Welspun Corp Limited

"Q4 FY '24 Earnings Conference Call"

May 31, 2024

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MODERATOR: **MR. VIKASH SINGH – PHILLIPCAPITAL**

Moderator: Ladies and gentlemen, good day. And welcome to Welspun Corp Limited Q4 and FY '24 Earnings Conference Call, hosted by PhillipCapital (India) Pvt. Ltd.

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 touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Singh from PhillipCapital. Thank you. And over to you, sir.

Vikash Singh: Thank you, Steve. Good morning, everyone. From the management side, today, we have with us Mr. Vipul Mathur, MD and CEO of Welspun Corp; Mr. Percy Birdy, CFO; Mr. Salil Bawa, Head, Group IR, Welspun Group; and Mr. Goutam Chakraborty, Head, IR, Welspun Corp.

Without taking any much time, I'll hand over the call to Mr. Salil Bawa. Thank you. Over to you, Salil.

Salil Bawa: Thank you, Vikash, and good morning to all of you. I would also like to inform that we also have Mr. Ashish Prasad, the CEO of Sintex BAPL, who had joined us for this call.

You must have received the results and investor presentation of the company, which are available on BSE and NSE as well as on the company's website. As usual, we will start the forum with some opening remarks by our leadership team. We will then open the floor for your questions. During the discussion, we may be making references to this presentation. Please do take a moment to review the safe harbor statement in your presentation. Should you have any queries that remain unanswered after this earnings call, please feel free to reach out to any one of us.

With that, let me hand over -- the floor over to Mr. Vipul Mathur, MD and CEO, Welspun Corp. Over to you, Mr. Mathur.

Vipul Mathur: Thank you, Salil. Thank you, Vikash. And very good morning to all of you. Thanks for joining our Earnings Call for FY -- Q4 and FY '24. As customary, let me start my discussion with the key operational and the financial highlights for Q4 and FY '24, followed by a business update. And then we can possibly have a very detailed interactive session as you may wish.

So the key highlights of this particular quarter has been it has been a very robust performance for FY '24. It has surpassed all the guidance's what we have given to the market. It has been a historic high performance of the company both in terms of our operating revenue as well as in EBITDA. All the new businesses are ramping up significantly. And I am also very pleased to inform that the Welspun Corp has been ranked in the top 5 percentile in DJSI ESG rating.

As far as financial performance is concerned, as I said, this year, the company recorded the highest-ever revenue and EBITDA and a ROCE of 20%. Some of the highlights are the total income for FY '24 increased by 74% on Y-on-Y basis, touching INR17,500 crores. The FY '24

EBITDA stands at INR1,800 crores, which has more than doubled over the previous year. It's 2x of the last year.

PAT for FY '24 jumped by more than 5x to INR1,110 crores, backed on robust operational performance. Our net debt got reduced to INR387 crores at the end of FY '24 compared to INR1,138 crores, in FY '23. Our ROCE, as I said, has improved to 20% compared to 8% in FY '23.

Our revenue, EBITDA and PAT for Q4 FY '24 stood at INR4,460 crores, INR413 crores of EBITDA and INR268 crores of PAT, respectively. In FY '24, we also witnessed the strongest-ever operational performance by the company; strong volume growth recorded in all the business entities line pipe, DI pipes, stainless steel bars and pipes and Sintex.

If we talk about each entity. The sales volume of our Line Pipes business in India and U.S.A. for the FY '24 rose almost 49%. And we clocked almost 980,000 tons, a little less than 1 million tons, of sales. Our company EPIC in Saudi Arabia almost did worth 350,000 tons of sales. The performance of our DI pipe continues to improve. Our FY '24 sales volume rose 5x. And we sold close to 200,000 tons of DI pipes. The stainless steel bar sales volume grew by 132% on Y-on-Y basis to almost 16,000 tons.

On the building materials side of it, our WST sales, which is our tanks volume and Sintex, grew by 11%. And we clocked almost 14,000 tons of sales in FY '24. While on TMT bars, our sales volumes, we sold almost -- close to 121,000 tons, which is a 7x rise on a Y-on-Y basis.

So if you see from a financial perspective and from an operational perspective, it has been a sort of a record year for Welspun Corp. Now with respect to the outlook, how is FY '25 going to look like and how the next 2 or 3 years going to pan out, I would like to draw your attention to that, but let's talk about India oil and gas business.

See the India oil and gas business. Demand has been very, very steady. We are seeing a demand recovery in terms of creating a gas grid pipeline. And we expect almost 10,000 kilometers of gas grid pipeline is likely to be installed over the next 2 to 3 years time. City gas distribution expansion across all the geographical areas which have been awarded, I think -- we still believe that 50% of the work is still left into that.

And there will be a huge demand of pipelines which will be coming from that as well. Recently, you would have seen that the central government has sanctioned a scheme for development of pipeline infrastructures for injection of compressed biogas into the city gas distribution system. We are very closely evaluating that and this seems to be a very big opportunity also on the unveil.

Over and above, our signature longitudinal pipe business, which are always used for very critical applications for offshore and gas transmission, is seeing a robust demand globally. And we have a dominant presence in the Middle East, Australian and Latin American and the Southeast Asian markets. We are seeing a lot of traction in the business coming from these markets. And we are very -- we are more than confident that the export market, which is one of our prime focus, will stay very, very robust in this year as well as years to come.

We are also seeing emergence of hydrogen pipelines and carbon capture pipelines, including ammonia transmission, so these are the new areas where we are seeing that the work has already started. And as a company, we are deeply engaged with that and we see that as an emerging opportunity. And we would possibly see some breakthroughs in this year, as well in the next financial year as well.

If we talk about the water sector. This sector has been growing exponentially in India. The demand for irrigation and the demand for pipelines for irrigation purpose is unabated. We are seeing a lot of traction coming from states like Gujarat, MP, Rajasthan, Tamil Nadu and Karnataka who are putting up a huge network of pipeline for irrigation. And all these states are having a massive industrialization and urbanization, which is also adding up to these pipelines.

The Jal Jeevan Mission has also ensured that the last-mile delivery of this potable water continues and it continues to support a strong demand. So this was all about India oil and gas and India water. I am sure that you will be very keen to understand as to what is the U.S. market offers to us. At this point, U.S. is one of our focus market. As you know, that we are one of the largest player in the U.S. market with almost a market share of 20% to 25% -- we are absolutely a pole player in the U.S. market.

We have just concluded one of the major Permian pipelines order which we just got executed. The Permian Basin, as you know, is still very, very active. U.S. is still striving to become -- continue to be the largest LNG exporter. They are drilling like no other business into the Permian Basin and which means that there are at least 2 to 3 more pipelines which are going to come up in the Permian Basin.

Having said that, one of the pipelines is likely to be awarded by the third quarter of this particular year -- end of the second quarter or the third quarter -- or the start of the third quarter of this particular year. They just completed 1 pipeline in the March of 2024. And the next pipeline is likely to be awarded by September 2024.

We are very, very actively pursuing that particular pipeline. We are in absolute pole position in respect of that. And I am more than confident that, given our impeccable track record and executing almost 3 pipelines out of the 5 pipelines what has been executed, we are definitely one of the serious contenders into this particular pipeline project.

Having said that, we already have a confirmed order booking till quarter 3 of 2024 and with this pipeline coming into an award. And apart from this pipeline, there are 1 or 2 large projects which have also been in discussion. I am sure that we will see a clear business continuity for Welspun for next 4 to 6 quarters. I am very optimistic about that. And I just want to communicate very clearly that I see no concern whatsoever with respect to our U.S. operations.

Let me now move on to Saudi Arabia. As you know, our company in -- EPIC in the -- Saudi Arabia is doing phenomenally well. We have a controlling interest in that company. We are absolutely in the driving seat on that company. If you see, the performance of that particular company, I think they have recorded a PAT of INR600 crore in this financial year, FY '24. It was -- there has been a very strong performance which has been delivered there by company.

We are almost 32% shareholder of that particular company, and we are in the driving seat out there.

We -- at this point in time when we speak, they have a confirmed order book of more than 2 years, so I am very sure that their performance over the next 8 quarters is going to be very sustainable but more than that, I think the market also is very buoyant. Saudi Aramco is investing heavily into their pipeline. Of course, we recently heard that they are trying to go slow a little bit but I don't think so that is the case.

All the major pipeline projects, what they have announced, they are going ahead with that the latest one being the Master Gas 3, where they are investing and in which they are -- already orders are being -- getting released. And we would also be one of the recipients of this particular order in Saudi Arabia. So Aramco is going all out in terms of putting up the pipelines. And we are -- being in a pole position, we will definitely be getting our share from their businesses which is going to come up.

Apart from that, the water company which is SWCC and SWPC, those who are responsible for transmitting the desalinated water to the habitants, I think so they are -- the demand for their pipelines is extremely huge. And that is what is reflecting into our order book when I say that we have booked for more than 2 years at this point in time.

So we see multiple projects from SWCC and SWPC going to come up in near future as well but the beauty of those projects is that all these projects are meant for local Saudi manufacturers only. And they calibrate depending upon the capacity which is available in the market, so all what it -- can be inferred out of this is that we are seeing a potential not only for 2 years for which we have a confirmed order book but at least 3 to 5 years further down the line where SWCC and SWPC will continue to build massive pipelines.

Let me also give you an update about our DI pipe business. As I said, this is -- this was the first full year of our business. We are -- we recorded 200,000 tonnes of sales in this particular year. As you know, our capacity is 500,000 tonnes. We have done 200,000 tonnes in the first year. The demand for DI pipes continues to be very strong, I think, so there is no doubt whatsoever in anyone's mind that the Jal Jeevan Mission, the Nal se Jal scheme, the AMRUT scheme, the wastewater management scheme all these signature scheme which are being funded by government of India are going -- are driving this demand.

And they are going to be there for the next 5 to 7 years time. We already had an order book of more than 325,000 tonnes, which makes us -- which means that we are almost booked for 9 months in this financial year.

Having said that, the demand -- the way the demand seems to be emerging, I think so there is a clear demand for next 5 to 7 years time. And that on -- in the backdrop of that demand, we have enhanced our capacity from 400,000 tonnes to almost 500,000 tonnes and further expanding it to 600,000 tonnes. And we expect that we will be having -- we will be touching, our capacity utilization, close to 70% to 80% in this financial year. That's what -- the aim we have set to ourselves. So DI pipes is -- there is a huge tailwind around the DI pipes requirement and as -- and we will -- we intend to ride over that.

Let me also move your attention to our company Welspun Specialty steel, this company. I am happy that Welspun Steel has achieved a complete turnaround during FY 2024, witnessing the first year of consistent profitability. We are now qualified by BHEL and NTPC for the supercritical boiler tube grades. This is for the first time for any indigenous company which is integrated in nature to get qualified. So we are the only one integrated facility which are qualified by BHEL and NTPC for their supercritical boilers.

As you know, the sector like power and defence, they are growing exponentially in India. The Make in India, the Atmanirbhar India policies are necessitating that the pipes for all critical applications have to come from Indian sources only. And we being the only integrated facility and accreditations what we are now getting and also the supercritical grade what we have developed over a period of time, I think so that is driving sort of a robust growth for our company WSSL.

Let me move on to our building material vertical. I will give you a brief overview as to what is happening on the Sintex and also what is happening on our long products. I have my colleague Ashish also joining on this particular call. And then we can have a detailed discussion with him as well as to -- and he can give you more granular details with respect to as to what is happening on the Sintex side but having said that, I think so it has been a great year. It has been a great first year for Sintex. We recorded a sale of almost INR635 crore FY -- in this financial year. The sales have grown by 35% on a Y-on-Y basis. The FY '24 looks also a very decent year for us.

We are expected to grow much more than the market. We are very confident that this -- our water tank business, which is gaining a lot of traction. We have been focusing on reviving the channels. At this, we are happy to share that we have grown our retail network by 30% on Y-on-Y basis and consolidated the distribution network.

Our engagement program with retailers and influencers who are the key influencers in this game have been redesigned and creating a lot of interest. You will have recently noticed that we also sponsored the women IPL league. So we are invested a lot in the branding.

We are also going to Brass tacks. We -- there were almost 1,300 plumber meets and 1,000-plus distributor and retailer meets which was conducted and it is just about building the confidence. As you know, Sintex has a huge brand recall. It is still a product which everyone -- which is on everyone's tank. And I am very sure that, as we move forward this business is only bound to grow.

Over and above this, as you will have noticed, that we have announced a capex which will be spread over almost 2 years, where we are going to invest heavily into the pipes business. The pipes business -- and when I say pipes, they could be CPVC, UPVC, HDPE and OPVC pipe, so we are covering the full range of pipes. And we are investing almost -- INR2,300 crore over the next 2 years into this particular business. There is a huge exponential demand for this business in times -- over a period of time and that is necessitating us to put our foot into this domain. We will talk a lot about it in our subsequent part during the question-and-answer sessions.

As regards TMT. This is one particular business which is purely driven by the infrastructure. As you know, we are producing close to 300,000 tonnes of -- we have the capacity to produce 300,000 tonnes of TMT. We are more focused into Gujarat. Gujarat, as you'll see is one of the -- major industrialization seems -- is happening in the Gujarat infrastructure project. That seems to be happening, and we have been able to get a lot many approvals and accreditations for this.

So our TMT sales which is under the brand Welspun Shield has grown exponentially. A little -- we sold almost -- 120,000 tonnes of TMT in this financial year. I am sure that in the current financial year, FY '25 and '26, we will also be touching close to 70%, 80% of our capacity utilization.

On the balance sheet side of it, this was purely on the business overview. Just to recap; I wanted to highlight our confidence in U.S. market, the continuous growth in the Saudi market, the exponential opportunities which are available in the DIP market, Sintex absolutely well on track.

And now we are adding new products, like plastic pipes, which are going to redefine the complete growth strategy of this company. And our TMT business and our Stainless Steel business, they are all poised to grow. All our businesses, all the 5, 6 businesses what I mentioned, are absolutely firing full cylinders.

Their performance was getting reflected in FY'24 results as well. If you see, from INR10,000 crore revenue, we reached to a INR17,000 crore revenue; and from an INR800 crore EBITDA to almost -- INR1,800 crore EBITDA. It is a clear reflection that all the businesses are firing full cylinders.

I see that this trend will continue in FY'25. And I looking at the fundamentals which are shifting in the industry, where we are seeing the sustained growth we -- going to happen for the next 5 years to 7 years, time, I am sure, that the -- all our products and all our companies in our portfolio will fire full cylinder and deliver and meet the expectations.

As regards -- we are also very mindful of our balance sheet. If you see, there is always a strong focus with respect to managing our debt. And I am very happy to report that, when we started our year, we had a net debt of INR1,138 crore. And we -- through financial diligence and prudence and strong operational performance, we have been able to bring down our debt to INR387 crore.

This will continue to be our focus area. We will -- if you see, our debt-to-equity ratio is -- debt-to-EBITDA is close to 0.2-0.25. Even in FY'25, we will ensure that the balance sheet stays strong. And our bad debt to EBITDA, will -- should not be exceeding anything -- it has to be less than 0.5, so that's the sort of internal controls and -- which we are operating. And I'm sure, that we will be able to monitor that.

It is in the backdrop that -- of our strong performance in FY'24 and the way all of our businesses are performing at this point in time. We have given you the guidance for FY'25 as well. This guidance is absolutely based on solid fundamentals and rationales, and we are more than confident that we should be in a position to deliver this guidance.

If you -- if someone -- if you have to believe me: We gave you the guidance in the last year; and we -- what we promise, we deliver. I think you will take it on the face value that, when we are giving you this particular guidance, it must be based on strong fundamentals. And I -- we are very confident that we should be able to deliver this as well, if not exceed.

With this, gentlemen, I will take a pause here. And I would leave the floor for any question-and-answers which any of our esteemed investors would have. Thank you very much.

Moderator: The first question is from the line of Nikhil Chandak from JM Financial. Please go ahead.

Nikhil Chandak: I had just one question. So, the outlook, as you shared, is very strong and positive. Just curious. Why is the guidance so flat? Like, if I look at the top line guidance and the EBITDA guidance, that's almost flat to down versus '24. The guidance for '25 is almost flat to down versus '24. So why is the guidance so muted? I'm wondering.

Vipul Mathur: See. In FY'24, we have taken a quantum leap from almost INR10,000 crore to INR17,000 crore of turnover. And also we have taken a quantum leap in terms of EBITDA, from INR800 crore to or INR1,800 crore, while our guidance was something like close to INR1,500 crore. Here we -- while -- we are very clear that the markets and the demands are all going to be robust, but we just want to see that the curve we -- the ramp-up in the curve is smooth.

We do not want to give anything which is out of the back. It is very early in the year at this point in time. And I am sure that, as we move, getting to -- or further down the years, in the subsequent quarters, and more-and-more clarity will emerge, I think so this will only go for an upward revision. At this point in time, it is just a guidance given based on the fundamentals what we are seeing.

We are seeing that at least there will be the growth, and the demand will be more or less the same. This is -- the presumption is that, but having said that, we have confidence that, as we get into the Q2 and the Q3's of this financial year, we will see a fundamental shift. And maybe, if that necessitate for us to revise it, we should be able to do that.

Moderator: The next question is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: Sir, I have 3 questions. First is on the DI pipes. Sir, in the opening remarks you mentioned that, on the order book of 328,000 tonnes, you have visibility of 9 months, so can we infer that our annual volumes will be upwards of 400,000 tonnes just based on your opening commentary? Can you just clarify that, please?

Vipul Mathur: Yes. See. At this point in time, you will see that we have a capacity of 400,000 tonnes. It is getting expanded to almost 600,000 tonnes by the end of this particular year. We have an order book of almost 328,000 tonnes. We are expecting -- and there is a huge tailwind in this particular thing, so I, we are expecting that we should be using close to -- almost 70%, 80% of our capacity utilization at this point in -- that's what our -- so that's the ramp-up plan.

If you see, that we are coming from a 200,000 tonnes of delivery in the last financial year. And we are striving for almost 70%, 80% capacity utilization in this financial year, I think. So that's a quantum leap and a quantum jump what we are suggesting at this point in time. And the business is in a ramp-up mode.

I would not like to put a number that we are able to touch 400,000 tonnes or 500,000 tonnes, but I am very optimistic that, the way the businesses have -- the business has been ramping up, we should be very close to the numbers what you are suggesting.

Nirav Shah: That's very encouraging. Sir, second question is on Saudi operations. In your opening commentary again, you mentioned volumes of around 350,000 tonnes, if I heard it correctly. And the implied EBITDA per tonne for the year, it comes closer to $250 a tonne. And I believe Q4 will be much higher at maybe $330 to $350 a tonne, based on just the numbers.

So we've always guided for a sustainable EBITDA per tonne range of $200, so while -- maybe this year and next year may be higher than the average, but what's the number you are indicating for FY'25? Can it be closer to FY'24 EBITDA per tonne or maybe Q4 EBITDA per tonne? Just some color on that?

Vipul Mathur: Our guidance with respect to Saudi has always been that it should be close to $200 per tonne. I will maintain my guidance to that. These are project-based businesses. Sometimes the product mix, the market conditions play a major role into that. We have been very -- I think so the area to focus is the operational performance.

The way they have ramped up their production and the way they have been delivering the projects is exceptional, I think, so in terms of the EBITDA per tonne, guidance will be close to 200,000 tonnes, but you also know that, in the past, we have always delivered much more than that. But that's also a factor of the steel pricing and all that stuff, so we will see how things will pan out in the next financial year.

But the -- what you have to recognize is that they have a confirmed order book of more than 2 years. What you have to recognize, that there is almost -- the steel market is pretty much flat at this point in time. We are not seeing any exponential volatility into the steel market, so we have all reasons to believe that we will be delivering at least this EBITDA, if not more.

Nirav Shah: But are we covered on steel? For how many quarters would we be covered on the steel for the next coming -- we have an order book of 2 years...

Vipul Mathur: To a large extent, we are covered. We have gone into very strategic alliance with some, our steel partners. And we have structured very strategic deals with them, which to a large extent, I would say, almost 85%, it insulates from any steel volatility.

Nirav Shah: That's very encouraging to hear. And the last question is -- before I come back in the queue is on the capex. For '25 and '26, how much are we spending? And what is the split of that INR2,350 crore of capex that we are envisaging to spend on Sintex? How much will it be split into '25 and '26 separately? Yes. That's from my side.

Vipul Mathur: All put together, what we are looking -- see there are 3 capex which are announced in -- which are already announced. Number one is about Sintex which is almost -- INR2,500 crore. Then there is our DIP expansion project. And then there is our DIP expansion in the Middle East, so these are the 3 capex which are announced.

I think -- so the largest of -- let's say, the DIP expansion in India, the entire capex will happen in this year because we are seeing that, in the very fourth quarter, that capacity will be completely available to the market. As regards the capex in the Middle East where what we have announced, around INR500-odd crore, the DIP capex in the Middle East, it is going to be get spread over the 2 years, time. And likewise, the Sintex capex which we have announced of almost -- INR2,300 crore is going to be split over the next 2 years, time..

Nirav Shah: So this year, we can be spending somewhere close to INR1,700-odd crores?

Vipul Mathur: We will be anything between INR1,500 crores to almost INR 2,000 crores of capex in this financial year.

Nirav Shah: Got it. Great, sir. That's from my side. I have more questions. I'll come back in the queue, sir. Thank you.

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

Aasim: Hi. Two questions. First is on the DI pipes opportunity that you spoke about. Very bullish comments, but since you also mentioned OPVC while talking about Sintex, so I wanted to know where OPVC stands vis-à-vis DI pipes when it comes to water supply? As you know, over the last two, three quarters, almost all plastic pipe companies have either announced capacities in this space or are evaluating it.

And almost all of them have hinted at it would be a substitute for DI pipes. So I just wanted to understand, is there any threat of replacement, not now maybe in the longer term? Or do the two products can't coexist side by side or they have different usages in the water supply value chain altogether?

Vipul Mathur: So first and foremost, I think -- so Aasim, it's a good question. OPVC is primarily for all -- for small diameters, literally let's say from 60 mm to let's say up to 200 or 250 mm, out and out is 300 mm. It will definitely overplay with certain quantities into the DI pipes, but it is going to be over a period of time. Is it going to be an imminent threat tomorrow? The answer is no.

But eventually, whether in certain sizes that OPVC will have influence on DI pipes, especially 100 and 150 millimeter, I think so the answer is yes. Having said that, is it going to completely replace the DI pipes? Again, it is not possible. The answer is no. It is not, but there will be definitely some influence of that which will likely to come into the DI space, especially in the low diameter. But that is going to happen not today. It is at least two to three years away.

Aasim: Okay. So it's the smaller diameters that it can eventually replace it, not the larger ones?

Vipul Mathur: Not replace it, no, not replace it, Aasim. Let me stand correct. If I told you replace it, no. It will interfere into that domain. It cannot -- the demand in this particular segment is so high and so huge and that terrain under which the DI pipes are being used, in all the possible terrains, OPVC probably may not go, so I don't think so that it will make replace it. But it will definitely make a sizable dent into that particular market.

Aasim: Okay, understood. Second question is on Sintex in particular. So the growth that was -- that has come this year and I assume all of it is tanks because I remember Sintex once upon a day used to have PVC doors and all, but the growth in FY'24, is there an element of market share gains that has already come to you guys? Or is it pure market growth? And going into FY'25, what is the expectation on volume and value growth? And would -- again, are we in a position to start retaking market share that we may have lost to other branded type players who have also set up tanks business?

Vipul Mathur: Ashish, would you like to take this?

Ashish Prasad: Sure, sure. Thank you, Vipul, for giving this opportunity. Now in terms of when we see water tanks, if you look at it, at the peak of its time, Sintex had a market share which was over 20%. And we have shared with you before that we had lost -- because of the entire CIRP, we had lost our position and we had gone to 9% to 10%.

Now while the market shares are not formally calculated in this segment, we believe that as we are focusing on strengthening our go-to-market and we are reenergizing our channel partners, we can focus on sales and distribution. We are able to recoup some of those market shares.

Aasim: Okay, great. Thanks for answering my questions.

Moderator: Thank you. The next question is from the line of Dinesh from RDST Capital.

Dinesh: Sir, can you hear me?

Vipul Mathur: Yes, we can.

Dinesh: My question is like we acquired ABG Shipyard, right? And there was a news somewhere around six months ago that we're going to sell off some of land to monetize it further. I just wanted to know any update on that. And what's the net gain of this? Because as far as I remember, we are going to sell off almost all assets, then what remains in this asset after that, if you could please?

Vipul Mathur: Dinesh, ABG is an entity on which we have -- we are only currently focusing on liquidating our scrap. And we have told that there was quite a bit of a scrap. We are in the process of liquidating. And it is in the back end of which is happening at this point in time.

Beyond that, our entire energy is currently focused in ramping the new businesses which are our DI pipe business, our stainless steel business, our Sintex business, our complete energy and focus is on those particular business. ABG is completely in the backyard at this point in time.

As we have told, as we have said very categorically, we are not doing anything on the ABG. We are not going to do any capex there. Only focus there is to liquidate all the scrap what we have, and that's pretty much. So that is where we stand.

Dinesh: Okay. So what was the net gain out of this? Because then the question is like what was the rationale behind doing all this deal then. That is still not very clear in that case.

Vipul Mathur: No. At that point in time, we see that it has an intrinsic value, number one. We got -- we had plans around that particular asset. It is a matter of time. And we decided that, at this point in time when we are so heavily capex-ed on the other side of the business, that should get our less attention. So we have just put it at the back burner and we are focusing on our new projects what we have done. But having said that, whatever we have invested into that particular asset, I think so through the sales and all that stuff, we have recovered more than that, in any case, so it is not creating any drag in my financial statements, please.

Dinesh: Okay, got it. Just one basic question here. I just want to know like the kind of growth we are expecting for the next two, three years and the kind of capex we are doing. My question is like are we expecting any improvements in our overall margins, EBITDA margins from here on from the current levels?

Vipul Mathur: It should, definitely. I mean I think all of us are only striving towards that. First and foremost, we all fundamentally have to understand that there is a potential growth for the next three to five years' time, number one. And if that is the way, if everyone sees that way, we should -- we are absolutely present in the right sectors at this point in time. And our endeavor would always be to improve our margins, and I think so there exists a potential to improve them. There's no doubt about it, Dinesh.

Moderator: Sorry to interrupt, sir, but the current participant has been disconnected. We'll move on to the next question. It's from the line of Miraj from Arihant Capital.

Miraj: Just a couple of questions. Firstly, sir, I wanted to understand that our gross margins have come down. Is this purely because of the fall in steel prices? Or is there -- is this because there's some blended value coming in as well because of the other businesses? This is the first part.

Vipul Mathur: Miraj, you're talking on the stand-alone business?

Miraj: Console basis, sir.

Vipul Mathur: Miraj, we are into a project business, number one. What blend you are running in that particular quarter also has a significant influence around that. And that is the reason we have always been suggesting that the company should be looked -- rather on a quarter-on-quarter basis, it should be looked on a FY-to-FY basis. That's the way we should be looking at the company.

And with now so much of our product portfolios we have integrated into our system, I think so it will be more appropriate to see on a year-on-year basis because there is always an abnormality on a quarter-on-quarter basis. So in this particular quarter, what you might have seen is a little bit of an influence of the blend what has been used and especially on the large diameter pipe, but I think so that's not an area of concern.

Miraj: Understood. Secondly, sir, just if you can tell me the breakup of volumes between India and USA for Q4?

Vipul Mathur: The volumes between India and USA. Percy, could you just...

Percy Birdy: Yes, sure. You're talking about sales volumes, right?

Vipul Mathur: Yes.

Miraj: Yes, sir, sales volumes.

Percy Birdy: So I think for this quarter, we were close to 300,000 tons, both India and U.S. put together. And I would say we were close to about 20% would have been U.S. and balance would have been India.

Miraj: Okay, understood. Sir, just the next question, I wanted to understand that -- since we are expanding in Middle East with the DI pipe facility, just a question, maybe a very vague question, but I wanted to understand was it not possible for us to expand through EPIC? We put more money there and integrate this facility within EPIC itself. Was this something that is not possible?

Vipul Mathur: See EPIC is in a different business altogether. They have -- the lines of business are very, very different at this point in time. They are purely into the large-diameter pipes, and then they are purely into the oil and gas sector with Saudi Aramco. The user in case of DI and all that stuff in the Middle East market is very different, so it would not have been possible to go through the EPIC route. And we wanted to go 100% on this particular entity.

Moderator: The next question is from the line of Dhruv Rawani from Shreeji Finserv.

Dhruv Rawani: Sir, can you just share your views on the OCTG pipes in India specifically?

Vipul Mathur: Shreeji, we can't hear you. Can you could -- be a little louder, please?

Dhruv Rawani: Sir, views on the OTCD pipes in India.

Vipul Mathur: Shree that's not the product we have in our portfolio, so it would be inappropriate for us to comment on that, please.

Dhruv Rawani: Okay.

Moderator: Mr. Dhruv, does that answer your question?

Dhruv Rawani: Yes, yes.

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

Radha: The first question was what is the order book for U.S. in volume terms.

Vipul Mathur: So as I said, we are -- we currently have an unexecuted order book of almost close to -- let's say, 80,000 tons to 100,000 tons, 80,000-odd tonnes which is pending. And I think so that will take us through till the quarter 3 of this financial year.

Radha Agarwalla: Okay. Sir, second question was in your opening remarks you mentioned that SWCC is preferring the local pipe manufacturers over imports. So that is for the HSAW, but on the DI, what we hear is that, the local manufacturers in Saudi, their plants are not as efficient. And hence, there is a lot of export opportunities for India in the DI. So given that same company SWCP would also use DI as well as HSAW, then I can't connect the dots between why the demand for HSAW will be more for the local and why would they prefer DI from imports?

Vipul Mathur: So Radha, the fundamental is that they would ideally like to have a local manufacturing for catering the demand. And that is what -- because in the large diameter there are established players. So -- and the demand is being met by them, so the whole business will be contained within domestic itself on the large diameter, SWCC and SWPC, first.

Second, the DI pipes in any -- for DI pipes, the buying authority is -- in any case, it's not SWCC or SWPC. A, it is another company, called NWC, the National Water Company. And there the procurement happens through the EPCs, not directly, so the procurement methodology is different, number one. And number two, the procurement route is also very different. So authorities are not -- both of them are different.

Now because that there -- the efficiency of the local mills probably is not as good as they should have been. That's my understanding. And they have not been able to cater to the requirement as what is there and as what it is likely to emerge. That is the reason that imports of DI pipes are happening, but at some at -- point in time when local capacities are there and they are able to meet the demand, meet all the requirements, I think so the import of DI pipes will completely stop. That is our understand of the subject.

Radha Agarwalla: So sir, is that much capacity coming up for DI in Saudi as much as is required? Because if imports are going to come down, the capacities have to be efficient and adequate, for imports to come down in Saudi?

Vipul Mathur: Sorry. I didn't get your question, ma'am.

Radha Agarwalla: Sir, you mentioned that they do prefer local manufacturers in DI, so -- but currently what we understand is the current capacities of DI in Saudi are a bit inefficient. And hence, they are preferring imports over domestic manufacturers, so in future, if these curtail the import, then we would need adequate capacities to cater to the demand in Saudi. So are there more capacities coming up in Saudi other than the ones that we have announced? Is it significant...

Vipul Mathur: I am not aware of any other capacities which are likely to come up there. I'm not aware to that one.

Radha Agarwalla: Okay. Sir, lastly, just a clarification. So you said NWC is the company that is majorly ordering for DI pipes. And SWCC is for the HSAW pipes, so SWCC would also be through EPC route...

Vipul Mathur: No. They -- generally, SWCC buys directly. And then they know way the pipes contracts to the EPC contractors, so their buying methodology is very different.

Radha Agarwalla: So they don't demand DI.

Vipul Mathur: They don't. See. The purpose of NWC is -- both of them are under the -- both of them are government entities. One of them is for the bulk transmission of the desalinated water. And the other agencies is responsible for distribution of that water, so the purpose and the role of the two agencies are very different.

Moderator: The next question is from the line of Vikash Singh from PhillipCapital.

Vikash Singh: Sir, just wanted to understand one thing out of this year, INR1,800 crore EBITDA. We got a sizable portion from the sale of steel inventory as well, so on a like-to-like basis, if we adjust for that, what was the core business EBITDA for this year? And how does our guidance look in that light?

Vipul Mathur: First and foremost, Vikash, I don't think so in INR1,800 crores the sale of scrap had any sizable contribution. I think so the sale of scrap possibly had a contribution of maybe around INR100-odd crores. Over and above that, there were some one-off earnings which happened which was with respect to some -- even we have some insurance claims coming out. So all put together, we have like, let's say, INR150-odd crore of exceptional profit sitting into our EBITDA. Rest all of that is operational profit only, EBITDA only.

So then I -- if I have to just simplify that: Under INR1,800 crore of EBITDA, what we have shown, it is INR150 crore is sitting as one-off item which is nothing else but INR100 crore of sales coming from -- profit, EBITDA profit, coming from sales of scrap; and some INR50-odd crore, some insurance claim or something like that. So rest all that is purely operational EBITDA.

Vikash Singh: Understood, sir. Sir, my second question pertains with our steel business, especially TMT. As you pointed that -- Gujarat market is essentially 10x than what is our current capacity, so are there any plans on that side also in terms of us putting steel capacities, TMT?

Vipul Mathur: See. I -- first and foremost, I think so the -- a, in the Gujarat market, what we have seen, there is going to be a huge industrialization which is going to happen, so the -- and the infrastructure development is going to happen. So both industrialization and infrastructure development are going to happen over the next 5, 7 years time in Gujarat.

And we all know that -- what other projects which are going to come up. So demand for TMT is definitely going to go up there. Our first aim is that, whatever capacities we have, we service to that fullest capacity. We have not yet reached to the fullest capacity. I think, during the last year, we did close to 120,000 tons, so we are almost at 50 -- almost 50% capacity utilization.

Our first aim is to get to almost -- 70%, 80% capacity utilization. And then we will see that what need to be done around that, but -- or anything further need to be done around that or not, we'll evaluate at that point in time. Our first aim is to go -- get to 70%, 80% of capacity utilization of our current level.

Vikash Singh: Understood, sir. Sir, thirdly, on our INR2,350 crore capex in Sintex. Given that this money would probably go from the pipe business earnings basically, so -- how should we look at the debt moving for the next 2 years given our cash inflows would still be strong?

Vipul Mathur: Vikash, as I said, this investment is all going to happen over the next 2 years, number one, right? And so -- and number two, all our businesses are generating sufficient free cash flow. And also I mentioned that we are keeping a very close eye on our debt-to-EBITDA. And we have almost internally taken a call that we will not let it exceed at -- more than five at this point in time. Rather, we would like to keep it even down.

So I don't think so that it is going to put any stretch on our balance sheet per se, but these investments, as you understand, are imperative. They are absolutely for fueling our growth. And I think so, the benefit of this, we would start seeing in FY '26, '27.

Vikash Singh: Understood. Sir, one more question, on the DI side basically. Like you said, that you have strategic initiatives to manage the raw material costs. In terms of DI, iron ore and coking coal doesn't have any forward context tax. So, have we managed to do something in that regard to actually cushioning down the erratic movements in any of these materials because these tools have been pretty volatile in past 2, 3 years?

Vipul Mathur: I would say that the coking coal has been a big disruptor into the market in the last 2 years. Iron ore is more or less range bound, anything between $80-$110. So it is pretty much range bound. And that doesn't move the needle too much, to be honest. Now what moves the needle is the coke. And I think so, in terms of we have -- we are -- we have very strategically captured this aspect and we have literally a firm order book in our hand. We have -- also, on the back side, more or less, we have covered ourselves with the coking coal. So we have -- for this financial year, broadly we have insulated ourselves with any volatility if it happens.

Vikash Singh: Understood. And sir, just a couple of clarification. In Saudi, well, the DI capacities which we should be putting it would be induction furnaces, right? So we would be buying pig iron and then converting it into pipes.

Vipul Mathur: Pretty much.

Vikash Singh: Understood. And lastly, sir, 1 lakh additional capacity in DI without any capex. So I just wanted to understand exactly what changes we have made to achieve that.

Vipul Mathur: We did some optimizations on the size and the layout and on the machines. We have the flexibility available. And when we put that into -- originally, we thought that this -- it will be complementing -- it will be even as close to 100,000 tons, but when we have optimized the design, layout and the machine designs, it is giving us that pleasant -- it is enhancing by another 100,000 tons. So it is nothing else but engineering, nothing more than that.

Moderator: The next question is from the line of Vineeth from HSBC. Please go ahead.

Vineeth: So my question is the capex which is going into the pipes business, plastic pipes business. So that, when it would start producing like operational or something, it would take 2 years. Or because you said it would be spreading out 2 years, so...

Vipul Mathur: So as we're speaking, we are already -- we have already started investing into that. I think so we should see the operations coming up in the first quarter of FY '26.

Ashish Prasad: That's right, yes, yes.

Vineeth: And can you just elaborate, please?

Ashish Prasad: Yes. So the groundbreaking has already started at 2 of our locations. We are moving in. And we expect that, in the H1 of FY '26, we will be there. And we'll try for first quarter.

Vineeth: And presently, what is the capacity for the tanks, steel business at this time?

Ashish Prasad: So one of the changes which we are trying to do in our outlook is we are trying to move our conversation from capacity -- we have sufficient capacity, so we are moving our conversation from volume to value. And that is why, if you see, our value growths are ahead of our volume growths. We are trying to drive profitable growth. And we are trying to reinforce and reinvigorate the brand, and we are trying to premiumize the market.

Vineeth: May I know, like, what is the present capacity utilization for the Sintex?

Percy Birdy: I think, in today's terms, roughly we should be close to 40%.

Ashish Prasad: Yes. Around 40% is our capacity utilization here.

Percy Birdy: So capacity is not a -- really a constraint. And as, I think, Ashish said it correctly, it was the higher value chain that our focus is.

Moderator: The next question is from the line of Mahesh Wadhwani from Paras Healthcare. Please go ahead.

Mahesh Wadhwani: I joined the conference late, so forgive me if the question is repetitive, but my question was on Sintex again, like the previous speaker. The question is how do you project Sintex' growth plan? When is it likely to be EBITDA positive? And by what fraction is it likely to -- so say hypothetically 5 years later. What will be the fraction of Sintex business in overall scheme of things?

Vipul Mathur: So let me answer the first part of it, the Sintex business being EBITDA positive. It is EBITDA positive in this financial year. So the business is generating sufficient profits, sufficient margins. And it is EBITDA positive even as of FY '24 and likely to continue like that. It is all about the new investments which are happening; as Ashish just explained, that we are investing.

We are making all this capex investment which are going to get spread over the next 2 years' time, and the benefits of that investments, you will see start coming up from the -- most likely

Q1 but rather H1 of 2026, preferred from Q1 2026. And that is where we will start seeing these new investments also contributing into the growth strategy of Sintex.

Mahesh Wadhwani: And what fraction is it likely to be in 5 years? according to your projection? And according to your projections, what fraction is it likely to be in next 5 years?

Vipul Mathur: See. First, if we see, the growth in the -- the major investment seems to be happening -- is happening in the pipe size of our business, right? That is where we are investing that. The pipe size of the business is INR130,000 crore market segment. We are -- I am not saying that we are the only one, but we have to also...

Vipul Mathur: Can you hear us, please?

Mahesh Wadhwani: I can hear, yes.

Vipul Mathur: Yes, okay. So this segment is a INR130,000 crore segment, number one. I am not saying that we are the only one, but we have to also understand that there is a fundamental shift which is now happening that from people -- there is a complete -- people are moving more towards brand, right?

And as Welspun and as Sintex, when we are getting into it, there is a huge brand recall. I am sure that we will be able to size up a significant share of that particular market, right? We would be one of the top 4 or 5 players into that. We are very clear that we have a distribution band, we have a retail network.

We have all that ingredients which are required to grow this particular business. I think so we are very optimistic that, over the next 5 years' time, it is not -- our top-line or -- could be 3x to 4x from as of we stand today. So that's what we are looking at. And we are taking some steps one by one at this point in time, and I think so, with the time, things will pan out very clearly.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference over to Mr. Vikash Singh for their closing comments.

Vikash Singh: On behalf of PhillipCapital, I would like to thank Welspun Corp management for giving us the opportunity to host them for today's call. Without taking much time, I'll hand over to Vipul, sir, for any closing remarks. Over to you, sir.

Vipul Mathur: Thank you. Thank you, gentlemen, all of you who joined the call today. I think so we have tried to answer all, if not most, of the questions what you have raised. And having said that, if you have any doubts or clarifications whatsoever, you can definitely reach out to Mr. Percy or to Salil or to Goutam for any further clarification, but I just want to reemphasize on one thing.

I think so, as investors, you have maintained the trust and faith on our ability and on our deliverance. And as an organization, whatever we have promised, we have always delivered. It is not -- even the last year guidance, if you look at it, what we promised, we have delivered that.

We are sitting -- as an organization, we are sitting at the cusp of growth and exponential growth. All our businesses, be it the U.S. business, be it our DIP business, be it our India pipe business, be it our stainless steel business, be it our Sintex business, be it our TMT business, all these businesses where we are currently invested in; all these sectors are fundamentally growing. And there is no doubt or ambiguity around it.

As the segments are growing as we are into a leadership position into that particular segment -- and we have seen that -- in the last year, we have been able to capitalize upon that. I see no reason why that, in the subsequent years, we will not be able to leverage that potential of growth. So I, we are very confident on delivering what we are promising. And we always appreciate your support.

Thank you very much.

Moderator: On behalf of PhillipCapital (India) Pvt. Ltd., that concludes the conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Vipul Mathur: Thank you.