



# “Welspun Corp Limited Q4 FY2021 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to Welspun Corp Limited Q4 FY2021 Earnings Conference Call hosted by Emkay Global Financial Services Limited. We have with us today Mr. Vipul Mathur, Managing Director and CEO; Mr. Percy Birdy, Chief Financial Officer; and Mr. Akhil Jindal, Group CFO and Head Strategy, Welspun Group. As a reminder, all participants' 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. Ayush Bansal of Emkay Global. Thank you and over to you, Mr. Bansal!

**Ayush Bansal:** Good morning everyone. I would like to welcome the management and thank them for this opportunity. I shall now handover the call to the management for their opening remarks. Over to you, Sir!

**Vipul Mathur:** A very good morning to all of you. This is Vipul Mathur, MD & CEO for Welspun Corp. I hope all of you are keeping safe and keeping fine. It is a pleasure to address this conference call and thank you for joining us today.

To start with I would like to give you some brief operational and financial highlights as to what we achieved in Q4 and this FY2021.

We are very pleased to inform that once again in this pandemic year as well we achieved sales of a 1 million ton pipes. The total income from our operations is up 30.6% from quarter-on-quarter basis. Our EBITDA stands at Rs.321 Crores up 27.1% on quarter-on-quarter basis. Our PAT at Rs.225 Crores is up by 15.3% on quarter-on-quarter basis. Our net cash stands at Rs.620 Crores. We generated a free cash flow of Rs.723 Crores during this year, and our current order book stands at Rs.4800 Crores with an active order book of 1.2 million tons.

As I said, our net cash is at now 620 versus Rs.314 Crores at the end of December 2020. The sale of PCMD division and the receipt of its consideration post March 31, 2021 has further strengthened our net cash position, and now as of today it stands at almost Rs.820 Crores.

Just to give you a brief overview on the market and what are the key drivers. As you know Welspun Corp has a global presence, we are present geographically in India and Saudi Arabia as well as in US and just to give you a flavor as to what is happening on all the three markets and where do we see the markets heading for as a guidance for the future, I think so that will be you would be very keen to understand that.

We have seen that with the cuts with OPEC and OPEC+ have announced the prices for the prices for the crude oil are now almost at a highest level and almost they are touching close to \$75 a barrel. We have seen a very strong rebound both on the demand side of it as well as on the price firm up as well. We have seen even the gas business which is definitely going to dominate the mix is also going up steadily. All in all looking it from firm up of the pricing as well as the demand we are very optimistic that in the mid-to-near-term, mid-to-short-term basis or short-term to mid-term basis we would see an incremental growth coming across all the geographies; however, specifically talking about India the energy demand in India is the fastest amongst all the major economies, the country's share in global primary energy consumption is projected to increase by twofold by 2035. There is a big thrust on natural gas as part of the government plans of raising its share in the country's energy basket. Therefore, an interconnected National Gas Grid has been envisaged to ensure adequate availability and equitable distribution of natural gas in all parts of the country. At present, there are about 17000 kilometers of Natural Gas pipeline operational in the country which that plans to almost double this capacity.

The Union Budget contained announcements to increase the use of natural gas, including addition of 100 districts to the City Gas Distribution network, and setting up an independent gas transport system operator to facilitate booking of common carrier capacity in natural gas pipeline.

We did witness a recovery in the water segment post the first wave of the pandemic. However, the second wave and the all-time high commodity prices have slowed down this activity a bit in this sector. In any case, we have a strong feeling that water will remain a key focus area in the country and we are confident to see bounce back of the demand, both for line pipes and DI pipes in H2 of FY2022.

We continue to stay focussed in the export market. The recent award of the Barossa order on us from the Australian market and award of few other international projects clearly reflects revival of pipeline demand is potential and the opportunities in the export market. We are in discussion with various customers across geographies and are confident of bagging new export orders in the near future.

As regards USA as you know where we have a large presence, a positive economic outlook and higher oil price are anticipated to provide demand recovery in the oil and gas sector. The expected increase in the oil and natural gas production in the coming quarters would drive significant growth in pipeline projects. Currently, there is a caution among the midstream companies, after major pipeline projects have got stalled because of the environmental opposition; however, we are confident that this demand basis the strong oil price, gas price, as well as the demand is going to revive in the later part of H2 FY2022.

In terms of Saudi Arabia, we had seen a minor business impact coming up to us in quarter four of FY2021, which was on account of lower sales and also a sharp increase in steel price, which reduced our profitability; however, we still have a confirmed order book of 184000 tons and for which the steel prices are completely locked in and which will ensure our business continuity till the quarter three of FY2022.

We are also seeing Saudi Aramco in the process of finalizing few projects and being an LTA holder which is a long-term agreement holder with Saudi Aramco. We are expecting to receive a significant portion of these line pipe orders during H2 of FY2022.

We have also proposed the listing of our Saudi JV at the local Stock Exchange. The process of listing would involve divestment of 30% stake, split proportionately between the JV partners. Welspun currently holds 50% in the JV through its overseas subsidiary. The divestment will further improve liquidity at WCL. We target to complete the listing in FY2022. Taking this opportunity I also would like to inform you on few of the business updates.

As you would have seen that we have a healthy balance sheet, we are a net cash company, it is now time for us to embark on a growth journey. Accordingly in order to improve our earnings predictability and enhance margin in the business, it is imperative for Welspun Corp to enhance and diversify its product portfolio, catering both B2B and B2C segments. It is with this objective, the company has decided to diversify its steel portfolio, and bring the following manufacturing setups under one fold, which is “Welspun Corp”.

Number One; Large Diameter Pipe Company: As you know the Company already enjoys a global leadership position in this segment and will further continue to focus on expanding its customer base and presence both domestically and globally.

Number Two. The DI Business: As already announced, the company has forayed into the Pig Iron & Ductile Iron Business by setting up a Greenfield project at Anjar. Considering the robust demand, expected growth and budgetary allocation by Government of India under Jal Jeevan Mission, the sector is bound to grow exponentially. Accordingly, the company has decided to enhance the capacity of this project from 250000 tons to 400000 tons. This will be one of the largest standalone single locations DI manufacturing facility in India. The project is well on track and will be commissioned by March 2022.

Number Three we have also forayed in getting or in acquiring a Long Product Company: We have noticed a fundamental shift in the steel market and believe that there will be a sustained demand and a strong commodity cycle in times to come. In order to leverage this opportunity, we intend to foray into manufacturing of steel long products and accordingly, company is setting up a brand new state-of-the-art TMT bar manufacturing facility, having

a capacity of 350000 metric tons per annum through a proposed Demerger Scheme of Welspun Steel Limited with WCL.

As you know TMT bars are extensively used in the construction industry, both in projects and by direct consumers. With the emphasis on infrastructure development and the resultant construction boom, this facility would significantly contribute and bring growth to our earnings.

This facility will be based out at Anjar adjacent to our DI complex and the synergies between the two, especially in terms of raw material sourcing, common infrastructure, technical manpower, management bandwidth etc. will add further value to this proposition.

Number Four: Stainless Steel, Tubes & Pipes: As you know, this product is used for critical applications in Offshore Oil & Gas, Super Critical Boilers, Light Water Reactors, Nuclear Submarine Program, Nuclear Plants, Defence, Refineries, Petrochemicals, etc.

A big push for localization of these products under Atmanirbhar Bharat, implementation of quality order, mandatory BIS certification in India, withdrawal of export benefits by Chinese Government and are likely imposition of 10% export taxed by the Chinese Government would act as a major catalyst for the growth of this sector.

Keeping in view these major policy changes, through the proposed WSL Demerger Scheme, WCL will also be acquiring 50% stake in WSSL which is Welspun Specialty Solutions Limited which has a state-of-the-art and a very unique and boutique facility located in Gujarat.

As you know the facility produces Alloy and Stainless Steel Blooms, Alloy and Stainless Steel Ingots, Alloy and Stainless Steel Rolled Bars over and above this capacity also produces Stainless Nickel Alloy Pipes & Tubes.

The capacity of Alloy and Stainless Steel is almost 150000 tons and that of Stainless Steel pipe is 18000 tons per annum. This facility would also synergistically contribute and bring growth to our earnings. A simple comparison of industry peers in this segment would clearly demonstrate that.

Apart from these four major portfolios coming into our basket we will continue to evaluate suitable opportunities, both for organic and inorganic expansion which have synergies to our business. It is important that we continue to expand our product offering for growth, enabling predictability and enhanced earnings; however, all prudence and due diligence will be exercised with a clear oversight from the Board.

I also take this opportunity to give you an update on the projects.

First, the Ductile Iron Project: As we previously announced in October 2020, given the industry prospects and synergies with our existing business, we are setting up a Greenfield facility at Anjar to enter the Ductile Iron Pipe business.

Over the last few months, there has been an increased focus on creating water supply infrastructure in the country through various government schemes. In the Union Budget of February 2021, there was an increase in the allocation on Jal Jeevan Mission, and Jal Jeevan Mission Urban was also announced. The outlay for this is almost Rs.2.87 trillion and it will be implemented over the next five years. Tap water connections to 2.86 Crores urban households and liquid waste management in 500 cities has been envisaged as part of this scheme. Increased spending by the state governments and municipal corporations is also expected to improve the accessibility of drinking water across this country.

Considering the expected demand, as I mentioned earlier, we have decided to increase the capacity for DI Pipes to 400000 tons and also adding up a DI Fittings to the product range. This would bring the total project cost to Rs.1550 Crores plus soft cost from the earlier planned Rs.1250 Crores. The project is being funded through a combination of internal accruals and debt.

There are no changes in the timelines and the project is expected to be commissioned by March 2022.

Plate & Coil Mill (PCMD) Divestment: As you are aware Laptev Finance Private Limited assigned all its rights and obligations under the BTA the (Business Transfer Agreement) to JSW Steel. Accordingly, the PCMD Divisions was transferred to JSW Steel Limited with effect from March 31, 2021 for a consideration of Rs.848.50 Crores plus closing adjustments towards the net working capital.

As on June 8, 2021, we have already received a cumulative purchase consideration of Rs.723.50 Crores out of that Rs.848.50 Crores. The balance consideration, subject to closing adjustments of networking capital will be received on fulfillment of certain regulatory approvals and payment milestones as provided under the BTA. We are very confident that the balance formalities would get completed in the next 7 to 10 days time.

Third the proposed acquisition of steel business of WSL by WCL through a Scheme of Arrangement: The Board of Directors of the Company at its meeting held on June 28, 2021 yesterday has decided to propose the Scheme of Arrangement between Welspun Steel Limited and the Company to NCLT for transfer the WSL's Steel Division to the Company, with appointed date as April 1, 2021, subject to regulatory and other approvals.

As you are aware WSL is a privately held company situated in Welspun City, Anjar. In its Steel Division, it manufactures Steel Billets, DRI, and now is implementing a Greenfield project for TMT. The expected project cost is Rs.175 Crores plus the soft cost and the project is expected to be completed by September 2022. Beside as a part of its Steel Division, WSL also holds 50.03% shares in Welspun Specialty Solution Limited (WSSL), a listed company on BSE. WSSL is an integrated producer of Quality Steel Pipes & Tubes right from steel-making to the finished products. This is in line with our business growth and diversification strategy.

The Board of Directors appointed two reputed valuers for valuation, and one merchant banker for fairness opinion. After a thorough due diligence by the independent agencies, the Board has decided to propose the Scheme of Arrangement to NCLT. The consideration of Rs.362.73 Crores will be paid through 6% Cumulative Redeemable Preference Shares, redeemable only after 18 months from the issuance date, and there will be no equity dilution for the WCL shareholders.

WSSL will continue to remain listed on the stock exchanges. Since the stakeholders who are holding not less than 50% of the equity shares in the demerged company are the same stakeholders holding not less than 50% equity shares in the resulting company, the indirect acquisition control of WSSL pursuant to the proposed scheme is exempt from making an open offer under the provisions of the SEBI (SAST) Regulations, 2011.

I also take this opportunity to touch upon some of the softer aspects, the key initiatives, which the organization, which Welspun Corp has rolled out during this year.

**The Sustainability and the ESG Journey:** We recognize that our business impacts all stakeholders, including investors and the communities in which we live and work. In this regard, we have accelerated our ESG journey. We have begun by setting a clear ambition with bold targets. We are aiming for increase of use of renewable energy, zero waste to landfill and being water neutral. There are also targets for corporate social venturing and a sustainable supply chain.

Apart from the long-term sustainability targets, we are undertaking several management interventions with ESG at the core for FY2022. Some of these are: We are redefining a governance structure for ESG including formation of ESG Committees of the Board: creation and adherence of ESG related policies like overall ESG policy, sustainable procurement policy and ESG compliant suppliers code of conduct. 100% of all staff and associates in training for ethics and compliance and conflict of interest, gender Diversity to increase from present 3% to 5%, other diversity to increase from 0.25% to 1%. Our SWA score should be greater than 70% and more than 5% of our employees will volunteer for the CSR activities.

The other key initiative which we drive very hard in FY2021 was the digital initiatives. We have been rapidly adopting digital technologies into all areas of our business resulting in a fundamental change in how we operate and how we deliver value. All the financial transactions whether it is AP/AR/GL, I have now been moved to the shared service center. We have also developed a customized customer portal with information accessible to each specific customer. Today our customer can log-in on to digital initiative, see the progress of all orders what he have placed what is the status of his orders. He does not want to be dependent on any other channel for the information.

Other initiatives include automation of export-import documentation, system driven process for master data management, integration of learning management system with our in-house tool and elimination of spreadsheets (excels) to system generated reports and forms. These are all being done in order to bring digital transformation as a core to our growth.

We have also utilized this time, pandemic time in terms of upskilling and using this time for the learning and development of our employees. As we strongly believe that the people are the most valuable assets for any organization including us and we have placed a significant emphasis on their learning and development. We are pleased to inform that in FY2021 we conducted over 1300 training programs, 2300 employees attending them and cumulatively to 23500 of training hours training work be imparted. This is phenomenal achievement in my opinion.

Health & Safety, our people as I said has always been our greatest strength. In the second wave of the pandemic, we lost few of our employees. While any kind of financial support cannot compensate for the magnitude of the loss of life, but we always remain with the families during these difficult times.

Accordingly and as a measure to support the families of the deceased employees, the company decided to offer the following: Extend the group term life insurance plan for the benefit of employee's family. 50% of the monthly salary for 2 years as living allowance, medical insurance for the family of Rs.5 lakhs for the next 10 years, education fees for 2 children up to graduation and consider spouse and children for suitable job roles based on company policy as per the requisite qualification and skill.

Bottomline we are there for the families of our employees whom we have lost. Also recognizing that vaccination is going to be the key remedy to fight this pandemic, the company organized vaccination camps across all its locations globally for its employees, their family members and business partners. More than 3000 people have been vaccinated till now as a part of this particular drive.



Occupational Health & Safety is a strong focus area. We are pleased to highlight that there has been zero fatalities in our manufacturing operations across all our global manufacturing locations in FY2021. Also, our DI project which is a Greenfield project, we recently completed 1 million man-hours without any lost time injury.

Some other updates which I would like to highlight.

One is the corporate tax rate: the company has fully utilized its existing tax credit in Q4 FY2021. Accordingly, from FY2022 onwards the company will now switch to a new corporate tax rate of 25.17% from the existing 34.94% both including surcharges.

Number Two. Capital allocation policy: As we are a net cash company, we are revisited our capital allocation policy and I am very pleased to highlight that the company had adopted a very judicious policy for allocating resources to different projects. As we will pursue both organic and inorganic growth opportunities and bring them to the consideration of the board provided they meet the international thresholds of ROI and profitability has set out. Some of the new business areas that are being evaluated is marine fabrication, industrial fabrication, seamless pipes, carbon steel business, renewable energy etc. Accordingly, our objects clause is also proposed to be amended.

Lastly dividend: Considering our growth plans, cash position and to reward our committed and loyal shareholders, the Board has recommended a dividend of Rs.5 per share.

With this I conclude my opening remarks. I will be happy to take any questions you may have. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mr. Vikas Singh from PhillipCapital. Please go ahead.

**Vikas Singh:** Good morning Sir. Sir I just want to understand our cash position. Basically you have got roughly about Rs.700 Crores after March when our cash position was 600 Crores plus. So have we invested a significant amount 500 Crores, 600 Crores during last couple of months in the capex, why if we are coming to the working capital because actually it is not matching the incremental cash inflow plus payments of other cash flows from the normal business for the closing balance, Sir? So, if you could just reconcile this, it would be very helpful?

**Percy Birdy:** This is Percy here. So the cash that we revived from the PCMD sales proceeds after March 31, it has gone in two, three avenues first is of course our DI project that is going on so from Welspun Corp side as the promoters contribution we have to invest at least 30% into that. So some of the funds has got invested into the DI project which is being under

construction right now and a few other funds have also gone into working capital so some of the customer advances that was there in the olden days, those orders have they got executed, those customer advances have been now liquidated. So mostly it is in the DI project investment and of course in the working capital and the balance is of course will result into an increase in the net cash. So as and when we come out with our June quarter numbers you will see that our net cash has also improved further.

**Vikas Singh:** Sir is it safe to assume that the total ballpark number would be 500 Crores plus because that is how they worked out about two months this 500 Crores kind of the investment we have made in working capital in the DI Project?

**Percy Birdy:** The March net cash was 620 Crores and after that we have received the PCMD sales proceeds and PCMD sales proceeds are going into three places as I said first is the DI Project, something is going into working capital and the third is what will result in increase in net cash. So from 620 plus whatever is the balance will be increase in net cash.

**Vikas Singh:** Sir my second question pertains to your TMT business, basically we have been in the past has walked down the path of kind of a steel manufacture and later on sold that business to JSW only. Sir why we are actually entering into TMT manufacturing now at this point of time. So my first question is that and secondly would the DI blast furnace now capacity would also be enhanced to 0.7 million tons, 0.8 million ton so that it would be able to cater the TMT business as well apart from catering DI pipe business?

**Vipul Mathur:** The two businesses what you are talking about PCMD and TMT are two different businesses all together right.

**Vikas Singh:** No. I am talking about we use to how the sponge iron 1 million ton manufacturing facility five, six years back and they have sold to JSW at that point of time. So we have walked down the path long back in terms of trying to be an integrated manufacture. I am talking about 2000 kind of the scenario when we had suffered, we walked over the steel business side?

**Vipul Mathur:** You are right, what you are saying is right but I think so these are not two comparable scenarios you are referring to Vikram Ispat. The intent of setting up Vikram Ispat was very, very clear that we wanted to become an integrated steel manufacturer, wanted to make our own slab and wanted to use those slab for our plate mills but you are aware because of the gas allocation policy which got completely changed at that point of time which was the feed which was the key feed for that particular plant even that project but not materialize as it was planned so that was on those days. Now coming back to this particular business, this particular business is already is a completely integrated unit. They are manufacturing their own DRI, they are manufacturing their own SMS, now we are only trying to put up further

downstream value added product which is called TMT. So this is all at one particular location, the facilities are completely existing and it is only a downstream value added product which is now getting added. So these two things are literally not comparable. Coming to the blast furnace side of it I think so your second was with respect to the blast furnace as you know that we are putting up a blast furnace which would have a capacity of almost 400000 tons per annum and accordingly now what we have done is earlier we were trying to put a capacity of 250000 tons for our DI side of it, which means we were using 250000 tons of metals out of 400000 tons which was coming up from the blast furnace but looking at the potential which we are seeing that is incremental potential which we are very hopeful to get in the DI business we have decided to increase our DI facility also to match to 400000 tons. So now we would have the blast furnace also at 400000 tons and the DI manufacturing facility also at 400000 tons.

**Vikas Singh:** So this billet manufacturing capacity has been fed by another mill is that correct assumption?

**Vipul Mathur:** See this billet manufacturing is right there in Anjar adjacent to our steel plant, the DI plant but it is a independent facility in together. It has its own kiln, it produce its own DRI, it produce its own SMS which is billet and now under the billet we are putting up a new TMT mill, but what is the advantage? The advantage is going to be that for both the plants whether it is a DI plant or the blast furnace or for the TMT mill the raw material feed is all about iron ore, coal and scrap. So we are going to buy, there is going to be a complete integration of supply chain which is going to happen everything is going to come under one roof, the management bandwidth is going to be the same either the logistic integration is going to happen so there is a lot of synergy which is now emerging into this. On top of it a greatest advantage is that this facility, the WSL facility where we intent to make the TMT also has an NMDC linkage we have an arrangement and agreement with NMDC for sourcing iron ore. So this facility in any case is sourcing iron ore and the contract arrangement with NMDC and that is going to be beneficial for both of its facilities now for the DI as well as for the TMT side as well.

**Vikas Singh:** Sir one last question if I can put in. Our US numbers seems to be much better than a quarter-on-quarter basis, if you could just tell me the volumes from major reasons or is that the run rate we can assume going forward for US or this would keep on fluctuating until and unless you get any orders from there?

**Vipul Mathur:** See in the US in the last quarter we did almost 65000 tons of sales in the US in the quarter four and then we have an order visibility till the Q1 or let us say by mid of Q2 we have a complete visibility till mid of the Q2 literally by end of July we would be done with all the existing orders in hand. Today beyond that we do not have any business or business visibility in our hand. The US as I have told you earlier also is seeing a little bit of a

headwind at this point of time, but if you look at the fundamentals the oil pricing almost at \$75 a barrel, the gas pricing are still highest, the demand coming back to almost pre-pandemic level. I think so, it is just a matter of time that we would see the capex coming back into the US we expect that in the second half of the later part of the second half of this FY2022 we expect the demand to come back. It looks like one or two quarters could be slow quarters for us in US but beyond that things should be coming back because these fundamentals cannot be overlooked.

**Vikash Singh:** Sir, this USD \$217 EBITDA per ton in US any one-off in that or it is purely operational this quarter?

**Vipul Mathur:** It is purely operational.

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

**Moderator:** Thank you. The next question is from the line of Mr. Siddharth Oberoi from Prudent Equity. Please go ahead.

**Siddharth Oberoi:** Good morning. Sir this is regarding the restructuring which is doing this Scheme of Arrangement. You just mentioned that 360 Crores is to be paid by Welspun Corp is it correct for this scheme?

**Vipul Mathur:** That is correct.

**Siddharth Oberoi:** So, what does this include? Does this include the TMT bar facility, the Welspun Specialty Solution's stake, the Anjar TMT and the Welspun Captive Power? These four things are included?

**Vipul Mathur:** The consideration is for Welspun Steel division, which is currently of course billet manufacturing. They are also into a project for the TMT facility set up, so right now in this TMT set up obviously it is just initial construction. So there is no valuation assigned to the TMT work. Then of course the shareholding, so Welspun Steel holds about 50% shareholding in WSSL that is Welspun Specialty Solutions Limited which is a listed company. So that 50% investment is also coming and then there is also an investment in Welspun Captive Power Generation which is obviously for the captive power consumption requirement. So that also is coming to Welspun Corp. So the 362.73 Crores of consideration includes Welspun Steels' steel division, then the 50% investment stake in WSSL and of course roughly 3% stake in Welspun Captive Power Generation.

**Siddharth Oberoi:** So WSSL is a loss making company right now with 93 Crores of revenue last year?

- Vipul Mathur:** Correct.
- Siddharth Oberoi:** What is the profitability of Welspun Captive Power?
- Vipul Mathur:** Welspun Captive Power is a very profitable company and their business is basically only captive power supply. So it is in a very good shape.
- Siddharth Oberoi:** They are buying just 3%, right? It is very, very minority stake?
- Vipul Mathur:** You are right.
- Vipul Mathur:** Let me just clarify about this Welspun Specialty Steel where you said it is a loss making entity. What you have made a statement is absolutely right, but we have to understand the nature of the business, what that company is doing. This company is making specialty steel which is stainless steel and stainless steel pipes. This business is completely on an upswing at this point of time. If you see, in the last one year, they have done and say in the last year FY2021 they did a sales of 2300 metric tons, a year before they were close to 200 tons, so from 200 tons to 2300 metric tons is a quantum jump in the sales what they have done. The net sales NSR realization is almost close to Rs.4 lakhs per ton for the pipes what they are selling and this is almost at par comparable to any best of the industry or the peer group in this particular industry. This business has you know, is all about approval and accreditation and one of the reasons for Welspun Corp to pitch into this particular business was that Welspun Corp has the might for and they can get the approvals and accreditations. Today in one year time the amount of approvals and accreditations this Welspun Specialty Steel has achieved is phenomenal and that is the reason for this exponential growth from 200 tons to 2300 metric tons in this end of FY2021. Literally, they are at a breakeven point at this point of time. If you see, it is a very high margin and an EBITDA accretive business.
- Siddharth Oberoi:** The revenue was 93 Crores, correct?
- Vipul Mathur:** It is 93 Crores over 2300 tons of sales of pipes.
- Siddharth Oberoi:** And generated 44 Crores loss on that?
- Vipul Mathur:** It was close to 40 Crores. It is a journey. It is a business, which is getting incubated. We are completely convinced that in the last 12 months the phenomenal growth what they have filed, they are almost on the verge of breakeven but the way that the company will move forward into the next financial year. This is a very, very profitable business and a very, very high EBITDA accretive business. We are very confident and if you look at it, you compare the peer group in this particular segment and there the answer lies there itself. We are very bullish on the new order flow. Just to highlight, even in this 2300 metric tons business what

they did in this particular year, almost 18% has been export. So, the product acceptability into the market, the approvals and accreditation is global, I think, is what it is going to charter the growth of this company in times to come.

- Siddharth Oberoi:** Sir, is there any plan to repay the debt of this company, 166 Crores by Welspun Corp?
- Vipul Mathur:** We do not have any plans. The debt would be close to 185 Crores if I am not wrong. The precise number would be 185 Crores and that is the way it would be. That is the debt which will come into Welspun Corp books.
- Siddharth Oberoi:** Also this Welspun Steel has three divisions like one is the Sponge Iron Division. Are we merging that as well?
- Vipul Mathur:** Welspun Steel has three set ups. One is the Sponge Iron making, the other one is the SMS, where you make the billet and the third facility is being the TMT which is currently being set up. So, as a part of the restructuring, as part of that consideration, the Sponge Iron and the SMF facility is coming and the TMT facility is being set up at this point of time.
- Siddharth Oberoi:** So, that is my question. Two billets and TMT is going to WCL but not the Sponge Iron one, correct?
- Vipul Mathur:** No, including the Sponge Iron, SMS, are already an existing facility. TMT is being set up at this point of time.
- Siddharth Oberoi:** So, all these three are getting demerged.
- Vipul Mathur:** That is correct.
- Siddharth Oberoi:** This is regarding the orders that you have bagged in the last one year, there has been hardly any export order apart for this Australian one which is already given and kind of probably postponed or something has come back. There has not been much order bagging. Right now we have orders for almost like two quarters, after that I think there is nothing actually. So, what has been the scenario there?
- Vipul Mathur:** Last year we booked orders close to 825000 tons in the year, number one. Right now as we speak, we have an open order book of almost close to 530000 tons, 530000 tons of an order book what we have. There has been a little slow down. As you know that in India the water sector has got impacted, because of this pandemic, the first quarter of the last year was also impacted, the first quarter of this year is also getting impacted because of this pandemic. The procurement activity under the water sector has slowed down a little bit. That is slightly getting reflected, but as we have caught up in the subsequent quarters in the last financial

year I am sure that with the strong oil price and strong demand rebounding back and in any case, water is going to play a key role, this demand is going to come back, and we should be able to get our own share.

**Moderator:** Thank you very much. The next question is from the line of Amit Dangi from Authum Investment & Infrastructure Limited. Please go ahead.

**Amit Dangi:** Good morning Vipul Sir. Sir, just a couple of questions; one is I would like to understand how much total capex is done till date out of 1550 Crores in DI pipe?

**Percy Birdy:** So far we are close to about 400 Crores is what we have already invested and then of course there are LCs that are opened for machinery to be supplied and purchase orders are issued. So, I think capital commitments that would have gone by now would be a close to a 1000 Crores.

**Amit Dangi:** How do you see the next two years once FY2022 and FY2023 the capacity realization of this DI pipe?

**Vipul Mathur:** See, in FY2022 the product is not going to be there, in 2023-2024 I think the products will be into the market. It will require approvals and accreditations, and of course there is going to be a sort of gradual ramp up on the selling side of it, but then you have two products, we would sell the DI pipes of course and then we will also focus on selling the pig iron, because both the commodities are completely sellable and we will continue to work on that, but looking at the demand, Amit just to answer your question that looking into the demand what we are foreseeing at this point in time I think in the very first year we should see a significant capacity utilisation of our DI pipe. That is the whole objective. That is all we are working for.

**Amit Dangi:** Is it fair to assume 60% to 70% year one or you are crossing 75% to 80% year two?

**Vipul Mathur:** No. That will be too optimistic. I do not think so any new businesses via the time to ramp up, I think so anything between 30% and 40% capacity utilization in the very first year and a ramp up over the next two years is a very fair estimate to make.

**Amit Dangi:** You will be EBITDA positive, right?

**Vipul Mathur:** Our intention would be to do more but just we also have to be mindful of the ground situation as well.

**Amit Dangi:** Coming back to the recent acquisition which we announced on the promoter group and all, just want to understand how much total capex addition over and above the DI Pipe the

company is committing and what will be the gross value addition, gross debt added in the consolidated balance sheet?

**Percy Birdy:** So, apart from the consideration what is being finalized basis on the arms' length evaluation done by the independent agencies, there is going to be a capex of almost around 175-odd Crores which is on the TMT side of it, number one. From a gross addition in the debt, I think so that Rs.185 Crores is the total debt which will come into the Welspun Corp books. That is the total addition of the debt which will happen and that debt in any case is sitting in WSSL. In WSL is in any case a debt free company. Portion of the WSL what we have acquired is completely debt free, so there is hardly any debt additional in WSL. The one Rs.185 Crores of the additional debt is happening through WSSL.

**Amit Dangi:** When you see the total whatever the business we are acquiring how much total EBITDA can be generated out of two or three years, when it will be started because WSSL also as on today is making losses? So, how we see the total investment what we are doing should start generating the returns.

**Vipul Mathur:** See, if you look at the medium term, let us say if we plot it over the three years' time, when it is very, very clear that 40% of our total sales and 50% of our EBITDA in times to come over two to three years time is going to come from these new businesses and that is what is driving us to bring and we want to bring earnings predictability on the table. Today, we have been purely on the oil and gas and water side of it, and there have been issues with respect to the predictability and it is that particular issue we are trying to address, number one. So, the earnings predictability will come and on top of it, it will enhance our earnings so that is the roadmap which we have embarked upon and that is why this diversification which is happening.

**Amit Dangi:** What is the total return on equity that the management is trying to total investment what we are committing, as an expected return on equity what we are trying to target?

**Vipul Mathur:** It has to be in excess of 15%.

**Amit Dangi:** Sir, any uncertainty which you see in this because our past as we discussed also in the concall that you know it is not that easy to ramp up the capex and everything, any uncertainty which you feel like which will get associated with the company?

**Vipul Mathur:** See, let us talk about the TMT business. See, on the WSSL which is our specialty steel business I do not see any uncertainty. I only see a strong tailwind, which is going to support that particular business. Coming back to the TMT business, this business is a commodity business. We are into a super cycle of commodity at this point of time. All feedbacks, all indications, all everything is suggesting that there is a fundamental shift which has



happened into the steel market. We have seen how the coal is moving, we have seen how the iron ores is moving, we are not going to see the steel price dropping back to the same level as what we have seen three years back. So, there is a fundamental shift which is happening to the commodity cycle and this cycle is going to stay. So, earlier we were getting to this cycle, the better and the longer we are going to ride on it and that is the whole rationale of going into the TMT business. We could have stayed back at the billet business, but there again, the more you are into a value added product, the better position you are in. TMT is a far more value added product in front of billet. In any case we are producing billet, so rather than making billet, why cannot we do, why cannot we make TMT and be more up in the value chain. So, that is the whole thought process. I think the downside is only, the downside as you asked if the commodity cycle will take a nose dive. The steel industry as such takes a nose dive then we will definitely be impacted like anyone else.

**Amit Dangi:** Just the last thing, you have given the other opportunities which you are looking into it. What are the size which you are looking or is it something that is on table?

**Vipul Mathur:** Nothing. We keep on evaluating at this point and why I have a balance sheet like this we have cash available and more importantly, forget about use of thing, more importantly ample opportunities are available on the table. You are seeing that under the IBC, NCLTs, liquidation.

**Amit Dangi:** Just last thing want to understand the capital allocation policy has been already drafted and planned but what about the distribution policy. We have announced Rs.5 dividend, but it is not efficiently taxed on this. Why not after the company is sitting with a huge cash flow and strong balance sheet why not a strong buyback or something has not been done?

**Vipul Mathur:** We believe in walking the talk. Let us say this company has been a dividend paying company all through it for the last 10 years, number one. Whenever we have the cash available we have always believed in distributing that cash. If you see FY2019, we did a buyback, in FY2020 we gave a special dividend, in FY2021 we have the earnings, we have given the dividend to our stakeholders. Prior to that we had a debt which was almost Rs.2000 Crores debt which was there with us, we had always been working in terms of we were making this company as debt free, which was a long stated goal in any case, the moment we started becoming debt free, if you see our performance in the last two years, as earnings have been there, we have been rewarding our stakeholders. So that is the journey we will continue to work on, whether it is by virtue of a dividend or by virtue of a buyback, I think so that is in the wisdom of the board they keep on deciding and keep on guiding us, but rewarding the shareholders continue to be of foremost priority.

**Amit Dangi:** That is all from my side. Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Mr. Varun Nabar from Nippon India Mutual Fund. Please go ahead.

**Varun Nabar:** Good morning. Just want a clarification on the capex front for FY2022. I think you have guided that Rs.175 Crores will be spent on the TMT division over and above that of course the balance to be spent on the DI which would be anywhere about 1000 Crores odd, so what would be the incremental capex?

**Vipul Mathur:** Nothing. Apart from that there would be minor maintenance capex for our existing pipe business, which is always in the vicinity of anything between 50 Crores and 60 Crores.

**Varun Nabar:** Over and above there is a scheduled repayment of the preferential which is in 18 months' time?

**Vipul Mathur:** Which is 18 months from the date of allotment, so it is at least two and a half years away.

**Varun Nabar:** That is all from my side. Thank you.

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

**Bhavin Chheda:** Good morning Sir. What was the breakup of the order book of 528000 tons firstly to India, US and Saudi and the other is into LSAW, HSAW, ERW?

**Vipul Mathur:** Yes. If you look at the breakup of 528000 tons it is almost close to 180000 tons in Saudi, in Americas, we have low, it is close to 50000 tons and in India it is around 300000 tons. So that put together 530000 tons of order book.

**Bhavin Chheda:** Product wise breakup would be?

**Vipul Mathur:** Product wise breakup would be let us say out of this 528000 tons almost 35000 tons is in spiral, almost 150000 tons is longitudinal, and the balance 30000 tons close to approximately 30000 tons in ERW.

**Bhavin Chheda:** US you said, largely will be over by July, so this Q1 July?

**Vipul Mathur:** Correct. You know by let us say start of Q2 I think so the entire production and everything would be over for the existing orders what we have.

**Bhavin Chheda:** Bid book would be like?

**Vipul Mathur:** Bid book at this point of time is looking around close to 1.2 million tons.

- Bhavin Chheda:** This is largely from India?
- Vipul Mathur:** Actually, there is a little shift in the bid book this time. This bid book has two or three geographies where we are strongly looking at. One of them of course happens to be India. The other one also happens to be Australasia. I think the Australasian market is looking extremely vibrant at this point of time and the third market which is looking very vibrant is Latin American market.
- Bhavin Chheda:** Sir, what I meant is that 1.2 would be largely be spread through the Asian plant book. I think it will be from Saudi also, right?
- Vipul Mathur:** In this 1.2 largely would be from Indian bid book point of view. Saudi would not be that much as it used to be.
- Bhavin Chheda:** Because Saudi as you said the Saudi Aramco order is expected in second half, hat is not forming part of?
- Vipul Mathur:** It is. It is a part of that bid book. It is a part of that 1.2 million bid book, but I am saying the big ticket items in this 1.2 million tons is coming out primarily from Latin America and this Australasian market and that is meant for India. I am not saying that Saudi is not there. Saudi and US both are there, but the component in 1.2 million tons is a little low. There is a little bit of a buy shift which has happened in the bid book.
- Bhavin Chheda:** The Steel company which is being merged what is the current capacity of our DRI and billets which are already you are manufacturing there?
- Vipul Mathur:** At this point of time, we are close to 275000 to 280000 tons of existing capacity, which we are doing it in any case with a very minor adjustment here and there, we can reach up to 350000 tons of steel making capacity and correspondingly if you see that we are also putting up a downstream 350000 tons TMT plant accordingly.
- Bhavin Chheda:** This TMT plant would be ready in this fiscal only?
- Vipul Mathur:** No. This is a 12-month process and we have just started. I think so it will be by the end of Q2 of the next year.
- Bhavin Chheda:** Sir more or less DI pipe, TMT, all major projects would be completed by next year between March 2022 and June 2022, right?
- Vipul Mathur:** Very correct, yes.

- Bhavin Chheda:** This TMT 350 you said you are spending capex of 175 Crores.
- Vipul Mathur:** Correct, plus some soft cost, yes.
- Bhavin Chheda:** DI pipe now is 1450, right?
- Vipul Mathur:** 1550.
- Bhavin Chheda:** 1550 and normal increments?
- Vipul Mathur:** 1250 to 1550. So the total is plus soft cost.
- Bhavin Chheda:** What do you mean by soft cost?
- Vipul Mathur:** Contingencies, GSTs are additional and all that stuff.
- Bhavin Chheda:** That is another what?
- Vipul Mathur:** 15%, 18%.
- Moderator:** Thank you. The next question is from the line of Rishikesh Ojha from RoboCapital. Please go ahead.
- Rishikesh Ojha:** Sir, my first question is if you could talk about the commodity price impact specifically on what impact it can have on EBITDA per ton basis?
- Vipul Mathur:** Sorry I did not get you. Come again please?
- Rishikesh Ojha:** My first question is if you talk about the commodity prices impact and specifically on what impact has in EBITDA per ton?
- Vipul Mathur:** Specifically this question with the upcoming TMT mill, right?
- Rishikesh Ojha:** No, this is on overall business, regarding the steel price increase?
- Vipul Mathur:** See, as you know the commodity prices are at unprecedentedly high level at this point of time, number one. In our existing course of business, almost we completely hedge our steel. In a hedge way we mean we always cover our steel. Generally steel prices are pass through cost for us so any commodity price increase or decrease does not make much of an impact for us. If it decreases it will help us, but if it increases, we are adequately covered, but you know there are certain aberrations you do almost a close to million tons, it is always some

30000, 40000 tons there is a timing mismatch to that extent you are open, but other than that we are completely covered on the commodity side of it, on the steel side of it.

**Rishikesh Ojha:** In last call as you had said you have been maintaining some EBITDA per ton of \$150 so would you guide the same right now?

**Vipul Mathur:** We have seen that, the product mix what we are servicing if our product mix is continued it is going to be the same I think that is a fair assumption to make.

**Rishikesh Ojha:** My next question is regarding the DI pipes so earlier we were doing like a capex of 1250 Crores and on that you had some asset turnover maintaining of one but while our round potential was something like 3000 Crores or so and at the same time you said the competitors are almost operating at full capacity so just wanted to know if you could clear it up like why are we operating at half of the capacity while the competitors will be operating at full capacity just wanted to know?

**Vipul Mathur:** First and foremost we are yet to commence our operations number one. I never said that we are going to operate at half of our capacity on the contrary if you see that we have enhanced our capacity from 250000 tons to 400000 tons so we have a very strong conviction behind us all what I was saying in the earlier part of the call that any new business will require a period of gestation it will require one or two years time in terms of reaching its full potential and we are very confident of have a high capacity utilization around this plant.

**Rishikesh Ojha:** As you had given the timeline on your TMT as September 2022 can you just share what is the revenue potential there and EBITDA margins that you are targeting?

**Vipul Mathur:** See typically once this facility is in place the TMT facility is in place the WSL as an entity could have a topline of close to Rs.1200 Crores and of course with an EBITDA margin of anything between 12% to 15%.

**Rishikesh Ojha:** Thank you very much Sir.

**Moderator:** Thank you very much. The next question is from the line of Vikash an Individual Investor. Please go ahead.

**Vikash:** Congratulations on excellent set of results. Very quick question, is dividend distribution policy return to shareholders, for the last few calls you have been stating that we were not be undertaking too much capex in the future, so I believe now we are going for another big round of capex so will you be generating significant amount of cash flows 750 Crores this year when can the shareholders expect some decent amount of dividend Sir?

- Vipul Mathur:** When we said that we are not going to make major capex I think so it was after we have disclosed the DI part of it and today if you look at it post the DI only the incremental capex what we are contemplating to make it something like Rs.175 Crores and we have to understand the rationale behind it. Today we have to prepare this company for the future if we do not make the calls today the predictability of the earnings and the enhancement in the earnings is not going to come, so these are calls keeping in mind that how I am going to make this company ready in the next three years time whereas that all the shareholders, stakeholders see a consistent earning coming up, our predictability in earning coming up and appropriate valuation is being assigned to this particular company. Today being just into a project driven business we have been seen that it has been a very cyclical business altogether and all that what we are trying to make this company ready for the future and post the DI what the incremental capex we are doing is only at Rs.175 Crores at this point of time on the TMT side of it.
- Vikash:** Sir one additional question in 2016 you had started a JV with Wasco Energy for the CWC plant what is the update on that, what is the operating capacity, how that business going?
- Vipul Mathur:** That business is completely linked to the way how business shapes up in offshore and at that point of time we were very buoyant and we were very optimistic that the offshore business in India is going to grow unfortunately it has not grown to the level as what it was anticipated or what was projected, nevertheless the JV per se has not been into losses it has not been consistently operating but whenever you get a project you are able to meet out your loss it is not neither contributing not dragging our balance sheet, but strategically it is imperative for us to be in that particular business.
- Moderator:** The next question is from the line of Mr. Nirav Shah from GeeCee Holdings. Please go ahead.
- Nirav Shah:** Sir I have just three questions, most of the questions have been answered. Firstly we have seen a mark-to-market gain of 29 Crores during the quarter so is this on Jorabat-Shillong or what is this mark-to-market on which ones?
- Percy Birdy:** So Welspun Corp has this investment in Welspun Captive Power Generation Limited and as we said earlier on the call this WCPGL company is doing very well and at the end of every six months we need to mark-to-market so as the book value keeps improving we need to realign our investment value also so that is the reason why you are seeing this.
- Nirav Shah:** So this is on that investment and not only, but any update on the bond portfolio because we have seen some resolution over there and in December itself on Jorabat at least?

**Percy Birdy:** Yes so Jorabat-Shillong we are very confident that we should be able to recover at least our cost so if you remember we had about 40 Crores worth of Jorabat-Shillong bonds which were 100% provided by us in the books so as and when we are able to dispose that and we are working on it if God willing we should be able to do it in Q1 or if not Q1 then at least Q2 we should be able to liquidate them and that will come as a bottomline impact and of course the cash flow impact both.

**Nirav Shah:** The next two questions are on the steel price in USA we have seen steel prices are close to or more than \$1800 and their prices are highest globally so you see this as a impediment to future awards despite your outlook improving in second half as expected by you but will steel price was there in excess of \$1800?

**Vipul Mathur:** It is definitely I do not think so that factor can be overlooked the prices are too very high at this point of time and that is also one of the factor for the capex spending to be slowed down a little bit I am sure that these prices will normalize over a period of time, they should actually and we should see the capex coming back there, but answering your question there is an impact of high steel pricing there which has hold the capex there no doubt about it.

**Nirav Shah:** Any awarding even if you see something in Q3 execution will start only in Q4 so Q3 will sort of be a washout?

**Vipul Mathur:** It depends, in US things goes up very fast come downs very fast so there are quite a few projects which are currently under discussion at this point of time they are holding back their decisions at this point of time I am sure that at the end of the day the project viability will be the overriding factor and at that point of time I am sure they will try to overlook whether the commodity steel prices are high, low or whatever it maybe, but looks like that sooner rather than later they should be coming back into the market.

**Nirav Shah:** Last question is on Saudi operations Sir we mentioned that we have locked in the steel prices for the order book so any guidance on EBITDA per tonne over there because we reported a loss though part of that could be attributed to lower operations but has the spreads per se contracted for the existing operations to a meaningful extent?

**Vipul Mathur:** If you look at it last two years we executed like we have almost a million ton of an order which we executed over the last almost two, two and a half years there we got the benefit of the commodity cycle we have the prices at which we have taken the orders versus the prices that we bought the steel that brought in the extra cash into the system, now we have come into a cycle where we will get we have locked the steel, we will be able to get the steel pricing at the same price at what we have bid for so there may not be a very significant incremental earnings which may come because of the differential in the steel price, but having said that we have covered our steel we are not going to lose money it is only a

matter that how can we make a little more money out of that or not is that what we will continue to watch.

**Nirav Shah:** So there also the EBITDA per tonne guidance should be close to \$150?

**Vipul Mathur:** That is correct.

**Nirav Shah:** Thanks a lot Sir and all the best.

**Moderator:** Thank you very much. The next question is from the line of Mr. Akash Mittal an Individual Investor. Please go ahead.

**Akash Mittal:** Sir couple of queries I appreciate that you are trying to diversify, derisk your business from cyclicity and other things, but on the other hand you are going into a much more cyclical business in this TMT bars and also in your words the super commodity cycle we have seen now so my apprehension is, is not it too late to realize that and secondly that on one hand we are trying to derisk from cyclicity on the other hand we are riding a much more cyclical business in the rest of the world what could be the rationale behind it?

**Vipul Mathur:** There is a little differentiation I would like to draw Akash. This cyclical business what we are now getting it is into you have a complete end-to-end control on that particular thing from the iron ore making to the steel making to the billet to the TMT you are having a complete end-to-end control on your value chain. When you compare it with our pipe business and the cyclicity regarding our pipe business we do not have an end-to-end control on it, we are buying the steel from outside and selling it at a fixed price so that puts our business to a much larger risk than where you have a complete control on the value addition or the value chain so there is a little difference out here. So once you have a complete control on your value chain the impact of the business the impact is far more minimal than the impact what you have when you do not have a full control on the value chain so there is a difference out here and that is the reason we took a calculative call this time that whatever businesses we will get into we must be in complete control of our value chain and our SME we cannot leave it to the market sources, today what happens your iron ore prices will go down so is your final price will go down the spread what you are going to get you are protecting your spread whereas if you do not control the whole value chain you are not in control of the spread you are only in control of a limited value addition 10% of the value addition of 90% or over 100% of job what you have got.

**Akash Mittal:** Sir but by that logic you should not have sold the plate and mill division because you had a control on the raw material?



**Vipul Mathur:** No I did not have the control on the raw material I did not have the slab and that is why it became a noncore business to me if I would have a control on my steel on my slab there was no reason for us to sell that plate mill business and earlier in the call you would have heard I mentioned that the intent was there we took that Vikram Ispat with that objective only but because of the change in the government regulation this did not workout that is why it became a noncore business otherwise plate mill was a beautiful investment to make.

**Akash Mittal:** Now continuing on the TMT bar Sir it is a B2C business what I understand right, now your current business is in where you are a leader it is an aspirational business that we are the leader this TMT bar business is a me too business there is no dearth of TMT mills at billet production plants especially called JSW Steel, JSPL I can keep on counting mills so what is it that you are bringing to the table for a shareholder because it is a me too product there is no differentiation there is no technology when I look at your product so I am into this business so when I look your products in US, when I look your products in Saudi Arabia and India I feel there is a distinguish advantage you have in your manufacturing process but TMT bars you need a different sort of sales team, you need a different working capital cycle, you need a marketing spend where is it all going to come from I think is my money not better invested in the existing DI and the HSAW, LSAW, ERW business?

**Vipul Mathur:** That is a great question and good that you asked that question. At the end of the day we have historically been into completely B2B cycle number one. Now with venturing into the DI business, DI business also has a component of B2C into it. In any case we are embarking onto B2C journey number one, number two in any case today if we have to really create valuations for this organization there has to be an hybrid element of B2B and B2C just alone having earning on the B2B business we are not seeing any valuation getting created and I can also give you the name of the half of the dozen companies who are also doing the same similar business but they have presence in the B2C market is much more and you see the valuation they are getting around so the underlying message...

**Akash Mittal:** It is not like the valuation, see it is about the core of the business you have it core of the business.

**Vipul Mathur:** Akash I am coming to that. At the end what is driving us that there has to be a component of B2C which has to come into our portfolio number one, number two coming to the core of the business what is our core, our core is our brand, core is our quality, core is our customer centricity, core is our deliverability, serviceability that is what our core is, that is what Welspun stands for irrespective whether we are in business A or business B that is what is our offering going into the market.

**Akash Mittal:** Now my last question Sir recently I am quite surprised that you did not cover that point and actually that is alarming for me from a management vision perspective and I will come to

that, the point is Mr. Biden has infrastructure plan almost approved it will be shortly sign out. The biggest second best category in that spend is around the 100% replacement of water pipes in US which are lead driven and you have not touch upon that point anywhere in your presentation or management plan rather it is all about going into TMT bar or something I would have been greatly happy as a shareholder if you have a thought of that opportunity planning to capitalize on that because it is an opportunity you have a plant in US you have of course ecosystem setup in US so why is no mention of that anywhere?

**Vipul Mathur:**

Akash a fair point you are making I think so that should have got reflected I think so to that extent I will concede to your point that should have got reflected into my comment in my opening comment that is a fair point, but having said that we are completely mindful of that fact, we are completely mindful as to what is happening, what is the infrastructure plan but plan which has been announced by Mr. Biden, but just for your information I think so that is an instance which has only been notified at this point of time, it is here to get definite approval and if you see the traction what is happening in that I think so there is a big debate which is going in terms of cutting it down earlier they announce it for almost 4 trillion now they have already cut it down to almost 1.2 trillion so there is a lot of debate which is happening around that number one. Number two as we speak we are doing, we are conducting a sort of study that what does it mean for us when they say they are going to replace water pipelines what does the water pipeline means there, there in America the water pipeline system is largely driven by DI business so it is not out of our radar Akash I just want to assure you as an investor and all the investor that all the people on this call that we have not lost our site out of our US market we are evaluating multiple options, but then there has to be something concrete which has to happen which makes us to deep dive into the whole process. Today we are not ready, today because that plan is yet not in such a form where you can deep dive it is very hypothetical in nature but just to be assure that it has not lost our site.

**Moderator:**

Thank you very much. We will take the last question from the line of Mr. Bhavin Chheda from Enam Holdings. Please go ahead.

**Bhavin Chheda:**

Percy what would be the gross block addition when you transfer the steel division to Welspun Corp that would be one and other I think WSSL also will be consolidated since we will be having more than 50% stake so this too would be added to the balance sheet so if rough numbers if you have?

**Percy Birdy:**

WSL steel division of course will now become part of WCL itself so we are looking at something close to about 250 Crores that is there in WSL and as far as WSSL is concerned it is 50% shareholding so that also is come close to about 200 plus it is about 220 Crores.

**Bhavin Chheda:**

So I think you said 250 Crores on steel and 220 on WSSL.

- Percy Birdy:** That is right and that is the 100% on WSSL.
- Bhavin Chheda:** That will be largely net fixed assets right?
- Percy Birdy:** That is right.
- Bhavin Chheda:** On the asset side we are adding 470 and on the liability side what I am counting is 362 preference shares what you have to give and 185 is the debt which is standing in WSSL 547 so the balance number would be in working capital right which may get added?
- Percy Birdy:** 185 also ideally speaking we should take only half of it because it is only 50% ownership.
- Bhavin Chheda:** No, but on the balance sheet consolidation the full number will enter your borrowing figure?
- Percy Birdy:** You are right.
- Bhavin Chheda:** The earlier thing I just missed on your FY2020 so the capex number which you plan to spend in 2022 and 2023 how much was that?
- Percy Birdy:** Maintenance capex is usually around 50 to 60 Crores per annum.
- Bhavin Chheda:** Total Capex.
- Percy Birdy:** We said 175 Crores for the TMT.
- Bhavin Chheda:** The entire thing would be spent in 2022.
- Vipul Mathur:** There will be two capex one there would be a little left over capex of the DI plant number one whatever is left over but most likely I do not think so that there is any significant capex which will be left over in FY2020 March 2022 that entire capex should be done there could be small trickle over and all what we will be doing is the TMT of 175.
- Bhavin Chheda:** So 1550 plus 175 plus soft cost so more or less roughly 1800 to 2000 Crores capex would be completed this year?
- Vipul Mathur:** Yes pretty much.
- Bhavin Chheda:** Percy you earlier said that DI pipes you have spent 400 Crores till date but if I see your CWIP number that is much less?
- Percy Birdy:** I was saying till date what I was saying 400 is till date so as we speak at the end...

- Bhavin Chheda:** Okay because your CWIP is 142 so rest must be spending after March.
- Percy Birdy:** Yes.
- Bhavin Chheda:** How much would be the peak debt number then because if I now look at your numbers roughly cash outgo looks like somewhere just under 2000 odd Crores and we will be 820 net cash right?
- Percy Birdy:** End June we should be close to about 820.
- Bhavin Chheda:** So maybe if you look at from now till next June or July we would be spending roughly 1600, 1700 Crores right?
- Percy Birdy:** In terms of capex?
- Bhavin Chheda:** Yes.
- Percy Birdy:** Yes including DI, yes.
- Bhavin Chheda:** Whatever the profits we generate in FY2022 will go down so then so March 2022 net debt number will be closer to 1000 Crores then right?
- Percy Birdy:** Most of the capex will get completed by March 2022 bulk of it.
- Bhavin Chheda:** So we will again be net debt company by March 2022?
- Percy Birdy:** Yes marginally, yes.
- Bhavin Chheda:** Thank you.
- Moderator:** Thank you very much. I will now hand the conference over to the management for closing comments.
- Vipul Mathur:** Thank you all very much for joining us today on this conference call. I am sure that we would have been able to answer all of your questions, but for some reasons if you think that you have any further questions or you need any clarifications please feel free to get back to us and we would be more than happy to answer all that and with that I once again want to thank you and wish all of you stay safe and thank you being on the call. Thanks.
- Moderator:** On behalf of Emkay Global Financial Services Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.