

## Steady Performance & Growth

**January 28<sup>th</sup>, 2021, Mumbai:** Welspun Corp Ltd. (WCL), flagship Company of the Welspun Group, announced its consolidated financial results for the quarter and nine months ended December 31<sup>st</sup>, 2020.

- **Pipe Sales Volume up +14.3% QoQ**
- **Total Income from Operations up +20.4% QoQ**
- **EBITDA at Rs. 252 cr up +5.1% QoQ**
- **Profit at Rs. 195 cr up +28.1% QoQ (after Minorities & share of JVs)**
- **Cash Profit at Rs. 264 cr up +29.0% QoQ**
- **Substantial reduction in Net Finance cost**
- **Net Cash Position of Rs. 314 cr**
- **Healthy Balance Sheet: Net Debt / Equity of -0.09x, Net Debt / EBITDA of -0.31x**
- **Current Order Book stands at 612 KMT, active bid book of 1,496 KMT**

*Note: Sales Volume, Order Book and Active Bid Book includes our Saudi operations*

### **Key Highlights of the Quarter ended December 31<sup>st</sup>, 2020**

- *Financial Highlights (Consolidated) for Continuing Operations (Ind AS):*
- *Pipes – Considered as continuing operations & PCMD – Considered as discontinued operations*
- *Prior period figures are restated and reclassified wherever necessary*

#### **1. Global Order Book position:**

- Current Global Order Book stands at 612 KMT valued at Rs. 5,500 cr (US \$757 mn)

#### **2. Pipe Sales Volume (Total Operations):**

- 285 KMT vs. 249 KMT, up 14.3% QoQ

#### **3. Total Income from Operations:**

- Rs. 1,393 cr vs. Rs. 1,158 cr, up 20.4% QoQ

#### **4. Operating EBITDA:**

- Rs. 189 cr up 1.0% QoQ

#### **5. Reported EBITDA:**

- Rs. 252 cr up 5.1% QoQ

#### **6. Profit (Continuing Operations):**

- PAT (after Minorities & share of JVs) stands at Rs. 195 cr vs. Rs. 152 cr, up 28.1% QoQ

## BUSINESS UPDATE

### 7. Debt position:

Gross and Net Debt position is as per details below:

*Figures in Rs. Cr*

<b>Consolidated debt</b>	<b>Dec-20</b>	<b>Sep-20</b>	<b>Jun-20</b>
Gross Debt	660	335	479
Cash & Cash Equivalents	974	990	677
<b>Net Debt / (Cash)</b>	<b>(314)</b>	<b>(655)</b>	<b>(198)</b>

Cash deployed in Q3FY21 on inventories - preparation for volume increase in subsequent quarters.

Free cash flow generation of Rs. 435 cr for 9M FY21.

### 8. Net Finance Costs

Steady deleveraging of our balance sheet has resulted in a substantial reduction in our overall interest costs.

*Figures in Rs. Cr*

<b>Impact of Lower Debt on Interest</b>	<b>Dec-20</b>	<b>Sep-20</b>	<b>Jun-20</b>
Interest Income on Surplus Cash	13	8	6
Less: Interest expense on Debt	5	8	19
<b>Net Interest Income / (Expense)</b>	<b>8</b>	<b>0</b>	<b>(12)</b>

### 9. Forex

The Company follows a policy of hedging its steel and forex exposure. However, there are impacts due to the cost of forex hedging and timing mismatch. The impact for this quarter is as under:

*Figures in Rs. Cr*

<b>Transactional Forex impact</b>	<b>Q3FY21</b>	<b>Q3FY20</b>	<b>9MFY21</b>	<b>9MFY20</b>
Forex gain in Other income	5	1	14	41
Forex loss in Other Expense	3	14	-	(36)
<b>Net gain/(loss)</b>	<b>8</b>	<b>14</b>	<b>14</b>	<b>6</b>

## BUSINESS UPDATE

### 10. Update on Saudi business:

The Saudi business continues to contribute strongly towards profitability.

Key figures of Saudi JV, which is not consolidated as per Ind-AS:

*Figures in USD*

Particulars in US\$ MN	Q3FY21	Q2FY21	%
<b>Saudi Arabia Ops:</b>			
- Pipe Prodn (KMT)	88	107	-17%
- Pipe Sales (KMT)	97	98	-1%
Revenue	106	96	10%
EBITDA	34	25	37%
PBT	29	19	51%
PBT – Welspun share	14	9	51%
PAT – Welspun share	11	6	76%

We have also proposed the listing of our Saudi JV at the local Stock Exchange. The process of Listing would involve divestment of 30% of stake, split proportionately between the JV partners. WCL currently holds 50.01% in the JV through its overseas subsidiary. This divestment would further improve liquidity at WCL. The process is on track, and we target to complete the listing by H1 FY22.

### 11. Bhopal Project Status:

Bhopal project including expansion, stands successfully completed. Total capacity at Bhopal now stands at 305 KMT. This will cater to growing demand for Oil & Gas and Water infrastructure in Central and East India. We are also pleased to highlight that this facility was formally inaugurated by the Honorable Chief Minister of Madhya Pradesh, Shri Shivraj Singh Chouhan on 20<sup>th</sup> December, 2020.

### 12. Foray into Ductile Iron Pipe Segment:

As previously announced, given the attractive industry prospects and synergies with our existing business, we are in the process of setting up a Greenfield facility at Anjar to enter the high growth Ductile Iron (DI) Pipe segment. The project is moving at a steady pace and is expected to be commissioned by April 2022.

### 13. Update on Plate & Coil Mill Division (PCMD) Divestment:

Both parties to the Business Transfer Agreement (BTA) for sale of PCMD, have reiterated their commitment to consummate the transaction stipulated in the BTA on or before March 31, 2021. Further, the Company has already received an advance amount as per the understanding, for the aforesaid transaction. Considering the strong fundamentals, high demand growth and margins uplift, we stay very optimistic of this deal getting consummated in this financial year.

## **BUSINESS UPDATE**

### **14. Business outlook:**

Reduced economic activity and the various lockdowns imposed in response to the pandemic caused energy demand and supply to decline in 2020. In a stabilising environment, the rollout of vaccines and fiscal stimulus programs will help the global economy post a stronger-than-expected recovery which will result in an improved scenario for oil production and demand. EIA forecasts Brent crude oil spot prices to average \$53 per barrel in both 2021 and 2022 compared with an average of \$42 per barrel in 2020 which augurs well for us.

### **India**

The Centre has asked the oil PSUs to make a quantum jump in their capital expenditure in the current financial year and the next to stimulate economic activity. The PMO has directed 13 petroleum-sector PSUs to double their capex to Rs. 2 lakh crore in FY21 from the initial target of Rs. 1 lakh crore and scale it up further to Rs. 3 lakh crore in FY22. The intent is to mitigate the blow to the economy from a sharp drop in private and state government investments due to the pandemic. As a result of this, we have seen increased tendering activity which has led to several order wins for us and we expect this trend to continue. The push for city gas expansion continues to be strong. This is part of the government plan for raising the share of natural gas in the country's energy basket to 15% by 2030 from the current 6.3%. The 11th city gas distribution authorisation round is being planned and is expected to be launched soon. 50-100 districts will join the city gas network adding to the existing coverage of 406 districts.

Demand in the domestic water segment across States has been muted as resources have been diverted in the fight against the pandemic. A significant increase in steel prices has created an additional disruption as project costs have considerably escalated. However, water remains a key focus area and momentum should pick up soon. There are 31 river interlinking projects planned in the country, of which Ken-Betwa is the first that has reached an advanced level of planning. There is also a strong resolve to provide drinking water to all households by 2024 under the ambitious Jal Jeevan Mission programme. These projects would require huge investments in creating the necessary infrastructure, both in line pipes as well as for ductile iron pipes.

Our prospects in the export market have significantly improved in a better global environment. Australia stands out as an attractive market where we bagged a highly prestigious order in the last quarter (Q2FY21) and see the potential to win a few more. There is also increased traction from Middle East, East Africa and Latin America where we are in close discussions with various customers and are in contention to bag new large orders. A further flare up in steel prices is a key risk as project costs significantly increase.

## **BUSINESS UPDATE**

### **USA**

The overall environment for Oil & Gas has improved with a pickup in oil prices and better than expected production and demand. However, many companies in the midstream sector are being cautious with spending on growth projects. In the next few months, we expect the prevailing uncertainty to settle down as the new President assumes office and there is more clarity around the energy policy. Based on our current order book for HSAW, we have visibility till Q1 FY22 and have almost completed production of a large order from one of our longstanding customer.

### **Saudi Arabia**

We have an order book of 163 KMT that would be executed from our JV in Saudi, comprising orders both in the Oil & Gas and Water segment. The Saudi facility now has clear business visibility till Q2 FY22. We are also in a favourable position on a few large orders in the water segment. Moreover, with a pickup in oil prices, we are confident that further opportunities will arise, both in the Oil & Gas and the Water segment.

### **Management Comments:**

Commenting on the results, **Mr. B. K. Goenka**, Chairman, Welspun Group said, “The company has shown resilience and has come out stronger with a consistent performance over the last nine months. The growth seems to be robust in the India and Saudi market and we expect US markets to also come back strongly in the later part of the year. Operational excellence, financial discipline and a sharp focus on emerging opportunities has resulted in a steady and strong order book position and a healthy balance sheet. This allows the company to chart out a future growth strategy in the attractive DI segment. We continue to strengthen our organisation and there is a strong focus to effectively embrace automation and digitalization for which several initiatives are in progress.”

## BUSINESS UPDATE

Detailed reconciliation of Operating EBITDA is provided hereunder:

Figures in Rs. Cr

Reconciliation of Operating EBITDA	Q3FY21	Q2FY21	Q3FY20	9MFY21	9MFY20
Reported EBITDA	252	240	385	689	958
Less: Treasury income	(16)	(12)	(14)	(41)	(49)
Less: Profit on sale of Land (incl. interest)	(20)	(42)	-	(62)	-
Less: Insurance Claims Received	(27)	-	-	(27)	-
Add: MTM loss/fair valuation on other bonds	-	0	-	(0)	38
<b>Operating EBITDA</b>	<b>189</b>	<b>187</b>	<b>371</b>	<b>559</b>	<b>947</b>

## Consolidated Performance Snapshot

Figures in Rs. Cr unless specified

Particulars	Q3FY21	Q2FY21	Q3FY20	9MFY21	9MFY20
<b>Ex-Saudi Arabia/ CWC operations</b>					
- Pipe Production (KMT)	179	161	348	444	856
- Pipe Sales (KMT)	188	151	313	520	715
<b>Total operations</b>					
- Pipe Production (KMT)	268	268	473	665	1,212
- Pipe Sales (KMT)	285	249	428	756	1,084
<b>Continued Operations (Pipes)</b>					
<b>Total Income from Operations</b>	<b>1,393</b>	<b>1,158</b>	<b>2,888</b>	<b>4,620</b>	<b>7,198</b>
<b>Operating EBITDA</b>	<b>189</b>	<b>187</b>	<b>371</b>	<b>559</b>	<b>947</b>
Reported EBITDA	252	240	385	689	958
Depreciation and Amortisation	54	52	59	160	175
Finance Cost	13	15	34	56	108
Profit before tax and share of JVs	185	173	292	473	675
Tax expense	66	63	96	208	249
Non-controlling interest	(7)	(5)	(4)	(14)	(10)
Share of profit/(loss) from Associates and JVs	84	47	42	153	116
<b>PAT after Minorities, Associates &amp; JVs (I)</b>	<b>195</b>	<b>152</b>	<b>234</b>	<b>405</b>	<b>533</b>
<b>Discontinued Operations</b>					
<b>(PCMD &amp; 43MW)</b>					
Profit After Tax (II)	4	(3)	(11)	(5)	(36)
<b>Profit for the Period (I + II)</b>	<b>199</b>	<b>149</b>	<b>223</b>	<b>400</b>	<b>497</b>

Prior period figures have been restated, wherever necessary

## BUSINESS UPDATE

Figures in Rs. Cr

<b>Consolidated Balance Sheet - Key figures</b>	<b>Dec-20</b>	<b>Sep-20</b>
Net Fixed Assets (incl CWIP)	1,558	1,567
Net Current Assets #	1,191	1,040
Net Debt / (Net Cash)	(314)	(655)
Net Worth	3,575	3,387
Net Assets Held for Sale *	834	881
ROCE (pre-tax)	19.2%	26.8%

# Net Current Assets excludes Net Asset Held for Sale

\* Net Assets Held for Sale = Assets classified as held for sale less Liabilities of assets held for disposal

ROCE (pre-tax) = TTM EBIT adj. for one-offs/ Avg. Capital Employed; both taken for continuing operations

## **BUSINESS UPDATE**

### **Q3 FY21 Investor / Analyst conference call:**

WCL management would be happy to answer investor queries on a conference call. Please find details below:

Date: Thursday, 28<sup>th</sup> January 2021

Time: 4:30 PM IST

#### **Dial in details:**

- Primary Access: +91 22 6280 1325 / +91 22 7115 8226
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### **About Welspun Corp Ltd. (WCL)**

Welspun Corp is a one-stop service provider offering complete pipe solution with a capability to manufacture line pipes ranging from 1½ inches to 140 inches, along with specialized coating, double jointing and bending. With current capacity of more than 2.5 million MTPA in Dahej, Anjar, Mandya and Bhopal in India, Little Rock in the USA and Dammam in Saudi Arabia, Welspun takes pride in being a preferred supplier to most of the Fortune 100 Oil & Gas companies. With 360 degree abilities, Welspun Corp has undertaken some of the most challenging projects in different parts of the world. With business excellence being a clear focus, the company is on the path of innovation and technology edge supported by its state-of-the-art facilities and global scale operations. The Line pipe industry caters to the sectors like energy and water resource management where in the line pipes supplied are used to construct cross-country pipelines for transportation of oil, gas, petro-products and water in the safest and most environment friendly way.

### **About Welspun Group**

A US\$ 2.7 billion enterprise, Welspun Group is one of India's fastest growing conglomerates with businesses in Line Pipes, Home Textiles, Infrastructure, Oil & Gas, Advanced Textiles and Floorings. The Group has a strong foothold in over 50 countries with more than 25,000 employees and over 100,000 shareholders. Headquartered in Mumbai, Welspun Group's manufacturing facilities are strategically located in India, USA and Saudi Arabia. Known for technological and operational excellence, the Group has established a leadership position in the Line Pipe & Home Textiles sectors globally. Its clients include most of the Fortune 100 companies.

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For further information please visit [www.welspuncorp.com](http://www.welspuncorp.com)

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