Welspun Corp Limited
Business Update Conference Call
April 01, 2019

Moderator: Ladies and gentlemen, good day. Welcome to the Welspun Corp. Limited Conference Call for business update. As a reminder, all participant lines will be in listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*”then “0” on your touchtone phone.Please note that this conference is being recorded.

Before we begin, I would like to state that some of these statements made in today’s discussion may be forward-looking statement in nature and may involve risks and uncertainties.

We have with us from the management Mr. Vipul Mathur – Managing Director and CEO of Welspun Corp, Mr. S. Krishnan – Executive Director and CEO of PCMD, Mr. Percy Birdy – President and CFO of Welspun Corp, and Mr. Akhil Jindal – Group CFO and Head Strategy of Welspun Group.

I now hand over the conference to the management for the opening remarks. Thank you and over to you, sir.

S. Krishnan: Good afternoon. Welcome to our conference call. This call is to share with you certain details that we published yesterday in our website as well as in the stock exchanges. This is to give you the details of value unlocking of approximately about Rs. 940 crores that we have done through the divestment of our plate and coil mill division and the 43 MWpower division.

The sale consideration for the plate and coil mill division, which we call PCMD, is around Rs. 848.5 crores, subject to closing adjustments pertaining to net current assets as of the closing date, which we estimate to be in the region of around Rs. 25 crores, thus taking the total net consideration to the region of around Rs. 873 crores – Rs. 874 crores. The 43 MWcoal based power plant and the division is being sold at just under Rs. 67 crores.

As you know, the company periodically reviews its business strategies, and as a part of that it has decided to focus on its core assets and look at strategic options for its non-core assets and also to keep its operations and its balance sheet asset light. The plate and coil mill division and the 43 MWpower division have been identified as non-core assets and hence the company has entered into an agreement to divest these.

By selling these divisions the company is expected to move towards a significantly asset light model, thus also achieving improvement in its profitability ratio and related return ratios. Further, the transaction will also strengthen the balance sheet by providing significant liquidity to the company and thus deleveraging the balance sheet. The details of the transaction have already been published and I am sure you would have gone through that, but we will be happy to take your questions on these deals and the details thereof.

Before we go into the Q&A there are just two big details that we would like to mention. One is that the plate and coil mill division has been sold and the buyer is Laptev Finance Pvt. Ltd. and the consideration, as we said, is around Rs. 848.5 crores. This is an unrelated party, does not belong to the promoter or promoter group or group companies of Welspun.

The 43 MWpower plant the power division has been sold to Welspun Captive Power Generation Limited, which is a subsidiary of a listed company in the group and Welspun Corp. incidentally holds just under 20% equity stake in this Welspun Captive Power Generation Limited. And keeping in line with the related party transaction and corporate governance requirement we have done this transaction at a valuation of around Rs. 66.9 crores. We expect this power plant transaction to be consummated hopefully in the next quarter somewhere around end of May 2019.

That summarizes our detailing of these two transactions. We will be happy to take your questions from here on.

Moderator: Thank you. Ladies & gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Basant Patil from Mentor Capital. Please go ahead.

Basant Patil: Sir, just can you throw some light after this deal, so how the Welspun Corp. is going to operate? The way ahead for next three years, how you are going to utilize the proceeds, what is the thought process for that? Can you throw some light on that, sir? As we have become asset light so just wanted to know what is our strategy for next three years after hiving off this division and how you are planning to usethe proceeds?

Vipul Mathur: Right. So the first priority for us to use the proceeds for this deal, as and when it gets consummated like towards the end of this year, would be to reduce our debt, to start with. And then our intention would be to maximize or create the shareholder's value. Our recommendation to the management of the board would be something like that that we should now create value for our shareholders.

Basant Patil: Okay. Sir, as on today what is the net debt, can you share that?

Percy Birdy: The net debt as per our last quarter December our numbers were close to Rs. 312 crores. And we expect it to come down, because 31st March has now just completed, so we expect to be moving in the right direction.

Basant Patil: Okay. Sir, we want to pay off entire debt after this proceed, so that means we would be becoming net cash company, is that correct?

Percy Birdy: So once the consideration for this deal is realized, yes, the company would be a net cash company.

Basant Patil: Sir, even if we assume actually down the line for next two to three years there are no significant CAPEX for the company, so is there any strong policies for the dividend distribution policy in the board yet to come, anything like that? Or we may go for some buybacks to reward to the shareholders to maximize the wealth?

Vipul Mathur: That is what is our recommendation, as I said, to the esteemed board would be. And it is up to them to take a call on to that, but our intent is to create value for our shareholders. What route we take, what options are being exercised, I think that is a board prerogative, but our strong recommendation would be around that.

Basant Patil: So in terms of CAPEX wise, as what we have indicated earlier, that remains for next two to three years?

Vipul Mathur: Precisely, your assumption is correct. We would be maintaining our routine maintenance CAPEX which hovers around Rs. 75 crores to Rs. 100 crores on a year-on-year basis and that's what we are currently looking at for the next couple of years. But just to give the caveat, you are aware that we are also investedinto Bhopal, so that CAPEX is also there and that is going well on track.

Moderator: Thank you. We will move on to the next question, that is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Sir, just trying to get some more clarity here. Now, in our press release we do mention the net asset block of PCMD is around Rs. 1,343 crores. Just trying to understand, this is the net fixed asset or this is the aggregate capital employed? Because I presume there will be some working capital related to this as well.

Percy Birdy: The numbers are as per the last audited financials, which is as of March 2018. If we look at closer to the date when we are doing this transaction, the net block of these assets is about just below Rs. 1,200 crores.

Ankur Periwal: So net block if Rs. 1,200 crores and there will be some working capital attached to the business as well?

Percy Birdy: So the working capital will be on net current asset basis, that will be a separate value which the purchaser will be paying for the net current asset. So what we are speaking of is basically for the block of asset, the fixed asset, and the working capital will be additional.

Ankur Periwal: Okay. Let me go about this way, what is the capital employed of the aggregate business, the PCMD bit?

Vipul Mathur: So the capital employed, let me give you a little holistic picture about Welspun Corp. including PCMD, I think that will clarify most of the questions. If you look at it, our total capital employed in our business is around almost Rs. 5,000 crores, out of which around Rs. 1,200-odd crores is towards PCMD. Post-PCMD transaction we are looking at something around Rs. 3,600 crores to Rs. 3,700 crores as our capital employed. In this capital employed we would have a cash of around close to Rs. 1,000 crores to Rs. 1,100 crores cash sitting with us. So, net of cash we would have sort of a capital employment around Rs. 2,600 crores. These are broad numbers, I am just giving an indication. Now, and then in this number, this Rs. 2,600 crores number we also have almost Rs. 300-odd crores towards our Saudi business. So if we look at on that basis our net capital employed would be close to Rs. 2,300 crores, after this we have this PCMD transaction happening and after we would have this power plant transaction also happening. Now, if we also go by that how we have been performing, basis of our past performance what we have done in this financial year, and these are all assumptions, please don’t hold me accountable to that but these are certain assumptions. And if we are getting to sort of an EBIT of close to Rs. 600 crores to Rs. 700 crores which looks possible in the current market situation and we will discuss in more detail about the market situation, we are typically talking of a return capital employed in excess of 25% and above. Now, this is what our aim was, this is what our goal was, this is what we are looking forward and this is what would be sort of a benchmark in the industry. So the whole rationale behind that was to move in that particular direction.

Ankur Periwal: That’s helpful sir. Now, the incremental proceed, now you did mention the priority of the board or the company would be to repay the debt first, is there any progress or probably it is still early days because as I understand there are certain NCDs there as well which are time bound. So will we be able to prepay them or probably those NCDs will mature on its own life and probably excess surplus cash can be used for the shareholder value creation as you mentioned?

Vipul Mathur: You are right, some of these NCDs are having a longer term maturity date. So as and when we have the cash we will of course be engaging with these lenders and we will explore all options if we can pay them back before the due date as well. But of course this would be subject to the discussions with the lender.

Ankur Periwal: And the core net asset as you mentioned earlier in the opening remarks is around Rs. 25 crores, Rs. 30 crores which will be coming over and above the minimum commitment that we have got?

Vipul Mathur: Yes.

Ankur Periwal: Fair enough. Last question, in terms of the incremental capital investment required in the business, let it be India or Saudi or US, which three markets do we believe that there will be some incremental CAPEX requirement, if at all?

Vipul Mathur: I think we are pretty much done with our CAPEX, all what we would be doing is routine maintenance CAPEX and we would stick to that only.

Moderator: Thank you. We will move on to the next question that is from the line of Dikshit Mittal from Shubhkam Ventures. Please go ahead.

Dikshit Mittal: Sir, my question firstly is on the timelines, by when do you expect the cash to come in?

Akhil Jindal: I think this deal is of course subject to lot of regulatory approvals and the lenders approvals and otherwise, so our expectation is that this all will take around six to nine months for the entire CPs to be complete. So I would say anytime between October to December of this calendar year this deal should get consummated, provided we get all the approvals that I mentioned to you.

Dikshit Mittal: Okay. And secondly, can you talk a little bit about the buyer, like which group do they belong to? Because I was looking at Googl, I just got the JSW kind of email ID, so is it JSW Group or some other group?

Akhil Jindal: This is a Laptev which is buyer of the asset, and to that extent whatever is their public domain information is what we must rely upon. So, Laptev Finance Pvt. Ltd. is the buyer.

Dikshit Mittal: Okay. And lastly from my side, as you mentioned that our core ROC is more than 25% but I think end of the day market will look at the reported ROCs, which has been below 10% consistently for the last many years. So do you now plan to reduce the balance sheet size as well, because you mentioned we will be net debt positive, but I think market needs to see actual debt being retired so that our reported ROCs also move up to respectable level. So what is the thought process?

Percy Birdy: So, once the PCMD division and 43 MWdeals are concluded and then our balance sheet becomes that much lighter, we expect that the ROC should significantly improve by almost 7% to 8% compared to the previous. So we are looking at it in the range of 20% to 25% of the ROC once these asset light exercise is completed.

Dikshit Mittal: Just to understand, because once you are able to sell this basically the gross block will get converted to cash, so the cash has to move up to the basically in the form of dividend or debt repayment for actually improvement in the ROC, just wanted to understand on that front, like what are the plans, actual repayment of debt or dividend payout, what is it correctly?

Percy Birdy: So our first preference is of course to bring the debt down as much as possible. A question earlier was that some of the debt is longer term and it may not be possible, whatever is possible we will bring it down and then the surplus cash we will find the most tax efficient way of returning to the shareholders.

Dikshit Mittal: So you would not be increasing the current cash levels of more than Rs. 1,000 crores in the balance sheet, at least that we can assume?

Percy Birdy: No, going forward we will not be maintaining such high levels of cash, because as the MD also mentioned our CAPEX plans are only for maintenance CAPEX over next two to three years, so we would not have requirement for such a high cash. And to that extent the ROC will improve whenwe distribute the surplus cash.

Moderator: Thank you. We will move on to the next question that is from the line of Deepak Narnolia from Birla Sun Life Insurance. Please go ahead.

Deepak Narnolia: Sir, I just wanted to understand when you were talking about the ROC improvement, so I was actually looking at the balance sheet and your capital employed as per FY18 is Rs. 7,500 crores.

Moderator: The line for the current participant seems to have dropped off. We will move on to the next participant that is from the line of Bhavin Chedda from Enam Holdings. Please go ahead.

Bhavin Chedda: Sir, few questions. First on the tax angle of the deal, as I understand obviously the net block is higher than the consideration value so obviously there would be some kind of a loss on this transaction. So what would be the income tax saving on this and the treatment of this loss in the books, if you have calculated some numbers, both on the plate mill and the power division? Because obviously the pipe business, core business is doing very well and there will be huge profits around so I am sure there should be some tax savings involved if you have calculated that number.

S. Krishnan: Yes. Bhavin, the thing is, in terms of the book we will have a loss on the sale of this asset, because obviously the book value of these assets is higher than the considerations that we are going to realize. Whereas on tax the impact will be a little less cumbersome because what will happen is that we also have accumulated losses and other things, so the tax calculation will need to be fine tuned a bit in terms of our accumulated losses or depreciation in the standalone entity. And how this transaction will be treated and that impact of that needs to be really worked out in detail.

Bhavin Chedda: So you are saying there will be some tax savings but as of now you have not calculated the actual impact of the same on the tax saving number over next three to five years?

S. Krishnan: See, the thing is, in these nine months that Akhil was talking about there are quite a few conditions that we need to comply with to enable and close this transaction. Now, some of these or many of these will have tax implications as well, so we will need to really detail this out and see the tax implications and then see what is going to be the impact on the standalone books in terms of tax. But as you know, as at March 2018 we carry significant unabsorbed depreciation and we have significant MAT credit balance as well. So we will need to keep all that in mind along with the tax side of this transaction to see impact. But overall we believe it should be tax-neutral, our target would be to make it tax neutral.

Bhavin Chedda: Sure. So just to complete this, so our effective tax cash rate will continue to be around MAT rate of 20%, 21% for next three, four years at least? On a provision basis we would be providing full tax rate, but the actual tax payment would be close to 20%, 21% whenever the company turns profitable from FY20 onwards?

S. Krishnan: See, it all depends upon what is the actual tax impact of this transaction and how much of the unabsorbed deposition and the MAT credit gets utilized in this. It is a little early to really detail out in terms of the effect in FY20 and for the subsequent years; once we finalize our business plan and budget for those years we will be in a better position to work it out.

Bhavin Chedda: Sure. Second question is, what was the gross debt outstanding on plate mill itself?

S. Krishnan: Bhavin, the thing is the plate mill was part of Welspun Corp. so there was no separate loans that were taken on plate mill, it was on the entire company. There is no specific debt that is earmarked on the plate mill.

Bhavin Chedda: Okay. So since there is no…

S. Krishnan: Sorry, just to clarify, other than acceptances, that means in our working capital book in terms of whatever slabswe buy or otherwise, those are attributable to the plate mill. Whereas, there is nothing on the term book which is specifically only earmarked for the plate mill, it is on the entire company and all its assets.

Bhavin Chedda: Okay. So our gross debt number if I see December 2018 was roughly like Rs. 1,462 crores and you are receiving consideration from power and this of almost Rs. 970 crores, so is it that a large part of that will go into gross debt reduction, can I assume that, 16%, 17% of whatever numbers, there would be some refinancing related issues also? So can we say that this gross debt number can come down straight by Rs. 600 crores, Rs. 700 crores?

S. Krishnan: See, the gross debt that you refer to just now is of course in India as well as in US, so there are two different geographical territories that are involved. The value unlocking will of course first go towards India gross debt reduction. Wherever we can prepay the NCDs and those type of longer term debts, we will explore opportunities to prepay it. And whatever we cannot prepay we will find ways of returning it to the shareholders subject to the board approvals. But Rs. 1,480 crores number that you mentioned is a consolidated number, half is in US and half is in India.

Bhavin Chedda: Sure. And anyway US is also doing very well, so that cash can be used to reduce the US debt number also. The other thing is, net block on the asset was Rs. 1,200 crores, what was roughly the gross block and accumulated depreciation, rough numbers that you have?

S. Krishnan: It was double, the gross block was around Rs. 2,400 crores.

Bhavin Chedda: And accumulated depreciation would be Rs. 1,200-odd crores.

S. Krishnan: Yes.

Bhavin Chedda: So your gross block will almost come down by Rs. 2,400-odd crores when you divest the asset?

S. Krishnan: Yes.

Bhavin Chedda: And the final thing, since there is a Rs. 350 crores loss between 1,200 net block and 849 value, so our net worth will shrink by that much amount, right?

S. Krishnan: Yes, it is a one time effect which will happen. In March 2019 in our published accounts, we will take that impact.

Akhil Jindal: So this will come as an impairment provision.

Bhavin Chedda: No, so you will do it in the March 2019 numbers since you have announced the deal on 31st March itself or you will do it when you get the regulatory approvals?

S. Krishnan: The accounting effect will have to be taken in March 2019, as per the relevant Indian accounting standards we have to do accounting for asset held for disposal.

Bhavin Chedda: So in March 2019 accounts you will create a head of 'assets held for disposal' and take the necessary adjustments in the March 2019?

S. Krishnan: Rs. 350 crores that you mentioned that is the impairment provision that will come in March 2019.

Bhavin Chedda: Okay. And just on the power plant, what would the gross block and net block numbers?

Percy Birdy: So on the power plant side the net block is close to about Rs. 65 crores to Rs. 66 crores, in that range. The gross block is almost double, close to about Rs. 130 crores, Rs. 140 crores.

Vipul Mathur: Rs. 150 crores.

Percy Birdy: Remember it is a 12 years old asset.

Bhavin Chedda: And what was the current PLF, if any, in 2019 what was it running at like?

Percy Birdy: It was running at an average capacity utilization of close to around 15%.

Bhavin Chedda: And entire as captive, right?

Percy Birdy: Yes, it was on captive basis.

Moderator: Thank you. Our next question is from the line of Deepak Narnolia from Birla Sun Life Insurance. Please go ahead.

Deepak Narnolia: Sir, my line got disconnected. I was talking about ROE improvement, so sir can you let me know what is the net book value of this power plant and plate mill in the balance sheet as this point of time?

Vipul Mathur: So for the power plant it is Rs. 65 crores and for PCMD that is Rs. 1200 crores

Deepak Narnolia: That is net book value or only the fixed assets, you are saying?

Vipul Mathur: The working capital part is very small for the power plant, fixed assets is the major thing. In PCMD , fixed assetis aboutRs. 1,175 crores as of March 2019.

Deepak Narnolia: This includes the fixed assets plus working capital?

Vipul Mathur: This is only the fixed asset, since you asked for WDV.

Deepak Narnolia: And how much is working capital?

Vipul Mathur: Working capital of course it keeps fluctuating substantially and what we are expecting is that as the transaction approaches closure the net working capital should be in the range of about Rs. 25 crores

Deepak Narnolia: So net book value in the balance sheet would be somewhere around Rs. 1,200 crores?

Vipul Mathur: Correct.

Deepak Narnolia: And out of that you are receiving Rs. 848 crores?

Vipul Mathur: Plus whatever is the net current asset value will be additional to Rs. 848 crores.

Deepak Narnolia: Plus net current asset value, I couldn't get that?

Vipul Mathur: See, Rs. 848 crores is for the fixed asset and the net current assets whatever be that figure will be the additional figure, we expect that to be in the range of about Rs. 25 crores.

Deepak Narnolia: Okay, so that is not meaningful. So basically your balance sheet will reduce by somewhere around Rs. 300 crores to Rs. 400 crores due to impairment?

Vipul Mathur: Yes, the loss that we are expecting is about Rs. 350 crores.

Deepak Narnolia: And also your net worth will reduce by that amount, because that is the difference between the cash and your book value, correct?

Vipul Mathur: Rs. 350 crores will be the difference between the sale price, which is Rs. 848 crores, and WDV which is Rs. 1,175 crores.

Deepak Narnolia: Yes, I could get that. So, basically the difference in balance sheet which will arise is that this Rs. 1,200 crores net book value sitting in the balance sheet will convert to cash of Rs. 850 crores and impairment of Rs. 330 crores?

Vipul Mathur: Perfect.

Deepak Narnolia: So that will lead to improvement in ROE, but how come you are saying 20% to 25%?

Percy Birdy: I think what the MD was trying to say was that that's the target that we would like to go towards and this will happen overtime.

Deepak Narnolia: And was he talking about ROIC or ROE? I think he was excluding the cash from balance sheet or something, because right now your ROE is somewhere around 11%.

Percy Birdy: No, I think he talked about ROIC and not ROE.

Akhil Jindal: But that's post distribution and post reduction of debt and other things, I think this is a little complex subject which can't be explained on the phone clearly. We can take it offline when you come to our office or when we have a detailed call with you. So there are a lot of elements in this, not just consideration but also reduction of debt, reduction of inventory, reduction of many other factors that we are aiming in this financial year.

Deepak Narnolia: And sir your gross debt is I think Rs. 1,400 crores, somewhere around. And your interest cost is somewhere around Rs. 130 crores.

Akhil Jindal: Yes.

Deepak Narnolia: So cost of debt is somewhere around 9.5% to 10%, so why it is so high?

Percy Birdy: So, our interest cost comes to about almost Rs. 45 crores per quarter, so on an annualized basis if you see it will be closer to Rs. 180 crores. This includes various items like cost of LCs, guarantees, so various financial costs are included as part of this.

Deepak Narnolia: Yes, in FY19 it was somewhere around Rs. 185 crores, it includes your financial cost also along with the interest payment?

Percy Birdy: Correct.

Moderator: Thank you. We will move on to the next question, that is from the line of Sujal Shah from ICICI Bank. Please go ahead.

Sujal Shah: Sir, I wanted to know about the fixed assets included in this, does it include land holdings?

Akhil Jindal: There are some lands also alongside the plate mill which is part of transaction. So whatever land is being occupied by the plate mill is also being transferred alongside with the plant and machinery.

Sujal Shah: So the operations of this new company will coexist with the Welspun Corp. plant in Anjar?

Akhil Jindal: Yes, that is the endeavor that in all respect the company should be able to operate of its own with all the land, utility, gas, power, etc. So this is the going concern basis transaction.

Sujal Shah: And another thing with respect to raw material cost, how will it impact your raw material costs, because you were procuring the plates and coils from your own division, now that you will have to go into the market how will it impact your raw material cost?

Vipul Mathur: I don't think so there would be any impact, we have always dealt with plate mill on an arms length basis and even then whenever it will operate under new management we would still be one of the largest captive customers for them. So I see a lot of synergy which will still be there. So I don't see that there would be any challenge on the pricing point of it.

Moderator: Thank you. We will move on to the next question, that is from the line of Vikash Singh from PhillipCapital. Please go ahead.

Vikash Singh: Sir, just wanted to understand, do we have any contractual agreement with the new owners that they would keep on supplying certain quantity of trade? Because it is already running at lower utilization so we are exposed to the raw material insecurity in future, we have to probably buy it from outside.

Vipul Mathur: So there is no commitment per say that we have to buy the plates and coils from them. But as I said earlier, we would still be next door neighbors, we would still have, I am sure they should see more of a captive buyer. So I think we will continue to do business with each other.

Vikash Singh: And sir previously did we keep, when we were accounting for the plate mill so whatever we were buying from the plate mill was at the market price or there was cost plus certain basis and now it would be at the market price, how that dynamics are changing?

Vipul Mathur: The plate and coil mill was always running as a separate division and separate profit center, so all transactions between the plate and coil mill and pipe mill was on arms length basis.

Vikash Singh: Okay. And sir our power plants, we have also sold off, so we would be buying from grid so how would that impact our cost, if any?

Vipul Mathur: No, as we said earlier that in Welspun Captive Power Generation Limited, which is the buyer of this 43 MWpower plant, we already have 19.75% equity stake, so we are entitled to buy power from them in terms of our shareholding structure in the captive unit.

Vikash Singh: At similar price, so it would not change any cost dynamic for us, is that a correct understanding?

Vipul Mathur: We continue to remain a shareholder of the captive power plant, so the dynamics of our power supply as well as the power cost do not change because of this transaction.

Moderator: Thank you. We will move on to the next question, that is from the line of Kashyap Zavery from Emkay Global. Please go ahead.

Kashyap Zaveri: Sir, just to recap what one of the earlier participant was saying, from the asset side there will be a reduction of Rs. 1175 crores from PCMD and Rs. 65 crores for power plant, and on the liability side there will be a reduction of roughly of Rs. 300-odd crores in terms of net worth impairment, is that correct?

Vipul Mathur: Yes, we said the book loss is about Rs. 350 crores.

Kashyap Zaveri: And I missed out the initial commentary, this cash that you receive, how would the deleveraging of the balance sheet happen which is one of the purpose or one of the outcome of this deal which has been mentioned in the press release also?

Vipul Mathur: So once the cash is realized the first priority will be to repay the debt wherever possible. Some of that debt maybe longer term, so we will have to explore and discuss with the lenders as well. So that will be the first priority. And then the surplus cash, we will find the most tax efficient way to return to the shareholder subject to the board approval and necessary permission.

Kashyap Zaveri: And should I take it this way that by no means there is any CAPEX at this point of time, a major CAPEX which is out of this money?

Vipul Mathur: CAPEX, as we said, Bhopal is the only significant one which we already said in the past. Apart from Bhopal we only have maintenance CAPEX which on an annual basis will be close to about Rs. 90 crores to Rs. 100 crores.

Kashyap Zaveri: That is more like a maintenance CAPEX, right?

Vipul Mathur: That's right.

Kashyap Zaveri: And when you mentioned about this wherever there is possibility available or covenants in the agreement to repay debt immediately, out of this let's say as of date this Rs. 1,300 crores debt which we have, how much is repayable immediately, have you made any assessment on that?

Vipul Mathur: Some of it is short-term which we will repay, however remaining which is longer term, we will have to discuss with the lenders and then only we can make that repayment. So all these things will pan out as and when we have the cash with us and then we will discuss and we will use it in an optical session. But the priority for the management is clearly to use the cash first to reduce the debt.

Kashyap Zaveri: Okay. And third question, when you mention that all transactions between PCMD and pipe division were in arms length, does it anyway alter your working capital requirement also? Because earlier this was like an internal division and now some part of it you might have to actually source from outside also, if that is the case anyways?

Vipul Mathur: Well, we believe that till the plate and coil mill continues to operate there and geographically we are adjacent to each other, it will make great sense to continue to deal with the plate and coil mill for both the new buyer as well as for Welspun Corp commercially to make sense. Having said that, our agenda in the past used to be to buy slabsand role it into plates and coils, going forward as far as Welspun Corp is concerned, we will buy plates and coils. So the working capital intensity of the business at Welspun Corp will possibly come down.

Moderator: Thank you. We will move on to the follow-up question, that is from the line of Deepak Narnolia from Birla Sun Life Insurance. Please go ahead.

Deepak Narnolia: Sir, your gross debt is Rs. 1,400 crores and how it is deployed, you don't have any working capital debt or what?

Percy Birdy: So, Rs. 1,400 crores is spread into two geographical halves, half is in US and half is in India.

Deepak Narnolia: Yes, and it is all mostly long-term debt, correct?

Percy Birdy: Most of our working capital lines were not really utilized as at year ended March 2018, so our working capital lines are available but not drawn.

Deepak Narnolia: So you don't have any short-term borrowing for the working capital?

S. Krishnan: That's right, at that point in time, yes.

Deepak Narnolia: But your working capital is somewhere around 60 days?

S. Krishnan: But we also have acceptances on the other side, we have been able to finance our working capital in the form of acceptances.

Deepak Narnolia: Okay. And acceptances are interest chargeable?

S. Krishnan: That is already covered in the cost of the transaction. We are not talking about buyers credit, we are talking about acceptances under letters of credit.

Deepak Narnolia: So that is classified under your current liabilities?

S. Krishnan: Yes.

Moderator: Thank you. Ladies & gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

S. Krishnan: Thanks everyone for coming in on the call. We appreciate your interest in participating in the call, especially during trading hours. We have made a note of all the questions that you have asked, we will keep that in mind as we pursue this transaction and eventually take it to closure. Thanks again for your interest. All of you have a nice day ahead.

Moderator: Thank you. On behalf of Welspun CorpLimited that concludes this conference call.Thank you for joining us and you may now disconnect your lines.