

BUSINESS UPDATE
Performance Par Excellence
- WCL reports Highest Ever Annual Production, Sales and Profitability

June 17, 2020, Mumbai: Welspun Corp Ltd. (WCL), flagship Company of the Welspun Group, announced its consolidated financial results for the quarter and full year ended March 31, 2020.

Key Highlights	Q4FY20	FY2020
Sales Volume	↑ 418 KMT 13% YoY	↑ 1,502 KMT 17% YoY
Operating EBITDA	↑ Rs. 336 cr 26% YoY	↑ Rs. 1,284 cr 43% YoY
Profit After Tax	↑ Rs. 140 cr vs (125 cr) in Q4 FY19	↑ Rs. 674 cr 887% YoY
EPS	↑ Rs. 5.38 vs (4.71) in Q4 FY19	↑ Rs. 25.56 894% YoY
Net Debt	↓ Rs. 32 cr by Rs. 253 cr from FY19	

Key Highlights of the Quarter & Full Year ended March 31st, 2020:
A) Global Order book position:

Current Global Order Book stands at **706 KMT** valued at **Rs. 5,700 cr (US \$749 mn)**

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

- Pipes – Considered as Continuing operations & PCMD and 43 MW – Considered as discontinued operations
- Prior period figures are restated and reclassified wherever necessary

1. Pipe Sales Volume (Total Operations):

- Q4 - 418 KMT vs. 369 KMT, **up 13% YoY**
- FY – 1,502 KMT vs. 1,279 KMT, **up 17% YoY**

2. Total Income from operations:

- Q4 - Rs. 2,759 cr, **stable YoY**
- FY – Rs. 9,957 cr, **up 11% YoY**

3. Operating EBITDA:

- Q4 - Rs. 336 cr, **up 26% YoY**
- FY - Rs. 1,284 cr, **up 43% YoY**

4. Profit:

- Q4 - PBT (before share of JVs) stands at Rs. 223 cr, vs Rs. (74) cr
- FY - PBT (before share of JVs) stands at Rs. 899 cr, vs Rs. 271 cr
- Q4 - PAT (after Minorities & share of JVs) stands at Rs. 140 cr, vs Rs. (125) cr
- FY - PAT (after Minorities & share of JVs) stands at Rs. 674 cr, vs Rs. 68 cr

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5. Basic EPS:

- Q4 - Rs. 5.38 on the reduced equity base post buyback vs. Rs. (4.71)
- FY - Rs. 25.56 vs. Rs. 2.57

6. Debt position:

- Net Debt stands at **Rs. 32 cr, lower** by Rs. 253 cr vs. March 2019
- This is after considering the impact of interim dividend of Rs. 10/- per share paid to its shareholders in Q4FY20, in addition to the Buyback of shares done in Q3FY20.
- Gross and Net Debt position is as per details below:

Figures in Rs. Cr

Consolidated debt	31-Mar-20	31-Dec-19	31-Mar-19
Gross Debt	995	1,087	1,305
Cash & Cash Equivalents	963	916	1,019
Net Debt	32	172	286

Subsequent to the Balance Sheet date, the Company has further reduced the Gross Debt by pre-paying a part of its long term NCDs by Rs. 250 cr, before the due date. This demonstrates the Company's strong liquidity position and comfortable cash flows.

7. 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	Q4FY20	Q4FY19	FY20	FY19
Forex impact in Other income	2	26	44	26
Forex impact in Other Expense	(25)	(9)	(61)	(41)
Net gain/(loss)	(23)	18	(17)	(15)

8. 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)	Q4FY20	Q4FY19	FY20	FY19
Saudi Arabia Ops:				
- Pipe Production (KMT)	128	105	484	263
- Pipe Sales (KMT)	132	77	500	237
Revenue	134	64	479	202
EBITDA	40	3	100	(6)
PBT	33	(2)	75	(24)
PAT – Welspun share	12	(0)	29	(11)

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9. Project Status:

The Bhopal coating plant is completed and is currently under trials. Looking at the business prospects and optimal utilisation of assets, management has decided to relocate one more spiral mill from Anjar to Bhopal. Considering enabling infrastructure is ready, this additional mill will get commissioned with a minimal cash outflow of Rs. 40 crs.

10. Business outlook:

COVID-19 and demand destruction of Crude oil globally between March and May 2020 created an unprecedented and a very challenging situation. Now with the lifting of lockdown globally, we are seeing a gradual demand recovery for oil and remain optimistic in the medium to long term for oil demand.

USA Facility

Welspun US is well-prepared to tackle the current challenges, thanks to its excellent track record and strong customer relationships. The recent order win, even in this difficult macro scenario, is a testimony to the Company's capabilities and clearly showcases the customers' confidence in our technical and executional strength. This order has given us a visibility for large diameter mill till Q4FY21.

India Facilities

In the domestic market, ordering activity is expected to gain traction post the lifting of the lockdown. About 14,700 km of additional gas pipelines are at various stages of development to complete the National Gas Grid.

In addition, IOC plans to procure around 400 KMT of steel pipes in the next three years. In fact, we have already seen traction in terms of increased tendering activity from both the domestic PSU companies.

As per the National Infrastructure Pipeline (NIP), capex for oil & gas pipelines over FY20-25 is targeted at over Rs. 1 lakh crore (Rs. 1 trillion).

On the small-diameter segment, City Gas Distribution (CGD) projects are expected to drive the demand with more than 400 districts already planned to be covered under the network. As per the Ministry of Petroleum and Natural Gas, 72 per cent population and 53 percent of geographical area of the country will soon be covered through the CGD network.

In the domestic water segment, irrigation projects will continue to drive the demand, though we anticipate a minor slowdown in some states as they battle hard against COVID-19. However, activity on 'Nal se Jal' projects is expected to pick up, during H2FY21. We remain cautiously optimistic on the water sector.

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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.

JV in Saudi Arabia

The JV in Saudi Arabia continues to have order backlog of around 2-3 quarters. With oil prices recovering, we expect ordering activity to gain traction in the region. While Saudi Aramco might take 2-3 quarters for restarting large orders, smaller O&G orders for high-priority oil fields are expected to be tendered in the near future. We are also continuously engaged with our customers in the water segment and shall be pursuing with them to award the projects in which we are already the lowest bidder. Once awarded, these orders can bring visibility for an additional one year.

11. 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.

12. 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.

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, “FY2019-20 was a milestone year for the Company with new benchmarks wrt production, sales and profitability getting established. The Company is also almost debt-free. This performance has once again, validated Welspun’s global leadership position.

While COVID-19 and oil meltdown has created an unprecedented situation and challenge, but with our robust order book across all geographies and clear business visibility with PSUs and export markets, Welspun Corp is well-prepared to weather the storm. The Company has adapted to the new normal and has accelerated digital and technological adoption to the next level. Further, we are keeping a sharp focus on cost optimisation, minimal capex spending and maintaining & leveraging existing customer relationships.”

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Detailed reconciliation of Operating EBITDA is provided hereunder:

Figures in Rs. Cr

Reconciliation of Operating EBITDA	Q4 FY20	Q4 FY19	FY20	FY19
Reported EBITDA	318	41	1,276	708
<u>Less:</u> Items in Other income				
Treasury income	(12)	(10)	(61)	(83)
Profit on sale of non-current investments	-	(4)	-	(18)
<u>Add:</u> Items in Other expenses				
Fair valuation on IL&FS bonds incl. its SPVs	-	98	-	117
MTM loss/fair valuation on other bonds	-	120	39	141
Fair Valuation of non-current Investments	5	-	5	-
Impairment of loan to JV	25	-	25	-
Other Provisions		20		33
Operating EBITDA	336	266	1,284	897

Other Expenses in Q4FY20 was impacted by impairment provision of Rs. 25 cr loan to joint venture Welspun Wasco Coatings Private Limited, considering the business outlook.

Consolidated Performance Snapshot
Figures in Rs. Cr unless specified

Particulars	Q4FY20	Q4FY19	FY20	FY19
Ex-Saudi Arabia/ CWC operations				
- Pipe Production (KMT)	289	201	1,144	989
- Pipe Sales (KMT)	286	292	1,001	1,042
Total operations				
- Pipe Production (KMT)	417	306	1,629	1,252
- Pipe Sales (KMT)	418	369	1,502	1,279
Continued Operations (Pipes)				
Total Income from Operations	2,759	2,756	9,957	8,953
Operating EBITDA	336	266	1,284	897
Reported EBITDA	318	41	1,276	708
Finance Cost	36	54	144	177
Depreciation and Amortisation	59	61	233	260
Profit before tax and share of JVs	223	(74)	899	271
Tax expense	164	46	412	122
Non-controlling interest	(9)	-	(19)	8
Share of profit/(loss) from Associates and JVs	90	(5)	206	(89)
PAT after Minorities, Associates & JVs (I)	140	(125)	674	68
Cash PAT	313	183	1,040	659
Discontinued Operations (PCMD & 43MW)				
Profit After Tax (II)	(2)	(24)	(38)	(81)
Profit for the Period (I +II)	138	(149)	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	31-Mar-2020	31-Mar-19
Net Fixed Assets (incl CWIP)	1,700	1,614
Net Current Assets #	1,195	1,046
Net Debt	32	286
Net Worth	3,215	2,798
Net Assets Held for Sale *	829	1,164
ROCE (pre-tax)	32.1%	22.6%

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) = EBIT adj. for one-offs/ Avg. Capital Employed; both taken for continuing operations

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Q4 & FY20 Investor / Analyst conference call:

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

Date: Wednesday, 17th June 2020

Time: 5:15 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
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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 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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