Welspun Specialty Solutions Limited

Q4 & FY25 Earnings Conference Call

April 30, 2025

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

Moderator: Ladies and gentlemen, good day and welcome to the Welspun Specialty Solutions Limited Q4 FY '25 Earnings Conference Call hosted by JM Financial Institutional 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 assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

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

Salil Bawa: Thank you, Aniruth. And good afternoon to all of you. On behalf of Welspun Specialty Solutions Limited, I welcome all of you to the company's Q4 FY '25 results earnings call. Along with me today we have Mr. Anuj Burakia, who's the Chief Executive Officer and Whole Time Director; I have Mr. Navin Agarwal, Chief Financial Officer for Welspun Specialty Solutions; I have Mr. Percy Birdy, who is the Chief Financial Officer for Welspun Corp and Mr. Goutam Chakraborty, who heads Investor Relation for Welspun Corp.

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

As usual, we will start the forum with opening remarks by the leadership team and then we will open the floor for your questions. Once the call gets over, should you have any further queries that remain unanswered, please feel free to reach to Goutam or myself or any one of us.

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

Anuj Burakia: Thank you, Salil. Good afternoon, everyone. I welcome you all to the quarter 4 and financial year '25 earnings call of Welspun Specialty Solutions Limited. First, I'll briefly talk about the global macroeconomic environment, our industry scenario and the company's performance before we dive into an interactive session. The global macroeconomic situation remained cautious owing to continued geopolitical situation stroke events and further intensified after the tariff announcements by the U.S. government.

The tariff action led to severe trade tensions globally and brought about a flurry of counter duty announcements and protectionist measures by various countries. Recognizing the scenario and highlighting uncertainty, the IMF has cut its global growth forecast for 2025 and 2026. Against the earlier projections of about 3.3%, IMF now predicts global GDP growth for 2025 at 2.8% and for 2026 at 3%.

For the advanced economies, the growth projections revised down to 1.4% primarily led by sharp downward revision of U.S. GDP growth by 0.9% to now 1.8% for 2025. For the emerging economies also GDP growth forecast revised down to 3.7% and 3.9% respectively for year 2025 and 2026.

For India, the growth forecast is now revised down to 6.2% and 6.3% for the 2 years '25 and '26 from earlier estimate of 6.5% for both the years. Reserve Bank of India, meanwhile, in its latest announcement has projected real GDP growth at 6.5% from the earlier projection of 6.7% on account of global trade volatility and policy uncertainties.

The events can be categorized as significant and brought about caution with respect to buying and optimum inventory management, especially with large stockholders of special materials. This led to slowness in demand in the global markets and pressure on pricing. However, at Welspun we continue to engage with all our customers, domestic as well as overseas to manage these ongoing uncertainties and instability in the best possible manner.

In this backdrop, discussing our financials for the quarter ended March '25, total income grew by about 33% year-on-year and 4% quarter-on-quarter to INR209 crores. The EBITDA income rose by 5% year-on-year and 39% quarter-on-quarter to INR18.1 crores. The company's performance continues to improve on the back of focus on strategic business segments.

For financial year '25, total income stood at about INR750 crores with an EBITDA of INR56 crores. SS steel products sales volume during this period stood at about 19,000 tons, while tube volumes stood at about 4,800 tons. The order book of company at the end of financial year '25 stood at about 7,000 tons, valued at about INR334 crores.

As we have been consistently maintaining, I wish to reiterate our sharp focus on domestic Indian market, which has remained quite resilient, steadily growing and presenting significant opportunities in value segments of energy, space, defense, powergen, oil and gas and engineering, etcetera. Government's continued spending on these strategic sectors, coupled with domestic value addition policies like Make in India is creating clear demand trust in the country. The growth spend is expected to continue and may increase further in times to come.

In this scenario, an integrated special steel and seamless tube player like us and offering end-to-end integrated product solutions will certainly have incredible opportunities coming our way. Friends, I'm pleased to share that continued focus of our technical and marketing teams on development of new products and grades, alongside expansion of customer base has further strengthened our product range, capabilities and market offerings during financial year '25.

After solicitation by Ministry of Heavy Industry during BHEL Samvaad 4 for developing Super-304 H and T91 tubes for super-critical power plants, I am pleased to share that the company successfully received about 4,000 tons of tube order from BHEL after participating in the competitive bidding process.

This is the highest value business as of date for the company and which is being produced in a fully integrated manner under one roof. This definitely reinforces company's position and standing when it comes to demanding and critical applications of stainless steel seamless tubes. Talking about some of the key accreditations and product developments carried out during this period, the company successfully passed the stringent AS9100D accreditation audit, which certification will open opportunities for us in the aerospace applications.

The recommendation letter has already been received and formal certification will follow very soon. Grade T91 first tube order successfully booked, marking a key step towards establishing a regular business in this another high potential segment. Welsonic-60, a new high value grade, produced and delivered, adding to WSSL's premium alloy portfolio. Super-13 chrome for oil well applications, first order booked, produced and delivered successfully during the quarter, opening new avenues in this sector as well.

Our exploratory initiatives in new geographies have also begun to yield results with maiden steel bar orders booked from South Africa. Friends, the company could reduce emission intensity by about 12% during financial year '25 compared to financial year '24. Share of renewable energy improved to 31% of our total electricity consumption in financial year '25 as compared to 28% during the previous year.

Our new solar subscription is going to commence supplies during quarter 1 of this year, which will enable a share of renewable electricity to go as high as 70%. This will not only be efficient on energy cost, but also reinforces our position significantly with respect to carbon taxes contemplated by various countries in the near future.

During the year, the company got certified as great place to work, signifying our focus on people, our greatest asset. Towards the end of the year, the company could successfully conclude its rights issue of INR350 crores, which received an oversubscription to the tune of about 3.4%.

As per the stated objectives, the proceeds are being utilized for deleveraging the balance sheet, upgradation and debottlenecking of equipment and processes, etcetera. Friends, these initiatives will not only help improve the operational performance and product quality, but are also expected to drive cash flow efficiency, better working capital management and boost overall profitability and return on capital.

While the external environment may not be entirely conducive, we continue to remain optimistic about WSSL's path forward, focusing on our core competencies that is integrated and value-added solutions, development of new products, strong customer relationships and expanded customer base. So with this, we kindly open the floor for your questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sailesh Raja from BK Securities. Please go ahead.

Sailesh Raja: Thanks for the opportunity. Sir, in the current challenging macro environment, we were able to sell approximately 4,800 metric tons of stainless steel pipes in FY '25. With the BHEL order of 4,000 metric tons later for fully execution in FY '26 and also additional volume expected from this Welsonic-60 and Super-13CR grade, would it be reasonable to expect sales exceeding 7,000 tons in FY '26?

Anuj Burakia: So Sailesh ji, very good question. And in fact that is something which is very, very high on our agenda, that is to increase our utilization of capacity. I think we are certainly going to witness the growth in our volumes in this year. And I would also like to inform the audience here that in this current year, in fact, in quarter 1, we are also going to have a 3-week once in a 4-year maintenance in pipe plant which is a prescheduled maintenance and we are going to still maintain our volume in quarter 1 in line with the previous quarters. And for the whole year we are certainly looking at improving our volume by anything between 25% to 30%.

Sailesh Raja: Okay. So just to confirm with maintenance, BHEL order will be executed in FY '26 itself?

Anuj Burakia: Yes, of course, because the delivery time lines are anyway going to be over within this financial year. So it has to be anyway delivered within this year.

Sailesh Raja: Okay, sir. Sir, my second question on power cost. So power costs currently accounts for 9% of total sales. It is major conversion cost for us. So could you help us understand the total power units required for the SMS unit and subsequently convert watts into pipes, how much units is required and today what portion of power cost is fixed cost and with increasing production volumes and with planned rise in renewable energy shares from 30% to 40% in the next 2 years, so what level of up-scaling do you anticipate?

Anuj Burakia: You see, the overall not just power, but let's say the overall power and fuel cost for us is typically around anything between 8% to 10% depending on the kind of products that we are making. Like for smaller tubes it requires -- the tonnage remains the same, but multiple rounds of heat treatment and that's reflected in the price.

But then on the power cost or the gas cost, it increases. So now important is to look at our progression from, let's say, if you look at the last year, we were at almost on an average, about INR30,000 a ton of total power and fuel cost, which has moved by about 10% this year. So quarter-on-quarter, if we see, we see an improvement by about 15%. So I think the capacity utilization is the key. And as we see a better capacity utilization, we are also seeing that overall power cost and fuel cost is coming down.

And as I said doing my remarks that in financial year '26, we are also going to increase our solar power in the overall scheme of our power. So that will also bring improvement in the cost, overall power average.

Sailesh Raja: So how much units is required, sir, in SMS plant and pipes, total number of units?

Anuj Burakia: I think I don't have it totally in front of me, but let's say, I can tell you that on a unit -- direct production power, we are in line with any, let's say, the global standards. It is that auxiliary power, wherein when you are not utilizing the plant to the tune of 80%, 90% and which is the case with us, I mean that definitely has some 0.2% or 0.2% to 0.5% of that efficiency, which can be brought in by way of increased utilization.

Sailesh Raja: Okay. My next question is the total domestic stainless steel seamless pipe, the market is estimated at around 80,000 to 1 lakh tons. So which is currently fully met through domestic sources?

Anuj Burakia: If I heard you correctly, you mean the domestic -- the market size of 80,000 to 100,000 tons is completely met by the domestic players. Is that the question?

Sailesh Raja: Correct. Yes, correct.

Anuj Burakia: Yes, you are right. You see the major influx of pipes that were happening in India, especially seamless and stainless steel was happening from China. Two years back or a little over 2 years back, the antidumping was imposed on China as a seamless pipe. After that, it got reduced quite a lot. Yes, there is still some imports, which is happening under the advanced license for processing in the country and then exporting to the other countries.

So to that extent, that is not the consumption of India. So what you said is correct that whatever is getting consumed in India is primarily being catered to by the Indian producers.

Sailesh Raja: Okay. Sir, our market share is below 5%. Given the current challenges in the international market, the domestic market is expected to be our key focus area. So what strategic initiatives that we are taking to grow our presence in domestic market? And what is our current strength of our marketing and sales team? And how many additional personnel would be required to reach optimal utilization?

Anuj Burakia: So first of all, Sailesh ji, why we are focused on India is for two reasons. We are very close to the ground here. We know what's happening in the country. And second is the country is really taking leaps into infrastructure spend. When I say infrastructure includes all kinds, whether it is energy, whether it is oil and gas, whether it is defense, whether it is space or general public infrastructure.

So we see a huge opportunity, as you also would have heard in the remarks and you are already aware that the GDP growth that's being projected in India is much, much higher than wherever in any other country that you see, especially the developed economy. So naturally, our focus is there in India. And to address, you see, as I was mentioning before also, our strength in this setup is being integrated and providing end-to-end solution, from scrap to the final tube.

And similarly on steel side, producing those critical grades in -- under one roof in various forms. So having that capability, I think wherever there is such a requirement coming in any of the government projects wherein you need customized solution, so we are there. And so one is our inherent capability by way of our setup. The second is our teams are very trained and tuned to these kind of specialty applications.

They come from various streams, both technical teams as well as the team -- the marketing team. So I think we are very equipped and fully poised and we are improving. I mean, on a day-to-day, I mean I would not say that we are the best. We are improving on a daily basis. We are evolving.

Sailesh Raja: Sir, you have previously highlighted that hot extrusion offers significant advantages over piercing. So within hot extrusion, there are two types, that is one is horizontal and vertical. I think we operate the vertical extrusion. Could you please elaborate on the unique USP of this vertical extrusion over horizontal and the customers' difference between two on the end application also, could you please explain, sir, in detail?

Anuj Burakia: See, the customer is agnostic of vertical or horizontal. So at the end of the day, the product that comes out of both is an extruded product and the customer is interested into an extruded product. Now whether you do it standing or whether you do it sleeping doesn't really matter. When it comes to the press that we have, what we have noticed is that we certainly have some advantage when it comes to the eccentricity of the pipe.

You see, that is something within the scheme of extruded product that we have this additional advantage, right? But I think too much of an emphasis on vertical/horizontal is not something which is really worthwhile elaborating. But yes, between piercing and extrusion, there is a big difference. And that's where being on the extrusion route, we certainly have an edge.

Sailesh Raja: Okay. But the capex cost per ton, is there any difference, horizontal and vertical or are they the same?

Anuj Burakia: Sailesh ji, what happens is companies used to only make vertical presses because that is where you get the best pipe. Now when the presses started to become bigger, the height of the buildings started to go so tall that they had to come out with a solution whereby they can have the same press in a horizontal mode because you can make longer buildings, but to go on a height is always a huge cost.

And so in a way, you can say that this was found like a solution to have an optimum civil cost. And that's why now we see that any new press, though there are not many being built, but whatever new presses are getting built they are mostly horizontal.

Sailesh Raja: Okay. So in current volume, what is the mix between standard SS grades and high-grade value-added like 904L, Duplex, Super Duplex, Welsonic-60, Super-13Cr. So what is the volume mix? And how do you see this mix changing over the next 2 to 3 years?

Anuj Burakia: You see value add is not only on the grade, but also the size, application and a lot of things. A simple three or four grade when you produce for nuclear could be a very, very high value for different reasons. So -- but in general, I can tell you that in last 3 years, what we have seen is our mix is enriching, even if our volume on pipe remains the same as last year, but the enrichment has definitely happened.

So as we progress, the idea is the whole of the capacity that we have on extrusion press be only utilized for very high value and high value. And I'm sure that we'll get to that stage within next 2 years. And now also we do...

Sailesh Raja: How do you differentiate it, sir, based on EBITDA per ton, how do you differentiate?

Anuj Burakia: I think it's too much of detail and difficult to really answer in brief. But with piercing, which we call normal value product or low-value product normally would be 15%, 20% lower price than a base extruded product. So that is where the first value difference occurs. The second is, the extruded products are mostly going into the applications, which are -- which require fail-safe kind of feature. So anything going into very high temperature, very high pressure and corrosive environment is normally only extrusion. So that is why we call it high value.

Sailesh Raja: Okay. Sir, one last question. Could you provide insights on this AS9100D for aerospace applications, specifically the typical time line required to achieve this final certifications and also the potential business opportunity it could open? Similarly for NORSOK M-650, which is not mentioned in this presentation, it was there in the last presentation, what would be the estimated addressable market for the company upon obtaining the necessary approvals?

Anuj Burakia: On AS9100D, it takes almost 9 months to really prepare and to graduate the systems in such a manner that the company is viewed capable of fulfilling the applications which goes into aerospace. Now we have completed that journey. And within March, we had already received the recommendation letter from the accrediting agency that we have gone past. Normally, I mean, the certificates, they all come from Europe, from the head offices and normally takes some time. So we expect that to come maybe at most in May.

You see, there are two kinds of markets. One is where the product is actually going into aerospace directly. And the second is most developed markets are being fed by large stockholders. Now what happens is a stockholder would normally want to have all kinds of certification on one bar that they maintain in the stock, which means that they would prefer to buy from a company which can give them all certifications along with the bar, which means when he is stocking that bar or they are stocking that bar, if the application is for aerospace, also they can supply.

If the application is for, let's say, marine, also they can supply. If the application is for oil and gas, also they can supply. So they don't need to keep 3x the stock to meet 3 different applications. I hope you got my point. So one is with AS9100, our enablement happened, whereby now we are able to address those customers who have this requirement and who sells into aerospace directly or through their stock management keeping multiple certifications.

The market size is good, I would say. And this becomes an enabler for us to open more stockholders' accounts. Now on M-650, I mean, it didn't come in the mention because we haven't received it as yet. The process is going on, a serious M-650 certification, which is basically for NORSOK, I mean, North Sea applications and Equinor is the creator of that. So it's a very tough one.

A lot of documentation, audit process offline is going on. And currently, we are at a stage that we can expect this process to be over maybe by end of this quarter, quarter 1, at the most during middle of quarter 2. This is our best estimate, we'll be able to complete it. Now M-650 is, again, a certification of capability or certificate of competence, which means that there are a lot of projects out there especially in the North Sea, where a company could be a supplier only when they have qualified for M-650 directly.

The second is there are other projects which are actually not North Sea, but they use that certification as a matter of competence. Like, for example, some MBA colleges in India would still take CAT scores. So indirectly also that certification talks of high standards of quality and product quality and performance.

Sailesh Raja: So the Super-13Cr can be substituted with the M-650?

Moderator: Sorry to interrupt. Mr. Sailesh, may I request that you return to the question queue for follow-up question as there are several participants waiting for their turn. The next question is from the line of Gargi from Value Investments. Please go ahead.

Gargi: Thank you for the opportunity. Sir, my first question was that in the boiler tubes in FY '25. So you have received total orders for 5,450 metric tons. So out of this, since in previous quarter, you also mentioned that some of it will be executed in 4Q. So how much of this has been executed in FY '25? And how much of the current order book is coming from boiler tubes in terms of volumes?

Anuj Burakia: So, Gargi, whatever we executed, incidentally, there was -- there were a few projects on boiler tubes that we received in the last year and they were a mix of grades. And except this -- the last one that we announced, which was the major one, about 4,000 tons. I think the rest of the quantities all got delivered during the last year, which could be a mix of between quarter 2 to quarter 4.

But yes, quarter 4 had, I would say, out of 3 quarters, the maximum quantity in proportion. The -- currently, what we have is the last one, which is one big one and which is to be executed during FY '26. So was I able to address your query?

Gargi: Yes, sir. Yes, sir. So out of the current order book, we would have around 4,000 metric tons of boiler tubes out of the 7,200 tons of order book? Is it right, sir?

Anuj Burakia: See, that is, first of all, the order at hand currently. So I cannot say that in future, we will not have more. We may have more. And we are working on a lot of projects because whatever we end up booking, take an example in maybe after 2 months, 3 months' time, we still need to keep our order book healthy and some of it may get executed even in next year.So -- but yes, in this particular year, we will have a good proportion of boiler tubes getting delivered.

Gargi: Okay, sir. Sir, second question was with respect to the industry. How much of the orders in boiler tubes has been tendered till now in FY '25 in India? And out of those orders that are being tendered, how much of it have you won? So basically, I wanted to understand boiler tubes, what would be the kind of market share? Because you mentioned in previous calls that this is an import substitute product. So just wanted to understand annually still out of the total orders that are being tendered, are there any orders going to any other players?

Anuj Burakia: So of course, Gargi, other players will also book the business because we have limited capacity, right? We cannot do it all. The overall boiler tube, what we anticipate from the plans of total power gen construction that is going to happen in the next 7 years, which has been revised from 80 gigawatt to 100 gigawatt, by the way, very recently.

So only in stainless steel segment, if we talk about, we are looking at something like anything between 15,000 to 20,000 tons of tube requirement every year.And that, of course, cannot be met by one particular company. So it will be taken by others as well. In last year, as you asked, if I would remember correctly, I think a total of some 10,000 ton got tendered.

And out of 10,000 tons, we ended up booking, I would say, about 6,000 tons. And the rest 4,000 would have gone to different companies and which will be the case this year as well. So this business will continue. I mean this will continue for a few years as it looks like. And that's what will also help loading all the companies including us.

Gargi: So sir, since you are the only company who has the certification from BHEL- NTPC to make these boiler tubes. So is it fair to assume that the 4,000 tons is going to be -- it's being catered by imports? And also, if yes, then at what realizations and from which countries are those imports coming from?

Anuj Burakia: No, no. So first of all, let me correct you here. We are not the only company approved, right? We were the first ones to develop in India and right from steelmaking to the final tubes end-to-end and for which the company received a very strong solicitation. But there are other -- and technically speaking, the other seamless mills can also produce this.

And we are also authorized to sell steel bars to these other mills, other seamless mills who would want to produce and we are going to do that. So whatever pipe business we are not booking if somebody else books, other mill books, we will supply the bars to them. So this is -- since we are integrated and we have steel as well as tubes. But others are going to get for sure. We cannot feed everybody or every power plant.

Gargi: Sir, who are the other players?

Anuj Burakia: I mean, all good players in the country. I mean, I not know as to every single name that has -- that will supply. But yes, I mean, the big ones like Ratnamani, Jindal, Tubacex, I think they are approved and they will supply.

Gargi: Okay. My third question was that, sir, what is the bid book size and is there any increasing trend that you are witnessing in the bid book size compared to previous trend of INR100 crores that you have stated in previous calls? And also recently, Megha Engineering got orders from National Thermal Corporation of India.

So are you expecting to receive those orders from Megha Engineering if they are tendering it? And usually, how long does it take for orders to flow from the EPC players like BHEL and Megha to your order book?

Anuj Burakia: See, normally, I'll start the other way around. Normally, once any EPC contractor books the order for building a whole power unit would quickly try to go for the process of ordering the tubes because these are supposed to be the longest lead. And especially in a scenario where the requirement is very high and the players are gearing up actually to meet that kind of a requirement. So that is quite fast. And the first thing that you asked was whether we expect more orders from NTPC, right? Is that what you…

Gargi: Yes, sir.

Anuj Burakia: No. So you see, NTPC is one of the owners of power installation and there could be other owners going forward. Adani is one of the owner. I don't know if Reliance would come into play and there are going to be more because government is also working to see that how this 100 gigawatt that they wish to install over the next 7 to 10 years, not everything perhaps would be invested by NTPC.

They also would have limitations. So there will be more players coming in. And -- but at the end of the day, for us, it's whether the customer is BHEL, whether the customer is L&T, for example, for us, it doesn't make a difference. Till such time there is the asset creation happening, till such time there is demand in the country, we will continue to have the opportunity of booking such businesses.

Gargi: Understood. Sir, can you give us...

Moderator: Hello, Ms. Gargi.

Gargi: Yes.

Moderator: Sorry to interrupt. I request that you return to the question queue for follow-up questions as there are several participants waiting for their turn.

Gargi: Sure. I just wanted to thank you sir for answering all the questions in detail. Thank you, sir. All the best.

Moderator: The next question is from the line of Sara from UVR Investments. Please go ahead.

Sara: Hi, sir. Thank you for the opportunity. Sir, I have a few questions. So in SS bars, how fast can we fill the capacity of 70,000 to 80,000 metric tons and what is the domestic business opportunity size in this since the overseas market is weak?

Anuj Burakia: So well -- so 70,000 to 80,000 tons in steel bars, okay, let me put it this way. It may not be really difficult to fill that kind of a capacity really if you ask me. But the question is whether the business is meaningful or not. So in every product line, whether it is stainless steel or carbon steel, depending on the setup, depending on a size range, depending on the capability, overall setup, it considers so many things, you will always have a certain product range which suits the setup.

And anything beyond that would be either not in your manufacturing capability or something on the other side could be where it will not be feasible or viable when -- if you try to produce in your facility. So if we talk of meaningful business, then yes, it's a progression, which is happening progressively.

I think we shared before also that over the next 2 years, we certainly expect a very significant uptick in our utilization. We could have done better. But very openly, let me express this that last 2 years had been really, really challenging for the entire industry, wherein the demand was tepid.

Things were not really on a growth path. In fact, the prices were coming down. And so while we could not get that market tailwind, but we utilized this time into upgrading our own capabilities by so many new products. And whatever in the given reverse market scenario, we could increase our volumes, our capacity utilization to some extent.

And we continue to focus because it requires a lot of approvals, customer approvals, customer validation after the approval also some trial supplies and then second round of supplies. So all that happens. So in a meaningful way, we want to increase our utilization. And I think in next 2 years, we will see a big, big difference over there.

Sara: Okay, sir. Sir, for 1 lakh metric ton of SS pipes, we need 1.3 lakh metric ton of SS parts. So who are the other suppliers in these plants?

Anuj Burakia: So 1 lakh tons pipe is a mix of piercing as well as extrusion. Piercing, normally, the process is such that they utilize more of a smaller diameter bars, a large chunk of which is less than 100 millimeters. So I can say that there are a few credible players who have the supply range going up to 100, 120 mm, millimeter and they produce reasonably good quality bars. So there are five, six players in stainless steel who are producing for piercing. We also do. I mean, we can always do those sizes and we can do bigger sizes as well.

But when it comes to the extrusion which requires mostly bigger size bars starting above 100 and maybe going up to 250 or something. So there we are definitely supplying for sure. And I think there are 1 or 2 more companies who are doing these sizes.

Sara: Sir, can you name like in piercing few players and extrusion process few players who are supplying the bars?

Anuj Burakia: Not listed players, not many listed players are there. I mean you have companies like Laxcon, Avtar, Ambica, they are not listed. But yes, Viraj is a big name, though they are not listed, but people in the industry know. So they are one of the suppliers. Mukand is listed. Mukand also does. Yes.

Sara: Okay. All right, sir. Sir, like you mentioned that aerospace has a huge opportunity size for that product of AS9100D. Can you tell it in terms of volume terms and like domestic market size? And also, does anyone else have the certification in India? And like just like boiler tube is import substituted. So can this also be import substituted product? And what are the EBITDA per metric ton in this particular product?

Anuj Burakia: Sara, it's not about EBITDA per ton because the certification is something that the company is capable of maintaining the quality standards that are expected in the aerospace application. This is a certification only about that. Now aerospace also uses a host of different grades. So every grade will have different kind of margin, different kind of pricing, different kind of application, right? So it's not just one product which makes it into AS9100.

The second is import substitution is not so much of a case here because mostly this certification -- so let's say, for the Indian companies, the certification is more useful for the export markets. So I can tell you that AS9100 is very popular in U.K. market, U.S., Singapore, some of Southeast Asia, other locations.

And as I was mentioning in one of the earlier responses that it is not only the direct sales into aerospace, right? So in that sense, it opens up those customers who are not prepared to look at your company because you are not giving that -- giving them this certificate with the product in the bunch. So that opens up for us.

Sara: Okay, sir. And sir, in this -- in presentation you mentioned grade...

Moderator: Sorry to interrupt, Ms. Sara.

Sara: Okay. I'll join back the queue. Thank you for answering the questions.

Moderator: The next question is from the line of Jignesh from Jiva Capital. Please go ahead.

Jignesh: Sir, as you mentioned that the last 2 years were very difficult for the industry. And now since we are done with our right issues and the debt is also gone. So just wanted to understand 3 to 5 years horizon, what kind of maybe we don't know the pricing, but can we expect 30% to 40% kind of CAGR growth that we can look at for 2030 in terms of revenue?

Anuj Burakia: If you ask me, Jignesh ji, that's definitely the potential in the company. I'm not saying 30%. Now it could be 25%, it could be 20%. But yes, there is a clear potential of hitting this kind of a CAGR in the company. To actually achieve that, a lot of work has to be done. On our side, we have our strategy in place and we are doing it. And I'm sure that with a slowdown of 1, 2 years, 3 years, eventually things come back to normal.

And when that starts, you are in a steady-state market, then actualization of the efforts really start becoming faster. So currently, what is happening in this -- currently, what is happening in the company is that the competence building exercise has been done in a very good way in the last 2 years.

And we continue to do it in terms of products, in terms of geographies, you are going and selling into a market, maybe there are 10 potential customers, but currently, we are selling to 3 or 4 of them. When the market improves, then obviously, in the same market where people are seeing our product, but currently not starting to buy because the requirements are lower and people don't want to change the supplier in a passive situation like this. So I think a lot is getting prepared that future -- for the future leap when the market situation is better.

Jignesh: So now going forward on a steady-state basis, if we have even our operating profit of around 5% or so, if there is no more improvement, still we will save around INR50 crores in terms of interest -- INR40 crores, INR45 crores going forward?

Anuj Burakia: I don't think that much because that would have been possible if we were paying very, very bad interest rates. So our interest rates had been really good earlier also and we have paid all the debt. As you could see on the balance sheet, the debt has been paid. I mean, roughly, I can say our interest cost would definitely reduce by early 20s. INR22 crores, INR23 crores something. Yes.

Jignesh: Sir, I'm just -- I'm not aware of the proper dynamics. So in terms of the diameter-wise, how -- till what diameter are we in pipe segments to compare with any other listed players, if you could explain?

Anuj Burakia: So we produce up to 6-inch diameter. The smaller side, we can go to 3 millimeter also we are supplying to some of the strategic customers. But on the higher side, it's 6-inch.

Jignesh: Okay. So now to understand better any competitor in the listed space is also into similar kind of dia?

Anuj Burakia: Yes. Ratnamani is a known company, listed. And they have the latest press that they installed a few years back can do, I believe, up to 10-inch.

Jignesh: Even I think Venus Pipes, if I'm not wrong.

Anuj Burakia: I don't think so.

Jignesh: Okay. Thank you.

Moderator: Thank you so much. The next question is from the line of Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu: This is Prolin from Edelweiss Public Alternatives. A couple of questions from my end, sir. One is on the capacity utilization. Am I audible?

Anuj Burakia: Yes, you're audible, Prolin. Please go ahead.

Prolin Nandu: Yes, great. Okay. So just on capacity utilization, sir. So if I'm not wrong, your capacity in bars is close to what 1 lakh tons and pipes is 10,000 tons. Am I getting it correct, the number?

Anuj Burakia: Yes. You see the crude liquid metal capacity that we have is approximately 100,000 tons. And assuming that we continue to use the process that we are using, though, of course, we have another process of electric arc furnace wherein we can increase, but that's not there on the agenda right now.

So we'll stick to the current process, which is 100,000 tons. Now that amount of liquid metal actually will generate at the end of the day, the saleable quantity of anything between 80,000, 85,000 tons, yes, because you lose yield from LM to cast, cast to rolling, then rolling to bright bar.

So on an average, I would say, best case scenario, 100% utilization theoretically assuming you will be able to sell 85,000 tons. So what we see as realistically achievable production of a finished product, saleable finished product from this plant is about 80,000 tons.

Prolin Nandu: And that's on bars, right, sir? And pipes is different, right?

Anuj Burakia: It's on the bars. Yes, you're right. Now pipe -- we can go -- theoretically speaking, the capacity, if we talk of one particular heavy size and only hot finished, we can go up to 18,000 tons also, right? So you should know that theoretical number. But again, practically, you cannot sell one size the whole year.

So when it comes to a mix of size, size changes and all that time you take into account, the best, I would say, reachable saleable capacity is 12,000 tons a year. And -- yes. And from -- out of that 12,000 tons, what we are aspiring to reach over next 2 to 3 years' time is 10,000 tons.

Prolin Nandu: Okay. Understood. So sir, my larger question was, see, we are at 23% capacity utilization on bars, right, and maybe 40-odd percent capacity utilization, if I assume 10,000 -- 12,000 tons of capacity on pipes. So you explain how this capacity utilization will go up?

Anuj Burakia: So if we take -- as I was telling that if we take 80,000 tons as the practical capacity of bars, the production that happened last year and was close to 28,000 tons. So 28,000 tons over -- because you see whatever we utilize in our pipe plant as captive also is produced from the same plant.

Prolin Nandu: Right, so 35%.

Anuj Burakia: Yes. So on the black bar stage, it's about 28. So make the math, how much -- 35%, 40% utilization, 35%, 40% in between. And yes, so from here, we have to reach to about 80%, 85%, and which is journey. So which will happen over next 2 to 3 years' time, but again in a meaningful manner.

So you can imagine in any steel plant when the capacity utilization is at this level, your numbers would be really not conducive. Whereas since our focus is only on value-add and we are not getting into that low end and competing with the smaller mills, that is where we are maintaining our margins and we want to move in the same manner and not to dilute our attention to low value.

Prolin Nandu: Sure, sure. Sir, my larger question was that we understand how you want to move in terms of capacity utilization. Can you also help us understand over the next 3 years, say, how will this mix of product that we are selling will change, right, from, let's say, the mix between extrusion and the other kind of pipes, right, in some sense?

And also in terms of other value-add product, right? So there are 2 levers on the sales number that we report. One is the overall capacity improvement. And then that mix improvement is also there. So can you just elaborate a little bit on the second part, right, as to how...

Anuj Burakia: There is question, Prolin, see one thing is very, very clear that till such time the utilization doesn't reach to an optimum level, the mix will not get enriched. I'll be very honest and candid about that.

See, when you are going to book more and more business to utilize the capacity, the mix will ideally remain the same what it is now, right? It is only when we start to hit 70,000, 75,000 tons of sales, then we become pick and choose that, okay, within the given value mix, also, I don't want this business. I want that business, right? So which will happen once we start hitting that capacity utilization.

So I think over next 3 years, we will see more and more -- and -- but one thing will definitely happen. You see, overall, I would say the margins are low at this point in time because of the market situation. So, for example, 2 years back, the pricing was almost 30% higher for the same product that is existing today. Whereas the cost of production was perhaps 20% or 22% higher. So the margin difference between 2 years back to now is clearly visible and in every company's balance sheet also.

So what we see from here is on one side the utilization will improve, product mix given the same, similar, not same, similar. And with the markets slowly returning into normalcy, your general margins should start improving.

Prolin Nandu: Last question would be on margins, while you alluded, right, that there is a demand slowdown, the prices are lower, right, in some sense?

Anuj Burakia: Yes.

Prolin Nandu: And especially for us, we are sitting at a very low capacity utilization as well, right? But if you look at, let's say, one of the leaders in your segment, right, which is Ratnamani, they have been very stable on EBITDA per ton basis for very many years. And such kind of fluctuation would have come in the last 10-year, 15-year cycle as well.

So I wanted to understand, sir, what are we doing to probably bring that stability in a range, right, in some sense of EBITDA per ton, right, in some sense, apart from some of the things which you have already mentioned, is that our aspiration that we should reach that when we reach a 60%, 70% capacity utilization, our margin should be very, very stable in the range of, let's say, INR2,000, INR3,000 per ton here and there?

Is that something which is like a KRA for you and the top management? And how do we reach that stage where we are very, in a way, not directly correlated to whatever happens in the commodity price fluctuation?

Anuj Burakia: So Prolin, I'll -- a bit of a correction here. First of all, we are comparing apple to orange. What I was mentioning or talking about was the steel side of it. And the steel dynamics are very different from the seamless pipe dynamics. If we talk of pipe dynamics, on 10,000, let's say, we are at a 50% utilization, the peak capacity that we can go. And even at a 50% utilization, our margins -- contribution margins on pipe is consistent, very, very consistent over the last 2 years.

And from here, also, I don't see any dent coming into the pipe side of it. So if you compare not just Ratnamani or any other player, it's a similar market that we are all operating in, okay? We compete for the same business. I mean, most of the extrusion mills, they compete for the same business.

They end up booking at a bit of a plus/minus, whatever. So I think that is a clear comparable apple-to-apple on the pipe side of it, but not on the steel side. I hope I've been able to clarify.

Prolin Nandu: Yes, that's clear, sir. You're correct that I was not probably comparing. But just the general point, right, in terms of per ton EBITDA improvement, right, in terms that story will continue from here on. And let's say, in the bars as well. Pipes already we are there is what I understand, right, from your comments. But on bars also, we will continue to see that improvement in margin just because of the capacity utilization and improvement in mix so to say?

Anuj Burakia: Of course, it has to happen, Prolin. See, in a downfall market, in last 2 years, we have only seen price erosion. And you can understand what happens in this scenario that not only your margin squeeze, you also get some stock loss also because you can never be on a 0 stock basis. So everything gets accumulated at the same time. So over the last 2 years, this has been like a slow poison on the pricing.

From a -- I mean, just for the number, I can tell you 2 years back, average base grade of stainless steel was selling into Europe at EUR3,300 per ton and which has eroded to less than EUR2,200 now. So in this scenario, obviously, the margins tend to sort of get squeezed and also you get stock losses. And that is why I'm saying that here on, as the markets come to normalcy and which are already sitting at the bottom of the curve, so with our utilization improving, markets normalizing, all this will go into our favor.

Prolin Nandu: Thank you, sir. That’s it from my side. All the very best.

Moderator: Thank you. The next question is from the line of from Gargi from Value Investments. Please go ahead.

Gargi: Hi, sir. Thank you again for the opportunity. Sir, my question was that in terms of new certifications, you have spoken about boiler tubes for power, Super-13 for aerospace, et cetera. So with these certifications and the current capacity, execution, you're expecting full utilization by -- in the next 3 years. And also, you spoke about your only focus will be high value-added products.

So is it fair to assume that the EBITDA from the current range of INR30 crores, wherein we are at the bottom of the cycle, can reach INR200 crores within the next 3 years with the current capacity?

Anuj Burakia: You are -- I mean, honestly, not on the lighter side, very seriously, I can tell you in 3 years' time, that's a huge underestimation of capability.

Gargi: Huge underestimation, sir.

Anuj Burakia: You're talking of annual, right, annual number?

Gargi: Yes, sir.

Anuj Burakia: No, that's a very, very underestimation. I believe we will be much, much, much, much better than that.

Gargi: I would be very happy if my estimates are very...

Anuj Burakia: It's a simple math, it's a simple math. Even if I don't consider qualitative improvements that are going to be our -- coming our way, the simple math also will probably come to a much more respectable number. And which is why we are all working towards it, right?

Gargi: Yes, sir. Sir, second is that could you give us the breakup of order book between bars and pipes, the current order book in terms of volumes and the execution time line for that?

Anuj Burakia: Well, in general, I can tell you that, first of all, order book keeps on going up and down. I would not have a number this morning. But on the whole, as I was telling in my last call also that 4 months order book is considered in this kind of a business to be very, very healthy, right? So on the pipe side, I can tell you that we are very healthy.

We are looking at -- I mean, since this one order itself is known in the market and plus there are obviously more volumes to it. And that is how on the pipe, we are probably working at about 5 months of an order book or 6 months. On the bars, yes, there is a little tepid demand. And that is why the order book normally, we have been operating in the past also at about 1.5 to 2 months and which still remains to be the case.

So our effort or the effort of the team is certainly increase it to 3 months as a first milestone. But again, in a meaningful manner. But I am sure, very, very hopeful that this year we'll see all this getting happened.

Gargi: Okay, sir. Sir, next and the final question...

Moderator: Sorry to interrupt, Ms. Gargi. Due to time constraints, we take this as the last question.

Gargi: Sure. Okay. Thanks.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Salil Bawa for closing comments.

Salil Bawa: Thank you very much, everyone. Thanks for joining. And as usual, I'll request Anuj to give his final comments on the closing and thank everyone.

Anuj Burakia: Considering the challenging external environment and overall long-term strategy of the company, we continue to chase value first over the volumes. And as I mentioned about this in various ways. That said, we are gradually increasing and will continue to increase the capacity utilization in a meaningful manner.

Our focus remains on improving and enhancing operational performance and efficiency, continue to address challenging customer needs and endeavor to be the first or the early movers, expand customer base, both in existing markets as well as new geographies. And in order to achieve these objectives, we continue to work on people policies, team development and trainings, technological and process upgradations, debottlenecking of certain processes, continuous research and development with respect to new products, continuous upgradation of quality management systems and new accreditations, etcetera.

So I hope to have addressed your queries satisfactorily. Should you have any pertinent queries and I could see that some of you participants also had further questions, which I welcome you to reach out to our Investor Relations team. Thank you once again for joining us and I look forward to reconnecting with all of you soon.

Salil Bawa: Thank you.

Ashutosh Somani: Thank you.

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