

WELSPUN CORP LTD

World's Leading Line Pipe Manufacturer

Q1FY20 INVESTOR PRESENTATION



SAFE HARBOUR

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WELSPUN GROUP



**Global Leader in
Home Textiles**



**Global Leader in
Large Diameter Pipes**



**Infrastructure
Investments in Oil & Gas**

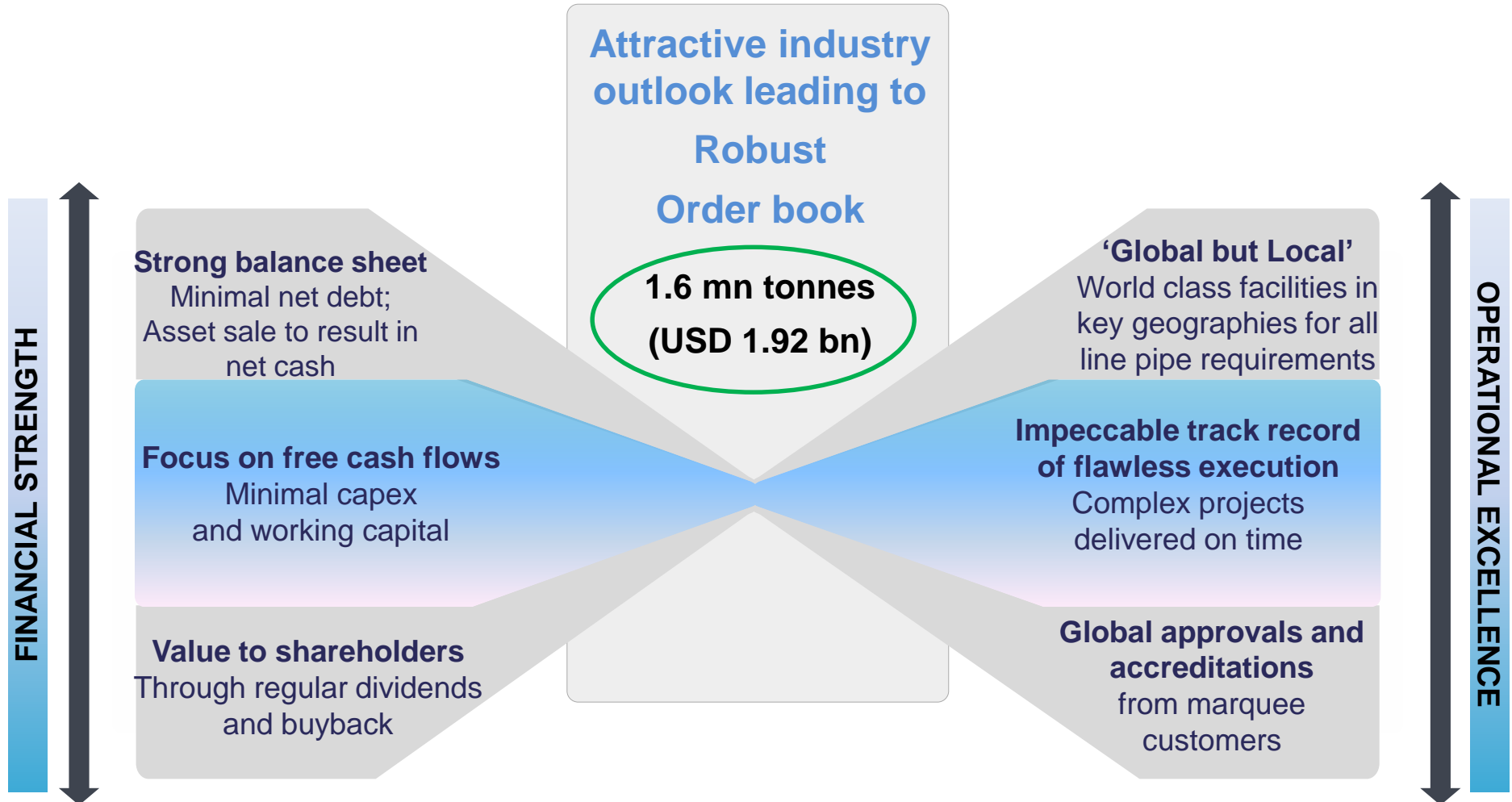


**Group Revenue
US\$ 2.7 Billion**

**Fixed Asset Base
US\$ 0.9 Billion**

**Employees
25,000+**

WELSPUN CORP: KEY HIGHLIGHTS



FCF generating business with focus on shareholder value creation

WORLD'S LEADING LINE PIPE MANUFACTURER...

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

Upstream



Exploration / Production

Midstream



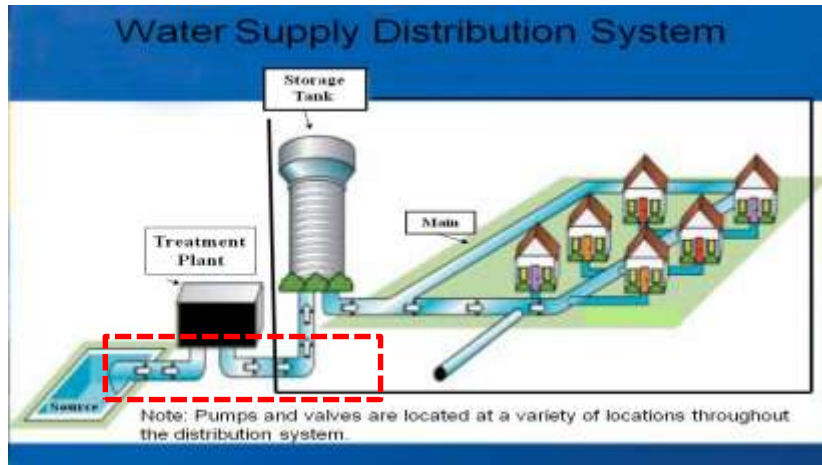
Transportation

Downstream



Distribution / Retail Sale

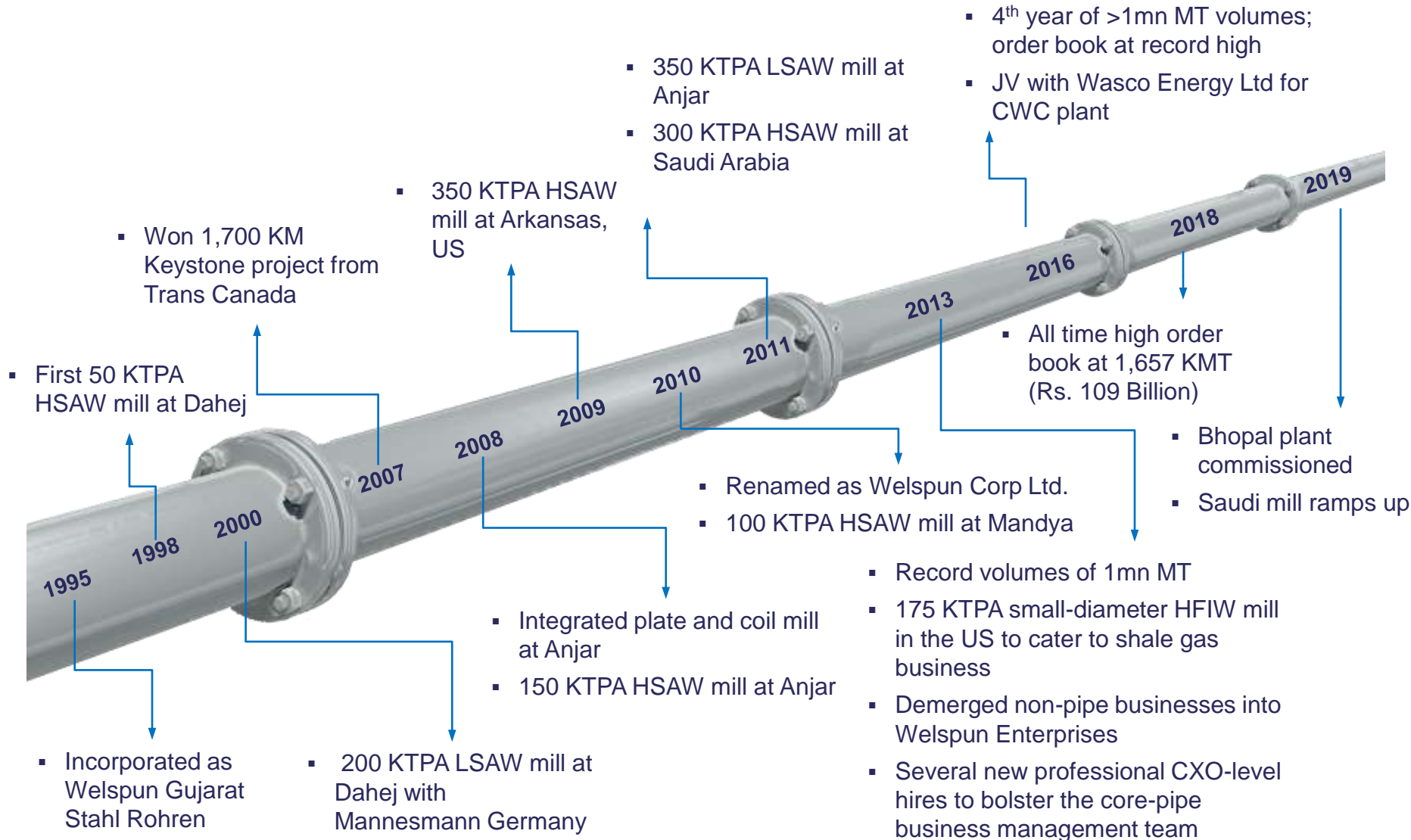
...and Water transmission value chain



Denotes WCL's presence

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)

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

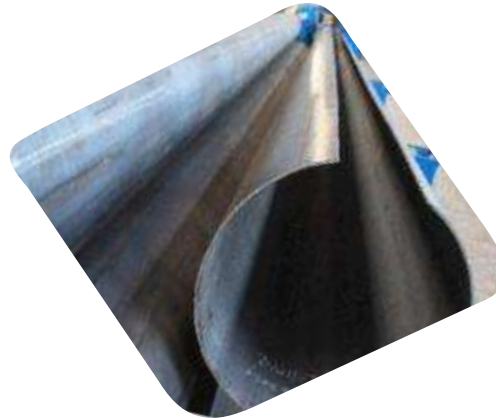
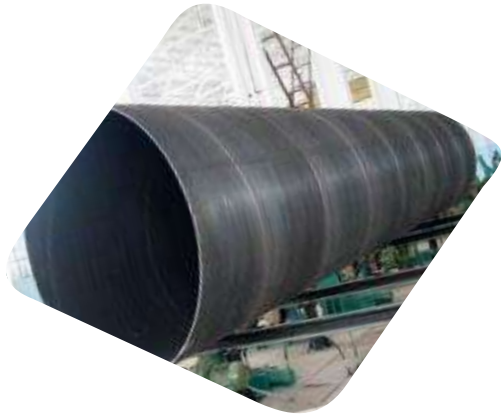
Experienced professional team



END-TO-END PRODUCTS & SOLUTIONS

HSAW Pipes

- Helically welded pipes made from HR coils; used for on-shore oil, gas & water transmission
- 18 – 140 inch diameter, moderate wall thickness

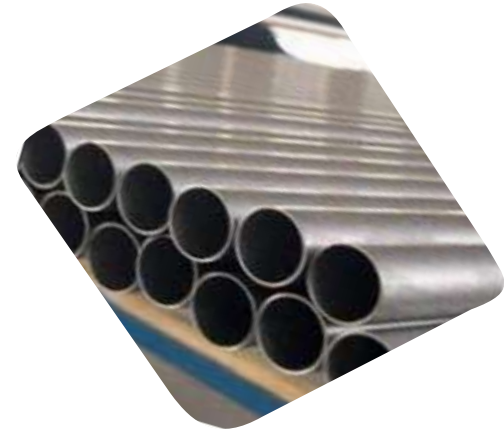


LSAW Pipes

- Longitudinally welded pipes made from HR plates; used for onshore / off-shore oil & gas transmission
- 16 – 60 inch diameter, high wall thickness

ERW/HFIW Pipes

- High-frequency electric welded pipes made from HR coils; used for downstream distribution of oil, gas & water
- 1.5 – 20 inch diameter, low/moderate wall thickness



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

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



Approvals & accreditations from marquee customers across the globe

ADEQUATE CAPACITIES FOR GROWTH

US Facility



Saudi Facility



India Facility



Products (KMT)	US	Saudi Arabia	India
LSAW	-	-	700
HSAW	350	375	755
ERW/ HFIW	175	-	200
Coating Systems	✓	✓	✓

Total combined installed capacity @ 2.55 mn MT

Modern manufacturing facilities leads to minimum maintenance capex

- Port based facilities
- All major accreditations
- Best in class equipment & practices

AWARDS & RECOGNITIONS

OHS category in engineering sector : Anjar (2018)



Best energy practices

Golden Peacock National Quality Award : Anjar (2017)



Golden Peacock Award

By The Martin Luther King Jr Commission of AR (2017)



Salute to Greatness Award 2017

DL Shah Quality Award Quality Council of India (2016)



“Gold Award” Anjar pipes

Pretreatment Excellence Award (2016)



Environment Excellence Award

International Safety Award Anjar (2016)



International Safety Award With merit

Quality Systems Excellence Award for Manufacturing (Large Size Category) (2016)



Excellence Award First Prize

Best Customer Award (2015)



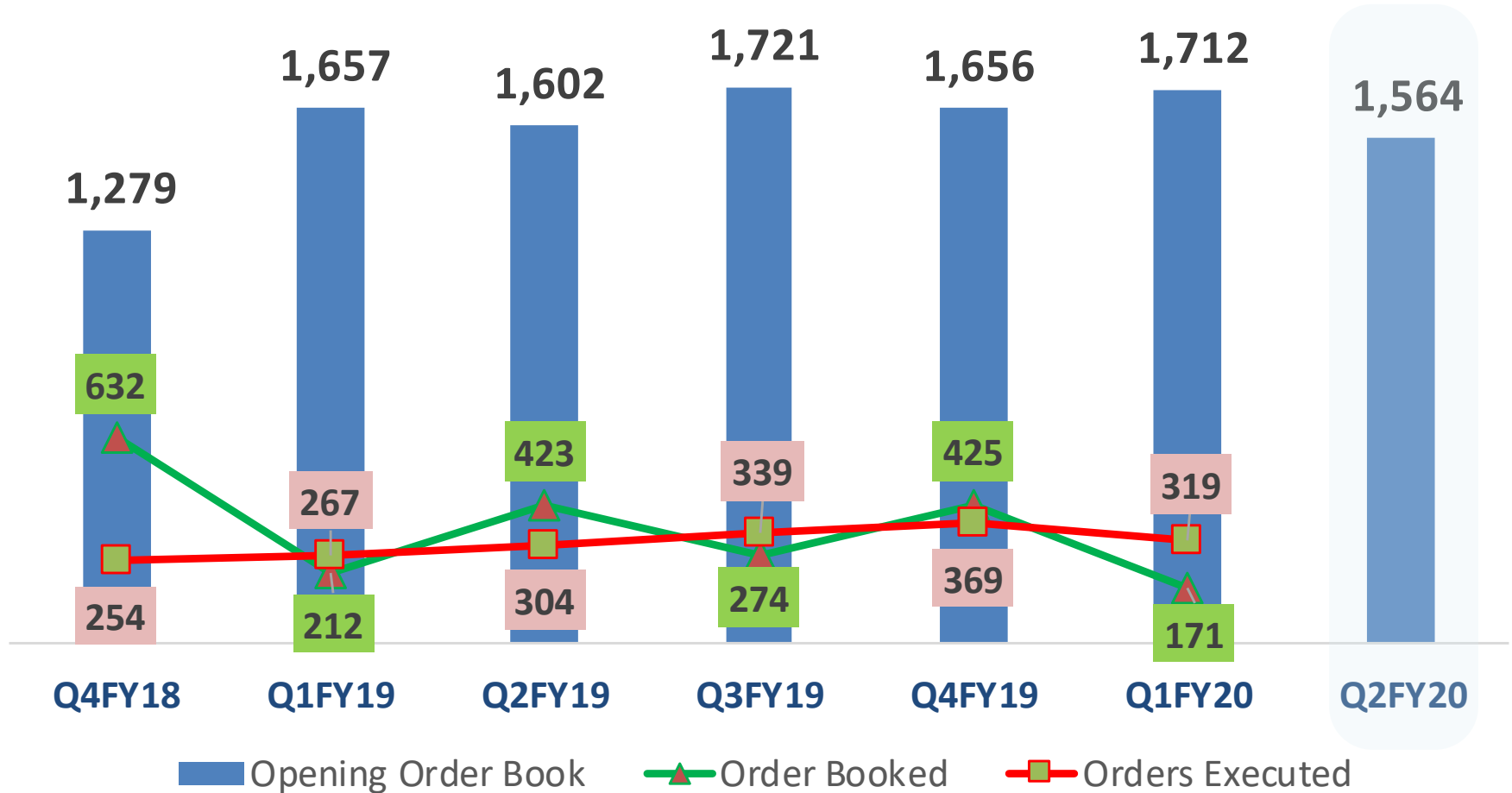
Best Customer

and many more....

ORDER BOOK TREND

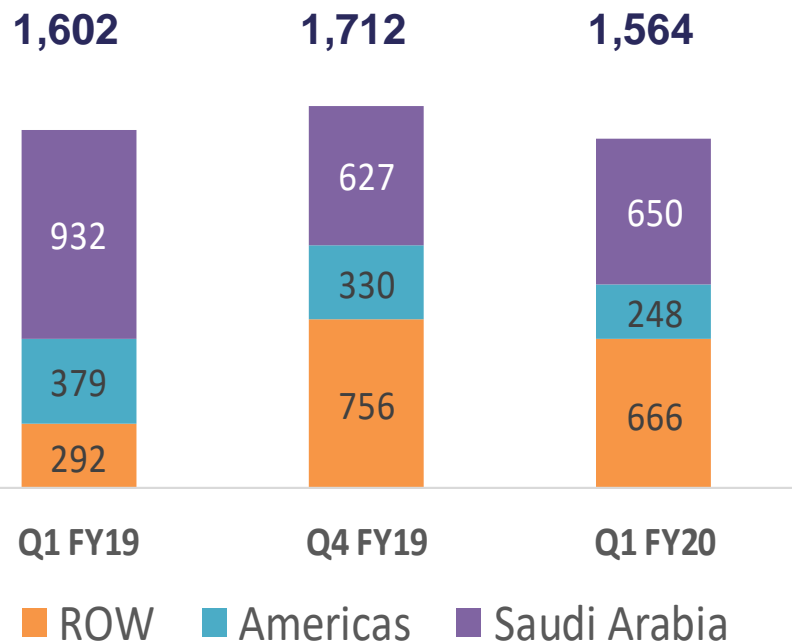
(Figures in KMT)

Order Book Valued at USD 1.92 Billion

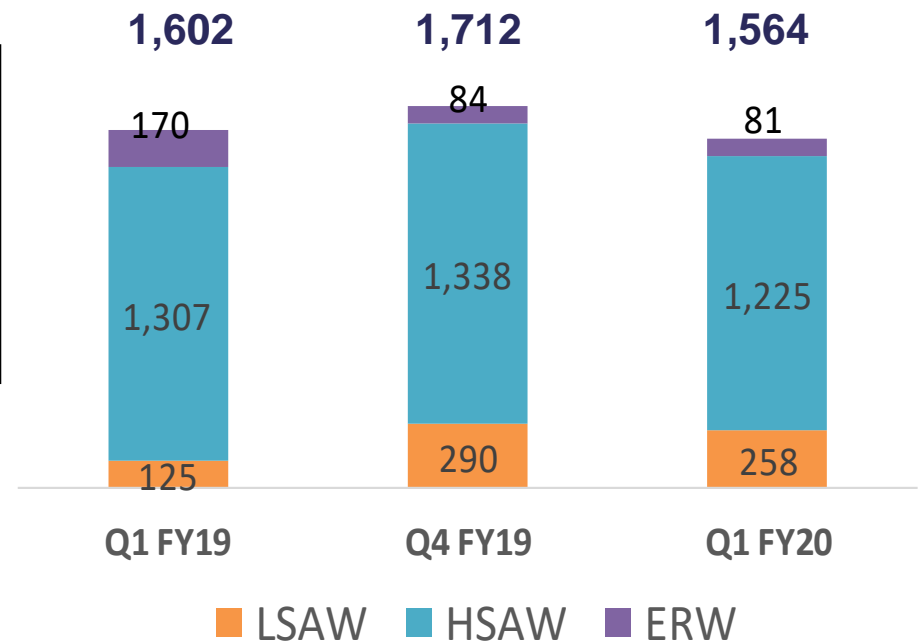


ORDERBOOK ANALYSIS (including Saudi Arabia operations)

Order book by Region



Order book by Type



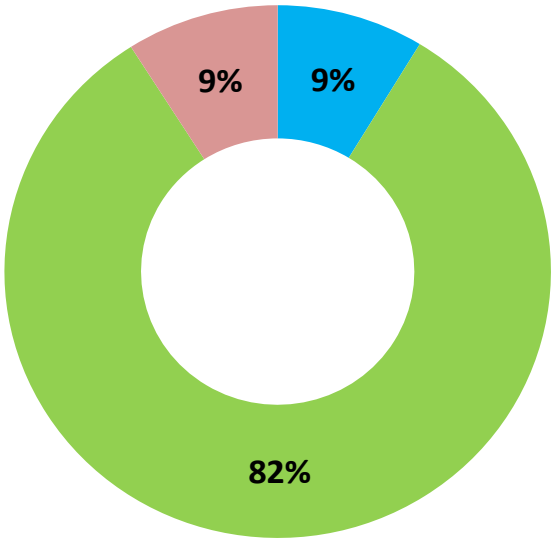
Note: All numbers on this page includes the Saudi Arabian JV

(Figures in KMT)

SALES VOLUME BREAK-UP

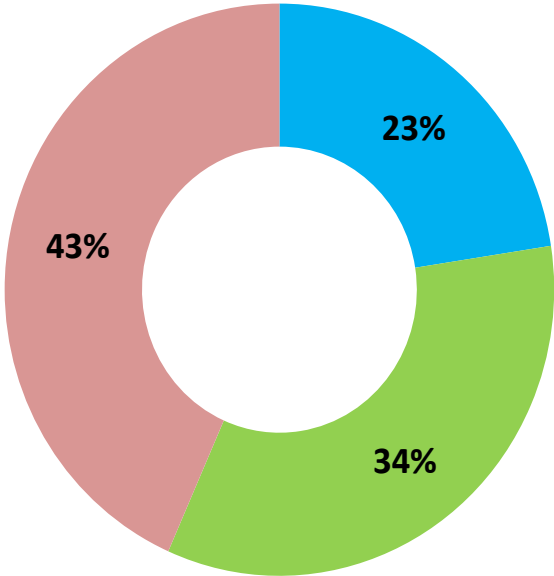
Q1FY20 Pipe Sales Volume : 319 KMT

(including Saudi Arabia operations – 138KMT)



■ LSAW ■ HSAW ■ ERW

Sales by Type

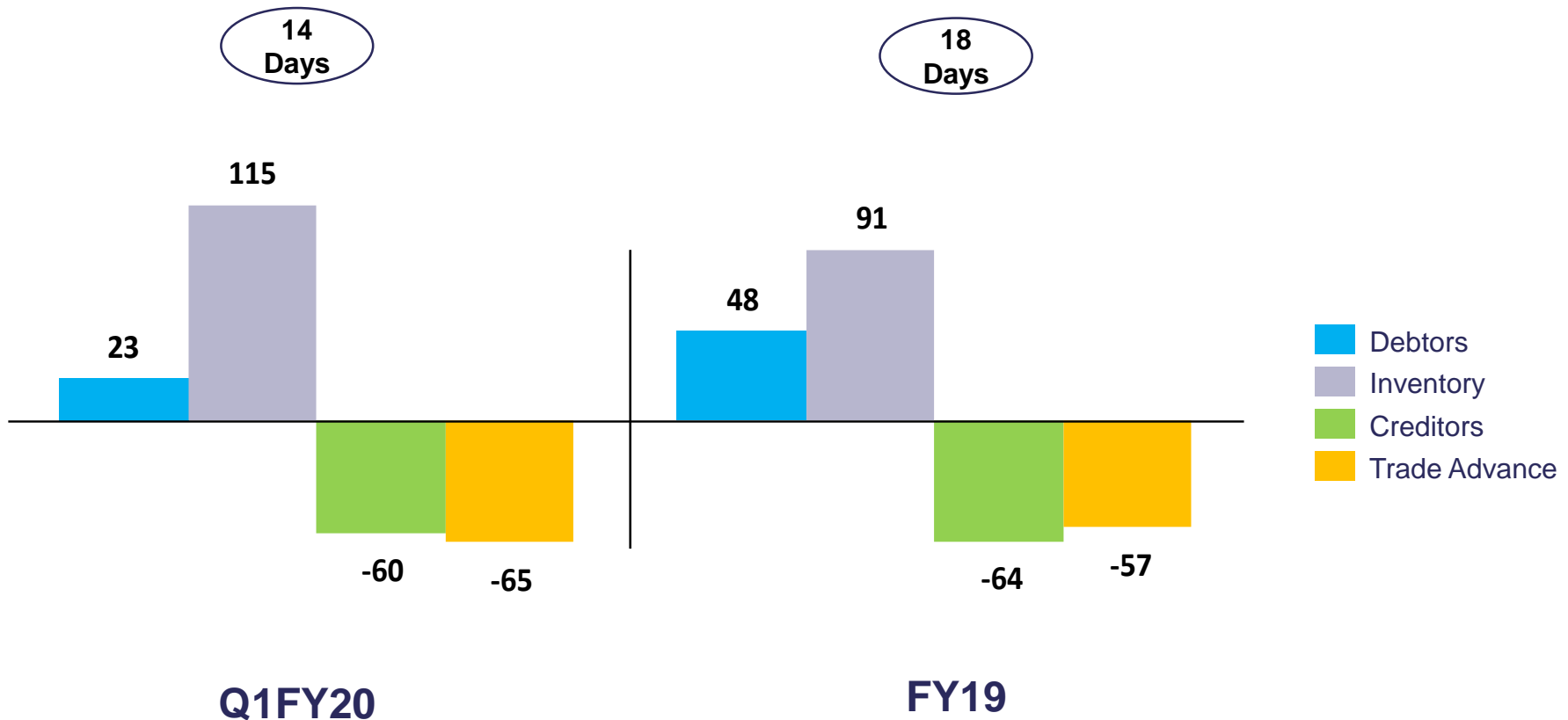


■ India ■ US ■ Saudi Arabia

Sales by Plant

NET WORKING CAPITAL UNDER CONTROL

Cash conversion cycle at 14 days vs. 18 days in FY19



*Includes Debtors + Inventory – Creditors – Trade Advance; Figures are only for continuing operations on IndAS basis

PERFORMANCE SNAPSHOT – Q1FY20

Particulars (Rs Mn)	Q1FY20	Q1FY19
Ex-Saudi Arabia/ CWC operations		
- Pipe Production (KMT)	191	254
- Pipe Sales (KMT)	181	229
Total operations		
- Pipe Production (KMT)	296	288
- Pipe Sales (KMT)	319	267
Continued Operations (Pipes)		
Total Income from Operations	20,471	16,419
Operating EBITDA	2,585	1,741
MTM loss/(gain) on bonds	360	(3)
Reported EBITDA	2,416	1,942
Finance Cost	395	366
Depreciation and Amortisation	545	668
Profit before tax and share of JVs	1,476	908
PAT after Minorities, Associates & JVs (I)	1,256	527
Cash PAT	1,786	1,378

Note:

- a) Prior period figures have been restated, wherever necessary
- b) Cash PAT = PBT excluding one-time non cash items – Current tax + Depreciation

INCOME STATEMENT

Rs mn	FY16	FY17	FY18	FY19	Q1 FY20
Pipe Sales Volume (KMT)	1,100	935	1,084	1,279	319
Revenue	73,801	60,355	63,633	89,535	20,471
Operating EBITDA	7,777	5,935	6,008	8,968	2,585
EBITDA	8,908	7,370	7,101	7,077	2,416
Depreciation	3,865	3,861	2,582	2,597	545
Finance cost	2,411	2,357	1,702	1,774	395
Profit before tax and share of JV	2,632	1,152	2,818	2,706	1,476
Tax	792	258	202	1,223	384
Non Controlling Interest	275	(163)	(53)	(84)	5
Share of profit/(loss) from associates & JVs	(47)	(793)	(859)	(885)	169
Net Profit / (loss) (Continuing Operations)	1,518	264	1,810	683	1,256
Net Profit / (loss) (Discontinued Operations)	-	-	(227)	(815)	(75)
Net Profit / (loss) for the period	1,518	264	1,583	(132)	1,181

Note:

- Prior period figures are restated wherever necessary; All numbers of this sheet are based on IND-AS disclosures
- FY18 / FY19 & Q1FY20 figures are reclassified and regrouped as continuing operations (Pipes) and discontinued operations (PCMD and 43 MW power)
- Pipe sales volumes are based on total operations including Saudi

BALANCE SHEET – ANNUAL TREND

Rs mn	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	30-Jun-19
Net Worth	27,989	28,094	28,540	27,976	29,179
Short Term Loans	5,680	2,203	126	1,750	1,750
Long Term Loans	20,757	16,227	13,738	11,297	9,318
Gross Debt	26,437	18,430	13,864	13,047	11,068
Cash & Cash Equiv.	12,883	7,365	9,649	10,191	9,109
Net Debt	13,554	11,065	4,216	2,856	1,959
Net Fixed Assets (incl CWIP)	37,646	33,877	30,619	16,144	16,526
Net Current Assets #	13,944	12,746	13,596	10,460	8,784
Net Assets Held for Sale *	-	-	-	11,642	12,470
Total Assets	86,385	82,469	76,933	82,000	80,828
Net Debt to Equity	0.48	0.39	0.15	0.10	0.07
Net Debt to EBITDA	1.52	1.50	0.59	0.40	0.26

Note:

- Prior period figures are restated wherever necessary; All numbers of this sheet are based on IND-AS disclosures
- * Net Assets Held for Sale = Assets or disposal groups classified as held for sale less Liabilities directly associated with disposal groups classified as held for sale
- # Net Current Assets as on 31-Mar-19 & 30-June-2019 excludes Net Asset Held for Sale

MARKET OUTLOOK

USA

- **Rising fracking in the Permian basin** → Booming oil & gas production.
- Constrained oil & gas evacuation pipeline capacity driving pipeline demand.
- **Local US players incl. WCL, will continue to command good margins & higher volumes due to:**
 - Current oil prices profitable for shale drilling.
 - Pipeline infrastructure bottlenecks.
 - Restrictions placed on pipe imports in US.

Saudi Arabia

- Strong demand in both oil & gas as well as water sectors: Big projects by Saudi Aramco and SWCC.
- **Big potential in the medium term with**
 - the recent find of shale gas in Saudi Arabia.
 - the intent to connect the entire GCC and Middle East nations through a pipeline network.
- WCL Saudi **confirmed order book for close to two years**; favourable order mix translating to significantly better profit margins .
- WCL Saudi operations **has turned PBT positive during the quarter**
 - Profitability expected to further improve in the coming quarters.

MARKET OUTLOOK....cont.

India

Oil & Gas:

- **Large-diameter pipe demand** driven by gas grid development by GAIL & oil pipeline network by IOCL.
- **Small-diameter pipe demand** from City Gas Distribution projects.
- New government policy to grant pricing freedom to new gas discoveries → Increase in exploration activities in the country → higher pipeline demand.

Water:

- Government focus on issues surrounding water scarcity & stress → Significant demand from water projects is expected across states. The formation of Jal Shakti Ministry is a major milestone and the goal of their theme 'Jal se Nal', is to provide drinking water access to all by 2024.
- **WCL Bhopal Facility:** Geared to meet local demand & become a sizeable player in Central India.

Exports:

- **WCL well-placed to service LSAW pipes demand across geographies with:**
 - its global approvals and accreditations.
 - an impeccable track record of supplying pipes for complex projects for Oil & Gas majors.
 - With oil and gas demand remaining strong, the export business from India plants is expected to benefit.
-

Near Term Potential for Further Growth

Global Bid Book: 2.04 million tons ; Global Upcoming Bids: 20.47 million tons

WELSPUN CORP - WAY FORWARD



Higher Profitability

- ❑ Order Book: 1,564 KMT; provides strong visibility for the future across geographies.
- ❑ Profitability associated with these orders is significantly better than recent profitability trends.
- ❑ Likely to continue in the medium term.



Focus on Core Assets

- ❑ Rich legacy & expertise of delivering pipes for many prestigious & challenging projects, thus **focus on pipe business**.
- ❑ **Divestment of non-core businesses** - Plate & Coil Mill Division (PCMD) and 43MW power plant.
- ❑ Unlocking significant value for shareholders.



Leaner Balance Sheet

- ❑ Focus on free cash flows by calibrating capex and effective management of working capital.
- ❑ Excess cash being used for **pre-paying debt** and to **buyback shares**, thus making the balance sheet leaner.
- ❑ Asset-light approach to further improve Return ratios.



Buyback of Shares

- ❑ Utilising the Company's surplus cash reserves and in order to enhance shareholder value.

THANK YOU

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