



TRANSCRIPT: Welspun Corp Limited Q3 FY2022 Results Conference Call
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Moderator: Ladies and gentlemen, welcome to the Q3 FY2022 Results Conference Call of Welspun Corp, hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. 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. I would now like to hand the conference over to Mr. Abhishek Mody from Emkay Global Financial Services. Thank you and over to you Sir!

Abhishek Mody: Thanks Faizan. On behalf of Emkay I would like to welcome you all to Q3 FY2022 Earnings Conference Call of Welspun Corp. I would now like to hand over the call to Mr. Abhinandan Singh - Head – Group Investor Relations at Welspun Group to introduce the management and take it forward.

Abhinandan Singh: Thanks and good morning everyone. On behalf of Welspun Corp Limited I welcome all of you to the company's Q3 FY2022 Earnings Conference Call. We have with us today Mr. Vipul Mathur - Managing Director & CEO, and Mr. Percy Birdy – Chief Financial Officer of Welspun Corp Limited also with us is Mr. Gaurav Ajjan – who Heads Investor Relations for Welspun Corp Limited. We will start this forum as usual with opening remarks by Mr. Vipul Mathur, the company's MD & CEO, and after that the floor will be open for your questions. Should you have any queries that remain unanswered post this earnings call you can reach out to either Gaurav or me. With that let me hand over now the floor to Mr. Vipul Mathur. Over to you!

Vipul Mathur: Thank you gentlemen and very good morning to all of you. Welcome to our Q3 FY2022 conference call. I greatly appreciate and thanks all of you for taking time to attend this call and to start with I would like to take you through the key highlights of our operation and financial performance during this quarter ending December 31, 2021. In this particular quarter we saw a successful IPO of our Saudi company and it was an overwhelming response out there. As you know the partners have diluted 30% of their stake out there and this got an overwhelming response where it got subscribed in the institutional tranches by almost 72 times and on the retail side it got over subscribed by 16 times. Further we have a robust net cash position of Rs.839 Crores; we have a current order book of 543000 tons and an active bid book of almost close to 2 million tons. Our sales volume for Q3 stands at 171000 tons and the total income from our operations stand at almost close to Rs.1300 Crores. For the quarter the production and the sales volume for our total operations was at 140000 tons and 171000 tons respectively. This is our production and the sales number. For India operations the sales was at 133, for US operations our sales was around 3000 tons and for our Saudi operations the sales was around 35000 tons.

Importantly I would like to give you some outlook and update and what are the key drivers which are going to take this business forward. Friends as you are aware the Brent crude

pricing has touched a seven-year high of almost touching \$94 due to tight global supplies. Several OPEC members have struggled to meet even current monthly targets and lack spare capacity to boost productions any further. Only a handful of states like Saudi Arabia would have some spare capacity that could possibly increase output. Even gas prices are at unprecedented high levels driven by a very, very 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 pipelines related infrastructure project in the medium-term. We are also witnessing marked corrections in steel price and they are now at a much more acceptable level across geographies. So we have seen an unprecedented commodity cycle in the last quarters that seems to be slightly cooling off.

As regards India: India is leading state 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 Corporations, IOCL, GAIL, BPCL, HPCL and Oil India, so all the oil and gas companies are upping their capex. The capex spending of 1.11 lakh Crore in 2022-2023 compares with a revised estimate of Rs.1 lakh Crore for the current fiscal year that ends in March, according to the Union budget document and is almost 7% higher than their combined spending in the current financial year. Notably, Gas utility GAIL will invest more than Rs.7500 Crores in the expansion of pipeline grid and petrochemical plants. PNGRB which is the Regulatory Board announced the 10th CGD round bidding has authorized 228 geographical areas comprising 407 districts in 27 States and union territories covering 53% of the geographical area and 70% of the population for the development of CGD network the City Gas Development Network. PNGRB had also launched the 11th round of bidding in September 2021 and has received 439 bids from 26 entities against 61 geographical areas. The government plans to raise the share of natural gas in the country's energy basket to 15% from the current level of 6.3% by 2030 and city gas expansion is a part of that roadmap. Despite the increase in the gas prices, cost economies remains favourable for CNG and PNG compared to the alternate fuels.

The Union Budget 2022-2023 had also allocated Rs.60000 Crores to extend tap water coverage to 3.8 Crores households in 2022-2023, this is a signature scheme which we are talking about the Nal Se Jal scheme. The previous budget had allocated Rs.50000 Crores for the piped water mission. The Finance Minister also said that the implementation of the Ken-Betwa river link project at an estimated cost of Rs.44000 Crores would be taken up soon. This is aimed at providing irrigation benefit to almost to 9 lakh hectare of farmers' lands, drinking water supply to 62 lakh people, 103 megawatt of hydro and 27 megawatt of solar power. To provide greater access to irrigation and drinking water draft project reports of five interlinking projects, namely Damanganga-Pinjal, Par-Tapi-Narmada, Godavari-

Krishna, Krishna-Pennar and Pennar-Cauvery has also 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 of improving the lives of the people through several schemes to build water infrastructure and 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 over a period of time.

USA: The U.S. production of dry natural gas averaged around 93.5 billion cubic feet per day in 2021 up 2% from 2020. Natural gas production fell in 2020 as a result of low natural gas and oil prices that reduced drilling activity. However the production has started growing in 2021 as drilling activity has come back online especially in the Permian Basin where associated gas production in the region contributed to the overall growth in the natural gas production. EIA forecasts dry natural gas production will increase by 3% in 2022. The recent increase in oil and the domestic natural gas prices will contribute to an overall increase in drilling activity that will lead to the production growth from second quarter of 2022 onwards. The U.S. crude oil production averaged 11.2 million barrels per day in 2021. EIA expects production to average 11.8 million barrels per day in 2022 and to rise to 12.4 million barrels per day in 2023, which would be the highest annual average U.S. crude oil production on record. The current record of 12.3 million barrels per day was set in 2019. The midstream companies have slowed down on investing in new pipelines as there were concerns about the regulatory issues and environmental opposition. Nonetheless, at the current level of the high oil and gas prices we are confident of a revival in the mid-term. Pipelines continue to be the cleanest and the fastest way to move vast amount of energy as opposed to more carbon-emissive methods like rail and truck.

Saudi Arabia: The Middle East is a key area for the welded pipe 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 GCC region. We see a huge 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, the 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 Oil & Gas and the Water segment from Saudi Aramco and SWCC. I would also like to inform you about the few business updates.

First, IPO update on the joint venture company: As I mentioned earlier, the public offering of our joint venture company in Kingdom of Saudi Arabia, East Pipes Integrated Company

on the Saudi Exchange Main Market has been successfully completed in January of 2022. The IPO of EPIC was for 6.3 million ordinary shares representing 30% of the issued 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% 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 of SAR 72 to SAR 80 per share. As per the local regulations 10% of the offered 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 oversubscription coverage of 72% of the total shares for the institutional investors and more than 16% for the retail investors. So it was an overwhelming successful IPO and we are expected that it will get listed soon.

Second, Merger Update: Acquisition of steel business of Welspun Steel Limited. The process at this point of time is under final hearing at NCLT and which is scheduled on February 23, 2022 and we are expecting this transaction to be completed on or before March 31, 2022.

Third: Update on the Ductile Iron 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 Pipe business. We are expecting to hit the market with our product offering in Q1 of FY2023. There is a big focus on creating drinking water supply in the country through Government programs. As previously mentioned, the Honorable Finance Minister Nirmala Sitharaman in her budget speech for the financial year earmarked Rs.60000 Crores for the Jal Jeevan Mission that aims to provide potable water to 3.8 Crores households in 2022-2023. Overall the Jal Shakti Ministry was allocated Rs.86000 Crores higher than Rs.70000 Crores allocated in the previous fiscal year.

ESG: I am very pleased to announce that Welspun Corp has been ranked 13th among the 41 companies included in the industry group in S&P Global's DJSI Index. On the Social Dimension we were at the 77 percentile and on the Governance & Economic Dimensions we stood at 78 percentile, both are the top quartile in the steel industry. This marks a milestone in the company, which is a part of growing movement for ESG around consciousness and transparency.

Lastly as you might be aware on the dividend side of it during Q2 of FY2022 the company paid a dividend of Rs.130 Crores and that dividend amount declared per share in FY2021 was 100% of the FV of Rs.5 per share. With this I would like to conclude my opening remarks. We will be happy to take any questions and the floor is now open for the questions please. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

Abhishek Ghosh: Hi Sir, thank you so much for the opportunity. If you can just broadly help us understand the outlook for the domestic part of the business, the volumes are still kind of muted to that extent, so how should one look at it how is the outlook because earlier you used to clock a much higher run rate of volumes in the past so how should one look at it in that context some color there will be helpful?

Vipul Mathur: See the volumes in the first two quarters have been slightly muted I understand and we all know the reasons that what was the contributing factors about that and in the domestic market we still have the third wave of pandemic coming up and there were certain issues around that. However now all those things happen to be behind us, I think so there are a couple of factors which are very, very encouraging. We are seeing a consistent and a very steady growth in the demand in the oil and gas sector number one. Number two, we are also seeing a very steady growth and demand in the CGD sector, what does it mean for us that when the oil and gas sector is steadily growing our large diameter pipe business is going to see a growth from our volume. When the CGD business is growing it will have a positive impact on our ERW business. The best part of at this point in time and we will see in the coming quarters is that the capital investment in the water sector has also started coming in, which was missing in the last few quarters for a simple reason that all the state governments were more focused in terms of diverting funds for fighting pandemic and they were not unable to invest that type of capital investment in the development of the water sector, so that has taken a hit, but what we have started seeing in Q4 onwards is that those investments in the water sector was also started to come in, we have also started seeing an uptick in the volume in the water sector, so all the three sectors put together the CGD sector, the water sector, and the large diameter oil and gas sector, I think so we are seeing an uptick and in fourth quarter onwards we should see a positive traction in that.

Abhishek Ghosh: If you can give us some color in terms of how is the bid book looking like, how is the pipeline looking like for the domestic part of the business?

Vipul Mathur: See if you look at the total bid book I think so we are still looking at an active bid book of close to 2 million tons, but that is a global bid book number one. Now as if we talk about the India bid book, what are the prospects which are going to be in India see typically in Indian market we have consistently been seeing that almost close to 700000 to 800000 tons of pipes are being bought on for the large diameter number one. Now on the ERW side of it we have seen almost close to 250000 to 300000 tons of ERW pipes are being bought for the CGD part of it are being bought on a consistent basis, and on the water side of it is also close to a million tons of pipes which are being bought on a year-on-year basis, what was missing in the last couple of quarters was that the water sector was completely redundant

because the state governments were diverting the funds to fighting the pandemic. The oil and gas sector, and the CGD sector were doing good, we were getting our own share around that and we were absolutely fine with that, what was missing from our portfolio was the water sector because that investments were not happening and that is what will now come up on the table, so it will not only bring in additional volume, but incremental income as well.

Abhishek Ghosh: So essentially what you are saying is this 1 million of water which is combined ERW and Large Dia give you from the oil and gas was missing and which will kind of come back now, is that the right way to look at it?

Vipul Mathur: We have bought itself, yes.

Abhishek Ghosh: Broadly what is the kind of market share that you enjoy I know it is a tough one because project-to-project it differs, but when you kind of internally looking at what are the typical market share that one should expect Welspun Corp given that now you have plants across the center region also how should one look at the market shares for you all as far as the water projects are concerned?

Vipul Mathur: See we have a strategic geographical positioning in South which is by virtue of our plant in Mandya. We have a strategic geographical positioning in the central part of India which is a by virtue of our plant in MP and of course we have a significant presence which we have in Gujarat where we have plants in Dahej and Anjar, and all these three states we are seeing an uptick in the water demand now coming, and the state governments are willing to fund those projects. In these states I think so depending on the competitive framework the percentages would vary, but just to give a back of the palm I think so we should definitely enjoy close to 20%-25% of the market share.

Abhishek Ghosh: Just one last thing we have seen good profitability in the domestic part of the business so how should one look at it now going forward when these water projects kind of come through there would be a function of operating leverage, but then be a function of lower margins also so how should one look at the domestic margin going forward?

Vipul Mathur: See they are bound to only improve from here for a simple reason because the water business brings significant volume for us, and it helps us to amortize our cost which indirectly, directly helps us in improving our operating margin, so this volume which has been missing was a little bit of a pain area, but I think so with this coming back we are very confident that things financially will also look much better.

Abhishek Ghosh: Just two more questions and I will come back in the queue, is that, if you look at the U.S. outlook while you may not have orders, but the outlook all parameters which are required in

terms of higher energy prices and other things have all kind of tick mark so internally when you speak to your team is it like a one or two quarter phenomena or a year or two phenomena when those orders kind of come in how should one broadly get some understanding around the U.S. part of the business?

Vipul Mathur:

I can give you the comfort that the U.S. is one of our very focused area and we are very closely plugged to that particular market. I think the way things seem to be looking at this point in time there is always a pattern which follows in U.S. The pattern is the first and foremost the drilling activity has to ramp up and which we are seeing that the number of drill rigs have started improving and have started increasing. It is followed by the uptake in demand in the OCTG that also box is not getting trickled because as a drilling activity is starting the OCTG demand is also going up, that is followed by the demand in the small diameter which is the ERW pipe and now we have seen some inquiries started trickling into that and then it is followed by the large diameter. So that is how the U.S. follows a pattern and out of this pattern of four blocks we are seeing the first two, we have very strong demand in the first two, the third one which is the ERW part of it, we have started seeing some trickling and I am very confident that and the fourth part of it which is the last diameter it should follow soon, maybe on top of it is all because of high energy prices at this point of time if you see the WTI in the Brent they are all in plus of \$85 and if you look at the gas pricing at this point of time they are almost close to \$4.5 and above. So these are absolutely high levels of pricing which is at this point in time which is making the ENP companies to rethink and come back with their capital expenditure programs, and if that is the case I think it will be a matter of one or two more quarters when we should see a significant demand coming up on the table.

Abhishek Ghosh:

Great and just one last thing on the DI part of it when should one expect the first pipe to kind of get commercialized and come out because adjusted for because there is a lot of disruptions in supply chain what is a legitimate timeline to expect to for the first hot metal to kind of come out of that?

Vipul Mathur:

I can tell you that from a project perspective I think so we are despite all the disruptions we have been able to make up the most part of it I am not saying that we have been able to make a 100% part of it, but we have been able to make up the most part of it. It is knowing fully that the disruptions were of a severe nature. My sense is that our products will start hitting we would be making various products which would be pig iron and coke and DI and all that. I think so our product offerings one-by-one will start coming in the very first quarter of FY2023.

Abhishek Ghosh:

Great Sir, wish you all the best. I will come back in the queue for more questions. Thanks.

Moderator: Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Good morning Sir, thanks for the opening update and a very good presentation. Few questions, first if you can update us on the progress on DI pipe project how much is spent till date and what is the roadmap to start the blast furnace followed by DI pipes and targets for next year, second question is on WSL merger if you can update how much is paid till date, what is the deadline and status quo of the merger happening and how is the WSL doing if you can give some operational numbers there?

Vipul Mathur: On the DI side of it, at this point in time I think so we have in terms of your question with respect to the capital expenditure we are almost close to Rs.1700 odd Crores of capital expenditure which has been done which is almost we are almost 85%, 90% of our spend at this point in time and as I said earlier as you know we are creating a facility for Blast Furnace, Sinter, Coke Oven and DI all put together and one-by-one these facilities would start coming on stream and the product will start hitting the market sometimes from the very first quarter of FY2023. The project is absolutely going smoothly and we see no concern whatsoever at this point in time a project of this magnitude would need of course some time in terms of stabilizing and all that stuff which is a normal standard industry practice and I am sure we will also undergo through that, but despite having said that we are not seeing any major challenges around that number one. Number two as regards your question with respect to WSL merger as I said there has been couple of hearings which has happened at the NCLT the last happened to be on February 8, 2022 in which the Honorable NCLT Court has directed has listed for a final disposal around February 23, 2022. We are expecting that it is just a matter of few more weeks when this merger activity should get completed and internally we are keeping a view that it should get completed on or before end of March 31, 2022. So that is the update on the merger side of it. In terms of performance side of it, WSL we have taken it through a capital revamping program, that program stands completed, we have already started making the sponge out there and we intend to start making billets there from the very first week of March so that is when I think so and when we will talk about the fourth quarter we will talk about the performance of that WSL. In the demerge entity as you know that we also have WSSL and which is our specialty steel company and I am sure that you would be privy to the results which were announced yesterday more than the results the performance of that company was also disclosed and I can assure all of you that company is absolutely on track both in terms of performance and it is only a matter of time that it will come out of the woods. Their product offering, and their acceptability both in the domestic market as well as in the international market is ever increasing, they already just to give you some numbers, they have a close to 2000 tons of an open order book and out of that 40% of the order book comes from export. In this quarter, Q3 they have done more than 900 tons of sales which has been the highest

ever which has been done in the history of that particular company. So all in all if you connect all the data points the blocks if you take all I think so they are absolutely on the track and we see a tailwind in that particular segment as well. There is a lot of demand which is coming up domestically, there is a lot of demand which is there on the export side of it and with respect to their quality and respect to their serviceability they have been able to capture it. Few of the highlights also around that and they have done a very high quality grade HP heater tubings which are used for the thermal power plant and they also are supplying instrumentation tubings which is meant for the defense and all that stuff. So not only that their volumes are going up, the point I am trying to highlight is not about the volume, but they are also making their inroads and presence felt in the niche sector which is what our ultimate goal is. So I think so the journey around that has been fine and as the merger would stand complete I think so in the fourth quarter of this financial year from the first quarter of the financial year FY2023 we will start making you a detailed presentation about the progress of the same as well.

Bhavin Chheda: Sure Sir, good to hear that. Just on the DI pipe you said 1800 Crores capex is completed how much is the cash spent and capital creditors because I see still the cash balances remains high in Welspun balance sheet at 839 Crores so if Percy is there he can update how much actually the cash outgo has happened of that capex?

Percy Birdy: There are two things that are happening one part of the project is getting funded by the promoter that is WCL which is a promoter for WML and WDI. There we have taken certain long-term debts as you are aware in terms of NCD and that funding has more or less been going on track. So basically Welspun Corp which is the parent has funded about 650 Crores into the project and the WML and WDI which are our wholly owned subsidiaries they have also taken loans from the banks which is also coming close to about 350 to 400 Crores and then there are another 400 Crores worth of LC's and another about 400 is term loans in the subsidiaries.

Bhavin Chheda: So if I try to cross tally this number, your net debt in Welspun Corp which you showed at 839 Crores cash so here only 650 Crores of cash outgo has happened from the Welspun balance sheet and debt so the pending payment must be close to now 500, 600 Crores so the cash would reduce by that amount right?

Vipul Mathur: Cash is already reduced till December it has already reduced.

Bhavin Chheda: Yes, I am saying post December; post December till the project starts your cash balance will reduce by another 500 to 600 Crores purely because of the DI project?

Vipul Mathur: Yes, see the LC's will also come up maturity 400 Crores of LC's also, so they will also mature at a certain point in time in future.

- Bhavin Chheda:** You will get the inflow from the Saudi IPO so that cash balance will again go up?
- Vipul Mathur:** That is right.
- Bhavin Chheda:** Is there any clarity and what kind of taxes Mauritius entity first have to pay and then Mauritius will give back money to India so what kind of overall tax impact would come?
- Vipul Mathur:** Tax is still being worked out in a bit of detail. So we have about 60 days as per the regulations there to work out the tax impact. So I think we will reserve that answer for some more time but I can tell you that the gross proceeds from the IPO is about SAR 252 million so gross proceeds coming to Mauritius which SAR 252 million which we will multiply by about Rs.19.8 will come close to Rs.500 Crores but this is gross before IPO expenses, before tax so that clarity we will give you after some time, definitely in Q4 it will come so before Q4 we will have that clarity.
- Bhavin Chheda:** India holds 100% in Mauritius right this entire money would come to India from Mauritius?
- Vipul Mathur:** India holds 90% in Mauritius, there is another partner also who holds 10%.
- Bhavin Chheda:** So 90% of that 450 would flow?
- Vipul Mathur:** Yes, you can roughly say that.
- Bhavin Chheda:** Net of tax. Okay thank you.
- Moderator:** Thank you. The next question is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.
- Nirav Shah:** Good morning Sir and congratulations for the successful IPO. Sir, a few questions, firstly if you can just give a broad breakup of order book plant-wise I understand that USA would be hardly anything but how much is Saudi, India if you can just give that breakup please?
- Vipul Mathur:** At this point in time we have close to 543000 tons of open order book at this point in time out of which close to 350000 tons is here in India, LR is close to 5000 tons and in Saudi we have close to almost 190000 tons so that is a broad breakup.
- Nirav Shah:** We did dispatch of around 3000 ton from the U.S. plant but out of the 132 odd Crores of operating EBITDA if you can just broadly give a breakup between the US and India?
- Vipul Mathur:** In our operating EBITDA out of India was close to Rs.112 Crores and our operating EBITDA out of U.S. was close to Rs.22 Crores.

- Nirav Shah:** In our last call we did mention that our fixed costs in U.S. are somewhere around \$2.5 million and our storage income is around \$0.5 million per quarter and if I am looking at our other expenses it has fallen very sharply compared to the average generator of the first half so are there any right backs in U.S. because on a 3000 ton of dispatches in U.S. and the net fixed cost of \$2 million we still have reported operating EBITDA of around 22 Crores so any one off items over and above the storage income in the U.S. operations?
- Vipul Mathur:** What has happened is the other expenses are a bit on the lower side largely due to freight. So there is substantial reduction in freight expense both in U.S. as well as in India. So U.S. of course as you know the volumes are on the lower side and India also comparatively speaking in this particular quarter our freight expenses were on the lower side.
- Nirav Shah:** But is that the only reason because if I see the net fixed cost of \$2 million and hardly any operating EBITDA from steel pipes so still we have reported a \$3 million of positive EBITDA compared to a net fixed cost of \$2 million?
- Vipul Mathur:** So there are certain storage revenues also that we received from the customer there so there are certain pipes which were stored on behalf of the customer we also get certain storage revenue for that.
- Nirav Shah:** So that is well about the \$0.5 million of storage revenue that we generally do for that old order?
- Vipul Mathur:** Yes, that comes in the USA's EBITDA correct.
- Nirav Shah:** Got it, great. Thanks a lot and all the best.
- Moderator:** Thank you. The next question is from the line of Shivam Prashar from Pandit Sales Agency. Please go ahead.
- Shivam Prashar:** Good morning Sir, congratulations on the number side. I want to ask about the China Plus One issue, China Plus One strategy that is happening so that the export like from the previous few quarters we were listening from you that the China Plus One like China is not exporting so what is the current status of that?
- Vipul Mathur:** You are asking about the export of their raw material?
- Shivam Prashar:** The export of their pipes also the competition that we see in that phase from China in the International markets.

Vipul Mathur: We are not seeing to be honest at this point in time. Even at this point in time we are not seeing any significant competition coming off of Chinese pipe into the international market there could be some pipes here and there in the African market where we do not have a very dominance present and we are not very competitive either way, but in the mature markets where we work and with the fortune for 50 companies whom we work with I do not think so we are seeing any influence of Chinese pipe disrupting the business.

Shivam Prashar: Like you said about the public capex which is happening in the CGD and oil industry can you also comment on what side the private capex is happening domestically in India like if you can highlight the sectors you that you are seeing that private capex is also happening that can benefit us?

Vipul Mathur: We see a lot of investment and I also read exactly what you are reading but we see a lot of capex investment happening in renewables, we are seeing a lot of investment happening in the steel industry, these are the two sunrise sectors which we are seeing that there is a lot of capex which is being infused, at least these two sectors I happen to track I am not too very sure that I am sure that there would be multiple sectors where it would be happening but these two sectors which I keep a close watch on I am saying resurgence and the capital expenditure definitely happening in these two.

Shivam Prashar: Any private participation on the CGD distribution site?

Vipul Mathur: I think for the dominance we are seeing almost some 28, 29 entities, strong entities competing around that and we have been extremely successful at least to supply to quite a few entities including Adanis and to Torrents but there are some very strong entities which are now getting into it.

Shivam Prashar: Any guidance on improving the return on capital numbers and all if you can give us any guidance that from which quarter it will look like you said in the two quarters the situation might improves so can you give the guidance on that also?

Vipul Mathur: It would be difficult to give a guidance but I think so what I am trying to highlight is that I see that a big chunk of business which was the water business which was completely evasive in the first three quarters we are seeing a trickle that trickling back and that is a very good sign and I think so that in terms of volumes and margins should add up into our profitability. We are seeing that happening but I think so it is a little too early to predict around that and I am sure even in this quarter hopefully things will only improve from here.

Shivam Prashar: Thank you so much. Is there any impact on the volatility in the steel prices does that impact our order booking now?

- Vipul Mathur:** Impact what?
- Shivam Prashar:** If the steel prices go up from here if we take a scenario that will there be an impact in demand of our products?
- Vipul Mathur:** See first and foremost the steel price increase has no significant impact on our P&L for example because the steel is a pass-through for the side of it and at this point in time every order what we have globally is covered with a backup steel so on this order book of 543000 tons we are not exposed to any potential steel impact if the prices goes up number one. On the second part of it what about the steel pricing I think so the steel prices were at an unprecedented high level because of the commodity prices significantly went up, we have seen significant calibrations which has happened but having said that there has been a fundamental shift in the steel market also because the input cost has gone up so I see that the steel market will be pretty much range bound and as long as it stays range bound and as long as it stays predictable I think the buying activity will not get impacted because people have factored that into the costing and pricing.
- Shivam Prashar:** Thank you so much for the answers.
- Moderator:** Thank you. The next question is from the line of Vikas Singh from Phillip Capital. Please go ahead.
- Vikas Singh:** Good morning Sir, Sir just one clarification in terms of Saudi money apart from these taxes are there any intercorporate loans and adjustments which could have come and it has impact the overall remittance from Saudi to India?
- Vipul Mathur:** No.
- Vikas Singh:** My second question pertaining to US so there was the infrastructure being passed on the water as well amounting to over \$50 billion do we have any opportunity or the scope to service that part from our Little Rock Mill or that is completely out of position at this point of time?
- Vipul Mathur:** See while the infrastructure bill has already got passed the financing to that to the various states is yet to trickle down number one, and as it trickles down to various states we are absolutely open and prepared to explore those opportunities both in the water sector as well as in the structural sector because from a capability point of view we can make those whatever the tubular products they require in our range we can always make that they are nothing different than what we produce today. So we are keeping a watch on that and as things pans out if there is a need and if we can service those needs we are absolutely open to do that technically we are competent to do that.

- Vikas Singh:** From our execution point of view considering that U.S. is still pretty low on the order book so at least it would take us at least a couple of quarters for it to recover on our execution side because if we even start getting order from tomorrow it would take us some time before we start executing so is that understanding correct at this point of time.
- Vipul Mathur:** Yes there is always a lead time to that and those are standard lead times and that understanding is correct, tomorrow you get an order you do not start servicing from tomorrow they are lead times of three to four months so we will also be subjected to that.
- Vikas Singh:** Just one last question so we were thinking of spending 120 Crores on the TMT manufacturing also so any update on the same where we are in terms of improving that capacity or whatever we have done so far?
- Vipul Mathur:** We have gone ahead with that particular project; there is a significant progress which has happened on that particular project. Good question that you ask that question greatly appreciated we are well on track on that and we are still looking at, our target was always to get into the market by August, September, we are pretty much on track on that.
- Vikas Singh:** Thank you Sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Thank you for this opportunity. Firstly to this storage part, storage revenue, is it relating to the keystone pipeline is wherein we are acquiring this income?
- Vipul Mathur:** That is one of it.
- Saket Kapoor:** Exactly what is the status there and are we getting the cash or are the provision increase we have made?
- Vipul Mathur:** We are invoicing them, we are getting cash.
- Saket Kapoor:** What is the update there should be a resolution for the same or what is the end story for it?
- Vipul Mathur:** The market has to come back that is it the end story is simple the market has to come back, the demand has to pick up, the pipelines have to get constructed and that is where these pipes are going to get consumed and as I said earlier in this particular call I think so at this point in time all the boxes whether you see the oil price, whether you see the gas price, whether you see the demand, you see the rig count, you see the OCTG I think so all of them are now falling in place so we have reasons to believe we have seen the cycles multiple

times in the past basis that we have reasons to believe that things are coming around the corner and it is a matter of one or two quarters here and there where things in the large diameter should also pick up and that is where the final disposal of these spikes will also happen and our operations in Little Rock should also come back on track.

Saket Kapoor: Do we have any environmental issues also I think so earlier due to which the deliverables were stopped so any update on that front pertaining to this dirty crude flowing to Canada and entire region specifically that was the reason for which the pipeline was not laid out?

Vipul Mathur: Yes you are right they have political issues and we do not want to get into that as between the governments to settle it out, we are the line pipe producer we produce a high quality line pipe we produce that and we are there to service our customers and all of them whom we have supplied the pipe they stand completely satisfied with our product offering.

Saket Kapoor: Coming to the fixed cost what is our fixed cost for the US facilities currently?

Vipul Mathur: As I said we have almost \$2.5 million a quarter that is a sort of a fixed cost what we have at this point in time and it comprises of our peak manpower, it also comprises of some statutory taxes and duties which are there and so that is the way it will continue.

Saket Kapoor: What is the break even for us to just to cover those fixed costs what should be the bare minimum requirement of the pipes being produced?

Vipul Mathur: It depends we have multiple product portfolio so it all depends which product we are going to supply so I would love to have all my products, my coil mill, my ERW mill, and my coating mill working and for the good part at this point of time as we speak our ERW mill and the coating mills are working and it is only a matter that our large diameter coil mill has to come into play and as I said earlier I think so as the things are seems to be improving in U.S. we could see a light in next one or two quarters that things should improve there.

Saket Kapoor: So for the large dia part are there also we are doing back-to-back steel purchase or that are kept open-ended since they are long gestation period for this order execution so what is the take on the raw material security for large dia pipes?

Vipul Mathur: Always as I said earlier as a policy we are completely covered we always cover the steel; we have always maintained that in U.S. that is our standard policy so never ever we have kept it open we are never subjected to that risk.

Saket Kapoor: Last two points especially Saudi IPO congratulations to the team for that and what kind of valuations if you could give some understanding in terms of the EBITDA number or what kind of PE ratio the same has commanded so that would give us some understanding how

large pipes companies being valued globally especially in the Saudi region so if you could share some light on that also?

Vipul Mathur: See one thing this IPO reinforced is that pipelines are going to stay that is a very clear message which is coming, if you see the oversubscription which is happening which means the investors still have tremendous amount of confidence not only in the company's ability but also in this particular sector. We have been hearing talks that fossils are histories and all that stuff I think so that is not the case we are there for a long period number one. Number two in terms of valuation you are talking of the IPO valuation right.

Saket Kapoor: Yes Sir, how is the company valued sorry to interrupt but what actually happens is that in an IPO even in our country Nykaa and PayTM were subscribed many times so over subscription according to me defines the real value it is the cash generation from the company that is going to stay in the long future so just wanted to understand how is the business is evaluated there at that time so the value given for the business, which is a cash generating machine?

Vipul Mathur: No you are entitled to your view, but I am telling you the feedback from the ground because I have personally been completely plugged in into this whole IPO process what I am trying to give I am not giving a theoretical statement the only representing the sentiments what I encountered during this IPO process. When we met all the investors I think so they were extremely confident and buoyant about the future of this particular industry that is what I was trying to tell you if I said it differently my apologies for that. Now from a futuristic perspective I think so that market is a very, very strong market at this point in time I think so the amount of investment and the capital investment which is going to happen in that particular market is going to be phenomenal, they have a vision document called vision 2030 and if we look at it the amount of pipeline network both for water and oil and gas that they are going to create is absolutely mind-blowing and I think so keeping that in view the market had responded extremely well and if we saw I think so from a PE perspective we would have got a multiple of more than 12, 13. So that is around I think in a PE ratio we should have got a multiple of around 12 and that is how the market has valued us there and if I may add my personal comment that is what this industry is all about today it might not be valued at other places but this is the right valuation any industries in this particular companies in this particular sector should be looked at, but anyway that is my personal view to that Saket did I answer your question.

Saket Kapoor: Yes Sir I got this point and earlier we also had some modification in the memorandum article wherein we were pursuing some marine fabrication, industrial fabrication part of business prospects what is the update on that and especially with this Welspun Specialty Solution also we just spoke about it in great detail that the type of import substitute we can expect going forward from there so if you could throw some light on these two aspects?

- Vipul Mathur:** Let me tell this Welspun Specialty Solution first I think so in the earlier part of the call I am sure you would have heard I gave a little update about as to how this company has been performing and you are mentioning a very right point I think so in terms of import substitution it is a great because there is a lot of restrictions which are now coming up and under this Aatma Nirbhar Bharat scheme also where the imports of these products are almost coming to would be very, very difficult so I think so that is giving a further uplift to that particular business. So we are extremely buoyant and confident about the future of that particular company number one. Number two with respect to the marine fabrication part of it on the object clause part of it as we always keep on evaluating growth strategies around Welspun Corp and see we have been very clear that we have to diversify our portfolio at the Welspun Corp level typically we have been a B2B company and our intent is to move to bring specialty steels into our play, the B2C component into a play so that we are able to bring much more predictability into our earnings and for our investors so it is in that framework that we keep on exploring multiple opportunities the marine opportunities as what we talked about it, we have been looking at various options and as and when they will conclude they will come to a conclusive stage and we will come back and make a disclosure please.
- Saket Kapoor:** A small point in Welspun Specialty with this restructuring and all does that facility would be owned by Welspun Steel WSL and that has been owned by Welspun Corp that would be the structure?
- Vipul Mathur:** No.
- Percy Birdy:** Welspun Speciality Solutions Limited is a 50% subsidiary of Welspun Steel Limited and Welspun Steel Limited's steel undertaking is getting demerged with Welspun Corp so the end result after the merger will be that Welspun Corp will be holding 50% of WSSL which will continue to be a listed company.
- Saket Kapoor:** Can I raise a question on Welspun Speciality Solutions performance also since it will be a part of Welspun Corp going forward?
- Vipul Mathur:** It would be from a compliance perspective I think so that may not be very appropriate for us to answer that question at this point in time that being a listed entity but I would be subjected to all those questions when this merger happens and I am sure I will be able to satisfy all your questions in times to come.
- Saket Kapoor:** Right all the best and thank you for all the elaborate answers. We hope things move for improvement on the going forward.

Moderator: Thank you. As there are no further questions from the participants I now have the conference over to the management for closing comments.

Vipul Mathur: Gentlemen thank you very much for taking your time out today and hearing us out. Our perspective, our outlook and our future growth strategy all in all on behalf of Welspun Corp I want to assure you that the company is striving and growing and moving forward by virtue of expanding their portfolios, also all the markets, all the segments where they are present in which is the oil and gas, the water and the specialty steel the sector which is going to get merged and the B2C business or the TMT's and the billets what we are venturing into all these sectors are showing significant growth prospects and I am sure the performance of the company will meet the mark of the investors and their expectations and we stay committed to our governance, we stay committed to our quality and we stay committed to our serviceability to our customers, and with that I would once again like to thank you once again for joining us today morning and if you have any further questions you are absolutely please kindly reach out to Abhinandan and Percy or Gaurav and we will be happy to answer all your questions. Thank you very much and have a good day ahead, please. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes this conference call. Thank you for joining us and you may now connect your lines.

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