"Welspun Corp Limited
Q1 FY2024 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 Samir Joshipura**- CEO, SINTEX BAPL Limited **Mr. Salil Bawa** - Head, Group Investor Relations, Welspun Group **Mr. Goutam Chakraborty** - Head – Investor Relations, Welspun Corp Limited
Host:	**Mr. Abhineet Anand** - Emkay Global Financial Services

Moderator: Ladies and gentlemen, welcome to the Q1 FY2024 results Conference Call of Welspun Corp hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhineet Anand from Emkay Global Financial Services. Thank you and over to you Mr. Anand!

Abhineet Anand: Thanks Michelle. Good morning everyone. I would first like to thank the management for giving us this opportunity to host the call. I will like to hand over it to Mr. Salil Bawa, Group Head Investor Relations. Over to you Sir!

Salil Bawa: Thank you Abhineet. Good morning to all of you. I welcome all of you to the Q1 FY2024 earnings call of Welspun Corp. Present along with me today on this forum is Mr. Vipul Mathur, Managing Director and CEO. I am also joined by Mr. Percy Birdy, Chief Financial Officer of Welspun Corp, Goutam Chakraborty has just joined the IR team and will lead investor relations for Welspun Corp and he is also along with me today here. You must have received the results and investor presentation of the company which are available on the BSE and NSE as well as on the company's website. As usual, we will start the forum with some opening remarks by our leadership team. We will then open the floor for your questions. During this discussion, we may be making references to the presentation which I just referred to. Please do take a moment to review the safe harbor statement in our presentation. Should you have any queries that remain unanswered after this earnings call, please feel free to reach any one of us. With that, let me hand over the floor over to Mr. Vipul Mathur, MD and CEO of Welspun Corp. Over to you, Mr. Mathur

Vipul Mathur: Thanks Salil. Thank you very much and a very good morning to all of you who are joining this call for Q1 FY2024. At the very first, let me thank all of you for attending this call and I hope you and your families are doing well. I would first like to take you through some key highlights of our performance for this quarter at the start of this financial year FY2024. The Q1 has shown a very robust performance and it has actually set up the tone for a very strong FY2024 performance for the year. Some of the key highlights being we have seen a consistent improvement in the sales volume of our line pipe business both in India and in US. We have a very strong pending order book, unexecuted order book of almost close to 645,000 tonnes valued at something like Rs.8600 Crores. We have seen a very steady improvement in our DI production and sales. We have seen a strong operational and financial performance in our stainless steel pipes and bars business. In our building material category, this is the very first quarter when we have been operating our building material which is primarily Sintex and we have seen a very steady ramp up in the Sintex segment in terms of sales.

In terms of financials, our consolidated revenue from operations for Q1 FY2024 rose 3X on Y-on-Y basis to Rs.4069 Crores in comparison to Rs.1322. Our EBITDA for quarter jumped 4 times Y-o-Y to INR 418 from INR 102. PAT surged by 40x Y-o-Y to INR 165 Crores from INR 4 Crores. Our net debt got reduced by Rs.303 Crores and currently stands at Rs.835 Crores at the end of this coming quarter. On the ESD Gide of it, we are progressing in line with our stated goals and targets. We have also published our BSR report during Q1 FY2024 and which has also been vetted through a third party assurance PWC. I am sure you would like to know what are the key drivers, which are driving our businesses. As you know that we are now operating under two verticals, one happens to be our pipe vertical and the second happens to be our building material vertical. Let me first talk about the pipe vertical. In the pipe vertical, our first category is line pipes. For this quarter, line pipe sales volume for our India and USA operations was at 185,000 tonnes against 99,000 metric tonnes in the corresponding quarter of the previous year, registering a growth of 89%. For India operations the sales was at 104,000 tonnes as against 92,000 tonnes in Q1 of FY2023 and in US operations, our sales volume was 81,000 tonnes as against 7000 tonnes in Q1 of FY2023. So we have seen a significant jump in our US execution. The overall environment for the oil and gas continues to remain very favorable across the world as global upstream oil and gas investment is set to increase by 11% to an estimated 530 billion in 2023-2024. In the latest publication, the IEA predicts that the world oil demand will grow by 2.4 million barrel per day to 102.3 BPD in 2023. It is a new record high. On the supply side, total oil supply is likely to reach a record high of 101.3 million barrels and 102.3 million barrels in 2024 so both the demand as well as the supply are seeing a very, very strong demand at this point in time. Also the oil prices have been stable and range bound and they have been between $70 to $90. The global market is likely to be in deficit in the second half of 2024 which can continue to support the prices. This overall oil and gas scenario will have its impact on our Indian operations as well. Let us talk about the key drivers in India. With strong GDP growth projections, India is likely to overtake China in terms of global demand growth in 2027. India’s oil demand is expected to rise from 4.7 million barrels per day to 7.4 million barrels by 2040. The government targets to increase natural gas pipeline coverage by more than 54% to 34,500 kilometers of pipeline by 2024-2025 and will like to connect all the states with the transnational gas pipeline by 2027. So far, around 33,600 kilometers of natural gas and 13,700 kilometers of petroleum product pipelines have been authorized. In order to further expand the reach of natural gas in the country the nodal agency, which is PNGRB, has finalized eight geographical areas, including northeast and J&K. India’s present refining capacity at 253 MMTPA is projected to increase by almost 56 MMTPA by the year 2028. So the oil pipelines, the gas pipelines and the city gas distribution networks remains a key strong focus for our growth. Apart from that, our export outlook also appears very strong with our key focus on markets like Australia, Europe, Southeast Asia and Middle East.

Upcoming hydrogen hubs and carbon capture projects are likely to drive future demand for pipelines in H2 and CO2 applications. US, the rising global demand for natural gas is the growth opportunity for the US and it is projected to account for over half of the global supply increase in 2023-2024 to become the world's largest LNG exporter. Oil supply from the US will continue to remain strong with its shares likely to be around 45% of the incremental rise to reach a global total of 105 million barrel per day by 2028. So US will play a very strong role in terms of both exporting oil as well as gas and would become one of the largest LNG exporters in the world. They are actually on track. As you know, LNG exports from the USA will remain a vital source of energy for Europe and Southeast Asia market. Our plant in US at this point in time is completely fully booked till the first quarter of 2024 and we are seeing a very strong demand for SO product in the US market with quite a few businesses lined up in terms of finalization at this point in time. Coming to Saudi Arabia, the growth prospect of the country remains strong and has plans for a huge growth in the infrastructure project. Saudi Aramco raised its upstream spending by almost 24% to US 29 billion and plans further increase to boost its crude oil capacity to 13 million barrels per day by 2027. They continue to believe that oil and gas will remain critical component of the global energy mix for the foreseeable future. Apart from oil and gas segment we expect a significant demand for line pipes will also be there from the investment made on water desalinization projects. The desalinated water capacity of 13.9 million cubic meters per day is currently being increased by 56% and a further expansion of 44% is planned by 2030. In order to support this expansion for this water desalinization project, the government is likely to spend almost close to $15 billion for this. As we have mentioned earlier, our associate company Epic has recently signed a contract with Saudi Aramco for supply of large diameter steel pipes totally valued at $1.8 billion. This order will start execution in Q3 and Q4 of FY2025. As you are aware the plant is having a capacity of approximately 300,000 tonnes per year and is now more or less booked with firm orders for next one and half to two years. In this quarter, they had executed an order, the sales for which will get recognized in Q2. Looking at the delivery conditions and the terms of the contract, so while their production and operations were full go but it is only the sales recognition which is getting shifted to the second quarter. Coming to the DI pipes, I am pleased to inform that there has been a consistent improvement both in production ramp up and sales of DI pipes. The DI pipe market is expected to grow at a strong CAGR of 13 to 15% in India on the back of huge investments that the Government of India intends to do in the water infrastructure projects. We are we are talking about the scheme called Nal Se Jal in which the Government of India has already committed more than Rs. 70,000 Crores in their union budget of 2023. In the next few years, the DI pipe is likely to account 1/4 of the pipe market share in India. We have fully geared to become a key player in the domestic DI pipe market and have been consistently ramping our production capacity. Our immediate focus market remains west, central and north India. Also, we are strategically exploring export opportunities in the key markets of Middle East and Africa.

We already have a strong order backlog of almost 150,000 tonnes, which shall keep our plant completely booked for the next three quarters. Out of the total projected demand for FY2023-2024 where the consumption could be close to 2.6 million tonnes almost 1.5 million tonnes of the requirement of the demand will be coming into the market where we are, where we have the influence. So we see a huge growth potential for next couple of years in the DIP market. Let me also update you about our company Welspun Specialty Steels Limited. The operation and financial performance at WSSL continues to be strong and it is a complete turnaround story. We have been adding new customers and also have made forays into international markets like Philippines and USA. We have also made successful inroads in Southeast Asia and mean market. We are expanding our customer base at this point in time. I am glad to share that we have also successfully developed S30432 (Super 304H) grade steel as well as boiler tubes including creep testing which is being done in this country for the very first time. We have booked the first order for supercritical 6625 grade for instrumentation tubes. We are confident that successful delivery of critical grade will pave way for more opportunities in high value added products segment. We expect our performance to significantly improve on the back of new grade development in critical category, geographical expansion, territorial expansion and our focus on sustainability and excellence initiatives. I am happy to share that we are pursuing our goals in terms of sustainability and green steel and WSL has now access to a green power the supply for which has commenced in May of 2023. The current order book stands at almost 3800 tonnes, valued at Rs.150 Crores. This company has been a complete turnaround story in the last two quarters and we see a huge and great potential for the product what we are offering into the market. Coming to the building materials vertical where we have our national iconic brand Sintex sitting there. Coming to our building material segment, let me first talk about Sintex our national iconic brand, which has a market share of 23 to 25% at its peak level. Right now we are in the driving seat for last one quarter and our focus is to realize our market plan realizing our market for our water storage line by aggressively bringing influence on retailers, distributors, plumbers, and customers. We are also restructuring our route to market for institutional product focusing both on B2G and B2B. Along with the existing product portfolio including water storage tanks, interior liquid storage solutions and electrical boxes, we also plan to enhance our product basket to adjacent categories like pipe fittings and adhesives. This will provide us greater opportunity for future growth. At this point of time these are in discussion stage. While WST market, which is the water storage tank market in India is likely to become double from the current market size of 9 to 10,000 Crores. The plastic pipe market is likely to become 60,000 Crores by 2025. On the back of this along with our experience team and strong focus we are confident to increase our market share substantially from the current level in times to come. On the TMT bar which is also as a product it is sitting in our building material category. Our newly commissioned plant has been ramping up steadily and the utilization levels are improving on a sequential basis.

Higher finished product volumes will gradually reduce the intermediary product sales thereby improving the contribution for this segment. We are getting a strong traction of our brand Welspun Shield as a tier one supplier in the B2C management in the Gujarat market. Our innovative initiative for creating the digital platform which compares distributors, dealers, retailers and influencers has been helping us a deeper market penetration to achieve our B2C goal. Just to let you know, our product has consistently been delivered and supplied and right now it is covering 27 districts out of 33 and 95 taluka out of 252 talukas across Gujarat through our dedicated 152 dealers and seven distributors. This network is rapidly expanding and shall give us deeper penetration in times to come making us a leading brand in the Gujarat market. ABG shipyard as I have mentioned earlier in my earlier calls as well, we have been disposing of metals and metal scrap which will result into a steady cash flow. We are keeping our fixed cost at absolutely minimal level. Further, we are reiterating we are not exploring any capital intensive investment options on this particular asset. We are confident of fully monetizing by the year end and thus leaving, without having no stress on our balance sheet whatsoever. On the ESG initiative while our strong focus is both on the financial and then operational performance and customer centricity and technology, we also have been specifically focused on ESG initiative, In Q1 of 2024 we have published our BSR report and also we have done a third party assurance of ESG data in the BSR report by WPC. Our long term sustainability goals are to achieve carbon neutrality from 10% in 2024 to 100% by 2040. TO achieve water neutrality in this connection, we have also already taken some significant steps in terms of tying up with renewal power and at this point in time, we already have almost close to 10 megawatts of renewal power distributed across our business segment. From our balance sheet perspective, we have been very sharply focused in terms of our net debt and gross debt position. Last financial year, our net debt stood at Rs 1138 Crores which by the end of the quarter has been reduced by Rs. 300 Crores and standard 835. We are absolutely looking at the business prospect and the free cash flow we are more than confident that we will be able to achieve our guidance which we have released to the market. In nutshell we are talking about our two verticals which is a pipe vertical and the building materials vertical and both these verticals at this point in time are poised for a leap growth in times to come. With this, I would like to end my submission and open the floor for any discussion. Thank you.

Moderator: Thank you very much Sir. We will not being the question and answer session. The first question is from the line of Abhishek Gosh from DSP investment Managers. Please go ahead Sir.

Abhishek Gosh: Hi Sir thank you so much for the opportunity. Sir just couple of questions in the domestic line pipes segment if you can just help us understand, while you have spoken about overall demand momentum to be strong between oil and gas and water segment, how you are seeing the overall traction and your present visibility of the order book.

Vipul Mathur: Good morning Abhishek I think both oil and gas and water are showing a very very strong traction in the domestic segment at this point in time. Let us say India, our total order currently stands at something like 315,000 tonnes out of that 315,000 tones, 110,000 tonnes is in the oil and gas segment and the balance happens to be in the water segment and this I am talking purely from a line pipe perspective.

Abhishek Gosh: Yes, okay and Sir, how should one look at the broadly execution timeline for these orders.

Vipul Mathur: This order book will get completely get executed within this financial year?

Abhishek Gosh: Okay so these are less than 12 months.

Vipul Mathur: Yes.

Abhishek Gosh: Okay great, Sir also in terms of the US operations, we have seen that doing very well in the current quarter and you have spoken about order book being there about 1Q FY2024. Can you also help us understand and articulate in terms of how should one look at the demand trajectory beyond that, what is happening at the US oil and gas capex, just some colour there will be helpful to get confidence around the sustainability of this order book.

Vipul Mathur: Correct. That is a good question Abhishek. I think so if you see US has completely realized their position in the global oil and gas market. They are poised to become one of the largest LNG exporters in the world. They have positioned out themselves as one of the alternative so from a geopolitical positioning point of view, this is what their overarching vision is. Now in terms of activities on the ground, we are seeing a lot of traction which is happening in order to maintain this. The largest basin is the Permian Basin, they are continuing to drill heavily on those basins. They are continuing to evacuate oil out of that and they are collecting the gas which they are exporting to the world market. They are exporting that. At this point in time if we speak they are at least talking of two major oil pipelines and at least four major gas pipelines which will come from the Permian Basin. Of course they are all going to come in a sequential manner but that is the potential at this point in time we are clearly seeing when we are interacting with various ENP as well as the mid stream operators across US.

Abhishek Gosh: Okay so the visibility beyond next two, three quarters, I am saying more from a 12 to month perspective it is kind of coming through for you guys for the US operations that is the way one should understand?

Vipul Mathur: I would rather put it this way that from a US perspective if we see I think there is a clear visibility of next five to seven years how much we will be able to bring capitalize upon it is our ability but from a market perspective I think there is a clear visibility of next to five to seven years.

Abhishek Gosh: Sir in that context, what will be your market share in US now?

Vipul Mathur: We would be almost 22 to 23% of the market share.

Abhishek Gosh: Okay so then it is fair to assume that if the market expands or if market demand momentum continues, you should be able to get this retain your market share is that a fair assumption or are there lot of supplies coming in.

Vipul Mathur: We are the largest player. We are one of the largest players in the US. We are the player which as a track record of executing large projects. If you look at the Permian basin out of the four pipelines which are functioning, three and half pipelines have been supplied by Welspun so that puts us into a clear leadership position and I am sure this pattern should continue in times to come.

Abhishek Gosh: Great. Sir the other thing is around Sintex. Through the last four, five years we have seen lot of competition having come into that segment while the core brand continues to be very, very strong, but how are you now looking to re-energize the entire brand in terms of execution, touching base that distribution again, how should one look at it and also an extension into the adjacent product using the same distribution you spoke about plastic pipes and other things, how should one look at it?

Vipul Mathur: So I will give you a brief answer to that and I will als leave the floor for my colleague Samir to give you a more deeper insight to that but having said that this brand still enjoys that pull number one. Number two while of course, there are multiple players who have come into this segment when the company was spread and that is why the market share went down from almost 20-25% to 9 10% at this point in time. However, having said that for the last 90 day and our team have been on the road and they have been interacting with various stakeholders including dealers, retailers, influencers and all those people I think the brand, recall what we are observing is significantly higher. It is all about the re-energizing the whole channel. It is all about doing everything correctly in terms of putting up the right. systems, policies, and the distribution network and I think we are more than confident that we will see a significant ramp up in our market share. Is it going to happen in one year the answer is no. We are not going to capture the market share or regain the market share of 25% in one year time but it will be definitely at much faster pace than anticipated for two reasons that A the brand recall has been good the and the quality has never got compromised even during the period of distress. So our sales at a high level is very clear that we need to keep a very sharp focus, keep on re-energizing the market and extend the product offering and that is where the value accretion will happen in this particular company.

Samir Joshipura: Hi so Vipul you caught most of it but I would probably add few more pointers here as you rightly said the trust on the band continues to remain very strong which is evident from the pole as well as the price premium we still command in the market. The second thing is yes there were certain damages to our route to market, our channel, channel partners the way in which we are operating, which we are correcting now. In fact last three months we did engage and experts in this field with us to actually redesign the entire programme and Q2 onwards we are going to launch them. Most of the programme to correct those path would be retailer, be it distributors, be it influencers, be it certain system, be it our team itself. So we are making those changes we should start showing results in Q3 onwards and having said that, even if you look at Q1 we are seeing the improvement in the numbers. Regarding your second question about adjacent category yes while we focus on execution in water tank, we do realize that there are opportunities considering the strong brand in adjacent category so we are evaluating those categories and we would probably concretize our plans in next couple of quarters and and come back to you.

Abhishek Gosh: Just one last question in terms of the Saudi operations that have seen major disappointment in terms of both I think volumes and profitability, any colour there Sir would be helpful thanks.

Vipul Mathur: Abhishek disappointment is not an appropriate word, I think so we have to clearly understand that Saudi, let us say just to give you overarching situation Saudi produces close to 300,000 tonnes of pipe on a year on year basis. I am talking of an average. At this point tin time with their order book, they are almost booked for close to two years so that is sort of strong order book what they are enjoying at this point in time. Right, now in this particular quarter they were executing one particular project while the production and everything happened but from a contractual point of view the sales could not have got recognized in this particular quarter and that is getting reflected into the quarterly results. It is not by virtue on non performance. It is just by virtue of a contractual obligation by virtue of which the sales is not getting recognized in this particular quarter. It is just a matter of time it is going to recognized in Q2 but I think so if you look at overarching thing the company is absolutely poised in one of the best situations it would ever have been, having an almost close to order of almost two years at this point in time, confirmed order book at this point in time. So I think the next two or three from a Saudi perspective are going to be absolutely record breaking years is that what I would suggest from the table.

Abhishek Gosh: Great Sir. That is very clear so it is just a timing issue is essentially what you are saying.

Vipul Mathur: It is only a timing issue.

Abhishek Gosh: Great Sir. That is very very clear and thank you so much. Wish you all the best. Thanks.

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

Vikas Singh: Good morning Sir and thank you for giving me the opportunity. So my first question pertains to operation. This is the second consecutive quarter where we see EBITDA per tonne close to almost Rs. 15,000 so just wanted to understand what are contributing to it and if this strength would continue, what are your thought process?

Vipul Mathur: Good morning Vikas. See all through Vikas we have always been saying EBITDA per tonne is the basket what we are executing in that particular quarter. In this particular quarter I think so we had some orders they were very less orders which got executed and that is how this EBITDA per tonne happens and historically if you see we have always been maintaining an EBITDA per tonne close to Rs. 10,000 per tonne on a year on year basis. Some quarter it is high, some quarter it is more but on average we have always been maintaining that and I think so moving forward this will only go into north, not south from here because on the line pipe side of it we are at this poin in time discussing much more critical orders or more critical applications with more fortune 500 clients so I am very sure that this is only going to improve from here.

Vikas Singh: Understood Sir. Sir my second question pertains to our DIN Sintex operations. Have we been able to reach EBTIDA or PVT level breakeven or if not what is the timeline our internal targets to that target.

Vipul Mathur: So let us talk about the DI. DI we are absolutely EBITDA positive at this point in time. We have reach to that. I think we did close to some 29 odd thousand tonnes in the last quarter and half it we have done it in the very first month of this second quarter, so that much gives you the sense at what speed we are ramping up our operations at this point in time. It is absolutely on attack and in line with our expectations that is on the DI side of it. On the other side of it also we are seeing a correction on the commodity side as well which is with respect to coal and all that stuff. I think so that benefit should also start coming into our P&L in Q2 and Q3?

Vikas Singh: Understood Sir and for Sintex Sir.

Vipul Mathur: Sintex it is just a first quarter Vikas. My request would be to give a little more timing space for us to get into that, but in any case they are EBITDA positive. To answer your question they are EBITDA positive, but what sort of scalability we are talking in the subsequent quarter is something which is a work in progress and I think so we will be absolutely more than fair in our subsequent calls giving you the clear headway where the company is heading for.

Vikas Singh: Understood Sir. This pertains to your Saudi operation your remark that we have a two year of order book so how we are managing the commodities there in terms of steel supply back to back booking if you could give us some insight into it.

Vipul Mathur: Vikas as a policy we never keep our steel open number one but it is also a fact that when you have almost a two year of order book it is not practically possible to book entire steel so at our board, we have done complete risk analysis around ir and almost 70% of the steel we have strategically covered, 30% of the steel we have deliberately left it open knowing fully that we would have still four to six quarters in which we can take a call. This is our colour at this poin in time by blocking at least 70% of the steel.

Vikas Singh: Understood Sir. That is all from my side and all the best for the future.

Moderator: Thank you. The next question is from the line of Nafez Alabbas from Ajeej Capital. Please go ahead.

Nafez Alabbas: Thank you gentleman for the opportunity. Again sorry to bother you but is it possible to share the volumes that was sold during Q1 for the Saudi operation, also for the project that have been awarded. I know you might not want to share the margin but should we expect an improvement or in line with the recent quarters, just a rough estimate would be really appreciated thank you very much.

Vipul Mathur: Good morning Mr. Nafez as you know, I think for the largest chunk of the order what we have at this point in time is from Saudi Aramco and that numbers are in public domain. I think it was close to 1.8 billion Riyal apart from that we also have some residual orders which we are currently executing that and I think they should get over by the end of Q2 so these two things put together, the residual order that is the new Saudi order gives us a very clear visibility of the next one and half years to two years is what I am talking about number one. I think so from a profitability perspective Mr. Nafez I think we will come on a quarter on quarter basis because it is also the product mix as to what we are going to run in this particular quarter and how they are going to get executed and how much sales is going to get recognized and all that stuff so it is s factor of various variables at this point in time.. I think so it will be best left that we can discuss the profitability of that on a quarter on quarter basis.

Nafez Alabbas: Great. Thank you. But just for the volume, just announced like the Q1 of this financial year just a rough estimate of the volume that was reported.

Vipul Mathur: Mr. Nafez we will have to respect the world exchange because all that I can speak at this point in time which is public disclosure at Saudi and that has a policy there we have not disclosed the volume side of it, not that it is a very proprietary information, but I would like to be absolutely in compliance. I hope you got the kind understanding please.

Nafez Alabbas: I understand, let us say in Q1 last year you said in the call that the volume was roughly like 58,000 tonnes. I just want to see like what they do this year so far not for the project that are for one and half years but what was already booked in Q1 results.

Vipul Mathur: Mr. Nafez I would suggest that we can discuss that a little bit around it and I think so I will be more than happy to give you all relevant information which might satisfy you please.

Nafez Alabbas: Okay thank you very much.

Vipul Mathur: I appreciate that Sir. Thanks for your kind understanding.

Moderator: Thank you. We will take the next question from the line of Sailesh Raja from B&K securities. Please go ahead.

Sailesh Raja: Thanks for the opportunity Sir. My call got disconnected in between. Sorry if my questions are repeated, so my first question is on Sintex so last year Sintex reported 57 Crores EBITDA. Can you please share the volumes reported in FY2023 and also can you give us guidance for FY2024 Sir.

Vipul Mathur: Good morning Sailesh. I think so from a volume perspective, I think so my colleague Samir will be in a much better to answer that question what was the volume achieved in the FY2023 but let us also state when Welspun took over we were only one quarter into it and we will be more happy to talk about this particular quarter and the subsequent quarters, so in terms of this particular quarter they have done almost close to 3500 tonnes of water storage tanks and this number and you must have heard on the call earlier as we are all focusing in terms of market expansion we are more than confident that these numbers on quarter on quarter basis will only eventually grow.

Sailesh Raja: Sir my second question on elections historically if you see the order booking will be lower, people will start protesting I think laying of pipes so how do you see next year in terms of new order intake.

Vipul Mathur: I think that is a good question Sailesh but one thing which we also have to understand at this point in time that earlier that used to be the case where a electoral here will slow down the thing but now that is not a trend we are seeing at this point in time. There seems to be reasonable understanding between the ENP companies, the mid stream companies and the investors out there that is irrespective of the political spectrum, the oil and gas will continue to be a priority sector and there would not be any politico disruptions created around it that is the sense we are getting. So at this poin in time when we speak we are not seeing any slowdown per se but it is subjective things have to be washed around but when we look at the inquiry flow, when we look at the discussions what were happening with our various customers we are not getting this willing at this point in time.

Sailesh Raja: If you see the active recount in US it has come down to 650 from 750 reported from four months back what could be the reason Sir.

Vipul Mathur: See today one of the reasons for that recount is coming down is also that they do not have capacities to evacuate gas right. On one side while they would have sufficient capacity on the oil transportation or to move the oil but they still have a lot of work to do in terms of developing the evacuation of the gas, today if you keep on drilling and you keep on producing oil and when you have no scope to flare the gas what would you do. It only slows down the whole process and that is what it brings on the table that this process will further accelerate more gas pipelines which will come up from Permian basin into the gulf coast.

Moderator: We will move on to the next question which is from the line of Naysar Parikh from Native Capital. Please go ahead.

Naysar Parikh: Hi thank you. Can you give a sense of the revenue breakup including how much was from scrap sales in this quarter?

Vipul Mathur: How much was from the scrap sales?

Naysar Parikh: Sorry ABG shipyard.

Percy Birdi: See the total value of the scrap that we would be disposing off could be anywhere around 700 to 800 Crores and this is getting spread over roughly about five quarters. So I think it would be fair to assume that around one fifth of that value would be getting disposed of. Every quarter and we are reasonably confident that by March 2024 we would have completely monetized the entire scrap at the location.

Naysar Parikh: So this quarter would have around 150 Crores is that fair.

Percy Birdi: Around that yes.

Vipul Mathur: 100 to 150 Crores would be the range I would say Mr. Parikh.

Naysar Parikh: Got it and second question is on the stainless side. We were just expecting a huge ramp up over the next couple of years so can you just talk about that segment, what are the areas that we are focusing on and in particular what kind of traction are we seeing.

Vipul Mathur: So I said that WSSL which is our stainless steel is a complete turnaround story and it is driven on two principals, number one A the domestic market is very buoyant number one. Number two there is a lot of efforts which have been done in terms of the curbing the cheaper imports which are coming, making India initiative and all that stuff has significantly helped, number three because of the energy crisis, the European market demand has gone up and a lot of Indian products are now going into the European market and now four is how much you are going up in the value chain.

So I think that we are focusing on the all four pillars at this point in time. Today almost 50% of our product is hitting the European market number one. Number two of course the Government of India initiative, make in India is helping us a lot but number three more important is the value added chain we are trying to develop the value added grade which is helping us and it is going to help us significantly in future and top of it we are the only integrated players. We have our own steel and our own pipe and that gives me a complete flexibility to speed up my value added proposal. So I think these four factors put together has completely turned around this company and this is what will be the basis and the fundamental for further growing it in subsequent quarters and years.

Naysar Parikh: Got it and just the last question from the profitability perspective what percentage of EBITDA would be from line pipes and VDI pipes can you just give rough breakup of the profitability.

Vipul Mathur: You are talking about the Q1 profitability.

Percy Birdi: So Naysar basically the DI side for this quarter had a breakeven level so at an EBITDA line there is not a significant amount so majority of the profits are coming up from the India and the US pipe business obviously as we go forward the DI is ramping up rapidly and they will start contributing in a very sizeable way to the consolidated EBITDA of the company.

Naysar Parikh: I mean I am just trying to understand around 418 Crores of EBITDA if you look at for the quarter that would include the scarp EBITDA as well and line pipe so 300 Crores of line pipe is that fair.

Percy Birdi: See WSSL is already in the public domain, so they have already announced the result. WSSL EBITDA for this quarter was 23 Crores so out of our 418 Crores 23 Crores is already known to you then there are a few smaller numbers which are there around 20-30 Crores which come from other income but the pipe is more than 300 Crores.

Naysar Parikh: Right understood. Thank you Sir.

Moderator: We will take the next question from the line of Abhishek Jain from Arihant Capital. Please go ahead.

Abhishek Jain: Hi, this is Abhishek Jain from Arihant Capital. Sir two questions. Congratulations on good set of numbers. I am going to understand on the specialty stainless business right now what is the target EBITDA because last two quarters you have done very well. What is our next three years what kind of numbers we are aspiring going forward and also on the EBITDA per tonne I will be looking for your guidance on the same sir. Second thing sir on the DI pipe side because most of the companies are posting a decent thing right now. Do you think there is a possibility we may see a 2 lakh tonne number which we have talked earlier in the call can we do much better than those numbers.

Vipul Mathur: So answering your question on DIP first I think so the way things are progressing at this point in time Abhishek. We should be close to the guidance what we have given in terms of achieving the production and sales. A) in terms of order book, there is no issue of an order book. There is an order book of almost three more quarters for the full of the financial year you have the order in place. It is all about execution and they way we are ramping up I think we should be able to touch exceed or close. We should be close to that guidance that is something anything between 175 to 200,000 tonnes. So we are pretty much there. We should be there in terms of DIP. Coming to this WSSL, WSSL let us say for the last two quarters in a steady manner it is growing. The potential for the next two or three years I think our internal assessment very clearly tell us that is a business which can potentially grow at a CAGR of almost 20 odd percent that is the way we are looking at it and also coupled with that is our stainless steel bars business also because we are producing steel as well which is bars and that also has a significant potential at this point in time and there is a significant requirement which is coming up from the European market and the domestic consumption and all that stuff and that also has a potential to grow almost 70-80% CAGR business, so, this is what our internal estimates are currently telling us and which is what we are tracking and this is what we aspire to achieve in times to come over next two to three years.

Abhishek Jain: The EBITDA per tonne guidance if you can give Sir.

Vipul Mathur: We will have to work that out Abhishek. At this point of time it is all about the product mix again. EBITDA per tonne guidance will depend as to what is my geography and what are my product mix and as we are now inching towards value added grade. I think this is constantly going to get changed. We get into a very sort of very steady state business model which I am sure over next one or two years time when we will get then it will be much more prudent to give you that particular guidance however at this point in time I think we should see only from a growth perspective and a profitability perspective and I can reassure you that both growth and the profitability is going to be there on quarter on quarter now.

Abhishek Jain: Sir I have few more questions I will get back in the queue Sir. Thank you Sir.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Thank you Sir for the opportunity. My question is on the Saudi side of the business. The capex that country is planing on the water desalination project if you could just give us an idea we are trying to tap into and get some business from there as well. Does it require any certification prerequisite to get some orders from the same business and how is our competition like for the same.

Vipul Mathur: So Mr. Iyer I think in the Saudi market we have been very active in the oil and gas and the water side of it. If you see for the past two years we have been doing primarily almost 85% or 90% of our business was on the water side of it so all the criteria which are supposed to be met and we have already met and we are one of the largest player at this point in time in that particular market serving both oil and gas and water so for us there is nothing called prerequisite, we tick all the boxes and we are one of the pole players. In terms of water investment you are absolutely right they intend to invest additional $14 to $15 billion over a period of time and we will definitely get our market share out of that. Today we definitely enjoy more than almost 25% of the market share in that particular country and I think so being into the pole position there is no reason why we should not be getting that. Having said that yes, the competitive landscape is wide. There are three or four equally good producing facilities and they also get their own market share but among all of them I think if we have to summarize we have got the largest share, the most profitable share and I am sure this trend will continue in future as well.

Vignesh Iyer: Sir if you could just give me an estimation as to what would the business size be from this upcoming capex for the next few years.

Vipul Mathur: There is no additional capex. We are not doing any capex there.

Vignesh Iyer: The country that is investing into water project what is the estimated size of business that could come over the next few years.

Vipul Mathur: I think the way we see that almost the water is coming from SPCC or SWPC looks like that they might be doing close to million tonnes on year on year basis and there is sufficient capacity which is there in Saudi Arabia which is competent and capable enough to address this particular demand. We being one of the largest there so we will have also have our market share around that.

Vignesh Iyer: Thank you Sir. Sir one last question from my side. I am going to this presentation and the 18 slide in the presentation of your guidance FY2024 when you guide for a estimated EPS at 26.8 does it include the contribution that is coming from Saudi.

Vipul Mathur: It does.

Vignesh Iyer: Okay thank you. That is all from my side. All the best.

Moderator: Thank you. The next question is from the line of Pranay Gandhi from Green Portfolio. Please go ahead.

Pranay Gandhi: Sir, I just wanted to briefly understand what are the business plans with yard? Are we looking to make any further investment and what kind of revenues do we plan to generate from this division?

Vipul Mathur: Pranay in my opening statement, we made it very, very clear that at this point in time our focus with respect to ABG shipyard is simple that we want to liquidate all the assets what is there at this point in time so that we are absolutely cost agnostic. That is the only focus at this point in time we are working with. We are maintaining a very minimal cost at this point in time in the fixed cost and number three we are not putting any, capital investment in that shipyard at this point in time. We are not doing that. On the other side, we are looking at various options, plans this and that, but they are all more in exploratory state. In terms of are we committing any money in the next foreseeable future, the answer is no.

Pranay Gandhi: Thank you Sir and I know you gave that amount but somehow I happened to miss it. What is the start value and by when can we expect all to be to started.

Percy Birdi: It is spread over four to five quarter.

Vipul Mathur: I think the Q1 of the next financial year we should be pretty much done, almost of it will; be done in this financial year, there could be some spillover which can go to the Q1 of the next financial year.

Pranay Gandhi: And Sir could you share the amount again please.

Vipul Mathur: So it was like close to Rs.700 to 800 Crores that is the generation which is likely to happen.

Pranay Gandhi: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Bhavik Shah from MK Ventures. Please go ahead.

Bhavik Shah: Congratulations on a good set of numbers. Sir I have just one question how much have we sold these crap in ABG shipyard and where do we recognize the revenue for that? How do we do it?

Percy Birdi: So it goes under the operating revenue Bhavik and roughly it will be anywhere between about 120 to 150 Crores per quarter.

Bhavik Shah: We do not have any cost on the account of that.

Percy Birdi: No of course we had purchased it also at the cost only from the liquidators. So what I am telling you is the top line the sale value. We are selling it at higher than the cost only so. there will be a bottom line contribution also coming up.

Bhavik Shah: Okay right and so how much inventory do we have left with of this crap?

Percy Birdi: See we started disposing it from Marc 2023, so we have been moving at a very fast pace and though we have officially said it will take five quarters and that is June 2024 quarter, but we are internally targeting to finish everything by March 2024.

Bhavik Shah: Okay March 2024 and Sir how much EBITDA contribution can we expect coming this year from that the remaining one?

Percy Birdi: You are saying how much EBITDA from disposal of scrap?

Bhavik Shah: Yes.

Percy Birdi: Maybe close to 100.

Bhavik Shah: 100 Crores for FY2024 right.

Percy Birdi: Yes.

Bhavik Shah: Okay Sir thank you and all the best.

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

Saket Kapoor: Thank you for this opportunity Sir. Firstly, coming to this EBITDA part of the story, so guided for 1500 Crores EBITDA in your presentation earlier also and this quarter also so is this from the operational part only from the line pipe segment that you are factoring in and not for the scrap and the other income that we put on account of Sintex and other entities going ahead.

Percy Birdi: Mr. Kapoor this is consolidated. When we are presenting a consolidated number, even the guidance is consolidated so this Rs.1500 Crores EBITDA guidance which has been given is based on consolidated basis.

Saket Kapoor: Okay so we are factoring in the EBITDA from the scrap, we are factoring the in the other income component for everything. And Sir if in you presentation going ahead if you could provide us the EBITDA especially from the pipes segment separately that would suffice a lot of our queries. The number of 418 is not optimum to the pipe segment in totality. So going ahead if that would be segregated so that that would be very efficient way. Sir other than that in the other expenses line item we found increase from 486 Crores to 647 Crores. So if you could explain what is the reason for the Q-o-Q jump in the other expense line item?

Percy Birdi: Yes Saket. The current Q1 Saket is where all the operations are ramping up in a big way. As you know US has ramped up in a big way and all the new operations DI, TMT, we have got numbers of Sintex, everything has come in so obviously all the numbers will show a sharp jump. As you correctly said in other expenditure there is a sharp jump but so is there a sharp jump in the top line as well so I think that is why because of all the new businesses and ramp up all the numbers will be sharply higher than the previous quarter.

Saket Kapoor: But Sir Q-on-Q, how will you explain because Q-on-Q the jump from March quarter, the revenue run rate was 4070 Crores. So visa-a-vis it is flat only Q-on-Q but since then I am comparing this numbers on a Q-on-Q basis Sir.

Percy Birdi: Yes so we have got new operations there, for example Sintex has also got added from this quarter onwards and remember ultimately it is a project business Saket so every quarter will not be uniform, it will be different.

Saket Kapoor: I was just referring to any one of the item that has been put in other expenses.

Percy Birdi: There is no one off item. It is a pure function of two items. One is the project mix that keeps changing every quarter and secondly, now the new businesses are all ramping up, so they will all start adding larger numbers to the consolidated.

Saket Kapoor: On the loan point. Congratulations on net deduction in debt of 35 Crores what is currently on working capex requirement and what is the cost of fund for the term loan and if you could just provide the break up between term loan and the working capital.

Percy Birdi: I will give that to you offline Saket ji. The borrowing cost is somewhere close to 8%. It ranges between 8 to 8.5. Sometimes short term funds are even lesser than that. You can take an average of 8% as the cost of funds.

Saket Kapoor: The blended cost of funds.

Percy Birdi: Yes, correct.

Saket Kapoor: Sir there was also one update from the income tax department about some demand rates from Sintex and I think so we directly mentioned in the reply also that what steps are we going to take and writing down the reply to CPC, so any update on the same has it been adjusted adequately.

Percy Birdi: I think there is no further update from our press release. We are very confident that we are absolutely okay. We do not expect any impact to come on our financials.

Saket Kapoor: The order book we have, what is the executable period the pending order was of 645 KMT. What should be the execution for the current year?

Vipul Mathur: Mr. Kapoor most of it will be executed within this year. There could be a minor spillover which can go to the quarter one of the next year, but I think more than 85-90% will get executed within this year itself.

Saket Kapoor: Within this year itself. If we annualize the number for 185 that works out to around 740. So the lower execution going ahead or there will be some significant factor because if we take the current quarter run rate of 185 KP that translates into 740 on annual number. Our order book is there for 635 then there will be this order also that we will be receiving in this specially. Is it on a conservative basis this 45 number that is my question?

Vipul Mathur: It is a realistic one. It is a cyclical business, it is a project business. It is a blend. What guidance we have given is a blend out of our experience. We are sure that Mr. Kapoor we should be able to that. Of course our endeavor would always be to improve upon it and I think so in any case the first quarter generally in India a little muted quarter. I think so the production ramp up and the dispatch ramps up will also happen in the subsequent quarter, but overall if you look at it I think so whatever guidance what we have given, we should be able to do that and if you look from a first quarter perspective we have been able to meet the expectations for the guidance that we have given.

Saket Kapoor: And one more point considering the tax related if you can give some understanding. Why are the tax rates have been higher and what rate are exactly the tax incidence is going to be on and then on this presentation in the expenses line item Sir we generally find that the other expenses are generally marked at the lower end and finance costs are just below the depreciation. So if it is not for any particular reason, please try to reduce from depreciation and then the line item being finance cost in other expenses as the last line item. If it is not for any other purpose being done, so that gives you a clear picture.

Vipul Mathur: Point taken Mr. Kapoor. Let us evaluate the merit of it.

Saket Kapoor: And Sir for the tax part kya rate abhi.

Percy Birdi: Mr. Saket our effective tax rate is about 25%. It of course keeps varying from quarter to quarter, you have to also be mindful that there are some operations like WSSL where we do not create a deferred tax asset yet and also there are some operations like the new DI business which are in separate legal entity. Which are in a lower tax rate also, so to that extent you will have quarter to quarter fluctuations but if you were to look for a long term guidance for a tax rate, I would say somewhere between 25 to 28 percentage will be our effective tax rate.

Saket Kapoor: And Sir what is the advance tax number for this quarter? How much actual tax rate we have paid.

Percy Birdi: I think we can take those numbers offline. Those are not in the public domain anyway Mr. Saket.

Saket Kapoor: And Sir for note number seven if we could understand the rational for this merger part of Mahatva Plastic with Sintex BAPL and Sir this Sintex this entity issue what was the total gross which we have got in other income of 54 Crores so what have been the gross from the sale of NCD and the other income posted if the consolidated number is 49.51 Crores in your note you have mentioned 54 Crores so what is the mess off, yeh 6 Crores ka kya hai.

Vipul Mathur: Mr. Kapoor what I will suggest I will ask Goutam who is listening to this conversation. He will get connected with you offline and he will be in a better position to address all your queries, what you would have with respect to the balance sheet. Will that be OK?

Saket Kapoor: Yes and I wish Goutam Sir as IR person, all the best to him.

Moderator: Thank you. Ladies and gentlemen that would be the last question for today which is from the line of Abhishek Jain from Arihant Capital. Please go ahead.

Abhishek Jain: Thank you for the chance again Sir. I just have a couple of quick questions. First is that I think this might have been repeated already, but I just wanted some clarity on this that if I see the order book and the bid book quarter on quarter there is a dip in both so I just wanted to understand I believe there is obviously no structural change in the long term story, but any reason for this to happen in Q1, is Q1 just a bit weak in terms of order bookings I just wanted to understand that first.

Vipul Mathur: Abhishek most of these businesses are project based businesses, you will see that cyclicality part of it in any case. I think so what we will have to stick around is the fundamental part of it. Are we seeing any fundamental softening down in the market that is the mood question on the table and probably that is not the case what we are at this point in time looking at. If you look at all the growth plains, all economic trends all of that, the market opportunities, I think they are all very clear indicators that both the oil and gas market and the water which are all sitting into our pipe vertical, I mean absolutely the demands seems to be fairly robust in times to come. So I do not think there should not be any undue concern around that.

Abhishek Jain: Understood Sir. Sir another question on the US side, the carbon capture project that we had earlier has it started yet or is it yet to start?

Vipul Mathur: There are some land requisitions issues going around at this point in time. They are under discussions there and it has yet not started so once those acquisitions will be completed that is the time that the production and delivery will start.

Abhishek Jain: Okay Sir in the earlier question you had mentioned that in US there are some pipelines expected come, so is there any of that reflecting in our bid book right now or they are yet to come, we are yet to bid also for that?

Vipul Mathur: They are getting reflected in the bid book. At least in the bid book they are getting reflected.

Abhishek Jain: Okay Sir my final question, inventory levels currently could give us what are the inventory levels on the books right now because last quarter our inventory had shoot up to 5500 Crores could you give us some view what is it right now?

Vipul Mathur: We can give a view but it has significantly improved from that point of time. As we said that inventory was against the order which was getting built up in America and now when we are into an execution phase that inventory is getting depleted so we can get you the numbers please.

Percy Birdi: It is tapering off, yes Abhishek.

Abhishek Jain: Okay thank you so much and Sir just one point I wanted to ask that in the stainless steel business we used to earlier give the breakup for bars and pipes order book so could we get that again or are we not disclosing those figures now?

Vipul Mathur: Right now here for the presentation purpose, we have put it in a consolidated basis, but that is something which we can always share. I think so from a bar perspective we are close to 2500 tonnes and pipe is like close to 1200 tonnes all put together close to 3800 tonnes is what I mentioned.

Abhishek Jain: Perfect. Thank you so much for answering the question Sir. All the best for the future.

Moderator: Thank you. As that was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you sir.

Vipul Mathur: Thank you gentlemen for joining us for our Q1 FY2024 call today morning. I am sure that me and my team would have been able to answer most of the questions but having said that if there are certain questions which remain unanswered and you want to have some more details you can definitely reach out to Salil and Goutam around that. On the other side I just want to reassure that the company is standing on cusp of growth at this point of time. We are seeing both oil and gas. We are seeing water, domestic. We are seeing Saudi. We are seeing America. We are seeing stainless steel and DIP business apart from Sintex. All these 6-7 verticals, 6-7 products in which we are working I think so there is no debate or dispute or any ambiguity that all of them are seeing significant amount of tailwind and your company is absolutely favorably positioned at this point in time to capture around that and we are sure that in subsequent quarters you will see much improved and better performance than what you have seen in this particular quarter and we will be able to deliver on the guidelines what we have released to the to the market. Thank you very much for joining and stay fit, stay safe thank you.

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