



TRANSCRIPT: Welspun Corp Limited Q4 FY2022 Results Conference Call  
10am IST, 30 May 2022

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**Moderator:** Good morning, ladies, and gentlemen, welcome to the Q4 FY22 Results Conference Call of Welspun Corp Limited hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on touchtone phone. Please note that this conference is being recorded.

I now have the conference over to Mr. Abhineet Anand from Emkay Global Financial Services. Thank you, and over to you, sir.

**Abhineet Anand:** Thanks, Lizann. I am Abhineet Anand. Let me first thank the management of Welspun Corp for giving us this opportunity to host the call. I will hand over to Mr. Abhinandan Singh Head Group Investor Relations. Over to you, sir.

**Abhinandan Singh:** Thanks, and good morning, everyone. On behalf of Welspun Corp Limited, I welcome all of you to the company's Q4 and full year FY 2022 earnings conference call. We have with us today, Mr. Vipul Mathur, Managing Director and CEO; and Mr. Percy Birdy, Chief Financial Officer of Welspun Corp Limited. Along with us, we also have Gaurav Ajjan who heads Invested Relations for Welspun Corp Limited.

We will, as you will start this forum with opening remarks by Mr. Vipul Mathur, and after that, the floor will be open for your questions. Should you have any queries that remain unanswered post today's earnings call you can reach out to either Gaurav or myself. Our contacts are available both on the press release as well as our website.

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

**Vipul Mathur:** Thank you. Good morning, everyone. Thank you very much for taking time out today on Monday morning. Welcome to our Q4 and FY '22 conference call. First, let me take you through the key highlights of our operational and financial performance during the quarter ended 31, March 2022.

Please note that in line with accounting standards, all prior figures, including the year ended March 31, 2021, have been reinstated after consolidation of our demerged steel undertaking of WSL and WSSL. Some of the key highlights are, we have won the single largest order valued at INR 5,000 crore plus for supply of pipes in the U.S. market.

Our current order book stands at close to 925,000 tonnes at the start of this year with an active bid book of 1.2 million tonnes. Our revenue for operations for Q4 FY '22 stand at INR 2,011 crore, up 39% quarter-on-quarter. Our sales volume on quarter-on-quarter basis is line pipes is up by 58%, billet is up by 65% and SS pipe is up by 32%. We have achieved a consolidated EBITDA of INR 1,023 crore for FY 2022.

Let me give you some outlook, and brief update as how and where we see the market and what are the key drivers for our growth. I'm sure all of you are monitoring very closely. The invasion, the turmoil -- the political turmoil, which is happening in the Ukraine -- in the region of Ukraine. This has been driving up the global energy market prices to an unprecedented level. We have seen the crude oil prices remaining above \$100.

The sanctions on Russia has contributed to the rising crude prices with significant market uncertainties about the potential for future supply disruptions. Even the gas prices in Europe and Asia have also gone up in tandem and are now currently around \$25 MMBtu. And while they are around \$9 per MMBtu in U.S.

In this adversity, there are a couple of opportunities which have emerged, and we are seeing a surge, a tailwind in terms of our line pipe export business, and right now we are in active discussion for several orders in the export market, which has seen an improvement of the prospects for the pipelines due to oil high price, increase of energy demand and Europe looking to diversify its energy supply. As regards India, the government has set up a -- has

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set a target to raise the share of natural gas in the energy mix to 15% by 2030 from about 6.7% now.

Various steps have been taken by government in this direction, including expansion of natural gas grid pipeline, expansion of city gas distribution network, setting up LNG terminals, etc.

The PNGRB, which is the Petroleum and Natural Gas Regulatory Board has authorized approximately 34,000 kilometers length of natural gas pipeline across the country. Out of the 20,000 kilometers length of natural gas pipeline, including spur pipelines are operational, and the total of 15,000 odd kilometers length of pipeline are under various stage of construction.

The length of operational pipelines have increased from 16,000 kilometers in March 2019 to 20,000 kilometers in December 2021. PNGRB has also authorized 268 geographical areas for development of CGD network in the country. Further letters of intents have been issued for 21 geographical areas also PNGRB has launched 11 CGD bidding ground for development of CGD network. After that, the CGD networks will potentially cover 98% population and 88% geographical area of the country.

The number of CNG stations established by various authorized entities have increased from 1,700 in March 2019 to 3,800 in January of 2022. The pipelines being laid by the CGD entities have also increased from 162,000-inch kilometers to 353,000-inch kilometers as of January '22.

The CGD sector is still in a nascent stage in India, and the demand for ERW pipes is likely to remain healthy going forward. The Pradhan Mantri Krishi Sinchayee Yojana, the Umbrella Irrigation scheme launched in 2015 will provide central grants to the state government -- irrigation benefits program, and Har Khet Ko Pani. This will continue till 2026 with a total funding requirement of almost INR 93,000 crore.

The plan includes INR 37,000 crore central assistance to state and INR 20,000 crore debt servicing for past loans availed under PMKSY scheme. States are also expected to part for in the scheme. So, the total additional irrigational potential created during 21-26 under AIPB scheme is almost 14 lakh hectare. Apart from focus completion of 60 ongoing projects, including 30 lakh hectare command area, additional projects will also to be taken up. The inclusion criteria has been relaxed for the project under tribal and drought prone areas.

The coordinated focus by the central and the state government in irrigation is expected to drive the demand for the large diameter spiral pipes. The government has levied an export duty of 15% on all major steel products to drive volumes to the domestic market and make steel price affordable for domestic consumers like auto, MSEs, infrastructure, line pipes, etc.

The procurement of steel which has become a challenge in the past and by virtue of this measure would boost availability in the domestic market. So, in India, if we see, we are looking for an upsurge in demand in line pipe, both in the oil and gas sector, the CGD sector, and the water sector.

Coming to the U.S. As you are aware, we recently announced the single largest order we had booked in our U.S. market. With the clean energy transition interrupted due to soaring prices and the disruption crossed by geopolitical events in Europe there is a clear revival for fossil fuels in the U.S. market. Government is now releasing strategic reserves, lining up new supplies and urging oil and gas producers to pump up production.

As a result, we have seen an increase in exploration, the distribution network creation for shale oil and gas in U.S. has seen a resurgence after almost two years of lull coupled with administration permitting woes. U.S. is now focusing on boosting -- focused on boosting oil and gas supply within the country, but also trying to provide a much-needed backup to Europe for critical gas supplies, which has been on the tenter hooks considering the huge supply dependence on Russia.

We have seen Permian Oil & Gas in U.S., a big gainer in terms of its contribution in this resurgence. Oil excavation in the West Texan Basin has shot up upwards of almost 5.2 billion

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barrels a day, thereby creating a need to evacuate both oil and gas through some potential long distance, large diameter pipelines.

As I said earlier, we recently announced winning of the single largest order in the history for supply of pipes valued at INR 5,000 crore plus in the U.S. This order is for supply of almost 325,000 tonnes of large diameter quoted pipes for transporting natural gas from Permian Basin to Houston. The pipes for this order will be produced from our Little Rock plant in the U.S., and the same will be executed over a period of 12 months, commencing H2 of FY 2023. This large new order from the US comes on the back of another win we have now in April '22 of our 26,000 tonnes order from a longstanding customer in North America.

Saudi, with the surging oil pricing, we are confident that the further opportunities will arise both in the oil and gas sector. Also, water continue to be their key focus area, and we are seeing a huge demand coming up in this sector as well. Saudi Aramco aims to boost its CAPEX from \$40 billion to \$50 billion in 2022 with further growth expected until around the middle of the decade.

CAPEX in 2021 was almost close to \$32 billion, an increase of 18% over 2020. It plans to raise crude oil, maximum sustainable capacity to 13 million barrels a day by 2027 and want to boost gas production by more than 50% by 2030. Saudi Arabia is also planning to partner with private sector to deliver 3,500 kilometers of new water transmission pipelines that will distribute more than 4 million cubic meters per day of desalinated water and will require a total investment of almost \$16 billion. The projects are the first water transmission PPP projects in the Middle East, and will be the first water transmission scheme globally to be tendered as separate concession contract without being bundled along with a water supply project.

**Moderator:**

Ladies and gentlemen, thank you for patiently holding. We now have the line for the management reconnected over to you, sir.

**Vipul Mathur:**

My sincere apology for this disruption. I don't know where did I lose but let me restart with our new acquisition Welspun Speciality Solutions Limited. As I said, WSSL has seen a sustained improvement in performance in FY 2022 and obtained several new customer approvals. SS Pipe volumes were higher by 82% in Q4 of FY '22 and higher by 50% in full financially 2022 compared to the corresponding period of the previous year.

The company restart its steel melting operations during Q3 FY '22, which has helped mitigate challenges being faced in raw material procurements in -- logistics. WSSL continues to win order both in domestic and export market. In addition, it continues to reap benefit out of countries, Make in India indigenization projects with several private and PSU companies. Increasingly customers are preferring to source locally, which is favorable for the country and the company.

During the quarter WSSL successfully executed, one, completed the development and manufacturing of SS 347H grade Shot Peened Pipe. It's a very high value-added product. Established extrusion and cold finishing for Super Duplex stainless steel tubes and dispatched its first order. Manufactured 6-inch diameter pipe with stringent acceptance criteria for the critical nuclear power plant project.

We also entered into another niche market segment by successfully executing first lot of heat exchanger tubes in SS 317L grade again a very highly value-added product and delivered the first order for the prominent company in the fertilizer industry. So, we are now making our presence felt across the spectrum where these SS pipes are being used.

I would also like to take this opportunity to give you on the few business updates apart from the business. One dividend, the Board has recommended a final dividend of INR 5 per share for FY '22, which will be paid immediately after the AGM. During Q2 FY '22 the company paid a dividend of INR 130 crore. The dividend amount declared per share for FY '21 was 100% of face value at INR 5 per share.

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The corporate tax rate, just to add it is the third year in continuation that the company is paying in excess of 100% dividend. Second, corporate tax rate. The company has fully utilized its existing tax credits in the FY '21 and has switched to the new corporate tax rate of 25.17% in the FY '22 from 35% in India.

IPO, during the quarter, the company announced a successful listing of joint venture company in the Kingdom of Saudi Arabia, the East Pipe Integrated Company, EPIC on the Saudi Exchange. The final -- at a final price of SAR 80 per share. Post the IPO WCL owes 35.1% through its step-down subsidiary in Mauritius and will continue to be the largest shareholder in EPIC. Welspun Holding Mauritius received gross rupees of almost SAR 252 million and has shown as a gain -- and that has been shown as the gain of INR 360 crore and the other income in our consolidated P&L account.

Next, merger updates. The acquisition of steel business of Welspun Steel Limited. The transaction was completed on 16th of March 2022, with an appointed date of April 1, 2021. In line with the accounting standards all prior figures including for the year ending March 31, 2021, has been restated after consolidation of the demerged steel undertaking of WSL and WSSL.

Now, I want to turn my focus on the business growth and the diversification. WCL growth strategy entails creating a diversified product portfolio, repurposing its businesses to add new target segments, expand its offering to address both B2B and B2C market and making well considered strategic acquisitions. The diversification into the B2C segment will help the company to significantly expand its base, enhance its brands, penetrate new markets, build a distribution network, and provide opportunities to develop new products.

In this regard, we have acquired a polymer company called BAPL, the senior secure unlisted non-convertible debenture with an outstanding amount of INR 1,176 at a purchase consideration of INR 403 crore by wholly owned subsidiary viz. Mahatva Plastic Products and Building Materials Private Limited.

Update on the ductile iron pipe. As announced in October 2020, given the industry prospect and synergies with our existing businesses we are setting up a greenfield facility at Anjar to enter DI Pipe business. We expect to be ready with our product offering at the end of this quarter. This is -- there is a big focus on creating drinking water supply in the country through government programs.

In the union budget, the finance minister, earmarked INR60,000 crore for the Jal Jeevan Mission that aims to provide portable water to 3.8 crore household in '22-23. Overall, the Jal Shakti Ministry was allocated a total amount of INR 86,000 crore higher than from INR 69,000 crore allocated in the previous fiscal year.

Furthermore, our internal forecast based on interaction with various potential customers and industry participants indicate a robust demand for the DI pipe over next five to seven years. Due to the improvement to the project plan and inflation, the project cost has been revised from INR 1,550 crore to INR 1,900 crore.

Some of the major reason for the variance are, we undertook some design changes for productivity improvement and increase safety. We also augmented, we also took this opportunity to augment and increase the capacities of blast furnace, Sinter, Coke, and DI plant itself. Originally, we had thought about an oxygen plant on the BOOT model, but we have now decided to set up on our own.

Also in terms of energy neutrality and energy efficiency we have also embedded into now our scheme of things. The blast furnace gas directly to the power plant to reduce carbon emission. Also the cost escalation for the key inputs commodities like steel, TMT, cement, ocean freights etc., has also impacted in the upward revision of the project cost.

We have also in order to retain and expand our talent base, we have also invested heavily in terms of creating and expanding residential infrastructure for our staff and associates. The

project viability continues to be healthy with the increased investment being offset to productivity gains and increased realization for DI pipes.

The long steel product. The demand for long steel products will be supported by increased government spending on infrastructure. The union budget '22-23 has seen an increase of 36% on Y-o-Y basis in allocation of CAPEX at INR 7.5 lakh crore. The budget has infrastructure pushed towards seven engines roads, railways, airports, ports, mass transport, waterways, and logistics.

The allocation for various schemes like Pradhan Mantri Awas Yojana for housing will have a positive impact on long steel players. The government has a fixed objective of increasing rural consumption of steel from the current 19.6 kg per capita to 38 kg per capita by 2030-31. Our forward integration plan of setting up a TMT bar plant at Anjar with the capacity of 350,000 tonnes is on track and we expect to begin the commercial operations by July of 2022.

I also want to take this opportunity that the efforts which the company is doing in terms of sustainability and towards the ESG initiatives. During the year, we have taken several ESG interventions aligned with the global ESG standards. WCL was ranked 13 among the 41 companies included and at a 68 percentile in S&P Global DJSI Index.

Our key focus areas moving forward are the management of Greenhouse inventory, the task force on climate related financial disclosures, we have significantly improved our governance structure, including we have created an ESG committee at the Board level, we have separated the role of board chairperson and managing directors, we have fully independent audit committees and NRCs.

We have expanded the stake -- scope of expanded the scope of stakeholder relationship committees. We have appointed a lead independent director to strengthen Board structure. Apart from that, there have been a serious and very focused approach in terms of ethics and compliance, strengthening of our supply chain and highest level of transparency and disclosures. I'm sure that all these initiatives are the key expectations by all our investors and we are absolutely on track in terms of meeting that.

With this I would like to conclude my opening remark. We'll be happy to take any questions. I open the floor for the questions, please. Thank you.

**Moderator:** Thank you. The first question is in the line of need of Nirav Shah from GeeCee Investments. Please go ahead.

**Nirav Shah:** Yes. Hi, good morning, sir. Thanks for the opportunity. So, I have few questions. Sir, firstly, I mean, if I look at the core operating performance of the company it seems a little weak compared to -- even if we compare to the previous quarter. So, it seems that the core line pipe performance has been weak. So, one of reasons or that for this performance?

And also it seems on from the annual numbers that the DRI and Billet performance is also slightly weakened. So, if you can just clarify that as well, please?

**Vipul Mathur:** Yes. Thank you, Nirav. Thank you. Just on the line pipe performance, I think so, I would not say the performance has been weak. I think, so it has been more or less stable. I think there were a couple of factors which has impacted. Number one, if you look at it that in the very first quarter of this financial year, we had the impact or the residual impact of pandemic impacting this. Number one.

Then thereafter, we have seen an unprecedented rise in the commodity steel pricing and which has impacted the procurements at a significant level. I think so these two factors were dominant and they are getting reflected. But I think so as we are coming out of it now, when the -- both the pandemic element is also behind us, and also when the commodity pricing also seems to be cooling off significantly I'm sure that this performance is going to go up from here-on.

- Nirav Shah:** Got it. So, second question is, I mean, congrats on the largest order win for us of 325,000 tonnes from U.S. facility. And since this is a large DI order, does it mean that now at least for the next three, four quarters our only inflows will be on the ERW segment? And as we are largely booked on the HSAW segment?
- Vipul Mathur:** That's absolutely correct assumption. I think so with the largest order what we have at this point in time, we would be booked till at least the third quarter of the next financial year, if not. And I'm sure there are multiple opportunities, which are also getting further created out there, which will see a continued engagement in the U.S. market for the next couple of years.
- As I was telling in my opening call, we are seeing a complete resurgence in the U.S. market at this point in time. In my investor calls, I have always mentioned and maintained that in the second half of this year we will see the resurgence, and we are seeing that. And very clearly it is getting reflected by the order book, what we have at this point in time. This is bound to stay for the long time.
- Now coming back to HFIW, the way we are seeing the government is significantly focusing and encouraging for enhanced drilling. And that would mean that there would be more wells which will be drilled, more oil which will be produced, more oil which will need to be transported, more gas will be coming out and more gas need to be evacuated.
- So, we will see an upsurge in the whole value chain in times to come in the U.S. market. And our next focus will be to build a robust order book around our HFIW business now, with the large pipes business completely booked.
- Nirav Shah:** So now it seems more sustainable, like what we did three years back. I mean, we had a very solid year for our U.S. operations, and we were doing say around 4 lakh tonnes a year. So, we can do that say -- that momentum can come from say FY '24 onwards.
- Vipul Mathur:** The momentum has started. I think so the things are panning out much more favorably than they were doing a year, year-and-a-half back. And I'm sure that we will be back to the past glory.
- Nirav Shah:** Got it. Sir, third question is on our CAPEX front, I mean, how much have we spent on DI pipes till March? And what -- I mean, the residual number will be in FY '23. And how does the overall company level CAPEX looks like for '23?
- Vipul Mathur:** So, at this point in time our -- till at the end of March 2022, we have done a total CAPEX of close to INR 1,400 crore. This includes the CAPEX also in our upstream TMT facility as well. So, total CAPEX is at INR 1,400 crore. The balance CAPEX will happen in the FY 2023.
- Nirav Shah:** Got it. And sir just last clarification. I mean, we've purchased the NCDs of Sintex BAPL, so is that initial outgo of around 3.9 billion part of our FY '22 balance sheet? And second question relating is what's the medium strategy at Sintex, how much will we need to invest over there and just a medium strategy how does you perceive this acquisition over three to five years?
- Vipul Mathur:** Answer to your first question is, yes, that's a part of our balance sheet, number one. Moving forward our strategy for Sintex is very clear. See, at end -- we are very clear to have a significant presence filled in B2C segment. This is one of the platform, which we are contemplating to use. As you know that company has more than 900 distributors and 13,000 retailers. So, it's a Pan India brand. And it is our intent to significantly leverage our B2C foray, and that is how, and that is why we are slightly -- we are focused on this particular company.
- Moderator:** Thank you. The next question is from the line of Sailesh Raja from B&K Securities. Please go ahead.
- Sailesh Raja:** Yes. Thank you, sir. Thanks for the opportunity. Sir, as you mentioned in the opening comments, so Europe is now looking to diversify its energy.

Yes. Yes. Well, thanks for the opportunity, sir. As you mentioned in the opening comments Europe is now looking to its energy supply. So, what kind of exports opportunity you see for both India, as well as Saudi operation? Sir, currently what is the exports mix in the outstanding order book in India and Saudi? According to you, how the exports mix will change over next one or two years?

**Vipul Mathur:**

Thank you, Mr. Raja, good morning to you. See, in Europe, there would be a paradigm shift, which is now going to happen in terms of meeting their energy requirements. I think so there will be a lot of focus which will happen in terms of renewable energy and also in terms of hydrogen.

And these are the areas whereas an organization Welspun, we are completely focused with. As you know that we are working on multiple JIPs, which are the joint investigation committees, which are in the process of developing the technical specifications for global standards. And we are part of two or three international committees working around that. So, these are the opportunities which are going to come up significantly in the European marketing in very short times to come. And we want to be into a sort of a poll position to capitalize upon that. So, that's how we see the European markets emerging in times to come.

As regard India, from India, as you know, we are primarily being exporting our longitudinal product, which is being produced out here. And from our Saudi market, the Saudi market is more or less a captive market at this point of time, not that it stops them to do export, but the market itself, the domestic market itself is so very huge, and the demands are so very high, both in the oil and gas sector, as well as in the water sector that I see a very limited potential for them to explore anything outside that market. Because that market, from a volume perspective, from a demand perspective and from a remuneration perspective is very, very strong. So, I don't think so that we would be under any pressure whatsoever to look at the export market.

However, from India, we will continue to focus on exports. We have, as you are aware in the last year also we did a major export to a North American continent. We supplied the highest operating pressure pipeline. This year also our export order book is looking very good. We have recently announced orders. We are exporting our longitudinal pipes in the oscillation market. And we are also supplying pipes in the South American market. And as I earlier set, that we are also pursuing multiple opportunities where we are favorably placed. So, export potential from India for our signature longitudinal product is looking extremely nice.

**Sailesh Raja:**

So, what is the exports mix sir, currently, in percentage terms?

**Vipul Mathur:**

So, at this point in time, from India we have close to, let's say, our order book is around 350,000 odd tonnes here in India, and out of which almost 50% is close to the exports.

**Sailesh Raja:**

Okay. Great, sir. Sir, the domestic market outstanding order book, what is the mix between oil and gas and water? Basically, wanted to know rough EBITDA per ton we'll be doing in India. Also, can you please give EBITDA per ton guidance for these geographies? And India also product-wise guidance if you can give that would be helpful, sir.

**Vipul Mathur:**

See, in that domestic market, as I said, we are seeing very significant uptick, upswing in the oil and gas market. The oil pipelines, the gas pipelines, and the CGD network, all three of them are going at an unabated pace. And so we are seeing a clear uptake and this is going to further go up in times to come, as we are seeing the pressure of the energy coming onto the Indian economy. So, we will see a major CAPEX investment coming up there as well.

So, I am very, very buoyant about the oil and gas market in India, number one. As regards water sector. I think so the water sector has taken a little bit of a beating in the last one, one and a half year. Water is basically a state subject and the states were more focused in terms of reducing the pandemic. Once the pandemic got over the commodity pricing, they were at an unprecedented high level, and which were making all these products completely commercially unviable.



Now with the tapering of the commodity pricing, as what we have seen in the last 15 days to three weeks' time, we are seeing a complete resurgence in this water sector also, and that is now also going to play a significant role. It has always played a significant role in terms of our balance sheet in our profitability, but last year, it has an impact, but this year, as the commodity pricings are settling down, we are seeing that this will also have a major play. So, in India, both in terms of volumes and both in terms of earnings, we are seeing that there will be a growth, which is going to come up.

Coming to your second question we do not generally give any guidance around our earnings. However, and on average, we have always seen that our India business is always close to INR 10,000 per ton EBITDA guidance, we have always been able to maintain. And this is nothing else, but if you see our past five, seven years data, it'll give you a clear reflection around that. So, I am sure that it is only going to go up from here, not down.

**Sailesh Raja:** Okay. Thank you, sir. And sir, both DI and DMP, we are going to commission from 2Q FY '23. By when do you think, we can fill the capacity with -- also with higher project cost what is the payback you are expecting from these two projects?

**Vipul Mathur:** See the product for both of them would come sometimes by the end of this quarter, early next quarter the product offering will start coming to the market. But I think so the continued sustained operations, the impact of that operation you would feel in the H2 of this particular financial year.

So -- and there is definitely a clear pull into the market. It is, if you look at the DI segment, there is a definite -- there is a clear mismatch in terms of capacity versus a requirement. There is a demand and supply gap of quality player. And Welspun being a brand and being a quality player is being perceived as one of the Tier-1 players. And I'm sure that pull in the market with respect to Har Ghar Me Nul and Nul Se Jal that mission, which is being driven by the government I think so that is big enough a pull for sustained operation for our DI business.

As regard for our TMT business, we are putting up a capacity of almost close to 350,000 tonnes. We are in Gujarat; we are a brand in Gujarat. Welspun is a brand in Gujarat. The market itself is more than 2.5 million tonnes, there is a huge push on the infrastructure. And I'm sure that we will be able to create our own niche, our own space in selling of this capacity.

**Sailesh Raja:** Sir, one last question, this is a repetitive question of another participant. In 4Q our gross margin impacted by roughly 350 bps. So, basically want to understand how much unhedged portion in the raw material impacted? And how much basis point impacted because of unfavorable product mix?

**Vipul Mathur:** I think it is -- as you know we are -- this quarter was almost dominant was a B2B play. And the product mix also plays a major role in our earnings. And that has been one of the key reasons that we have been now focusing in diversifying our product mix so that about any uncertainty is eliminated, and we bring predictability to our earnings. And that is why we are pouring into more commodities; we are falling into the B2C market in order to mitigate such a risk. But in quarter four, I think so it was more driven by the product mix, what we have.

**Sailesh Raja:** Okay. Sir, in that case, any pricing pressure witnessed in the oil and gas line pipes, sir, in domestic or export market?

**Vipul Mathur:** I'm sorry?

**Sailesh Raja:** Any, pricing pressure witnessed in oil and gas line pipe in domestic or export market?

**Vipul Mathur:** I am seeing a delivery pressure. People want deliveries yesterday. We are seeing a production pressure. Everyone wants to execute the project yesterday. And I think that that is a pull, which is getting created into the market because of this high pricing and high demand. And this demand is now further going to go up.

So, I am not seeing any pricing pressure rather I am seeing, the service pressure that people wants to execute projects at a much faster pace and be into the game. So, I think, so that is where the bigger question lies, and that is what we really need to augment, that is where we will have to work around. And without any -- we will have to further recommend our product offering and speed. I'm not seeing any pressure on the pricing side of it.

**Moderator:** Thank you. The next question is on the line of Vikas Singh from Philip Capital. Please go ahead.

**Vikas Singh:** Hi. Sir, I just want to understand our steel business, which we have purchased. It seemed that they are actually not making much of the EBITDA level profits. And the utilization has also been pretty low. So, just wanted to understand your thought pressure by when we can expect this to turn around and ramp up?

**Vipul Mathur:** Right. Vikas, I think so the steel business per se has been impacted both by the demand, as well as the high commodity pricing. And this is what we have seen in the last year, in the last financial year. Number one. Number two, we are now improvising on our value proposition. What we were still now selling was an intermediary product, which was difficult to sell into our market. Now that -- and that is one of our key reasons for investment into upstream facility of TMT pipes. It is much easier, much better to sell a finished product rather than intermediary product.

That is where we have calibrated our strategy. And I think so now with the commodity pricing settling down the markets also coming into full gung ho mode. I think so you will see that this pressure will slowly and gradually get away from it, number one. Number two, when you merge a company, it takes its own times in terms of amalgamation, bringing the changes and all these companies need to be incubated.

I think so there is a significant time and energy, which is being invested in terms of incubating these companies. And I am sure as they will become the part to the Welspun Corp growth story, you will see their complete resurgence in time to come. Just give us a time and it'll be there.

**Vikas Singh:** Understood, sir. Sir, in terms of your strategy of going to B2C segment and entering into pipe space, just wanted to understand if you, what are all the related witness, which we are targeting? If I may like to get a broad view exactly what management is looking from three to five years kind of the growth perspective in this B2C segment?

**Vipul Mathur:** I think so, see, Vikas, we have already articulated and created a position what we want to do in B2C at this point in time. If you look, we were purely a B2B player making large diameter pipes, we were only a pipe player. Now we will be producing billets, we will be producing TMT, we will be producing SS alloy, we will be producing SS pipe, and we will be producing pig iron, we will be producing DI pipes. And we are also actively looking at this BAPL, so we want to bring our polymer business into play and correspondingly to that polymer business is a plastic pipe business. I think so we have more or less articulated our strategy, put it into an action.

And at this point of time, we are completely focused in terms of bringing them under one-fold, augmenting them, incubating them and scale them up. I think so that is what our focus is going to be over the next two years' time. And before that we are not going to take any forward or any other integration or any other acquisitions. I think, so this itself is good enough on our plate and this is what we would like to do at this point in time.

**Vikas Singh:** So, at this point of time, this is, this would be our business mix basically, because I was a little bit concerned in 8, 10 years back, we again had good cash flows and we invested a lot of money in the other businesses, which didn't turn out to be very well for us. So, just wanted to understand that we would this time would be more constrained in terms of our choice and more likelihood to be the near about core business only, and not something else.

**Vipul Mathur:** Absolutely. And these are absolutely well thought out strategies. If you see in each and every product, as I mentioned to you, there is a significant pull into the market. It is not that we are

trying to create a market for itself, there is a market which is existing. There's a brand, which is existing, we only would have to ride that wave and we have to do it absolutely correctly, and that is what we would like to do at this point in time.

**Vikas Singh:** Understood. Sir, just one more question about our TMT and DI business, we would be commissioning in 2Q, but just wanted to understand the approvals, if any which is required. And how much time it would take before we actually start getting orders and executing in the market, especially in the DI pipe segment?

**Vipul Mathur:** So, as I said, DI market has a huge void at this point in time in terms of a quality player. I think, so that will turn to our advantage significantly. We are -- our product offering should start coming up sometimes in end June, early July, that's the way it looks to us very clearly. And I think so from an approval perspective, we have initiated all necessary steps, what are required to get those necessary approvals, which are nothing else, but the BIS certifications and all that stuff, which are pretty standard statutory approvals. And we have taken, done it for many a time for all of our product. So, I don't see that as a great challenge number one.

More importantly, we are also focused on exports. And we being at the port and export is also a big and a huge and a lucrative market, and that also we will be eyeing very quickly. So, these are the two areas, both domestic, where there is a significant pull which is going to come, and that will accelerate our process in terms of settling down and over and export, which has been our core strength of Welspun Corp, so we will be leveraging that strength as well. So, the hybrid model of these two, I'm sure that will bring significant value on the table.

**Vikas Singh:** Understood, sir. And sir, our pending CAPEX, what is the pending CAPEX, which we'd be incurring in FY '23?

**Vipul Mathur:** I think so, it should be close to, we will be close to looking at something like INR 600 odd crore and that will get completed let's say, in this particular quarter or let's say in H1, it'll all be completed.

**Moderator:** Thank you. The next question is on the line now for Ravi Sundaram from Sundaram Family. Please go ahead.

**Ravi Sundaram:** Okay. Thank you for the opportunity, sir. Good morning. I have two questions. First question is on the Sintex potential acquisition. So, I think, in our guidance and announcements, we have been saying, we are close to acquiring that, but we have only acquired the debt portion of it right now. So, how will it translate into a line of business for us and when will it start contributing in terms of revenue?

**Vipul Mathur:** So, it's a work in progress, Ravi, at this point in time. There is a very clearcut roadmap, which we have articulated around that. We are progressing well on that particular roadmap. My sense would be that within the H1 of this year, H1 of this quarter we should have much more significant play into this particular business. And there are all the efforts which are being done in that particular direction, and we are keeping our finger crossed around that.

**Ravi Sundaram:** Okay. Sir, Sintex BAPL is a beautiful asset, but would you have competition who's trying to vibrate with you to compete for that asset?

**Vipul Mathur:** Pretty natural in an open economy like that it is bound to happen and it is there, it will be there. But -- and we are completely mindful of that aspect. We are watching it very, very closely, but we stay on track on this Ravi.

**Ravi Sundaram:** Okay. Thank you, sir. My second question is on DI Pipes. So, just want to get a sense, because usually DI pipes my understanding is, it takes some time before large order is awarded by the government agency. I understand you're looking at business also. If we look at let's say something like a little closer towards the end of the timeframe financial year, what kind of utilization can we think of here?

**Vipul Mathur:** See, it's a business which takes its time. I think so there's no denying around that. It is not that it is a plug and play business. No, it is not. It takes its own time in terms of settling down. But

what I'm saying Ravi, is that there is a huge demand which is now a huge pull which is there in the market. If you see in the recent two or three weeks the announcements being made by the government of Rajasthan, the government of Madhya Pradesh, the government in Gujarat, and the government in Punjab and Haryana and Chhattisgarh. The demand what they are projecting and they have come out I think, so that is clearly indicating that there's a huge potential, which is lying there.

It is all up to us in terms of how quickly we can stabilize and how quickly we can get into the market. That's something which we will have to work on, that's a work to be done on the internal side of it. I have a beautiful team of people, professionals who are -- and technocrats which are there with us. And I'm very, very confident that our stabilization time it will be much faster at this point, much faster in comparison to the industry peers. And we are all very excited to leverage this opportunity as it is offering us on the table.

**Moderator:** Thank you. The next question is from the line of Siddharth Shah from MK Ventures. Please go ahead.

**Siddharth Shah:** Yes. Thanks for the opportunity, sir. Sir, my question again is on the Q4 numbers. So, I can see that there is a huge surge in volumes in Q4 compared to Q3, but still the EBITDA is lower. So, could you help us understand what kind of EBITDA per ton we made in India business and in U.S. business in this quarter compared to last quarter?

**Vipul Mathur:** Siddharth as you -- good morning. Good question. As I said earlier, either the EBITDA in a particular quarter in our pipe business is a factor of the product mix what you are producing. In the fourth quarter I think the product mix probably was not as well as it would've been in Q3 or earlier quarters and may not -- and could be very different in the subsequent quarters, so it is only getting a collection of that, number one.

Number two, there was hardly any production at the U.S. entity at that point time, so that is not contributing to that. And that also, as I said, now it is changing and it'll change significantly as we move forward in subsequent quarters. So, I think so when we look at this pipe business, I think so we don't have to see on a quarter-on-quarter basis, probably my...

**Moderator:** Ladies and gentlemen, thank you for patiently holding. We now have the line for the management reconnected over to you, sir.

**Vipul Mathur:** Thank you. Siddharth, I am sorry. I don't know where did I lose you? But I was saying that in a pipe business, looking at on a quarter-on-quarter basis may not be a right way of doing it. Probably, we should look it on a half early basis or a yearly basis. And if you look at a, if you look at it, I think so of a performance across on a year-on-year basis have been fairly consistent, both in terms of volume, as well as in terms of our EBITDA per ton.

There was a little bit of a little bit of a dip in the volumes in this financial year because the U.S. did not perform well, but that's not the case anymore. Now the U.S. is coming back with a full tank. And you will see that our historical performance and historical earnings will completely be re-established and would be in place.

**Siddharth Shah:** So, I understand, sir, I appreciate that. Only thing I wanted to understand is U.S. business I understand would've contributed negatively to EBITDA probably this quarter because there were no orders and rightly so. But India business also saw a significant decline in EBITDA per ton, is it anything to do with the steel price surge or anything like that or is it just normal course of business?

**Vipul Mathur:** No, it. As you know steel is something which is always hedged in our business, we never keep steel open ever. So, steel has no impact whatsoever on our India pipe business. However, it was the product mix which created this issue, and also the utilization factor of our plant. As I said, our utilization factors around our plants was low because the water business, the volume part of the business was missing. And that is all that is what is going to get corrected in subsequent quarters to come.

- Siddharth Shah:** Sure. Okay. My second question is on the U.S. order, you got a large order in U.S. But in past, the margins in the U.S. business have varied from say \$100 to \$250. So, can you just give some kind of guidance, what end of the range we can -- what kind of margins we can expect in the U.S. especially for the large order?
- Vipul Mathur:** See I would suggest that our U.S. business, whenever we are into business there, our margins have been extremely well there. Barring one year in 2015-16 when we had a situation where the margins were low, but other than that, the margins in the U.S. business has always been consistent. I think so, we will be able to maintain that particular momentum.
- And I mean, I'm not by virtue of a guidance, but generally a back of the palm working I would suggest that in our U.S. business, we have always seen that we get something like close to \$200 EBITDA and all that stuff. We have always spoken about that. And I am sure that in times to come also we should be able to meet or if not exceed these margins.
- Siddharth Shah:** Sure, sir. That's very helpful. And sir, the last question is on the CAPEX part. So, the DI pipes CAPEX has been increased to INR 900 crore plus soft cost. So out of that INR 1,300 crore or something is always spent and INR 600 crore is yet to be spent in the current financial year?
- Vipul Mathur:** Fair point. That's correct.
- Siddharth Shah:** And sir, what are the other parts -- what other CAPEXes are we expecting in FY '23?
- Vipul Mathur:** Nothing. Other than maintenance CAPEX which is a routine maintenance other than routine maintenance CAPEX I don't think so there's any other CAPEX. As you know, our CAPEX, the only CAPEX is happening in the DI and the TMT side of it.
- Siddharth Shah:** So how much CAPEX is pending on the TMT side? And anything further you plan to infuse in the Sintex acquisition for working capital or for anything else?
- Vipul Mathur:** My guess is that the TMT CAPEX will be close to a INR 100 odd crore at this point in time that's the balance CAPEX in TMT. And when I say INR 600 crore the total CAPEX, it includes that INR 100 crore of TMT as well. So, I'm talking both in terms of DI as well as TMT. So that's the total CAPEX, which will be done.
- And coming back to Sintex, that's the work in progress. We are in touch with various stakeholders, various market entities and we'll have to work around that. So -- but I can only assure you that it is well under control. It is going to be a nice acquisition at the end. And if things come our way as we are planning it, it is going to create an intrinsic value for the company.
- Moderator:** Thank you. The next question is on the line of Dharma Venkateshan an Individual Investor. Please go ahead.
- D Venkateshan:** Sir, my first question is regarding the investment in Welspun Transformation Services Limited and the other special purpose vehicle for the asset. Can you give more color on it? How are we planning to do with this?
- Vipul Mathur:** Correct. When we are coming from a one product company to a multi-product company, multiple entities coming up into play, we have at a very strategic level decided to create a backbone infrastructure where everything gets consolidated. So, one way of looking at was our financials consolidation and that is happening in our shared services center.
- The other piece of the consolidation what we are looking is all consolidation of our IT services, HR, procurement activities and all service-related activities. So, we want to create a very niche platform where all the entities will get embedded into that. These are two very specific specialized areas where a core competence is required. And rather than having all these functions across at all the business entities and incurring costs at all the entities, I think so from a convergence point of view, this is a platform what we are creating, and that is how

we intend to move ahead. It's absolutely part of our digital strategy and a business transformation strategy.

**D Venkateshan:** And regarding the special purpose for the renewable energy.

Yes. Sir, regarding the special purpose vehicle for the renewable energy. So, what is our plan going forward with it?

**Vipul Mathur:** See, we are, as I mentioned in my opening remark we are committed to our ESG goals. And in our ESG goals, we have outlined some energy-related initiatives to be done. They are part and parcel of that. I think we are moving a component of our business to renewable energies portfolio. And it is in that particular direction all these efforts are being made.

I think so, right at this point in time, we have just conceived a particular idea. We are working on a detailed modeling around that, what would be our roadmap, how we intend to implement that. But we are very focused and clear that over next three to five years' time, significant efforts have to be done to see that the needle is moving on that particular side. We are committed and it's absolutely important from our ESG standpoint of view.

**D Venkateshan:** Okay, sir, fine. And my next question is regarding the gross margins for this quarter, we see for this particular quarter year-on-year or quarter-on-quarter there is sharp dip in the gross margins. So how much of this is because of the raw material inflation that we are facing and what is the outlook towards it?

**Vipul Mathur:** As I said, the gross margins again what we are seeing, there were two reasons for that. Number one, our product mix was very different in this particular quarter, it was slightly skewed, number one. Number two on the commodity side of it, there was a little bit -- there could have been a little bit of an impact because of the commodity pricing on the steel side of it, but now that is all history that is behind us.

I think so things seems the product mix, as well as the commodity both seems to be moving on the right side of the swing. And I'm sure that in subsequent quarters, you will see a significant improvement in the gross margins now.

**D Venkateshan:** Okay, sir. And my final question is on the DI Pipe segment. So, if you see the DI Pipe segment, there is a single large player who controls about 30% to 35% of the market and there are multiple players who are coming up with newer capacities. So, if I see four, five years down the line, so is there a chance of overcapacity coming into the market? And we might also be getting affected? I'm saying from a six, seven perspective, not from an immediate.

**Vipul Mathur:** Mr. Venkateshan my view is a little contrary to that. I think, so there is an imperative need of a quality player into the DI market and that is a space which Welspun intends to capture. We are very confident that given our path, given our track record, given our orientation for the quality, given our customer-centric centricity we have always created a value for our stakeholders and for our customers. In this product segment we will also be able to do that, number one.

Number two, in terms of that, there are players which are coming up I don't dispute that. But if you see from a geographical shift, most of the players are coming up in the Eastern region. Our area of influence in any case is the Western Northern and the central region, and that area continues to boom. And I think so that is where we would like our dominance to be in play and that will continue to be in there for the long time to come.

**Moderator:** Thank you. The next question is from the line of Radha from B&K Securities. Please go ahead.

**Radha Agarwalla:** Yes. Good morning. Thank you for the opportunity. And congratulations on the big order win in U.S. Just a few questions from my side, can you please share us the guidance -- share us the geography wise outstanding order book between India, U.S., and Saudi?

- Vipul Mathur:** Correct. I think so what we have. As I said, we have almost close to 950,000 tonnes of an orderbook book at this -- 925,000 tonnes of an order book out of which almost 350,000 tonnes is here in India, almost 375,000 tonnes is in Americas, and the balance is in the Saudi.
- Radha Agarwalla:** Okay. You mentioned about the CAPEX figure of INR 600 crore in FY '23, can you give a little bit of guidance for FY '24-25 from a two, three-year perspective?
- Vipul Mathur:** We are not expecting any significant CapEx in FY '24-25. As I said, I think so now we will turn our complete focus in terms of incubating all these new businesses, which are going to come under Welspun Corp. I think so there would be a significant time, which will have to be invested. There has to be a cultural building, which has to be done around that. So that is where we will be focusing.
- Of course, there would be some CAPEXes which will be coming in terms of capacity, mismatch, or brand building and all that. To that extent only investments will be done, but we are not aiming or we are not looking at any significant CAPEX over the next two years' time.
- Radha Agarwalla:** Okay. Sir you also spoke about the EBITDA per ton, you gave us your thoughts on India business, as well as U.S. business on EBITDA per ton. Can you speak a little bit on the same for the Saudi business?
- Vipul Mathur:** Yes. If you see, and I think so this data is all in public domain. If you see historically when we have performed in Saudi our, again, not from a guidance perspective, I want to be stand corrected on this. We are not giving any guidance, but historically, if you see, we have seen that we always get in anything in EBITDA over like close to \$100 to \$150 per ton and EBITDA we are always able to do it in Saudi.
- The reason for that is two. A, because there are sizable amount of volumes, which you are able always to do that and that makes us the largest steel buyer, and we are able to leverage our global positioning as a largest steel buyer in terms of our Saudi business as well.
- So, I think so we always, we make something like almost in excess of \$100 to \$150 of EBITDA in Saudi. And I think so in times to come when the next year onward, I think, so there is a paradigm shift. What is more important Radha is to understand that what is the -- what are the shifts, which are happening in the Saudi market.
- As I said, in my opening call, the Saudi market is undergoing a massive transformation at this point in time, especially in the water sector. I'm not talking about oil and gas, oil and gas continues to be a mainstay, but there is a paradigm shift which is happening in the water sector as well. They are going to buy almost 3,500 kilometers of pipeline over the next five to six years' time. They are committed to invest more than \$16 billion in their water infrastructure segment. And being one of the largest player in the Saudi market I think so we will have a role to play.
- Their modality of buying is slightly undergoing a change. Earlier the government was buying it and giving it as a free issue. Now we are seeing that shift happening more on a PPP model, so the buying modality is going to change. But from a demand perspective and from a service perspective, we are seeing a huge demand and we were and we are the largest player in Saudi. And we will continue to play a role in Saudi.
- Radha Agarwalla:** Okay. That's very good to hear. Sir, from the Saudi IPO proceed that we recently had on a net basis, how much will the Indian entity receive?
- Vipul Mathur:** I guess, would be, it'll be close to INR 300 odd crore.
- Percy Birdy:** Post tax.
- Vipul Mathur:** Post tax.
- Radha Agarwalla:** Okay. Just my last question, sir, the DI, and the TMT projects that I expected to be commissioned this year. So, how much total depreciation can we expect just from these two

projects? Can it be increase of about INR 100 crore from these or can you just give us some figure around that?

**Vipul Mathur:** I will have to circle back you on that Radha. Will that be okay with you, please?

**Radha Agarwalla:** Yes. Sure, definitely.

**Moderator:** Thank you. The next question is in the line of Anurag Patil from Roha Asset Managers. Please go ahead.

**Anurag Patil:** Thank you for the opportunity. How do you see the debt number panning out in FY '23?

**Vipul Mathur:** Sorry, I didn't get you, sorry?

**Anurag Patil:** Sir, do we require any incremental debt in FY '23?

**Vipul Mathur:** Percy?

**Percy Birdy:** Yes, Anurag. So, Anurag, as of March '22 as you've seen, we have a net cash position of almost close to INR 175 crore. Since there is a CAPEX that is pending of close to INR 600 crore, which will be in this fiscal year, we do see that to this extent the borrowings will go up. However, our businesses are generating free cash flow as well. So, to some extent this INR 600 crore CAPEX will get compensated with the free cash flow, which will be generated by our businesses.

You also know that we are on track to make certain acquisitions. So, SBAPL that process is ongoing. And obviously some funds will be utilized there as well. But we are very conscious of our capital allocation strategy. And we rest assured that any project where we put in money, whether it is through capital expenditure or as an acquisition, it has to meet very stringent threshold return parameters. So there is no major impact apart from what we just highlighted.

**Anurag Patil:** Okay, sir. Second question, sir, as we are getting very strong visibility across the three regions, can you provide some rough idea, what kind of a volumes we can expect in FY '23?

**Vipul Mathur:** So, Anurag, if you look at it even today, we are almost at the first quarter, we have an orderbook of close to 925,000 metric ton, at this point in time. Majority of this order will have, will get executed in this financial year. And I'm sure that there would be some additional orders which will be coming up in the, on the way in the subsequent months and which will also get adjusted and accommodated. I think so we are -- means from a guidance perspective, I can tell you that we will be still aiming at close in excess of a million ton of an order execution in this year.

**Anurag Patil:** Okay. Sir, U.S. order execution will start in second half and it will pan out till FY '24. Am I right?

**Vipul Mathur:** It'll go till FY -- yes, it'll get completed by December of 2023. Yes.

**Moderator:** Thank you, ladies, and gentlemen, that was the last question. I now hand the conference over to Mr. Vipul Mathur, MD and CEO, Welspun Corp Limited, for his closing comments.

**Vipul Mathur:** Thank you very much, gentleman, for joining this call today. As I said, Welspun Corp is on a cusp of a complete transformation. And we have been traditionally a B2B player. We are now significantly creating a portfolio for our B2C and that transformation I'm sure will bring absolutely sustained earning predictability and value creation for all the stakeholders.

We have always seen your support in the past, and I look forward for your continued support in times to come as well. I am sure that we have been able to answer most of your questions to your satisfaction, but in case if you think that there's a couple of things, which you still want to get clarified, Abhinandan, Percy and Gaurav are here and they will be more than



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happy to address that. And once again with that, I want to thank all of you for joining on this call today. Thank you very much and have a great day ahead. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Emkay Global Financial Services, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.

**Vipul Mathur:** Thank you.