



MAHARASHTRA SEAMLESS LIMITED

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E-Communication

MSL/SEC/SE/2022-23

2nd August, 2022

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Dalal Street, Mumbai-400001

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block-G,
Bandra - Kurla Complex
Bandra (E), Mumbai-400051

Stock Code: 500265

Scrip Code: MAHSEAMLES

Sub.: Transcript of Analyst/ Investor Meeting dated 26th July, 2022

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find below the link of transcript of the conference call held on 26th July, 2022.

Link to access above transcript is as under:

<https://www.jindal.com/msl/pdf/Transcript-of-Conference-Call-Q1-FY23-Earnings-Presentation.pdf>

The same is also available on the website of the Company www.jindal.com.

You are requested to kindly take the same on record.

Thanking you,

Yours faithfully,

For Maharashtra Seamless Limited

Ram Ji Nigam
Company Secretary

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Maharashtra Seamless Limited



PhillipCapital

Maharashtra Seamless Limited Q1 FY23 Earnings Conference Call

26 July 2022



Maharashtra Seamless Limited



PhillipCapital

MANAGEMENT: **MR. D. P. JINDAL – CHAIRMAN, MAHARASHTRA SEAMLESS LIMITED**
MR. SAKET JINDAL – MANAGING DIRECTOR, MAHARASHTRA SEAMLESS LIMITED
MR. KAUSHAL BENGANI – SENIOR MANAGER – INVESTOR RELATIONS, MAHARASHTRA SEAMLESS LIMITED

MODERATOR: **MR. VIKASH SINGH – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to the Maharashtra Seamless Limited Earnings Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Singh from PhillipCapital. Thank you and over to you sir.

Vikash Singh: Good evening everyone. A very warm welcome to all. Welcome to the Maharashtra Seamless 1Q FY23 concall. I would like to thank the management for giving us the opportunity for hosting the call and without taking any more time. Basically, I’ll forward it to the management, today we have with us Mr. D. P. Jindal – Chairman, Mr. Saket Jindal – MD, and Mr. Kaushal Bengani – Senior Manager Investor Relations. Over to you sir, for your opening remark.

Kaushal Bengani: Thank you Vikash. Good evening investors and thank you for taking the time to join us on the quarterly earnings call. We have declared our results yesterday and released our investor presentation. I hope you’ve been able to go through it. The quarter ending June 2023 has been the best quarter for Maharashtra Seamless in terms of EBITDA. This revenue has grown by 93%. EBITDA has grown by 83%, profit after tax has grown by 59% and earnings per share has grown by 60%. Such phenomenal growth has been made possible by significant increase in export and domestic demand on account of increase in drilling activities. This has primarily been brought upon by high crude oil prices. Supply constraints in Europe, the geopolitical tensions in Russia and Ukraine have also aided in improving demand.

Internally we have rationalized various processes and have obtained better efficiencies. Our sales and marketing team have developed new customers in the past and have been able to retain existing customers by providing quality products and enhancing their purchase bucket with high value addition products. I would now like to take you through the presentation.

Most of the investors would be aware of the four segments of Maharashtra Seamless and the various capacities we have. We continue to maintain our market share and we want to improve the market share that we have going forward. Our management has realigned its strategy towards growth, we are focusing on pipes and renewable energy segments and reducing exposure in other segments. Currently, our internal accruals are being used for working capital requirements keeping in view the elevated demand position right now. Going forward we will earmark a total amount of Rs.530 crore which will be utilized for



repayment of Rs.300 crore of bank loan taken for acquisition of United Seamless, Rs.150 crores for capacity enhancement in United Seamless so that we are able to have better capacity utilization. And we want to reduce our power cost further which is why we will set up a solar power plant for captive consumption.

The total outlay for this would be Rs.530 crores. In the current quarter and based on the impetus given by the management for developing new products and adding value to customers, we have been able to obtain an order for subsea sour service seamless pipes, these pipes are an import substitution product and it will be the first time that they will be supplied in India by an Indian manufacturer. This development has been done by the company's in house product team who have also developed various value addition products in the past, including cylinder pipes, drill pipes, cold drawn pipes, and premium connections. This bucket of high value addition product provides us with greater customer loyalty as we are able to cater to all requirements of the domestic and export customer. Internally we have implemented new processes to improve production and have a better product mix. Further we have been able to add new customers and going forward we want to add more customers so that we are able to have better capacity utilization and improved profits.

The industries that we serve are known to a lot investors. 70% of our exposure is to the oil and gas segment, the balance 15% is to other industries and 15% to boiler segment. On consolidated level, Maharashtra Seamless has performed really well. The profits have increased from 96 crores to 153 crores on an year-on-year basis. And from 99 crores to 153 crores on quarter-on-quarter basis. This growth of more than 50% is phenomenal, and we believe we will be able to sustain this level of growth. At EBITDA level also we have been able to generate extraordinary growth and we believe that we will maintain the new levels of EBITDA as per our guidance given in the call for the previous quarter.

The next two slides detail upon the performance of Maharashtra Seamless and United Seamless. On United Seamless, you will notice that the profitability growth, the EBITDA growth has been particularly sharp that has been due to increase in the quantum of value addition products that we've been able to successfully dispatch in the past quarter versus the previous quarter. The margins too are better in United Seamless on account of better efficiencies and high value addition products. United Seamless has been the biggest driver of growth for Maharashtra Seamless and we expect it to sustain going forward. We've received feedback from few investors to incorporate the profit and loss account of Maharashtra Seamless and United Seamless within the presentation which we have done so that you're able to make a better assessment of the company when you're reviewing.



The annual highlights of Maharashtra Seamless have also been put in so that the presentation becomes more comprehensive.

The next slide is on operational and financial performance. In the call for the previous quarter, we had given guidance of Rs.15000 a tonne for Seamless and Rs.8000 a tonne for ERW. We have exceeded that guidance. However going forward we will stick to the guidance that we have given because we believe that we will be able to do better but for the moment we don't want to make a statement which we will not be able to adhere to. We like surprising investors and for that reason we would want to maintain the guidance given. The EBITDA per tonne for United Seamless has been particularly high on account of the value addition products that they manufacture, and also on account of better efficiency since that's the new plant.

The next slide is on EBITDA mix which shows that Seamless is the biggest EBITDA generator for the company. Our investments in ICDs and in uncoated equity and preference share investments are detailed in the next slide. The investments remain at the same level. In the past quarter we have put in an application with NCLT Mumbai for amalgamation of United Seamless with Maharashtra Seamless. We expect that amalgamation to be completed by February, March of 2023. Our ICDs have also gone down as was committed to investors, we expect that by March of 2024 all ICDs will be realized. However, we have set an internal target that we want to do it much sooner than that.

Our Treasury position remains strong. It has shown a slight dip from the previous quarter that is on account of increased working capital requirements since we have an elevated demand position right now, which I will talk about more towards the later part of the presentation. We continue to hold our bonds on long term basis and we want to keep them till maturity. The investments in mutual funds and fixed deposits they are used on need basis for working capital requirements.

Our gross debt levels have fallen, one of the loans that the company has is denominated in USD which is why in rupee terms the reduction is not sharp, but the reduction is as per the repayment schedule of the bank and this loan will be fully repaid by March of 2026. On this point, I would like to mention that the EBITDA for Maharashtra Seamless would have been higher by Rs.11 crore. But that was not the case on account of non-cash item which was Forex fluctuation. Since we had to restate the loan in USD to be in compliance with the existing accounting standards. There was a Forex fluctuation loss of Rs.11 crore. However, the rental income of the rig is also in USD therefore, there will be no cash loss on account of adverse foreign exchange fluctuation. On net debt levels we are at Rs.23 crore and if you consider short-term borrowing then it will be around Rs.47 crore. In the next quarter we expect to become net debt negative as has been our case in the past.



The corporate guarantee and SBLC amortization schedule has also been provided, you will see that the company is not giving any new corporate guarantees or SBLC and the corporate guarantee position will reduce substantially, although it has reduced substantially from previous levels, going forward as well it will reduce in March 2023 and will fully nullify by September of 2024. The order book of Maharashtra Seamless and United Seamless at a combined level stands at 1967 crores which is the highest order book that Maharashtra Seamless has ever had. And the elevated order book will be the reason why capacity utilization along with internal efficiencies will improve. The order book from exports particularly is that 32% in Maharashtra Seamless and at 70% in United Seamless, which has been the driving factor for growth for both these companies.

In the previous presentation, we have provided a target dispatch level for seamless and ERW segments in Maharashtra Seamless and for United Seamless. We have achieved 24% dispatches in the seamless segment of Maharashtra Seamless and 19% in ERW segment, and 18% in United Seamless. During any financial year, our dispatches will increase progressively in each quarter and therefore we are confident of achieving our stated targets for the financial year 23. So, in total, we will dispatch 470,000 tonnes of seamless pipe and 88,000 tonnes of ERW pipes. We see margins of export segment of MSL and USTPL to improve going forward based on buoyant seamless pipe prices.

The government policies which were in place in the previous quarter, they remain and they continue to assist the company in supporting the domestic industry. There is a sales and marketing update of Maharashtra Seamless and United Seamless which I will request all investors to particularly go through as it will give you a better idea of where the demand is originating from and how we will be able to perform going forward.

The market trends generally speaking, indicate sustained level of demand and without resumption of capacities in either Russia or Ukraine. Further, there has been an increase in rig counts in the US. In the current calendar year there has been an increase in rig counts by 30% and by 55% in the past 12 months. The rig count data in the US from Baker Hughes is around 730 rigs currently, which is 55% higher than it was in the past 12 months. Further due to the geopolitical situation and difficulty in transportation of coal in Germany, energy costs in Europe have increased substantially which has led to certain European customers reducing production or shutting down their operations.

In the domestic front there is good demand from ONGC and Oil India, good consistent demand, we expect them to generate fresh requirement of 100,000 tonnes every year in addition to the requirements generated from development and work over wells. The city gas distribution scheme has also provided good demand in the past and we expect that to



continue going forward considering the impetus given by the Government of India towards installing pipelines for distribution of gas.

The shareholding structure of the company is displayed on the next slide. Promoters have continued to increase their stake in the company as well as institutional investors. Both domestic institutional investors and foreign institutional investors have increased their holding. We have had some new institutional investors in the company and we are thankful to the larger investor community for instilling support in Maharashtra Seamless and we wish to perform more than your expectations going forward as we have been able to do in the past quarter. We thank you for taking the time out to join us on the call and I would like to hand over back to Vikash so that he can start the question-and-answer session.

Vikash Singh:

Thank you. Operator we can start the question-and-answer session.

Moderator:

Sure sir. We will now begin with the question-and-answer session. We have the first question from the line of Pratiksha from Aequitas Equity Investments. Please go-ahead ma'am.

Pratiksha Daftari:

My first question was regarding steel prices. So, post the export duties that have been levied we have seen falling steel prices, so just wanted to understand when can we start seeing the impact on our numbers and does this consequently means that our realizations will also go down for the future order?

Saket Jindal:

Right. So, the impact of steel prices is that, simply the steel prices have been corrected and that has led to increased margins and increase profit and going forward is expected to remain range bound and not too much fluctuation and we expect to maintain our margins going forward and maintain the profitability. So, the steel export duty which was put over the debate on whether to remove it or to keep it. So, that is not clear, it is still status quo and if there is removal of the export duty, then the steel price can go up.

Pratiksha Daftari:

Okay. So, the steel prices is going down as compared to quarter one, can we expect the margins to go up?

Saket Jindal:

Yes, it's already went up and further it can go up, but still the customer also requires the benefit. So, it won't be much difference it will be similar.

Pratiksha Daftari:

Okay. And if you could just, in the current quarter what was our export volume and how does this compare to Q4 FY22?

Saket Jindal:

Exports have been good; we have been exporting to USA and US market is giving better realizations than other markets and that has given good profitability and also the demand is



strong in USA and the rig count is good. So, we expect in the near future to maintain this market and also the Canadian market there is investigation happening, it will be known later on, the impact of the duties. But currently the USA market is more promising the Canadian market.

- Pratiksha Daftari:** And what would be EBITDA per tonne for Seamless in export segment?
- Saket Jindal:** Right. So, the operating margins, we are exporting at around \$1500 which at Rs.80 is Rs. 120 and our costing currently is above 90. So, the margins are almost 30%.
- Pratiksha Daftari:** You mentioned, the realization is \$300?
- Saket Jindal:** No, realization is around \$1,400 to \$1,500.
- Pratiksha Daftari:** Okay. And 30% margin on export, okay. And we expect this to continue for ongoing for future quarters also right?
- Saket Jindal:** Right, that's true.
- Pratiksha Daftari:** And a last question, we are envisaging from new solar capacity. So, just wanted to understand what will be the, how many megawatts are we looking at and how much of, after this expansion how much of our captive power plant we cater to our current requirement?
- Saket Jindal:** So, we are not having any concrete plans of expansion as of now but we can look into it. And currently, on captive requirements our met largely through this renewal energy, solar and wind and almost 70%, 75%.
- Pratiksha Daftari:** Okay. And this heat treatment facility at USTPL if you could explain, how does this improve our efficiency or whether this will be a debottlenecking, so what will be the changes at the plant level because of this heat treatment facility?
- Saket Jindal:** Yes, so there is OCTL which is, we are bidding for it and it's still not processed and if it comes through then, it's a joining facility where you can heat treat your pipes and finish your pipes in connection with you also. So, it gives you a forward integration and value addition.
- Pratiksha Daftari:** Okay, understood. And with regards to profitability at United Seamless, you mentioned that 70% of the revenues this time were from export markets. So, for USTPL what would be the share of, what would be the realizations and what will be the profitability for export?



- Saket Jindal:** Similar as MSL, it's a similar market and similar realization.
- Moderator:** Thank you. We take the next question from the line of Faisal Hawa from HD Hawa & Co. Please go ahead.
- Faisal Hawa:** Sir, what is our capacity utilization in the new unit that we have taken over through NCLT. And what is our overall capacity utilization at this point of time and what kind of order book are we seeing from USA alone in the next two to three years?
- Saket Jindal:** So, in MSL around 70% utilization and in USTPL also around 60% utilization. So, there is a lot of scope for production increase looking at the capacity available.
- Faisal Hawa:** Okay. So, at 100% capacity utilization what do you feel will be the EBITDA increase?
- Saket Jindal:** No, EBITDA, if we increase the production through economy of scale the cost will come down. So, it can make a 5% difference in the margin.
- Faisal Hawa:** And what will be stopping us at this point of time is the orders?
- Saket Jindal:** The order booking is strong otherwise, but in a stiff competition, this year is a good period for orders but it's been possible to make improvement.
- Faisal Hawa:** So, just if we cut our rates by like 2%, 2.5% and increase our EBITDA by 5% by operational efficiency, would it not make much sense to really work at better capacity utilization?
- Saket Jindal:** Sorry?
- Faisal Hawa:** We stand to gain by at least 5% because of higher capacity utilization. So, would it not make sense to cut our rate by 2% and try to bag more tenders, more orders?
- Saket Jindal:** Its case-to-case basis.
- Faisal Hawa:** Okay. But that you feel that the competitive intensity is down overall in the industry?
- Saket Jindal:** No, competition is still there and we have Jindal Saw and ISMT plus we are protected from China to some extent but there is still some material which can come in because the raw materials in the past had gone up and we wanted a increase in the floor price which had in the past.



- Faisal Hawa:** And in any way, if you feel that we are being assisted by this, India having so many steel mills of its own and having these good iron ore deposits and so that is actually a very big tailwind for you to be a very big export hub from India?
- Saket Jindal:** Yes, export from India, can you repeat your question?
- Faisal Hawa:** My question is, the presence of so many very large steel mills helping us in the being a large exporter from India for seamless tubes?
- Saket Jindal:** Yes. So, we are exporting we have a good export market.
- Faisal Hawa:** Yes, so in the presence of so many steel mills, and large steel mills a very big factor in your emerging as a large exporter, or that doesn't have too much of?
- Saket Jindal:** Domestic capacity is there, so it helps to procure the raw material. So, it is giving us competitive raw material.
- Moderator:** Thank you. We take the next question from the line of Aashav Patel from Molecule Ventures PMS. Please go-ahead sir.
- Aashav Patel:** So, earlier as per the last concall in Q3 FY22 you mentioned our seamless pipe capacity at around 4.5 lakh tonnes and USTPL capacity around 2 lakh tonnes and ERW capacity at around 1.25 lakh tonnes but in Q2 FY22 presentation an earlier presentation our capacity was showing higher say for example standalone stainless pipe capacity was reflected as 5.5 lakh tonnes, United Seamless was 3.5 lakh tonnes and ERW pipe was 2 lakh tonne. So, what exactly has changed in this capacity?
- Kaushal Bengani:** The capacities that were mentioned earlier were nameplate capacities which were theoretical in nature. The actual capacities of Maharashtra Seamless is 4,50,000 tonnes in seamless segment, in ERW segment it is 1,25,000 tonnes in United Seamless the theoretical capacity is 3,50,000 tonnes but based on the existing infrastructure that is there it is 2,00,000 tonnes and currently we will produce and dispatch 1,20,000 tonnes and going forward we will put in a capacity enhancement which will ensure that we go up to 2,00,000 tonnes.
- Aashav Patel:** Okay. And sir other question is that ISMT is our peer and it was recently acquired by Kirloskar Ferrous Group, they were operating earlier at around one lakh metric tonnes annual sales of seamless tubes, but now that they have a strong financial backing unlike the earlier times, and having capacity of around four lakh metric tonne so do you see competition improving because of their presence in the industry?



- Kaushal Bengani:** We do not believe that there will be substantial competition from ISMT. The financial backing that is required is not the only criteria that is required to be successful in the seamless pipes market. If that was the case, then even United Seamless had extremely strong financial backing. And there were other entities as well globally who had extremely strong financial backing, but there is a certain type of skill set which is required in terms of managerial expertise and in terms of technical expertise. This is not prevalent with other competitors, which is why we have been able to excel in the industry and we've been able to continuously acquire plants, turn them around and make them profitable. For these reasons, we do not believe that there will be any substantial competition from ISMT. Further, I would like to just touch upon this a little more. The order book visibility that Maharashtra Seamless has for the entire financial year, we do not believe that ISMT has that sort of visibility. Plus there is a lot of money which is required to be put into working capital to be able to sustain the order book on a consistent basis because sometimes things do not go according to plan and which is why we think we will be able to move the market better than other competitors.
- Aashav Patel:** Got it sir. Sir last question, did we also bid for ISMT capacity?
- D P Jindal:** We have tried but they were not keen to sell it to us.
- Moderator:** Thank you. We take the next question from the line of Hetal Gada from ITI Mutual Funds. Please go ahead.
- Hetal Gada:** So, firstly, I wanted to understand, did we have any inventory losses cover in the quarter given that steel prices have corrected for much?
- Kaushal Bengani:** No, we did not have any.
- Saket Jindal:** The steel price correction, after the correction we also corrected our prices, but at the same time, the inventory which we had earlier we were covered by the order that high prices for that inventory. So, I don't think it makes much difference.
- Hetal Gada:** Okay. And so sir post the correction, you have also corrected your prices. So, is it in line with the fall in the pricing, will we see any major or some sort of margin pressure going forward, or can you see these margins sustainable on a longer-term basis?
- Saket Jindal:** The correction which we did was nominal and the margins are intact and in fact might have increased only.
- Hetal Gada:** Okay. And sir the difference in your margins with standalone and seamless division at USTPL, so there the margins have been better than what we are reporting at our standalone



division any particular reason for that and do we think that that kind of difference is sustainable going forward as well?

D P Jindal: Yes, United Seamless actually compared to is a new plant and yield is better and we have supplied cylinder pipes also at a added value and most of it has gone to export market also at the time when the export was booming.

Hetal Gada: So, that is for the going forward do we see these trend to sustain and the margins also to remain at higher levels or there will be a catch up between the two units?

D P Jindal: Yes, United Seamless is having limited finishing capacity, that's why we want to add this heat treatment facilities. Once heat treatment facility is there then we can produce more value-added product in United Seamless.

Hetal Gada: Okay. So, this unit will largely remain for a value-added segment at Maharashtra Seamless can we assume that?

D P Jindal: Partly yes, 50%.

Hetal Gada: Okay. So, there is no kind of margin trend also is likely to remain high on similar lines?

D P Jindal: Right.

Moderator: Thank you ma'am. We take the next question from the line of Anurag Dinkar Patil from Roha Asset Managers. Please go-ahead sir.

Anurag Patil: Thank you for the opportunity. Sir, in the results in the other unallocated segment, our EBIT has increased sequentially to 57 crore versus 32 crore last quarter. So, can you just explain what is the reason behind and what are the activities accounted in this segment?

Kaushal Bengani: In the unallocated segment on consolidated level, the reason for increase is United Seamless, United Seamless, and other entities, so since performance at United Seamless level has improved, therefore there has been an increase.

Moderator: Thank you sir. We take the next question from the line of Yachna Bhatia, Investor. Please go-ahead ma'am.

Yachna Bhatia: Congratulations on a very good set of numbers. My question was more from a longer-term perspective, given the strong visibility we have on the profitability and the cash flows. Can you outline your capital allocation strategy over the next three years and also is it possible to quantify, what percentage of profit are you open to distributing?



- D P Jindal:** Well, about 150 crores is required for United Seamless to gear up the production and added value product and we will be repaying the loans which we have taken for the United Seamless. And we will be spending about 80 crores or so for setting up a solar power plant to meet our energy requirement. This dividends, of course, we will be having investors friendly policy to give more and more dividends distribution.
- Yachna Bhatia:** So, I just had a follow up there. If we're looking at say the numbers for this year, we can probably look at the EBITDA of Rs. 900 to Rs. 1,000 odd crores. So, I understand that you had outlined how you're going to use Rs. 530 crores of these internal accruals, but what about the balance and also my question was a little longer term over the next two to three years how do you intend to use the cash flows?
- D P Jindal:** Yes, one is because of high steel price, the working capital requirement is more. So, we are not taking from bank limits and all. And coming forward, of course we will have a growth plan and we would like to expand the capacity or the acquisition in the same line.
- Moderator:** Thank you. We take the next question from the line of Mr. Kashyap Zaveri. Please go ahead, sir.
- Kashyap Zaveri:** I have just one question, you mentioned about the spending in oil and gas in US and the rig count, can you help us with the same assessment on what's happening in the Middle East and how is our order book in terms of exports, is there any meaningful number from there?
- Kaushal Bengani:** We have some sales in the Middle East, but right now our biggest market is the United States. And therefore, we are not focusing a lot on Middle East at the moment. Our export market is also Canada and Europe which is where, the western region is where our focus lies at the moment because we are getting better margins. Domestically, I can tell you some information which we have come across. We have been informed that ONGC has acquired 27 new land rigs and for which there will be sustained demand in the upstream segment.
- Kashyap Zaveri:** The last comment that you made about ONGC is the domestic market?
- Kaushal Bengani:** Yes.
- Moderator:** Thank you Mr. Zaveri. We take the next question from the line of Bhavin Chheda from Enam Holdings. Please go-ahead sir.
- Bhavin Chheda:** Good evening Sir. Congratulations on excellent results and very good presentation. Plans to obviously get out of the non-core business and reduce intercompany deposits, that's very exciting. Couple of questions on the business front, what would be the capital



expenditure plan mainly in United Seamless, and as well as how much would be the maintenance capex in Maharashtra Seamless for next two, three years?

D P Jindal: United Seamless is 150 crores and Maharashtra Seamless will be normal as in the last two years. So, 20, 25 crore every year.

Bhavin Chheda: Per annum, okay. And 150 crores in United Seamless would be about 24 months?

D P Jindal: Right. Unless we take over the OCTL.

Bhavin Chheda: And how much would be OCTL if we take it over?

D P Jindal: No, if we take our OCTL then we don't have to spend this capital expenditure because OCTL is the right product mix, right unit for United Seamless for finishing the pipes. So, 150 crore in either of the case, whether we put up our own finishing capacity or we take out the OCTL.

Bhavin Chheda: Right. Second is what is our current export volume run rate on a quarterly basis, majority Seamless only we had the export?

D P Jindal: Yes.

Bhavin Chheda: The last quarter what was the export volumes in Seamless?

D P Jindal: 39,000 tonne in last quarter.

Moderator: Thank you, sir. We take the next question from the line of Mr. Ketan Doshi, Investor. Please go ahead.

Ketan Doshi: My main question is that one new order 150 crore you're not specified which customer. So, this is a import substitute as well as what prospects you see in this particular product segment. And what are your plans if you look over to the increase capacity for this product than what is the current installed capacity and how much you want to expand on this particular product line?

D P Jindal: You mean the subsea pipeline. It is subsea pipeline; it is domestic only we got the order. Previously it was being imported.

Ketan Doshi: Sir, which customer?

Saket Jindal: ONGC, L&T is the contractor.



- Ketan Doshi:** Okay, thank you and how much you expect in the current year if this product is running successfully on the rigs, then what is the market segment you are looking at and if at all if that goes through then are you planning to increase the capacity in this product line particularly?
- D P Jindal:** Total is 70,000 tonne. So, we are expecting at least 40,000 tonne in this segment and certainly we can produce these pipes in the existing capacity.
- Ketan Doshi:** And what is the GP on this particular product?
- D P Jindal:** 30% is the margin.
- Moderator:** Thank you. We take the next question from the line of Mr. Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Just a small clarification. Firstly, Mr. Jindal you mentioned about some inquiry in the OCTG market in Canada. Could you please dwell further on the same what are you trying to explain us here sir?
- Saket Jindal:** In Canada there is no duty on line pipe, but there was duty which was a floor price on OCTG and they want to revise that so they are investigating and they took data from all exporters. And in due course of time they will decide the revision in the normal value or the floor price. So, that will determine the viability of the exports to Canada. But line pipe we can currently also export, that is the scenario.
- Saket Kapoor:** So, in the product profile we are only exporting line pipes or also OCTG to Canada?
- Saket Jindal:** No we are exporting OCTG significantly to USA.
- Saket Kapoor:** And the Canadian region also?
- Saket Jindal:** Canadian we are not doing currently because of this investigation.
- Saket Kapoor:** So, any negative influence, would not have any negative ramification on our volume?
- D P Jindal:** It will be on the betterment of the export.
- Saket Kapoor:** Didn't get you sir, can you please come again.
- Saket Jindal:** We are fighting to reduce the duty so that we can export more OCTG.



Saket Kapoor: Right. And Mr. Jindal you also mentioned about this sealed price correction adding to the margin and the steel price correcting upward if the export duties are uplifted. So, moment the steel prices are globally driven, the steel prices have corrected globally and that implications are for the domestic market. So, even if the export duties are removed, how will steel prices start moving up, if you could explain that analogy?

D P Jindal: It should move like it was in the past because government has taken it negatively that why the steel price is so high.

Saket Kapoor: And a small point on the capital allocation part that you did allude to the fact of where the money would be spent to, but if we take at the last payout also we paid Rs.5 per share and if we get it around 30, 35 crore was distributed to the investor community of which 65% is being held by the promoters. So, taking the holistic view of this entire exercise of capital allocation, we would request the management, the promoters to deliberate on a dividend distribution policy since you are on the path of growth and you are trying to communicate definite information to the investor and that is very well appreciated by the total market capitalization. So, for things to be on a continue basis, there should be much clarity this is a request from investors and analysts committee that they should be further clarity on your distribution strategy on the dividend part and also Mr. Jindal we mentioned about buyback also a good option but then through tax incidence part still remains, what is your current understanding on the same if you could just throw some more light.

D P Jindal: At present we are going ahead with the creeping acquisitions and certainly in times to come we will come out with a distribution policy.

Saket Kapoor: Absolutely sir. And so, the areas of improvement, so Kaushal sir did mention that we are seeing significant increase in the volumes and so, this is very good scenario for the industry and MSL in particular. So, where are the steps for that, how much money can be spent on improving the efficiency therefore reducing the cost on a long-term basis and therefore adding to the margins and what portion of our sales are towards the automotive segment, and we think that there's a good revival happening in the delivery segment in the automotive segment, so what you would say on that?

D P Jindal: So, basically cost reduction is, our main cost is power and oil fuel. So, fuel we cannot do much. So, power as the solar energy will led, give us a better competitiveness reducing the cost and about the capex. Yes, you have made the right point, in MSL we have plan to go for a cold drawn plant. That means making those bearing pipes and other automotive pipes. So, we have a plan for that.

Saket Kapoor: Those will be value added products sir?



- D P Jindal:** Yes value added.
- Saket Kapoor:** And sir we are also looking to bid for Oil Country Tubular I heard somewhere or correct me there sir?
- D P Jindal:** Oil Country Tubular?
- Saket Kapoor:** Yes, I miss the point you were mentioning about that we may go for oil.
- D P Jindal:** OCTL company?
- Saket Kapoor:** Yes, OCTL company, is it the one which is on block and we are looking to acquire it?
- D P Jindal:** That's right, OCTL is a neighbor of USTPL. USTPL product was finished in OCTL, all those heat treatment product and threading, so it's a complementary to each other.
- Saket Kapoor:** It's a forward integration for us for the United Seamless.
- D P Jindal:** That's right.
- Saket Kapoor:** Sir, in this process where are we in the midst of that and when can we hear something concrete?
- D P Jindal:** We have already bid for it. So, it's a legal battle so let's see.
- Saket Kapoor:** Okay, it is through the insolvency to come here?
- D P Jindal:** Going through on it, there is going to be insolvency, NCLT.
- Saket Kapoor:** Sir, I'll come in the queue for more questions and suggestions I will write to be investor relations team due to the paucity of time. For the premium connections part for which we earlier mentioned, if you could give us some understanding, where do we stand there and what kind of margins or volumes are we expecting for the premium connection segment, which was mentioned earlier?
- Saket Jindal:** So, premium connections earlier we had a technical tie up with Tenaris so now we no longer have that. And we're looking at new partner for premium connection license and there are few parties which you're talking to, in the near future we should be able to crystallize that and start the premium connection production and even in OCTL there is facility for that. In case we acquire it there will be option to supply from there also. So, that is the scenario.



- Saket Kapoor:** Right sir. And sir for the continuity of the product profile and also continuity to have the right product any seasonality factor during which we will take any plant shutdown so that the efficiency improve and the quality of product. Do we have done anything for this year or last year?
- Saket Jindal:** We already had a plant shut down in 7 inch mill and started again. So, maintenance was taken and also 14 inch next year we're taking the plant shutdown.
- Saket Kapoor:** Okay. And lastly sir on the implemented demand sir, something about the Russian sanctions by the US was mentioned. So, what is the size of this addressable market which should be vacated or rather vacated that would be sanctioned by US on Russia sir?
- Saket Jindal:** Russia, because of this geopolitical situation, the supply from Russia and Ukraine has reduced into the US market. And that is opened up more demand, that is why the prices have risen for our product also.
- Saket Kapoor:** And so, I was just looking for the addressable markets, supposing the one which was catered by the Ukraine or the Russian market and now can be addressed by us, so what is the size of the market, the US market which we're looking?
- Saket Jindal:** A substantial demand has opened up and that is why the prices have increased. So, it is means much larger than what we are exporting. So, there is a substantial demand opened up.
- Saket Kapoor:** Thank you for this elaborate answer. And the investors perception about MSL and also for the group needs to be reassessed with the type of efforts you are taking to educate investors. So, we look forward for the continuity and to have better clarity definitely on the capital allocation policy going forward, the dividend distribution, payout ratio, all these things will go a long way in serving the purpose for which these are being conducted. And I hope the management would look at the suggestions of all the investors and analyst in the call. Thank you once again, and we hope for continuity as well and a good job done by the investor relations team.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Vikash Singh for closing comments.
- Vikash Singh:** Thank you, everyone, for joining the call today with us. I'd like to thank again the management for giving us the opportunity. And sir over to you for any closing remarks if you would like to make.



- D P Jindal:** Thank you. We are looking forward to serve the investors better and we would like to give a free and frank discussions and we would like to share our policies. Now, more and more statements are coming to the investors for whatever is our policy regarding all these subjects we have discussed. Thank you very much.
- Kaushal Bengani:** Thank you Vikash for organizing the call. Thank you to Mr. Jindal, Chairman and Mr. Jindal, MD for taking time out from the schedule to participate in the call and helping the investor relations team in communicating better with the investor community. And we are extremely thankful to the investors for showing confidence in the company and we look forward to engaging with them more.
- Saket Jindal:** Thank you to all.
- Moderator:** Sir should we conclude?
- Vikash Singh:** Yes.
- Moderator:** On behalf of PhillipCapital (India) Private Limited, that concludes this conference call. Thank you for joining and you may now disconnect your lines. Thank you.