



# “Welspun Corp Limited Q2 FY17 Investor Conference Call”

**October 25, 2016**



**MANAGEMENT: MR. B. K. MISHRA - MANAGING DIRECTOR & CEO,  
WELSPUN CORP LIMITED  
MR. S. KRISHNAN – CFO, WELSPUN CORP LIMITED  
MR. AKHIL JINDAL – DIRECTOR (FINANCE AND  
STRATEGY), WELSPUN GROUP**

**Moderator:** Ladies and gentlemen good day and welcome to the Welspun Corp Limited Q2 FY17 Investor Conference Call. We have with us today, Mr. B. K. Mishra – Managing Director and CEO, Welspun Corp Limited; Mr. S. Krishnan – CFO, Welspun Corp Limited and Mr. Akhil Jindal – Director, Welspun Group Finance and Strategy. As a remainder, 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. B. K. Mishra, thank you and over to you Mr. Mishra.

**B. K. Mishra:** Good day and welcome to this investors call and I promise you that I would try to be as cheerful as I can because I am still optimistic about things. But before we start, I want to start with a caveat that the result that what we are going to discuss today, is on the basis of IND-AS accounting and you will find last year numbers re-stated. You may refer to Clause 41 and Q2 FY17 presentation for impact of IND-AS implications on numbers.

Coming to volumes, the Q2 pipe production and sales were at 193,000 tonnes and 183,000 tonnes respectively which is down 37% and 44% respectively year-on-year. Excluding Saudi, the pipe production was down 35% year-on-year to 156,000 tonnes while sales was down 48% to 137,000 tonnes which is like, we are making a special mention of Saudi because Saudi is a joint venture and on the basis of the Ind-AS, I am supposed to knock it off. The dip in volume that you see is primarily for 2 reasons. Q2 FY16 was a very high base and secondly, this quarter experienced some delay in some of the large projects in terms of little bit of slow production and coupled with we not being able to probably produce the way we would have like it to be produced and also the raw material supply also was probably a part of the problem. I would not really call it as a large problem to that extent, but we probably in our project business, minor mismatches create these kind of issues.

Coming to the financials on Ind-AS basis, Q2 revenue was down 43% year-on-year to Rs 1207 crores, reported EBITDA was down 59% year-on-year to Rs 114 crores, PAT after minorities and shares in associates and JVs was at Rs -34 crores versus Rs. 88 crores in Q2 FY16.

I still have some good things to talk about for sure in the balance sheet. The cash conversion cycle is now at 39 days versus 45 days in Q1 FY17, on last 12 months basis. The number is on I-GAAP basis and on Ind-AS basis, cash conversion cycle actually has reduced to 26 days from 33 days last quarter. Due to higher level of activity in the second half, we expect the cash conversion cycle to move up and be in the range of 50 to 55 days on I-GAAP basis. Consequently, on quarter-on-quarter basis, we have reduced net debt by Rs 142 crores to Rs 1362 crores on I-GAAP basis and on Ind-AS basis at Rs 802 crores versus Rs 915 crores in Q1. We continued to conserve cash and aim to have a leaner balance sheet. Given no

*Welspun Corp Limited*  
*October 25, 2016*

additional project CAPEX program barring some minor or small investment that we are continuing to do on technology upgradation on few areas of business just to stay ahead of the curve and probably be most relevant in the market place. There is no other major CAPEX plan and the cash flow generated would largely be also used to cut down debt.

Coming to outlook for H2, as we have always mentioned FY17 performance would be more or less back-ended with H2 being stronger than H1. How much stronger and what percentage stronger as you have always experienced with me that we, as a policy do not give a real guidance as to what could be the margin but we could say that it is going to be probably better than H1 for sure and we have started executing a very large project involving about 274 km of line pipe to America, also a very large project and I think I would like to say that one of the esteemed projects probably being in the world being executed today, even that project is also under execution in this quarter and the subsequent quarters as well. So both the quarters you would be seeing, India executing one of the premium projects of US and one of the premium projects in the Middle East from our longitudinal pipe making facility here in India and that would of course like on the basis of my comments that H2 would probably be stronger than H1.

We also wanted to mention here that the projects that we are doing right now, we actually went to the press sometime in last quarter that we had signed a definitive agreement with one of the very large Oil & Gas company in North America to supply close to 185,000-189,000 tonnes of pipes that has been converted into an order and as a matter of fact, no sooner than it got converted into an order, it has actually started being executed. As a matter of fact, when I am speaking to you, the order is already under execution. And similarly I would also like to make a special mention looking at the slowness in the market overall globally, we had also in the past few months enhanced our marketing activities for a small diameter pipe mill that we have in India and I would be happy to announce that we did book a significantly large ERW orders and I am specifically saying significantly large but probably giving you a perspective that is an ERW order and it is a 35,000 tonnes ERW order to be supplied to South East Asian market which is actually a fairly large order from ERW prospective. Further, the shipment delays of Q2 would also add up to the volume for the H2.

Coming to our order book, I think we have not been able to repeat the stories that we have always been doing and our general comment you would have experience in the past is that whatever quantity we normally execute in a quarter that gets actually almost substituted by a fresh order booking. I think we have not been able to do that. Having said that, I must say that there are at least 3, 4 significant projects and more importantly projects of tremendous esteem which means, only select few, who have been probably invited to bid for those projects. Those projects are under discussion and also those projects, decision would probably be taken in the next 2 to 3 months and if, Welspun is chosen to be in any one of them that would add to the order book. But having said that, right now I think those projects are only on the evaluation. So

*Welspun Corp Limited*  
*October 25, 2016*

even then, the order book now stands at 883,000 tonnes which is close to 5200 crores and which means that if resuming that we are not doing anything, any booking right now for next few months and we execute probably at the same level that what we did in the last 4 years which is about a million tonnes. I think in any case we would still be having enough order at least for one quarter of 2017-2018 and I am quite sure that Welspun has not really stood like that and we would of course try our best to take our order book position to a better level in next few months.

Coming to some strategic initiatives that we have taken; we have, I did mention that we are making some minor investments to the tune of probably 5 crores – 10 crores here and there and one of them is of course that we have a bending facility, actually we have 2 bending plants and which have a very prestigious track record because they have supplied bends across the globe and to top oil and gas majors and we have seen some opportunities that if you can do little bit of automatic operations for the coating of those bends, we can probably add further value and improve our profitability and margin, so we are doing that. We have already implemented a concrete weight coating facility as a JV with, the second largest concrete weight coater in the world and I am also pleased to inform you that we actually have started with a real loud noise because the first order itself is actually from an oil and gas major, even though we may not be able to start execution of that order in the current financial year but we have already started with a very prestigious order and we are proud that it is actually coming from one of the top oil and gas companies in North America.

And I also must tell you that despite the slowdown in oil and gas sector as I mentioned just now that some of those projects, the prestigious ones, where probably even at probably the current gas price level they would still like to go ahead and because these are very large projects and very challenging projects. So the operator and the owner of those projects are still going ahead with those projects and I am only happy to inform you that Welspun is part of those very prestigious projects and we have a fairly good chance of at least having some share of these projects. Our bid book still stands at around 3.3 million tonnes and future projects what we can foresee now still stands at 10 million tonnes. This market scenario what we talked about was primarily global.

To touch upon on little bit on the Indian market side, I think it is a public knowledge that government of India has actually decided to fund some of the gas pipeline projects by GAIL and as a result I am expecting probably GAIL to come out with tenders for close to 2000 kilometers in the near future and likewise GSPL is also implementing a project, which would probably put together create a demand of over a million tonnes of oil and gas pipes and this is over and above close to 4 million tonnes of water pipes demand that is likely to come from Gujarat, from Madhya Pradesh, from Bangalore, from Hyderabad, from Telangana, all these put together we are actually expecting the Indian operational and Indian performance to probably be much better than our performance for US and Saudi Arabia going forward.

I think I will stop here and I will be very happy to take any questions that you may have and of course Mr. Krishnan who is here, he will be able to take through the numbers or any detail that you would seek will be happy to do that. Thank you very much.

**Moderator:** Sure. Thank you very much. We will now begin the question and answer session. We have the first question from the line of Mr. Nirav Shah of GeeCee Investments. Please go ahead.

**Nirav Shah:** Sir, few questions. You mentioned about the order prospects for say 3 to 4 large projects, can you just throw some clarity as to what can be the average size of these projects and by when can the awarding actually happen?

**B. K. Mishra:** Well, I think the projects, unfortunately I won't be able to take the name of those projects, but I can tell you that the projects are more or less in Mediterranean area and Middle East as well as in South East Asia and all these things put together will be close to actually anywhere from 600,000 to 750,000 tonnes and why I am saying these because one of the project is an option either X or 2X. So all these things put together, I think close to about 750, 000 tonnes and the expected time of finalization could be anywhere from here may be till 15<sup>th</sup> of January.

**Nirav Shah:** And sir I am just looking at our order book and we have LSAW order book of around over 600,000 tonnes which I think it is the highest for the last 2.5-3 years for which I have the data and our capacity is close to 700,000 tonnes and most of these will be say oil and gas orders and a large part of it could be LSAW orders as well, so do we have enough capacity to cater to these orders, that is question number one and number two relating to this same question is the awarding activity over the last 2-3 quarters has been very muted, so some of the competitors they might have executed their position of order book and may be freed up some of the capacities. So in terms of bidding intensity for these 3-4 projects, how do you see that?

**B. K. Mishra:** See, first and foremost, the 3-4 projects that I am talking of, I think it is very difficult to really thump the table and say, but I can only tell you that the competition is not for Tier-2 manufactures also. So the qualification criteria are such, it is only a competition among the Tier-1 manufacturers.

**Nirav Shah:** But even for them, some of the capacity say European players who had a healthy order book say 3-4 quarters back, they would have executed their portion of order books. So, again even for them to come up, you have seen a pricing intensity, though your competition is restricted to Tier-1 guys only but even among Tier-1s, do you see that?

**B. K. Mishra:** Price intensity would certainly come like I think in my entire call either for this quarter or even last couple of quarters, I have always been saying that pricing is going to be under stress. As you rightly pointed out, I think we have booked probably a substantial quantity of LSAW but whatever quantity that we have executed in the second quarter which is only very small

quantity really of the existing orders, you have seen that the margin has been substantially representing what we have done before. Having said that, even the current orders that we have booked right now and which would actually see the execution now what do you see in the third quarter and fourth quarter, they are also from again it has been once with in competition with Tier-1 manufacturers. So they are reasonably and better margin orders for sure as compared to others primarily because of the challenging specification of the orders.

**Nirav Shah:** And the capacity constraint for LSAW orders, I mean, we have a capacity of 700,000 tonnes?

**B. K. Mishra:** I think the best part is that we have a huge amount of flexibility in these orders, so capacity is not a constraint.

**Nirav Shah:** Flexibility in terms of, at the HSAW and we have the flexibility to go for LSAW?

**B. K. Mishra:** No, for example one of the LSAW orders if I want to supply in 2018 also, my customer will be happy. I will be happier that, if I can supply in 2017. These are long delta period orders. So when we take an order for a project, we have a deadline for you to execute the order before the deadline in any cases is your prerogative.

**Nirav Shah:** But taking the scenario that some of the LSAW orders that we are taking about the 3, 4 large projects, they are awarded say in December and the execution mode happens in February and we anyways have our book full for LSAW. So, in such a scenario do you foresee any challenges?

**B. K. Mishra:** No, I am firstly saying that my order booking is not full.

**Nirav Shah:** I am talking of LSAW, I am not taking about the HSAW part, where we have...

**B. K. Mishra:** I am talking of LSAW. Even if it is 600,000 tonnes, just to give you perspective the sizes that we are executing and this orders that comprises of sizes, I can actually produce in one mill in excess of 2000 tonnes a day to the capacity of 350,000 tonnes. Whatever we are taking of in one mill, if these orders are to be rolled over 1 year period, you would see each of this mills rolling out in excess of half a million tonnes.

**Nirav Shah:** So kind of increasing the shift?

**B. K. Mishra:** No, I am not increasing any shift. I think, see in our large diameter business if you are lucky enough to get an order of large diameter coupled with segments. For example, I would have worked out my capacity for 36 inch with 12.75 millimeter wall thickness as against that right now what I am executing in my Anjar order is a 42 inch 22 millimeters or 18.8 millimeters. So you still produce the same number of pipes, but the pipe which could have probably with 3

tonnes is now going 8 tonnes. So you do not do anything, you still produce the same number of pipes and your tonnage increases in absolute.

**Nirav Shah:** And sir next question on the plate volume side, we have a production of around 66,000 tonnes and assuming a similar volume for the sales part. Our derived plate EBITDA per tonne is coming to 2700 which is currently less than what it was in the first quarter, so any reason why, which you could explain it us with?

**B. K. Mishra:** Yes, I think it is primarily first and foremost sales price has gone down. There is no doubt about that in the last quarter, before it saw the spurt in the last few weeks and also our raw material cost the flat prices have gone up. So both these things put together, it has brought down the EBITDA and hopefully with the recent anti-dumping margin and Make in India and what not, I supposed this should see better times. Having said that, worldwide there is no doubt that there is a big pressure on availability of slabs.

**Nirav Shah:** And sir one more question if I can squeeze in on the pipe EBITDA per tonne, we have given 5000-6000 is what we have done this quarter and historically we have been able to do 7000-9000 range, so by when you foresee because the inventory correction in the pipe EBITDA per tonne is virtually over because 3 quarters have passed and we disclosed in the fourth quarter of FY16, so when do you see returning to the Rs. 7000 to Rs. 9000 of EBITDA per tonne on pipes?

**B. K. Mishra:** First and foremost is on like, when do I expect, I expect it tomorrow, frankly speaking. I only hope that I am right but anyways, that is on the lighter side. To do not tell you the fact, I mean the way we are looking into business scenario globally right now in the transmission sector, it is probably has taken a pause barring some prestigious projects or esteem projects or challenging projects that I mentioned and unless the market really improves, it will be very difficult for us to go up to that level. However, I have had discussions with some of our large customers and the general feeling is that the gas pipeline business is growing to probably get a boost. People are thinking that it could be end of 2017, early 2018. So probably it will be fair for us to expect looking at an upward trend from probably 18 onwards.

**Nirav Shah:** And any debt guidance that we see by FY17 end, where will we be?

**B. K. Mishra:** I think I have been doing all the talkings, so let Mr. Krishnan take over from here.

**S. Krishnan:** Thanks for this question. The thing is on debt as of end of September on an Ind-AS basis, we are at a gross of just under 2100 crores and on a cash of around less than 1300 crores, we are on a net debt of about 800 crores and this as the MD indicated earlier, we see higher volume happening in Q3 and Q4. As we prepared ourselves for this higher volume, we will obviously need to ramp up our working capital. To recall, we started the year with a net debt of just under

1400 crores, 1362 to be precise on the Ind-AS basis. So, we have knocked off some 500-600 crores of net debt in this period of 6 months. Our agenda is that as we go into the year end if we can keep the net debt in the same range or slightly lesser is what we believe, it will be but I think we will be in the better position to make this call when we do the Q3 call sometime in January because that is when we will be final shape of how Q4 will be emerging.

**Moderator:** Thank you. We have the next question from the line of Dishit Mittal of Subhkam Ventures. Please go ahead.

**Dishit Mittal:** Sir can you tell the EBITDA from Saudi operations in second quarter?

**S. Krishnan:** Saudi operation has been negligible in terms of volume as well as EBITDA in the second quarter because for the best part of the Q2 is being negligible volumes that has happened. So the EBITDA is also negligible.

**Dishit Mittal:** On PAT level, you have shown around 9 crores loss, so just wanted to know the EBITDA how much was the..?

**S. Krishnan:** EBITDA is negligible, it is in single digit, it is not even going to count in overall number.

**Dishit Mittal:** Sir in terms of our execution, can you give like going forward in second half which part of our geography will be executing more, India or US according to the order book that we have?

**S. Krishnan:** Sizeable portion of whatever we intend to execute in Q3 and Q4 going from the India supply chain system predominant portion. There will be some project that will be executed from our LR operations and lesser number that we will execute from our Saudi operations but predominantly in India that we supply in the second half.

**Dishit Mittal:** And in terms of our execution, will we be able to execute 1 million tonne this year or there may be some dip, looking at the current delivery schedule that we have?

**S. Krishnan:** On an I-GAAP basis that is including Saudi, our volumes are of the magnitude of just under 450,000 tonnes. Assume the same I-GAAP basis for the full year, what we need to do is upward the 550,000 tonnes across this 1 million tonnes barrier. As the MD indicated, we do not really made forward looking statements but if you see our track record of 4 years back to back FY13, FY14, FY15 and FY16, we have done more than a million tonnes year-after-year and we have an order book which stands about 883,000 tonnes as of now. So we seem to have everything in line to be able to hit these numbers, but we will be taking it one quarter at a time and we will try and see how we can give you better sense as we go to the next quarter's call.



**Dishit Mittal:** And in terms of our margin profile of our order book, so can you give a range like what is the range that we may expect because historically we have been doing around closer to 8000 to 9000, so based on our current order book, so can we guide that at least in the second half?

**S. Krishnan:** I think we already had a discussion on this. I think I have already replied and I think it will be better that we stick to our this policy of not giving you guidance, we are saying that H2 will be better than H1 and I think whatever information that I could give you without really being very blatant about it, I have already told that next quarters is going to see us executing orders primarily for North America and Middle East market from our LSAW facilities.

**Dishit Mittal:** And sir in plate production, we have mentioned in a presentation that we have done around 66,000 metric tonnes, so what is the EBITDA contribution if you can tell us?

**S. Krishnan:** EBITDA is roughly just over Rs. 2000 a tonne, Rs. 2300 a tonne or thereabouts.

**Dishit Mittal:** And sir with this MIP like talks of MIP being discontinued, so will we be able to maintain the volumes in plate mill?

**S. Krishnan:** We will strive to do that because things are really unfolding and if you see the price increase in the domestic market has probably happened in the last may be few weeks and even if the MIP is going, it has also been substituted by way of anti-dumping duty in any case. So all those things probably should help and as we are probably consuming more of our plate for ourselves and also we are concentrating on the wind tower market and we are expecting the wind tower market to be bullish in the near future. We would expect that if we are not really achieving our targeted number, we would at least try to come closer to that.

**Dishit Mittal:** And sir lastly from my side, any plans to reduce the cash on the balance sheet like prepaying debt or any other such plans?

**S. Krishnan:** The cash that we have to the extent possible we can prepay we have done. Remaining in the books is debt which cannot be prepaid that means which can either be paid when there is a put call option time or when there is a settlement window that is available. What we will try and do is if we can use the available cash wherever there is a window, we try and use it to pay down our working capital borrowing that is the best that we can try and do the current circumstances.

**Dishit Mittal:** So can you quantify like how much of the cash can be used to pay down the debt?

**S. Krishnan:** See as of now, for example, I think one geography which will help explain our thoughts. In India the book that we have, the debt that we have is all term debt either ECB or NCD which have all we have got to wait for term or we pay as per the schedule of those debts, right. There is no way that we can prepay ECB with the current FEMA regime that is there. Similarly in

NCD, we will have to wait for the put call option date and when that happens is where the window of settlement arises for us.

**B. K. Mishra:** But nevertheless if I can add here, see there is an effort in any case from the management team here to reduce debt as much as possible and to reduce debt as far as possible from the operations.

**Moderator:** Thank you. We have the next question from the line of Rohit Gupta of ICICI Securities. Please go ahead.

**Rohit Gupta:** Just wanted to ask like in the earlier conference call like I think you mentioned that for FY17 our EBITDA would be like roughly flat, so and given the H1 performance do you see a downside risk to this guidance and like would we be able to do around 700 crores of EBITDA for H2?

**S. Krishnan:** Rohit, that will be very difficult to make a statement as MD indicated earlier that we would not want to give any forward-looking statement in terms of what will be the margin for the next half. All that we can indicate is we believe that we will do higher volumes in the second half.

**Rohit Gupta:** So EBITDA per tonne, it should also improve like for the second half?

**B. K. Mishra:** Rohit, I will tell you, I think you are probably as persistent as some of the journalists I had spoken to but I can only tell you, see I am probably giving you enough circumstantial evidences right? I am telling you that next two quarters we are going to do some of the challenging orders and of course challenging orders means tighter specification means of course higher price and all those stuff. So we have said that I think very blatantly and as a matter of policy, we have never given guidance as such in any market risk. So therefore I would like you to probably derive your own conclusion especially when we are saying that H2 will be better than H1. Is that a fair observation from our side?

**Rohit Gupta:** Yes, sure sir, that is fine and also on in terms of big projects in Saudi Arabia, so do you see any slowdown in the CAPEX for traditional projects like, I am not talking about the gas, pipe and conversion orders but traditional projects do you see a cut in CAPEX from the companies and how do you see the scenario going forward?

**B. K. Mishra:** No CAPEX in any case in Saudi Arabia or for that matter US or for that matter India as far as we are concerned. Now, if you are referring to projects of Saudi Aramco, we have seen slowdown, there is no doubt about that and that is why I was trying to give you guidance that we are not so bullish in the very short term, when I say very short term, is next 1 quarter, 2 quarters probably something great coming up in Saudi Arabia and US except for probably not small really, relatively okay water pipes and projects. But I also must tell you that Saudi

Arabia is a market, the information is very close circuit and we have also been surprised that for example the whole world is probably talking about expected demand of half a million tonnes few years back over 5 years and within one week, we get an enquiry of half a million tonnes. So I am just saying that like I think it could be lack of information also but I think we generally feel and the market also feels that there is a slowdown, a good amount of slowdown in Saudi Arabia and US, there is no doubt about that. One more thing that I wanted all our investors to take note that we have always talked about our geographical diversity primarily because we are in 3 different markets, I think this has really helped us especially in the last 4 years, I would not say that the last 4 years has been very sort of like giving for us in the market place but primarily because we are so well diversified geographically, if this market is not doing well, the other market has always come into the rescue of the company and as a result, we have been able to more or less perform, probably as compared to or much better than our peers. For example last year it was US which did fantastic, a year before it was Saudi which did fantastic and this year in any case whatever we are doing moderately that is India is contributing and we are expecting India to contribute substantially probably next year onwards.

**Moderator:** Thank you. Next question is from the line of Vikash Singh of B&K Securities. Please go ahead.

**Vikash Singh:** Just one thing on your Saudi plant volumes, if I see your update which you have given that the total operation has done a sales of 183 KT versus ex-Saudi Arabia operation 137, so that case may somewhere around 46 KT of Saudi volumes vis-à-vis 29 KT last quarter, still you are saying that the EBITDA contribution is negligible so I did not understand that?

**B. K. Mishra:** I am referring Q2 of this year versus Q2 of last year.

**Vikash Singh:** Sir, Q2 of this year versus Q2 of last year also the volumes was a little bit higher side, last year we have done total 306 KT versus 262 KT. So from 44 to we have gone to 46 only, but last year if I remember you have said that the Saudi operation is doing well, so with the same kind of volume why the EBITDA there is so much of difference in EBITDA?

**B. K. Mishra:** See, first and foremost, whatever we have done in the past quarter in Saudi on the fact that there was no business available in Saudi but because of the global presence of Welspun, this is the first time probably from Saudi Arabia one export order has been executed. And the margin for domestic orders because in Saudi Aramco there is always an unwritten rule that if international pricing are X, so even if it is 1.1X, order is given to the domestic manufactures. So of course the margin is low here because we were competing in the international market and we were competing with almost I would say that everybody that you can think of in that market place and here we booked the order and I am glad that we still manage to probably pull out a decent margin out of that order.

- Vikash Singh:** Sir I just wanted to know one more thing what was our outside plate mill volumes, if you have that number?
- B. K. Mishra:** About 30,000 tonnes.
- Vikash Singh:** 30,000 tonnes and that would be doing somewhere around 2300 per tonne kind of EBITDA, is that the correct assumption?
- B. K. Mishra:** Yes, I think you would be more or less correct.
- Vikash Singh:** And sir lastly sir, in terms of our exposure to oil and gas versus water projects, how is our order book is divided in that segment?
- B. K. Mishra:** Largely Oil and Gas but let me give you the exact figure, 34% is oil, 59% is gas and 7% is water.
- Vikash Singh:** Given that India has better potential for water pipeline order, do we see ourselves shifting to get these orders because some of this order may be of good margins?
- B. K. Mishra:** We are doing like we have done like last year is substantial quantity of water pipes. We have to process the water pipe business wherever there is a little margin. Even if we have to run something on marginal cost, probably just to keep our mills running that is the separate thing but as Welspun always been there where like we look for good margin orders. So we would even in the water supply business we would continue to look for those businesses which have probably a better margin.
- Vikash Singh:** And sir any numbers with respect to our CAPEX guidance, I know that we do not have a large CAPEX pending but in terms of numbers say 100 or 150 crores in the vicinity of that or something like that over next couple of years?
- B. K. Mishra:** Maintenance CAPEX in any case is going to continue. Considering that we are not looking at huge operations in Saudi as well as in US this year, I think we would be somewhere around 55 to 70 crores I would say and this is probably leaving aside 5 -10 crores that I talked that we might just spend on upgradation of the technology or providing some value chain benefit to the customer so that we also improve our margin. Please do not hold to my words if it is 90 tomorrow but talk to me if it is 100.
- Moderator:** Thank you. We will take the next questions from the line of Bhavin Chedha of Enam Holdings. Please go ahead.
- Bhavin Chedha:** Few questions, if I see your sales volume mix, H1 had almost like 23% LSAW and 73 HSAW, so looking at your order book I assume that this would exactly be reversed in second half

because your order book is loaded with LSAW, but assuming a bit of a capacity constraint on LSAW, will you need few more orders in Spiral to achieve our annual number of a million tonne because I am assuming that your spiral order book is at 100,078 which won't yet be enough to reach your annual target of a million tonne?

**B. K. Mishra:** Let me explain this and I probably do not have to explain much in detail Bhavin because you understand the industry well. Just want to tell you that this 600,000 tonnes of LSAW that you are seeing is actually not generally creating any capacity constraint as we had in the LSAW facilities because out of this close to 200,000 tonnes actually almost get shifted to next year. So even if I do out of 383,000 tonnes, I have already done close to 350,000-400,000 tonnes. Okay, so if I have to do even 600,000 tonnes this year, I can not only book some HSAW order for sure and execute also in time but I can still book even LSAW orders and execute it within this year.

**Bhavin Chedha:** So technically we are saying that in second half we can since the sizes and the projects would be 2-3 projects, we can actually produce 400,000 tonnes of LSAW pipes?

**B. K. Mishra:** I think we would be able to do really close to 300-320 odd thousand tonnes that is what I would guess. I am just trying to tell you something just on my fingers.

**Bhavin Chedha:** So still then we would be through even if we do 3-320 and 180 Spiral and another a lakh tonnes is ERW, so that matches our number for second half and will be through. So second question on the 3-4 significant projects you were mentioning with 3-4 players, again all these are LSAW or is there a mix year also between LSAW and Spiral?

**B. K. Mishra:** I think couple of them are also Spiral and majority is actually LSAW.

**Bhavin Chedha:** Again majority is again LSAW and the India opportunity which you spoke about a million tonnes in oil and gas and 4 million in water pipes this is over what period?

**B. K. Mishra:** This water pipe is probably over a period of about 2.5-3 years. The oil and gas, I think, I would think that in next 18 months, pipes should have been ordered, produced and supplied.

**Bhavin Chedha:** And just last one, so second half I know you are not giving any guidance on margins and anything on the absolute EBITDA number but assuming a large LSAW from a single mill and couple of mills in LSAW in India, so there will be a very large benefit of economies of scale, right so that technically leads to a margin expansion right?

**B. K. Mishra:** I think that is what it should happen and they have to like as if you just calculate that is typically in one of our LSAW mill, theoretical capacity is 350,000 tonnes right.

**Bhavin Chedha:** So we operate at 100%, so there is large economies of scale, right?

**B. K. Mishra:** So, that is more or less on the basis of 36 inch and 0.5 inch or which is 12.5 millimeters. We would largely be doing 42 inch, 36 inch heavy wall, 42 inch heavy wall and all those stuff that should help us.

**Moderator:** Actually that was the last question, there are no further questions. As there are no further questions, I would like to hand the conference back to Mr. Mishra for any closing comments.

**B. K. Mishra:** Thank you very much once again and I can reassure you that the management team here is striving hard to probably improve the performance, if not in terms of sales and production at one point of time that also is only we are trying to probably compensate by way of better working capital management, bring in down our debt book and all those things and hopefully we will talk to you the next time very soon, thank you very much.

**Moderator:** Thank you very much. On behalf of Welspun Corp Limited, that concludes this conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.