

Poised for Take-Off

February 2, 2023, Mumbai: Welspun Corp Ltd. (WCL), a flagship Company of the Welspun Group, announced its consolidated financial results for the quarter ended December 31, 2022.

- **Begun dispatches for orders in US, strong outlook with plants booked for several quarters**
- **Ramping-up of sales from state-of-the-art Ductile Iron Pipe and TMT Rebar plants**
- **Received possession of specified assets of ABG Shipyard Limited**
- **Committed to ESG: Published maiden Sustainability Report and Tax Transparency Report**
- **Order Book for Line Pipes of 928 KMT, active bid book of 1.7 Million MT**

Note: Sales Volume & Order Book includes our Saudi operations

I. Pipe Vertical

Line Pipes

The Line Pipes Business has seen a robust performance with a global sales volume of 281 KMT and EBITDA of ~ Rs. 202 cr for the quarter. Production in the US has significantly ramped up, and dispatches against projects have started in Q3. The full impact of this will be seen from Q4 FY23 onwards.

It is expected that 2023 will be another strong year for the Oil & Gas industry as consumption is expected to increase. According to IEA, global oil demand is set to rise by 1.9 mb/d in 2023, to a record 101.7 mb/d, with nearly half the gain from China following the lifting of its Covid restrictions. In addition, the EU will need to buy more gas to refill its storage and it will continue using oil products that it no longer buys from Russia. Global oil prices are forecasted to average more than \$80 per barrel which is a fairly healthy level and should spur further investments in pipelines.

India

The Ukraine crisis has reaffirmed the importance of energy security, as governments around the world are trying to secure gas supplies at affordable prices. The EU is pivoting away from Russia to other regions to secure the gas it needs. The current environment along with reasonably high energy prices will lead to a robust capex cycle in Oil & Gas infrastructure globally. We are seeing a strong revival in various pipeline projects and are in active discussions for several export orders across the world with a focus on Europe, Australia, South America, South East Asia and Middle East.

The Government in India has set a target to raise the share of natural gas in the energy mix to 15% by 2030 from about 6.2% now. Various steps taken by the Government in this direction include expansion of National Gas Grid Pipeline, expansion of City Gas Distribution (CGD) network, setting up of Liquefied Natural Gas (LNG) Terminals etc.

Petroleum & Natural Gas Regulatory Board (PNGRB) has authorized approximately 33,107 km length of Natural Gas Pipeline Network across the country. Out of this, 21,102 km length of natural gas pipelines are operational including 6,678 km of partially commissioned pipelines. In addition, there are 12,005 km of natural gas pipelines which are under construction.

We have seen a healthy demand from PSU oil and gas companies. Their overall Capex target for FY2022-23 is Rs. 111,354 crores for which Rs. 77,631 crores has been spent in April – December 2022. We expect a steady demand from these companies to continue for several years.

There has been a revival in the Water sector with a cooling off in steel prices in the quarter, compared to the previous year. We have seen increased demand across the States of Gujarat, Maharashtra, Tamil Nadu, Karnataka, Madhya Pradesh, Punjab and Rajasthan. There are several schemes planned by both the Central and State Governments to ensure optimal sustainable development, maintenance of quality and efficient use of water resources, to match with the continuously growing demand across the country.

USA

Europe's energy crisis is expected to keep the LNG market tight for the next few years supporting cash flow generation for US LNG players. Rising global demand for natural gas is a growth opportunity for US LNG producers but delivering on the opportunity will depend on timely construction of natural gas pipeline infrastructure to support new US LNG supplies.

In 2022, the EU's imports of LNG hit 101 million tons, which was a 58% surge compared to 2021, as Russia's piped natural gas exports to the EU shut down. Meanwhile, China's reduced domestic demand in 2022 allowed Chinese importers to redirect their contracted LNG volumes to the high-priced European spot market and help Europe to avoid major shortages. A potential recovery in Chinese domestic demand in 2023 will bring back the risk of natural gas supply in Europe.

European demand may accelerate LNG capacity expansion in the US. This in turn would spur further capital allocation for constructing new pipeline capacity to connect the largest US gas producing regions like the Permian Basin and new export infrastructure.

Our HSAW plant in the US is fully booked till December 2023. The current business environment is extremely conducive and we are in active discussions to book new orders beyond 2023.

Saudi Arabia

We have seen a strong performance in our associate company, East Pipes Integrated Company for Industry (EPIC), with a 266% YoY jump in Revenue and an Operational Profit of SAR 61 million during the quarter.

The outlook for the Oil and Gas sector in Saudi Arabia is encouraging. The Master Gas System - Phase 3 is being planned by Saudi Aramco for transfer of Gas from the East to West in Saudi Arabia. Saudi Arabia is trying to speed up the conversion of a number of power plants from oil to natural gas. In that perspective, Saudi Aramco is extending the existing Master Gas System to the Western Province in order to supply the power plants located there. The planned new pipelines and distribution networks to be operated by Saudi Aramco will add to the existing Saudi gas pipeline capacity.

SWCC is investing in increasing its capacity to desalinate, transmit and store water to meet increasing demand and further enhance water supply security. Today, Saudi Arabia can store 21 million cubic meters, which is equivalent to 2.2 days of current municipal water demand. Projects are ongoing to expand storage capacity by 14%, and the expansion of a further 225% is planned to reach seven days of strategic storage by 2030.

On desalination, around 9 million cubic meters per day can be produced today. The market share of SWCC is 66% of the total current production capacity, and projects to increase desalination capacity by 60% are under construction. Moreover, Saudi Arabia plans to increase desalination capacity by an additional 17.4% by 2030. Given the vast geography of Saudi Arabia, transmission of desalinated water to its demand centers is of key importance. Today around 13.9 million cubic meters per day can be transmitted across the country. This capacity is currently being increased by 56%, and a further expansion by 44% is planned by 2030.

Our associate company, East Pipes Integrated Company for Industry (EPIC), recently announced signing contracts for the supply of Steel Pipes for Water Transmission with a total value of around SAR 569 million (inclusive of value added tax) with NEOM and Petrojet Company. The huge thrust on Oil & Gas and Water infrastructure will result in a strong demand for pipelines and we expect to win more orders in due course of time.

II. Steel Vertical

A) Pig Iron & DI Pipes

During the end of the quarter, we announced the commissioning of our Coke Oven in Anjar through Welspun Metallics Limited, a wholly owned subsidiary of the Company.

The Coke Oven has a production capacity of approximately 210,000 MT per annum which will primarily be used in the Blast Furnace for manufacturing of Hot Metal. This will help with continuous supply of high-quality coke at a competitive cost to run the plant efficiently.

This is a significant milestone in our quest to manufacture high quality Ductile Iron Pipes. The Coke Oven, is built with the latest technology and adheres to the highest safety and environmental standards.

The EBITDA loss this quarter in the Steel Vertical drastically reduced to ~ Rs. 34 Cr as compared to the previous quarter. We are ramping up production in a calibrated manner to ensure that we deliver pipes of the highest quality to our customers. In the month of January 2023, our production has already touched close to 10 KMT for DI Pipes. The removal of 15% export duty on Pig Iron has also given a boost to selling prices and demand. We expect the financial performance of the business to significantly improve in subsequent quarters.

To make provision of potable tap water supply to every rural household of the country by 2024, Government of India in partnership with States is implementing the Jal Jeevan Mission (JJM) - Har Ghar Jal, with an estimated outlay of Rs. 3.60 lakh crore. As on 20th January 2023, out of 19.36 Crore rural households in the country, 10.96 Crore (56.66%) households are reported to have tap water supply in their homes. Overall, the demand environment is robust and as on date we have an order backlog of ~ 88 KMT valued at ~ Rs. 665 Cr.

B) Billets & TMT Bars

Our newly commissioned state-of-the-art plant, has started dispatches of TMT bars. The initial response has been very encouraging with a healthy traction both in the B2C and B2B segments.

We are creating a unique and industry first digital platform for distributors, dealers, retailers and influencers. This will have a socioeconomic impact and also help to analyze early trends / buying patterns of consumers in every region. This can help plan our production and make supply chain operations more effective while staying consumer centric.

Our key target market is the state of Gujarat where we estimate an annual demand of 3 million MT per annum driven by spending on housing and construction. Of this, about 2 million MT is manufactured within the state while 1 million MT is procured from other states.

III. Welspun Specialty Solutions Limited (WSSL)

WSSL has recorded a turnaround in performance with a positive Cash PAT in this quarter. Going forward, the company expects its improved performance to sustain, on the back of several new customer approvals, accreditations, development of new products and penetrating new markets.

Pipe volumes higher by 45% for Q3 FY23 and 70% for 9M FY23, both compared to the corresponding period in the previous year.

Total Income 175% higher for Q3 FY23, compared to the previous year. EBITDA for Q3 FY23 at Rs. 9.4 crores vs loss of Rs. (1.6) crores in Q3 FY22.

The total order book of WSSL for Stainless Steel Bars stands at 2,134 MT amounting to ~ Rs. 60 crores and for Tubes and Pipes stands at 1,426 MT amounting to ~ Rs.92 crores.

The finance ministry has approved the gazette notification for Anti-Dumping Duty on Stainless Steel Seamless Pipes & Tubes (chapter 7304) imported from China. This is expected to significantly improve business prospects for Indian mills.

BIS standard for Seamless Tubes & Pipes (BIS 17875) has been introduced which is favourable for integrated players like us. The Company has received accreditation certificate by BIS for a wide range of product grades and sizes.

IV. Other Updates

(A) Acquisition of the Specified Assets of ABG Shipyards

The Company has received the possession of moveable properties (partially built obsolete ships, metal and scrap) from the Liquidator of ABG. Further, the Company's wholly owned subsidiary i.e. Nauyaan Shipyard Private Limited ("Nauyaan") has received the possession of immovable property at Dahej, Gujarat from the Liquidator. The partially built ships, equipment and metal scrap acquired under WCL is estimated to be over ~ 150,000 MT. It is estimated that the Metal / Metal scrap not required for business purposes will be disposed over 12-15 months. During this period, we will evaluate new business areas like Defense, Green Steel, Offshore Wind and Oil & Gas Structures etc. to ensure optimal utilization of the assets.

(B) Acquisition of Sintex BAPL Ltd.'s Non-Convertible Debentures

WCL's growth strategy entails creating a diversified product portfolio, repurposing its business to add new target segments, expanding its offerings to address both the B2B and B2C markets, and making well-considered strategic acquisitions. In this regard, we have acquired Sintex BAPL Ltd.'s Non-Convertible Debentures with outstanding of Rs. 1,231 Crore for a purchase price of Rs. 421 Crore (as on date) by our wholly-owned subsidiary viz. Mahatva Plastic Products And Building Materials Private Limited. The process is nearing completion and we are hopeful it will be over on or before Q1 FY24.

(C) ESG Initiatives

WCL published its maiden Sustainability Report for FY 2021-22. The report is significant in helping WCL comprehensively report its sustainability performance across the environment, social, and governance domains. The report also highlights the progress made by WCL over its sustainability goals and its alignment with global frameworks like the GRI, UN SDGs, and SASB standards.

In addition, we published our first-ever Tax Transparency Report. It is essential that we explain not only our compliance with tax laws and disclosure requirements and guidelines, but also our overall approach that sets the context for our tax liabilities. The voluntary disclosures through this report demonstrate that we strive to uphold the highest standards of tax transparency.

V. Company Outlook

In the Medium Term (3 to 5 years), WCL aspires to reach the following metrics:

- Top line of Rs. 15,000 Cr +
- Sustainable EBIDTA of Rs. 1,600 Cr to Rs. 1,800 Cr
- ROCE of 18%+
- Net Cash Positive driven by strong Free Cashflows
- Increase in DJSI ESG ratings from 41 to 60
- Dominant player in B2B and B2C segment in line with group vision of “Har Ghar Welspun”

VI. Management Comments

“WCL continues to execute on its Business Growth and Diversification Strategy. The acquisition of the specified assets of ABG Shipyard has been completed. With the state of the art Ductile Iron Pipe plant settling well, I am confident that it will create another milestone for the group and for the sector. Global pipe scenario, post Ukraine war has changed and accordingly we are seeing lot of traction in exports from India, as well as in the Saudi and US markets. With the recent Union budget, outlook for infrastructure remains bright and the domestic market traction remains high. As a global pipe player and further with our business diversification, we are confident about our future growth prospects.” said Mr. B. K. Goenka, Chairman, Welspun Group.

VII. Financial Highlights of the Quarter ended December 31, 2022

- *Prior period figures are restated after the acquisition of the Steel business of Welspun Steel Limited*
- *Financial Highlights (Consolidated) for Continuing Operations (Ind AS)*
- *Sales Volume & Order Book includes our Saudi operations*

1. Global Order Book – Line Pipes

- Current Global Order Book stands at 928 KMT valued at ~ Rs. 13,200 cr

2. Sales Volumes (Q3 FY23)

- Line Pipes: 281 KMT vs. 171 KMT YoY
- SS Pipes 1,278 MT vs. 881 MT YoY

3. Revenue from Operations

- Revenue from Operations for Q3 FY23 at Rs. 2,402 cr, up by 67% YoY

4. EBITDA

- Reported EBITDA for Q3 FY23 at Rs. 174 cr, up by 4% YoY

5. Profit (Continuing Operations)

- PAT (after Minorities & share of JVs) stands Rs. 23 cr

6. Net Debt / (Cash) position

Figures in Rs. Cr

Consolidated debt	Dec-22	Sep-22	Mar-22
Gross Debt	3,178	2,907	2,021
Cash & Cash Equivalents	1,341	1,298	2,195
Net Debt / (Cash)	1,837	1,609	(173)

During the quarter, Net Debt has increased largely due to the ongoing investments in the DI project and TMT project which are both nearing completion. We expect Net Debt to reduce in the ensuing quarters driven by cash collections, approaching end of project investment cycle and a robust business outlook.

VIII. Consolidated Performance Snapshot

Sales Volumes	Q3FY23	Q2FY23	Q3FY22	9MFY23	9MFY22
Line Pipes (KMT)	281	218	171	657	526
Pig Iron (KMT)	40	11	-	51	-
DI Pipes (KMT)	12	-	-	12	-
DRI (KMT)	14	18	2	33	4
Billets (KMT)	34	16	11	87	94
TMT Bars (KMT)	2	-	-	2	-
SS Bars (MT)	1,448	1,081	141	4,086	283
SS Pipes (MT)	1,278	1,009	881	2,979	1,754

Figures in Rs. Cr

Consolidated Profit & Loss Account	Q3FY23	Q2FY23	Q3FY22	9MFY23	9MFY22
Continuing Operations					
Total Revenue from Operations	2,402	1,964	1,442	5,688	4,494
Other Income	8	177	58	258	149
Reported EBITDA	174	46	168	322	549
Depreciation and Amortisation	80	70	64	212	191
Finance Cost	70	47	27	148	72
Profit before tax and share of JVs	24	(72)	77	(38)	286
Share of profit/(loss) from Associates and JVs	29	14	(16)	47	(19)
Tax expense	30	5	22	49	87
Non-controlling interest	(0)	(7)	(7)	(12)	(22)
PAT after Minorities, Associates & JVs	23	(57)	46	(29)	203
Basic EPS from Continuing Operations	0.9	(2.2)	1.8	(1.1)	7.8

Prior period figures have been restated, wherever necessary

Saudi Financials

Key figures of East Pipes Integrated Company for Industry (EPIC):

Figures in SAR Mn

Particulars in SAR MN	Q3FY23	Q2FY23	Q3FY22	9MFY23	9MFY22
Saudi Arabia Ops:					
Sales / Revenue	487	303	133	996	404
Gross Profit	70	15	-8	103	13
Operational Profit	61	14	-14	86	(0)
Net Profit after Zakat and Tax	48	9	-19	63	(18)
Total Comprehensive Income	48	9	-19	64	(17)

Prior period figures have been restated, wherever necessary

Q3 FY23 Investor & Analyst conference call: Friday, 3rd February 2023 | Time: 10:00 AM IST

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About Welspun Corp Ltd. (WCL)

Welspun Corp Ltd. (WCL) is the flagship company of the global conglomerate 'Welspun Group', one of India's fastest-growing multinationals with a leadership position in line pipes, home textiles, infrastructure, warehousing, retail, advanced textiles, and flooring solutions. WCL is synonymous with competitive quality and an impeccable execution track record, coupled with world-class technology and innovation.

The company is a one-stop service provider offering end-to-end pipe solutions ranging from 1½ to 143 inches. With its dynamically evolving goals and targets, WCL has established a global footprint across six continents and fifty countries, via critical projects for both onshore and offshore applications. Their line pipe capabilities encompass LSAW (Longitudinal Submerged Arc Welded), HSAW (Horizontal Submerged Arc Welded), HFW (High-Frequency Welded), and HFIW (High-Frequency Induction Welded).

The company also manufactures BIS Certified Steel Billets and has recently commissioned its TMT Rebars facility with a total production capacity of 350,000 MT per annum.

The company boasts of a state-of-the-art Steel and Ductile Iron (DI) Pipes manufacturing facility. Equipped with the latest cutting-edge technology, the integrated facility located in Anjar, Gujarat includes a blast furnace, sinter plant, PCI, oxygen plant, and coke oven to produce up to 500,000 MT of hot metal per annum for both Pig Iron and DI Pipes. The DI Pipes facility shall cater to the growing water infrastructure requirements of the country to provide clean drinking water to households in both urban and rural India. The plant has a total production capacity of 400,000 MT of Ductile Iron (DI) Pipes, which is touted to be ramped up gradually.

WCL also manufactures Stainless-Steel Pipes, Tubes & Bars at a boutique facility located in Jhagadia, Gujarat through its subsidiary, Welspun Specialty Solutions Limited (WSSL).

WCL's expansion entails creating a diversified product portfolio and repurposing its business to add new target segments, organically and inorganically. Its well-considered strategic acquisitions will amplify its distribution network to address B2B and B2C markets. The company is also foraying into the polymer/plastic business segment, thereby progressing towards creating a large-scale B2C organization. This Business Growth and Diversification strategy is in tandem with our vision of Har Ghar Se Har Dil Tak Welspun.

For further information please visit www.welspuncorp.com

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