“Welspun Corp Limited
Q4 FY2020 Earnings Conference Call”

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ANALYST: **MR. ANAS DADARKAR - EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

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

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2020 Earnings Conference Call of Welspun Corp Limited hosted by Emkay Global Financial Services Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anas Dadarkar from Emkay Global. Thank you and over to you Sir!

Anas Dadarkar: Good evening 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 the opening remarks. Over to you Sir!

Vipul Mathur: A very good evening to you. This is Vipul Mathur from Welspun Corp and it is a great pleasure to have you all here on this particular conference call. Thank you for taking time out so late in the evening and with your permission I would like to start this call.

We will come to our performance a little later, but I just want to give you a little brief overview about the company where we are. As we all know that we are all sitting and meeting in a very unprecedented and a very challenging environment at this point of time, we are all impacted one way the other with this COVID-19 situation. We have seen that the impact of COVID is pretty stiff and we still feel that it is something which is still not completely quantified, there is still a lot of uncertainty prevailing around that and under these circumstances we have been running our operations. We took a temporary pause when this COVID thing happened, all our operation facilities across the globe both in India and Saudi Arabia as well as in US they had to stop down their production, it was almost two to three weeks of disruptions basically across all the locations, but I am very pleased to inform that just about every other facility has now come back on track and they are working absolutely to their fullest potential.

Having said that, of course COVID and the oil meltdown, as a company we were impacted by a double whammy of COVID as well as oil meltdown and it has left some scars on us as well, the oil meltdown meant that the sentiments in the global market went very, very low and we saw some of the projects getting deferred and some of the projects getting canceled and some of the projects, which were on the drawing table they were pushed on the table, but having said that I think so now as we all are seeing that the crude seems to be taking some, it is moving in the right direction if we see WTI and Brent, it is all around $35 to $40 is the range, it means that the sentiment of the people are coming back, but are they going to really put money on the table tomorrow I do think so the answer to that is no, but at least the sentiments are getting optimistic and in medium to long-term basis I personally feel that things are only going to improve from here on. As regards the operations as I said earlier all our plants in India are fully operational, our plants in Saudi Arabia are fully operational and our plant in US, which also has have some order books they are also operational and they are no more impacted by COVID-19.

Now I would like to turn your attention to the performance of our company for the financial year 2019-2020 and this has been a sort of an exemplary year for Welspun Corp, all my friends on this call have been associated with this conversation for quarter-on-quarter basis and we have been continuously focusing on performance and excellence about our operations and as we finish up the year, now the final report card, the score card is in front of you and the basic highlights are, the company achieved the highest ever production of 1.63 million tonnes of pipe in the financial year FY19-20, this is the highest ever production in the history of Welspun. We did sales of 1.5 million tonnes, which is the highest ever sale in the history of Welspun. We achieved an EBITDA of Rs.1,284 Crores, which is probably the highest, in the last eight years,. If you see our PAT we have a PAT of Rs.674 Crores, which is almost 887% up on a Y-on-Y basis. If we also look at our EPS it is around 25.56, which is around 895% basis on Y-on-Y basis. If you look at net debt we have been able to reduce our net debt by almost Rs.254 Crores and currently it stands at Rs.32 Crores, we were very confident that it will become 0, but bearing one or two things because we got slightly caught up into the COVID thing and some collections got delayed so that is the reason it is this trivial amount of Rs.32 Crores is getting deflected, but all in all it is sort of a net debt, it is a net debt free company. If you see we achieved a turnover of almost Rs.10,000 Crores and PBT of almost Rs.900 Crores. These are some significant numbers, which are clearly representing that effort, the performance of the company in the financial year FY2020.

The key to this performance has been that all the three geographies, which is India, America and Saudi, all three of them significantly contributed in achieving this number. India did almost close to 6,00,000 tonnes, America did like close to 4,00,000 tonnes and Saudi also did close to 4,75,000 tonnes, so there was an equal almost an equal share, which came from all the three geographies and this is something unique, which we have seen in this particular in the financial year FY2019 and 2020.

As we speak today we are still going through a challenging phase, we still have that COVID-19 situation, we still have that the sentiments around the oil still weak though it has recovered a little bit, but have the situation completely normalized the answer is no, but we believe that the confidence in the market is likely to return in the next 12 to 18 months time and it is for this particular period we have to brace ourselves and prepare ourselves to stay afloat. We completely recognize and acknowledge this particular situation and all the strategy all the planning what we have done has been keeping these factors in mind that the next 12 to 18 months could be challenging, yes we have to fight it out and if we can keep the nose above water we will come out much, much stronger. So there were couple of actions, which we were supposed to take, first and foremost is all about structures, so we aligned our organization structure, we did a sharp cost cutting across the board, we have bring in a very robust cost control mechanism and most importantly you need orders to survive and I am so very pleased to inform that despite all these challenges and these challenging conditions we have a robust order book of more than 7,00,000 tonnes, which is in rupee value of almost Rs.5,700 Crores confirmed order book with us at this point of time and these orders are again well scattered over India, US and Saudi and just to give you a sense that even if we execute these many orders itself our nose will be above the water. So all and all what I am trying to give the assure and the confidence to my friends there on the call is that we have very meticulously navigated this particular situation, surgically operated into this situation and with this order book and with the cost control and with the realignment of our structure with a very sharp focus on the capex and all that stuff. We have ensured that even in the financial year 2021, which we have already entered in this pandemic situation we would still be floating around. As I said 12 to 18 months are very, very critical for us, 12 months we have already taken care of and we still have nine months to go, we are heavily focusing on the business development activity, we are keeping a very sharp focus on all the projects, which are emerging either in domestic market or in the international market. As we speak we are chasing up quite a few opportunities at this point of time, we still have a robust bid book in place, we are confident that quite a few orders under that bid book will also materialize irrespective of the condition and if they get materialized we will as a player a leading global player we will get our share of that so anything which we will get over and above our existing order book the top up what we are going to have is only going to make us much more stronger and steadier and which will help us to navigate the next 12 to 18 months in a much more effective manner.

So we are completely geared, 2019-2020 was a performance we feel very proud of our performance and I am sure the numbers reflect that, but more importantly 2020 and year 2021, which is under sort of a black clouds world over even in that situation we see a silver lining, we are well prepared for it and I can assure you that we will come out much stronger and steadier in times to come. With this opening comment I leave the floor open for a discussion. Also at some point of time I am sure my friend would be interested to know about more and more about the geographies that in each and every geography how things are panning out so just to give you an overview. In India we are seeing a lot of traction of business coming from the public sector units, yes we are seeing a lot of projects being announced by IOCL and GAIL and they have already been announced, a few of them are early under the tendering process at this point of time as we speak and we are very confident that we are going to get a significant share of that business as well.

Apart from that we have always been talking about the CGD business in India and we all know that for the last two quarters the CGD business has been that opportunity has now converted into business and we see a huge traction even in a CGD business, which is going to happen. So the PSU business, the CGD business in India and the export opportunities what we are exploring from India I think so these are the two or three key value drivers or key drivers for the business in the next few months. The water sector, which has been very strong over the last two years seems to have taken a little backseat because that being a state subject and all the states are more focused on the pandemic side of it their resources are more allocated to that, I think so it is a matter of another quarter and then we are hopeful to see that they will also come back and invest into the water sector because they cannot afford not to invest into that. So it is the PSU, the PSU business the CGD business the export potential and resurgence of water business in the second half of the year will keep our Indian assets and operations completely occupied.

As regards Saudi we still have unexecuted order book of more than 2,00,000 tonnes and which will keep us busy for at least two more quarters if not more and as you are aware and I have earlier told as well that there were certain projects in which we have participated and we were the lowest bidders in those particular projects, but they could not be finalized, they could not be awarded because of this particular situation. We have now very heavily focused and listening with the agencies out there and just to convert these businesses where we are the lowest, so covert them and award them to us and the good part is that we have three to six months time in-between because we have confirmed the order book and I am very hopeful that the orders in which and the projects in which we are the lowest bidders they should be awarded to us and once they are awarded to us that will bring further visibility for our Saudi business for at least four more quarters one year. So I stay very optimistic about our Saudi business as well.

Coming back to US, in US things went really bad because of COVID and because of oil the things really went from absolute north to south we were looking for a great year 2020-2021, 2019-2020 has been a great year for later half, 2020-2021 was looking even better, but when this double whammy hit us we saw a major cancelation of an order, which was from an American customer and that was supposed to keep our plant busy for six to eight months time and we suddenly saw the cancelation of that particular order and it did hurt us the most, but since then we have recovered from that, we were awarded another order of almost 90,000 tonnes from another customer in North America and with that order and some other orders what we have in hand I think we are pretty much done, it will keep us busy for the FY2020-2021. In other words what I am trying to say the US business is not going to drag us down, we have absolutely surgically reduced our cost there and on top of it we have secured orders, which will keep us afloat. Now we are also pursuing a couple of leads and I am sure that some of those leads will materialize into order and they will all be top up and they will all bring positive contribution to our consolidated financial numbers. So US entity which was looking to pull us down our financial numbers in this financial year 2020-2021 that issue has been completely addressed and put to rest, so it will not drag us down it is now only whatever incremental orders we are going to book are only going to bring much more the profitability into our consolidated numbers. We are confident that in US all of us know that things go, it is always a V that the drop is also very fast and the resurgence is also equally fast, so while the drop we have seen was extremely fast we are very hopeful that the resurgence also should be very, very fast, as we speak we are engaged with quite a few customers, we are chasing quite a few opportunities and I hope those opportunities gets converted into business. What we are emphasizing here is that we are completely plugged to all the customers in that US market and what is our opportunity will come up there we will definitely have a play and some say in those matters, this is where our creditability, this is where our workmanship of 10 years in US market, in these times we would definitely have the first sight of refusal from most of the customers and even that this 90,000 tonnes of the business what we have got, which is going to keep our plant occupied till the end of this year, financial year was also purely on relationship basis and purely on our past performance basis so that is the one market respect the services what we have done in the past, and they really like it, so I am very confident that the US market will also see a quick turnaround and it will continue to contribute the way it has been contributing in the past.

In this financial year maybe the contributions may not be of the similar levels as what have been in the financial year 2019-2020, but I am very sure that it is 12 to 18 months time that market would fully be on track. So all in all if I look at it and I am sure all of you would agree that this is the time not to be over adventurous, it is the time to be absolutely move in a very, very calibrated manner, realign the structure, cut down the cost, focus on operational excellence and give your best to whatever opportunities, which are going to come up on the table, all these things put together will help us to tide over this crisis, which is looming not only onto us but across the globe and I am very, very confident that at Welspun that with the order book we have, with almost no debt in our book, with the relationship what we are enjoying with our customers I think all these things put together we are in a very good position to overcome this crisis situation and we will come out much more stronger.

This is all what I wanted to put on the table before we start on our detailed discussions and the question and answer session and gentlemen I will encourage you to please ask as much as questions and we would like to bring as much as clarity we can bring on the table. Thank you very much, greatly appreciates your hearing.

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

Nirav Shah: Congrats on a very decent set of performance and record year for Saudi. Firstly we have seen some recovery in oil prices in the last 40 - 45 days so just want to get a sense from you whether at least the discussions has started from our customers especially where we have canceled one order or postponed the order has at least the discussion started and at what oil price do you think the actual awarding will start in US?

Vipul Mathur: So I think that anything which is in north of $35 is a very comforting position for most of the E&P players including the midstream companies and I am definitely seeing some confidence coming back into the market, but does that mean whether this confidence going to immediately translate into the business the answer is no, I am sure that they are all prudent and they would like to wait and watch and they would like to see a very stable market conditions before they started doing large capex coming up because we see large capex coming up on the table. Having said that the two projects, which got cancelled one in US and one in India that these were the two large projects, which we have orders in hand they got canceled, the good part is that the engagements have started with them, the customers have started exploring about options, they have started looking at alternative options and at least they are back on to the drawing board. So I am not saying that they are going to get concluded immediately, but at least the discussions have started around that.

Nirav Shah: What was the size of the India order, which was canceled?

Vipul Mathur: It was almost close to 90,000 tonnes, 87000 tonnes to be precise.

Nirav Shah: It was for Indian market or it was an export order?

Vipul Mathur: It was an order to be produced in India for export.

Nirav Shah: The second question is we have received one order of 90,000 tonnes, so from when will the execution of that order start?

Vipul Mathur: Mid Q2.

Nirav Shah: We had some target of Saudi operations reaping the shareholder loan of around 150 Crores till June so any further update on that because we received around $4 million in Q3 so any further update on that repayment of shareholder loan?

Vipul Mathur: While they have the ability but we are also looking at the situation and we will take appropriate calls around that, but this is the time that we want to as I said in my earlier comments this is the time we want to conserve cash at every place, so it is in that, it is a uniform policy we are applying to our US operations, Saudi operations as well as India operations, but having said that as you know that they have the ability, you have seen the turnaround of the Saudi business, last year FY2018-2019 when we were discussing they were like almost to a negative of, from a negative of $6 million they are now contributing positive of $100 million in EBITDA so that is the swing, which has happened, so the financial of the company is strong, it is all a matter of call we will take appropriate calls to bring the shareholders well at a right time.

Nirav Shah: So what is the debt over there, the net debt at Saudi occasions?

Percy Birdy: So the net debt as of March at Saudi, which is from the external banks and all, is aggregating to about $110 million.

Nirav Shah: If you can just share the plant wise order book breakup that would be very helpful?

Vipul Mathur: Sorry what was the question please?

Nirav Shah: Plant wise order book.

Vipul Mathur: We have almost close to 4,00,000 tonnes of an order book in India, almost close to 2,30,000 tonnes of a remaining order book in Saudi and almost close to 1,00,000 tonnes in US.

Nirav Shah: Perfect Sir, thanks and all the best.

Moderator: Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: Sir can you share some thoughts on what would be our breakeven production level in all the three geographies where we operate, these are obviously very, very difficult times for all players, so in terms of you did mention about cost cutting initiatives taken in USA, so what would be the bare minimum production that we would kind of need in all the three geographies where we have to kind of operate that was my first question, my second question was regarding the sale of the plates and coils division there is a note in the results, which has said that it is getting consummated, but what I also wanted to find out is that the entire sectoral dynamics has changed quite dramatically so are we hopeful of this deal still getting through in terms of likelihood and three your thoughts on the India business you did mention that some of the oil and gas majors have already started enquiries and they are kind of so if you can share some more thoughts and maybe add some more color on the demand scenario as far as the India business is concerned?

Vipul Mathur: So as regards breakeven as I said that even at 1,00,000 tonnes order what we have in US it is definitely and we have at least ensured that it is not going to be a drag on our consolidated balance sheet, so any order booking here on and which we are pretty hopeful that we will be able to do that is only going to top it up and only going to further consolidate our financial position. Saudi in any case 2,28,000 tonnes of a robust order book, which is extremely profitable order book we are seeing the performance over the last six quarters and this is only a residual order book, we all know that what type of profitability it can offer, so I am not too worried at all that Saudi is going to let us down in terms of profitability. Coming back to India we still have almost 4,00,000 tonnes of order book and the visibility out of the PSU sector the public sector is looking very, very robust and there has been at various forums and at various interactions with all these PSUs including IOCL, GAIL, Ministry, all at all the three places where we have been very closely working with we have been assured that the Government of India is accelerating the whole process and we are seeing the traction it is not that we are now, it is just word we are seeing the traction we are seeing almost close to almost 2,50,000 to 3,00,000 tonnes of projects, are already right now as we speak are under the tendering stage then I am sure that out of that we are going to get some quantity around that.. Number two you ask about the plate mills, as you know that we have our business transfer agreement on the plate mill, which is valid till March 31, 2021 and we know the reason that why was it extended because the raw material, the corresponding slab availability was the challenge. I think so the things are moving we hear that the things are moving absolutely fine on that front number one. Number two, in order to bring more confidence into the whole deal we also have an advance, which was as per the understanding. Number three and most importantly I must slightly give you a background yesterday the Minister of Steel had called for a meeting and in which they were talking about what is the steel consumption going to be and the way that India is going to position themselves and in that discussion all the three majors were present and the way they were talking about I think so that gives us an optimism that this is an effort, which is definitely be of very, very creditable use to some of the buyers, to the buyers whom we are representing here. So PCMD deal we have an agreement in place we think that it should get consummated it makes a great value, but we have to see how things flow.

Kaushal Shah: So you mentioned about the enquiries of the tenders currently of around 2 lakhs to 3 lakh tonnes, can you share as to who these entities are whether it is the oil and gas segment, whether it is the CGD segment and maybe some more color or in terms of the total value that it could mean?

Vipul Mathur: This is primarily from the PSU segment, primarily IOCL and GAIL and the CGD segment put together.

Kaushal Shah: This was very helpful Sir. Thank you so much.

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

Bhavin Chheda: Good set of overall performance in FY2020. Just on the opening remarks since you have covered major and the presentation also covers major thing, on the finance side how much is because I think the first question got missed out how much is the outstanding shareholder loan of Welspun pending in Saudi now, Mr. Percy mentioned the external debt figure of $110 million how much is the partner’s debt figure pending there?

Percy Birdy: So first of all I would like to clarify that the $110 million of external loans that we mentioned they are only working capital loans and they are all tied with the project executions, so as we get the collection from the customers these loans get automatically repaid, as such there is no long-term debt that we have there, it is only the working capital debt, which is tied with the project loans, that is the first clarification. I think second question you asked about the shareholder loans, so there are as of March 31, 2020 we have the partner’s loans where our share is close to about 75 million SAR, so we have these which are outstanding, which will get repaid as and when the cash flows improve we will get those repaid.

Bhavin Chheda: It is 50:50 right so both the partners would have 75 million SAR that is in outstanding?

Percy Birdy: In dollar terms it is $20 million.

Bhavin Chheda: So both the partners are having some $20 million, $20 million.

Percy Birdy: It is right.

Bhavin Chheda: Because I saw as the cash flow statement shows you have received 55 odd Crores in FY2020 right?

Percy Birdy: That is correct we have been receiving repayments so that is correct.

Vipul Mathur: Bhavin just to add that because of this all the EID holidays and the COVID lockdown in Saudi Arabia the payments and all that stuff has got slightly slowed down that is the reason we took a call that okay, let the things come back on to the track and then we start from there, if you see there is hardly $20 odd millions, which is left and looking at the order book what we have and looking at the visibility it is something, which is definitely going to come back.

Bhavin Chheda: Second question on the order book breakup which you gave, so US is 90,000 tonnes, which is the same as the new order, which you got, so US order book consist of a single order right?

Vipul Mathur: I am sorry come again.

Bhavin Chheda: Current order book breakup of over 7 lakh tonnes consist 90,000 tonnes in US and this is the new order, which you got, so the US business is just single order of this 90,000 tonnes right?

Vipul Mathur: The new order was close to 83,000 tonnes.

Bhavin Chheda: 7,000 tonnes is from the old okay.

Vipul Mathur: Yes, there were some old orders as well, there is some order in the HFI on our small mill as well so all put together we have close to 90000 tonnes of business and as I said that we are pursuing couple of active projects both on the HFIW side of it and as well as on the large diameter side of it, of course they are not as large as 1,50,000 or 1,60,000 tonnes they are some in the range of 30,000 tonnes to 50,000 tonnes project either that is what we are pursuing at this point of time and as they materialize over a period of time they are only going to add up and top up our earnings.

Bhavin Chheda: 90,000 tonnes would not be enough to cover your fixed cost right, so I am confident that new orders but current order book in US still does not cover fixed cost right?

Vipul Mathur: See what we did Bhavin that we have also taken as I said serious cost optimization at the US level and with the cost optimization what we have done and the earnings around this 90,000 tonnes we will make a breakeven at the EBITDA level for sure, it is not going to be a negative EBITDA is it not going to drag the India's number down.

Bhavin Chheda: That is a big number because I had a number in mind of 1,60,000- 1,80,000, so if you are saying sub 1 lakh if you are able to cover all your fixed and variable cost I think that is a very big achievement, so because historically I think sub 150, 160 I think the US has been leading so I am sure I think as you said there is lot of cost cutting, which has happened in April, so that is a very positive thing. Secondly now FY2021 as you said there would be just maintenance type of a capex and all that so if you can get the number across three locations what is the minimum maintenance capex at each of the locations and I think your press release mentions one more mill you are shifting to Bhopal so that is I think that is a small capex there also so adding all these figures if you can update on FY2021 capex?

Vipul Mathur: Right, so effectively first let me answer the movement of one more mill to Bhopal. See we have a huge consideration of capacity in Anjar right and whereas we were seeing that the optimal utilization of our assets was going down in Anjar because in Gujarat the water business is definitely on a slow mode at this point of time whereas in MP we still feel very robust about that particular location and all the infrastructure in any case was built up and at a very minimal cost if this mill was to kept would have been mobilized and that is the reason we are moving that there. So we are adding up our capacities and augmenting our capacities in MP because we still see a growth story for the next four to five years' time their number one and we want to capture that.

Bhavin Chheda: What is the size of this mill Sir?

Vipul Mathur: It is around 1,50,000 tonnes.

Bhavin Chheda: So 1,50,000 will move out from Anjar to Bhopal?

Vipul Mathur: Yes, that is only a relocation that is correct it will move from Anjar and it will get captured at Bhopal.

Bhavin Chheda: Any timelines and cost on this?

Vipul Mathur: Ancillary facility development and all that stuff put together it should be not exceeding Rs.40 Crores either way.

Bhavin Chheda: When will this get started?

Vipul Mathur: On the timeline side of it I think so we should be able to, our endeavor was to complete this activity by July, August looks like we would get delayed by two months because of two months there are almost 6 odd weeks things have been completely shut down and the labors have not been there so there has been an impact of almost 6 odd weeks, the work has completely resumed and it looks like that it will be towards October and early November Q3 of this year it should be up and running.

Bhavin Chheda: Capex elsewhere?

Vipul Mathur: Yes, on the capex side of it we are looking at a total capex of close to we have at India level we are looking at a capex of almost to a sum of Rs.20 - Rs.25 odd Crores in India and that includes the carry over capex of activities, which we have already started in 2019-2020 and some new activities, which we will be doing and this time the capex is very focused on our HFIW mill because we are seeing a lot of CGD business, which is going to come up and we really want to capture the maximum portion out of that. So all put together, India capex is close to like say Rs.20 odd Crores including the carry forward of the last year and the one which we intent to do this year. As regards the Little Rock, this is the time that we will just spending additional Rs.20 odd Crores in Little Rock and see at the end of the day this US market as I said is going to bounce back and this is the time we want to bring our mill to almost to a sort of a next gen mill, there are couple of areas we have identified so we will be spending around Rs.20 odd Crores in Little Rock, so these are the two major capex all put together Rs.40, Rs.45 Crores is going to be the capex including both maintenance as well as the new capex, which are going to happen in this year and of course there has been a Bhopal capex as you know that the Bhopal project has a residual capex to be done so that will happen.

Bhavin Chheda: Just one more thing I will add. Since I think you are almost debt free and still order book is strong and you will be generating lot of cash plus Rs 800 odd Crores probably come by year end so even if that comes back ended, but your business will throw in low of money and the first buyback the 100% was not completed so obviously you saved money from there also, so any evaluation first what is the legal timeline after which you can do the second one and what would be the thought process of capital allocation going forward, you gave a very good dividend obviously, but going forward also what would be the strategy to distribute free cash flows to the shareholders?

Vipul Mathur: Bhavin we have been very clear that the shareholders have to be rewarded appropriately at the right time whenever we had an opportunity we have done that; our track record very clearly validates that number. At this point of time at what time the deals of the plate mill is going to get consummated that is also a big factor and in any case at this point of time this is definitely not a topic, which we have deliberated upon not even at the capex or at the board level, right now our focus has been in the last two months has been, the complete focus has been that how to come out of this double whammy situation of COVID-19 and oil meltdown the entire energy and the focus of the management has been on to that and today when I am sitting on this call I am assuring that we will be one company you will come much more stronger and steady I think our focus has been more on that, as things will stable over the period of time we will get back and look at what are the options available and whatever is the right way of doing rewarding our shareholders I am sure the board will give guidance accordingly.

Percy Birdy: So if I may add post the balance sheet date also we have repaid some of our long-term debts in India so our focus is of course to bring down the gross debt as well so when we come out with our June numbers you will see that our gross debt is further come down substantially.

Bhavin Chheda: Right, thank you Sir.

Moderator: Thank you. The next question is from the line of Sanjay Parekh from Nippon India Mutual Fund. Please go ahead.

Sanjay Parekh: Congratulations to the whole team for a commendable performance. I have few questions, one is the Saudi can you just run us through on a 100% basis EBITDA to profit because I see a share of profit at Rs 206 Crores for 2020, but if you increase what was the EBITDA is I heard you said $100 million so if you can give us the rundown from EBITDA to profit on 100% basis that is the first question, the second question is on US there clearly the activity levels have gone up and hopefully if crude sustains at 40, 45 for a longer period of time how do you see the demand coming back if crude were to remain in this band at around 40, 45, now do you see revival of demand a little perspective around that would help, also the customer base that we have exposed very strong customers in terms of balance sheet, but if you can give us some perspective of what is their standing to give us the orders if things have to get better, the third is the working capital in this environment how do you see our of April in terms of days, which the last slide says that I think we are at 35 days on FY2020 some perspective that will help and the fourth is the plate mill of course there Dolvi expansion is delayed so let us say they said on the call let it will get over in the March end I understand we put in 2000 Crores so just wanted to understand that for him to convert from slabs having a plate mill what sort of returns would he make and JSW make because it will all make it is a commitment but economic sense once Dolvi comes through would be a strong rationale for them to close the deal so if you can give us some perspective there it will help so these are the four questions.

Vipul Mathur: Sure, I think before we run down on your Saudi number let me answer you the demand in US. I think so if the oil we have seen what we have seen Sanjay is that if the oil stays consistently around $35, $40 I think the confidence of the investors come back to the market, so if that happens I am sure that the way I see things probably Q3 or Q4 of the financial year I would see that if the consistency in the oil is like this the demand should come back to the market, but it should come back in a limited way it is not going to come back in the same way as what we have seen in over the last two years time, but it will definitely come back in a much better way than what we are currently seeing it, so there will be a better demand definitely if the oil has to stay around $35, $40. Number two as regards the customer base, we have the customer base from this Welspun has been dealing all of them are in a extremely sound financial position, I must tell you that the order which got canceled it was almost 1,60,000 tonnes of order, which got canceled and the resolution of that order happen over three weeks time we were paid to the last cent to the penny within three weeks time that speaks about the financial depth of those companies whom we deal with, so they will be the first one to come back into the market once they see the sentiment coming back to the market and we are very confident that third quarter, fourth quarter we will see a lot more traction. Also we will have to keep in mind that there in US also it is an election year and they have an election coming up in November so I am sure that everyone is also equally cautious and watching things, as how things are going to evolve. So all in all I would say that later part of the third quarter to the early part of the fourth quarter say we will see a much more traction coming up on a business point of view to us in the US and till that time we have to see that whatever opportunities are there, they may not be very sizable in nature but there are small, small opportunities, which are coming up at a minimal capex people are working out at a minimal capex how can I increase my throughput such opportunities are coming up of 30,000 tonnes, 50,000 tonnes such opportunities are coming up, our focus would be to keep on capturing them and work around that. Now does that answer Sanjay about the US part of it?

Sanjay Parekh: Yes and just that one more thing is which you said and it was really heartening, which my colleague also said 90,000 tonnes you breakeven so sorry it is an extended question so sincerely your cost would have significantly come down there and that would mean actually when the revival happens you are actually flow down to EBITDA could be far faster is that I mean so what I am asking is the cost cutting can be a sustainable number as well right?

Vipul Mathur: It is Sanjay, in US the fixed cost are very sizable in nature and it was the need of the hour and that is what I said that our focus when we saw this thing happening the COVID-19 and oil meltdown the entire energy and bandwidth of the management got focus there that we must bring up the cost to an absolute rationale level and so that it stays at sustainable operations, so we did that and that is why I am saying that today even at this level when we are saying that 90,000 tonne level when we are producing close to 1,00,000 tonnes we would still be EBITDA neutral so there is a lot of work, which has been done behind that and that has definitely consumed a lot of time and strategy behind that, so it has already been taken care of, but now as we move forward now the focus has moved from cost optimization to now to see order book so we now have an order book of 1,00,000 tonnes and now the entire effort has been moved from topping up these orders because whatever topping we can do on these over and above that, that is all going to our fixed cost completely getting absorbed now they are all going to reflect into a positive EBITDA so it is in that strategy we are working, absolutely it is no need of reaction here, this is a completely well thought of strategy and we are executing in a absolute phase manner, that is how we are handling the Saudi part of it. Coming back to the plate mill side of it, what you see and what you hear we also hear exactly the same thing and in our limited conversations what we are happening we are not seeing any indicators, which is saying that the deal may not get consummated, if you ask me my personal perspective around it and this plate mill can do 0.5 million tonne they would have that surplus capacity of slabs available at Dolvi and I am sure even if they make $50, $60 EBITDA it is a sizable number money is going to make out of this mill number one. Number two we have to see the demand, yesterday only the Steel Minister and the Steel Secretary they were making a projection that instead of like the API grade steel or the steel consumption while India has to do 110 odd million, but the high-grade steel which is the API grade steel they are focusing to convert that from 3 million tonnes to 6 million tonnes that is what the discussion I was hearing around and if there is a purpose behind that I am sure this asset will be very useful for them to use it, that is my sense so all in all I see that a there is a need, they have excess lab available and even with that excess lab and they get $50, $60 of a convert they will make their money, number two the Indian market is going to grow for sure, the number three we will see a lot less imports coming into the country so there is a space, which is getting created, number four if you see there are only two plate mills, which is one in the east and one in the west and they are the only ones who are kept in the market where the market is much larger there, so all in all if you look together I have a great sense that this deal is based on merit and those merits even are standing as firm as they were when we got into the understanding. The third question you asked was the working capital I think so we have been on and around 35 to 40 odd days I think so moving forward also that is the sort of a working capital cycle we are looking at all the businesses what we are taking both in the government sector, PSU sector and the water sector I think so the hybrid of that is still suggesting us that we will be well within that zone itself. So we are not seeing any drastic increase or nor I am seeing any drastic reduction I think so 35 to 40 odd days will be the way in which we think working capital cycle moving forward. Your fourth question was around Saudi just to give you a complete drilldown on Saudi what was the performance. In Saudi we did almost close to 480000 tonnes of production, we did almost 0.5 million tonnes of sales and we had an EBITDA of the revenue I would put it this way the revenue was 1800 million SAR, let us say 1.8 billion and our EBITDA was around 376 million SAR, which is like close to $100 million and which gives us a PBT of almost close to 280 million SAR, so this is the financial drilldown of our Saudi performance.

Sanjay Parekh: Commendable performance and one last question is what hear from you is this year it is going to be a tough year as we slowly recover, but your endeavor would be that what net cash position we have can be retained and I am not talking of plate mill, plate mill is separate and will we retain or it can get marginally better is that what I am, can we garner that there will not be a drag on cash flow this year?

Vipul Mathur: It will not be, Sanjay.

Sanjay Parekh: Perfect, best of luck, commendable performance. Great, thank you very much.

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

Sunil Jain: Most of my questions are answered. Only one thing I would like to know is how much is the sales volume of the US mill in this quarter and in the year?

Vipul Mathur: So this quarter would be because we have a carry forward inventory so you are asking about the Q1 for this financial year right?

Sunil Jain: No Q4.

Vipul Mathur: Okay, so in Q4 we did close to 1,06,000 tonnes.

Sunil Jain: For the year?

Vipul Mathur: 4,30,000 tonnes.

Sunil Jain: Second question was related to India operation like the EBITDA, which we had done in this last year full year EBITDA per tonne can that be sustained for the Indian operation?

Vipul Mathur: For the Indian operations?

Sunil Jain: Yes.

Vipul Mathur: I am pretty hopeful around that, that is sustainable because see the blend of the orders of what we have in the last year would almost be a similar blend, which will constitute of the businesses from the PSUs, the business from CGD, some business from export and some business from water and the ratios are also almost going to be similar, so I see no reason why it should be very different from this what we have achieved last year, but if you see as things move forward see these are all good feeling, good assumptions at this point of time, but we also have to recognize that these are very, very challenging and uncertain times, we cannot discount this factor but I am very optimistic around things.

Sunil Jain: About the CGD you are quite positive so can you share how big the order we might have in this order book or how is the pipeline for that?

Percy Birdy: CGD is getting a tremendous amount of trust from Government of India; they are really investing a lot of money in terms of bringing the last mile connectivity. What I hear is that their target is to bring almost close to 400 cities in this particular phase to connect with CGD so this is going to be an ever increasing market in times to come I think so we will see at least traction for next three to four years in this particular segment. Their aim and their objective is to connect almost 70% of the Indian population to the last mile connectivity so that is the bowl they have set to themselves it is going to take some time and if that is the goal I think so next four to five years seems very, very promising from a CGD stand point of view.

Sunil Jain: Yes, that I agree, only thing are we seeing traction on seeing orders on the ground level?

Vipul Mathur: Yes, we are seeing if I see let us say today as I speak we have almost close to 30,000 tonnes of a small diameter business, which is the ERW business that is the order book we have in the current order book and as I said almost 3,00,000 tonnes of business, which is right now under tender state it also has a sizable amount of business for CGD diameter so here it is this business is definitely growing.

Sunil Jain: Great Sir. Thank you very much.

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

Dhananjay Mishra: Most of my questions have been answered. Just wanted to know the breakup of Q4 volume in terms of US?

Vipul Mathur: The Q4 sales volumes were 4,18,000 tonnes out of which India has 1,80,000, US is 1,06,000 and Saudi is 1,32,000.

Dhananjay Mishra: Given the availability you see in India as well as Saudi business so even Saudi we have order book for the next six months and we are searching some good orders in the next three to six months so if we do similar or maybe 90% of what we did last year or 80% of what we did can we maintain our earlier target of $120, $130 EBITDA per tonne for Saudi business or $5000 EBITDA per tonne for India business?

Vipul Mathur: See we have always maintained that Saudi business will be close to $100 and I see even for the one while the performance has been much better than that and even for this residual order book where the prices are fixed and the steel is already locked in so I would see that a similar sort of an EBITDA per tonne what we have got in the last four quarters we should be able to maintain. Moving forward the new businesses what we would have I am very sure that $100 per tonne EBITDA guidance around that is a fair guidance.

Dhananjay Mishra: So even for FY2021 this $100 for Saudi and about Rs.5,000 EBITDA for India business is doable and breakeven level for US business can we take that estimate for FY2021 assuming there is no further uncertainty in this?

Vipul Mathur: Yes, it is now we have to put a caveat around everything so if those caveats are in place that there is no further uncertainty, things are only going to stabilize from here I think so that is a fair assumption to make.

Dhananjay Mishra: Okay Sir. Thank you. All the best.

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

Vikash Singh: Sir in terms of Saudi EBITDA per tonne it is significantly higher this quarter shall we assume in next few years a guidance of $150 per tonne so over and above this was the commodity gain for this quarter?

Vipul Mathur: As I say EBITDA per tonne is a factor of the product mix, we have two or three projects which are working in a particular quarter depends which project you are running the most. I think so rather than bringing it down to one quarter I think so we should look at average and that is what guidance we have been maintaining, we have seen in some quarters we have gone high up to $150, in some quarter we have gone as low as $120, $100 has been so I think we should look purely from an average point of view because that is completely depend on the product mix Vikash and moving forward also we have to see that which project will I get what priority and all that stuff so I think so $100 odd guidance per tonne over Saudi is the right way to assume things.

Vikash Singh: In terms of the incremental orders especially in US so given that the now too many players might be facing a few orders how do you see that the margins there so would it come down to even from the 2016 levels of $150 or if you have said it should settle between the current margins and the bottom margins?

Vipul Mathur: That is a very good question everyone is starving for business so the level of competitiveness definitely will go up there is no doubt about it, but as I said that it is a matter of the fittest one surviving, there is also a possibility that quite a few may not even survive this situation, so our strategy is very, very clear that we have to see to it that we tide over this uncertain situation for the next 12 to 18 months time so that we are back with a bang, but answering your question that today if something has to happen some bids have to come and there be a very intensive competition around it the answer is yes.

Vikash Singh: Just one last clarification Sir in US there is a lot of companies which was into transportation of oil and gas who they may not seen that much impacted with the oil price crash that is largely dependent on the volume getting transferred from their network so have you got any setback from these transferring of their projects and if they are also slowing down?

Vipul Mathur: You are referring to the midstream companies they are basically the one connector on the two ends, the two customers, one on the producing end and other on the receiving end, so what they are doing they are playing at a role of an intermediary and they are connecting them the two people, one in the producing end and one on the receiving end. What has happened because of this oil meltdown both at the producing end and the receiving end the appetite to invest money has gone down so that is why the midstream companies those whose job is to connect these two people has also got impacted so while on their standalone basis and they are the companies whom we deal with and so on the standalone basis they are financially extremely, extremely sound, but of course they are also impacted because of this business scenario at this point of time. On the producing end and on the buying end people are not willing to invest money at this point of time so their business model also comes under question the new businesses and they are already making revenues and profit out of their existing businesses existing lines are already flowing and they are getting revenue out of that right away, but the new lines what we are talking about where our pipes comes into play they are also seeing a slowdown there.

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

Moderator: Thank you. The next question is from the line of Shikha Mehta from Equitree Capital. Please go ahead.

Shikha Mehta: Sir most of my questions are answered. I just have a couple of more. Sir could you give us the capacity utilization for US, India and Saudi for the year?

Vipul Mathur: Our FY2019-2020 when we produce almost 1.6 million tonnes of pipe and sold 1.5 million tonnes of pipe our capacity utilization was almost around 65%.

Shikha Mehta: Could you give the breakup area wise?

Vipul Mathur: Yes, so if you look Saudi capacity utilization was more than 100%, you know the US capacity utilization was almost close to 80%, 85%, India capacity utilization was close to 55%, so if you look at it we did an average of something like 55%.

Shikha Mehta: Great thank you. Sir in our Q4 numbers the other expense compared to Q3 has ~~risen~~raised sharply is there any specific reason for that?

Percy Birdy: So this quarter in Q4 because of the rupee depreciation we also have an exchange loss, which is sitting there, in addition to that we also have certain impairment provision that we have taken for our loans to shareholders, loans to the joint ventures the Wasco joint venture so these are the two exceptional items that are there in this Q4.

Shikha Mehta: If we look at our standalone numbers the cash conversion cycle and the working capital cycle is really stressed could you throw some light on that in our standalone book?

Vipul Mathur: When you say stressed what exactly do you mean by that please?

Shikha Mehta: The inventory receivable days has risen sharply and it is actually above 100 days apart from that it seems in line but this sharp rise in inventory days has caused stressed in the working capital cycle.

Vipul Mathur: There has been nothing exceptional as such in India, but on a consolidated basis when we look at the numbers our working capital cycle is well within control, so it is ranging around 35 days cycle time. Of course because of March 31, 2020 and the COVID situation there would have been a few fluctuations that would have happened, but there is nothing major as such that is there. We are also executing one large export order from India and as we execute the advances that we have received from the customer those are also gradually unwinding so that may be one of the reasons why you would find that our current liabilities that is where the advances from customer sits that is reducing and when current liabilities reduces you will find that our networking capital goes up marginally so that is another reason why you may find India standalone the working capital becoming little higher.

Shikha Mehta: In FY2021 you spoken about the EBITDA margins in Saudi at around $100 per tonne and in India around Rs.5,000 per tonne so that can go and assuming the US is neutral so would that mean we will fall below double digit EBITDA margins for FY2021 is that understanding correct?

Vipul Mathur: Well it is too early to make an assumption like that I think so let us be a little more patient, let us see how things are unfolding, how the situation is unwinding itself and I do not think so that there is any serious reason to carry a sort of a pessimistic view, but we need to be a little more realistic. I think so in times to come in few weeks from now things are only looking much better, we have seen that in the couple of weeks things have only started moving better and looking better I am sure things will look better, probably this is a question which we should deliberate sometimes around when we are looking at the end of Q2 I think so that is the more appropriate time because that is the time a lot amount of certainty would be in place, today all what we will do is making an assumption and that may not be very fair.

Shikha Mehta: Thank you Sir.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.

Vipul Mathur: Thank you everyone and if any of you have any more questions we would be glad to answer those. So if you can give us a call or send us an e-mail we will definitely try and answer this. Thank you.

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