



WELSPUN



Dare to Commit

World's Leading Pipe Manufacturer

Welspun Corp Ltd (WCL)

Investor Presentation

Financial Highlights

Year in review

Outlook for FY16

Way Forward



Financial Highlights

Key financial highlights

Achieved **1 Plus Million Tons Production & Sales** for third consecutive year



Highest Ever Production & Sales Volume



Current Order Book at 1,030 KMT; Rs. 72 Billion



Long Term Credit Rating reaffirmed **AA-** by **CARE**



Net Debt to Equity at **0.68x** vs. **0.90x**



Net Debt to EBITDA at **2.01x** vs. **3.04x**



Working capital control: cash conversion cycle down to 38 days from 60 days in FY14



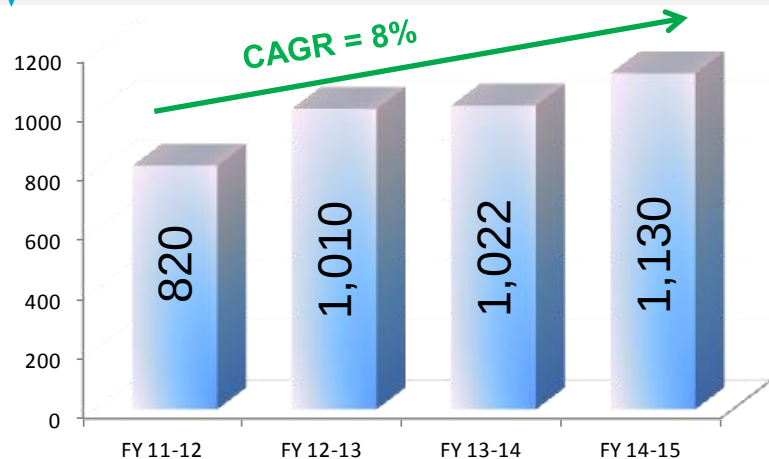
FCCB redemption (payout @ USD 79 million) and overall debt reduction



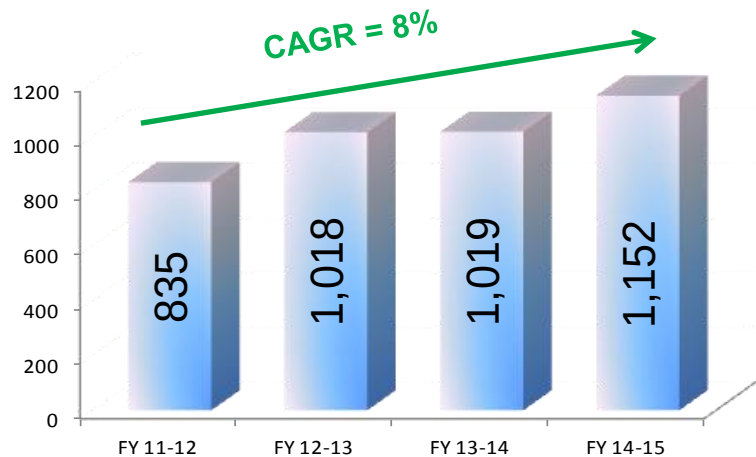
10% Dividend Declared



Sales & Production Volumes (in KMT)



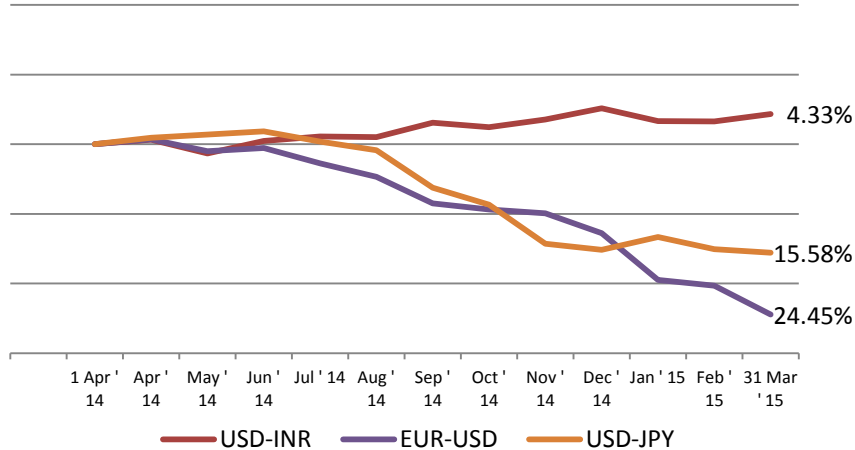
- Highest Ever Production Volume



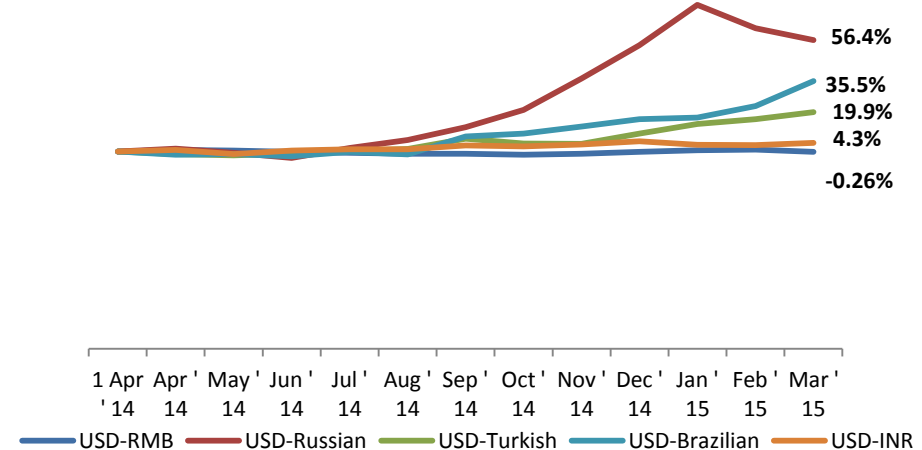
- Highest Ever Sales Volume

Risks: Favourable currency effects for competing countries

% Depreciation of Major Currencies versus USD



% Depreciation of EM Currencies versus USD



- Significant depreciation of the Euro and JPY benefitted pipe suppliers from these regions
- Major depreciation of the Turkish Lira, Brazilian Real and Russian Rouble significantly enhanced the competitive edge of suppliers from these markets
- INR was fairly benign across the year with a marginal depreciation @ 4% thus increasing the competitive pressures on Indian supplies.

Income Statement – Annual: Maintaining performance

(Rs. in million)

Particulars	FY15	FY14	Change %
Revenue	84,505	77,047	10%
Operating EBITDA	7,692	7,742	-1%
Operating EBITDA Margin	9.1%	10.1%	
EBITDA	9,508	8,439	13%
EBITDA Margin	11.3%	10.9%	
PAT (After Minority)	690	734	-6%
Cash PAT	6,620	5,768	15%

*Note :

a) Operational EBITDA = Reported EBITDA – Non-operational income - Unrealised forex gain/ (loss)

b) Cash PAT = PBT – Current tax + Depreciation - Post-tax Unrealised forex gain/ (loss)

Income Statement – Quarterly : Strong improvement

(Rs. in million)

Particulars	Q4FY15	Q4FY14	Change %
Revenue	23,751	15,345	55%
Operating EBITDA	2,838	544	
Operating EBITDA Margin	11.9%	3.6%	
EBITDA	4,137	1,955	112%
EBITDA Margin	17.4%	12.7%	
PAT (After Minority)	1,438	126	
Cash PAT	3,557	907	292%

Note :

a) Operational EBITDA = Reported EBITDA – Non-operational income - Unrealised forex gain/ (loss)

b) Cash PAT = PBT – Current tax + Depreciation - Post-tax Unrealised forex gain/ (loss)

Balance Sheet : Key Numbers

(Rs. in million)

Particulars	31 March 2015	31 March 2014
Net Worth	27,988	28,492
Gross Debt	30,205	38,235
Cash & Equivalent	11,111	12,590
Net Debt	19,095	25,645
Net Fixed Assets (incl CWIP)	47,415	50,372
Net Current Assets	8,749	12,679

Key Ratios	31 March 2015	31 March 2014
Net Debt / Equity	0.68x	0.90x
Net Debt / EBIDTA	2.01x	3.04x
Current Ratio	1.45x	1.61x
Tangible FA / Secured LT Debt	1.86x	1.99x

(Rs. In Million)

Working Capital	FY 13	FY 14	FY 15
Inventory	23,031	12,815	22,082
Receivables	15,461	6,374	11,301
Current assets	38,492	19,189	33,383
Trade payables	24,591	6,510	24,634
Net Working Capital	13,901	12,679	8,749

Days of sales	FY 13	FY 14	FY 15
Inventory	93	61	95
Receivables	62	30	49
Current assets	155	91	144
Trade payables	99	31	106
Cash conversion cycle	56	60	38

(Rs. In Million)

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Year in Review



Highest Ever Pipe Sales and Production volume

- Crossed the milestone 1 million tonne production and sales volumes for the third consecutive year

Saudi Arabia facility

- Record high production and sales volumes. Significantly improved financial performance

US facility

- HFIW mill stabilized and operations streamlined
- Spiral mill is now running in full throttle after it underwent a major revamp to improve productivity, enhance efficiency, reduce costs and reset the mill capabilities

Indian facilities

- LSAW mill did reasonably well
- Plate and Coil mill revived in the second half of the year

Delivering on commitments...and the journey continues

What we said Last Year

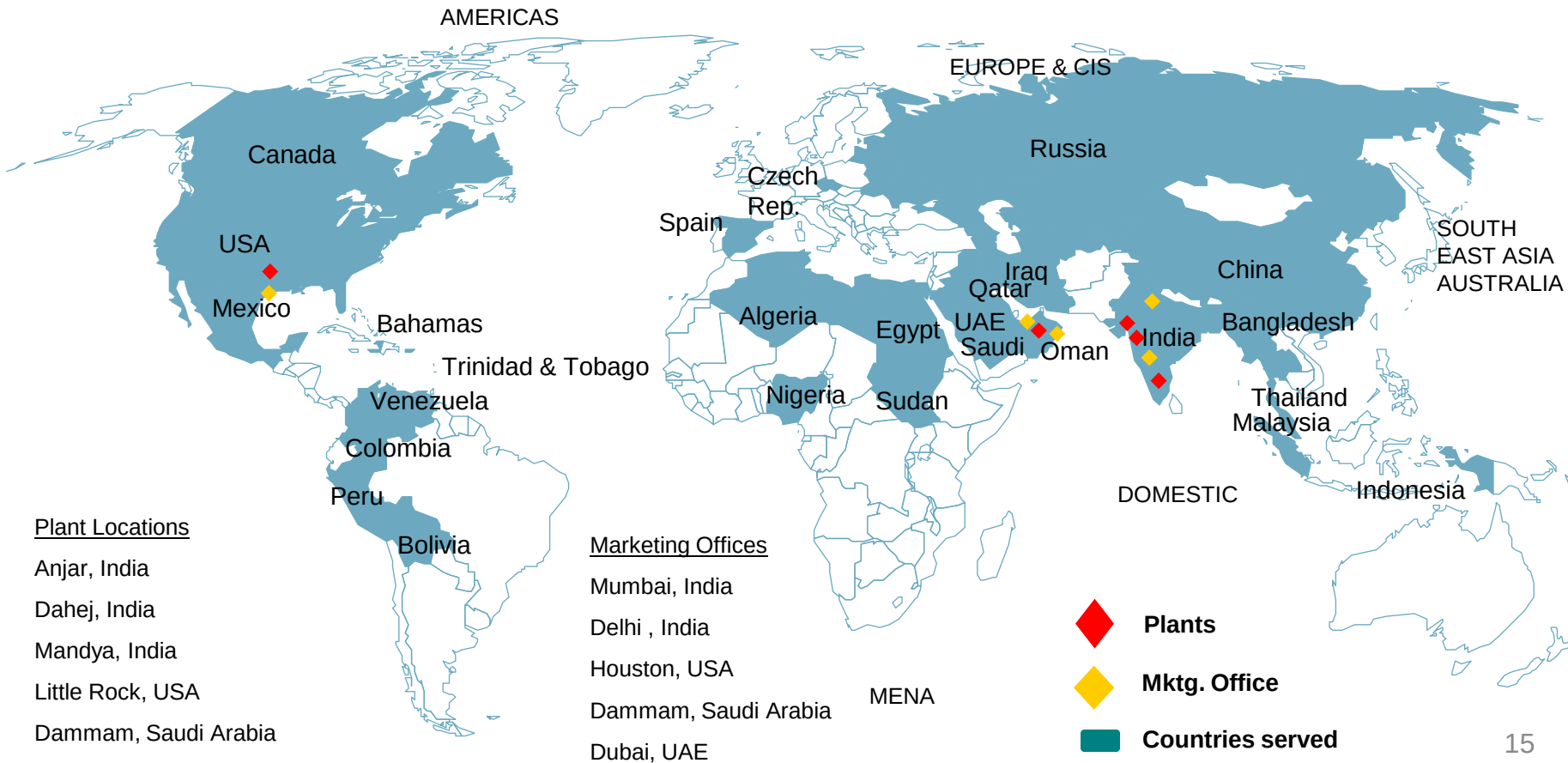
- No Additional Capex other than Maintenance Capex. Explore Relocation Options
- Strong Order Book despite the market conditions
- Global manufacturing and sourcing will help to maintain performance
- Slow down in one region not to have large adverse impact as it will be compensated by high performance in another region



What we have Delivered

- Capex restricted to Maintenance Capex
- Continue to Explore Relocation Options
- Order book translated into strong execution
- Opening the year with a robust order book
- Maintained performance helped by global manufacturing and sourcing
- Middle East compensated for weak order book in US for the early part of the year
- New year with US looking stronger than other regions

Expanding Global Reach



END TO END PIPE SOLUTIONS WITH 2.425 MMTPA



LSAW

- Anjar (India) : 350 K MT
- Dahej (India) : 350 K MT



HSAW

- Anjar (India) : 500 K MT
- Dahej (India) : 50 K MT
- Mandya (India): 150 K MT
- Dammam (Saudi Arabia) : 300 K MT
- Little Rock (USA) : 350 KMT



ERW/ HFIW

- Anjar (India) : 200 K MT
- Little Rock (USA) : 175 K MT



Coating

- Anjar (India) Ext. & Int.
- Dahej (India) Ext & Int.
- Little Rock (USA) Ext & Int.
- Dammam (SA) External
- TOTAL Capacity - 32.05 Mn Sqm/year

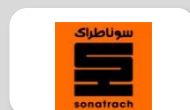


PLATES & COILS

Plates & Coils

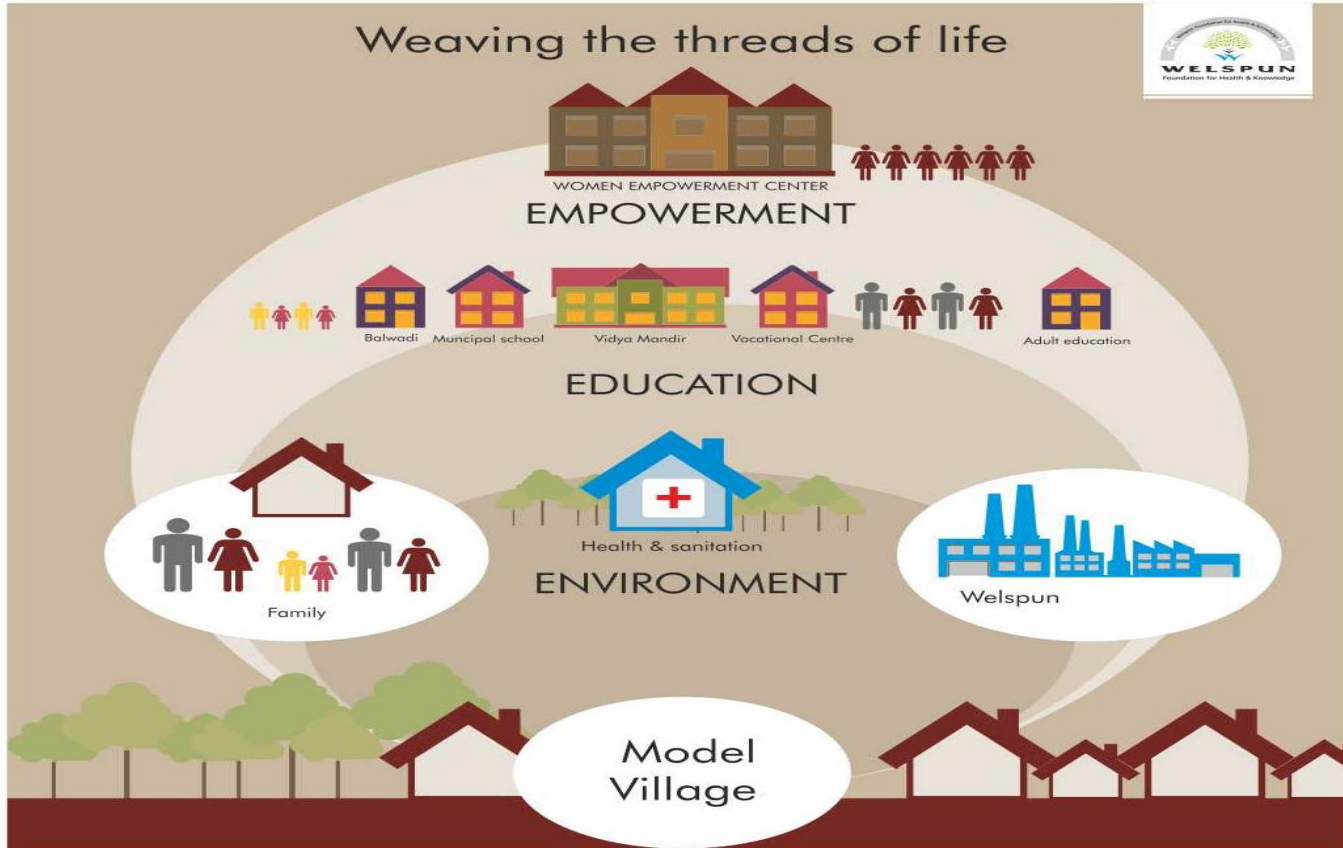
- Anjar (India) : 1500 K MT

Major Global Customers



Welspun Group | Welspun Corp Ltd

Corporate Social Value (CSV) - Vision



**First model village,
Versamedi, Anjar**

Corporate Social Value 3E's



Environment & Health



HEALTH CAMPS: 10 camps on blood group detection, general health check up, diabetes detection, dental camps, etc. were conducted in 10 villages of Anjar



SANITATION PROJECT: 1160 toilets constructed in 8 villages of Anjar



MOBILE HEALTH VANS at Anjar & Mumbai: Provide basic health facilities, awareness sessions in the underprivileged communities 20 Villages in Anjar, 9 communities in Mumbai



PLANTATIONS: 565 fruit and vegetable plantations done at 3 villages of Anjar

RO DRINKING WATER initiative at Vapi (2 nos) and Anjar (3 nos)

Education



ADULT LITERACY PROGRAMME: 3 classes were conducted consisting of a total of 75 women at Versamedi and Ajapar villages since August 2014



QUALITY EDUCATION PROGRAMME WITH 20 GOVT SCHOOLS IN ANJAR : We recruited 26 Para –teachers. 51% average increase in scores of students

Empowerment



SPUN: Our Corporate Social Value initiative to Empower Women and Revive the crafts of our country

Awards and Recognitions



Ranked
50th in the ET list
of **best CSR
companies in
India**



Dahej Unit received the
prestigious “**NACE
INTERNATIONAL CORROSION
AWARENESS AWARD 2014**”
(Category for Excellent Material
Research and Corrosion Testing
facilities)



Anjar plant received the
“**FICCI Quality Systems
Excellence Award for
Manufacturing 2014**” -
Certificate of Silver (Third)
Prize in Large Size
Category

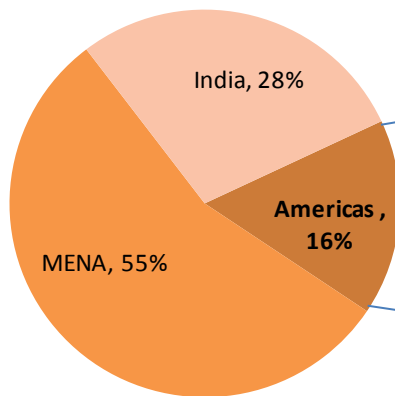


Outlook for FY16

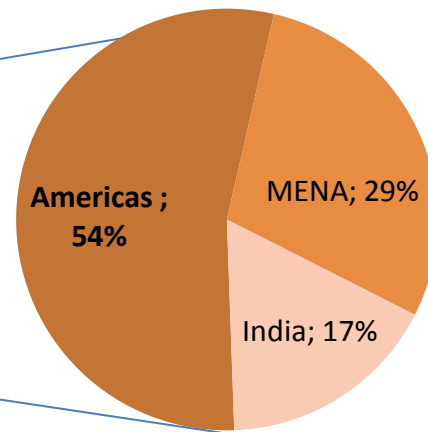
Strong Opening Order Book

- Order book scales up to **Rs. 72 billion (1030 K MT)** in a challenging business environment
- Expected to execute entire opening order book during the year
- Quality of the new orders has seen perceptible improvement

FY 2014 - Geographical Distribution



FY 2015 - Geographical Distribution





US facility

- Strong Order Book
- Spiral mill starts the year with a strong order booking backed by a promising outlook
- HFIW mill is expected to deliver improved performance



Saudi facility

- Strong Order Book



Indian facilities: Outlook improving

- Strong Order Book
- Anjar LSAW: Promising outlook based on opening order book
- Plate and Coil Mill: Better utilization expected on increased captive consumption, better domestic market demand outlook and expected duty increase

Past track record – A good indicator of future execution

	Opening Order Book	Orders Executed
Year	K MT	K MT
2010-11	791	909
2011-12	726	835
2012-13	653	1,018
2013-14	657	1,019
2014-15	901	1,152

- Current Order book at 1,030 KMT to be executed in the current year.
- Execution depends on opening order book and new order inflows during the year

Order Booking – Continues to be strong

Order Book in KMT	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	FY15
New Order Booked	300	400	190	390	1,280
Execution / Sales Volumes	216	339	305	292	1,152

- Order inflow in spite of the challenging market conditions
- Order booking more than execution in FY15

The Impact of Oil Price on Pipe Industry

Oil & Gas and pipeline operators will target reduction in operating cost which would be carried over to the suppliers – sharper focus on price

Reduction on rig activity, slow down in Exploration activity and reduced drilling program – slow down in exploring regions

Companies slash capital budgets as oil price drop cuts cash flows – Oil and Gas Journal, April 2015



Source: EIA

"The pipeline industry has yet to see a slowdown" Catherine Landry, spokesperson for the Interstate

- Natural Gas Association of America (INGAA) , March 2015

"We haven't had any impact from the decline in the commodity price,"

"The shippers who have signed up for these pipes are still fully behind us."

- Paul Miller, TransCanada's President of liquid pipelines,

Despite Cheap Oil, Energy Sector Provides Opportunities, as North American crude oil production is expected to grow in 2015

Oil plus Gas Monitor, Feb 2015

"At low oil prices, they might decide only to expand drilling if they have an inexpensive way of getting the oil to market"

– CTVnews.ca, Jan 2015

*"This continued demand for new pipelines, even in a low price environment, makes sense, because in many cases the new natural gas, crude oil and NGL production is **occurring in areas that lack fully developed pipeline infrastructure.**"*

Interstate- Natural Gas Association of America (INGAA) , March 2015

*"Energy infrastructure companies, specifically pipeline operators, **typically are good investment opportunities** in volatile commodity price environments."*

" They generally earn a fee to transport oil and natural gas from the producer to the end user. Therefore, their cash flows tend to be less volatile"
- Oil plus Gas Monitor, Feb 2015

"The new sources of crude oil and natural gas have created opportunities for energy infrastructure companies to build additional pipelines to transport rising volumes."

*"**Despite lower oil prices, the project backlog continues to be robust,** with an estimated approximate \$135 billion in projects through 2017"*

-Oil plus Gas Monitor, Feb 2015

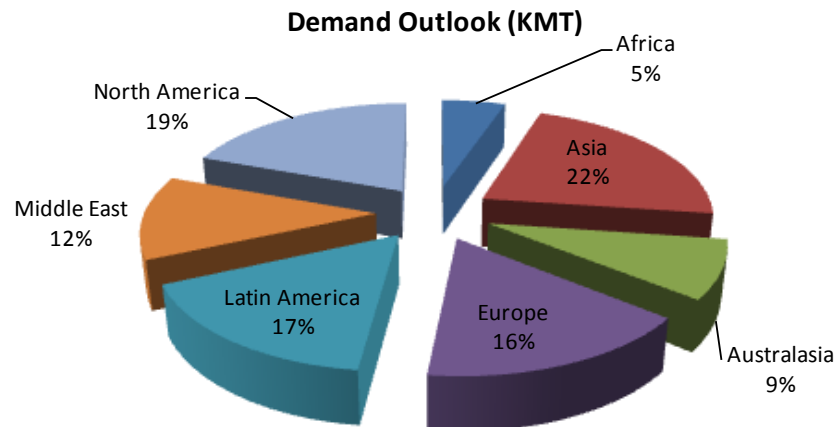
*"Lower prices may discourage short-term production growth but **may also spur demand. We anticipate this will drive prices in the other direction,** and the cycle will continue. We think that over the long term, prices will return to a range that is economical for production to continue broadly"*

-Oil plus Gas Monitor, Feb 2015

Potential business in the near term – Future Demand Outlook for Next 4 years

Region	No. of projects	Est Tonnage (KMT)	Project Value (Bn \$)
North America	340	19,616	89
Europe	169	16,392	74
Middle East	109	12,396	43
Latin America	82	16,617	81
Africa	77	5,292	29
Australasia	55	8,580	29
Asia	79	22,223	77
Grand Total	911	101,117	422

Source: Simdex March 2015



North America – Resurgence in Demand!



USA

- Large pipeline projects are being executed by Energy Transfer Co., Spectra, Dominion, Williams over the next two years
- Oil production is at the highest level in USA and this will continue to drive pipeline demand
- USA is on track to become a net exporter of Gas(source: EIA). Key markets would be Mexico, South East Asia and Europe
- Replacement demand provides further upside {Announcement made by President Obama}



Canada

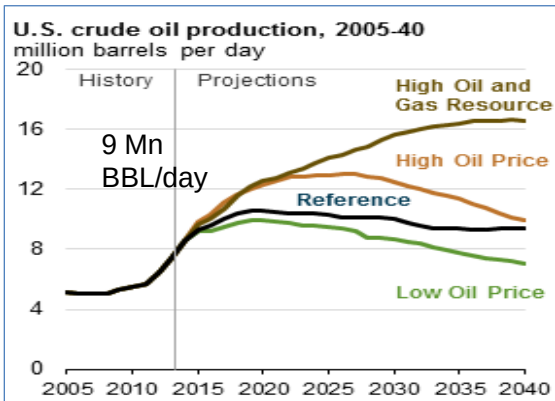
- Imperative for Canada to find new markets for its vast oil and gas potential
- Steady progress in the pipeline projects to supply natural gas to LNG projects on the west coast of Canada
- Further demand potential from feeder pipeline projects which would supply gas to the above lines



Mexico

- Strong demand witnessed from Mexico in FY15, which is likely to continue
- The opening of Mexico market for International Investment and deep water development is a positive
- First round of bidding for oil and gas blocks saw the involvement of International bidders
- CFE plans to install 6500 km of pipeline in Mexico over the next 5 years

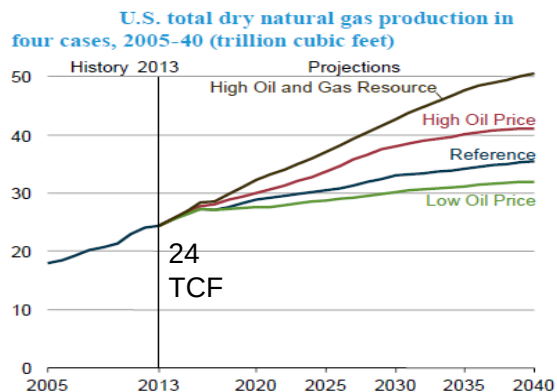
Pipe line Demand Drivers – USA



Crude Oil Production will continue to improve upon even with Low Oil Prices for next Five Year – EIA

USA continues to increase the Gas production

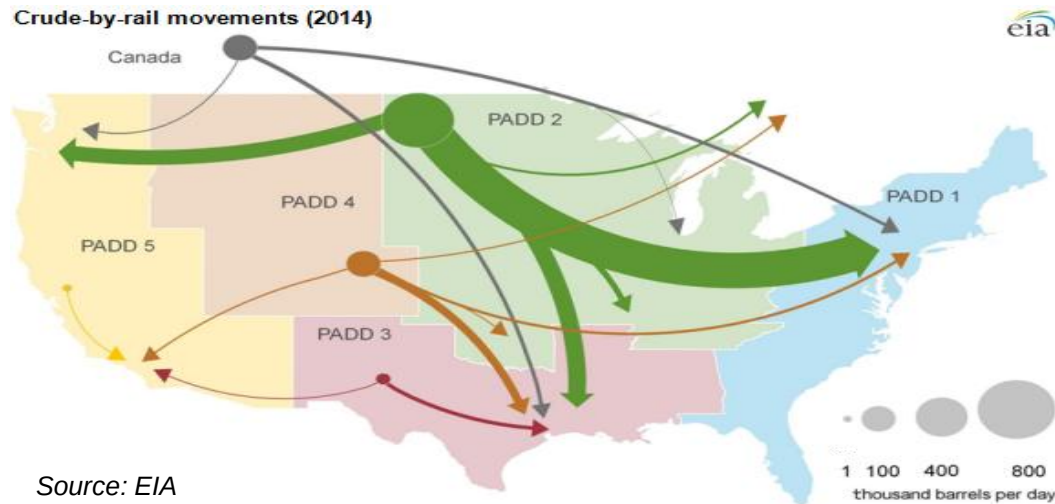
Will drive the demand for North American Market



US will become Net Natural Gas Exporter from 2017

Mexico, Europe and South East Asia will be the key markets

Cost considerations to drive pipeline demand



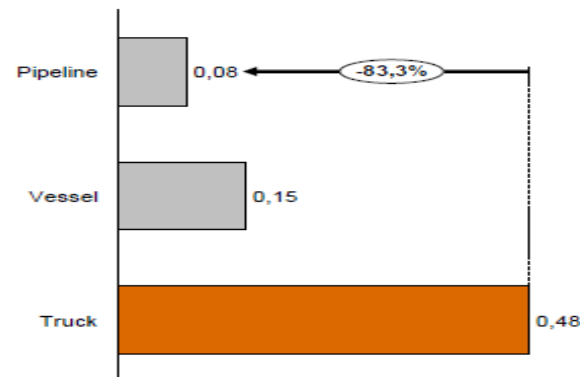
Source: EIA

- **Cost of transportation/ton/km (excl. capital cost) lowest in pipelines**
 - IEA.org – “After the initial investment, **operating costs are about one-third on average of rail**, and pipelines are more energy-efficient and emit less carbon.”
 - UBS pipeline construction report – “**Rail is 100% more expensive as compared to pipelines**” (excluding Capex)
- **Low steel prices increase attractiveness of pipelines**
- **Low oil and gas prices force operators look for cheapest options**

Use of rail up 1700% for US oil

The amount of crude transported by rail in the US has increased 1700% since 2010 as operators sought to quickly add takeaway capacity to deal with the largest increase in US production volumes on record.

Refined products transport cost⁽¹⁾
MXN/ton-km, 2012



Source: PWC

Replacement Demand in USA

- **Barack Obama proposes \$3.5 billion gas pipeline overhaul (Source – politico.com, 21st April 2015)**
- To replace aging natural gas pipelines nationwide
- Government has released a report addressing
 - The dangers to both public safety and the climate from pipelines that leak or rupture
 - How to upgrade a vast array of the country's energy infrastructure
- Full replacement of pipeline would cost \$270 Bn
- During the past 12 years, spills, breaks and other accidents from all gas, oil and hazardous liquids pipelines caused a total of more than \$5.5 billion in damage - mainly due to parts installed in 1970s



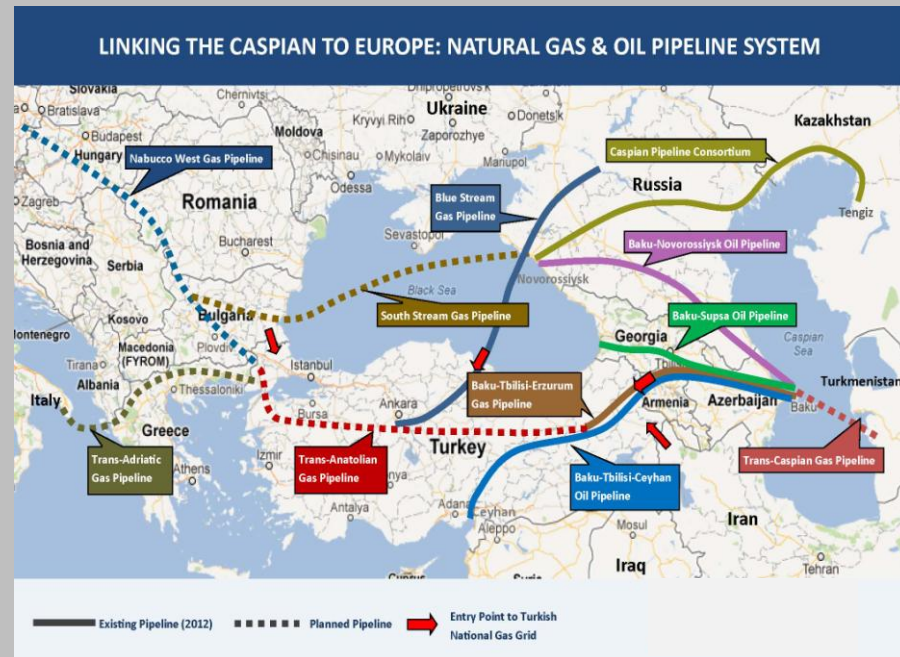
The amount of money being proposed is just a fraction of what it would take to replace the hundreds of thousands of miles of natural gas distribution pipes. | Getty

Barack Obama proposes \$3.5 billion gas pipeline overhaul

Source: *politico.com*

Demand Outlook – Europe, Middle East and Africa

- Geopolitical developments in the European market leading to cancellation of a major project have impacted pipe mills across geographies
 - Discussions on alternate pipelines will provide an interesting opportunity for global pipe mills
- The Middle East continues to be a region with high potential
 - Outlook on the gas pipeline projects is buoyant
 - Saudi Aramco continues to push for domestic gas infrastructure – Master Gas-II – ~500 KMT
- In the African region
 - Mozambique offers potential upside
 - Discoveries in Tanzania, Uganda and other African Market
 - Development in Algeria Natural Gas Market



Source: Rethink institute

Demand Outlook – Asia Pacific



2014 General Elections gave India a strong stable government with a strong agenda for Infrastructure Growth

India's GDP growth forecast is at 7.0% for next 3 years as per World Bank, which is highest amongst emerging economies

Steel demand growth in India is expected to be 6% in 2015 as per World Steel Association (WSA) from 76.2 million tonnes in 2014

Also India is contemplating import duty on steel to boost domestic steel production

India has announced 15,000 Km of gas pipelines equivalent to 2.2 Mn tons, comprising of 14 projects

India has also announced water pipeline projects of up to 1.5 Mn tons

In the Asia-Pacific region, potential demand from Thailand, Malaysia and Indonesia could boost the regional demand

Vietnam and Myanmar are new markets with large potential oil and gas reserves

Increased protectionism:

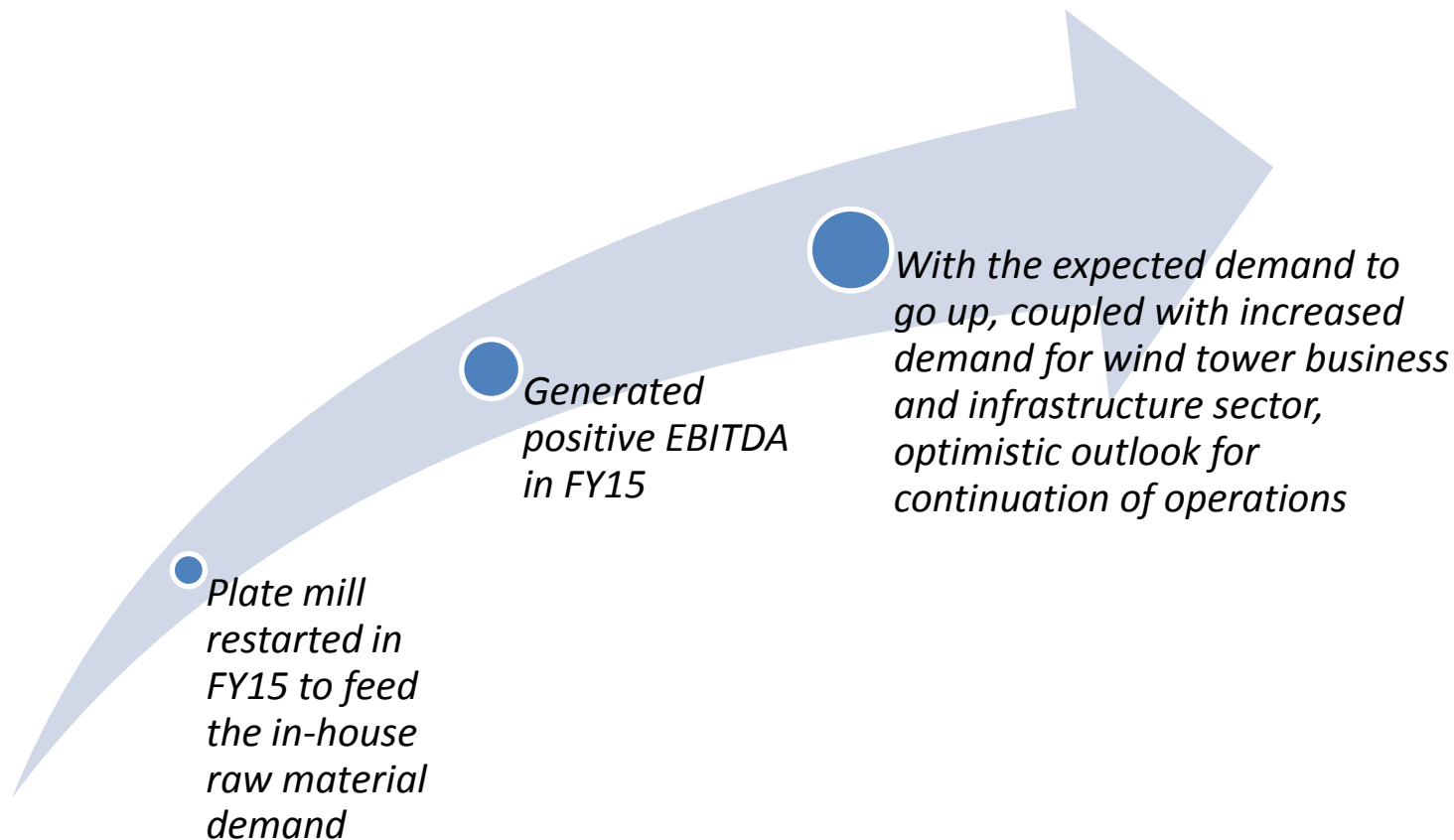
Local content requirement from key clients

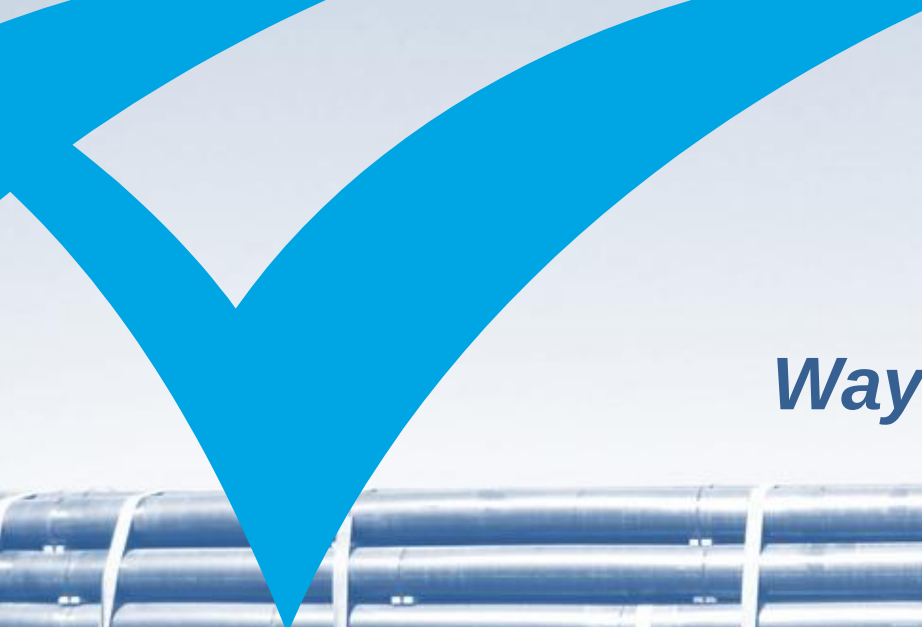
Volatile Crude and O&G prices :

Further decline in oil and gas prices may drive a negative sentiment

Volatile Steel prices:

Any sharp up move in steel prices

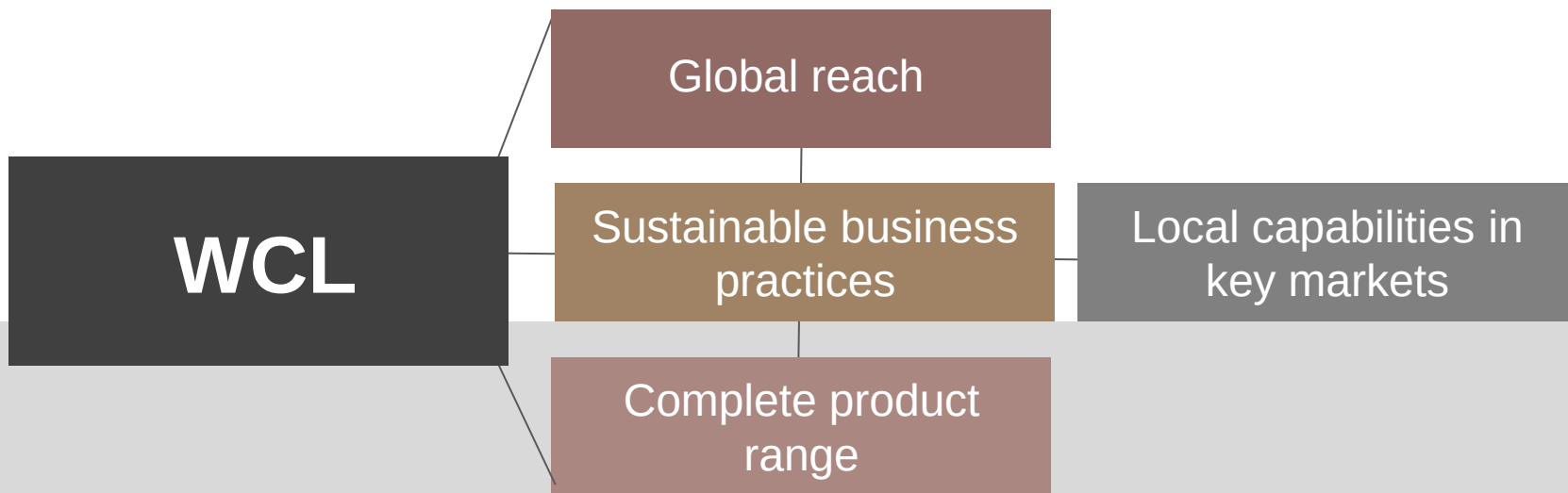




Way Forward



Way Forward – Poised for next phase of growth



Well poised to address upcoming opportunities suitably blending its global reach and local capabilities



The Road Ahead – The Journey Continues...

No Major Capex other than Maintenance Capex. Explore Relocation Options

Efficient Working Capital Management

Cost Optimization

Achieve Strong Order Book

Increase our market share in Niche segments

Utilize Global manufacturing and sourcing for optimal results



THANK YOU!