Welspun Corp Limited

Q2 &H1 FY27 Earnings Conference Call

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MANAGEMENT: **MR. VIPUL MATHUR – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – WELSPUN CORP LIMITED**
MR. PERCY BIRDY – CHIEF FINANCIAL OFFICER – WELSPUN CORP LIMITED
MR. YASHOVARDHAN AGARWAL - DIRECTOR – SINTEX
MR. GOUTAM CHAKRABORTY – HEAD, INVESTOR RELATION – WELSPUN CORP LIMITED
MR. HARSH RUTA -- HEAD GROUP INVESTOR RELATIONS – WELSPUN WORLD

MODERATOR **MR. SAILESH RAJA – 360 ONE CAPITAL MARKETS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Welspun Corp Q2 and H1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sailesh Raja from 360 ONE Capital Markets Private Limited. Thank you, and over to you, sir.

Sailesh Raja: Yes. Thank you, Steve and welcome, everyone. We thank the Welspun Corp team for giving 36 One Capital the opportunity to host this interaction today. I would now like to invite Mr. Goutam, Head of Investor Relations at Welspun Corp, to introduce the management team. Over to you, Goutam.

Goutam Chakraborty: Thank you, Sailesh and good afternoon to everyone. Welcome to our Q2 and H1 FY27 earnings call. On this forum today, we have Mr. Vipul Mathur, Managing Director and CEO; Mr. Percy Birdy, Chief Financial Officer; Mr. Yashovardhan Agarwal, Director, Sintex; and Mr. Harsh Ruta, Head Group Investor Relations.

Before starting the call, you all must have gone through the results and the investor presentation of the company, which are also available on the stock exchanges and on our website as well. And during the discussion, we may be making some references to this presentation. So I request you to please refer to the safe harbor statement, which is there in our presentation.

Before the opening remarks, let me just inform you that Mr. Mathur is a little under weather and is not having a good throat. So the -- we'll start the forum with the opening remarks by Mr. Birdy. And post that, we'll open the floor for the Q&A.

With that, let me hand over the floor to Mr. Birdy. Over to you, sir.

Percy Birdy: Thank you, Goutam. Good afternoon, everyone. Let me first welcome you all on this forum to discuss our Q2 and H1 FY27 performance. As Goutam mentioned, I'm sure you all had a chance to go through our results and the detailed investor deck that we published on the exchanges and also on our website. Therefore, I would like to highlight only some of the key aspects in my opening remarks. And after that, we can have more time for an interactive session.

We delivered yet another robust quarter. Our Q2 FY27 EBITDA stood at a record all-time high of INR782 crores, registering 25% year-on-year growth. Our half yearly EBITDA rose 30% Y-o-Y to INR1,538 crores, again, an all-time high. This compares favorably with our annual guidance of INR2,850 crores EBITDA.

Our annualized ROCE, return on capital employed, for H1 FY27 stood at 22.7%, well above our guidance of more than 20 percentage for FY27. Our net debt cash position also improved further to a net cash of INR3,887 crores. This is after having incurred CapEx of approximately INR1,500 crores for H1 of FY27.

As you know, our order book stands at an all-time record high of approximately INR50,000 crores, roughly USD 5.2 billion. This provides strong growth visibility and underscores our exceeding footprint in the global pipeline market.

Before touching upon the business environment, I'm pleased to inform you that the Board has approved 3 key investment projects: Debottlenecking and capacity augmentation of our spiral pipe capacity in the U.S. by 225,000 metric tons per annum at a CapEx of up to USD 115 million. This is expected to be ready by March 2028.

Setting up of a greenfield spiral pipe plant along with a coating facility in Jordan under a 50-50 JV with Perma-Pipes had a total project capex of up to USD125 million to be shared with the partner. We are going ahead with this investment on the basis of firm MOU with the developers of Jordan's National Water Carrier Project and the government of the Hashemite Kingdom of Jordan to advance the development of pipe manufacturing and advanced coating facilities in Jordan.

The proposed facilities will be capable of serving major water, oil and gas, energy and infrastructure projects in the Kingdom and also across surrounding regional markets due to Jordan's strategic location.

We are also setting up a joint venture in India for internal FBE, fusion bonded epoxy coating capability in an equal partnership with Perma-Pipe. This will give us the complete bouquet of pipe coating services, which will enable us to go after large pipe export orders where IFBE coating is mandatory.

Now let me discuss the business environment. As far as U.S. market is concerned, demand continues to remain robust. The medium- to long-term outlook continues to be supported by growth in LNG exports, rising electricity requirements from AI data centers, triggering the demand for new gas pipelines for captive gas turbine power plants and investment across onshore and offshore oil pipeline infrastructure. We are currently booked through FY29 in the U.S.

KSA market, ongoing investments in oil and gas and water infrastructure are expected to support pipeline demand. The region's evolving energy security and infrastructure priorities may also create opportunities. Also the potential for reconstruction in the Middle East region once the geopolitical situation stabilizes. In the short term, the supply chain, logistics and freight costs in the region have been adversely impacted.

Coming to India. The domestic demand continues to remain muted. The domestic water market remains under stress. Though there have been some optimism around river interlinking projects and interstate water sharing agreements. However, the central government budgetary constraints need to get lifted for orders to get awarded.

On the domestic oil and gas segment, we see a lot of potential going ahead in Samudra Manthan in deepwater exploration, in PNG connections and refinery projects. However, we are yet to see the orders inflow.

Exports from India, of course, continues to be the bright spot, and we continue to focus there, where we see good demand coming from the Middle East, Southeast Asia and LatAm. In this context, let me reiterate that our diversified global presence spread across U.S.A., Saudi, India and in future, Jordan as well; this helps us in mitigating challenges in a particular geography.

Moving ahead to Welspun Specialty Solutions Limited, WSSL, while higher freight costs and the tariff regulations impacted exports to Europe adversely in this quarter, WSSL continues to focus on domestic power gen, thermal, nuclear, defense, aerospace, oil and gas and petrochemical sectors, which are the high value-added segments for stainless steel bars and seamless pipes.

Coming to Sintex, we continue to focus on channel expansion. In water storage tanks, we focus on premiumization, alongside sustained momentum in water storage tanks segment growth led by urbanization in the Tier 2 cities. In plastic pipes, we have extended footprint to 15 states and continue to focus on product portfolio expansion and brand visibility.

We remain focused on our core products and geographies, prudent capital allocation, maintaining strong supplier customer relationships, innovation and building capabilities across our organization. Our people remain integral to our growth strategy, while our sustainability agenda continues to guide responsible manufacturing and long-term value creation.

With that, let me ask the moderator to open the floor for the question-and-answer session.

Moderator: The first question comes from the line of Shaurya Shah with Equirus Securities. As there's no response, we'll move on to the next question. It's from the line of Vikash Singh with ICICI Bank.

Vikash Singh: Congrats sir on a very good set of numbers. My first question pertains to U.S. business that like we said that we have booked till FY29, while the narrative on the data center and required pipelines still stays strong. So just wanted to understand, do we are still in a position or the customers are looking beyond FY29 to give you more orders? How should we look at the order buildup in that particular geography?

Vipul Mathur: See, the pipeline of the orders or the pipeline of the projects still looks fairly robust at this point in time. However, everyone now understands that ordering has to be slightly calibrated because looking at the capacities, looking at all the orders which have recently been awarded, so we are seeing a little -- a lot more calibration happening.

That does not mean that the pipeline -- robustness of the pipeline is standing compromised, but it is a very good intelligent thinking which is now coming in slightly where the calibration is happening. So we will see that as we speak, there are a couple of projects which are still under discussion, which will still get finalized in the next couple of quarters.

But the intensity at which they were all getting finalized till now, I think so that intensity will slightly come down. And very rightfully so, it should happen that way. So we continue to stay very optimistic, positive about the robustness of the U.S. business. I have a strong feeling that this demand is going to sustain for the next 3 to 5 years more over and above 2029, FY 2029.

That's the sort of a guide, that's sort of a visibility we are getting at this point in time. And -- but it will now come in a calibrated.

Vikash Singh: Sir, my second question pertains to our Saudi mill as well as Jordan, which we are going to set up. In terms of fungibility, if U.S. demand remains extraordinarily high for a longer-than-expected term. Are these capacities, especially the Saudi, which would come earlier, would have a fungibility to U.S. or that we should not think at this point of time?

Vipul Mathur: See, technically speaking, that fungibility do exist. There's no doubt about it. But the fact of the matter remains that the Saudi market itself would be so very buoyant, we are so very optimistic around and about the robustness of that particular market that I think so our first priority would be to cater to the Saudi market.

I am not discounting the possibility of addressing the North American market. I'm just -- I'm giving -- I'm not saying that's just the U.S. market. I'm not discounting the possibility of addressing the North American market out of Saudi, which is a possibility. But I have a strong reason to believe that Saudi itself is going to keep us busy.

But coming back to your Jordan part of it, Jordan is a very, very strategic decision we have taken. Again, a call we have taken. And this was a similar question when we have taken preemptive calls in America or in Saudi, right? I think so keeping that split in mind, we have taken a call in Jordan because we have strong reasons to believe that in times to come, there is going to be a massive reconstruction activity, which is going to get kickstarted in that particular region.

And Jordan being at the epicenter, all the reconstruction activity, which happens to be in Syria, which happens to be Iraq, which happens to be in Lebanon, which also happens to be -- and Jordan itself, there is a massive projects which are going to happen in Jordan itself. I think so we have a strong view that this is going to be -- this strategic investment is going to pay a huge dividend to us in times to come.

Vikash Singh: No, sir. I resonate with you on the reconstruction opportunity. Sir, just one last question. We are flooded with cash. Even if I add up all these CapEx, we will still be adding cash over and above this CapEx. So just wanted to understand how the management looks for this cash utilization because this will weigh on your ROE guidance?

Vipul Mathur: Right. So Vikash, as we have been very careful about our capital allocation policy. So we are -- and I have clearly articulated our positioning that what is our directive from the Board and how the capital allocation has to happen.

So first and foremost, I want to make you -- once again, I want to reassure you that we will have a very, very disciplined capital allocation policy, number one. Number two, it is also a fact that the current businesses are generating sufficient operating cash flows at this point in time, and we would be absolutely positive of cash.

The cash will -- the deployment of cash primarily would be for two reasons: a, for growth; and b, for our shareholders. That is what are the directions what we have from the Board. As at this

point in time, what percentage, what is going to happen, how it is going to happen; it's a little premature because first and foremost, let the cash come to the bank. Right now, it is only on a paper, it has to come to the bank.

But I am only reassuring that, a, the capital allocation part of it is going to be extremely judicious; and b, it will only be focused towards growth and it will be for our shareholders.

Moderator: The current participant has been disconnected. We'll move on to the next question. It's from the line of Bhavya Gandhi with Bajaj Alternate.

Bhavya Gandhi: So just wanted to understand what is the bid pipeline looking like? And what is the usual conversion ratio, if you can highlight on that? You said, till FY29, you are completely booked, I understand. Post that, in your very high-level experience, usually, what is the cycle period when it comes to this oil and gas and water infra? Is it like a long gestation cycle? Or is it like a short cycle? If you can just elaborate on that as well?

Vipul Mathur: So Bhavya, the bid pipeline in U.S. looks extremely strong at this point in time. I don't -- the demand robustness is unabated, very strong demand still appearing. We are still seeing a lot of traction with respect to data centers and demand and of course, for the LNG exports, number one.

And the bid pipeline for the India domestic business is slightly looking weak at this point in time. I am sure that things will improve from here on because the water sector has not been doing good here. We are seeing a little bit of a resurgence in the oil and gas sector. But India export bid pipeline is still looking robust. So India export bid pipeline looking good, but India domestic bid pipeline could have been better. It is a little bit of a matter of a concern.

Coming back to the Middle East, where the Saudi, the Saudi domestic demand is looking extremely, extremely buoyant. I think no sooner this geopolitical situation gets addressed and becomes a little stable a bit, I think so we will see a massive resurgence coming up in the Saudi side of it. So from a bid pipeline perspective, other than the India part of it, we are fairly robust. We are fairly comfortable and confident.

Bhavya Gandhi: Sir, would you like to quantify the bid pipeline amount and what is the conversion ratio like?

Vipul Mathur: It is changing. It is very difficult to quantify. Typically, we see that in any case, 3 million to 4 million tonnes of pipelines in any case are always there in contention. But today, things are changing so very rapidly and so very fast, there are so many variables which are impacting it, so it is very difficult to pinpoint it. But it is -- they still are in the vicinity of almost 2 million to 3 million tonnes of pipeline at any point in time, we are contemplating and contesting for.

Bhavya Gandhi: Got it, sir. And just a high-level question, sir, on the cycle. How long does the cycle last because we are adding capacity, although we have visibility for next few years. Post that, just wanted to understand, will the growth taper off post '30? I know you said you have strong bid pipeline as well. But just wanted to understand how long does the cycle last? Is it like a 5-, 7-year cycle? Or is it like more like a 3-, 4-year cycle, from your experience? Yes, that would be helpful.

Vipul Mathur: As I have earlier said in my earlier calls as well, see, this is a structural change which is happening in the industry. It is not a sort of a cyclical paradigm shift we are seeing here. What we are seeing is a very structural shift happening in the industry at this point in time. I think so -- which means that the demand is going to be for the long haul, both in U.S., both in the Middle East market. I think it is going to be a long-term sustained demand.

I mean what we have a visibility of next 5 to 7 years at this point in time, crystal ball, 3 to 5 years, visibility of 5 to 7 years. And if it is beyond that, I think so it is going to be extremely good for all of us.

Moderator: The next question comes from the line of Parth with Investec.

Parth: First, I wanted to check on Jordan expansion. So sir, what is the capacity we should work with over here in Jordan?

Vipul Mathur: See, we are in the process of finalizing all the capacities and everything, but it is going to be a fairly sizable capacity we will create in Jordan at this point in time for a simple reason that the requirement in Jordan itself is going to be huge, both with respect to water and oil and gas pipeline. So the Jordanian government has only announced that.

And as Mr. Percy did mention in the opening remarks that we are going against the backdrop of an order in any case. So it is not that we are putting up a plant and then scouting for the business. We already -- we will have a business before the plant is going to start. And so it is going to be a sizable capacity, number one.

Also, these capacities are mostly because it depends on what size and what thicknesses you are doing. But I have a sense that we could be anything between 3,500 -- 350,000 tonnes to 0.5 million tonne capacity range, we will be looking at it because the plant what we have, we are looking at -- will have the capability to do that.

Parth: Perfect. Perfect. And sir, just to check on the KSA timelines, we had mentioned December 2026. Is there a delay or -- because of the geopolitical reason?

Vipul Mathur: No, no. So from a commissioning point of view, we are absolutely on track at this point in time, part. We should be -- we are in the final phases of our commissioning, both for our LSAW as well as for the DIP plant. And in this quarter 3, we will be done with that.

Now the order materialization, the business materialization may take some time because of the conditions. So today, we have to also understand and acknowledge that the whole -- this Middle East market, the whole Middle East region is under a massive supply chain disruption. This disruption has to ease out a little bit. There has to be the raw material, which has to start coming in. You have to have the ability of the finished goods being exported or finished good to move out.

I think so that disruption is currently in place. It is not impacting us. It is impacting the region at large. So we have to see it in two parts. In terms of our readiness, yes, we will be up and running ready by the end of this particular year. But in order to capitalize upon the opportunities and to

start really transacting the business, I think so we are also equally watching with caution as everyone is that how is the situation evolving and how quickly it is settling down in the Middle East.

Parth: Got it. Got it. And sir, there is this one announcement by Saudi Arabia government that they are expanding the East-West pipeline capacity. So would that materialize anytime soon? Or would even that would depend on the supply chain?

Vipul Mathur: That is the only -- that is the one which you guys are hearing outside. But when we are there on the ground, we are hearing multiple things. There are a lot of action which is happening there, a lot of action which is happening there. I think so the Saudi government is very, very clear as to what they intend to do, and they are completely accelerating the whole processes, right?

I think so there is no -- let's be assured that there is no dearth of a business opportunity, both for the oil and gas with Aramco or in the water sector within Saudi. Be absolutely rest assured. It is just the supply chain disruption, which is currently bothering us and everyone at large. Once that is being taken care of, I think so there is no dearth of opportunity.

Moderator: The next question comes from the line of Shaurya Shah with Equirus Securities.

Shaurya Shah: So just on the U.S. business, again, there was some issue with my line earlier. So apologies if I repeat the same. So of course, the oil and gas front, a large part of order booking has played out.

Obviously, the outlook still remains positive. But on the data center story front, so is there further fuel left, given the massive build-out still happening? So of course, INR5,500 crores order has been booked, but what is your view on kind of further visibility happening on the data center front specifically?

Percy Birdy: Sure. So Shaurya, you are right, there's a lot of action happening there because of the data centers. And obviously, the need to have these captive power plants and you need the gas pipelines for them. And one of the recent orders that we won, a large one there, was actually for data center pipeline.

However, there is also a little bit of a moderation that we are witnessing in the last month or so and which is actually -- it fits in very well with our business plans as well. So -- because if everything materializes simultaneously, then really we also wouldn't have the capacity to convert that into business orders.

So I think there is still a lot of scope for more and more orders for gas pipelines for data centers. But we have seen a little bit of caution emerging there and -- which is actually good in our favor.

Vipul Mathur: If I can -- if I can just add, Shaurya, on the data -- to your specific requirement of data center, I think so this demand has now started building up. There were the discussions which were happening, but this demand has now started trickling in, right? And it is now building up.

If you look at it, in the next 5 to 7 years' time, the volume of data center demand could outpace the demand for LNG exports. And that is the sense we are getting at this point in time. So as

what Mr. Percy said, that while there is a natural calibration which is happening and which has to happen and which is good, but data center story has started -- earlier, it was only on the books, then on to the drawing board. Now it is coming to the execution.

So this is a stream which is opening up beautifully well, and that is where we see that the demand is going to be there -- a long-term sustained demand is going to be there, please.

Shaurya Shah: Understood. That is great to hear, sir. And on the Saudi front, so I believe there was some implementation of antidumping duty as well, which has been finalized on the DI pipe imports in Saudi.

So like what is your view on the positive sentiment now building up further across the DIP industry in the Saudi as well as surrounding regions across the MENA region? Because the desalination story is, I believe, playing out across the MENA region. So what is your outlook on this front?

Vipul Mathur: We are very optimistic. I mean, we -- today, if you look at it, on the DI side of it, only 2/3 of the DI requirement of the Saudi -- captive requirement of Saudi was being serviced through imports, right? We are -- now we are going to be a fairly -- we are going to be the largest dominant player. So it is going to be a sort of an import substitution.

We will definitely be -- first and foremost, the first right of refusal in any case for the local demand will definitely come to Welspun. So we are very -- we are optimistic about this DIP demand.

And you are absolutely right, the water and the desalination story across Middle East is gaining traction. And you see our expansion into the Jordan territory is also logical in that direction. That is also the play which is happening in Jordan, that is the play which is going to happen in -- which is already happening in Saudi, and that is the play which will also happen in the other Middle East regions as well.

Moderator: The next question comes from the line of Sneha with Nuvama.

Sneha: Just a couple of questions from my end. One is on the Saudi front, you said everything is on track. The demand is pretty good. It's just that you're waiting for the line to start operating. In that case, what could be the utilization levels and how they can inch up for '28 and '29? Some color there would be helpful.

Vipul Mathur: See, as I said, that the demand, both for oil and gas and water, is extremely strong. I -- in the very first year of operations, we have -- if everything evens out and the whole supply chain and the region gets stabilized, we are looking at a very high percentage of our capacity utilization.

And so we are not going to touch 100% in the very first year. This -- it is not that you press a button and you start doing that. But our ramp-up would be very, very fast. Our stabilization would be very, very fast for two simple reasons: Number one, that, a, the demand is -- demand is there; b, you are on the ground; and c, these are the products, which is our bread and butter, which we produce every day in day out globally. So we are absolutely on top of thing.

Now how much -- what sort of a capacity utilization will happen, I can say it will be a fairly higher percentage of capacity utilization across both the plants what we are anticipating in the next financial year.

Sneha: Just to put a number here, can we put 50%, 60% utilization at least in the first year of operation?

Vipul Mathur: We should at least be aiming for that, if not more.

Sneha: Understood. Secondly, while a lot has been spoken on the U.S. and the demand front, how do we see India? India would consequently face 2 years of falling volumes. Of course, there are two troubles that there's no CapEx happening in India. Apart from that, currently, even the exports is hit due to geopolitical issues. How do we see the scenario changing? And how do we track whether the spending and all is coming back?

Vipul Mathur: As I said, the India domestic demand has been fairly sluggish. And -- I mean, I don't want to give very rosy picture. I think so the way things are appearing, it could be sluggish for the next few quarters as well, especially on the water sector. And for the reasons, there are reasons behind it.

However, on the oil and gas side of it, I think so as I said, we are seeing a little bit of an uptick. We are seeing an uptick in the city gas distribution, so -- which are very welcoming signs. And we want to see that how they pan out over the next couple of quarters. But overall demand will -- the domestic demand is going to be under severe stress.

Having said that, the export demand out of India. What we are exporting out of India, I think so that demand was good, is good and will continue to be good, right? It is -- in a few of the markets, you have supply chain issues. But in most of the markets, you don't have it.

So I think so our focus will continue to be on exports out of India, right? And I'm sure that we have a very impressive record around exports all through the years, and we should be able to maintain that momentum.

Moderator: The next question comes from the line of Netra Deshpande with Mirae Asset Sharekhan.

Netra Deshpande: Congratulations for the great set of numbers, sir. My first question is pertaining with the line pipes, the volume, which has failed around more than 20% and DI pipes. So what is the volume guidance for the FY27? And again -- this is my first question.

Percy Birdy: So Netra, the domestic DI pipes market, we all know is facing, what should I say, headwinds. And it's all the players are getting impacted. So there is a slowdown, Jal Jeevan Mission budgetary allocation. We all know these stories, okay?

Welspun strategy is slightly unique. So we are focusing more now on the DI exports, and we have done a lot of work there. So especially to markets like Europe, even in the Middle East. A lot of work has been done, accreditations have been obtained. And we will see that a lot of our production will start going towards exports.

And also in the meantime, Pig has been doing well for us. And that's where we are not so adversely impacted by all these things. Things could have been better, no doubt. But I think we are reasonably okay in terms of this particular segment.

Netra Deshpande: Okay. So volume which we can capture as the same for the year FY27, it would be that...

Percy Birdy: Domestic DI volumes will be obviously substantially lower, no doubt about it. But our focus is now moving to exports of DI pipes.

Netra Deshpande: Got it. Okay. My second question is about the new India JV, which is about the Perma-Pipe. So that is a coating metal. And what would be this product mix overall structure and the margins and the realization or incremental margins or realizations that you are expecting sir?

Percy Birdy: So the India JV with Perma-Pipe is a very niche JV. It's for internal FBE coating. The investments that we are talking about is not anything that great. So I mean, it's total project we are talking is about INR110 crores, and both the partners will fund it. So we are talking about a small investment. But it will give us the bouquet of coating services capabilities.

So that means we can do any type of coating, which a potential customer may be requiring, including concrete bed coating, for example, which we already have. And this opens up opportunities for export orders, large export orders where even the bare pipe manufacturing will come to us because sometimes in these orders, there is IFBE coating is mandatory. So while this JV gives only the niche capability of IFBE coating, but the benefits to us will be much more than that.

Netra Deshpande: Okay. And where the plant is located around Anjar or any other location?

Percy Birdy: Yes, Anjar

Netra Deshpande: Okay. And what is the timeline for this commissioning? I mean when it will start contributing the revenue?

Percy Birdy: I think next financial year, it should be up and running.

Netra Deshpande: Okay. Okay. And sir, the last question about the capex commitment for FY27 about this new plant and Jordan JV equity. So what will be the debt fund? So what would be the net debt to EBITDA? It's still below 1 or how it will be? Can you give some insights on that?

Percy Birdy: So Netra, you already know our numbers. The consolidated net cash that we have is close to INR3,800 crores, okay? While we do have some CapEx remaining in Saudi and in U.S.A and we have also announced these 3 new investments, but we are reasonably sure that we'll continue to remain in net cash position even after completion of all these CapEx.

Moderator: The next question comes from the line of Ritesh Shah with Investec India.

Ritesh Shah: Congratulations for wonderful results. Sir, just wanted to understand, why is the supply curve not reacting to the demand that we are looking in the marketplace? So we do understand that there are entry barriers, which are very genuine approvals take time. But you have several

companies operating in North America as well as Middle East. Are there any incremental announcements that you are hearing from a supply curve standpoint?

Percy Birdy: So I think your question is more focused on North America, Ritesh. So we compete with 2, 3 players there. And Welspun in U.S. is, of course, the largest market share over there. The other players are also a little bit of doing debottlenecking and a little bit of capacity augmentation, okay? So I think we will -- our market share is likely to increase as we go forward. So with our capacity expansions that we have announced, we really stand to gain.

And the competitors are also doing a little bit, but nothing comparable to us. So I think we are on a stronger wicket and there are specific advantages that we have. So our complex in U.S.A. in Little Rock is spread over almost 800 acres of land. And that gives us a lot of advantages, the storage facilities and the infrastructure that is there, the proximity to the port, transportation, logistics, railway lines.

Some of these things are not really available with the competitors. So even if they were to do all these things, it will take them longer time, probably larger investment. And that's probably the reason that Welspun is able to move fast because of this infrastructure setup, which we already have there.

Ritesh Shah: Sure. This is helpful. My second question is, I think in one of the earlier comments, I think Mathur used the word calibrated. Just wanted to understand -- and I think this question was with respect to visibility of FY29, FY '30. Just wanted to understand why the use of this word calibrated.

Vipul Mathur: When I say calibrated, the intent was that, a, the intensity of the projects which were being discussed, announced in the last 6 months, 9 months, that's what I'm trying to say, it is calibrated because everyone has clearly understood that in a space like this, when beyond the point, there will be a supply constraint.

It is better to calibrate the requirements and calibrate their plans. So that is what -- not that the demand is going to get calibrated. It is the timing of that part is going to get calibrated. That's what I meant.

Ritesh Shah: Sure. So just as a follow-up over here, given I think most of the capacities will be probably booked or sold out, then how are we taking a call on value versus volume? Or how are we looking to maximize profitability? Or can U.S. orders, say, reap us more than $400, say, into '28, '29, '30? Is it a scenario that you probably won't rule out?

Vipul Mathur: There's nothing -- there is no scenario which cannot be ruled out. We are not ruling out any scenario at this point in time. I think so there is an opportunity which is there. We are -- we have the capacity and the capability to accommodate more orders. If you see, we are making all that strategic calls. Even yesterday, we announced that we will be doing some augmentation of our capacity.

That's all been done with a very strategic purpose. And it is -- the whole objective behind that seems to -- is only one to maximize the profitability around it, the volume growth and the profitability growth.

Ritesh Shah: Sir, my question -- let me be a little direct. Given we already have visibility on volumes, is it possible to maximize the gross profit or EBITDA per tonne by choosing more profitable orders? Or are we looking to swap something which is more profitable versus something which is already on the order book? Is there some probability for that to happen?

Vipul Mathur: No. There's nothing called -- there is no probability for a swap. We are not looking for the swap. We are what we are aiming and what we are preparing ourselves for more orders and more profitable orders. That's what the capacity augmentation we are doing at this point in time.

Ritesh Shah: Okay. Sir, then is it possible to have visibility into '30 and '31? Like are we ready...

Moderator: Mr. Ritesh, I would please request you to come back in the queue for further questions. The next question comes from the line of Abhi Jain with AJ Capital.

Abhi Jain: First of all, sir, congratulations on the path that Welspun has been. It has been a tremendous opportunity, which has been sized by you, even though you have gone through some times with respect to the India operations. So congratulations on that.

So my first question is, I just wanted to understand that since our pipe volumes are down this year, year-on-year, we have already done H1 of about INR8,725 crores. And to do the next INR20,000 crores, you would need to be about almost 20%, 25% over and above the H1 that you have done.

So I just want to understand that given that the pipe volume are down, the volatility and the geopolitical volatility still persist, obviously, Saudi Arabia, there is a great opportunity that is brewing. But given the Houthis attack and given the preoccupation attack, I just want to understand that can this shift from FY27 or from H2 to next year H1? Do you see that there is some variability in the environment right now that you're operating in?

Vipul Mathur: So if I understand, you have two questions. Number one, with respect to the performance in this financial year. I think so despite all that what is happening around, all that variability, which is -- one is impacted a bit, I think so we would still be well within, if not better than our guidance. So we are very, very clear about it.

And if you see in the H1, we have been able to deliver what we have committed. And I think so the H2, the way the visibility looks to us, I think so we should be, in any case, be able to achieve, if not exceed our guidance. That's one part of it.

The second part of it that, a, what is it going to happen for -- in the next financial year, the subsequent -- the next financial year? I think so that is the time where our new capacities will come up on stream. A, the new capacity in U.S. will come on stream; and b, the new capacities of Saudi will come on stream. In any case, that incremental impact will start coming in from these new capacities in the next financial year.

The only vulnerability could be a little bit of Saudi for us in the next one or -- in a few months or a couple of months, if the supply chain conditions improve, then you will have the full impact of profitability coming from there. If it gets prolonged, then there could be a slight lag around it. That's the only difference which can be there.

But other than that, we would see definitely an incremental earnings and profitability coming up against all the investments what we have done. And they are all backed by orders in any case. In U.S., in any case, that is already backed by an order. So there is no doubt whatsoever that the H1 of the next year is going to be different than the H1 of this year.

Abhi Jain: No, we understand, obviously, given the political environment and given where we are, things could shift by a quarter or so. So that is appreciated. Sir, my second and final question was that in your presentation that I've gone through, you have called out the U.S. EBITDA per tonne exceptional against a sustainable $300 per tonne kind of a number.

Could you just give us some idea about how these 3 mega orders that we have in Little Rock, right, at what EBITDA per tonne are they priced at? I just want to understand whether through FY29 that the orders that we have to execute in U.S., are the margins locked in? Or can they shift?

Given the volatility, I would say, even in U.S. itself, we don't know what will happen in midterm. We don't know how the political scenarios change, right? The drill may be drilled, whether they take a backseat or not. So I just want to understand whether the margins are locked in until FY29 also on the U.S. orders?

Vipul Mathur: Yes, they are. The short simple answer to that is there.

Abhi Jain: I hope the volatility subsides so that you can go ahead and amazing results that we all expect.

Moderator: The next question comes from the line of Pranav Mehta with Equirus.

Pranav Mehta: Sir, so I just wanted to understand on the order pipeline that we are seeing of, let's say, Middle East and America, so how are the things panning out in Australia and LatAm and then your Southeast Asia, if you can throw some light on that? Because those opportunities we can service from our export business.

Vipul Mathur: That's correct. I mean that's a good question, Pranav. I think so as I said, all these regions are serviced out of India and India exports. And as I said earlier as well, we were seeing a strong pipeline and we are continuously seeing a strong pipeline of the projects around this particular region.

And that's the reason we have no doubt whatsoever with respect to in our mind with respect to exports out of India. So this pipeline of the projects is looking extremely good in these regions, what you mentioned.

Pranav Mehta: Sure, sure. And sir, my next question was on something which is currently developing globally, but I wanted your thoughts on how the hydrogen pipeline play can help us, if we can see some

improved traction over the next 2, 3 years in this category as well? Because Europe is seeing a lot of hydrogen related hydrogen pipeline-related activities.

Vipul Mathur: There is still an activity which is happening, but it has definitely slowed down or it has taken a little back seat in comparison to as what it was like 2 years back, right? While in Europe, it is still there, but let's say, in India or in other markets, it has taken a little bit of a back seat.

Having said that, I think so is it -- is that a business opportunity? Yes, it is a big -- a large business opportunity, which is there. But in terms of prioritizing it, I think so now the focus is more on energy security and ring-fence every country -- ring-fencing themselves with respect to that.

So I think hydrogen has slightly taken a backseat. But it cannot be discounted. It is going to be a massive opportunity which will come up in future. It is just a slight time calibration, which seems to be happening.

Moderator: The next question comes from the line of Darshil Jhaveri with Crown Capital.

Darshil Jhaveri: Firstly, congratulations on a really great set of numbers, sir. Sir, I just wanted to double click on our guidance. I think we've given a guidance of around INR2,850 crores, but the run rate that we are going, I think we should easily surpass it, right? So H2 is seasonally better. So would you think that our current -- we can outperform the guidance that we've given, sir?

Vipul Mathur: I would love to say yes. But the fact remains that as I've been talking on this call for some time, there are so many variables on which you have no control on. I mean, we see a strong traction in H2. But given all that variability which we are surrounded with, I think we would still like to be cautiously optimistic around that. We have -- we would love to stay around the guidance what we have given, but we will be extremely pleased that we exceed that.

In the past preceding couple of years, you have seen that whatever we have committed, we have always exceeded that. That will still be our endeavor. But I'd just like to be a little cautious in terms of overcommitting depending -- because there are a lot of things which are not in our control, and I hope you understand that.

Darshil Jhaveri: No, no, no. That's fair to say, sir. And sir, just wanted to know in terms of the Saudi reconstruction, I don't know if it's relevant to us or not, but if the attacks are going on, are they -- is there a chance of them trying to attack industrial areas or somewhere where our plant is only that like something that's happened till now or something that you would like to comment on, sir?

Vipul Mathur: We -- see, it is something not correct on our part to comment on, to be honest. But what I can make a sort of an assessment, I think so this is more of a -- this seems to be more of a positioning rather than a full-scale war in terms of that as what is happening between -- in the European -- between the two European nations.

I don't think so that is the situation we are seeing or watching or even expecting on that -- in this part of the world. It is -- while there is a disruption, but that disruption is more of positioning rather than going out all and about the infrastructure facilities of both the countries. I don't think

so. We are not seeing that, nor we are hearing that. So we are pretty confident around that, that it is not going in that direction.

Moderator: The next question comes from the line of Bhavin Chheda with Enam Holdings.

Bhavin Chheda: Sir, any traction seen in stainless steel bar and pipes business? Any orders, new segment? How is that business? Though it's very small, but maybe 2- to 3-year view there?

Vipul Mathur: Bhavin, on the stainless steel side of it, I think what we are seeing, there is a shift which is happening. We are seeing a lot more traction domestically rather than happening on export side of it because of all that what is happening in the European market at this point in time and the disruptions, which is happening.

But the good part is that the domestic market is looking strong. The volumes seems to be picking up. They have been slightly muted in the last quarter, there's no doubt about it. But I think so the next 2 quarters are looking much more promising in comparison to quarter 2.

Moderator: The next question comes from the line of Meet Bhuva with Entigrity Ventures & Partnerships.

Meet Bhuva: Congrats on good set of numbers. All of my major questions have been answered. I just want to ask on the fintech side. So like our loss is kind of doubled in this quarter. So just wanted to understand, how we are planning to take this business to the breakeven in the coming years?

Vipul Mathur: I think so that's a good question. And we have Yasho here, and you correctly hear from him as to what exactly they have been -- what they are doing and what exactly their plans are going to be in the next couple of quarters. It will be very helpful to hear from him, please. Yes, please.

Yashovardhan Agarwal: Yes. So just reframing, you're saying how are we improving EBITDA or how are we improving margins? What's happening...

Meet Bhuva: Yes, yes. How we will be coming to the breakeven?

Yashovardhan Agarwal: Yes. So right now, we are focusing on premiumization of our products, and our premium portfolio is growing strongly. So that is one element.

The second element is, see, we've been very aggressive in investing in our R&D and our technology, the digital front. So barring that, we -- if I'm able to take out the cost of my marketing, my R&D, we'll -- we are very close to breakeven, if not already.

So it's just certain investments that we're taking call where we really want to aggressively play. And these, let's say, are the building blocks of tomorrow, not today. So I don't want to hurt the future of the company for today's breakeven, and that's the call I'm taking.

Meet Bhuva: Okay. Okay. So basically, premiumization will be the one major growth driver that will take us to breakeven?

Yashovardhan Agarwal: We've seen a strong impact in volume also of our products in the economy. So Sintex as a whole was never there in economy. So we see that as a volume driver and focusing on utilization and support.

Moderator: The next question comes from the line of Ashray Sheth with Ventura Securities.

Ashray Sheth: Congratulations for a wonderful set of numbers. So firstly, I wanted to ask about the Saudi competitive intensity that might be playing out. So sir, we've seen that several of our peers have also announced capacities in Saudi. So -- and with the current geopolitical situation, there might be some delay in order intake.

So our capacities have been expected to come upstream much ahead of our competition. But given the demand cycle may be pushed out, do we see any risk of competitive intensity catching up? And what gives you confidence that Welspun can still lock in sufficient volumes and maintain attractive margins with those volumes?

Vipul Mathur: In terms of -- see, Saudi market was always a competitive market. The competitive intensity was always there. It is not that we were the only line pipe player in that country, number one.

Number two, we -- as we speak today, our assets are completely ready, but they will be ready in this quarter itself. And then as and when we would have the opportunity to serve the market, we'll start serving that. I think so a few of the competitors would still have a lot of work to do around that.

But having said that, there is a competitive landscape, number one. It was preexisting. It is only increasing. But at the end of the day, the Welspun is all about niche. We are -- the plans what we have set up is to cater to the niche segment of that particular market. We know what the segments are. We have positioned ourselves accordingly. And I don't think so that we are going to get impacted around that.

Ashray Sheth: Okay. Got it, sir. Sir, and on Welspun Specialty business, so over the last few years, we have consistently built our capabilities in terms of qualifications. We have got qualifications from NTPC, BHEL and NPCIL. So could you help us understand how is the order book shaping up for that business? And how is -- how would the split look like across nuclear, specialty chemical, oil and gas and defense? So -- and which of these verticals are you expecting could drive the Specialty business growth?

Vipul Mathur: See, we have been -- as you know, this business is with a very tough entry barriers, number one. Number two, the USP of Welspun Specialty is that they are the only integrated player. They're having their own steel, having their own pipes, right?

Number three, all through this, we have been -- in the last 2 or 3 years, we have been gradually building the blocks, and we have been absolutely in black. And earlier, this company used to be in that. So we are -- directionally, we are moving in the right direction. And let's not forget, this is the only integrated company.

What is the key demand driver now going to be is the power gen. There is a massive power gen requirement, which is -- capacity, which is being built up in India, right? And I think so this is where we will see that Welspun Specialty Steel playing a major, major role in quarters and years to come.

And this is a long-haul demand. It is not going to be a sort of a quarter-on-quarter demand or a 1- or 2-year demand. It is a structural change again, which is happening, and it is an 8- to 10-year demand in the power gen sector, which will then be -- which will also be compounded with the nuclear index to come. So this is what we are getting prepared for. This is what we are ready for, and this is where we see that the next growth story of WSSL is going to come in from.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to the management for closing comments.

Percy Birdy: Thank you for attending this today's call, and I hope we have answered all your questions. If any of you have any further queries, please feel free to contact our Investor Relations team, and we'll be happy to assist you in this regard. So wish you all a great year ahead and wish you all a happy Diwali.

Moderator: Thank you, sir. On behalf of 360 ONE Capital Market Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.