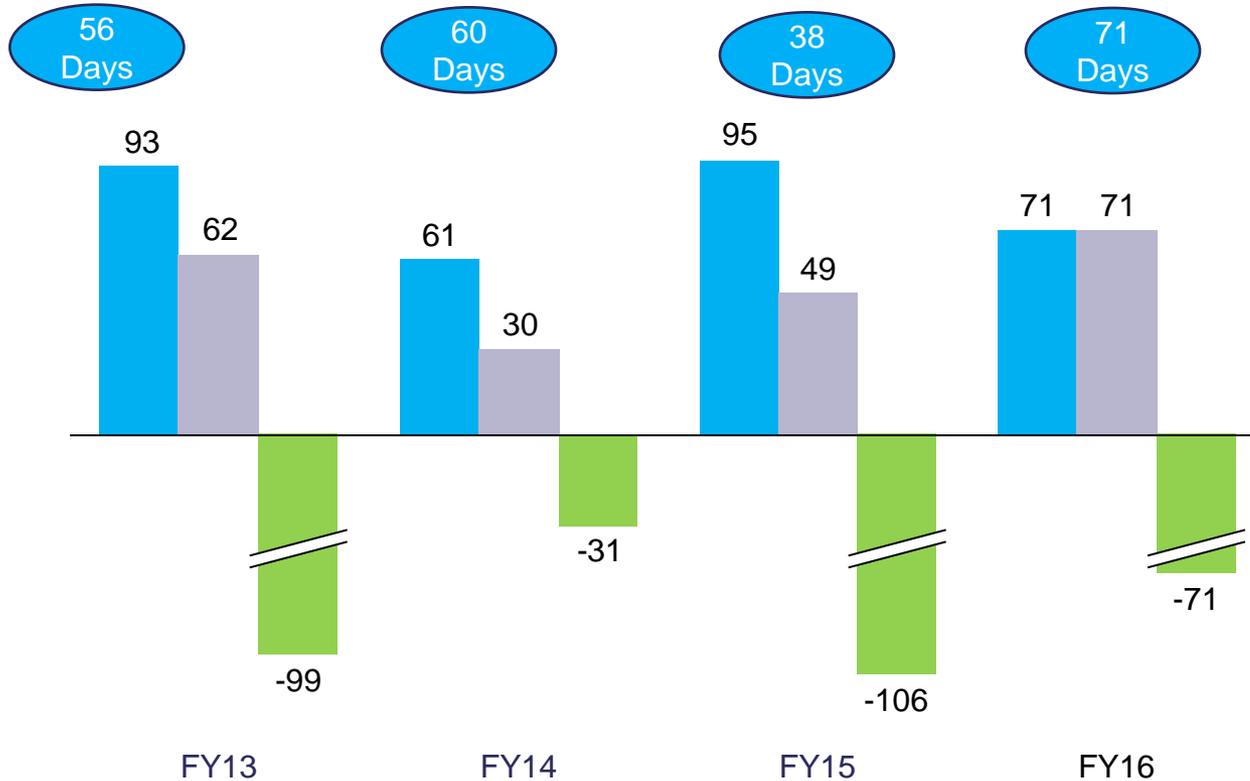


- Reported production and sales of pipes for FY16 at 1,119 KMT and 1,100 KMT respectively
- Net Working Capital has increased to 71 days (49 days in Q3FY16)
- Net debt as on 31 March 2016 was at Rs. 20,243 mn, up Rs. 1,149 mn Y-o-Y largely due to expanded working capital

Note: * Operating EBITDA represents Reported EBITDA (-) Other Income (+) Unrealized Forex Losses (-) Unrealized Forex Gains

EFFICIENT WORKING CAPITAL MANAGEMENT

Cash conversion cycle*



Net working capital went up in FY16

- Increased plate mill operations
- Lower Acceptances
- Some collections pushed to FY17

■ Inventory
■ Debtors
■ Creditors

Cash conversion cycle is expected in the region of 55 days

*FY14 statistics not comparable as the plate mill was not operational for most part of the year

OUTLOOK

OUTLOOK

- Maintain focus on financial discipline; only Maintenance Capex
- Improved capacity utilization of plate & coil mill
- Focus on large complex projects across geographies
- Enhance organizational preparedness for upsides

THANK YOU

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ANNEXURE

IND AS IMPACT ON WCL

IND AS – Change in financial reporting FY17 onwards

- **Key provision impacting WCL reporting – Joint Ventures Vs. Subsidiary**
 - Saudi business & CWC

- **What changes?**
 - **IGAAP – Consolidated on line by line basis.** Investment considered as Investment in Subsidiaries as the Company holds more than 50% shareholding
 - **IND AS – Consolidated using Equity Method.** Investment considered as Investment in Joint Venture as Welspun Corp Group has Joint Control and not control over both these entities
 - **No impact on standalone financials**

- **What will change?**
 - **Income statement:** Revenue/ EBITDA – lower; PAT – no change
 - **Balance Sheet:** Lighter

REPORTED & OPERATING EBITDA RECONCILIATION

Details (Rs. mn)	FY14	FY15	FY16
Reported EBITDA	8,439	9,508	10,349
Less : Other Income	1,744	1,867	1,376
Add : Unrealized FX (Loss)/Profit	(1,046)	52	139
Operating EBITDA	7,742	7,692	9,113

PROFIT & LOSS – QUARTERLY

Rs mn	Q4FY16	Q4FY15	Q3FY16
Income from operations	18,409	23,314	20,322
Reported EBIDTA	1,816	4,137	2,957
Operational EBITDA*	1,208	2,838	2,358
Depreciation/Amortization	1,145	1,188	1,120
Finance Cost	663	699	622
Profit Before Tax	7	2,250	1,216
Tax	(12)	779	3,01
Profit after Tax before minority interest	19	1,471	915
Minority Interest	(212)	33	46
Profit after minority interest & associates	231	1,438	869

Note: *Operational EBITDA = Reported EBITDA – Non-operational income - Unrealised forex gain/(loss)

Prior period figures are reinstated wherever necessary

PROFIT & LOSS – ANNUAL

Rs mn	FY14	FY15	FY16
Income from operations	77,047	84,505	83,204
Reported EBIDTA	8,439	9,508	10,349
Operational EBITDA*	7,742	7,692	9,113
Depreciation/Amortization	4,063	4,365	4,542
Finance Cost	2,964	2,830	2,637
Profit Before Tax	1,412	2,313	3,171
Tax	432	177	809
Profit after Tax before minority interest	980	2,135	2,361
Minority Interest	247	1,445	87
Profit after minority interest & associates	734	690	2,275

Note: *Operational EBITDA = Reported EBITDA – Non-operational income - Unrealised forex gain/(loss)

Prior period figures are reinstated wherever necessary

BALANCE SHEET

Rs. mn	Mar-16	Mar-15
Shareholder's Fund	30,645	27,988
Share Capital	1,326	1,316
Reserves & Surplus	29,319	26,672
Minority Interest	3,629	3,563
Non-Current Liabilities	31,448	32,922
Long Term Borrowings	23,991	26,160
Other Non Current Liabilities	7,457	6,762
Current Liabilities	32,587	33,702
Short Term Borrowings	8,395	1,884
Trade Payables	16,210	24,634
Other Current Liabilities	7,981	7,184
Total Liabilities	98,309	98,175

Rs. mn	Mar-16	Mar-15
Non-Current Assets	47,073	49,081
Fixed Assets	45,542	47,419
Non-Current Investments	329	265
Other Non-Current Assets	1,202	1,396
Current Assets	51,236	49,094
Inventories	16,176	22,082
Trade Receivables	16,218	11,301
Cash and Bank Balances	7,337	3,327
Other Current Assets	11,506	12,384
Total Assets	98,309	98,175