"Welspun Corp 2Q Post Results Conference Call"
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SPEAKERS:	**Mr. BK Mishra, Managing Director** **Mr. BR Jaju, Director and CFO** **Mr. Akhil Jindal, Director, Group Finance and Strategy**

Moderator: A very good afternoon, ladies and gentlemen. I am Sourodip Sarkar, the moderator of this call. Thank you for standing by and welcome to the Welspun Industries Investors Conference Call. For the duration of presentation, all participants' line will be in the listening-only mode; and we will have a Q&A session after the presentation. I would like to now hand over the conference to Mr. Amit Mishra from Macquarie Capital Securities. Over to you, sir.

Amit Mishra: Thanks, Sourodip. Good afternoon everyone. It is our pleasure to host Welspun Corp 2Q post results conference call. And thank you very much all of you for participating on it. To represent the company, we have with us today Mr. BK Mishra, Managing Director; and Mr. Akhil Jindal, Director, Group Finance and Strategy. Mr. Mishra, I would now like to hand over to you for a brief background to the results and then we will open for questions and answers. Over to you, sir.

BK Mishra: Okay. Good afternoon and wish you all a very happy Diwali, even though it is little delayed. And considering that, you know, like almost a week has elapsed since the time we declared our result and the time that we had taken to take the conference call primarily because of this Diwali vacation, I would probably not go through the same data once again because this data has been lying with you for almost about a week and I am sure all of you would not like it to be repetitive. However, I am going to tell some additional information whatever that I can probably provide over and above the press release. The half-yearly result of FY13, the sales reached 4,610 crores as compared to the corresponding 2012 results, that was 3,810 crores. As you have seen, you know, the increase is almost something like 800-odd crores which has primarily happened because of the increase in pipe sales in India and that's something, I am sure, would be a good information for you to have. And our EBITDA number for the FY13 is at 454 crores and this is despite the fact that we have taken a hit of about 91 crores towards foreign exchange loss during the half year and also due to the fact that we lost almost about 75 to 80 days of production in the US, and our US facilities is fully booked and these were good orders and because of that it has been impacted but even then we have been able to gross this 454 crores leaving aside the 91 crores of foreign exchange loss that we had.

Akhil Jindal: I mean, provision, not loss.

BK Mishra: Yeah. To take you through the sales number of individual facilities, in US we sold about 30,000 tons of pipes. In Saudi Arabia, we sold 22,000 tons of pipes and in India it was 1,28,000, totalling to about 1,81,000 tons of pipe during the quarter, and we sold a plate quantity of 1,02,000 tons. Giving you bifurcation in terms HSAW, LSAW and other product quality, LSAW was 56,500 tons, HSAW was 57,000 tons, ERW was 13,000 tons. So, total pipe was about 1,28,000 tons in India. And I just mentioned 30,000 tons in US and 22,000 tons in Saudi Arabia.

I also must say here that as far as the Saudi facility is concerned, in fact this number could have been much more, but for a fact that our customer who has already given the LC and everything was there in place, except that their project site was not ready and they were not ready to unload the pipe because of which we were carrying inventory. As a matter of fact, during the quarter we were holding almost 1,16,000 tons of inventory, which could have been billed in the second quarter and this was primarily, you know, as you know most of the orders are export orders and, you know, like in some case the pipes were already lying in the port, the vessel got delayed and things like that, but otherwise we would have been able to increase this last quarter's business by additional 1,16,000 tons.

Having said that I also want to let you know about the order booking position about the company. Last year, around the same time, our order booking was actually at almost all-time low. We were about 5,50,000 tons. As against that you will be pleased to know that the current order booking stands at 1.22 million tons, that is 12,20,000 tons of order as against 5,50,000 tons last year. There are a few other things which have happened across the globe for us. We have been trying to sort of create a dent or a footmark in the South America market especially in Brazil, and we have been trying our best to bring in Petrobras to make a visit and qualify us. And I am pleased to inform you all that our efforts have paid dividend and Petrobras has already visited our facility and we are quite hopeful that in very short period of time, we would in their vendor list as well, which will open a very big market for Welspun especially the niche markets that, you know, like Welspun has been kind of operating. It would open floodgates for, you know, like, sort of small diameter, heavy wall thickness pipes which is generally a good value add for Welspun business.

I also want to tell you a little bit about the status of the ERW project in US. It is fully on schedule and by all probability we should be starting the trial production sometime in December. And going by the track record of Welspun, don't be surprised that we are able to book some order well before the mill starts the production because that has been the track record of Welspun on the business. US mill which had the unfortunate incident of the fire, I am pleased to inform you that the mill is in full swing. As a matter of fact, we also did not expect it to be probably achieving the optimum production capacity right away. But it helped attain already the optimum capacity. It is doing very well.

In terms of mill booking, the Saudi plant is fully booked almost until close to end of next year. US plant is almost booked till November, December, next year and the new LSAW plant in Anjar that is already booked until June next year. Our facility in Dahej, the LSAW plant that is also booked almost till about April, May. So, on the whole I am just trying to give you sort of a feel about the order booking for different mills even though I have already informed you that the total order booking is already at 1.22 million tons.

Regarding future market prospect, we see a total market right now imminently in the next three, four years is about 22 million tons. As a matter of fact, while I am speaking to you, over and above the 1.22 million tons of orders that we have booked, the company has also bid almost 1.5 million tons of order for which probably the results will be announced in the next 8-10 weeks. And we are quite hopeful. And we see a good market right now, immediately coming from America. There is a potential of almost for about 2 million tons. Australia about 6,50,000 tons and these are the immediate prospects I am talking of in the next probably like one year to one and a half year. Domestic as you all would have noticed that the Mehsana-Bhatinda and Mallavaram-Bhilwara-Vijaipur pipelines and the Kakinada-Haldia all those things put together is generating a demand of approximately 2 million tons.

Europe, another important market, we are trying our best to put our foothold in Europe as well. And as a matter of fact, almost for the last three years or so, we have been trying to kind of build a project of Statoil and we have been successful and we have bided for the project in Statoil which is involved in almost about 4,00,000 tons of pipes. We have also been pre-qualified for the South Stream project. All of you, whoever has been tracking the pipeline project, I am sure, would know about South Stream. And I think it is a matter of big prestige for Welspun to be qualified or rather to be invited for pre-qualification for the South Stream project.

Coming to the Mexican market or the Latin American markets, in fact enquiries pertaining to various oil and gas projects is almost close to 1 million ton and those 1 million tons are expected to be sort of finalised in the next two to three months. And as a matter of fact one of the projects has already been awarded to us, which we announced at the time of announcing our results.

And of course Welspun would stand to be a front runner in all these projects primarily because of the fact that we have a facility to back up from the US and more importantly even our Indian facility from this part of the world is the only facility who has actually supplied 18-metre fusion bonded epoxy coated pipe into Mexico. And very recently our vessel arrived and in fact there was quite a bit of excitement and almost all the prospective buyers had lined up in the port to see the unloading of those pipes. So, we seem to be in a very good position there. So, that's about all as far as the total business scenario is concerned.

And just to give you a little number perspective in terms of order booking, the Indian order booking position is standing at around 6,58,000 tons. Saudi is at 2,50,000 tons. Little Rock about 3,15,000 tons, totalling to about 1.22 or 1.227 million tons. This is all that I wanted to inform. And

I am joined here in any case. And me and Akhil will try to answer all the questions that you may have and I would encourage as much questions as you can ask. Thank you so much.

Moderator: Thank you so much, sir. With this we are going to start with the Q&A interactive session. I would like to repeat once again to the participants, if you wish to ask any question, please press "0" and "1" on your telephone keypad.

Sir, the question is from Mr. Ravi Mehta. Mr. Ravi Mehta is from Money Logix. Your line has been un-muted. You can go ahead and ask your question, please.

Ravi Mehta: Yeah, hi. Good evening all. Just a few questions, one was on the say raw materials to sales ratio that is going up. And just wanted to check what is the scenario now and how is it expected to move?

BK Mishra: I am sorry. I could not get your name, I think, because this line has not been very good.

Ravi Mehta: Sir, this is Ravi Mehta from Money Logix.

BK Mishra: Ravi, I think, one of the main reasons of course, you know, we have just talked about the fire in Little Rock and because of which we are holding on to raw material and we have not been able to dispatch because the manufacturing has not taken place. Having said that, there is also another positive dimension to that. Even if those raw materials are probably on the books and staying in Little Rock, they are incidentally funded by the buyer.

Ravi Mehta: Okay. And sir, if this event has not been there, then where it would have been, if you have worked that?

BK Mishra: You are taking about the EBITDA?

Ravi Mehta: No, basically the same. Raw materials to sales and even the EBITDA profitability if this event of fire would have not happened or occurred?

BK Mishra: Because it has already happened, so I did not bother to see "had it not happened what would have happened". But I can tell you that, you know, like last year our corresponding EBITDA from US was almost at about 140-odd crores in the second quarter itself. And I did mention during my speech that US has a very good order booking position and good profitable order booking position.

Ravi Mehta: Okay. And sir, the other question was that the order book that we are having, it is a huge one that we are adding on. And at the same time, if I see the profitability, it has been sliding. So, is there any inverse relation as we are looking for big orders and we are sacrificing a little bit of margin here and there?

BK Mishra: First and foremost, if you tell me, am I looking at 2003-2004 margins, obviously that kind of margin has not been there, but if you are talking of 2010-11 kind of margins, I think, we would have more or less clocked in the same kind of a margin except for a few unfortunate incidents like the fire in US and also of course the foreign exchange loss of 91 crores. Having said that, see, in the first two quarters there is no doubt that the steel prices were at a different level and whatever the new orders have come in, fortunately they were bid probably in Q1 and Q2 level and now that the steel prices have gone down, I think, we would be able to take some advantage of that in the following quarter.

Ravi Mehta: Okay. Sir, basically when you bid for orders, you would be bidding with the pass-through clause of the raw material or how is it? Like, is that fluctuation impacting your quarterly numbers in a big way or…?

BK Mishra: See, normally as a matter of principle, you know, which has always been maintained at all levels that we try to do it back-to-back. But the situation has sort of… when you see that there is a quite a bit of a downward trend, let's say 25-30% of my orders are open which are probably orders of, you know, like 10,000 tons or 50,000 tons but totalling to maybe like 2,50,000 tons and if those steel orders are open, you try to take that benefit. Not necessarily very large projects.

Ravi Mehta: Okay. So, now with prices softening, you expect to benefit in the coming quarter?

BK Mishra: For sure to some extent.

Ravi Mehta: Okay. And sir, one question was on the steel plant that you had acquired, Maxsteel in Maharashtra, there was some issues of sourcing gas for that plant. So, what is the status now?

BK Mishra: I think, the gas situation is now better than what it was last year. So, we have faced challenges in terms of the adequate gas supply from the contracted sources. There is gas available in the market which is LNG and other substitutes, Propane and Naphtha, but they are very, very expensive. So, the gas situation from the assured sources, the APM gas for which we have a tie-up for 0.6-0.7 MMSCM. Of 0.6-0.7 MMSCM we are only getting let's say 0.18 to 0.2 MMSCM which is one-fourth of what the tie-up is. So, we continue to face a lot of head wind from that and in that sense this plant which way in the second quarter goes for a regular shutdown because we had, you know, during the monsoon period the facility was closed for almost like 40 days. So, we will have to wait and watch for the gas situation to improve, but otherwise the product wise, demand wise everything has been okay. And in fact the softening of the steel price means that our raw material prices have also come down in the following quarters. So, to that extent the profitability will be more or less in tact. The only thing is that the gas assured, what we could get, what we were supposed to get, is not available more than, let's say, 0.2 MMSCM.

Ravi Mehta: So, sir, in that case, the plant would continue to operate at sub-optimal levels and there would some drag on the overall profits by this plant?

Akhil Jindal: See, as far as the company is concerned, we have more or less made up a business plan where it would be able to service its own debt and interest and everything. Yes, it will not positively contribute largely to the EBITDA numbers, but it won't be a drag also on the core business. So, yes, the positive contribution will not be there, but it will continue to service its own obligation.

Ravi Mehta: Okay. And sir, as far as your Forex exposures are concerned, there is a kind of a natural hedge in your import and export, but what would be the net position that you can share?

BK Mishra: As far as our trade account is concerned, it is absolutely zero. We are not exposed to any foreign exchange fluctuation. However, as a matter of policy, whatever is our long-term debt, we try to keep it open probably as in most of the industrial houses.

Akhil Jindal: Yeah. And that we manage and maintain or match it with the export receivables as and when they fall in those years. Try and work on a natural hedge principle for the entire book, more or less.

Ravi Mehta: And sir, there are buzz of restructuring in the group that is happening in all the businesses. So, any merger, de-merger, some restructuring plan in this company as well?

BK Mishra: Ravi, to be honest with you I think I was asked two or three times today except that I have no information, which is surprising. It started round the buzz, we have no comment actually.

Ravi Mehta: Okay, sir. And sir, lastly there is increase of pledge when I compare the Q1 and Q2. So, if you can share that— it's a long-term thing or a short-term and for what purpose if you can share?

Akhil Jindal: I think if you see the recent disclosure that the promoters have made, the pledge quantity has come down significantly. In fact, as recent as the last Friday I guess, there was a BSE notification by the promotee company which showed that the pledge amount has reduced significantly by almost 55 lakhs. So to that extent, the pledge quantity has come down significantly. But of course that has happened last week only. So, you might not have that information.

Ravi Mehta: Yeah, I may have missed it. Okay, thank you.

Moderator: Thank you, Mr. Mehta. The next question is from Mr. Bhavin Deliwala from ICICI Bank. Mr. Bhavin, you can go ahead and ask question. Your line has been un-muted.

Bhavin Deliwala: Sir, can you give us the figure of what is the gross debt in the cash-on-hand on the books of account?

Akhil Jindal: Actually, the gross debt is almost like 5,700 crores at the consolidated level and that includes all the debt in each of our subsidiary whether US, Saudi, Infra, Maxsteel, Leighton, everything which is getting consolidated. And against that our cash liquid position is roughly around 2,300 crores. So, we have a net debt position of around 3,400 crores. Now the part of this net debt position, as Mr. Mishra just mentioned, around 400-500 crores is locked up into the inventory which got built up due to unfortunate event in US which also will get unlocked. So, holistically we will we see our net debt to be more in the range of 2,500 to 3,000 crores than what it is today because of the inventory build up.

Bhavin Deliwala: Sir, we have raised from NCD of around 90 crores and another one 258 crores. Now if we have such a huge cash-on-hand of around 2,300 crores, are these NCDs for a specific purpose which we have raised?

Akhil Jindal: See, what we are trying to do in a company… let me just share with you the three principles within the company. One is we want to retire our short-term debt, I mean, short term-debt not because the nature of those debts were short-term, but because they are falling due in the next 18 months to 24 months. That includes the FCCB, that includes the ECB, that includes any other instrument that we have issued in the past. One is that we want to retire our liabilities which are falling due in our immediate future spanning over 18 months. Second is we want to maintain the cash bank position because that gives a lot of comfort to our investors, that gives lot of comfort to our customers, that gives a lot of comfort to our suppliers, at large it gets a lot of comfort when they see half a billion dollar worth of cash available for us to meet any exigency and Mr. Mishra would say that when he is bidding for some very large orders, that becomes as a very strong point of influence with the customer also.

Thirdly, what we are doing is we are borrowing all our debt for a longer tenure. So, the NCD that you just mentioned 90 crores had been borrowed for almost like 10 years. So, that means we are changing our debt profile from a short-term repayment to all long-term debt security. These are three efforts continuously going on in the company. So, all of our debt which are falling due in the next 18 months are virtually refinanced with the long-term debt. And to that extent we have successfully bought back the FCCB, to that extent we have successfully raised the rupee term loan, to that extent we have also raised the foreign currency ECB loan for a six-year maturity period from various banks. And this cash at 2000-2500 crore level is something that as a company we are comfortable in maintaining it for a medium to long term. You want to mention about the customer comfort that comes through?

BK Mishra: I think you did already mention that. You know, like always, when the company has a surplus cash position, that's always when you are bidding for the last project.

Akhil Jindal: Yeah, so the assurance in terms of the completion of the project.

Bhavin Deliwala: In fact, I fully appreciate the fact that close to 2,300 crores of cash would give a lot of comfort but the fact that, sir, when we are already trading such a thin margin in terms of the profit after tax and given the fact that our interest cost for H1 2013 has gone up from around 160 to 240 crores, even that comfort is actually putting a lot of strain on our profit in terms of the interest cost, which we are paying on that money.

Akhil Jindal: Yeah, you are right. We are trying to, you know, reduce the negative carry as much as possible. But there is some overlap which happens. And also you must appreciate that, you know, almost like 600, 700 crores are locked up partially temporarily in the inventory as I mentioned to you. So, once that is also unlocked, you know, the difference between what we earn on our treasury and what we pay will also reduce considerably. So, to that extent there is also repayment falling due. As you must be aware, there is an ECB repayment of $100 million falling due, 50 in the April

'13 and 50 in the April '14. We have even gone to RBI to seek permission that whether we can repay this ECB ahead of its time. That will also reduce the interest liability. There is another effort, which has gone parallely of buying the FCCB. So, we have successfully managed to buy back almost like $44.1 million from the FCCB holders. There is another, you know, possibility of buying more. We have a window opened up till March '13. So, as and when we will buy more FCCB, the interest liability will come down further, you know, and of course, part of the cash would be utilised to do so.

Bhavin Deliwala: So, for repaying this FCCB, would we have utilised the $17 million, which we were not in a position to use for any other purpose? There is some $17 million, which we had raised through FCCB but we could not use it; it was parked outside. So, has that 17 million been used to repay the 44 million or that 17 million still remains in a position, which we cannot be utilising it?

Akhil Jindal: No, no. Those are all being used for the CAPEX funding and for, you know, our capex funding like, for example, in Saudi and in US. So, obviously you cannot use your previous FCCB money to repay the same FCCB. So, that has not been utilised, you know, if that answers your question.

Bhavin Deliwala: Okay. Sir, would you give me the growth and maintenance CAPEX for the next two years approximately?

Akhil Jindal: See, with the ERW being nearly completed by December of this year, our CAPEX will be more or less over. At a group level, we are not envisaging any new CAPEX.

BK Mishra: But for the coating plant, which is already under implementation.

Akhil Jindal: So if that also is over, let's say, by March '13 more or less, all that would be left will be the maintenance CAPEX, which would be roughly around $20-25 million for a company like us across all locations.

Bhavin Deliwala: So, I can take around 125 to 150 crores INR approximately?

Akhil Jindal: Yeah, that's a fair estimate, yes.

Bhavin Deliwala: Sir, we also have some press releases, which say that Welspun Energy is investing into solar projects. So, that's the part of our group company only, correct?

Akhil Jindal: Welspun Corp holds only 26% and I think we have more or less fulfilled all our commitments towards the energy requirement, you know, as much as was required. Now all the growth that you are seeing in the solar side will be self-funded, self-financed. We are in serious discussion with a lot of external equity forces also. The debt financing is anyway available for the non-recourse basis completely. So, there is no guarantee or no, you know, additional comfort that is required from Welspun Corp perspective. All the debt is more or less on a non-recourse basis. And equity sources, you know, as Welspun Energy we have been able to discuss very seriously with some very large foreign investors. But going forward you will not see any requirement of funds from Welspun Corp, you know, in terms of the energy business. So, that 26% will remain our entire commitment or entire shareholding in Welspun Energy.

Bhavin Deliwala: So, as of now we can at least say that for the next two years there is no equity infusion or any debt payment, which is being made to Welspun Energy from Welspun Corp.

Akhil Jindal: That's right.

Bhavin Deliwala: Okay. And sir, just to confirm in the previous question, you said there was a FOREX loss of 91 crores for this quarter. Am I correct on that?

Akhil Jindal: No, that is for the entire six months, 91 crores for the entire six months.

Bhavin Deliwala: That is for H1?

Akhil Jindal: Yeah, H1. These are provisions in nature. I mean, if you understood our business correctly, most of these are the FOREX provisions that one has to create just to match the asset liability. Unfortunately, if you cannot value our asset while you have to revalue your liability, in that sense there is a carry over in respect of this foreign currency, which we see in a fastly depreciating rupee scenario. But as and when the products are sold, most of these FOREX is anyway recouped as we have seen in the previous year. So, I don't see this as a permanent dent or a permanent liability. Most of it is likely to be reversed in due course of time as and when either the currency stabilises or the products are sold.

Bhavin Deliwala: Okay. Sir, just one last question. Given that there was a marginal strengthening of rupee in the last quarter, has there been any reversal from that stand? Q1 would have been bad for us in terms of FOREX but in Q2 has there been any reversal?

Navin Agarwal: Yes, in Q2 we had a reversal, which was… in Quarter one, we had a provision of 170 crores…

Bhavin Deliwala: Sir, so sorry but the second speaker is not quite audible, sir.

Navin Agarwal: In the first quarter we had made a provision and in the second quarter we had a reversal. 91 crores is the net provision in H1 now.

Bhavin Deliwala: Sir, can you give the break-up of figures for Q1 and Q2?

Akhil Jindal: 82 crores is the reversal in quarter two.

Bhavin Deliwala: Okay, okay, fine. Thanks a lot for answering the questions. Sir, thanks for your time.

BK Mishra: I just had to make little amendment to what Akhil said in terms of the operational CAPEX. There're a few more things we are working on. It could probably be, you know, like maybe 150-160 crores as against 125 crores, what we discussed a little while ago. Capex have been evaluated and those are primarily, you know, like for taking care of some specific orders and like in case we are probably in contention of those orders we might have to send some additional money.

Bhavin Deliwala: So, we would take a basic figure of around 160 crores for the next two years?

BK Mishra: I would think so although they are in the process of being worked out.

Bhavin Deliwala: Okay, okay, absolutely fine. Thanks a lot, sir.

Moderator: Thank you, Mr. Deliwala. The next question is from Ms. Rosetta D'Souza from Elara Capital. Ms. D'Souza you can go ahead and ask your question, your line has been unmuted.

Rosetta D'Souza: Thanks a lot for taking my questions. Could you just give a split of your revenue segment wise, pipe, plates, DRI and Welspun Infra?

BK Mishra: Yeah, give us a few seconds please.

Rosetta D'Souza: And also, if you could just give us the EBIDTA figures, that would help us well.

Akhil Jindal: In quarter two, we have done a revenue out of pipe business of 1,430 crores, plate revenue of 345 crores. Infra business is 115 crores, and DRI business is 180 crores.

Rosetta D'Souza: And the EBIDTA?

Akhil Jindal: EBIDTA numbers, we will come back to you, Rosetta.

Rosetta D'Souza: Okay, sure. I had a question on your receivables. You know, they seem to have increased a bit, you know, to the extent of about 312 crores. If you could give us some colour on that?

BK Mishra: See, these receivables include a project, which we are, you know, like doing in Thailand where the pipes have already been shipped. The pipes have already been quoted at the sub-contractors yard in Thailand. But the payment, a portion of it is only due, only when you know, like you will load out the pipes onto the barges. And that is why probably there is this increase of receivables. Otherwise everything seems to be under control.

Rosetta D'Souza: Okay. I have just seen that your working capital, you know, requirement has increased because of unforeseen circumstances but at the same time your short-term borrowings have not increased. So, does it mean that you are using long-term funds to essentially fund part of your working capital needs, which is temporary in nature?

Akhil Jindal: Yeah, the part of the cash that we were holding as on 31st March is close to like, you know… The liquid cash has partly been used to fund this short-term working capital requirement.

Rosetta D'Souza: Okay. I had a question on, you know, the FCCB buy back that you have done. During the course of the call you mentioned that, you know, the FCCB buy back will essentially lead to lower interest cost but I am given to believe that you have taken an ECB to essentially fund the FCCB buy back. So, just trying to tie up… I mean, how are you expecting that to bring down your interest cost because FCCB per se the cost is pretty low?

Akhil Jindal: Well, the FCCB cost was around 5% and our current borrowings are all at the level under 5%. So, cost wise there's not much of an implication but as I mentioned to you, you know, the FCCB we have bought at a discount from accretedvalue. So, if the accreted value was 102, we have bought the FCCB at 94. That will straight away add to the bottom line. Of course, this could not be materialised in the Q2, but a part of it will come in the Q3 to the extent of one-third of FCCB that we have bought, and also going forward as in when we will buy more FCCB we will see the positive impact of that coming towards the bottom line. So, the YTM on FCCB was around 5% and all our ECB are also in the same range. So, there's not any cost escalation but the discount that we have managed from our FCCB bond holder certainly reduces the total cost and that affects in our bottom line also going forward.

Rosetta D'Souza: Okay. I have another question on the cost of debt that you see, you know, your interest cost going forward because you are actually replacing your term debt with much longer debt. I mean, are you expecting the cost of debt to actually move higher given where the interest rates today are? I am talking about blended debt for the organisation as a whole.

Akhil Jindal: There would be some marginal change, you know, obviously by a percent or so, but you must remember that most of our debts that we have tied up recently have also been on the floating rate. So, to that extent, most of the interest rates will come down as and when the interest rates globally will come down or let's say interest rates will come down. So, there would be some marginal movement, you know, just our cost of debt on a weighted average, which might look like a 50 to 70 bps higher than what it was. But I would say that again it's a temporary phenomenon.

Rosetta D'Souza: Sure. One last question, if you could, you know, throw some more colour on the Infra business, you know, Leighton and Welspun projects. In terms of order book, what is the outlook for the next couple of quarters going forward? That would really help.

BK Mishra: I think we would take this question separately if that is okay with you.

Rosetta D'Souza: Okay. That's not a problem. Thank you very much for taking the time.

Moderator: Thank you, Ms. D'Souza. Well, the next question is from Mr. Puneet Gulati from HSBC. Mr. Gulati, you can go ahead and ask your question. Your line has been unmuted.

Puneet Gulati: Yeah, thanks for the opportunity. With regard to the debt, you know, you have raised NCD at 11%. Can you please explain how this benefits the group while you redeem 4.5% FCCB?

Akhil Jindal: No, this NCD has not been used to redeem the FCCB. As Ms. D'Souza has said and explained to her, the FCCB has been funded by the fresh foreign currency borrowing. There have been virtually meeting 5% to 5% costing as we were otherwise providing for the FCCB. While the NCD that we have done like 350 crores, almost like 170 crores of NCD is falling due of our earlier NCD that we did in the previous year in the month of November itself. So, the current borrowing will be replacing the… or we use for the repayment of the 170 crores of NCD. So, to that extent, as I mentioned, the efforts are only to bring the debt on a longer maturity profile rather than a medium term profile.

Puneet Gulati: But this is a fixed rate debt, right, NCD, 11%?

Akhil Jindal: Yeah, as far as NCD is concerned, that's fixed but they have of course been borrowed at the very finest rate, I mean for a double A minus rated paper at 11% kind of a cost when the whole world is borrowing at 13 and 13.5. I think this was, you know, quite a fine rate.

Puneet Gulati: Okay, that's it. Lastly, you know, you said that you have seen some pick up in the domestic demands from two million tons of orders could potentially come. Has any of the pipeline companies placed out bids for the pipelines?

BK Mishra: No, not really. Except that, you know, like I am sure, you know, like because you seem to be tracking on the pipeline business for sure, you would have seen the expression of interest was out sometime, you know, like in the month of October for the pipelines. So, I think the expression of interest for the EPC companies and then EPC company bids and then, you know, like we get a chance to bid. So, it's a question of probably another couple of months, three months whatever is the time.

Puneet Gulati: Okay. That's it. Thank you so much.

Moderator: Thank you, Mr. Gulati. I would like to repeat once again to all the participants, if you wish to ask any question, please press "0" and "1" on your telephone keypad and wait for your name to be announced. I repeat participants if you wish to ask any question, please press "0" and "1" on your telephone keypad and wait for your name to be announced. Once again we have Ms. Rosetta D'Souza from Elara Capital. Ms. D'Souza, you can go ahead and ask your question please.

Rosetta D'Souza: Just one question that I missed out, just wanted to know the EBIDTA per ton for pipes and what is the outlook going forward on the same?

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BK Mishra: The EBIDTA as on today, this is despite the fact that we had this fire in Little Rock. It is at around Rs. 8,500 a ton, and you know, going forward I would only say that I don't want to make a forward looking statement but I can only tell you that whatever initial outlook for the year we had given, I think we are going to be more or less around the same number.

Rosetta D'Souza: Sure. And one last question on your long-term borrowings. We have seen a gradual increase, you know, from March to now on long-term borrowings. How do you see that panning ahead for you because I was given to understand that you are essentially doing a replacement at this point in time, but here it's has been an increase in debt? So, if you could give a colour on whether we should expect an increase or, you know, just internal accruals will be used to essentially net growth whatever minimum maintenance expenditure will be there.

Akhil Jindal: No, I think as far as borrowing of the company is concerned, you know, more or less we have achieved the long-term borrowing as required for a period of another 12 to 18 months. We will not see more, you know, borrowing unless there is a very large CAPEX or anything which of course, we don't have visibility, we don't have a sight of it. As far as the working capital is concerned, that will all be managed by the cash accruals and the maintenance CAPEX will be managed by the cash accruals. I think going forward in core businesses in the entire company we will not see any major change into the borrowing profile than what it is in today. To that extent in the last six months at the company level or rather at the consolidated level, we had finished borrowing for almost 1000 crores, which of course has funded our US plant also. So, I think, you know, that puts an end to what we want to do in terms of the fresh debt. All that would be required in future will be funded more or less by the internal accrual and also the cash position that we are maintaining with us.

Rosetta D'souza: That's all. Thank you very much.

Moderator: Thank you, Ms. D'Souza. And the last question in the queue is from Mr. Bhavin Deliwala from ICICI Bank. Mr.

Deliwala, you can go ahead and ask your question. Your line has been unmuted.

Bhavin Deliwala: Sir, one last question. If we see the profit for this quarter compared to the last quarter, I mean 2011 September, it's come down from around 89.25 crores to almost 1 crore. I am speaking about profit before tax. Now, what part of this will be attributed to the fire, which happened in USA?

Akhil Jindal: I think Mr. Mishra made a statement that last quarter this year in US itself we made 153 crores of EBIDTA, you know, which of course was more or less loss except for there's a small insurance claim that we have booked in here. Otherwise compared to situation, there was almost 143 crores of EBIDTA which we made in the same quarter last year from the US itself.

Bhavin Deliwala: Okay. And against that we have got a claim of around 84 crores approximately?

Akhil Jindal: And I can only tell you that that has not been probably 20% or maybe 25% of what we have claimed. It's against a loss of profit and it's not even 25%. And in any case, let me clarify that this claim is an only interim payment.

Bhavin Deliwala: Okay. So, what is the total claim, which we have made? Can you share that figure?

BK Mishra: I think I have already given you enough indication, Bhavin.

Bhavin Deliwala: Okay. So, tentatively, sir, if I could say that in the next quarter… I will not take any guidance from you since you said in the last question that you won't be putting any figures, but if I say that in the next quarter things go without any such kind of disruption, can we say that it would be better than the December 2011 quarter or still because of other factors like fall in margin or any other reason, there could be an impact.

BK Mishra: I don't really foresee. Like I can only tell you that I know I would leave it to deduce but I don't foresee any red flag items for the next quarter.

Bhavin Deliwala: Okay, great. Thanks a lot for the answer and thank you.

Moderator: Thank you, Mr. Deliwala. Well there are no more questions in the queue. So, I would request Mr. Amit Mishra to please take it over from here for any final comments.

Amit Mishra: Mr. Mishra, Mr. Jindal, would you like to make final comments, sirs?

BK Mishra: No. Thank you very much. Thanks for participating in the call and I hope that we have been able to clarify, you know, like all the positions. And as I did mention that even though the market has not been very excited about the pipe business, but we have been fairly excited about it and I did mention that in the last year around the same time even though our order booking was just about half a million tons, we are right now standing, let's say, healthy order booking position of 1.22 million tons. And I did mention that we have already bid as of now at least for 1.5 million tons of further orders that we have bid for. There are at least a million ton that we are currently handling in US alone and we have also ventured into Europe, which has earlier been kind of a field only for the European pipe manufacturers. So, we have replaced ourselves in that kind of a market where you are competing with only number one and number two of the world and with all these things I think we are poised to sort of look at the good times in 2014 as well. Thank you so much.

Amit Mishra: Thank you, sir. It was a pleasure to have you on the call and thank you all the participants. Thank you very much.

Moderator: Thank you, Mr. Mishra, and thank you all the speakers. With this we conclude the conference for today. Wish you all a great evening ahead. You all can disconnect your lines. Thank you so much.