Welspun Corp Limited

Q3 FY 23 Earnings Conference Call

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Management:	Mr. Vipul Mathur - Managing Director and CEO, Welspun Corp Limited Mr. Percy Birdy - CFO, Welspun Corp Limited Mr. Gaurav Ajjan - AVP and Head – Investor Relations and Strategy, Welspun Corp Limited Mr. Salil Bawa - Head, Group Investor Relations, Welspun Group
Host:	Mr. Abhineet Anand - Emkay Global Financial Services

Moderator: Ladies and gentlemen, welcome to the Q3 FY2023 Earnings Conference Call of Welspun Corp hosted by Emkay Global Financial Services. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Abhineet Anand from Emkay Global. Thank you and over to you Sir!

Abhineet Anand: Thanks Jarvin and a very warm welcome to everybody. Today we have the post results conference call for Welspun Corp. I will hand over the call to Mr. Salil Bawa, Heading Group Investor Relations. Over to you Sir!

Salil Bawa: Thank you Abhineet. Good morning to all of you. I welcome all of you to the Q3 FY2023 earnings call of Welspun Corp. Present along with me today on this forum are Mr. Vipul Mathur - Managing Director and CEO, Mr. Percy Birdy – Chief Financial officer of Welspun Corp. I also have with me my colleague Gaurav Ajjan who leads Investor Relation for Welspun Corp. You must have received the results and investor presentation of the company, which are also available on the BSE and NSE as well on the company's website which is www.welspuncorp.com. As usual we will start the forum with some remarks by our leadership team. We will then open the floor for your questions. During the discussion we may be making references to the presentation which has been uploaded. Please do take a moment to review the safe harbor statement in our presentation. Should you have any queries that remains unanswered after this earnings call, you can reach out to us anytime. With that let me hand over the floor over to Mr. Vipul Mathur – MD and CEO for Welspun Corp. Over to you, Sir!

Vipul Mathur: Thank you Salil. Thank you very much and good morning everyone. Welcome to our Q3 FY2023 conference call. I sincerely appreciate for taking time to attend this call and I hope all of you are doing well. Let me run through you the key highlights of our performance during this quarter ended 31st December 2022. We commenced operations in our US facility and have also started dispatches. As you know, we have a strong outlook and order book in the US market. We are also ramping up sales for our state of art ductile and TMT plant which got commissioned in this quarter. We have also received possession of the specified assets of ABG ship yard. As we are committed to ESG, we have published our maiden sustainability report and tax transparency report in this quarter. As regard to order book, we have a very healthy order book of almost 928,000 tonnes and an active bid book of 1.7 million tonnes.

For the quarter the production and sales volume in line pipes for our total operations including Saudi was at 330,000 tonnes and 281,000 tonnes respectively. For India operations, the sales volume was at 126,000 tonnes, for US operations the sales volume was around 38,000 tonnes and for our Saudi operations the sales volume was around 118,000 tonnes.

Let me give you some views on the outlook and brief update as to where do we see the three geographies in which we are present for the next quarters to come. Let me first talk about the pipe vertical. In the pipe vertical where we predominantly produce line pipes, the line pipe business has seen a robust performance with a global sales volume of 281,000 tonnes and an EBITDA of Rs.202 Crores for the quarter. The production in the US has significantly ramped up and the dispatches against the project have started in Q3. The full impact of this will be seen in Q4 FY2023 onwards. It is expected that 2023 will be another strong year for the oil and gas industry as consumption is expected to increase. According to IEA, global oil demand is set to rise by 1.9 million barrels per day in 2023 to a record high of 101.7 million barrels with nearly half the gain from China following the lifted of COVID restrictions. In addition, the EU will need to buy a lot more gas to refill its storage and will continue using oil products that is no longer available from Russia. Global oil prices have forecast to average around $80 per barrel which is a fairly healthy level and should spur further investment in pipeline. For India, the Ukraine crisis has reaffirmed the importance of energy security as governments around the world are trying to secure gas pipelines at affordable prices. The EU is pivoting away from Russia to other regions to secure the gas it needs. The current environment along with the reasonably high energy prices will lead to a robust capex cycle in the oil and gas infrastructure globally. We are seeing a strong revival in various pipeline projects and are in active discussion for several export orders across the world with a focus on Europe, Australia, South America, South East Asia and Middle East. The government of India has also set a target to raise the share of natural gas in the energy mix to 15% by 2030 from currently 6.2%. Various steps have been taken by the government in this direction including expansion of natural gas grid, expansion of city gas distribution network and setting up LNG terminals. PNGRB has authorized approximately 33,000 km length of natural gas pipeline network across the country. Out of this 21,000 km length of natural gas pipeline are operational including 6600 km of partially commissioned pipelines. In addition there are 12,000 km of natural gas pipeline which are under construction. We have seen a healthy demand from PSU, oil and gas companies. The overall capex target for FY2022-2023 is Rs.111,350 Crores for which Rs.77,000 has been spent in April to December 2022. We expect a steady demand from these companies to continue for several years. There has been a revival in the water sector with a cooling of in the steel prices in the quarter compared to the previous year. We have seen increased demand across the states of Gujarat, Maharashtra, Tamil Nadu, Karnataka, Madhya Pradesh, Punjab, and Rajasthan. There are several schemes planned by both the central and state governments to ensure optimal sustainable development, maintenance of quality, and efficient use of water resources to match the continuously growing demand across the country.

As regards US, Europe energy crisis is expected to keep the LNG market tight for the next few years supporting cash flow generation for the US LNG players. Rising global demands for natural gas is a growth opportunity for US LNG producers, but delivering on opportunity will depend on timely construction of natural gas pipeline infrastructure to support new US LNG supply. In 2022, the EU imports of LNG hit 101 million tonnes which was a 58% surge compared to 2021 as Russian gas exports to EU got shutdown. Meanwhile, China reduced their domestic demand in 2022, allowed Chinese importers to redirect their contracted LNG volumes to the higher price European spot market and help Europe to avoid major shortages. A potential recovery in the Chinese market in 2023 will bring back the risk of natural gas supply in Europe. European demand may accelerate LNG capacity expansion in the US, this in turn would spur further capital allocation for constructing new pipeline capacity to connect the largest US gas producing regions like the Permian Basin to the new export infrastructure. Our HSAW plant in the US is fully booked till December 2023. The current business environment is extremely conducive and we are in active discussion to book new orders beyond 2023 for our spiral plant.

Saudi Arabia, we have seen a very strong performance in our associate company East Pipe with a 266% Y-o-Y jump in revenue and operational profit of 61 million during the quarter. The outlook for oil and gas sector in Saudi Arabia is encouraging. The master gas system phase 3 is being planned by Saudi Aramco for transfer of gas from east to west in Saudi Arabia. Saudi Arabia is also trying to speed up conversion of number of power plants from oil to natural gas. In that perspective, Saudi Aramco is extending the existing master gas system to western province in order to supply the power plants located there. The planned new pipelines and distribution network to be operated by Saudi Aramco will add to the existing Saudi pipeline capacity. Apart from above, Saudi Aramco is also keenly focused in developing their offshore infrastructure and are rolling out a 10-year plan in terms of development of their offshore infrastructure. This will also mean a substantial increase in the demand for the pipes to come. SWCC is also investing in increasing its capacity to desalinate, transmit and store water to meet the increasing demand and further enhance water supply security. Today Saudi Arabia can store 21 million cubic meter which is equivalent to 2.2 days of current municipal water demand. Projects are ongoing to expand storage capacity by 14% and the expansion to a further 225% is planned to reach seven days of strategic storage by 2030. On desalination around 9 million cubic meters per day can be produced today. The market share of SWCC is around 66% of the total current production capacity and projects to increase desalination capacity by 60% are under construction. Moreover Saudi Arabia plans to increase desalination capacity by 17.4% by 2030. Given the vast geography of Saudi Arabia, transmission of desalinated water to its demand center is of key importance. Today around 13.9 million cubic meters per day can be transported across the country. The capacity is currently being increased by additional 56% and a further expansion of 44% is planned by 2030. Thus both Saudi Aramco and SWCC put together are showing a very robust sustainable demand for the next few years. Our associate company Epic recently announced signing contracts for supply of steel pipes for water transmission with a total order value of around 570 million Riyal with NEOM and Petro Jet Company. The huge thrust on oil and gas and water infrastructure will result in a strong demand for pipelines as we expect to win more orders in due time to come. Let me now shift to another vertical which is our steel vertical. The pig iron and the DI pipes. During the end of the quarter, we announced the commissioning of coke oven through Welspun Metallic Limited a wholly owned subsidiary of the company. The coke oven has a production capacity of approximately 210 tonnes per annum, which will primarily be used in the blast furnace for manufacturing of hot metal. This will help with continuous supply of high quality coke at a very competitive cost to run the plant efficiently. This is a significant milestone in our quest to manufacture high quality DI pipes. The coke oven is built with a latest technology adherence to the highest safety and environment standards. The EBITDA in this quarter for the steel vertical showed a loss of Rs.34 Crores as compared to the previous quarter which was at a staggering 293. We are ramping our production in calibrated manner to ensure that we deliver pipes of the highest quality to our customer. In the month of January 2023, our production has already touched close to 10,000 tonnes of DI pipes. The removal of 15% export duty on pig iron has also given a boost to selling of pig iron in the market in both domestic and in export market. We expect the financial performance of the business to significantly improve in the subsequent quarters. As the pig iron sales will also get ramped up as the prices for the pig iron also firming up and so is our capacity on the DI pipes has also significantly ramped up and we produced in January 10,000 tonnes of pipe which is a sort of milestone in a startup DI company if we see any historical data. To make provisions of portable tap water supply to every rural household of the country by 2024, government of India in partnership with states is implementing the Jal Jeevan Mission, Har Ghar Jal. With an estimated outlay of 3.6 lakh Crores. As on 20th January 2023 out of 19.36 Crores rural household in the country, 10.96 Crores household are reported to have tap water supply in their home. Overall the demand environment is extremely robust and as on date we are already having a back log of close to 88,000 tonnes of order valued at Rs.665 Crores.

I now shift my focus to the billet and the TMT bar. Our newly commissioned state of the art plant has started dispatches of TMT bar. The initial response has been extremely encouraging with a healthy traction both in the B2B and B2C sector. We are creating a unique and industry first digital platform for distributors, dealers, retailers and influencers. This will have a socioeconomic impact and will also help to analyze early trend buying patterns of the consumer in every region. This can help our production and make supply chain operations more effective while staying customer centric. Our key target for the TMT bar will be the state of Gujarat where we estimate an annual demand of 3 million metric tonne per annum driven by the spending on housing and construction of this approximately 2 million tonne is manufactured within the state and while 1 million tonne is procured from outside the state. Thus it opens up a huge opportunity for us to capture this market from our production facility.

I also draw your attention to our subsidiary Welspun Specialty Solutions Limited. WSSL has recorded a turnaround in performance and they turned cash positive in this quarter. Going forward, the company expects its improved performance to sustain on the back of several new customer approvals, additions, development of new products and penetrating new market. Pipe volume higher by 45% for Q3 FY2023 and 70% for 9 month FY2023 both compared to the corresponding period in the previous year. The total income was 175% higher for Q3 2023 compared to the previous year. EBITDA for Q3 stands at Rs.9.4 Crores versus a loss of Rs.1.6 Crores in Q3 of FY2022. The total order book of WSSL for stainless steel bars stands at 2134 tonnes amounting to 60 Crores and for tubes and pipes, the order book stand at 1426 metric tonnes amounting to approximately 100 odd Crores. The Finance Ministry has approved a gazette notification for antidumping duty on stainless steel, pipes, and tubes chapter 7304 imported from China. This is expected to significantly improve business prospects for our plant and for all the mills in India. The BIS standard for seamless pipes and tubes which is BIS 17875 has also been introduced which is favorable for integrated players like us. The company has received accreditation certificate by BIS for wider range of product and sizes.

Let me also give you some other updates with respect to our acquisition on ABG and Sintex. First about ABG. The company has received a position of the moveable asset properties for the liquidator of ABG. Further the company’s wholly owned subsidiary Nauyaan Shipyard Private Limited has received the possession the partially built ships, equipment and metal scrap acquired under WCL which is estimated to be over 150,000 tonnes. It is estimated that the metal and metal scrap not required for the business purpose will be disposed over next 12 to 15 months. We have already initiated the proceedings with respect to that and we expect to see significant cash flow coming in from this sale on a quarter on quarter basis for the next couple of quarters. During this period, we will also evaluate new business areas like defense, green field, offshore wind, oil and gas structures to ensure optimal utilization of the asset. As regards to Sintex, Welspun growth strategy entails creating a diversified product portfolio, repurposing business to add new target segment expanding its offering to add both B2B and B2C market and making well consider strategic acquisition. In this regard, we are in the process of acquiring Sintex BAPL non convertible debentures with an outstanding value Rs.1231 Crores for a purchase consideration of 421. This is already accomplished. The whole process as you know it was under IBC is nearing completion and we are hopeful that it should be over in next couple of months, on or before Q1 FY2024.

ESG, Welspun published its maiden sustainability report for FY2021-2022. The report is significant in helping WCL comprehensively reporting its sustainability performance across the environmental, social and governance domain. The report also highlights the progress made by WCL over its sustainability goals and in alignment with the global framework like the GRI, UNSDG, and FAFCB standard. In addition, we published our first ever tax transparency report. It is essential that we explain not only our compliance with tax laws and disclosure requirements and guidelines, but also our overall approach that sets the context for tax liability. The voluntary disclosure through the report demonstrates that we strive to uphold the highest standard of transparency and governance. With this, I would like to conclude my opening remarks. I will be happy to take any questions. Now the floor is open for you guys.

Moderator: Thank you. We will not being the question and answer session. The first question is from the line of Abhishek from Arihant Capital. Please go ahead Sir.

Abhishek: Hello Sir this is Abhishek. Congratulations on good set of numbers. Two questions, one is why is the debt increased and it is because of the capex which we are ongoing through and when we are going to see the debt kicking out. Second question on the Sintex BAPL side are we seeing any challenges because as per initial commentary it was supposed to be completed sometime in January and now we are talking about Q1 so what is the reason for the delay and what is the current state of Sintex.

Vipul Mathur: As regards to your first question, you are absolutely right the debt has increased because of the capex cycle we have gone into. We have invested into our steel making facility, our DI making facility, our TMT, acquisition of ABG and the acquisition of NCD for the Sintex BAPL so these are the key factors for our debt increase at this point in time. As these companies will start operating, as they are ramping up the production as you see the DI pipe company is ramping up significantly. The steel plant is doing extremely good job. The TMT business is also in the process of stabilizing. ABG acquisition has also taken place and the scrap sales will start in next couple of days and once Sintex also comes on board you will see the gradual reduction in debt which will start happening and we have already said that it is our endeavor that we would like to again come back to debt free level in the next three financial year so we are absolutely focused on that. We have devised a clear road map for that and we will be continuously monitoring and working towards that. As regards to your second question with respect to Sintex BAPL. It is a regulatory process. We are expecting that it can get over even before 31st March, but just to be a little bit on caution side I am saying if it might slip by few weeks here and there it is quite possible because we have no control on the regulatory process but as regarding the process I think it is moving absolutely in the right direction and we are very, very hopeful and we feel convinced that this transaction will get closed ASAP.

Abhishek: And can you throw some light on the ABG what was our thought process now once we acquire ABG and what is plan our action going forward and any point of time we see any kind of opportunity like mainly a technical tie up with any global player at any point of time do we see this kind of opportunity for ABG also.

Vipul Mathur: See ABG as you know is a wonderful asset. Our first priority was to take the asset under control, that mission has been accomplished number one, Number two then we have embarked on a journey of seeing what is lying there, what is of use to us and what is not use to us so we have also completed that exercise. Now what is not used to us we have created a separate team which is completely focused on disposing of those things so we would like to bring in that cash flow into our plate. On the business side we are already discussing with few reputed companies and consultants that what should be the best way ahead for us or the road map for us which is value accretive. We are exploring quite a few options. Option number one happens to be ship building, ship repair. We are also looking at offshore marine sub structure. We are also looking in terms of can this facility be converted into where we can have some green steel making facilities so all these options are up on the table and at this point in time, we are exploring each and every option absolutely in detail so as to come out with a clear cut road map for the next 3 to 5 years' time that what will be the best sustainable offering and which will be value accretive so this is a work in progress and as we will move forward we will keep you appraised about the same.

Abhishek: Sir I have few more questions but I will come in the queue Sir. Thank you Sir.

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

Vikas Singh: First of all congratulations on some of this smaller business unit turn around. We were waiting for this for a long time. Sir I want to understand one thing. What we have seen in the last couple of quarters or prior to that our India order book has not been growing in a significant way while if I look at some of your competitors they have added orders at a much faster rate than you, so just wanted to understand our strategy with respect to India are mills we purposely keeping this mills free or we are just looking for higher margin order so what is our strategy here.

Vipul Mathur: Vikas thanks for the compliment on this turnaround. Well our turnaround is both in the smaller and the larger companies both. The steel setup is a large set up and it is a great turn around there as well so I take that compliment. As regard to the India pipe business, as you know we have asset in Anjar, we have assets in Bhopal and Mandya right. These are three operating assets what we have in India. Primarily our strategy is that from our India assets we are trying to do majority of the water business and a significant portion of the oil and gas business and CGD business. I think so from a volume perspective we are seeing a consistent volume across all. The oil and gas business if you see we have a consistent order book, from the CGD business also we have a consistent order book and even from the water business we have a consistent order book. So in our Indian essence which are servicing the Indian market there is a very consistent approach we have been following, number one. What we have been holding back is our longitudinal pipe business which is predominantly our export business and that business is a high margin business so what we are always trying to blend the Indian business and the export business together so that we are able to make a higher EBITDA margins so this is what our strategy has been. This is what our strategy is and likewise this is what our strategy going forward so at this point of time I think all the mills which we have in our Indian asset are operating, none of them is idle and I can say looking at the business prospect and volume I think so they will continue to work on quarter on quarter basis.

Vikas Singh: Understood Sir. Sir in terms of our bid book basically which geography has a higher percentage in this bid book if you could just give us some insights into it.

Vipul Mathur: Right now if you see from a bid book we have sort of active bid book of almost close to 1.7 million and today of course Middle East seems to be leading the pack. We are seeing a significant business potential which might be emerging from Middle East. We are also seeing a significant business coming up from Europe and we are also seeing a substantial business coming from South East Asia and Australasia so these are about three areas which we are completely focused on and if you see our track record we have been extremely active and extremely successful in these three areas and fortunately these three regions are showing a very very strong demand over the next couple of years coming through and that is getting reflected in this bid book.

Vikas Singh: Sir just a small further clarification here. Given we have mill in Saudi where India holder only have 35% of the waited so this bid book are these larger part bid from the Indian mills or larger portion would still go to Saudi and India mills have to wait so just wanted to understand. Because I believe this 1.7 million tonne bid book is for the entire group and not including Saudi as such.

Vipul Mathur: We are not taking Saudi here. This is purely what we are talking, 1.7 million tonnes we are purely talking which could be a potential bid book addressable out of our Indian assets. Saudi is over and above there. Saudi is a very localized domestic market and with our presence out there, you know that we are doing extremely well out there and the prospect looks even better in the years to come but this 1.7 million bid books refers to the addressable market which we are looking to service out of India and of course US.

Vikas Singh: Understood Sir. My third question with respect to your capital allocation policy. Since now we have got the debt of roughly about 1800 Crores are we just looking to stop right here or there are further plans which are on the pipeline and what kind of debt take out we would witness as per your internal assumption by when.

Vipul Mathur: See this 1800 Crores of net debt what you are looking at this point in time is because of all the green field projects or the acquisitions what we have done and all these acquisitions we have discussed and deliberated in details in our past meeting that they were all thought through acquisitions and once we have made this acquisition over a period of time this will start yielding benefit and it will lead to an incremental growth into the earning of Welspun Corp so that was the whole genesis behind it. Answering your question at this point in time we are pretty much done with our capex cycle. We have clearly set our platform together. We now have a fully operational pipe vertical. We now have a fully operational steel vertical. We have acquired ABG and we have Sintex so these are the four verticals which we were determined to get into. We have got into that. We have put our skin in the game and beyond that at this point in time we are not thinking anything more other than that. Only operationalizing them and ramping up their operations and making money on that.

Vikas Singh: Understood Sir. Sir one just last question if I may pitch in. Sir could you just give us US specific performance details what kind of EBITDA per tonne they have done this quarter.

Vipul Mathur: In this quarter they have produced and run a dispatch close to 38000 tonnes of sales they did and because they only started production sometime since September so while the production started the production ramp up happened and then we have made a dispatches of almost 38,000 tonne and the bulk of the order we would start seeing the dispatches happening from Q4 onwards going up to Q3 of next financial year, so the next four quarters you will see order book getting completely executed. In terms of earning they made a modest turnover of almost close to $7 million around Rs.55 odd Crores in this particular quarter by the sale of almost close to 38,000 tonne.

Vikas Singh: Thank you Sir. That is all from my side and congratulation on turn around on some of the entity and hoping for a better future.

Moderator: Thank you. The next question is from the line of Yash from Sushil Finance. Please go ahead.

Yash: Good morning Sir. I have couple of questions. Firstly congratulations on gross margins which have improved significantly in the previous quarter and the previous years. My first question is could you throw some light on other income. There has been a substantial fluctuation happening quarter on quarter and secondly there is a line item other expenses which have increased from approximately 140 odd Crores to 358 Crores year on year so if you could throw some light on the bifurcation of the other expense which is major two component or major two heads which are having those expenses at the begriming.

Vipul Mathur: If you see our other income in the two sequential quarter. I think in the quarter before that in quarter two we had the sale of asset at Dahej and it was close to Rs.104 odd Crores which came from the sale of our Dahej plant, also there was a mark to market earning in the other income which was close to Rs.43 odd Crores so all put together this was close to Rs.160, Rs.170 odd Crores of other income. That is why you saw that other income higher in the Q2 in comparison to the Q3.

Percy Birdy: Other expenses includes of course lot of expenses which are apart from the materials and the manpower cost and as you know we have lot of businesses which are ramping up so WML, WDI, and ATMT all these are new businesses and all the production expenses everything is ramping up so going forward quarter-on-quarter numbers will be very difficult to compare for all of you because of the newer businesses which will be ramping up, but on the whole I think these are all the numbers which are on the predictable lines as we add these new business. We expect these new businesses to start contributing to the bottom line in the next few quarters.

Yash: Okay and a followup question on the gross margin side of the EBITDA level, EBITDA gross margin do we see the same level maintaining going forward and have you the observed increase in raw material prices completely or do we see something happening in this quarter as well?

Vipul Mathur: I think whatever hit we had on the raw material side which was predominantly on the coal which everyone knows across the industry that hit came, so we also had that hit in the Q2. I think so that was almost fully absorbed in Q2. A residual impact of that is seen in Q3, but with that I think so this history of any raw material impact coming into play I think so it is all completely addressed so moving forward the gross margins across the businesses are likely to go up only and as the businesses are ramping up, as their performances happening, as dispatches and sales is happening and the market looks very promising I am very confident that the gross margins over the next subsequent quarter is going to be better than what we have seen this quarter.

Yash: Sir just last one question sorry the government contracts and other contracts which we have so do we have a price escalation clause in those contracts going forward or like some of your competitors are have requested the government for a price escalation clause so are we also opting for the same or how is it or was it already in place?

Vipul Mathur: The quantum of government contracts in our Indian business is only restricted to the business what we do with the PSU in the oil and gas sector right and that business is a fixed price contract and where we always do a sort of a bidding on a back-to-back basis so I think so we they are fully secured contracts for which even the raw material is completely taken care of so I do not think so there is any impact on that number one. Number two when it is for the DI pipes, the DI pipes also has some component of direct contracts with the government and most of the government contracts now have been modified on a price escalation basis so they are index based pricing now which is available and to that extent we are completely insulated on the DI side of it. Earlier it was because only on the pipes side of it. Now on the DI side of it whatever is the government contract they are index based so from a raw material perspective I think so on both the fronts the steel front and the pipe vertical front we are completely insulated.

Yash: Okay thank you for answering.

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

Saket Kapoor: Thank you for the elaborate answer. I joined a bit later so sorry for any repeated questions but firstly Sir if you give me the debt numbers as on December on a consol basis?

Percy Birdy: So Mr. Kapoor our debt number at the end of December on a consolidated basis net debt stood at about Rs.1800 Crores so this is up from September quarter, which was about Rs.1600 Crores so we are up by about Rs.200 Crores largely driven by the project capex and we are approaching now the fag end of completing all the project capex so by this March will be completing most of the capitalizations as well so you may virtually say that this is the peak level that we are witnessing right now and going forward we will see improvements as our working capital will also get released more and more and project capex are also coming to an end.

Saket Kapoor: Sir and what is our capital working progress as on December 31, 2022 and what is going to be likely for March 31, 2023?

Percy Birdy: The capital work in progress is basically an entry which it will get capitalize and go to fixed asset but I think your question may be more towards the capex cash flow so I think as we stand today may be another Rs.100 Crores odd figure could be there pending for payouts towards the projected capex?

Saket Kapoor: Sir how much we are going to capitalize March 31, 2023 what is the working CWIP as on December 31, 2023?

Percy Birdy: So by December we had capitalized things like the coke oven was capitalized. The sinter is capitalized so the bulk capitalizations are done. On the DI side also some of the NIM have already been capitalized. Some capitalization will happen in Q4 as well but this is by and large just a balance sheet entry between CWIP to fixed assets and by March 31, 2023 we will complete all the capitalizations majority of it.

Saket Kapoor: When we look at now the new businesses and the profile of the company it is totally different than what we were only subjected to a line pipe company Sir so going ahead as the things get aligned how will the revenue profile look like if you could give a ballpark percentage means what would be the contribution from the various segments going ahead Sir?

Vipul Mathur: See as we say that you know now we have two verticals the steel vertical and the pipe vertical. The pipe vertical will continue to be our mainstay number one and as you know that we are seeing a very super tailwind on the businesses both in the domestic and the global market so pipe business will continue to be our main stay and our new businesses which are embedded into the steel vertical. I think as they are ramping up they will also start contributing to that. If I have to say I think in terms back of the palm number if I have to throw, I think so the ratios will still be close to 60% of our earnings and revenues would still be coming and our margins will still be coming from the pipe business and the balance would be coming for the next two years will be coming from the steel businesses and other businesses. I am currently discounting in this. The Sintex part of it because it will be improper to comment on that at this point in time because we will like to make a very judicious call and judgment and give a clear guidance when we are in absolute control of things so all what I am saying about this 60:40 ratio is more on the current businesses on which I have full control of.

Saket Kapoor: Sir what has been our investment to this Sintex part and the other vertical how much have we invested and what is the outlook going ahead? How will these investments will start accruing to the P&L going ahead? What is the timeline for it?

Vipul Mathur: So Sintex is close to Rs.420 odd Crores. That is the amount we have currently invested into that at this point in time and as Mr. Percy said that now we are done and as I also said we are now done with our capex cycle so all the capex which was supposed to happen has now happened in the steel vertical, DI pipe, the TMT mill, the ABG shipyard, and the Sintex so I think so we are pretty much done with the capex cycle and this is what the numbers what we have disclosed broadly will remain the same now.

Saket Kapoor: Sir in particular to the investment in Sintex and ABG shipyard how are these two assets aligned to our business model and the total investment of Rs.429 Crores you mentioned for

Sintex? For ABG how much investment has gone through and what is lined up and how are these two assets going to gel with our total business profile?

Vipul Mathur: As Welspun Corp aims to diversify its portfolio, we had been a large B2B player and we wanted to create a platform and wanted to have a large B2C presence and that is the rationale of bringing Sintex into play and we do not have to talk about this particular brand. I think everyone knows about what sort of a brand pull it currently enjoys so Sintex will be leading our B2C play so synergistically from a pipe company no synergy but as Welspun Corp is trying to become a conglomerate so on one side they will manage the pipe business. On the other side we will manage the steel business. On the third side there will be a shipyard and the fourth side we will have the Sintex. Coming back to the shipyard business we see a huge synergy into that business because that is also a sort of fabrication job. Shipbuilding or ship repairs and anything which you do on the offshore asset or an offshore platform is more than less like a fabrication business and it is very synonymous and very close to the business what we do on our pipe side of it in our pipe vertical and it seems to be a very high growth area at this point in time and on top of it the acquisition was fairly reasonable so all put together that made a very interesting proposition for the ABG Shipyard and we are very hopeful that over three to five years' time we will make a complete turnaround of that and in between that whatever is our acquisition cost we will like to mitigate it to the non surplus items which are there and by virtue of liquidating that so it makes a great synergy for our business.

Saket Kapoor: Two small points our investment in ABG is total what amount have we spent as of now?

Percy Birdy: So we have put in about Rs.700 Crores plus GST so far and majority of it is of course for the scrap that we have got more than 150,000 tonnes including the partially completed ships and we will try and monetize these assets as quickly as possible so that will of course limit our investment exposure and as far as the business plan is concerned we will take our time. We will do our due diligence and then we will come up with a complete proposal as to what do we do with these assets and how do we use them for our business growth.

Saket Kapoor: Sir one more question then for Sintex and ABG, Sir these two stories have been the leverage stories of the two promoters wherein they could not manage the business for one or other reasons and for ABG it was a capital intensive part and not to quote what was wrong being done by the promoters whether or not and for Sintex also it was exposure towards the government projects and receivable issues. So what are the two learning stories and compelling reasons for which other than getting things at a discount what would have made you people believe that these two are the potential to put the management bandwidth since that we have a large pie in the pipe segment and we are also expanding. We have already expanded in the DIP which is itself offering a lot of business opportunity so trending towards these two unrelated segments what confidence and how is your management bandwidth there in these two verticals at the time and energy that we spent would generate the same ROE and ROC that the pipe segment in totality is what garners to?

Vipul Mathur: I think so you asking couple of questions there Mr. Kapoor. Number one why were they not managed nicely by the erstwhile promoter, I do not think so I intend to comment on that. There could have been various factors and so be it. As regards to Welspun, number one it is not that they were available to us at an attractive proposition. They were a completely thought through stories, thought through acquisitions and which clearly will be the next engine or fuel for our growth. Sintex is our play coming to the B2C is our play for the B2C segment and we are completely focused to turn it around. We have a clear strategy around that and we know that what type of brand it is, what can be leveraged from this particular brand, what is the penetration it has, it has more than 800 distributors and 13,000 retailers. To create a platform and to have a platform like that into a B2C place is commendable. I think so one is the brand and other is the network and then it could be leveraged into so many other things so that was our whole contention of getting into Sintex and we are very confident that it will be a clear turnaround story. ABG why it is not operated well, I think so also it has to do with the timing part of it. Probably at that in point the government businesses what was happening, the government or the PSU business was not very encouraging. Today if you see this government's focus on Make in India Atmanirbhar Bharat India and all that all the defense shipbuilding has to happen in India. I think so there is a huge potential of shipbuilding which is going to be there in the defense sector itself. If you see that all that government shipyards have an order book of more than seven to eight years, but their demand and the appetite of the government in terms of putting more ships into the water from a defense perspective is so high that there is a lot of business which is expected to come back to the private sector and this is one of the genesis of which for us to look for the ABG Shipyard. Not only this is a genesis but if you see the freight corridor across India the water transportation in India and the corridor the economic corridor for the freight for the shipping lines across India that has significantly gone up. It is almost tripled over a period of time so that necessitates a huge need for timely ship repairs so this asset could be a potential a global asset in terms of ship repairs as well. Thirdly, this asset is the only asset where offshore structures and offshore drilling rigs it was compatible to make. The way things are panning out at this point in time, the way the offshore story, the oil and gas story in offshore, the offshore structures story in offshore, and the drilling rigs business globally, I think so this is one particular asset which has the competency and the capability to do that so all put together when we have seening, we are seeing a great potential into that and that is the reason we ventured into that withstanding that the acquisition cost was a fairly reasonable so just to tell you Mr. Kapoor that it is no knee jerk reaction. It is absolutely thought through with a proper diligence and with a clear road map that we have put our hands into this game.

Saket Kapoor: I will come in the queue Sir. Thank you for the opportunity.

Moderator: Thank you. We have the next question from the line of Radha from B&K Securities. Please go ahead.

Radha: Good morning. Thank you for the opportunity. Sir the first question in the line pipe business could you give us a break up of that 2,18,000 tonnes of sale for this quarter India, US and Saudi?

Vipul Mathur: Good morning Radha. I think for our India the sales was 1,26,000 tonnes. For our US operation, it was as I said it was 38,000 tonnes and for our Saudi operations it was 1,18,000 tonnes so that was the sales for this particular quarter Q3.

Radha: And also the break up for the order book Sir 928 breakup?

Vipul Mathur: I think the break up is very evenly split it. We have almost close to in excess of 300,000 tonnes of business in India, more than 400,000 tonnes of business in US and close to 200,000 tonnes of business in Saudi so that is the broad breakup. That brings us to close to 952 almost a million tonnes of business at this point in time.

Radha: Sorry I could not get you? How much is it in US and Saudi?

Vipul Mathur: US is more than 400,000 tonnes and Saudi happens to be close to 200,000 tonnes.

Radha: Okay Sir this India EBITDA per tonne has jumped significantly in this quarter so could you give us the reason for that?

Vipul Mathur: As I have always said EBITDA per tonne is a factor of a product mix. In this particular quarter, we have a very favorable product mix number one. We have very profitable orders which got executed and that is the reason you are seeing a high EBITDA per metric tonne for our Indian business. Moving forward even for the subsequent quarter the way the product mix looks to us, looks pretty decent at this point in time and I hope that we should be able to maintain the same EBITDA per tonne in the subsequent quarters if not improve upon further.

Radha: Okay Sir and in the Saudi business you said you have a 2 lakh tonnes of order book just now so out of that is the entire order book pertaining to the water segment?

Vipul Mathur: Yes currently yes. Currently approximate 200,000 tonnes of the water is businesses purely the water segment yes. You are right.

Radha: Okay and Sir last there is a sharp correction in gas prices so is this expected to impact the order book position or new tender in the US business?

Vipul Mathur: It should rather improve. We see that they have gone to an abnormally high level and that is where the consumers have started feeling the pinch and we were seeing a little slowdown especially on the CGD side of it. I think so with the sharp correction which is happening I think so the projects on which some rethinking was happening. Probably that will be over and we would see fresh business opportunities coming up on the table so I will see that as a positive rather than a negative.

Radha: Okay Sir and in DI Sir could you tell us how much of coking coal inventory we have in terms of months?

Vipul Mathur: I am sorry.

Radha: Sir in DI business how much coking coal inventory we have currently?

Vipul Mathur: In DI business we do not have the coking coal inventory. It is in our steel business we have the coking coal and we have defined the product. We have defined that the bulk raw material has to be always covered up to a particular limit. We have set internal goals that what will be our goal that we need to carry for iron ore and what we need to carry for coal so we have set internal targets and we are well within that. On the DI business it is purely a DI pipe.

Radha: Sir from the consol business how much EBITDA per tonne are you expecting for the next one year or so?

Vipul Mathur: As I said EBITDA per tonne is a factor of product mix and the product mix keeps on changing on a quarter-on-quarter basis. It is very, very difficult to predict at this point in time that what is going to be the product mix for the next quarter. All what we would have a visibility for the next quarter. Let us say we will have a visibility for Q4 but while we will have a booking till Q3 of the next financial year but there will be some new orders which will come and at what margins they will come, and what profitability they will have so that will keep on changing but the way things look like at this point in time, I think so the market seems to be extremely buoyant. I think so this EBITDA per tonne whatever we are showing in this particular quarter, I think so this cycle should sustain.

Radha: Okay Sir. Thank you Sir. That is it from my side.

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

Bhavin Chheda: Good morning Sir. Overall congrats on a good recovery in this quarter and strong order book across US and Saudi. Sir two to three questions? First on the leverage level so how much capex would be pending and can we assume this gross debt and net debt levels are at peak level or the same would peak out by March 2023 if Percy is there on the call?

Vipul Mathur: Good morning Bhavin. I think Percy is there. As Percy said that we have only a residual capex projected capex which is left out which could be in the vicinity of Rs.100 Crores to Rs.150 odd Crores. That is the residual projected capex which is left out and it will all be done on or before March 31, 2023 so we will be done with our capex cycle so there is nothing beyond that.

Bhavin Chheda: Residual will be of Rs.100 Crores to Rs.150 Crores obviously you are generating strong EBITDA which means that leverage will come down or we will need incremental working capital for US order book and all that?

Vipul Mathur: The leverage will come down Bhavin for sure and as regard to the US part of it the working capital, I think so that is fully secured and fully in place. I do not think so there is any need for any incremental working capital for our US operations so we have adequately covered ourselves there.

Bhavin Chheda: Sure and in terms of the order pipeline also I think you have mentioned somewhere bid book of 1.7 odd million so is there some kind of a geographical break up in that bid book how much would be US, Middle East and India just percentage terms would also be fine?

Vipul Mathur: So as I said Middle East seems to be having a significant which is almost one third of the business seems to be coming from the Middle East, then US and then South East Asia and Australasia so it is in that particular three regions that we are seeing.

Bhavin Chheda: Sir I am saying bid book of 1.7 million?

Vipul Mathur: Bid book.

Bhavin Chheda: Yes bid back of 1.7 million? That would be also a similar breakup in line with the order book breakup?

Vipul Mathur: It is pretty much close to that. You have seen in the US side of it, it is pretty much close to that. You may say that.

Bhavin Chheda: Okay and Sir DI pipe breakeven should be there by Q1?

Vipul Mathur: The DI pipe has ramped up significantly. I think so in the Q3 they have just started and they were ramping up their performance but to just give you some reference point that whatever they produced in totality in the whole quarter in Q3 they produced almost close to that they are producing first month itself so you can assume that what type of a ramp up it is happening almost close to 10 - 12,000 tons.

Bhavin Chheda: So what I am saying so pig iron prices are also going up and DI pipe prices are going up after the export duty have been scrapped so the EBITDA break even part we should be there by Q1 FY2024 based on the order book and current pricing scenario obviously the same?

Vipul Mathur: It is fair to assume that. Absolutely fair to assume that.

Bhavin Chheda: Okay thank you and best of luck Sir.

Moderator: Thank you. We have the next question from the line of Surabhi Saraogi from SMIFS Capital Markets Limited. Please go ahead.

Surabhi Saraogi: Just one question Sir. Can you give some outlook or guidance regarding the revenue and profit for the next quarter and the next financial year?

Vipul Mathur: Surabhi generally as a policy we do not give any guidance, but all what we are trying to help you to understand I think so we have a robust order book at this point in time a confirmed order book and across all the three geographies India, the US as well as the Saudi. All of these are extremely profitable orders at this point in time and on top of it we are also seeing a huge tailwind across all the three geographies in terms of US, in terms of India, in terms of Saudi so I think so the A) the order book is good. The order book is profitable and the demand projections what are looking are looking extremely encouraging but they need to be converted into businesses and opportunity and that will determine what will be the revenue earnings and all that stuff so we always fall short of giving a guidance but I think so if you do a sort of a metrics around these three data points, it should be able to give you a satisfactory answer that the company is definitely poised to grow from here on.

Surabhi Saraogi: Okay and Sir one more question last quarter you mentioned about an order regarding carbon capture pipeline in the US so any update on that front?

Vipul Mathur: Yes so we have this carbon capture order from the US. This order is at this point in time of course the production of that order was supposed to start sometime in May of this year. It looks like they are having a little bit of a regulatory hurdle at this point in time and they are in discussions with us that can we potentially delay the start of that particular order and there are provisions into the contract. It looks like they are very hopeful to resolve that particular matter so we are engaged with them but they do have a provision to request us to delay the start of this particular order, but in terms of carbon capture project I think so they are gaining a lot of traction in the US at this point in time not only about this particular project which is slightly into a regulatory hurdle for land acquisition and all that which is very common which happens across all over the world but the demand and the number of projects what is being discussed in carbon capture a number of projects are being discussed in the US at this point of time and one happens to be the Navigator which seems to be one of the largest project coming up immediately after this existing project what we have so to your question that what is the potential and what is the outlook for carbon capture, I think so it is looking extremely promising. Of course as it is a new business and there are always certain regulatory hurdles around any businesses which is not very uncommon so there is a little bit of a hurdle this order is also facing at this point in time but it is just a matter of time that they will all get resolved and we will do that and in any case we were not supposed to start before May so we will see that how it pans out from here on.

Surabhi Saraogi: Okay that was helpful.

Moderator: Thank you. We have the next question from the line of Ankush Mahajan from Axis Securities. Please go ahead.

Ankush Mahajan: Thanks for the opportunity Sir. Sir this quarter the employee cost is quite high and despite good gross margins and other expenses are also on the higher side so would you throw some light Sir what is the reason behind it and how is the outlook for upcoming quarters?

Vipul Mathur: Other expenses I think so in the earlier part of this call Mr. Percy did explain why the other expenses are going up because all the new businesses have started production. They are getting ramped up so that is where the expenses they are going in comparison to the last quarter when all these businesses were not there so it may not be a direct correlation and so is the case with the employee cost. I think so with the new businesses coming in, all the new verticals getting created, and new employees also joining in, the headcount significantly going up that is what is getting clearly reflected in our employee cost, but they are absolutely on the projected lines. They are absolutely within our budgeted parameters and they are absolutely in our closest radar in terms of evaluation at any point in time.

Ankush Mahajan: Sir any outlook on EBITDA margins consol EBITDA margins in the upcoming quarters?

Vipul Mathur: As I was just telling Surabhi just before you, I think we do not give any guidance around that. We are very clear that first and foremost Ankush our order book is there, confirmed order book is there almost close to a million tonne of an order book is there which is to get executed over the next four quarters time number one. Number two all of these order book is a very profitable order book so that is the second point and the third as we have been talking the demand pipeline is looking also very strong as we speak we are contemplating orders in the US. We are contemplating new orders in Saudi. We are contemplating some high margin orders in India so all three of them that the new order book which is likely to come is going to be very profitable. The existing order book which is already profitable and already the order book for the next three to four quarters, I think so these three factors should give you a clear sense that we are absolutely into a sort of a good space at this point in time and which will only improve from here.

Ankush Mahajan: We agree with you that there is a good order backlog and even the execution is strong that we are looking in the numbers so just in terms of the profitability that somewhere we are lacking so just wanted to understood that?

Vipul Mathur: If you see EBITDA per tonne has been improving and in this Q3 also it has been significantly higher in comparison to the other quarters and it was a factor of a product mix and I think so in the subsequent quarters also when very profitable order will be performed or executed you will see that quarter-on-quarter basis the margins probably is going to be similar if not better.

Ankush Mahajan: Thank you Sir.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Arihant Capital. Please go ahead.

Abhishek Jain: Thank you for taking up my followup questions. Sir two questions. Firstly is there any inventory loss in this quarter? If yes what will be the quantum and the second question would be a bit skeptical, but do we have any exposure to any other companies from Adani Group in terms of business just a skeptical question? That is it. Thank you?

Vipul Mathur: To the inventory loss, I do not think so that we have any thing called inventory loss in this particular quarter number one and number two answering your question with Adani I think so we have limited exposure with them in terms of order which we do keep on getting from them for supply of some ERW pipes or water pipes with them. That is a business exposure what we have. Nothing is more than that. It is a business transaction as usual and in any case at this point in time it is very, very insignificant.

Abhishek Jain: Okay thank you.

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

Vipul Mathur: Thank you gentlemen. Thank you very much for taking time out today morning to hear us out and to hear the growth story of Welspun Corp. I greatly appreciate all the in-depth questions what you asked and I am sure that me and my team would have given to your satisfaction, but in case if you have any follow up questions or you need further more clarity you can definitely reach out to Mr. Percy the CFO and Gaurav Ajjan from our investor relation and I would like to thank that the trust and the confidence you have always shown into Welspun Corp and as Welspun Corp moves from a standalone pipe company to become a conglomerate I think so your trust and your patience and your support in this journey will be very, very appreciated and that support you have always extend to us in the past and thank you very much and we will continue to communicate with each other and keeping you abreast about what all developments are happening at our place. Thank you very much and had a good day please.

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