

WELSPUN CORP LTD

World's Leading Line Pipe Manufacturer

INVESTOR PRESENTATION

May 2019



SAFE HARBOUR

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WELSPUN GROUP



WELSPUN INDIA
HOME TEXTILES

**Global Leader in
Home Textiles**



WELSPUN CORP
PIPES AND PLATES

**Global Leader in
Large Diameter Pipes**



WELSPUN ENTERPRISES
INFRASTRUCTURE AND ENERGY

**Infrastructure
Investments in Oil & Gas**

WELSPUN GROUP
LEADING TOMORROW TOGETHER

**Group Revenue
US\$ 2.7 Billion**

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

**Employees
25,000+**

WORLD'S LEADING LINE PIPE MANUFACTURER...

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

Upstream



Midstream



Downstream

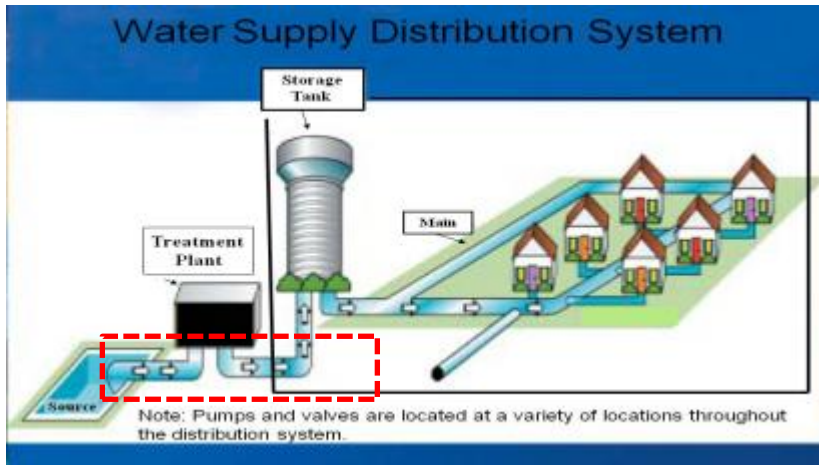


Exploration / Production

Transportation

Distribution / Retail Sale

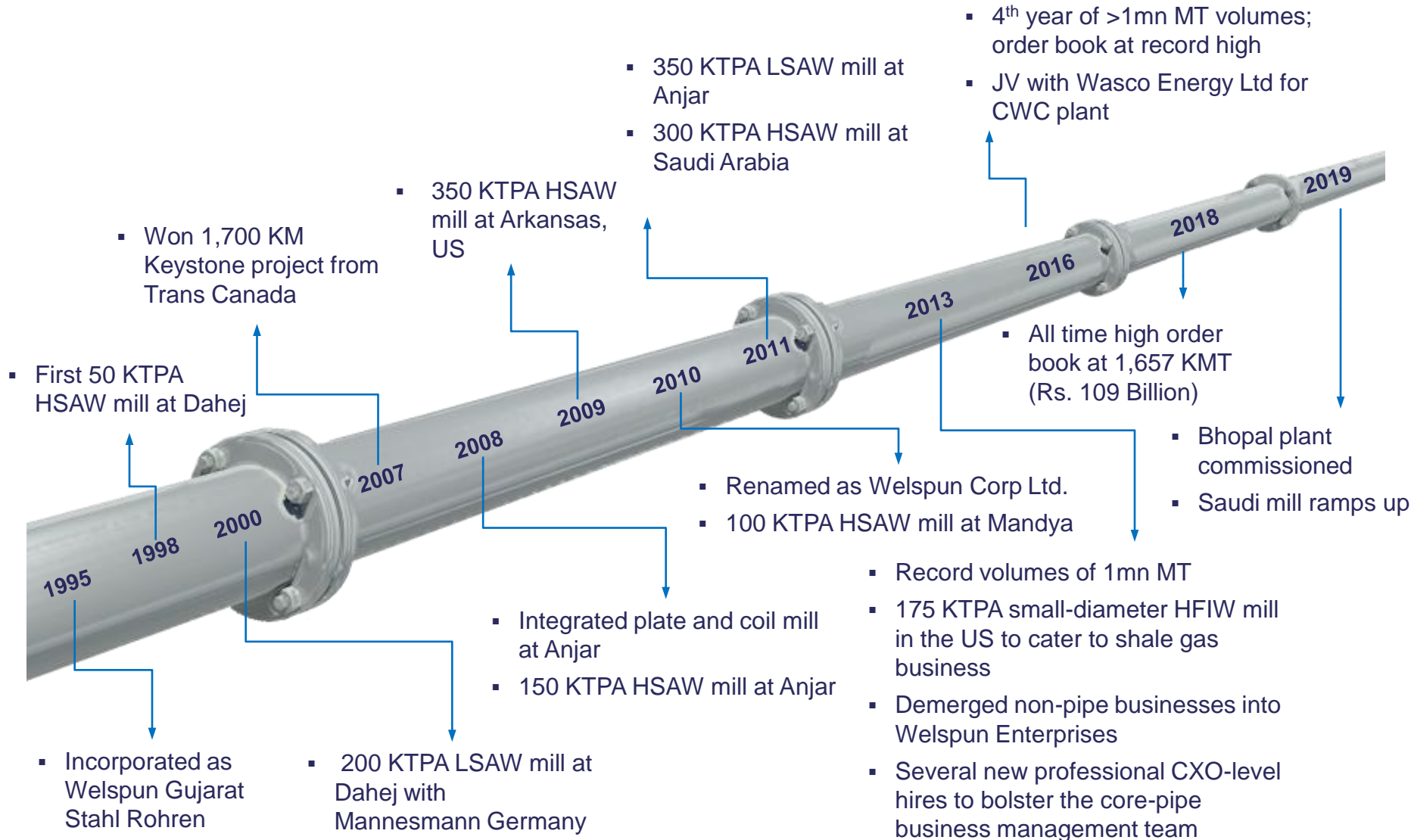
...and Water transmission value chain



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)

Denotes WCL's presence

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

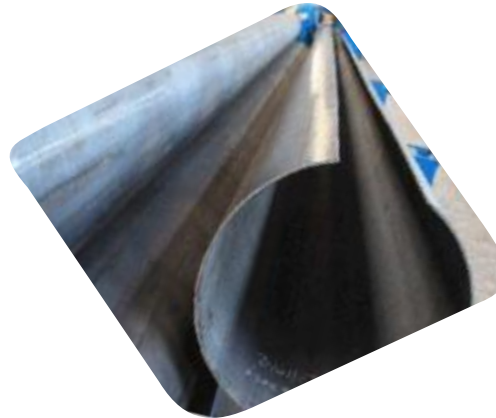
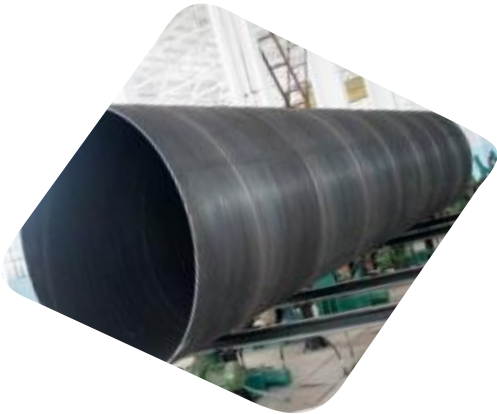
Experienced professional team



END-TO-END PRODUCTS & SOLUTIONS

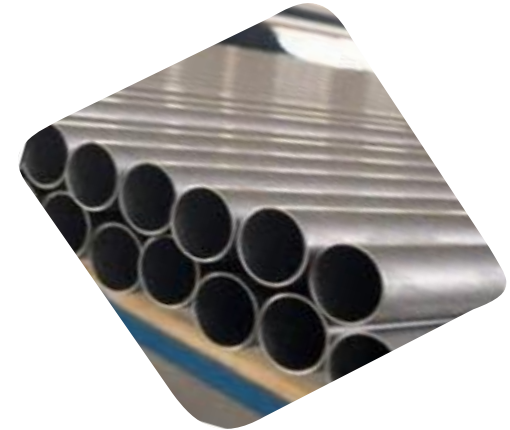
HSAW Pipes

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



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



LSAW Pipes

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

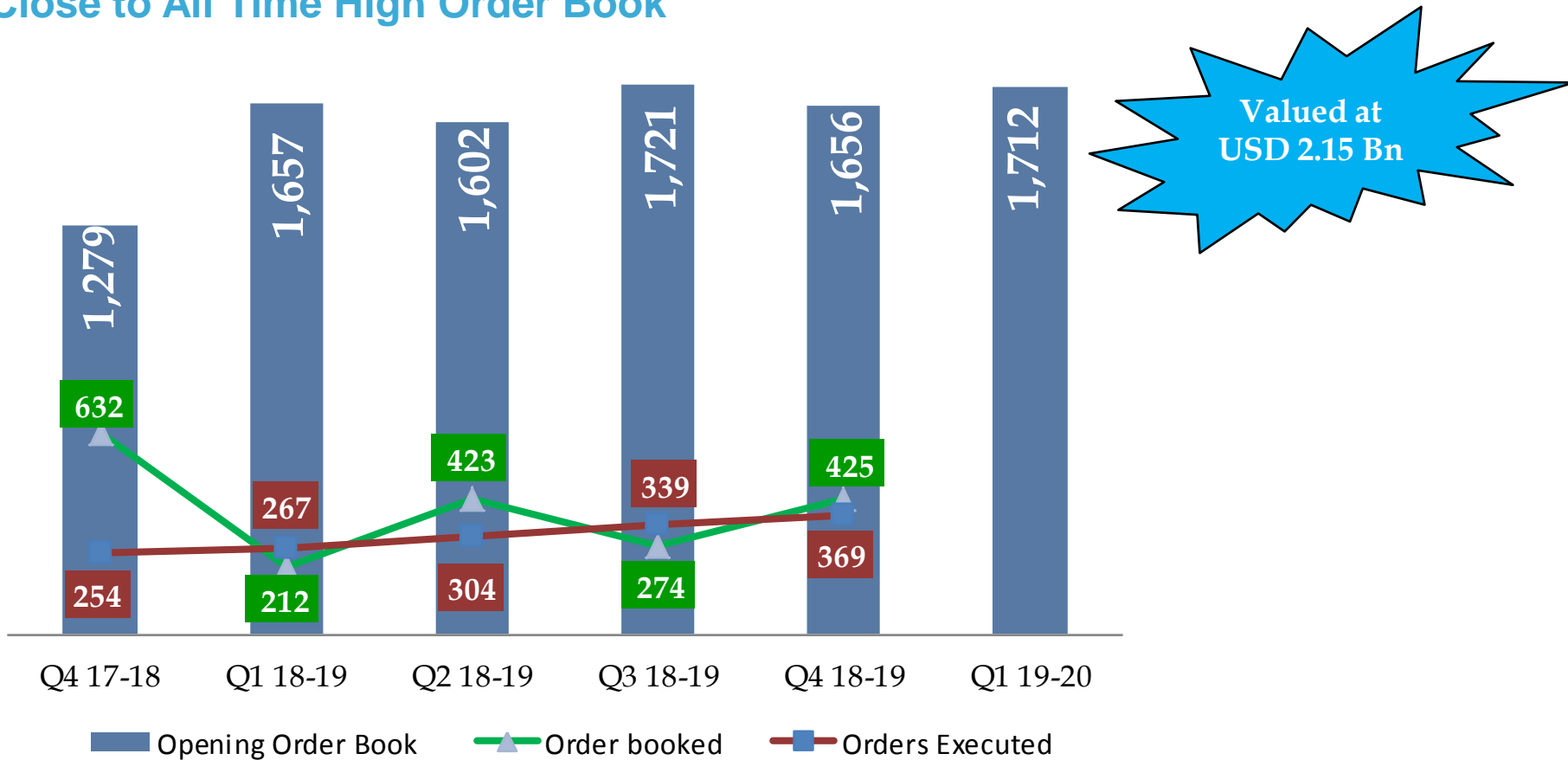


Best Customer

and many more....

ORDER BOOK TREND

Close to All Time High Order Book

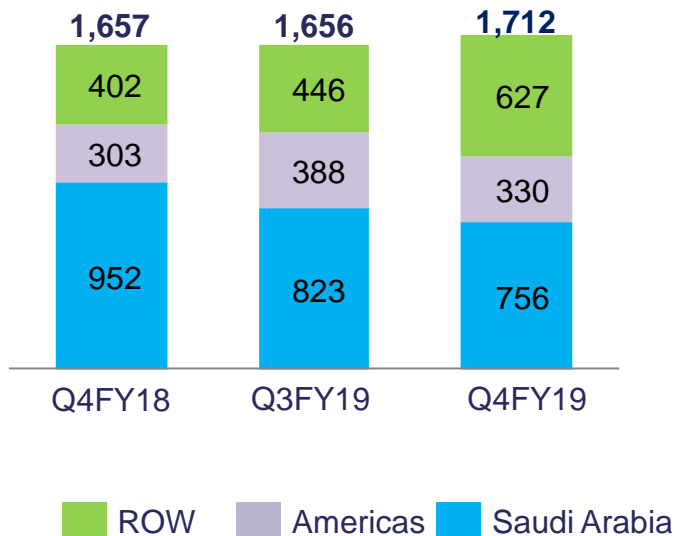


Opening order book mentioned above for Q1 FY 19-20 at 1712 KMT is as of 10th May with sales execution up to April 2019

ORDERBOOK ANALYSIS (including Saudi Arabia operations)

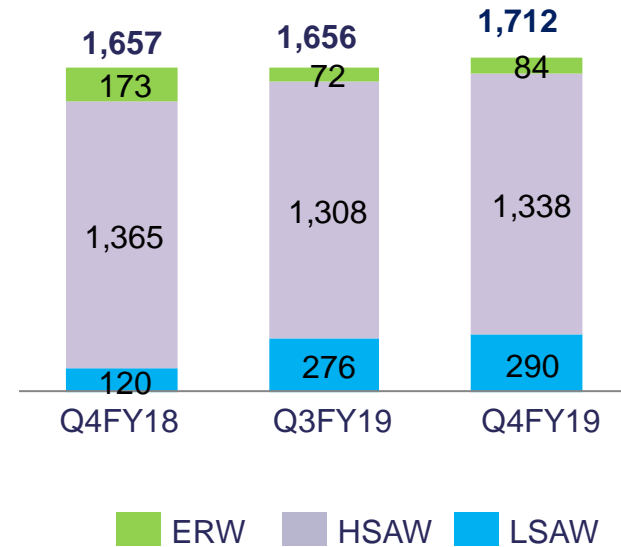
Order book by Region

(KMT)



Order book by Type

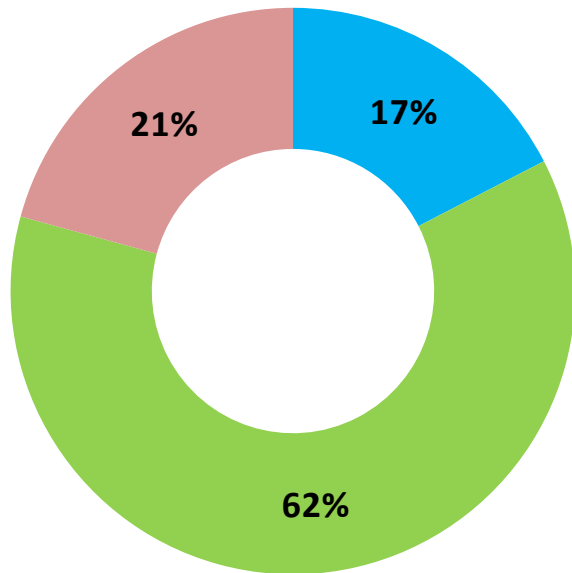
(KMT)



Note: All numbers on this page includes all JV operations – Saudi Arabia and CWC

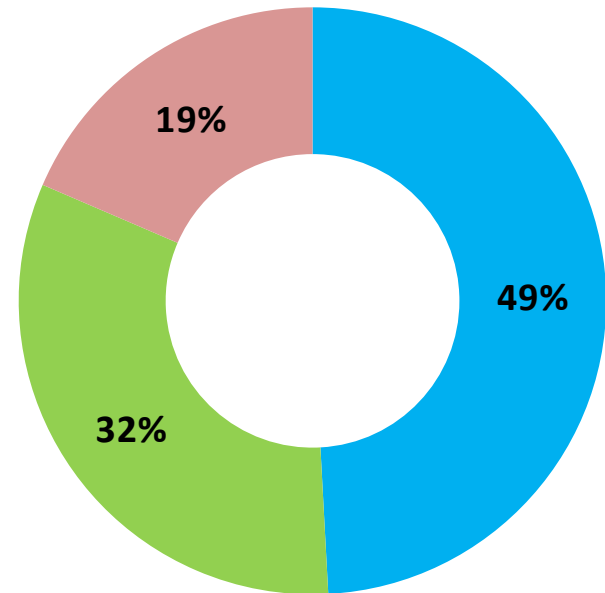
SALES VOLUME BREAK-UP

FY19 Pipe Sales Volume : 1,279 KMT
(including Saudi Arabia operations – 237KMT)



■ LSAW ■ HSAW ■ ERW

Sales by Type

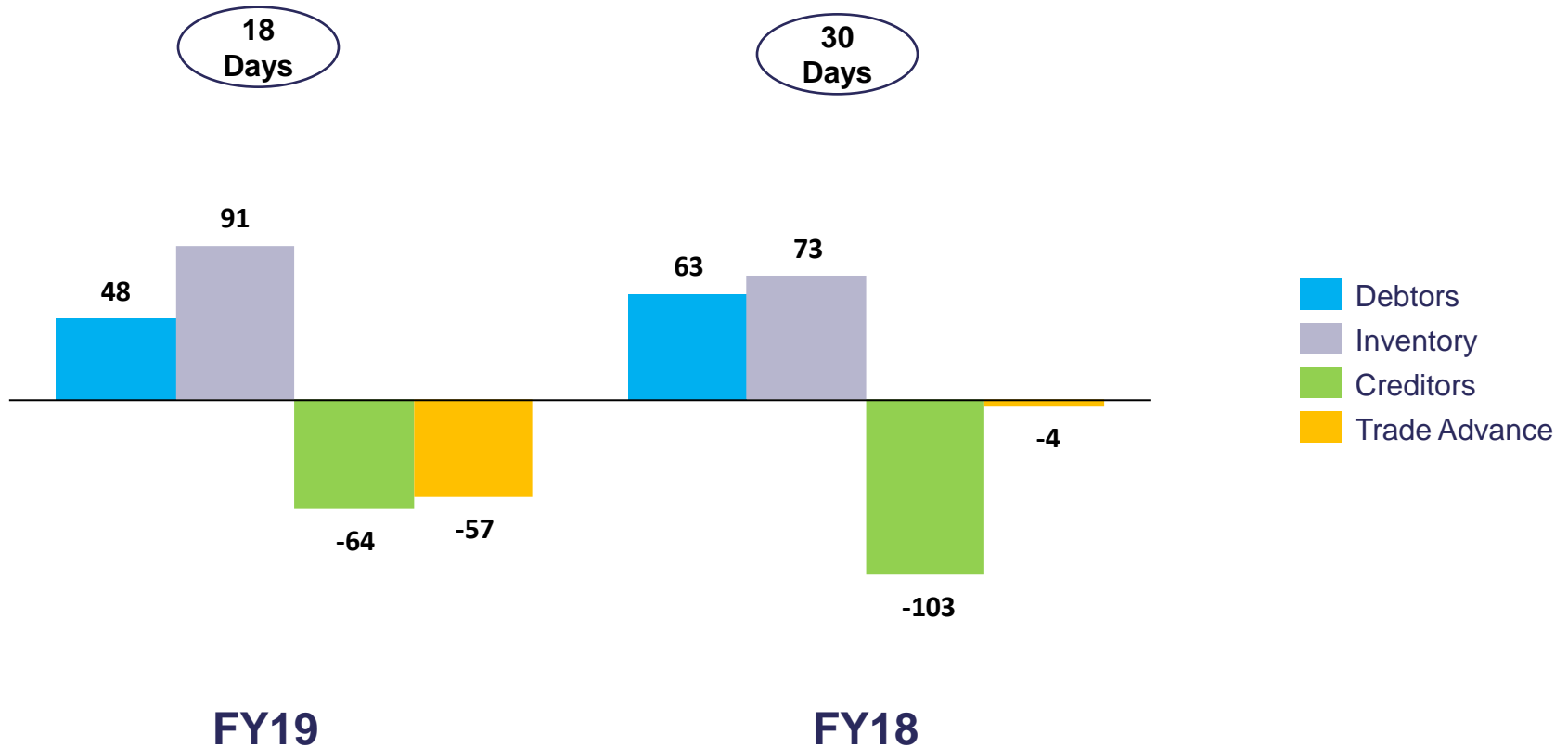


■ India ■ US ■ Saudi Arabia

Sales by Plant

NET WORKING CAPITAL UNDER CONTROL

IND AS Basis



Cash conversion cycle at 18 days vs. 30 days in FY18

**Includes Debtors + Inventory – Creditors – Trade Advances*
FY18-19 figures are only for continuing operations

INCOME STATEMENT – ANNUAL TREND

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

Note:

Prior period figures are restated wherever necessary; All numbers of this sheet are based on IND-AS disclosures

FY18 and FY19 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
Net Worth	27,989	28,094	28,540	27,976
Short Term Loans	5,680	2,203	126	1,750
Long Term Loans	20,757	16,227	13,738	11,297
Gross Debt	26,437	18,430	13,864	13,047
Cash & Cash Equiv.	12,883	7,365	9,649	10,191
Net Debt	13,554	11,065	4,216	2,856
Net Fixed Assets (incl CWIP)	37,646	33,877	30,619	16,144
Net Current Assets #	13,944	12,746	13,596	10,460
Net Assets Held for Sale *	-	-	-	11,642
Total Assets	86,385	82,469	76,933	82,000
Net Debt to Equity	0.48	0.39	0.15	0.10
Net Debt to EBITDA	1.52	1.50	0.59	0.40

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 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 more than two years**; favourable order mix translating to significantly better profit margins
- WCL Saudi operations achieved **break-even at EBIDTA level in Q4FY19**
 - 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
- **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 demand & price remaining strong, the export business from India plants is expected to benefit
-

Near Term Potential for Further Growth

Global Bid Book: 3.3 million tons

Global Upcoming Bids: 18.8 million tons

WELSPUN CORP - WAY FORWARD



Higher Profitability

- ❑ Close to all time high **Order Book**: 1,712 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
- ❑ Announced plans to buyback its shares for a maximum aggregate consideration of **Rs. 3.9 billion** at a price not exceeding **Rs. 140 per share**

THANK YOU

Welspun Corp Limited
CIN: L27100GJ1995PLC025609

Mr. Harish Venkateswaran
harish_venkateswaran@welspun.com

www.welspuncorp.com