"Welspun Corp Limited

Q3 and 9M FY '24 Earnings Conference Call"

February 07, 2024

MANAGEMENT: **MR. PERCY BIRDY – CHIEF FINANCIAL OFFICER – WELSPUN CORP LIMITED**
MR. GOUTAM CHAKRABORTY – HEAD, INVESTOR RELATIONS – WELSPUN CORP LIMITED
MR. SALIL BAWA – HEAD, INVESTOR RELATIONS – WELSPUN GROUP

MODERATOR: **MR. SAILESH RAJA - BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to 3Q and 9 months FY '24 Earnings Conference Call of Welspun Corp Limited, hosted by Batlivala & Karani Securities India Private 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 this conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sailesh Raja from Batlivala & Karani Securities India Private Limited. Over to you, sir.

Sailesh Raja: Thanks, Muskan. Good morning, and thanks to everyone who has logged in to Welspun Corp 3Q FY '24 earnings conference call. I would first like to thank the management for giving us this opportunity to host this call. Without taking much time, I hand over the call to Mr. Salil Bawa. He's the Head IR. Over to you, sir.

Salil Bawa: Thank you very much, Sailesh, and good morning to all of you. I welcome all of you to the Q3 and 9 months FY '24 earnings call of Welspun Corp Limited. Present along with me today on this forum is Mr. Percy Birdy, Chief Financial Officer of Welspun Corp Limited. I'm also joined by Goutam Chakraborty, who lead Investor Relations for Welspun Corp. You must have received the results and the investor presentation of the company, which are available on the stock exchanges as well as on the company's website.

We follow the normal routine. We'll start with the opening remarks and update from the leadership team. And then we will open the floor for your questions. During that discussion, we may be making references to the presentation, which has been shared already. Please do take a moment to review the safe harbour statement in our presentation. Should you have any queries that remain unanswered after this earnings call, you can reach out to us.

With that, let me hand over the floor to Percy from Welspun Corp. Over to you, Percy.

Percy Birdy: Good morning, everyone. Welcome to our December quarter and 9 months FY '24 Earnings Conference Call. I would now start the discussion with some of the key operational and financial highlights for this current quarter, and we'll follow it up with a business update. And after that, we will have an interactive Q&A session.

Strong performance was witnessed in this December quarter on the back of excellent ramp-up in our new businesses. On the financial front, our consolidated revenues from operations for December quarter and 9 months stood at INR4,750 crores, up by 98% Y-o-Y, and INR12,878 crores, up by 126% Y-o-Y, respectively.

EBITDA for the current quarter grew by 170%. And for the 9 months, by 332%. So EBITDA stood at INR471 crores for this quarter and cumulatively at INR1,391 crores. Profit after tax for this quarter, it jumped by more than 10x to INR292 crores. While for 9 months, profit after tax was at INR842 crores.

Net debt stood at about INR500 crores at the end of December compared with INR1,800 crores at the end of last year, same period driven by our very strong free cash flows from the businesses. ROCE stood at 15.7%. This is for a 9-month period compared with the last year's ROCE for March '23 at 7.9%.

On the pipe solutions vertical that is India and U.S. line pipes, DI pipes, SS pipes and tubes. Our sales volumes for the line pipe business in India and the U.S.A. for the 9 months ending December rose by 65% Y-o-Y. Order book for the line pipes in India and U.S. stands at a robust 575,000 tons valued at more than INR7,000 crores.

Our associate company, EPIC in Saudi Arabia had a confirmed order book exceeding 2 years. We have also recently started the execution of a large Aramco order of SAR1.8 billion. In the India DI pipes, there's a steady improvement that we are witnessing. For 9 months ending December '23, the sales volume rose by 10x year-over-year to 135,000 tons.

In WSSL, the stainless steel bars sales volume, it increased by 200% Y-o-Y to 12,294 metric tons, while the pipes and tube sales volume rose by 23% Y-o-Y to about 3,667 metric tons during the 9 months ending December.

In the building materials vertical, where we include Sintex and TMT, the water storage tank sales volumes in Sintex grew by 11% Y-o-Y to 10,000 metric tons, while the TMT rebars sales volume for the 9 months December stood at 79,000 tons. Sintex has already announced its foray in the plastic pipes segment, and the portfolio will include different types of PVC pipes including CPVC, HDPE, UPVC, OPVC.

On the ESG front, the company continues to be one of the best in this category. We achieved highest rating in ESG performance by CRISIL ESG ratings among the industrial and metal ferrous, nonferrous companies. Moving towards sustainability goal by focusing on improving the energy intensity, water intensity and waste intensity. Tax transparency report has also been published by us.

Now let me give you some key updates on the pipe solutions as well as the building materials businesses. We begin with line pipes. For the quarter, the line pipe sales volumes in India and U.S. operations stood at 291,000 tons against 163,000 tons in the corresponding quarter of the previous year, which is a Y-o-Y growth of 78%.

For 9 months, the volumes rose by 65% Y-o-Y. Contrary to the IEA's expectations for a slower oil demand growth of 1.2 million barrels per day for 2024, OPEC continues to maintain a strong outlook. Expect the demand to grow by 2.2 million barrels per day to a total of 104.4 million barrels per day.

As far as gas is concerned, the IEA expected natural gas markets to return to growth in 2024. The forecast gas demand is to grow by 2.5% in 2024, and LNG supply is likely to grow at 3.5%.

On the key drivers and outlook in India, introduction of a unified tariff policy aiming at creating more stable, competitive and transparent pricing regime, which will be beneficial to both the demand and the supply of gas. There is a policy focus on potential development of gas storage facilities by the central government, which is going to have a very positive impact on demand.

According to petroleum Planning & Analysis Cell following a 7% Y-o-Y decline in 2022, India's primary gas supply rose by 5% Y-o-Y in 2023. The outlook in India is that natural gas demand is expected to increase by 6% in 2024, mainly supported by higher gas user industries and in the power sector amid the development of national pipeline grid and further penetration of City Gas infrastructure.

Water transportation for irrigation projects through the line pipes is also likely to grow steadily with continuous focus by central as well as the state governments. And export market continues to remain a focus area for us as the outlook is very bullish in Middle East, Australia, Southeast Asia, etcetera. And Welspun Corp has been successful in booking orders in all these geographies. India's order book remains strong at the end of December at 369,000 tons.

Then we move over to USA. In 2023, U.S. moved to take the prime place for the first time, exporting 116 billion cubic meters of LNG, surpassing both Australia and Qatar. U.S. LNG accounted for more than 15% of Europe's natural gas demand in 2023.

Global gas supplies in 2023 remain tight as the increase in global LNG production was not sufficient. And U.S. has accounted now for 80% of the incremental LNG supply. LNG contracting continues to experience very strong momentum in 2023 and now U.S. accounts for 34% of all these contracted volumes.

The outlook in U.S. remains very positive as the natural gas production is likely to grow by 2% to 1,081 billion cubic meters in 2024. We see strong demand for our spiral pipes continuing in the U.S. market. Total order book remains at about 206,000 tons at the end of December. We are also confident of booking new orders to ensure continuity of the business.

Then we move to our Saudi Arabia -- our associate company, East Pipes. In Saudi, we focus on Vision 2030 by the Saudi government continues to be the key driver. The country is likely to increase oil exports gradually and use more gas for its own energy requirement.

The water infrastructure market also is very strong in Saudi, and their Vision 2030 has been investing heavily on improving the water infrastructure. The Ministry of Environment, Water and Agriculture announced sometime back an allocation of USD 80 billion towards water projects in the coming years, and expect 90% of water demand to be met through desalinated water by 2030.

All this augers very well for our associate company in Saudi. EPIC is very strongly placed to capitalize on all these opportunities that are continuing to emerge in the KSA market. Then also EPIC is also focusing on strengthening its financial positioning, whilst boosting the resilience of the business and ultimately delivering tangible long-term value to the shareholders and various stakeholder groups.

EPIC's well-established track record in the market, very strong brand name and solid competitive advantages have resulted in signing up a number of new contracts, including a significant SAR 1 billion, which is approximately INR2,200 crores, contract awarded recently by SWCC.

With this, in November and December, major cumulative orders received by EPIC stood at value of more than INR4,000 crores.

Now we move over to DI pipes. Volume ramp-up continues in the DI pipe segment with a 36% sequential growth, 9-month FY '24 volume recorded at 135,000 tons. We have a strong order backlog of 264,000 tons valued at INR2,185 crores. Our order book position has been built in a short period, and starting commercial production, that itself is a testimony to our capabilities and our credibility.

Our brownfield expansion at Anjar has been progressing very well and is expected to contribute to the volume in FY '26. With a strong growth potential in the MENA region, Welspun Corp has announced setting up of 150,000 tons per annum DI facility in the Middle East with an investment of approximately INR500 crores, and we expect this to be operational in H1 of calendar 2025.

The DI market outlook remains very strong. In the interim budget also, the Department of Drinking Water and Sanitation has allocated INR77,000 crores. Out of this, the Jal Jeevan Mission gets the highest allocation of INR69,926 crores, which clearly shows the government's intention to maintain this as a key focus area.

For Welspun Corp, clearly, DI Pipe segment will continue to remain as a key focus area in the foreseeable future.

Let me move to stainless steel business, which is under WSSL, Welspun Specialty Solutions Limited. WSSL continues to post steady performance as the stainless steel bar sales volume during the 9 months ended December, it rose by 200% Y-o-Y to about 12,300 metric tons. Similarly, the stainless steel pipes and tubes sales volume rose by 23% Y-o-Y to about 3,700 metric tons.

WSSL has successfully developed, produced and delivered ultra-low cobalt stainless steel for application in nuclear power station components. It is also exported for the first time, Alloy 6625, high nickel and moly alloy seamless tubing for critical application for the first time. We are getting very encouraging product acceptance and feedback from our recently added USA market as well.

The current order book stands at about 4,200 metric tons and valued at more than INR160 crores. WSSL continues its transformational journey under a well-defined growth strategy, and FY '24 will become first significant milestone after witnessing the first year with a profitable bottom line.

Then we move to the building materials vertical for Welspun Corp. First, we take up Sintex. In our existing business, we continue to steadfast on the growth path as we increase focus area, focus across our portfolio. We have organized multiple road shows and stakeholder meets across the country to get a deeper understanding of the retail market and to co-create growth plans with our channel partners. We are going to take it to the next level now with enhanced marketing and branding activities.

During the quarter as per our planned strategy, Sintex finalized its plan to foray into plastic pipes segment through its step-down subsidiary, Sintex Advanced Plastics Limited. The pipes and settings would include CPVC, UPVC, HDPE and OPVC pipes and shall cater to the the exponentially growing water distribution segment.

I'm also happy to share that SAPL has signed a framework agreement with Rollepaal Pipe Extrusion Technology B.V. for supply of its high-quality PVC or pipes manufacturing lines, exclusively to Sintex in India. With the signing of this agreement, Sintex is set to write a new chapter in the PVCO pipes manufacturing in India, with already well-established cutting-edge technology on the PVCO products.

Foray into plastic pipe segment provides a huge opportunity to Sintex to leverage its brand value, optimize its distribution channel and rationalize its logistics cost, thereby charting out a strong growth outlook and further strengthening our position into the B2C segment.

Let me move to TMT bars. Consistent improvement in production and sales of Weapon Shield TMT bars, with December quarter sales volume recorded at 30,000 tons. Market penetration has been progressing well with 91% districts now covered in Gujarat and 248 dealers all connected. Our marketing approach through innovative digital channel to address the B2C segment has been paying off very well.

In front of ESG initiatives, all of us are aware that we are very focused on ESG interventions across all the 3 areas of environment, social and governance. Also, we rank in the top 7% of the companies in the steel sector globally when it comes to ESG. As a testimony to our hard work, WCL also got Zero Waste to Landfill Certification by TUV Nord India for the Anjar facility.

Coming to our net debt cash position. The company's gross debt has declined substantially to INR1,858 crores as at the end of December, and compared to March '23, which was INR3,300 crores. The company's net debt cash at the end of December stood at INR503 crores compared to INR1,138 crores at the end of March '23.

During the quarter that is comparing December versus September, our net debt marginally increased, which is due to a change in working capital in India. Our guidance numbers given out some quarters ago for the full year FY '24. We are well on track not only to achieve them, but to actually surpass them.

Our revenue YTD December is INR12,878 crores versus our full year guidance of INR15,000 crores. Our EBITDA for YTD December is INR1,391 crores versus our full year guidance of INR1,500 crores. And our ROCE for YTD December is 15.71% compared with our full year guidance of 16%.

With this, I would like to summarize by highlighting that both our business verticals that is the complete pipe solutions and the building materials are performing in line with our expectations. We continue to maintain our strong focus on the DI pipes business and Sintex, and we see strong growth opportunities in both the businesses.

These 2 pillars, the DI pipes and Sintex will be the real growth engines for Welspun Corp in the number of years to come. As mentioned earlier, on the back of a strong demand outlook, we are foraying into Middle East region also to set up DI types manufacturing capability. Sintex has already announced its foray into PVC pipes, and we see a huge potential there as well.

WSSL also continues to ramp up, and we expect it to continue with a strong focus on quality, market penetration and execution. And on the ESG side, too, our efforts are being recognized and appreciated and we will continue to remain committed to our ESG goals.

With this, we can open the floor for the question-and-answer session, please.

Moderator: Thank you very much. And the first question is from the line of Miraj from Arihant Capital.

Miraj: Congratulations on a great set of results. Sir, just to start with the bookkeeping questions, sir, if you could let me know the volume split between India and U.S. line pipe business?

Percy Birdy: Sure. So basically, the volume -- sales volumes that we have reported, India plus U.S. put together is about 290,000 tons. And India will be close to about 170,000 tons and balance is U.S.

Miraj: Understood. Okay. So secondly, we've come up with this announcement of putting up a DI plant in the Saudi unit. Wanted to understand a couple of things over here, for the money that is to be invested, will we be putting any equity up there which would lead to our stake getting increased. And secondly, what would be the assets going forward for this? I know that it's still a long way from your, just to get a brief understanding on that part.

Percy Birdy: So Miraj, our announcement is referring to Middle East region, not to any particular country. And we are looking at 2 options and exploring both the options simultaneously. And it will not be through the East Pipes company, the associate company. This is on our own on Welspun Corp.

So we see the DI market in the region as a very strong market and a very growing market, comprising of 4 to 5 large economies in that region. And that is what is driving us to enter that market.

Miraj: Understood. Sir, I was also looking at the FX financials in Q3 and 9 months, we've done a pretty good set of results over there. But when I look at the cash flow generation, cash flow from operations, it has been negative to -- and in fact, it has increased, if I were to look at for 9 months. It is currently at SAR 488 million negative. So what would be the reason? Where is the money being getting stuck over there? Is it because of larger trade receivables? Or what would be the reason for this?

Percy Birdy: So EPIC is doing phenomenally well. As you can see that all the P&L numbers, their revenue growth, their bottom line operating margins, all are phenomenal. And even their outlook with a strong order book. So they are booked for more than 2 years.

Now your question on the -- probably on the cash flow side is because of that strong order book. Obviously, they have to invest into the working capital as well. So that's the reason why you are seeing this, but as these orders start getting executed, you will see the cash flows coming through and then the cash flow will catch up with the EBITDA numbers.

Miraj: Understood. And on the current order book that we have, if I were to look at the bid book, which is coming down and the order book also sequentially, it has come down. I wanted to understand on the U.S. side of business, are we expecting any large order in the Permian basin to be booked?

Percy Birdy: So our U.S. order book at the end of December stood at almost 206,000 tons, which will take care of our H1 for the calendar 2024. Then for the second half of calendar 2024, there are a couple of opportunities. And we expect that these will get concluded in a phased manner over the next few months. So we are very confident that we will secure the business continuity in U.S.

Miraj: But those won't be reflecting in the bid book now? Is that the right understanding?

Percy Birdy: Yes, yes. But let me say that the U.S. our business outlook is extremely positive because of the drilling activity in the Permian basin and the gas that needs to be evacuated from Permian basin to the Gulf Coast ports from where U.S. is exporting LNG to all over the world, largely through the Western Europe P&L as well.

So for U.S., they have attained the peak position when it comes to the global LNG market. And obviously, U.S. is not going to surrender this business position. So for us, as a line pipe manufacturing company, we see that there will be more than a couple of new gas pipelines that will be coming up. And we are the largest line pipe manufacturing company in the U.S. So we will obviously get our fair share of the market as and when these orders are awarded.

Miraj: Understood. Last question ...

Moderator: Excuse me, sorry sir to interrupt, May I just request you to follow up the queue as several participants are waiting, please. The next question is from the line of Pritesh Chheda from Lucky Investments.

Pritesh Chheda: Yes, sir, just from your opening comments, for the Saudi market, if you could give what kind of opportunity in front that you see in the line pipe over the next 5, 6 years, considering the water and the historical oil related spend that they do. And what is the -- what was the line pipe's annual market for Saudi?

Percy Birdy: Sure. So the Saudi market is -- I mean, in 1 word, if you have to say that is really looking phenomenal. Both for line pipes, we have water applications as well as the oil and gas applications. So EPIC, our associate company has an order book which goes beyond 2 years, and that's a very strong position. And not only this, but the outlook also continues to remain very bullish over there, with their Water Department Ministry announcing a huge focus on the Vision 2030 and investing heavily in improving the water infrastructure.

So the Ministry of Environment, Water and Agriculture, they recently announced an allocation of USD 80 billion towards water projects within the coming years. And they are expecting 90% of water demand to be met through desalinated water by 2030. So all this is appearing very positive to us, and it's getting mirrored in the order book that EPIC is carrying also.

Just to add some time back, EPIC got SAR1 billion of order from SWCC. That's for the water pipeline. So in a nutshell, it's a very positive outlook in Saudi for our associate company.

Pritesh Chheda: Okay. Can I conclude 1 thing here that water was not a large demand generator until, let's say, 2, 3 years back and now because oil and gas infra spends have been continuous for them, right? Is that a conclusion which we can take or...

Percy Birdy: No, that is not the correct conclusion. So if you see over a longer period of time, let's say, about 6, 7 years, -- then probably in Saudi, the water and oil and gas demand gets almost equal. But each year is different. So I can tell you in the last 3 years in Saudi, we have been able to get more orders on the water side.

If you go back prior to 3 years, when we had some very large orders in oil and gas side. So -- but by and large, you can say that the market is equally divided between water as well as oil and gas. And as far as our EPIC's order book is concerned, we have a healthy mix of both.

Pritesh Chheda: Okay. Will the market be significantly bigger than what you have experienced annual market size will be significantly bigger than what you have experienced all these years in your Saudi business considering Saudi's focus, higher focus on water spend?

Percy Birdy: So Saudi is clearly having the Vision 2030 when they are doing this capital allocation and these budgetary announcements. And it will continue to remain as a very growth-oriented market. So we are very positive about it. No doubt.

Pritesh Chheda: And my last question is on the India market. What will be the India line pipe market volume growth rate over the next 3, 4 years in your opinion?

Percy Birdy: So in the India line pipe, we broadly have 3 categories. We have the domestic oil and gas, then we have the domestic water and then we have the exports. In different years, the mix obviously keeps changing depending on the type of projects that come on the table. We see as of now, a very good potential for more export orders. So that is where the margins are also very high and it helps the P&L in a substantial way.

In the domestic oil and gas, also, there are a few projects that are coming up, but more so on the CGD front. So on the City Gas Distribution, we see that the demand will remain robust. That's for the ERW pipes. And we will continue to get our fair share of the market here.

In the domestic water as well, there's a lot of focus on irrigation and pipelines and state governments are also really increasing the spend supported by the central government. So there also, we see a very good traction on the domestic water side. So all the 3 aspects in the area line pipe business are looking positive to us.

Pritesh Chheda: Okay. In this, can I conclude one thing that in India, the water and the oil and gas is where it must have been extremely slower volume growth incrementally? A lot of the India growth will be turbocharge by the export poly?

Percy Birdy: No, it's not like that. I think all the 3 are contributing to the growth. But exports are obviously better at the margin side.

Moderator: The next question is from the line of Vikash Singh from PhillipCapital.

Vikash Singh: Sir, I just wanted to understand this quarter's EBITDA per ton drop. While we have done much bigger volume in India, still the EBITDA per ton got dropped. So is anything specific in the number, which has led to the decline despite better volumes?

Percy Birdy: See, Vikash, now India EBITDA per ton, that number is not really visible from the published results but I'll tell you why. The India stand-alone results that you are seeing are including even Welspun Metallics Limited now because now the legal merger has been completed. So Welspun Metallics is where we have the hot metal production and also the peak sales. So hot metal goes into the DI pipe manufacturing.

So because of this, you cannot really calculate the EBITDA per ton for the line pipe business of India. But let me tell you the answer to your question. In India, we typically do anything between 5.5 lakh tons to 6.5 lakh tons, 7 lakh tons per annum in the total line pipe volume. And the average EBITDA per ton works out to close to INR10,000 a ton. So obviously, each year is not identical. But by and large, this is the set of numbers.

So like if it's a 6 lakh ton volume in India, then that would translate to about INR600 crores of EBITDA. This, of course, comprises of the exports business and domestic water and domestic oil and gas. And we are pretty much on the similar lines, Vikash, even in the current year.

Vikash Singh: Understood, sir. Sir, my second question, pertains to our order book basically, especially in India, since probably we are entering in the election season. And at the same time, 4Q is the high -- best execution period as well. So do we see that we would face a little bit challenges in 1Q FY '25 or 2Q FY '25 because now order book addition temporary could drop down because new orders would be -- new order would not be coming while our execution, it would be very strong.

Percy Birdy: No, Vikash, we don't see any of those type of issues. So our order book is, as we said, 5,75,000 tons as of now. You can say a little drop U.S. is about 200,000-odd and the balance is in India. And we continue to add more orders to this as well. So -- and this anyway gives us visibility easily for the next 6 months or so.

Vikash Singh: Understood, sir. And sir, just last question regarding our capital allocation. So given that U.S. continuously announcing new CapEx, including the MoU signed on the Sintex side. So what is the total CapEx we are expected to spend in FY '25? And how does our best movement would look like?

Percy Birdy: So I'm very glad, Vikash, that you asked this question because we wanted to talk on this anyway. See, the capex is that we have already announced as of now, they are approximately adding up to about INR1,800 crores. And these are already in the public domain. These will be spread over at least 2 fiscal years, 2, 2.5 fiscal years. So it's not like we are doing all the capex immediately.

By and large, the capex is focused on 2 areas. One is clearly Sintex. And our game plan for Sintex is a very large strategic vision for it. We had announced our capex of INR800 crores for Sintex Telangana sometime back. And our strategy is to enter into our plastic pipes business using the Sintex as a gateway.

And we are looking at as a pan-India presence. So we are not only looking at Telangana, but we are looking at multiple locations across India, where we'll be evaluating, setting up manufacturing facilities. So that's 1 area where you will see capital investments going in, in plastic pipes and Sintex.

The second area where our investment focus will remain is DI. So we believe that ductile iron pipes have -- is one of the sunrise industries and in India also and even in the Middle East region. So we have announced capex in India for expanding our DI capacity at Anjar.

Moderator: Ladies and gentlemen, management line has been disconnected. Please stay connected. We're connecting them. Management line has been connected. Please go ahead, sir.

Percy Birdy: Okay. Yes. Vikash, you are there?

Vikash Singh: Yes. I am, sir.

Percy Birdy: So we're answering your capital allocation question. So we spoke about...

Vikash Singh: You were on the DI side and then suddenly you got dropped.

Percy Birdy: DI side also, we have announced capex of INR300 crores for expanding our DI capacities at Anjar. And we also announced about the Middle East region yesterday for about INR500 crores. So that also adds up to about INR800 crores. So you can say roughly INR800 crores in DI and INR800 crores on Sintex and plastic pipes. So we are looking at about INR1,600 crores plus maintenance capex of about INR150 crores. So close to about INR1,800 crores spread over 2 to 3 years. That's our plan. And with the strong free cash flows that our businesses are generating, we don't see this funding of this as any issue.

Vikash Singh: Understood, sir. And sir, just lastly, on the ABG Shipyard...

Moderator: Excuse me, sorry to interrupt, sir. As several participants are waiting in the queue, please follow back in queue for further questions. The next question is from the line of Bhavik Shah from MK Ventures.

Bhavik Shah: My question was on ABG Shipyard. So I just wanted to understand, we invested around INR650 crores to INR700 crores there. What kind of money you have made from the scrap sales till now? And what kind of money is still pending to be received from the sales? And what are we thinking there? What is your plan of action there?

Percy Birdy: Sure. Bhavik, as we have said in the past as well, our first priority is to monetize these assets. So we have come close to 60%. 60% of this has already been liquidated. We have monetized this as well balance also, we'll be able to do it in the next 3, 4 months. So...

Bhavik Shah: Can you quantify the amount, how much is like -- what's amount you have got till now? What's the amount you're expecting to be received?

Percy Birdy: As I said, it's about 60% plus has been already done, and the balance will be done in the next 3, 4 months. And at the end of it, we would be able to collect more than what we had invested -- so it is a positive to the bottom line.

Bhavik Shah: Okay. And sir, do you have any other assets over there like land bank or anything which we are planning to sell there?

Percy Birdy: What I was telling you was for the other metal assets, which were there and we are liquidating. But of course, there is the land bank there. There is the infrastructure there. So all those assets in a way, become free of cost on our balance sheet because we would have already monetized whatever we had invested by just liquidating the metal scraps. So that removes any load on our balance sheet completely. And we will decide what to do with these land bank and these assets. So we are looking at multiple options.

As of now, we don't have any plans to announce. But please be assured that there is no weight coming on the balance sheet because the complete investment will be monetized.

Bhavik Shah: Right. Sir. And just on the Sintex front, what is the plan? Like can you just elaborate a little bit over there like when are you going to enter the market or anything?

Percy Birdy: So we already announced about the Telangana project, and it's going to be now pan India presence. There will be other locations also getting added. We will, of course, ration out our CapEx in a very judicious manner. And we'll be entering the plastic pipes market in the near -- foreseeable future.

Bhavik Shah: Okay. So like any plans to like what are the timelines -- any timelines in place?

Percy Birdy: So these are obviously greenfield expansions. So they will take at least 12 to 18 months horizon to get into the market.

Moderator: The next question is from the line of Bhavin from Enam Holdings.

Bhavin: Yes. Bhavin here from Enam Holdings. Congrats on overall good set of numbers and continuous ramp-up in new businesses like DI Pipes and Sintex and all that. A few questions. First, on the DI pipes Middle East project, INR500 crores project for 150,000 tons. So will this be backed by blast furnace for pig iron or you are just putting up a DI pipe plant there?

Percy Birdy: So Bhavin, as of now, what we have announced this amount that you are seeing, it's an approval taken from the Board, okay, for further exploration. We are actually having 2 options that we are looking at and simultaneously working on them. But to answer your question specifically, it's not the blast furnace route. It's basically the DI. Will get fine tuned later on.

Bhavin: Will you be procuring steel from open market?

Percy Birdy: Yes, yes.

Bhavin: Second, on again, the Slide #42, where you have given targets for FY '26. So the DI pipe side assume 450,000 is this assuming Indian volumes and Middle East is not considered there.

Percy Birdy: Correct. That's India. So as you know, we had capacity of 4,00,000 tons in DI, and we are adding 1,00,000 ton with the Anjar expansion. So capacity becomes 5,00,000 tons.

Bhavin: Right. And line pipes volume includes Saudi volumes, or these are excluding Saudi volumes?

Percy Birdy: I think Bhavin you know we are -- basically, we are talking about India and U.S.

Bhavin: India and U.S. only in that slide. Okay. Okay. And last question on -- I missed out on the U.S. plant current order book?

Percy Birdy: So U.S. plant order book is at about 200,000 tons odd at the end of December. And this will take care of H1 for calendar 2024. Then for the second half of the calendar 2024, there are a couple of strong opportunities and expecting that these will also get concluded in a phased manner.

Bhavin: So we are at 2,00,000 tons dispatches would be including Quarter 4 and first half of next year, so over 3 quarters?

Percy Birdy: We are talking of the H1 calendar 2024.

Bhavin: The H1 calendar 2024, so the next 2 quarters. Okay, okay. And these are largely spiral orders -- includes some ERW orders also?

Percy Birdy: Both. Both. Both put together.

Bhavin: And already, I think your bid book is strong, so you are confident that you will be able to get orders, which will take care of second half.

Percy Birdy: Yes, yes. We'll secure the business continually.

Bhavin: Last one on the DI pipe order book, which looks very strong. And if you have seen other players also, which are reporting very strong numbers and strong order book. So I'm assuming this 2,54,000 order book is for next 2 to 3 quarters, will it get executed?

Percy Birdy: Yes. Potentially, yes. See, it is not the demand, which is a constraining factor. So demand is very robust. And if you want, we can increase our order book even today as we speak. We are being cautious as our production is getting ramped up. And that ramp-up is now clearly visible in the numbers. So the efficiency is improving, the quality is improving, the rejection rates are coming down.

Bhavin: So backed up on coking coal on this because you have a blast furnace for Indian facility. So how is the coal tie-up done or procure?

Percy Birdy: So these are all the commodity and we purchase it from the suppliers. So these are market prices.

Bhavin: So normally, we have 1 month inventory or we keep large inventory there.

Percy Birdy: Generally, the market practice is 3 months inventory.

Bhavin: 3 months inventory. Okay.

Moderator: The next question is from the line of Miraj from Arihant Capital.

Miraj: Sir, more or less, my questions have been answered. I just wanted 1 more understanding on the Nauyaan shipyard side if we planned anything for that asset? Going ahead any business that we've planned?

Percy Birdy: No, Miraj. We are evaluating various options. But as of now, nothing has been planned.

Moderator: The next question is from the line of Pranay Gandhi from Green Portfolio.

Pranay Gandhi: So on a very general terms, I wanted to understand that considering the fact that the order book for EPIC is already booked for the next 2 years. So are we looking at some sort of expansion. The underlying reason for this question is that generally, even if we get a new order, it would be served beyond 2 years, and they will certainly be clients who would want the order to be delivered sooner. And in a way, we are losing out on those orders. So how do you see that side of the business?

Percy Birdy: See, Saudi is that way, a very mature market, and the key customers like whether it's Aramco or whether it's SWCC, when they come out with projects and they put them out for bid and invite the quotations, they also look at the capacities, which are existing in the kingdom. And then they come out with those projects in a very judicious timed manner. And these are all long-term projects. So some of them go over 2, 3 years as well.

So it's not a market, which gets overly crowded like suddenly a spate of projects will come up and capacity will not be there. It doesn't happen like that because of the maturity of the market and the maturity of the customers.

Pranay Gandhi: Fair enough. And so since we are already on the track of exceeding the revenue target for this year, how do you see business shaping up of sales in the next 2 to 3 years in terms of the volumes or the revenue?

Percy Birdy: So I think over the next 2 to 3 years, we see our line pipe business holding steady and continuing to grow in India, U.S. and Saudi. We see exponential growth coming from our new businesses. So that is the DI pipes then also the stainless steel, Sintex. These will be the future engines of growth for Welspun Corp.

Pranay Gandhi: Okay. And sir, could you please put a number to it if possible?

Percy Birdy: So I think our investor presentation already gives you that. I think there is a slide, which gives you visibility rather projections till FY '26. So if you look at that, the line pipes is showing projected at about 1.2 million tons for FY '26. DI is projected at about 4,50,000 tons for FY '26. Stainless steel pipes is projected at about 8,000 tons for FY '26 and stainless steel bars at about 65,000 tons for FY '26.

So I think we have put out a broad vision for the next 2 years. We don't have a specific guidance to give you as of now. But clearly, growth is a way of life at Welspun Corp. And you will continue to see the company growing.

Moderator: The next question is from the line of Nafez Alabbas from Ajeej Capital.

Nafez Alabbas: My question basically was just answered by the previous caller. What we really wanted was a ballpark figure for the utilization at your Saudi entity or associates. Just to understand the capacity for winning projects on the short term. I mean are they in the high 90%, let's say 60%, 70%, just a rough numbers, just for us to understand.

Percy Birdy: So your question is for capacity utilization at the Saudi associate?

Nafez Alabbas: Yes. But just a ballpark number, if you don't want to give the figure. Just to know, let's say, they are in the 50s or the high utilized, just to understand.

Percy Birdy: Yes, yes. Now that they have an order book going beyond 2 years, obviously, they will be in a very good capacity utilization number.

Moderator: The next question is from the line of Radha.

Radha: Sir, in the PVC pipes that we are looking to expand, I wanted to understand whether we are looking to supply more to the agri segment or the non-agri?

Percy Birdy: Both these segments will be addressed. So the entire market for the plastic pipes, and we are looking at OPVC, we are looking at UPVC, HDPE, the complete gamut of plastic pipes is our target. And it will be a pan-India presence. So it will be not just Telangana, but we'll be setting up operations at a few more locations as well. And the objective is to really enter the market in an impactful significant manner.

Radha: Okay. And sir, secondly, Sintex water tank business. So could you tell us when can we see significant pickup in the utilization in the water tank business?

Percy Birdy: So the water storage tanks business, which is the traditional business of Sintex, it has also been doing well. They have been showing growth as well there. And along with the plastic pipes capacities that we'll be putting up at pan-India locations, we will be obviously putting up WST capacities as well. So there are a lot of benefits when you can combine water storage tanks as well as plastic pipes together in terms of logistics and shipping costs and all. So both the areas of WST as well as plastic pipes will be growth areas for Sintex.

Radha: Sir, lastly, given that we are trending in the Middle East region for the DI. So you mentioned that demand is very strong on this $80 billion opportunity coming up. So could you tell us what is the total size of demand that will be generated for the DI pipes in India? And what that will be adding any addition to the current demand scenario in the Middle East region.

Percy Birdy: So the DI market in the Middle East region is growing rapidly. And we see that the current local players who are there, they are not able to cope up with the quality and the output that the demand is requiring. So it's actually quite a few imports coming into that region from other countries.

So we see that by setting up a DI facility inside the Middle East, we will be able to at least immediately replace the imports and able to get a quick market share. And since there is growth there, we'll be able to scale up our operations also rapidly.

Radha: Overall the local players you are talking about?

Percy Birdy: There are quite a few local players there in different -- there are 3, 4 large markets inside Middle East region. So those are mostly domestic as well.

Radha: To answer the customer that will be targeting for DI, will it be similar to the extra customer? And these are -- will this benefit for us in terms of approval cycle given that in the customer profile could be similar?

Percy Birdy: The East Pipes Company is a completely separate business of line pipes and the DI pipe that we are talking of Welspun Corp on its own is also completely separate. So we don't see them really mixing anything with them. There might be some synergies in terms of customers, which, of course, we will leverage on those synergies. But otherwise, the DI pipe business will be completely different venture from the existing East Pipes Company.

Moderator: The next question is from the line of Dinesh Kulkarni from RDST.

Dinesh Kulkarni: Congratulations on a good set of numbers. I have a question on the DI pipes in the Middle East. Can you just explain the market here? Like how big is the market? And where do you see it's going in the next 3, 4, 5 years? And what could be a targeted market share you are looking at?

Percy Birdy: See, the water infrastructure market is quite strong, not only in KSA, but in the Middle East region also. If you talk specifically of KSA just as an example, then the Vision 2030 also has been investing heavily on improving the water infrastructure. And we already spoke about the Ministry of Environment, Water, Agriculture, which announced allocation of USD 80 billion recently.

So I think all these are very strong signals that are coming up in terms of the water business. DI pipes as well as for line pipes. Line pipe is getting catered by East Pipes company, there is new DI business, which we will set up somewhere in the Middle East through our own wholly-owned subsidiary.

Dinesh Kulkarni: And do you need any debt on this further, like or this is enough for the time being, what you expect?

Percy Birdy: Sorry, do you need any?

Dinesh Kulkarni: Have you to raise any other capital equity or debt capital apart from this INR500 crores which you are investing right now?

Percy Birdy: No, I think this INR500 crores includes debt and equity both. So this is the project cost.

Dinesh Kulkarni: Okay. And then what kind of an asset turn you're looking at in the next year...

Moderator: Excuse me, sorry to interrupt, sir. We request you to return to the question queue for follow-up questions. The next question is from the line of Aasim from DAM Capital.

Aasim: Yes. Just 1 clarification. The CapEx number that you talked about INR1,800 crores, for Sintex, it was INR800 crores. Can you just elaborate more what are, INR800 crores will be spent on, any breakup within that?

Percy Birdy: Sure, sure. So see that INR800 crores was announced some time ago, which was for the plastic pipes in Telangana. Now we are looking at in a different way. We are looking at setting up a pan-India, so there will be multiple locations, not just Telangana. Telangana will be one of them. And cumulatively speaking, we'll be spending an amount close to this, but not just Telangana, it will spread over into different products, all plastic pipes, so whether it is UPVC, whether it is OPVC, all inclusive.

Aasim: So actually 4, 5 plants, we'll be spending INR800 crores in total?

Percy Birdy: Yes, you can say that, pan-India.

Moderator: Ladies and gentlemen, due to time constraints, we take this as a last question. As that was the last question, I now hand the conference over to Mr. Sailesh Raja from Batlivala & Karani Securities Limited for closing remarks.

Sailesh Raja: Yes. Thank you all for attending the session. We especially thank the Welspun Corp team for their time. Percy sir, would you like to make any closing comments?

Percy Birdy: I think -- thank you for arranging this call, and thanks to all the participants for attending as well. And I hope you have answered all the questions. If you have any further queries, please feel free to contact Goutam or Salil and will be really happy to assist you in this regard. So all of you to have a great day ahead. Thank you.

Moderator: On behalf of B&K Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.