



**Welspun Specialty Solutions Limited**  
**Q3 9M FY24 Earnings Conference Call**

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**CORPORATE PARTICIPANTS:**

**Mr. Anuj Burakia**

Chief Executive Officer and Whole-Time Director

**Mr. Brijveer Singh**

Chief Financial Officer

**Mr. Goutam Chakraborty**

Head- Investor Relations

**Mr. Salil Bawa**

Head- Investor Relations, Welspun Group



## **Moderator**

Ladies and gentlemen, good day and welcome to the Welspun Specialty Solutions Limited Q3 and 9M FY24 Earnings Conference Call hosted by Ventura Securities. 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 \* and then 0 on your touch tone phone. I will now hand the conference over to Mr. Tushar Pendharkar from Ventura Securities. Thank you. And over to you, sir.

## **Tushar Pendharkar**

Hi, thank you so much. On behalf of Ventura Securities, I welcome you all to the Q3 & 9M FY24 conference call of Welspun Specialty Solutions Limited. With this, I now hand over the call to Mr. Salil Bawa for his opening remarks. Thank you and over to you, sir.

## **Salil Bawa**

Thank you, Tushar. Good morning to all of you. On behalf of Welspun Specialty Solutions Limited, I welcome all of you to the company's Q3 & 9M FY24 results earning call. Along with me today, we have Mr. Anuj Burakia, Chief Executive Officer and Whole-Time Director. I have Brijveer Singh, who's the Chief Financial Officer, and my colleague who takes care of Investor Relations, Goutam Chakraborty. We hope you have had a chance to review the investor presentation that we filed with the exchanges on 25th of January. It is also available on the company's website.

During the discussion, we may be making references to this presentation, please do take a moment to review the Safe Harbor statement in our presentation. As usual, we'll start the forum with opening remarks by our leadership team and then we'll 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 any one of us. With that, I would now like to hand over the floor to Mr. Anuj Burakia. Over to you, Anuj.

## **Anuj Burakia**

Thank you, Salil. Good morning, everyone. I wish you all a very Happy New Year. I am pleased to welcome you to the Q3 FY24 earnings call of Welspun Specialty Solutions Limited. Let me start by touching upon some macroeconomic aspects. You are aware that the global economy is currently going through multiple challenges, including slowing down of some major economies, high interest rates, higher inflationary pressures and rising geopolitical situations. The World Bank in its latest Global Economic Prospects report projected global economy



to grow at 2.4%, unchanged from its previous estimates, while cutting 2025 projections by 30 basis points to about 2.7%. Indian economy, however, continues to be resilient despite global uncertainties and geopolitical tensions India's GDP growth for Q2 FY24 was reported at 7.6% better than expectations.

Outlook also remains strong as the National Statistical Office in first advanced estimates has projected India's FY24 GDP growth at 7.3%. With this backdrop, now let me discuss about our markets. The export market remained challenging owing to factors mentioned before and subdued optimism added recently to the list being the rebel disruption in Red Sea. This in the face of ongoing weakness in the international markets further affected the shipping cost as well as time. Amongst other markets, we have brought sharp and consistent focus on the very matured USA market in order to grow our volumes and customer base over next few quarters. I am pleased to inform you that we have got very encouraging acceptance and product feedback on our first supplies into the American market.

While we will continue to expand into these markets, our own domestic India opportunity remains of an extremely high focus and priority for us. Given the right policy interventions, continued spending by the government on infrastructure, energy and other strategic sectors, and the preference accorded to the domestic manufacturing industry, India focus shall remain integral to our overall growth strategy. Let me now take you through the key highlights of the operational and financial results for Q3 & 9M ending December 2023. SS Steel products, sales volume during nine-month period rose by more than 200% YoY to about 12,300 tons. Similarly, pipe and tube sales volume rose by 23% YoY to about 3,700 tons. Current order book stands at about 4,200 tons valued at around INR 166 crores. Total income during nine months almost doubled YoY to INR 562 crores.

EBITDA witnessed more than fivefold jump YoY to INR 60 crores during this nine-months period. PAT for the same period stood at INR 22 crores against loss of INR 22 crores during the same period last year. During Q3 FY24 total income stood at INR 182 crores which is about 61% higher than compared YoY basis. EBITDA grew by 104% YoY to INR 19 crores and PAT stood at INR 6 crores against a loss of INR 3 crores during Q3 last year. Nine-months return on capital employed stood at over 16% on annualized basis compared to less than 1% during FY23. As we had discussed and explained earlier, Welspun Specialty Solutions continues its transformational journey under a well-defined growth strategy. FY24 will become first significant milestone after witnessing the first year with profitable bottom line.

As the company scales up the business gradually, management focus continues in full swing on penetrating into newer markets, customer acquisition, developing and delivering new value-added and critical products, strategic tie ups, and securing more and more approvals and accreditations. Research and product development remains a key area for us and in this quarter also company could successfully develop some new grades and products. I am happy to share that WSSL has booked first time order for yet another high-value grade Nitronic 50 or XM-19 which will be delivered during Q4. WSSL has successfully developed, produced, and delivered ultra-low cobalt stainless



steel for applications into nuclear power station components. The company has exported for first time alloy 6625, ferritic high nickel and moly alloy seamless tubing tested at 12,000 psi hydro pressure for a critical application. Such developments shall go a long way into positioning WSSL as one of the niche players in special stainless product segment.

As a responsible corporate citizen, our sustainability initiatives continue in full swing with specific emphasis on all the three aspects of ESG. Share of renewable electricity during the quarter remained over 30%, almost consistent with 28% during previous quarter. We have also started reporting GHG emission data as mandated by the European Commission for exporting to EU. We have completed the stage of WSSL maturity assessment through an extensive stakeholder survey, thereby bringing out areas of focus for upcoming quarters.

With this, I would like the moderator to open the floor for questions and answers.

## **Q&A**

### **Moderator**

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again. I repeat, ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. Our first question comes from Nirav Shah from GeeCee Holdings. Please go ahead.

### **Nirav Shah**

Good morning, sir, and thanks for the opportunity. Last call, you did mention that you were seeing some, or the pricing pressure which was seen in Q2 was expected to continue in Q3 as well. So now where are we? I mean, was the pressure more significant, intense than you expected? Or is it continuing as we speak, or how's the pricing? Because now the demand, the new angle which has come into the picture is the Red Sea issue, which has started from December onwards. So, what's the outlook like for Q4, for our European markets? That's my first question, sir.

### **Anuj Burakia**

So, Nirav, as it was expected, it could be seen during Q2 call, and since the call was being done while we were already in Q3 in real-time basis, and now we are in Q4 in real time basis. So, the price pressure was definitely expected to continue and which also is getting reflected in our top line of Q3. Though going by the strategy that we adopted



of being into only high value add and focusing there in spite of the fact that the top line dipped a bit, we could protect our margins. So of course, there is volatility in general in the market and we are really witnessing some significant geopolitical events like Red Sea. So, naturally there will be caution in the market. However, we believe that these QoQ changes need not be viewed very seriously and these are probably part and parcel of business. So, we continue to work on our strategy and Q4 also again we remain very optimistic.

**Nirav Shah**

Got it. And what was the impact of the freight challenges from December onwards? Did we have to pass on or take some part of hit because of the high freight cost? The freight costs have surged by 50% or more than 50%. So, is it completely the buyer is taking a hit?

**Anuj Burakia**

You are right. So, Nirav ji, our business is divided into let's say exports as well as domestic. And within export a portion, of course, has got affected out of these freight increases, and a portion of it is already absorbed in our Q3 results. All the new order booking is basis taking this effect already into our pricing strategy. But yes, since the business terms are such that it is always a fixed price contract and generally the customers would expect that we should not be talking of making changes to the contracts that have been already made, but in some way or the other that gets certainly covered up when we book our new business.

**Nirav Shah**

Got it. And our exports mix was say 65% for first half in bars, I mean two-thirds in bars and one-third in pipes. It's a bookkeeping thing. But what was the change that we have seen in the third quarter?

**Anuj Burakia**

If you are talking in terms of value plus minus 5% I would say the pipes or let's say the exports remained at about 40% and domestic remained at about 60%. This is in line with our plans. So, India also being one of our very, very focused market given the scenario at present. So, I think this is the ratio that we also see continuing for next few quarters.

**Nirav Shah**

Got it, sir. Got it. So, I have few questions. I'll just join back in the queue. Thank you, sir.



**Anuj Burakia**

Thank you.

**Moderator**

Thank you. Our next question comes from Miraj Shah from Arihant Capital. Please go ahead.

**Miraj Shah**

Thank you for the opportunity, sir. I have a few questions. Firstly sir, I wanted to understand what kind of quarterly phenomena or seasonality do we see in the quarter? So, is it that the H2 is better than H1? And for what reasons is there, if there's any quarterly phenomena, seasonality?

**Anuj Burakia**

If I have understood your question correctly, you're talking about the seasonal phenomena, right?

**Miraj Shah**

Yes, sir. Seasonality during quarter. So, let's say if Q3 is better than Q2 or if Q4 is better than Q3, I wanted to understand what are the reasons for that.

**Anuj Burakia**

Generally, I would say Mr. Miraj in this business Q3 is, overall if you see over a longer period, Q3 is generally a lean quarter because of lot of holidays involved, the Christmas and all those things. But I would say this year particularly, the major impact that we see around is owing to other factors like the geopolitical situations and the latest being the Red Sea. So, I think this quarter was anyway expected to be a little lean, but we don't see this effect to be continuing for very long. So, I think things are coming back and we keep optimism in Q3 and then going forward.

**Miraj Shah**

Understood. So, next question is regarding the new product developments that we have. So, we've mentioned a few new product developments. Two-three things over here. First is, the realizations. What kind of realizations do we see as compared to our average realizations? And secondly is that, which geography are we particularly



focusing this to? Is it purely USA or a mix of all the geographies that we are currently exporting to? Just wanted to understand this.

**Anuj Burakia**

So, let's understand it like this. It's more of building a portfolio to be able to cater to a lot of application. It's like this. So, if in a sector, for example, an oil and gas sector, engineering, oil well requirements, there are let's say four grades getting used. Now, we could be a supplier of one or two, but the customer would always prefer a mill that can give all three, all four or at least three. So, when we say new product or new grade development, it's like building our portfolio towards attaining that position of being a one-stop solution.

So, I would say it's a process, and in which it is not a particular geography that we are targeting, I would say it's the application that we are targeting. So, if we are able to successfully supply for something to the Indian nuclear program and we attain maturity here, then obviously the same components getting produced in Europe or US at some point in time we will become eligible. So, the latest ones, I would say, are more to do with the oil and gas refinery and the oil well operations. So that is where our focus is at this point in time.

**Miraj Shah**

Right. Sir, in terms of realizations, how are they placed against our current realizations? Are they significantly higher? Or if you could just throw some light there?

**Anuj Burakia**

So, at this point, let's say, we are doing all kinds of products, some very high priced and some medium priced, or let's say, so what we are producing as new grades, some of them are also high-value, joining that league of high-value and some of them are medium value as well. So, it's both. You're completing your portfolio and at the same time focused on high-value products. But I can tell you one thing, that there are quite a good list which perhaps India, either we are the first ones or we are only out of a few who could produce those.

**Miraj Shah**

Understood. And sir, next is regarding the competition. So, who would be our closest competitors with the kind of supplies that we do, the kind of products that we make? So, who would be our closest competitor in India and in Europe as well?



**Anuj Burakia**

I think in the last call also I had mentioned this, that somewhere Welspun Specialty is bringing out a very unique proposition wherein in case of seamless pipe, we are right from steel making or let's say the input being scrap and the output is a finished tube going in for critical applications as well. So, we don't see any other player, at least in the country, who would have this kind of a complete value chain. Globally, yes, there are a few like Sandvik or of those likes. But if we compare on the overall basis, I mean with their experience and their pedigree and history, I think that's not something we should be compared to at this point in time. So, this is a very unique proposition. On steel, we have a lot of matured companies around in the globe which could be partially compared with us. And similarly on the seamless, there are companies India as well as globally which can be partially compared to us. But this end-to-end proposition that we have is really unique.

**Miraj Shah**

Understood. So, one last question before I get back in the queue. You mentioned the order book. We have 4200 tons in order book. So, what is the duration to execute this? And is there a bid book also present?

**Anuj Burakia**

Bid book? Yes, of course. There are so many inquiries that our marketing teams continue to work on. So, this current order book, I would say generally in case of, you can call it like, let's say less than a quarter order book. Because what we have at any point in time gets executed over a period of three months, four months. But at the same time there are order bookings that continue to happen on a real-time basis which are to be delivered in six weeks, eight weeks that way.

**Miraj Shah**

Understood. So, what would be the bid book size over here?

**Anuj Burakia**

Really difficult to say, but I think I'm sure we'd be working on INR 100 crores worth of bid book.

**Miraj Shah**

Understood. Perfect. Okay, thanks a lot, sir. I'll get back in the queue.





**Anuj Burakia**

Okay.

**Moderator**

Thank you. Our next question comes from Pallav Agarwal from Antique Stock Broking. Please go ahead.

**Pallav Agarwal**

Yeah, good morning, sir.

**Anuj Burakia**

Very good morning, Pallav.

**Pallav Agarwal**

Just wanted some sense on what levels of capacity utilization are we working on and what are our plans of, let's say, increasing capacity, maybe in the seamless pipe side.

**Anuj Burakia**

So, Pallav, we are very focused on first utilizing the capacities that we already have. I do not see any need to increase capacities, at least in the foreseeable future. Currently, we are operating at, let's say, less than 50% of what we can really achieve over next one to three years' time, both in pipes as well as steel. So, as I said, the focus remains on utilizing it in a meaningful way and only produce something which is of a value. And that's how we also do not anticipate any large CapEx, other than just the sustenance CapEx for upgradations and the bottlenecking going forward. So, focus is clearly on utilization of the existing capacities.

**Pallav Agarwal**

Sure. Okay. And also just on this, nickel prices have been pretty volatile along with stainless steel prices. So, how does that impact our margin in any way? Or it's a fully pass-through thing?



**Anuj Burakia**

So of course, with the nickel prices, and not just nickel, let's say also chromium and molybdenum prices determine the overall price of product. These prices have a role to play. And as industry, we work on a fixed price basis. So, whenever we book an order, it's always on a fixed price. And we tend to also cover up our raw material also on basis, back-to-back. So, all the new bids or the new offers are based on the expected and the current ferro alloy pricing. If you really ask me, of course we see nickel as lower than what it was four quarters, three quarters back.

But according to me, what it was four quarters back was an anomaly. I think that was too high. For industry, I would expect that when the pricing and the levels are at some normal levels, it will generate more volumes, it will generate more consistency for the industry at large. So, at this point in time, I think pricing is also weak, but a little bit of an improvement to this level will definitely bring a better normalcy than what we saw four quarters back.

**Pallav Agarwal**

Okay. Sir, finally, just on the US market. So, what kind of protection is there in terms of exporting from here? So, are there anti-dumping duties in place on all pipes or in the stainless part or there are some areas where there's an opportunity to exploit over there?

**Anuj Burakia**

There is something called 232 section duty which US has imposed on almost all the imports into US except a few countries where they have instead imposed the quota that only up to certain quantity those countries can export to US. In case of India there is 232 duty which is 25% at Valoram and which is like Make in US promotional duty. But the market is really attractive in spite of taking that duty as a cost the realizations are good.

On the anti-dumping, it is not a fixed anti-dumping duty, there are certain conditions basis which this duty is determined. In case of the current exporters who have been exporting from India regularly and this assessment happens every year so the most recent assessment for those exporters, they could bring down the duty to zero. So, unless we do not comply to the conditions or we really dump into US. I do not see a threat of anti-dumping on Welspun Specialty.

**Pallav Agarwal**

Right, sir. Thank you so much, sir, that's it from my side.



**Anuj Burakia**

Thanks.

**Moderator**

Thank you. Ladies and gentlemen, if you have any questions please press \* and 1 on your telephone keypad. Our next question comes from Prathamesh Dhiwar from Tiger assets. Please go ahead.

**Prathamesh Dhiwar**

Thank you for the opportunity. Sir, earlier I think I missed the utilization thing. Can you please tell me what's our current capacity utilization?

**Anuj Burakia**

So, Prathamesh, our capacity utilization at present is 50% or below, I would say. And this is I would say consistently improving as we open more and more markets and develop more products.

**Prathamesh Dhiwar**

Any guidance you'd like to give on this utilization in coming one or two years?

**Anuj Burakia**

Of course, we are looking at going beyond 80%, 85%, 90% over next one to three years' time.

**Prathamesh Dhiwar**

Okay. Thank you, sir. That's it from my side.

**Moderator**

Thank you. Our next question comes from Jatin Damania from SVAN Investments. Please go ahead.



**Jatin Damania**

Thank you for this opportunity. I just wanted to understand that when you said that you'll be probably reaching a capitalization of 70-80%, or above that in next two to three years. But if one want to look at a global scenario and the longer term vision beyond 5 to 10 years where should we look company as in terms of the capacity or in terms of the market and the product mix?

**Anuj Burakia**

If I have understood correctly Mr. Jatin, our focus is very clear we want to remain into specialty as the name suggests. The focus is more value accretive and not volume and that is how we are not running behind doing things which are low value and which are run of the mill. That is the strategy that we wish to follow also for the next three years' time. So, as I said, in three years we definitely see our capacity utilization to a levels of maybe 80%, 90%. But more than the volume, what is going to be more important is the value and which is what is going to drive our strategy when we increase this capacity utilization.

**Jatin Damania**

Sir, other than the operating leverage that we will be getting it once we operate at the higher capacity utilization, what EBITDA per ton as a company we are assumed we will be getting it at the rated capacity?

**Anuj Burakia**

I think that it's a very wide spectrum. If you really see in the last three, four quarters, the EBITDA swings happened by 20%, 30%, 40%. So, I think it is very relative and subjective. Very difficult for me to guess. I can only say that with the kind of capacity utilization and the value accretion and the grades that we are talking about producing in next two to three years' time, I definitely see a very strong bottom line. And that is what I can say at this point in time.

**Jatin Damania**

Okay, so that means to say that at least for another two to three years we don't see any CapEx coming in for the capacity expansion, but anything that will be there will be for the backward integration.



**Anuj Burakia**

We are keeping abreast of technological upgradations that are coming. You see a lot of digitization happening, automation happening and so. On the capacity expansion, of course, we do not see any CapEx, but to keep ourselves in sync with where the world is going in terms of technology upgradation and some right sizing at some places as we move, I mean, those kind of sustenance CapEx will certainly come every year, but not very large numbers. I mean, I'm talking about something like INR 10 crores, INR 15 crores a year.

**Jatin Damania**

Sure. Thank you, sir. And all the best. That's all from my side.

**Anuj Burakia**

Thanks, Jatin.

**Moderator**

Thank you. We have a follow up question from Miraj Shah from Arihant Capital. Please go ahead.

**Miraj Shah**

Thank you for the opportunity again, sir. On the raw material side, I wanted to understand that mainly the raw material is the scrap. So, let's say one ton of stainless steel to produce a pipe, what would be the input unit economics over here in terms of raw materials?

**Anuj Burakia**

So generally, let's say scrap, for 80%, 90% of the grades that we produce in steel, generally the scrap is 1:1. So, for one ton of that we produce, consume one ton of scrap. And on the pipe generally, depending on the size, grade and let's say the process involved, it is anything like 20-25% extra quantity of black bars are required to produce seamless pipes. So, if we produce like 100 tons of seamless pipe it will consume about 120-125 tons of black bars.

**Miraj Shah**

Understood. Okay. And sir, the maintenance CapEx that you mentioned would be INR 10 crores to INR 15 crores. That's the correct figure, right?



**Anuj Burakia**

Yeah, that's correct. And that's not maintenance I would say, that's a sustenance CapEx. It will include capital maintenance, it will include upgradations, it will include all sorts of mix of things, some right sizing at some places.

**Miraj Shah**

Understood. In terms of guidance for volume, could you just reiterate? I think I missed that. What kind of volume guidance are we seeing in FY26?

**Anuj Burakia**

I can say by FY26 we will definitely achieve a run rate of something like 8,000 tons on the pipes and anything between 60,000 to 70,000 tons on the bars.

**Miraj Shah**

Understood. Perfect. Okay. That's it from my side. Thank you. Thank you so much. All the best.

**Anuj Burakia**

Okay.

**Moderator**

Thank you. Our next question comes from Bhavin Chheda from Enam Holdings. Please go ahead.

**Bhavin Chheda**

Good morning, sir.

**Anuj Burakia**

Morning Bhavin ji.



**Bhavin Chheda**

Two-three questions. First on the order book in volume terms 4,200. So, what would be the rough breakup into SS bars and SS pipes of this order book?

**Anuj Burakia**

So about 1,500 tons on pipes and the rest is the bars.

**Bhavin Chheda**

1,500 tons on pipes. Okay. Second question is on the current overall revenues, how much would be domestic and how much would be export? I missed out on same. If you had discussed on.

**Anuj Burakia**

40%, 60%, Bhavin. So, 40% roughly is export and 60% is domestic.

**Bhavin Chheda**

And in terms of the exports, it's largely pipes or you have a combination of both bars and pipes?

**Anuj Burakia**

No. I would say from the overall top line as a combination by revenue it is about 40%.

**Bhavin Chheda**

Okay. And you mentioned FY26 guidance on 8,000 on pipe and 60-70% on bars. What would be the FY25 targets like?

**Anuj Burakia**

Of course, it's going to be let's say a smooth curve towards inching to that level of production during FY26. So, maybe it will not. I mean, there are plans and we know as to how do we want to really steer those.



**Bhavin Chheda**

Last one on what would be the gross debt and cash number as on December?

**Anuj Burakia**

So, our overall debt is about INR 200 crores.

**Bhavin Chheda**

About INR 200 crores. Okay. Thank you.

**Moderator**

Thank you. Ladies and gentlemen, if you have any questions please press \* and 1 on your telephone keypads. Ladies and gentlemen, that was the last question. I would now like to hand the floor back to the management for closing comments. Please go ahead.

**Anuj Burakia**

Thank you, everyone. The external factors and challenges are unavoidable given the dynamism of world order, they will keep cropping up from time-to-time. We firmly believe even in the adverse external situations the key to insulating and protecting WSSL business and financial interests in long-term lies in developing and commercializing spectrum of specialty products for niche applications, which will have natural entry barriers of time, technical research and trials, cost commitment, customer acceptance and successful application for others to follow.

WSSL's unstinted focus towards this objective under a clearly defined strategy has shown tremendous potential. It is visible in the ongoing performance of the company, which we are confident of scaling up gradually in the direction of building an incredible and sustainable business going forward. I hope we have been able to address your queries satisfactorily. For any further questions, I welcome you to contact our Investor Relations desk. Once again, I thank you for attending today's discussion and look forward to meeting you again soon.





## Moderator

Thank you, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of Ventura Securities that concludes this conference. Thank you for joining us and you may disconnect your lines. Thank you.

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- Note:**
1. This document has been edited to improve readability
  2. Blanks in this transcript represent inaudible or incomprehensible words.