Regd. Office :
17, Rajmugat Society, Naranpura Cross Road,
Ankur Road, Naranpura,
Ahmedabad - 380 013. Gujarat, India
Phone : +91-79-27415501 / 2 / 3 / 4
Fax : +91-79-27480999
E-mail : info@ratnamani.com
Website : http://www.ratnamani.com
CIN : L70109GJ1983PLC006460

RATNAMANI® METALS & TUBES LTD.

RMTL/SEC/POST-TRANS.CON-CALL/Q3/2019-20/10II 10th February, 2020

To,	To,
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 Investor Conference Call on the Unaudited Financial Results (Standalone and Consolidated) of the Company for the third quarter and nine months ended on 31st December, 2019**

Dear Sir/Madam,

Please note that we had vide our letter dated 6th February, 2020 intimated to the Stock Exchanges about the schedule of Investor Conference Call on Thursday, 6th February, 2020 on the Unaudited Financial Results (Standalone and Consolidated) of the Company for the third quarter and nine months ended on 31st December, 2019.

We hereby send a copy of Transcript of Investor Conference Call which took place on 6th February, 2020. The said transcript is also uploaded on the Company's website.

Kindly take the above on your record.

Thanking you,

Yours faithfully,
For, RATNAMANI METALS & TUBES LIMITED
JIGAR HARSHADKUMAR SHAH
Digitally signed by JIGAR HARSHADKUMAR SHAH
Date: 2020.02.10 10:51:42 +05'30'
JIGAR SHAH
COMPANY SECRETARY

Encl.: As above

“Ratnamani Metals & Tubes Limited Q3 FY-20 Earnings Conference Call”

February 06, 2020

MANAGEMENT: **MR. PRAKASH SANGHVI – CHAIRMAN & MANAGING DIRECTOR, RATNAMANI METALS & TUBES LIMITED**
MR. VIMAL KATTA – CHIEF FINANCIAL OFFICER, RATNAMANI METALS & TUBES LIMITED

MODERATORS: **MR. ALOK SHAH – MONARCH NETWORTH CAPITAL LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Ratnamani Metals & tubes Limited Q3 FY20 Earnings Conference Call hosted by Monarch Networth Capital Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Alok Shah from Monarch Networth Capital Limited. Thank you and over to you sir.

Alok Shah: Thanks Faizan. Good afternoon to all on the half of Monarch Networth Capital, we welcome you for Ratnamani Metals & Tubes Q3 FY20 results con-call. Today on the call we have with us the management team of Ratnamani Metals represented by their CMD – Mr. Prakash Sanghvi and CFO – Mr. Vimal Katta. Without taking much of your time I would now handover the call to MD sir for his opening remarks followed by a Q&A session. Thank you. Over to you Sir.

Prakash Sanghvi: Good morning to everyone. Quarter 3 FY20 result I think everybody might have seen. But I can just tell you the Quarter 3 the total revenue is 771 crores and net profit about 101 crores after tax and order in hand about 1561 crores, steel we have some tenders coming in the line pipe division and some good inquiries are in stainless steel also. So we see in the next two months before March we can book the reasonable orders and some tenders, so it will take little more time. But we see a good scenario with this new budget. You can say the government will spend about this was PSU, Refinery and Petrochemical, they will spend about 1 lakh crores on this PSU, Refinery and Petrochemicals. At the same time about 63,000 crores is Power and related industries. They will invest like NTPC, National Grid and then there is Jal to Nal also they declared about 30,000 crores in water by the central government. Of course state government is there. So all this positive lot we are taking forward and the requirement will come in the oil and gas industries from the existing refineries and the new refinery Barmer, the already tendering started in both carbon steel, stainless steel we have got some orders also. So the new refineries already started tendering an ordering.

The gas grid cross-country pipelines as well as the City Gas Distribution, about 27,000 km in this budget they have announced to link in the 2021. So these all are the opportunities for the company and we are quite hopeful we will get our share in both divisions, stainless steel as well as carbon steel. Now the expansion in both the divisions in stainless steel more or less we are ready and by April second-third week we will take a trial production in the stainless steel division. At the same time in carbon steel also all the equipment came and erected and some of the approval procedure and some of the testing are going on. So there also we will be ready to book order under API or under EIL approval or something by July onwards. These are the two things in expansion otherwise everything is under control and good cash flow and payment outstanding as well as stock inventory everything is covered. Raw material prices also moreover is moderate you can say. So this is what it is. Thank you

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kashyap Jhaveri from Emkay Investment Managers.

Kashyap Jhaveri: Couple of questions, one in terms of refinery, you mentioned that Barmer already some packages have started being awarded. But in terms of refinery we haven't seen much of the orders coming now, at least until now. So when in future we say that these refinery contracts probably will start flowing in, so do you expect any further delay or finally in terms of CAPEX you would start the contracts getting awarded?

Prakash Sanghvi: No, now this Barmer refinery already they are tendering, I think we may quote in next 2 to 3 days one big tender for carbon steel pipe, project piping and even in steel we got some orders from the fabricators. Things started at Barmer refinery from EI side because they have given other different-different package to different EPCs.

Kashyap Jhaveri: I understand IOCL in Panipat, Barauni and Koyali the total is roughly about 17-18 million tons there also, so there also project awarding has started or it will start in….?

Prakash Sanghvi: Yes some package now this time new EPC also came, Tata Projects, they also took 3-4 projects in hydrocarbon, this something for IOCL, something for BPCL. I think total 4 package what they also got and they also started enquiring about the things and they may also come with the tender or some corporation like that. Our people already….

Kashyap Jhaveri: This is IOC Panipat?

Prakash Sanghvi: Exactly I don't know. I can let you know later. I will find out from my marketing team. But our people already we get it because they got about 3 to 4 packages, something Petrofac Sharjah, they got it and something over here L&T and EIL. It is like that.

Kashyap Jhaveri: In terms of pipe requirement between refinery and petrochemicals separately what would be the pipe requirement as a percentage of total project cost?

Prakash Sanghvi: About 8% to 10% of their CAPEX, it is all types of pipes and tubes whether it is carbon steel, stainless steel, **(Inaudible) 8.05** instrumentation tubes, all put together is 8% to 10% of their CAPEX is the Pipe and Tube volumes.

Kashyap Jhaveri: And between refinery petrochem, water and between CS and SS can you give us EBITDA margin hierarchy as what is the highest because we might get orders from refinery but if they are from lower end CS pipes then in terms of earnings they don't contribute so much. So if you could give us hierarchy in that sense.

Prakash Sanghvi: Generally all projects I think there is a good margin because it's not a big quantity like line pipe, number one. Number two, there is a number of sizes and number of grades like from alloy steel, API, ordinary, so it is all mix. It is not a big quantity. So a reasonable margin what we are getting regularly about 20% to 25% of EBITDA level that we may get here also and there is not much competition also.

Kashyap Jhaveri: So versus today where we are doing more of water and the margins are…

Prakash Sanghvi: No, this year we did not do any water. So it is a product, water there a large priority for us. If anything available in oil and gas, petrochemical, power, first chance is there we take and then if the capacity is available then of course we go for water also.

Kashyap Jhaveri: Any guidance on EBITDA margins for FY 21?

Prakash Sanghvi: Same 16 to 17 plus minus 1%.

Moderator: The next question is from the line of Kunal Kothari from BP Equities Private Limited.

Kunal Kothari: My first question is every quarter we are continuously doing a small orders in titanium space, so how we did in this quarter and now what to expect for next year?

Prakash Sanghvi: We have a reasonable booking in titanium segment also and some of the dispatches took place in this particular third quarter also and still some more orders are in hand and it is under production. So it will go in next quarter also.

Kunal Kothari: So any volume terms like we did this much in FY20 and we can expect in FY21 this much growth expect that we can?

Prakash Sanghvi: We might be complete about 80 to 90 crores and similarly we may get some more requirement from the sea based power plant and one of the good order we got in from export and this is the first product and such type of requirement keep coming. That's what our customer is telling.

Kunal Kothari: My second question is in Quarter 1 and Quarter 2 as you also mentioned that for this financial year we are only doing oil and gas orders. So our margins also improved like in Quarter 1 around 17% and in Quarter 2, 19%. But for this quarter it is dipped to around 14% to 14.5%. So can you explain me what the factors that lead to the margin decrease and the sales mix and what to expect for the next quarter also?

Vimal Katta: Basically in first half our share from line pipe was on the lower side which got reflected in the turnover also. So line pipe is a comparatively lower margin business compared to stainless steel and LSAW. So in this quarter line pipe business has started giving us the volume and the top line. So some shrinkages at margin level was expected that has happened but blended margin range of 16% to 18% at EBITDA will continue to hold true in the longer also.

Moderator: The next question is from the line of Kushal Shah from Dhanki Securities.

Kushal Shah: If you can please provide us the breakup of the order book. Do we have anything from water in the 1560 crores or it is all oil and gas.

Vimal Katta: Everything is oil and gas and power sector only. Carbon steel is purely oil and gas, stainless steel has other sectors also. But mainly will be oil and gas sector, refineries and petrochem plus power sector and remaining fertilizer, process industry and others. But carbon steel is 100% oil and gas.

Kushal Shah: Prakash sir mentioned in the opening remarks that we are starting stainless steel division in April.

Prakash Sanghvi: Trial production, yes.

Kushal Shah: So that we will wait for approvals after which we can begin to…

Prakash Sanghvi: It will take 3 to 4 months maximum, for most of the domestic where we are already approved because earlier also we were doing importing and doing cold pipe finishing. So up to 8 inch we already approved from the domestic industries. But at the same time we need to do from this outside Saudi Aramco then this IO Kuwait and ADNOC and all such outside refineries and petrochemical. That's the reason I say maximum 3 to 4 months we will take. But for commercial production we may start by June-July definitely for stocking, for a distributor because some of the item we may manufacture here stock and sell item.

Kushal Shah: Effectively both for carbon as well as stainless steel we can practically say that in the next year about roughly nine-months of production maybe available.

Prakash Sanghvi: We can conservatively calculate six months. If we can do more that's better in second quarter of financial year. But I will take six months definitely from both the divisions we can get the revenue.

Kushal Shah: The current order book of around 1500-1600 crores, so that is the run rate that we are doing on a quarterly basis of around 700-750 crores, so that is kind of we have visibly doing for two quarters. So how is the bid pipeline and also the new orders that you are….

Prakash Sanghvi: Big tenders are there and in this particular month on leave we people are bidding all and of course it will take 2-3 months to take decision by these all PSUs. But now government you can see in this budget, they said we would like lay 27,000 km of just oil and gas pipeline. So they might be faster and they will come with the new and newer projects also and hopefully we will be again by this March end or April we may get a good jump in the order booking position.

Moderator: The next question is from the line of Mihir Manohar from CapGrow Capital.

Mihir Manohar: Just wanted to understand from a structural perspective, when you placed the orders is it like EBITDA for tonnage fixed or are EBITDA margins fixed?

Vimal Katta: Mihir basically because ours is an order driven business. So each order will have a different profitability based upon the nature of product and where it is going to be used. But we look at the blended margins because in our product bouquet number of products are there, some are lower margin products also, some are very high margin products. So ultimately we end up with the current margin profile. And main consideration for any order is that it should make sense, it should add to the bottom line. So that is the thing so we try to see that we end up with those products where margin can be better than the other opportunities. That's how we have been working so far which will continue and that is the reason we can confidently say that margin profile should continue to range between 16% to 18%.

Mihir Manohar: One more thing about this Barmer refinery, so what kind of margins one can expect from the projects that you will get from this refinery and will it be more of stainless steel or carbon steel?

Vimal Katta: It will be a mix of carbon steel and stainless steel and so far based on our prior experience we should be getting orders both in stainless steel and carbon steel based upon the opportunities which are there because we have the capabilities and capacities. So we are confident that we should be in a position to get our share out of those opportunities.

Mihir Manohar: Just for a broader understanding of mine, is it like 60%-70% orders would be stainless steel?

Prakash Sanghvi: Yes.

Mihir Manohar: One lasting from my side, I mean for this Barmer refinery is it like 30%-40% would be stainless steel and 60%-70% would be carbon steel?

Vimal Katta: No, carbon steel will not be very significant; mainly stainless steel will be higher. You can say that almost 60%-70% will be stainless steel and higher grade material and roughly 30% should be carbon steel.

Moderator: The next question is from the line of Tanush Mehta from Dalal & Broacha.

Tanush Mehta: Can you distinguish firstly that out of the order book of around 1500 crores how much would be carbon steel if you can give us a breakup?

Vimal Katta: 516 is stainless steel and 1053 is carbon steel, total is 1569. Out of this 1569, 448 crores is exports.

Tanush Mehta: Just to give a broad understanding can we assume that carbon steel margins would be around 1.2X or 1.3X of stainless steel margin.

Vimal Katta: No, SS will be higher.

Tanush Mehta: The other way round.

Vimal Katta: Yes, you can assume, SS will be almost 1.5 to 1.8 times of carbon steel.

Moderator: The next question is from the line of Vikas Singh from Phillip Capital.

Vikas Singh: Just wanted to understand this SS new capacity which is coming. In 3 to 4 months you said that you will get all the approvals, the way we understand that basically approval only comes after you complete the mill-wise and not the older approval of any other mills should be working on that. Since you said that 8 inch is already there, but this mill was not commissioned, so how can this mill can utilize this 8 inch approvals which we got for the other mill?

Prakash Sanghvi: Its two markets, one is approved segment, other one is a commercial segment in which stockiest and distributors come. So far we have already approval for the cold finishing of 8 inch, so once we made Mother Hollow and Mother Hollow we can import from anywhere earlier before this facility. But no the facilities available with us we can use our own Mother Hollow and doing cold finishing at our end. So that segment we will start and for others to make as it is cold finish for Mother Hollow for that segment we will get it approval from all this international players because there we were not approved, that mill is not shown to them because just mill is coming now. So we will get them over here, will get it audited and we will get in next 3 to 4 months after trial production. But at the same time we will sell the commercial production to stockiest, distributors and where we want to use for cold finishing internally.

Vikas Singh: Once we get all the approvals, so what is our assessment, how quickly, what kind of utilization level we can see in the second half of next year and then FY22?

Prakash Sanghvi: That's the reason I say I will get six months for actual approval from customer side, the sales and even FY22, we will definitely in this FY21 we will get all the approvals internationally nationally whatever we require. So definitely FY22 we may use 40% to 50% capacity. This year we may try the 22%-25% capacity utilization.

Vikas Singh: Ultimately what could be the mix of—as you say that of you would be doing some stock and sell item versus the mix of—the order booking kind of, so what kind of the mix for this mill could be there ultimately?

Prakash Sanghvi: About the 30% will go to the stockiest, distributors domestically as well as internationally and 60% to 70% our focus always to actually direct sale always. But some of the standard product you have to give them to all the customer and industry, we are already producing because they keep stock and they give in the retail also. So we need to have both the customers, distributor as well as actual users.

Vikas Singh: Currently out of the total CAPEX of both the mills how much we have already spent and what is the pending amount for us?

Prakash Sanghvi: Almost we might have spent about 450 crores, we have already spent for both the carbon steel division as well as stainless steel division and remaining 150 crores steel pending because of some large payment of 15%-10% and some of the balancing equipment still to come because to start the line we have one line. But to ramp up the capacity we need to put another line of some of the equipment, so that thing we will get in a next six months. So all put together 150 crores further will go.

Vikas Singh: It's December and what would be our cash and debt balance right now?

Vimal Katta: December end was more than 300 crores.

Vikas Singh: It's the total net debt we are talking about?

Vimal Katta: I'm talking about cash-cash equivalents. Actually our net cash will be total 150 crores because we have drawn 150 crores of long-term debt. So on net basis 150 crores of cash equivalent.

Vikas Singh: Both the new facilities which we are coming, so what kind of fixed cost we are looking at initially?

Vimal Katta: Fixed cost will not be very significant. Exact figures I have to look at but total figure will not be, other than depreciation will not be too high. We will have roughly 25-26 crores of interest cost initially and other cost should be closer to around another 20-25 crores sort of thing.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investments.

Pritesh Chheda: Just on that fixed cost side. So the depreciation should be how much about 30-40 crores on the asset?

Vimal Katta: Around 35 crores sort of thing.

Pritesh Chheda: And you said the operating cost will be about 25 to 30 crores from the new asset.

Vimal Katta: Yes.

Pritesh Chheda: At what capacity utilization does the new asset breakeven?

Vimal Katta: Around 4045% sort of thing.

Pritesh Chheda: It breaks even?

Vimal Katta: Yes.

Pritesh Chheda: And this 350 crores of stainless steel seamless capacity that we put what will be the asset turn in that 350 crores?

Vimal Katta: Roughly 2 times easily. It can go up to 2.5 times also depending on the product mix going forward. And carbon steel should give us anything between 3 times, it can be higher also. If oil and gas sector the coating is there it can be higher also.

Pritesh Chheda: Just on the stainless steel side since our expected capacity utilization is about 40%-45% in FY22, so this facility may contribute less in the EBITDA in FY22. Is that the assessment correct if you have a fixed cost of….?

Vimal Katta: Yes initially it will be on the lower side because capacity utilization depends on number of factors. This needs hot extrusion facility. So to be on the conservative side the figures what you are talking about, roughly around 40% to 50% should be the capacity utilization in second year, so it will not be contributing significantly to the EBITDA initially.

Pritesh Chheda: And currently our capacity on SS is fully utilized?

Vimal Katta: Fully utilized.

Pritesh Chheda: And carbon steel is also largely fully utilized?

Vimal Katta: Yes, see but can carbon steel we will start getting help of debottlenecking CAPEX in helical saw which should add roughly 40,000 tons of additional capacity and in case of VRW also from July-August we should be getting additional capacity because we are expanding the finishing capacity there. So again 70,000 tons it should move to anything around 120,000 to 140,000 tons sort of thing.

Pritesh Chheda: Total carbon steel capacity addition will be how much, 30%?

Vimal Katta: Will increase including this LSAW roughly 200,000 tons total.

Prakash Sanghvi: With this new LSAW capacity 1,20,000 tons.

Pritesh Chheda: How much capacity do we have currently?

Vimal Katta: 350,000 tons carbon steel.

Pritesh Chheda: So on that 200,000 gets added?

Prakash Sanghvi: Yes, so somebody is asking can give…

Pritesh Chheda: I was just confirming it is 200,000 addition on 3,50,000 of capacity.

Prakash Sanghvi: Yes, you can say roughly overall our total capacity is 500,000 tons.

Pritesh Chheda: I just wanted to know what could be the expected volumes that you will handle for FY20 in carbon steel and stainless steel?

Prakash Sanghvi: FY21?

Pritesh Chheda: No, this current year, nine months are over.

Prakash Sanghvi: It is over, so further we may add this 700 crores, so it becomes 2700 to plus minus 100 crores.

Prakash Sanghvi: And in volumes handled for stainless steel and carbon steel?

Vimal Katta: It will be in line with what we did in Q3, so roughly SS should be closer to 6000 tons and carbon steel should be closer to 70,000 tons.

Pritesh Chheda: If you could give for FY20 combined for four quarters what will it be?

Vimal Katta: Total in stainless steel should be closer to 22,000 tons and in case of carbon steel it should be closer to 250,000 tons.

Pritesh Chheda: Volumes handled?

Vimal Katta: Yes, total.

Pritesh Chheda: Stainless steel has grown a lot this year, will grow a lot; you did about 18,000 last year you will do 21,000 here.

Vimal Katta: In SS volume growth will not be too significant total but value addition will be higher.

Pritesh Chheda: But you did about 18,000 last year in stainless steel?

Vimal Katta: From 18 to 22 its fine, okay.

Moderator: The next question is from the line of Khushboo Dadia from CapGrow Capital.

Khushboo Dadia: I would just like to know the average realization in the stainless steel can carbon steel in Quarter 3.

Prakash Sanghvi: You can get it average but stainless steel starts from Rs. 200 per kg to Rs. 4000-5000 per kg. Now it all depend on the product mix as well as the grade because we operate ordinary 3042 high nickel alloy, nickel-65, titanium all such. So you will not get much from the average value because sometimes you get some grade more, other quarter you get other grade more. It’s very difficult to correlate to Quarter 1 to Quarter 2 and Quarter 2 to Quarter 3.

Khushboo Dadia: Just an extension to the question, if your average realization goes up, so wont your margin be on uptrend or it will still be a 16% to 18%?

Vimal Katta: Average realization if those move up then also any significant impact at EBITDA level cannot be predicted, reason being if higher volume of sale titanium welded tube is there which is costing closer to Rs. 1400 a kg against average of Rs. 350 sort of stainless steel then average realization may move us, volumes will be lower. But EBITDA will not undergo a change because raw material is also equally costly. So it is not like that. Basically similarly in case of carbon steel oil and gas sector margin profile will be on the higher side, average realizations will also be on the higher side. But in case of project wise realizations are much better, so only that may impact positively at the EBITDA level if project requirement pipe volumes increase. It will be dependent on the CAPEX happening in the refineries and pet-chem otherwise blended should range in this 16% to 18% range.

Moderator: The next question is from the line of Srikant Narayan from B&K Securities.

Sailesh: This is Sailesh here. In the CGD project how is the progress, what is the annual business opportunity for ERW manufacturers as well as for our company? And also for cross country pipeline, so what is the opportunity for HSAW manufacturers as well as for our company?

Prakash Sanghvi: There is a very good opportunity in both the segments in the CGD as from last year onwards we have completely utilized the capacity available with us in ERW pipe with coating. So this year what we are putting some additional finishing lines because the mill capacity is there but the finishing line was not taking care of the mill capacity. So we are putting additional capacity of 40,000 tons of ERW as against 75,000 current capacity is there. Looking the order opportunity much more in this particular segment because in next 7-8 years whole country will be with the gas grid, gas networking. This is what our Prime Minister’s vision and for that they are doing this 27,000 km cross-country pipeline because this all gas will come from the import on all coastal areas and that’s the reason they are putting number of LNG plant on the coastal and from there to enter country will get a network of cross country pipeline. In this particular budget only they have said about 27,000 km cross-country pipeline to be laid. So there this all IOCL, GAIL, GSPL, GIGL all this Indraprastha they will come into action. Then City Gas Distribution you might knowing eight round, nine round they have given number of areas to different-different EPC bidder or a private player bidder. So they also do some engineering and so after 6 to 10 month the take because in the 3 years they have to complete the project what they have committed while bidding. So it will go on continue according to next 5 to 7 years.

Sailesh: What kind of volumes you are looking here in ERW for the industry ERW and HSAW every year?

Prakash Sanghvi: I think there are 4-5 players are there in the country for ER, 5-6 players are there and everybody is getting their share and they utilizing their capacity.

Sailesh: In LSAW how much is exports for us?

Prakash Sanghvi: Export some more or less in LSAW, we have a just new capacity coming and will start doing some strong marketing by June-July because by that time we will get API's certification and all those things because so far we were not having LSAW facility. We were having LSAW facility that for a project typing a limited capacity of 30,000-40,000 tons only and that we were utilizing 110% that capacity. Based on that only we put this new capacity for line pipe as well as something we will do a project piping LSAW over there.

Moderator: The next question is from the line of Kushal Shah from Dhanki Securities Private Limited.

Kushal Shah: Just wanted to know book keeping question; in terms of our gross block capitalization for the carbon as well as stainless steel; what number do you think we will be adding in by March '20 and what number will be added in the next year?

Vimal Katta: Basically by March I don't foresee a major capitalization is going to happen. Everything will be lying in CWIP because trial runs are expected from April onwards only. So this is a thing, next year total CAPEX will be happening. We should be closer to that Rs. 600 crores sort of thing. Current year will not be significant; it may be less than 70-80 crores on whatever we have already done in case helical saw and certain other balancing equipments.

Prakash Sanghvi: But by these 2 months will pay further also…

Vimal Katta: It will be part of CWIP, it will not be part of capitalization.

Prakash Sanghvi: Yes.

Kushal Shah: On the ERW the finishing line that Prakash sir just spoke about; so that will be what CAPEX number?

Prakash Sanghvi: 50 crores roughly.

Moderator: The next question is from the line of Kashyap Jhaveri from Emkay Investments Managers.

Kashyap Jhaveri: First question is on the refinery and petrochem segment. You mentioned that proportion of carbon steel pipe there will be about 30% and 70% will be stainless steel?

Vimal Katta: Yes.

Kashyap Jhaveri: And if considering that then the line pipe which is a low margin business within that will see it much lower?

Vimal Katta: It will be higher.

Prakash Sanghvi: In refinery more of less LSAW pipe is going at circumference pipe and the size range is too high right from 6-inch diameter what we produce to 140 inch diameter we are giving to a refinery but the quantum is very less. Somewhere 100 m, 500 m, 300 m, 1000 meters something like that and grades are different, thickness is of difference. So margins are there and there LSAW and this circumference show this both the segment will go.

Kashyap Jhaveri: Second question is on CGD, there you said they have coated ERW, right?

Prakash Sanghvi: Yes.

Kashyap Jhaveri: And this will be coated ERW CS or SS?

Prakash Sanghvi: Carbon Steel.

Kashyap Jhaveri: So there margins will be little lower, right?

Prakash Sanghvi: No, as city distribution gas that means in city what they are laying the line that is all carbon steel coated but at the LNG terminal, there they need stainless steel cryogenic pipe and that also we manufacture. So in City Gas Distribution three way the pipes are going, one is the LNG terminal something carbon steel, more or less maximum is stainless steel. Then there is this City Gas Distribution ERW pipe. Then there is a station where they give the gas to the Auto industries or to the Industrial sector; again there also there station also, stainless steel insulation tubes are going.

Kashyap Jhaveri: But coated ERW because it is coated our margins higher or they are still lower?

Prakash Sanghvi: A reasonable margins are there you can say as compared to line pipe.

Kashyap Jhaveri: And the cost that you said for the new plant, fixed cost is roughly about you said 25 crores, depreciation will be about 35 crores and….

Prakash Sanghvi: The interest cost is 25 to 27 crores and then 35 crores is the new depreciation.

Kashyap Jhaveri: Once we finish this expansion would we still remain net-cash or there will be debt on the book?

Prakash Sanghvi: We will have net cash. So far we have drawn 150 crores, we have tied up further 150 crores also but as required we are taking that.

Vimal Katta: Net cash we will continue.

Kashyap Jhaveri: On the interest side there could be some saving, this we don't take as much of business side?

Vimal Katta: Physically this debt was taken just to ensure long-term CAPEX is met partially from long-term liabilities, long-term debt and cash generation is used to meet our incremental working capital requirements because these two CAPEXes once become operational, working capital requirements will increase substantially. The first thing is we will cover our raw material on back-to-back basis and incremental capacity will require higher inventory carrying. Second thing is in case of external system some capacity will be used for stock and sale, so which will again require inventory of raw material WIP and finished goods. So that is the whole idea; on net basis company will continue to be debt free. As on date also roughly 300 crores of cash-cash equivalents are there with the company and I don't foresee on net basis any pressure should be there.

Kashyap Jhaveri: Why I'm asking this question is the same reason that we still have about 150 crores of cash and cash equivalents on both. The residual CAPEX needed is almost the similar number and within the next 6 to 9 months we will still have cash flows from operations; ideally then interest cost should be only probably the acceptances or something else which is there for the working capital otherwise that…

Vimal Katta: On net basis interest cost will be lower. This 25 crores odd I am talking about the long-term debt which we are taking. So that will result into interest cost moving up but other interest income will continue to be there, on net basis that's of interest going up will not that high.

Moderator: The next question is from the line of Kunal Kothari from BP Equities Private Limited.

Kunal Kothari: Currently in China there is a corona-virus outbreak. So wanted to understand what is the impact you're seeing on the global trade and also on our business, our export business and also its impact over the realization in the domestic business, overall its impact?

Prakash Sanghvi: First of all we are not at all dependent on China neither for raw material, neither for Chinese market, we export anything to China because they have a plenty of capacity and we are not anything exported in China. Rather it is an opportunity for us because China is exporting to other countries a much, so because of this problem; hopefully we pray God they come out as fast as possible but if they delay and something goes wrong, worst you can say then it become a opportunity for us because we get other international enquiry much more and what our people, country is also important, something from them that also being stopped and they can come to us; what I mean to say. So it is an opportunity blessing that is there but we wish they come out as fast as possible.

Kunal Kothari: Can it lead to more higher prices and can extend a margins also if this outbreak continues more?

Prakash Sanghvi: We were not playing with the margin but we would like to utilize maximum capacity. Of course suppose some special thing and one is asking with a short delivery so we have to hold someone, we have to give them then definitely we can charge something more.

Kunal Kothari: So we are not seeing any significant uptake in the prices while our taking the orders and such because being China be a biggest competitor, so the buyer will be tending to where the suppliers are, fulfilling the orders faster. So just wanted to understand on the realization part what we are seeing ahead?

Vimal Katta: Too early to comment on how the prices of commodities are going to get impacted because of this corona-virus. So let us wait for some time; before the market starts reacting to this thing. Right now only those industries which are dependent on significant supplies from China they are feeling the pinch like electronic, pharma and other. For pipe industry, metal industry still it is too early to comment on this thing because we have not seen prices correcting either on the positive side or negative side in case of carbon steel or external system right now.

Kunal Kothari: Are we buying a nickel plates or other raw material from China all we are sourcing from Europe only?

Vimal Katta: Our main sourcing is from domestic market for carbon steel but sometimes we also source from China. It is not like that China, we are not sourcing but we have not faced any issues so far.

Prakash Sanghvi: And no order is pending with China for us right now. We have some orders with POSCO Korea and that's all and for stainless steel we don't import anything from China.

Moderator: The next question is from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: Out of this revenue pie of 1954 crores, can you give me split-up between the sectors where the contribution has come from between refinery, cross-country pipeline, fertilizer to get an understanding which industries have we catered in the revenue pie as well as in the order book?

Prakash Sanghvi: More or less our type of company is going with oil & gas, majority. You can say that become a 50% to 55% is the major revenue comes from, oil & gas means refinery, petrochemical, City Gas Distribution, line pipe all this put together, its about 60% turnovers come from this all 4-5 areas and then rest is the Power, then rest is the chemical, fertilizers then pharma, aerospace, automobile, all mix you can say sugar or dairy, all such mix.

Saket Kapoor: In the order booking currently the same pattern is visible?

Prakash Sanghvi: Yes, same pattern is there because our maximum things are coming from oil & gas. In that oil & gas means refinery, petrochemical, CGD, cross-country pipeline, LNG terminal, LNG stations all such came.

Saket Kapoor: I was looking for more renewal details in the oil & gas segment itself. In oil & gas category, subcategory which subcategory has got the greater pie?

Prakash Sanghvi: So our 60% sale is in oil & gas only.

Saket Kapoor: That is great and under the oil & gas which subcategory contributes?

Prakash Sanghvi: At subdivision we are not doing and not available with me right now. I can say only there is roughly everything.

Moderator: The next question is from the line of Kushal Shah from Dhanki Securities Private Limited.

Kushal Shah: Vimal sir just a clarification required, in Q3 we have seen a fairly decent rise in our other expenses, so any particular line item there which has grown or if you can just elaborate?

Prakash Sanghvi: The transportation cost is gone, in line pipe business what the transportation fare charges are always included, so we have to deliver till for site. So the freight cost is increased over here.

Kaushal Shah: So it is mainly due to that?

Prakash Sanghvi: Yes. One more thing the power also because all the plant of coating as well as ERW and spiral, all running full three shift basis so power also get increased.

Moderator: As there are no further questions; I would now like to hand the conference over to Mr. Alok Shah for closing comments.

Alok Shah: Thank you Prakash sir and thank you Vimal sir for taking out your time and for this detailed interaction. Thank you all for logging on to this call, Prakash sir you want to add some closing comments?

Prakash Sanghvi: The things are going well and you can see in the last three days the budget, first the people doesn't understood and from Monday onwards they thoroughly understood and the market is on a one side only. So this is you people know better.

Alok Shah: Thank you sir for taking out your time.

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