WCL/SEC/2022

February 11, 2022

To,

BSE Ltd. Department of Listing, P. J. Towers, Dalal Street, Mumbai – 400 001. **(Scrip Code: Equity - 532144),** **(NCD – 948505, 960468, 960491 and 973309)**	**National Stock Exchange of India Ltd.** **(Symbol: WELCORP, Series EQ)** Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051.

Dear Sirs/ Madam,

Sub.: Business Update and Investors' Presentation.

Further to our letter dated February 10, 2022 on the subject, please take note of the following:

"The Key figures of East Pipes Integrated Company for Industry (EPIC) at page No. 7 of the Investors' Release be read as under:

Figures in SAR Mn

Particulars in SAR MN	Q3FY22	Q3FY21
Saudi Arabia Ops:		
- Pipe Prodn (KMT)	18	88
- Pipe Sales (KMT)	35	97
Revenue	133	383
Operating (loss) profit	(14)	116
(Loss) profit before zakat and income tax	(19)	107
(Loss) profit for the period	(19)	92

Prior period figures have been restated, wherever necessary

Revised Investors' Release is attached herewith.
For Investor Relations and Media Queries Contact: Mr. Gaurav Ajjan at Gaurav_Ajjan@welspun.com / +91 22 6613 5748

Thanking You.

Yours faithfully,
For **Welspun Corp Limited**

Pradeep Joshi
Company Secretary
FCS-4959

WELSPUN CORP
PIPES AND PLATES

BUSINESS UPDATE

Successfully completes IPO in KSA

February 10th, 2022, Mumbai: Welspun Corp Ltd. (WCL), a flagship Company of the Welspun Group, announced its consolidated financial results for the quarter ended December 31st, 2021.

- **IPO of Joint Venture Company EPIC in Kingdom of Saudi Arabia completed, generates strong investor interest with institutional tranche oversubscribed 71.8 times**
- **Robust Net Cash Position of Rs. 839 cr**
- **Current Order Book of 543 KMT, active bid book of 1,946 KMT**
- **Sales Volume in Q3FY22 at 171 KMT**
- **Total Income from Operations at Rs. 1,299 cr**

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

Key Highlights of the Quarter ended December 31st, 2021

- *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 543 KMT valued at Rs. 4700 cr (US $634 mn)

2. **Total Income from Operations**
   - Q3 FY22 at Rs. 1,299 cr vs. Rs. 1,393 cr, YoY

3. **Pipe Sales Volume (Total Operations)**
   - 171 KMT vs. 285 KMT YoY

4. **EBITDA**
   - Reported EBITDA at Rs. 180 cr

5. **Profit (Continuing Operations)**
   - PAT (after Minorities & share of JVs) stands at Rs. 63 cr

6. **Net Debt / (Cash) position**

Figures in Rs. Cr

Consolidated debt	Dec-21	Sep-21	Jun-21
Gross Debt	1,264	1,230	816
Cash & Cash Equivalents	2,103	2,252	1,670
Net Debt / (Cash)	**(839)**	**(1,022)**	**(853)**

BUSINESS UPDATE

7. Corporate Tax Rate

The company has fully utilized its existing tax credits in FY21 and has switched to the new corporate tax rate of 25.17% in FY22 from 34.94% (both including surcharges) in India.

8. Dividend

During Q2 FY22, the company paid a dividend of ~ INR 130 crores. The dividend amount declared per share for FY21 was 100% of FV of Rs. 5.00 per share.

9. Business Outlook

Brent crude touched a seven-year high of $93.27 due to tight global supplies. Several OPEC members have struggled to meet even current monthly targets and lack spare capacity to boost production any further. Only a handful of states, notably Saudi Arabia, have some spare capacity that could possibly increase output. Even gas prices are at unprecedented high levels driven by strong demand.

Overall, the current level of elevated prices, which we believe would stay, is a big positive for WCL and is expected to drive global spending for Oil & Gas pipeline related infrastructure projects in the medium term.

We are also witnessing marked corrections in Steel Prices and they are now at a more acceptable level across geographies.

<u>India</u>

India's leading state-owned oil and gas giants are expected to spend nearly Rs. 1.11 lakh crore together in the upcoming 2022-2023 financial year as they supplement the government's spending programme to spur economic growth. The massive capital expenditure plans were unveiled during India's recent Union budget and includes Oil & Natural Gas Corporation, Indian Oil Corporation, Gail India, Bharat Petroleum Corporation, Hindustan Petroleum Corporation and Oil India Limited

The capex spending of Rs 1.11 lakh crore in 2022-23 compares with a revised estimate of Rs 1.04 lakh crore for the current fiscal year that ends in March, according to Union budget documents and is almost 7% higher than their combined spending in the current financial year. Notably, Gas utility GAIL will invest Rs 7,500 crore in the expansion of pipeline grid and petrochemical plants.

Petroleum & Natural Gas Regulatory Board (PNGRB) upto the 10th CGD bidding round had authorized 228 Geographical Areas (GAs), comprising 407 districts in 27 States/UTs covering 53% of the geographical area and 70% of the population, for the development of CGD networks. PNGRB had launched the 11th CGD Bidding Round in September 2021 and has received 439 bids from 26 entities against 61 GAs. The Government plans to raise the share of natural gas in the country's energy basket to 15% from the current 6.3% by 2030 and city gas expansion is part of the roadmap. Despite the increase in gas prices, cost economics remain favourable for CNG and PNG (domestic) compared to alternate fuels.

The Union Budget 2022-23 has allocated Rs. 60,000 crore to extend tap water coverage to 3.8 crore households in 2022-23. The previous budget had allocated Rs. 50,000 crore for the piped water mission. The finance minister also said the implementation of the Ken-Betwa river link project at an estimated cost of Rs. 44,605 crore would be taken up soon. This is aimed at providing irrigation benefits to 9.08 lakh hectare of farmers' lands, drinking water supply for 62 lakh people, 103 MW of hydro and 27 MW of solar power. To provide greater access to irrigation and drinking water draft project reports of five river links, namely Damanganga-Pinjal, Par-Tapi-Narmada, Godavari-Krishna, Krishna-Pennar and Pennar-Cauvery have been finalized. Once a consensus is reached among the beneficiary states, the Centre will provide support for implementation.

Overall, the government's programmes reflect the continued focus on improving the lives of the people through several schemes to build water infrastructure, to increase the use of natural gas, to build refining capacity etc. We are confident that we will see a steady improvement in demand both for line pipes and DI pipes as these programmes are implemented.

USA

U.S. production of dry natural gas averaged an estimated 93.5 billion cubic feet per day (Bcf/d) in 2021, up 2.0 Bcf/d (2%) from 2020. Natural gas production fell in 2020 as a result of low natural gas and oil prices that reduced drilling activity. Production grew in 2021 as drilling activity came back online, especially in the Permian Basin, where associated gas production in the region contributed to the overall growth in natural gas production. EIA forecasts dry natural gas production will increase by 2.5 Bcf/d (3%) in 2022. Recent increases in oil and domestic natural gas prices will contribute to an overall increase in drilling activity that will lead to production growth from 2Q22 onward.

U.S. crude oil production averaged 11.2 million barrels per day (b/d) in 2021. EIA expects production to average 11.8 million b/d in 2022 and to rise to 12.4 million b/d in 2023, which would be the highest annual average U.S. crude oil production on record. The current record is 12.3 million b/d, set in 2019.

Midstream companies slowed down on investing in new pipelines as there were concerns about regulatory issues and environmental opposition. Nonetheless, at the current level of high oil and gas prices we are confident of a revival in the medium term. Pipelines continue to be the cleanest and safest way to move vast amounts of energy, as opposed to more carbon-emissive methods like rail and truck.

BUSINESS UPDATE

Saudi Arabia

The Middle East is a key area for the welded pipes market due to rapidly growing water and gas consumption, driven by announcement of large and vital projects requiring significant investment in pipelines. The Saudi market is the main driver of the demand volume in the GCC region. Demand for HSAW pipes is driven by growth of the economy and the clear development programs launched by the government under the Kingdom's Vision 2030, the National Transformation Program, the National Industrial Development Program, Logistic Program, the Housing Program, and the Financial Sector Development Program.

Moreover, with a pickup in oil prices, we are confident that further opportunities will arise, both in the Oil & Gas and the Water segment from Saudi Aramco and SWCC.

10. IPO update of Joint Venture Company

The public offering of our Joint Venture company in Kingdom of Saudi Arabia, East Pipes Integrated Company for Industry (EPIC) on the Saudi Exchange's Main Market has been successfully completed in January 2022. The IPO of EPIC was for 6.3 million ordinary shares, representing 30% of the issued share capital of 21 million shares by way of a sale of existing shares of the current shareholders on a pro-rata basis. Post the IPO, WCL will own 35.01% (from earlier 50.01%) through its step-down subsidiary in Mauritius and will continue to be the largest shareholder in EPIC. Trading of EPIC's shares in the exchange is expected to commence soon after fulfillment of all relevant statutory requirements.

The price band of the IPO during the book-building process was in the range between SAR 72 to SAR 80 per share. As per local regulations, 10% of the total offering shares were reserved for retail shareholders and the balance 90% for institutional investors. The final offer price was set at SAR 80 per share with an oversubscription coverage of 71.8x of the total offer shares for the institutional investors tranche and an oversubscription of 16.1x for the retail investors tranche.

11. Merger Update - Acquisition of Steel business of Welspun Steel Limited

There is an NCLT hearing scheduled for 23rd February, 2022 and this transaction is expected to be completed by 31st March, 2022.

12. Business Growth & Diversification

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. The Company continues to evaluate suitable opportunities, for both organic and inorganic expansions which have synergies with its existing business. It is important that the Company continues to expand and diversify its product offering for growth, predictability and to enhance earnings. As a prudent practice, detailed due diligence will be exercised with a clear oversight by the Board.

BUSINESS UPDATE

Since the Company has a judicious capital allocation policy, every proposal has to first meet the internal thresholds for ROI and profitability before being considered for acceptance.

13. Update on Ductile Iron Pipe Project

As announced in October 2020, given the industry prospects and synergies with our existing business, we are setting up a Greenfield facility at Anjar to enter the Ductile Iron (DI) Pipe business. We are expecting to hit the market with our product offering in Q1 FY23. There is a big focus on creating drinking water supply in the country through Government programs. As previously mentioned, Finance Minister Nirmala Sitharaman in her budget for the financial year earmarked Rs. 60,000 crore for the Jal Jeevan Mission that aims to provide potable water to 3.8 crore households in 2022-23. Overall, the Jal Shakti Ministry was allocated a total of Rs. 86,189 crore, higher from Rs. 69,052 crore allocated in the previous fiscal year.

14. ESG Initiatives

WCL has been ranked 13th among the 41 companies included in its industry group (68th percentile) in S&P Global's DJSI Corporate Sustainability Assessment (CSA). WCL's Social Dimension percentile is 77 and Governance & Economic Dimension percentile is 78, both in the top quartile for the steel industry. This marks a milestone for the company, which is a part of a growing movement for ESG consciousness and transparency. Over 10,000 companies across the globe were a part of the sustainability assessments this year. Each year S&P Global invites the largest companies to participate in the Corporate Sustainability Assessment (CSA) to gain deeper insights into their ESG performance relative to peer firms while providing the transparency that investors need on their progress towards sustainability.

Management Comments

Commenting on the results, Mr. B. K. Goenka, Chairman, Welspun Group said, *"I am delighted by the successful IPO completion of EPIC, our JV Company in the Kingdom of Saudi Arabia. The oversubscription numbers reflect EPIC's strong track record in exceeding customer expectations and opportunities for further growth. With the recent budgetary allocation for Oil & Gas, Water and CGD, I am also extremely hopeful of a significant growth in our India Business. Moreover, I am pleased to see that our endeavor to embed ESG into all aspects of our business has been recognized in S&P Global's DJSI Corporate Sustainability Assessment with a 68th percentile in the peer group. Overall, we have built a strong foundation and are confident of executing on our Business Growth and Diversification plans."*

BUSINESS UPDATE

Detailed reconciliation of Operating EBITDA is provided hereunder:

Figures in Rs. Cr

Reconciliation of Operating EBITDA	Q3FY22	Q2FY22	Q3FY21	9MFY22	9MFY21
Reported EBITDA	180	195	252	578	689
Treasury income	(48)	(34)	(16)	(115)	(41)
Profit on sale of Land (incl. interest)	-	-	(20)	-	(62)
Insurance Claims Received	-	-	(27)	-	(27)
MTM loss/fair valuation on other bonds	-	(0)	-	(0)	(0)
Operating EBITDA	**132**	**161**	**189**	**462**	**559**

Consolidated Performance Snapshot

Figures in Rs. Cr unless specified

Particulars	Q3FY22	Q2FY22	Q3FY21	9MFY22	9MFY21
Ex-Saudi Arabia/ CWC operations					
- Pipe Production (KMT)	122	101	179	307	444
- Pipe Sales (KMT)	136	142	188	419	520
Total operations					
- Pipe Production (KMT)	140	166	268	426	665
- Pipe Sales (KMT)	171	180	285	526	756
Continued Operations (Pipes)					
Total Income from Operations	**1,299**	**1,306**	**1,393**	**3,904**	**4,620**
Operating EBITDA	**132**	**161**	**189**	**462**	**559**
Reported EBITDA	180	195	252	578	689
Depreciation and Amortisation	55	54	54	164	160
Finance Cost	21	18	13	56	56
Profit before tax and share of JVs	104	123	185	357	473
Tax expense	27	33	66	96	208
Non-controlling interest	(2)	(1)	7	(3)	14
Share of profit/(loss) from Associates and JVs	(16)	(5)	84	(19)	153
PAT after Minorities, Associates & JVs (I)	**63**	**85**	**195**	**246**	**405**
Discontinued Operations (PCMD & 43MW)					
Profit After Tax (II)	-	-	4	-	(5)
Profit for the Period (I + II)	**63**	**85**	**199**	**246**	**400**

Prior period figures have been restated, wherever necessary

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BUSINESS UPDATE

Figures in Rs. Cr

Consolidated Balance Sheet - Key figures	Dec-21	Sep-21	Jun-21
Net Fixed Assets (incl CWIP)	2,259	1,923	1,753
Net Current Assets	1,701	1,753	2,018
Net Debt / (Net Cash)	(839)	(1,022)	(853)
Net Worth	3,917	3,856	3,910
ROCE (pre-tax)	14.0%	16.2%	16.7%

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

Saudi Financials

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

Figures in SAR Mn

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BUSINESS UPDATE

Q3 FY22 Investor / Analyst conference call:

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

Date: Friday, 11th February 2022

Time: 10:00 AM IST

Dial in details:

- Primary Access: +91 22 6280 1325 / +91 22 7115 8226
- International Toll-Free numbers
    - Hong Kong: 800 964 448
    - Singapore: 800 1012 045
    - UK: 0808 101 1573
    - USA: 1866 746 2133

About Welspun Corp Ltd. (WCL)

Welspun Corp Ltd. a flagship company of 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.

Welspun Corp Ltd. (WCL) is a one-stop service provider offering end-to-end pipe solutions ranging from 1½ inches to 140 inches. The business also offers specialized coating, double jointing, and bending as some of its core strengths. With a current capacity of over 2.5 million MTPA in Dahej, Anjar, Mandya, and Bhopal in India, Little Rock in the USA, and Dammam in Saudi Arabia; WCL takes pride in being a preferred supplier to most of the Fortune 100 Oil & Gas companies, globally.

As a part of its Business Growth & Diversification strategy, WCL is setting up a state-of-the-art Greenfield facility at Anjar to enter the Ductile Iron Pipe business. It also intends to acquire the steel business of Welspun Steel Limited (WSL) through a scheme of arrangement. Through the proposed acquisition, the company looks to add stakeholder value by manufacturing of BIS Certified Steel Billets, Direct Reduced Iron, TMT bars, Stainless & Alloy Steel and Stainless Steel Tubes & Pipes.

With 360-degree abilities in pipe products, operational excellence, and technological innovation, WCL has undertaken some of the most challenging projects around the world viz. world's deepest pipeline, world's heaviest pipeline, and others. Supported by its state-of-the-art facilities and global-scale operations, WCL caters to energy and water resource management for the safe and environmentally-friendly transportation of oil, gas, petro-products, and water.

For further information please visit www.welspuncorp.com
