Corporate Office:
The First, A Wing, 9th Floor, Behind Keshav Baug Party Plot,
The First Avenue Road, Off 132 ft Ring Road,
Vastrapur, Ahmedabad - 380015 Gujarat, India
Phone : +91-79-29601200/1/2
Fax : +91-79-29601210
E-mail : info@ratnamani.com
Website : http://www.ratnamani.com

RATNAMANI METALS & TUBES LTD.

RMTL/SEC/POST-TRANS.CON-CALL/Q3/2020-21

February 6, 2021

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: <u>Transcript of Investor Conference Call post Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and nine months ended on December 31, 2020</u>

Dear Sir/Madam,

We had vide our letter dated February 1, 2021 intimated to the Stock Exchanges about the schedule of Investor Conference Call on Wednesday, February 3, 2021 post Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and nine months ended on December 31, 2020.

We enclose a copy of Transcript of the Investor Conference Call which took place as scheduled. The said transcript has also been uploaded on the Company's website.

Kindly take the above on your record.

Thanking you,

Yours faithfully,
For, RATNAMANI METALS & TUBES LIMITED

ANIL MALOO Digitally signed by ANIL MALOO
Date: 2021.02.06 10:30:02 +05'30'

ANIL MALOO
COMPANY SECRETARY & COMPLIANCE OFFICER

Encl.: As above

“Ratnamani Metals & Tubes Limited
Q3 FY2021 Earnings Conference Call”

February 03, 2021

ANALYST: **MR. SAHIL SANGHVI- MONARCH NETWORTH CAPITAL LIMITED**

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

Moderator: Ladies and gentlemen good day and welcome to the Q3 FY2021 Earnings Conference Call of Ratnamani Metals and Tubes, 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 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. Sahil Sanghvi from Monarch Networth Capital Limited. Thank you and over to you Sir!

Sahil Sanghvi: Good evening to all. Thank you Rutuja. On behalf of Monarch Networth, we welcome you all for the Ratnamani Q3 FY2021 earnings call. We have glad to host the management of Ratnamani today and from their side, we their M.D., Mr. Prakash Sanghavi, and their CFO, Mr. Vimal Katta. I will hand over the call to Prakash Sir for the opening remarks. Thank you and over to you Sir!

Prakash Sanghavi: Good evening everyone. This is the third quarter results what you might know. 461 Crores is the total revenue and 61 Crores is the net profit after tax. Of course it is little less compared to the forthcoming year and when compared to the last quarter also but that year because COVID had happened in this particular quarter because with the robust order booking in March, the company had continued reasonable sales in the first quarter and second quarter and third quarter it affected because in first quarter there was total lockdown, and there was no order booking, very slow in the month of June, something what we did, but technically no order booking due to COVID-19 and not many projects under review, under hold, even order also had become under hold. From September onwards we started order booking and reached to a good order what the company had booked about 500 Crores to 700 Crores and that result will come in the Q4 of the coming financial year. Otherwise, this year we have initially told since because of COVID things were down compared to our last year turnover possibility and everything, but good thing is that in this particular period we commissioned both the expansion project of stainless steel as well as the carbon steel LSAW, something is pending in LSAW, that will also be completed before March 31, 2021. From next year Q1 onwards, we will get from both the division commercial production also, so we are quite hopeful and earlier we did about 2800 Crores to 3000 Crores, like that we will jump that figure also in the coming years. Order visibility is there. Things are improving in the country at the same time, in the Middle East but something goes wrong in Europe, still there is COVID-19 is there, in Spain, in UK, in Germany, France, Italy, so it still is a little bit difficult but hopefully it will be also over by April. So things will improve and in the next year might be a better year for the company's own capacity and then expanded capacity will be utilized so everything visualized better in terms of oil and gas, in terms of power, in terms of chemical, fertilizers, auto industries, all and recently because of in the last two, three months, there was a heavy raw material price that we increased, so again in this particular last two months, there will be slow in order booking because either projects people or EPC contractors might have booked all the gas, long gas and all of a sudden there is price increase in raw material both in stainless steel as well as carbon steel. So, again it will be slow even though they would like to finalize that

10% to 20% of their order quantity of whatever their urgent need, but in this budget they have reduced the custom duty on steel to about 5% and lot many the antidumping notifications were removed from six months, so anything available from international market also, so that will be a help to the company little bit softer in the raw material front. So, our customers will take the final decision on order. So, we are hopeful again in the fourth quarter this February March we will book a reasonable good order in both, carbon steel as well as stainless steel. This is all from our side. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Congrats on very good set of numbers. Sir, firstly you mentioned because of the steel price, the EPC contract is kind of delaying the order, but AMC we have in that is beyond a point, so that is where the bookings will come through?

Prakash Sanghavi: In EPC contracts they might have a time of 18 months to 24 months, so they would like to wait, two, three months to see how much market will come down and with this budget definitely will come a little bit, that is sure. Then it will be helpful to them because they might have quoted six months back. They do not know at that particular time of the market and all of a sudden the steel had gone up by 25% to 30%, 35% in the last four months. So, they have held that even the orders are with them. Like, in carbon steel we got some orders for 2000 tonnes, actual requirement is 14000 tonnes, but they say immediate what we need that we are going to buy to give us and we took the orders also, but remaining portion they will say we will buy at a later stage.

Ashutosh Tiwari: Sir, I mean all this is not relevant to you but when do you feel confident that they would bid for a particular price. In that there is no escalations through them the tenders will be that they have booked for?

Prakash Sanghavi: That we do not know. The escalation with them or not, but it is really too high a price increase. You know ordinary steel was say about Rs.38000 per tonne and it has become a Rs.55000 per tonne so, nobody will be able to take this material at this price and complete the order. It is all EPC.

Ashutosh Tiwari: I got it. Not for us. Sir, in terms of projects in domestic export markets, do you see potential of order booking over six months?

Vimal Katta: Potential order booking we can say there is good amount of order visibility is there. I think requirement in the coming few months should be for them to allow us 3000 Crores, in the next four five months, more than 3000 Crores of the requirements in carbon steel are going to be there. Similarly in case of stainless steel also I think the total requirement in the next three months should be more than 1500 Crores sort of thing based on the inputs which are available with us.

Ashutosh Tiwari: So, this 1500 Crores for 3000 Crores market size for order size for the domestic exports?

Prakash Sanghavi: Yes.

Ashutosh Tiwari: Which are the major projects from where the orders come from?

Prakash Sanghavi: Oil and gas, power, gas pipeline and some oil pipelines also by refineries also, water application also.

Ashutosh Tiwari: But can we mean is there a case from where the assets are there?

Prakash Sanghavi: We can discuss it separately.

Ashutosh Tiwari: This asset plant commissioning will have, the products will start happening by March end you mean to say, right?

Prakash Sanghavi: By March end we should be through with everything and some commercial production might start. That is our plan.

Ashutosh Tiwari: Initially we were tapping the distributors in Middle East, that plan is still on?

Prakash Sanghavi: Yes. We are going to start, but again there will be a problem in Europe you cannot travel right now so might be from April onwards, and as such we have distributor right now for our other two so we are already talking on this Zoom and all those and we are giving them the idea to book such old sizes what we have done, product in April or something like that. So dialogues has already started with them, but all these new distributors we have to go, visit them, understand their requirements so it will take time, in the first quarter of the new financial year we will do all these testing.

Ashutosh Tiwari: Sir, lastly in terms of approvals for the SS plants will in what time we will get the domestic customers approval will come?

Prakash Sanghavi: Domestic customers up to 18th we have already approved and we were supplying. At that time, we were importing SS roll and doing finishing over here. So, up to 18th even EIL and all those we have approval and we are doing continuously. So, for them it is my own material, so they will be more happy, booking more approval they will require.

Ashutosh Tiwari: So, only that toll side?

Prakash Sanghavi: Yes, only outsider somewhere we will call after one by one all the customers and show them the capacity, audit the facility and get it done. It is ongoing process. It will continue for a year or so.

Ashutosh Tiwari: Thanks a lot.

Moderator: Thank you. The next question is from the line of Mahan Tej from Man Industries. Please go ahead.

Mahan Tej: Good afternoon Sir. I just wanted to get the volume of SS, LSAW, during the latest quarter, production?

Vimal Katta: Please share your email ID with me. I will share with you the quantitative details, which we have been sharing with all others.

Mahan Tej: Sir, this stainless steel plant is completed and when will the production starting?

Prakash Sanghavi: See, the trial production we have already started taking and commercial production by March, definitely some quantity we may get, but you can say April onwards, it will be continuously on different, different sizes, commercial production as well as trials both go together so next six months, we produce, and we get trials also because the number of grades, size, diameter, is too many, so both will go together.

Mahan Tej: Sir, this higher raw material price will have an effect on your EBITDA margins going ahead or it is immaterial?

Vimal Katta: See, ours is a conversion business sort of thing and we cover our raw material on back-to-back basis. So, any price movement will not have much impact on the EBITDA margin.

Mahan Tej: The 80% of the orders that has not been executed by the EPC players, they have delayed it marginally?

Vimal Katta: Yes.

Mahan Tej: So, it will be in the same margin profile?

Vimal Katta: Very difficult to project that at the time of the order finalization what will be there, outcome of the bidding process, but we work on a certain EBITDA margin and that broader range of 16% to 18% should hold good in the long run also.

Mahan Tej: What is the feel about the order outlook in the domestic market Sir, in Indian Oil and Gas market?

Prakash Sanghavi: Good demand is there particularly for carbon steel side from oil and gas sector, City Gas Distribution then water application also. Similarly things based on there are certain requirements from refineries, petchem and power sector. So, only issue is because the sudden increase in raw material prices some of the orders have been delayed and it may take some time before orders get finalized because even in case of those tenders where bids have been submitted now tender opening was deferred by the customers. Now the current suppliers will not be agreeable to hold on to the price lines because of the raw material. So the tender maybe required in case of some of the orders. So, all these issues may result into some delay in order finalization, but overall demand visibility continues to be good.

Mahan Tej: Sir, coming to the EBITDA in Q3, there was a very good expansion in EBITDA margin, any particular reasons for that?

Prakash Sanghavi: Basically in a particular quarter, based on the type of pipes which have been discussed will have an impact on thee EBITDA margin. In Q3, mainly higher contribution has come from stainless steel and process pipes where margins have been good even in the case of line pipes ERW prices have been on the higher side compared to the helical saw. So that is the reason that EBITDA margins have been better, but overall if we look at the average of early performance that 16% to 18% will be there.

Mahan Tej: Sir, coming back on the ERW part, you will enter business you mentioned from ERW?

Prakash Sanghavi: ERW is a better margin business compared to helical saw and ERW dispatches have been on the higher side in the Q3.

Mahan Tej: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Susmit Patodia from Motilal Oswal. Please go ahead.

Susmit Patodia: Good evening. Wish you a Happy New Year and congratulations on the commissioning. Sir, first question is despite the commissioning the depreciation was down quarter-on-quarter. When will we see the full impact of commissioning on depreciation?

Prakash Sanghavi: Basically, these plants are not yet ready for manufacturing. So, no impact of depreciation for the new plants is there in the first nine months. In Q4 we will see, the depreciation increasing in respect to the new capex and because of the COVID impact initially, depreciation was on the lower side because some of the plants are closed.

Susmit Patodia: Sir, annually this will also increase from Q1 of next year right?

Prakash Sanghavi: In the next financial year we will see depreciation also increasing. Anyways next year target will be more than 3000 Crores for topline.

Susmit Patodia: Employee cost Sir?

Prakash Sanghavi: Pardon?

Susmit Patodia: Employee cost will we add significantly more?

Prakash Sanghavi: No. See, employee cost is not expected to move significantly because incremental manpower requirement are not going to be very significant.

Susmit Patodia: Secondly Sir, is if I may ask why was there a delay in submitting the annual report?

Prakash Sanghavi: Only two days delay was there that happened in emergency by the earlier company secretary but hardly two days delay was there unfortunately.

Susmit Patodia: Nothing to worry about.

Prakash Sanghavi: No, nothing to worry about. At that time, he missed it out and two days delay was there.

Susmit Patodia: Sir, you had mentioned that you will not need approval from domestic markets up to 8 inch diameter stainless steel pipes?

Prakash Sanghavi: For some of the EPCs, like EIL and others where we are already approved, but the approval will be required and some of the prior players may wish to visit the facilities also.

Susmit Patodia: Sir, in this stainless steel expanded capacity how much will be for domestic and how much will be exports?

Prakash Sanghavi: We will try to have the maximum from the available opportunity. So, right now we are not going to restrict ourselves to either domestic or exports. So, we will be targeting both the markets, because internationally also requirements are there and we will be price competitive compared to existing manufacturers based out of Europe and other countries. So it is like that, but initially it will be distributed based business and later we will move to direct to customer and other things.

Susmit Patodia: Thank you and all the best for your commissioning. Thank you.

Moderator: Thank you. The next question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Sir, in your carbon steel order book currently what would be the share of the ERW steel?

Prakash Sanghavi: ERW is fully booked till June, July after considering the higher capacity post the debottlenecking capacity. So, ERW is a good business visibility is there from CGD and normal oil and gas pipeline.

Ashutosh Tiwari: Sir, out of say 1000 Crores of order book that we have in carbon steel the ERW pipes is roughly 10% of that?

Prakash Sanghavi: ERW exactly right now I am not having that figure, but it is good quantity is already there.

Ashutosh Tiwari: The expanded capacity this debottlenecking is to come what is the timeframe?

Prakash Sanghavi: Which one.

Ashutosh Tiwari: Expanded capacity.

Prakash Sanghavi: Commercial runs at the expanded capacity will be available from the next financial year only. No, in case of ERW, the expanded capacity is available as on date also, but for some hydro testing everything is available for ERW. Out of this 1000 Crores, almost 40% plus will be ERW.

Ashutosh Tiwari: That is helpful, but on your commissioning side, you are saying the plant is already commissioned?

Prakash Sanghavi: The plant is commissioned up to 12 inch dia. There was some issue with the hydro tester so it will be over by this April, it can go up to 18 inch. So, up to 12 inch, we can utilize that capacity also, expanded capacity also. But above 12 inch there are some issues in hydro testing, that will be resolved by April.

Ashutosh Tiwari: Lastly, now what will be your realization include?

Vimal Katta: Current financial year we should be nearer to 2200 Crores to 2300 Crores sort of thing, same what we have been discussing.

Ashutosh Tiwari: Thanks.

Moderator: Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: Thank you very much for the opportunity. I joined the call a little late, so pardon me if this is a repetitive question. Just wanted your thoughts on how is the landscape for upcoming orders in both the domestic market and the export market looking?

Prakash Sanghavi: Reasonably good. Visibility is there. There is no problem and even in this September onwards, we have got booking also in both stainless steel as well as carbon steel. Now unfortunately this

COVID still there is in Europe and a number of countries, so still people are not moving, nor taking decisions something like that, but in domestic market it is getting improved, I think, there are a number of enquiries, tenders, what they have quoted in big amounts nor our percentage of through might be 20% or 25% it depends from products to products, segment to segment, but we see a good visibility. Whatever happened in this particular year because of the COVID, otherwise next year onwards, with the two expanded capacity in stainless steel as well as in carbon steel we will definitely surpass all the figure what we did in the past.

Kaushal Shah: Sir, if you could just throw some more colour on when do we see the new capacities, what level of utilisation, let us say we are likely to see in the first full year which is FY2021-2022 and in the next year so, what can be the roughly capex?

Prakash Sanghavi: Next financial year we can say we will start with 20% to 30% utilization. There are a lot many approvals we need, so in the first six months latest so, getting approval especially in line pipe. Then definitely second year onwards, 30%, 40%, 50% something like that so year-on-year we will definitely increase by 15% to 20% of our turnover with the expanded capacity utilization.

Kaushal Shah: This was very helpful Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Mandar Pawar from Kotak Mutual Fund. Please go ahead.

Mandar Pawar: Good evening Prakash Ji, Good evening Vimal Ji. Sir, I just wanted to get a little bit colour on the stainless steel segment. Now if you look at the past let us say few quarters, last three, four quarters, the order book has been taking a beat, whereas the order execution in terms of revenues are being more or less flat. If you can share and you have explained about the carbon steel volatility in the raw material prices may be holding back to the customers but in case of stainless steel what could be the reason for this little bit slowness in order?

Prakash Sanghavi: See, same thing with the stainless steel also because increasing in nickel and there is an antidumping, the CGD put on one Indonesian mill Tsingshan is there. There the government had put about 22% CGD on that. And one reason is that there is a monopoly of Stainless Steel Essar Coil is with Jindal Stainless Steel and second thing of course the COVID effect is there and even in nickel has increased from 12000 to 18000 so all this put together there is a sharp increase in stainless steel, HR, CR coil as well as stainless steel round bar. Four months back or five months back, the stainless steel, normal stainless steel price was about Rs.140000 per tonne to it had gone up to Rs.180000 per tonne so about Rs.40000 increase took place in stainless steel round bar as well as stainless steel in the last four to five months. Because of international prices had gone up for the nickel, chrome, moly all such thing. Now there is antidumping duty on this Chromeni one company over here in Mundra. It is a Chinese company with Indian partner there is a CBDT what they have put about 22% preliminary and then final duty was 18% but fortunately in the last February 1, there was a budget and in that budget they have reduced the duty in HR coils or CR coils, at the same time, this antidumping duty the CBDT what they have put they have cancelled that duty, for the next six months, because all of a sudden the price increase took place about 20% to 30% in stainless steel as well as carbon steel. So, this all MSME and other EPCs had gone to the government and said this is too much and our all projects we took at the old price so in this budget, they understood it very well and they cancelled all this anti-dumping duty or CBDT or freight back duty all such things till September 2022. And they have reduced the duty also from 5% to 7.5%. So, this will help and there is zero duty on scrap. Earlier it was at 2.5% for stainless and carbon steel.

Mandar Pawar: Thanks. For the new line which is coming for SS as well as for LSAW whether we have started taking orders for those or it is yet to complete the appraisal side from the client end?

Prakash Sanghavi: Now we are starting to quote because now we are taking trial and successfully we are getting one by one price proof, so now we are going to quote and by March end definitely we can book something so we can execute in April, May or something like that. All commercial production will definitely start from April onwards. But with that we will take a lot of approval also somewhere customer to customer, and somewhere from third party inspection agencies, somewhere the EPC, somewhere all such approval we will take and at the same time, all standard policy will be about 200 Crores.

Mandar Pawar: That is helpful Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Devang Sanghvi from ICICI Direct. Please go ahead.

Devang Sanghvi: Thank you. Good afternoon. Sir, my question is regarding the opportunity in the SS segment and the helical division especially API how that is panning out.

Prakash Sanghavi: API division you can say there is a good visibility into that because the government had three industrial park with discharge facility to stop import from China or they are going to put in a big industrial park. So there definitely will be a huge amount of requirement from stainless steel, stainless tube and pipe both. So, it will start up to four, five companies like Aurobindo and Divis, they are continuously buying and they are expanding in Hyderabad, in Vizag, in such area, but with these three industrial park, I think we will get a better segment from that particular area.

Devang Sanghvi: So that will be a big business opportunity over there?

Prakash Sanghavi: Yes.

Mandar Pawar: Secondly this Indonesia sales being from the Europe which is included in the budget, I think Q3 order book was impacted because of this CED. Now that CED has revoked are you factoring the assets part of the segment?

Prakash Sanghavi: There will be two reasons of any raw material price increase; one is of course there is a monopoly of Jindal for the last four, five months and the other one is sharp increase took place in nickel, chrome, moly as well as stainless steel scrap. So, the prices had gone up, but with this input allowed from any country even including China, I think some pressure will be definitely there on the Jindal as well as we may import also. So, that will help us and that will help ultimate help to our customers because we were quoting very high price considering today's raw material prices. Now the prices will definitely settle in the next two to three weeks from international market as well as domestic. So, definitely that much benefit we will pass on to the customer and order flow will increase.

Devang Sanghvi: So these are all positive aide in getting better orders because of this?

Prakash Sanghavi: Definitely.

Devang Sanghvi: In terms of SS capacity utilization for FY2022 are we targeting 30% is that a good understanding?

Prakash Sanghavi: Yes, the expanded capacity of course is 30%.

Devang Sanghvi: Additional 20% to 30%.

Prakash Sanghavi: Yes. 20% to 30% depends on band and the thickness because the tonnage is governed by the diameter and thickness.

Devang Sanghvi: You are targeting 3000 Crores topline next year given all these.

Prakash Sanghavi: More than that.

Devang Sanghvi: Sir, the debt repayment we have because we have been slippage this year and next year? So what is the debt repayment plan for your company? Debt repayment schedule?

Prakash Sanghavi: There is no requirement.

Vimal Katta: We have not drawn and it will not be required.

Devang Sanghvi: It will not be required entirely.

Vimal Katta: Right now based on current inputs, we may not go for further withdrawal of the term loans

Devang Sanghvi: Just a last bookkeeping number, in terms of the capex that is for nine months what will you incur and the second is capex for FY2022, because I think it will be growth capexes?

Vimal Katta: See, total capex in nine months would be closer to we had incurred closer to Rs.500 Crores sort of thing, so in this nine months, if you look at it will be hardly 100 odd Crores because anywhere 380 Crores or something was there and right now it is closer to 475 Crores, a line in the CWIP, something might have been cut also. So, in totality I can say roughly 500 Crores we have already incurred for the capacity into the new capex. Anyway we will be completed now.

Devang Sanghvi: Second is maintenance capex for next year?

Vimal Katta: Next year is too early to commit. Right now the team is working on the next growth plan and maybe between the next two and three months' time, it should be ready with their plans and the board will be taking a call.

Devang Sanghvi: Thank you Sir. All the best.

Moderator: Thank you. The next question is from the line of Vikas Singh from Phillip Capital. Please go ahead.

Vikas Singh: Good evening Sir. Sir, I just want to understand like you said that new excess capacity initially would be coming in the distribution channel, so how do see the profitability and the margins Sir? Would it be still lower or it will not matter much in terms of margins for the segment?

Vimal Katta: Overall margin, the company will remain between 16% and 18% EBITDA level, of course it goes on segment to segment, product to product, the company has a standard policy and protocol, so we can say starting with this new expanded capacities, it is a little lower, but the company has a lot many other products, so that can substitute, so overall margins 16% and 18% will be there.

Prakash Sanghavi: Initially in case of stock and sale products, margins, of course is going to be lower than that we are used to in case of steel made to order products. Because anyways if there is no full finishing, then anyways the value addition is going to be lower, but it is going to be a mix between hot extrusion as the condition product and the cold finished product also going forward. So initially of course margins will be lower in case of hot extrusion facility.

Vikas Singh: Sir, once we have one plus for desirous level let us say two years down the line, how would we see the mix in terms of this general products versus the made to order products and would this entire general product segment will have a higher margin what we are seeing right now because these are lower specialized products and the repackages?

Prakash Sanghavi: See, there are two products, one is standard product, the distributor's standard stock and pipe and the other is lot many new things what we are going to add, even lot many import substitute we are going to add over here, even exploration, even defense, even for nuclear, certain things so, it is a total product mix in 20000 tonnes, so something it will go for a standard products to a distributor and something special what we are going to develop and that goes to a made to order. So, average it will remain same.

Vikas Singh: Sir, I would just be staying, you will not say anything right now.

Prakash Sanghavi: Right.

Vikas Singh: Sir, my second question pertains to our big book, so what is our big book in terms of new segment and wanted to understand what percentage of this big book has got empanelled in terms of policy readjustments because of the higher steel prices?

Prakash Sanghavi: See, all our orders are on price basis only and there is no price adjustment.

Vikas Singh: What would be the big book in terms of total big book right now?

Prakash Sanghavi: Big book maybe around 1200 Crores to 1300 Crores.

Vikas Singh: Sir, just one last question is on the assets, you remain competitive, because Jindal is coming in and right now the market was also a little bit deeper, how do we see that this new orders which we are getting in like we have ordered the small ones 250 Crores kind of orders in EPC side. How do we see the margins there? Will it be on a range bound manner or it is now we are creating more from the government point of view using up these margins, so what would be our strategy there?

Prakash Sanghavi: Wherever we are strong margins will continue to remain in the existing range, where the competition is more, markets will determine the margins. We basically, you cannot remain isolated from whatever is happening in the market. So that is the thing. But we are confident that our product range and the type of products we are targeting, we should be in a position to have our own market carved out notwithstanding the competition and everything.

Vikas Singh: Sir, lastly our net cash balance right now is what?

Vimal Katta: See it will be more than 500 Crores. Net will be roughly 350 Crores.

Vikas Singh: Thank you Sir. That is all from my side. Best of luck for the future.

Moderator: Thank you. The next question is from the line of Sahil Sanghvi from Monarch Networth Capital Limited. Please go ahead.

Sahil Sanghvi: Thank you. The bid book that we said about 1200 Crores to 1300 Crores could you give me the split on the CS and SS?

Prakash Sanghavi: It might be 400 Crores in SS and 1100 Crores in carbon steel.

Sahil Sanghvi: Thank you. Can you also give some more clarity on these assets bid book that you have like from which particular refinery or is it domestic or exports, or which regions?

Prakash Sanghavi: It is all mixed. There is an export requirement also. There is local oil and gas side, all mixed and we do not see such all segment guys also with us.

Vimal Katta: Because of the increased competition, right now giving very fine details will be difficult.

Sahil Sanghvi: I understand. I do not need those details.

Vimal Katta: The majority of the PSU requirements are available on Google. Domestic projects are available on Google.

Sahil Sanghvi: Secondly, you said we have a net cash of about 350 Crores so would we be doing any kind of debt prepayments or we will follow the schedule that we have for our term loans?

Vimal Katta: We are working on it and we will take appropriate terms regarding that also. We are in discussion with our bankers.

Prakash Sanghavi: Even we are working with some of the things also, some debt required.

Vimal Katta: Those things we will be discussing with the bankers.

Sahil Sanghvi: Thirdly, my last question was you said that you would also be discussing on what will be the next programme on the growth front. So, I understand nothing is fixed right now, but could you give us an idea on what particular things are you looking at as in any specifics on that or what are the options that you have?

Prakash Sanghavi: Lot many things what we are having, what we have finalized, so we cannot say anything and right now we have the time to reveal all such thing, but we are working seriously.

Sahil Sanghvi: Thank you Sir.

Moderator: Thank you. The next question is from the line of Manoj Baheti from Carnelian Capital. Please go ahead.

Manoj Baheti: Good evening. Sir, a couple of questions from me; first one is after the recent budgets announcements from the capex side across all the segment sectors, how do you see the opportunities size for your segments transforming and also in that line I understand that we have just completed 500 Crores of capex and there will be so, my question is whether the capacity utilization guidance it remains same what you gave during earlier quarters, so will there be any change in there, because this is first of the time this kind of huge capex announcement has been announced in the budget?

Prakash Sanghavi: Of course for us I think in budget it is all line type, or cross country pipeline for CGD. That is there and even LNG plant, such all is there, so again same thing, this cross country pipeline, CGD, and gas pipelines all such thing is there, and they are going to put more number of cross country pipeline. That is there. Of course in infrastructure it is not much from our side. Of course all the state government also coming with their budget and there might be able to get good amount of water pipeline requirements that is still to come. Other side, regular business coming from power, from chemical, fertilizers, auto industries all has regular business, especially they have announced more on the cross country pipeline and all this GAIL, IOCL, HPCL, what they said and what are the refinery and petrochemical plant will come into the country. So that is sufficient for them and we see the domestic market. At the same time, with the international market also, all are same.

Manoj Baheti: Sir, actually my question was that despite of that you are still in terms of capacity ramp up and utilization still you are giving the same kind of ramp up which you have given during earlier quarters, so just wanted to understand is there a scope of a faster capacity utilization going forward in line of the announcements which has happened?

Vimal Katta: Basically in case of carbon steel it is possible to ramp up the capacity utilization based on the opportunities, because not much challenges are there. Manufacturing is not so complex, but in case of hot extrusion, it is a time consuming job, hot extrude all the sizes and all the grades. So, there one cannot reduce the time maybe improvements of 5% to 10% is there based on the market opportunities one may take out the trial runs earlier than the planned one. So, instead of 30% maybe opportunities are very good, it may increase to 35% to 40%, but it cannot go to 60% impossible. Hot extrusion is a very complex manufacturing process.

Manoj Baheti: Sir, in light of that are we running in any of our segments, ERW, carbon steel, any of the segments are we running a risk of sufficient capacity not there for meeting the upcoming demand?

Vimal Katta: Right now you can say it is more or less we have the capacities planned in such a way that we make the best out of the available opportunities. At any given time, one may feel that the capacities are falling short of the requirement, but for short-term one cannot plan long-term investments. Right now perhaps my marketing team may feel that there is not enough ERW capacities are there, but that one may not last for a very long time, so material was required. We have effectively increased capacity by 100% from 30000 tonnes to 1400000 tonnes by investing in post fabrication facilities, finishing facilities. So, that sort of stress we have been taking and these will continue but massive capacity for helical is not there in any of the segments.

Manoj Baheti: Sir, one last question which I had is in line of reduction of custom duties, antidumping duties, is there any risk on the raw material which we are holding because new raw materials which will come will be at a reduced duty because I understand that one thing is there in contract your LME prices and prices are linked to LME prices, but in custom duty and antidumping duty reduction also will it be taken care?

Vimal Katta: No. See, in our case, nothing is linked to LME prices. Our contracts are on fixed prices only. So, any increase in raw material is to our account and any decrease in raw material is also with us. So, and that is the reason if you analyse our results over the last several quarters, you will seem that our gross margins have remained range bound because we cover our raw material on back-to-back basis based on the average product mix, it has hovered around 65% plus minus 3%, 2% here and there. Raw material as a percentage of sales has remained in that range and that will continue. Only thing is that right now we are not carrying any inventory which is for stock and sale. Going forward for hot extrusion, some inventories will be there and at that time we need to be more cautious, more particular about ensuring that no adverse impact of how the price is geared which may significantly impact the profitability, because at that time, some exposure to raw material prices will be there, not right now.

Manoj Baheti: Thanks for taking my question. Wish you good luck.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Thank you Sir. Sir, firstly from the fine prints of the budget, as Ratnamani Metals and the sector which we are operating, how are we taking the key highlights of things which are benefiting our sector in the company in which we focus? What kind of traction, can you summarise out of it?

Prakash Sanghavi: Especially not for our type of industry which is more of infrastructure, agriculture, textile and all, but of course they have said in between there is a cross county pipeline for oil and gas, City Gas Distribution that will be continued and they will add some more new lines for that. So there the company will get benefit number one. Number two, they have reduced the import duty on steel above 5% from 12.5% to 7.5%, so that is a very competitive market for our raw material and I think that is all otherwise the same thing will continue and infrastructure something somewhere we will get, otherwise it is a normal for us the budget is.

Saket Kapoor: Sir, on the CBDT revocation on the stainless steel part, the counterpart that is also going to be of benefit?

Vimal Katta: Yes it is going to be benefit. Earlier it was for the last six months, there was a monopoly from Jindal Stainless and there is the import which is curbing his 22% of CBDT on Chromeni, their import from Indonesia. So that is a good relief and availability of raw material at a reasonable competitive it is like it might start now and we can import from any of the country including China. That helps us lot.

Saket Kapoor: What is the duty differential? I missed your numerical figure?

Vimal Katta: Earlier duty was 12.5% for steel and not stainless steel. Now I becomes 7.5% to 5% direct duty benefits and they have reduced 2.5% duty on scrap, whatever stainless steel or carbon steel were importing the scrap was 2.5% that they have reduced. So once that import duty got reduced, now they said scrap duty they have 0% and this antidumping they have removed. So, all there is easy availability of stainless steel other than here is a monopoly situation with a long delivery they are going to the court, the local producers of only stainless steel is Jindal Stainless like that. So, these are the good things what had happened in budget.

Saket Kapoor: The countervailing duty was 12.5% that was reduced to 0% that was revoked.

Prakash Sanghavi: No that was in our case it was 7.5% only, in steel it was 12.5%. In stainless steel I was starting 7.5% only.

Saket Kapoor: Coming to this IOC coming up with a big recovery there is a joint venture with their subsidiary CPCL there is 39000 Crores project as they have announced?

Prakash Sanghavi: They have just announced, of course CPCL has just announced 39000 Crores worth investment but just announced, means that anything will start after six to nine months.

Saket Kapoor: Sir, what kind of opportunities are there for us in the pipes?

Prakash Sanghavi: In refinery and petrochemicals there is about 10% of their capex is all types of tubes and pipes, in stainless steel, carbon steel, and alloy steel, all. So, we see a good chance for the next two years for us.

Saket Kapoor: Sir, our diversification for InVIT do we suit our product profile that we can move from this segment to the seamless segment also or that is a different ballgame altogether.

Prakash Sanghavi: No, we were looking earlier once the UMW was available in NCLT and we have bidded works for and of course this is one segment, we are letting portfolio that is carbon steel, stainless pipe, but we are looking to see if something is available at our regional post then otherwise, let us see because new investments we are not going to do on a particular segment, but if anything is available at a reasonable post or synergy might there, then we may think.

Moderator: Thank you Sir. The line of Mr. Saket Kapoor got disconnected. As this was the last question for today, I would now like to hand the conference over to Mr. Sahil Sanghvi for closing comments.

Sahil Sanghvi: Thank you Vimal Sir and Prakash Sir, for patiently answering all the questions very elaborative. On behalf of Monarch Networth, we also thank all the participants for joining in the call. Prakash Sir, do you want to give any closing comments.

Prakash Sanghavi: No, all I will say is things will improve and we are seeing a good visibility in all the segments.

Sahil Sanghvi: Thank you Sir.

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