

WELSPUN CORP

Q2 FY19 CONFERENCE CALL

01.11.2018

Moderator

Ladies and gentlemen, welcome to Welspun Corp Q2 FY 19 conference call hosted by Batlivala & Karani Securities India Private Ltd. We will start the call with all participants' line in the listen only mode. There will be an opportunity to ask questions after management comments conclude. Please note that this call is recorded. If you need assistance during the conference, please signal an operator by pressing '*' and '0' on your phone. Before we begin I would like to state that some of the statements made in today's discussion may be forward-looking in nature and may involve risk and uncertainties.

I would now like to hand the conference over to Mr. Vikash Singh. Thank you and over to you sir.

Mr. Vikash Singh – Batlivala & Karani Securities India Private Ltd.

Good afternoon and a warm welcome to everyone. It is a pleasure to host Q2 FY 19 conference call for Welspun Corp. Today we have with us Mr. Vipul Mathur – MD & CEO, Mr. Percy Birdy – CFO and Mr. Akhil Jindal – Group CFO & Head Strategy, Welspun Group. Without taking much of the time I would like to hand over the conference to the management. Sir.....

Mr. Vipul Mathur – MD & CEO, Welspun Corp

Hi, good evening to every one of you. This is Vipul Mathur. Ladies and gentlemen, welcome to our Q2 FY 19 results conference call.

Before I talk about this quarter, I would just like to take a step back and talk about our journey in the last couple of years. Over the last two years, you would have noticed that Welspun has transformed itself into a much swifter, higher and stronger organisation. We have a rich legacy delivering pipes for many prestigious and challenging projects. Welspun Corp now offers value added products with utmost agility and flexibility to meet the diverse requirement of our esteemed customers worldwide. We also enjoy of all time high order book of almost 1.7 million tonnes at this point of time. And that gives the company a clear visibility of achieving higher capacity utilisation and better margins in the coming quarters. The strategy has been conserving our cash, deliberating our CAPEX, keeping a very, very tight control on our working capital and this has resulted in a very strong and a robust balance sheet. We are committed to continue on this agenda and achieve a status of a net debt free in subsequent quarters or years.

Our continuous effort in this direction has started translating to stronger financial and operational performance, as you would have noticed from the announcement what we have made, we have a highest ever order book of 1.7 million tonnes, this is valued at almost \$ 2 billion. We have done a volume of almost 304,000 tonnes which is including 44,000 tonnes of Saudi. We achieved an EBITDA of Rs. 239 crores and a PAT of Rs. 59 crores. While Mr. Percy in his subsequent part of the

discussion will explain you more about the financial performance, but I would also like to take this opportunity to give you a brief overview and the business outlook for the subsequent quarters and the years to come.

As you are aware, as Welspun we are present in the three key geographies which is USA, Saudi and India, both in the oil and gas space and the water space. If we specifically talk about US, US economy all of you have noticed is in an absolute buoyant mood. The buoyancy in that economy is primarily on account of the increased input as is oil drilling. The oil prices are higher, the demand is higher, the demand for export of gas is extremely high and on top of it with the new anti-dumping and CBD duties which has restricted imports into that country, all these couple of factors put together is resulting into a robust demand. We as the largest player in the US market, having almost 20-25% of the market share, are getting extremely and immensely benefited out of this. At this point of time when we speak, we have a clear visibility or confirmed order in hands which will take us through for the next 4 or 5 quarters on our large diameter mill and at least 2 or 3 quarters in our small diameter which is the HFIW mill. We are very optimistic that this trend will continue for a significant period of time, from a short-term visibility at least we see that this trend should continue for at least 1 or 2 years and we are absolutely rightly positioned there in order to capitalise upon it.

If we go to the Indian market, the key drivers in the Indian market will and has been the you know the resurgence of the water segment, we are seeing the city gas distribution segment coming up where the last mile connectivity of the gas reaching to the household is going to come up in a big manner. We are seeing a continuous work of the gas authority in terms of developing their gas grade across the country. And also we are seeing IOCL laying a lot of emphasis in terms of you know spreading out their oil pipeline network across and connecting all the refineries. From a volume perspective, I think so in this particular quarter we might have done a little lower, in terms of oil we may have done a little lower on the volume side of it in this particular quarter. But on a medium term basis we are seeing that a lot of water business opportunities in other geographies or other regions of India are emerging. We are seeing the CGD thing as I talked about, we are seeing this GAIL thing, we are seeing this IOCL thing so all this put together I think so we're seeing a sort of a very optimistic scenario, if not a very phenomenal scenario but at least an optimistic scenario in our Indian nature of the business as well.

The other area or the opportunity which arises for us in the Indian market is also for exports. We are, as you know we are a company which has the highest accreditation across all the segments, with all the major oil and gas companies and the E&P companies worldwide, that and with this oil pricing all the major companies worldwide are focusing on developing infrastructure and assets and this opens up an opportunity for us to actively pursue some significant business opportunities in the export market as well. As we speak we are pursuing a few of them and we are pretty hopeful that they will also get educated into business.

Coming to Saudi you all are aware that we have a huge order book out there, almost all put together we have close to 850,000 tonnes of order which is sitting there and yet to be executed. This gives us a very clear visibility of an execution over at least 8 quarters if not more. On top of it we are now seeing that the oil and gas market also becoming very active. We have seen ARAMCO being, you know ARAMCO being the largest player we have seen that they have been a little dormant in the 1-1.5 years. But with the announcement of 1 or 2 major projects, they have also become very, very active and we have started seeing a traction. So with the order book what we have and with the ARAMCO businesses what are likely to come up, we are very hopeful to cherry pick some profitable business with higher margins and work around that.

All in all now here on when we have this sort of an order book, in with us under our belt, the focus will now move on to operational excellence, that how do we execute these orders will in time, and how do we improve over margins. That is what, you know our focus would be. If you see our performance, as you will see the performance on a quarter on quarter basis that will give you a clear reflection around that.

The other business on the plate mill side of it our focus to utilise and ramp up our capacity at the plate mill or utilisation at our plate mill continues to be there. We have seen a little bit of a headwind on that because we have been one of the major suppliers to the windmill sector and the windmill sector as you know has not done well at all in the last 2 quarters. We are hearing that in the next 2 quarters or at least in the Q4, there seems to be, you know the windmill business should come back onto the table and I think so with that both the volumes on the profitability on the plate mill will also come back.

We will also keep all our strategic options open and which creates value for Welspun Corp. One thing which is very clearly emerging is that all the markets be it US, be it Saudi or be it India they are all becoming domesticated which means that there is a local preference which is being given. American market if you see there is a clear-cut strategy of melt and make in American, in Saudi also there is a price preference or ETAWA which is forcing the people or the companies to buy domestically and in India also if you see the restrictive duties which have been import from trade, you know imports from China and all that stuff, is a clear indication that all the markets are getting domesticated. We being present in all the three geographies, dominantly present in all the three geographies and maintaining a leadership position we are very optimistic that you know we should be able to capitalise upon this aspect by virtue of higher capacity utilisation and our margin improvement.

One other thing which I also wanted to share is about our CAPEX. We have been extremely, extremely cautious and restrictive on our CAPEX and currently other than the Bhopal Project and the minor maintenance CAPEX what we do, we are not looking for any significant CAPEX in the coming 1 or 2 years' time. We are at this point of time completely CAPEX averse. We want to conserve cash, we want to maintain our balance sheet and we want to you know, create value for our stakeholders.

Lastly, the very important component of all the business dynamics is all about steel. Well from a business perspective steel is almost a pass-through cost for us. But in certain geographies where we have an open steel position mostly in Saudi. We are seeing that the steel prices seem to have plateaued. We are, rather on the other side, we are seeing a significant softening of those prices in China and we see that in times to come it will have a little bit of a positive impact on our margins and the bottom-lines, on the orders where this deal is currently open. Overall we are very, you have seen our performance for the H1, I'm sure that we would be maintaining if not exceeding our performance in H2, both in terms of volumes and margins and for FY19 you know when we have this order book of 1.7 million tonnes, a significant quantity of this will go as an open order book in FY 19-20, that will set us the ground and the platform for us for a robust performance in that particular year as well. So all in all we see at least in the next 1.5 or 2 years as a very interesting times. We are very rightly placed, we have the leadership positions in all the market, we are trying to maintain and manage our balance sheet as healthy as possible so as we capitalise upon these opportunities. With this note I would like Mr. Percy to take you through the financial and operational performance, please. Thank you.

Mr. Percy Birdy – CFO, Welspun Corp

Thank you Vipul. Good evening everyone, I will quickly run you through the key financial numbers for the September quarter. On the volumes front as per the IndAS consolidation which is excluding our

Saudi joint venture, the quarter pipe sales were at 260,000 tonnes, which is up by 13% quarter-on-quarter basis. The second quarter plate and coil mill sales stood at 63,000 tonnes.

On the financial numbers, on the profit and loss side, the Q2 total income from operations was up by 17% year-on-year to Rs. 2355 crores. EBITDA was up by 7% year-on-year and it stood at Rs. 239 crores. Profit after tax after minorities and share in associates and joint ventures stood in Rs. 59 crores, up by 41% year-on-year. EBITDA per metric tonne for the pipe business was approximately Rs. 8400, up by 25% year-on-year basis. The EBITDA reported above is after provision related to ILFS bonds of Rs. 18.6 crores and other bonds mark-to-market impact of Rs. 9.6 crores. The other expenses in the P&L include forex losses of Rs. 67.4 crores, largely on account of the import payables. The other income figure in the profit and loss statement, other income of Rs. 85.3 crores includes forex gain on the forward covers which were done to hedge the import payables that we mentioned earlier. These forex gains were Rs. 57.5 crores and also the other income included treasury income of Rs. 25 crores. On the cash conversion cycle, we continue our focus on working capital management and our cash conversion cycle for this quarter is at 32 days and this is in spite of the ramp up in operations that has been happening in US.

On the debt front, our gross debt as on 30th of September 2018 has gone up by Rs. 53 crores quarter-on-quarter and reach at a level of Rs. 1486 crores. This marginal increase quarter-on-quarter is mainly due to the currency translation impact as we all know the rupee depreciation that has happened in the last three months. Further we have reduced our net debt by Rs. 81 crores quarter-on-quarter, and by Rs. 610 crores year-on-year. This has been possible due to our continuous efforts towards realigning the debt book to match the business and also repayment of debt wherever possible and we would continue on that agenda going forward. On the cash balances, we remain committed towards conserving cash and aim for a leaner balance sheet. Cash flow generated will be largely used to pay down the debt. Currently cash and cash equivalents stood at Rs. 1092 crores.

Then we can come to our Welspun Middle East joint venture in the Kingdom of Saudi Arabia operations. The JV in Saudi Arabia with the plant in Damam is not consolidated in the financials as we mentioned earlier, as per the IndAS requirements. The Q2 pipe sales from the Saudi plant stood at 44,000 tonnes versus 20,000 tonnes in last year Q2 and versus 38,000 tonnes in this year Q1. Share of profit or loss from the Saudi JV at the PAT level was a loss of Rs. 30 crores in the current September quarter versus Rs. 25 crores in Q1 of current year and versus Rs. 16 crores in the Q2 of last year. We expect the operations at the Saudi JV to improve mainly from a ramp up of volumes as well as favourable change in the product mix and we are hopeful that in the next 1 or 2 quarters we will be able to turn the EBITDA into positive.

The order book which includes the Saudi JV, so we have booked more than 423,000 tonnes of pipe orders since our last conference call held in July. This is reflected in the strong order book which the MD earlier spoke of and which is at an all-time high now of 1.721 million tonnes and valued at approximately Rs. 1423 cores around US\$ 2 billion. The active bid book stands at 2.1 million metric tonnes. For future potential projects which might come up for bidding in the near-term, that stands at 17 million metric tonnes with a good mix of all the major Welspun markets.

On our future outlook, regards the FY 19-20, our US and Saudi facilities have a clear order book position and require a marginal top up which we should be able to achieve. As regards the India business, while we continue to maintain market share, both in oil and gas and water markets but also focus on exports. We are confident of higher capacity utilisation and better margins across geographies going forward. With this we would like to open the floor for questions if any.

Moderator

We have a question from Mr. Jigar Mistry from Buoyant Capital. Please go ahead.

Mr. Jigar Mistry – Buoyant Capital

Hi, thank you for taking my question. So if I understood this correctly, the forex losses has been reported as part of EBITDA and the forex gain has been part of other income, is that correct?

Mr. Percy Birdy– CFO, Welspun Corp

That is right.

Mr. Jigar Mistry – Buoyant Capital

So essentially if I adjust the reported number which is Rs. 239 crores for IL&FS 18 crores and MTM of 10 crores on bonds and the forex gain in other income of 58 crores, the operating EBITDA is somewhere closer to Rs. 325 crores.

Mr. Percy Birdy– CFO, Welspun Corp

Yes, you should also remove the forex loss of Rs. 67 crores which is in the other expenses line.

Mr. Jigar Mistry – Buoyant Capital

But that is part of a reported EBITDA right?

Mr. Percy Birdy– CFO, Welspun Corp

Yeah, that is part of the reported EBITDA, you are right. But if you were to calculate from the reported EBITDA to the operating EBITDA than the forex loss of Rs. 67 crores, it has been hedged by taking forward contracts. And on the forward contracts there is a gain of Rs. 57 crores.

Mr. Jigar Mistry – Buoyant Capital

No I got that but when you say the Rs. 239 crore EBITDA, does that include forex loss already or not?

Mr. Percy Birdy– CFO, Welspun Corp

Yes of course. Yes of course you are right.

Mr. Jigar Mistry – Buoyant Capital

So then Rs. 325 is the operating number which is the run rate of almost Rs. 1300 crores in annualised EBITDA to twice almost of that of last year and you are essentially guiding for a better H2, than H1.

Mr. Percy Birdy– CFO, Welspun Corp

So just me let add over here, the forex gain which is Rs. 57 crores, which is part of the other income, so other income is also above the EBITDA line only. So when we are having the reported EBITDA, that includes.....

Mr. Jigar Mistry – Bouyant Capital

Oh! Got it I understand that, correct.

Mr. Percy Birdy– CFO, Welspun Corp

So the correct approach would be to net off the forex loss of the Rs. 67 crores versus the forex gain of Rs. 57 crores. That would be the correct approach.

Mr. Jigar Mistry – Bouyant Capital.

I got that, so that is Rs. 267 essentially and so that is closer almost to Rs. 10,000 per tonne on EBITDA, per tonne of pipes versus....

Mr. Percy Birdy– CFO, Welspun Corp

If we are adding back the IL&FS then yes.

Mr. Jigar Mistry – Buoyant Capital

Perfect, and then you are essentially saying H2 will be better than H1?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

We are hoping.

Mr. Jigar Mistry – Bouyant Capital

Alright, thank you so much.

Moderator

We have a question from Mr. Dixit Mittal from Subhkam. Please go ahead.

Mr. Dikshit Mittal – SubhKam

We are like considering the kind of order book that we are having, so by then do you see the execution of the order book will start?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

See this order book is a work in progress. We would see some of it getting executed in the subsequent quarters and that is in Q3 and Q4. And the majority of it will go into the as an open order book for the FY 19-20. So conservatively if we speak and if we are let us say, if we maintain a similar or a little better run rate, I think so we should see almost more than 1,000,000 tonne will go to the next year and the balance probably will get executed in this financial year.

Mr. Dikshit Mittal – SubhKam

Okay, so basically for the next half we can expect at least a 6-7 lakh tonne kind of execution, right?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

If you see in the H1 also, we have done almost close to that.

Mr. Dikshit Mittal– SubhKam

Yeah. And sir in terms of margin profile, I think now most of the older legacy orders would have been completed, right? So incrementally we should be executing a better margin order or will the margins will be as good as first half only?

Mr. Vipul Mathur– MD & CEO, Welspun Corp

See margins, if you were asking from a guidance perspective, from a guidance perspective I think so the volumes and the margins would probably follow the same and probably they would show a little, you know they will you can assume that it will, you know they will be better. But what is more important to note is that the FY 19-20, when the peak you know the best orders, the blend of the orders will come for execution that is where you could possibly see a robust growth.

Mr. Dikshit Mittal – SubhKam

Okay and sir in terms of our Saudi JV, so we have seen like losses widening in spite of doing better volumes. So is there any one off in that subsidiary?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

As we have been maintaining, you know we have a couple of orders that and one of the order was a painful order. Till the time that order in isolation stand continues to get executed you know this pain is going to be there. But when the blend of the other orders will start coming in as Mr. Percy was suggesting, I think so that is where the margins will start improving. We see that happening around end of Q3, early Q4 and then moving forward in that direction.

Mr. Dikshit Mittal – SubhKam

Okay and sir largely in the last concall you had mentioned that lot of new orders will be getting finalised in the next two or three months. So what is the status of that and what is our current bid book?

Mr. Vipul Mathur– MD & CEO, Welspun Corp

So if you see quite a few when we talked about it, on that say we had almost close to 1.6 million tonnes of order book at that point of time. After that we executed 300,000 tonnes and the added 423,000 tonnes of an order in our order book. That is what takes us to 1.7 -2,000,000 tonnes of an order book at the start of this quarter. So almost Rs. 425,000 tonnes of new orders have been booked in this quarter.

Mr. Dikshit Mittal– SubhKam

So going forward what is the outlook in terms of order booking?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

See, the ability to book any significant orders in Saudi is not there anymore. So we will book some orders which we as I mentioned, we will be cherry picking those orders but they would not be large. If you look from a US perspective of our intent is to book so we have an appetite to book more orders to book us till March 2020, currently we're booked till October-November 2019. So our first intention is to book that plant till March of 2020 so we will definitely be focusing on booking certain orders in US to top it up till March 2020. India is wide open and we are working on that, we have some nice opportunities emerging in which we have participated, we are favourably placed and we are very hopeful that we will be able to bring the India order book to an even much more healthier position.

Mr. Dikshit Mittal – SubhKam

Okay thank you sir.

Moderator

Thank you. We have a question from Mr. Sagar Parekh from Deep Finance. Please go ahead.

Mr. Sagar Parekh – Deep Finance

Sir thank you. This Saudi you mentioned that the, we will turn EBITDA positive from Q3 or Q4 onwards, right?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

In Saudi?

Mr. Sagar Parekh – Deep Finance

Yes.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

Yeah, as the order blending will start which we are expecting happening around end of Q3- early Q4 that is where we will start seeing the improvement. So you....

Mr. Sagar Parekh– Deep Finance

Okay, so let us say.....sorry yeah, please.

Mr. Percy Birdy – CFO, Welspun Corp

Let me interject over here. So for December quarter you will not see a positive EBITDA because still there is the earlier order which the MD mentioned about, that will be continuing the volumes. However the project mix is beginning to shift gradually. You will see the higher impact in Q4 of this fiscal year when the less profitable order, proportion will be lower compared to the other two new orders that we have.

Mr. Sagar Parekh– Deep Finance

Okay and let us say in FY 20 what can be the EBITDA per tonne for a Saudi operations? Let us say once the blend is reasonably okay, what can we expect?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

See it is a factor of also the steel, right. Because as I mentioned is that you know we have this backlog of 850,000 tonnes and strategically we have not covered the steel out there. we are seeing the trend that the steel plateaued and they have started softening. So for us to, let us say put a quantified number that what what could be the EBITDA which will be moving forward, it is a little difficult at this point of time. But I can only assure you that it is only going to be better than what it is as of today.

Mr. Sagar Parekh– Deep Finance

Got it, but let us assume that even if the book the steel, I mean I just wanted to understand from the operational perspective that, is the profitability as good as India or it is slightly better than India? I am assuming it will be lower than US in terms of EBITDA per tonne but in terms of EBITDA per tonne as compared to India will it be better?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

It would be, I think so it would be in mid of between India and US.

Mr. Sagar Parekh– Deep Finance

Okay, got it. Second question on the IL&FS bonds which we have written off, so this entire Rs. 18 crores and Rs. 10 crores is booked in other expenses, is it?

Mr. Percy Birdy – CFO, Welspun Corp

That's right.

Mr. Akhil Jindal – Group CFO & Head Strategy, Welspun Corp

No, no I think the provision that we have created.....

Mr. Percy Birdy – CFO, Welspun Corp

Yeah, yeah, the provision Rs. 18.5 crores is just for the IL&FS bonds and about 9.5 crores is the mark to market for the other bonds which are traded on the market and that is coming under the other expenses. So it is above the EBITDA line.

Mr. Sagar Parekh– Deep Finance

Both of them?

Mr. Percy Birdy – CFO, Welspun Corp

Yeah, yeah both of them.

Mr. Sagar Parekh– Deep Finance

Okay and any update on the Bhopal plant, and we expect the commissioning of the plant?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

So the work is in full swing at this point of time, you know there is a lot of activity both in terms of construction and dismantling of our asset at Anjar which we are willing to relocate, all that activities are happening in parallel. From a time line perspective, we are optimistic that by the end of fiscal year we should be up and running. And that is the internal target which has been given to the team to make it.

Mr. Sagar Parekh– Deep Finance

Okay and how much are we spending here, in total?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

For all put together, you know in this fiscal year I think so the CAPEX outlook probably should not exceed Rs. 100 crores at best.

Mr. Sagar Parekh– Deep Finance

Okay got it, this includes the maintenance CAPEX as well?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

No this is the Bhopal CAPEX. I am talking about the Bhopal, your question was with respect to Bhopal. So current CAPEX should not exceed Rs. 100 crores in this fiscal year and on top of it we would have the routine maintenance CAPEX which is pretty much static on a year-on-year basis.

Mr. Sagar Parekh– Deep Finance

Right and this Bhopal plant is in terms of capacity how much would that be?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

It is 175,000 tonnes capacity and it also depends as you know, it depends on the size and the thickness what you are rolling. So if you get real optimal size it could be 175, if you can get a real good size which is prevalent in the water sector, where they are asking for large diameter and heavy wall thickness, it can actually go up to 225-230,000 tonnes.

Mr. Sagar Parekh– Deep Finance

Okay got it. Great sir, congratulations and all the best for future. That's it from my side.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

Thank you.

Moderator

Thank you. We have the next question from Bhavin Cheda from Enam Holding. Please go ahead.

Mr. Bhavin Cheda – Enam Holding

Yeah, good afternoon sir. Few questions, particularly on the order book and the gestation period of between the bid book and the order book. Historically we used to get a long gestation order and after the oil collapse the time period between the bidding, the winning and executing the order was reducing. But now we see this almost from the Saudi order book, which is almost a three year order book and which is a big positive surprise so do we see a similar trend in most important our US market because that was the last 2-3 years where the visibility 12 months forward was not there for the US market. But from the current order book of over five lakhs which is already going into FY 20, the visibility is improving there. So for the bid book also are you seeing now longer gestation orders particularly in the US market?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

See in the US market Bhavin, the things, the dynamics is a little different. It is all about availability of the capacity, right. So at this point of time if there is any megaproject which has to come up so they would have to cherry pick that who has the ability to execute that megaproject.

Mr. Bhavin Cheda – Enam Holding

Right.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

Right and as you know Welspun is the leader, maintains the leadership position onto that. So if they have to talk of a megaproject, they will have to wait up to a particular time to block that capacity. But in the nutshell of it, yes we are seeing that you know people are willing to take position at this point of time even with higher **steel price** because they do not want to miss this opportunity which has opening up both on the oil and the gas sector at this point of time.

Mr. Bhavin Cheda – Enam Holding

Okay and sir the second question on the Indian order books' side which has remained quite low do the opportunity is very big. So here PSU companies doing lot of capital expenditure particularly on the pipeline and the other project but that is not translating yet to a very big order book for most of the pipe companies. So when do you think exactly the big India momentum would come back? Are you seeing that or still be are few years away from that? Because now the PSU CAPEX is also rising.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

So you know you also had to see it from an eye of that what is the capacity available here. You know from a PSU investment, let us say they are coming up almost close to 0.5 million tonne to 700,000 tonnes of a project on a year-on-year basis. But then in India you also have a surplus capacity also

available, many players. So if you look from a logical distribution point of view, everyone seems to be getting 20-25% of the market share and that is what our position has been from the Indian business side of it. But the major first area if you see is coming from the water side of it. If you see that the volumes of the water what we have done in comparison to the volumes we have done on the oil and gas side, I think so that also answers the question. But the action or the major impetus will now come in terms of utilising our Indian facility is from the export side of it and that is what we will continue to focus very, very hard. So while we have a share which we will get from the domestic oil and gas, we have a share which we will get in from domestic water and by relocation of one of our facility from Gujarat to Madhya Pradesh is also a step in that direction to capture the increase in volume side of it. But the third dimension now is to work extensively on the export side of it.

Mr. Bhavin Cheda – Enam Holding

Okay thank you sir.

Moderator

Thank you. We have a question from Mr. Rukun Tarachandani from Kotak Asset Management. Please go ahead sir.

Mr. Rukun Tarachandani – Kotak Asset Management

Hi, can you comment on the domestic order book and consequently are you seeing any improvement in the pricing on the domestic side going forward?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

So the domestic order book currently, the confirmed the order book is around 325,000 tonnes which we intend to execute over the next quarter and some spilling over to the Q4. We are seeing traction of some emerging business opportunities in the domestic market as well which I believe will take, you know which will add up to our order book for the Q4. As regards the pricing, the price is under challenge. You when you have a huge capacity sitting up here, you know disproportionate to the requirement, so prices naturally come under challenge. But they are definitely better than what they were a year or 1.5 years back. I think so there is a sense which is prevailing that there is no point in business at low margins or negative margins, I think so that sense is prevailing into the market, which has helped us in terms of increasing profitability and the margin space.

Mr. Rukun Tarachandani – Kotak Asset Management

Right, and on the Saudi side, the improvement in profitability that you expect is predominantly because of your anticipation that steel prices will remain benign and, or how much is it a function of the product mix and if steel prices were to increase would that mean a dent in your profitability expectation?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

No, our steel pricing is a different element altogether. Our expectation of margins are going up in Saudi is predominantly based on the product mix. Because the orders when they will start getting

blended up with the existing order in any case either the margins will go up. On top of it if the steel market acts more favourably which is what our expectation is it will only be an icing on the cake.

Mr. Rukun Tarachandani – Kotak Asset Management

Understood, thank you.

Moderator

Thank you. We have a question from Mr. Noel Vas from IIFL Securities. Please go ahead, sir.

Mr. Noel Vaz – IIFL Securities

Yes, sir so I have just two questions. First and foremost your working capital days have reduced by about 10 days on your-on-your basis. So I just wanted to know is it sustainable at this current level or has this happened for any particular reason? That is one question and second, I may have heard this incorrectly but I think sir you had mentioned that on the Saudi Arabia order book, there is a very large order which has been held up for some time. So this specifically associated with any particular project?

Mr. Percy Birdy – CFO, Welspun Corp

Okay I will answer the working capital one first. So, on the working capital front, Q1 versus Q2 has almost been a stable number of days working capital that we have. The question whether it is sustainable in future would depend to some extent on the ramp up. So US operations is of course further ramping up the volumes so we could see some initial extension of working capital number of days going longer. So if you observe in the last year, in the September quarter working capital was 48 days so while we are not projecting anything in that region, but you might see a little bit of elongation in the working capital number of days going forward.

Mr. Noel Vaz – IIFL Securities

Okay.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

Coming to your second question as regards the Saudi, what I mentioned was that we are seeing, now resurgence of oil and gas projects and we are seeing one or two major projects coming up in the oil and gas sector. All what we have at this point of time, the three major projects on the water sector, while that is a different issue. Even for that water sector we are making an API pipe, that is a different issue. But now we are seeing a resurgence in the oil and gas sector which is led by Saudi ARAMCO and we are seeing they are talking about one or two major projects that is what I was mentioning.

Mr. Noel Vaz – IIFL Securities

Okay, okay. Thanks sir, thank you sir for confirming. That is all from my side.

Moderator

Thank you. We have a question from Mr. Deepak Poddar from Sapphire Capital. Please go ahead sir.

Mr. Deepak Poddar – Sapphire Capital

Yeah, thank you very much sir. Sir you mentioned in your opening remarks we are looking for improvement in our capacity utilisation. So can you give some sense on how or what is your current capacity utilisation, at what level we are looking at over next may be 1 -1.5 year?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

I think we will have to see the capacity utilisation from a region to region basis now, right. Let's say with the clear visibility of orders in our US market for the next four quarter on our large diameter mill, I think so we would almost be at our peak capacity utilisation. Saudi also you know with the size of the order is which is the dimensions of the order and the quantity of the order what we have we will also see almost a maximum capacity utilisation. But the capacity utilisation on the Indian side of it especially on our LSAW mill has been a little lower, on our spiral mill our capacity utilisation has been fairly okay because there has been a large water project which we have been executing. Our capacity utilisation around our ERW mill has been fairly decent because we have been servicing major order for PSUs. We would wish to see a highly capacity utilisation on our longitudinal SAW mill which in this particular quarter has been lower because of non-availability of business. And the way it looks to us in moving forward and as I said our focus would also be to look at more export market, that is where the capacity utilisation will go up.

Mr. Deepak Poddar – Sapphire Capital

Right, right. So basically in US and Saudi you are almost fully utilised. So what will drive the revenue growth in those regions?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

So if you look at it, you know in the FY 18-19 everything is blocked and locked. So that is given what is the top line, what is the bottom-line, it is more or less almost given out there, because A; we have the order and we have also all so you know, and as a policy we don't keep the steel open so everything is plugged. But 19-20 if you look at it, I think so we still have more than a quarter to go and that is what we will be working on and that should bring, that should add as I said that you know, we would be now selling our capacities and our intent is to the highest bidder. So, we could see that if we are able to you know sell that capacities at a higher price, that will definitely add up to our margins for FY 19 and 20. And that is why we are saying that you know while on the H2 side of it, our performance will be at a particular level, at a different scale. But 19-20 it will go to a different scale altogether.

Mr. Deepak Poddar – Sapphire Capital

Okay, so you are growth is basically driven more by your pricing action rather than volume growth that is difficult.....volume growth would be difficult to see in US and Saudi Arabia, at least right, given you are full on both your hands basically?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

So when you have a significant volume under your belt, now it has to be driven by sheer economics of profitability. And that is what we intend to do.

Mr. Deepak Poddar – Sapphire Capital

Right, right so basically are you confident like 20-25% kind of growth that we are seeing currently is that a sustainable growth for the next 2 years?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

This, yeah you have to recognise that this is a project-based industry. It is a cyclical industry, what you are seeing is and it is all directly related to the oil. If we are able to focus that the oil is going to be sustaining at this level for the next 4 or 5 years it is easier for me to give, sort of make a comment, yes we would also see a similar type of growth. So it is all a inter-link at this point of time. You know, but having said that I think so the next 2 years and this is purely my personal view, the next 18-24 months' time at least for which a clear visibility is in place, it is a reasonable assessment to make that there would be a growth around that. Beyond that we will have to see that.

Mr. Deepak Poddar – Sapphire Capital

No, no absolutely, absolutely. Like it is very difficult to see beyond what I think the order book that you might have already booked with some anticipation over next 1 year, what you might be getting right.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

Correct.

Mr. Deepak Poddar – Sapphire Capital

Okay fair enough. Now given your operating leverage will increase even I think on an adjusted basis your EBITDA margin this quarter was about 11%? 11.2%, is that right at operating EBITDA?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

It is around 10 odd % if I'm not wrong.

Mr. Deepak Poddar – Sapphire Capital

Sir on a reported basis it is 10%, but if you adjust....

Mr. Vipul Mathur – MD & CEO, Welspun Corp

Yeah it goes to 11, in the high of 11, yeah.

Mr. Deepak Poddar – Sapphire Capital

And we're talking about better margins in terms of better order books, higher pricing. So what sort of improvement are we looking at, basically?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

See we will simply, let us put it this way, A; our performance of H1, we are very hopeful of repeating our performance if not exceeding in H2 as well, both in terms of volume and also in terms of margins as well. So this is where we see moving forward.

Mr. Deepak Poddar – Sapphire Capital

Okay fair enough, okay understood. And in terms of currency, like rupee depreciation we are at a small disadvantage, if rupee depreciates? That is what basically... a 10 crore net forex loss right, this quarter?

Mr. Percy Birdy – CFO, Welspun Corp

Yeah so let me add over here, we have a policy of hedging our exposures so we do not keep any exposures whether it is for import variables or export receivables in India open. The 10 crore net that you see is largely due to timing difference. So in a longer run even this 10 crore would not be there, it would cancel out because hedges would have the gain and the underlying receivable-payable would have a loss as the rupee depreciates.

Mr. Deepak Poddar – Sapphire Capital

So 100% is being hedged, that is what it is.

Mr. Percy Birdy – CFO, Welspun Corp

Yeah, we hedge completely. How will it may qualify here that in consolidated numbers we have US subsidiary numbers which get translated into INR and they get consolidated. So to that extent when obviously rupee appreciates as it has in the last six months, that helps INR numbers which are used for consolidation. But you have to remember that US business in dollar terms is also been ramping up in a very sharp way. So it is not only the dollar growth but also the currency depreciation which is affecting our consolidated INR numbers.

Mr. Deepak Poddar – Sapphire Capital

Okay sure, and my last question revolves around your ILFS exposure. So is 100% of your exposure has been provided or so how.....any comments on that?

Mr. Percy Birdy – CFO, Welspun Corp

So what we have done is see, the ILFS bonds which we are holding, they are for maturity one is in 2025, and other is in 2023. So there is still another 4-5 years that is there for maturity. However because they traded prices were not available around 30th September so we had to do a valuation, by independent valuers, two valuers had done the valuation and based on that 27% provision has been made which was equivalent of Rs.18.5 crore. On the other bonds that we hold in our treasury, then we had the traded prices available and that is where a mark to market has been done which was approximately Rs. 9.5 crores impact on the P&L.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

Sorry just to add, see we will also clarify on this ILFS thing over the next few weeks and days, you know as things are emerging and then whatever appropriate call need to be taken we will absolutely take that call. And I think so that this quarter, the third quarter becomes very important for us to monitor the situation and whatever would be the outcome probably that will be the direction we will move in.

Mr. Deepak Poddar – Sapphire Capital

So your total exposure is about Rs. 70 crores, right, to the ILFS bond.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

That is right.

Mr. Deepak Poddar – Sapphire Capital

So is there any thought process that we might just write off the entire thing, that is what you are saying in the December quarter.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

See as of now we have taken independent valuation and that indicated a 27% provision which we have made. And also there is no default on us....

Moderator

Mr. Deepak, I request you to come back in the queue, sir.

Mr. Deepak Poddar – Sapphire Capital

Yes, that was my last question that is it from my side.

Moderator

Thank you. We have a question from Rajesh Agarwal from Moneyore investment and Advisor. Please go ahead sir.

Mr. Rajesh Agarwal – Moneyore Investment & Advisor

Sir what is the current capacity utilisation in Saudi operations?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

As we said we did almost close to 44,000 tonnes in this particular quarter and which... So right now because it should be around 50-60% but this is going to get improved over the next quarters. Yeah.

Mr. Rajesh Agarwal – Moneyore Investment & Advisor

So what is the policy? Why we are not covered the steel for the Saudi operations, yet?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

It was a very calculative call we have taken and in any case this volume of steel, 850,000 tonnes or 900,000 tonnes of steel you cannot block in any case you cannot book it on one single day, that is one part of it. It has to be and execution is spread over 2.5 years. So we also took a calculative call that steel also being a cyclical business we will see the upsides and the downsides around that.

Mr. Rajesh Agarwal – Moneyore Investment & Advisor

So generally, we have a policy of covering 25-30% of the steel, no?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

No, our policy is very simple, this is only an exception here in Saudi Arabia where otherwise our policy is very simple. Steel is a pass-through for us, always when we have in order be completely cover the steel. So other than this business there is no other steel, we have large orders sitting in US, we have significantly a big order sitting in US and entire Steels is covered.

Mr. Rajesh Agarwal – Moneyore Investment & Advisor

Covered. And sir you said working capital days will get elongated going further? How much can it be elongated by?

Mr. Percy Birdy – CFO, Welspun Corp

See there is nothing substantial that we're expecting so currently we are at about 32 days, it will be in the range of 2-3 days plus and minus, nothing...we are not going to go back to that 48 days level which was in the last year.

Mr. Rajesh Agarwal – Moneyore Investment & Advisor

And Saudi what is below the EBITDA which is reserves in such a bleeding loss of how the sir?

Mr. Percy Birdy – CFO, Welspun Corp

So Saudi the main reason as we explained is the project mix.

Mr. Rajesh Agarwal – Moneyore Investment & Advisor

Project mix, we will be able to cover, we can become EBITDA positive in Saudi from Q4 onwards?

Mr. Percy Birdy – CFO, Welspun Corp

Yes that is what we hope from Q4 onwards the change in the project mix so there will be less a proportion of the first project which is not so profitable and higher proportion of the next two water projects. So we hope that, that will improve the EBITDA substantially.

Mr. Rajesh Agarwal – Moneyore Investment & Advisor

Thank you, sir.

Moderator

I request the participants to restrict the number of questions to 2-3 at a time. Thank you. We have a question from Mr. Saurabh Kapadia from India Nivesh. Please go ahead.

Mr. Saurabh Kapadia – India Nivesh

Congratulations on the good set of number. So first thing just a clarification on the Bhopal CAPEX. You mentioned Rs. 100 crores will be CAPEX, will it be for FY 19 or the entire CAPEX for Bhopal will be Rs. 100 crores?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

No this is the. the Rs. 100 crores would be for this financial year.

Mr. Saurabh Kapadia – India Nivesh

So the total will be....?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

The total CAPEX is around Rs. 150- Rs. 160 crores and so the balance portion of the CAPEX will go to the next financial year.

Mr. Saurabh Kapadia – India Nivesh

Okay, sir the second question is on your Saudi order books. So right now it is about 871 KMT so out of that what percentage of order is the pain order, like we're making loss, like what is the percentage of order out of 871?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

So out of this I would say around 300,000 odd tonnes is the order in pain at this point of time and the balance 500,000 tonnes is not the order in that pain and because right now what we have been executing in the last two quarters only the order of the pain. That is why you are seeing this number as Mr. Percy was mentioning that as on the starting of the Q4 when the blend would start, so this pain will start going down. Is it going to get vanished away in one quarter? The answer is no but it will start going down and significantly and then in subsequent quarters you know we will turn EBITDA positive and we will start making some money out there.

Mr. Saurabh Kapadia – India Nivesh

Okay so this 300 KMT order is a loss at the EBITDA level as well?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

It is.

Mr. Saurabh Kapadia – India Nivesh

Okay so just to understand like when we bid for this order so has the steel price went against us or what was like at the time of bidding itself it was EBITDA level loss sort of for us?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

It was at that time, the day we, you know when we bid we have to understand at that point of time we have been literally idling for quite a significant time, right. For almost 3 quarters we had not done much of a business, so it is imperative for us to book this business, number one. So definitely we did, we put in an aggressive price and there were no two opinions on that. But coincidentally it so happened that is the steel prices also you know the moment we had the order the steel price took a complete U-turn and so that is one where we got hit.

Mr. Saurabh Kapadia – India Nivesh

Okay. And sir how you are seeing the product mix will result in the better numbers going in Q3, Q4? So how the mix will change, will it be a 50-50% coming in Q4 or how it will be, how should we look at the numbers for Saudi going ahead?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

See A; to quantify a mix at this point of time is extremely difficult because you know these are three projects and three projects have their own contractual schedule and you know all associated things attached with that. What we are trying to say that from the end of third quarter, early fourth quarter the blend of profitable orders will start coming in. I'm not saying that you know that 50% will start happening. Our focus would be to blend in such a way that the maximum quantity is of a profitable order and minimum quantity is of the non-profitable order that will be our wishful thinking. How the projects and execution which are three independent projects, how they will happen, that will actually go into drive that.

Mr. Saurabh Kapadia – India Nivesh

Okay, sir. Fine, thank you.

Moderator

Thank you. We have a question from Bharat Sheth from Laksh Capital. Please go ahead.

Mr. Bharat Sheth – Laksh Capital

Hi sir, congrats on a good set of numbers. Most of my questions have been answered just one small question is on this ILFS stuff. If I heard correctly out of 70 odd crore exposure, we have provided the 18.5 crore provision in this quarter, right?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

Correct.

Mr. Bharat Sheth – Laksh Capital

Okay and can be specify sir that this exposure is in which of the ILFS company, I mean is it in the holding company or any of the SPVs and how....?

Mr. Percy Birdy – CFO, Welspun Corp

So out of the total exposure of 69 crores to ILFS, about 40 crores as to the main ILFS and about balance of 29 crores is to ILFS Energy.

Mr. Bharat Sheth – Laksh Capital

Okay so, are they in the form of the non-convertible bonds or a preference share or I mean....?

Mr. Percy Birdy – CFO, Welspun Corp

So these are secured NCDs. The maturity, one is of 2025 and the other is of 2023.

Mr. Bharat Sheth – Laksh Capital

Okay the entire 69 crores is in the form of the non-convertible bonds I mean.

Mr. Percy Birdy – CFO, Welspun Corp

And also, we would like to add that as on date there are no defaults on this particular instrument.

Mr. Percy Birdy – CFO, Welspun Corp

Yeah of course I mean they are considered as standard assets as of now.

Mr. Bharat Sheth – Laksh Capital

Okay fine sir thank you very much sir.

Moderator

Thank you. We have a question from Saket Kapoor from Kapoor Company. Please go ahead.

Mr. Saket Kapoor – Kapoor Company

Yeah thank you for giving the opportunity. Just putting focus on the standalone part. Why are there losses in the standalone segment and what is housed in there that is resulting in the losses?

Mr. Percy Birdy – CFO, Welspun Corp

See one reason of cause is this ILFS related 28 crore provision which is in standalone. Second reason is that in India the volumes is also been lower in the September quarter in a relative manner if you compare it with the previous quarters and the volumes are also lower. However we are hopeful that India will gain traction in the remaining quarters. So but at least the ILFS part of 28 crores is clearly an exceptional item.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

And this is sitting in your standalone numbers.

Mr. Percy Birdy – CFO, Welspun Corp

Absolutely.

Mr. Saket Kapoor – Kapoor Company

The entire part is in the standalone numbers. Could you make understand sir what are the other operating income of 64-65 crores for the quarter and Rs. 140 crores for the half-year?

Mr. Percy Birdy – CFO, Welspun Corp

Okay so you are referring to consolidated or standalone?

Mr. Saket Kapoor – Kapoor Company

Yeah, I am referring to the consolidated part now.

Mr. Percy Birdy – CFO, Welspun Corp

So in consolidated, the other income is 85 crores....

Mr. Saket Kapoor – Kapoor Company

No, I'm talking about the other operating revenue sir.

Mr. Percy Birdy – CFO, Welspun Corp

That there is some scrap sale that is there and there was also VAT income which gets amortised. So one can say that these are recurring in nature and there is nothing one-time exceptional in them. So you can expect in a similar trend. Actually if you compare with previous quarter you will find that it's in a narrow range, every quarter.

Mr. Saket Kapoor – Kapoor Company

So it is part of the business and these are going to continue with the execution)?

Mr. Percy Birdy – CFO, Welspun Corp

Correct.

Mr. Saket Kapoor – Kapoor Company

Sir about the Indian market, your commentary was not that bullish about the Indian market as a whole. So where are the lacking points or why are you not so optimistic or bullish on the Indian market. Where are the pain points you are observing?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

No I didn't say that I am not bullish on the Indian market. I am saying that Indian market has sort of a mismatch here in terms of the business opportunity versus the available capacity. So there is a, the ratios are completely skewed. So when you demand is modest and huge capacities are available, you are only able to garner a particular amount or particular volume of the business. And that is what we are doing. Does that satisfy our appetite? The answer is no and that is what I've been mentioning. So, from a demand perspective the demand is already there and get getting our own share of it. But is that share good enough to sustain our Indian operations, no. We need more than that and that is why saying that our focus will also, continued focus will also be too into the exports as well to compliment that.

Mr. Saket Kapoor – Kapoor Company

Last point sir, how has this steel prices behaved once these US sanctions have been imposed? We are having a big business in the US and you are telling that end to end steel exposure has also been booked as per our order book. So how has the steel prices faired up, sir after the imposition of the tariff?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

I can only say that they are minting money, number 1, you know what we are clearly observing there is a significant delta between the world steel prices and the US steel pricing, that spread could be as wide as \$400-\$500 a tonne. But that is the nature or the dynamics of that particular market and people have understood to that reality. And they are coming around with that. and for us we are agnostic around that because it a pass-through to us either way.

Mr. Saket Kapoor – Kapoor Company

But sir that has just pushed up the cost of the project significantly. The money is getting transferred to somebody in that segment but costing a dent on the, at least on the person who is building that infrastructure. That is getting costlier.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

It has but if you have to see from an opportunity, you have to see from an opportunity point of view. People are still going ahead with the projects, people are still investing into it. So they are definitely seeing a benefit even with this high cost they are seeing much more benefit coming out of that. And everything seems to have moved up, you know if you understand the dynamics they have to drill for more oil because at the end of the day, their cost is X and their international selling price is Y, the spread is so very huge that it is luring them to invest money into that segment. So, these cost of a few hundred dollars of metric tonne here and there in the overall project realization doesn't make much of a difference.

Mr. Saket Kapoor – Kapoor Company

Right sir, yes please you were telling something more.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

I am just saying hypothetically an example if your cost is something like 30 – 35 dollars or say 40 dollars and you are selling at 75 dollars and you are enjoying the spread of 35 dollars why would you look at 400- 500 dollars per tonne steel increase price, you would rather look at you know I must put this project, I must go ahead and start capitalizing upon it. I mean that was what I was trying to infer.

Mr. Saket Kapoor – Kapoor Company

Right sir. Sir just to conclude if I am not mistaken, H1, the last year H2 was a bit softer but this time we are on the path to replicate if not better be an actual performance. That should be the underline message.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

That is a fair assumption to make sir.

Mr. Saket Kapoor – Kapoor Company

Thank you, sir, for the elaborate discussion.

Moderator

We have a question from Mr. Dikshit Mittal from SubhKam. Please go ahead sir.

Mr. Dikshit Mittal – SubhKam

Sir my question is on Saudi execution because last conference call we had mentioned that we are hoping to do 3 lakh tonnes kind of execution. So are we maintain that because in first half we have done only 80,000 odd.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

See from an ability perspective we can definitely do that. But strategically would we like to do that is something which we will have to look at it. When I am saying that there is a little bit of softening happening into the steel pricing, I would rather like to take a more cautious and optimistic approach rather than just pushing to the volumes. You know the volumes is creating, the more the volumes the more the pain it is and if we have to contain our pain I think so one of the strategy also would be to calibrate our production and all that stuff. I think but that is a thought process currently in mind, we still have two more quarters to go. From an ability perspective, yes we can still do that and but whether we would like to do or not is to be seen.

Mr. Dikshit Mittal – SubhKam

Okay and sir this 8200 per tonne EBITDA is including Saudi, right loss in Saudi that you were mentioning.

Mr. Vipul Mathur – MD & CEO, Welspun Corp

No, no, this is as per IndAS, so this is excluding Saudi.

Mr. Dikshit Mittal – SubhKam

And sir lastly what was the Plates EBITDA during this quarter?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

So we did a sale of almost 63,000 tonnes of plate and I think so on an EBITDA level we were close to 20 odd crore rupees.

Mr. Dikshit Mittal – SubhKam

Okay thank you sir.

Moderator

Thank you, we have a question from Mr. Sunil Jain from Nirmal Bang. Please go ahead sir.

Mr. Sunil Jain – Nirmal Bang

Yeah congratulations on good set of numbers sir. Sir one question related to inventory, the inventory numbers-absolute numbers have increased sharply. So anything to read in that?

Mr. Percy Birdy – CFO, Welspun Corp

So that is on a consolidated basis where the increase is mainly in US subsidiary. So compared to March the September operations are ramped up in a significant way. In fact even if you look at the US volumes, September quarter compared to the June quarter, the volumes almost double. So as the US operations ramps up the inventory has been increased.

Mr. Sunil Jain – Nirmal Bang

Double in the sense how much volume we had done in US?

Mr. Percy Birdy – CFO, Welspun Corp

The volume in US in this quarter is 112,000 tonnes while the volume in Q1 was 61,000 tonnes.

Mr. Sunil Jain – Nirmal Bang

And sir anything we can say in US, the new orders what we got in the recent past, when the execution can start? Whether that will start in Q3 or Q4?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

So we have series, you know we have a mix of two or three small orders and one large order. That is the way it looks like and then we have a legacy of order which is going up till the year-end. So we would see the execution of the large order, if you are referring to that. We would see the execution starting sometimes March, March of this year, March of FY 18-19. And then from there onwards continuously.

Mr. Sunil Jain – Nirmal Bang

Okay but the small order can be executed in the current year?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

Yeah, yeah, everything. Then we would like to, the strategy is very simple that all the small orders when we say small orders all that 20,000 tonnes, 30,000 tonnes orders which are also have a significant margin we would like to complete before we start the large order.

Mr. Sunil Jain – Nirmal Bang

Okay and sir any volume target for US? How much volume you would like to do in US in the current year?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

So if you look at it, we are averaging you know this quarter the average something like in excess north of 100,000 tonnes. This is the very minimum we would like to maintain if not more. So that should give you a feeling that there should we end up.

Mr. Sunil Jain – Nirmal Bang

Okay so in US we have sufficient capacity means of 4 lakh tonne or something more than that?

Mr. Vipul Mathur – MD & CEO, Welspun Corp

We can you know if we have the right product mix. If we have the right product mix, if we have the right product mix you know on our large diameter, we can definitely do more than close to almost 375,000 tonnes and on our ERW mill we can do close to 200,000 tonnes and so it all depends on the product mix and all that stuff. So from a capacity point of view there is no dearth of capacity which is there.

Mr. Sunil Jain – Nirmal Bang

Okay sir, thank you very, much

Moderator

Thank you, we are taking our last question from Mr. Bhavin Cheda from Enam Holdings. Please go ahead.

Mr. Bhavin Cheda- Enam Holding

So what will be the effective tax rate for the full year? The H1 tax was very low.

Mr. Percy Birdy – CFO, Welspun Corp

Yeah so H1 tax was low mainly it is because of the consolidation adjustments that are required for IndAS purposes. But for the full year we would think it should be in the range of around 15%, north of 15%.

Mr. Bhavin Cheda- Enam Holding

North of 15, okay and so what was the EBITDA at the US plant in Q2 and H1?

Mr. Percy Birdy – CFO, Welspun Corp

To be honest we don't put out these numbers separately in the public domain. However you can say that the share of US operations in our EBITDA has been increasing substantially not only due to the volume growth but also driven by the pricing in US market also. So, US is playing an increasingly dominant role in our consolidated numbers. That would be fair to say.

Mr. Bhavin Cheda- Enam Holding

Okay thank you.

Moderator

Thank you, sir. I would now like to hand over the floor to the management team of Welspun for the closing comments. Over to you sir.

Mr. Percy Birdy

Yeah, thank you everyone and if there is any other questions that you have, please do feel free to get in touch with us and we will try and answer your questions.

Moderator:

Ladies and gentlemen. This does conclude your conference call for today. We thank you for your participation and for using iJunxion Conference Services. You may please disconnect your lines now. Thank you and have a great evening.