Welspun Specialty Solutions Limited

Q1 FY '26 Earnings Conference Call

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MANAGEMENT:	**MR. ANUJ BURAKIA – CHIEF EXECUTIVE OFFICER AND WHOLE TIME DIRECTOR – WELSPUN SPECIALTY SOLUTIONS LIMITED** **MR. NAVIN AGARWAL – CHIEF FINANCIAL OFFICER – WELSPUN SPECIALTY SOLUTIONS LIMITED** **MR. GOUTAM CHAKRABORTY – HEAD OF INVESTOR RELATION – WELSPUN CORP** **MR. SALIL BAWA – GROUP HEAD OF INVESTOR RELATIONS – WELSPUN WORLD**
MODERATOR	**MR. ANIRUDH NAGPAL – JM FINANCIAL INSTITUTIONAL SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Welspun Specialty Solutions Limited Q1 FY '26 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. Anirudh Nagpal from JM Financial Institutional Securities. Thank you, and over to you, sir.

Anirudh Nagpal: Thanks, operator, and welcome, everyone to the call. I will first thank Welspun Specialty Solutions Limited for giving JM Financial the opportunity to host today's call. So, without much ado, I'll hand over the call to Mr. Salil Bawa, Head, Investor Relations, Welspun Group, to introduce the management. Over to you, Salil.

Salil Bawa: Thank you, Anirudh, and good afternoon to all of you. On behalf of Welspun Specialty Solutions Limited, I welcome all of you to the company's Q1 FY '26 results earnings call. Along with me, we have with us today, Mr. Anuj Burakia, Chief Executive Officer and Whole-Time Director; Mr. Navin Agarwal, Chief Financial Officer; Mr. Goutam Chakraborty, Head, Investor Relations, Welspun Corp.

We hope you have had a chance to review the investor presentation that was filed with the exchanges. The presentation is also available on the company's website. During today's discussion, we may be making references to this presentation. I would request you to take a moment to review the safe harbour statement in our presentation also.

As usual, we'll start the forum with opening remarks by the leadership team, 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, please feel free to reach out either to me or Navin ji or Goutam.

With that, I would now like to hand over the floor to Mr. Anuj Burakia. Anuj, over to you.

Anuj Burakia: Thank you, Salil. Good afternoon, everyone. Let me welcome you all to the quarter 1 financial year '26 earnings call of Welspun Specialty Solutions Limited. Let me first briefly talk about the global macroeconomic environment, our industry scenario and company's performance before we get into an interactive session.

On the back of a turbulent macroeconomic environment, geopolitical events, supply chain disruptions and heightened economic segmentation, the global economy grew at 3.3% in calendar year 2024. Emerging market and developing economies delivered a better performance by growing at about 4.3%. The global economy is expected to maintain a modest growth with a forecast of 2.8% for calendar year 2025 and 3% for calendar year 2026.

This growth will be supported by more accommodative monetary policies aimed at ensuring price stability, stimulating economic activity and boosting employment. To mitigate the impact of protectionist policies, tariff actions and heightened trade tensions, leaders around the world are undertaking economic interventions and strategic negotiations through dialogue in order to secure favourable bilateral trade alliances and to ease and stabilize global trade.

The Indian economy has remained resilient and recorded growth of good 6.5% in financial year '25. As projected by the Reserve Bank of India, it is expected to sustain this growth momentum at 6.5% during financial year 2026 as well.

Coming to our company, amidst the volatility and uncertainties with respect to trade actions impacting global demand scenario, Welspun Specialty continues to engage with all the customers in order to address the external scenario in best manner, maintain operational stability and consistently increase our volumes.

As mentioned during our previous interaction, we undertook 5-yearly scheduled maintenance activity of pipe plant planned for 4 weeks during the month of June. It took some extra time for the nature of activity and the perfection it deserved, however, concluded very successfully in mid of July.

This is expected to result into substantial improvement in uptime and productivity of pipe plant, this maintenance schedule, however, impacted the production and sales volume of pipe during the quarter.

I would also like to update you regarding prepayment of noncumulative redeemable preference shares of INR51 crores, which have been prepaid at a value of INR27 crores, resulting into effective reduction of liability of about INR24 crores captured in the reserves and surplus.

These shares with fair value as on 31st March 2025 of INR21 crores were redeemable in the year 2033 and was subjected to an annual finance charge of about 12%. Hence, the differential of INR5.8 crores was considered as nonrecurring finance cost or finance expense for quarter 1 financial year '26. I'm happy to share post this payment, the company has become debt-free.

With this backdrop, let me discuss our financials. Total income grew by about 26% year-on-year and about 1% quarter-on-quarter to INR211 crores. EBITDA for the quarter stood at INR14 crores, while PAT before nonrecurring finance expense at INR5 crores more than doubled year-on-year and increased by about 39% quarter-on-quarter.

For quarter 1 financial year '26, while SS tubes volumes stood lower at around 850 tons owing to the planned maintenance schedule, steel products sales volume recorded an impressive growth to about 7,400 tons. The order book of the company at the end of the quarter 1 stood strong at about 6,500 tons valued at about INR287 crores.

Given the external business environment and overall demand scenario, especially export markets, as discussed before, average sales realization and contribution margins have definitely come under pressure, especially with regards to steel products.

Despite the situation, we have actively pursued our strategy of increasing our capacity utilization and prepare ourselves for future. The team brought sharper focus on domestic market and added new customers while engaging with existing domestic as well as export customer base to maximize our order intake. A total of 9 new customers got added during the quarter.

Our focus remained undiluted on new product development and new accreditations in order to enhance our product range and market offerings. On this front, I'm pleased to share some key updates. AS9100D accreditation for aerospace, final certification received, which recommendation letter was received in the previous quarter. Grade T91 tubes for boilers, trial orders successfully produced and delivered, paving way for company to entry into another value-added steel as well as tube product.

The company has launched process of IBR accreditation for alloy steel category bars and tubes and expect to complete the process by quarter 2 financial year '26, which is the current quarter. NORSOK M-650 certification progress on track, expected completion by quarter 3 this year.

Talking about the rights issue, we have completed the strategic deployment of the proceeds as per the stated objective of debt repayment, process de-bottlenecking, capability upgrades, working capital augmentation and other general purposes deemed appropriate by the Board. The new bright bar project construction is going on in full swing.

Its commissioning is scheduled during quarter 3 this year, which will add a substantial capability as well as capacity to value-added bright bar product. I'm extremely happy to share our yet another significant initiative, the new solar energy subscription, which got commissioned and commenced transmission of power effective June 2025.

The proportion of renewable energy -- renewable electricity increased from 31% during financial year '25 to about 36% during April, June quarter. We expect share of green power in our total electricity consumption during financial year '26 to exceed 75%, such initiatives will go a long way in not only supporting our internal ESG and sustainability objectives, but also preparing the company to remain ahead of curve when the policies on carbon emission-related levies expected from various countries like European CBAM will start coming into force.

We do expect stability in the market in the days to come. And given our focus on our core competency, coupled with higher capacity utilization, I believe we will enhance our performance significantly in the forthcoming quarters.

With this, we kindly open the floor for your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Radha from B&K Securities.

Radha: Congratulations on the AS9100D accreditation. Sir, my first question was that we have an outstanding order book of INR286 crores. And as per rough calculation, out of this total order book, I believe INR200 crores is for pipes and balance is for bars in terms of value. And in terms of volumes, it is coming to 3,000 metric tons of pipes and 3,500 metric tons of bars. Is this understanding, correct? If not, then please correct me, sir.

Anuj Burakia: Radha. You did some math, but that has got a little different. I think the right way to say would be that we've got about 6 months of order book for pipe and the balance is on bars. Bars normally, as I've been telling before also that the market norm is to have at least 2 months minimum and in a good time, it's 3 months, which in our case is about 1.5, I would say, 1 to 1.5 and which is owing to the scenario at present.

Now the other reason could be that we really pressed the pedal during quarter 1. And as I said, I mean, the volumes went up by more than 40% compared to the previous quarter. So, which means our intensity of order intake also got offset by the intensity of deliveries. So, I can say the team is all poised and is working on building the order book as a first milestone to minimum 2 months and up to 3 months.

Radha: Sir, if we take 6 months for pipes, then it is coming to 2,500 metric ton of volume -- in terms of volumetric tons for pipes. Is this correct, sir?

Anuj Burakia: That's not correct because here, our estimation on deliveries here on would be much, much better. So, I think the historical volumes, which I said in our last discussion also that we are clearly looking at a 25% to 30% increase over our deliveries of past.

Radha: Okay, sir. Secondly, sir, order intake, like you mentioned in this -- initially, it used to be INR200 crores average per quarter. But in this quarter, it has come down to INR150 crores. So please give us some specific reasons as to what has led to this. And how much is unexecuted mill orders.

Anuj Burakia: Sorry, I probably missed your first statement. INR150 crores, you said about what?

Radha: Quarterly order intake, sir.

Anuj Burakia: Total order intake. So, you are calculating based on opening order book, sales and the closing order book, correct? Hello, can you hear us? Your voice is breaking.

Moderator: Sorry to interrupt Ms. Radha, your voice is breaking. I request you rejoin the question queue.

Radha: Okay.

Moderator: The next question is from the line of Rehan Saiyyed from Trinetra Asset Managers.

Rehan Saiyyed: I have couple of questions. So first of all, on the P&L side, sir, the EBITDA margin stood at 6.6% in quarter 1 FY '26 as compared to the last Y-o-Y quarter-on-quarter 10%. So, to what extent was this drop attributable only to the pipe shutdown or versus any raw material or energy cost pressure which we are facing in this quarter? Can you elaborate on that?

Anuj Burakia: So broadly, Rehan, what I would like to say is two things. One is, as I also mentioned clearly in my opening remarks that in steel specifically, there is pressure on price and there is pressure on margins. So obviously, due to that situation, while we could make better EBITDA margins in terms of absolute numbers.

But as a percentage, you will see a drop, which is the market norm at this point in time. On the pipe, as I said, it's because of this scheduled maintenance, though we had expected that we'll probably be able to do a bit better volume. But let's say, there was a clear 1-month activity on maintenance, which was going on.

And that's the reason the high-margin pipe volume got reduced, and that's why you are seeing this average EBITDA margin going down. So, it's simple math. I mean -- and considering this as a quarter, as I explained, I mean, the next quarter is definitely on pipe, we are going to be bouncing back as we were doing in the past and plus, I expect better volumes over that as well.

Rehan Saiyyed: Okay, sir, thank you. And my next question is on the certification that you have got AS9100D for aerospace. So just regarding the opportunity size, what's the plan for scaling in aerospace markets? And are there any that you have mentioned in the previous conference. Any RSP any order discussion post this certification, just to clarify more on this?

Anuj Burakia: I think I explained this aspect into deep details in the last call. And it's -- so you see if we take this into two different areas, one is pipe and one is steel, right? On the pipe and tube side, there are customers who are buying directly the product.

And we are already engaging with a few of them, especially on the defence side, we already did some trial business in the past, and now we are actively engaged and expect some business coming our way between quarter 2 and 3 and which could be a strategic value business. As far as the steel is concerned, AS9100 is an enabler, whereby you see most of the business in large aerospace markets like U.K., in U.S., in Europe, happens through the stockholders.

Now the stockholders prefer to buy from the companies who have got aerospace approval also attached to their product. Then in that case, by maintaining unity quantity of a product, they are able to sell it for all applications, including aerospace, okay?

So, this is like an enabler and will help us in opening and increasing -- opening the new customers who are fixed on having this approval in their internal system to approve the supplier and enhance our volumes with the customers who are buying from us already. Now if you ask me the real effect and progress, we'll start to see in quarters to come as currently, the overall scenario is a little depressed.

Rehan Saiyyed: Okay. And sir, last one bookkeeping question from my side. Like is there any capex plan like in absolute numbers we are doing for FY '26, '27? We have plans for...

Anuj Burakia: So, FY '26, we are very clear. As I said, we are building a new bright bar shop, right? And -- plus there are a few de-bottlenecking equipment which are coming within pipe plant and some in steel plant, which are not -- I mean, none of this is targeted to increase our overall quantity deliver.

They are all in the nature of either adding value to the existing capacity or de-bottlenecking of a certain process as one process out of the complete line of. So I think, in this year, our total capital expenditure could go to the tune of about INR40 crores to INR45 crores, which -- out of which major one is going into the bright bar shop, which we are building like a very world-class shop, I can say.

Moderator: The next question is from the line of Radha from B&K Securities.

Radha: Sir, next question is that -- I was calculating the quarterly average order intake. So usually, it is around INR200 crores per quarter, but in this quarter, it has come down to INR160 crores. So, what are the reasons for lower order intake in this quarter? And in pipes, how much is unexecuted mill orders?

Anuj Burakia: I would not have exact number in front of me. But I mean, you see the -- there is a significant portion of boiler tube order in our overall order book. So -- and of course, it was a large one. And so therefore -- at the same time, we have a lot of different orders or, let's say, inquiries under discussion at this point in time.

And obviously, this -- when we always thought once we have this order book going to a range of 6 months, 7 months, then we will become more choosy and a little picky into picking businesses which are value businesses.

And that is where maybe you will see some less intake on the pipe side because we are full and at the same time, we are now a little choosy into picking the business. On the steel, I would say, I think we have pretty well booked similar as last quarter or maybe a little more, but then the average price dip is probably offsetting the increased volume. So, I think that is the difference that you are probably seeing at this point in time.

Radha: But sir, usually, we have a fixed price contract with the customer.

Anuj Burakia: Yes.

Radha: So accordingly, if you see Q-o-Q, the order book is down 9% in terms of volumes, but in terms of value, it is down 14%. So that only I was trying to figure out, sir, the reason for that…

Anuj Burakia: That is -- see, that could be -- first of all, we have two different lines of products, which is pipe and steel. Now within steel, again, we have cast, rolled, bright, then there are grades. So, there is a -- we cannot say if there are just a couple of products, then a simple calculation will work as to the proportion of value should be equivalent -- almost equivalent to the proportion of quantity.

So here, it's not the case. The order book that we probably saw in the last quarter on the steel, 100% of it has been delivered. On the pipe, let's say, about 20% of it has been delivered and the new orders have come in. So, the mix, the proportion might change.

Radha: Okay, sir. Sir, out of the total effective capacity in bars, how much of it is going to be dedicated towards these bright bars? And what are the reasons that is leading you to becoming positive in this product? And are there any new orders in this product?

Anuj Burakia: See, our first purpose is to utilize the melt shop and the rolling capacity to the maximum possible extent, right? And as we had earlier also guided that we did about 20,000 tons in last year of sales, which included black, bright, all kinds without counting the captive consumption for pipe plant.

And which we are clear that this year, we are going to definitely increase that utilization by about 30% or maybe even more. And I think we are on the path. In quarter 1 itself, we are seeing that 30% plus increase already came in. So now as far as bright bars are concerned, our current capacity of bright bar is less, right?

It's about 20,000, 22,000 tons, out of which we are pretty much after consuming whatever we need for captive pipe plant, the rest is, I would say, primarily full for sales outside. In fact, some of the bars we are even getting turned outside, I mean, just to cover our requirements. So, with this new shop coming in, the capacity will increase like 3x plus the existing capacity, so making it like completely sufficient to cover the entire production that we have. And in which case, obviously, we'll see growth in our bright bar sales.

Radha: Okay, sir. And sir, you mentioned in your PPT that you have added 9 new customers in this quarter. So, what are the expected order wins from these customers in the next 1 year? And how much more customer additions are you planning for the remaining half of the year? Basically, I wanted to understand how fast can you fill the capacity of both bars and pipes?

Anuj Burakia: I think the guidance of increase remains. Now as far as customer addition is concerned, we may be -- our team may be talking to 20 different customers or 25 different customers at a time. But when we say addition means where the orders have been booked, those have been matured. So -- and I think it depends on the market, depends on so many factors.

But yes, I mean, our expectation from the team and plus they are also very clear that they have to add more and more customers. Now these will be a mix of B2B, B2C, steel, pipes, I mean, all kinds. So, I think it will be probably difficult for me to say that from the 9 customers, how much business will come. But the whole idea is that how do we get this 30% incremental volumes or more. And I think we have a plan, and you can see that we are getting there.

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

Parth: Sir, I have a few questions. Sir, the first question is related to exports. So, is there -- like do we share this exports number like as a percentage of volumes for the pipes business?

Anuj Burakia: You see, first of all, Parth, if you ask me, that's not really a benchmark or relevant when if I would analyse, important is what kind of applications we are selling, what kind of grades we are selling. So -- but since you have asked, I can tell you that I think in our case, export volumes, which 2 years back in pipe used to be about 40%, 45% is now about 20% and which is something that we chose.

Our focus is more on value add, and we are part of India growth story. And you will see that most of our book on pipe is now comprised of strategic businesses, which are of a greater value. And we are almost out of the standard schedule pipes, and which used to be the most subject matter of exports.

Parth: Right, right. So, sir, basically, the reason why I asked this question is because I wanted to understand the tariff angle, like if we had like -- since we don't have much of exposure, then there's no point. However, even this 20% like to U.S. and Europe are the...

Anuj Burakia: Sorry to interrupt, but I think that could not be the 100% right statement to say that we are not impacted. I can tell you the trade or the global trade today is not only restricted to tariff action taken by U.S. and whether we are selling into U.S. or not, right? So, what is happening is, I mean, for you to understand is why this whole scenario of price war and, let's say, depressive pricing and margins, what's happening?

So, let's understand in stainless steel world, European mills have been big suppliers to the U.S. markets. And you can say that because of their approvals, because of their past experiences, they are established like for decades and some of them are even 100 years old companies. And suddenly, everything has stopped because they also are now subjected to 50% tariff, right?

Now with 50% tariff, obviously, those companies are unable to sell into U.S. And so their prices have gone down more than 20% to 30% on an average in last only 3 months and which has led to excessive supply in the domestic European market and which is bringing a lot of effect on the overall stainless steel pricing in Europe and as a result, pressure on the Indian mills.

So -- but the better news is, or good news could be that this is like a pressure situation, which has come for a reason. At the same time, if we look at the developments all around, I mean, this is not going to -- this is not expected to be a permanent situation, right? So, I'm sure there will be some agreements that will happen over a period of time. And once this gets normalized, things should be back to track.

Parth: Got it. And sir, one more thing like these European companies, they do have -- so the reason why there would be some pressure on the Indian markets is because these European companies, they do have their operations even in India. And is it that the parent company over there would tell these guys to lower the pricing in -- for the Indian market?

Anuj Burakia: That's not really significant. Even the Indian establishment of a foreign company would operate mostly in like any other company in the Indian scenario. I think the more effect is coming for a reason that a lot of steel used to go from India to Europe, which is still going. I mean nothing has really stopped but has come down significantly. And you know where the supply suddenly increased in Europe, so obviously, there is a pushback, and which is what we are seeing at this point in time.

Parth: Fair enough. Got it. And sir, just one thing about domestic competition for the SS pipes and tubes. So, there are like contentions that the pipes which are used for critical applications, like the ones that you make. But our competition recently has got an award for supercritical thermal application, which -- who produces these pipes through piercing technology.

So, what happens like if these products get accepted more in the market because I don't think besides 4 players, there are like any other players who have extrusion technology. So, what sort of competition or pressure does it put on us or players who have hot extrusion technology?

Anuj Burakia: So, I think, Parth, market is evolving, and which is a feature of the market, it has to evolve. First of all, I can tell you on pipe and the way the consumption in India is going up, there is enough market, number 1. Number 2, there is enough market for strategic applications where still there are applications where extrusion is a must.

And more than that, I can tell you that in our strategy, obviously, we are picking those kind of orders and businesses where extrusion is a must or the grade or the product is such which cannot be produced by any other route. That is our first priority. But at the same time, you see our USP is also being integrated, right?

We are a quick one to make a quote to make a full end-to-end feasibility whether a product can be made or not and not dependent on an external steel supplier, which is one very important aspect to help us before we really make a commitment on the pipe. So, I think there are more than just a factor of execution. Of course, it is a very important factor. But then there are so many other things which gives us a little edge over our competition.

And as far as piercing product getting into strategic sector, I think we need to really wait as to which all sectors it really gets successful, though I mean I'm not saying that I'm casting any doubt there, but then that is something which is like a new phenomenon. So, we are also waiting and watching. And at the same time, we have our clear strategy as to what we need to do. So, it's fine, I mean.

Parth: Fair enough. And sir, just one last question. You mentioned that having a backward integration. So how big a role does it play when you go to the customer like for him to decide like which -- so in a different way, if I had to ask this question. Basically, how -- in which sector does it play an important role to have a backward integrated pipes and tubes facility?

Anuj Burakia: Every sector, which is conscious on quality and conscious on controls. Take example, we are not a new player in this field, right? There are players sitting -- I mean, I'm talking of global market, and India used to import so many seamless products for various applications, all these years, right? It's the Make in India started only about 2 years back or 3 years back, and we are seeing a lot of companies now developing these products in India.

So, if you take example of maybe not just thermal, but also, let's say, nuclear when we started supplying the pipes for nuclear establishment and for ISRO and things, we got these approvals very fast basis we being integrated from end to end.

And that gave customers a lot of confidence that we are not -- that they will be also able to kind of monitor and control their quality under one roof. So, it does make a lot of difference. Take an example of EIL. So generally, EIL approvals take longer time. I mean, experience of 5 years, 7 years and those kinds of things.

But when they saw that here is a plant which is completely integrated end-to-end, I think our approvals came very, very fast. And same is the case with a lot of export tube approvals that we got. And the pre, let's say, immediate -- you can say that most important aspect, which these few customers clearly spelled out is that you being integrated, I mean, gives us a lot of confidence. So, I think it is...

Moderator: The next question is from the line of Radha from B&K Securities.

Radha: Sir, my question was that you have a brand advantage of Welspun in the global market, especially in booming regions like Middle East and USA for the oil and gas part. Please talk about how are you leveraging this brand to gain customer approvals, especially with giants like Saudi Aramco or other bigger players?

Anuj Burakia: So first of all, having this brand and coming from the group already gave us a lot of leeway and the advantage. And that is why being a newest company also, we are doing quite a lot of business and have a standing which perhaps would not have been otherwise possible.

The second is, it is not for the reason that one company as a brand can get the approvals or a leeway into certain businesses, right? So, the merits of operational efficiency, capability plays a role. Now at the same time, our own strategy plays a role.

So, you can say that in case of Middle East, first of all, as per us, there are -- for most of the projects, there are a number of suppliers already available. Having said that, I mean, I absolutely do not mean that market is not important for us. And our action on that market are already on and we will soon see, those approvals in place. But our priority until recently was not so much to get into Middle East.

That market is only about pipes, pipes and tubes, not really steel. And on pipes and tubes, our focus was and which we fairly succeeded was to get into the areas wherein we can get some kind of distinct advantage. And I think you would understand, and the market understands that we have been fairly successful in doing that.

Radha: Sir, in the last quarter, you had successfully booked your first order for the T91 and P91 grades. So, I believe these grades are used in nuclear power plant. So, in that context, for nuclear power plant, what is the average content of stainless steel required for a 1,000-megawatt large nuclear reactor and in nuclear reactors, I believe stainless steel are used for heat exchanger tubes, coolant piping, steam generator tubes, etcetera. So, do we have all the product approvals of all these kinds of pipes? And what is our plan regarding this?

Anuj Burakia: So, I'll just first will correct here that T91 is not used in a nuclear reactor. The T91 is used in thermal power plants and the grade is used not only for tubes, but also for various other components, which goes through maybe forging route, machining route. So, this is a grade which will give us business in tubes as well as in steel.

So that is the reason we developed this and the trial order was supplied for thermal power plant only. And that is the reason we have also gone ahead with obtaining the accreditation from IBR so that we are able to certify to the boiler safety regulation when we are selling these products. So, this is about T91.

We see a lot of opportunity in T91 because there are not many manufacturers in India. In fact, probably only a couple of them. And that's why this product had been an item of import, again, for many, many years. And we are seeing this consumption of P91,92 and similar category products increasing in times to come. And that is the reason we have very selectively picked up and gone for developing it. On the nuclear...

Radha: Sir, what is the opportunity?

Anuj Burakia: See, opportunity, again, as I said, if India were to build 80 gigawatts as projected over the next few years, then there is huge opportunity. And we are seeing that happening. So -- I mean these are bulk use kind of grades. And I think we will see good businesses coming in these grades.

Now on the nuclear, as you were asking, you see nuclear has got, I would say, numerous applications because it's a huge plant with various components and various kinds of tubes and grades and sizes and applications.

So, I cannot really say that whether we stand approved for every single application. Of course, there would be some that we are not approved. But then for a large ambit, for a large scope of tubing that goes into nuclear, I mean, we have been supplying off and on.

And therefore, we can very confidently say that we will not see an obstacle from the approval side of it. Important is that currently in nuclear, most of the businesses which were coming up until now were to do with the maintenance or repairs or some bit of construction of new components. But what we expect here on is major investments coming into nuclear setups.

And therefore, next maybe 3 to 5 years, we will see this business growing. The inquiries have already started. We are engaging with various fabricators and the other ancillaries who are supplying for nuclear projects. And we see this proportion of nuclear will increase in our business in the next couple of years.

Radha: Sir, any number on what kind of stainless-steel pipe requirement would be there in case of our nuclear power plant?

Anuj Burakia: I would really not know that because there are different technologies, and it's not the same design. So very difficult to say on that one. But yes, I mean, they are -- whatever it is, I mean, they are very, very high value. So, we don't expect them to be like thousands of tons. There are probably a few hundred tons that goes into one reactor, one reactor complete set, but it has a huge value.

Radha: Sir, our order book, like I was asking previously, is generally on fixed price contracts with customers. And raw material also, you have said on previous calls, it is booked on a back-to-back basis. So, despite this, there has been some quarters wherein pipe volume mix is same within the quarter. For example, 20% of total volumes have been pipe, let's say, within 2 quarters.

But still, if you compare on a gross margin per metric ton trend, there has been some reduction on a per metric ton basis. So, on the basis of pricing and on the basis of back-to-back booking of raw material, I'm failing to understand what is causing this, sir? And -- yes, sir, that was the question, what is causing this?

Anuj Burakia: No. So, I probably explained this a few minutes back. You see our sales are on a fixed price basis. Our raw material also we book on a fixed price basis. But what I sold 3 months back or 4 months back, let's say, the same product was selling at INR100. And today, when I'm selling it, it's selling at, let's say, INR97, okay? That day, when I sold at INR100, I could buy raw material at INR92. And today, when I'm buying raw material, it is available at INR91.

So, you see it is fixed, INR91. That day, it was fixed at INR90. But if you look at the margin between the sale price and the purchase price of raw material that has got squeezed, right? And that happens because of the reasons I explained, the supply -- increase of supply and decrease in demand. Decrease in demand for the reason of market optimism and increase of supply due to this tariff challenge, which is going on at this point in time.

Moderator: The next question is from the line of Hena from DAM Capital.

Hena: Sir, I'm fairly new to the company, but I have been looking at the steel pipe space. Sir, I just wanted to understand on the export front, what we see from peers is there's really good demand for them, is it a different market that they are catering to where we are not present? I'm just trying to understand why we would think that the demand in Europe, for example, has gone down significantly.

Anuj Burakia: If I -- so Hena, if I've understood your question correctly, one part is whether the demand in Europe has gone down or not. And second is, are there any segments where competition is selling, and we are not selling? Is that the question?

Hena: Yes, or any geographies per se where the competition will be present, and we are not?

Anuj Burakia: Okay. So, if we talk of geography, first of all, let us understand India as a manufacturer of seamless pipe is a new source, right? And we are evolving, we are emerging. Before us, the biggest suppliers or producers had been Chinese and it's still -- today also they are, right? And then historically, we see seamless pipes coming out from Korea, coming out from Japan and a lot of companies in Europe.

So, this was the setup. Now the Indian companies started to sell into Europe, most of their capacity of -- a proportion of export that goes out of India for a very simple reason that the European companies, which have been the stalwart companies, they were selling all across the globe because of their R&D history, application-based solutions, and they are into a different league.

So, which means that for standard scheduled pipes, which is within the seamless space considered as the base product, the Indian companies could find a lot of space to get in. And they were able to control their sales prices in such a manner that they didn't leave a leverage for the European companies with the European cost to be able to compete there.

And plus, at the same time, the advantage also got passed on to the Indian companies because Europe had antidumping on Chinese seamless pipes, right? So that is how it became a very conducive market for the Indian companies. And considering it as a very attractive kind of a business, you will see flurry of manufacturers opening shops in India. That is what has happened.

Hena: Which has happened, correct.

Anuj Burakia: And if you look at other locations, where can we go, or the Indian companies can go. U.S. is dominated by, I think, probably 50%, 60% supplies are going from China. China Tier 1, Tier 2 manufacturers, not the cheap ones. Plus U.S. has domestic native companies, plus European, Japanese, all companies are selling there.

And it's a very, very, you can say, approval-oriented market. So, it's not difficult to sell in bulk the standard pipes as in case of Europe. Other than these two locations, we don't see much of an opportunity, except again for Middle East.

Now Middle East is -- everybody is present in Middle East, if you ask me, right, from Korea to Japan, to China because there are absolutely no restrictions other than Saudi has recently brought Make in Saudi and they are promoting manufacturing in Saudi.

So that is a new phenomenon, and we are also working out our strategy around that, may not be necessarily for stainless steel, but other businesses. But that is a new phenomenon. But you see the market size is limited. Only in Saudi, how much can one country consume. And you already see Koreans and Japanese opening the shops and they are present there. So, I think that answers your question as to -- so we were selling a lot of pipes into Europe.

And as I said that, that was a beginning for us, and we were able to probably at some point in time, we were selling about 70% of our sales into export and which we curtailed over the last 3 years and converted that into value-added sales instead of doing this comparative pure scheduled pipes.

So, whatever a little bit now we are selling into Europe, when I say a little bit like 20%, 25%, none of it is scheduled pipes. Now we are only doing tubing. We are only doing value-add where we are getting premiums. So that's how we have changed our strategy.

Hena: Understood. No, I take your point on the business environment per se. But it's just surprising because our peers, for them export share has gone from 15% to 20% to now 40%. And for us, it has been the opposite per se. So that...

Anuj Burakia: Yes, I mean to answer your question simply that, completely different products. Maybe they are all categorized as seamless pipes and tubes, but what's going out is something that we have stopped producing because it's very cheap, very low value, and we don't see it's worth producing in an extrusion plant.

Hena: Got it. Got it, sir. Sir, if you could also give me some flavour on the domestic front per se. More on the oil and gas, Petchem side because that is some demand that's been missing for a while. I understand power is doing well, renewable energy as well. But oil and gas, which used to be the bread and butter, right, for the steel pipes industry. Would you be able to give me some sense on that?

Anuj Burakia: So, you see there are 2 kinds of pipes and tubes in oil and gas. One is the transportation lines, which is mostly SAW pipe and carbon steel, large diameter. When we talk of stainless steel and that too seamless pipes, they go into the plant and machinery setup, right, and which could be different kind of reactors, in refineries and offshore platforms and maybe downhole equipment, so those kinds of things.

So, I think quite a lot of that business is repetitive in nature, which means that if you -- if the refinery is operating, it will need the pipes to be replaced after some point in time. So, the replacement or the maintenance, depending on the market scenario can be delayed a bit, but it still will have to be done.

And that business is there. At the same time, you see for private companies, there is no great restriction or a mandate to only buy from India, right? So, which means that for them, even the Chinese imports or Korean imports or imports from other places also open.

Hena: Despite the duties?

Anuj Burakia: Well, yes, but not on all grades and not on all origins. There are restrictions. There are restrictions also of the nature of quality control order. So, what we are seeing is that the imports are going down. And I was coming to that, that imports are going down. Now it's not absolutely free as it used to be 2, 3 years back.

And that's how the companies in India are also getting business. So other than what's getting exported, if you see a lot of piercing mills are selling into oil and gas, especially the standard scheduled pipes wherever they are required. And on the tubing side of it, mostly the tubes are bought by the fabricators who are supplying into refineries.

Now these fabricators are -- take, for example, Larsen & Toubro, Godrej & Boyce, Anoop Industries, Isgec, Gemini. So, these are the fabricators who are supplying into the refineries, they made components, and then they buy tubes from mills like us. So, it's like an indirect supply.

And that business is there. I mean, I would say, of course, with a depressed environment at this point in time, even these companies, fabrication companies, export sales have gone down, and that's what is reflecting into an overall scenario. But I mean we definitely expect this to be coming back soon as refineries have to operate, and they will need equipment.

Hena: Correct. So, sir, it's fair to assume that there has been some bit of deferment also when it comes to at least the replacement demand per se. So, like you said, a little depressed environment overall. So that would be fair to assume.

Anuj Burakia: Sorry.

Hena: No. So, I was saying it's fair to assume that there is some bit of deferment happening even on the replacement demand? Okay, which should pick up eventually over the next few quarters…

Anuj Burakia: Absolutely. We would expect so, yes.

Hena: Sure. And sir, one last question from my end. Would you be able to tell me the capacity utilization number for us in this quarter and for FY '25?

Anuj Burakia: So, FY '25 on steel, we utilized, I would say, less than 40%, 45%. In case of pipe, utilized less than 60%. And in the current year, we expect at least 25% to 30% increase over our last year volumes. And this is the guidance that we are carrying. I mean we'll -- by the end of the year, we will be able to, in totality, get that kind of utilization increase this year.

Moderator: The next question is from the line of Rahil S from Crown Capital.

Rahil S.: During the call earlier, you had said you are exploring new markets like Mexico and Brazil. So, any development on that front?

Anuj Burakia: So, we have done our initial working, Rahil. In fact, in that series, we also -- I mean, we also had South Africa, wherein we could even start some initial business, some of which is also supplied. But you see all of these markets currently are in a state of uncertainty. And every customer out there is defensive. It's a little, you can say, conservative in their buying approach.

So, till such time, this air around tariffs and supply chains gets cleared, I think would not be the right time to make efforts on the new markets. So, I think we have our plan in place. We are keeping them warm.

And soon we see uptick in the market and some stability sinking in, then we will again activate all of these markets. These are important. These are there in our strategy. And you see we have to get to the 90% utilization. We have a lot of headroom. So, I think we are not going to leave any of these markets no untouched.

Rahil S.: Okay. And lastly, you're guiding still like aiming for that 30% volume growth this year. Are you not?

Anuj Burakia: Yes, of course. That is definitely on the cards, and we are very confident of achieving that minimum 30% growth.

Rahil S.: Does it -- does the same apply for value as well, value growth? Is that something you can?

Anuj Burakia: See, value-wise, I probably would have been more open and clear in giving that out. But you see we need to appreciate that the kind of volatility that's existing at this point in time, I mean, probably would not be right to assume something. So, the expectation is that things should improve from here, in which case, what you said would definitely be possible. But price-wise uncertainty, that still prevails.

Rahil S.: Okay. And then -- so does the same go for absolute EBITDA or maybe the margins as well? Is the same situation there as well?

Anuj Burakia: Difficult to say, but we'll certainly have better profitability and good numbers more based on our own utilization, efficiency on cost, better absorption of overheads. So that will give us more margins and definitive margins. Market-related volatility, very difficult to estimate at this point in time.

Maybe we'll have probably a better view, clearer view in next quarter. By then, we expect this tariff and other things to get settled. It can't prolong forever. So, whatever has to happen probably will happen and things will settle by then.

Rahil S.: Okay. But it's safe to say that the remaining of the 3 quarters will be profitable for the company.

Anuj Burakia: Of course, yes, Rahil. This is very, very clear, yes.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Anuj Burakia: Thanks. So, while external challenges stemming from various uncontrollable factors persist, we will continue to prioritize the development and delivery of high-quality products for various applications, focus on increasing customer base and capacity utilization and further augment operational efficiency.

We are confident that these efforts and actions will drive desired results in form of better profitability and growth in the future. I hope to have addressed your questions satisfactorily. Should you have any pertinent queries, I welcome you to reach out to our Investor Relations team.

So, with this, I thank you once again for joining us today, and I look forward to reconnecting with you very soon.

Moderator: Thank you. On behalf of Welspun Specialty Solutions Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.