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RMTL/SEC/POST-TRANS.CON-CALL/Q4/2021-22

June 7, 2021

BSE Ltd. Corporate Relationship Department 1 st 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
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Subject: Transcript of Investor Conference Call post Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and year ended on March 31, 2021

Dear Sir/Madam,

We had, vide our letter dated May 28, 2021, intimated to the Stock Exchanges about the schedule of Investor Conference Call on Thursday, June 3, 2021 post Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and year ended on March 31, 2021.

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

Kindly take the above on your record.

Thanking you,

Yours faithfully,

For, RATNAMANI METALS & TUBES LIMITED

ANIL MALOO
COMPANY SECRETARY & COMPLIANCE OFFICER

Encl.: As above

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“Ratnamani Metals and Tubes Limited Q4 FY ’21
Earnings Conference Call hosted by Monarch Network
Capital Limited”

June 3, 2021



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

MODERATOR: **MR. SAHIL SANGHVI – MONARCH NETWORK
CAPITAL LTD.**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q4 FY '21 Earnings Conference Call of Ratnamani Metals and Tubes Limited hosted by Monarch Network Capital Limited. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the opening remarks by management concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and 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 Network Capital. Thank you and over to you, Sir.

Sahil Sanghvi: Thank you Rutuja. Good Evening to all. On behalf of Monarch Network, we Welcome you all to for the Ratnamani Q4 FY '20-21 Earnings Call. We are glad to host the Management of Ratnamani today and from their side we have their MD, Mr. Prakash Sanghvi Sir, and their CFO, Mr. Vimal Katta Sir. Without taking much time, I will hand over the call to Prakash Sir for the opening remarks. Thank you and over to you Sir.

Prakash Sanghvi: Good Evening to all, of course you might have result on hand quarterly as well as yearly for '20-21, but I can give the figure for the entire year. This is 2341.5 crores and net profit 278.3 crores. During the year, we have completed of course with the challenging times COVID-19 pandemic, but our team I really congratulate my team, even the difficult time they performed really good compared to our expectation. We have completed both the CAPEX plan in stainless steel division as well as carbon steel, LSAW; approximately you can say about 290 crores we have capitalized in the year stainless steel extrusion pipe that is 30,000 ton capacity and in carbon steel about 190 crores about 150,000 tons line pipe capacity and in between we did this carbon steel ERW pipe, we have increased the capacity putting new finishing lines say about 60,000 tons capacity increase, so these are the three new investment what we did in the year and now we are running successfully production also. Of course. in carbon steel some trials is going on and in excrusion also we did a good number of excursion, but still some more trial we have to do and number of approvals we have to take for the new plant, so hopefully this year we will get from both the division additional turnover, one.

Then the order on-hand that is on May 1st about 1498 crores total and things are of course in first quarter of the new year also not good because of the pandemic, the second wave was there and now things are improving slowly gradually and numbers of cases are coming down and we hope things will improve much more and we will start, of course we have booked day before yesterday also our single order of 82 crores, so like that things are improving here and of course you might have seen the improving the oil prices about now it is at \$ 70, so they call old projects are getting back and they are renegotiating because the raw material price had gone up so we had asking new prices because some of the order last year they make a hold on the order, so the last year raw material price was different and this year price was different, so we are asking some price increase and that negotiation is going on some of the big order of stainless steel. We hope now with this new oil price and then the good demand is coming from US,

Europe, and this all Middle East, so we are quite hopeful on the demand side for oil and gas, in the country pharma, API, chemical, even in oil and gas also, we think things will improve in next quarter, definitely.

One more new thing had happened, that is, China had withdrawn their export benefit about 10% to 13% on different, different products, that is an opportunity for India to export more in the European country and in the US country or the Middle East and what we heard China they are thinking of putting export tax, they would like to use more for domestic this is what we heard, so again we see a good opportunity for the Indian manufacturer because 13% was withdrawn and 10% they are putting new export tax, that becomes 23% is a big amount and if we will include slightly our margin, it will definitely help or we get good booking, that is what we see and I think in country also things will improve. Of course raw material is little concerned over here because the prices had gone up in both stainless steel as well as carbon steel, but still that if they want they have to consider because it is the international prices not only in India it has gone up, it is internationally gone the price for raw material. Hopefully, wherever somewhere possible, we will also do needful in the price with the old order what with us, something they have to compromise, something we have to compromise, so what our idea is to have more and more order booking with us because the new facilities are there, so there also we are looking some new order from abroad to start with, so this is what it is. Thank you.

- Moderator:** Thank you. 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:** Sir, congrats on good numbers, first question is that you talked about this 13% export rebate in China which is withdrawn, was it there on the SS pipes as well?
- Prakash Sanghvi:** It was, all stainless steel items, whether it is pipe, tube, sheet, net, coil.
- Ashutosh Tiwari:** Okay, so now if it is withdrawn in that case basically in India as well as overseas market both will get the benefit?
- Prakash Sanghvi:** Yes, our competitiveness will increase what I need to say in international market.
- Ashutosh Tiwari:** Because I think there are some two or three big players in SS seamless as well from China?
- Prakash Sanghvi:** They are talking further 10% they would like to put export tax means they want to use domestically maximum their products especially in steel and stainless steel. You know there is good export taking place from India to China this carbon steel coil, HR coil.
- Ashutosh Tiwari:** So even if that 10% I do not know whether when it comes, but even if without that?
- Prakash Sanghvi:** It is under talk only.

- Ashutosh Tiwari:** But with this 13% rebate itself going off from the export rebate in that case also I think for us opportunity in I think even in the distributor side that we are initially targeting, there also we will get a benefit right?
- Prakash Sanghvi:** Everywhere, because the cost will increase definitely 13% to everyone, whether it is US, whether it is Middle East or Europe, even India suppose some people are importing from China, so there also they will get affected and there is another one more thing has happened, we put the BIS quality control audit, so any manufacture outside the country has to have a BIS registration and our products comes under that for stainless steel pipe.
- Ashutosh Tiwari:** When did this thing happen, basically when did this particular BIS?
- Prakash Sanghvi:** It is already there, so the imports are getting less and less, earlier imports were coming a lot from China, but now you can say last quarter of the year, it had reduced like anything and we are...
- Ashutosh Tiwari:** From Q4 you are saying from January '21?
- Prakash Sanghvi:** Yes, and we have an association for this type of industry and we are quite monitoring also and time-to-time inform to the Ministry, also to the custom senior officers and so because some mala fide jugglery they do and get it import, so we will notice them this is what coming, so let us see.
- Ashutosh Tiwari:** On this product will come from China like say this stainless steel tubes and all, there will be some custom duty as well in India, right on that?
- Prakash Sanghvi:** Yes, there is a custom duty of 10%.
- Ashutosh Tiwari:** That means that if the prices go by 13% over that there will be custom duty also, so I think net-net 15% kind of increase will happen?
- Prakash Sanghvi:** It will be 15%, yes, you are right.
- Ashutosh Tiwari:** Secondly, last time we had mentioned that some of the customers basically were delaying this tender finalization because steel prices had gone up sharply and they are probably waiting for it to fall, but there is no fall per se, so are you seeing that those customers or contractors are now started placing orders or they are still deferring?
- Prakash Sanghvi:** You can visit our company only, we got after that exit order of one single 592 crores and another one is yesterday only we got 82 crores, so now they are taking decision of course they have started because somewhere they did half the work as there is no way to go. Of course somewhere the project time is 36 months or something like that, 34 months, there they still want to wait for three-four months, six months whether something will go down or something

like that or whatever they required say 20% of the required material they will buy right now then further 80% they will buy because everybody want to otherwise they are losing somewhere.

Ashutosh Tiwari: Sir, lastly on this SS seamless side, now their plant is getting commissioned, you said that there is still some trials are going on in the extrusion part of it, so in this year what kind of extra volumes you expect from this new plant in '22?

Prakash Sanghvi: 150 crores to 200 crores extra turnover.

Ashutosh Tiwari: Does basically the customers have to come and do the approval and all or some of that already started?

Prakash Sanghvi: Everywhere, somewhere it requires to come because customer to customer their different policies are there, say people like BIL we are already doing. Earlier we were importing and doing coating and giving, so our registration, our approval is there, but we want to show them this is the state-of-art technology, so more preference we will get for delivery point of view, for quality point of view that we want to show. We would like to have a get together for our all-VIP customers to show that this is our, but because of this pandemic, we will wait, and we will see November-December if everything is okay, we will have some good gathering.

Ashutosh Tiwari: Sir, lastly if I may, we have seen very good ramp up in the carbon steel order book, but SS order book obviously they have remained stable, but are we seeing a trend like say that even in the order booking in that area will also go up over next maybe four to six months because of some project that we have in pipeline?

Prakash Sanghvi: Definitely, right now the problem is number of quote we have given, but the finalization is taking time, but if this COVID part is okay then things will improve more and more, because last two months people were working from home and some expenses is there this and that, so people have not taken this, but all small, small order we are regularly getting and that much business also took place, so any time 300 to 400 crores orders in stainless steel is there.

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

Kunal Shah: Sir, basically I missed out, you did mention in the opening remark, what is the total capacity that is going to be since you have commissioned few parts, total capacity in both the segments if you could reiterate please?

Prakash Sanghvi: Additional capacity was increased in carbon steel say 150,000 tons in carbon steel line pipe, we have added the capacity in carbon steel pipe. On stainless steel side, we have increased about 30,000 tons stainless steel seamless pipe capacity and in carbon steel ERW, we have further increased 50,000 ton from the existing capacity so all put together in carbon steel say

about it is 550,000 ton all put together, ERW, helical SAW, LSAW, all put together and like that in stainless steel we have added this new capacity of 30,000.

Kunal Shah: Okay, Sir second question what do we intend, I mean how do we plan to use the net cash that we have on our balance sheet and also the second question was that we took a Board approval for 500 crore debenture raise, so it is a normal resolution or how should we look at this two things?

Vimal Katta: Basically, this NCD resolution is enabling resolution because as per the existing SEBI guidelines, any incremental borrowing for large corporate, we are required to approach the bond market, so it is an enabling resolution in case company requires to go for any fresh borrowings to fund its growth, so then we need not wait for the general meeting approval, so it is an enabling resolution. There are no immediate plans to raise any funds. About the cash which company is having, company as the business grows, working capital requirements will keep on increasing because company continues to follow the practice of booking their raw material on a back-to-back basis, so some portion of it will go towards funding the increased working capital requirement and remaining will be there with the company to take advantage of any opportunity which may be there because see this year we are targeting 3000 crores plus of top line, so anyway working capital requirements are bound to go up and if everything goes according to our expectations then perhaps we should be ready with our next phase of growth in next two years' time, so we need to start working on that also in current financial year because it takes time before a capacity can be available, so those things will require certain cash out book, these funds will be used and any way something will always be there as a buffer.

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

Vikas: Congratulation on good set of numbers, Sir my first question pertains to the visibility of order books like you said in your initial remarks that now people have started to award the order, so in next six to seven months or for that matter one year, what kind of order book pipeline for the order booking you are expecting kind of to come in your way in SS as well as CS segment?

Prakash Sanghvi: We have put new capacity with the existing and we are quite hopeful we will definitely book some new capacity also as well as existing capacity because of two good reason one is oil price has gone north, now it is \$ 70-72, so with this everybody in oil and gas they are started the investment like Qatar then recently we got some order from Kuwait also, so like that Saudi Aramco has a huge investment, ADNOC Abu Dhabi there also huge investment plan and here somewhere we have quoted also but it takes little more time because of this situation, but now things are improving in this COVID also, but hopefully if everything goes well then we might have any time put in 2000 crore order booking any time.

Vikas: Okay Sir, and one more question regarding this order bookings, so what we have seen in that we usually do the bidding and nowadays you all have to wait for a longer period of time before the order has been awarded, in between the steel prices has been rising pretty sharply so are we bidding with a clause where we any before awarding any inflation steel prices should be covered or on an anticipation we are doing some back-to-back booking in order to protect our margin if you could explain that part of it?

Prakash Sanghvi: Mostly it is all the reverse auction, so first you have to quote a particular price, so we definitely see and quote little more higher and then because the reverse auction took place after a month or so or something like that, so we always take some buffer and then we go down from the offer, so while reverse auction will take care of the correct raw material price and visibility on raw material and based on that we will make a final offer and we become L1, so once we become L1 then we will be sure we are going to get the orders, so we will book back-to-back order raw material, so more or less we are not getting any hit, sometime of course we are late by 10-15 days and in between the price has gone up then Rs. 2, we will take a hit that is all, but sometimes you are gaining also, all is equal.

Vikas: If I understand it correctly then most of our order booking or the big books would have kind of a margins have already been locked in and this sharp increase in steel prices might not have any meaningful impact on our profitability going forward, is that a correct assumption?

Prakash Sanghvi: Yes, it is a correct understanding.

Vikas: Sir, just one last question if I may put in, basically in terms of our approval by when we think that we would be able to manage all the approvals for both SS as well as LSAW and then full potential could be unleashed from both of these CAPEX, any timeline which you have in mind?

Prakash Sanghvi: As such we have already started production and we have some order book also, but somewhere it is needed because we were doing earlier also still I think but at that time we were importing the Mother Hollow and doing the finishing, now we have our own Mother Hollow and doing here, so more or less it is there, but it is the state-of-art facility. We would like to call our domestic customer and show them this is a quick delivery and the quality this and that, latest equipment, latest technical equipments so we would like to impress them and get in more plus range on us, that is what we are going to do and somewhere upwards, it is a new line, it is required to do, audited by them that we are doing just after this COVID is over second wave and once people start traveling, we will definitely call them but seated over here we already bid for this LSAW, the approval of.....

Vikas: Sir, when like you said that Chinese material are now becoming expensive, is this possible that for us also the reaching to export market is now a most feasible option and at least for unless

we get an approval for these products, we can sell the general merchandise in the export market and utilize our mill to full extent?

Prakash Sanghvi: Yes, you are right that we are going to start now, but for that we have to travel actually for first time because so far the countries importing from China, of course we have exported in past one or two consignment to China also, but now there is good chance because 13% was there reduced and then 10% they are going put on export tax, so their domestic market is also high. We may get some chances, but it is all we have to inquire and have a feel of the market and try one or two orders something like that.

Vikas: Okay, so is that opportunity would only come if China imposes another 10% of export duty or it is already there?

Prakash Sanghvi: It is already there for some good niche products, the ordinary products they might be having good capacity, but some niche products still they are importing from Japan, Korea, still they are importing, so there we may get a chance and in the past also we did like that.

Moderator: Thank you. The next question is from the line of Somkanti S from Monarch Network Capital Limited, Calcutta. Please go ahead.

Somkanti S: Thanks for this session, you said the present import/export ratio between India and China, but is there any chance after this crisis we overcome maybe after six month or one year and the import/export ratio will change and if it is changed, how it will impact the business?

Prakash Sanghvi: It depends because cost of raw material for everyone is the same, whether it is China, whether it is Japan or India, so let us say 65% is the cost of the raw material, so remaining that all depend on how you manage your business in the processing, the labor charges, electricity and others, so more or less even they have withdrawn that right now only, but we were doing good export from here to all right from Japan, Korea, Middle East, Europe, USA, so we are competing, it is not that but our percentage will increase, our export will increase because there is a good demand of course in our country still it will come, but demand is coming more from this USA, Europe, as well as this Middle East part, quite big quantity we have quoted right now, but of course we knew it will take two to three months' time, four month time to materialize an order because oil price is also supporting nowadays. Earlier the oil prices are in the \$ 30 to \$ 40 something like that, now this year it is 65 to 75, so things are improving in their areas also.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Thank you for the opportunity, Sir just a broader question, we could understand your capacity expansion in stainless steel which is a lot import substitute, but when it came to carbon steel expansion what exactly did you see in terms of evolving demand scenario because this industry

has largely been flat for the last six-seven years, so we have been in a certain volume range or competitor has been in a certain volume range, global markets have been in a certain volume range, so what exactly are you seeing incrementally for you to be investing and expanding carbon steel and my second question within that is what would be so far the business size globally for carbon steel if you could comment in million tons, and when you are mentioning China rebate and benefiting other countries, so what is the extent of export that China used to do?

Prakash Sanghvi:

First question first of all there is a good domestic visibility what we are seeing in line pipe because country have a still lot this oil and gas transmission by the trucks and lorries, so huge number of pipeline, the GAIL, IOCL, they have already planned, but because of this last year whole time had gone in this COVID and still people are not sure of how this is third wave or something like that, so it is the problem of the plus one-and-a-half year you can say, but things will improve definitely and there is a huge requirement in the country, one is city gas division, those orders have been given to this all domestic EPC contractor and they have to buy pipe and even in ERW we have booked up to December, so there is a good which is lead in domestic market and carbon steel more or less for the domestic market this is LNG line is coming, number of LNG lines because we are going to improve it about 70% of LNG country's requirement from the different countries, so we definitely and we have replaced this.

Our old capacity was about 40,000 tons of LSAW, that is a very old plant of 1994-95, so we would like to add some more, once we are putting new capacity you have to add with the today's ties, grade, and thickness of requirement, so it is a new capacity of 40,000 tons and 50,000 tons with additional of line pipe. Earlier we were not doing line pipe and some people specifically asking for longitudinal submerged arc welded pipe, so that is the reason we have added and ERW we see lot of visibility up to eight years because of this city gas distribution and we are quite busy in that running with 110% capacity because we put one more finishing line, where to put new capacity or not, so it is a very reasonable capacity in four category of welded pipe, not one single, it is helical, so it is ERW, circumferential, longitudinal all such things are there. Your second question of course China, definitely China's focus is in domestic market.

Pritesh Chheda:

How much they must be exporting Sir and what would be the global market size for the carbon steel pipes, is it 10 million ton or more?

Prakash Sanghvi:

It is too big a market, people have one company have about 4 million-5 million ton capacity in Europe, even in country also 2 million ton capacity, so it is a huge market. It is not some of the 10 million ton or something like that, just carbon steel welded pipe I am talking, so huge market and number of countries are required. We have even one product from here to Ethiopia, we have give a EPC in Middle East and there they are laying the pipe over there, so entire Africa is pending, so number of, and ours is at very limited capacity in all four to five manufactures in the country in carbon steel, this is about 550,000 tons and total capacity of

four category of welded pipe, 550,000 tons in all four categories ERW, helical SAW, LSAW, circumferential.

Pritesh Chheda: Sir, 700,000 to 800,000 is done by the largest guy in terms of volumes, you do about 2 to 2.5 lakh, so one million is between you and him?

Vimal Katta: Capacity we have been talking about is the capacity of Ratnamani only, basically export size China, the data which is available since maybe around 2019-20 will be in the range of 50,000 to 60,000 million tons per year of exports.

Pritesh Chheda: That is full steel export, right?

Vimal Katta: Full, entire range.

Pritesh Chheda: That is our full steel export, what would be pipe export in that?

Vimal Katta: That figure will not be available within.

Pritesh Chheda: My second question is Sir on the stainless steel utilization side, so we have added this 30,000, when do you think you would be using this capacity fully and what should be the volumes for the next two years, that is, '22 and '23?

Prakash Sanghvi: This first year '22 you can say we will definitely go up to 3000 to 4000 tons because it is our first year, lot of approval, lot of internal trial, number of sizes, grades, but next year onwards we will definitely go with the 30%-40% and 50. In pipe you can say 30,000 tons, it is more depend on the diameter and thickness what we are producing, sometime it may 20,000 tons, sometime it may 35,000 tons also, but it is always average what we are talking.

Pritesh Chheda: Sir, in CSU you never mentioned about what is happening in the water side because all the past calls if I remember were more were seeing opportunities in water, so what is happening there?

Prakash Sanghvi: Water is totally not moving because all State Governments is busy in maintaining COVID best possible from their end to save the life and this and that, facility, so their entire focus on COVID since last year, so far no much projection but the things will improve, the project will definitely come, still Prime Minister's Jal se Nal Yojana is totally pending, it is just announcement, but nothing had happened in that, so once things will improve and normal situation of the country from the COVID, definitely the more good number of requirements from all the State we are going to get.

Pritesh Chheda: Okay, so lastly some total you see the carbon steel industries some total volumes and for us also moving significantly higher over the next three years versus the last five-six years where it was absolutely flat in terms of volumes for us and the industry as a whole?

- Prakash Sanghvi:** With this hype in the steel and other things all the metal you can say, but still where the demand is coming from USA, Europe, Middle East, because everybody is under stress as we feel, but the way we are quoting right now the enquiries so things will definitely increase crude over there, of course in our country also this month the second wave is over and everything is okay, things will improve, we are also in the country, lot of things we need to do in the country.
- Pritesh Chheda:** How much is the bid interest higher than what it was a year back, if you were quoting for one project or two projects or five projects or let us say 100,000 tons, how much bids are you putting now for 3X, 2X projects, 3X?
- Prakash Sanghvi:** We are putting right now 2X to 2.5X from the existing, so there are more possibility of getting materialized also.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.
- Saket Kapoor:** Firstly Sir how is this steep increase in steel prices going to affect the dynamics for the steel pipe industry, the way the prices have moved up and international prices being still higher than what the domestic prices are and the steel manufacturers have taken another round of hike from the beginning of this month, how is this rise going to dampen the, since it is going to increase the cost of project for everybody, what could be it in negative impact on the demand side?
- Prakash Sanghvi:** This is what you have seen in last one year, it is a low order booking you can say, because people are not taking decision, people have the order, all the EPC might have a good order but are not able to finalize because first six months they took in engineering and then they are going for procurement in some of the things, so by that time the price had gone up, so slowly gradually that whatever emergency requirement that was deciding, they are keeping pending hoping the price will go down or something like that or they see some alternate, but ultimately they have to complete the project somewhere it is 35% done, somewhere it is 30%, so they are waiting and we do not see there is any chance of decreasing in next two-three months or four months because it is net, China was the exporter once upon a time, today it is the importer. Even our country India is exporting a huge quantity of HR coils to them like that demand in USA increased like anything what people are talking about there, but we are not quoting on that back to back basis and our validity for private party is very less for seven days or 10 days or something like that, if anything goes increase we also send them increased price or something like that, so we also making safe ourselves while quoting and our people are marketing completely international as well domestic side of steel and stainless steel.
- Saket Kapoor:** Sir, how has this duty revision that happened in the last project for this stainless steel helped people like us?

- Prakash Sanghvi:** It is 2.5% from 10% it had gone to 7.5% that is all, not much but of course we are not imposing much anything, we are all buying from domestic, some of the special grades and size that we need to import otherwise when buying some Jindal Stainless, Mukund, Viraj all such people are there.
- Saket Kapoor:** Sir, what will be the incremental depreciation going forward for the next financial year since large portion of the CAPEX is through, what would be the impact?
- Vimal Katta:** Roughly 30 crores.
- Saket Kapoor:** 30 crore annually?
- Vimal Katta:** Yes.
- Saket Kapoor:** Sir, now coming to this refinery part of the story, as Sir has already informed that lot talk has been done but on the ground things have not changed at all but if not been to that extent, Sir what is the ground for the refinery CAPEX that can happen going forward, what is the talk or the bid pipeline looking like?
- Prakash Sanghvi:** Number of expansion are there plan, but in between this because of COVID they will hold, but now because one reason more the oil price had gone up about \$ 70 or so, only in our country the problem was with the second wave you can say Maharashtra, UP, Delhi, Karnataka, Gujarat, so things are because of that the whole things are stand you can say, but now things are improving in COVID side also, so things will improve and this already Barmer refinery is going on, we are researching regularly, there is no short term, and lot many other will also come up, even Naira that is old Essar Oil, they are also having a good expansion plan but because of this they have hold, but now things will come definitely. In export side also there is a huge investment from Saudi Aramco, Qatar, IOCL, and ADNOC, this is what we are hearing, we got the requirement also, we have quoted also.
- Saket Kapoor:** Sir, out of the total revenue for this year and for the order book break up also what portion will be contributed to the export market?
- Vimal Katta:** Last year was even better than what we did in '19-20, that was 560 crores out of exports, so between 22% to 25% of turnover has easily been coming from States, going forward also we like to see, if this issue is maintained or rather increase.
- Saket Kapoor:** Sir, any investment we are going for the renewable energy segment either in the solar part?
- Prakash Sanghvi:** Yes, solar the policy is not clear from our Gujarat Government, otherwise we are having plan of 60 crores, because our power cost is so high, so we would like to reduce but the policy is still not clear, once it becomes clear, we will definitely go for investment of 60 crores.

- Saket Kapoor:** Lastly Sir on the city gas distribution part, as per the outlay from the Government side the districts which are going to be covered, how much is the total demand of ERW pipes and how much have been bid as of now Sir since they have increased the number of districts also, what is the outlook there?
- Prakash Sanghvi:** There we feel rather good visibility in ERW especially city gas distribution and that is the reason we have increased capacity over there, putting one more finishing line, main capacity was there, so it will keep coming all this EPC contracts are given to them and they are getting and they are buying from us and it is good requirement what we see and we see this will go on if the country totally gets network in next 10 years then our business will also go with them in next seven to eight years continuously, and this we see since last three years.
- Saket Kapoor:** Sir, what is the top line you told, I missed the part for FY '22 we can expect for this year?
- Prakash Sanghvi:** More than 3000 crores.
- Moderator:** Thank you. The next question is from the line of Susmit Patodia from Motilal Oswal. Please go ahead.
- Susmit Patodia:** Good Evening Sir, nice to hear from you hope everything is fine at your end.
- Prakash Sanghvi:** It is fine thank you, Good Evening.
- Susmit Patodia:** Sir, first question is you said you do back-to-back contracts for commodity, now in a rising commodity, customers will not complain but what happens let us say steel prices the way they have gone up they can also come down what will happen then, will they ask for a repricing down, in your experience what happens?
- Prakash Sanghvi:** So it is all back to back and it is some price from our end and they have to lift also and we have to deliver also, but wherever our validity is over, there we will say them that because raw material price have gone up and other revised price is this and they have to agree, their of course some negotiation we will keep margin also, because ultimately we will keep customer happy finally, that is regular practice.
- Susmit Patodia:** Sir, now that you have commissioned the SS line, how is the margin that is coming through or how is the top line velocity that is coming through from the line, is it to your satisfaction or is it better than your satisfaction, just wanted to understand that?
- Prakash Sanghvi:** New CAPEX what we did it is nearly a state-of-art facility what we have put, now we have already started production also, of course starting some kicking problem might be there, but all the machine is from Europe, so it will really a new state-of-art facility for stainless steel seamless pipe and that we are the size wise, grade wise we are largest in the country for such

stainless steel seamless pipe and once anybody sees the facility, definitely he is impressed and without anything only of course price matters as always preference for any requirement.

Susmit Patodia: Sir, the gross margins for this plant being state-of-the-art, this could be higher than 35% which is let us say our average?

Prakash Sanghvi: Here the capacity improves, something we will do more value addition in-house, that is cold finishing and something will go as it is hot finished, what we were importing in past time, so it is a mix of the product, you can say 60% you are going to do both finished pipes as it is one operation, the 40% pipe once you do with cold finishing more value added, so it is more or less same you can say, somewhere you are getting less somewhere you are getting more, so the margin remains, EBITDA level is same, somewhere we get niche products, somewhere higher also, so it is standard product, so ultimately average it is same.

Susmit Patodia: Sir, two more questions, one as you plan for your next leg of CAPEX focus will be on new product or a different location, what will be your preference?

Prakash Sanghvi: Of course location definitely you are right because instead of one location you can have the entire country because we have become a volume item, so of course we are thinking even last year also before COVID, but after that COVID we had stopped and also, but of course there is a plan, but once this is over this pandemic then we will relook everything in the carbon steel as well as stainless steel also we are exploring possibility in international market also in a small way.

Susmit Patodia: Last question is did you have MEIS income in FY '20?

Prakash Sanghvi: We have certain income because whatever license we got in starting first or second quarter, after that Government had notification in that we also effected because we had booked order based on that calculation, but all of sudden they have a notification they stopped giving, they had given some figure up to 2 crore we are going to bid and our order booking in a large value, so we have gone to the High Court saying that if we still that notification, whatever order we have booked there we have to permit us to take the benefit, so it is court is also not working very frequently, so it is under court you can say and we hopefully and everybody had gone to the court because it is a quite substantial amount about Rs. 10 to 12 crores.

Susmit Patodia: Sir, if you can tell me what was the MEIS income in FY '20 and how much you booked in your books in FY '21?

Vimal Katta: FY '21 roughly 12.9 crores and '21 has been 3.8 crores.

Susmit Patodia: So you have not booked that 10-11 crores under litigation?

- Prakash Sanghvi:** We cannot, this is a court matter, even something application we have to do, but they have closed the window so of course something will get once they will open the window and we cannot apply also even though you are within the date.
- Susmit Patodia:** Last one housekeeping question Sir, what is the net cash position now is it around 450 crores is that right?
- Vimal Katta:** Any given day will be in the range of Rs. 400 to 500 crore, as it keeps on fluctuating based on how the inventory procurement happens, so right now on net-net basis, it is more than 400 crores.
- Moderator:** Thank you. The next question is from the line of Dewang Sanghavi from ICICI Securities. Please go ahead.
- Dewang Sanghavi:** Thank you for the opportunity, Good Evening Sir and congratulations on good set of numbers, my first question is regarding the API segment, there is a notable CAPEX in the API segment which is planned and going on, so how is the ordering from that side of the business from API?
- Prakash Sanghvi:** There keep going material of stainless steel, all stainless steel pipe including keep going and has good business we are getting from this pharma side API side.
- Dewang Sanghavi:** Are margins better in the API pharma side or is it like similar to our current margins?
- Prakash Sanghvi:** It is reasonable margin in this because they need good quantity at a very short delivery, good margin.
- Dewang Sanghavi:** Sir, my second question is regarding the Q4 margins, we reported very strong operating margins, so do we maintain the same guidance of 16% to 18% or there is a scope of upper revision out there?
- Prakash Sanghvi:** It all depends, because it is a margin from the niche product and supposing in some quarters we are doing more this of niche products, so automatic margin increase, so ultimately it is in the range of 16% to 18%, for some time you may get because we have adding more and more niche product, so might be 1% here and there in totality.
- Dewang Sanghavi:** Sir, my next question is on the SS order book side, on a ballpark basis what kind of aggregate fresh order booking we are targeting for the current year existing order what we expect?
- Prakash Sanghvi:** About our order booking target is about say 1200 to 1300 crores.
- Dewang Sanghavi:** Sir, our top line is for FY '22 is 3000 plus crores if I get it right?
- Prakash Sanghvi:** 3000 yes.

- Dewang Sanghavi:** Sir, what is our maintenance CAPEX for the business?
- Vimal Katta:** Between 20 to 60 crores.
- Prakash Sanghvi:** Right now 76 crores already work in progress is there and additional maintenance CAPEX might be 40 to 50 crores.
- Moderator:** Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda:** Good Evening Sir, congrats on a overall good set of performance and exciting growth story, Sir few questions, if I see you got big order of 800 crores and that to in carbon steel during the quarter where already the steel prices were at very high level, so then what is the sense that if we have got such large orders then the higher steel prices are we concerned that the further hikes obviously Quarter-1 has seen further sharp hike, the momentum of new order flow would slowdown or this was expected that Quarter-1 the steel prices were on uptrend, so few oil majors smartly placed orders before the impending steel price hike?
- Prakash Sanghvi:** It was long pending and of course we have become L1, we have tied up more than 50%-60% material and increase everything we are going to get the order so that we become L1 and balance also once we book the order, we are finalizing, so there is not much mix on price increase of steel and now we have definitely was every you can say weekly basis what are the steel prices and what to quote and how to keep margin for negotiation or we have to give a revised price to them because it is a very volatile, you can say one side, upper side only.
- Bhavin Chheda:** Right, Quarter-4 saw a very big jump in EBITDA margin, so that was purely you may be holding some low cost inventory and that resulted in the benefit?
- Prakash Sanghvi:** There is no inventory benefit because always all the material is under order booking only, but of course some good order with the margin we have booked some niche products what we have booked, so because of that and big ticket good took place so that happened.
- Bhavin Chheda:** You said you are looking for close to 3000 crores turnover next year, so what kind of EBITDA margins are you predicting there, already 1800 crores orders are in hand, so what is the outlook on the margins front going ahead?
- Prakash Sanghvi:** On average for the entire product may be 16% to 18% plus/minus 1%.
- Bhavin Chheda:** What is the export order book in that 1800 crores?
- Prakash Sanghvi:** Our order book is 1498 crores, say about 1500.
- Bhavin Chheda:** 1500, how much is export in that?

- Prakash Sanghvi:** Right now it is 141 crores.
- Bhavin Chheda:** I missed out on the point on the export business were you eligible for export incentives and is RoDTEP rates have not been announced, so are you being hit on that and have you provided or not provided for the same?
- Vimal Katta:** In the books we have not provided for any export income, there because of Government policies we have not been in a position to progress further, so that is the thing. Whatever was available, that has been booked, roughly export percentage to the extent of roughly 8 crores will be there in the book for the entire year, thereafter this window has been closed, so one cannot even apply that is the situation.
- Bhavin Chheda:** Okay and what would be the CAPEX of FY '22 and '23 probably?
- Vimal Katta:** Total we should expect roughly 125 crores of addition to fixed asset, which will include 76 crores of CWIP which is lying there and anything between 40 to 50 crores of normal CAPEX plus maintenance next quarter.
- Moderator:** Thank you. The next question is from the line of Anirudh Shetty from Solidarity Investment Managers. Please go ahead.
- Anirudh Shetty:** Thank you for taking my question Sir, actually I wanted a breakup of our capacities as we have today within carbon steel we have four segments and within stainless steel we have two, so if you can give a sub-segment wise breakup of capacities?
- Vimal Katta:** If you do not mind can you share your email ID, I will just mail it to you because it will take some time for you note it down.
- Anirudh Shetty:** Sir, my second question is on the export business, we have good visibility in Europe and all, typically is our export business are higher margin business compared to domestic?
- Prakash Sanghvi:** It depends, sometimes some special grade, some niche product, otherwise the price are equal 1%-2% here and there different, otherwise more or less same.
- Anirudh Shetty:** Sir, one final question in terms of our CAPEX plan, whenever we look to set a new capacity just to confirm my understanding that will be looking to set up plant in India itself, we are not looking to go overseas and set up facilities there?
- Vimal Katta:** Can you repeat please?
- Anirudh Shetty:** I just wanted to confirm whatever future CAPEX plan we might incur, so will that be for setting up manufacturing facilities in India itself or they are also open to setting up facilities outside of India?

- Vimal Katta:** Stainless steel we are open to explore that opportunity overseas also and for carbon steel we are open for anywhere in the country where opportunities are going to be there just to save on the transportation cost.
- Anirudh Shetty:** Okay, what would the benefit be on setting up of capacity outside of India, like what would the logic be for that?
- Prakash Sanghvi:** There are in certain countries price benefit, price preference is there, suppose you go in Middle East somewhere you are getting if you become a local then you get a price preference, this is the main major thing and you get a continuous business commitment something like that, then only it is useful.
- Moderator:** Thank you. The next question is from the line of Mehernosh Panthaki from Dhanki Securities. Please go ahead.
- Mehernosh Panthaki:** Sir, thanks for giving me the opportunity, I had some three-four questions, one is on the margin side as you stated that there was some execution of niche product during the quarters as a result of which there were substantially higher during this quarter, but if I analyze your financials, so the overall share of stainless steel pipes revenue share has declined in this quarter and carbon steel pipe share has improved, so within carbon steel pipes should I assume that there was some execution of more project piping orders rather than helical SAW pipes which command lower margin?
- Prakash Sanghvi:** No, more on you can say ERW with coating line pipe with coating some time internal coating also, external coating so you are getting three different, different margins, once generate bare pipe, then there is a coating then there is internal coating it is like that, so what type of order has gone with the coating also so that will become, sometimes only at their site then the coating is not there, sometimes it is induction bending also, it depends on various type of order and what order you have executed during the quarter it depends on that, of course the volume was more from the carbon steel side, sometimes that revenue will also be because the turnover is about 680 crores something like that.
- Mehernosh Panthaki:** What you are saying is that the margin improvement was more because of more coated pipes execution?
- Vimal Katta:** More value added product basically.
- Prakash Sanghvi:** In one item you have three time value addition or two time value addition something like that.
- Mehernosh Panthaki:** As far as your existing order book is concerned, they are also largely for the value added and coated pipes only in carbon steel?
- Prakash Sanghvi:** Yes, right now it is there.

- Mehernosh Panthaki:** Okay, so is there a possibility that we shift our margin trajectory higher from the 16% to 18% or you are still being conservative?
- Vimal Katta:** Not conservative, we are trying to be practical, 16% to 18% range is Sir should hold good over a longer period not in whatever happens in the market, so that is the thing, so for all practical purposes this means simply holding good.
- Mehernosh Panthaki:** Sir, as far as your new plants are concerned, you stated that commercial production has commenced from Q1 in both the plants, so I just wanted to ask in stainless steel you had stated in earlier con calls that there was some traveling restrictions as a result of which the final approvals from the inspected auditors was being delayed and that was the reason why the plant has not commenced, so that all has been over now or?
- Prakash Sanghvi:** In some of the places, not in all the places, so we right now we will target wherever it goes without approval also in distribution market, somewhere we are already there, domestically we are already there up to that so it is not needed, but internationally some of the companies they would like to visit, approve, and start giving some, this is like that, so it is a mix of that so more or less we were doing earlier also, earlier we were importing such pipes and doing the value addition over here, now we have our own.
- Mehernosh Panthaki:** Sir, roughly if you can give us some estimates of what kind of utilization your new plants will operate both SS and CS in this FY '22, can we expect this 20%-30% of utilization, which you stated earlier?
- Prakash Sanghvi:** We have 15% to 20% of course.
- Vimal Katta:** SS could be closer to anything between 15% to 20% and carbon steel can be higher based on opportunities and given I think it should be closer to 30% to 40% also.
- Mehernosh Panthaki:** 30% to 40% for what Sir for FY '23?
- Vimal Katta:** Carbon steel and LSAW.
- Mehernosh Panthaki:** Okay, for FY '22 you are saying?
- Vimal Katta:** Yes.
- Mehernosh Panthaki:** Okay, 30% to 40% for carbon steel and 15% to 20% for stainless steel, so Sir this 15% to 20% for stainless steel at this low utilization will you be able to breakeven on EBITDA level?
- Vimal Katta:** That right now does not have much incremental fixed cost because manpower and other things are same only depreciation interest portion are there mainly, so not be much of an issue even at 20% outcome.

Mehernosh Panthaki: Sir, one last question from my side, are we L1 in any of the orders currently or we expect some orders, can you in the next say three to four months, can you just elaborate more on that?

Prakash Sanghvi: There are number of quotations, the bid what we have bid and still things yet to go, they have to open, they have huge number of enquiries we are quoting every day, the eligibilities are there.

Mehernosh Panthaki: Sir, if you can share with us your current bid pipeline, is it possible?

Prakash Sanghvi: Not possible.

Moderator: Thank you. 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 Rutuja, we would like to first thank the Management for patiently answering all the questions and on behalf of Monarch Network, I would also like to thank all the participants.

Prakash Sanghvi: This is what all what we have answered and what we have told, the most important thing the company had this two new CAPEX were we did and now we have to materialize it in time to come, because it is a state-of-the-art plant and this is what we have to encash in coming years and good health and safe life for everyone because of this is a challenging time for everyone, we have to pick ourself on own and then we have to do hard work. Thank you.

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