

# Welspun Corp Limited

## Investor Presentation | October 2021



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## Q2 FY22 – Key Messages

### Business Outlook

- O&G sector in India continues to be strong, seeing pick-up in the Water sector
- Weakness in US on environmental opposition, revival expected in the medium term
- High Oil Prices a big positive, Saudi Aramco in process of finalizing a few projects
- Flare up in steel prices a key risk as project costs significantly escalate

### Financial Performance

- Strong Net Cash Position of Rs. 1,022 cr on 30<sup>th</sup> Sep 21 vs. Rs. 620 cr on 31<sup>st</sup> Mar 21
- Global Order Book stands at 579 KMT, active bid book of 1,393 KMT
- Total Income from Operations at Rs. 1,306 cr up +12.8% YoY

### Quarterly Highlights

- Business Growth & Diversification plans on track
- Several activities to meet Sustainability Goals; Governance further strengthened
- 100% of eligible employees covered under Dose 1, 90% fully vaccinated

*Note: Pipe Sales & Production volumes, Order Book and Future Bids include Saudi Arabia operations; All other figures pertain to IND-AS continuing operations*

*Above order book includes conversion order of 95KMT with RM FOC (Raw Material Free of Cost) in Saudi JV*

## Q2 FY22 at a Glance

Global Production

166 KMT



Global Sales

180 KMT



Global Order Book

579 KMT



Active Bids - Outlook

1,393 KMT



EBITDA

Rs. 195 crs



Op EBITDA / Ton

Rs. 11,350 /  
USD 153



EPS

Rs. 3.3



Net Cash Position

Rs. 1,022 crs



*Note: Pipe Sales & Production volumes, Order Book and Future Bids include Saudi Arabia operations; All other figures pertain to IND-AS continuing operations*

*Above order book includes conversion order of 95KMT with RM FOC (Raw Material Free of Cost) in Saudi JV*

## Financial Results for Q2 FY22

| Particulars (Rs Cr)                          | Q2FY22       | Q2FY21       | YoY           |
|--|--------------|--------------|---------------|
| <b>Pipe Sales Volume (KMT)</b>               | <b>180</b>   | <b>249</b>   | <b>-27.8%</b> |
| <b>Total Income from Operations</b>          | <b>1,306</b> | <b>1,158</b> | <b>12.8%</b>  |
| <b>Operating EBITDA</b>                      | <b>161</b>   | <b>187</b>   | <b>-13.7%</b> |
| EBITDA                                       | 195          | 240          | -18.7%        |
| Depreciation                                 | 54           | 52           | 4.4%          |
| Finance cost                                 | 18           | 15           | 22.1%         |
| <b>Profit before tax and share of JV</b>     | <b>123</b>   | <b>173</b>   | <b>-29.2%</b> |
| Tax  | 33           | 63           | -47.6%        |
| Non Controlling Interest                     | (1)          | 5            | 116.1%        |
| Share of profit/(loss) from associates & JVs | (5)          | 47           | -111.4%       |
| <b>Net Profit</b>                            | <b>85</b>    | <b>152</b>   | <b>-44.2%</b> |
| <b>EPS</b>                                   | <b>3.3</b>   | <b>5.8</b>   | <b>-44.2%</b> |

*Note:*

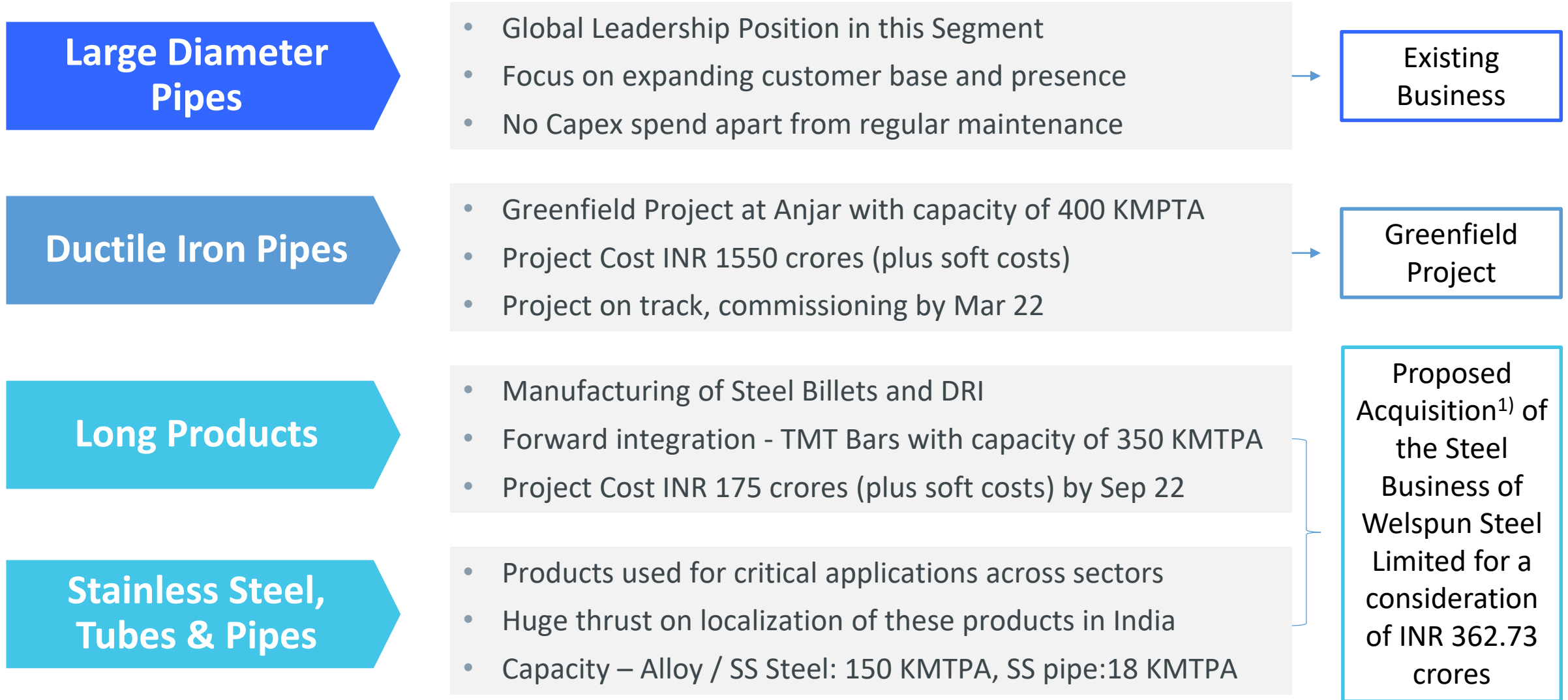
- Consolidated Financials pertaining to continuing operations (Pipes) only
- Prior period figures are restated wherever necessary; All numbers of this sheet are based on IND-AS disclosures except sales volume
- Sales volumes are based on total operations including Saudi and are for Pipes

## Robust Balance Sheet with Net Cash Position in excess of INR 1000 crores

| Particulars (Rs Cr)      | 31-Mar-20 | 30-Jun-20    | 30-Sep-20    | 31-Dec-20    | 31-Mar-21    | 30-Jun-21    | 30-Sep-21      |
|--------------------------|-----------|--------------|--------------|--------------|--------------|--------------|----------------|
| Gross Debt               | 995       | 479          | 335          | 660          | 771          | 816          | 1,230          |
| Cash & Cash Equivalents  | 963       | 677          | 990          | 974          | 1,391        | 1,670        | 2,252          |
| <b>Net Debt / (Cash)</b> | <b>32</b> | <b>(198)</b> | <b>(655)</b> | <b>(314)</b> | <b>(620)</b> | <b>(853)</b> | <b>(1,022)</b> |

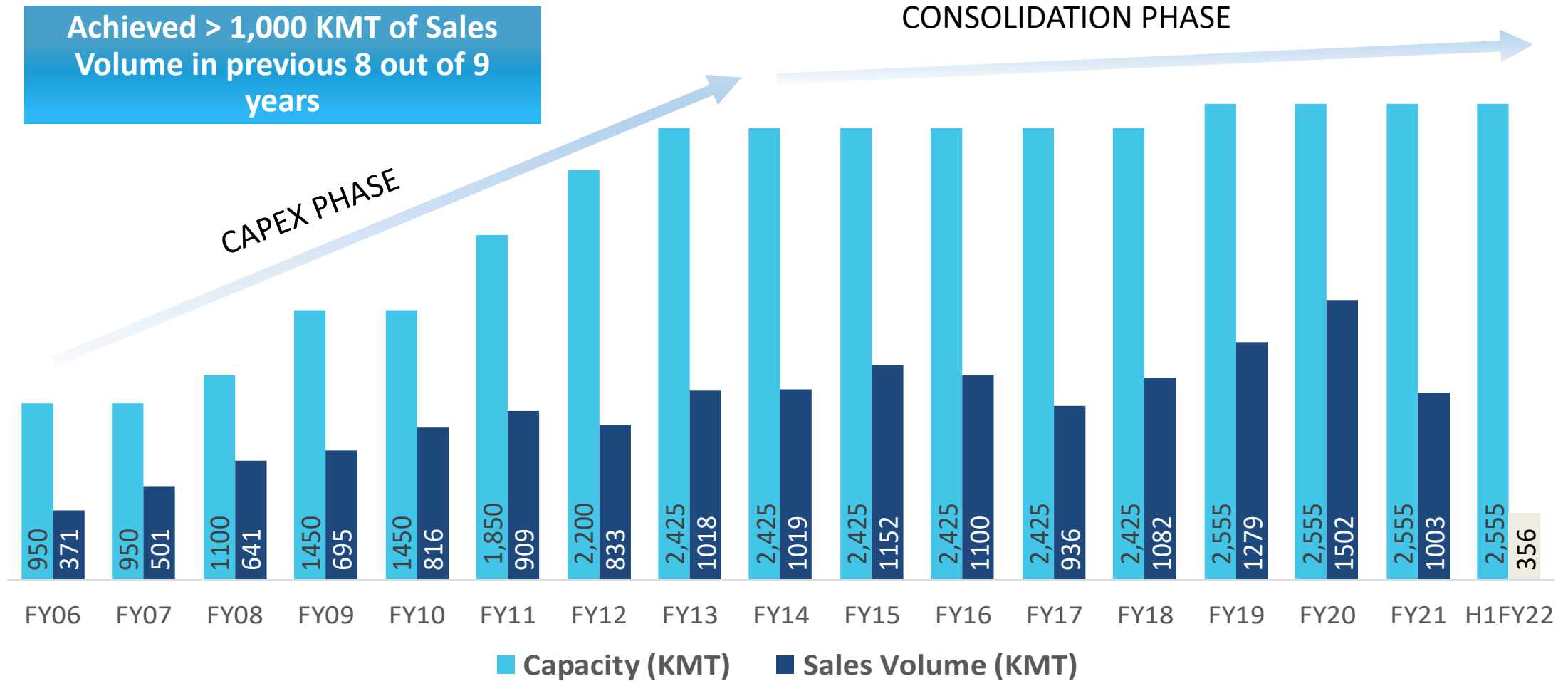
1. Strong cash flow generation through focus on collections, cost optimisation and operational excellence
2. Leveraging inherent strengths to bring stability in challenging times
3. This has enabled funding of new business opportunities to bring growth and consistency in earnings

## Diversification of Product Portfolio



Note: 1) Through a Scheme of Arrangement

# Operational Performance: Pipes (Capacity and Volumes)



Note: Pipe capacity and sales volumes are based on total operations including Saudi



## Financial Performance

**2<sup>nd</sup> Highest EBITDA in FY21 despite being a Pandemic year**

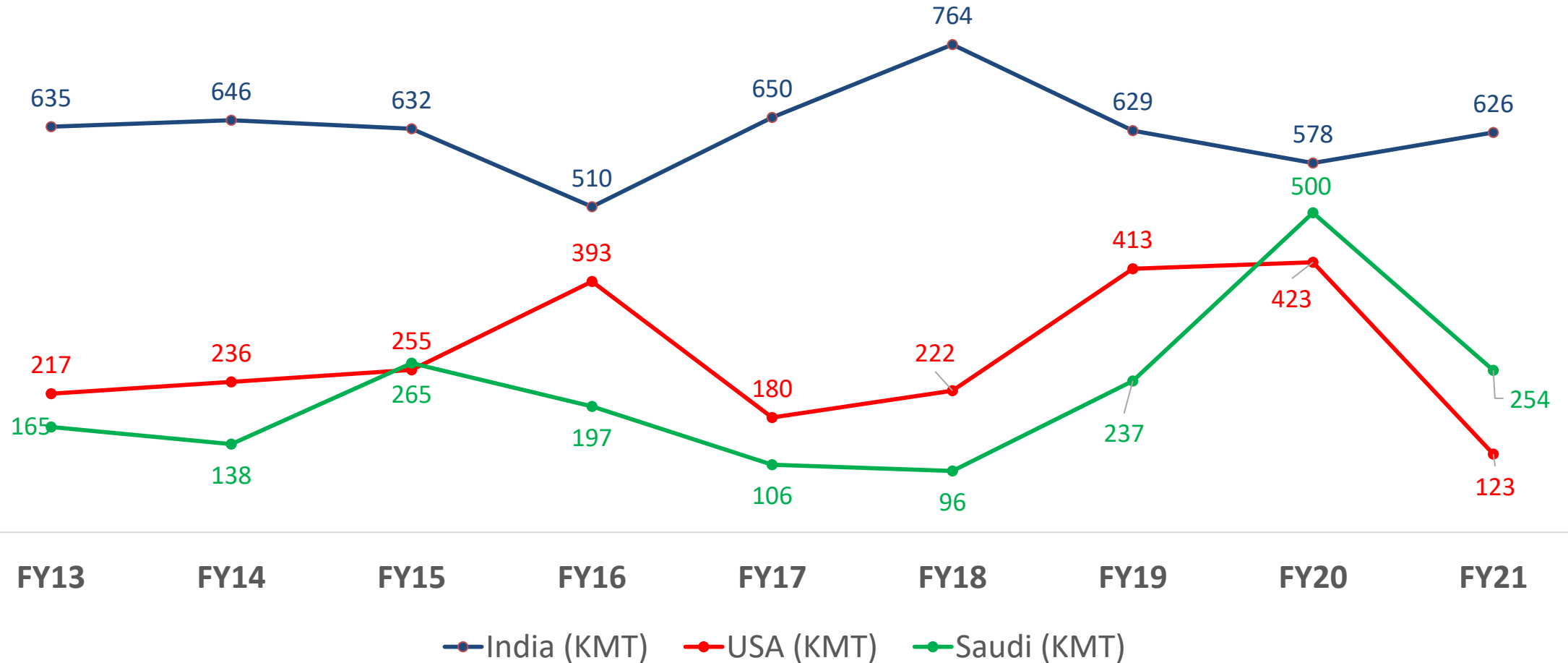
| Particulars                       | FY13  | FY14  | FY15  | FY16  | FY17  | FY18  | FY19  | FY20  | FY21   | H1FY22  |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|---------|
| <b>Sales Volume (KMT)</b>         | 1,018 | 1,019 | 1,152 | 1,100 | 936   | 1,082 | 1,279 | 1,502 | 1,003  | 356     |
| <b>Revenue (INR cr)</b>           | 9,083 | 7,705 | 8,451 | 7,380 | 6,035 | 7,587 | 8,954 | 9,957 | 6,440  | 2,605   |
| <b>EBITDA (INR cr)</b>            | 919   | 844   | 951   | 891   | 737   | 815   | 708   | 1,276 | 1,010  | 398     |
| <b>EPS</b>                        | 6.1   | 2.8   | 2.6   | 5.8   | 1.0   | 6.0   | 2.6   | 25.6  | 24.1   | 7.0     |
| <b>Net Worth (INR cr)</b>         | 2,750 | 2,957 | 2,799 | 2,799 | 2,809 | 2,854 | 2,798 | 3,215 | 3,793  | 3,856   |
| <b>Net Debt / (Cash) (INR cr)</b> | 2,314 | 2,568 | 1,910 | 1,355 | 1,106 | 422   | 286   | 32    | (620)  | (1,022) |
| <b>Net debt/Equity</b>            | 0.84x | 0.87x | 0.68x | 0.48x | 0.39x | 0.15x | 0.10x | 0.01x | -0.16x | -0.26x  |
| <b>ROCE (pre-tax)</b>             | 8.2%  | 7.4%  | 8.7%  | 8.0%  | 6.4%  | 8.8%  | 22.6% | 32.1% | 17.9%  | 16.2%   |
| <b>ROE</b>                        | 3.7%  | 2.6%  | 2.4%  | 5.2%  | 0.9%  | 5.6%  | 11.7% | 23.7% | 18.0%  | 16.6%   |

**Note:**

- Consolidated Financials
- Prior period figures are restated wherever necessary; All numbers of this sheet are based on IND-AS disclosures except sales volume
- Sales volumes are based on total operations including Saudi and are for Pipes
- From FY19 figures are pertaining to continuing operations (Pipes) only

# Sales Volume Mix

## Consistent Performance in India



# Our ESG Journey

## Environmental & Social

Detailed Benchmarking versus peers on ESG factors

Mapping universe of issues, objectives and risk and prioritizing them based on Materiality for WCL

Arrive at baseline scenario in line with WEF metrics and identification of improvement areas

Formulation of a strategic roadmap outlining key actions to be undertaken in short, medium and long term

Public reporting and disclosures of ESG performance

**Maturity Assessment**



**Materiality Analysis**



**Baseline & Gap Analysis**



**Roadmap**



**Communication and Reporting**

## Corporate Governance

### Board Matters / Entity Level Controls

- ESG Committee at the board level setup
- Several key actions taken in line with leading practices

### Related Party Framework

- As-Is analysis of existing policy and process flow
- Refine scope, applicability, responsibility and appropriate controls in RPT framework

### Ethics Framework

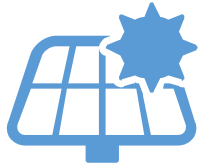
- Conducted Ethics culture survey
- Developed a road map for training and awareness programs
- As-Is analysis, benchmarking and gap assessment of existing policies
- Updated Policies Finalized: Whistle-blower Policy, Code of Conduct, Fraud Prevention Policy & Fraud Response Plan, Disciplinary Action Matrix and Anti-Bribery & Anti-Corruption Policy

**Major transformation to further strengthen ESG across our organization**

## Sustainability Targets

| Aspects  | FY 2020-21 | Goal 2025                        | Goal 2030            | Goal 2040              |
|--|------------|----------------------------------|----------------------|------------------------|
| <b>Carbon Neutrality</b><br>- % Renewable Energy (RE)  |            | 10% RE                           | 20% RE               | Carbon neutral         |
| <b>Water Neutrality</b><br>- Water Intensity   | 0.63 KL/MT | 0.55 KL/MT                       | 0.40 KL/MT           | Water neutral          |
| <b>Waste to Landfill</b>   | 1.53 MT    | 1.00 MT                          | 0 MT                 | Zero waste to landfill |
| <b>Impacting Lives in CSV</b>  | 1,60,735   | 5,00,000                         | 1,000,000            | 2,000,000              |
| <b>Sustainable Supply Chain</b><br>- % suppliers assessed as per ESG compliant Code of Conduct |            | 100% critical suppliers assessed | 100% (all suppliers) | 100% (all suppliers)   |

## ESG Initiatives in Q2 FY22



### Several management interventions with ESG at the core:

- MoU with BP India Pvt Ltd. to jointly explore carbon emission mitigation and reduction opportunities in WCL's energy, logistics, mobility and waste management activities
- Project for Installation of 300 KW Solar Panels at Anjar – expected generation of 446,315 KWH p.a.
- Rain water harvesting developed for 974 KL, RO rejected water utilized for Process consumption
- Optimization of manufacturing processes to reduce Waste Intensity
- Including ESG in internal audit framework, formalizing key governance roles, expanding the scope of stakeholder relationship committee

.....and many more

## Electric Vehicle in Logistics



## Daan Utsav Drive across Locations



## Tree Plantation on World Environment Day



## Vaccination of Employees



## Strategy for Long Term Value Creation

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- 1** Business Growth & Diversification to improve Earnings Predictability and Enhance Margins

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- 2** Delivering on Growth Plans and Operational Excellence

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- 3** Maintain Balance Sheet Strength

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- 4** Continue to integrate Digital Technologies into all areas of Business

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- 5** Thrust on ESG Initiatives

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## Welspun Corp at a glance



Top  
**3**

Among Line Pipe Manufacturers globally



**50+**

Approvals from O&G majors; Qualifies for global bidding



**15+**  
MN MT

Pipes delivered since inception with multiple repeat orders

**2.55 mn MT Pipes Capacity**

**6 manufacturing facilities  
in 3 countries**

**Used in Oil & Gas and  
Water industry**



## Our Manufacturing Facilities



**INDIA**



**UNITED STATES**



**SAUDI ARABIA**

| Capacity<br>(in KMT) | India        |       |        |        | US          | Saudi Arabia | Total        |
|----------------------|--------------|-------|--------|--------|-------------|--------------|--------------|
|                      | Anjar        | Dahej | Mandya | Bhopal | Little Rock | Dammam       |              |
| Products / City      |              |       |        |        |             |              |              |
| LSAW                 | 350          | 350   | -      | -      | -           | -            | 700          |
| HSAW                 | 250          | 50    | 150    | 305    | 350         | 375          | 1,480        |
| ERW/ HFIW            | 200          | -     | -      | -      | 175         | -            | 375          |
| SAW Pipes (KMT)      | <b>1,655</b> |       |        |        | <b>525</b>  | <b>375</b>   | <b>2,555</b> |
| DI Pipes (KMT)       | 400          | -     | -      | -      | -           | -            | 400          |



**Port based facilities**



**All major accreditations**



**Best in class equipment & practices**

# Our Business Moat

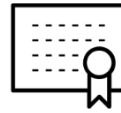
## Global Leadership

Among Top 3 Line Pipe Manufacturers globally



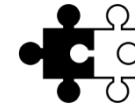
## Accreditations

Approvals: 50+ O&G majors;  
Qualifies for global bidding



## Expertise

Executed critical & complex projects worldwide



## Customer Centricity

Delivered 15+ mn MT Pipes with multiple repeat orders



## Supplier Relationship

Long term association with global Steel & other vendors



## Innovation

Patented technology leading to higher productivity



## Global but Local

Domestic presence in key demand areas: USA | KSA | India



## One-Stop Shop

Steel sourcing to ROW / Laying Site  
– Managing complete SCM



## ESG

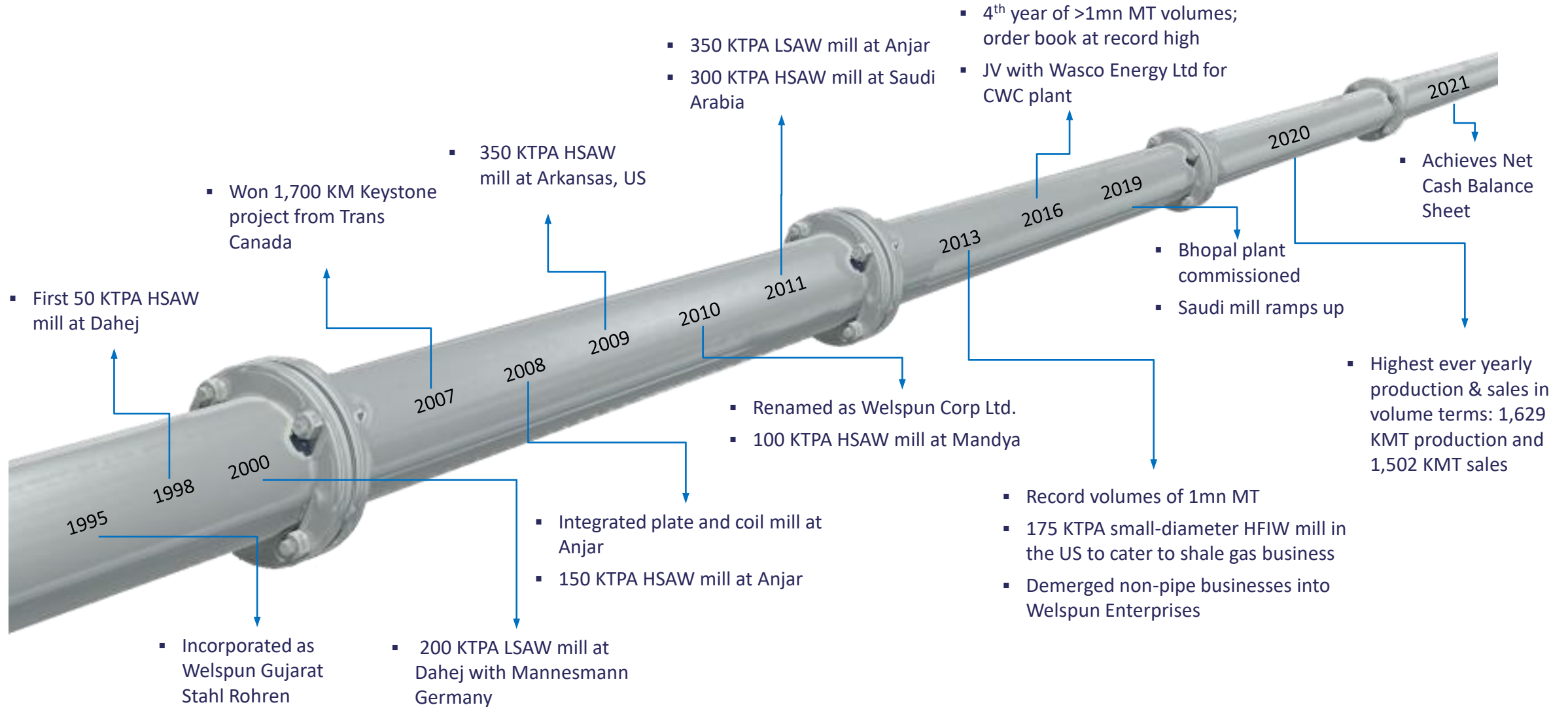
Independent Board |  
Focus on Diversity, CSR & Sustainability



# Approvals & accreditations from marquee customers is a significant entry barrier



# Key Milestones



## Product Information

### **HSAW Pipes**

(Helically welded)

18 – 140 inch  
diameter, 6 mm to  
25 mm  
thickness

Onshore oil, gas & water  
transmission

### **LSAW Pipes**

(Longitudinally welded)

16 – 60 inch  
diameter,  
6 mm to 43 mm  
thickness

Onshore / Offshore oil & gas  
transmission

### **ERW Pipes**

(Electric Resistance  
Welded)

1.5 – 20 inch  
diameter, 4 mm to  
14 mm  
thickness

Onshore O&G transmission  
and Downstream O&G  
distribution

### **DI Pipes**

(Ductile Iron)

80– 1200 mm  
diameter, K7 and  
K9 class

Potable Water distribution

### **Coating Systems**

3LPE, FBE, 3LPP, Concrete Weight Coating,  
Internal Epoxy, Coal Tar Enamel, Inside  
Cement Mortar Lining

### **Value Added services**

Double Jointing, Pipe bending, ID Machining,  
Dump Site & Inventory management

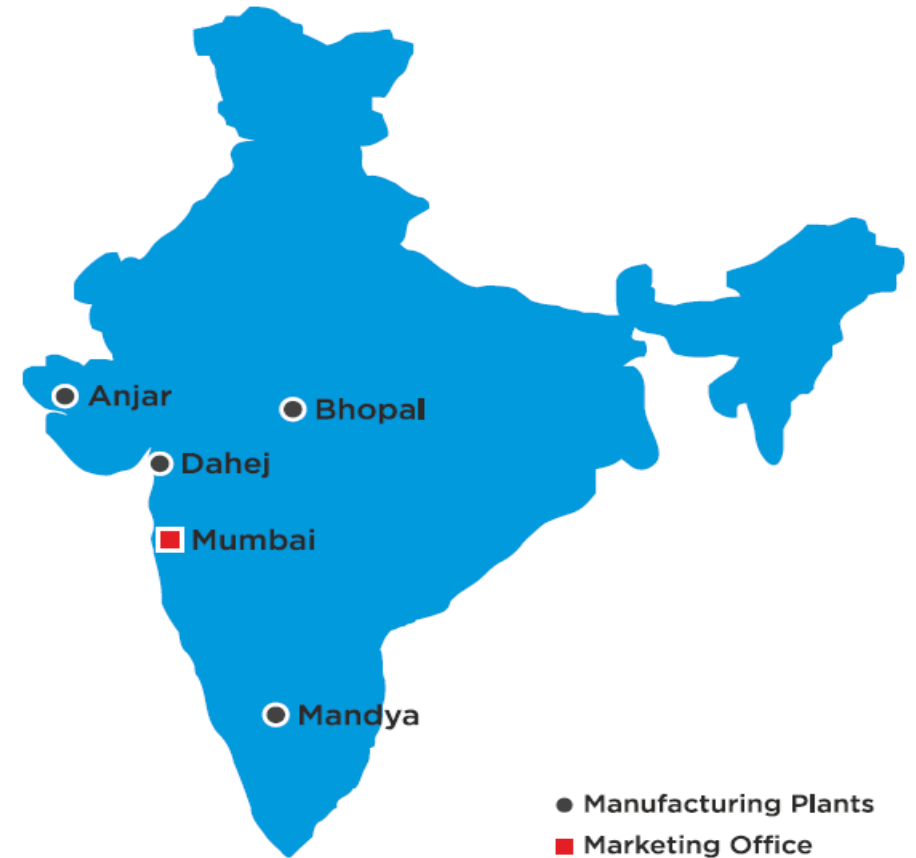
## Unique Manufacturing Advantage: India

### INDIA : 20+ YEARS OF EXPERTISE

- All-round capability: Pipes, bends, internal and external coating, Concrete Weight Coating
- Location advantage: Ideal to cater to export and domestic businesses
- Proximity to the key demand centres in West, South and Central India
- Heaviest LSAW Mill in India
- Approvals from all major domestic and Global O&G companies
- Healthy relationships with international and domestic steel suppliers
- Entry Barriers (India):
  - MoPNG requirement: Domestic value addition should be at least 35% of the cost

### Strategically Located Plants

*...to cover West, South and Central India*



# Unique Manufacturing Advantage: US & Saudi

## US: DOMINANT PLAYER IN LINE PIPES

- Largest and most modern spiral (HSAW) mill
- Patented manufacturing technologies
- Strategic location, west of the Mississippi river
  - Close proximity: Oil basins & LNG terminals
- Robust logistics infrastructure:
  - Easy access to Arkansas river and New Orleans port
  - In-house rail connectivity
- Healthy relationship with key steel & logistic suppliers
- Favorable trade policies - “Melt in USA”; Anti-dumping duty, CVD & Section 232 tariffs

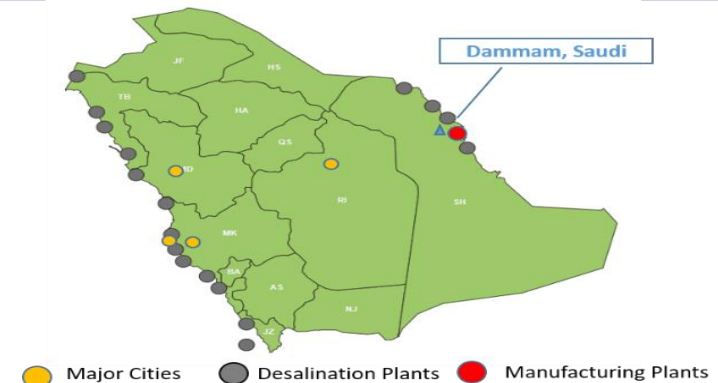
### Proximity to Shale Basins



## SAUDI: ONE OF THE LARGEST PIPE PLANTS

- Location Advantage:
  - Proximity to Dammam Port
  - Closer to major business destinations
- Approved and accredited by both Saudi Aramco and Saline Water Conversion Corporation (SWCC)
- Experience of executing multiple complex projects in O&G and water
- Healthy relationship with key steel suppliers
- IKTVA Program favors domestic pipe industry

### Location Advantage



# Board of Directors & Management Profile

## Board of Directors

### B.K.Goenka - Non-Executive Chairman & Promoter Director

- Amongst India's most dynamic businessmen
- Past President ASSOCHAM (2019)
- Recipient of Asian Business Leadership (ABLF) Award, 2019

### Rajesh Mandawewala, Promoter Director

- Qualified Chartered Accountant; Played an instrumental role in establishing Welspun's Textile & Pipe business
- Leading new strategic initiatives of the Group
- Authorization of investment decisions for Welspun

### Dipali Goenka - Non Executive Non Independent Director

- Graduate in Psychology & completed Management Program from Harvard
- Has been instrumental in transforming Welspun India into a global leader in home textiles

### Amita Misra - Non Executive Independent Director

- Ex-IAS with 38+ years of experience in various government & international organizations.
- Area of specialization: Audit, Financial Management, Procurement, Industrial and Development Projects involving International Cooperation & Governance

### Desh Raj Dogra - Non Executive Independent Director

- Retired Managing Director & CEO of Credit Analysis and Research Limited.
- MBA, CAIIB with over 38 years of experience in banking and credit rating.

### K. H. Viswanathan - Non Executive Independent Director

- Qualified cost and works accountant with over 34 years of experience
- Expert in Audit, Tax & Legal, Structuring, Business Strategy, M&A

### Revathy Ashok - Non Executive Independent Director

- Gold medalist from IIM, Bangalore and Member of Indian Angel Network.
- Independent consulting practice, working with mid and early stage companies, helping them scale
- Former MD of Tishman Speyer Private Equity and Global CFO of Syntel Inc

## Management Team

### Vipul Mathur - Managing Director & CEO, Member of Board

- Well-known figure in the global pipe industry; Associated with Welspun since 2001
- Led the company to historic high order book & profitability
- Recipient of Hall of Fame Steel CEO of the year (2018) by SUFI

### Percy Birdy - Chief Financial Officer

- Member of ICAI and ICWAI with 25+ years of experience in the areas of Corporate Finance & Accounting, Costing, Budgeting, Direct & Indirect Tax, Banking, etc.
- Has previously worked with Allansons Group, Glenmark, Essel Propack

### Godfrey John - Business Head - INDIA /APAC/MENA & EUROPE

- 25+ years of experience in the industry.
- Expertise in pipes across applications such as Oil & Gas, Water, Ports and Terminals as well as structural pipes

### Todd Phillips - Vice President Sales - AMERICAS

- Rich and varied experience of nearly 30 years
- Has previously worked with Borusan USA, Gulf Interstate Engineering, Pe Ben USA, MTS USA, United Spiral Pipe and other companies of repute

### T.S. Kathayat - President & Chief - Corporate Quality & Technical Services

- 23+ years of Work Experience in the manufacturing Industry
- Conferred with "Quality leadership Award" and "Corporate Excellence Leader of the Year" by World Quality Congress



# Thank You

## Welspun Corp Limited

CIN: L27100GJ1995PLC025609

[www.welspuncorp.com](http://www.welspuncorp.com)

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