"Welspun Specialty Solutions Limited

Q1 FY '25 Earnings Conference Call"

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MANAGEMENT: **MR. ANUJ BURAKIA – WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER – WELSPUN SPECIALTY SOLUTIONS LIMITED**
MR. BRIJVEER SINGH – CHIEF FINANCIAL OFFICER – WELSPUN SPECIALTY SOLUTIONS LIMITED
MR PERCY BIRDY – CHIEF FINANCIAL OFFICER – WELSPUN CORP. LIMITED
MR. SALIL BAWA – HEAD INVESTOR RELATIONS – WELSPUN GROUP
MR. GOUTAM CHAKRABORTY – HEAD INVESTOR RELATIONS – WELSPUN CORP. LIMITED

MODERATOR: **MR. ASHUTOSH SOMANI – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day and welcome to Welspun Specialty Solutions Limited Q1 FY '25 Earning Conference Call hosted by JM Financial. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashutosh Somani from JM Financial. Thank you and over to you, sir.

Ashutosh Somani: Yes, thanks operator and welcome everyone to the call. I will first thank Welspun Specialty for giving JM Financial the opportunity to host today's call. Without much ado, I will hand over the call to Mr. Salil Bawa, Group Head Investor Relations, to introduce the management. Over to you, Salil.

Salil Bawa: Thank you very much, Ashutosh. Good afternoon to all of you. On behalf of Welspun Specialty Solutions Limited, I welcome all of you to the company's Q1 FY '25 Results Earnings Call. Along with me today, we have Mr. Anuj Burakia, Chief Executive Officer and Whole-Time Director, Mr. Brijveer Singh, Chief Financial Officer, Mr. Goutam Chakraborty, Head Investor Relations for Welspun Corp., and I also have Mr. Percy Birdy, CFO for Welspun Corp. We hope you have had a chance to review the investor presentation that we filed with Exchanges. It is also available on the company's website.

During the discussion, we may be making references to this presentation. Please do take a moment to review the Safe Harbor statement in our presentation. As usual, we will start the forum with opening remarks by Anuj, and then we will open the floor for your questions.

Once the call gets over, should you have any further queries that remain unanswered post the earnings call, kindly feel free to reach out to any one of us. With that, I would now like to hand over the floor to Mr. Anuj Burakia. Over to you, Anuj.

Anuj Burakia: Thank you, Salil. Good afternoon, everyone. I am pleased to welcome you all to the Quarter One FY '25 Earnings Call of Welspun Specialty Solutions Limited. In today's discussion, I would briefly cover the macroeconomic situation followed by industry scenario, and then the performance of the company before we start the interactive session.

Talking about the macroeconomic situation, as per the latest World Economic Forum outlook, despite multiple challenges, including higher interest rates to counter inflation, the global economy remained resilient. The IMF, in its latest projections, expects the global economic growth to hold steady at around 3.2% in 2024 and 2025. India's growth forecast was increased by 0.3% for Financial Year '25 to 6.8%, and it remained unchanged at 6.5% for Financial Year '26.

Strength in India's growth forecast is backed by expected strong domestic demand and rising working age population. Meanwhile, the Reserve Bank of India, in its June monetary policy, has raised its real GDP growth forecast for the current Financial Year, '25, to 7.2% from 7% earlier. The FY '24 actual GDP growth expanded to 8.2%, higher than the expectations. Coming to the stainless-steel industry, on the consumption side, as per World Stainless Steel Association, overall stainless-steel consumption is likely to grow at 3.9% and 3.2% in 2024 and 2025, respectively. SS long products consumption, after a very muted growth of about 1% in 2023, is likely to grow by 3% in 2024 and 3.3% in 2025. While the macro-outlook points towards better future visibility, few ongoing challenges have been impacting the short-term business prospects, especially on the export front.

Concentration of container traffic on China-US corridor owing to export surge has been affecting availability of containers and freight costs, while ongoing Red Sea crisis also continues to affect shipment transit time and freight. We, however, expect the situation to normalize in due course. Domestic markets remain strong as the central government's spend on infrastructure, energy and other strategic sectors is creating a demand thrust in the country.

The growth spend is expected to continue at same or a higher pace, thereby benefiting the domestic industry. Sectors like power gen, energy, defence, space, petrochemicals, etcetera, remain the key focus area. In this context, let me also highlight that in yesterday's budget unveiled by the Honourable Finance Minister, announcements were made on plans to develop high-efficiency, advanced, supercritical thermal power project in the country.

This, along with further focus on nuclear energy augur well for us as we believe this will create incremental demand for critical applications. In addition, it is projected that 80 gigawatt of capacity in thermal power shall get built in the country over the next decade to feed the growing demand. Such developments will bring direct benefit to the company's business prospects and the volumes.

Talking about key highlights of operational and financial results for quarter 1 FY '25, SS Steel Products sales volume rose by about 31% year-on-year to about 4,750 tons. Pipes and tubes sales volume rose by about 2% to about 1,140 tons. Current order book stands at 6,791 tons, valued at about INR303 crores compared to about INR170 crores at the end of last quarter.

Total income during the quarter stood at INR168 crores and EBITDA stood at INR16.8 crores. PBT and PAT for same period stood at INR2.6 crores and INR1.9 crores respectively after deferred tax deduction of INR0.65 crores.

I am happy to share that recently the company bagged an order from BHEL for supply of 1,400 tons of seamless stainless tubes for NTPC Talcher 660 megawatt two -- two plant supercritical thermal power project.

This is the outcome of our strong focus on new product development and is a testimony of our quality products and execution capability. The outcome is not only coming out successful through a very stringent evaluation process by BHEL and NTPC including integrated demo production but also being able to successfully bag the first large order placed for the first time in the country. In the same philosophy, we have also booked an order for a very high value nickel-copper bars of grade K400 from a German customer.

During the quarter, the company produced, delivered and commercialized another high value grade XM-19. On the sustainability front, our focus remains intact. We have been gradually progressing in our endeavours of reducing our carbon footprint. We have achieved an overall reduction of 13% in energy intensity compared to financial year '24. Also, contribution of renewable energy in total electricity has improved to about 35% in quarter 1 financial year 25. We continue to emphasize on our focus on developing and delivering critical and value-added grades.

With aim to further strengthen our position in niche stainless and nickel product segment. Simultaneously, we continue to improve our presence on new geography and territory. After achieving a complete turnaround during financial year '24 with consistent profitability, there is a very sharp focus towards increasing the capacity utilization during current year.

With this, I would request the moderator to open the floor for question-and-answer, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Miraj Shah from Arihant Capital. Please go ahead.

Miraj Shah: Hi, good afternoon. Thank you for the opportunity sir. There are two sets of questions. First one being that there was an announcement a month ago in which Gujarat Pollution Control Board had asked you to stop the facility in Bharuch. Have we shut down the production over there or how have we responded to the query that they had taken up because in that release they had clearly mentioned to shut down the facility from 5th of July?

Anuj Burakia: Mr. Miraj I am really thankful that you asked this question. I was really keen to fully share this one particular incident to bring about full clarity and transparency as to what really happened there. So this visit in first place was an outcome of our own application for our environment clearance application and when the visit happened we as a company, as an establishment there are all treatment plants and fume extraction systems everything is in place.

And obviously there cannot be any systemic deficiency and that is how we run our operations very responsibly. What happened then was a one-off breakdown which also got overlooked wherein some amount of effluent got seeped through a transfer trench and reached to within plant drain. Now, environment wise it definitely means a non-compliance whether it is an outcome of an accident or a breakdown. And GPCB, Gujarat Pollution Control Board these days, I mean they without any slightest of a compromise did what they were supposed to do under the rules.

They would not go by whether it is an accidental happening or a systemic failure. Let me also share this particular thing was fixed within no time and that would not have been possible if it was a systemic issue. Then after that as per the rules they visited us again and the provision of Pollution Control Board provides for change of 15 days notice of direction to a three-month notice of direction.

The final revocation happens after the visit will be again conducted to see the sustenance of the measures that have been taken. So as per the rule they have to convert it to a three-month direction which has been done and now we are hoping towards the end of August or beginning of September, they would again come to check the same thing and then give a final revocation.

Interesting part in between is that since the whole process was started for EC clearance and our EC application was still under consideration and pending, on our request we got the same team to visit again in the beginning of this week to make an assessment again regarding the EC application. The same team visited which is now the third visit I can call it and what we are aware of is that they were pretty satisfied, and the recommendation letter would go anytime.

So, what I want to really assure you that this you can call it a one-off accidental case which led to something, but as a company we are 100% dedicated towards our environment responsibilities and that is how you see that we are continuously investing into green power and things like that and so I would request that this may be taken as one-off accidental case. Also, on not a single day the production stopped because the notice of direction was a 15 days notice wherein they had expected us to fix up things and report back and for which probably we took less than two days to really submit the compliance. So, this is about it.

Miraj Shah: Understood. So there has been no shutdown in that we have cleaned up the issue and we have responded to their request as well. I just want to understand over here that how does this impact for us getting for future orders because mainly when we look at the international clients they are very much ESG compliant or want to have a very key focus on such issues in which there are small breakdowns happening. So has there been any issue regarding that?

Anuj Burakia: So, I can also since you asked generally I may not get an opportunity to speak about that, but you see as a practice as a responsible company what we do proactively is when something like that happens, and we bring it to the public domain which is a necessity. We also get in touch with our main customers and give them a download of what really happened and let me also tell you that any customer though they are very sensitive towards environmental compliances, but at the same time once explained in the right manner in right transparency they are equally appreciative of the fact that the company is accountable, responsible and completely committed to the environment objectives.

So, I think on that front we have neither faced nor we expect to face any kind of dent to our order booking capabilities or our relationship with the customer or in any manner.

Miraj Shah: Understood. Okay. So the next question is regarding this high value nickel copper order that you just spoke off from a German company. Could you just let us know the size of this order?

Anuj Burakia: Well, the size of this order at present is about half a million dollar, but which is a validation supply again as it happens in this field that once you have supplied that the validation bars very successfully and of the right quality then that opens up the doors for not just volume increase for this particular customer, but also for other customers when you have this reference to share.

Miraj Shah: Understood. Okay. And just one final question before I get back in the queue in the current quarters where our finance cost has short of drastically it is at INR10 crores. We just want to understand where has why has this gone up? What is the requirement for borrowings over here or why has it gone up so much?

Anuj Burakia: So, Miraj what has happened in this particular generally our finance cost is around INR8 crores, 8.5 crores which this time has increased by about INR1.5 crores, but this is not a permanent increase to the cost. What happens is when we incidentally in this quarter there were some I would say increased number of vendor bill discounting that has happened and which happens for let's say a period of 90 days or 180 days, but then the cost is recognized over a period. So this quarter we had some elevated amount of such discounting, but going forward this will get flattened. So our finance costs would remain in line with what they are.

Miraj Shah: Understood and any guidance on how we are going to bring down the debt in what period or how long would it take?

Anuj Burakia: You see our long-term debt which is to the tune of INR183 crores, and which will start falling due from this financial year and also some in the next financial year. So we definitely expect from the internal accruals, profit and cash flow we will be able to pair this.

Miraj Shah: Understood. Okay, I will get back in the game. Thank you so much for answering my questions.

Anuj Burakia: Thank you.

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

Chirag Jain: Yes. Hi sir. Thanks for the opportunity. I had a few couple of questions. So coming firstly to the nickel and chromium. So what percentage of overall raw material the nickel and chromium cost account for?

Anuj Burakia: So, Mr. Chirag I think that's probably I will need to scan through a lot of documents to really get that answer because we produce lots and lots of grades and yes you are right. I mean stainless steel is all about nickel and chrome first and then the rest gets added in various proportions. So I would not have that calculation in front of me right now, but I can say that the very popular ones which comprise quite a significant portion of our production and sales would comprise of approximately 10% nickel and approximately 16% to 18% of chrome.

Chirag Jain: Got it. Fair enough. 10% for nickel and 16% to 70% for chromium. Okay.

Anuj Burakia: No, that is the content. I am not talking about amount or the value. I am saying whatever we sell contains approximately by weight 10% of nickel and 16% to 18% of chrome.

Chirag Jain: Yes, that works. Secondly, from the company's perspective, so what has changed for the company from the last cycle internally because there was a huge change in the company had over the last few years? So I wanted to understand the perspective, how have we changed from the previous down cycle to this cycle and how we see it moving forward? So there are three parts to it.

Anuj Burakia: So if I have understood your question correctly, you want to understand that what has happened in last four to six quarters compared to the erstwhile period when the company was not doing well or making losses and then this turnaround. So is this what you want to understand?

Chirag Jain: Yes.

Anuj Burakia: Okay. So I think I have been covering this in almost every quarter discussion that we have been doing, but I mean just to summarize for you that first of all, sometime back, let's say three years back when the company decided to revamp the whole business strategy and go about only high value-add products not only on seamless pipes and tubes, but also on the steel plant is where the story started to change.

Now, this is a segment which is niche. At the same time, it has its own operational challenges, approval challenges, getting the right kind of experts to run the operation, getting the right kind of marketing set up. So, it is a bit slow process. But then once it starts lapping, then the progress will be faster.

So, I think over last six to seven quarters that is the process which went on and which continues as we produce and deliver new products and build more and more capability for our future growth and expansions.

Chirag Jain: Okay. Fair enough. Secondly, on the future side. So once we are -- I think we are done with the value-added operational approval process and the expert that we need in place, so how competitive would we be for the next two, four, five years, upcoming four to five years? So, that is the second part of the question.

Anuj Burakia: So, I think, Mr. Chirag, see, the process that we employ is as good or as bad as any other great company producing the similar products would employ in the world. Okay. Now, obviously, our capacity utilization for the understandable reasons is lower than what it can be and on which we are much focused, and we are very clear that we are working on increasing our capacity utilization.

So, obviously, it will bring more efficiency on our costing and that is how our future profitability also is expected to be better on this account as well as we reach towards more and more capacity utilization. So I think on the competitiveness side, I don't see any challenge to the company.

Chirag Jain: Okay. So are we seeing increasing number of approvals to Indian steelmakers in the segment that we operate in?

Anuj Burakia: No. So if we talk of approvals and accreditations, there are two kinds. One is where the customer specific approvals are there. Like, for example, if you are to supply to National Thermal Power Corporation power plants, then it is they who come into picture. At the same time, they also want an accreditation by the Boiler Board, which is called well-known steelmaker and well-known tube maker.

So every customer, whether it is domestic or it is global, might have different processes for approvals and validation. Some might conduct audits; some might want to buy a validation supply and then test the material. But by and large, I can say in this field, any customer that you want to supply to, the company has to go through some or the other kind of an approval or validation process.

Chirag Jain: Got it. So, now that we have in place, so how do we see the utilization levels improving over the next few years? So, what would be the current utilization levels that would be currently and how do we plan to increase them forward?

Anuj Burakia: So, I can say I think in the last call also, I spoke about this. Our current utilization of erstwhile in case of steel plant was less than 30% and in case of pipe, less than 50% to 60%. The guidance that I gave during the last call and which we still are holding good, in this financial year we expect revenue growth of anything between 20% to 30%. So this is what I would like to maintain.

Chirag Jain: Got it. Secondly, on the parentage part, so we have the Welspun Corp parentage that we use. So, as I checked about the tender that we apply for, so we need to be profitable, or we need to have some eligibility to apply for it. So do we apply it through parent, or we apply for tenders in our company name?

Anuj Burakia: So, first, this tender is nothing to do with Welspun Corp. The routine business is independent, early handled and any tender or any customer orders or any credentials that are to be provided are of Welspun Speciality only. So this tender also is clearly applied, paid, option, participation, everything has been done by Welspun Speciality and accordingly the tender has been awarded.

Chirag Jain: So they don't look at the past. We try to portray our current capacity only.

Anuj Burakia: No. So, see, first of all, to get an approval from BHEL, you have to have a positive bottom line, which the company has a positive bottom line for last two years. The second is the approval process goes by the product validation, plant audits, which is a very stringent one, by the way, demonstration production in front of their teams. So all that process was done and that is -- when I keep talking of new product development, so at some point we will start seeing the real benefit out of all those products that we have developed over the last two years.

This result of getting this large order is not overnight. The company had been working on developing this very, very critical grade of product during last two years. And that is what eventually could convince NTPC that these kind of critical tubes also can be produced in the country in an integrated manner right from the steel making to the final tubes. So, I think there are larger considerations behind the selection of a mill for such critical applications than just the past history of a company.

Chirag Jain: Fair enough. So our parent is also somewhat…

Moderator: Sorry to interrupt. Please follow the question queue for your next question. The next question is from the line of Radha from B&K Securities. Please go ahead.

Radha: Hi. Good afternoon. Thank you for the opportunity. Sir, my first question was, we mentioned about the NTPC order 1,400 metric ton. So in the last quarter, you had mentioned that we had got the approvals and I believe that this would be the first order received by us from their end. So could you mention what is the execution period for the same, and have you already booked the raw material for this order?

Anuj Burakia: So this order as per the order terms and conditions or tender terms and conditions has to be delivered by the December of 2024 and we are very well planned for it, and this will be delivered ahead of time.

Radha: All right. Sir, secondly, the realization for this order seems to be at 8.5 lakh per metric ton which would -- which I believe is higher than the realizations that we are getting from the current stainless-steel pipes that we are selling. So what would be the margin difference that we would earn from this order vis-à-vis the orders that we are executing in stainless steel pipes?

Anuj Burakia: So I think one is, the value probably you are calculating along with the GST. So the real average price if you look at is not INR8.5 lakhs, it is lesser. Having said that, this is again a high value product, and you see not just by the price because then when it is high value obviously it has a cost to produce. But what we anticipate in terms of benefits that are going to come are the operational benefits because when you produce something of similar nature, in longer campaigns obviously it brings a lot of efficiency to the operations, to the process and that is where we see that, we are going to get benefited.

And obviously having such a large, run of business wherein the steel will also be made in the same steel plant. So as an integrated process I mean this is going to be, a very good execution that, we are looking forward to see.

Radha: So secondly I would like to talk about what are our plans or is there, I mean how much we can reduce the conversion and other fixed costs as and when we increase the utilization. So also could you please highlight that at current capacity utilization how many employees are there and for full utilization how many, how much more, we need to increase the headcount?

Anuj Burakia: So I will tell you, first of all on the consumables and the cost that you spoke about, you see the realization is a factor of market and the same product which was selling at an X price one year back will have a Y price now and will have a Z price probably after one year, okay. So we cannot really control the market movements. Now, on the consumption side of it, just to give you an idea that, our consumables on an average, I am saying holistic, for the whole business is something like, INR15,000 to INR16,000 a ton and which has remained stable, within this range over the last five, six quarters, that have been seen.

But as I said earlier in one of the other questions that as the utilization will go up, obviously, there will be better efficiency on the cost of consumables. To that extent we are very sure. Otherwise, given the rate of utilization, I think we are well within the, norms.

Now on the people side of it, you see to run a process when you need X amount of people, now whether you are utilizing that process for its full efficiency or capacity or you are utilizing it as a little lower capacity, you still are bearing the cost of almost the full manpower. So at present, I would give you just a ballpark number. Let us say, the people on the rolls is close to about 600 and that is good enough for us to, to take care of our current year business plan.

So we do not expect to increase our manpower. When we start hitting, very high proportion of capacity to utilization at that time obviously, we will have to again go through and, re-evaluate as to, but it will still not be very significant.

Radha: Okay sir. Sir you mentioned to the previous participants that there was an environment clearance application that you had applied for. So is it for any expansion of capacities that we are planning?

Anuj Burakia: No it is not for any expansion. So I will just give you a background. Since the company exists since 1996, in those times the rolling mill specially, we like in our setup, we have a steel plant, we have a rolling mill, we have a pipe plant and, it is a full setup.

In those times, there used to be a system of NOC, no objection certificate from the state government under which the plant was built and which is the case with many plants by the way. Those were built in those times. Now last year, the government came out with a notification saying that the units which are operating under those notifications or under those clearances should also apply for a fresh EC, which will not be going to the central government, which will be cleared by the state government only, which is more in the nature of regularization.

So they want to make a reassessment or a revisit towards the new norms and, whatever has changed in between during last 20 years, 25 years. So this is a notification that had come and based on that, we had to apply for EC clearance, which we did, documentation done. Theoretically, let us say, on the document clearance side, everything was done.

During the visit, this incident which has happened, but now as we speak today, the EC inspection is already conducted, and we are very hopeful that a recommendation report will go to the EC issuing authorities very soon.

Radha: Okay, sir. So with respect to the BHEL NTPC order, so in the last quarter, you had mentioned that this is an import substitute product and we had gotten approvals in last quarter itself. So with respect to the budget announcement yesterday, where they will be jointly developing this 800 megawatt of advanced thermal plant. So what is the opportunity size for us over there and if this is an import substitute product, are there any peers making this product and if they are making, do they have approvals from BHEL NTPC?

Anuj Burakia: So I think we are talking two different things, Radha. So one is what we bagged is something called supercritical power plants and which, which we, by the design that the government has made, the expectation is that about 80 gigawatt of new capacities will get built over the next decade, which will mean, huge amount of business for, tubes in this category. Now, specifically if we talk of AUSC, which is Advanced Ultra Supercritical declared yesterday during the budget, this is a very, very high pressure and high and that is the reason, against the supercritical boiler, it is called advanced ultra super.

So, when they add advanced ultra, it is a new class of boilers where the temperature and the pressure goes very, very high. Now, why they do it is to increase the efficiency, coal to power efficiency goes up. These kind of power plants consume very different kind of tubes and completely different from, what we have booked or what we are talking about.

Now, I am very pleased to also tell you that to the extent we know the design, though, of course, this will now come out for larger discussions and, let us say collaboration with the companies who can make these products, but to the extent we are aware of the design, I can tell you that we are capable of producing. Maybe we may have to add some process, maybe we will have to do some tweaking around processes and things like that, but as a company, we are definitely, equipped to produce the tubes that will be required for these power plants, and we are going to engage with the government very soon.

Radha: What is the opportunity size of such projects?

Anuj Burakia: So, they have also come out with one pilot project of 800 megawatt because for government also is a very high investment compared to the conventional supercritical power plants. So, they want to really put up one and see the performance before they really change their strategy towards having more of, such power plants. I do not know exactly how much out of the total cost, which I think is pegged at about INR26,000 crores, if I am not wrong, around that. So how much would be the value of tubes or it is very difficult at this stage to say, but yes, it is a very high value product.

Radha: Any peers making this, sir?

Anuj Burakia: Well, I am not really sure. I am not really sure on that because this is a new thing. We can only tell about ourselves. Up until now, nobody has produced in India that much I can tell you and it is not easy to produce also.

Radha: Okay. Congratulations on that, sir. Sir, lastly, what is the quantum of current raw material inventory that we are having, and I am asking in context because you had mentioned in previous calls that stainless steel scrap is the key raw material and the prices of that is falling. So, just wanted to know what is the quantum of raw material that we are having and the average prices of that vis-a-vis the current market prices, spot prices?

Anuj Burakia: So, I think, you need to look at it this way. First of all, generally our scrap stock goes around anything between INR35 to INR45 crores. Now, that comes out of, a cycle from ordering to delivery and its consumption. So we normally maintain a very optimum level to ensure that there is uninterrupted operation of the plant. Now, on the fluctuation side of it,

I can tell you that, we have a very strong control over our, purchase of key raw material which are always backed up by the orders except some ground inventory which, you always need to have in rotation. So we are not exposed to the price fluctuations very much and on the scrap side, I can tell you, I mean, maybe with a little bit of fine tuning here and there but we have not seen any great change on the scrap pricing in last four to six weeks. So I think on that we are good. I mean, we don't, we are not exposed.

Radha: Okay sir. Thanks and all the best.

Anuj Burakia: Yes.

Moderator: Thank you. The next question is from the line of Sanjit Chawla from Shubhkam Ventures. Please go ahead.

Sanjit Chawla: Good afternoon, sir. Two quick questions from my side. First, what kind of sales volume do you expect, for FY25 and 26 for both bars and pipes separately? And my second question is on your EBITDA per ton for your bars and pipes. What are your expectations on these two parts?

Moderator: Ladies and gentlemen, the line from the Chairperson seems to have disconnected. Please hold while we reconnect.

Salil Bawa: Yes, Shubhangi.

Moderator: So, we'll take the next follow-up question from the line of Miraj. Please go ahead, sir.

Miraj: Yes, hi. Thanks a lot, sir. Just a couple of things. The delivery time for the current order book would be the same as earlier, roughly four to five months?

Anuj Burakia: The delivery, okay. Now, it is all different. I mean, I would say some part of the orders are to be delivered in next one month's time, some in two months, some of them are spending on six months.

So, I mean, it's not directly relatable, but you see, Miraj, we continue to deliver, and we continue to book more orders as well, right? So, it is what we generally track is the order backlog, which is one of the main objectives to bring in efficiency and more plant utilization. So this time we are having an order book of 300 plus crores compared to about 165, 170 that remained, during the entire last year.

So here on we expect, to maintain this kind of a level and also increase on our, deliverance compared to last year.

Miraj: Understood. And just a second question, sir, that what has led for our margins to remain in the same level because we are expecting, improvement in margins. Is this only because of the raw material pricing that is stolen or what other is the reason that we have not really expanded on that?

Anuj Burakia: If I understood correctly, you are referring to the margins going forward?

Miraj: Yes, mainly regarding the operating expenses. So, the raw material costs and other operating expenses that we have, what really has caused the margins to dip in this quarter? We wanted to mainly understand that part?

Anuj Burakia: So what happens now you see, as I was mentioning earlier and, we are all aware that external factors are uncontrollable, which means that, price gap between scrap and the sale price of a standard product, I am saying just for the sake of explaining, also keeps on going up and down depending on the demand in particular segment, depending on, particular geography and things like that. So, overall, I can tell you that in last two quarters, the price pressure had been there in stainless steel, and we saw the prices softening. And at the same time, the scrap price is also softened, but maybe not to that degree.

And that is how you see, our margins remaining at similar level in spite of increase in our volumes. Now, what I can see is that the pricing is such a factor that, after some time of a lull, we always expect, some respite or some, increase. So, I am sure that, the pricing and the margins are going to be better as we move forward, based on the demand scenario that has been projected by the Stainless-Steel Association as well as the, IMF. So, let us, I mean, we definitely expect better pricing and margins.

Miraj: Just one final question, sir. So, mainly you mentioned that the main reason for the margin dip or the realization dip is because of the raw material costs remaining low. What is the change over the past three months in the scrap cost? Rough percentage would be fine. I do not want to make that figure.

Anuj Burakia: So, I, again, there are different kinds of scrap. If we talk of only the carbon steel scrap, it is easier to really say, we buy perhaps six, seven kinds. So, one of the most popular ones, if I talk about, I think in last three months, the price would have come down by about 10%, 10% to 15%.

Miraj: Okay. Okay. Understood. Yes. That is it from my side, sir. Thank you so much and all the best.

Anuj Burakia: Yes. Thank you. Thanks, man.

Moderator: Thank you. The next question is from the line of Radha from B&K Securities. Please go ahead. Hi, sir.

Radha: Thanks again. So, I wanted to understand, like, Welspun Corp on the EBITDA side, usually they give a target. So do we have any target number to reach this year or three years down the line?

Anuj Burakia: Well, I really wish, Radha, at some point in time, I am able to really give a very, very, happy target and guidance. See everyone knows and we all appreciate that this company is on a, transition mode. This is transforming from, what it was four years back to, what it is going to become.

I can only say that everything what is happening is under a clear strategy. Every single product that has been taken for development is with a clear understanding of why it is being done. So, going by that, this, it will not be probably, prudent, to really throw numbers as to where we will, we will land.

But for this year, I had said in my last, call also and which I am still maintaining that we will have an improvement of 20% to 30%, on the revenue this year. Now, profitability is something which is a factor of not just revenue but so many other things. So, really difficult for me to give a guidance on that one. But this year, we will go into more capacity utilization and building capability, for future.

Radha: Thank you, sir. Sir, secondly, can you mention the order book split between bars and pipes?

Anuj Burakia: I would say it is roughly about, just a sec, I think about 50-50.

Radha: We are talking in terms of metric ton, right?

Anuj Burakia: No, I am talking in terms of value. In terms of metric ton, it is one-third, two-third. Because see, pipe is obviously, a much higher value product compared to steel.

Moderator: Sir, secondly, there is a huge business opportunity in the Saudi and the MENA region. So, what is our stand on this region in terms of, especially in terms of global accreditation? So, where do we stand or any plans? How do we look at that opportunity?

Anuj Burakia: So, if you look at our product, we do stainless steel pipes and tubes and which goes into various applications, including, I would say, in oil and gas refineries as well as offshore platforms. But the pipes do not get supplied as it is. at least our range of products that we produce or are capable of producing, there is a very rare chance that, you will be able to supply, except for the standard scheduled pipes, which we are not really interested because they are low value.

Now, when we produce tubes for heat exchangers or for condensers or those kind of things, normally the orders from, whether it is MENA region or from Europe or from, anywhere, South America, the orders are booked by the fabricators. Now, fabricators could be the Indian fabricator, somebody like an L&T or a Godrej or, Anoop Industries or any of those. Or it can be, Italian fabricator like Brembana or Belleli or any of those companies. Now, they would come out after bagging the order to buy tubes and which in lot of cases, based on the fabricator's credibility, the actual buyer do not, interfere into the tube selection.

But in some cases, they do. And we have done so many projects where the fabricator and we as a mill have jointly approached the final buyer and got our approvals done. So, I think that's not a limitation. And as and when we have an opportunity, whether from, MENA region or from, Saudi Arabia, we are open and we are, fully equipped to do that.

Radha: Okay, sir. Any other or new customer additions in the last few months?

Anuj Burakia: Well, our focus, as I said, we are doing three things right now. One is the upgradations to our processes, bringing more and more best practices, so that internal processes improve and our, quality for critical products, that also gets more and more augmented. The second is actually new products development, which, you would have seen that every quarter we are doing something or the other.

And all those products in our bag would eventually, give us the opportunity to, book some or the other good business in times to come. So, NTPC is one of the examples. And third is our focus on increasing our capacity utilization with the meaningful business. So, it is very easy to book like low value and, things like that, but we don't want to change our focus. The team is completely aligned and is completely focused on only certain level of products and above. And this probably the strategy is working well for us.

Radha: One last question. Actually, the exports mix had reduced last quarter significantly because of the container freight issue. So, how is the exports mix in this quarter? Are we seeing any improvement or how is the situation?

Anuj Burakia: So, exports still remains slow, not just for container issue. That is one part which is adding to, let's say, the profitability efficiency. But at the same time, you see for the geopolitical conditions that are there with two different wars already going around, the overall sentiments are also little dampened, especially in our, one of the major markets of Europe and that region.

So, I think it's a matter of time. That region had remained slow for some time. The big capital expenditure or big projects are either going slow or they are on hold. And so, I think once the situation gets little better, I would expect a surge in demand in that region. So, we are yet to see that.

At the same time, for us, which we have been maintaining before also and now also, I am, very, very bullish on the domestic demand and the domestic market. And I think, even with, let's say, the European region going a little slow, it will not really affect our business. Maybe in short term we are, having this, let's say, lower order intake from those regions. But going forward, I think, we are very well placed.

Some of the large customers there who would be buying earlier maybe from three different suppliers, or four different suppliers at least are, so much attached with us now that, we are getting a larger share, from their overall buying, which may be a little lower than what they were buying before, but then our share has improved. So, we are able to still book to the expectations or the, or the business plan.

Radha: So, any margin difference between domestic sales and export sales? Is it like export margins are better or between the same product?

Anuj Burakia: If we generally sell, exactly same product in India or in Europe, I don't see much difference. Maybe marginal, maybe depending on the application because same product sells for three different prices in Europe also on the same day, depending on the, application and things. What makes, this market attractive for us is the kind of products that they buy.

So, they buy big sizes, they buy, the grades which are enriched ones. So, there is no apple-to-apple comparison, if you ask. But the basic grades of Stainless Steel like 304, 306, 307 things, if it is really the same product we are selling here and there, it's almost the same price.

Radha: Okay, sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Sanjit Chawla from Subhkam Ventures. Please go ahead.

Sanchit Chawla: So, two quick questions from my side. So, what kind of sales volume do you expect for FY’25 and FY’26 for both Bars and Pipes separately? And my second question is on your EBITDA per ton, what would it be for Bars and Pipes going forward?

Anuj Burakia: So, Sanjit, one is on the volumes, really difficult, but let's say, the guidance is that we are hoping to grow 20% to 30% during this year on the revenue side of it. On the margins, a lot will depend on how the market pans out because, it is all about the stability that is expected. As we spoke in, other questions also that the export market, especially European, is still a little unpredictable.

But given our order book, our situation, I think we will be able to protect our margins. So, we would be better than before. That is for sure. But to really put a number to it, I think that would not be prudent at this stage.

Sanchit Chawla: Can we do 10%, 11% kind of EBITDA margin or would be lower than that if you could just help on that direction?

Anuj Burakia: Well, this might be putting words in my mouth, but then, again, you see the range itself is so narrow, that it's really difficult to say. I would hope, as the, let's say, head of the business that, we have even better ones. But, very difficult to say as to where we will land eventually.

Sanchit Chawla: Sure, not a problem. If I could just ask you this way that, would we be able to do 8000 tons kind of for Pipes in FY'26 and maybe 35,000, 40,000 tons for Bars in FY'26, if you could just help me with that?

Anuj Burakia: Well, we are definitely working towards that. But whether we will be able to really land at that number in FY'26, in this business particularly, which is in its, transition mode, would be, not appropriate to say. As we go nearer to that period, then maybe, and this, you see, the more we have experienced, the more waters we have seen, our confidence or our, predictability will also improve. So, let's see that this year is going to be, one of the defining years for our future strategy. So, let's look forward to it.

Sanchit Chawla: That's it from my side. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management from Welspun Specialty Solutions Limited for closing comments. Please go ahead.

Anuj Burakia: Thanks. So, friends, as you know, we have achieved an important milestone of our journey in financial year 24 by maintaining consistent profitability throughout the year. With gradual ramp up of operation, there is significant room for further growth in our performance and progression towards market leadership.

The company has already been serving various sectors with focus on further market penetration in niche value-added segments and products. We are confident that business performance will sustain and further improve on the back of new approvals, crepitations, and development of new products. I hope we have been able to address your queries satisfactorily. For any further questions, I welcome you to contact our Investor Relations Desk. Thank you once again for attending today's discussion and looking forward to meeting you again soon. Thank you.

Moderator: Thank you. On behalf of JM Financial, that concludes this conference. Thank you for joining us and you may now disconnect your lines.