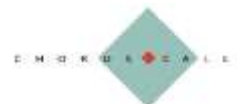




“Welspun Corp Limited
Q2 FY2020 Earnings Conference Call”

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ANALYST: MR. AMIT ZADE - EMKAY GLOBAL FINANCIAL SERVICES LIMITED

MANAGEMENT: MR. VIPUL MATHUR - MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER - WELSPUN CORP LIMITED
MR. PERCY BIRDY - CHIEF FINANCIAL OFFICER - WELSPUN CORP LIMITED
MR. AKHIL JINDAL – GROUP CFO & HEAD – STRATEGY – WELSPUN GROUP

Moderator: Good day, ladies and gentlemen, and welcome to the Q2 FY 2020 Results Call of Welspun Corp Limited, hosted by Emkay Global Financial Services. We have with us today on the call, Mr. Vipul Mathur, Managing Director and CEO; and Mr. Percy Birdy, Chief Financial Officer at Welspun Corp Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Amit Zade of Emkay Global. Thank you and over to you Sir.

Amit Zade: Good morning, everyone. I would like to welcome the management and thank them for giving us this opportunity. I would now hand over the call to the management for their opening remarks. Over to you, gentlemen!

Percy Birdy: Good morning, everyone. This is Percy here. Welcome to our Q2 FY 2020 conference call.

Before I go into the details, I am very pleased to share with you some of the highlights of our operational and financial performance during the quarter and the half year ended September 2019.

We had the highest quarterly production in the company’s history at 443000 tonnes. For the half year, production was at 739000 tonnes. Our half-year operating EBITDA stood at Rs.575 Crores, up by 36% Y-o-Y. Our Q2 EBITDA crossed the Rs.300 Crores milestone and stood at Rs.317 Crores, up 27% Y-o-Y.

Our half-year PAT stood at Rs.299 Crores, up by 120% Y-o-Y, which is even after taking the impact of Rs.42 Crores pertaining to tax on dividend from the overseas subsidiary.

The H1 EPS stood at Rs.11.27 per share, up by 120% Y-o-Y. Our H1 pretax ROCE, return on capital employed, stood at 29.1%. Our order book stands at 1.357 million tonnes valued at USD 1.6 billion.

Coming to the details. On the volumes front, for the quarter, for our total operations, including Saudi, our sales volume was 337000 tonnes, up by 11% Y-o-Y; and production was 443000 tonnes, up 41% Y-o-Y. You will notice that the difference is high this time between sales and production largely due to some of the large export orders from India, which as per the contract had to be delivered at the client’s site. Some of these orders did not reach the client’s site before the end of the quarter, and hence, we could not book the sales. This will obviously now be booked in the current quarter, that is in the December quarter.

US operations for this period recorded sales of 102000 tonnes. Saudi joint venture recorded quarterly sales of 116000 tonnes. There was a substantial improvement in India sales volumes on a sequential basis compared to the previous June quarter, and the sales volumes reached 119000 tonnes.

Total income from operations stood at Rs.2263 Crores, which is up by 5% Y-o-Y. Operating EBITDA, after adjusting for Treasury income and the mark-to-market and fair valuation impact on the bonds, stood at Rs.317 Crores, up 27% Y-o-Y. Consolidated reported EBITDA stood at Rs.331 Crores, up by 37% Y-o-Y. Other income stands at Rs.39 Crores, which includes at least Rs.20 Crores of transactional forex gain mainly on forward contracts for hedging.

Other expenses totaling to Rs.369 Crores in the current quarter, has a corresponding transactional forex loss of Rs.29 Crores, resulting in a net forex loss of Rs.9 Crores. Other expenses also have a minor a mark-to-market adverse impact of about Rs.2 Crores arising from fair valuation of bonds.

Profit before tax and share of joint ventures stood at Rs.236 Crores, up 81% Y-o-Y. Profit after tax, including share from our Saudi JV and removing the noncontrolling interest, stood at Rs.173 Crores, up by 108% Y-o-Y. As mentioned earlier, the profit after tax was impacted by tax expense, which is higher by Rs.42 Crores on account of tax on dividend received from our overseas subsidiary to the parent entity in India. We can offset this against dividend distribution tax if the Indian parent entity declares an equal or higher amount of dividend to its Indian shareholders in this current financial year.

The cash PAT for the quarter stood at Rs.239 Crores.

Then we come to the order book position. Current global order book stands at 1.357 million tonnes valued at Rs.11600 Crores. In dollar terms, \$1.64 billion. Apart from this, our global bid book stands at 2.5 million tonnes, and upcoming orders added another 20.5 million tonnes. This provides strong visibility for the coming few quarters.

Now coming to the balance sheet side. Net debt, as on September 30 2019, stood at Rs.197 Crores, with gross debt at Rs.1092 Crores, while cash and cash equivalents stood at Rs.896 Crores. Our cash conversion cycle is at a comfortable level of 25 days. The number looks higher than the last quarter due to an increase in inventory. This is because of high production volume, which we discussed earlier and is expected to normalize in the next two quarters.

Now we come to the Saudi joint venture. As you recall, our Saudi figures have brought in consolidated financial numbers at a single line level after PBT as per the Ind-AS. The Saudi business has significantly turned around. EBITDA during this Q2 of September stood at \$27 million and PBT at \$21 million.

And we come to the status of buyback of shares. As you would know, the company is proposing to buy back up to 28.89 million shares at a price of Rs.135 per share. We completed dispatch of the Letter of Offer to our equity shareholders on 15th of October. The buyback window has opened yesterday from 22nd October and it will be closing on 5th of November.

Then an update on our PCMD business transfer agreement that was signed in March 2019. So the parties to the agreement are in the advanced stage of seeking statutory and regulatory approvals, which are customary to such transaction.

And we come to the market overview. US is now the largest producer of oil and gas, primarily driven by fracking in the Permian basin. Major pipeline operators are working on significantly raising pipeline capacity over the next few years to overcome the constraints associated with transporting the oil as well as gas. We are also seeing increased interest from customers in the Bakken basin, where development activities are picking up. Further, robust outlook for export of gas is also expediting the need for pipeline infrastructure. Local US manufacturing entities such as Welspun's US plant are expected to command higher volumes, both for HSAW and HFIW operations.

For the Indian oil and gas market, the large-diameter pipe demand for oil and gas project is primarily driven by gas grid development by GAIL and oil pipeline network by IOCL. Recent decision by the government to pitch in for viability gap funding for Northeast region pipeline network is another positive news. A small diameter segment is expected to witness significant demand from City Gas Distribution projects.

With oil prices remaining stable and range-bound, the LSAW demand continues to be strong across geographies. The company has already commenced exporting pipes to North America for the world's highest operating pressure pipeline.

Demand in the Middle East, Northeast, North and East Africa as well as Australasia looks extremely promising and with our approvals and accreditations, we see a good potential emerging in these markets.

In the domestic water segment, the entire pipe industry is expected to benefit from Nal se Jal scheme to provide drinking water access to all by 2024. Activity in the irrigation segment is expected to further pick up in the coming quarters.

The JV in Saudi Arabia continues to have strong order backlog as well as visibility of around 18 to 24 months. While the current order book is driven mainly by water orders from SWCC, we are also seeing strong traction from Saudi Aramco on the oil and gas side.

With this, we conclude our opening remarks. We will be happy to take any questions. You can please open the floor for the Q&A.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from the line of Sudhir Bedha from Right Time Consultancy. Please go ahead.

Sudhir Bedha: Congratulations on super duper set of number Sir, and a robust outlook. Sir my question would be like, what is the outlook for US market in coming two to three quarters and whether we are bidding for the large projects in the coming quarter and chances of winning those kinds of projects?

So probably what will be the outlook for US markets for the next two to three quarters and kind of EBITDA that we have declared that would be maintained on?

Vipul Mathur: So thank you very much for this complement. But as regards the US market, if you see, we still have an order book of almost close to 200000 tonnes, which is yet to be executed at the end of September quarter, number one. So I am sure that will take us through for the balance part of the year.

Having said that, I think so the demand in US is still looking fairly robust at this point of time. As we speak, we have participated in a couple of projects there. And they are currently under evaluation and in few of them, and we are also very favorably placed. So I mean we are not seeing any sort of a decline in the US market. On the contrary, we are seeing that the market and the demand for the pipelines is still very, very robust, and we are the largest player there, and we are already into the fray in the bidding of some particular contracts, and I think so, it is a matter of time line so that we would be able to secure some more contracts out there. That will definitely take us through for the next at least three to four quarters.

Sudhir Bedha: And margin outlook Sir?

Percy Birdy: The margin outlook, if you look at it, we would still try to maintain that, on a very conservative side, we should be having an EBITDA of close to \$250-odd. That is what we think.

Sudhir Bedha: Great Sir. That is all from me.

Moderator: Thank you. We will take our next question from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: Congrats on very strong set of numbers. Sir few questions. Firstly, if I am looking at the Saudi numbers, our EBITDA per tonne comes to somewhere around \$230. This will be despite there being some portion of execution of low-margin Saudi orders. So on this, what is the execution of low-margin orders? And secondly, the residual EBITDA per tonne, how long is it sustainable because I agree that steel prices are moving in favor even on a sequential basis, but just on a sustainable number for the next three, four quarters, some view on that, please?

Vipul Mathur: So as we said, our order book in Saudi still stands very robust. We have more than 0.5 million tonne of an order to be executed at the end of September quarter, and that will definitely take us for the next three to four quarters, if not more.

Now on top of it, from an outlook perspective, I think so again the Saudi market is looking very robust and very buoyant. And as we speak, we have, again, participated in the Saudi market also in some of the key projects. And in one or two of them, we are very, very favorable placed. So Saudi market per se, you have a confirmed order book for almost four quarters. And I mean, the way the money looks to me, I think so, we will only be improving upon our order book in times to come, one.

Two, as regards to the margins, we have typically given you a guidance of something close to \$100 per tonne in the past, and we also have been telling that we have taken a very conscious call on keeping the steel open because we are very, very confident that we would get an upside on the steel, and you see that we have bought that upside and that is how our normalized EBITDA has come around \$150, let us say, \$150-odd.

I think so moving forward, we still feel that this is a typical number, I think so we should be able to match and to deliver on the EBITDA side of it. And as we do not forecast, at this point of time, that there is going to be any major shift or paradigm shift into the steel market. So it is with that assumption, and we are reasonably confident about this assumption, please.

Nirav Shah: But if I look at this current quarter, at least, whether any one-offs in this \$27 million EBITDA?

Percy Birdy: So, you know it is all about the product mix, what we had in this quarter, but as you know we have three contracts which we are running. So as the product mix changes, the EBITDA goes up. The EBITDA goes high. In this particular quarter, one particular order, which was highly profitable and comfortable. From a throughput perspective, it is a very productive order. So a large component of that was sitting in this particular quarter. So that is how you are seeing this number in this particular quarter.

We still have that order pending. You will see the traces of that coming in subsequent quarters also, but the blend will keep on changing. So it is also related to the blend side of it.

Nirav Shah: The sustainable number you are guiding is \$150 and then depending on the executions.

Percy Birdy: That would be a fair number to assume at this point of time on a conservative side.

Nirav Shah: On a conservative basis, perfect Sir.

Sir second question is on the US, I mean, our coverage on high dia, I mean, order book is somewhere till February. So are we confident that for a couple of projects that we are favorably placed in and the tenders should be awarded, say, in the next couple of months?

Percy Birdy: Yes, there, I mean, we are the largest player. We are the most active player. We are one of the most sought out player in that particular market. There are a couple of opportunities which are there on the radar. We have participated in most of them. As I had said earlier also, we also want to cherry pick our opportunities. And that is what we are working on.

I think so, it is a fair assumption to make that in short time, we should be able to have visibility beyond February for sure.

Nirav Shah: Okay. And Sir, the next question is on the PCMD transaction. By when is the closure expected and what approvals are we awaiting?

Percy Birdy: So on the PCMD side of it, I think so, it is a process. The process is currently undergoing all the regulatory approvals and everything which the documentations have already been filed. We are waiting for that. The moment it comes. So all that, when that statutory and regulatory approvals are in place, I think so then, this transaction will go ahead.

- Nirav Shah:** Okay. And the 43 megawatts sale of power plant has happened? Or that is also in some final stages?
- Percy Birdy:** That is concluded. That is all over.
- Nirav Shah:** That has concluded?
- Percy Birdy:** Yes.
- Nirav Shah:** Sir just last question, on the Saudi operation again, till when is the steel covered for that order?
- Percy Birdy:** Actually we have covered for literally, let us say, for this full financial year, I would say that till March of the next year or let us say, we are covered for the full financial year now.
- As I said that we always try to keep a sort of a steel for the two quarters with us, and that is how we are progressing. So at the start of the Q3, we are covered for the Q3 and Q4.
- Nirav Shah:** Got it Sir. Congrats once again on good set of numbers and all the best.
- Percy Birdy:** Thank you very much. I appreciate it.
- Moderator:** Thank you. Our next question is from the line of Vikas Singh from Phillip Capital. Please go ahead.
- Vikas Singh:** Congratulations on very good set of numbers. Sir, I just want to understand, if I look at the last two quarters, our order book addition has been pretty slow, somewhere around 120, 130 KT. So, any particular reason behind this?
- Vipul Mathur:** I would say it is more of a timing issue. I mean, at the end of the day, if you look at the indicators of our bid book and the upcoming bids, I think so we are not seeing any slowdown there. Our active bid book still stays at 2 million tonnes, which in the last quarter was also 2 million tonnes. The prospective bid book also stands at 20 million tonnes globally. So if these are the 2 indicators, we have to look at it. I think so, I mean, they are pretty much constant. It is just a matter of timing that in this particular quarter that the decision-making on certain projects have not happened, and probably it is a matter of time that some more orders will come in to fray.
- Vikas Singh:** Okay. And Sir, out of this prospective bid book of 20 million tonnes, how much is basically relied on US, Sir? Or if you have the numbers right now?

- Vipul Mathur:** We do have it. So it is a perspective order book is a global bid book.
- So the prospective bid book comprises of Middle East, Latin America, North America, Southeast Asia, WME and it is very evenly splitted out. So I mean, so if you have to see that, has there been any major change in the prospective bid book on a quarter-on-quarter basis? No, I think so, not really, not major shift has happened, what it was in the last quarter. I think so for those regions; it is pretty much in the same in this quarter as well.
- Vikas Singh:** So you are saying it is not very much skewed towards US? It is evenly spread out across these geographies, right?
- Vipul Mathur:** Absolutely.
- Vikas Singh:** So Sir, just one more thing. Just a little bit probing on the US. So, next year November there is an election in U.S., right? So usually, what we have seen that the election years the decision-making goes for a little bit halt. So how do we see our performance of the mill going into the next year when they are into the election year then majority of that capex program might be stalled for certain reasons until the clarity emerged on the winner?
- Vipul Mathur:** You may have a view to that, but what we are seeing on the ground, I do not think so that the capex cycle per se with the E&P companies whom we deal with is anywhere related to that aspect of it.
- I think it is more related when someone from Canada has to do a job in America. Probably, he should be a little more worried about things. But, if it is a US, U.S. interstate pipeline or interstate pipeline. I do not think so these things, they matter a lot there. People, people are going ahead. People understand the need for putting up these pipelines, and I think so they have understood that the US has become a sort of a net exporter of both oil and gas at this point of time. And I think so that need, they have understood the benefits of that irrespective of anyone who is there. I think so that, that policies, in my opinion, should continue. So that is what we are seeing on the ground. We are not seeing any slowdown because of that aspect of it.
- Vikas Singh:** Okay. Sir, last time, also we have not seen anything like that, right, in 2016?
- Vipul Mathur:** We did not.
- Vikas Singh:** Okay, okay. And Sir, just one more question, if I may ask. So this time, you have not given the regional breakup of the order book of US, India and Saudi. So if you can provide the same?

- Vipul Mathur:** Yes, yes. So let us say, we still have a pending order book of more than 0.5 million tonne in Saudi, and it is around more than 600000 tonnes in India and close to 200000 tonnes in America. So that is what our order book currently stands.
- Vikas Singh:** Okay. And Sir, lastly, if you have paid the tax on the dividend received from the subsidiary. But even if I look at the standalone numbers, I do not see the other income jumping by that much. So where we have reported that dividend actually?
- Percy Birdy:** So the dividend has come from USA. In this first six months of the year, so you will see the numbers in six months.
- Vikas Singh:** Okay. Because the other income on a standalone basis had jumped significantly in the Q1, but the Q2 nothing has happened, only Rs.39 Crores, which is less than the tax we have paid.
- Vipul Mathur:** You are correct.
- Vikas Singh:** So that is the Q1, we have received largely and we have paid the tax this quarter.
- Percy Birdy:** So September is the half yearly. So that is why the balance sheet has been prepared for September. And the impact on that tax has been also taken, tax on the dividend.
- Vikas Singh:** Okay. That is all from my side and best of luck for your future.
- Moderator:** Thank you. Our next question is from the line of Sanjay Parekh from Nippon Life Insurance. Please go ahead.
- Sanjay H. Parekh:** Yes. Congratulations to the entire team, a great execution and great deleveraging and a good, clear payout policy. So really congratulations.
- One question is while we lock-in the commodity price, when we pick up the orders in US and we do the same in India also. But in Saudi, now that the raw material cost is much lower, would we consider risk management in terms of locking the raw material prices? Or you think that would not be the right thing, and what would be your view on this?
- Vipul Mathur:** Sanjay, I think that we would still like to continue with our existing policy of only blocking the steel for two quarters, for a simple reason because one aspect, what we are also seeing despite all the restrictions, what has happened, China's steel production has gone up by another 5%, number one. So which means that availability of steel in China is going to be much more than it was the last year and that will continue to see a sort of a trend in which

the likelihood of price going up is very unlikely, the price going down or prices remaining stable is most likely.

So looking at that aspect of things, I think so for the timing, we will still continue with this particular policy. Having said that, as we have earlier told also that we keep a very, very hawk-eye on this aspect to it, and we see anything changing around that. That is the time, we would like to calibrate our position.

But at this point, as we speak, I think so this will be a right policy to move ahead.

Sanjay H. Parekh: Thank you. This is helpful. The second question is the other thing, is these 20 million perspective bids. Can you just explain us these, what would this be? This would be all the projects which are visible and for which we have already bid? How does they, because it is a very good long number, which explains the longevity of the outlook for our business? So if you can give us more understanding on these 20 million perspectives that will help us Sir.

Vipul Mathur: So 20 million bid book Sanjay typically is a consolidation of all the projects which have been announced or which are discussed or which are on the table, right? So we keep a complete track on that because that helps us in terms of looking at a large picture.

If we see a major, let us say, we look at four geographies, let us say, U.S., MENA, Europe, India and Southeast Asia. Let us say, we are looking at this top 5 geographies that we are looking at it, and we plot our bid book around that. If we see a major trend emerging out of that, that helps us in terms of calibrating our sales and the business development team to focus on that region.

So 20 million tonnes is basically is a combination of the projects which have been announced or which the company's intent, they have shown their intention to implement. So that is one part of it.

I think the more relevant and short-term relevant part of it, that the active bid book, which is 2 million where we have participated, we have submitted a bid and bids are under consideration or either the projects are into the FID or in the feed stage. So these are two oftakes we look at in terms of determining our way forward.

Sanjay H. Parekh: Yes, this helps. And the last one is on the domestic part. What was like a steady business on a yearly basis? Now we have opportunities while City Gas is going through a lot of new bids, which are going to come and they are going to invest? And also water in terms of Jal se Nal. So how do you see, I mean, when do you see this should actually takeoff in terms of the volumes coming up, our utilization levels are still low, so we can significantly increase.

I mean, what should be the time frame by which we can see meaningful growth in the domestic business because of these government projects?

Vipul Mathur:

See, the way it looks to us that domestic, while there are lot of domestic projects which are announced. But I think that they would come in a very stable manner. Let us talk one by one.

Let us talk, that currently, the focus is more on the development of gas grid by GAIL. So for the last two years, we are seeing a consistent requirement of their projects coming up on the table, and we anticipate and we expect that a similar trend is going to be continuing for the next two years' time.

We are looking at IOCL for the oil grid. There, we are seeing a little increase for a simple reason because at this time, they have also gone ahead and they want to integrate the Northeast. And this Government of India viability gap funding for the Northeast is also going to accelerate that program. So we see a growth in the spending of IOCL and their requirement of pipeline coming up in a little more number than what it was in comparison to the last year.

Nal se Jal is under a design stage at this point of time. Eventually, it is going to happen, it is just a matter of time. I think so the governing metrics around that probably what we understand is being built around. But I am sure that everyone understands that this is going to be a game changer.

But by the time the Nal se Jal things comes up, you know the steady demand for irrigation. The pipes of water sector for irrigation purpose are consistent. It is growing at a normal pace, and we have a large presence there.

So all in all, if you look at India, I think so there has been a growth. It has not been a very significant growth, but it has been a slow incremental growth which is happening, and that is what we are seeing that it will continue to happen for the next two or three years' time.

Sanjay H. Parekh:

Thank you very much and again, congratulations to the entire team for a great set of numbers.

Moderator:

Thank you. Our next question is from the line of Sangam Iyer from Consilium Investment. Please go ahead.

Sangam Iyer:

Percy. I just wanted a small clarification. Last quarter, we did say that there were a couple of one-offs in the US reported EBITDA per tonne, resulting in the EBITDA going north of 320 per tonne. This quarter, also it is at a similar kind of a level. So could you help us out

whether there is any one-off this quarter as well in the US? Or is it purely the product mix that has helped EBITDA to be north of \$300 per tonne?

Vipul Mathur: So I think it is largely to do with the product mix, and in each quarter, obviously, there are some projects which are more profitable, relatively speaking. Also, there has been some logistics revenue, which has been booked in the past also. So we are saying that for the H2 of the year, it is more like \$250 a tonne is what is looking more probable to us.

Sangam Iyer: Okay. And India this quarter, I mean, as compared to last quarter, where we were just about maybe breakeven at the EBITDA level. This quarter, we have seen quite a bit of jump at the EBITDA level. So is this because of the change in mix? Or and also to the fact that we have started supplying to the North American exports to the North American countries? Or what exactly is the contributor here for the expansion in the EBITDA per tonne for the Indian operations.

Percy Birdy: The first reason is, of course, the volume growth in Q2 compared to Q1. So the volume was very low in Q1 because of the economic scenario that was prevailing in the country in that April to June period. So volumes have now started picking up from Q2 onwards. And we have large export orders also which production has happened, and we will be booking the sales starting from Q3 onwards.

So you will see that India, the second half of the year is going to be significantly better than the first half of the year.

Sangam Iyer: Okay. So one, assume a similar kind of an EBITDA per tonne like what we are looking at for the Saudi operations or from India, given that the mix is changing more towards exports and also the fact that a lot of this production is already done, and it is just a billing part it is pending here in the second half?

Vipul Mathur: So you will see a substantial volume improvement also in India in the Q2, and which will have a part of export business as well. So you will see India numbers benefiting from both sides, the volume numbers as well as the EBITDA per tonne.

Sangam Iyer: Got it. And a couple of important points that came out during the call today was that you have upgraded both the visibility on EBITDA per tonne for all the three operations basically, India, US and Saudi. So what could be the risk here to this upgrade that we have provided in terms of outlook for the EBITDA per tonne?

Percy Birdy: Your question is for Saudi? Or...

Sangam Iyer: For all the three, given that earlier we use to talk about US being closer to 200 now it is moved to 250. Saudi used to be closer to 90 to 100, now it is around 150. India has also moved up significantly.

So I understand that there is plenty of visibility that is available now, which is giving us the confidence for the second half. But any outside chance of risks that one should keep in mind, just in case?

Vipul Mathur: This is Vipul Mathur. I will take this. Let us say from a guidance perspective, what you factored, whatever, we have revised our guidance a slight revision in the guidance basis because what we are seeing. And this is all coming out because of the confirmed order book what we have.

So from a risk perspective, I do not see that to be the challenge around that. I think so, it is all about our operational performance, if we continue to perform and we continue to produce and deliver. I think these are fairly achievable number.

Sangam Iyer: Got it. And Sir finally, as one of the participants did asked about the large orders that are there in the US, be it from the Kinder Morgan or the Liberty Pipeline, etc. Any time line in terms of by when these are expected?

Vipul Mathur: See, it is not only the one or two projects, what you are referring to at this point of time. They also happen to be one of the projects there. But I think so we are engaged in much more projects than what has been referred to. I think at this point of time, it is close to six, seven projects we are looking at and working around that. It would, and they are at a different stage of being under consideration and in the finalization.

The fact of the matter remains, we do not want to put ourselves to any stress in terms of giving us sort of a time line because our objective is not to book an order. Our objective is to cherry pick an order which can bring in a sort of a qualitative input into our order book. So that is what we are looking at, at this point of time.

So defining a time line that in **certain** time we will book something, it is not that what we are looking at.

Sangam Iyer: Got it. Great Sir, congratulations and all the best Sir.

Moderator: Thank you. Our next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Congratulations on a very strong operating performance. Sir, what was the actual dividend amount we have received on which we have paid Rs.43 Crore tax on US the operation.

Percy Birdy: So that was \$35 million.

Dhananjay Mishra: Okay. So close to Rs.210 Crores, right?

Percy Birdy: Yes, if you take it at the rate of 70, then that comes to about 245 Crores.

Dhananjay Mishra: And how we have booked in Q1 and Q2, a breakup of that?

Percy Birdy: So in consolidation, the dividend coming from subsidiary does not come at all anywhere. However, the tax on dividend appears in the consolidated financials also. So that is why the effective tax rate, if you notice for this H1, effective tax rate is almost at 42 percentage as a percentage of PBT and the impact is of this tax on dividend.

So if you remove the Rs.42 Crores of tax on dividend, then our effective tax rate for H1 is about 30%, which is what you would say 28% to 30% is what the normalized tax rate would be for our consolidated numbers.

Dhananjay Mishra: And Sir are we moving towards new tax regime of 25.12%? Or we are turning to...

Percy Birdy: So as of now, see, we have MAT credits which are carried forward. So we do not see that immediately helping us until we are able to utilize these MAT credits. After which, of course, we can look at the concessional new regime.

Dhananjay Mishra: And Sir, this large export order, which we could not build, what was the quantum of that export order and for which country it was there?

Percy Birdy: So it is to North America, and we will start seeing the sales ramping up from December quarter onwards. So you will see a 20000, 25000 tonnes coming up in Q3 and then higher volumes coming up in Q4. So gradually it will ramp up, and the full execution, of course, it goes well into next fiscal year as well.

Dhananjay Mishra: So I mean, close to 1 lakh inventory addition, 1 lakh tonne of inventory addition in this quarter. So I was just asking what was the contribution from this because of this export order which could not materialize in this quarter.

Percy Birdy: So you are right. Substantial inventory is for this production of this export order. However, the one thing we should highlight is that this has been self-funding also. So our terms with the customer have been such that we also received advances from customers. So while the

inventory number has gone up, similarly, you will notice that the advances from customers have also gone up. So in that sense, the net working capital impact has been mitigated.

Dhananjay Mishra: Okay. And Sir, lastly, regarding this EBITDA margin guidance, which earlier we used to talk about \$200 from the US operation or about \$100 from our joint venture and close to Rs.5000 per tonne in India operations.

So, but this quarter, we see, even if I take the \$250 EBITDA for the US operation, it gives me about 9000 per tonne EBITDA for India operations. So is it because of this export bump up or we are getting from domestic operation or this is sustainable in longer term?

Percy Birdy: See, if you look at the H1 numbers, and we will prefer to look at H1 because there are some quarterly fluctuations which keep happening due to project mix.

If you look at our H1 numbers, then our EBITDA in US has been substantially strong. You are right. For the H2 of the year, we are guiding conservatively at about \$250 a tonne for U.S.

As far as India is concerned, for the H2 of the year, we are looking at about \$80 to \$85 per tonne. And for Saudi, we can say that it is close to about \$150 per tonne for the H2.

Dhananjay Mishra: Because what we have reported in PBT, that is 14308.

Percy Birdy: That is a blended EBITDA.

Dhananjay Mishra: Yes, the blended EBITDA for US and India put together, right?

Percy Birdy: That is right.

Dhananjay Mishra: And if you take \$250, that is close to 17000 we are doing from US operations. And we are doing similar, slightly bigger volume for India operations, like 1.2 lakh tonne we have done. So it comes around close to 9000, 9500 tonne from India operations. So is it sustainable in longer term, because we have been guiding about 5000, 6000 tonne EBITDA?

Percy Birdy: So in India, as we said, that we are looking at \$80 to \$85 a tonne. And this is mainly due to the export orders, which are getting executed in H2 of the year. So in Q3 and Q4, we spoke about a minute ago also the large export orders which are getting executed. So that will help the India EBITDA to shore up to \$80 to \$85 per tonne for the H2.

Dhananjay Mishra: Can we have some growth in volume term in India operations? Because last year, we did about 630 KMT. And this H2 numbers are like we have a degrowth 20% in this quarter and

almost 50% in last quarter. So can we expect a flattish kind of volume growth? Or there will be some decline in India wins?

Percy Birdy: We are broadly looking at the same growth level what we were there. As I said, that the India operations are more or less stable. The growth and everything have been very marginally incremental here, because of the mix of the projects, what we see here.

So we feel confident that we should be able to maintain the same growth, if not more.

Dhananjay Mishra: Thank you.

Moderator: Thank you. We will take our next question from the line of Tushar Pendarkar from Ventura Securities. Please go ahead.

Tushar Pendarkar: Congrats for the good set of numbers. My question is related to that write-off which you took a couple of quarters back on IL&FS and Reliance bonds. So any progress in that? Because you mentioned that any recovery from that will be the exceptional gain for the company.

Akhil Jindal: Yes, you are right. Any gain will be an exceptional gain, but I think, as you all know from IL&FS various presentations made to the stock exchange and to the management, the process is still on. They have received some bid for the road projects, which are likely to be opened very, very shortly. And we understand that the project that we hold, which is Jorabat-Shillong, the bid is decent enough, although we have not still got the numbers from IL&FS. At last the initial indication is that they should cover the secured lender, and we are a secured lender.

So once the bid would be out and once the CoC meeting takes place and the bid gets accepted, then of course, there would be a write back.

As far as Reliance is concerned, we have got all of our interest and everything serviced till date. There has been no default, although the rating had been downgraded. So we are watching the situation very closely. Reliance has already exited their AMC business. They are also in the process of exiting their insurance business.

So all in all, I would guess that we will have to wait till the end of the financial year, not before March 2020, till we see the resolution of some of these outstanding positions.

Tushar Pendarkar: Okay, okay. So by end of this year, we will get some clarity how much funds we can recover from these two?

- Percy Birdy:** Yes. Based on the action that these companies might be taking, we would be in a position to make the necessary write back into the books.
- Tushar Pendarkar:** Thanks, that is all from my side. Thank you.
- Moderator:** Thank you. We will take our next question from the line of Sachin Kasera from Swan Investment. Please go ahead.
- Sachin Kasera:** Congrats for the good set of numbers. Sir first question on the debt. You mentioned that the debt reduction was a little lower because of some of the working capital issues regarding the dispatch. So how much we should take as the impact for the H1 on the debt reduction because of this, some dispatch delays?
- Percy Birdy:** So our net debt has been almost at the same level of June. So we are at about Rs.196 Crores, 197 Crores. But of course, compared with March, our debt has come down. And our target, that by March 2020, we want to be a zero net debt company. So that target remains for us.
- Sachin Kasera:** Okay. No, but if we are going by whatever you are estimating in terms of volumes and EBITDA, then unless until, we are seeing some significant increase in working capital, our cash flow from operations will be far stronger than what you are guiding as of now?
- Percy Birdy:** Exactly. So what will happen is now in Q3, Q4, the export order from India will also start getting executed. So we will see that improvement in the working capital and that will help us in the reduction of debt also.
- Sachin Kasera:** Okay. Secondly Sir, on the India operations, what was the EBITDA for the H1, since you said H1 would be a better way to look at the numbers?
- Percy Birdy:** So the EBITDA for India in the H1, about Rs.60 Crores to Rs.70 Crores, which was our H1 EBITDA number, which is, of course, are available to you in the standalone numbers also. So it will be visible there.
- Sachin Kasera:** Sure. And what was the India volume for the H1 Sir?
- Percy Birdy:** India was 191000 tonnes.
- Sachin Kasera:** Sir second one is the dividend thing. Sir you mentioned that we got \$35 million of dividends from the subsidiary. And you said that, if you give us interim dividend and then we will get a set-off. So basically, the parent company needs to declare a \$35 million dividend to get the entire set-off?

Percy Birdy: So the set-off will be available versus the dividend distribution tax. So you are right. If we declare the entire, say half, 50% of the amount, then we would get set-off to the 50% of the extent.

Sachin Kasera: Yes. But I am saying supposed technically, you want to get the 100% benefit, then we have to declare \$35 million as dividend.

Percy Birdy: That is right.

Sachin Kasera: And that \$35 million is including the dividend distribution tax.

Percy Birdy: No. So \$35 million is a gross figure. So the way it works is there is a withholding tax in USA. of 15%. So \$35 million, less 15% withholding tax is the money, that net amount comes to India.

Then in India, under the specific section under tax, the rate is applicable at 17.5%. So the differential, 2.5%, we have to pay the tax in India. So on a consolidated basis, we have paid 17.5% tax on the \$35 million of gross dividend.

Now as and when we declare dividend to Indian shareholders, we will be able to get the set-off of this 17.5% tax, which the amount is Rs.42 Crores, we will be able to a set-off against the dividend distribution tax.

In other words, we do not have to pay twice. We do not have to pay income tax, plus dividend distribution tax. We need to pay only once.

Sachin Kasera: Got it. And this India, you mentioned that because of exports, the margins are starting to improve and H2 will be little better. So this is like one-off phenomena? Or now the way we are looking at India operations, exports will continue to be a decent portion, and that is why the trajectory for India operation in next two, three years should be higher EBITDA margin?

Vipul Mathur: Well, we are very hopeful. I mean, that this blend of export and the domestic will continue in the future. As I said, that the demand, both for the domestic and the export, is looking fairly consistent. So we are very hopeful that we should be able to maintain, our endeavor would be to maintain this product mix going forward as well.

Sachin Kasera: So this year, around 600, 630 that we intend to do in India, exports should be like 20%, 25% of that Sir?

Vipul Mathur: Close to that. Yes, you are right.

- Sachin Kasera:** Thank you very much.
- Moderator:** Thank you. Our next question is from the line of Meet Jain from Prithvi Finmart. Please go ahead.
- Meet Jain:** Congratulations on an outstanding set of numbers. I have a couple of questions. First is regarding the trade receivables on a consolidated basis. It decreased almost 50%. So what was the main reason for that?
- Percy Birdy:** To some extent, we have also received the advances from customers. And as these sales get executed, to that extent, the advance received from customers, which is the liability, we have adjusted with the receivable figure also.
- Meet Jain:** Okay. So going forward, are trade receivables going to be at this level? Or it will be at a previous level? Because from FY2019 balance sheet, we can see that trade receivables has been like around Rs.1400 Crores and currently also it is around Rs.1800 Crores. So it increased from FY2018 levels because of Ind-AS maybe. So going forward our trade receivables, going to be at this level, around Rs.600 Crores or Rs.700 Crores only, as compared to previous?
- Percy Birdy:** Yes. So on the whole, we are looking at about 25 days of working capital cycle, which is a mix of, of course, debtors and inventory put together. From a quarter-to-quarter, it will keep fluctuating depending on when the sale has happened. So if the sale is happening towards the end of the quarter, you would find that much to that extent, the debtors are going up and inventory coming down. So we would guide you better to look at the cash conversion cycle. So the net cash conversion cycle you can look at is about 25 days on a sustainable basis.
- Meet Jain:** Sustainable basis?
- Percy Birdy:** Yes.
- Meet Jain:** Okay and can you provide me the capacity, how much we have in the Saudi?
- Vipul Mathur:** Our capacity in Saudi is close to 375000 tonnes.
- Meet Jain:** 375000 tonnes?
- Vipul Mathur:** And there is also always a caveat. These capacities are on a particular size and particular diameter and thicknesses, but they have a possibility of jumping, because if you use a bigger diameter and a heavy wall thickness, these capacities can go up and down as well accordingly, but yes, on a theoretical it is close to 375000 tonnes.

- Meet Jain:** 375. Because for the past two quarters, you are doing more than 100% of the capacity, and going forward also, our guidance or something, is it around more than that itself?
- Vipul Mathur:** We are very hopeful of that.
- Meet Jain:** Okay. And last thing is in India. The CGD, the City Gas Distribution, are you seeing any building of traction coming in from that? Or the bidding has not started for the last 9, 10 rounds?
- Vipul Mathur:** We are seeing significant traction. In the last quarter, we were in an active engagement. In this particular quarter, when we are talking, I think we have some orders coming under the CGD as well. And as we move forward, I think so this portfolio is only going to increase. That we are very confident about that.
- Moderator:** Thank you. We will take our next question from the line of Bhavin Chedha from Enam Holdings. Please go ahead.
- Bhavin Chedha:** Congrats on a good set of numbers. Sir a few questions. One is on the withholding tax, which is paid on US. So what is the time line within which you have to offset? Is it in the fiscal? Or you get a full 12 months from the tax amount paid, if you can update on the regulation regarding that?
- Percy Birdy:** So Bhavin, we believe it is in the same fiscal year.
- Bhavin Chedha:** So it is in the same fiscal year.
- Percy Birdy:** Yes.
- Bhavin Chedha:** Okay. Next is what I believe is that, if I see your standalone and consolidated numbers, the dividend income from US was booked in Q1, but the tax is paid in Q2. So there would be just a timing difference, that you have taken a tax in the current quarter, while dividend income was taken in Q1?
- Percy Birdy:** So what happens is in Q1, this has gone to reserve. While now balance sheet has been made, only half yearly is for the requirement. So now when the balance sheet is being made, that is when it is coming up in September.
- Bhavin Chedha:** Okay. And this is not just a provision. Rs.42 Crores is actually the cash tax which has been paid in the US and you said they need to withhold 15%. So actual money has moved, cash tax payment is paid in U.S. and actual money has moved from U.S. to India, right?

- Percy Birdy:** That is right.
- Bhavin Chedha:** Okay. Second thing, what would be the debt gross borrowing numbers in Saudi, one? And how much would be the external debt there? And how much is payable to India standalone operations? And since now Saudi has been making lot of money, so any update on the shareholder loans from Welspun standalone getting repaid from Saudi operations? And if any tax impact at all on how to distribute the Saudi cash flows?
- Percy Birdy:** Yes. So the external debt in Saudi as of September is just maybe SAR 490 million. And then there are shareholders' loans which are there from both of the partners. So we are looking at various alternatives and options, so that as the debt starts coming down, we get the shareholders' loans also paid back.
- And of course, the Saudi's performance, as you can see, is doing phenomenally well. So I think we should be on track to achieve this.
- Bhavin Chedha:** Sure. Any number on shareholder loans, from partners, is how much?
- Percy Birdy:** Yes. It is approximately about SAR 180 million.
- Bhavin Chedha:** Combined of both partners, right?
- Percy Birdy:** Yes.
- Bhavin Chedha:** So SAR 90 million, SAR 90 million would be the...
- Percy Birdy:** Correct. Yes, right.
- Bhavin Chedha:** Okay. And any chances of dividend distribution from Saudi operations? And if any, what is the tax impact if Saudi starts paying dividend? What are the tax laws there?
- Percy Birdy:** So there would be a withholding tax in Saudi also of about 5%. And then the Saudi dividend would go first to our holding company in Mauritius. But we would first prefer to do the withdrawal by repayment of shareholders' loans because that would be more tax efficient.
- Bhavin Chedha:** Basically, Saudi cash flows has to first go for the repayment of shareholder loans, right?
- Percy Birdy:** That would be more tax efficient.

- Bhavin Chedha:** Okay. And this SAR 490 million, the external debt, how much is the term loan there and working capital there?
- Percy Birdy:** So the term loan is about SAR 90 million and remaining is the working capital.
- Bhavin Chedha:** Remaining is working capital. Okay. And just on the one number, how much was the IL&FS number we had written off? And how much is the Reliance Capital number we had already written off where there may be some chances of repayment before the end of the fiscal?
- Akhil Jindal:** So total of around Rs.280-odd Crores is the capital loss provision that we have created including the M2M. So IL&FS was around Rs 116 crores.
- Bhavin Chedha:** 116 is IL&FS.
- Akhil Jindal:** Yes, IL&FS family, I mean to say IL&FS family.
- Bhavin Chedha:** Total IL&FS was 116 and how much was Jorabat?
- Akhil Jindal:** Jorabat was 47 out of this.
- Bhavin Chedha:** 47, and this was the 100% exposure to that, which was written off, right?
- Akhil Jindal:** Yes. So 100% exposure, which was written off.
- Bhavin Chedha:** Okay. And Reliance was...?
- Akhil Jindal:** Reliance is another almost Rs.120 Crores.
- Bhavin Chedha:** This also 100% exposure.
- Akhil Jindal:** 100% written off, exposure written off, yes.
- Bhavin Chedha:** Okay, thanks a lot Sir.
- Moderator:** Thank you. Our next question is from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.
- Sangeeta Purushottam:** Congratulations for a great set of numbers. My question was that could you give us a guidance in terms of what is the capex that you are likely to incur in the next two years?

That is one. The second is a housekeeping question. Your revenue growth was a little less than the total volume growth. Is that because of a mix effect in the product?

Vipul Mathur: So on the capex side of it, the only capex what we are currently committed to is the one, which is on our Bhopal site, we have done the Phase 1 of our capex. Currently, we are doing the Phase 2, which is the coating plant, and that would be also up and running within this financial year.

Barring that capex, all the capex, what we are forecasting actually is in the next year is all maintenance capex. At this point in time, we have no other plans to make any significant capex investment other than this maintenance capex, which is close to Rs.100-odd Crores on a year-on-year basis across geographies. So that is on the capex side of it.

On the revenue side of it, can you just answer on that?

Percy Birdy: I think it is a mix of geographies that is just playing over here. So if you look at the revenue numbers, then for the half year, we have a 14% growth in the topline.

Sangeeta Purushottam: Yes. No, I was talking about the quarter. You have a 5% growth in revenue and I think and an 11% growth in volume.

Percy Birdy: Yes. But this is driven by the geography mix, project mix. So I think at the end of day, it is a project business. So you will find those type of things.

Sangeeta Purushottam: Okay. And given that, just coming back to my first question. Given that the capex is going to be fairly muted, does that mean that the existing capacities that you have are more than enough for any volume growth that you will see going forward?

Vipul Mathur: I think so. For timing, we are still at, if you look at a sort of a average capacity utilization, let us say, our US facility is around 85%, 90% utilization. Saudi is almost around 90% utilization. India is a little low, but if we do a sort of a blend. I think so, we are almost around 60%, 65% capacity utilization. So there is still a sufficient upside for us to do a more volume and volume growth is possible.

So I mean, that is one of the reasons that we are not very keen or particular in any subsequent capex in this, in the coming year.

Sangeeta Purushottam: Right. So you will be generating a fair amount of free cash, particularly once the sale proceeds come in and the debt has been repaid. So you will see an interest cost reduction as well. What is your thinking right now in terms of the dividend policy?

Vipul Mathur: Our direction from the Board is very, very clear, that (a) first, whatever free cash flow is getting generated in the order of priority, first, the debt has to be reduced. Secondly, it may not be brought into any immediate Capex. And third is the more important is it has to go back to the shareholders. And the buyback, if you see the buyback is what we have opened yesterday. This has been in that direction only.

Sangeeta Purushottam: Alright, thank you.

Moderator: Thank you. Our next question is from the line of Keshav Garg from Equity Mechanics. Please go ahead.

Keshav Garg: Sir, I wanted to understand, that way back in 2010, Sir we did almost Rs.1300 Crores of operating profit. And now our sales level is at an all-time high. But Sir our operating profit is like a 1/3 of what we did, or 1/2 of what we did way back like 9 years back. So what is the reason for the decline in margins?

Vipul Mathur: At that point in time, I think so, a large quantity of business we were doing with the US It was more of export and we were supplying extensively to the US at that point of time. So that is what, those days, we were seeing those types of margins which has over a period of time, definitely has declined. Now you cannot supply to US either way.

Percy Birdy: But they are almost coming back to a similar situation. The H1 EBITDA was around Rs.5572 Crores, which is quite high looking at the preceding years. So I think slowly, slowly we are inching towards that.

Keshav Garg: Okay, and also Sir, I wanted to understand Sir that globally how is the demand-supply situation is looking like? Sir are there any big plants coming up, like let us say for example in China, which might be yield in future to a glut in the market and then a pressure on realization?

Vipul Mathur: We are not seeing any such thing. We do not see that any major, they have some plans which have come up. There has been a new plant, which has come up in Middle East. But they are small, like that 200000 tonnes capacity.

So to that extent, there would be a little bit of a disruption. But I mean, are we looking at something major, which is happening in China, and which is going to disturb or move the needle significantly? At least we are not seeing anything of that sort.

Keshav Garg: Okay Sir and Sir, since there are so many pipe manufacturing companies. So how do we differentiate ourselves? Basically, what is our USP? What is our main strength here?

Vipul Mathur: Our biggest USP is our approvals and accreditations. If you see that we are approved and accredited by who is who of the world. And I think so this positions us in one of the top three or four players in the world. And that is our biggest USP.

And if you see, importantly, any project anywhere in the world, which is of any critical importance, I think, so I am very proud to say that Welspun is always discussed there. Whether we are successful or not, that is a different issue, but we are definitely on the table participating.

I do not think there are not too many companies in the world can boast around that.

Moderator: Thank you. We will move to our next question. That is from the line of Sangam Iyer from Consilium Investments. Please go ahead.

Sangam Iyer: Yes. I just wanted a clarification on the dividend part, which I think Sachin asked and you have clarified. So thanks a lot, my questions are answered.

Moderator: Thank you. Our next question is from the line of Sachin Kasera from Swan Investments. Please go ahead.

Sachin Kasera: Sir just one question on Saudi. You said that the first preference would be to take out the loan that is there from the promoters. Now sometimes, there are covenants that the promoters cannot take out the loan until external debt is repaid. So do you have any such covenants in the Saudi operations where you first need to repay the term loans and then only we can withdraw the loans from the promoters? Or there is no such covenants?

Percy Birdy: Yes. So to be fair, we are still examining this issue, and we are working at it. So I think it will take us some time to come to an answer. But our objective is to do it in the most tax-efficient manner, and that is what we will do.

Sachin Kasera: No. That is one is the tax thing and I am seeing purely from a covenant point of view? Is there a covenant that the promoters cannot withdraw the loans in the term loans of the banks?

Percy Birdy: Yes, all these things have to be discussed and negotiated with the banks. So we are in the process of discussing with the banks.

Sachin Kasera: Sure. And just lastly Sir, now there is no more provisions left as far as the treasury is concerned, right, for this quarter, we have seen no provisions?

- Akhil Jindal:** That is right. So it is all provided all done. some small MTM losses may come up, which would be in few Crores rather than any large number.
- Sachin Kasera:** And Sir last call, you had mentioned that one of the things that we are looking is to not have a large debt and large treasury rather than have a much lower gross debt itself. So in that case, while you are reporting the net debt is very comfortable, are we looking in terms of prepaying some of the gross debt also in the H2?
- Vipul Mathur:** Yes, yes. We are putting first to reduce our debt as much as we can, and we are into discussion with all the lenders also where there could be a instance of a prepayment penalty to be waived.
- Sachin Kasera:** Okay. And lastly, how is the bid pipeline in India on the water side? Are you starting to see some large tenders being floating? Or still some time away?
- Vipul Mathur:** No, we are seeing, as you know, water is a basically a state business. And as Welspun, we are present in the West, we are now present in the South and now we are also present in Central India. I think so we are seeing a very consistent flow of inquiries coming into in all the 3 regions and let us say, our Bhopal plant is almost booked for the plant in Central India in Bhopal is almost booked for the full of this financial year. Our plant even in South, which is in Mandya, is booked for this financial year.
- So we are seeing consistent flow of inquiry coming there. So water seems to be doing the way as we predicted.
- Sachin Kasera:** The full benefit of Bhopal plant should be visible in the H2 or in FY 2021 Sir?
- Vipul Mathur:** Full benefit in the way?
- Sachin Kasera:** There we got the plant that we put up in Bhopal, the full benefit of that we should see in the H2 of the year or in FY2021 Sir?
- Vipul Mathur:** Yes, yes. Definitely we could see that.
- Sachin Kasera:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Amit Dange from Mentor Capital. Please go ahead.

Amit Dange: Congratulations sir for such a good set of performance. Just one thing in needed. Just wanted to understand that where we see that coming two, three years from Indian operations?

Vipul Mathur: See India operation has two components. Number one, India operations for which production and supplies are made within India, I think so there, our view is very, that it is going to be fairly constant. I do not think that there is going to be a significant upside, but is there going to be a downside to it, the answer is no. So Indian operations to be executed within India, looks very constant to us. That is our personal view around the Indian market.

Having said that, the second part of the India operation is also export, right? And that is where we see that there are greater opportunities for Welspun, because of our approval and accreditations and our past track records and our relationship with all the major E&Ps. So the growth volume probably will come out of exports.

Amit Dange: So is it fair to assume for the coming years, that 10% to 15% from here volume growth on an annual basis, say 7 lakh tonnes or 7 to 7.5 lakh tonnes in coming years?

Vipul Mathur: I would love to do that. I mean, but you have to understand that it is a project business and it is all about timing. It is all about being present.

Amit Dange: Yes, considering that Bhopal, I think we are going to start operations there, that is to and all.

Vipul Mathur: No, Bhopal has already started. Bhopal operations have already started, and it is ramping up at this point of time. I think in the last question we answered, that the benefit of that will start coming, we will see the benefits coming in H2. But from an operation point of view, it has already started.

Amit Dange: Okay. One more last thing Sir, that how much conversion we are seeing in the bid book, that is 2.5 million tonnes, how much conversion we see that in converting to order book of Welspun on that issue somewhere is from the past experience?

Vipul Mathur: Let us say, I think for the answer to that lies that what is our order book at any point of time. If you see historically, we have been in the last six quarters, we have been able to maintain a sort of an order book between 1.3 million to 1.7 million tonnes. So this is largely what we are able to convert and from the active bid book. And I am sure that we will be able to maintain similar levels, if not exceeding them.

Amit Dange: Perfect, that is all from my side. Thank you.

Moderator: Thank you. Our next question is from the line of Govind Saboo from India Nivesh. Please go ahead.

Govind Saboo: Sir a couple of questions. First is when do we expect our steel mill sale to be concluded?

Akhil Jindal: For the regulatory approvals, the security approvals that are required to conclude this transaction is being sought by both parties. Our contract says 31st of December. But I am saying based on the approval that may come up, we might have to revise this timeline. So I think I would be in a better position to give you the timeline once the approval comes, which is the, I would say, halfway through. Because there is a CC approval, there are other regulatory approvals, and that is being sought while we are talking just now.

Govind Saboo: So are we looking at some delay in the timeline? So we may have to extend it from 31st of December, how much delay should we assume?

Akhil Jindal: As I mentioned, it is difficult to give any number or any time line on this. Once we have the regulatory approval, we will quickly assess how much time would it further take to complete the other conditions precedent, which should not take much time.

So I think once the regulatory approval comes, we will immediately intimate the shareholders, and then we can share the revised timeline. But otherwise, the lenders' approvals and other things, they are all in place. So I can tell you, major cities are being complied while we are talking.

Govind Saboo: Okay. So I mean, just a last bit. So our BTA has a provision for revision in the closure timeline?

Akhil Jindal: Yes, the timeline can always eventually extended based on the delays, which are beyond the control of parties.

Govind Saboo: Got it. Sir, second question is that we have increased our EBITDA per tonne guidelines or guidance by around \$50 since we spoke last quarter. So is this \$50 increase or this incremental EBITDA is mainly because of reduction in steel prices, because no substantial orders have been booked during the quarter? So largely, we are running the same order book which we were running in the last quarter. And there has been an incremental \$50 EBITDA improvement. So is it largely attributable to the drop in steel prices?

Vipul Mathur: There are a couple of factors. One of them also happens to be steel. The other significant contributing factors are our throughput and reduction in our costs. So all these put together is helping us to revise this target.

- Govind Saboo:** Okay. So basically, better efficiency, operational efficiency.
- Vipul Mathur:** Absolutely. Better operational efficiency, reduction in costs and, of course, the steel pricing corrections, all put together, yes.
- Govind Saboo:** Got it. Sir, last question is regarding our inventory. So during six months, our inventory have gone up by around Rs.1100 Crores or so. So just to ask one reason, which is attributable is the export order, which remains unfulfilled as of cutoff date. So how much would it be attributable to that? And what is the reason of the higher inventory levels?
- Vipul Mathur:** Inventory, this has two components. One is, of course, the export order and which Percy explained in the earlier part of the call, that this is almost cost agnostic to us because of the payment terms what we had. But the other part of inventory buildup is also ramp-up of the operations. There has been a significant ramp-up. As a company we have done 443000 tonnes of operation ever highest in the history of the company. So there has been a significant ramp-up which has happened, and that has to be backed up by inventory buildup. So you are seeing a reflection of that as well coming into that reason.
- Govind Saboo:** Okay, okay. So do we expect, because of this ramp-up, H2 sales volume to be substantially higher than H1?
- Vipul Mathur:** The sales volume?
- Govind Saboo:** Yes.
- Vipul Mathur:** See our volumes in terms of US are known to you, our volumes in terms of India are known to you. Our volumes in terms of Saudi are known to you. So. I think so, that is all mean, now we have already given guidance around the volumes and the margins around all the three geographies. I am sure you will be able to perform around that.
- Govind Saboo:** So I mean, just a clarification that our sales volumes have not increased that much as compared to our inventory volumes. So part of it, rightly you have said because of the unfulfilled export order. But the balance, if it is attributable to the ramp-up of production, then the sales volume should followup logically in the H2, that is what.
- Vipul Mathur:** Naturally.
- Govind Saboo:** Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints, we will take our last question now from the line of Keshav Garg from Counter Cyclical Investments. Please go ahead.

- Keshav Garg:** Sir, my call got disconnected. I will asking you Sir that how do we differentiate ourselves Sir? Like what is our basic strength we are able to score over our competitors? So like is our cost of production lower? Or do we have some technology? So what exactly is our strength?
- Vipul Mathur:** I answered that question. Unfortunately, you did not hear that. I mean, the biggest, again, just to repeat my answer, the basic differentiating factor is Welspun's track record, its pedigree of executing critical order and its approval and accreditations. So today, Welspun has approval and accreditations from all the world major who is who of the world.
- I think that gives us a sort of a leadership position. Just to let you know that even we got an approval for an energy company in Europe and it took us almost, what, 18 years of solid persistence to get that order, to get that approval.
- So I mean, today, today, with the type of approval and accreditations we have, that is a big differentiating factor. And our past track record of servicing very, very critical orders, which is a deepest offshore pipeline in the world, the heaviest pipeline in the world, working extensively into the Sour service application exclusively, actively participating in the R&D projects with world majors. I think so this is what gives Welspun the leadership position, and this is what we leverage.
- Keshav Garg:** Okay Sir. And Sir basically, how many competitors do we have, which also have the same approvals and accreditations that we have?
- Vipul Mathur:** I am sure. I mean, there would be two or three of them, they have finally Japanese or European. Mostly Japanese and European, Yes.
- Keshav Garg:** Okay Sir. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I will now hand the floor back to the management for closing comments. Over to you, Sir!
- Percy Birdy:** Thank you very much for participating on the call. And if any of you have any additional questions, we would be glad to answer those for you. Thank you.
- Moderator:** Thank you, members of the management. Ladies and gentlemen, on behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us. You may now disconnect your lines