Corporate Office :
The First, A&B Wing, 9th Floor,
Behind Keshav Baug Party Plot,
Vastrapur, Ahmedabad - 380 015,
Gujarat, India
Phone : +91 79 2960 1200/ 1/ 2
Fax : +91 79 2960 1210
eMail : info@ratnamani.com

RATNAMANI METALS & TUBES LTD.

RMTL/SEC/POST-TRANS.CON-CALL/Q4/2023-24 May 15, 2023

BSE Ltd. Corporate Relationship Department 1st Floor, New Trading Ring, Rotunda Building, P. J. Tower, Dalal Street, Fort, Mumbai – 400 001 Company Code : 520111	**National Stock Exchange of India Ltd.** "Exchange Plaza", 5th Floor, Bandra – Kurla Complex, Bandra (E), Mumbai - 400 051 Company Code : RATNAMANI

Subject: Transcript of the Investor Conference Call post Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and year ended on March 31, 2023

Dear Sir/Madam,

We, vide our letter dated May 8, 2023, had intimated to the Stock Exchanges about the schedule of the Investor Conference Call on Thursday, May 11, 2023 post Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and year ended on March 31, 2023 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 May 11, 2023.

We, now enclose a copy of the Transcript of the Investor Conference Call which took place as scheduled. The said transcript is also being uploaded on the Company's website at www.ratnamani.com.

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to publicly available documents / information for discussions during the interaction in the Conference Call and no Unpublished Price Sensitive Information were intended to share during the Conference Call.

Kindly take the above on your record.

Thanking you,

Yours faithfully,
For, RATNAMANI METALS & TUBES LIMITED

Maloo Anil Digitally signed by Maloo Anil
Date: 2023.05.16 13:29:21
+05'30'

ANIL MALOO
COMPANY SECRETARY & COMPLIANCE OFFICER

Encl.: As above

info@ratnamani.com
CIN : L70109GJ1983PLC006460

Registered Office
17, Rajmugat Society, Naranpura Cross Roads,
Ahmedabad - 380 013, Gujarat, India
Phone: +91 79 2741 5504/2747 8700 | Fax: +91 79 2960 1210 | eMail: info@ratnamani.com

"Ratnamani Metals & Tubes Limited

Q4 FY '23 Earnings Conference Call"

May 11, 2023

MANAGEMENT:	**MR. MANOJ SANGHVI – BUSINESS HEAD -CS – RATNAMANI METALS & TUBES LIMITED** **MR. VIMAL KATTA – CHIEF FINANCIAL OFFICER – RATNAMANI METALS & TUBES LIMITED.**
MODERATOR:	**MR. SAHIL SANGHVI - MONARCH NETWORTH CAPITAL**

Moderator: Good evening, ladies and gentlemen, and welcome to the Q4 FY '23 Earnings Conference Call of Ratnamani Metals & Tubes Limited, hosted by Monarch Networth 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sahil Sanghvi from Monarch Networth Capital. Thank you, and over to you, sir.

Sahil Sanghvi: Thank you, Yashashree. Good Evening to all. On behalf of Monarch Networth Capital, we welcome you all for the Ratnamani Metals Q4 FY '23 Earnings Call. We are delighted to host the management of Ratmanani today. And from their side, we have the Business Head - Carbon Steel, Mr. Manoj Sanghvi and CFO, Mr. Vimal Katta. So without taking any much time, I will hand over the call to Mr. Manoj Sanghvi for the opening remarks. Thank you, and over to you, sir.

Manoj Sanghvi: Thank you. Thank you, Sahil. Good afternoon to all the participants. I welcome you all to this call and hope everyone is doing good. Our results for Q4 and full year of FY '23 have been uploaded on the exchange and I believe you all had the opportunity to go to the same. If you see on standalone basis, our company clocked its best ever performance in FY '23, with the top line and profitability at historic highs, both crossing INR4,400 crores and INR500 crores, respectively. The operating margins were broadly in line of our guidance provided last year and less a bit towards the higher side of the band due to the product mix and stable input prices.

As you all know, in the past few months, prices of steel have been broadly stable, resulting into resurgence of stalled projects leading to good demand across all segments in the previous year. Expansion across sectors has served mainly in refineries, process industries and core sector, which may all go well for the infrastructure demand and more traction than we expected in demand of both -CS and SS price across the globe.

However, the order visibility in oil and gas transmission lines looks muted in India, vis-à-vis water, but the business traction in the other segments and SS pipe and tube continues to remain quite encouraging.

Now I would like to straight or touch upon the quarterly financial numbers and business update in brief and then we can have questions from your side. Our operating revenue has increased 47% year-on-year and up by 36% on a sequential basis, mainly attributable to higher net sales during the quarter.

For the full year, our revenue growth has been 39% with EBITDA of INR793 crores and margin expansion of 130 basis points. Profitability has been around INR300 crores at operating level for the quarter compared to INR200 crores during the Q3 of FY '23. This is mainly because of the product mix, better utilization and operating efficiency.

We are projecting the top line of INR5,000 crores plus/minus 5% and the margin is expected to remain in line as that of current year with the variation of 2% here and there. The present macro is one condition for maintaining our long-term growth and margin prospects.

So as we begin this financial year our orders on hand, as on 1st April was roughly INR2,600 crores. Further, I would like to brief on few major development, we wish to inform that we had successfully commissioned the capital solar project of 15 megawatts in the month of March and we expect the same to result into further reduction of carbon emission, and surely our power cost showcasing our orientation towards ESG and sustainability.

Our capex in CS and SS are progressing well now with some initial delays that happened due to land acquisition and longer lead times for machineries. During FY '23, we have continued with our strategy to invest in more specialized products and improving efficiency with focus on technology and infrastructure. Our well calculated and judicious capital allocation in capex and all investments have resulted in very strong balance sheet and would leap to the next level.

Now regarding our subsidiary, Ravi Technoforge Private Limited, which has clocked a total revenue of INR245 crores with EBITDA margins of 10.8% and net profit of INR4.5 crores for FY '23. The capex has been underway for capacity and process expansion, automation, cost reduction captive renewable power and same is expected to be completed by the end of September, October ’23. We are projecting the top line growth of 15% to 20% with margin expansion of 200 basis points for FY '24.

That's all from my side at the moment. Now if there are any questions, I will be happy to answer them. Thank you.

Moderator: We have our first question from the line of Noel Vaz from Union Mutual Fund.

Noel Vaz: Yes, so in the fourth quarter, what were these sales volumes for the quarter? And at this particular run rate, can it be sustained or annualized for FY '24?

Manoj Sanghvi: I could not hear the first part of the question. Please repeat.

Noel Vaz: Yes. What is the sales volumes for the first quarter? And can the number be annualised for FY24? Thank you.

Manoj Sanghvi: So, the total revenue for the first quarter was approximately INR1,450 crores and yes, we had the capacity to do it, but sustainable over long run quarter-to-quarter basis, it is very difficult since we are in a project-based business. So, we might see INR1,500 crores in one quarter, another quarter can be INR1,000 crores. Again, it can go to INR1,500 crores. But yes, say, INR1,000-plus crores is what is our target, with in one quarter going to INR1,500 crores, INR1,600 crores.

Vimal Katta: I'd like to answer one thing. Total volumes in Q4 were close to 16,000 tons for all our products. And as Manojji has shared, see, in our case, margins are totally dependent on nature of products, product mix, timing, so many factors are there. It is very difficult to say, if performance in a particular quarter can be extrapolated because we are in direct business, order-driven activity.

So, we always have between 16% to 18% in the range at EBITDA level, which seems to be sustainable over a longer period. Plus/minus 1% here and there may happen in a particular reporting period, and that should be there going forward also.

Moderator: We have our next question from the line of Pritesh Chedda from Lucky Investment Managers.

Pritesh Chedda: Sir, can you give the volumes for FY '23? And what would be the capacity utilization on this blended capacity utilization?

Vimal Katta: See total, Pritesh, we did close to 304,000 tons for both the products during FY '23. And on capacity utilization, Manojji will share. We can see in our case, stainless steel seamless would have been optimum, stainless steel welded would have been close to 60%, 65%, newer capacity in stainless steel seamless would be closer to 35%. And on carbon and steel, it has been optimum, ERW has been optimum. HSAW has been optimum. LSAW process pipe older capacity has been optimum and newer capacity will be maybe around 30%, 35% sort of thing.

Manoj Sanghvi: I will end there. segment to segment, it will vary but most of the segments other than newly added capacity, utilization was between 60% and 50%. Only in stainless steel extrusion and LSAW, both were close to 30% utilization.

Pritesh Chedda: You said that SS seamless is 35% and SS welded is 100?

Vimal Katta: No, no. SS seamless is optimum, cold-finishing okay? Optimum means we keep close to 80%, 90% sort of things of it. Cold finishing will be around 8,000- 9,000 tons sort of thing. And welded maybe around 50%, 65% sort of thing. Newer capacity has been roughly maybe around 30% only for hot extrusion.

Pritesh Chedda: SS hot is 30% will be. So basically, on the 20,000 ton capacity that you added in FY '23, the capacity utilization is 30%?

Vimal Katta: Yes.

Pritesh Chedda: And as SS seamless, which is your cold, is full capacity?

Vimal Katta: Yes, yes.

Pritesh Chedda: Okay. So basically, in the 48,000 ton, we would have SS seamless of 8, SS welded of 20,000 and SS hot of 20,000?

Vimal Katta: See, SS, whatever we produced from our seamless, some part has gone for cold finishing also. So, if you look at the sellable capacity, that will be even lower because whatever captive we are using, that will become part of the overall capacity only. It will not be available for sale.

Pritesh Chedda: Okay. Is it possible to share in this season 34,000 tons? How much is SS?

Vimal Katta: Earlier we used to share, but since last few quarters, we have taken a conscious call not to share. We can discuss, yes.

Pritesh Chedda: What is the progress on the capacity expansion that you had planned about INR180 crores in SS and another INR170 crores in carbon steel?

Manoj Sanghvi: Yes. So stainless steel expansion of cold finishing will be over by December of this calendar year or maximum January of next calendar year. For carbon steel, land acquisition and development has already started, and we expect that to happen in first quarter of next financial year.

Pritesh Chedda: Okay. And my last question is sir, there is this antidumping, which has come on hollow pipe, SS hollow pipe and also SS pipe, I think the antidumping duties have been increased. So how does it benefit us in terms of the capacity utilization, if you could share that and the industry at large?

Manoj Sanghvi: Yes. So antidumping on stainless steel seamless pipe had come somewhere in November, December of last year. And since then, we have seen demand increasing, but a lot of it being imported in India was reexported. Where I think that demand for there -- the antidumping does not play any major role. It is still being import. But yes, some demand increase is being seen because of this antidumping.

Pritesh Chedda: Okay. And do we have -- are we 100% backward integrated in hollow pipes?

Manoj Sanghvi: Yes, we have our own mother hollows, but not from melt to finish at the moment.

Pritesh Chedda: Not from?

Manoj Sanghvi: Not from melting them

Pritesh Chedda: So you basically must be buying a bar right and you make your own hollow pipe? Or-billet and you must be making your own hollow pipe?

Manoj Sanghvi: Yes.

Moderator: We have our next question from the line of Pujan Shah from Congruence Advisers.

Pujan Shah: Sir, on a previous concall, we have seen hydro demand on that part. So currently, I wanted to know on that part as well, what are the situation currently we are facing from the hydro side and how we are looking at the industry for that?

Manoj Sanghvi: Hydrogen or hydro?

Pujan Shah: Yes. I'm talking about hydro power plant.

Manoj Sanghvi: Hydro power plant, no major demand. For hydrogen, still very nascent to comment what kind of pipe will be used and whether stainless steel, carbon steel -- in the process, maybe stainless for transmission, maybe carbon steel that we will come to know once -- going forward, is there a lot of research for the steel is also going on and in the process, whether it can be welded, seamless so those research has been going on.

Pujan Shah: Okay. And sir, our expectation is that we are speaking about INR5,000 crores top line in next financial year. Currently, we are at around INR4,500. So -- and we have grown around 43% for this financial year. So why we are eying -- like are we being conservative or we are seeing subdued demand in any sector specific?

Manoj Sanghvi: So two reasons, the kind of growth we had for the last financial year is slightly one at a time because the projects were there, demand was there, capacity came in at the same time, so we could capitalize on that. But yes, in this financial year, we see some drop in carbon steel line size demand. So still because of better utilization of other products, we will be able to maintain 10% growth rate.

Moderator: We have our next question from the line of Kunal Shah from Carnelian Capital.

Kunal Shah: A few questions from my side. In the first place, congratulations for such fantastic set of numbers. I wanted to get a sense on the volume growth for the next year and also, we did about 106,000 tons, the execution in the current quarter in comparison to about 66000, 67,000 in the previous quarter. So wanting to understand what led to the superb execution in the current quarter and also, if you could help understand volume growth guidance for the next year?

Manoj Sanghvi: So as commented previously and in my opening remarks, the volume growth, like we finished this year at INR4,400 and close to INR4,450 crores. Next year, our expectation is or what we have budgeted is close to INR5,000 crores. That can be a plus minus 5%.

And to answer your second question, which is -- what led to such numbers in the quarter? So, the utilization for all the segments and all the products during the last quarter was at its optimum, which led to this number. So, if in case if there's demand and for all the products, all the segments, then yes, this number is achievable. And in my previous call, I have already said that we have capacity today to reach a turnover of INR6,000 crores.

Kunal Shah: Got it. And also, we have this enabling resolution that we have taken for about INR500 odd crores. So you would want to light I mean, how should one look at that?

Vimal Katta: Basically, it is an enabling resolution. So because we are working on our next growth plan also. So if required, we may go for tying up the debt. And in case of that, as you know, now regulations require a portion of debt has to be raised through bonds and other instruments. So it is an enabling regulation Right now, nothing has been planned as far as capex is concerned, but team is working on that. So this will take a fair time, nothing else.

Kunal Shah: Got it. And just wanted to understand on these bearings, right? So we have got about INR104 crores revenues in the current year coming from Ravi, right? So when you say 5,000, how should one look at the bearing business in this 5,000?

Manoj Sanghvi: 5,000 is on stand-alone basis, whatever the INR300 crores we are targeting for Ravi is additional. So on consolidated basis, we can have a number of INR5,300 crores with a plus/minus 5%.

Kunal Shah: Just one last question from my side. On the general demand scenario, if you would share how is the water project going on, the [CGD project going on, and you did mention…

Moderator: Mr. Kunal Shah is dropped from the queue, so we'll go on to the next question from the line of Radha from B&K Securities.

Radha: Hi, sir. Congratulations on good performance. My first question was that two years back we had this seamless stainless steel capacity of 8,000. So now that is 28,000. So at that point of time, two years back, via hot extrusion, the capacity was 6,500. So now that the stainless steel seamless capacity is 28,000, so what is the hot extrusion capacity?

Manoj Sanghvi: 8000 was cold finishing capacity. And today the hot extrusion capacity is 20,000 tons for the new press and the old press is 6,500 tons?

Vimal Katta: 10,000. Yes. So hot extrusion is 30,000 tonnes and cold finishing is right now close to 10,000 tons.

Radha: Okay. And sir, what will it be in the next 1 or 2 years?

Vimal Katta: See, the marginal increase in coal finishing will be there because we are setting up a facility for higher value-added products, which will become operational by year end. But overall capacity in stainless steel seamless will continue to remain at 30,000 tons, combined together with hot finished and cold finished because whatever we are going to produce through hot finished, part of it is going to be used captively, which will be cold finished. So sellable capacity will be 30,000 tons of less 20,000 tons of welded. So total 50,000 tons of capacity.

Radha: Okay, sir. And so next question is in stainless steel, so companies planning to do this coil tubing business. So just wanted to understand for this business, will this be in a separate manufacturing line or in the same line? And also with regards to this, I also wanted to understand what is the product about, how is the market size and what is the scope of business and competitors in this business?

Manoj Sanghvi: I don't know where you have this information from coil tubing, but that project is still under implementation and that data we would not like to divulge at the moment.

Radha: Okay, sir. Sir, thirdly, the Ravi Technoforge, in FY '22, we did a revenue of INR280 crores. Now in the second half of FY '23, revenue is INR104 crores. So if you extrapolate, it comes to around INR200 crores for full year. So is there a degrowth in this business in FY '23?

Manoj Sanghvi: Yes. FY '23. So first seven months, they clocked the revenue of INR130 crores. And last five months after our being acquiring the stake, they did a revenue of INR105 crores. So basically, there has been degrowth. One, during the first seven months, they had some financial stress, so they could not actually utilize the capacity and convert the demand into orders. And second, because of slowdown in Europe, because of the war in Europe, there is a little slowdown from European manufacturers, which led to this degrowth. But going forward, we see that the demand has started coming back. And this year, we will be able to clock close to INR300 crores.

Radha: And sir, what about the debt in this business? I think in FY '23, we have around INR75 crores of total debt. So how do you see this in the coming years?

Manoj Sanghvi: Every year, I think there is a repayment of between INR15 crores to INR20 crores, which did happened in the last quarter.

Radha: Okay, sir. And sir, lastly, this in extra carbon steel mobile manufacturing mobile plant of 60,000 tons, around 60,000 tons. So that -- is that -- the plant, is it fully depreciated?

Manoj Sanghvi: I don't know the application, maybe no. I think there will be something like it would not necessarily be depreciated.

Radha: Okay, sir. And sir, lastly, what is the capex guidance for the next 2 years?

Manoj Sanghvi: Next 2 years, we are working on a lot of things at the moment, still on the drawing on? So maybe in another 6 months, we will be able to throw some light on that.

Moderator: We have a next question from the line of Riya Mehta from Aequitas Capital. Please go ahead.

Riya Mehta: Thank you for giving me an opportunity and congratulations for a good set of results. My first question would be based on -- what is the order book levels of both stainless steel and carbon steel? So I would want to know where this is coming from exactly, almost, and which sectors and segments.

Manoj Sanghvi: For the last quarter?

Riya Mehta: Yes, order book for the last quarter, I think 2000?

Manoj Sanghvi: No. Can you please repeat your question?

Vimal Katta: I'll answer. See, mainly the orders are coming from oil and gas sector and process industry for stainless steel and certain orders from power sector also. And plus other miscellaneous are there. And in case of carbon steel, it is a mix of oil and gas sector and water.

Riya Mehta: Okay. And my next question is in regards to margins. So what worked in favor for us this quarter?

Vimal Katta: See, one thing is we got the benefit of economies of scale because the production dispatches both were higher. Second thing, product mix also means higher value added products volumes were also higher. And in carbon steel also, major orders were of, were related to oil and gas sector where margins are typically better. So everything worked in favor of better margins.

Riya Mehta: Okay. And actually Mr. Vimal, could you tell me the capacity utilization again, if you don't mind?

Manoj Sanghvi: So, see, most of the segments, stainless steel welded, stainless steel seamless, carbon steel ERW spiral, also the induction bends and coatings. It is all, all the products, the utilization is between 60% to 80%, except for two capacity expansion, like one hot extrusion for stainless steel seamless, what we did, and another capacity expansion in carbon steel was LSAW pipe. So these two were on 30% utilization, utilization being the first year of actual commercial production. And rest all were between 60% to 80%.

Riya Mehta: Right. And in terms of the pipeline of orders, what is the kind of pipeline are we seeing for the next year coming forward?

Manoj Sanghvi: We started this year with INR2,600 crores. We've been booking orders for stainless steel seamless welded across industries and for carbon steel LSAW pipes. However, some softness is seen in the CGD segment and the line pipe segment. So, but we are open to the line pipe, spiral line pipe, oil and gas segment. But we are hopeful, we are seeing good demand in the water segment. So we are hopeful we'll cover up on the water segment.

Moderator: Thank you. We have our next question from the line of Dhananjai Bagrodia from ASK. Please go ahead.

Dhananjai Bagrodia: Hi, so I just wanted to understand, is it increase in margins? Because we had some contracts earlier and that's how we got the benefit of lower inventory. And B, which end use industry is seeing such strong volume growth and do we see that sustainably grow, let's say, next year and the following year after that?

Manoj Sanghvi: So, part of it, yes, maybe correct that you have some orders which are of the start of last financial year when there was, when the war had started, commodity prices were skyrocketing and you got some order. But most of it, as you know, and as we always say, like most of our orders are on back to back basis. So we have, so maybe 10% benefit we would have derived from such total orders, out of total orders, 10%, but not a major part because of the commodity prices.

Dhananjai Bagrodia: So, margin is sustainable? Because GM operating margins are sustainable?

Manoj Sanghvi: Margin is between 16% to 18% because last year if you see, if I break down the product mix industry-wise, more we did for oil and gas, right? But it is not going to remain same year-on-year. So, it is your, it might change that oil and gas might go down a little and water is added. So if water is added, the margin might, but still we keep our focus on to maintain to stay between that 16% to 18%, 15% to 18%.

Dhananjai Bagrodia: So, just following up with your question, what is the difference in margin between oil and gas and water?

Manoj Sanghvi: Normally, oil and gas is a little more value added than water, maybe 1% or 2% more, but it is totally, it totally depends on demand and supply.

Moderator: Thank you. We have a next question from the line of Vikas Singh from Phillip Capital. Please go ahead.

Vikas Singh: Sir, I want to understand since we are guiding for almost double of the top line versus our current order book, but we are at the same time telling that the oil and gas segment demand has been, is a bit slow. So, are we expecting incremental demand to come from water segment or export segment or, because CS segment is the one which drives our top line. So, just wanted a little bit clarity on the same?

Manoj Sanghvi: Yes, so, see, if we started the order book at INR2,600 crores, so we are already having a six month backlog if I consider INR5,000 crores of revenue. So, and we are seeing few water projects, specifically if I talk about carbon steel, we are seeing few water projects which we will book in the first or second quarter, which will be discussed in third and fourth quarter. So, to answer your question, yes, INR5,000 crores is very much possible considering you are already having orders of INR2,600 crores.

Vikash Singh: So, let's say domestic water segment is what we are, where we think that the fraction would be there going forward?

Manoj Sanghvi: There is demand for domestic water segment, there is demand for international water segment also, few projects we are under discussion.

Vikash Singh: Understood, sir. Sir, second question pertains to SS segment, the export orders, basically after many quarter I have seen that our export order book in SS has been on higher. So, is it a short term phenomenon you see or you see that this kind of the trend would be sustainable and a lot of order can be exported from India in SS segment especially?

Manoj Sanghvi: Going forward, in stainless steel, yes, this kind of export is sustainable. More and more end customer there are accepting our product -- and once we need the recited orders. We don't see any until and less that is antidumping or anything. We don't see any reason for this to go now.

Vimal Katta: And because basically traditionally also we have been getting almost 50% of turnover in stainless steel from physical exports direct and around 20% from indirect exports. So, that way stainless steel, in stainless steel products we are already there in a reasonable way in international market. So, and with the increased capacity our focus is going to be both on import substitution and international market also.

Vikash Singh: Understood, sir. Sir, just one last question on the capex. So, at least can you tell us the FY '24 capex targets which you are considering current plans?

Vimal Katta: May be 100, 150, 200 crore might be there. But see, something for the next growth plan will also be happening by the time we close the year. So, major outgoing will not be happening for that. So, safely we can say 150, 200 might be the range.

Vikash Singh: Sir, we already have INR350 crores kind of the capex plans which was announced at the start of the year…

Vimal Katta: No, but… For the new SS addition… But… For Odisha project, it will take some time.

Vikash Singh: Yes. Okay, so as of now how much we have spent in that INR180 crores of SS coal drilling facility and this Odisha project? How much we have spent on these individual projects?

Vimal Katta: Odisha project is not very significant. Some amount for lease rent and other things are in place. So, major outgoing will be happening for land. Land will be anyway, lease rent only will be going. capex will take some time. Some activities may be starting. Am I right, Manojji?

Manoj Sanghvi: Yes, capex will take some time. Maybe we will see something starting from the second quarter of this year.

Vimal Katta: In the standard system, we might have spent 60, maybe around 60, 70 crores sort of thing. Major outgoing will be happening once these deliveries of critical plant dimension lease will start.

Vikash Singh: So, this year again, meanwhile, we will see our cash balance going up, right? Because this money would be getting accumulated…

Vimal Katta: Yes. And we, as I have shared, there are plans to continue this growth beyond FY '25 also. So, something other than whatever we have planned, that may also be planned. And we would like to start working on that opportunity also.

Vikash Singh: Sir, what is our net cash balance as of now?

Vimal Katta: Net cash keeps on fluctuating. So, as on 31st March, we on net side, we were close to INR20 crores plus. Today, it might be again INR20 crores, INR30 crores plus or minus. Because total long-term debt will be maybe around INR140 crores sort of thing.

Vikash Singh: Okay. That would be our peak net debt level?

Vimal Katta: Yes, because there are no short-term borrowing. Only long-term borrowing, roughly INR140 crores are there as on date.

Moderator: Thank you. We have a next question from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal: Yes, good evening, sir. Sir, I have a question on stainless steel manufacturing, the hollow pipe process. So, is there some difference between the hot extrusion process and a cold drawing or a pilger process? Is the process that you are referring to different?

Manoj Sanghvi: Hot extrusion, pilgering, drawing, those are all different processes. Hot extrusion is we -- hot extruded material is input for the pilger. But yes, there is a similar process to hot extrusion, which is piercing and piercing is normally used for carbon steel seamless pipes, whereas China adopted the technology to use this for stainless steel pipes. And then the Indian manufacturer has also started. So yes, there is a large difference because one is used for carbon steel another is used for stainless steel. The product which comes out is also different.

Pallav Agarwal: Sure. So there are certain high-end applications where probably that product is not accepted. Is that the case?

Manoj Sanghvi: If you see, for example, Saudi Aramco specification, they don't accept pierced materials. Or if you see for example Reliance specification they don't accept the pierced materials. There is a reason a lot of study has gone in. There are various papers available online also, which explains the difference between both. But there are some industries where criticality is not so much and they are okay to use pierced things.

Pallav Agarwal: Sure, sir. Okay. And also just on the question on exports, what was the proportion of exports in total revenues and in the order book?

Manoj Sanghvi: Total exports close to 20%.

Pallav Agarwal: And order book also, current order book of 2005 and close mostly?

Manoj Sanghvi: Order book, I don't have a breakup of that.

Vimal Katta: As of 1st May, we were having close to INR557 crores of export orders out of INR2,440 crores of total order books..

Moderator: We have our next question from the line of Aman Thadani from Solidarity Investment Managers.

Aman Thadani: Sir, my first question is one of our peers has recently entered the ERW space. So I just want to understand that what sort of margin does a new player make in this space and the overall opportunity in this space?

Manoj Sanghvi: What sort of margins in this space is difficult to say at the moment? Because see, last three years, four years, ERW was running at, say, almost 90% capacity utilization. But this year, I think that the demand is not as high as it was. So, and with a new player coming in, of course, he will take some time for approval and everything. But margin is again difficult to say, but it varies from 12% to 16%-18%. Depending on number of projects available in the market. See, what has happened, CGD demand has also gone down

Aman Thadani: Sir , how much time will it take for a newer guy to ramp up? How many years does it take?

Manoj Sanghvi: For a new company to ramp up 12 to 18 months?

Aman Thadani: Okay. And my second question is, first of all, SS is a key business. So what is it about this product or this segment that a lot of players have just not got it right?

Manoj Sanghvi: Time. The amount of time what we have given right from 83%, 84% and slowly consistently growing. That is the only thing I would say which is different.

Aman Thadani: So time in terms of what is it in terms of -- is in terms of the complex that is there and like to understand the complexity or?

Manoj Sanghvi: It is a different mindset of business, I would say, it is not like a normal tubes. Carbon steel is totally different if I compare with stainless steel.

Aman Thadani: Okay. Even if someone is able to get the product right. We want to maybe build on the projects, what are the ideas that one would be?

Manoj Sanghvi: It's more about the competition rather than economy. I don't know what you want to understand from me answering you.

Aman Thadani: And sir, just one general question, sir. In the past, we have guided for 15% to 17% long-term margin band. But this quarter, we have seen that going on, it would be more of a 16% to 18% range. So sir, what has changed?

Manoj Sanghvi: The product mix, because as I have told you, the carbon steel demand oil and gas is subdued. So, likely from that 5,000 crores more will be stainless steel, more will be evaluated products in carbon steel. So, that is why it is 16%-18%. But at the start of the year, this is our guidance. It can be between 15%-18% also going forward. If few water projects are booked at a little low margin, it can be 15%-18% contract

Moderator: We have our next question from the line of Ashutosh Tiwari: from Equirus Securities.

Ashutosh Tiwari: Congrats on good numbers. Firstly, this cold finishing capacity will go to what level after this expansion is completed?

Manoj Sanghvi: This new capacity expansion is of 1,200 metric tons to start with, and it will go up to 1,500 metric.

Ashutosh Tiwari: 1,500 tons, so your capacity will go to only INR11,500 crores?

Manoj Sanghvi: The capacity expansion is small in terms of tonnage, but this is for small diameter tubes. So, in terms of meters, it will be quite sufficient..

Ashutosh Tiwari: And secondly, we had also talked about development of multiple grades of products with this new seamless, how to assume, capacity.So, where are we in that process? In last one year, have you developed major products and that is going to drive the growth in export market going in some color on that? How should we look at export as a business over the next two, three years?

Manoj Sanghvi: Yes. So the extrusion, what we had expected to in the cost here. we could achieve better than that 30% utilization with the development of grades, which we did not expect in the first year itself. So going forward, yes, the utilization will be better than this year, we are targeting between 50% to 60%.

Ashutosh Tiwari: So -- and assets, given the decision will be higher-margin business, like 20% plus?

Manoj Sanghvi: Some range yes, some range lower. So blended, put together in the same close to 15% to 18%.

Ashutosh Tiwari: Okay. And that is also in there, how do we see it?

Manoj Sanghvi: Yes, because the lower end grades, where it is more like commodity, there the margins are also not so great. But for high end grades or difficulties, the margins are good. So, blended we always, because we cannot only do high end grades and or we cannot only be at the low end of the product. So, both blended, we see the capacity utilization also and margins also.

Ashutosh Tiwari: Okay. And like we had highlight earlier in the concall, you highlight like what kind of bidding that we've done to the tonnage in all in oil and gas, water and all it up now?

Manoj Sanghvi: The details, I haven't prepared this time. Maybe the next call, which we plan after six months for the semi-annual reasons. We'll have more detailed details on what we are bidding

Ashutosh Tiwari: Okay. But can you like some projects which are, let's say, the activities going on right now?

Manoj Sanghvi: Oil and gas, if we see right now for biding, what we have is 1 project of the Gas Authority of India Limited. -- which is the KK BNPL Phase 2. The Kochi, Kakinada, Mangalore, Bangalore pipeline for that -- so that is under bidding. Then a few projects of IOCL are under building few in the East for IGGL, which is Indradhanush Gas Grid ltd. 1 project for Vedanta is under bidding and 1 or 2 projects for GIGL. The GIGL is a subsidiary of GSPL. There are a few projects in oil and gas, which are under bidding. For water, we have a few projects in Gujarat for Surat Municipal corporation, for Ahmedabad Urban Development Authority than Sauni Yojna. So in Gujarat, we have some water projects and we had some water projects in Africa, which we are bidding.

Ashutosh Tiwari: So you said Africa?

Manoj Sanghvi: Yes. I think 2018, you've done some online is similar than Yes, scenario. I cannot say company. And think that I think in 2018, 2019 deals, we have done some Tanzania, I guess. We had earlier now this is for Mozambican and exactly for sure what place for Africa.

Vimal Katta: Of course, last year also, we have exported some quantities to Africa. So, the carbon is purely opportunity driven business in case of exports. So, whenever we get the opportunity, our team books, the orders also, and that everything has happened.

Ashutosh Tiwari: Okay. And on asset side, how are, let's say, how are the orders or maybe inquiries from chemical, pharma and all. Is it also a strong or it is soft?

Manoj Sanghvi: So, if we see the growth, the driving things in this year is stainless steel and some products in carbon steel, which will help us actually, because the line pipes will remain flattish kind of growth. But, yes, stainless steel will grow, some products in carbon steel will grow, which will help us reach higher.

Ashutosh Tiwari: Coming from these chemicals and pharma and on fertilizer?

Manoj Sanghvi: Yes, it is coming from various industry pharma, chemical, fertilizer, food and dairy, sugar, automobile, of course, oil and gas remain the highest.

Moderator: Thank you. We have a next question from the line of Hirenkumar Thakorlal Desai, an individual investor. Please go ahead

Hirenkumar Desai: Yes, so I have two questions. One is on the export side. So as you mentioned, this year the visibility seems to be a little bit muted. Do we have a medium term thinking in terms of increasing the export share so that this little bit of cyclicality can be mitigated?

Manoj Sanghvi: Yes, we have our focus on exports. Our LSAW plant has just started. So it is slowly getting approved in various countries, various geographies. So our focus is there on exports, but this is a project-based business. So if there is a project, yes, and definitely then if it is within our reach,

reach meaning if there is no empty dumping in that country or in-country value to be provided, definitely for most of the projects we are there.

Hirenkumar Desai: Okay. Do we target some percentage medium term or we can't really say something like that?

Manoj Sanghvi: Very difficult. One project can change the total dynamics like 30% exports and then if you don't get that product project, it is maybe 10. Carbon steel it is difficult to say because it's not like many projects you are supplying to and small quantum. It is one project which is INR500 crores, INR600 crores, INR700 crores. So the whole dynamics on the export percentage changes.

Hirenkumar Desai: Okay. The second question No, I think my second question has been answered.

Moderator: We have a next question from the line of Riya Mehta from Aequitas Capital.

Riya Mehta: Hello. Thank you for giving me the opportunity for a follow-up question. My question was in regards to since we are seeing that water segment is seeing some good traction, apart from water, where do we see the demand coming in from if we are seeing lower demand for oil and gas and considering that the realizations will also drop for the sector given the lower commodity prices, where do we see the growth and confidence for the revenue visibility?

Manoj Sanghvi: So as I answered the previous question, see oil and gas line price is low, but oil and gas process price is still on the higher side, most for stainless steel and carbon steel. So that is one sector where we see the growth. Then stainless steel utilization of capacities and extrusion and some better utilization in LSAW, we will get that.

Moderator: We have a next question from the line of Pritesh Chheda from Lucky Investment Managers.

Pritesh Chheda: Sir, just 2 follow-ups. One, what is the utilization that you would expect in the and spot finish assets, which was at 30% you mentioned in FY '23. This how much will you scale up to 50% to 60%? And my second question is, sir, on this expansion of asset, which you mentioned will add 1,500 tons, why that INR170 crores, INR180 crores of capex, and it's a low diameter but substantial in, is it the auto tubes basically?

Manoj Sanghvi: No, no, no.

Pritesh Chheda: Then any reason why for INR180 crores is just 1,500 tons. You could tell us what will be the asset turn on this INR180 crores.

Manoj Sanghvi: One is to one or maybe a little less.

Pritesh Chheda: So what is this product actually?

Management: This is very highly valued product. Stainless steel cold finished tube.

Pritesh Chheda: And what is the dia size? Is it less than half inch or one inch?

Management: Less than one inch. 3 mm. Yes. Beginning from 3 mm.

Pritesh Chheda: 3 mm. Okay. And you use it or not? And it's not auto tube, right??

Vimal Katta: No, no. These are usually depends also in nuclear power plants also a number of applications are there.

Moderator: We have a next question from the line of Aman Thadani from Solidarity Investment Managers.

Aman Thadani: Sir, I have just one follow-up question. Sir, since you said that the CGD sector is seeing some pressure. So I just wanted to throw some more color on it? Why is it under pressure since the entire sector is at such a nascent stage?

Manoj Sanghvi: Yes. So what happened because of the war in Europe? The gas prices escalated quite a bit. So and the government where CGD was a priority sector for gas in between changed that sector and they were not given APM. APM is a subsidized gas which the government would allocate to the CGD companies also. And then they had to buy in the spot market. So the risk associated was quite high. So they are going slow. Not that they are going slow at the moment with the capital investment.

Aman Thadani: It's just a temporary issue. The long term story is still intact, right?

Manoj Sanghvi: Yes. It seems to be a temporary issue.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Sahil Sanghvi for closing comments. Over to you.

Sahil Sanghvi: Yes, I just want to thank the management for patiently answering all the questions and on behalf of Monarch Network, I would also like to thank all the participants. Manoj sir, would you like to give any closing comments?

Manoj Sanghvi: Yes. Thank you, Sahil. Thank you, Monarch. Thank you all the participants. And sorry to be not answering some questions. We want to answer, but then the situation demands. We as a group have decided not to divulge a few information, but it is not that we want to hide something. It is for the better for the competition to catch up. So with this, thank you everyone and sorry once again.

Moderator: On behalf of Monarch Networth Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.