Welspun Corp Limited

Q1 FY 23 Earnings Conference Call

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Management:	Mr. Vipul Mathur - Managing Director and CEO, Welspun Corp Limited Mr. Percy Birdy - CFO, Welspun Corp Limited Mr. Akhil Jindal - Group CFO and Head Strategy, Welspun Group Mr. Abhinandan Singh - Head, Group Investor Relations, Welspun Group Mr. Gaurav Ajjan - AVP and Head – Investor Relations and Strategy, Welspun Corp Limited
Hosting Analyst:	Mr. Abhineet Anand - Emkay Global Financial Services

Moderator: Ladies and gentlemen, good day, and welcome to Welspun Corp Q1 FY23 Conference Call, 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 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.

I now hand the conference over to Mr. Abhineet Anand from Emkay Global Financial Services. Thank you, and over to you, sir.

Abhineet Anand: Thank you, and good morning, everyone. On behalf of Emkay Global, I would like to welcome you all to the Q1 FY23 earnings conference call of Welspun Corp Ltd.

I would now like to hand over the call to Mr. Abhinandan Singh, Group Head, Investor Relations, Welspun Group to introduce the management team and take it forward. Over to you, sir.

Abhinandan Singh: Thanks, Abhineet. And good morning, everyone. On behalf of Welspun Corp Ltd., I welcome all of you to the company's Q1 FY23 earnings conference call. We have with us today Mr. Vipul Mathur, Managing Director and CEO; Mr. Percy Birdy, Chief Financial Officer of Welspun Corp Ltd., and Mr. Akhil Jindal, Group CFO and Head Strategy. Along with us, we also have Gaurav Ajjan who leads investor relations for Welspun Corp.

We will as usual start this forum with opening remarks by Mr. Vipul Mathur. And after that the floor will be open for your questions. Should you have any queries that remain unanswered after today's earnings call, you can reach out to either Gaurav or me.

With that, let me hand over the floor over to Mr. Vipul Mathur, MD and CEO, Welspun Corp. Over to you.

Vipul Mathur: Thanks, Abhinandan. Thank you very much. Good morning to all of you, gentleman. Thanks for taking time to attend this call for Q1 FY23 results of Welspun Corp. To start with, I just want to run through the key highlights of our operational and financial performance during the quarter ended 30th June.

We have a very robust order book of 1 million tonne and an active order book of 1.9 million tonne and at this point in time. We are preparing to execute the Welspun Corp largest, single largest order ever valued at INR 5000 crore in the U.S. Our business growth and diversification strategy is on track. As you would have noted, we have completed the commissioning of our state of art Blast Furnace and Sinter Plant and our TMT Bar Facility. Have voluntarily published the first business responsibility and sustainability report as an early adopters.

For the quarter, the production and sales volume for our total operations, including Saudi was at 158,000 tonnes and 157,000 tonnes respectively. For India operations, our sales volume was at 92,000 tonnes, for U.S. operations, our sales volume was 7000 tonnes and for our Saudi operations, our sales volume was at 58,000 tonnes.

Let me give some outlook and a brief update and what we see as the key drivers for each and every market where we operate in. As you would have seen, oil prices have moved in a range with concerns about supply as Western sanctions on Russian crude and fuel supplies have disrupted trade flows to the refineries. On the other hand, there are rising worries that Central Bank efforts to tame surging inflation may trigger a recession that would cut future fuel demand.

Spot steel prices across the world have remained under pressure in the last few months. Recessionary pressures, lower consumer confidence and renewed fear of a lockdown in China, have led to a downward pressure on the prices of the steel. We have noticed steel prices have dropped significantly domestically in India after the Ministry of Steel imposed an export duty of 15% in May 2022.

Current environment of high energy prices coupled with decline in the global prices for steel augurs extremely well for us. We are in active discussion for several export orders across the world, which we hope to win in due course of time. This comes at a strategic time when even

European Union seeks to wean off its Russian gas flow following the invasion in Ukraine, and is seeking alternative sources. In addition, there is a significant demand for pipes in Southeast Asian market, Middle East market and African market, which should create a robust order pipeline for exports for us in near future.

Let me talk specifically about India. Gas demand prospects in India remain strong as the government has set a target to raise the capital -- raise the share of natural gas in the energy mix from current 6.7% to 15% by 2030. According to IEA, India's total gas consumption is projected to increase by 19% or to 13 bcm during the period 2021-2025, which is equivalent to a 4% annual average growth rate.

The industrial sector will remain the biggest drivers for growth between 2021 and 2025. Accounting to about 40% of the net increase in India's natural gas consumption. Residential and commercial and transport sectors will make similarly strong contributions and to the continued expansion of the domestic gas grid. Gas use in the power generation sector is likely to decline by 14% in the period 2021 to 2025, as high imported and rising domestic prices rendered gas-fired power uncompetitive relative to other fuels.

Approximately, two-third of India's incremental gas demand is said to be satisfied with growing domestic production. The remaining one-third has to be met with imported LNG, but even after 11% increase in LNG inflows foreseen between 2021 to 2025, total LNG demand in 2025 will stay slightly below 2020 peak, as high prices discourage greater LNG use in the years ahead.

The policy framework remains supportive for natural gas in India, although affordability has emerged as a major concern. The expansion of the city gas distribution grid is set to continue and accelerate further after the conclusion of India's 11th bid round this year. The size of India's gas transmission network could increase by 75% and LNG import capacity could grow by additional 40%, during the forecast period with the completion of project currently under construction.

We are seeing demand coming back in the water sector, which has been very muted since the start of the pandemic. With the cooling off in the steel pricing projects that were put on hold are now being proposed to be completed. There is an increased traction across states like Gujarat, Maharashtra, Tamil Nadu, Karnataka, Madhya Pradesh, Punjab and Rajasthan.

With our Pan India presence, we are likely to see the upside in our business volumes coming from these states. There is a strong intent to meet the ambitious target as envisaged in various government schemes. The focus by both the Central and the State Governments on developing water infrastructure is expected to drive the demand for large diameter HSAW pipe and DI pipes in months to come.

As regards USA, U.S. pipeline operators are expected to have benefited from high oil and gas prices and rising domestic production in the second quarter of 2022. Natural gas projects are expected to be the mainstay of growth in coming years as production rises. There is an increased demand for exports it to the new customers in Europe, which is being trying to -- who are trying to diversify away from Russian energy and in Asia, where many countries are boosting imports of LNG.

EIA estimates that U.S. LNG exports average 11.2 billion cubic feet per day in first half of 2022 compared to 9.5 billion Bcf per day in the same period of 2021. It expects LNG exports to average 10.9 Bcf in 2022 and 12.7 Bcf in 2023. After years of under investment in U.S., focus is now boosting the oil and gas supply within the country. The number of active oil and gas drilling rigs in the United States have rose by 272 or 56% in past one year, to the highest point since March 2020.

We recently announced winning of the single largest order in our history for supply of pipes valued at INR 5000 crore plus in the U.S. This order is for to supply 300,000 odd tonnes of large diameter coated pipes for transporting natural gas from Permian Basin to the coast in Houston. The pipes for this order will be produced from our Little Rock Plant in the U.S., and the same will be executed over a period of 12 months commencing the second half of FY2023. This large new order from the U.S. comes on the back of another win we had announced in April '22 of a 26,000-tonne order from a long-standing customer in North America.

Coming to Saudi Arabia, Saudi Arabia intends to invest in fossil fuel production over the next two decades to meet the growing global demand and avoid energy shortages. Saudi Aramco aims to boost its CapEx to $40 billion in 2022 with further growth expected until around the middle of the decade. It plans to raise crude oil maximum sustainable capacity to 13 million barrels a day by 2027, and wants to boost gas production by more than 50% by 2030. With surging oil prices, we are confident that multiple opportunities will arise, both in the Oil & Gas and the Water segment in Saudi Arabia.

In July 2022, our associate company, East Pipes Company (EPIC) which is Saudi Arabia was awarded with a contract by SWCC to manufacture and supply of steel pipes. The contract was valued at SAR 324 million and the same will be executed in this financial year. This is in addition to the recent award of an SAR 490 million contract in May and another SAR 497 million contract in March 2022, both of which were also awarded by SWCC.

As regards Long Steel Products, the infrastructure investment is witnessing a renewed impetus from the government as India aims to achieve a US $5 trillion economy. A series of structural reforms have been announced that have set the foundation for economic growth on the back of the infrastructure development. One such reform taken last year, was the launch of the PM Gati Shakti National Master Plan. This INR 100 lakh crore mega plan was launched with a digital platform to bring 16 ministries together for integrated planning and implementation of projects.

Under the Pradhan Mantri Awas Yojana-Urban's 'Housing for All', central assistance has been provided to the states and Union Territories since 2015 for giving all-weather “pucca” houses to eligible urban beneficiaries including homeless people. Based on the project proposals submitted by the states and Union Territories a total of 1.22 crore houses have been sanctioned till 31 March, 2022 of which around 41 lakh houses have been sanctioned in the last two years. Overall, the focus on development is visible and the demand for Long Steel Products will be supported by increased spending on infrastructure and construction.

Welspun Specialty Solutions Limited. Our Stainless-Steel Bars volumes were higher by 997% and Pipe volumes were higher by 93% for the Q1 FY23, both compared to the corresponding period in the previous year. The BIS standard for Seamless tubes & pipes which is BIS 17875 has been introduced which is favorable for WSSL. The company has already initiated the process to obtain the accreditation.

Welspun Steel has also received its first order from an Oil & Gas sector PSU, for Monel 400 Grade tubes. The company delivered its first order of High-Pressure Heater tubes in Grade 304N “U” Tubes. Overall, WSSL is expected to improve performance to sustain on the back of several new customer approvals and accreditations.

I would also like to inform and bring you on speed on few additional business updates. Number one, Dividend. As you would have noticed, the Board has recommended a final dividend of INR 5.00 per share which is 100% of the Face Value for FY22 and the same was paid after the AGM on 29 July, 2022. We have demonstrated a strong performance track record with average sales volume of more than 1.1 million tonnes in the last 5 years which has led to a generation of healthy cash flows from our business. This has helped us in deleveraging and strengthening our balance sheet while reinvesting for growth. In addition, this has enabled us to reward our shareholders. We have been a consistent dividend paying company and also did a buyback of shares in FY2020.

Update on Ductile Iron Pipe & TMT Bars Projects. The commissioning of our Blast Furnace and Sinter plant, and TMT manufacturing facility in Anjar, Gujarat was completed in July of 2022. The Blast Furnace can produce approximately 500,000 tonnes of hot metal per annum which will primarily be used for manufacturing Pig Iron and Ductile Iron Pipes. The trial production of Ductile Iron pipes have also started and the facility has recently received its first phase of BIS certification.

This integrated steel complex is equipped with the latest cutting-edge technology, which includes Blast Furnace, Sinter Plant, PCI plant, Oxygen Plant, Coke Oven, besides a 400,000 tonnes per annum capacity DI plant. The TMT manufacturing facility also has a capacity of 350,000 tonnes per annum. We have an existing manufacturing set-up of BIS Certified Steel Billets and which will be used as input for the manufacture of these TMT bars.

The acquisition of Sintex BAPL NCD. Welspun Corp's growth story entails creating a diversified product portfolio, repurposing its business and to add new target segments, expanding its offerings to address both B2B and B2C's markets, and thus making well considered strategic acquisitions. In this regard, we have acquired Sintex BAPL Non-Convertible, NCDs with an outstanding of INR 1,222 crore for the purchase price of INR 418 crore as on date by our wholly-owned subsidiary i.e., Mahatva Plastic.

On the ESG initiatives, I just want to update that SEBI has stated that with effect from the financial year 2022-2023, filing of BRSR will be mandatory for the top 1,000 listed companies by market capitalization and shall replace the existing Business Responsibility Report. Filing of BRSR is voluntary for the financial year FY2021 and 2022. As a proactive measure, we have mapped ESG information with the requirements of BRSR. In the coming years, our strategic focus would be to undertake action and allocate adequate resources to achieve our ESG goals in alignment with our associated business goals.

Some of the key priorities areas for us are: energy-efficiency measures, prioritizing renewable energy strategies; effects on the wellbeing and prosperity of employees and stakeholders; monitoring targets and communicate to stakeholders on a timely basis while prioritizing our Environment and Social goals; sustainable supply chain program and highest level of transparency and disclosures. We have a holistic long-term vision aligned with our business, social and environmental objectives aimed at establishing a healthy ecosystem of economic growth and societal value creation. As we move into the future, ESG will be the cornerstone of our financial success, competitive advantage, and future accomplishments.

I also take this opportunity to update you on our future performance drivers. Number one. Hydrogen. As energy demands across the world evolve rapidly, we are undertaking strategic interventions in new opportunities and segments. We have joined a global H2Pipe Joint, Global JIP for the Design and Operation of Hydrogen Pipelines launched by leading industrial certification body DNV. We are helping to develop a recommended practice for design, re-qualification, construction and operation of pipelines for hydrogen gas transportation.

As a Steering Committee Member, we will be collaborating with top 24 world premier energy companies, to provide technical expertise in the project and aiming to lay the foundation for the hydrogen infrastructure. We have signed an MOU with Tata Steel to develop the framework for subsequently manufacturing steel and pipes for transporting of pure hydrogen and natural gas-blended hydrogen. The green energy strategic partnership is to assess the suitability of various pipes manufactured by us for the transportation of Hydrogen. Apart from hydrogen, we are also very focused on Carbon Capture & Emission Reduction Technologies, Green Steel and Investment Renewables to meet Carbon Reduction Targets.

Number two, is about the DI Pipes. The Jal Shakti Ministry has allocated approximately INR 86,000 crore for FY2023 for developing the DI infrastructure network in the country. Our internal based on the interactions with various industry participants, indicate a robust demand for DI pipes over the next five to seven years with projected demand outstripping supply. We currently estimate that almost 2.3 million tonnes of DI Pipes are likely to be bought in the financial year FY2023.

Stainless Steel Tubes & Pipes. There is a big push for localization of these projects Atmanirbhar Bharat. Implementation of the quality order, mandatory BIS certification and restriction on imports from China are the key drivers to the both of these sectors. The key areas where we would be servicing or supplying our stainless-steel pipes would be Power, Nuclear & Defence where we see a significant demand pull.

TMT Bars. As I explained there is a demand uptick stemming from the Government's thrust on infrastructure, particularly in the rural markets, apart from a pickup in the construction activity. This will lead to an increased offtake of Long Products. The government has a fixed objective of increasing rural consumption of steel from current 19.5 kg/per capita to 38 kg/per capita by 2030-31.

Polymers. India's per capita consumption of polymers stands at 11 kgs, which is one tenth of that of that what United States and less than a third of that of China consumes. There has been a rapid rise in polymer consumption in India in the last few years. It is estimated that the polymer consumption will continue its growth momentum and record a CAGR of more than

8%. Consumption is expected to double by 2030 and thereafter quadruple from the current level between 2030 and 2040.

In this regard, we have taken a strategic position on acquiring the NCDs for BAPL. As you know, Sintex is a National Brand with more than 10% market share in 2018. It has three major lines of businesses: one, Water Tanks, other was OEMs for Automobile and third was Fuel Tanks for Autos. Before getting into financial stress, Sintex had a turnover of more than INR 1,700 crore in FY19 and an EBITDA of Rs. 270 crore implying a 16% margin.

The diversification into the B2C segment will help WCL to significantly expand its base, enhance its brand, penetrate new markets, and build a distribution network and provide opportunities to develop new products. Sintex BAPL is a popular Water Storage Tanks, which have a strong brand connect with consumers. It has a whole sale and distribution network of approximately 900 Distributors and 13,000 Retailers. There are potential synergies for leveraging this extensive Distribution Platform for our products within the group. In addition, the distribution reach can help us to incubate and launch new project and establish a new Building Materials vertical at WCL.

With this, I will conclude my opening remarks. I will be happy to take any questions if you have. The floor is now opening for the questions. Thank you.

Moderator: First question comes from the line of Vikas Singh from Philip Capital.

Vikas Singh: Sir, I want to understand the subsidiary performance. What kind of losses we had in the U.S. subsidiary this quarter? We understand that SS Tubing has INR 3 crore kind of losses, so is that remaining INR 47 crore of the EBITDA loss coming from U.S. alone or there are something else to it?

Vipul Mathur: So, in the U.S., as you know that we have the order for almost 300,000 odd tonnes which will start the production and execution some second half of this year, commencing September. We also have an additional order for which the production has just started. So, in this particular quarter, it was -- there were losses because there was, the production of volumes was absolutely low all what we were producing was only the ERW pipes. So, I'm sure that in the second half of the year, we will see the complete production coming back down the streams and then for the next six quarters it will be continuously operational.

Now coming to the comments, coming to the stainless steel part of plate. There was a -- we had an EBITDA neutral there. We had come out from the red for the very first time the company seems to be in black. And that is what we were anticipating and from here on order book and the market potential I think so the -- from here on quarter on quarter we will see things only improving from here.

The other subsidiaries was our big startup businesses, as you know they were into the project state at this point in time. So, there were certain losses which could not have been capitalized, those losses have been coming up.

Vikas Singh: So, that US subsidiary losses can we quantify how much that was, at least?

Percy Birdy: So, Vikas at the EBITDA level, as the MD mentioned in WSSL we had a positive EBITDA of INR 1 crore not in the public domain because WSSL is a listed company. And in the startup businesses, which is WML, WDI, that's the DI business and also the Steel Billets business and the Greenfield venture of ATMT, all put together we had about INR 13 crore of EBITDA, negative. So, that's why you will notice that the standalone numbers and the consolidated numbers, you will find that these startup operations subsidiaries are making that the standalone EBITDA looks a little higher.

Vikas Singh: Understood, sir. Sir, recently this Trans-Saharan pipeline has got signed by almost all of the interested party. Just wanted to understand the opportunity, are we present in that geography and would that opportunity is also addressable by us or we are looking somewhere else etcetera? So, if you could just give us a little bit thought about the European diversification point of view.

Vipul Mathur: Vikas, when you say Trans-Saharan, I guess you are reflecting to this EACOP pipeline?

Vikas Singh: Yes, so recently that 13 billion I think the project cost pipeline deal has been signed last week only, which was basically -- so that pipeline which was supposed to go through Nigeria, Algeria and transport the gas to Europe, basically?

Vipul Mathur: Yes, the name of that pipeline is EACOP pipeline. I think so it has complications for quite some time. We have been actively pursuing that pipeline for a couple of years. Looks like they still have some financial challenges around that. But I'm sure that it will come to a logical conclusion within this financial year, that's the sense we are getting. It's a project from Total as a frame contract signatory with Total we are actively participating into that particular project. We are there into the game, but we have to see that in what direction it will go because they have an option to buy either longitudinal pipe or even an ERW pipe. So, we have positioned ourselves for the longitudinal pipe, if they buy longitudinal then we would -- we are there actively with them. But if it is an ERW pipe, then they will look at some other options. So right now, it is a work in progress. We are poised there; we are active player.

Vikas Singh: And sir, some thoughts on the European gas diversification from Russia. How do you see that panning out or any thought process, any progress which is happened in that geography?

Vipul Mathur: There is going to be a robust demand which is going to come up from Europe is specifically in two particular areas. Number one is hydrogen, as they are looking for alternate fuel. And also, we are seeing some business opportunities coming up in Turkey. We are also hearing about revival of the EastMed pipeline. So, there are quite a few activities. Those who have gone to the backburner, now they are coming back onto the screen and we are actively involved in pursuing each and every opportunity of them. I hope that in the -- by the end of the financial year or Q4 of this financial year, and over the next year, there would be some opportunities which we will come up and we will be an active participant in all those opportunities, please.

Vikas Singh: Understood, sir. Sir, my second question towards the Billet and SS segment, by when do you think that you would be able to turn around these companies at the PBT level and they will stop being a drag on the cash flows of the pipes?

Vipul Mathur: On the billet, the whole purpose of putting upstream this TMT mill was to de risk our business of billet, because selling of billet is much more challenging than selling off TMT bars or the long product and that is what the rationale of our investment is and we are absolutely on track, by the quarter we would be done with the complete commissioning of our project of the TMT project. And from the third quarter onward you will see that TMT bars going into the particular market and I think that will possibly help in terms of stopping any drag which was happening on the balance sheet.

Vikas Singh: Understood. And sir lastly, some update on this Sintex, do we require more investment there? What's the roadmap there basically?

Vipul Mathur: It is a work in progress. At this point in time, it is undergoing a process. And we are, as you know that we have taken some NCDs almost INR 418 crore that we have already purchased. It is a work in progress, it is going to take some time and once we are absolutely on board then we are try to quickly to further growth strategy for that.

Vikas Singh: Understood, sir. And sir, just one last question if I may ask. So, since you don't give guidance, but can we assume that the since second half of a significant portion of the U.S. order will start flowing in, then we would be seeing the performance like in what we have seen in FY20, first half significantly lower and second half tremendously good and making up for all the first half, basically?

Vipul Mathur: Vikas that's a very good question. Let me just give you a little background to this. See the first half performance cannot be a reflection of the yearly performance. First half performance was, is also a reflection of the commodity surge what we have seen during the Q4 and the Q1. The buying pattern has completely stopped, the commodity pricing was extremely high. There was a quite a bit of a slowdown which has happened because of that.

Since May, things have started cooling off and we are seeing that the commodity prices are now coming back onto the track, which means that the production is also -- the buying is also coming onto track. And as the buying comes on track, the executions will start maybe a quarter thereafter.

So, you are absolutely right in your assumption that in the second half of the year, you will see a sort of a superlative growth coming up into the performance, and on a yearly basis and we have always said that this company needs to be watch on the yearly performance rather than on a quarter-on-quarter performance. I am sure that we will be able to meet, if not exceed the expectations of this.

Moderator: The next question comes from the line of Shailesh Raja from BNK Securities.

Shailesh Raja: Generally, you give geography wise EBITDA pertained guidance for India around $70, U.S. is around $200, $250 and Saudi around $150. And we were having one-line pipes, now, we have ventured into multiple products like steel billet, steel TMT, Di pipes and stainless-steel pipes. Can you please give product price normalized EBITDA pertained guidance? And also, when we'll start seeing this normal EBITDA patterns from these new products?

Vipul Mathur: See, giving -- while on the pipe side of it, it is a very steady state established business and we have there is a long history around those products and you have been monitoring the performance and the EBITDA delivers on that. That's why it is easier to give a guidance around that product.

At this point in time for the newer product like the TMTs and all that stuff, I think so as and when they come on to the stream, which is going to happen in this particular quarter, I think so once those businesses come on stream and they start stabilizing, I think so that that will be a very appropriate time Shailesh to give you a guidance. We don't want to give any guidance which we don't -- which wish we cannot live up to. So kindly allow us some more time to first settle down that businesses and then start giving guidance around that, please.

Shailesh Raja: Sure, sir. And also in the last five, six months our order books has jumped sharply. So, of these incremental new orders, how much is back-to-back RM is schedule and how much it is kept open. And also, in U.S. the new order is expected to start executing completely FY23. So, how the flow of the order execution will be, sir, this 3.7 lakh tonnes in U.S. will be spread over five to six quarters or within three, four quarters we can easily get the entire 3.7 lakh.

Vipul Mathur: So, Shailesh that's precisely the point I was trying to highlight. If you see January, February of this particular year, we had an order book of almost half a million tonne, right? From then, till June, we have almost doubled our order book which is a very clear indication that we have been -- our success rate has been higher, we have been able to book order and more than a million tonne of an order is now under your build, which we are going to execute. So, there is nothing called uncertainty about orders at this point in time. It's only about the timing part of it, as these orders have been booked in the last one quarter or so, it takes a time before coming to execution.

Most of these orders will come into the execution the second half of the year and that is where we are saying that the H2 performance is going to be completely different, what you are going to see in H1. As regards, the U.S. order it is also falling into that particular category, directly to start the production and the dispatches around that order sometimes around September and this order which is almost more than 300,000 tonnes will get executed over at least five quarters.

Shailesh Raja: My last question is, could you please talk about the hydrogen pipe in detail what value are you going to do and what is the opportunity as seen in the long term?

Vipul Mathur: So, on the hydrogen pipe we are working on two strategies. Number one, on one side we are a part and an active member in terms of right working out the specifications and what should be the processes and all that stuff, and that is where we have joined a JIP with DNV. That is one side of it.

On the other side of it. We are also collaborating with the steel suppliers globally including in India with Tata, where we are trying to work around development of steel, how that steel can be converted into that pipe and those pipes are compatible for taking 100% hydrogen as a carrier. So, we are working on these both sides.

I think so it's a journey and we expect this journey, we are seeing this journey is getting fairly accelerated at this point in time. And I'm sure that in next 12 to 15 months' time we could potentially see the hydrogen pipes coming into play. It's a huge market. It's a huge demand which is going to come up for the same. And we are very, very buoyant that our future, when we are talking of FY24 or '25 there would be a significant portion of our revenues and earnings can come from this particular market. That's how we are -- that's what we are anticipating, that's what we are hoping and it is in that particular direction we are working for.

Moderator: Next question comes from the line of Krishna Agarwal from Niveshaay.

Krishna Agarwal: My first question is on the side of DI pipes. Are we getting any order or have you got any order from the DI pipe segment?

Vipul Mathur: On the DI side of it, as you know that we have just commissioned the plant. Right now, we are into that trial modes. We have already got our BIS approvals, the phase 1 of our BIS approval. We are seeing, as I just mentioned in my opening remarks that there's a huge tailwind for the order. I think so, the demand projections are looking extremely robust at this point in time. And we are at this point in time, we do have some orders and also we are working in terms of our approvals and acquisitions with the various state agencies that work is already in progress. We have been very successful in few states. And then in some other states also we are making our outreach, and in times to come I think so, in next one quarter or so, we should have our dominant presence, or we should rule in most of the states where we want to make our impact felt. So, I think that's a work which is absolutely working in the right direction. And we are also getting a good support and a good traction from the market. And we do have some orders coming in, trickling into our system, which we are aiming to execute in the second half of this year.

Krishna Agarwal: My next question is, regarding do we have any difference in EBITDA margin as to HSAW pipes and DI pipes? And what exactly could you put the numbers that demand and supply gaps, that's how much tonnes capacity we have and how much tonnes capacity we are forecasting?

Vipul Mathur: So, in terms of capacity, Krishna, we have this project is almost close to 400 tonnes capacity. And our intent would be to use it to the maximum extent over a period of time. It is not that in the very first year we are going to use the fullest of the capacity, it is going to be a gradual ramp up and that is how we want to do it. It is because we want to be a very responsible and quality conscious in so called little unorganized market. So, we are taking our time in the right direction and I think so in the -- it would be our intent to at least do our utilization to the extent of 25%, 30% in this year and then gradually ramp up over the next two or two and a half years' time.

Krishna Agarwal: And EBITDA margin in the sense, do we have an EBITDA margin difference in DI and HSAW pipes?

Vipul Mathur: This EBITDA margin completely depends on your input raw material, I think so, we are seeing a significant correction in the commodity pricing with respect to both in terms of iron ore as well as coal, because they play a major role in the pricing of this. Right now, everyone has bought, everyone is having an inventory including us, which is at high price, because they were bought like three months back and at that point in time the commodity prices were extremely high. But as things have started tapering off, I think so and the commodity started coming down, the balancing of the pricing has also started coming down.

So, we will see -- so EBITDA margins maybe in this particular quarter could be very skewed, but in the subsequent quarters coming up, I think so it will be very harmonized. And as we get into execution mode, see right now we are just completing our trial and we are just starting getting into an execution mode, I think so I will be much better placed to give you a much more clearer and a firmer guidance on the EBITDA margin, once we ramp up our production to a certain level, please. So kindly help us and bear with us for some more time, one more quarter and then we will be able to bring far more clarity on this particular subject with respect to the margins.

Krishna Agarwal: Also, which regions we are going to cater in DI pipe segment?

Vipul Mathur: Pan India. We will have a Pan India presence.

Moderator: Thank you Next question comes from the line of Nirav Shah from GeeCee Investments.

Nirav Shah: So, I have a few questions. Firstly, sir, if you can just share the plantwise breakup of the order book and of the India book. What is the proportion of exports of the India book per se? That's the first question.

Vipul Mathur: We have almost close to a million tonne of order book at this point in time. If you look at our Saudi business, let's just start with India. Our India Business is almost close to 350,000 tonnes. Our U.S. business is also around 370,000 tonnes. And our Saudi business is also close to 300,000 tonnes. So, it is a very equal and uniform spread across all the three geographies, almost making up to a million tonnes of the business.

Nirav Shah: And what's the proportion of export book out of the India order book of 350,000 tonnes?

Vipul Mathur: It will be close to more than 50%.

Nirav Shah: More than 50%. Got it. Sir, the second question is you just mentioned that we were carrying some inventory, high cost inventory and prices that correct. So, were there any inventory losses in our steel business during the quarter? And second question on this is what was the EBITDA performance at the U.S. subsidiary for Little Rock, I mean, is there a reason we lost something, if you can just quantify the loss?

Vipul Mathur: There was a marginal loss which has come up because of no production, almost a very limited production in this particular quarter, in U.S. I mean, we will see a major production happening September onwards which means in the quarter 3 and the quarter 4, that is where the maximum production and the dispatches are going to happen. Right? In the quarter 1 and quarter 2, and we have the backlog of orders. We have the steel for that order. Not that you know there's any uncertainty around it. It is just a matter of timing when things are going to get started on the ground. And that is going to happen from the quarter 3, so that is where you will see a significant jump coming up.

But till that time, because of low production in the fixed costs is slightly going up because we are in the process of recruiting and augmenting the scale of our operation. So, there is likely to be some losses which are going to come up not very substantial, minimal losses are likely to come up. So, that U.S. things looks slower.

As regards the inventory. In our -- typically in steel business, you have to have an inventory or you have to keep an inventory of almost like 75 to 90 days which is about iron ore in the code and like any steel producing company we also had taken -- we have it also on the ground and to that extent the commodity prices since then, and now has significantly tapered off. So, you know when we thought of an hybrid analysis at the end of the year we will be okay but on a quarter-on-quarter basis, it might look a little out of place at this particular point in time, but over the period for the next three quarters it will get completely evened out.

Nirav Shah: Got it. And sir, third question is on Sintex. By when do we expect to take over the management control of that entity and all the formalities getting completed?

Vipul Mathur: It's difficult to answer. See it's a process you have participated into a process we are -- and from our side we are making our best effort but to put a timeline to that becomes difficult, because these are quasi-judicial processes and you have no control on to that. But we are hopeful that -- what is of interest and what is of significance, the process seems in the right direction. It is all the indicators are fairly encouraging and we are very optimistic and hopeful that things will turn out in our favor, in times to come. Given it could be a little out of whack and this point in time.

Moderator: Next question comes from the line of Abhishek Ghosh from DSP.

Abhishek Ghosh: So just in terms of the while you did allude to the point that second half for domestic is going to be strong, but if you can just give a broad range given that the commodity prices have kind of seen fairly good correction, the order inflow which is coming in from both oil and gas and water, because if you look at last four to five years, you used to do volumes, the domestic part of the business, anything in the region of 5.5 lakh odd tonnes to 6 lakh odd tonnes. So, should we -- the kind of visibility that you have in FY24-'25 Will you be able to surpass those previous trends given the sharp improvement in the overall CapEx that is happening in both water and oil and gas at the same time? Just some thoughts there, will be helpful.

Vipul Mathur: See, on the oil and gas side, I think so things are moving as they were planned, I think so, there was a very steady state of business which was there in oil and gas because the drivers for that business were very different. And that business was very strong demand. Right? And in a very good pricing, which was available to the oil and gas company. So, oil and gas business, did not get impacted.

Of course, now with the steel pricing further tapering off, we see more businesses or more projects to come up on the table. But on the water, Abhishek I think so what happened was that because of the commodity or the steel pricing going up, the steel domestic steel was almost INR 80,000 a tonne, right and now INR 80,000 a tonne it has come down to almost INR 56, 000, INR 57,000 A tonne. So, that correction which has happened over the last two months, I think that is generating confidence into people and I think so that is where the buyers is back into the market and they have started buying, we are seeing a traction in the people buying for those all the stalled projects.

As we are speaking we will see that in this particular quarter we will see a lot of opportunities, which will be converted into business opportunities and that opportunities will get converted into a sale in the quarter 3 and quarter 4. So, I am sure that in quarter 3 and quarter 4 you will see a much highest production and dispatch volumes in the domestic water sector in India as well.

Abhishek Ghosh: Sir, just two more things. In the current order of about 3.5 lakh tonnes the domestic part of the business what is the execution timeline for the same?

Vipul Mathur: This order book, in terms of percentage, I would say that most of it almost a 75% to 80% would get executed in this financial year. Only a small -- only the residual component of some export orders will go over to the first quarter of the next year. And but -- which could be around 20 odd percent, but almost 70%, 75% of the order book will get executed in this financial year itself. I'm talking about the India order book.

Abhishek Ghosh: Yes sir. I'm referring to the 3.5 lakh tonnes of India order book, that you referred to.

Vipul Mathur: That's correct.

Abhishek Ghosh: And in terms of the active bid book that you spoke about of I think of almost 1.9 million tonne if I'm right, that's what you mentioned in the presentation as well. If you can give a broad sense in terms of the various geographies that will be helpful?

Vipul Mathur: You're right. Almost our active bid book stands at close to almost close to 2 million tonnes at this point of time, and we are seeing sort of growth in every geography. We are seeing Europe, we are seeing opportunities in Europe, as I was just earlier mentioning about on one of the questions raised by Vikas, and we are also seeing a huge traction coming up in Latin America. We are seeing, business ramp up in the Middle East market. We are seeing a lot of business opportunities coming up in the Southeast Asian and the Australasian market. And as you would have seen that we won four back-to-back consecutive orders in the Southeast Asian market.

So, all in all, if you look at it, if you exclude U.S, for the time being we are seeing growth in Europe, we are seeing growth in Latin America, we are seeing growth in Southeast Asian markets. And when I say growth, I mean that there are active projects which are up on the table, where we are one of the participants that is how this bid book is looking at close to INR 2 million tonnes.

So, in terms of opportunities, I think so there are significant opportunities which are emerging globally now, and which is a very healthy sign. We are seeing this sign after a very long time and looks like and as I have always been saying that this cycle is going to continue for next five to seven years' time and we are very optimistic that we will have a major role and a leading role to play in addressing the requirements around that.

Abhishek Ghosh: Okay. And sir, just one last question in terms of the active bid book of almost about 2 million odd tonnes that you are seeing now, what was this number say pre crisis? Just to get a sense and if we can get that number for ex U.S., I think that'll be good. Just a broad sense.

Vipul Mathur: See what happened? They dropped down to almost 1.2 million tonnes at one point in time during the pandemic and that time, but more than that, that decision making got impacted. It was not that this bid book went down, it was decision making that was getting impacted. And the moment we saw that the pricing is firming up, the moment we saw the supply chain, the supply chains are getting restored. Now we are seeing that bid book also going up and that decision making also coming up on the table. So, there is a little shift which has happened now.

Moderator: Next question is from the line of Anurag Patil from Roha Asset Management.

Anurag Patil: Sir, for whole year FY23, can we say around 9 lakh to 1 million tonne total pipe volumes are possible, in terms of execution?

Vipul Mathur: In terms of the pipe business, you are talking, Anurag?

Anurag Patil: Yes, sir. On pipes. Yes, sir, pipes.

Vipul Mathur: It is possible, it is definitely possible. And if you see Anurag, you see our track record, baring one year which was the pandemic year, the second part of the pandemic year, I think so consistently we have been delivering a performance of more than a million tonnes on a year-on-year basis. So, I see no reason that why should we be now when things are showing signs of improvement, we are seeing a tailwind to business and our performance, operational readiness is also even better at this point in time. I see very -- I feel very optimistic that we should be able to deliver and perform more than a million tonne of pipes this year.

Anurag Patil: Okay. And sir, on the India side now 50% of the order book is on the export side, where you must be witnessing better margins. So, can we say our India profitability will be a little higher compared to historical levels, this year?

Vipul Mathur: Today, the mix of the business, what we have is definitely better than what we had in the past. We have to understand is a distinction in the past, there were limited opportunities and everyone was craving for texture on those opportunities. That's not the case anymore. I think so and that -- now there are multiple opportunities and some quality opportunities are coming up on the table, which is what the Welspun business is all about. Deep offshore, critical applications, niche customers, we are seeing all those people now coming back into the market. So, our order book reflects a quality jump into our product portfolio. So, to that extent, we see our margins also slightly improving in terms, what we are seeing in the past so, as we execute, I'm sure that you will see -- you we will also see the margins improvement coming up into play in comparison to the last year.

Moderator: Thank you. As there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Vipul Mathur, MD and CEO of Welspun Corp., for closing comments, please go ahead.

Vipul Mathur: Gentlemen, thank you very much for taking your time out on a busy day. We greatly appreciate your participation today. And I just want to conclude by saying that please do not -- please look at us from a year-on-year perspective. We have a very robust order book at this point in time under our belt, we will -- you will see a drastically upgraded performance in the second half of this particular year because that's the nature of the business what we are in. And having a confirmed order book under your belt is always, is the key ingredient for that.

On the on the steel side of it. We are absolutely focused at this point in time while we have commissioned, we are taking time in terms of now settling down the businesses, and I'm sure that in the quarter 3 and the quarter 4, you will see robust performance coming up from the steel businesses as well. So, we appreciate your faith and your trust in our company. We will continue to do so.

And with that, if you have any other pending questions you have in mind and please reach out to me or to my team and they will be completely answered, but once again thank you very much for taking time out today morning and wishing you all the very good, all the best and thank you.

Moderator: Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us. You may now disconnect your lines.