

Consistent Performance - Robust Order Book

February 7, 2019, Mumbai: Welspun Corp Ltd. (WCL), flagship Company of the Welspun Group, announced its consolidated financial results for the quarter and nine months ended December 31, 2018.

Order book position (including all operations):

- Robust pipe order book: stands at **1,656 KMTs (Rs. 148 billion)**.
- US order book at 388 KMT, India at 446 KMT and Saudi Arabia at 822 KMT offering clear future visibility.

Financial Highlights (Consolidated): For the quarter & nine-months ended 31st December, 2018:

1. Sales Volumes

- Q3FY19 Pipe Sales (total operations) stood at 339 KMT (including 78 KMT of Saudi Arabia plant sales), **up 7% YoY**. YTD FY19 Pipe Sales stood at 911 KMT (including 160 KMT of Saudi Arabia plant sales), **up 10% YoY**.
- Q3FY19 Plates & coils sales stood at 80 KMT vs 135 KMT YoY. YTD FY19 Plates & coils sales stood at 271 KMT vs. 284 KMT YoY

2. Total Income from operations

- Q3FY19 at Rs. 26,578 mn, **up 15% YoY** on account of higher realisation
- YTD FY19 at Rs. 70,359 mn, **up 19% YoY**

3. EBITDA

- Q3FY19 at Rs. 2,234 mn, **up 36% YoY** on account of better margins; YTD FY19 at Rs. 6,816 mn, **up 4% YoY**
- **Other Income:** Q3FY19 at Rs. 400 mn includes Rs. 245 mn from treasury income and Rs. 138 mn from gain on sale/fair valuation of investments. YTD FY19 at Rs. 964 mn includes Rs. 736 mn from treasury income and Rs. 138 mn from gain on sale/fair valuation of investments
- **Other Expenses** in Q3FY19 includes MTM/fair valuation adverse impact on bonds of Rs. 110 mn (YTD FY19 of Rs. 389 mn) and Transactional net Forex Loss of Rs. 181 mn (YTD FY19 loss of Rs. 329 mn)
- **YTD FY19 Pipes EBITDA / MT in US is approx. \$180 and in India is approx. Rs. 5,600**
- **Q3FY19 Operating EBITDA** (after adjusting EBITDA for Treasury income, gain on sale/fair valuation of investments and bonds MTM/fair valuation) stands at Rs. 1,961 mn, **up 34% YoY**. Both Reported EBITDA and Operating EBITDA are after recognising net transactional forex loss of Rs. 181 mn and adverse currency impact on US closing inventory of Rs. 603 mn.
- **9MFY19 Operating EBITDA** stands at Rs. 6,331 mn, **up 12% YoY**. Reported EBITDA and Operating EBITDA are after recognising net transactional forex loss of Rs. 329 mn and

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favourable currency impact on US closing inventory of Rs. 331 mn. Details are provided hereunder:

Figures in Rs. million unless specified

| Reconciliation of Operating EBITDA | Q1FY19 | Q2FY19 | Q3FY19 | 9MFY19 | Q3FY18 | 9MFY18 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Reported EBITDA | 2,197 | 2,385 | 2,234 | 6,816 | 1,644 | 6,568 |
| Less: Items in Other income | | | | | | |
| Treasury income | (241) | (250) | (245) | (736) | (180) | (890) |
| Gain on sale/Fair valn. of investments | | | (138) | (138) | | |
| Add: Items in Other expenses | | | | | | |
| Fair valuation on IL&FS bonds | | 186 | | 186 | | |
| MTM loss/fair valuation on other bonds | (3) | 96 | 110 | 203 | | |
| Operating EBITDA | 1,953 | 2,417 | 1,961 | 6,331 | 1,464 | 5,678 |

4. Profit

- Q3FY19 Profit before tax and share of JVs of Rs. 816 mn, **up 155% YoY**, YTD FY19 Profit before tax and share of JVs of Rs. 2,555 mn, **up 14% YoY**
- Q3FY19 PAT after Minorities & share of JVs of Rs. 301 mn vs. 664 YoY. Comparable quarter in FY18 had a tax credit of around USD 10 mn due to the tax rate change in the US. Also, share of loss from Saudi JV is higher in Q3FY19 vs. Q3FY18.
- YTD FY19 PAT after Minorities & share of JVs of Rs. 1,355 mn, down 17% YoY. Comparable period in FY18 had the above mentioned tax credit as well as lower share of loss from Saudi JV.

5. Basic EPS

- Q3FY19 at Rs. 1.14 vs. Rs. 2.50 YoY
- YTD FY19 at Rs. 5.11 vs. Rs. 6.14 YoY

Forex:

The Company follows a policy of hedging its steel and forex exposure. However, there are impacts due to the cost of hedging and timing mismatch during the course of the full year, as shown below:

Figures in Rs. million unless specified

| Transactional Forex impact | Q1FY19 | Q2FY19 | Q3FY19 | 9MFY19 | Q3FY18 | 9MFY18 |
|-----------------------------|-------------|-------------|--------------|--------------|--------------|--------------|
| Forex gain in Other income | 336 | 575 | 0 | 0 | 0 | 0 |
| Forex loss in Other Expense | (385) | (674) | (181) | (329) | (174) | (221) |
| Net gain/(loss) | (49) | (99) | (181) | (329) | (174) | (221) |

Note: Figures have been regrouped between the two lines as per accounting standards

Besides above, the US subsidiary is carrying higher inventory on account of the significant ramp-up in operations, which has resulted in currency impact in the consolidated financial numbers as detailed below:

| Rs. Million | Q1FY19 | Q2FY19 | Q3FY19 | 9MFY19 | Q3FY18 | 9MFY18 |
|--|--------|--------|--------|--------|--------|--------|
| Currency impact factored in COGS, at closing exchange rate | 310 | 624 | (603) | 331 | (110) | (58) |

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Update on Saudi business:

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

| Particulars | Q1FY19 | Q2FY19 | Q3FY19 | 9MFY19 | Q3FY18 | 9MFY18 |
|--------------------------------|--------|--------|--------|--------|--------|--------|
| Saudi Arabia operations | | | | | | |
| - Pipe Production (KMT) | 35 | 44 | 80 | 158 | 15 | 20 |
| - Pipe Sales (KMT) | 38 | 44 | 78 | 160 | 13 | 42 |
| EBITDA (mn SAR) | (13) | (16) | (6) | (35) | (6) | (24) |
| EBITDA/MT (SAR) | (351) | (371) | (71) | (220) | (487) | (576) |
| PBT (mn SAR) | (27) | (33) | (24) | (84) | (21) | (67) |

Project Status

Capex for the Bhopal project is on track. Out of Rs. 1,850 mn total expenditure, Rs. 1,000 mn is likely to be incurred in FY19, thereby completing Phase-1 of the project (pipe plant). Phase-2 of the project (coating plant) is likely to be commissioned by September 2019. Beyond this capex, we do not envisage any need for further capex as our capacities are adequate to sustain growth for another 3-4 years.

Management Comments

Commenting on the results, **Mr B. K. Goenka**, Chairman, Welspun Group said, "We have seen a consistent performance over the last few quarters. Thanks to our robust order book and resultant visibility on revenues & profitability, we are quite optimistic about future growth. We are in a unique position where we are witnessing traction in all the three geographies (US, Saudi and India), where we enjoy leadership position as a local player. Our advantage of being "Global but Local" is becoming an important differentiating factor in current environment of local sourcing by the large Oil and Gas players."

Business outlook:

While US has become the world's largest oil producer, there are infrastructure bottlenecks in terms of evacuation of both oil and gas, which is driving pipeline demand. With recent rebound in oil prices and expectation of higher oil production, as well as restrictions placed on pipe imports, local US players are expected to benefit substantially.

For the Indian market, the large-diameter oil and gas pipe demand is driven by gas grid development by GAIL and oil pipeline network by IOCL. The small-diameter segment will see significant demand from City Gas Distribution projects. Water has also become an important socio-economic driver and is expected to see significant demand across states. With the Bhopal facility starting production in March, the Company will be geared to meet local demand and become a sizeable player in Central India.

The JV in Saudi Arabia has a confirmed order book for the next two years. We see strong demand in both, oil & gas as well as water sectors, driven by Saudi Aramco and SWCC respectively.

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Welspun Corp with its sizeable capacities in India, US and Saudi Arabia is ideally poised to benefit from higher capacity utilization and margin improvement. Also, active measures are being continuously taken to improve capacity utilisation of our Plate and Coil Mills division.

Please refer next page for financial performance snapshot and analyst/investor concall details.

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Performance Snapshot

Figures in Rs. million unless specified

| Particulars | Q3FY19 | Q2FY19 | Q3FY18 | 9MFY19 | 9MFY18 |
|---|---------------|---------------|---------------|---------------|---------------|
| Ex-Saudi Arabia/ CWC operations | | | | | |
| - Pipe Production (KMT) | 263 | 271 | 248 | 788 | 752 |
| - Pipe Sales (KMT) | 261 | 260 | 305 | 750 | 788 |
| Total operations | | | | | |
| - Pipe Production (KMT) | 343 | 314 | 263 | 946 | 771 |
| - Pipe Sales (KMT) | 339 | 304 | 318 | 911 | 830 |
| - Plates/ coils Sales (KMT) | 80 | 63 | 135 | 271 | 284 |
| Total Income from Operations | 26,578 | 23,547 | 23,042 | 70,359 | 59,284 |
| EBITDA | 2,234 | 2,385 | 1,644 | 6,816 | 6,568 |
| Finance Cost | 475 | 507 | 374 | 1,405 | 1,442 |
| Depreciation and Amortisation | 944 | 954 | 949 | 2,856 | 2,886 |
| Profit before tax and share of JVs | 816 | 924 | 320 | 2,555 | 2,240 |
| PAT after Minorities, Associates & JVs | 301 | 587 | 664 | 1,355 | 1,628 |
| Cash PAT | 1,267 | 1,654 | 818 | 4,497 | 3,890 |

Notes: a) Prior period figures have been restated, wherever necessary

b) Cash PAT = PBT – Current tax + Depreciation

Figures in Rs. million unless specified

| Consolidated debt | 31-Dec-18 | 30-Sep-18 | 31-Mar-18 | 31-Dec-17 |
|-------------------------|--------------|--------------|--------------|--------------|
| Gross Debt | 14,621 | 14,863 | 13,864 | 12,883 |
| Cash & Cash Equivalents | 11,501 | 10,916 | 9,649 | 6,463 |
| Net Debt | 3,120 | 3,947 | 4,216 | 6,421 |

Figures in Rs. million unless specified

| Balance Sheet - Key figures | 31-Dec-18 | 30-Sep-18 | 31-Mar-18 | 31-Dec-17 |
|-----------------------------|-----------|-----------|-----------|-----------|
| Net Fixed Assets | 28,849 | 29,952 | 30,619 | 31,026 |
| Net Current Assets | 15,095 | 14,009 | 13,596 | 10,317 |
| Net Debt | 3,120 | 3,947 | 4,216 | 6,421 |
| Net Worth | 29,015 | 28,487 | 28,540 | 28,434 |

Post Q3FY19 investor / analyst conference call:

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

Date: Thursday, 7th February 2019

Time: 4:00 PM IST

Dial in details:

- Primary Access: +91 22 6280 1325, +91 22 7115 8226
- Local Access: 7045671221

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 - Hong Kong: 800964448
 - Singapore: 8001012045
 - UK: 08081011573
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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 2.425 million MTPA in Dahej, Anjar and Mandya 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\$ 2.3 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 26,000 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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