



WELSPUN CORP
Pipes and Steel

TAX

TRANSPARENCY REPORT

FY 2021-22



TRANSPARENCY



ACCOUNTABILITY



INTEGRITY

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From the CFO's Desk

I am pleased to announce the release of our maiden tax transparency report. I would like to thank all our stakeholders for their support and confidence. We will continue to review and enhance our reporting to meet the expectations of our valued stakeholders.

Welspun Corp Limited (WCL), is a flagship company of the global conglomerate Welspun Group. Amongst India's fastest-growing multinationals, Welspun Group has a leadership position in line pipes, home textiles, infrastructure, warehousing, retail, advanced textiles, and flooring solutions.

WCL is amongst the top large diameter line pipe manufacturers in the world with manufacturing facilities located in India, USA and Saudi. Since inception it has successfully supplied pipes to several challenging projects across the world in 6 continents and more than 50 countries. It is supporting the energy transition through enabling the transport of hydrogen for use as a cleaner fuel. Additionally, its line pipes will also be used for the movement of CO₂ in Carbon Capture Utilization and Storage.

The Revenue from operations of WCL in FY 2022 was INR 65,051 million, Profit before tax was INR 6,605 million and Profit after tax (attributable to owners) was INR 4,388 million. Our total tax contribution and collection during FY 2022 was INR 11,788 million which includes direct taxes and indirect tax collected and contributed to the exchequer.

WCL is a purpose driven organization which aims to maximize stakeholder value. One of the important contributing factors to this is the adherence to the highest standards of Corporate Governance. Transparency, Accountability and Integrity are the three pillars which guide us in the effective functioning of the organization.

In the past, tax transparency was primarily oriented towards the tax authorities. Tax reporting has taken place by way of disclosure in the financial statements. Given the complexity of tax, and the different treatment of items for tax and accounts, the significance of the disclosures is often difficult to comprehend and interpret for all stakeholders. Therefore, 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.

We welcome comments and feedback from all our stakeholders. We acknowledge the importance of tax transparency in respect of our tax contributions and look forward to sharing more progress on our unstinting commitment to Corporate Governance.



Percy Birdy
Chief Financial Officer

Tax Principles

Our guiding Tax Principles are consistent with the three pillars of our Corporate Governance framework.

1) *Transparency*

Structure: We do not use complex tax structures that are intended for tax avoidance, have no commercial substance, and do not meet the spirit of local or international law.

Reliefs and Incentives: We endeavour to claim all applicable reliefs and incentives in accordance with the relevant tax legislation.

2) *Accountability*

Governance: The Company has a well-established three lines of defense model comprising Management Control, Controlling Functions and Independent Assurance that governs effective functioning of the organization that supports adherence to policies.

External Advice: We seek external advice from reputed professional firms where there is ambiguity as to the application or interpretation of tax laws.

3) *Integrity*

Compliance: We aim to comply with the spirit as well as the letter of the law. We act at all times in accordance with all applicable local tax laws.

Collaboration: We foster professional and constructive relationships with tax authorities, government bodies and industry associations to discuss tax aspects as permitted by laws and practices to help shape tax legislation.

Tax Strategy

- We strive to pay the fair amount of tax within the right time, on the profits we generate, and in the countries where we create the value that leads to those profits. This is an outcome of respecting the tax laws applicable in each country, in letter and in spirit.
- All related party transaction are subject to prior approval by audit committee as per Companies Act and SEBI. We ensure that the transactions with related parties are at an arm's length test and that the transfer pricing is in accordance with the generally acceptable transfer pricing rules and regulations prevailing in the countries, in which we operate.

- All tax returns are prepared and filed in the specified forms within the stipulated timelines, as required by the applicable law.
- The records required by tax laws or which will be useful to resolve any queries from the tax authorities are appropriately prepared and retained.
- We use specialized software for effective tax compliance. It provides IT-enabled legal support services relating to tax and regulatory compliances. This enables the management to get a comprehensive view of the organization's compliances and control mechanisms through detailed dashboards. It results in an effective functioning at an operating level by creating a comprehensive matrix of laws and provides necessary information to comply with them.
- It is an imperative to employ competent, qualified and trained professionals with tax expertise and understanding of our tax principles.

Tax Risk Management & Governance

- We have a standard operating procedure in place for evaluating all tax positions and decisions to be adopted. It follows a preparer-reviewer-approver approach for all tax positions
- We have a professionally qualified tax team reporting to the CFO who is responsible for advising management and business of appropriate tax implications on business decisions.
- The tax function works in coordination with the other business functions to ensure that tax considerations are duly factored in business decision-making.
- Internal control procedures and processes are subject to self-assessment reviews and audits.
- Material tax risks or disputes are reported to the Audit Committee for its consideration. This review includes assessment of probabilities of different outcomes, cash flow and reputational impact. The Audit Committee then updates the Board.
- We work with industrial chambers and whenever possible contribute in development of tax laws and practice.
- Our in-house tax team and advisory professionals understand the applicable tax laws thoroughly and we align our tax behavior with our code of conduct, corporate values and professional and ethical responsibilities.
- We welcome tax benefits and incentives and organizes tax affairs in such a manner that enables the Group to be eligible for such benefits while ensuring consistency with its business objectives.

Reconciliation of Tax Expense and Accounting Profit multiplied by India's Tax Rate

(Consolidated Financials: All amounts in INR Million, unless otherwise stated)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|--|------------------------------|------------------------------|
| Profit before tax from continuing operations | 6,605.47 | 10,930.27 |
| Loss before tax from discontinued operation | - | -143.64 |
| Profit for the year | 6,605.47 | 10,786.63 |
| Tax rate | 25.17% | 34.94% |
| Tax at normal rate | 1,662.46 | 3,769.28 |
| <i>Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income</i> | | |
| Expense on which no deferred tax was required to be recognized | 218.54 | -266.58 |
| Items on which deferred tax was not recognised in the earlier years | - | -441.61 |
| Eligible donation allowed under section 80G of Income Tax Act, 1961 | - | 6.7 |
| Items subject to differential tax rate | - | -182.93 |
| Adjustments for current tax of prior years | 7.23 | -142.62 |
| Change in tax rate (basis adjustment) | -13.39 | - |
| State Tax Deductions | -15.43 | 6.92 |
| Tax on distributed earning relating to subsidiaries and joint ventures | 362.99 | 419.4 |
| Tax on undistributed earning relating to subsidiaries and joint ventures | -4.58 | -33.7 |
| Employment tax credits | - | -13.41 |
| Differences in subsidiary tax rates | - | -202.23 |
| Differences in overseas tax rates | -24.84 | -387.43 |
| Others | -29.06 | -11.64 |
| Total income tax expense | 2,163.92 | 2,520.15 |

The effective tax rate for the year ended March 31, 2022 is 32.76% and for March 31, 2021 is 23.36%.

Global Tax and Other Contributions & Collections (Year ended March 31, 2022)

India

| Taxes Contributed | Amount (in INR Million) | Taxes Collected | Amount (in INR Million) |
|-------------------|-------------------------|-----------------|-------------------------|
| Corporate Tax | 1,108.26 | Withholding Tax | 679.74 |
| Customs Duty | 1,518.42 | Indirect Taxes | 6,780.50 |
| Other taxes | 58.31 | | |
| Total | 2,684.99 | Total | 7,460.25 |

USA

| Taxes Contributed | Amount (in INR Million) | Taxes Collected | Amount (in INR Million) |
|-------------------|-------------------------|-----------------|-------------------------|
| Corporate Tax | 382.43 | Withholding Tax | 138.12 |
| Other taxes | 38.00 | Indirect Taxes | 277.96 |
| Total | 420.43 | Total | 416.07 |

Others

| Taxes Contributed | Amount (in INR Million) | Taxes Collected | Amount (in INR Million) |
|-------------------|-------------------------|-----------------|-------------------------|
| Corporate Tax* | 806.41 | | |
| Total | 806.41 | | |

During the year the Company announced the successful listing of its Joint Venture company in Kingdom of Saudi Arabia ("KSA"), East Pipes Integrated Company for Industry (EPIC) on the Saudi Exchanges Main Market ("Tadawul"). The gain on sale of shares in the IPO was subject to a tax @ 20% in KSA.

Key Financial Information (Year ended March 31, 2022): Country-by-country reporting (CbCR)

INR Million except for employees

| Tax Jurisdiction | Related Party Revenue | Unrelated Party Revenue | Total Revenue | Profit / (Loss) before Income Tax | Income Tax paid (on cash basis) | Corporate Income Taxes Accrued | Stated Capital | Accumulated Earnings | Tangible Assets | No. of employees |
|---------------------------|-----------------------|-------------------------|------------------|-----------------------------------|---------------------------------|--------------------------------|------------------|----------------------|------------------|------------------|
| India ¹⁾ | 7,538.44 | 54,284.79 | 61,823.24 | 5,536.78 | 1,203.67 | 1,108.26 | 13,655.47 | 15,278.68 | 20,498.98 | 3410 |
| US | 98.54 | 11,499.33 | 11,597.87 | 1,244.31 | 46.45 | 382.43 | 0.76 | 10,770.39 | 7,355.87 | 159 |
| Others | - | 4,269.03 | 4,269.03 | 3,980.25 | 1.09 | 806.41 | 8.60 | 96.74 | - | - |
| Total²⁾ | 7,636.98 | 70,053.15 | 77,690.14 | 10,761.34 | 1,251.21 | 2,297.10 | 13,664.83 | 26,145.80 | 27,854.84 | 3569 |

Notes:

1) Total Revenue from India tax jurisdiction includes dividend income of INR 3,078 million received from subsidiary company.

2) Total amounts will differ from published Consolidated Financial Statements. Intercompany transactions have not been eliminated in the above table, as this has been prepared as per CbCR guidelines.

Basis of Preparation

- This Basis of Preparation documents the scope in relation to the data reported in the section “Global Tax and Other Contributions & Collections.”
- The data reported is for the period 01 April 2021 to 31 March 2022 and is based on the data used in preparation of Annual Report.
- We have categorized the Global Tax & Other Contributions into two parts:
 - Taxes Contributed (Tax Contributed by Welspun Corp Limited and its subsidiaries directly)
 - Taxes collected (Tax collected by Welspun Corp Limited and its subsidiaries on behalf and paid to governments)

In addition to the above, we have also provided the ‘Key Financial Information’ for better understanding of our tax contributions and our scale of operations in each country.

- Each type of tax and other contributions are provided in detail below:

Taxes Contributed

1. Corporate Tax

Taxes accrued by us on the taxable profits of our group operations. This includes the amounts of taxes withheld by third parties and deposited on our behalf with the government.

2. Custom Duty

Duties paid by us on the import of goods across a border.

3. Other Taxes

Includes Property Tax, License Fees, Stamp duty, Panchayat Tax, RTO Tax, ROC Fees or any other taxes paid by us on our operation.

Taxes Collected

1. Withholding taxes

- Taxes withheld on salary payments to individuals employed with us and paid to the government on their behalf
- Taxes withheld by us on vendor bill payments and taxes collected from customers and paid to the government

2. Indirect taxes

- Goods and Services Tax (GST) is a supply driven concept and would therefore apply on supply of goods and services. These taxes represent the tax billed by us to customers, which were collected by us from customers and eventually paid to respective jurisdictional Governments. Taxes under GST apply as follows:
 - Central goods and service tax and state goods and services tax are simultaneously levied on intra-state supply of goods and services
 - Integrated goods and service tax are levied on imports and inter-state supply of goods and services

Key Financial Information

- 1. Revenue:** Revenue is split between unrelated and related-party revenues. Unrelated revenue consists of all forms of revenue flowing from entities which are not controlled by us. Related-party revenues include revenue from our group companies.
- 2. Profit or (Loss) Before Tax:** This refers to the profit or loss in a jurisdiction and is aggregated as per the financials of the entities of the respective jurisdiction.
- 3. Corporate Income Taxes accrued:** The amount of corporate income tax accruing on the operations for the reporting period. It may or may not be the same as corporate income taxes paid or refunded in the period. These exclude the amount of deferred tax in accordance with the guidance provided under GRI 207 and Guidance on Country-by-Country Reporting: BEPS Action 13.
- 4. Stated capital & accumulated earnings:** The amount of capital invested in Welspun Corp Limited and its subsidiaries and the earnings accumulated from our operations. The amount of accumulated earnings includes all free reserves as per companies act.
- 5. Employees:** The number of employees indicate the number of employees employed with us on 31 March 2022, on the basis of the normal work jurisdiction of the employee. It also includes the employees working with us on contractual basis.

Feedback

We warmly invite all our stakeholders to provide feedback and comments on our Tax Transparency Report:

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