

Management Discussion

Sailesh Raja - Analyst, 360 ONE Capital Market Limited

Yeah. Thank you, Sumeet, and welcome, everyone, to the call.

We would like to thank Welspun Specialty Solutions team for giving 360 ONE Capital the opportunity to host this interaction today. Without taking much time, I would now like to invite Mr. Goutam to introduce the management team.

Yeah. Over to you, Goutam.

Goutam Chakraborty - Head of Investor Relations, Welspun Specialty Solutions Limited

Yeah. Thank you, Sailesh, and good evening, everyone.

On behalf of Welspun Specialty Solutions Limited, I welcome all of you to the company's Q1 FY '27 results call. Along with me, we have Mr. Anuj Burakia, Chief Executive Officer and Wholetime Director; Mr. Navin Agarwal, Chief Financial Officer of WSSL; and Mr. Harsh Rungta, Group Head, Investor Relations, Welspun World.

I hope you have had a chance to review the investor presentation that was filed with the exchanges. The presentation is also available on the company's website. And during today's discussion, we may be making references to this presentation. Request all of you to please refer to the safe harbor statement mentioned in our presentation.

We'll start the forum with the opening remarks by Mr. Burakia, and then we'll open the floor for the Q&A. So, let me hand over the floor to Mr. Burakia now. Over to you, sir.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Thank you, Goutam. Good evening, everyone.

Let me extend a warm welcome to all of you to the quarter one financial year '27 earnings conference call of Welspun Specialty Solutions Limited. Thank you for joining us today.

I will begin with a brief overview of the global macroeconomic environment, followed by insights into the industry landscape and our company's performance for the quarter. After that, we will open the floor for an interactive question-and-answer session. According to International Monetary Fund's latest World Economic Outlook report, global economic growth is projected at 3% for 2026 and 3.4% for 2027 compared with 3.5% recorded in 2025.

The report highlights that the global economic outlook is currently being shaped by two powerful forces moving in opposite directions. On one hand, the conflict in the Middle East has created a negative supply shock, adding to uncertainty and disrupting global trade flows. On the other hand, the rapid acceleration of global technology cycle, driven primarily by large-scale investments in artificial intelligence, is providing a meaningful boost to economic activity. Overall, the global environment continues to be characterized by heightened uncertainty and cautious business sentiment.

For India, the Reserve Bank of India has projected GDP growth of 6.6% for current financial year, supported by robust monetary and fiscal policies. Against this backdrop, the operating environment in international markets remain challenging. During the quarter, export volumes declined primarily due to ongoing geopolitical conflicts, supply chain disruptions, tariff-related measures, all of which continue to weigh on demand and customer sentiment across key overseas markets. In addition, the

reduction in the European Union's tariff rate quota for certain categories of steel products, including stainless steel, posed an additional headwind for exports.

The domestic market, however, continued to provide a strong growth runway. As India's only integrated manufacturer of extruded stainless steel pipes and tubes, we are well positioned to address the growing demand for complex value-added products across industries such as oil and gas, petrochemicals, fertilizers, thermal and nuclear power, defense and infrastructure. With the government's continued emphasis on infrastructure building, energy transition and the Make in India, the import substitution initiatives, we believe this opportunity will continue to expand over the coming years and remain central to our growth strategy alongside our export business.

Coming to the performance for the quarter. Our total income for quarter one financial year '27 stood at INR197.5 crores, with total product sales volume of approximately 6,300 metric tonnes. While stainless steel bar sales were impacted by the factors discussed earlier, tubes and pipes registered healthy growth driven by strong domestic demand. The operating EBITDA of INR10.5 crores increased by nearly two and a half times compared to same quarter last year. The improvement in EBITDA per tonne reflects the benefit of operating leverage as capacity utilization continues to improve and also the product mix.

Cash profit after tax of INR9.1 crores increased nearly three-fold over the corresponding quarter of the previous year. We continue to focus on new product development and expanding our customer base. During the quarter, we added 13 new customers across our business. We have also intensified our focus on Middle East and are actively pursuing key customer approvals. The SIRIM certification process is progressing well, which will enable us to commence business in the Malaysian market.

I'm pleased to share that the company has successfully secured approval from NTPC for Grade T91 super critical boiler tubes. We have also received the Indian Boiler Regulation, IBR, approval for the same product, further strengthening our position in this critical application segment. In addition, we have received our first trial order for City Gas Distribution, CGD instrumentation tubing. Successful execution of this is expected to open up opportunities in this high value-added segment.

I'm also pleased to inform you that the installation of our bright bar project has been successfully completed and the facility is currently undergoing stabilization and ramp up. Looking Ahead, while near-term macroeconomic uncertainties are likely to persist, we remain confident about our long-term growth prospects. Our priorities will continue to be improving capacity utilization, increasing the share of value-added products, strengthening customer relationships and creating sustainable value for all our stakeholders.

At the same time, we remain focused on expanding our customer base across both domestic and international markets. The growing emphasis on supply chain diversification and India's emergence as a preferred global manufacturing destination presents significant long-term opportunities for specialty steel producers with strong technical capabilities.

We believe Welspun Specialty is well positioned to capitalize on these structural growth drivers.

Our disciplined execution, focus on cost optimization, prudent risk management and continuous improvement in asset utilization have enabled us to deliver a resilient performance despite a challenging operating environment. We remain committed to executing our strategy with agility and operational excellence. Sustainability continues to be one of our key business priorities. We remain committed to improving our environment performance and building on progress achieved over the previous financial year. Going forward, we aim to further increase the share of renewable electricity

in our operations while improving our emission intensity through enhanced operational efficiency and higher production levels.

With that, I would now like to open the floor for questions. Thank you.

Questions & Answers

Operator

Thank you very much. We will now begin the question-and-answer session. [Operator Instructions] The first question comes from the line of Parth Bhavsar from Investec. Please go ahead.

Parth Bhavsar - Analyst, Investec India

And congratulations on good set of numbers.

Operator

Hello, Parth. Sorry to interrupt, your voice is not audible.

Parth Bhavsar - Analyst, Investec India

Audible now?

Operator

Can you please speak? Hi. Yeah, you're audible.

Parth Bhavsar - Analyst, Investec India

Sir, thank you for the opportunity, and congratulations on good set of numbers. But I have a couple of questions regarding exports. So, what was our export share this quarter and what was it last quarter and even in the previous year?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Hello, Parth. Thanks for the question. You see, as I was mentioning in my opening remarks, the export has definitely got hit out of the situation that's existing at present. So, you can say the exports have now reduced to approximately 20%, 25% of our total steel sales, and which had been the case in last three, four quarters. Whereas in case of pipes and tubes, I think the exports are hardly any now. I mean, we are very focused on the Indian strategic requirements. So only very few close customers who still, let's say, like to buy from us. Other than that, I mean, pipe is all, you can say domestic and high-value right now.

Parth Bhavsar - Analyst, Investec India

And sir, what was the share maybe last year? Was it 25%?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

You mean on the export front last year? In financial year '26, our total pipe export was, I think, about 8% in volume, 8% to 10%.

Parth Bhavsar - Analyst, Investec India

Okay.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

And steel was nearly 20%. So it's similar now.

Parth Bhavsar - Analyst, Investec India

Got it. Sir, I wanted to understand, like, what is our order book outstanding for both business put together?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

I think we've been consistently maintaining, let's say, though the healthy order book, I would say, would be about three months of steel and five to six months of pipes and tubes. But given the situation, I think currently, what we are working with is about three months of pipes and tubes and a couple of months for steel. And as the markets improve and the situation improves, I think we'll be back to our normal operating level of three months of steel and six-plus months of pipes and tubes.

Parth Bhavsar - Analyst, Investec India

Got it. Got it. And sir, just to understand, for the bar sales specifically, what would be the share of captive volumes?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

So whatever bar sales that we are talking about is all to the third parties. Whatever goes captive is not considered as sale in first line, right? So that is over and above. Yeah, yeah.

Parth Bhavsar - Analyst, Investec India

Got it. That's very clear. And sir, just one last question on power and fuel cost. How do you see this number faring over coming quarters?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

See, we really cannot predict as to how the oil marketing or gas marketing companies are going to price, though we try to get their inputs. One thing is very clear that this quarter, quarter one got an impact, a significant impact due to the increase in gas price, which was almost like 40% to 45% increase of the price. Now, they have now settled the price at a certain level, which is also high compared to what it used to be in pre-Hormuz, let's say, problems. So here on, I think the fuel prices will be determined by what happens there in the Strait of Hormuz. At this point in time, we are neither seeing a reduction coming so easy on the gas, but nor we are anticipating that they will further increase the prices. So, this quarter might see the same price level as it was in the last quarter.

Parth Bhavsar - Analyst, Investec India

Sir, are we able to pass this on, like on the existing orders?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

No, that is not the trend, Parth, in this business. But what happens is, as the cost goes up, obviously, everyone starts to build this cost in their cost of production.

Parth Bhavsar - Analyst, Investec India

On incremental orders.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Yes, yes. And so it gets passed on for future. But obviously, when the cost increases, the margins get squeezed. So, that's the usual way things happen.

Parth Bhavsar - Analyst, Investec India

Right. And sir, just the last question, if I can squeeze in. You've received the trial order for CGD Instrumentation tubing this quarter. So, wanted to understand how big is the opportunity over here?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

So independently, it is, I mean, difficult for us to really size this, but I can only say that this is a very regular product considered as value-add because it's instrumentation tubing, very small in size and very precision. And it fits well into our strategy because the extrusion is a preferred route. And so for us, it is important to add such segments in our offerings. So, this will be yet another category of products that we'll start offering here on.

Parth Bhavsar - Analyst, Investec India

Perfect. Sir, those were my questions. Thank you for answering them. Thank you.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Thank you. Thank you, Parth. Thank you so much.

Operator

Thank you. [Operator Instructions] The next question come from the line of Rahil Dasani from MAPL. Please go ahead.

Rahil Dasani - Analyst, Mittal Analytics Private Limited

Yeah. I'm audible?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Yes, yes. You are audible, Mr. Rahil. Thank you.

Rahil Dasani - Analyst, Mittal Analytics Private Limited

Yeah. Good afternoon, and thank you for this opportunity. My questions are primarily around the tubes and pipes segment. Start off with, if you can maybe give me an understanding as to the demand situation overall in India. Tubes and pipes volumes grew 60%. If you can share what led to this growth and how will this continue going ahead, if you can expand on this?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Yes. Sure, Mr. Rahil. So, one is a factual number, which is a growth. At the same time, I must also say that the quarter one of last year we also had one planned maintenance. So, volume was low in that particular quarter. Having said that, now you see, we are -- what has happened in last four, five,

six quarters, if you really see, the exports have continued to decline for the reasons, which are beyond our control. But at the same time, we kept on focused, focusing on getting more and more approvals, making newer products and get into newer segments. And while we were losing on the export front, we were adding these segments and these new sectors to our portfolio, thereby keeping our volumes consistent.

So, I think, India currently, I'm very confident for the next foreseeable five, six years. There is huge opportunity within India. And ours being an integrated setup, I think we are fully positioned and very strongly positioned to grab the opportunities that are going to come our way. And therefore, on the tube side, I think while we are keeping, let's say, eyes open and looking for opportunities in export as well, but then I think domestic market presents a very strong opportunity for Indian companies.

Rahil Dasani - Analyst, Mittal Analytics Private Limited

Got it. And which sectors or segments would be leading this growth for us? Where are we seeing so much demand coming in from, whereby they are not only absorbing our old supplies but also helping us grow so much?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

You see, there are a wide spectrum applications, but if I have to pick up like three, four important ones is the critical grade tubing, let's say within oil and gas, especially the refineries and the LNG setups. As you see this, whatever happened in the past in the Middle East has again started to build a lot of trust on, let's say, investments into oil and gas assets. So, that is one segment, which is bringing a lot of business. At the same time, for India, the story of energy security is very strong. So, we are seeing huge investments coming in. Thermal already.

And at the same time, you would have -- if you would have followed, these large, large-size nuclear power plants which have been announced by not just government, also the private players. So, we have been talking about this in our past calls also, and we were kind of following the sector. But now I think it's very, very clear and announced in public. And this is now here on the ground. So, we will see huge activity in nuclear power in next four to six quarters at least.

Rahil Dasani - Analyst, Mittal Analytics Private Limited

Got it. Just before going to my thermal list of questions, a bit more understanding on the export part. If you can give me more data around the Europe quota situation, what sort of volumes are getting cut? I believe there are seven to 10 exporters from India who will get cut. And do you think that we are losing on exports because we are more extrusion-focused and the piercing players are being preferred since they are probably 30% cheaper? If you can give me some understanding there.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Yeah, yeah. Sure. So see, Rahil, we need to understand that there are applications where both products could be acceptable, right? But when it comes to, I would say, plain vanilla line pipes, so the line is, I would say, in the graph of criticality. Mostly in general, you can say are considered the lowest, okay? Now at market, not now, for last two, three years is already gone into piercing, right? So, what you see all the exports happening is let's say that low-end line pipe in larger quantities. I'm not saying the other things are not going, but then that comprises a very big [Technical Issues].

And the situation in that market was very different three, four years back when we were also

exporting the same products from extrusion, right? So there are -- sea change has come in last two years and that's a reality, right? So for extrusion, as -- and this is not new, I mean, for last two years, we have been saying that we are only focused on high-value, only focused on value-add because that is what will keep us going and keep us going and growing. Because there are so many applications where, let's say, for the criticality, design or the grade complexity, extrusion is either must or preferred.

Rahil Dasani - Analyst, Mittal Analytics Private Limited

Okay.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

But the two businesses, of course, are overlapped, let's say, a piercing player or an extrusion player. I'm not saying that they are completely delinked, but at the same time, I think being integrated and being into extrusion, we are very strongly positioned. And we have our strategy in place as to what we are supposed to do, if not six, seven years, at least for next two years.

Rahil Dasani - Analyst, Mittal Analytics Private Limited

Fair enough. So if I were to just conclude, would it be right to say that Europe has the requirement -- the bigger requirement in Europe was for the line pipes, which is more commoditized, lower value where we got competition from piercing, as well as we as a company didn't want to focus on lower value products and hence, the exports have taken a backseat for us, especially in Europe?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Yeah. And see, our exports to Europe have anyway reduced in last two years, not now this quarter, right? But at the same time, yes, it would not be wrong to say that quite a large portion is line pipe and general tubes, and quite a large portion of it goes into the stockholders because that's how business happens in Europe, okay? Now, that doesn't mean that none of the high-value tubes are going, but I mean, it's very -- you can say as a proportion, very less. And as you rightly said, now the quota has been reduced.

Significant reduction has happened, and overshooting the quota will mean double the duty. Because earlier 25% has now become 50%. Now, earlier when it was 25%, obviously, there used to be always some quantity, which used to exceed the quota. But the rules are such that they would apply some duty on total import by applying some formula. So the average duty in, let's say, in the pre-reduction era used to be anything between 6% to 10%, which was applied to all the imports into Europe, which now, if I go by the same criteria or same formula, might become 30% or 35%, which I think is very prohibitive.

Rahil Dasani - Analyst, Mittal Analytics Private Limited

Got it. Got it. Okay. And now, sir, my last line of question around the thermal part of it. If you can share more as to the opportunity that we are seeing from the thermal segment, especially there, I believe a new tranche of orders is to be announced in this coming few months, if you can share more on that?

And secondly, as of date, how many true players are there for this particular grade of pipe on hill? Yeah, if you can share on two or three of them.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

You see, first of all, we need to understand the thermal power sector from the country standpoint. So, a total of approximately 80 gigawatts is what is planned to be built over next eight years. This, we are talking of the central plan with the, let's say, almost all the plants in super critical category. Now, in addition to this, obviously, there would be other projects coming from the state governments and the private sector and things like that. Now, all these, all along we have seen that BHEL had been a key player in, as let's say a boiler manufacturer, which is like a relevant portion for us. But now when, when you look at this sustained story of building so many plants, I think other players are also now becoming active. For example, L&T, MHI is already doing some projects, right?

I believe that Thermax is also now entering the fray. So obviously, when the business is sustained, new players will come in because for this kind of execution, it is difficult to just depend on one company. So these requirements, what we are seeing in the market, according to us, will further increase. Now, as far as who can supply is concerned, there is no one answer because there are different grades and categories of tubes. Some categories, some manufacturers are approved or can supply, For others, there are others who can supply other set of manufacturers who can supply. So in some cases, for the same grade, same category of tubes, for different, let's say, owners, like, for example, if the owner is NTPC, or if the owner is Adani Power, or if the owner is Reliance, they also have their say and their own list of approved suppliers. So, I think it's no one rule, but let's say project-to-project it differs.

Rahil Dasani - Analyst, Mittal Analytics Private Limited

Fair enough. And sir, any [Speech Overlap]. Yeah, please?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Yeah, no, I mean, I was just saying that as far as we are concerned, I mean, we are approved with almost all of the projects. So, we don't have risk [Phonetic].

Rahil Dasani - Analyst, Mittal Analytics Private Limited

Got it. Any reason that we haven't won a thermal project for quite some time now while our competitors have? Is it the same extrusion versus piercing reason that we are seeing an issue with them being much more competitive than us?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

See, two things. One is probably, it will not be right to say that we have not been able to win, but let's say, you also need to see what kind of grade, what kind of project and what are the timelines to be delivered and things like that. So, we also need to note that the execution part, which had been a challenge, and that is why, as I was sharing, that now L&T is coming in and THERMEX is coming in, others are coming in, because this sector in last one year we have seen has become limited by the rate of execution because there was only one player, right?

So the supplies were getting choked. The acceptance of supply was getting choked. And therefore, we didn't -- we wanted to have a steady flow. We just don't want to be dependent only on one particular customer business or let's say, so we are -- yeah, so we are pretty spread out and we have a healthy and the right mix of business so that it doesn't get choked.

Rahil Dasani - Analyst, Mittal Analytics Private Limited

Got it. And if I were to ask this, which particular kind of piping is where extrusion players are needed and preferred compared to piercing players?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Generally, I would say given an opportunity at the same price, everybody would want extrusion. Simple as that.

Rahil Dasani - Analyst, Mittal Analytics Private Limited

And that's why I was asking, which particular set of piping in a boiler or in a thermal plant is where the customer would have no option but to go for an extrusion player?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

See, technically speaking, in stainless steel, I don't see any categories now left. That is number one. But owner to owner, it is still differing. Some owners are still not accepting, but others are accepting.

Rahil Dasani - Analyst, Mittal Analytics Private Limited

Got it, got it. Fair enough. Yeah, sir, that would be all from my side. Thank you for answering all my questions patiently. This was very helpful. I'll get back in the queue. Thank you.

Operator

Thank you. [Operator Instructions] The next question comes from the line of Parikshit Gujarati from Niveshaay. Please go ahead.

Parikshit Gujarati - Analyst, Niveshaay

Hello? Am I audible?

Operator

Yes, you're audible. Yes.

Parikshit Gujarati - Analyst, Niveshaay

Yeah. Thank you for this opportunity, sir. Sir, just as you mentioned that as your new sectors are opening up, for example, or [Technical Issues]

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

I'm sorry, I missed the last -- could you please repeat your question?

Parikshit Gujarati - Analyst, Niveshaay

Yeah, yeah, yeah. So, I was just asking that as you mentioned that a few sectors are opening up in the industry such as oil and gas, data centers, power, so my question was, can you break up a little bit on the unit economic side that what amount per tonne of pipes and tubes are required per gigawatt of thermal or say per gigawatt of datacenter, per gigawatt of nuclear power, like that I was asking?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

So, Parikshit, first of all, some of these segments are emerging, right? So, they are yet to be matured and for us to really be very sure of the quantities. But what we only know is that they are huge. Number two is it will not be simple to answer as to, for example, per gigawatt or per megawatt of plant, how much pipe is used. Because I think there are a lot of pipes in a power plant, starting from carbon steel to alloy steel to stainless steel, and then also a mix of seamless and welded and likewise. But if I have to answer your question very, very, general, one project of about 800 megawatts, which is called one super critical project would consume nearly 4,000 tonnes to 5,000 tonnes of tubes, which are subject matter of interest for us.

Parikshit Gujarati - Analyst, Niveshaay

Okay. No, sir, I was basically just asking for stainless steel, seamless only, not carbon steel and not alloy steel.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Right. So, as I said that 4,000 tonnes to 5,000 tonnes of tubes and pipes, which are of interest to us. So, that actually means that.

Parikshit Gujarati - Analyst, Niveshaay

Okay. 4,000 tonnes to 5,000 tonnes.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Per project of 800 megawatt.

Parikshit Gujarati - Analyst, Niveshaay

And sir, this is for thermal power, right?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Yes, yes.

Parikshit Gujarati - Analyst, Niveshaay

And any idea on the other sectors like nuclear or data centers?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

See, nuclear is a very, very complex design. The nuclear -- I mean, they're very distinct and different from thermal because thermal, what we are talking is a major consumption in boiler tubing, whereas that's not the case with nuclear. It's an altogether different design. There are a lot of different heat exchangers, which require not just stainless steel, but also very high nickel alloys and things like that. So it will be very difficult to really explain this on this call as to what kind of volumes goes in what category in case of nuclear power.

Parikshit Gujarati - Analyst, Niveshaay

Okay. Got it. Got it. Thank you so much, sir. All the best.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Yeah. Thank you.

Operator

Thank you. The next question has come from the line of Shaurya Shah from Equirus Securities Private Limited. Please go ahead.

Shaurya Shah - Analyst, Equirus

Yeah. Thank you so much for taking up my question. So, you mentioned increased focus on the Middle East region in the presentation with key approvals being pursued. So, could you just let us know which end-use sectors are you targeting here, like oil and gas, desalination, power, like what product categories and sizes are these approvals for? And lastly, how do margins on these orders compare with your existing export and domestic business?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Thank you, Shaurya. So, I think our focus is obviously oil and gas, which is the biggest segment in Middle East. The rest can come in, as we progress more into that market, number one. Number two, you see, there is no one product. So, margins, it will be very general to say margins. What we are focused or why we are focused is we want to expand our customer base on the tubing side. And a little before, I also mentioned that where we see the major volumes coming in are from oil and gas, also from power generation, which is both thermal as well as nuclear. Plus, obviously, there are other segments like aerospace and things like that, but volumes are not so large.

Now, when we say increasing our foothold, or let's say, our presence in Middle East does not necessarily mean that we must sell directly into Middle East, right? All these players in Middle East also place a lot of orders to the Indian fabricators who then buy tubes for using into the fabrication or fabricated equipment, and then it is exported back into the refinery or a setup there in Middle East. At the same time, there is a lot of opportunity to sell directly also into that market. So, I think we are approaching it as an overall presence with the Middle Eastern oil and gas companies.

Shaurya Shah - Analyst, Equirus

Okay. Understood. And another thing was the share of renewable energy, right? So the share has increased considerably in the FY '26 year as well to around, I think, almost 60%. So, what are our targets on this front? And could you quantify whether -- what kind of cost savings or benefit in terms of margins we are receiving on this end, if any?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

See, I think, renewable energy anyway is competitive. So in this particular year, we believe that we may hit something like 70%, which is further increase to our last year, let's say, proportion of renewable energy. So, that is, I can see -- because, see, at the end of the day, the supply is fixed, right? The setup is fixed. So, we are seeing it from the standpoint of what kind of efficiency we can bring in the system, how much more business we will do this year. And so we feel that we'll be around 70% in this particular year.

Shaurya Shah - Analyst, Equirus

Okay. Understood. Okay. So, just a last question. So, I joined the call a little bit late, so I'm not sure whether this was answered or not. So from our results, the materials cost have declined

considerably in this first quarter. So, was this primarily driven by lower sort of input costs? Or is it a change in product mix, inventory consumption? So if you could just clarify this trend.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

So on the input side, I can say, and I've been mentioning this before also that we have a very strong, very, very robust internal systems whereby we don't expose ourselves beyond certain legitimate levels on the raw material side. So, what you see here is a mix of two things. One is the ferroalloy efficiency, and the second is better value product mix. So, I think the raw material would be as priced in a going market. There is no time difference on that one, I mean, not significant. But on the sales side, yes, I mean, we have had a better product mix and value-added products.

Shaurya Shah - Analyst, Equirus

Okay. Understood. Okay. That's it from my side. Thank you so much for taking up my questions.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Thank you.

Operator

Thank you. The next question has come from the line of Jignesh [Phonetic] from Jiva Capital. Please go ahead.

Unidentified Participant

Yeah. Thanks for the opportunity. And now, sir, want to understand, as you've mentioned that BHEL and L&T in terms of the thermal sector, they are the major players, and Thermax is also entering. So going forward, how do you see this evolving? Because you would also be planning to tender, participate in the tender in BHEL and L&T in coming year. How would it work for the thermal business?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Thank you, Jigneshji. Just to clarify, see, we are not into EPC business, so we are not going to participate in the tenders for power plants. What we are interested in is whoever bids the plant would obviously buy seamless tubes, and we are in the business of seamless tubes. And also these -- I mean, since we are on the topic, these projects requires a lot of steel also for forging and other applications. So, there also we are present in the market to sell those kind of steels or ingots from our steel plant. So, I think, in short, I mean, we are interested in these projects because we get to supply our products into these projects.

Unidentified Participant

Right. So, sir, just to understand, in next two to three years, there is a huge opportunity So out of our total revenues what can we expect from this thermal segment going forward since there will be a lot of demand from the key players who participate in this tender?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

I think difficult to really predict how much revenue will come only from thermal segment, but I can

only say that this is one of the important segment for us. So obviously, we will have a material share of revenue coming from this segment, that is for sure. But difficult to say as to whether it will be 20% or 30% or 40%, I mean, it's really difficult for me to say.

Unidentified Participant

Right. But sir, suppose we are at 5% to 10%, so we can think of reaching 25% to 30% in two, three years, if at all, is the sense that we can make?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

You mean the portion of thermal.

Unidentified Participant

Yeah. Your supply to thermal projects

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

We can reach to even 50%, 60%, 80% also. But the point is we need to bring business, while maximizing our value addition, right? So, we would obviously pick and choose the businesses, which offer us the most good value. So, we would be present into other segments as well. And from time to time, the opportunities that are available, we would like to pick and choose. So, I would not say that a situation where we would have done 40% thermal business is not going to come. It may come, right? But that's not by design, right? We are not simply thinking of loading our tube plant with 40%, 50% thermal. That's not the case.

Unidentified Participant

Understood. Thank you.

Unidentified Speaker

Thank you, Jigneshji.

Operator

Thank you. [Operator Instructions] The next question has come from the line of Srushti from Ethical Ventures LLP. Please go ahead.

Srushti Sachin Patil - Analyst, Ethical Ventures

Hello. Am I audible?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Yes, Ms. Srushti. Please tell me.

Srushti Sachin Patil - Analyst, Ethical Ventures

Yeah, hi. First of all, congratulations on a great set of numbers. I have a few questions regarding the utilization and how are we projecting our FY '27? Because I guess in the last con call, you have mentioned that we are expected to grow by volumes of 25%? So are we expecting the same range for FY '27?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Srushti, you're absolutely right, Srushti. In last call, last to last call also, or let's say even before that, for last financial year, we had guided that we aspire to grow 20% to 30% and we actually end up growing more than what we had expected. At the same time, as far as our internal plans and strategy and our concrete actions are concerned, I mean, we are absolutely on the path of what we had projected in our last call. So, that plan stays. Now, quarter-on-quarter, we all understand and appreciate that the situations may emerge, which may bring some headwind or a knee-jerk, which can affect the business in short term, right?

So, I would say that we are, in a way, very focused, very sharply focused on two things. One is value addition. We will not choose businesses, which are just volume without value, even if that means our volume has dropped a bit, right? And at the same time, we will be focused on increasing our capacity utilization by way of bringing meaningful businesses. So, I think we are on the path and we see that strategy yielding results for us. So, I would still be very confident that we will deliver what we thought and what we guided in our last call.

Srushti Sachin Patil - Analyst, Ethical Ventures

So, sir, if possible, can we quantify what our current utilizations are? And you have also mentioned that a bright bar facility is also commercialized and it's currently under stabilization phase. So, how will our capacity will be -- we should look going forward and the expected utilization levels?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

So, answering your second question, firstly, bright bar is a value addition on the -- I mean, bright bar has its own capacity, but it is first a value addition, right? And we need -- obviously, we need bright bar for a lot of customers who use these bright steel. But at the same time, I must say that whatever used to get exported, or even now when we are exporting about 20%, 25%, is nearly all bright. So in that sense, we are, in a way, now prepared with our bright bar project to handle any kind of volume when we get there or when we reach there.

The second is the qualitative improvements that we are clearly seeing with this new technology bright bar setup. Now, as far as the utilization of the overall installed capacity is concerned, I mean, current run rate is what, where we were last year, which is approximately, you can say, 40% -- 40%, 45% on the steel side of it. So, we have a headroom to grow. And on the pipe and tube side is again about, you can say, 60%, 65%. So in both the cases, we have the headroom to grow. And we are taking all the needed steps to see that we ramp up ASAP, but again, in a meaningful manner.

Srushti Sachin Patil - Analyst, Ethical Ventures

Okay. And the last question from my side is how are we expecting our realizations to go forward? Because in the current quarter, we are seeing that since the value of pipes and tubes has a larger share, our realization has improved. Average realization has improved a lot. So, do we expect that it should be in the similar range and how are you seeing the realizations on an FY '27 basis?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

See, we are not so focused on the realization because we are selling 500 different products. I mean, I'm exaggerating, but let's say just to make a point that there are so many different grades and

combinations of sizes and things like that. So, what is more important for us is how much margins we are able to yield, how much value addition we are able to bring in. So, I think realization is only a function of, as you rightly said, the mix of steel and pipe, and also within pipe, the mix of grades and sizes, and also in steel, the mix of grade and sizes, right? So, more important is our material margins, and more important is our overall value addition. So, I think our decisions are guided by that.

Srushti Sachin Patil - Analyst, Ethical Ventures

Thank you so much.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Thank you.

Srushti Sachin Patil - Analyst, Ethical Ventures

That's it from my side.

Operator

Thank you. [Operator Instructions] The next question comes from the line of Anand Darshan [Phonetic]. Please go ahead.

Unidentified Participant

Good evening, sir. Thanks for the opportunity. So the first question [Speech Overlap]. Last year we added multiple customers, around 43, and this quarter, we have added another 13 customers. So on a lower base, still our growth seems to be lower due to lack of recurrence as you have mentioned in presentation. So if now things get normalized, what kind of growth or utilization level are we expecting in both seamless pipes and bars? So if there is no situation in FY '28, then we do around 8,000 metric tonnes of volumes in SS pipes and 40,000 in external sales in bars?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

I think somewhere your voice was not clear, but let me try to -- see, first of all, we are adding -- I mean, this is one of our main, let's say, focus to add more and more customers in every geography. And incidentally, this quarter that you are seeing, a majority of these are from the domestic market within India, which is incidentally our main market at this point in time. And we are very bullish on the Indian market. Now, on the utilization side, Mr. Anand, see, we have already said that we aspire to grow 20%, 25% like last year also in this year.

See, it is very easy to sell the capacity but not make any margin, right? There are low-end products which we, from day one, we are not focused and we are not interested into getting into those segments. We want to load our capacities absolutely meaningfully. And that is why maybe our ramp-up seems a bit moderated. And I think in that, a large role has also been played by degrowth in the export markets. Otherwise, perhaps by now we would have hypothetically reached what we are projecting for this current year. So important is that, we are addressing the external adversities with the right kind of planning, with the right kind of strategy and it is working out for us very well. So, yes, I mean, we'll certainly ramp up.

Unidentified Participant

Sir, can you expect around 800,000 metric tonne for volume in SS pipes and 40,000 tonnes of extrusion sales in bars by FY '28?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

By FY '28, I would expect even better than that.

Unidentified Participant

Okay. Great. So, sir, you had mentioned on focusing on the Middle East and targeting the Malaysian market in your PPT. So, how big is the Malaysian and Middle East markets for Welspun?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

See, it needs to be seen as an addition, as an additional market. So, one Malaysian market may not be like a huge one, but then you see, if one market provides us -- I mean, I'm not saying Malaysian market is of this size, but even if a market gives additional 3,000 tonnes, that gets added to your existing 35,000 tonnes, right? So, stainless steel is something -- first of all, is compared to carbon steel is a much lower, smaller market, number one. And now within that market, we are very focused on certain category of products. So for us, it becomes even more focused. So, I think every market that we are adding will give some meaningful business to our overall volume.

Unidentified Participant

Absolutely. Right, sir. Sir, and within the pipe space, how much is the standardized pipe and how much is the more customized, value-added pipes? What is the value added piece here, sir?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

So with the given situation, I mean, on the lighter side, the extrusion players are now not allowed to do standard things, because all the standards have gone into the other route. So, I think what we are doing is in most cases are only high value.

Unidentified Participant

Okay. Do we have any value-added mix shift, any percentage?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

In tube, as I said, I mean, we, being on extrusion, obviously, we have almost all of it value-added. Now, one can have a different definition of value-added, I mean, but for now I've been taking it like, let's say, upper teens margins. So, I think we are doing on the tube side everything, which is value added at this point in time.

Unidentified Participant

Sure. Okay, sir. Sir, and in the bright bar, we have around 50,000 tons of capacity. So by when will it start contributing to the earnings, sir, the expected volumes on FY '28 in a normal scenario?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Well, I think utilization of bright bar also would go in similar proportion as we grow our overall utilization of steelmaking. And at the same time, you see, the capacity is 50,000, but what happens is if you need the rate of production in bright bar, which is 50,000, for example, in a particular 15-day period, we need to churn out 2,000 tonnes of bright bars, right? So then that is the capacity

that you need. So the capacity is designed in such a manner that as we grow, I mean, we don't fall short of -- or the bright bar doesn't become a bottleneck for us into furthering our volumes.

Unidentified Participant

Do we have any expected volumes in the FY '28, sir, any targets and volumes?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

I think you mentioned the volumes already. So, that is something that we'll definitely exceed.

Unidentified Participant

Right. Right, sir. And last question is, with the surplus capacity available in the market, that is stainless steel pipes, so regarding the price pass-through, how much are we able to pass on the cost inflation, sir? How difficult was it to pass on the cost inflation?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

See, as a, you can say, trend in this industry, like what happened a few months back is the gas prices went up. Now, that kind of increase cannot be passed on in the existing orders that are already on the book. But obviously, when the gas price went up, the cost went up. And so all the new projects are quoted at higher price. And then, obviously, it takes some time for the market to absorb and sync with that.

Unidentified Participant

Right, sir.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

This is a normal phenomena. But if I say that my cost has gone up and now in the confirmed order, I want to increase the price, I mean, that doesn't happen.

Unidentified Participant

Sure. Right, sir. That's it, sir. That's all.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Thank you.

Operator

Thank you. The next question has come from the line of Jigar Shah [Phonetic] from Financial Research. Please go ahead.

Unidentified Participant

Thank you for taking the question, sir, and congratulations on very good results. Sir, I just had a question on the medium term. In the next three to five years, can the company reach a turnover of INR2,000 crores, sir?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

I think if we don't do that, we have no right to be in business. So, I mean, in three to five years is not a medium term for us. It's a very long time. And we are absolutely focused that in three to five years, yes, we have to -- I think more appropriate to say would be whether we can hit 80%, 90% of utilization of capacity, right? That is what our prime focus would be because turnover is a matter of market pricing, which can swing 20%, 30% here and there. We have seen that happening. So important is utilization. And I think in three to five years' time, we'll definitely hit those numbers.

Unidentified Participant

And would we look at any other major capex or something, sir, maybe in the next one or two years?

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

See, we are very cautious when we approach any capex proposal. There is no limit. I mean, there is so much that can be done. We also get enticed at times. But I think our capital allocation is very, very disciplined. Whatever we did until now was to debottleneck our existing capacity or upgrade the technology within the existing capacity. So, I don't see any capex at least for next three years into increasing capacity, but we would definitely be adding capabilities if that would add two more products into our portfolio. But those will not be significant for sure. Those could be, let's say, high maintenance capex or some machine here and there to debottleneck or to add some new product that a customer requires. Other than that, no.

Unidentified Participant

Okay, sir. Thank you, sir, and all the best, sir.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Thank you. Thank you, Jigarji.

Operator

Thank you. Ladies and gentlemen, that was the last question. I will now like to hand over the conference over to the management for closing comments.

Anuj Burakia - Chief Executive Officer and Wholetime Director, Welspun Specialty Solutions Limited

Thank you.

Our strategic priorities remain firmly focused on enhancing operational excellence, improving efficiency, strengthening our customer value proposition and sustaining our leadership through early participation in emerging opportunities. At the same time, we remain committed to expanding our customer base across both existing as well as new markets to drive sustainable long-term growth.

We hope we have addressed your questions satisfactorily. Should you have any further queries, please feel free to reach out to our Investor Relations team. We would be happy to assist you. Thank you once again for joining us today and for your continued interest in Welspun Specialty Solutions Limited. We appreciate your time and support, and we look forward to speaking with you again next quarter.

Operator

[Operator Closing Remarks]