"Welspun Corporation Limited Q4 FY2019 Earnings Conference Call"

May 15, 2019

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Moderator: Ladies and gentlemen welcome to the Q4 FY2019 results call of Welspun Corp Limited hosted by Emkay Global Financial Services. We have with us today Mr. Vipul Mathur, Managing Director and Chief Executive Officer, Mr. S. Krishnan - Executive Director & CEO, PCMD, and Mr. Percy Birdy - Chief Financial Officer, and Mr. Akhil Jindal - Group CFO & Head Strategy, Welspun Group. 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 your touchtone phone. Please note that this conference is being recorded. I would now 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 opening remarks. Over to you gentlemen!

Percy Birdy: Good morning everyone. This is Percy here. Welcome to our Q4 FY2019 results conference call. Let us start with our operational and financial performance.

At the outset, you must have read that our current order book as on May 14th stands at 1,712 KMT, Rs.150 billion. After considering order inflows till date and execution up to end April 2019. This firmly sets the base for our performance in FY2019-2020.

Now I will quickly run through the key financial numbers for the current quarter and year. Before I detail the financials would like to just remind that at the end of Q4 FY2019 we had announced the divestment of our plate and coil mill (PCMD) as well as our 43-megawatt power plant therefore these have been classified as discontinued operations. Please note that all the figures being discuss today are for the continuing pipe operations,unless specified explicitly, and prior period figures have been adjusted accordingly.

Sales volumes, Q4 FY2019 pipe sales total operations stood at 369 KMT, including 77 KMT of Saudi plant sales, up 45% Y-o-Y. FY2019 pipe sales stood at 1.279 million tons, including 237 KMT of Saudi plant sales, up 18% Y-o-Y, this is the highest annual sales tonnage achieved by the company in its history.

Total income from operations for Q4 FY2019 stood at Rs.2,756 Crores up 116% Y-o-Y on account of higher volumes and better realizations. For FY2019 total income was at Rs.8,954 Crores up 41% Y-o-Y. Q4 operating EBITDA stood at Rs.266 Crores up 148% Y-o-Y on account of better profitability from the US business.

Operating EBITDA is calculated after excluding treasury income of Rs.10 Crores and gain on sale/fair valuation of investments Rs.4 Crores. Other provisions including our provident fund provisions of Rs.20 Crores and mark-to-market or fair valuation of bonds Rs.219 Crores. Please note that this mark-to-market includes provision for our bond investments of IL&FS and its SPVs as well as that of Reliance Capital and its subsidiaries. We have taken an extremely conservative approach and provided for all the suboptimal bonds in our portfolio, ensuring to the maximum extend that our future financials are not negatively impacted. In fact we may possibly see some upsides if the bond markets stabilise.

FY2019 operating EBITDA stood at Rs.897 Crores up 49% Y-o-Y. Operating EBITDA is after excluding treasury income of Rs.83 Crores and gain on sale/fair valuation of investments Rs.18 Crores, mark-to-market or fair valuation of bonds Rs.257 Crores and other provisions including provident fund of Rs.33 Crores. EBITDA per metric tonne for the year was approximately $200 in our US business and Rs.5,000 in our India business.

Other expenses include net forex loss of Rs.16 Crores during the quarter and Rs.15 Crores during the year. The current quarter has Rs.21 Crores of additional cost in CoGS line resulting from currency impact on the closing inventory of US subsidiary. Corresponding figure for FY2019 is a gain of Rs.31 Crores. Q4 FY2019 profit before tax and share of JVs was a loss of 74 Crores versus profit of 29 Crores Y-o-Y, FY2019 profit before tax and share of joint ventures loss of Rs.271 Crores versus profit of 282 Crores in FY2018 due to the above one off items.

Q4 FY2019 PAT after minorities and share of joint ventures of Rs.-125 Crores versus -0.5 Crores Y-o-Y lower on account of higher tax incidence. Share of loss from Saudi JV has reduced in the fourth quarter compared to the fourth quarter last year. FY2019 PAT after minorities and share of joint ventures of Rs.68 Crores versus Rs.181 Crores Y-o-Y. We will see that our tax incidence is higher which is dragging down the PAT to some extent; this is because of the tax treatment of the various MTM provisions taken for the bonds in Q4 and in this fiscal year. Q4 cash PAT was at Rs.183 Crores up 71% on a Y-o-Y basis. FY2019 cash PAT was Rs.659 Crores up 52% Y-o-Y.

Now coming to the balance sheet side, cash conversion cycles stood at 25 days versus 30 days in FY2018. Please note that this also includes the trade advances from the customers mainly for our US orders. On the side of borrowings and debt at the end of March 2019, our net debt stood at Rs.286 Crores. We reduced our net debt by Rs.26 Crores during the quarter and by Rs.136 Crores during the year. The net debt would have further reduced in case the bond provisions of Rs.257 Crores had not been taken. We have prepaid $25 million of loans in the US subsidiary during Q4. In fact we have also prepaid an additional $25 million in April 2019. We will continuously endeavor to prepay the loans wherever possible.

Now we come to Welspun Middle East joint venture the Saudi Arabian operations. As you would recall the Saudi joint venture figures are brought in the consolidated financial numbers at a single line level after PBT as per the Ind-AS. Q4 FY2019 pipe sales volume from the Saudi plant were 77 KMT and for the full fiscal 2019 the volume was 237 KMT.

As indicated in the previous quarter the Saudi business has turned EBITDA positive during the current quarter. EBITDA was 12 million positive Saudi Riyals during this Q4. PBT was a loss of Saudi Riyal 7 million substantially better compared to a loss of 27 million on a Y-o-Y basis and a loss of 24 million on a Q-o-Q basis. We expect the profitability to further improve in the coming quarters as the project mix changes favorably.

From this financial year we expect the joint venture to contribute positively to the bottomline. Further we maintain a very positive outlook for the Saudi market, which will be covered by the MD later on.

While talking about the Saudi joint venture I would just like to highlight one aspect. So since from this year onwards as per the new auditing standards applicable for all the companies, key audit matters, as we have known as KAMs, need to be reported by the statutory auditor and as part of this key audit matters they have also reported upon our investments in the Saudi Arabian joint venture.

Our future is looking very bright in Saudi. We have a very robust order book position and the project mix is changing substantially in favor of projects where our margins are better. So as you can see the trend in the last three quarters that the profits in the bottomline has been improving, the volumes have been growing and in Q4 FY2019 we have also broken even at EBITDA level.

So the KAM that has been reported by PwC is nearly for information sake and it is not to be construed as any qualification, but just a matter of reporting.

Now we move to an important board decision, which was on the buyback of shares. The board has recommended a buyback of shares of Welspun Corp. The buyback will be for a maximum aggregate consideration not exceeding Rs.390 Crores at a maximum price of Rs.140 per share.

The board has arrived at this decision with a view of utilizing the company's surplus cash reserves and in order to enhance the shareholder value. The buyback would be of course subject to the shareholders approval.

With that I hand over to our MD for his comments on the market and company outlook.

Vipul Mathur: Thanks Percy and good morning everyone. This is Vipul Mathur here.

Welspun continues with its strategy of focusing on three key geographies, which are India, USA and KSA. We are currently experiencing a very unique and a favorable situation in all the three geographies where we are present and are firing on all cylinders together.

Welspun Corp being a global but local player with leadership position and sizable capacities is now ideally poised to benefit from the local sourcing.

Let me give you a brief update as how and what we see as key drivers for each market.

US, the fracking in the Permian Basin has resulted in booming oil & gas production in the US. However, pipeline demand to evacuate associated gas, which cannot be flared and also moving of the oil extracted to the refineries on the coast is driving the pipeline demand from the transportation companies. While the Shale drilling has been profitable at the current oil prices combined with the pipeline infrastructure bottlenecks as well as restriction placed on pipe imports, local US players including Welspun are expected to command good margins with higher volumes.

On the Indian market, the large-diameter pipe demand for the oil and gas project is primarily driven by GAIL and IOCL. The small-diameter segment is also seeing significant demand from the City Gas Distribution projects. The new government policy to grant pricing freedom to the new gas discoveries is also likely to increase exploration activities in the country, which in turn, could translate into higher pipeline demand.

Currently, issues surrounding water scarcity and stress have become important focus areas for the government; thus a significant demand from water projects is expected across states. With the Bhopal facility now fully commissioned, the Company will be geared to meet the local demand and become a sizeable player in Central India apart from its presence in West and South India; this gives Welspun a pan India presence now.

Exports: Welspun Corp is also very favorably placed to service demand for LSAW pipes across geographies, thanks to its global approvals and accreditations as well as an impeccable track record of supplying pipe for very complex projects in Oil & Gas sector. With demand and price, both remaining strong for oil, the major E&P companies are now actively pursuing development of their global assets and that will result in substantial export business of LSAW pipes from India from our Indian plants.

Saudi Arabia: As Mr. Percy also covered, the JV in Saudi Arabia has a confirmed order book of more than two years. We are seeing a very strong demand both in the oil & gas sector as well as the water sector, driven by Saudi Aramco and SWCC. As we speak, they are actively working on development from few big projects. Further, the recent find of Shale gas in Saudi Arabia and the intent to connect the entire GCC and the Middle East nation through a pipeline network with this gas is another big potential in the medium-term. Thus Saudi Aramco's continuous exploration for off-shore Oil & Gas fields, the new Shale gas development as well as the high demand for the water projects will exponentially grow the demand for the pipelines in the near to medium-term.

FY2019 has been a successful year for us with a highest annual sales volume and I strongly believe that this is just a beginning. However going forward our key focus areas would be

Profitability: You have seen the improvements in our operating EBITDA during the quarter. Our all time high order book provides strong visibility for the future across geographies. Profitability associated with these orders is significantly better then the recent profitability trend and the same are likely to continue in the medium-term.

As we speak today Welspun Corp has all time higher order books of 1.71 million tonne spread over three geographies where we operate. This has our execution of April 2019 as well. Our bid book also stands at around 3.3 million tons and the future potential of the projects which we are contemplating and we see that they might come up for bidding in the near-term stands at 18.8 million tons across the globe. This offers tremendous potential for the future growth in times ahead.

This year we expect to deliver volumes in the range of 1.1 to 1.2 million ton on Ind-AS basis and almost close to 1.5 to 1.6 million tons including our Saudi JV. We are also expecting our EBITDA to be in the range of around Rs. 1,100 to 1,200 Crores on Ind-AS basis.

The other focus area will be operational excellence, when you have such a robust order book we need to focus on our operational excellence. The company will continuously focus towards the same by investing in building robust systems and processes, flawless execution; continuous development of people capabilities and impeccable customer related oriented delivery structure.

As we have also mentioned that we will continue to focus on our core assets. With a risk legacy and expertise of delivering pipe for many prestigious and challenging projects, WCL is focus on its core asset, core business which is pipe and thereby proposed dis-investment of non-core business like Plate Mill and 43 MW power plant shall unlock significant value for the shareholders.

Balance sheet: WCL has demonstrated unrelenting focus on free cash flow by calibrating capex and managing working capital better. The cash is being used for prepaying debt and to buyback shares that is making the balance sheet leaner. The asset light approach will further improve our return ratios.

Capex, we have completed the Phase I of our Bhopal project which is the pipe plant. The pipe plant is now fully operational and also have a confirm order book of 76,000 tons. Work on Phase II of the project, which is the coating plant, has commenced and the same is likely to be commission by December 2019. Beyond this we do not envisage any further growth capex.

With this we conclude our opening remarks. We will be happy to take any questions. The floor is open for the questions, please. Thank you.

Moderator: Thank you very much Sir. We will now being the question and answer session. The first question is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: Good morning. Congratulations on very steady core operating performance and also the turnaround for the operations. Sir, two, three questions, in the opening remarks you have mentioned the EBITDA per ton of $200 in US and Rs.5000 in India; this is for Q4 or FY2019.

Percy Birdy: This is for FY2019.

Nirav Shah: Any indication of how Q4 was looking?

Percy Birdy: It has been on the upward movement only, so the margins have been looking better.

Nirav Shah: So, it is better than the annual average?

Percy Birdy: Marginally yes.

Nirav Shah: And you mentioned global volumes of around 1.5 to 1.6 million ton?

Percy Birdy: That is including the Saudi operation.

Nirav Shah: Yes global, fair point. Sir, just few questions on the investment book, we had the Jorabat-Shillong interest payment due on early March also we had the IL&FS Energy interest due which was yesterday and DHFL on May 10, these dates were shared on the previous quarter's conference call. So any update on whether we actually received any payout on these three investments?

Akhil Jindal: Well as you would know there is a complete embargo on the cash flow coming from IL&FS or for that matter its subsidiaries or super subsidiaries, sub subsidiaries, no payment has been received on Jorabat as well as the IL&FS Energy, but DHFL has been paying in time, so there has been no default on the DHFL so far.

Nirav Shah: So what is the carrying value of the DHFL investment? Carrying value of that investment?

Akhil Jindal: We have invested around 35 Crores and as per the MTM provision that Percy shared at the beginning we have carried out a 6 Crores impairment on that asset already in the book still March.

Nirav Shah: So it would be around 28, 29 Crores.

Akhil Jindal: Yes so carrying book is 28 Crores yes.

Nirav Shah: Any indication on when the deal to sell the PCMD will be closed?

Akhil Jindal: We are hoping that it would be done in the third quarter. This is of course subject to various approvals and compliance that we are doing just now. So to that extent we are hopeful that anytime between October and December there is a greater possibility of deal getting included.

Nirav Shah: Got it Sir thanks. That is it from my side sir. All the best.

Moderator: Thank you very much. The next question is from the line of Nitesh Jain from Aditya Birla Sun Life. Please go ahead.

Nitesh Jain: Good morning gentlemen. Basically I am referring to your press release on the operational numbers. The one thing, which I notice is this quarter the pipe production is quite low and the pipe sales, is very high so like the pipe production is at 200,000 tons the pipe sale is 292,000 tons. So was it deliberate to have lower production or can you please explain this why this is happening?

Percy Birdy: So the way it works is as per the revenue recognition standards, we can recognize sale only based on fulfillment of the contract conditions. So now some of the customer contracts are based on, on a delivery basis. So until these finished goods, the pipes for us, which are delivered to the customer's location it is to be treated as in transit and sometimes the journey, can be taking 15 days, 30 days as well. So that is the reason why especially in this has happened in Q4 for our Saudi joint venture operations and also to some extent in other locations. So that is the reason.

Nitesh Jain: I mean these numbers are ex Saudi actually?

Percy Birdy: Yes, so in India also we had one export consignment which has been recognized as sale for the March quarter, while the production was prior to that.

Nitesh Jain: So to that extent we should assume there is a release of working capital right?

Percy Birdy: Yes and that particular consignment was almost 60,000 tons.

Nitesh Jain: Secondly Mr. Jindal is there any other provision left out on the treasury portfolio or do you think that you have 100% provided all the doubtful bonds and investments?

Akhil Jindal: I think if you see our corporate book, which of course when we invested it, was AAA and an AA rated. So out of 300-odd Crores that we invested at that point of time we have already taken a provision of almost around 250-odd Crores, we have already taken a provision. So largely on account of IL&FS and Reliance holdings. So I think other than that there is not much left in the treasury book on the corporate side so does not much that we need to worry about then there is a 173 Crores of the PSU bonds like of REC and PNB and Energy Efficiency, Jodhpur Vidyut and public sector bonds. So here we have taken a provision of around 9 Crores already based on the MTM and there has been no default but MTM provisioning is 9 Crores then what is further left is around 85 Crores in the banks which is Andhra Bank, Punjab & Sind Bank, Union Bank, United Bank, again there have been no distress there and as per MTM we have already provided for around 3.35 out of 85 in our books. So looks like that whatever provisioning we have done should be adequate and enough and if the Indian environment become a little favorable we should actually be recovering some of the provisioning that we have done. Just want to tell everyone on the treasury one more important information. So since the time this IL&FS crisis broke last week of August, first week of September, we have been able to liquidate quite a lot of our bonds also. So almost to the extent of Rs. 345 Crores bonds we liquidated and after accounting for all the difficult time in the difficult market we have manage to get around 4% yield on the bonds plus our principal was intact. So if we were not to provide for this provisioning our net return for the April to March would have been in the range of around 6% despite the turbulent time on the bond market. So I have given a long answer to your question but I think it must be comforting that whatever board felt as a safe provisioning in terms of the Reliance and IL&FS and some of the other MTM it has been carried out in this quarter.

Nitesh Jain: Thank you very much.

Moderator: Thank you. The next question is from the line of Vikash Singh from Phillip Capital. Please go ahead.

Vikash Singh: Good morning Sir. Sir I just want to understand in Saudi off late the steel prices had been very volatile, they still have roughly 0.7 million tons of order. So how much of this is back-to-back in terms of steel and at the remaining portion would be at what price we will still be profitable?

Vipul Mathur: Vikash, on the Saudi as you rightly said we still have almost 750,000 tons of business to be executed and the steel for the same is partly open. The good part is that while you say that steel is volatile but it has all showing globally it is showing a little bit of a downward trend and that is what we have all anticipated and that is the reason we took a conscious call not to cover the entire steel and not that we would have the ability to cover a million tonne of a steel either way but it was also a very conscious call we have taken that we forecasted that the steel market will only soften and that precisely the way in that particular direction the steel market is going. I think so the way it looks like it is this trend is going to continue for the balance part of the year, we have the orders what we are going to execute now, this 755,000 tons what we are going to execute are at a fairly profitable margins and if the steel price is goes further down it is only going to add up to our margins rather than depleting the margins. So we are very confident that unless there is a great movement, which happens, in the steel market we personally do not foresee any risk at this point of time.

Vikash Singh: So currently entire 750 Kt is open or some portion of it has already booked because I believe we were doing on a three-month or four-monthly basis kind of booking.

Vipul Mathur: Let us say we would have covered around close to 250,000 or 300,000 tons would be covered around 400+ KMT plus would be still be open.

Vikash Singh: Sir if I may ask what kind of the breakeven steel prices you see at which you would be at a no profit or no loss kind of situation or the cushion in case steel prices reverse from current levels and goes on a increasing trend. What kind of cushion we have available for the remaining 400 Kt?

Vipul Mathur: If you recollect in our earlier calls we have told you categorically that these were three projects, which we have, bidded one project under distress but the other two projects were at a substantial margins. The good part of that was at that point of time when we bidded the other two projects, which have the highest profitable margins the steel price was at its peak. So we have factored the highest steel price at that point of time and from that peak to today it has only come down it has not gone up.

Vikash Singh: Sir is there a loss making project how much of their portion is left in this 755 Kt?

Vipul Mathur: There is approximately, this was 380,000 tons of total projects I think so we have already done close to 200,000 tons. 180,000 tons is still left and that has to be executed over two years time. So the impact of this loss making would be spread over the next two years to the extent of only 75,000 to 90,000 tons and that is what Mr. Percy mentioned as the product mix is now changing and you could see it started changing in quarter four. So right from a negative EBITDA in the first three quarters we have started moving to a positive EBITDA in the fourth quarter and this is what the trend it is now going to be and it is also going to be on an incremental basis. Because as the more profitable order volumes comes into play, the EBITDA is only going to go up. So let me clear that that pain of Saudi is behind us now.

Vikash Singh: Sir in terms of US so basically now we use to supply LSAW pipe from India to US now we have so much of duty but LSAW capacity is still very less in US do we see any opportunity or some provision where we could still be able to supply LSAW pipe from India or that opportunity it is kind of a lost one?

Vipul Mathur: See if you purely see from a tariff perspective. I think so there is no possibility to supply any LSAW pipes for any supplier to the US including the Indian supplier. However for Welspun we have been able to manage certain exclusions, which means that in certain cases where a particular thickness and particular diameters of pipes are used which cannot be manufactured in the US they can be supplied by Welspun without being subjected to any antidumping or CVD duties that is the only that is the exclusion which has been given exclusively to Welspun and it would be notified very shortly. So assuming that there is a resurgence of offshore segment in US and where deep offshore pipelines are going to come and those pipelines where this such wall thicknesses and diameters: lower-diameters and heavy wall thicknesses pipe would be used we would stand a chance.

Vikash Singh: Sir lastly just one last question coming to the corporate bonds, if I remember last quarter you have told us about the corporate bonds of 350 Crores out of that 250 Crores was the risk level with IL&FS and Reliance and Dewan. So remaining 100 Crores corporate bond so what kind of provision we have taken and is there any incremental based we see on that remaining 100 Crores corporate bonds?

Akhil Jindal: Yes so 350 Crores what you mentioned was the right figure at the beginning of the quarter, since then we have been able to liquidate around 40-odd Crores in this quarter. So the ending quarter book or ending corporate bond position as on the March 31 is 312 Crores. So out of 312 Crores as I have mentioned almost 245 Crores of provisioning has been done on Reliance and IL&FS and MTM on other bonds. So the balance is only 50 to 60 Crores which is relatively liquid and relatively safer bonds.

Vikash Singh: That is all from my side. Thank you Sir for taking my questions and all the best.

Moderator: Thank you very much. The next question is from the line of Sudhir Bheda from Right Time Consultancy Service Private Limited. Please go ahead.

Sudhir Bheda: Good morning Sir. Congratulations on very good set of number and particularly the operational efficiency in Q4 and also a strong volume of 1100 to 1200 Crores of EBITDA so congratulations for that. Sir I just want to ask about the entry well you have sold PCMD for 800 Crores I believe 800 plus. Whereas the net block is 1300 Crores so have we taken the loss on the March 31, 2019 account?

Percy Birdy: That is correct. So since the business transfer agreement was signed on March 31, so the business has to be classified as a discontinued operation and we have to account of the impairment provision in March 31, 2019 only. So the difference between the sale consideration and the book value of the assets has been accounted as an impairment provision.

Sudhir Bheda: So how much that would be.

Percy Birdy: That is 337 Crores has been taken as an impairment provision.

Sudhir Bheda: And is it the other expenses or how it is accounted?

Percy Birdy: It will come under discontinued operations so there is a line for discontinued operations. It will be captured in that.

Sudhir Bheda: Sir one more question about the current EBITDA of US operation I believe that Q4 EBITDA would be much more than $200. So what is the current EBITDA per ton as far as US market is concerned?

Vipul Mathur: As we mentioned that while the average EBITDA for the year would have been around $200 per tonne, but if you recollect in the last investor calls we have been saying that we have been very picky and choosy about the businesses and we are only focusing on improving our margins. So I think so in Q4 yes it would have been slightly higher but the average is coming out to be 200 but I think so moving forward probably we would see that there could be a possible increment earnings on the EBITDA side for the US.

Sudhir Bera: I think so EBITDA would be maintained for the year 2020?

Vipul Mathur: I am sorry.

Sudhir Bera: At least EBITDA which is you told the EBITDA per ton of US is reported whatever reported is choose so would be maintained for FY2020 also?

Vipul Mathur: You can very well assume that is right.

Sudhir Bera: Thank you for taking my question and all the best Sir.

Moderator: Thank you. The next question is from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.

Dikshit Mittal: Sir a clarifications, you given a guidance of around 1100 to 1200 Crores EBITDA for next year. So this is excluding Saudi operations right.

Percy Birdy: This is excluding Saudi.

Dikshit Mittal: And Saudi you are planning to execute around 400,000 tons this year?

Vipul Mathur: That is what we are endeavoring yes.

Dikshit Mittal: Sir secondly the balance sheet you have shown the assets which are held for sale amounting to around 1450 Crores. So earlier I think you mentioned in the call that the book value is around 1200 Crores so just wanted to understand like why is that difference in the two figures?

Percy Birdy: This is the sale consideration value, 848 Crores is for PCMD and the business and then we also have the gross current assets of PCMD and then we also have the 43 megawatt plant where the consideration is 67 Crores. So all these total is the asset held for sale.

Dikshit Mittal: So this includes the working capital also?

Percy Birdy: Yes, so asset held for disposal basically includes the gross current assets and the current liabilities are shown as the liabilities held for sale so that is a separate line.

Dikshit Mittal: Sir on the Saudi operations can you give some sort of profitability guidance for next year like on a per ton basis or actually you take what are the expectations?

Vipul Mathur: See I think if you recollect we have given the guidance in any case in the past we continue to maintain the same guidance we firmly believe that we should be in a position of $100 EBITDA per ton plus I further feel very confident that if the steel market further calibrates down there is a potential upside to that as well.

Dikshit Mittal: Okay $100 on 400 KMT approximately execution right?

Vipul Mathur: That is the way it is, yes.

Dikshit Mittal: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings Limited. Please go ahead.

Bhavin Chheda: Congratulations on overall divestment of plate mill and strong guidance ahead. Few questions, first on the bond thing, I think as you said the entire amount of Reliance Capital and Reliance Home Finance is written-off so was there any interest payment due during last three or six months and which has been missed out and because in the last quarter you also said that you had liquidated a 10 Crores worth Reliance Capital at 3%, 4% loss, so but you are taking 100% provision now. So can you throw some light there what kind of papers are you holding in this and what is the mark-to-market or realizable value actually there but you are taking a conservative approach of writing it of 100%?

Akhil Jindal: Yes, so Bhavin you are right we did sell some of the Reliance Capital bond sometimes in February to that extent there was a hope that if you recover some amount of money in Reliance Capital without taking much of the haircut; however, the situation has slowed down considerably in the last three months there has been rating downgrades happening almost every single week. I would say that it has been a sliding scale and because of all that that has happened and in fact the last rating downgrade had happened only last week. So because of all that while on March 31, we feeling that these are not so distressed bonds, but since that time and the board had taken a cognizance of all the happening since then we realized that these are the bonds which are not in a very healthy zone and in that sense the provisioning has been done. So to answer your question on the interest side except for the IL&FS whatever interest was due we have been generally getting all that including the Dewan Housing which was quite recent as April 18th or 19th and also on the May10. So we have been getting all of the interest and other things. So the board was comfortable with those papers but on IL&FS Group and Reliance Group the 100% provisioning has been done.

Bhavin Chheda: So was there any interest received on Reliance Capital was it due or something?

Akhil Jindal: I will quickly check and revert back. I think to the best of my knowledge every interest due was paid, but I would quickly check and revert back let me just check with my treasury team in another five minutes. I will revert back to you.

Bhavin Chheda: Yes. Sir second question as Mr. Mathur Ji mentioned Saudi basically our steel was open on 400,000 tons so on the overall order book if you can give us ex-Saudi our order book is almost a million tons and we are giving a strong guidance for FY2020. So how much of the steel is covered on the ex-Saudi part of the business?

Vipul Mathur: Yes, on the ex Saudi part of the business whatever confirmed orders we have the steel is fully covered.

Bhavin Chheda: Steel is fully covered.

Vipul Mathur: Fully covered it is only as a exception we took a call to keep the steel open in Saudi that was a very conscious call at the board level we have taken at that point of time with proper due diligence other than that you know that our policy is still very straight and simple, we do not keep any steel open and as we speak all the confirmed orders what we have ex-Saudi or that steel is 100% covered.

Bhavin Chheda: Next thing on the Bhopal thing I think Sir you mentioned 76,000 tons of order you have received I believe the capacity post Phase I is 150,000 tons so there is another space of say 50,000 tons, 60,000 tons there we can do. So this is one part of the business and any business that you are looking for this balance part and second because already you know the delivery schedules of the US mill how much of the US mill would be open both on the ERW side and on the spiral side for FY2020 where you can take fresh orders for FY2020?

Vipul Mathur: On the Bhopal side of it, we have order book of almost 76,000 tons. We are also actively pursuing some two or three more business opportunities and prospects and I believe that the team should be able to convert those opportunities into business soon. For this first year perspective, we are assuming a production of something close to 100,000 tons and I am pretty much confident that we should be able to achieve that. So Bhopal probably more or less is on track is happened with 76 KMT in place and we still have more than a quarter open so and sufficient business in the market it think so we should be able to do that. Coming back to the US side of it on the spiral mill, I think, so we have booked almost still end of January all what we have open is for the February and March for this financial year, there are couple of leads, which we are pursuing at this point of time and I would rather say that I am cautiously processing those leads because as I mentioned that we would like to pick up the best and as we are evaluating that couple of leads whichever turns out to be the highest margin or highest profitable order we will pick that. I am saying you that on the spiral side of it, the large diameter sides of it we are pretty much booked till January two months we are open and we will see more challenge in booking that. On the ERW side of it we are pretty much booked till end of July at this point of time they are and you know the nature of the business of ERW is that, that you do a sort of a quarter-on-quarter booking. I think so, we are well on track on that we have booked till end of July early August actually and as we speak we are also working on couple of projects out there and the outcome of that should be known. So I do not see a challenge on the ERW side of it. Having said that, you know that what is happening on the ERW side there have been duties, which have been now imposed on the Korean and even the quotas, which have been imposed. So the threat of dumping, which was happening in the past from Korea, has significantly gone down it is now happening in a very, very calibrated manner. So we do not see a great cause of concern at this point of time and but the nature of the business is that we will continue to book on a quarter-on-quarter basis.

Bhavin Chheda: Great Sir. Only my pending thing how much of the LSAW we have booked and how much it would be open?

Vipul Mathur: LSAW at this point of time we have almost 300,000 tons of our LSAW business we have at this point of time out of India.

Bhavin Chheda: Our capacity is 0.7 million right?

Vipul Mathur: Right. So we still have intermittent gaps both at Dahej and Anjar and more at Dahej rather than Anjar and I think so we are seeing a lot of traction which is happening in the East African market as well as in the Middle East market and a few possibilities which are being actively pursued. So I am sure we will be able to add something more to it.

Akhil Jindal: Yes and Bhavin let me just also confirm on the Reliance part we have been getting all our interest in time; however, all these interest per due in January so the January interest has been fully serviced both on Reliance Capital as well as Reliance Home Finance and Reliance General is of course also serviced in August 2018 so to that extent there has been no default because the next payment cycle will come in June, but as I mentioned the deterioration in the ratings and the Reliance Group general thing, so the board took up prudent decision of providing 100%.

Bhavin Chheda: Thanks Akhil and best of luck to the team.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital Limited. Please go ahead.

Ankur Periwal: Thanks for the opportunity and congrats for a good set of numbers. While most questions have been answered just checking on the guidance front so we are highlighting 1, 1.2 million tons of what we will hope the visibility ex-Saudi that is, so which I think you clarified earlier as well but I just trying to reconfirm the raw material pricing the steel pricing for all this order book is already closed is that understanding correct?

Vipul Mathur: In this 1.1 or 1.2 million tons there is certain component of confirmed order and there is also a component of perspective order. We feel optimistic around this numbers but there is an element of perspective order into that. Whatever is confirmed at this point of time the steel for that is 100% covered, whatever is going to be prospective we will take a call on the steel but as a matter of the policy once we pickup an order, the steel will also be covered at the same time. So we will not keep steel open even for the prospective side of it.

Ankur Periwal: Sure and what will be the percentage of this confirmed order for which we have book the steel value in advance rough cut?

Vipul Mathur: Probably around 70% we would have, the confirmed order is around 70%, prospective is around 30% just to clarify for what we have the confirm order steel is 100%. Was that your question I guess?

Ankur Periwal: Yes, that is helpful. So now the prospective and as I understand the processes that probably over as the year goes by and we get more certainty about this project, about this order and hence we will keep on probably booking the steel as well going ahead?

Vipul Mathur: Absolutely right, we are just in the first two months of this year we still have ten months to go.

Ankur Periwal: For Saudi, we do not do any sort of forward booking across the contract. The older ones which we had sort of pegged at a higher level because of which the profitability was under pressure, obviously that portion is coming down now, but incrementally also for the newer ones we are not booking steel in advance?

Vipul Mathur: No, we are not. We are maintaining to keep a stock of three to four months let us say more than a quarter so we were only covering the steel to that extent and because we feel convinced that there is not going to be a major volatility in the steel at least on the upward side of it.

Ankur Periwal: That is helpful and as you mentioned our spiral capacity in US is more or less full barring the last maybe two months; we have fair visibility of operating at almost optimal utilization for the full year probably with some spillage next year as well?

Vipul Mathur: Right.

Ankur Periwal: Sir In-between you did clarify a point wherein probably there is a special exception for LSAW price, which is getting exported. I am sorry I have missed that part if you can please highlight it again.

Vipul Mathur: So in my opening remark I was saying that why and there is the domestic demand is primarily coming from IOCL, GAIL and the CGDs and we are seeing a lot of traction in the water segment there is also a huge demand which is now coming up in the exports. Now let us say you have E&P companies like Total, Shale, BP, and Chevron now they own assets worldwide they have assets in West Africa, they have assets in Europe, they have in the Middle East, and they have assets in acreages all out there. Now when we are seeing the demand and the price for oil is so very firm we are seeing a lot of activity by these E&P companies in those regions as well where they are holding those assets outside their country so that is where it offers an opportunity and we are one of the select few who have all the approvals and accreditations with them. So as they will go and go for drilling and exploration of those blocks we will see a potential of exporting LSAW pipes to them that is what I was trying to highlight.

Ankur Periwal: Sure and the US tariff etc., they do not bother us on this part or there is a sort of impact on our in terms of pricing?

Vipul Mathur: No if we are exporting to anywhere else other than the US it is not impacting if we are exporting to US then under the current tariff we cannot do that except for the items, which are excluded, only for us.

Ankur Periwal: Sure and what portion of our exports which is LSAW exports will be towards US?

Vipul Mathur: In this 300,000 tons, there is none.

Ankur Periwal: That is it from my side Sir. Thanks a lot and all the best.

Moderator: Thank you very much. The next question is from the line of Jigar Mistry from Buoyant Capital Private Limited. Please go ahead.

Jigar Mistry: Good morning everyone. Just a clarification, now when you give the guidance for EBITDA prospectively it is for operating EBITDA right not the reported one.

Vipul Mathur: That is right.

Jigar Mistry: So the question is as follows that let us say if that, if you were to work it down to cash profits and the 850 to 950 odd Crores you realize for the plate mill there is a potential for the net cash to increase to almost 1100 plus Crores even after the 400 Crores buyback. So that there is a substantial amount of cash what the board intend to do with the kind of cash?

Akhil Jindal: I think we have already taken actions in line with what we guided the investors and analysts, almost two to three months back in our last call and to that extent the first buyback has already happened we have seen to almost 25% of our networth is being offered as a buyback plus the dividends and other opportunity that will come in future as and when we would realize this money. As Percy mentioned the prime focus will of course remain to reduce the debt and to that extent $50 million of debt in the last two to three months has been fully prepaid. So I think combination of all the three things that we just mentioned is going to be the best utilization of the cash, and certainly the capex is on the backburner as we mentioned there is nothing that we are planning at this juncture. So to that extent any surplus cash would be return to the shareholders in the most effective manner.

Jigar Mistry: Thanks Sir.

Moderator: Thank you. The next question is from the line of Anita Rangan from HSBC Asset Management. Please go ahead. Due to no response we will move on to the next question. The next question is from the line of Amit Dangi from Mentor Capital Limited. Please go ahead.

Amit Dangi: Good morning Sir. Congratulations for the good set of numbers. I had a few query regarding treasury management I just want as on today we having carrying value of around 1000 Crores in the treasury right approximately?

Akhil Jindal: That is right but of course we did not mention much over the liquid mutual funds and other things that were there so I think our discussion so far had been to the extent of the bonds that the company was holding as on March 31.

Amit Dangi: That is around 50 right, 50 Crores of in NBFCs?

Akhil Jindal: I think we have been holding around 500-odd Crores of treasury 593 as a precise number of the bonds on 31st March out of which of course 250-odd Crores provision had been taken.

Amit Gandhi: Sir how much yield we generate on this there is a gross debt and this treasury specific spread how much we make on this?

Akhil Jindal: In past the treasury yield had been in the range of 8% to 9% so even in the first quarter April, June the treasury was 8.63% the second quarter 7.98% it is after the second quarter when the problem started appearing and to that extent the entire year return for 6% without the MTM effect of course.

Amit Dangi: I just want to understand sir would the gross debt I think we have anyways our cost will come around 8.5%, 9% of gross debt if I say?

Percy Birdy: Yes, different currency, different loan but yes, you are right.

Amit Dangi: So what is an idea as the board that to keeping such a huge treasury and keeping a gross debt level?

Akhil Jindal: No that is why we said we are reducing the debt we are reducing the treasury and to that extent as and when the liquidity emerges without much of the loss we are exiting, like for example we have exited 6 Crores of Indiabulls also in April which was there in March without much of the treasury loss. So you are right the board is not keen to maintain the large amount of cash and large amount of borrowings. There is a effort going on for rationalization both from the earnings as well as from the treasury liquidation and going forward, treasury should not be more than 200 Crores.

Amit Dangi: So in next 12 months we can definitely feel that the treasury level will reduce to 200 or 300, 400 Crores except the cash flow, which we generated?

Akhil Jindal: Yes, that would be our endeavor yes.

Amit Dangi: And one more thing about hedging policy on steel, I think what is the risk of steel prices goes up and down, can you guide on this.

Vipul Mathur: So typically you see that steel is a sort of a pass through product Amit. We do not keep steel open it is just be as a pass through. So there is nothing more need for a sort of a hedging policy for the steel price volatility. It is only an exception we have taken in Saudi as I clarified in the earlier part of the call and it is a very, very conscious decision, conscious call of the absolute due diligence with a minimal risk. So other than Saudi we have not taken that call anywhere as a policy we do not do that.

Amit Dangi: So going forward we do not see any risk on the steel prices movement at least on our profitability?

Vipul Mathur: On the Ind-As business definitely no, and even on the Saudi business where the steel is open it can be anybody's guess but our indications or the diligence suggest that should not be an issue.

Amit Dangi: One more thing on Saudi I think there is some auditor remarks regarding this projections which we have followed that for the impairment and all so can you just guide us on this?

Vipul Mathur: As Mr. Percy told in the start of the call it is as per the new accounting standards it has be reported in the KAM now these are certain issues of the past which the auditors have to report but I think so we have to see it from an absolutely prospective basis you see the performance which has been a turnaround.

Amit Dangi: No that I agree, the losses have been reduced drastically?

Vipul Mathur: It is just a matter, which I have just been put as further regulatory requirement. I will request not to read too much into that please.

Percy Birdy: SA701, which has become mandatory from 1st of April 2018, so this March 2019 is the first financial year in which all Indian companies auditors will be reporting KAMs the key audit matter. In very brief words the key audit matters is wherever there is a judgment or an estimate exercise where the auditor has to comment on it. And if you read the KAM in our case the auditor has concluded at the bottom of it that they agree with the judgment that is made by the management and they say it is reasonable.

Amit Dangi: That is the main thing.

Percy Birdy: Sure.

Amit Dangi: Sir just last like just going forward how we can reduce maximum the treasury management I think that would be great help for the company side because the kind of environment we are seeing today we feel like that is what the board should take it as point how we can plan for the treasury management in going forward.

Akhil Jindal: Yes, so very clearly the board has taken a cognizance of the changing environment on the bond side particularly the corporate bond side and there is one prudent action was the provisioning in many of our fresh bonds. Second is of course in terms of the investment philosophy where the safety liquidity and risk, SLR are the three key components and to that extent whatever surplus cash flow we will have are going to be mostly into the liquid mutual funds and that also without any concentration risk and after making sure that many of those mutual funds are not in turn investing into the bond that we would generally like to avoid.

Amit Dangi: We are seeing today is little bit complicated.

Akhil Jindal: Correct I know so to that extent seeing their entire portfolio before we really, really invest. So this has been a big learning exercise for all of us in the last six months in terms of what is safe and what is not safe. Yes industry as a whole and we are taking that abundant caution in terms of so that we do not enter into that situation again.

Amit Dangi: The same thing should not repeat again.

Akhil Jindal: Correct, yes.

Amit Dangi: Thanks and that is it all from my side. Thank you Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities Private Limited. Please go ahead.

Sunil Jain: Congratulations for good number sir. Sir my question relates to US operation can you share the volume for Q4 I really missed that?

Vipul Mathur: We did close to 110,000 tons in Q4.

Sunil Jain: Any expectation how much we can do in FY2020?

Vipul Mathur: As we gave a sort of a guidance that we should be going around 1.1, 1.2 I think so around 400,000 tons plus should come from US that is what we expect.

Sunil Jain: Second thing about the buyback which company has planned that promoter will be participating to a lower extent but if suppose the prices move up over Rs.140 still promoter will be participating or it is open?

Akhil Jindal: No, I can and have a reflect on the broad understanding internally is to increase the shareholding over a period of time and that is why acquisitions and other things had been done by the promoters periodically. So they have just mentioned a small portion of their holding to be offered as maximum in the buyback. So to that extent I think the effort could be just to consolidate as much as possible.

Sunil Jain: Yes, so the intent is to increase to the holding so definitely it is open if suppose the prices remain higher than the buyback price the promoter may not participate?

Akhil Jindal: I do not think it would be a reflection of the price at that point of time it would be more of a reflection of the needs at that point of time.

Sunil Jain: Thank you very much.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Thank you for the opportunity. Sir firstly if you could give us the breakup of other expenses what is the extraordinary in this other expenses for this quarter as well as for the year at the consolidated level firstly if you could explain?

Percy Birdy: There are certain items which have been exceptional for this quarter and we have covered them also in our press release but nevertheless for Q4 we had about 13 Crores of treasury income apart from that there is a gain on sale of fair valuation which is about 4 Crores of income. On the adverse side in Q4 we are having220 Crores of provisioning which is the fair valuation plus another 19 Crores. So it is about 239 Crores is the adverse hits which will come in Q4.

Saket Kapoor: Adverse and the benefit , I just wanted to have the net of it?

Percy Birdy: So it is a 98 plus 126 about 220 for MTM so for the Q4 it is about 220 Crores which is there in other expenses.

Saket Kapoor: That is the adverse parts and you are talking about some income, income also that has been clubbed under the other operating and other income?

Percy Birdy: Yes there is treasury income which is about 10 Crores.

Saket Kapoor: So 220 Crores is what about is exceptional and nonrecurring in it?

Percy Birdy: That is right.

Saket Kapoor: Sir as you were talking about the asset held on sales in the balance sheet that we have put that and then the asset item at, it is in the liability so in the asset for 1449 Crores so that as the deal got consummated also as on March 31, so why is this clubbing happening in the asset and the liability part?

Percy Birdy: The business transfer agreement has been signed on March 30 of course now there is several conditions precedent we need to have CCI approval thing so there are several steps that are remaining. In the meantime we have to report as per the accounting standards this has to be shown as a discontinued operation.

Saket Kapoor: So the loss on sale of it is 130 Crores that is the carrying value lower carrying value?

Percy Birdy: So the impairment provision in this about 337 Crores for the PCMD business.

Saket Kapoor: Sir but as I see that the discontinued operation profit and loss, loss from it is continues to that 130 Crores for this quarter?

Percy Birdy: Yes, so 337 Crores is the impairment provision and there is also the incentive VAT incentive liability which has to be returned back to the P&L so that is about a 217 Crores. So when we net off 337 and 217 you get a debit of 120 Crores to the P&L.

Saket Kapoor: 130.

Percy Birdy: 120, 337 minus 217.

Saket Kapoor: Okay but we find 130 for the quarter and 220 for the year?

Percy Birdy: So in Q4 of course the BTA have been signed so the numbers that we are talking 120 is on the signing of the BTA other than that there is of course the PCMD operations its own profit and loss.

Saket Kapoor: In that impact is of 220 Crores so that is for the annual level that we have booked from the discontinued part that is full and final for that deal to consummate, no more provisions required?

Percy Birdy: Yes no more provisions required you are right.

Saket Kapoor: Sir how should we factor in the depreciation and the interest expenses going forward for the next year with the improved volume guidance which you are giving and also on the employee benefit part also as a percentage of sales or how should we understand that, the employee cost has also gone up on sequential basis also and for the annual basis also. How should we look at the three items finance cost, employee and the depreciation?

Percy Birdy: First we can take up the fiancé cost. So as we have been clear that we are on the path of reducing our gross debt, so we are already repaid our 25 million in March in US another 25 million in April also in US, in India also we are planning to prepay loans wherever possible. So all this will obviously see as a reduction to the finance cost. I think second part of your question is on the depreciation side, depreciation in the continuing operations India, US will more or less continue except those assets which are fully depreciated to that extent it will come down but the discontinued operations will no longer be depreciated so you will see a reduction in the overall depreciation charge to the P&L especially on the discontinued operation side.

Saket Kapoor: How much will it be Sir, if you could quantify?

Percy Birdy: In PCMD it is about 110 Crores per annum is the depreciation. Sure and I think your last the third part of the question was on I think manpower cost. So manpower cost of course is consolidated numbers made up of India and US if we compare the numbers with the last year that is FY2018 then US has been ramping up substantially and the manpower cost in US is obviously higher than the manpower costs in India. So to that extent in the consolidated numbers the manpower cost will be going up.

Saket Kapoor: Right sir, the timing of the board meeting also is very surprising sir it ended today at 6:30 am so if you could explain for the benefit of us?

Percy Birdy: In the board there were very meaty items of agenda so there was the financial results for the year then we also had the business plan for the next fiscal year so that was also presented to the board, reviewed discussed and the third important agenda item which took also a lot of time for discussion was on the buyback proposal.

Saket Kapoor: Thank you.

Moderator: Thank you. The next question is from the line of Rajesh Agarwal from Moneyore. Please go ahead.

Rajesh Agarwal: Sir how is the working capital this quarter in terms of number of days and what would be the tax rate going forward average tax rate and third for suggestion what are the rationale for going for a buyback rather than increasing dividends?

Percy Birdy: I will take up the working capital first. So working capital in terms of number of days is close to 25 we see this as stable in this range plus or minus two or three days but working capital is well in control and this is net of advances received from customers as well. So working capital is in line. The second part I think is on the tax rate. So for the current fiscal year on a consolidated number our effective tax rate is coming at about 11%. Now this is low considering that in India the corporate tax rates are 35% and in US also corporate tax rate after taking federal and state together it comes to almost 24%, 25%. The reason why this is happening is that the comparatively between US and India the US tax rates are lower so instead of 35% it is 24%, 25% there and US has given substantial amount of profits this year. So that is why you are seeing that on an average basis the tax effective rate is coming to about 11% however going forward if you wanted an indication then we would expect about between 15% to 20% would be the weighted average effective tax rate.

Rajesh Agarwal: Last question in terms of dividend?

Percy Birdy: Yes the question was how do we prefer whether buyback or dividend. So at the end of the day the company philosophy is that we would like to return the surplus cash to the shareholders since we do not have any major capex plan not any major M&A activity so the best way to utilize the surplus cash which is on a sustainable basis is going to be there is to return it to the shareholders and in a most efficient way. So we have made the beginning by announcing this buyback and the board will continue to look at all options in future so whether it is dividends buybacks so this is yes of course the first tranche that we are looking at it.

Rajesh Agarwal: So there is a possibility of dividend payouts?

Percy Birdy: As of now the board is recommended a dividend of 10%, which is for FY2018-2019. Now going forward of course it will be board's discretion to recommend any more dividends.

Rajesh Agarwal: Last question on Saudi we will make our net level profit this year, current year?

Percy Birdy: So at EBITDA level of course we have already broken even we are positive and the endeavor was is that even at PBT level we should be breaking even and not only breaking even but contributing positively.

Rajesh Agarwal: Thank you Sir.

Moderator: Thank you very much. The next question is from the line of Kunal Kothari from BP Equities Private Limited. Please go ahead.

Kunal Kothari: Very good afternoon. Sir my first question is can you throw some light on what will be the volume growth in the Indian business going forward and would there be the margin expansion?

Vipul Mathur: As we said, Kunal from the Indian business as we are saying that we will be doing close to 1.1 million, 1.2 million tons and out of it around 400000 tons we will be doing out of US so the balance 700000 to 800000 tons is going to be done out of India only and this year if you look at it we did around 625000, 630000 tons so from 630000 to almost 750000 to 800000 tons is what the volume growth we are looking from India perspective.

Kunal Kothari: Sir what about the margin expansion is there any sign of that part that we will be getting the higher margins going forward?

Vipul Mathur: Typically we have unconventionally we have given you the sort of a guidance as well and so with the volumes, one good thing which is going to happen Kunal is that the product mix this year from India is going to be a little different than what we have seen in the last fiscal year. So from a margin perspective it is my personal firm belief that the deliverability will be better.

Kunal Kothari: Sir one more I have some confusion relating to the asset held to sale in the current asset it is valued at 1449 Crores so is it a net realizable value or is it at sale price?

Percy Birdy: The asset held for disposal is basically the 848.5 Crores the sale consideration for the PCMD business to that we have to also have the 43 megawatt sale consideration which is about 67

Crores and then we also to add the gross current assets of the PCMD business. So that is all is adding up to that.

Kunal Kothari: Thank you Sir.

Moderator: Thank you very much. The next question is from the line of Deepak Narnolia from Birla Sun Life Insurance. Please go ahead.

Deepak Narnolia: Congratulations for good set of numbers. Actually I had a question on this discontinued losses and your normalized EBITDA per tonne actually this quarter. So I see that this quarter in discontinued operations you have declassified the numbers and the loss is 130 Crores and for the year it was 220 Crores so effectively it means that plate mill and the losses was somewhere around 220 Crores and it will go away from the profit and loss account from next year is that right or is there any one off or some nonrecurring item in this losses?

Percy Birdy: For the plate mill if we see the reported EBITDA it is about negative 84 Crores which is of course including the 120 Crores impact which we discussed earlier which the impairment provision is.

Deepak Narnolia: So how much is the impairment provision in that Sir?

Percy Birdy: 337 minus 217 so that is the net impact of 120 Crores adverse is the impairment.

Deepak Narnolia: Is the impairment loss in this?

Percy Birdy: Yes that is right, in the discontinued operation.

Deepak Narnolia: So what would be the normalized loss sir at PBT level it will be 220 minus 120 that is 100 Crores?

Percy Birdy: Yes that is the difference yes.

Deepak Narnolia: This 100 Crores is the PBT loss in that business. Okay.

S. Krishnan: See I think just to clarify to what Percy saying if you see the EBITDA as at for discontinuing operations is 84 Crores negative this includes an impact of 120 Crores adverse in that so if you remove that impact it will come close to about 36 Crores positive.

Deepak Narnolia: 84 Crores EBITDA you are saying?

S. Krishnan: Yes, 84 Crores is the reported EBITDA for the plate and coil mill operations adverse.

Deepak Narnolia: Okay and that includes 120 Crores of impairment loss?

S. Krishnan: Correct. So if you remove that effect then it will come to a positive.

Deepak Narnolia: Positive somewhere around 30, 40 Crores.

S. Krishnan: Yes that is right.

Deepak Narnolia: Second question I see that your normalized EBITDA per ton this quarter is somewhere around Rs.8500 so your normal trend in your last it has increased over the quarters so in Q3 you had reported somewhere around Rs.7000. So what is leading to this increase and this also after this Rs.200 Crores of you are saying that one-off MTM losses in the other expenses, what is related to so much of increase Sir?

Percy Birdy: Sure when we calculate the EBITDA per tonne we exclude these MTM losses so it is calculated on the operating EBITDA. So if you look at the operating EBITDA for continuing operations for the full fiscal year it is about Rs.897 Crores.

Deepak Narnolia: Operating EBITDA?

Percy Birdy: That is right for continuing operations.

Deepak Narnolia: For the year.

Percy Birdy: Yes, that is right.

Deepak Narnolia: I am talking about this quarter sir this quarter I think it is Rs.250 Crores?

Percy Birdy: For this quarter operating EBITDA comes to about 266 Crores.

Deepak Narnolia: Yes so that gives you EBITDA per tonne of somewhere around I think Rs.8500?

Percy Birdy: Yes.

Deepak Narnolia: So what is leading to this increase if I compare with the last quarter it was somewhere around Rs.7000 I think?

Percy Birdy : As the product mix is changing. It has significantly changed in US and that is where this hybrid EBITDA percentage has gone up.

Deepak Narnolia: So, going forward this Rs.8500 level is sustainable can you say that?

Percy Birdy : Could be, yes.

Deepak Narnolia: The share of profit and loss of joint ventures. So it is showing in this quarter Rs.54 Crores of loss and for the year the loss is Rs.88 Crores and you are expecting from this quarter your Saudi JV will turn into profit. Is that right Sir?

Percy Birdy : True.

Deepak Narnolia: From first quarter means June ending?

Percy Birdy : That is correct.

Deepak Narnolia: It is profitable at EBITDA level or PBT level Sir?

Vipul Mathur: It was profitable at EBITDA level even in Q4, I think so from a Q1 on a Q1 basis we should start seeing a positive on the PBT level as well.

Deepak Narnolia: The order book in that factory is book till next two years?

Vipul Mathur: Yes it is all. It is almost 750,000 tons of an order book at this point of time when we speak.

Deepak Narnolia: Thank you Sir. That is all.

Moderator: Thank you very much. Due to time constraint that was the last question for today, I will now hand the conference over the management for closing comments.

Viral Shah: Thank you all the participants for attending on the call and we look forward to hosting you for next quarter as well. Thank you.

Moderator: Thank you very much. On behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us, you may now disconnect your lines.