



Welspun[®] **SPECIALTY SOLUTIONS**
Alloy & Stainless | Bars & Tubes

Welspun Specialty Solutions Limited
Q4 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 Q4 and FY24 Earnings Conference Call hosted by Ventura Securities Limited. 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 any assistance during the conference call, please signal an operator by pressing * and then 0 on your touch tone phone. I now hand the conference over to Mr. Tushar from Ventura Securities Limited. 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 Q4 and 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, and good morning to all of you, and welcome to the Q4 and FY24 results earnings call for Welspun Specialty Solutions Limited. I welcome all of you to the company's Q4 and FY24 results earnings call. Along with me, we have with us today Mr. Anuj Burakia who is the Chief Executive Officer and Whole-Time Director. I have Mr. Brijveer Singh, the Chief Financial Officer of WSSL; and Goutam Chakraborty who Heads Investor Relations for Welspun Corp Limited. We hope you have had a chance to review the investor presentation that we filed with exchanges on April 26th.

During today's discussions, we may be making references to the presentation and the numbers which have already been shared. I would request all of you to please take a moment to review the Safe Harbor statement in the presentation. As usual, we will start today's discussion with opening remarks by our leadership team, post that we will open the floor for your questions. After the call if you have any further queries that still remain unanswered, please feel free to reach out to any one of us. With this, I would now hand over the floor to Anuj, Chief Executive Officer and Whole-Time Director. Over to you, Anuj.

Anuj Burakia

Thank you, Salil. Good morning, everyone. I'm pleased to welcome you all to the Q4 and FY24 earnings call of Welspun Specialty Solutions Limited. I'd like to start today's discussion highlighting some global macroeconomic aspects. Global economy continues to face multi-dimensional challenges including geopolitical events in certain



parts of the globe. Situation has led to interest rate hikes in order to counter inflationary trends, limited new asset creation, and high logistics cost, et cetera. This resulted into limiting of overall economic activity and thus limiting growth. Central banks have exhibited great resilience and continue to take the measures necessary to optimize the balance of growth and inflation. IMF in its latest World Economic Outlook of April 2024, has estimated overall global growth of about 3.2% for the year 2023 and has projected continuation of growth at similar pace during 2024 and 2025 as well.

Despite the global scenario, India continues to maintain its position as the fastest-growing major economy in the world. IMF has revised India growth projection for FY24 upwards to 6.8% and pegged for 2025 at 6.5%. The Reserve Bank of India, however, expects an average growth rate of 8% registered between FY21 to FY24 can sustain owing to underlying strong fundamentals. RBI's assumptions are based on government's focus on building world-class infrastructure, strong ecosystem for high-end manufacturing industry, skilled workforce and leadership position in services, which RBI considers as strong factors and strength to generate opportunities over the next few decades. Talking about our markets, as I highlighted, export markets are a bit slow and cautious for understandable reasons. The Red Sea crisis is yet to be resolved, further affecting the shipment time and logistics costs as well.

The positive aspect is our customers continue to support us with regular business owing to strong relationship and serviceability, so to say remaining warm and prepared for better volumes and value soon we see market scenario turning better. As highlighted during our previous quarter free call, I would like to reiterate that we continue to receive encouraging product acceptance in terms of wide grade and size ranges, leading to adding new customers and enhancing business with existing customers. During FY24, the company added 45 new customers to its list. I can confidently say that the company is gradually strengthening its position as one of the key players in niche stainless and nickel product segment. The company will continue to focus on geography and territory expansion during coming years as well.

While export markets are of great essence for business, let me reaffirm our sharp focus on domestic market as well. Robust thrust and budget allocation for infra projects and key sectors like Powergen, energy, defense, space, et cetera, which are some of the prime play arenas for our products, reinforced with Make in India policy will very strongly benefit our company and also the domestic industry at large. We can clearly see superlative opportunities for the company going forward. Let me now take you through some key highlights of the operational and financial results for the FY24. During FY24, SS Steel products, sales volume rose by more than 130% YoY to about 15,900 tons. Similarly, pipes and tubes sales volume rose by about 18% to 4,800 tons. Stable order book throughout the year, the order book at the end of the year stood at over 4,100 tonnes valued at about INR 166 crores. Total income of FY24 increased by 66% YoY to INR 718 crores and EBITDA more than doubled YoY to INR 77 crores.



During Q4 FY24 total income stood at about INR 156 crores and EBITDA stood at about 17 INR crores. Considering the profit earned during the year and expected future profitability following the prudence and relevant accounting standards, the company has recognized additional deferred tax asset of INR 33.9 crores during Q4. Accordingly, profit after tax for FY24 stood at around INR 63 crores against loss of about INR 14 crores during FY23. FY24 return on capital employed stood at about 19% compared to less than 1% during the last year. I am happy to emphasize that by pursuing a well-defined business transformation strategy, Welspun Specialty could achieve a complete turnaround during FY24. Witnessing first year of consistent profitability as a continuing endeavour, company remained highly focused on research and product development.

Many high-value grades got developed and delivered both domestic and export markets during FY24 including the likes of 904L, 30432, Alloy 800, Alloy 625 Ultra Low Cobalt Steel for Nuclear Power, seamless Hollow Bars, Welsonic 50, et cetera et cetera. Thus, laying a strong foundation for future volume and profitability growth of the company. I am happy to inform that Welspun Speciality now stands qualified by BHEL and NTPC for manufacturing and supply of supercritical boiler tubes in Stainless Steel grades S30432 in an integrated manner that is from steelmaking to final tubes. This is a significant qualification, a true import substitution by the said PSUs and will pay way for entry of the company in this attractive business segment. Our focus on all the three aspects of ESG remains intact from zero renewable energy. Until last year, FY23 companies sourced about 30% total electricity from renewable sources during FY24 and endeavour to increase this further in future.

The company achieved zero water discharge and are committed to zero waste to landfill in our manufacturing facility. As we move forward, I can clearly see the company gradually firming up its position based on strategy and the strong foundation created during FY24. So, with this, I would request the moderator to open the floor for questions-and-answers.

Q&A

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the Q&A 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. Ladies and gentlemen, if you have any question, please press * and 1 on your telephone keypad. We will wait for a moment while the question queue assembles. First question comes from Pradeep Rawat from Yogya Capital. Please go ahead.

Anuj Burakia

Yes, Mr. Pradeep. Morning.



Pradeep Rawat

Thank you for the opportunity first of all. And my first question is regarding the Seamless Pipe division. Do we sell both high-pressure tubes or as well as specialized tubes?

Anuj Burakia

So, on the Seamless Pipe, we employ the superior hot extrusion method of making seamless pipes and which is the ultimate process of production. And that's why we produce all kinds, including high pressure and all kind of critical tubes. In fact, we have supplied during one of the quarters in last year a tube project in export of very critical grade and which was tested at very-very high pressure of some 16,000 psi or something. Yeah.

Pradeep Rawat

Okay, so can you like give the breakout of the end market that you serve in the Seamless division?

Anuj Burakia

It's really difficult to give the breakup of the end market, but few of the sectors that I spoke about, these are the major sectors, and the distribution will always keep on varying depending on which sector has how much volumes to offer. So, it's widely spread out, I would say right from energy in various forms like nuclear and oil and gas, and then fertilizer and then shipping and defense, space, standard schedule pipes for chemical industry, and for the hygiene industry like food and dairy and pharmaceuticals. So, it's quite widespread out.

Pradeep Rawat

Okay. So, my second question is regarding the demand outlook that you foresee for the seamless tube market.

Anuj Burakia

So, demand outlook, Mr. Pradeep, we are very bullish on the demand side of seamless pipes and tubes. And in that, let me also say that this bullishness is also coming out of the Indian domestic demand, which is really robust at this point in time and is expected to remain so. The energy sector, wherein huge amount of power projects have already been brought on stream by various agencies including the NTPC and the State Power Utilities, we see a huge demand coming in seamless pipes and tubes in the country.



Pradeep Rawat

Yes. Okay, that's all from my side. Thank you.

Anuj Burakia

Thank you. Thank you so much.

Moderator

Thank you. Ladies and gentlemen, if you have any question, please press * and 1 on a telephone keypad. Next question comes from Sakeet Kapoor from Kapoor and Co. Please go ahead.

Sakeet Kapoor

Yeah, Namaskar sir, and thank you for this opportunity.

Anuj Burakia

Namaskar Sakeet Ji.

Sakeet Kapoor

Firstly, if you could give the timeline for the execution of our order book, the closing order book, what is the executable period?

Anuj Burakia

So generally, Mr. Sakeet, the orders are basis the customer requirements, and also what we execute is not always out of the order book that we had one month back. So, it is always a mix of the order book, which is carried and also orders which are booked in the current period. So, some projects, for example, if you book an order maybe for a delivery in six months, some could be for a delivery in eight months, and some could be for a delivery in 30 days.

Sakeet Kapoor

Correct.



Anuj Burakia

So, it's always like that. And I think generally, as we are progressing, our order book consistency is about two to three months, and which I'm sure with time will increase from here.

Sakeet Kapoor

So, on the base of the sales volume or the tonnage we did for last year, what kind of growth can we anticipate on a ballpark number? Just on the volume front, in terms of the bid pipeline and also the current execution cycle.

Anuj Burakia

I would think it -- I would definitely expect something like a 20-30% overall growth for us during this year. And that is what definitely is there on our target.

Sakeet Kapoor

And what is our current utilization level, sir?

Anuj Burakia

Our current utilization level is definitely low. So, increasing the capacity utilization is core to our business strategy. Like FY24, I would say the steel utilization was about 30%, around that, which is quite low and therefore there is a definitive headroom to grow. And similarly, on the pipe, the utilization remained around 65%, 70%. So there also we definitely have a headroom to grow.

Sakeet Kapoor

Okay. And what should be the likelihood in terms of utilization levels for this year? In terms of this 25% volume growth which we are specific for the year, what should be the utilization level? Average utilization levels for us.

Anuj Burakia

I think Sakeet Ji the overall 20-30% growth what is being envisaged in this year is basis the average utilization improvement and mix of, let's say pricing, products, and so many things. So, I think it will not be really prudent to say that precisely this much utilization will increase in steel or pipe. So, let's say on an overall we are looking at 20-30% growth on our revenue.



Sakeet Kapoor

And sir, small point on the...

Moderator

I'm sorry to interrupt you, sir.

Sakeet Kapoor

Ma'am, I'll join the queue.

Moderator

Sure sir, thank you. Next question comes from Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah

Yeah. Good morning, sir, and thanks for the opportunity.

Anuj Burakia

Good morning, Nirav Ji.

Nirav Shah

A few questions. So firstly, if you can just share the production numbers for bars and pipes? Production numbers, not the sales number, we give the sales numbers in our presentation. But what were they for FY24?

Anuj Burakia

So, production volume for FY24 in case of bars was about 25,000 tons. And in case of pipe, it was about 4,750 tons or something like 4,800 tons. And Q4 if I round off. So, pipe about 1,350 tons and steel about 6,000 tonnes.

Nirav Shah



Okay. And we added 45 customers. So, of this, how much were added on the exports market?

Anuj Burakia

I would not have that right away, but I can say that, you know, generally our mix is about 50-50 or 60-40. So, I will assume something like.

Nirav Shah

Yeah. So, we've been saying that export market, particularly the European market, is seeing a lot of pricing pressure. I mean, what are the catalysts that you would monitor which would signal that we are towards the end of the pricing pressure and how much did the export? Just specifically in terms of growth, export volumes grew in entire FY24.

Anuj Burakia

So, in terms of percentage, Nirav ji, you know, in fact, were only able to maintain the proportion. And if you really see FY24 is the first year of real activity for WSSL also. So, it will not be really, I would say, prudent to really compare with the past periods as the activity level was very, very low. This year had remained QoQ if we see quite flattish in nature. While the markets were not doing well for understandable reasons, the war going on in neighbourhood and with kind of energy crisis they had during the initial quarters. Now, having said that, we still are very optimistic and bullish on our export markets for two reasons. Two, three reasons.

One is, as a company, we can't really do much about geopolitical events or overall economic performance of EU or any of these countries. But our strength lies in the range that we offer, the kind of grades and products that we offer, and our serviceability and the customer relationship. So, for us, until now, we have very well protected our business with all of our customers and increasing those. And as the time improves, and we are very sure that we are completely prepared for further jump in our volumes and our cooperation with these countries.

Nirav Shah

Got it. And lastly, I mean, on profitability front, that would be much better in the export market compared to domestic, or both of them are largely on par?

Anuj Burakia



Not necessarily because it depends, you know, our products are such that we work on normal profitability products, and some are very high profitability products. And all the sectors exist in India as well as in the export markets. It depends, you know, what kind of product are you selling. So even some of the domestic sales it could be very high profitability items and exports also could be like normal profitability. So, we really cannot say that export is very profitable and domestic is not, or vice-a-versa.

Nirav Shah

Got it. Great. And our sustenance, I mean, the maintenance CapEx would be in the region of INR 10 crores-odd for FY25.

Anuj Burakia

Yeah, you're right. So, yes, while we need to remain updated with the time and we do some maintenance, technology, upgradation and things like that. So, this year also, we are envisaging something like INR 10 crores, INR 15 crores of maintenance CapEx.

Nirav Shah

Got it. Great, sir. Great. Thanks, sir. And I will be back on the queue if I have more questions. All the best.

Anuj Burakia

Okay, thank you.

Moderator

Thank you. Ladies and gentlemen, if you have any question, please press * and 1 on your telephone keypad. I repeat, ladies and gentlemen, if you have any question, please press * and 1 on your telephone keypad. Next question comes from Aasim Bharde from DAM Capital Advisors. Please go ahead.

Aasim Bharde

Hi. Morning. Thank you for the opportunity. So, I had a question on the method of production for seamless pipes. So, you mentioned that you use hot extrusion. The other way is to make it is via hot piercing. So, can you just contrast the two methodologies, you know, cost of production, CapEx, and is the return ratio similar for both processes or is it higher for hot extrusion?



Anuj Burakia

So let me put it this way, Aasim ji. So, there is a big spectrum of stainless-steel products, right? It includes pipes, tubes, high pressure tubes. And then, you know, it is a -- And then when you combine it with various grades, then, probably what we will get is like hundreds of products coming out. Now, when it comes to very high, let's say high grade items like starting from duplex and above and nickel alloys and all, they cannot be produced by piercing at all. So, on that complete range, the only route that's possible is hot extrusion route.

And as far as the medium and low value items are concerned, I mean, grades are concerned, there also some of the size combinations can only be produced on extrusion and cannot be done on piercing. So, in nutshell, I can say that anything and everything is possible on extrusion press, whereas piercing can only do some portion. And another, if I have to add to it, is that portion is mostly on the commodity side of seamless pipes and tubes and not the speciality.

Aasim Bharde

Okay. So, hot extrusion will produce everything, but hot piercing will not. That's the key takeaway, right?

Anuj Burakia

Yes, yes, you can say that. That's one of the factors.

Aasim Bharde

So, tell me one thing. The market that you just call commoditized on the side of hot piercing. Does that even interest you to look at maybe since the target customer would be the same, even the product may be different, would you be open to consider exploring the hot piercing room? Because you serve the purpose of the customer of certain products, and it comes as a cost-effective way in terms of production. You can sell it cheaper, but increase your addressable market or maybe wallet share at existing customer. Is that a thought that you would have like considered?

Anuj Burakia



I think it's too early to really think on those lines because first of all, we have our own capacity, which still has a lot of headroom, and our first focus is to grow within that. And while we have a lot of scope to grow on value added and niche products, I think first the value growth and within the volume that we can grow within our own installed capacity is the first priority before we really look at going into the next volumetric growth by making investments into a new mill or something like that. So that's not really a focus for us at this point in time, Aasim ji.

Aasim Bharde

Sure, sir. Sir, last question, you mentioned production volume for pipes was 4,800 metric tons for the year. What would be the rough utilization as a percentage of existing capacity?

Anuj Burakia

About 60%, 65%. Yeah, yeah.

Aasim Bharde

Okay, got it. Thank you very much.

Anuj Burakia

Yeah, thank you.

Moderator

Thank you. Next question comes from Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah

Yes. Hi sir. Good morning. Am I audible?

Anuj Burakia

Yeah, morning, Mr. Rahil.

Rahil Shah



Okay. Yes, hi. So firstly, you mentioned this overall growth you're expecting 20-30%, FY25. Now, what can we expect in terms of margins? EBITDA margins going ahead. So, if you look at the last year, in June quarter, Q1, you did double-digit, 12% margin, and then from there on, it kind of dropped to single digits. So, what led to those high margins in Q1? And so, going ahead QoQ basis, can we again get back to those double-digits? What will lead to those if it does?

Anuj Burakia

Very difficult question, Rahil ji, but I can only probably respond to it directionally. So, there are two aspects that lead to final EBITDA margins. One is how the external environment is, and second is your own company's own mix of products. So, in both these aspects, I can tell you that as far as the aspects which are internal to the company is concerned, our mix of products keep on enriching, right? We are getting into wider range, wider value, and wider spectrum.

So, on that front, we are very clear, and we have a clear strategy in place. But on the external environment, I would put it this way that it is for the second reason that we could protect our margins and our profitability. Otherwise, the environment outside in last two quarters, specifically had been really challenging. So, we will grow basis our strength of R&D, product development, and the range that we offer. And I would not be surprised. I mean, to be back to better margins and double-digit margins in times to come.

Rahil Shah

Okay. Okay. So other than external environment, you're completely sure about the range you are offering definitely has good margins to offer, but you still have a lot of it depends on the external environment. That's what you're saying?

Anuj Burakia

Yes, that's right.

Rahil Shah

Okay. And then getting back to the revenue overall growth you're expecting. So, what gives you the confidence because given the order book INR 166 crores which was a month back you mentioned, and then you keep adding orders. So, what is the pace at which you foresee to add orders? How has it been? So, how is the market right now? And so, what will lead to such a revenue growth which you're envisaging?



Anuj Burakia

So, Rahil ji, market I would say in export is flattish. So, growth for us will come by way of, let's say, increasing of business with existing customers first of all, which have already started showing signs. And let's say when we are market, we are in market, we know what's happening. And also where a lot of developments that have been done and validation supplies made during last year will convert, start converting into regular business. See, this is a very typical nature in these, let's say, these kind of products that any customer that you make would always start small with validation supplies and which is then followed with testing and application, everything.

And then after full satisfaction, only the real business starts. So, whatever was done in the last year will start building more business for us. And second is, as I was mentioning, this year particularly, I mean, we are very bullish on domestic market as well, especially in case of pipes. So, it is the mix of many factors, our own capability, improvements, internally what we have done in terms of size and grades. So, when we look at all these factors coming together. So, this 20-30% our expectation of growth is coming out from that.

Rahil Shah

All right. And lastly, you've seen a good turnaround in FY24. You have posted a profit for the whole year, including all the quarters as well. So now, we can expect that to continue as well?

Anuj Burakia

Well, I am definitely with you on that. I am definitely with you on that. And I don't see any doubt why the company would not deliver profits.

Rahil Shah

Okay, I'll get back in queue. Thank you and all the best.

Anuj Burakia

Thanks. Thank you.

Moderator

Thank you. Next question comes from Radha Agarwalla from B&K Securities. Please go ahead.



Radha Agarwalla

Hello sir. Thank you for the opportunity. Sir, I wanted to understand that out of the 18,000 metric ton capacity that we have for pipes. So, how much do we sell as hot finished pipes and how much for cold finish, and what would be the margin difference between the two?

Anuj Burakia

So, first is -- Just a sec. It is 10k, right? So, first is, if you look at the overall process, there are many steps involved in producing pipe, and they are all very critical and very sophisticated. So, first of all, the capacity that we can talk about, if we do only the sweet spot product is about 10,000 tons, not 18,000 tons. But when you really look at the practical utilizable capacity, when you are doing high-value products and all is further less, and that is how you are saying at about 4,800 tons of business, the utilization is about 60%, 65%. So, I would start from there. And then your question was regarding the margin.

I think the pipe is very less. I would not have that number in front of me, but would not be a high percentage. Because any alloy, nickel alloy or duplexes and those kind of grades do require cold process, either by the nature of the product or as a requirement by the customer. And that is what also adds value to the product overall. But having said that, we do some amount of hot pipes as well. But I think from the top of my head, I can say that would not be more than maybe 15%, 20%.

Radha Agarwalla

Okay. So, mostly it would be cold finished.

Anuj Burakia

Mostly it is cold finished, cold processed, and sometimes multistage of cold processing when it comes to smaller tubes of very high-pressure definition.

Radha Agarwalla

Okay. And sir, margin difference between hot finish, cold finish, what would be the general difference in margins?

Anuj Burakia

Well, a nickel product, hot finish will fetch much better margins than a low grade cold finished product. So, I mean, there is no correlation if you ask me. As I was explaining in one of the earlier questions, that really doesn't



determine that hot is always lower. You can say that, but when we sell such a range of different products, I mean, it's really difficult to pinpoint that only cold finished will give better margin than hot finished will not, and vice versa.

Radha Agarwalla

Okay, sir. Sir, secondly, some of the players in India are currently forward integrating into stainless steel billets, et cetera. So, how difficult would it be for players like this to further forward integrate into SS pipes? Like what would be the key hurdles or difficulties will they face apart from getting the certifications?

Anuj Burakia

Okay. We are, at least, I am not aware of new billet capacities from any big billet capacities coming because most of these stainless-steel producers who are melting and producing steel according to me, they remain the same. Maybe restart of one or two facilities which used to be there and were not operating for couple of years and then they are getting restarted. But new capacities according to us are not getting created here on the billet. As far as entering into seamless segment is concerned, I can only tell you that it's technology-wise an entry barrier except getting into a small size piercing mill which is these days we see a lot of trends coming in India. People are bringing it. But when it comes to value product which is high value and which is going for very critical applications, that is, that product is not going to work. And I am not really sure as to how many people are or how many companies are contemplating it, but that is a serious entry barrier to get into product like this.

Radha Agarwalla

All right, sir. Sir, lastly, by when do we plan to fully utilize the existing capacities? And also, if you are running the pipes at 65% utilization, so are we expecting a CapEx in another year and a half or so? And if that happens, would it be greenfield or brownfield?

Anuj Burakia

Okay. So, one is, volumetric expansion is definitely not there on the cards because we have enough capacities first of all and the top priority is to utilize those capacities. In pipe, we are confident that over next two years we should be able to start hitting the utilization almost to what we have. Steel also, a significant capacity utilization is definitely envisaged in two years' time. The CapEx will not be really, I mean, it's not contemplated at this point in time except for maintenance and sustenance CapEx of INR 10 crores, INR 15 crores a year that definitely will be required for keeping up with the new technology and developments that are taking place around.



Radha Agarwalla

All right, sir. You didn't mention about whether the next requirement of CapEX would be greenfield or brownfield. Whenever we require it?

Anuj Burakia

Well, that's not been thought. You see, at the most if we go forward and look at doing some kind of a CapEX will only go into enriching the product portfolio, not the volume, right? So, by that standard, I don't see any greenfield kind of CapEX which is there on the agenda or on the cards for sure.

Radha Agarwalla

Okay, sir. Thank you and all the best.

Anuj Burakia

Yes, thank you.

Moderator

Thank you. Ladies and gentlemen, if you have any question please press * and 1 on your telephone keypad. I repeat, ladies and gentlemen, if you have any question please press * and 1 on your telephone keypad. Next question comes from Tushar Pendharkar from Ventura Securities Limited. Please go ahead.

Tushar Pendharkar

Thank you, sir. Thanks for the opportunity. Sir, I have a couple of questions. First one is related to tax. We are currently not paying tax and we reported a tax gain in this quarter. How much MAT credit do we have to utilize, and how many years it will take to utilize, and what would be the first tax rate which we will?



Anuj Burakia

So, Tushar, carried forward losses and unabsorbed depreciation as we reported in the last year balance sheet was about INR 670 crores. For the 31 March 2024, I would expect it to be around INR 600 crores after the year adjustments and all. But that will be published along with the schedules as we go on, I think towards the end of sometime in May. But it is expected to be about INR 600 crores. It's really very difficult to say as to how many years it will take to really absorb. If you ask me, I would desire to do it right away. But it's really difficult to give a projection around that.

Tushar Pendharkar

Okay.

Anuj Burakia

But what has been recognized at the end of the year is, let's say, since there is a sustained profitability and which is expected to continue, then applying prudence and also the relevant accounting standards, what worked out is about INR 33.9 crores of deferred tax asset and that has been recognized.

Brijveer Singh

Mr. Tushar, this is Brijveer Singh here. I just want to add the company has moved to new regime of taxation. So, considering that the MAT credit concept will not be applicable in this.

Tushar Pendharkar

Okay. And sir, the second question is related to SS Bars. How much PD space typical EBITDA per ton we earn on SS bars?

Anuj Burakia

I think, that probably would not be really relevant because QoQ it really swings. One is due to the movement of raw material and sales prices which are not always aligned. And second is the product mix itself. So, I think we'll have to look at it in a holistic manner and very difficult to pinpoint that this is a kind of, yeah.



Tushar Pendharkar

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

Anuj Burakia

Thank you.

Moderator

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

Miraj Shah

Hi, good morning, sir. Thank you for the opportunity.

Anuj Burakia

Yeah. Good morning.

Miraj Shah

Okay. Just a couple of questions, sir. First is, what would be our current mix of domestic versus export sales for FY24 full year? The reason why I want to understand this is that I believe we feel the export segment market is a bit weak. While domestic we believe it is strengthening. But it's kind of conflicting with our earlier commentaries that when we were expecting export markets, especially Europe, to be extremely strong. So, I want to understand if we are moving our focus towards domestic, or are we going to still maintain our focus in exports as well going ahead?

Anuj Burakia

So, Miraj ji, there are two things. I think we are mixing two things. So, I'll just like to clarify. As far as our focus is concerned, every single market is absolutely focused for us and company has deployed all necessary resources and bandwidth to see that we extract the best business out of any market that we are in. Now, the second is, the second aspect is while we have focus, what is likely, the likely situation in immediate future that we expect. So, as stated in earlier commentaries, now also we are very clear that for us, European market, not just European



market, in fact we have started working on the other markets already in last year and that should also start showing results in current and future years.

Export is not going to lose any significance in the business strategy. But realistically speaking, the way things are going in the external environment, this year we are seeing that activity on export might be little cautioned or lower. As far as FY24 is concerned, our export remained at around 40% of the total sales and which during Q4 further came down below 30%. So, here we are prepared for, let's say business both in domestic as well as export markets. And as the environment goes, we are going to address it accordingly.

Miraj Shah

Understood, sir. So, for the current year, would it be fair to assume that domestic is looking more bullish than exports and our domestic push would be higher, contribution would be higher?

Anuj Burakia

Our push is not going to change for anything. I mean, we will have equal amount of push. In fact, we need to also increase our capacity utilization. So, maybe the increase might come more from domestic than from export, the incremental volumes. But our focus is equal whether it is domestic or export. On bars, of course, the overall consumption in domestic market is lower and you find major markets outside of India and that is how on the bar side the export will be major focus, which was earlier the case and now also the case. So, we can say that in our annual proportion of export we would expect to maintain at similar levels also during FY25.

Miraj Shah

Okay. It would remain more or less in the same range for FY25. Okay. And my second question, sir. The scrap that we procure for raw material, is it domestically procured, or do we import it?

Anuj Burakia

It's both. We buy domestic as well as we buy imports. There is no fixed policy around that. Depends on the pricing terms and from time-to-time availability from various origins.

Miraj Shah

Right. So, what would be the proportion between domestic and imported for FY24?



Anuj Burakia

Again, changes QoQ because depends on exchange rate, availability, and so many things. But I think our import this year, let's say FY24 was less, it was more from domestic market, I would say about 30%, 35% might have come imports and the balance from domestic. And currently also, that seems to be the case.

Miraj Shah

Okay. Currently, okay. Post FY24. And what kind of pricing difference do we see between domestic and import?

Anuj Burakia

That's not fixed. But obviously, you see, it's a -- the market corrects itself, equilibrium will always be there. So, the difference is never very huge. It is in the range of like 2-4%. But which is important. As a business, we need to protect our cost and that is how the evaluation is done basis the landed cost for the company and also the deliveries, and the decisions are taken accordingly.

Miraj Shah

Understood. 2-4% domestic is cheaper, right?

Anuj Burakia

No, no. I am saying when domestic is cheaper or export is cheaper, the spread between the two pricing cannot be more than anything between maybe 1-4%, let's say not even 2-4%. So, it is not always. So, when we are importing, which means that the import is cheaper than domestic at times. So, the situation keeps on changing. At this point in time, if you ask me today, we see domestic prices are little economical and about 2% cheaper than imports.

Miraj Shah

Understood. Perfect. Thank you so much for answering questions. Sir, just one last thing. 20-30% growth that you said for guidance. Is it value growth or volume growth?

Anuj Burakia



I think it's both.

Miraj Shah

Okay. Perfect. Okay. Thank you so much, sir, and all the best for the future.

Anuj Burakia

Thank you. Thanks, Miraj.

Moderator

Thank you. Next question comes from Sailesh Raja from B&K Securities. Please go ahead.

Sailesh Raja

Thanks for the opportunity, sir. Sir, you mentioned we have replaced high value imports product with NTPC and diversity and utility companies. So, how much overall import is still happening across all the user industries put together? So, in which sector more imports are happening, what is our scope to win the business?

Anuj Burakia

So, there we particularly meant about the boiler tubing and stainless-steel boiler tubing up until now, primarily was a matter of import. And because one, the capability was not there in the country and that was a major reason. And the quantities that we see now, and the erstwhile quantities was not that this high. It is now we are seeing that hundreds plus gigawatt of new power capacity is envisaged to be put over the next few years. And that is how we are seeing flurry of demand that is coming into stainless steel boiler tubing and which is up until now, it was all getting imported, which is now, like for example, Welspun Speciality is approved for these critical tubes. And similarly, a couple of other companies will also get approvals. But there is enough business and that is how we are also saying that we are very bullish. Not just for this segment, but also the other segments like space and nuclear power, which are showing very strong signs of growth in next two to three years.

Sailesh Raja

In terms of volume, can you share for next two, three years what is the opportunity that we can replace?



Anuj Burakia

Well, it's really difficult to say exactly in one year, two years' time what will come. But it may be in hundreds, thousands of tons coming over next few years, like in next seven to eight years.

Sailesh Raja

Okay. Also, we are talking about the increase in the size range of the product. So, what is the overall export opportunity for us? Today what is the size change that we have and how much we are planning to increase? If we increase the size range then what is the potential opportunity for us? And how do you see next two, three years incremental volumes because of increasing the size range?

Anuj Burakia

I think that's 2nd, 3rd level kind of detailing, Sailesh Ji. But what I can tell you is that, you see, we can go on increasing the sizes only up to the extent the assets can accommodate. Okay.

Sailesh Raja

Okay.

Anuj Burakia

Now, earlier were doing mostly up to 8-inch bars on the steel plant. And beyond that we were either getting forced or doing from various different methods. As we speak, we have already expanded that capacity to about 12-inch, which will be done completely in-house and all the tooling and that capability is already built, and which is also giving us an edge when it comes to our customers, because this size range is not very common, not many mills offer these sizes. And mostly the other sources for these kind of sizes are either few European mills or the Japanese mills. So, that's the reason we are saying that there is a certain range which is unique to Welspun Specialty. And that is where our, let's say, value also is coming from.

Sailesh Raja

Okay. Last time you discussed on this Turkey market, you said it is one of the key market for us. And Turkey is seeing a lot of turbulence in the economy. So, how do you see the opportunity in this country? What is the opportunity here? And which sector do you see there is a good opportunity?

Anuj Burakia



Yeah. So, Turkey, volume-wise is a big market. There is no doubt about it. Last whole year, Turkey remained disturbed because of inflation. And you see the interest rates in Turkey went as high as 40%, 45%. I mean, unheard of. That's something very wrong with the country. But last, I would say, two, three months, we are seeing that new normal has been found. We are seeing flurry of inquiries. In fact, we've been able to book the new orders. And if it remains in this same state or improve from here, I think Turkey will be back. Though in our scheme of things for this year, we are not keeping very high hopes on Turkey. But we are keeping a cautious eye and not lose an opportunity when it really comes. But in longer term, if you ask me, that's a very important market in terms of consumption base and very suitable for the kind of range that we produce and what they need.

Sailesh Raja

Okay So, what is the size of this market?

Anuj Burakia

Well, only Stainless Steel, let us say the market which is relevant for us as a company, what we produce. I am not going into the smaller size, I am not going into the bigger size, and more or less what we can supply. I think Turkey imports close to 50,000-60,000 tons a year.

Sailesh Raja

Okay. Thank you.

Anuj Burakia

Yeah. Thank you.

Moderator

Thank you. Due to time constraint, this will be the last question for the day. Follow up question from Aasim Bharde from DAM Capital. Please go ahead, sir.

Aasim Bharde

Yeah, sorry, my questions have been answered. Thank you.



Anuj Burakia

Okay.

Moderator

Thank you, sir. Ladies and gentlemen, I would now like to hand over the floor to the management for closing comments.

Anuj Burakia

Thank you so much. We look forward to improve our performance and market positioning by way of increasing penetration in niche and value-added segments and products. We believe this will also help insulating the business risks during challenging external environment. We are confident that performance of the company will sustain and further improve with unstinted focus on penetrating into newer markets and customer acquisition, developing and delivering new value-added and critical products, strategic cooperation and securing approvals and accreditations, nurturing innovation and digitization of processes which are part of company's growth strategy. I hope we have been able to address your queries. For any further questions, please feel free to get in touch with our Investor Relations desk. Once again, I thank you for attending today's discussion and look forward to meeting you again soon. Thank you very much.

Moderator

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

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