



**Welspun Corp Ltd (WCL)**

**Investor Presentation**

**World's Leading Line Pipe Manufacturer**

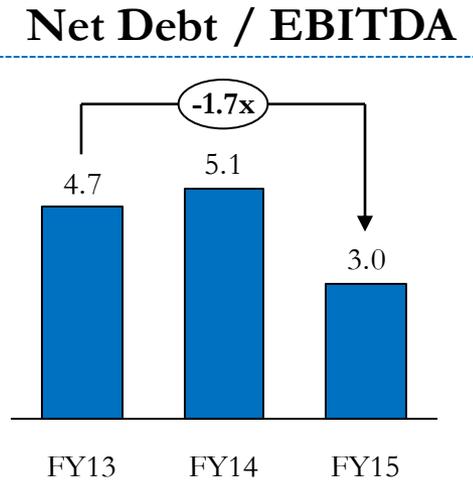
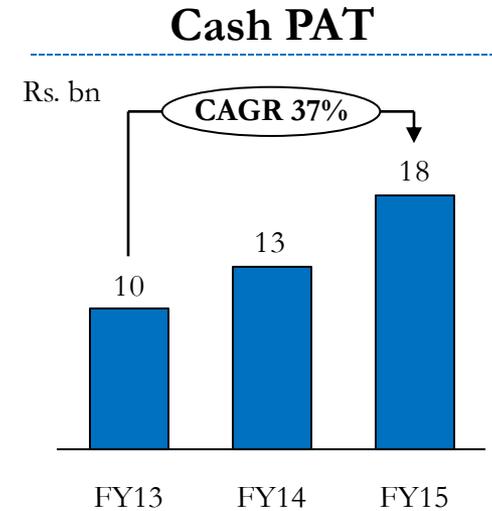
**November 2015**

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# A part of US\$ 3 bn Welspun Group



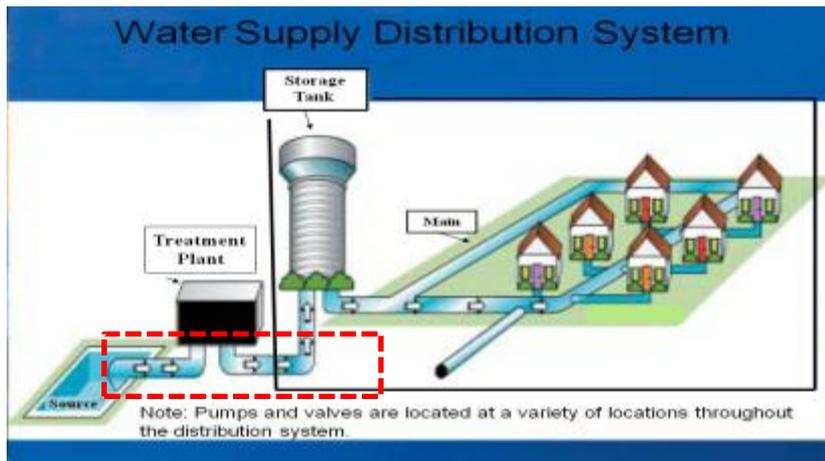
**Revenue : US\$ 3 Billion ; Asset Base : US\$ 3.2 Billion**

# World's leading Line Pipe manufacturer...

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



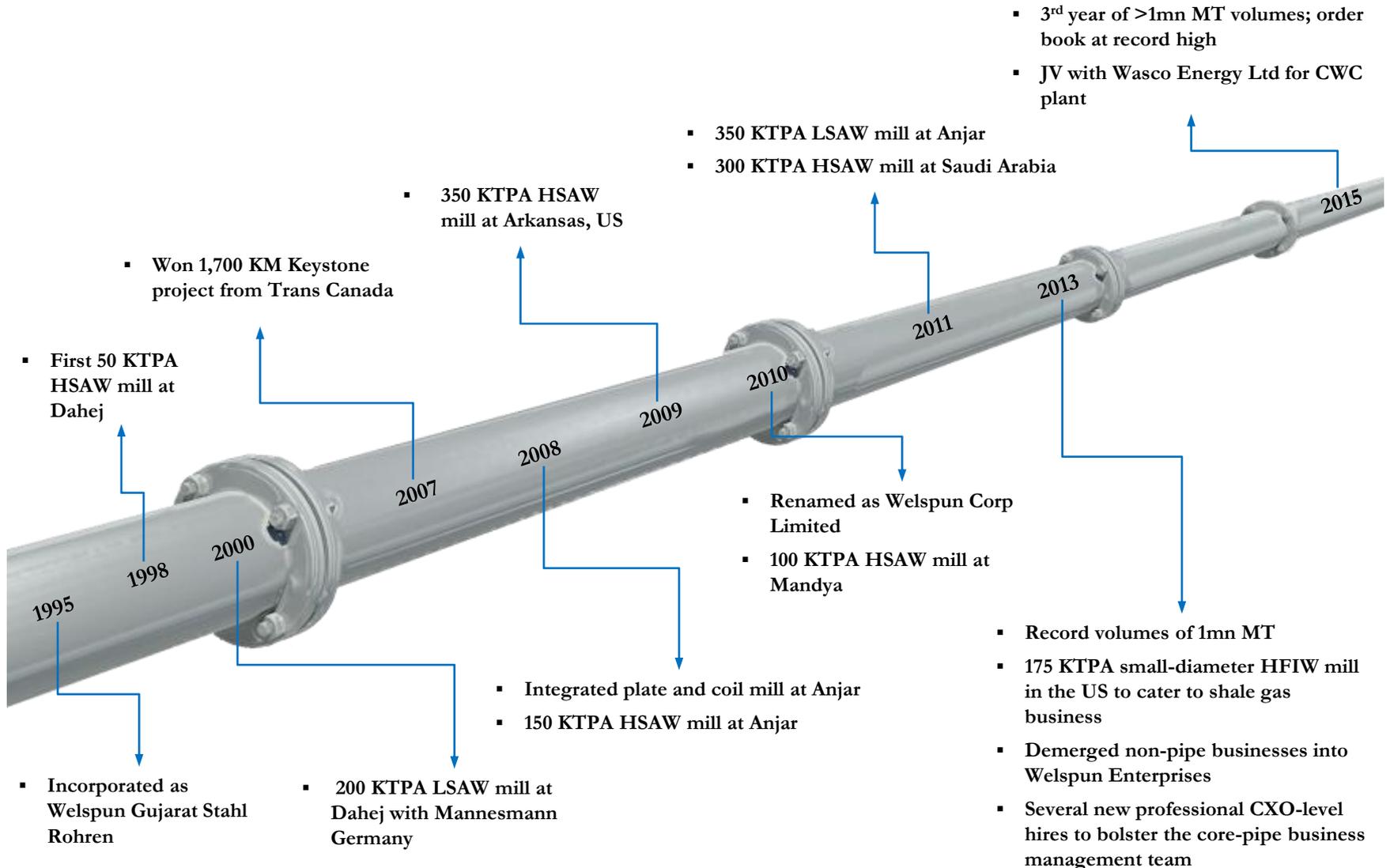
## ...and Water transmission value chain



*Denotes WCL's presence*

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)

# Emerged to become a leader



# Key strengths

**End-to-end products & solutions**

**Advanced technological prowess**

**Focus on R&D and pipeline technology**

**Diversified global presence**

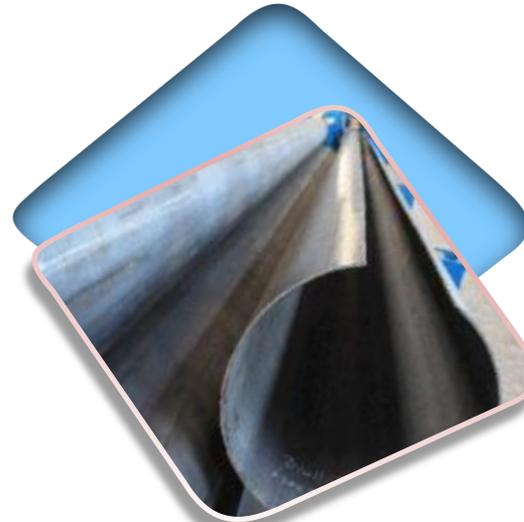
**Expertise in complex projects**

**Partnerships with global giants**

**Experienced professional team**

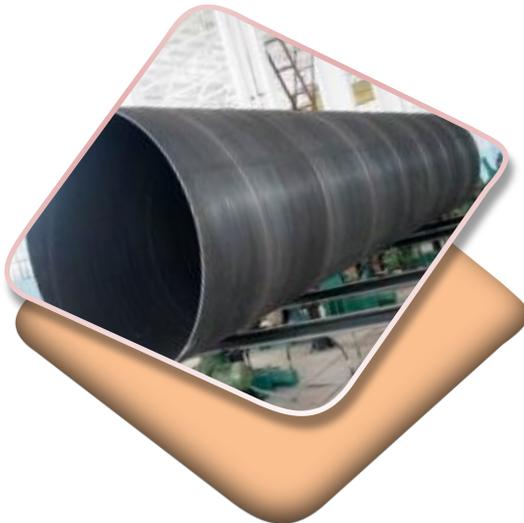
## HSAW Pipes

- Helically welded pipes made from HR coils; used for on-shore oil, gas & water transmission
- 24 – 140 inch diameter, moderate wall thickness



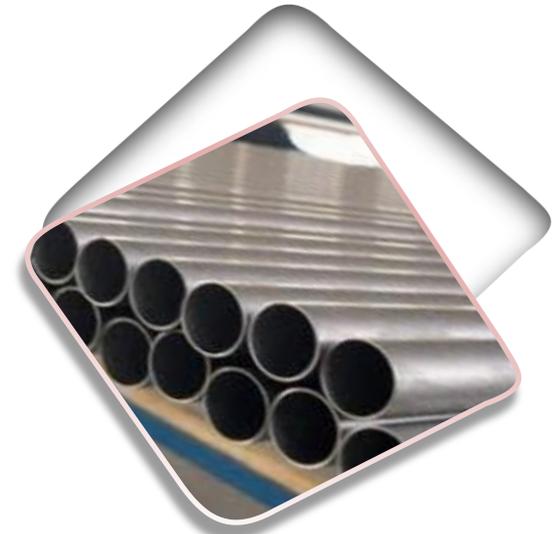
## ERW/HFIW Pipes

- High-frequency electric welded pipes made from HR coils; used for downstream distribution of oil, gas & water
- 1.5 – 16 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



**Plates & Coils:** Provides WCL with vertical integration & competitive advantage in a few market segments

**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

## Efficient Robotic Systems



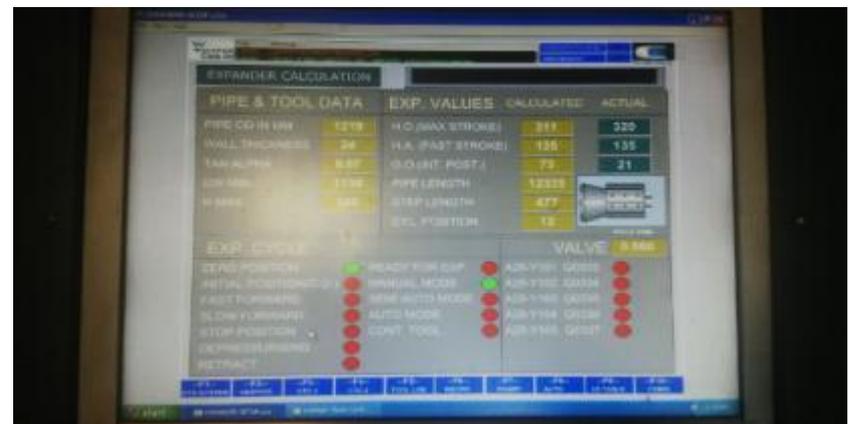
## Highly Automated Plant Process Line



## Integrated Pipe Traceability System



## Precision Dimensional Control



# 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 like Pipe Line Research Committee International (USA), Australian Gas Association, and Offshore Pipe Line-DNV Marine Engineering, contribute to the development of new standards for line pipe durability

## Independence Trail

233 Kms, 24" deep sea gas transmission pipeline in Gulf of Mexico  
**Complexity:** High collapse resistance

Deepest

## IGAT- IV

100 Kms, 56" of high pressure gas transmission pipeline in Persian Gulf  
**Complexity:** Large diameter high wall thickness, X70 grade of steel

Heaviest

## Peru LNG

118 Kms, 34" gas transmission pipeline  
**Complexity:** Pipeline in service at very high altitude

Highest

## Keystone Pipeline

Sole Supplier, Canada to USA Crude Oil Pipeline (~1700 kms, 36")  
**Complexity:** Very long distance hydrocarbon pipeline supplied by a single manufacturer

Longest

## Arabiyah-Hasbah (Wasit Gas Program)

100 kms, 36" of gas pipeline in Saudi Arabia  
**Complexity:** Highly sour gas

Offshore

## Stampede Oil Export SCR\* Pipeline

~32 kms, 18" oil pipeline in Gulf of Mexico  
**Complexity:** Only WCL could match specifications

Stringent tolerance level

# Partnerships with global giants

## Oil & gas



## Transportation



## Others



Well established customer relationships across the value chain

# Experienced professional team

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## Braja K. Mishra

CEO & Managing Director

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- Years with WCL: 15
- Overall Experience: 28

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## S. Krishnan

Chief Financial Officer

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- Years with WCL: 2
- Overall Experience: 32

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## Skip Herald

Head Americas

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- Years with WCL: 1
- Overall Experience: 34

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## Godfrey John

Chief Supply Chain Officer

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- Years with WCL: 15
- Overall Experience: 23

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## T.S. Kathayat

Head QT&TS

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- Years with WCL: 19
- Overall Experience: 24

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## Vipul Mathur

Head, EU & MENA

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- Years with WCL: 15
- Overall Experience: 19

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## Prasanta Mukherjee

Chief Technical Officer

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- Years with WCL: 16
- Overall Experience: 32

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## Manish Pathak

President, Strategy & New Markets

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- Years with WCL: 7
- Overall Experience: 25

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## Gaurang Desai

Head, India & A-Pac

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- Years with WCL: 7
- Overall Experience: 20

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## Rajeev Singh

CHRO

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- Years with WCL: 1
- Overall Experience: 19

Global Line Pipe demand is attractive

Pipeline economics compelling at low crude prices

Modern manufacturing facilities

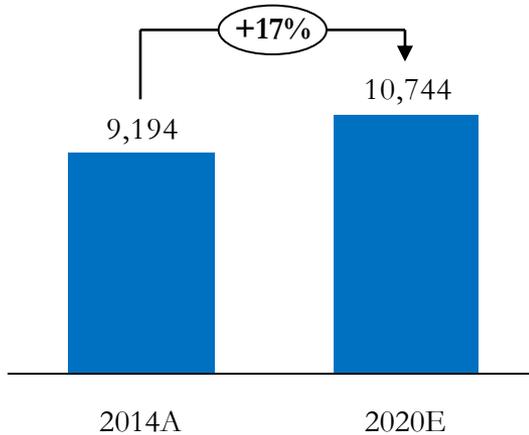
Adequate capacities for growth

Diversified business across regions & products

Healthy balance sheet to support growth

# Global Line Pipe demand is attractive

## Global Line Pipe demand (KMT excl. China & CIS)



**Addressable market  
for WCL**

## North America

- Oil production trends in the US and the development of gas projects in Canada are expected to result in good demand for pipeline in North America
- Replacement demand provides further upside

## Middle East

- Focus on cross-Arabia gas transmission pipelines
- Iraq-Jordan Crude export pipeline (Total over 1,100 KM)
- Replacement of terminated oil pipelines in Kuwait
- Huge demand to distribute de-salinated water from western coast to interiors in KSA
- Possible opening up of Iran

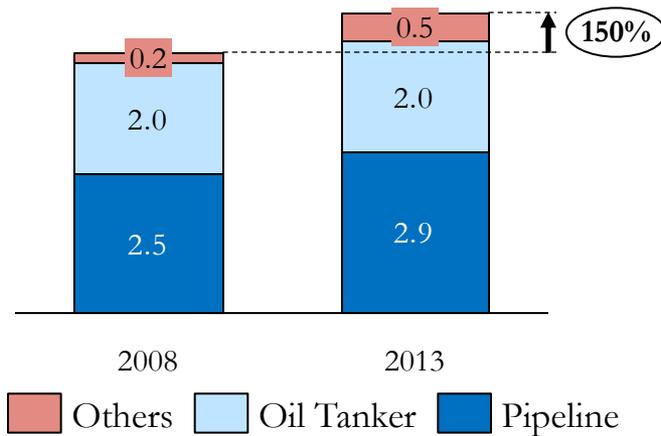
## India

- City gas distribution pipeline projects in multiple cities
- ~1.5mn ton water pipeline projects expected in near future
- 1,820 KM Turkmenistan – Afghanistan - Pakistan – India Pipeline
- India has announced 15,000 Km of gas pipelines

# Pipeline economics compelling at low crude prices

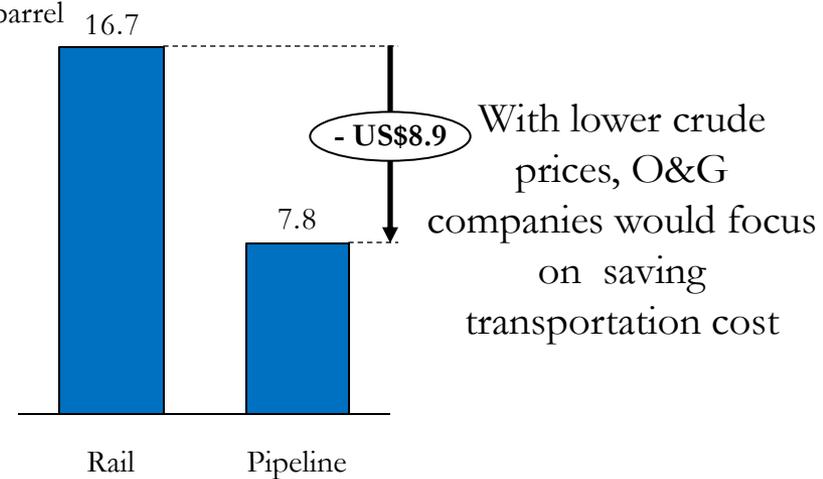
## Oil Transport

Billion barrels



## Pipeline: Cheapest mode of transport

Rate: US\$/barrel



Source: Argus, Petroleum Transportation North America, Aug. 22, 2014.

Transportation cost for heavy crude from Alberta, Canada to Houston, Texas

## Mode of transport to undergo a shift

Pipeline is the safest mode of hydrocarbon transmission with minimal losses

Truck/ rail transport benefitted from high crude prices, boom in production

Fall in crude prices compels focus on transportation cost

Low steel prices makes pipeline more viable over longer term

Pipeline operators could use this opportunity to build cost-effective pipelines

# Modern manufacturing facilities



*Aerial view of Anjar facility – spread over >1,000 acres with captive power generation*

Port based facilities

Best in class & proven equipment & practices

All major certifications/ accreditations including API5L, OHSAS:18001, ISO:9001, ISO:14001, ISO:17025 (NABL)

In-house capabilities to manufacture critical technology sensitive equipment

**Modern manufacturing facilities leads to minimum maintenance capex**

# Adequate capacities for growth



US Facility



Saudi Facility



India Facility



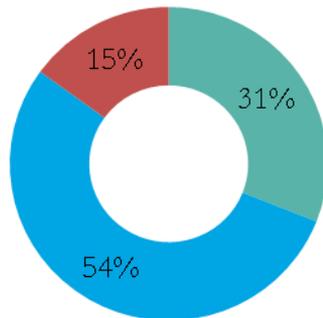
Products (KMT)	US	Saudi Arabia	India
LSAW	-	-	700
HSAW	350	300	700
ERW/ HFIW	175	-	200
Coating Systems	✓	✓	✓

**Total combined installed capacity is 2.4 mn MT**

# Diversified business across regions & products

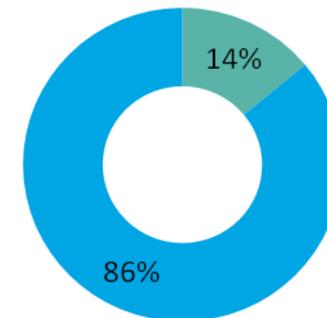
FY15 Pipe Sales Volume: 1,152 KMT

## Sales by Type



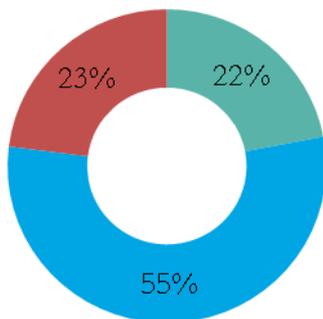
■ LSAW   ■ HSAW   ■ ERW/ HFIW

## Sales by Industry Segment



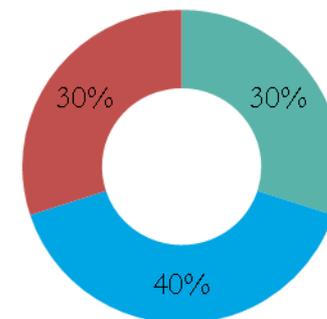
■ Water   ■ Oil & Gas

## Sales by Plant



■ USA   ■ India   ■ Saudi

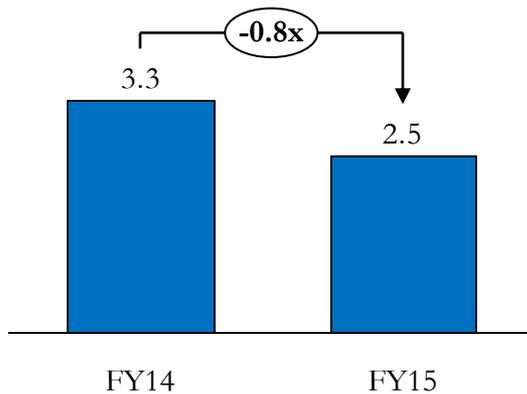
## Sales by Region



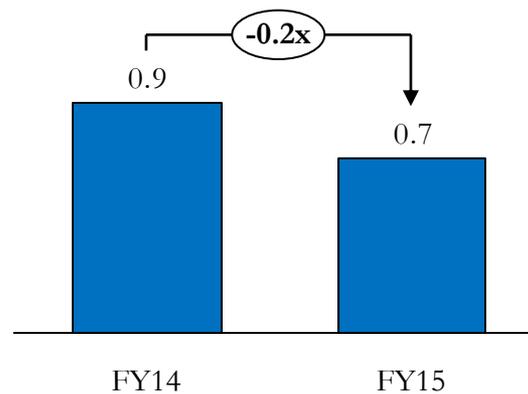
■ Americas   ■ EU & MENA   ■ India & A-Pac

# Healthy balance sheet to support growth

## Net Debt/ Operating EBITDA\*

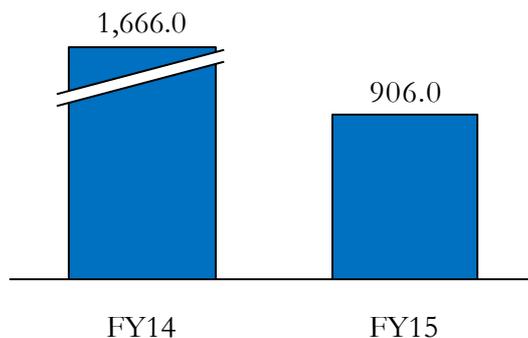


## Net Debt / Equity



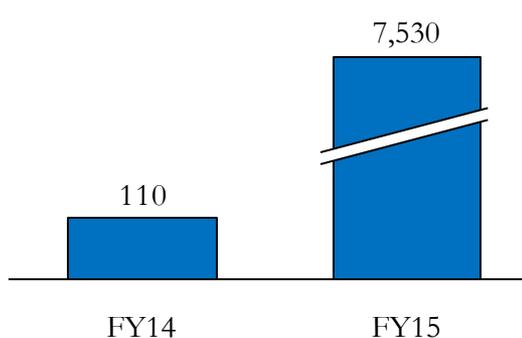
## Capex

Rs. mn



## Free Cash Flow

Rs. mn



- Debt repayment is spread evenly over balance tenure
  - 56% of debt in US\$
- Improved free cash flow profile
  - Repaid US\$ debt of \$178 million over the last 2 years
  - Reduced exposure to unhedged foreign currency debt
- FY16 capex expected to be at Rs. 2,000 mn (~2% of sales)

Note: \*Operating EBITDA represents Reported EBITDA (-) Other Income (+) Unrealized Forex Losses (-) Unrealized Forex Gains; Decline in FY14 total sales value was largely due to temporary mothballing of the plate mill due to market conditions



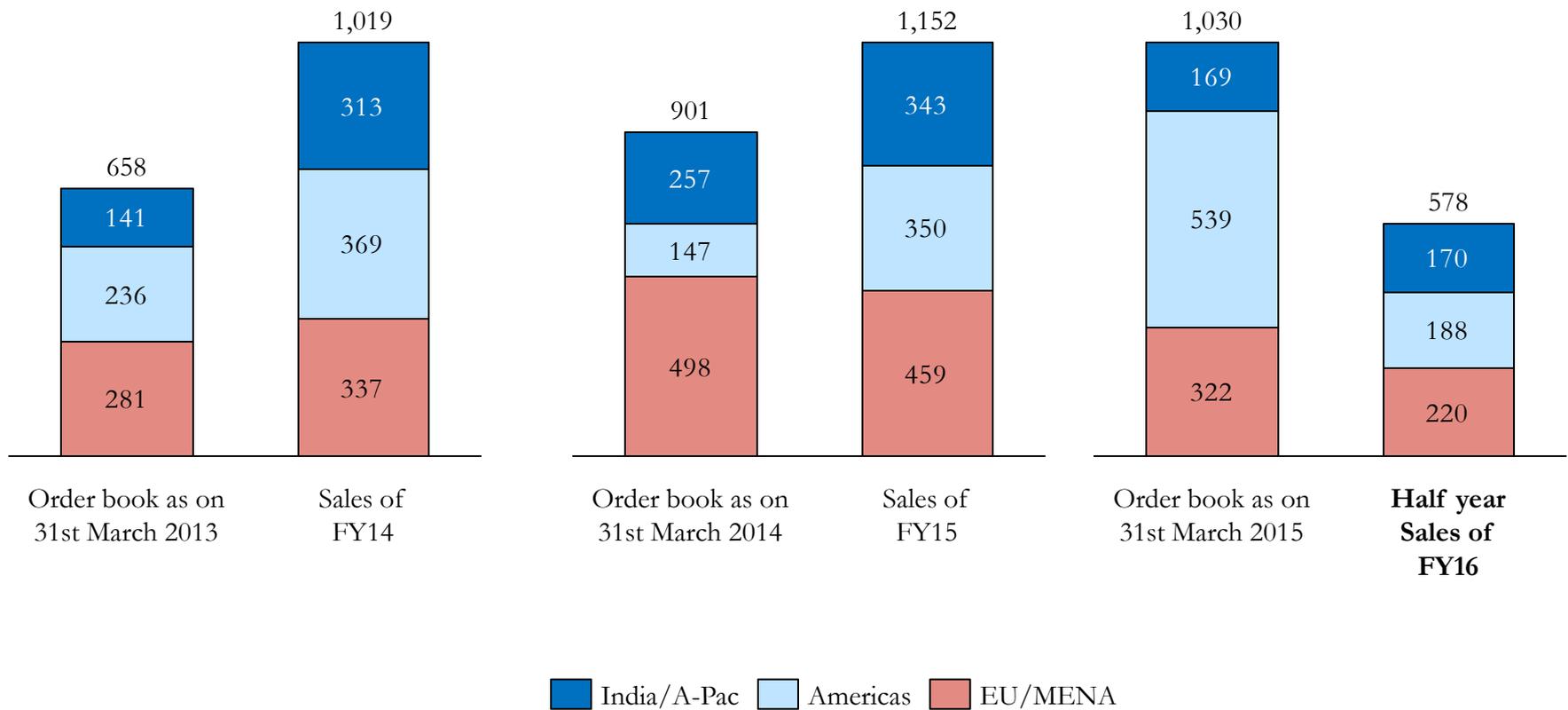
**Conservatism during challenging times protected the balance sheet...**

**... now we are well positioned to seize opportunities**

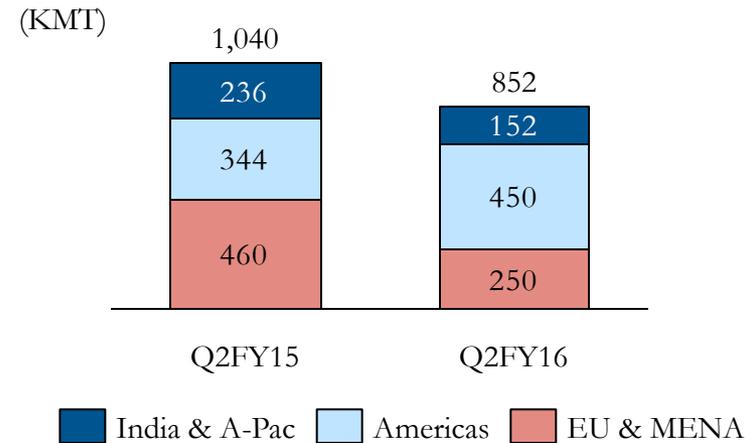
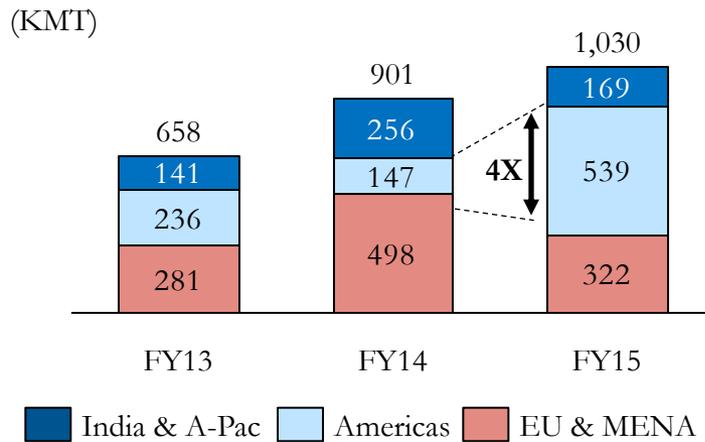
# Strong order book position & execution

Pipe sales has been significantly higher than opening order book

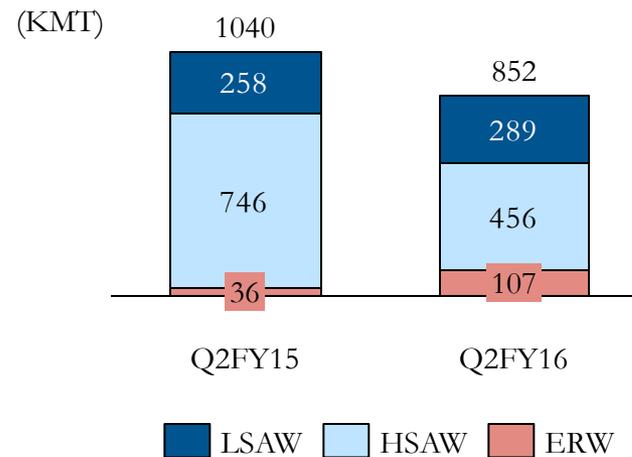
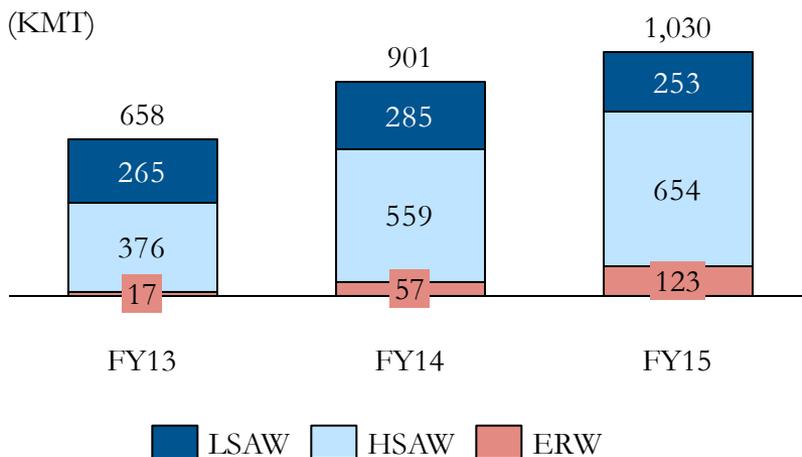
(KMT)



## Order book by Region



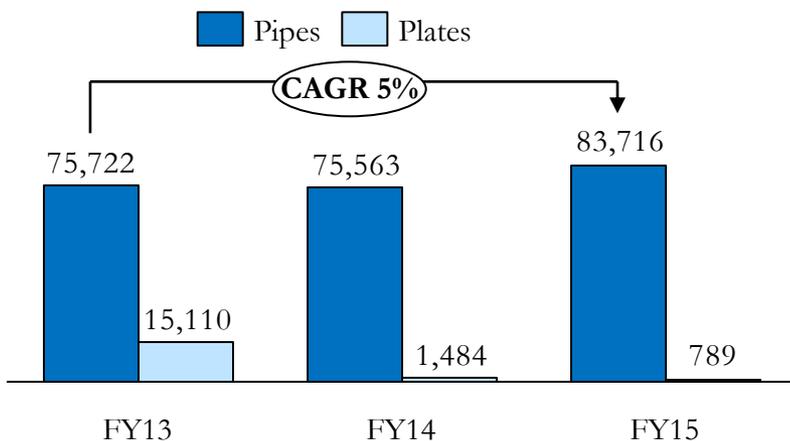
## Order book by Type



# Sustainable operating performance

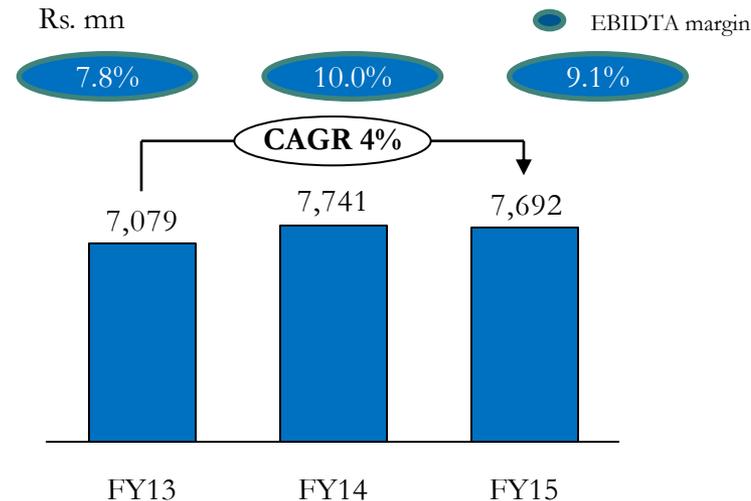
## Revenues

Rs. mn



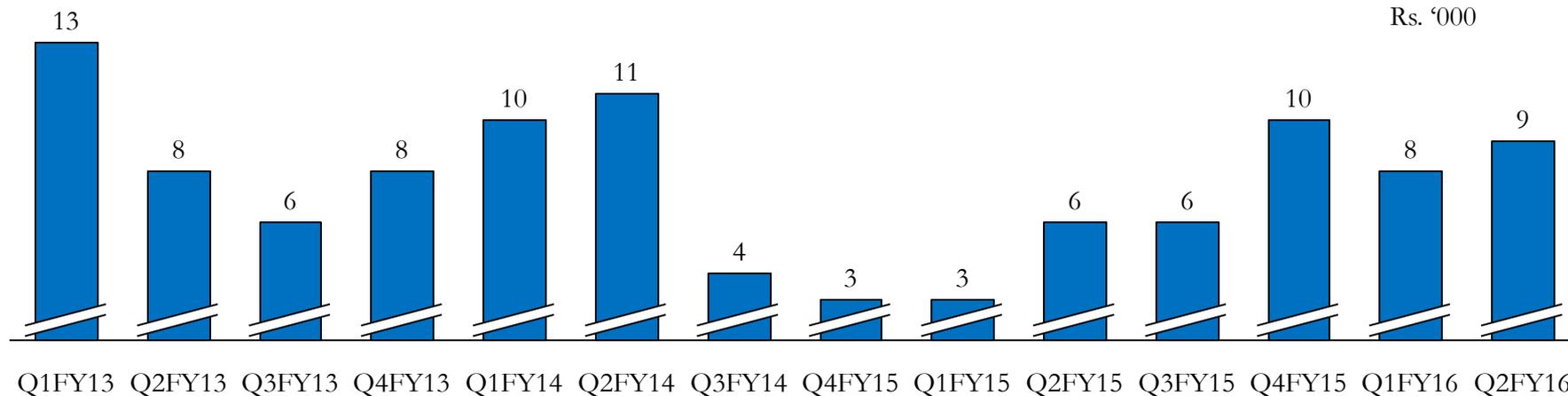
## Operating EBIDTA\*

Rs. mn



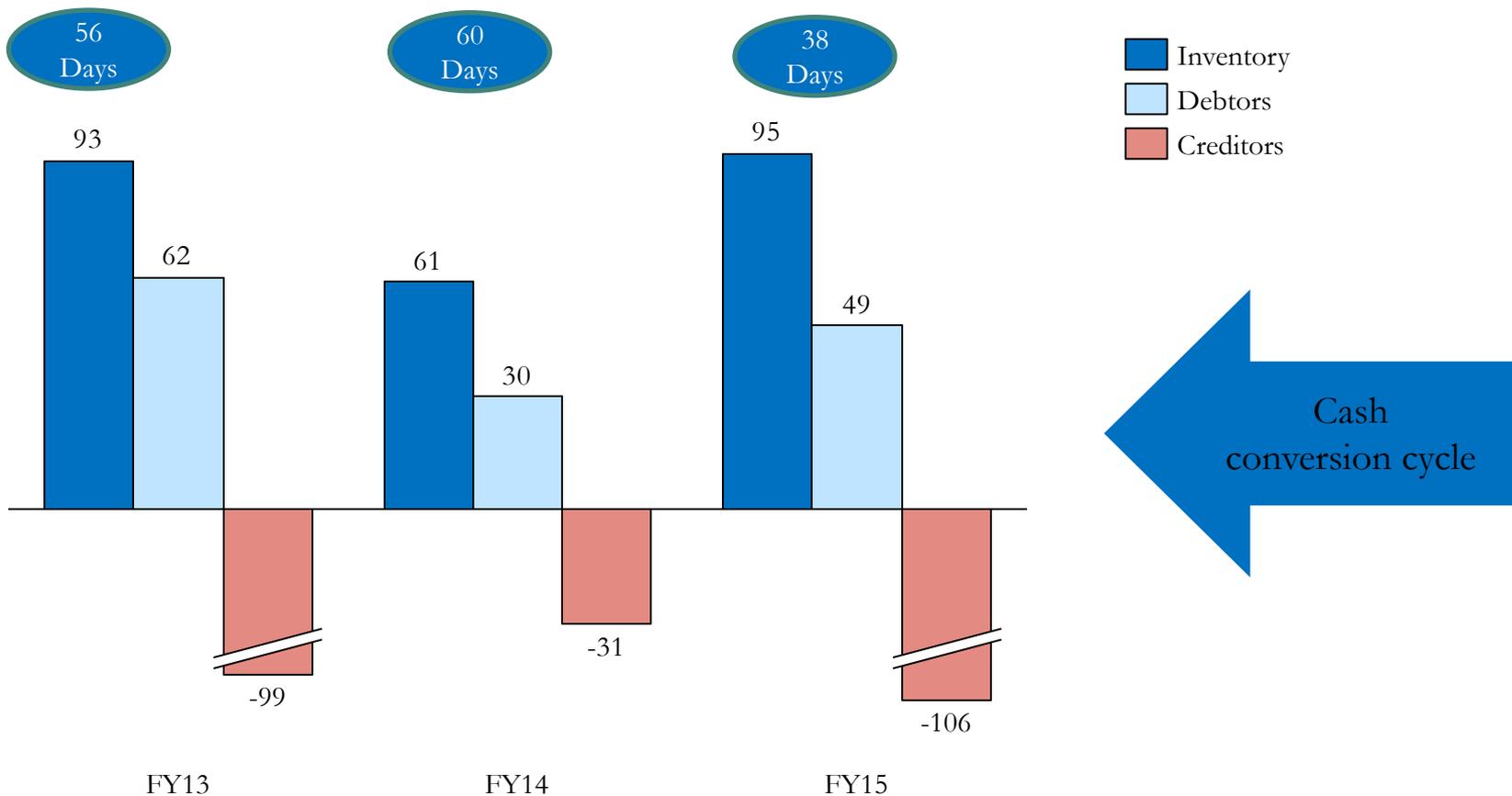
## EBIDTA per ton for pipe business

Rs. '000



Note:\*Operating EBIDTA represents Reported EBIDTA (-) Other Income (+) Unrealized Forex Losses (-) Unrealized Forex Gains; Decline in FY14 total sales value was largely due to temporary mothballing of the plate mill due to market conditions

## Cash conversion cycle\*



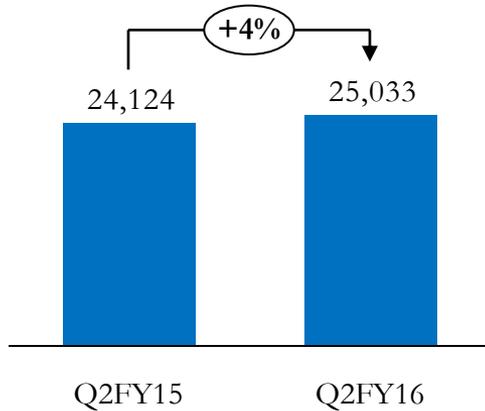
**Cash conversion cycle is expected in the region of 50 days**

\*FY14 statistics not comparable as the plate mill was not operational during the year

# Q2FY16 Financial performance

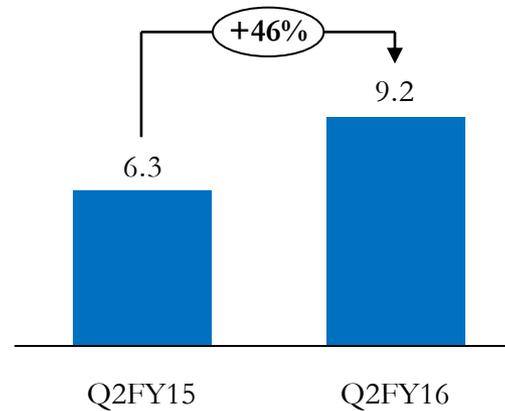
## Revenue

Rs. mn



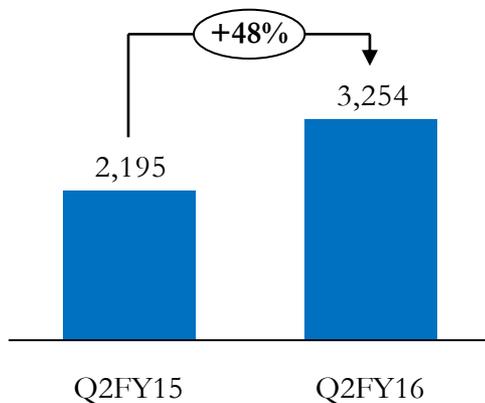
## EBITDA per Ton

Rs. '000



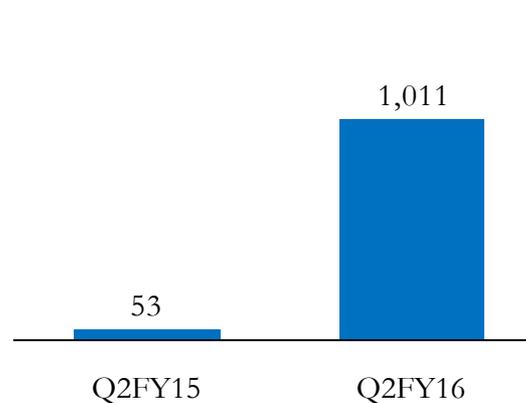
## Operating EBITDA

Rs. mn



## Consolidated PAT

Rs. mn



- Reported production and sales of pipes for Q2 at 306 KMT and 325 KMT
  - Up 11% & 29% Q-o-Q; down 6% and 4% Y-o-Y respectively
- Q-o-Q growth was driven by Indian LSAW and HSAW operations and the U.S. Spiral & HFIW mill
- Net sales growth driven by higher realization
- Net debt at the end of Q2FY16 was at Rs. 21,053 million

# Reconciliation – Reported & Operating EBITDA

Details (Rs. mn)	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16
Reported EBITDA	2,123	2,425	4,137	2,215	3,362
Less : Other Income	290	294	256	260	299
Add : Unrealized FX (Loss)/Profit	(362)	25	1,043	(336)	(199)
Operating EBITDA	2,195	2,106	2,837	2,291	3,254

# Consolidated Profit & Loss Statement

Rs mn	Q2FY16	Q2FY15	Y-o-Y	H1FY16	H1FY15	Y-o-Y	FY15
Income from operations	25,033	24,124	4%	44,474	38,493	16%	84,505
<b>Reported EBIDTA</b>	<b>3,362</b>	<b>2,123</b>	<b>58%</b>	<b>5,577</b>	<b>2,946</b>	<b>89%</b>	<b>9,508</b>
<b>Operational EBITDA*</b>	<b>3,254</b>	<b>2,195</b>	<b>48%</b>	<b>5,547</b>	<b>2,746</b>	<b>102%</b>	<b>7,692</b>
Depreciation/ Amortization	1,159	990		2,277	2,080		4,365
Finance Cost	680	722		1,352	1,404		2,830
<b>Profit Before Tax</b>	<b>1,523</b>	<b>411</b>	<b>270%</b>	<b>1,948</b>	<b>(538)</b>	<b>-</b>	<b>2,313</b>
Tax	340	(106)		520	(678)		177
<b>Profit after Tax</b>	<b>1,184</b>	<b>517</b>	<b>129%</b>	<b>1,427</b>	<b>140</b>	<b>919%</b>	<b>2,135</b>
Minority Interest	173	465		253	1062		1,445
<b>Profit after minority interest &amp; associates</b>	<b>1,011</b>	<b>53</b>	<b>1824%</b>	<b>1,175</b>	<b>(922)</b>	<b>-</b>	<b>690</b>

Note: \*Operational EBITDA = Reported EBITDA – Non-operational income - Unrealised forex gain/ (loss)

# Consolidated Balance Sheet

Rs. mn	Sep-15	Mar-15
<b>Shareholder's Fund</b>	<b>29,574</b>	<b>27,988</b>
Share Capital	1,316	1,316
Reserves & Surplus	28,259	26,672
<b>Minority Interest</b>	<b>3,885</b>	<b>3,563</b>
<b>Non-Current Liabilities</b>	<b>32,763</b>	<b>32,897</b>
Long Term Borrowings	25,739	26,160
Other Non Current Liabilities	7,024	6,737
<b>Current Liabilities</b>	<b>34,983</b>	<b>33,707</b>
Short Term Borrowings	6,424	1,884
Trade Payables	20,977	24,634
Other Current Liabilities	7,582	7,189
<b>Total Liabilities</b>	<b>101,205</b>	<b>98,155</b>

Rs. mn	Sep-15	Mar-15
<b>Non-Current Assets</b>	<b>48,197</b>	<b>49,063</b>
Fixed Assets	46,481	47,419
Non-Current Investments	265	265
Other Non-Current Assets	1,450	1,379
<b>Current Assets</b>	<b>53,008</b>	<b>49,092</b>
Inventories	17,813	22,082
Trade Receivables	17,033	11,301
Cash and Bank Balances	3,874	3,328
Other Current Assets	14,288	12,381
<b>Total Assets</b>	<b>101,285</b>	<b>98,155</b>

## For further information, please contact:

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**Welspun Corp Limited**

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