



**“Q1 FY14 Conference Call of Welspun Corp”
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SPEAKERS:

Mr. B.K. Mishra, Managing Director

Mr. S. Krishnan, CFO

**Mr. Akhil Jindal, Director, Group Finance and
Strategy**



Moderator:

Good afternoon, ladies and gentlemen. I am Sourodp Sarkar, the moderator of this call. Thank you for standing by and welcome to the Welspun Corp Limited, First Quarter Financial Year 2014 Earnings Conference Call. For the duration of presentation, all participants' line will be in listen-only mode and post that we will have a Q&A session. So now without further delay, I would like to hand over the proceedings to Mr. Amit Mishra from Macquarie Capital Securities. Thank your and over to you, sir.

Amit Mishra:

Good afternoon, everyone. It is our pleasure to host Welspun Corp post results conference call today and thank you very much all of you for participating on it. To represent the company, we have with us Mr. B.K. Mishra, Managing Director; Mr. S. Krishnan, Chief Financial Officer; and Mr. Akhil Jindal, Director, Group Finance and Strategy. I would now like to hand over to Mr. Mishra for the brief background to the results and then we will open for questions and answers. Over to you, sir.

B.K. Mishra:

Yeah. Good afternoon, everybody. As a matter of fact, just wanted to tell you that, you know, I am taking this call actually not from Bombay and I am actually out in Ahmedabad and it's a pleasure to have you all in this line.

To start with the quarterly results of Financial Year 2013-14, I wanted to also, of course, emphasise that as you know the company is in the process of demerging its non-pipe business into a separate company and all necessary formalities in that process is on. So in the meantime, what I would try to take you through the Q1 FY-14 results of global pipe and plate business and as far as the consolidated numbers are concerned, the numbers are already available with you. I would be too happy to take any question and answer on that, and of course, Mr. Krishnan and Mr. Jindal would be assisting me on answering all those questions.

The sales number for Q1-14 stood at 2,249 crores as compared to 2,001 crores in the corresponding quarter last year. The reported EBITDA is 229 crores as compared to 222 crores of the first quarter last year. And the operational EBITDA stood 345 crore as against 297 crore. The finance cost is 77 crores as compared to 92 crores and depreciation is 100 crores as compared to 87.5 crores. The PAT adjusted is 120 crores as against 132 crore of the last year first



quarter and the cash PAT is 224 crores as compared to 218 crores of the corresponding quarter of the last year.

As far as the pipe sales are concerned, the pipe sales stood at 308,000 tonnes as compared to about 178,000 tonnes of last year the same quarter. And the plate sales volume also stood at about 46,000 metric tonnes. The pipes EBITDA is at 335 crores, improvement in profitability across the regions and I also would like to inform here that the Saudi plant is also now at the optimum utilisation level, driving to a higher EBITDA. And the company has made a foreign exchange provision of about 204 crores during the quarter. The finance cost consolidated is about 126 crores. Depreciation is about 125 crores.

And I would straight away take you to the order book position. We have started the year with an order booking about 675,000 tonnes and even after completing sales of approximately 308,000 tonnes, we still have a healthy order booking position of 691,000 tonnes which is at about 4,700 crores. I think it will be, you know, good for me to give you outlook here is that, you know, considering our last year figure sales of approximately one million tonnes, if you see, today, we already have executed about 308 odd thousand tonnes and we already have order booking 691,000 tonnes and we still have enough space available in the factory for at least 120 odd days. So we are, I think, poised to cross our one million tonnes absolutely without any hitch.

This is all that I would like to let you know as far as the business is concerned, and I also would like to inform you that we are in the process of bidding for sizeable projects in Europe. In fact, the company during the quarter also has received an order from Statoil which is considered to be, you know – like it's one of the probably most prestigious orders for an Indian company to back. We have been trying to enter into Statoil for almost last four, five years and this year we have been successful in receiving this order from Statoil, which would open the door for us to the large North Sea market in Norway and allied regions.

Our order booking position in terms of plant wise: our US plant is almost booked till about January of next year and our Saudi plant is booked till about November of this year



and our L-SAW plant in India is also booked almost till about December of this year. And we have sizeable orders, you know, like in the process which would see the year through to meet our targeted numbers.

In terms of geographical distribution, , the order booking position, India is about 24%, America is 39%, Europe is 3%, MENA region 22%, Southeast Asia 7%, and rest of the world 5%. And from a product wise: L-SAW is 213,000 tonnes; H-SAW 449,000 tonnes; ERW 28,000 tonnes, taking to a total of 691,000 tonnes.

The sales demographically, we sold 19% to Asia, 51% to Middle East, 7% to North America, 3% to Europe and 20% to North Africa. I think, this is all about the numbers and the business scenario from my side and I think, like, I would be too happy to answer any questions that you might be having all. Thank you.

Moderator:

Thank you so much, sir. With this, we are going to start with the Q&A interactive session. So I would request all the attendees and the participants, if you wish to ask any question, you may press “0” and “1” on your telephone keypad and wait for your name to be announced. I repeat, attendees, if you wish to ask any question, you may press “0” and “1” on your telephone keypad and wait for your name to be announced. It’s “0” and “1” on your telephone keypad to ask questions. And the first question is from Mr. Bhavin Deliwala from ICICI Bank. The line has been unmuted, you may go ahead and ask your question please.

Bhavin Deliwala:

Yeah. Sir, thanks a lot for the information which you gave. Can you share the figure of gross debt as well as the cash balance which we have because we have the figure of net debt which the company has, but can you share the gross debt and cash balance figures?

Akhil Jindal:

See, the gross debt is roughly around – I am saying the pipe business, the gross debt is around 3,963 crores and we have cash of 1,965 crores. Yeah, so the net debt is roughly around 2,000 odd crores in the pipe and the plate business.

Bhavin Deliwala:

Okay. And on a consolidated basis?



- Akhil Jindal:** Yeah, on a consolidated basis also, there isn't much of difference. I mean, including extra and everything, the total gross debt is 5,783 crore and after knocking of the cash, the net debt is around 3,661 crores.
- Bhavin Deliwala:** Okay. Sir, has our debt gone up in the last quarter? Have you taken any new debt?
- Akhil Jindal:** There has been an increase of around 400-500 crores on the net debt basis. But it is largely on account of some foreign exchange realignment of almost 200 odd crores on the foreign exchange realignment because some of our loans which were in dollar are now realigned with the new currency. Then there is 100 crores short term loans that we have taken for the working capital and that's more for meeting the bank's requirement rather than our business requirement.
- We have working capital facility with the bank. Most of these banks want to see where facility being utilised at least on the last day of the quarter which is what we had to do almost 150 odd crores has been taken just for one day and eventually returned back to them after 30th of June. So this is like 300 crores and then little bit in the business needs, that saw the total 400 crores that have been taken.
- Bhavin Deliwala:** So, sir, basically the 200 crores of 400, is it because of the currency depreciation that the value of our debt is gone up or is it something different?
- Akhil Jindal:** Yeah, absolutely right. It's currency depreciation because of which the debt has gone up due to foreign exchange realignment and the debt is more by 200 crores.
- Bhavin Deliwala:** Okay. And, sir, in fact, the last time when we met for your presentation in Taj, at that time there was a discussion that there could be a plan of FCCB buyback. So is that plan on? Is there any progress on that?
- Akhil Jindal:** We would, of course, be doing that at the right level. I think, the levels are still higher today, but given where the levels are last FCCB that we did was at around 94 dollar for a bond. So we would like to do it around the same level if not much higher than that.



So to that extent our plans are on. We have also got RBI permission for this FCCB buyback. So to that extent, as and when market is conducive for us, we will certainly make an attempt. But certainly we won't be paying anything significantly higher than this. So to that extent, we want to keep that flexibility with us.

S. Krishnan:

Krishnan here. To add to what Akhil is saying, this window of buyback is available to us till end of this year. So we will continue to observe the market and as and when the opportunities are attractive, we will exercise this option to buy back.

Bhavin Deliwala:

Okay. Fair enough. If you look at the consolidated results after adjusting for the foreign exchange losses, actually we have a loss, correct, if I am not wrong?

Akhil Jindal:

That's right. I mean, the reported number is around 60 odd crores as the loss. But obviously, this is reported and there is more of an accounting number than a business number. The business number on the pipe and plate side has been extremely favourable as Mr. Mishra said in the opening remark. The operation EBITDA of 345 crores on the pipe and plate business is quite unprecedented. I am virtually tempted to say that this might be our highest operational EBITDA in many, many previous quarters.

Yes, there has been an impact on the foreign exchange mark-to-market plus some of the impacts on the subsidiary losses. We particularly want to mention Maxsteel that there is a lot of provisional losses rather than the cash loss. So all these get added up when we report the consolidated number. But as you must be aware that we have also taken a step to demerge the entire business, and that's why we thought that the pipe and plate business which will virtually remain in Welspun Corp are the true reflections of the business going forward and that's why we in our investor release have shared those number separately.

Bhavin Deliwala:

Yeah. Mr. Jindal, I absolutely appreciate that the number, as far as the core business is concerned, has been reasonably good. The only reason I asked the question related to foreign exchange is that after 30th June also there has been a depreciation of the rupee which has been a significant one. So to what extent were we unhedged as on



30th June because that would have an impact on the profits of next quarter? So was that hedged or that could also have an impact on the current quarter result provided the rupee stays at the same level or if it depreciates a bit further?

Akhil Jindal:

You see, as far the hedging is concerned, we have a very so-called well defined hedging policy within the group, which we said, we would be fully hedged at any point of time on the trade account. So to that extent, we would not have any unhedged portion but come the quarter ending, you know, our inventories cannot be re-valued while our creditors need to be re-valued at the next available rate, I mean whatever is the closing rate in that sense.

So to that extent, time to decide will certainly come which is virtually, you know, provision at the book rather than any cash flow. As far as our long-term liabilities are concerned, as a company, the board has taken a conscious decision not to keep it hedged because we are long in dollar. So to that extent, as and when we fall due, the extra dollar that we earn from our export earning can be used

S. Krishnan:

And also to add to what Akhil is saying, you know, like ours is like largely an export-oriented business. Our major chunk of sales comes from exports. So we are a heavily dollar-earning company. So that also augments to what Akhil is trying to convey.

Akhil Jindal:

Correct.

Bhavin Deliwala:

Okay. And just two last questions. Just to confirm that before the FCCB's mature in 2014, the only debt repayment which we need to do is 50 million ECB which falls due in April 2014, correct? Or is there any other debt which needs to be repaid before the FCCB's mature in 2014 October?

Akhil Jindal:

Your estimate is absolutely right. Only debt which is to be paid in April is an ECB debt of 50 million dollars.

Bhavin Deliwala:

Okay. And the last question. If Mr. Jaju is still at the company or he is not part of Welspun Group

Akhil Jindal:

Yeah. He is a part of Welspun Enterprise now which is, of course, the demerged company. So he has taken over as a



CFO and the director in that company, Welspun Enterprise. He is very much a part of Welspun Group.

Bhavin Deliwala:

Okay. Perfectly fine, sir. Thanks a lot for answering all the questions and wish you all the best for the next quarter.

Akhil Jindal:

Thank you very much.

Moderator:

Thank you so much. The next question is from Ms. Pfeffer from Artisan Partners. The line has been unmuted, you may go ahead and ask your questions please.

Ms. Pfeffer:

Yeah. Hi, nice to eventually hear from you. I just wanted to ask about progress on the demerger and what, I guess, milestones have been crossed, if any sense, you originally announced it.

Akhil Jindal:

Sure. I think since the time we announced it last month, I mean – Sorry, not in last month, in the month of May, 31st of May to be precise, since then the company has made significant progress. We have almost been able to obtain most of our approvals as required from the stock exchange and the SEBI. So we are in the last leg of getting that approval. Plus on the lender side which is also one of our critical requirements, we have managed to get some very critical NOCs from the large Indian banks, noteworthy to mention Bank of Baroda which is a lead bank for us and which is kind of an essential thing for us to take the business forward. So I think, as a company, there are significant developments on the demerger side. And as we go along, we are pretty hopeful that we would be able to have a demerger done by January 31st 2014, as we indicated. Of course, our internal endeavour will be too tight earlier, but I think 31st January is certainly, certainly possible. We just have to get one final approval from the stock exchanges which will come probably in the next eight to ten days and then we will be in the High Court completing the entire process.

Ms. Pfeffer:

Okay. Thank you.

Akhil Jindal:

Thank you.



Moderator: Thank you so much. The next question is from Rosita D'Souza from Elara Capital. The line has been unmuted. You may go ahead and ask your questions, Rosita.

Rosita D'Souza: Hi, thank you for taking my question. The first question is on the order inflows that we have seen this quarter. If you could give us some colour on, you know, which geographies are actually contributing to the order book, I mean, just the new orders?

Akhil Jindal: See, the major orders that are coming from us is again very largely international. As we mentioned in the beginning, the order book mix is almost like 80% external and around 20% domestic. And that also demonstrates the order booking where both Saudi and US is quite significantly booked. So I think we'll continue to have more orders from external market; noteworthy is to again realize that Indian market is still coming across. We have more like 5 million tonnes capacities in India; however, the total demand is not even one million ton. So that means the other Indian players who are predominantly in India only for India are virtually trying their level best to get those orders. And those orders then become unattractive for company like us. So to answer your question, I think we will continue to be very, very large export-focused and we'll continue to have more orders from the likes of Northern America and the Middle East rather than from India.

Rosita D'Souza: I just wanted to know, you mentioned that North America and probably Middle East, you know, are the locations that you probably will be focussing on. I mean, are you seeing a lot of demand emerged out of those markets?

Akhil Jindal: See, there is certainly a demand which has emerged out of the shale gas in the US market. And also you must appreciate that Canada is a country which has a very large energy exposure with US is no longer feeling a need or feeling a compulsion or so called dependency on the US market. So there is a fair amount of movement currently in Canada at this juncture. In fact, there was a recent report in one of the trade journals that Trans Canada is talking of very large projects coming up.



So Canada as a market is also now looking to expand beyond the US and that means that they need to create a lot of pipeline both sides of Canada's east and west to cater to the Asian and the European demand. And, again, all this can be done through pipeline. So we are seeing lot of traction, lot of so-called inquiries coming out of Canada and also from Mexico. So what that means is that Northern American market will remain pretty strong for a local company like Welspun.

In Middle East, Saudi Arabia is a very, very key dominant market for us. Just to remind you, when we took over this plant in Dammam in Saudi Arabia, we did not even have the basic approvals. In fact, the plant was blacklisted by Saudi Aramco, one of the prime oil and gas companies, not just in Saudi but in the entire world. And since then, we have managed to get Saudi Aramco approval and so many customers' approval. So that plant will again be fully occupied going forward based out of the local demand.

So I think for a company like us which is 80% export, we'll continue to do one of orders in those markets, plus our foray into the European market as Mr. Mishra was mentioning in the opening remarks, for the first time, we have managed to get orders from Europe and we are in a bidding stage for many large orders in the European market. So I think going forward, you know, our million tonne kind of an order book that we already desired and try and maintain will always be possible even going forward.

Rosita D'Souza:

Sure. And what would be the size of your bid book currently?

Akhil Jindal:

Almost like a 1.5 million ton in various geographies in the immediate stages.

Rosita D'Souza:

All right. If you could give us some colour on how the pricing environment currently is and if there has there been any change on the plate segment? Are you seeing, you know, some situation improvement in that area and possibly you think, you know, some more volumes can be done going forward in the plate segment?

Akhil Jindal:

Okay. See, the plate segment, if I answer that question, that's an easy question. The fact that today, you know, the



Korean onslaught on the plate side is significantly higher and primarily because their shipping industry has, you know, gone through a very deep recession, deep downturn. So I think we are not going to see a major recovery on the plate side going forward. We'll continue to do some small orders, bits and pieces largely for our own internal requirement, but other than that not much.

B.K. Mishra:

See, first and foremost, I must say that the market is challenging. There is no doubt about that. You know, like margins are under pressure. Having said that, of course, the steel market itself also has gone down. So you know, like we are still managing to book orders and, you know, like as compared to our peers I think, you know, like we are in a much better position in terms of our international businesses. And, you know, like the margin pressure is going to be continuing to be there, but certainly with our foray into Europe market there are plenty of European projects that are being announced. And fortunately, like, we are expected to be participating on those bids. So I think to that extent, we are somewhat insulated from our peers as compared to, especially, peers in India and also, like, peers as compared to what people are there in China or for that matter Turkey.

So as far as Welspun's positioning in the market place is concerned and for those projects where you are expecting only the top three, four players are expected to participate, Welspun is going to be one of them and it would be participating in all those major projects. So that has, you know, of course, you know, like provided a little better opportunity as compared to the rest of manufacturers in India or Turkey or in China where the margins have been more and more under pressure.

Rosita D'Souza:

Okay, sir. You have been repeatedly saying that margins, you know, will continue to remain under pressure. So what do you think could be sustainable margins for you, you know, going forward in the pipe space?

B.K. Mishra:

See, what I would also say in the same breath that, like, despite the fact that, like, I have been maintaining to say that it has been challenging. If you see as per results for this quarter as compared to the same quarter of last year, the sales has increased by 12%, the EBITDA has increased by



3%, the operational EBITDA actually which is probably far more relevant has increased by 16%. So, like, we are still trying to manage to, like, tap our niche market segment. And we are still trying to continue to, like, deliver probably under the current circumstances whatever is best possible.

Rosita D'Souza: Sure, sir. So what is the EBITDA per ton numbers that I should be probably looking at on a blended basis for the year?

Akhil Jindal: At this juncture, we are at around 180, but as you have mentioned that it's a mix bag. So it all depends on the kind of orders that we keep on getting. So as per our estimation purpose, I would say that we must keep it at a little lower than 180, maybe 165 is a reasonable number.

B.K. Mishra: Correct.

Rosita D'Souza: Sure. Thank you very much for giving me an opportunity.

Akhil Jindal: Thank you.

B.K. Mishra: You are welcome.

Moderator: Thank you so much. Moving on to the next question that is from Mr. Daksh Kalra from HSBC. The line has been unmuted. You may go ahead and ask your questions, please.

Daksh Kalra: Yeah. Good evening, sir. I had two questions mainly. One was, could you provide us with the production break-up for the quarter.

B.K. Mishra: Yeah, sure. Total pipes production this quarter was 320,000 tonnes. By product, it is segregated. L-SAW 115,000; HSAW 186,000; and ERW 19,000.

Daksh Kalra: Perfect. Also, sir, if you can repeat this sales volume break-up also for the L-Saw, H-Saw and ERW?

B.K. Mishra: Sure, Our L-Saw sales is 118,000 tonnes. You need the figures or the quantity is fine, right?

Daksh Kalra: I will do with the figure, sir. Thank you so much.



- B.K. Mishra:** Okay. The L-SAW sales is 118,000 tonnes. H-SAW 172,000 tonnes and ERW 19,000 tonnes. But, Mr. Kalra, I think what is more important, you know, I must give you a comparative figure. As compared to last year the same quarter, you know, I am just giving you the comparative figure, sales is 118 as compared to 99 of the same quarter last year. H-SAW 172 as compared to 73 of last year, and ERW 19 as compared to 6 of last year.
- Daksh Kalra:** Okay. So it has improved very nicely. So that's good on your part.
- B.K. Mishra:** More importantly, like, we have been producing and selling almost at our all-time high numbers.
- Daksh Kalra:** Yes. Okay. Yes, that's it from my side, sir. Thank you so much for taking your time for us. Thank you.
- B.K. Mishra:** You're welcome.
- Moderator:** Thank you so much. Moving on to the next question that is from Mr. Bhavin Chedda from ENAM Holdings. The line has been unmuted. You may go ahead and ask your questions, please.
- Bhavin Chedda:** Yeah, good evening, sir.
- B.K. Mishra:** Hi, Bhavin.
- Bhavin Chedda:** Yeah. How are you, sir? Yeah, good performance.
- B.K. Mishra:** Good, good. Thank you.
- Bhavin Chedda:** Yeah, yeah. Sir, few questions; one is on the plate mill utilization and guidance, how would that be and will it be at the current quarter run rate or what's the outlook on the plate mill utilization?
- B.K. Mishra:** See, as I have also mentioned to all of you, you know, in the last conference call I am not sure. As a matter of fact, I think you were not there in the last call in any case.
- Bhavin Chedda:** I was not there in the last call.



B.K. Mishra:

Yeah, I know. Bhavin, we have decided that first and foremost we had kept the plate mill maintained. So what we have done? We have close to 160-170 people still retained in the plate mill who are constantly keeping the plate mill maintained. And the moment we get an opportunity for servicing some pipe orders with our own plate where, like, the plate margin is slightly better and it makes much more sense for us to probably, like, not buy the plates and make the plates ourself, we will continue to use the plate mill. But if the current market condition is to persist, you know, where the cost of slab and then you convert it and then arrive at the plate prices, that is probably going to be costlier than what is available in the market place, we will continue to buy plates. So that is what precisely we are going to maintain with the plate mill. Have I answered you correctly?

Bhavin Chedda:

Yeah. What I understand is till the market improves the mill will run on an order specific basis. And, sir, the volumes which I see the sales volume, this is all – majority is internal sales, you have sold 46,000. So is it the captive consumption which has happened?

B.K. Mishra:

A sizable chunk. I think the majority is for our own consumption. The internal was 26,000 tons and external was 20,000 tons.

Bhavin Chedda:

Okay. Sir, taking the question forward, again, if I see your L-SAW volume numbers, it was 115,000 and [mute audio] is all India, since internationally you have spiral capacities only. So, what my question was even on the in-house production of L-SAW, why are you not then using your own plate, is the quality of L-SAW what you produced in India is different? I believe that the outside procurement you would be able to match plate production cost as compared to outside procurement cost. So what's the mismatch out there?

B.K. Mishra:

The major mismatch is... first and foremost, you are right to some extent that, you know, like because in this quarter primarily we were doing a lot of export orders in our L-SAW facility. So, like, sour service, you know, like and these are probably from the top of the line customers and, like, very heavy one for which, you know, like we don't have the necessary experience in the plate mill. So we had



imported plates and more importantly even if we were supposed to make those plates, the cost of producing those plates from imported slab would have been much higher than at price which we have imported these plates. So, it made much more sense for us to, like, continue buying plates rather than producing the plates. It is simple marginal cost analysis dealing.

Bhavin Chedda:

Okay, okay. Sir, coming to the order in the market, I think from your order book, it looks good that you have almost orders of like 4 lacs, almost, I think more than that, almost like 4 lacs in the quarter and you mentioned of the Statoil order also. How big would be the Statoil order?

B.K. Mishra:

Statoil order is not very big. It's about, like, maybe 30,000 terms but, like, it's strategically very important because it's the first time, like, Welspun is making entry into the European market and primarily into the North sea. You know, it has always been, you know, like dominated by the Japanese and European manufacturers. This is the first time we have made an entry. So strategically, it's very important for us, especially for future.

Bhavin Chedda:

Okay. And sir, India, do you think the market is still weak or how Indian market on the pipe side, will there be some recovery or you would be completely dependent on outside world for – since already 80%, you are already exporting, but to fulfil the capacity is there any Indian orders... because I think I believe the water segment has picked up last year but how is the scene there?

B.K. Mishra:

Bhavin, you know, I think, you know, about our success factors probably, you know, like, better than probably a lot of other people. And as you know our strength lies in exports, I think we make more money in the export market. There is no doubt about that because we target the niche market internationally. And as far as India is concerned, I would maintain that from the oil and gas side, I think the market is still weak unless, of course a few large projects that we are talking of, like the GSPL and like the BHEL project, all those things, unless they go through, I think it would remain probably slightly weak as far as the oil and gas is concerned. However, you are absolutely correct. The water segment has really improved in the last 6-8 months and it continues to look very good, of course, at least for



next one year, one and a half year with too many projects being announced in Gujarat, in Rajasthan and UP.

Bhavin Chedda: Okay, thanks. One question for Akhil on the financial side, net debt is 3,661 crore and pipe and plate is 2,000, right? So the non-pipe business demerge date would be 1,600 crores, right?

Akhil Jindal: That's right, Bhavin. As on date those are the numbers but there would be some transfer of small cash also to the demerge business. I would say the difference will be roughly around 1200 crores, not 1500 crores.

Bhavin Chedda: Sorry, Akhil. So, you said, net debt will be 23-2400 crores?

Akhil Jindal: That's right 22 to 2300 crores would be the net debt on the demerge basis for Welspun Corp.

Bhavin Chedda: If you have done the net worth break-up also, is it possible to give that?

Akhil Jindal: Yeah, we have. Yeah, I think almost... while we are pulling the exact numbers, almost 2,200 crores of net worth is being transferred to the enterprise.

Bhavin Chedda: Sorry, enterprises are non-pipe plate business?

Akhil Jindal: Yeah, that's right. The pipe and plate minus everything else.

Bhavin Chedda: Okay. So pipe business net worth would be 34, 3500 crores?

Akhil Jindal: No, post demerger, pipe net worth will be... You know, speaking out of the March '13 numbers will be roughly around 2,800 crores.

Bhavin Chedda: 2,800 crores from the March '13 number

Bhavin Chedda: Okay, thanks a lot.

Akhil Jindal: Thank you, Bhavin.

Moderator: Thank you so much. Moving on to the next question but before that I would like to repeat once again, participants if



you wish to ask any question, you may press “0” and “1” on your telephone keypad and wait for your name to be announced. I repeat, it’s “0” and “1” on your telephone keypad to ask questions. The next question is from Mr. Vikas Singh from BNK Securities. The line has been unmuted. You may go ahead and ask your questions please.

Vikas Singh:

Good evening, sir. Hello? Sir, I just want to know out of this 204 crore of FOREX, could you please specify the nature, you know, how much is on account of, you know, operational raw material and, you know, how much is on account of debt?

S. Krishnan:

We will. Out of this 205 crores of Forex, roughly about 180 would be on account of operational, which would basically mark-to-market because of revaluation of your debtors and creditors.

Vikas Singh:

Okay. One more, question sir. Basically with the INR depreciation you must be getting some benefits. So if you could please specify that where you have accounted that.

S. Krishnan:

See, I think as Akhil explained earlier in the call, what we try and do is we run the trade book on a net zero basis. So, the trade book is fully hedged. So, to that extent, you know, we are protected on one side. So if there is a depreciation you won’t see a significant upside on the other side whereas on the liability book is where we see an impact which is largely a non-cash charge because it is a re-pricing of the liability which are foreign currency denominated.

B.K. Mishra:

Having said that Krishnan, we might also, you know, get some benefit this quarter because of the orders that have been booked this quarter with the rupee depreciation.

Vikas Singh:

Okay. And sir, out of this total order book of 691,000 tonnes, how much is the L-SAW and H-SAW?

B.K. Mishra:

L-SAW is 213,000 tonnes. I have to give you from region wise. India, we have L-SAW 213,000; H-SAW 450,000; ERW /HFIW of 28,000 tons. So, that’s a total of 691,000 tonnes.



- Vikas Singh:** Okay. Thank you, sir. And one last question, you have given a sales of L-SAW, H-SAW and ERW, if you could tell us the EBITDA per tonne on, you know, on all these items for the first quarter?
- B.K. Mishra:** I think, Akhil did mention, I think the average EBITDA would be about \$165 a tonne. Am I right, Akhil?
- Akhil Jindal:** Yeah, that's right.
- B.K. Mishra:** Yeah, it's so difficult to track it on a product-to-product basis...
- Vikas Singh:** On a consolidated basis?
- B.K. Mishra:** No, I think, if this question is on product-to-product basis. I don't have those figure, because there is lot of transfer of material from one end to another including coating, double jointing and so many other factor. So unfortunately that figure is not so easily available and reliable if you just look at on a blended basis.
- B.K. Mishra:** If you are looking at sort of, kind of, a consol basis, you know, like, what would be the average EBITDA per tonne, will be about \$180 or \$185 a tonne.
- Vikas Singh:** Okay, thanks a lot sir.
- Moderator:** Thank you so much. The next question is once again from Ms. Pfeffer from Artisan Partners. The line has been unmuted. You may go ahead and ask your questions please.
- Ms. Pfeffer:** Yeah, hi just one more question. You mentioned, I think in another venue regarding the promoter shares and of the promoter, pledge shares. Can you just tell us a little bit more about that and then what is remaining pledge if anything? Thanks.
- Akhil Jindal:** Yeah, you know, quite a relevant question Julie, because we have made an announcement today. We have not got any pledge whatsoever left as far as the promoters are concerned or to that matter any other key stakeholder. All the shares have, which were pledged earlier against certain borrowing had taken place they have all been fully, fully repaid, you know, within the entire cost and interest and



whatever and to that extent none of the shares remained, remain pledged, so the entire shareholding of promoter is unencumbered today and I can tell you that there are no plans to pledge again to that extent they will remain available with the promoter.

Ms Pfeffer: Great. Thanks so much.

Moderator: Thank you so much. I would like to repeat once again participants if you wish to ask any more question you may press "0" and "1" on your telephone keypad please. Well, we have Mr. Ram Modi from Dolat Capital. Mr. Modi you can go ahead and ask your question. Your line has been unmuted.

Ram Modi: Good evening, I wanted to know about the raw material strategy, how much of the raw material for the pipes produced in India and procured from India and how much is imported right now?

B.K. Mishra: See, because, we are - sort of, policy are more export oriented strategy and niche market strategy. Barring any water pipe orders that we do in India which is probably, you know, 17, 18% of our total sales most of the raw material is imported and most of the raw material is, you know, like more or less hedge, in other words, when we book an order we have the support from a raw material manufacturer and on the basis of that only we go ahead and sort of book an order. So it's close to 70-75% is actually imported.

Ram Modi: Okay. And just wanted to know regarding our order book, what's the kind of expectations for the book, which you are building and you say that our milestone was, you know, endeavor is to keep in one million tonne order book. So how do you look to build it up further and how much time do you think it will take, given the current economic scenario?

B.K. Mishra: See, as I started, as I mentioned is the beginning of my first speech that we started the year with about 700, 000 tonnes and we executed about 300,000 tonnes during this quarter and we are still at the same position at 691,000 tonnes. So on an average you could say that we have been booking close to 300, 350,000 tonnes of order. And if you ask me



right now the way we have bided, you know, we expect to maintain the similar kind of probably numbers.

Ram Modi: So that provides us a visibility of at least two quarters basically.

B.K. Mishra: Yeah, I mean, if I were to go to a number of 1.2 million tonnes this year then you are right that it is probably giving us a visibility of next two quarter because as I did mentioned that the current order booking order position still need almost 100-120 days of production available across our facilities.

Ram Modi: Okay and last question is that, I just wanted to as you said that around 160 employees have been still kept for the plate mill. So, what's the kind of fixed cost, in which this plate mill is running?

B.K. Mishra: I think our yearly cost for plate mill to keep it maintain would be close to about 30-35 crores.

Ram Modi: 35 crores, okay.

B.K. Mishra: Having said that, in this quarter we have actually earned an EBITDA of 10 crores on plates and coils.

Ram Modi: Okay, thank you.

Moderator: Thank you Mr. Modi. Well, at this time there are no more questions from participants. I would like to hand it over back to Mr. Mishra and the team for any final or closing comments. Thank you and over to you sir.

S. Krishnan: Thanks everyone for coming on the call and we acknowledge the interest and the questions that you raised and we will take back some of the suggestions that have come up and we will continue to work towards the numbers indicated by Mr. Mishra. Thanks again for coming on the call. Thank you.

Moderator: Thank you once again.

Management: Thank you all the participants.



Moderator:

Thank you attendees. With this we conclude the conference for today. Wish you all a great day ahead. You may all disconnect your line. Thank you so much.