

Welspun Corp Limited

Investor Presentation | Q1 FY23



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Q1 FY23 at a Glance

Pipes		Other Verticals	
<p>Production (Line Pipes)</p> <p>158 KMT</p> 	<p>Sales (Line Pipes)</p> <p>157 KMT</p> 	<p>Sales (Billets)</p> <p>36 KMT</p> 	<p>Sales (SS Pipes)</p> <p>692 MT</p> 
<p>Order Book (Line Pipes)</p> <p>1,020 KMT</p> 	<p>Active Bids – Outlook (Line Pipes)</p> <p>1,930 KMT</p> 	<p>Sales (SS Bars)</p> <p>1,557 MT</p> 	

Note: Pipe Sales & Production volumes and Order Book include Saudi Arabia operations

Financial Results for Q1 FY23

Particulars (Rs Cr)	Q1FY23	Q4FY22	QoQ	Q1FY22	YoY
Total Revenue from Operations	1,322	2,011	-34.3%	1,510	-12.5%
Other Income	73	402	-81.9%	37	96.0%
Reported EBITDA	102	474	-78.6%	207	-50.8%
Depreciation and Amortisation	61	63	-3.4%	64	-3.9%
Finance Cost	31	30	2.1%	22	40.6%
Profit before tax and share of JVs	10	380	-97.4%	121	-92.0%
Share of profit/(loss) from Associates and JVs	4	13	-72.4%	3	43.2%
Tax expense	14	130	-89.0%	37	-61.4%
Non-controlling interest	(5)	27	-118.5%	(8)	-33.7%
PAT after Minorities, Associates & JVs	4	236	-98.3%	94	-95.6%
Basic EPS from Continuing Operations	0.2	9.0	-98.3%	3.6	-95.6%

Q4FY22 includes Gain of Rs.359 crores in “Other Income” from the Saudi IPO

Note:

- Consolidated Financials pertaining to continuing operations
- Prior period figures are restated wherever necessary

Financial Performance

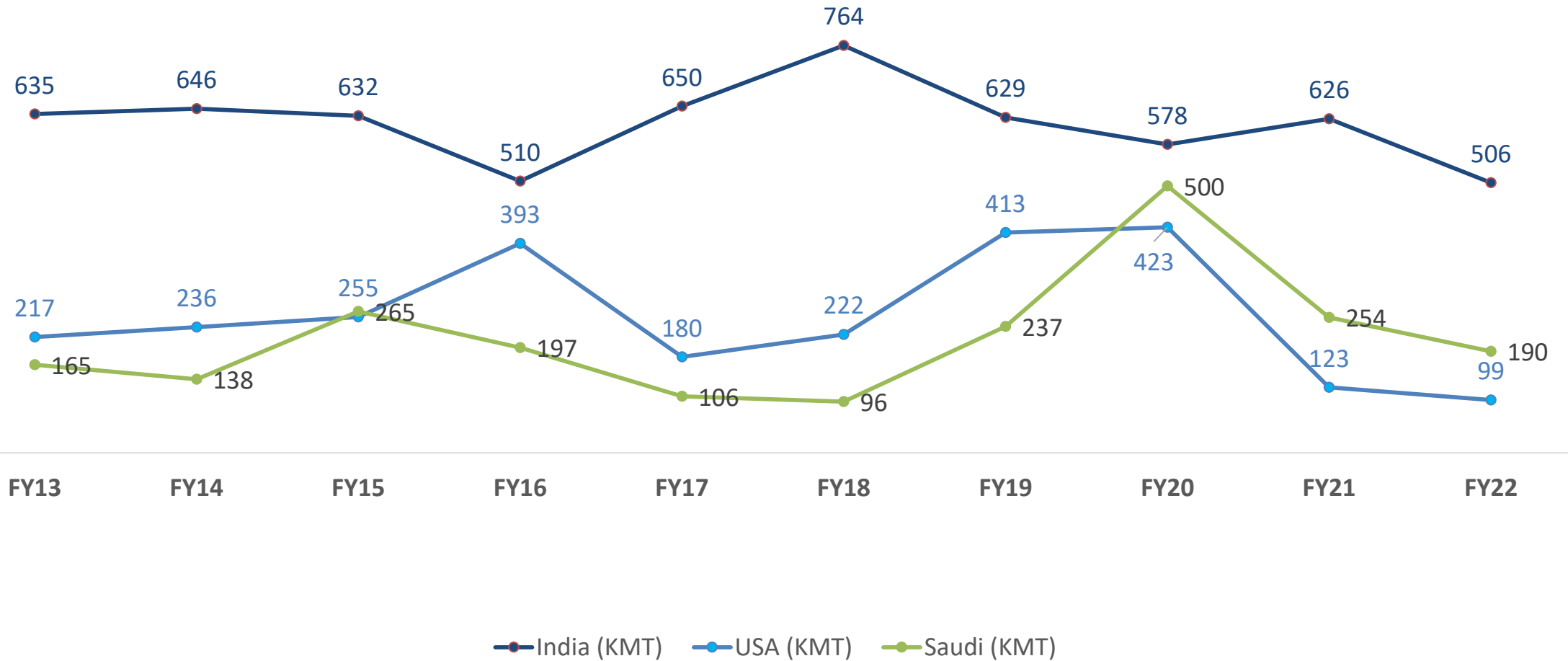
Consistent Performance has resulted in a Strong Balance Sheet

Particulars	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	Q1FY23
Revenue (INR cr)	9,083	7,705	8,451	7,380	6,035	7,587	8,954	9,957	7,153	6,505	1,322
EBITDA (INR cr)	919	844	951	891	737	815	708	1,276	1,152	1,023	102
Basic EPS	6.1	2.8	2.6	5.8	1.0	6.0	2.6	25.6	29.8	16.8	0.2
Net Worth (INR cr)	2,750	2,957	2,799	2,799	2,809	2,854	2,798	3,215	4,209	4,528	4,575
Net Debt / (Cash) (INR cr)	2,314	2,568	1,910	1,355	1,106	422	286	32	(447)	(173)	(116)
Net debt/Equity	0.84x	0.87x	0.68x	0.48x	0.39x	0.15x	0.10x	0.01x	-0.11x	-0.04x	-0.03x

Note:

- Consolidated Financials
- Prior period figures are restated wherever necessary; All numbers of this sheet are based on IND-AS disclosures
- From FY19 figures are pertaining to continuing operations only

Sales Volume Mix: Line Pipes



Business Outlook

Line Pipes

India continues to be strong, both in O&G & Water sectors, with strong emphasis on creating an O&G pipeline network across the country. Also water distribution network and irrigation is a key priority. Further, CGD connectivity will provide a huge impetus for ERW pipes. Active discussions for several orders in the export markets which have seen an improvement in prospects due to high oil prices, increased demand and Europe looking to diversify its energy supply. Saudi market strong, Saudi Aramco has increased its capital expenditure guidance to \$40 billion - \$50 billion for 2022 from \$31.9 billion in 2021. O&G market in the US also buoyant as evident from the recent order win (single largest order in the history of the company).

Ductile Iron Pipes

Huge impetus on creating drinking water supply infrastructure. Jal Shakti Ministry was allocated a total of Rs. 86,189 crore for FY23 higher from Rs. 69,052 crore allocated in the previous fiscal year. Our internal forecasts based on interactions with various industry participants, indicate a robust demand for DI pipes over the next 5-7 years with projected demand outstripping supply.

Long Products

Demand uptick stemming from the Government's thrust on infrastructure, particularly in the rural markets, apart from the pickup in the construction activity, which will lead to increased offtake of Long Products. The government has a fixed objective of increasing rural consumption of steel from the current 19.6 kg/per capita to 38 kg/per capita by 2030-31.

Stainless Steel and Tubes & Pipes

Big push for localization of these products under Atmanirbhar Bharat initiatives. Implementation of quality order, mandatory BIS certification in India and withdrawal of export benefits by Chinese Government will act as major catalysts for the growth of this sector which is poised to grow at CAGR of 6-7% per annum. The Key Sectors are Power, Nuclear & Defence from where we see a significant demand pull.

Strategy for Long Term Value Creation

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

- 2** Building Resilience: Maintain Robust Balance Sheet

- 3** Accelerate ESG Initiatives

- 4** Enhancing Returns through Prudent Capital Allocation

WCL as “it was”: High Quality Line Pipe Business



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, Water
industry & Structurals**

Approvals & accreditations: Line Pipes

Oil & gas



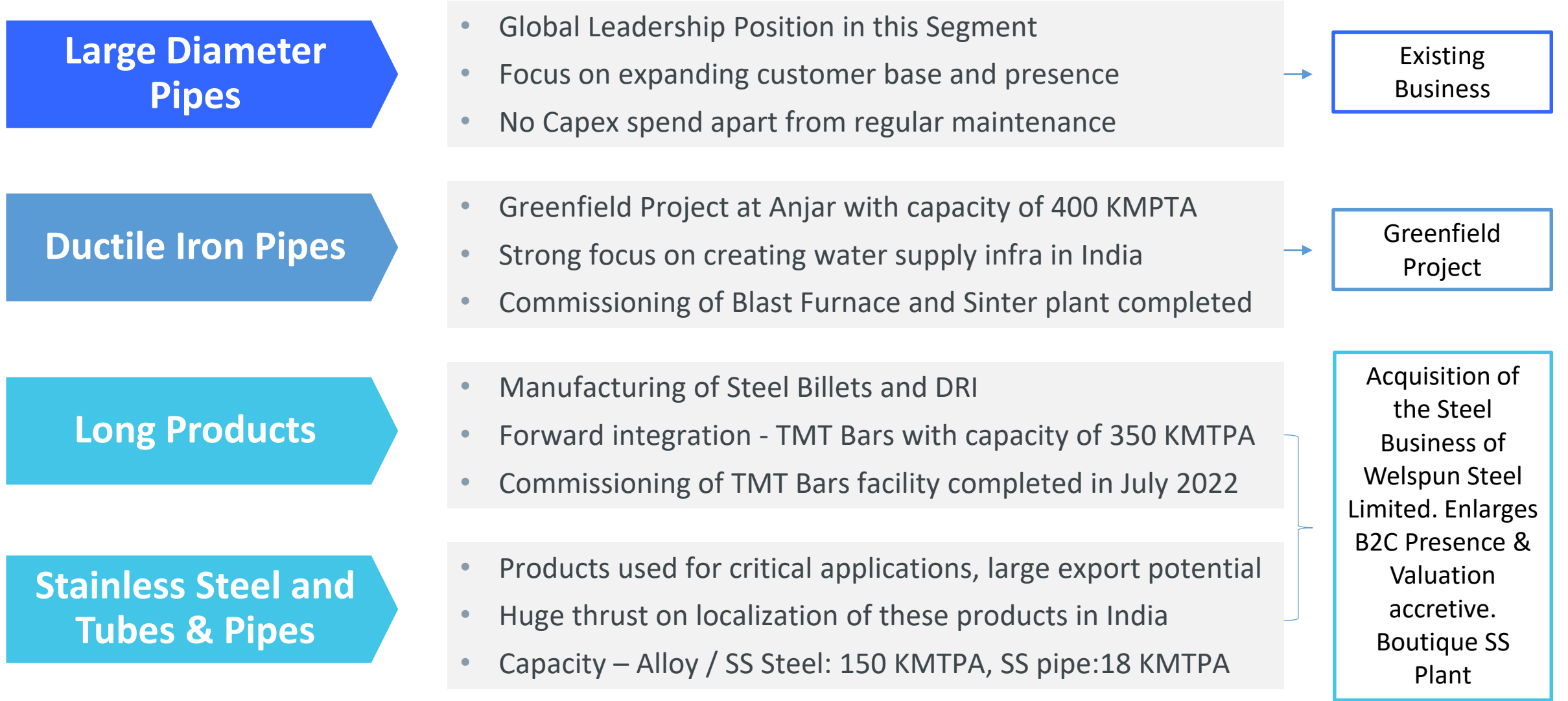
Transportation



Others



Diversification of Steel Business: Solid Platform for Higher Value Products and B2C Initiatives



Our Manufacturing Facilities

Capacity ¹⁾	India					US	Saudi Arabia	Total
	Anjar	Dahej	Mandya	Bhopal	Jhagadia	Little Rock	Dammam	
Products / City								
LSAW	350	350						700
HSAW	250	50	150	305		350	375	1,480
ERW/ HFIW	200					175		375
Line Pipes (KMT)	1,655					525	375	2,555
TMT Bars (KMT)	350							350
DI Pipes (KMT)	400							400
SS Bars (KMT)					150			150
SS Pipes (KMT)					18			18

Note: 1) DI Pipes Capacities are upcoming

WCL “The Way Forward”: Business Growth & Diversification Strategy

	Existing	New			Planned
Business	Large Diameter Pipe and Coating	Pig Iron and DI Pipes	Specialty Steel	Billets & TMT ¹⁾	Plastic Products
Scale	Amongst the Top manufacturers globally	One of the largest standalone single location facility	Integrated producer from steel-making to finished products	One of the largest players in the Key Growth Market of Western India	Acquisition ²⁾ of a national level brand (largest player)
Target	B2B	B2B	B2B	B2B + B2C	B2C
		Greenfield	Acquisitions		

Note: 1) Through Forward Integration 2) Acquired Sintex BAPL Ltd.’s Non-Convertible Debentures with outstanding of Rs. 1,222 Crore for a purchase price of Rs. 418 Crore

New & Planned Acquisitions

Plastic Products

- National Brand with >10% market share (Year: 2018) in India
- Extensive Distribution (~ 900) and Retail (~ 13,000) Network
- Potential Synergy of leveraging this Distribution Platform within the group (Building Materials)

Billets & TMT

- Location Advantage of Anjar (Port based) for Raw Material imports and exports of Finished Goods
- Maximum Demand for Long Products in Western Region: Target Markets are Gujarat & Rajasthan
- TMT Bars through dealer & retail network, with direct impact on end users. Transition to B2C segment and leveraging Brand Welspun

Specialty Steel

- High Entry Barriers with approvals required from Process Licensors & EPC's
- Existing Group Company that has enabled WCL's entry in this segment
- Strong Improvement in recent performance: Pipe Sales Volumes higher by 50% for FY22

Transition to B2C

**Distribution
Network
+
Strong Brand**

**High Barriers to
Entry**

Rationale for Business Growth & Diversification Strategy

- Earnings predictability, stronger revenue and improved competitiveness with business diversification. Strong presence in the B2C segment.

- Dominant presence across each product segment.

- Greater economies of scale will provide a larger and stronger base for potential future growth.

- Synergies especially in raw material sourcing, common infrastructure, technical manpower.

- Significant Value Creation for all stakeholders – Shareholders, Employees, Customers, Suppliers, Communities etc.

Capital Allocation at WCL

- Strong Cash Flows used for Deleveraging, Reinvesting for Growth and Rewarding Shareholders

INR Cr	FY18	FY19	FY20	FY21	FY22
Cash from Operations	981	623	648	774	219

FY22 excludes Cash Flow impact of Gain of Rs.359 crores in "Other Income" from the Saudi IPO & proceeds from the Sale of the PCMD business of Rs. 806 crores

- Consistent Dividend paying Company (Face Value = Rs. 5 per share)

INR	FY18	FY19	FY20	FY21	FY22
Dividend Per Share	0.5	0.5	10.5	5.0	5.0
Basic EPS - Consolidated (Cont. Ops)	6.0	2.6	25.6	24.1	16.8
Payout Ratio	8%	19%	41%	21%	30%

- Buyback of Shares in FY20, Interim Dividend (One-time) of Rs. 10.00 per share declared in FY20
- Dividend Distribution¹⁾ policy aims for a balance between the quantum of dividend paid and amount of profits retained in the business for reinvestment
- Expansion and diversification of product offerings remains a key growth enabler
- Will now shift focus on Incubation, Stabilization & Ramping of the new businesses

Note: 1) Dividend Distribution Policy https://www.welspuncorp.com/system/downloads/attachments/000/000/338/original/Dividend_Distribution_Policy_08.05.2017.pdf?1494308856

Towards a Cleaner & Greener Tomorrow

Hydrogen Gas Transportation

- First Indian company to have joined the H2Pipe Joint Industry Project on hydrogen pipelines
- Collaborating with 24 of the world's premier energy companies
- Developing the world's first guideline for the transportation of hydrogen gas in existing and new offshore pipelines
- Also partnered with Tata Steel to develop the framework and subsequently manufacturing pipes for transportation of pure hydrogen and natural gas-blended hydrogen

Other Focus Areas

**Carbon Capture
& Emission
Reduction
Technologies**

**Green Steel with
Lowest Carbon
Footprint Possible**

**Investment in
Renewables to
meet Carbon
Reduction Targets**

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

Note: 1) Sustainability targets for Line Pipes India business 2) Impacting Lives in CSV through Welspun Foundation

ESG Initiatives



- 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
- Published first Business Responsibility and Sustainability Report (BRSR) as a best practice in the industry
- Developed “ESG Compass” - a digital platform with automated data dashboards covering over 90 indicators for monitoring and analysis of ESG related metrics
- Optimization of manufacturing processes and operations to reduce Energy, Water and Waste Intensity
- Including ESG in internal audit framework, expanding the scope of stakeholder relationship committee and linking executive remuneration to ESG goals amongst several other best practices.....

Ranked in Top One-Third in Steel Industry by S&P Global’s Dow Jones Sustainability Index (DJSI) Corporate Sustainability Assessment

Thank You

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