Welspun Corp Limited

Acquisition of Sintex BAPL Limited

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Moderator: Ladies and gentlemen, welcome to the Welspun Corp Conference Call hosted by Emkay Global Financial Services. As a reminder all participant lines will be in 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 star then zero on your touch tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Abhineet Anand from Emkay Global Financial Services. Thank you and over to you.

Abhineet Anand: Thanks, Yashashri and good morning, everyone. I am Abhineet Anand from Emkay Global. And on behalf of Emkay Global Financial Services, I'm pleased to invite you for the conference call with the management of Welspun Corp to discuss the acquisition of Sintex-BAPL Limited. I will hand it over to Mr. Salil Bawa, Head Group Investor Relations. Over to you, Salil.

Salil Bawa: Thanks, Abhineet. Good morning to all of you. I welcome you to this call where we will give you an update on the acquisition of Sintex-BAPL by Welspun Corp. Kindly note, we will not be discussing the quarter or quarterly numbers, which just ended as we'll do a call for quarterly and financial year performance post the results. Present along with me today on this forum are Mr. Vipul Mathur, Managing Director and CEO of Welspun Corp. I also have Mr. Samir Joshipura, CEO of Sintex-BAPL.

Then I have Mr. Akhil Jindal, Group Chief Financial Officer and Head Strategy for Welspun Group; Mr. Percy Birdy, Chief Financial Officer of Welspun Corp Limited; and Gaurav Ajjan, AVP and Head, Investor Relations and Strategy, Welspun Corp. We will start the forum with some opening remarks by our leadership team. And then we'll open the floor for your questions. Should you have any queries that remain unanswered after this earnings call, please feel free to reach out to any one of us.

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

Vipul Mathur: Thank you, Salil. Good morning, everyone, and thank you very much for joining this call on Monday morning. Today, we will discuss the acquisition of Sintex-BAPL by WCL. As you all know, WCL has acquired Sintex-BAPL through a resolution plan approved by NCLT Ahmedabad. First of all, I would like to talk about the rationale for this acquisition. This transaction is in line to our strategy to build a building material portfolio and create a robust distribution channel of our B2C strategy, which is in sync with the Welspun Group mission of "Har Ghar Se, Har Dil Tak Welspun".

We will be leveraging Sintex's vast distribution network of 900 distributors and 13,000 retailers on pan-India basis. As you all know, Sintex is a powerful brand, a national iconic brand and gives access to the market. It is one of the truly national brands in the country with a premium positioning. Sintex is best-known brand in the water storage tanks in India. The brand connect with Sintex is synonymous with water tanks. We estimate the market size of water tanks in the range of almost INR 4,500 crores to INR 5,000 crores with 60% of this market consisting of unorganized players.

The current market share of Sintex in water tank is estimated to be about 9%. At its peak, Sintex was the undisputed market leader with more than double the current market share. But in the last few years, several new entrants have made the dent in the market. Our endeavour would be to recoup as much as market share as possible, grow the top line and the EBITDA margins. We will make every effort to reenergize the distribution network, product and brand and combine this with the Welspun strategy or strength in the supply chain efficiencies.

Secondly, I would also like to talk about the transaction cost. As you are all aware, we submitted our bid in the CIRP process under a consortium. The acquisition cost for the consortium was INR 1,251 crores. For the plastic product business, which WCL has acquired, the acquisition cost is INR 1,141 crores. There was a cash in the company and the subsidiary of Sintex-BAPL to the extent of INR 735 crores, which was utilized for this particular transaction. Thus, the net implied cost for WCL for this national iconic brand, Sintex is close to INR 406 crores only.

Moving on to the financials, if we see for the last nine months of FY '23, which are unaudited at this point in time, the top line has been close to INR 382 crores. And an EBITDA of INR 44 crores. Even in the CIRP process when the company was into stress, the company has been EBITDA positive and cash positive. At its peak in FY '19, the revenue for the plastic product business was close to INR 1,000 crores and the EBITDA was in the vicinity of INR 220 crores with an EBITDA margin of 22%.

So right now, they have a market share of 9%. But in the peak time, the market share was almost close to 22%, 20 odd percent. And that is the upside in the market share which the company envisages to take over a period of time. As regards to the product portfolio, there are two distinct product portfolios which the company manages. One, on the consumer side and other on the industrial side. On the consumer side, the company produces Sintex water storage tanks for residential and commercial storage, which is a hugely growing market.

Apart from this, the company also manufactures UPVC based interior products which is also a significantly growing market and has a pan-India after-sales service too. The company also caters to the institutional segment and manufactures several products like industrial containers, electrical boxes, underground tanks for water and fuel storage, large capacity SMC panels, packaged sewage treatment plants, septic tanks, biogas plants. The company also make parts and panels for metro and railway business and has been exporting these products to the US market also.

The company has manufacturing facilities at six locations, including Kalol, Nalagarh in Himanchal Pradesh, Namakkal in Tamil Nadu, Uluberia in West Bengal, Butibori in Maharashtra and Guwahati. All the facilities manufacture water tanks, except Kalol, where all other products are also manufactured. So out of the six locations, water tanks are produced at all the six locations, whereas the other products of the portfolio are only produced at Kalol. The combined capacity of these plants put together is close to 70,000 tons. And currently, the capacity utilization has been around 27-odd percent.

The plants are equipped with technologies like roto moulding, blow moulding, sheet moulding compound, SMC, UPVC extrusion and fibre reinforced plastics. So all in all, all the technologies, which are being used in the polymer sector, the company is completely equipped with all the latest technologies which are required to produce this product. As we did our due diligence, we envisage that there will be, there we do not foresee any immediate large capex requirement.

However, as we are going into it, we are assessing the situation, but the first feedback coming to us is that there will not be any capex requirement. There might be some maintenance capex, which may be required, some capacity debottlenecking would be required. And in terms of equipment and infrastructure requirements, but nothing significant on the capex side we are envisaging at this point in time. Further, the business has no liabilities. All those liabilities have been extinguished under the NCLT process, and we are starting as a clean slate.

In terms of workforce, there are almost close to 1,900 employees, of which the contractual employees are close to 530. There is a 250-plus member strong sales team with a pan-India presence. The other part of this business, as I said, this company was acquired under a consortium. The other part, the other member of the consortium was-- the other product in the consortium was the auto business, which WCL has not acquired. And this is in line with the resolution plan we have submitted to NCLT at day one itself.

We were very clear that we never want-- as the Welspun Corp, we never wanted to get into the auto business. For a simple reason that it was not in sync with our building material strategy. It was not in sync with our B2C strategy. The reason-- our key reason for getting into Sintex and as it was more of a B2C business. So right from day one, Welspun Corp was clear not to get into that particular business and we went into a consortium mode. The company, as I said, has more than 1,900 employees and more than 215 strong salespeople, but also it has a very, very competent leadership team, which is very capable and versatile.

The key leadership team is already in place to-- has been taking care of this business during this distress time and is being led by the CEO, Mr. Samir Joshipura, my colleague here, and he's with me on this call today. He has more than 25 years of experience and out of which eight years has been with SBAPL. During the stress time of the last three, four years, we have speared and navigated this company phenomenally well and keeping this company afloat, keeping it EBITDA and cash positive.

The CFO designated is now Mr. Chirag Goenka. He is a veteran with Welspun. And he will be now be spearheading the CFO function. The sales and marketing is headed by Mr. Srinivas and the operations are being headed by COO, Mr. Rajnish Gera. This will also be supported our marketing head, Mr. Hiren Merchant, who has more than 33 years of overall experience in this particular space. So from a management bandwidth point of view, there is a complete leadership team in place, the full management in this place. It is absolutely an operating organization. So we do not foresee any stress coming up on that particular side.

Overall, if you see it is a strategic investment by giving Welspun Corp, a big foray into the B2C space enabling the company to bring in consistency, predictability in the earnings and also chart out its exponential growth plan. So this is what in all of our regular Welspun board meetings and investor calls, this is the area we have clearly highlighted to all our investors, and this investment is a strategy. A strategic investment is in that direction only. We just wanted to give you this brief overview so that we-- all the investor community is fully aware as to what was the rationale behind it and what-- why did we get into it.

And now with this opening remark, I would like to open the floor for the questions. I would request you to please restrict your questions on this particular transaction as we would only be talking about this transaction and not about any potential Q4 earnings because we've been in a silent period at Welspun Corp Limited. Thank you, gentlemen. Thank you very much for your patience. And I and my team are here to address any questions as you may kindly have. Thank you.

Moderator: We have our first question from the line of Miraj from Arihant Capital. Please go ahead.

Abhishek: Hello sir, this is Abhishek from Arihant Capital. Congratulations on completing the event. Sir, I just want to understand, is there any organizational changes or is expected in SBAPL going forward? What exactly the role Mr. Joshipura, apart from Mr. Joshipura are you looking to hire someone else also? What is your thought process? And second thing, sir, as per your understanding, what kind of margins you see going forward are sustainable in this business. I don't need a forward-looking, but I see what kind of margins I just want to understand is possible in this business sir.

Vipul Mathur: Abhishek, good morning to you. With respect to your first question, we are not going to make any organizational changes. There was a position which was vacant with respect to CFO, which has already been filled. And other than that, we are not envisaging any changes. And the reason for that is there is no need to make any changes because all the critical positions, which is the CEO, the CMO, the COO, are very, very experienced people, completely aligned to the work strategy of Welspun. And so we have been interacting with them. And there is a tremendous amount of comfort which we are having with this team, which is coming with this acquisition.

So we are not envisaging neither immediate nor in distant future, any organizational changes, just to be clear on that. As respect to the margins, I think so the company has been under stress. There has been no doubt. They had been working under shackles because of the financial constraints of the CIRP process. And that is the reason they have lost their market shares and all that stuff. But despite that, they have been able to maintain a margin-- market share of almost close to 10%, they have been able to maintain an EBITDA margin of close to also 10%, right?

And I'm sure that as Welspun Corp steps in and as the moment, they have all the freedom to go back to the market, the financial constraints are withdrawn. I'm very, very confident that not only the top line will grow, not only the market share will increase, but also the EBITDA margins we will see a significant growth in the same as well, Abhishek.

Abhishek: Okay. And what is the sort of -- how exactly you are going to do further [indiscernible 0:14:54] and what is the strategy, sir?

Vipul Mathur: You're not clear, Abhishek. Can you repeat the question, please?

Abhishek: There are lot of new players are there in the segment right now. So what will be our strategy to regain some of the market shares which we have lost?

Vipul Mathur: Abhishek, it is our national brand. It is an iconic brand. We have ceded this market share because we were-- the company was under stress. Now, when the company is not under stress and then when we are going to go back with the full force into the market, I'm sure that we will be able to regain a significant ground what has been lost over a period of time. At this, even the company would have been in the stress, the attachment of the people, the attachment of the dealers and the retail network has been so very strong that it is phenomenal and incredible.

And I think so when we are putting our foot to the ground and ear to the ground, the response what we are getting is that they are really, really looking forward that for a brand like this should come back into the market. And one thing which you have to also understand, Abhishek, is that at no point in time, there was any quality compromise. The quality has been even in all through this period. They have been able to maintain their quality. They have been able to maintain their customer connect. The only thing, which restrained them because of the financial constraints was going to the market and expanding their marketplace.

Now with these things withdrawn, I am very, very sure that they will be able to do a phenomenal job. And we will be able to capture the market share. It is going to be a work in progress. It is not going to happen overnight. But I think so it is going to be-- but it is going to be a much faster process than anticipated.

Abhishek: Understood sir. Thank you so much for answering the questions. I'll get back into the queue.

Vipul Mathur: Thank you, Abhishek.

Moderator: Thank you. We have a next question from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.

Tarang Agrawal: Hello, good morning. Two questions from me. One, what kind of front-end synergies can we expect between Sintex and Welspun's existing business, including the newly capitalized capacities because one would believe these would be completely different distribution channels. So just was curious in trying to understand that. While I understand that Sintex was undergoing through its own challenges and the ramp-up should be significant given the backing, but failed to understand what kind of synergies [indiscernible 0:17:26]? That's one. The second question is, what would be the replacement cost of these six plants that you spot out the 70,000 tons capacity as of today? Thank you.

Vipul Mathur: Tarang, I did not get your second question, but nevertheless, I will come back to that later. Your first question with respect to Sintex-Welspun synergy, I think so it is -- as you know, we did our Welspun Corp did their visioning exercise and they completely realize that as being one of the largest and a very dominant player on the B2B side of it, there is an imperative need that Welspun Corp also need to diversify their foray into the B2C segment. And it is with that purpose, it is with that intention that we were looking at some acquisitions, and Sintex was the most befitting acquisition, which came to our notice.

So what we are trying to embed B2B and B2C together so that we are able to bring in consistency, predictability and growth into our earnings. And which typically are not there when you are purely a B2B player. Also, it was also reflective of the very fact that the valuations of the company, despite the Welspun Corp has been doing significantly well over the period year-on-year basis, but the type of valuations, it was not in line, was not in sync with the work which the company has been doing. And one thing which we realized that missing piece was that there was no predictability which was coming and this B2C acquisitions bring that predictability to stage.

So I think there is-- it's a natural migration, which is happening. The synergy-- there is going to be a synergy. The companies are going to be run. The Corp business, the B2B business is going to be run independently. The B2C business is going to be run very, very independently. So we are very clear as how these businesses will be run. But at a conglomerate level, at WCL top level, I think for this-- the synergy between B2B plus B2C is going to play a catalyst role. I think, so your second question was with respect to the capacity utilization, if I'm not wrong, Tarang. I think...

Tarang Agrawal: My second question was, what is the replacement cost of the six capacities that you have-- the six plants that you've bought in through this acquisition?

Vipul Mathur: Right. So Tarang, we are not seeing it from a perspective of replacement clause. You cannot replace brand Sintex. It takes 100 years to build a brand like that. While we may look at-- we can juggle around the numbers, but the brand has an intrinsic value. And I think so we have to see it from that-- i.e., that context and that vision. So we were not looking at it from a replacement cost perspective. We are looking from a brand perspective. And you have to understand, today, 900 distributors and 13,000 retailers to create a platform like that is an effort of a lifetime. And which you are getting into it at day one when you are taking over this company. So I think so we will have to see and we will have to move forward with this context in this acquisition case.

Tarang Agrawal: Understand sir, just one follow-up. For the overall amount that was owed by Sintex-BAPL to the lenders, what was the split between principal and interest?

Vipul Mathur: I would not know that, number one, we can get you that answer. But nevertheless, it was because as you know, it was under CIRP process. We have submitted a firm binding resolution plan for the particular value. We were more concerned with that. But from an academic perspective, we can find out that answer and offline give it to you, please.

Tarang Agrawal: Sure. Thank you, sir. All the best.

Vipul Mathur: Thanks, Tarang. Thank you, very much.

Moderator: Thank you. We have a next question from the line of Vikas Singh from PhillipCapital India Pvt Ltd.

Vikas Singh: Good morning, sir.

Vipul Mathur: Yes, good morning Vikas.

Vikas Singh: First of all, congratulation on successful acquisition of Sintex.

Vipul Mathur: Thank you. Vikas.

Vikas Singh: My first question is since it's a B2C business and a lot of distribution and channel partners would be there, what kind of working capital needs we are going to experience here? Working capital infusion, which would be needed since we are already at a very suboptimal utilization level and we need to see...

Vipul Mathur: Vikas, my sense is that at this point in time, I think so we would have to-- there would be a working capital requirement of something like INR 40 crores to INR 50 crores working capital requirement, which will be required at this point in time. And I think so from the cash which is sufficiently available into the system. So that is what the requirement would be at this point in time.

Akhil Jindal: Vipul, if I may add on to this. This is Akhil Jindal from Bombay office. So basically, Vikas, we are leaving around INR 62 crores cash in the company. In addition, under the CIRP process, all the liabilities of the company have been fully discharged. So there are no continuing liability on the current asset side-- I mean, on the current liability side, which are accruing. The company maintains a very healthy current assets as we talk. So our assessment is that immediately, there would not be much fund-based requirement on the working capital side.

However, we are cautious of the growth of the company. And as a result, there would be a lot of non-fund-based requirement that will come along. And when we are finalizing the business plan with the management team, that would also be-- the lines would be set up in due course of time within, say, 60 to 90 days. So the company is adequately funded both on the cash as well as on the current asset side. So there's an immediate requirement on the working capital side.

Vikas Singh: Understood, sir. Sir, in terms of our net cash balance basically cash outflow perspective, we have already bought bonds worth over INR 400 crores. So can I assume that there would not be any incremental cash outflow since we are adjusting INR 735 crores, the money which was already with Sintex in our acquisition costs?

Vipul Mathur: It is done, Vikas, all the transactions, which were supposed to done NCD, retiring, this and that, anything and everything which was supposed to be done is done. The total acquisition cost, as I said, to Welspun Corp is INR 1,141 crores out of which there was INR 735 crores, which was available inside the company. The gross net acquisition cost to Welspun Corp is close to INR 400-odd crores. And it is now pretty much closed. It's all over, and we are now in a complete management control and only now focusing on-- only on one thing, which is growth, growth and growth.

Vikas Singh: Sir, I understood that part. I was just talking about the cash outflow from Welspun since we have already bought INR 418 crores worth of bonds at debt previously. So that money has already gone. So effectively, our cash outflow would not be there. Incrementally, it would not be there since we need to pay only INR 400 crores, which would have also got adjusted against our bond purchase.

Akhil Jindal: Yes, you are absolutely right, Vikas, that's our position. So no incremental cash has gone from WCL. The bond which was purchased one year back has been fully redeemed in the CIRP process. So the cash outgo has not been there for WCL at the time of the acquisition.

Vikas Singh: Understood. And sir, just one little clarification. In the entire cash profile, roughly about GBP 55 million in Singapore subsidiary of Sintex had got under some dispute. So we are free of those charges also in any those disputes in future would be taken care of by banks, it wouldn't reflect back to us, right?

Akhil Jindal: Yes. Just let me correct, it was EUR 55 million, not pounds and those, all money have come back to India. We have got the money all under the CIRP process. And to that extent, there are no dispute, no liability left with respect to that amount of money. When Vipul mentioned about the cash balance of the company, he had included that amount also under the total cash balance. And to that extent, all the liabilities are fully discharged. We are not anticipating any legal case or anything under that because we have followed the IBC order in its totality. And all liabilities under that are fully discharged.

Vikas Singh: Wonderful, sir. Sir, just one last question, if I may pitch in regarding the group itself. So in terms of Welspun Corp, since we are now moving to some part of B2C also, what kind of revenue percentage in future, we would like to target in terms of overall group portfolio coming from more stable B2C business? Any thought process on that?

Vipul Mathur: So Vikas, I think so we are working with the team here with respect to their business plan and their next three years business plan, we are working on that and how can we-- what we can do around that. And I think so-- I mean as you all know, there's a huge potential. There's a huge upside out there in this particular line of business. I think so we are in the process of assessing that. And when we will, I'm sure that when we will come back with our, when we finalize their business plan and when we come back with our quarter four earnings call.

I think so we would be in a much better position to give you some more realistic numbers because by that time, we would have completed our complete assessment about the market potential, the growth strategy and what intervention does it require? So we would have done that, and we would be in a much better position to do that. But if you have to see the historical perspective, I think that the company has been doing almost at a run rate of like INR 200-odd crores on a quarter-on-quarter basis, literally.

So now we are trying to assess that what best-- what further it could be, what better could be done from there.

Moderator: Thank you. We have our next question from the line of Nirav Shah from GeeCee Investments. Please go ahead.

Nirav Shah: Yes, good morning, sir. And thanks for the opportunity. And congratulations. Most questions are answered, just a few pending questions. Of the cash balance of INR 735 crores, Sir, how much is in India?

Vipul Mathur: Akhil, can you just do that? Akhil?

Akhil Jindal: Vipul, the line unfortunately at my end was not clear. So can I request the question to be repeated?

Nirav Shah: Yes, sir. How much of the INR 735 crores of cash balance is in India? And how much is it in overseas subsidiary?

Akhil Jindal: So nothing is in overseas subsidiary. Nothing is lying there as we mentioned. All of this has been transferred to India under the court order. And all of this has been a part of the acquisition cost and the cash left in the company. So as I mentioned today, we are maintaining our balance around INR 60-odd crores in the company. Rest all has been used in the IBC process.

Nirav Shah: Second is, while it is too early to ask this question, but any non-core asset you see there, are there-- I mean, some land parcel, which is of no utility as of now? Or I mean have you identified anything which can just lower our acquisition cost?

Akhil Jindal: Nothing comes in our mind immediately, but Vipul and Samir, you can answer that. My only addition to what you would say is that we also have acquired another company called Sintex Infra. And under that all the land access and everything required for this project, required for this company has already been secured. But Samir, you can answer that if there is anything non-core left in the company.

Vipul Mathur: Samir?

Samir Joshipura: Hi. There is nothing which is non-core. All the businesses are operating as usual. Yes, probably the potential is much higher. So there's no non-core assets. We are going to run with all the product lines that we have right now.

Nirav Shah: Okay. And we mentioned we are operating at some 27% utilization and annualized top line is somewhere close to INR 500 crores. So our potential will be close to INR 2,000 crores on the current infrastructure?

Samir Joshipura: With the current infrastructure, with a little caveat that there might be individual bottlenecks that may emerge, and we need to keep filling that. I mean because it's a...

Nirav Shah: INR 1,700 crores, INR 1,800 crores a realistic number, which we can potentially do from this asset?

Samir Joshipura: I would probably put it that around INR 1,500 crores, we might have to get into some kind of investment in certain technology, not necessarily all.

Nirav Shah: And sir, just last question is any-- the plastic space is fairly wide space and we are into the consumer part. So any new product portfolio which we are planning to foray into something like furniture or anything that sort?

Samir Joshipura: Since you specifically mentioned furniture, we already have a portfolio of UPVC interiors, which sections can be used to make interiors, including furniture. So that's one part. Then we said that expansion in the product categories that we have other than what we already have. So that's what. Now we have a time, now is the right time to think with the one Sintex has become part of Welspun Group to think about what can be done in future.

Having said that, our immediate task is to resurrect the current categories. And once we are somewhere on that journey, we need to start thinking about what next to, what we already have, maybe certain categories or adjacencies we may look at. But right now, we intend to resurrect the existing categories.

Nirav Shah: And sir, final question. Vipul, sir you mentioned in your opening remarks that your initial target is to test the peak top line of INR 1,000 crores, which you did in FY '19. So any timeline that you're looking at in third year or second year, I mean, for this number?

Vipul Mathur: Nirav, repeat, sorry, we missed you for a second.

Nirav Shah: Sure. Vipul sir mentioned in its opening remarks that the first target is to achieve the peak top line of FY '19, which is close to INR 1,000 crores from the plastic products. So, any timeline by when are we planning to achieve this INR 1,000 crores top line because right now, we are at INR 500 crores run rate?

Vipul Mathur: That's not a worry. See right now, our immediate goal is to get to the same number what, were at the peak, they were doing. I think so it's-- as I said, it's also a work-in-progress, it's a journey. And as we hit, as the team will hit the ground as the team will get back to the market with full force, I think so it is going to take some time. I think so probably we are looking at least 18 to 24 months' time before we get there. But getting there is-- will we get there? The answer is yes. It's just a matter of making an assessment that whether it is going to be 18 months, 24 months' time, but we would be there anyhow for sure. There's no doubt about that.

When we are talking to people on the ground and we are interacting with all the dealers and distribution. The pull it has in the market. It has maintained its charm. So there is a pull. There is an excitement and people are very excited that this brand is coming back with the support now. And now it has to get translated. So, I think that the whole team is completely focused in terms of converting this into a great opportunity but I'm sure that as we interact on a quarter-on-quarter basis, you will come to see what is the growth journey we are embarking upon.

Nirav Shah: Absolutely, absolutely. Sir, thanks for answering my questions. And congratulations on the acquisition once again, sir.

Vipul Mathur: Thank you, Nirav. Thank you very much. I appreciate.

Moderator: Thank you. We have a next question from the line of Cyrus Patel from Patel Brothers. Please go ahead.

Cyrus Patel: Yes. Good morning. Congratulations on your acquisition. I have only two questions. What is going to happen to the existing shareholders of Sintex plastics, which are-- is it going to remain a quoted company? Is it going to be delisted? What is going to happen?

Vipul Mathur: Akhil?

Akhil Jindal: Yes. So, basically because this company has been acquired under the IBC, so there is no shareholding left in this company of any other investor or shareholder other than Welspun Corp. So Welspun Corp is a 100% owner of the new Sintex-BAPL. And no other investor has any stake left in the company. So it's a 100% subsidiary today.

Cyrus Patel: So it will be delisted?

Akhil Jindal: The parent-- this company was never a listed company; the parent of this company was a listed company. And I understand that, that company is also going through an IBC process. So what would happen to that company would be decided in the NCLT courts.

Cyrus Patel: Okay. So the Sintex Plastic Technology, which is the listed company is currently being traded on the exchanges, and that will continue to be traded until any further notice from any of the authorities, right?

Akhil Jindal: That's right. I mean whether it's traded or not traded, sorry, I've not kept track of it. But this was originally the promoter of the Sintex-BAPL that we have acquired. And the Sintex-BAPL, as I mentioned to you, is now 100% subsidiary of Welspun Corp.

Cyrus Patel: Okay. Understood. And for which they are getting paid INR 1,250 crores in total?

Akhil Jindal: Yes, INR 1,251 crores was paid to the creditors of this company. And to that extent, no cash travelled back to the Sintex Plastic, as you as you asked.

Moderator: Okay. Thank you very much.

Akhil Jindal: Thank you.

Moderator: Thank you. We have our next question from the line of Bharat Sheth from Laksh Capital.

Bharat Sheth: Yes morning, and congratulations, sir. I missed the commentary part of it. So I'm sorry for that. I just have one query, which, although the earlier participant has also asked, but I would still like to clarify as I'm a little bit confused. So earlier, we paid some INR 450 crores odd whatever that amount was to acquire those bonds, which happened a few months back, right?

Vipul Mathur: Right.

Bharat Sheth: Okay. And now, so that was one part, where the INR 450 crores has been paid? And now we have paid INR 1,250 crores minus, which we got INR 700 crores cash from the company minus that auto business of whatever we got, which has been taken over by the consortium guy, other consortium guy. So that INR 100-odd crores. So here, as of now, the net outflow is again INR 400 crores odd. So our total cost, can we say it is INR 450 crores earlier one, plus this INR 400 crores, INR 850 crores odd amount?

Akhil Jindal: No, Bharat. I think you are doing a double count as we clarified on one of the questions earlier. The total net investment as on date by WCL, including the previous one, is INR 400-odd crores. So INR 405 crores, whatever that exact number is, our investment is limited to that.

Bharat Sheth: That's it. So that's the total cash outflow?

Akhil Jindal: That is the total cash outflow. So whatever bonds we purchased earlier had been fully redeemed.

Bharat Sheth: Okay, great. Thank you so much sir. And wish you all the best. Yes.

Akhil Jindal: Thank you Bharat.

Moderator: Thank you. We have a next question from the line of Bhavin Chheda from ENAM Holdings.

Bhavin Chheda: Yes. Congrats to the entire team for completing that transaction in a timely manner and at an attractive valuation. Sir, few questions, sir. First, who will own the Sintex brand and whether the future business would be under the Sintex brand, Welspun brand, if you can give some clarity on the ownership of the brand?

Vipul Mathur: The brand will sit, Bhavin good morning. The brand will sit with Sintex-BAPL. They will be the owner of the brand. And the future marketing will all be done under the name of Welspun-Sintex only.

Bhavin Chheda: Welspun Sintex. So you'll retain the brand and you will co-brand or whatever the marketing exercise. So brand ownership is with you in Sintex tanks?

Vipul Mathur: Yes.

Bhavin Chheda: It comes along with that. Second is this business will entirely sit in 100% subsidiary.

Vipul Mathur: It will be 100% subsidiary of Welspun Corp.

Bhavin Chheda: And as Akhil clarified also, so this-- as the acquisition gets completed, INR 60 crores cash is retained in that subsidiary, which you think would be enough as of now to run the day-to-day operations, operational maintenance capex as well as working capital, right?

Vipul Mathur: To start with, it is all about working capital, and I think that should be good enough for them to re-launch themselves and accelerate the whole process of capturing the market share.

Bhavin Chheda: Sure. And the last one is, since it's a 100% subsidiary in the business is acquired in that. Do we get the past accumulated losses also in that company, which can be offset against future profits? Or since it was our IBC transaction, there are no carry forward losses?

Vipul Mathur: We would have some carry forward losses. And under that, we will be able to utilize them.

Bhavin Chheda: If you have any number you can share?

Vipul Mathur: It's close to INR 700 odd crores.

Bhavin Chheda: Yes, the INR 700 crores of accumulated losses, which would be available. So almost there would be no taxation for next couple of years or whatever next two, three years, INR 700 crores is a big number?

Vipul Mathur: It is.

Bhavin Chheda: Okay. So probably there would be a lot of tax savings on that?

Vipul Mathur: Yes Bhavin?

Bhavin Chheda: Thanks a lot.

Moderator: Thank you. We have a next question from the line of Ritesh Shah, an individual investor. Please go ahead.

Ritesh Shah: Yes hi sir. This is Ritesh from Investec Capital. Sir, you indicated this investment is more strategic to us. Can you indicate what is the target payback period over here?

Vipul Mathur: Ritesh, good morning. The net of our acquisition, as you would have understood is close to INR 400-odd crores. And if you look at the product portfolio and the brand, what it is, I think so, I mean-- and the market share, which is around 10% and if things are clearly accelerated and they get to a market share of close to 12% to 15% in the next couple of-- in the next couple of months, 18 to 24 months' time. I think so this definitely is a payback of not more than three years' time.

It would be-- I mean that's what we are expecting that we are hoping. But I just want to put a caveat. At this point in time, we have just got into the seat. We have just got into it at this point in time. We are evaluating all the options. We are looking at the market. We're looking at what could be done to accelerate our interest in respect to all our shareholders and investors is to see that, I mean, it is a fastest turnaround. That's what we are looking at. And there is a complete alignment of purpose between the teams.

But from a valuation perspective, if you see, I think we have got a very sweet valuation, number one. Number two, from a product perspective, we do see they have a huge variety of products. And number three, from a market share point of view, they have enjoyed a huge market share. From a brand point of view, they had a great brand. So all in all, put together, all the boxes getting ticked. Now it's a matter of hitting the ground and start running. And rest would be-- rest the numbers will speak for itself in quarter to come.

Ritesh Shah: Sure, sir. Sir, my second question is, what were the other categories that were evaluated prior to zeroing it down on Sintex or say water tanks and other categories?

Vipul Mathur: You mean other companies?

Ritesh Shah: Yes, sir, other companies or categories, ceramics, anything on the B2C side, it could have an electrical, paints, anything else? Why did we zero it down?

Vipul Mathur: We have been. See we were very clear that we have, as I said earlier, that we have to bring a B2C portfolio into our portfolio, in the Welspun Corp portfolio because from a-- we were saying that this is something which was missing. We have kept our eyes and ears open. We have been looking at various options. In the past, we have looked at one or two companies, but they did not work out. Here was a brand. Here was a national brand. Here was an iconic brand.

And that is where it caught our attention, and we got involved into the process. And luckily, that this process went through. And if I may say so, it was one of the fastest IBC process resolution of the fastest way of settling it down. So we looked at a couple of options in the past in various categories, but this is where we set our eyes on. And what has been kind that we know that have this brand with us, in Welspun Corp.

Ritesh Shah: Sure, sir. Sir, would it be possible for you to give a broad split of the revenues right now or, say, what we desire or one year out, like things will be what percentage of the target revenue number?

Vipul Mathur: Ritesh, as I said that we are working closely with Samir and the entire team in terms of formulating a very clear business plan. I think so there are broad guidelines, which are already in place. They are getting, as we speak, they're getting validated. Let's not forget that we are only three days old into this company. So give us the flexibility or a little bit flexibility on that time. But I can tell you that I think the plan what Samir and his team has been able to bring upon the table, they are looking very, very exciting.

And we are just debating around that and validating all those things. And as we get into our fourth quarter call, I think so which will be sometime in May. I think by that time, we will be able to bring in much more clarity, much more crystal-- things will get crystallized. And we'll be able to get you much more definitive numbers. Right now, I just don't want to throw numbers on the top of that.

Ritesh Shah: Sure, sir. Sir, just last question for Mr. Joshipura. Sir, how do you gauge the competitive intensity in tanks as a segment? Do you look at it on a per kg basis or on a per litre basis? And do we have any definitive road map to actually get back to the targeted market shares, what was indicated earlier? Is it something on working capital? Or is it pricing or margins? Sir, how should we understand that?

Samir Joshipura: Yes. Thank you for your question. So I'll probably explain the competitive scenario in two phases. So even today, Sintex is the only pan-India water tank brand. All the other players are not truly pan-India. They do work in pockets, some work in bigger pockets, some work in smaller pockets. During this-- while Sintex was under stress, there are a few launches, few competitions, which have come into play, which we need to address them, but still their market share still is fairly less than what Sintex even today has.

So I am not as overly worried about the competition for sure because there is still a very large, more than half of the unorganized market, which needs to be tackled. So there is a play for everyone in this segment. Regarding what future plans we might have or where we are going to attack the most, basically, where we got constrained because of the CIRP process, where the two domains. One is the market spend where we need to energize the market when I say market which includes channels, which includes our retailers, numbers, customers which, was not being done during the last three, four years, which we need to start doing.

And on the other side, there are software parts or software investments that we need to make in terms of people at the ground level, the systems and processes and of course, the product improvements that we need to do. So this is where the main play is going to be as Mr. Mathur already explained that from a supply chain point of view, we may not have too much of investments to make because we have some capacities available.

Ritesh Shah: Sure, sir. This is very helpful. Sir, just last question. Sir, what is the current working capital days for tanks as a business? And what do you think would-- that ideal number would be if we are looking at doubling the top line. So will working capital be something which would be very sacrosanct to us?

Samir Joshipura: So we are currently at around 45 to 50 days, and we'll maintain that. So the INR 60 crores, which is mentioned, we would continue to maintain it. There is no intention to expand working capital. We would like to address one good thing that happened during our CIRP process that we became very lean, and we would like to maintain that well.

Ritesh Shah: This is very helpful. Thank you so much.

Moderator: Thank you. We have our last question from the line of Abhishek from Arihant Capital. Please go ahead.

Abhishek: Yes. All my questions have been answered.

Moderator: Thank you. I would now like to hand the conference over to management for closing comments. Over to you.

Vipul Mathur: Thank you, gentlemen, for joining us on this particular call. I think so we would have met your expectation in terms of answering most of the questions what you have. But still, if you have anything which you need further clarification on, I think so you kindly may reach out to Salil or to Gaurav Ajjan. But just to conclude, I would like to say that this is a great, it's a milestone step in the growth journey of Welspun Corp. This is an acquisition or this sort of an acquisition we have been aiming it for quite some time.

And as we want to become a very dominant player into the B2C space, having been a very dominant player on B2B side in any case. So I think for this integration of this acquisition of Sintex brings us that synergy. And I'm sure that it is going to yield significant results and dividends for all of our investors and the stakeholders. And I'm very sure that we would be able to create an intrinsic value in this organization. Thank you very much for joining us today, and have a good day, please. Thank you.

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