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RMTL/SEC/POST-TRANS. CON-CALL/Q1/2022-23

August 17, 2022

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**Subject: Transcript of the Investor Conference Call post Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter ended on June 30, 2022**

Dear Sir/Madam,

We, vide our letters dated August 6, 2022 and August 9, 2022, had intimated to the Stock Exchanges about the schedule of the Investor Conference Call on Wednesday, August 10, 2022 post Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter ended on June 30, 2022 and future outlook of the Company's business.

The Conference Call recordings have already been uploaded on the website of the Company and a link was provided vide our letter dated August 10, 2022.

We, now enclose a copy of Transcript of the Investor Conference Call which took place as scheduled. The said transcript is being uploaded on the Company's website namely [www.ratnamani.com](http://www.ratnamani.com).

The Company has referred to publicly available documents/ information for discussions during interaction in the Conference Call and no Unpublished Price Sensitive Information were shared during the Conference Call.

Kindly take the above on your record.

Thanking you,

Yours faithfully,  
**For, RATNAMANI METALS & TUBES LIMITED**

**ANIL MALOO**  
**COMPANY SECRETARY & COMPLIANCE OFFICER**

Encl.: As above

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**“Ratnamani Metals & Tubes Limited Q1 FY23  
Earnings Conference Call”**

**August 10, 2022**



**MANAGEMENT: MR. PRAKASH SANGHVI – MD & CHAIRMAN,  
RATNAMANI METALS & TUBES LIMITED  
MR. MANOJ SANGHVI – BUSINESS HEAD, RATNAMANI  
METALS & TUBES LIMITED  
MR. VIMAL KATTA – CHIEF FINANCIAL OFFICER,  
RATNAMANI METALS & TUBES LIMITED**

**MODERATOR: SAHIL SANGHVI - ANALYST, MONARCH NETWORK  
CAPITAL**

**Moderator:** Ladies and gentlemen, good day and welcome to the Ratnamani Metals and Tubes Q1 FY23 Earnings Conference Call hosted by Monarch Network Capital. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Sahil Sanghvi from Monarch Network Capital. Thank you and over to you, sir.

**Sahil Sanghvi:** Thank you Jitendra. Good afternoon to all. On behalf of Monarch Network Capital, we welcome you all for the Ratnamani 1Q FY23 Earnings Call. We are delighted to host the management of Ratnamani today and from there side, we have Mr. Prakash Sanghvi – MD & Chairman and Mr. Manoj Sanghvi, who is the business head and also Mr. Vimal Katta - Chief Financial Officer.

So, without taking any much time I will hand over call to Mr. Manoj Sanghvi, sir for the opening remarks. Thank you and over to you, sir.

**Manoj Sanghvi:** Good afternoon, I welcome you all to this call and hope everyone is doing good. Our results for the first quarter of FY23 have been uploaded on the exchanges and I believe you all would have had a chance to go through it. As you all know, past few months has been unprecedented in terms of volatility witnessed across segments, be it commodities, currencies, interest rates and equities, not only this, but also the sanctions imposed by various countries on global trade coupled with geopolitical issues have cropped various challenges for the business climate. Most of the developed countries are facing high inflation, resulting to high interest rate, outlook compared to our country which is still reflecting strong macroeconomic scenario. As per various estimates, our economic growth outlook has shown resilience and may remain less impacted. Decline in the commodity prices may further improve the infrastructure demand and some good traction may be expected in CS and SS pipe. Capacity expansion across refineries and process industries is likely to maintain the momentum and we expect further improvement in capacity utilization.

Continued energy prices at elevated level augurs well for the projects in oil and gas opportunities are expected be robust here and as you are all aware about the opportunities on the domestic front due to thrust on increased allocation of government on CGD, Jal Jeevan Mission, Har Ghar Nal Se Jal, Ken-Betwa River Linking Project, Oil and Gas Transmission Project etc. Since you are all well updated on the schemes and opportunities arising thereof, I would like to straight away touch upon the quarterly and financial numbers and business update in brief and then we can take questions.

So, our revenue has increased 85% year-on-year and is flat on sequential basis. EBITDA is increased to Rs. 139.45 crores from Rs. 92.6 crores on year-on-year basis, registering a 50%

growth and sequentially it has been down by 21.8%. Our EBITDA margin has also contracted on by around 4% due to product mix and high raw material cost. During the quarter, inspite of inflationary pressure felt on operating cost, we had been able to contain the same at the levels of preceding quarter. Our net profit margins have reduced by 250 basis points sequentially mainly on account of inventories and for the year we don't expect the variation to be more than plus minus 200 basis points.

Our orders on hand as on 1<sup>st</sup> August is Rs. 2,345 crores of which exports is Rs. 455 crores. This financial year begin with lots of uncertainties and challenges in terms of geopolitical situations, inflations, rate hikes, tapering of liquidity and high volatility is witnessed in commodities and the global situation is likely to remain same over for next few months. So, giving any guidance for the long period may not be suitable at this juncture, but as highlighted earlier, we target for a growth of 15 to 20% at a constant price basis for this. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashutosh Tiwari with Equirus Securities. Please go ahead, sir.

**Ashutosh Tiwari:** Firstly, in the new order booking that we are doing, has the steel prices started coming down like the Stainless Steel and Carbon Steel compared to last 3 months back, are we seeing moderation with steel prices as well when you are booking it?.

**Manoj Sanghvi:** Order booking has been consistent and it has rather gone up.

**Ashutosh Tiwari:** No I am not talking about order booking, I am saying that in the order booking that we are doing in Carbon Steel and Stainless Steel, has the pricing per ton has started coming down now because of the steel price is declining?.

**Manoj Sanghvi:** Yes, the pricing per ton, it has come down.

**Ashutosh Tiwari:** So, basically if you are seeing some improvement on a quarter-on-quarter basis in your order books on Rs. 2,223 crores as of last quarter to Rs. 2345 that means volume addition would have been better than the increase in the order book?.

**Manoj Sanghvi:** Yes, volume addition is better than what it was in the last quarter.

**Ashutosh Tiwari:** And I think, we are now seeing good traction in your Stainless Steel order book so, can we just explain like which are the drivers over here, is it like, we also had entered in the larger diameter tubes with this new extrusion plant, is it playing out or it is still the normal or that we used to receive earlier?

**Vimal Katta:** Ashutosh, these are normal orders, new hot extrusion order booking will start picking up after sometimes. Right now, whatever is being produced is being captively consumed. Some quantities have been sold in the market also, but those are not significant.

**Ashutosh Tiwari:** Are we like in our sales mix or orders, whatever we are getting in that mix has the share of larger diameter started going up, inching up a bit or that is not still visible, I understand that you are not selling hot extrusion directly in the market, but is that the diameter are we inching up now?

**Vimal Katta:** About to inch, whatever we need earlier we use to import that has been replaced from whatever we are producing from the new hot extrusion facility. So, anyway that larger diameter is being used, but the size is exclusive to this hot extrusion that is 8 to 10 inch, that will take some time because those demands are driven by the CAPEX happening in oil and gas sector and other refineries so, gradually those should be happening going forward.

**Ashutosh Tiwari:** And in the Carbon Steel side, can you highlight some on the projects is coming up in domestic export basically which will drive growth going ahead, some new projects will be announced by the refinery or other players in oil and gas space?

**Manoj Sanghvi:** There are a few water projects in Gujarat and MP and Rajasthan, which we feel will be finalized in other 3-4 months. Like we had Sauni in Gujarat, there is Sauni first phase which has already tenders are out and awards to EPC will happen in another month or two, so then the EPCs will finalize that put together is 250,000 metric ton final price.

**Ashutosh Tiwari:** That is in Gujarat you are saying or 3 states put together?

**Manoj Sanghvi:** Yes, this is in Gujarat. Then similarly, there was Rajiv Gandhi Link Canal Project in Rajasthan, which is 1,10,000 tons, so that will be finalized, whatever I am saying is for the next 2 to 3 months what will be finalized. So, it is in water and then have been seeing regular requirement from all the private as well as public sector units. Our ERW as of now is booked till November and we see that in next 2-3 months, we will be able to book the same until March. On ERW, there are few product lines also where the tenders are submitted for BPCL and HPCL.

**Ashutosh Tiwari:** So, in this water orders, the margin should be lower than what we get in oil and gas or because it is located in Gujarat and Rajasthan, so we probably can still make decent margin over here?

**Manoj Sanghvi:** Yes, because it is located in Gujarat and Rajasthan, we will still make decent margins and oil and gas, we have seen domestic whatever projects were there for IOCL and for NRL, those have been finalized. There are some projects from HPCL, IGGL where we have submitted the tenders.

**Ashutosh Tiwari:** Is it BPCL right, HPCL?

**Manoj Sanghvi:** Yes, BPCL is there, then there is IGGL, Indradhanush Gas Grid Limited where few tenders are there. Then, there is one tender from GSPL which is GSPL Chhara pipeline, so that will be

finalized. That is roughly 30,000 tons and GIGL which is subsidiary of GSPL is coming up with 2 tenders.

- Ashutosh Tiwari:** Sir, as of now, the pipeline is good in Carbon Steel space?
- Manoj Sanghvi:** Yes, the demand for water is more than oil and gas in line pipes, whereas on the petrochemical and refinery, the demand for LSAW pipe is good.
- Ashutosh Tiwari:** Sir, you said in petrochemical and refinery what is good?
- Manoj Sanghvi:** The demand for LSAW pipe.
- Ashutosh Tiwari:** And lastly, some financial questions, one is, how the net cash position as of June 2022?
- Vimal Katta:** Net-net will be positive, but not very significantly because working capital continues to be on the higher side, so that is the thing and off label we should be having closer to Rs. 220 crores plus sort of investments as on 30th June.
- Ashutosh Tiwari:** Investments you are saying, right, investments?
- Vimal Katta:** Liquid and FD.
- Ashutosh Tiwari:** And debt is how much?
- Vimal Katta:** Debt will be closer to Rs. 150-Rs. 160 Cr only. So, net-net debt is Rs. 60-Rs. 70 crores remains with the company.
- Ashutosh Tiwari:** And depreciation charges went down quarter-on-quarter Rs. 23 crores to Rs. 19 crores, any reason, how do we look at this going ahead?
- Vimal Katta:** See basically, on average this 20 should be taken. Here depreciation what happens that under the Company's Act, it works based on the number of shifts worked, so that is the thing here and one hot extrusion working at Kutch, that has been now scrapped and a new facility, already it has been commissioned at Indrad. So, now, even for lower sizes also, we have a new facility of hot extrusion. So, now, again depreciation will start moving up in this quarter onwards.
- Ashutosh Tiwari:** And lastly, I think we mentioned that this quarter because of may be at the time of order booking, there is some volatility in the steel that probably hit us in terms of margins, that should normalize going ahead and we still stick to 16 to 18% margin range?

- Vimal Katta:** See that average of 16 to 18% (+/-1%) seems to be the maintainable over a longer period for any extended period and some variations may be there based on the product mix and the market situations.
- Moderator:** Thank you. Our next question is from the line of Pujan Shah with Congruence Advisers. Please go ahead, sir.
- Pujan Shah:** Couple of questions, sir. First question would be currently we are being like quarter-on-quarter wise, we have been pretty good on our revenue standpoint, but at a PAT margin we have been like few bps been lower and looking at the trajectory, we have been always been, so are we seeing this bottoming now as we have been seeing an increase in order book, everything is being currently in the oil and gas is going into CAPEX mode and all the things. So, are we say that we have almost bottom out as the price has also been coming down, steel prices I know that the export order has been currently at a stagnant point or you can say on a debt basis, but are we saying this is the, you can say the low we have hit and back is behind us?
- Manoj Sanghvi:** It is same as like that, but nobody can actually say that, it depends totally on the product mix going forward whatever product mix we have with the orders on hand. This seems to be the bottom.
- Pujan Shah:** Sir, can you just repeat the order book actually I missed out so can you just say if you can?
- Manoj Sanghvi:** Rs. 2,345 crores is the total order as on 1st August of which export sales Rs. 455 crores.
- Pujan Shah:** Sir, can I get this split between the order book like is it more in water, oil and gas if you can split it out?
- Manoj Sanghvi:** No. I don't have any industry wise bifurcation is not done.
- Vimal Katta:** But see basically here in our case, water this time will be hardly any, majority it will be oil and gas sector and other process industry. See carbon steel is 100% oil and gas you can say, maybe 2% or 3% here and there water might be there, few very small size orders. In case of external facilities it is 100% oil and gas sector and other process industry. Water right now is not there in any significant way.
- Pujan Shah:** Sir, with this standpoint and the current trajectory, all the demand like in 2-3 years of horizon, are you seeing any new sector coming up or like which we will see this traction coming from this only sector, so are we seeing any new traction coming up from other industries specific like manufacturing or sort of thing like any specific industry, capital good industry or like?
- Manoj Sanghvi:** Right now, maximum traction is still seen in the same industry. Going forward, may be one the technology on the transportation of hydrogen has evolved, then yes, we might see in other

industries, but as of now it is mostly oil and gas, power, chemical industries, pharmaceutical industries, dairy, sugar those industries only.

- Moderator:** Thank you. Our next question is from the line of Hirenkumar Desai. Please go ahead.
- Hirenkumar Desai:** So, one question is because of high oil prices and this company is not raising prices, BPCL etc., they have been reporting losses, do you suspect from reduction in CAPEX because of the problems which is impacting our demand adversely?
- Manoj Sanghvi:** No, we don't see any reduction in CAPEX with the current oil prices than the refining margins. It would improve and further we see a lot of expansion in the petrochemical plant because there is a growing demand in the country for petchem.
- Hiren Desai:** And the second question is that book question, what is the total Stainless Steel and Carbon Steel capacity and what is the current capacity utilized?
- Manoj Sanghvi:** So, carbon steel all put together 500,000 tons and stainless steel 50,000 tons.
- Moderator:** Thank you. Our next question is from the line of Vikas Singh with PhillipCapital. Please go ahead.
- Vikas Singh:** I just want to understand that in this quarter, though we have a back-to-back booking, but certain portion would still be exposed to the vagaries of RM cost change, so have you taken any inventory write down?
- Vimal Katta:** No, it is not like that. See, basically, what happens at the time of tendering itself, there will always be a band below which we will not go. So, if prices are falling within that band particularly in respect of tender business, so we book our orders because it is never advisable to keep the capacities ideal just to ensure that bottomline achieves a particular percentage. So, 1% or 2% here and there will always be there. So, everything is dependent on the market conditions plus the product mix of dispatches during a particular quarter will also impact the margins. You might have seen in case of third quarter of last financial year again, margins had come down significantly, though they were 30-40 bps better than what they are right now. So, this situation will always be there, there may be certain quarter where margins may improve significantly and no inventory write down in our case because all inventories are marked against orders only. Here, we don't have inventories which are for external sales.
- Vikas Singh:** Sir, since we don't give the segmental SS and Carbon Steel data anymore, but in terms of growth out of these two which one you expect to be larger contributor in the overall earnings going forward, because stainless steel in FY23, I believe has de-grown from the previous levels, so just wanted to understand which of these segments would have a larger stay in the our earning profile?



- Vimal Katta:** Between 30 to 35% turnover will continue to come from stainless steel and remaining from carbon steel. This 5%, 7% band, you can say that 27 to 35, 36% will be the broader range for Stainless Steel quarter-on-quarter. Yearly, roughly 30 to 35% will be the range. We will do the current capacities which we have set up.
- Vikas Singh:** But since we were talking about last quarter, we have given like 30% utilization of new assets capacities. So, wouldn't it be that the assets would be pitching in more and hence our overall margin profile should be improving?
- Vimal Katta:** No. SS capacity utilization will be used captively, so our input dependency has reduced which will further reduce going forward. So, whatever we were importing earlier, that we will be substituting from our new hot extrusion and some capacities will be available for sale to others. So, that will not have a major impact on the product mix.
- Manoj Sanghvi:** And as such there is an increase suppose if there is increase in Stainless Steel revenues, there is an increase in Carbon Steel revenues also because new CS pipe capacities have been set up and commercially operating now.
- Vikas Singh:** And sir, since this quarter was pretty good, so are we maintaining our annual revenue guidance impact which we have given in 4Q?
- Manoj Sanghvi:** Yes, 15 to 20% growth we maintained.
- Vikas Singh:** So, effectively anywhere 25% to 30% is the volume growth which we are building in our estimates, is that a correct assumption? Since the pricing has been already coming down?
- Manoj Sanghvi:** No, 15 to 20% growth.
- Vikas Singh:** This is the revenue growth you are talking about right? I was talking about if revenue is growing by 15 to 20%, then my volume should be closer to 30% growth because since average prices have been lower now?
- Vimal Katta:** In case of Carbon and Steel, you may be correct to some extent, but in case of Stainless Steel tonnage will never help you, reason maybe there are products where tonnage will be much lower, but value addition will much higher and as we have been that for so many times that our focus has always been on the higher value added products, we are never chasing the volumes in terms of tonnage. We are changing the value addition. So, the products which give higher value addition those will be taken up which may not result in too higher tonnage being produced, but higher value addition will be there, higher turnover will be there. We have a product range which starts at Rs. 300 a kg, goes up to Rs. 5,000 a kg in Stainless Steel, so if Rs. 5000 a kg item is there; tonnage will not be there. It is like that.

- Vikas Singh:** And sir, last quarter we also announced additional CAPEX in SS as well as HSAW mill in a new location, so any update on the progress on the same?
- Vimal Katta:** Yes, SS work is going on and Helical saw, some progress is already there at the preparation of the ground, we will share the developments in next 3 to 6 months' time.
- Vikas Singh:** And sir, if I may ask one last question sir, recently one of your global competitor Tubacex won a multiyear deal in the Abu Dhabi Oil Corporation, so just wanted to understand so our focus is still on replacing the domestic basically arrivals, imports or have we started to focus on the export market because right now the export market looks pretty good, many countries are looking to increase their refining capacity, so what are the accessible market segment there if you could just give us a little bit explanation on there?
- Vimal Katta:** Traditionally, almost 40% of our turnover in Stainless Steel has been coming from exports, physical exports only and additional roughly 20% will be from indirect exports which is supplied to the equipment manufacture who in turn exports the equipments. This proportion continues to remain there and if you go through our outstanding order books of last couple of quarters, so these exports in Stainless Steel have moved up reasonably well and they are continuously in these range of Rs. 250 Cr sort of thing, this is there and for the new hot extrusions, that process has now started because now things have become a little more stable, now COVID restrictions are also not there, international sale has also become easier. So, gradually we may see that export booking happening in case of your products from the new facility also. It will take some time.
- Vikas Singh:** Sir, did we get all the approvals in India for that of?
- Manoj Sanghvi:** Tubacex has not received any order, but the announcement was that they are setting up something in Abu Dhabi.
- Vimal Katta:** Yes, somewhere around 30,000 ton has been what I believe has been in line basically, is a multideal basically. I assume this is one of the largest in SS segments.
- Vikas Singh:** Sir, have we got all their approvals for the new SS plant in the domestic market or there are still the approvals pending and would take time, so also in terms of you said recently, there would be some time before we start exporting also, so just wanted to understand what is the timeline we are looking at?
- Manoj Sanghvi:** No, that process is an ongoing process and in another 2-3 years, we will have all the opportunity.
- Vimal Katta:** And in case of this Tubacex, they have secured the orders related to upstream gas extraction for a gas extraction where right now we are not present, it will take some time, because right now mainly we are on the downstream project, application products, upstream can be

manufactured, but it will take some time because for us that will be a newer segment, so may be in next 2 to 3 years' time, we may have that product range also available with us. Again, if you can recollect when we started first discussing about the new facility we have said that the same facility can manufacture deep drilling application products also because as you go deeper, normal Carbon Steel Stainless pipes are replaced with Duplex or Duplex sort of steel, so it will take some time.

- Moderator:** Thank you very much. Our next question is from the line of Abhijeet Bora with Sharekhan. Please go ahead.
- Abhijeet Bora:** Sir, I have 2 questions, firstly, last time you guided for 20 to 25% revenue growth, this time you are guiding a lower growth, any specific reason for that?
- Manoj Sanghvi:** No, some price correction has happened in the Steel and Stainless-Steel segment, but it is close to 20% still.
- Vimal Katta:** We should be in that vicinity, vicinity over there 3800 crores anyway it will be higher than 20%.
- Abhijeet Bora:** Sir, can you repeat it again, I couldn't hear you?
- Vimal Katta:** See, looking to performance of first quarter and outstanding order book position which is there and the turnovers which we might have achieved in July keeping the run rate of Rs. 300 Cr minimum, so we should be in that range of Rs. 3,800 crores sort of things which anyway will be more than 20%.
- Abhijeet Bora:** And secondly, my understanding is that whatever there is a change in the raw material cost that is a passthrough for you. You mentioned in the opening remark that it was one of the reasons for the lower margin and when you talk about product mix change, can you just throw some more light on what was this change which impacted the margin?
- Manoj Sanghvi:** So, product mix is one if the proportion of carbon steel price substantially changes, then the margins can shift by a percent or two, so that is the product mix and even within the particular product, so within the carbon steel, if helical increases to a great extent then LSAW and ERW, then our margin might sink a little bit. Similarly, in Stainless Steel also if some high value added products proportion of that goes down and welded pipes, for example, general welded pipes goes up so, within Stainless Steel, within Carbon Steel also the margins varies from product to product, so that mix if it changes, we try to remain and the mix is such that we achieve somewhere between 15 to 18%.
- Vimal Katta:** See quarter-on-quarter performance keep on fluctuating, we have earlier also seen that it might come down 2% it may go up to 20% also, but on average yearly performance should fall within that range.

**Abhijeet Bora:** The bid pipeline which you are looking at across sectors, oil and gas, water, I missed on the earlier part if you have explained it? New orders pipeline in which we are bidding for or we have bid for?

**Manoj Sanghvi:** As I commented earlier, in water there is roughly 250,000 tons to be finalized in Gujarat, about 110,000-120,000 tons to be finalized in Rajasthan and there is of course 200,000 to 300,000 tons to be finalized in MP. We are considering for water only these 3 states because of the proximity. Then in oil and gas, we have about 100,000 tons of projects which tenders have been submitted and results are awaited. Then there is a demand from approx 20,000 to 25,000 tons of pipes required for City Gas Distribution from various private players and public sector unit. So, of that, we feel that of course 10,000 to 15,000 tons of ERW pipes we can secure and on the LSAW and on stainless steel, a lot of process pipes for LNG and pipes for refineries. So, we have seen a lot of requirements from there. In exports, we have seen requirements for small diameter tubes. And some projects, because Russia also had a good amount of pipe making capacity and they were supplying to a lot of projects in Europe, but because of the sanctions, they are no longer able to supply. So, we have seen few enquiries and rather one of them we converted to order also for Europe.

**Moderator:** Thank you. Our next question is from the line of Anirudh Shetty with Solidarity Investment Managers. Please go ahead, sir.

**Anirudh Shetty:** I had 3 questions. So, just a push on this point or on what is happening in Russia, given that Europe is so dependent on Russia gas and they are looking to derisk and that might entail more expansion in LNG terminal set ups and all that is required, do you see business opportunity for Ratnamani because of this CAPEX they might be to incur and are you seeing more enquires coming on that front?

**Manoj Sanghvi:** On Russia, as I informed earlier Russia has a huge pipe making capacity that is Carbon Steel and Ukraine has a good amount of Stainless-Steel Pipe making capacity. So, both of them is disturbed because of the war situation and Russia because of sanctions, the flow of enquiry and even the finalization both for Stainless Steel and Carbon Steel, we have seen going up. Good traction is seen from Europe. Now, going forward, yes, a lot of countries will start working on reducing the dependency on Russia. So, where easiest is bringing the LNG and once the LNG is brought into the country to get it to the storage tank, stainless steel pipe is the only solution, so we will see a good demand coming for stainless steel pipes for that going forward.

**Anirudh Shetty:** Is there also an opportunity, there is always China Plus One, now there could be a Russia-Ukraine Plus One, could that a Europe Plus One opportunity for us? The power cost in Europe is going up, would that impact the cost effectiveness of European players which would leave us better position to gain market shares from them, is that also an opportunity?

- Manoj Sanghvi:** Yes, definitely that opportunity, not only the cost going up, but even supply is an issue for them right now, to get gas a lot of industries are suffering. So, that is why in other markets also we will definitely see a lot of traction.
- Anirudh Shetty:** Sir, my final question is I wanted to understand the true useful life of our fixed assets, so if I look at our plant and equipments and all of that what would the useful life be and what is the depreciation life for that today?
- Vimal Katta:** See, roughly you can take around 20 to 25 years as useful life for various items of plant and machinery. It depends on different plant and machineries also. So, that is how it is there.
- Manoj Sanghvi:** Yes, but a lot of up gradation, maintenance, modification continues. So, every second year, third year, electrical definitely would change, but mechanical can go for much longer than 25 years also, like steel, nothing would happen to steel for 25 years.
- Anirudh Shetty:** Sir, just to clarify 20 to 25 years is the life over which we depreciate this asset, but you are saying that the mechanical part can actually last much longer, so the actual useful life is longer than this 20-25?
- Vimal Katta:** Yes, the actual life depends on how the under mentioned items are maintained. If we talk of our earlier investment in hot extrusion facility that plant was of 1960s vintage. ERW mill what we are right now using that is also 1960s, so a lot depends on these things, how are you maintaining.
- Manoj Sanghvi:** But that of 1960 if you see all the electrical and some mechanical also have been completely changed to the later generation and except for the steel nothing is old?
- Vimal Katta:** So, as a policy, we depreciate our plant and machineries for a period of 20 to 25 years based on the inputs from our technical team and then of course, maintenance CAPEX keeps on happening and usually these undermentioned items will last for a much longer time period than these 20-25 years. So, we have our plant and machinery items which have been in book depreciated fully, but they are working as good as new ones. The fact is that our existing process pipe facility will be more or less 80 to 90% depreciated but is contributing almost 300 to 400 to the topline with a very good margin.
- Anirudh Shetty:** And one final question is what is the critical maintenance CAPEX in our business and how is that accounted for result taking through the P&L or do we capitalize it?
- Vimal Katta:** No, it is part of Profit and Loss account only under repairs and maintenance. It would be hardly any may be anything around Rs. 40 Cr maximum, Rs. 40 Cr product mix.
- Moderator:** Thank you. We will go ahead with the other question. Our next question is from the line of Radha Agarwal with B & K Securities. Please go ahead.

- Radha Agarwal:** Sir, my first question to you is previously we have spoken about Cauvery Basin Refinery, so is there any visibility on obtaining order from the same and what could be the size of opportunity for SS pipes from them?
- Manoj Sanghvi:** There is no further development on that right now, so it was still to be awarded for feed but it is not yet awarded.
- Radha Agarwal:** Sir, also if you see in the last 5 years, the stainless steel volumes has been pretty flat in the range of about 21k, so by when do we see that the volume itself start picking up significantly and how confident are we in filling the stainless steel capacity for the next 3 to 4 years?
- Vimal Katta:** Here increasing volume is very easy, but then value addition will take a hit. Basically, if you might have heard me in this call earlier, focus has been on the higher value added products which may not give you the tonnage, which may not contribute significantly to the volume, but value addition will continue to be good. So, focus continues in that direction. A lot of investment on development of import substitute products and higher value-added products has been going on continuously and that is the reason that we have been in a position to withstand market volatility in a much better way in last couple of years' time. So, going forward also, we may not see volumes increasing significantly even if the existing hot extrusion facility is utilized optimally and also we will try to have those products hot extruded which are exotic in nature, which are import substitute products where not many players are there, competition is less, so that our position is safeguarded and we continue to enjoy an edge and the distance between ourselves and our nearest competitors.
- Radha Agarwal:** Sir, just one last question, forgive me if it is a repetition because the line was scratching, so could you give me some idea on the project wise opportunity like CGD projects and water segment, what is the present opportunity that you see in that and in the upcoming CGD project, which round working is going on, like round 5 to 10?
- Manoj Sanghvi:** No, CGD 11th round was over. So, next I think will come after may be 5 or 6 months, but a lot of geographical areas are already awarded. So, CAPEX for those geographical areas is being planned and eventually, the network has to be increased by the existing players, so the demand for CGD will come from there. Water: Gujarat, Rajasthan and MP, we have already said 300,000 to 400,000 tons already under bidding and oil and gas, we have already submitted close to 100,000 tons of tender for which result is awaited.
- Moderator:** Our next question is from the line of Pujan Shah. Please go ahead.
- Pujan Shah:** Actually, just one question, this order book which we have been setting up to, what is the execution figure for this like 6 months or so?
- Manoj Sanghvi:** In current financial year.

- Moderator:** We have one question from the line of Mr. Hirenkumar Desai. Please go ahead.
- Hirenkumar Desai:** The question is, somebody in the management mentioned about improving demand outlook because of Russia and Ukraine issues, are we observing something similar because of lockdowns in China, because of COVID etc., and in what kind of impact are we seeing?
- Manoj Sanghvi:** No, lockdowns in China were there earlier, but everything has opened up now.
- Hirenkumar Desai:** China is more or less able to produce whatever they want to export or whatever?
- Manoj Sanghvi:** And lockdown were more within the city or some area. For industrial areas, there were no major lockdowns, only thing the supply chain was little disturbed, but now back in line.
- Moderator:** Thank you. Since there are no more questions, we have come to the end of the question-and-answer session. I would now like to hand the conference over to Mr. Sahil Sanghvi for closing comments. Please go ahead, sir.
- Sahil Sanghvi:** Thank you, Jitendra. I just want to thank the entire management of Ratnamani Metals for patiently answering on the questions and on behalf of Monarch Network, I would also like to thank all the participants for joining in the call. Manoj sir, would you like to give any closing comments?
- Manoj Sanghvi:** Thank you, everyone. I would just like to say that with recent correction of prices, good monsoons and still no signs of major demand destruction. Our utilization is expected to remain better and we may remain in our target of growth trajectory which is what 20% what we expect as we been maintaining over a long period. So, we are confident that we will remain around that number. We thank you all the participants to attend the call and patience for hearing. Thanks.
- Moderator:** Thank you. On behalf of Monarch Network Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.