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RMTL/SEC/POST-TRANS.CON-CALL/Q3/2021-22

February 14, 2022

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**Subject: Transcript of the Investor Conference Call post Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and nine months ended on December 31, 2021**

Dear Sir/Madam,

We vide our letter dated February 8, 2022, had intimated to the Stock Exchanges about the schedule of the Investor Conference Call on Wednesday, February 9, 2022 post Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and nine months ended on December 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](http://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 & Tubes Limited Q3 FY22  
Earnings Conference Call hosted by Monarch Network  
Capital Limited”**

**February 09, 2022**



**MANAGEMENT: MR. PRAKASH SANGHVI – CHAIRMAN & MD,  
RATNAMANI METALS AND TUBES LIMITED  
MR. VIMAL KATTA – CHIEF FINANCIAL OFFICER,  
RATNAMANI METALS AND TUBES LIMITED  
MR. MANOJ SANGHVI – BUSINESS UNIT HEAD,  
RATNAMANI METALS AND TUBES LIMITED**

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

**Moderator:** Ladies and Gentlemen, Good day and welcome to Ratnamani Metals & Tubes Limited Q3 FY22 Earnings Conference hosted by Monarch Network Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the initial remarks concludes. Should you need assistance during the conference call, please signal for 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.

**Sahil Sanghvi:** Thank you sir. Good evening to all. On behalf of Monarch Network Capital, we welcome you all to the Ratnamani Q3 FY22 Earnings Call. We are delighted to host the management of Ratnamani today and from their side we have our CMD – Mr. Prakash Sanghvi, CFO Mr. Vimal Katta and joining this time is Mr. Manoj Sanghvi sir who heads Carbon Steel division.

So, without taking any much time I will hand over the call to Mr. Manoj Sanghvi sir for their opening remarks. Thank you and over to you, Sir.

**Manoj Sanghvi:** Good morning I will give the opening remarks today. Manoj Sanghvi here. So, although the numbers would have been seen by everyone, but I would repeat again both quarterly and 9 months. So, we did this quarter was highest for us 937 crores of revenue and 9 month was 2,192 crores. EBITDA 140 crores quarterly and 353 crores was for the 9 months. Q3 revenue split if we see between carbon steel and stainless-steel quarterly 77% was carbon steel and 9 months 75% is carbon steel. Orders on hand as on 1<sup>st</sup> February was 1,900 crores of which roughly 665 crores is stainless-steel and balance is carbon steel. So, this is on earnings and orders on hand. On the market side between carbon steel and stainless-steel, so carbon steel line pipes we have already bid close to 2 lakh tons in oil and gas and 2 lakh tons in water segment of this we are expecting good orders per metric ton and stainless-steel under bidding is 27,500 tons both stainless-steel seamless SS tubes and pipes which is close to 1,700 crores of which we plan to book around 300 to 400 crores in this quarter.

So, this is from our side in detail on the project if anybody wants to know we can add further.

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

**Ashutosh Tiwari:** So, firstly on this bidding we shared so we said that in oil and gas carbon steel we have bid for 1 lakh tons and 2 lakh tons in water, but in the past we have said that we will probably avoid booking too much in orders in water because of the low margin and maybe sometimes higher receivable days as well, is there a change over there or it is just for the sake of bidding we have bid so much?

- Manoj Sanghvi:** No this is the total bidding see we have always been selective on the oil and gas segment. However, whatever is under bidding we have informed on the call and these projects are in Gujarat so it is not like we are bidding in North or South where we do not have that competitive advantage. So, in Gujarat some projects we might target.
- Ashutosh Tiwari:** And oil and gas is this largely domestic only?
- Manoj Sanghvi:** This is largely domestic one of the order is what we are already executing it is an extension of that.
- Ashutosh Tiwari:** So, can you provide some color on like say in oil and gas segment whether it is India or overseas for carbon steel segment where we expect orders to come from or where bidding is going on over next say one year which are the likely projects which are happening or already announce by the customers?
- Manoj Sanghvi:** So, breakup of this 3.5 lakh to 4 lakh tons would be NRL Numaligarh Refinery Limited so phase 1 we are already executing, phase 2 tender is submitted and reverse auction will happen sometime next week. So, that is one tender which is close to 1 lakh tons and we have another line which is IOCL has announced project is called P25 which is called Kandla Mundra going to Uttar Pradesh so that is 2,40,000 tons for which tender is submitted reverse auction might be in another two, three months. So, these are all the projects which will be finalized in next two, three months then GAIL, Mumbai, Nagpur, Jharsuguda extension because Mumbai-Nagpur already tender was done and awarded now that line is being extended to Jharsuguda. So, that tender is also announced it is out bid is submitted reverse auction will happen in next two to three months that is 70,000 tons. So, these are three major tender then we have of course we have small tender all adding up to close to 4 lakh tons.
- Ashutosh Tiwari:** So, you mean to say 4 lakh ton is there in the oil and gas itself?
- Manoj Sanghvi:** Yes 4 lakh ton is in the oil and gas.
- Ashutosh Tiwari:** And also we are looking our opportunity in export side as well in this carbon steel segments?
- Manoj Sanghvi:** Exports most of the countries longitudinal submerged arc welded pipes are used for oil and gas. So, our LSAW plant we have just started commercial production last quarter we are going to get some revenues from that. So, that approvals one international approvals so next year we will target something from that.
- Ashutosh Tiwari:** So, this SAW stainless-steel tubing where we have said that we have bid for 27,500 tons that would be inclusive of exports as well?

- Manoj Sanghvi:** That includes export also. So, right now also if you see our order book 665 crores of which 285 crores is exports so roughly 40%, 45%. So, overall put together carbon steel is 25% so around that percentage in totality we will maintain our exports.
- Ashutosh Tiwari:** So, on this new seamless plant which got operational during this year basically how do you see the volume ramp up happening next year that is where I think which can provide the bigger delta in terms of growth and what we are targeting basically in terms of we have already discussed in the past about distributed basically also, so can you throw some more line on how do you see volumes in this SS seamless segment next year versus this year what we were doing?
- Manoj Sanghvi:** See this year I do not think any major contribution can come it might be in the range of 30 crores to 50 crores only in this quarter. Next year 30% to 40% capacity utilization is what we will be targeting.
- Ashutosh Tiwari:** Of this 20,000 plant?
- Manoj Sanghvi:** Yes 6,000 to 7,000 maybe there.
- Ashutosh Tiwari:** That is incremental volume next year from the new plant?
- Manoj Sanghvi:** Yes.
- Ashutosh Tiwari:** And lastly globally there is lot of talk about this green hydrogen and hydrogen uses also in the steel plants maybe over the longer period for direct reduce Iron through hydrogen route, so are we also there also pipe thing will be used whether it is a stainless-steel pipe in the plant or maybe carbon steel pipe or transportation, so are we looking at or maybe we are doing the issue of work on that as well and a future prospect any color over there?
- Manoj Sanghvi:** As of now it is in very nascent stage the hydrogen. The fuel itself is trying to make a statement in this field. So, once that happens then eventually what mode of transportation will be used, what kind of pipeline will be used only some work has been done on that segment. So, still a long way to go I feel in that.
- Moderator:** The next question is from the line of Abhijit Vora from Share Khan. Please go ahead.
- Abhijit Vora:** Is there any change in the revenue and margin guidance for FY22 and you can guide for FY23 revenue potential?
- Manoj Sanghvi:** See for the entire year FY22 3,000 crores is the top line which we can look forward plus minus maybe 50 crores, 100 crores it depends on how the financial arrangements are made, how the material clearances are given by the customers and margin range same that 16% to 18% plus

minus we continue to hold because looking to the product mix which we have been targeting this range should be maintainable in the longer run also.

**Abhijit Vora:** And any specific reason for lower margin in this quarter at 14% maybe due to higher share of carbon and steel?

**Manoj Sanghvi:** Mainly because of the higher contribution to the top line coming from carbon and steel line pipe business nothing else.

**Abhijit Vora:** And I was bit confused on the bidding part just some clarification on the number we have bid for 1 lakh ton in the oil and gas segment and 2 lakh ton from the water transportation segment in Gujarat?

**Manoj Sanghvi:** No 4 lakh tons in oil and gas and 2 lakh tons in water.

**Abhijit Vora:** And out of that 4 lakh tons you highlighted that some part is for NRL Refinery, some for IOCL and some for GAIL, can you just give those numbers once again?

**Manoj Sanghvi:** So, NRL is roughly 1 lakh ton 100,000, IOCL is 2,40,000 tons and GAIL is close to 70,000 tons.

**Abhijit Vora:** And finally on like we have order book close to 1,900 crore what is the execution timeframe for this?

**Manoj Sanghvi:** 6 to 7 months.

**Abhijit Vora:** In terms of the quarterly run rate of order intake can you give any guidance given the kind of bidding you have done?

**Manoj Sanghvi:** We plan to book close to all put together carbon steel, stainless-steel between 800 to 1,000 crore in this quarter.

**Abhijit Vora:** Incremental orders right?

**Manoj Sanghvi:** Yes incremental.

**Moderator:** Thank you very much. Next question is from Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhishek Ghosh:** Sir few questions just starting with the bid pipeline so while you talked about this oil and gas and water, does it include the bid pipe the only LSAW, HSAW does it for carbon and steel include ERW pipes as well?

- Manoj Sanghvi:** This is specifically HSAW and LSAW ERW is another some size like for example the GAIL 70,000 tons, some players can manufacture ERW also. So, there is an option it can be ERW, spiral LSAW, but few tenders like NRL and IOCL is only HSAW and LSAW.
- Abhishek Ghosh:** So, out of the total capacity that you have is almost about 3,040 tons in LSAW, HSAW?
- Manoj Sanghvi:** Yes LSAW, HSAW is close to 3,40,000.
- Abhishek Ghosh:** And out of that you have a bid pipeline of 4 lakh?
- Manoj Sanghvi:** Correct.
- Abhishek Ghosh:** And sir just to understand if you were to compare this number of that 4 lakh bid shift couple of years back, was this more like 4 lakh only or what this used to be 2 lakh, 3 lakh, if you can give us some color it will be helpful sir?
- Manoj Sanghvi:** On an average every year oil and gas spiral and LSAW put together 5 lakh tons is finalized in domestic market. So, of which 4 lakh is right now so we feel that this year that number might go up.
- Abhishek Ghosh:** So, 9 month already would be at a higher at least 2 lakhs to 3 lakhs plus this 4 so this 5 has gone to almost to 6 lakh, 7 lakh and directionally.
- Manoj Sanghvi:** Yes it is in that direction.
- Abhishek Ghosh:** Sir in terms of where you spoke about two, three major projects which are contributing to this bid pipeline, but anything so this will be onetime, but beyond this what is the visibility are there more talks about major refineries coming up or petrochemical plant coming up, any visibility or any color?
- Manoj Sanghvi:** So, one refinery that we know of HRRL of course the work is going on which everybody aware, but the major refinery will be Cauvery Basin Refinery. So, that has been awarded the PMC for that the first MTO will start in the first quarter of next year.
- Abhishek Ghosh:** Sorry sir I missed up you are breaking up if you can just repeat in terms of Cauvery Basin Refinery when is it going to start the tendering?
- Manoj Sanghvi:** First quarter of next year we expect few underground piping tenders.
- Abhishek Ghosh:** And you said PMC has been awarded I missed to which?
- Manoj Sanghvi:** Engineers India Limited.

- Abhishek Ghosh:** And how big is this opportunity sir?
- Manoj Sanghvi:** This will be a huge opportunity very good for process piping and stainless-steel pipes, line pipes will follow later once the refinery is established.
- Abhishek Ghosh:** But this will be like you mentioned about the NRL and other one almost a lakh ton each it will be in that range or will it be like two, three lakh ton range?
- Manoj Sanghvi:** Initial MTO will be huge, but not in lakhs of tons because we cannot compare line pipes with process piping and stainless-steel pipe.
- Abhishek Ghosh:** Initially it will be value later it will be volume that is the way to look at it.
- Manoj Sanghvi:** Yes.
- Abhishek Ghosh:** And sir just one broad thing for this carbon steel when you bid while you did mention this SS will be executable over the next 6 to 7 months in terms of carbon steel what is the usual lead time for you to kind of finish the orders or execute the project?
- Manoj Sanghvi:** Between 6 to 9 months for line pipe and process pipe within 6 months.
- Abhishek Ghosh:** So, line pipe is 6 to 9 and process pipes you are saying is within 6 months?
- Manoj Sanghvi:** It depends on the size of the order the quantum so we start anywhere from the third or fourth one and finish within 9 months.
- Abhishek Ghosh:** And sir just couple of things if we look at just coming back to CS in terms of broadly at the 3,40,000 tons capacity this bid of 5 lakh tons is this the highest ever for you in last two, three years because you have 4 lakh of this and 2 lakh of water, so how should we look at it?
- Manoj Sanghvi:** Every year if you see one big project has come like year before this it was the LPG pipeline which IOCL had come up with so which again was close to 2 lakh tons and then GAIL, HPCL has also had some tenders. So, every year we have seen 5 lakh throughout the year, but this time it has happened that 4 lakh has all come altogether which will be finalized within three to four months only in oil and gas.
- Abhishek Ghosh:** I am saying it has got bunched up this time to that 4 lakh tons?
- Manoj Sanghvi:** It has got bunched up so there is an advantage, there is a disadvantage also because you have got a stipulated delivery time. So, everything one player cannot take.
- Abhishek Ghosh:** And sir just one last thing and I will come back in the queue for more questions in terms of stainless-steel the whole import substitution element now when we see freights rates from



China has moved up significantly, so is that in this current environment will it help you to better price your product vis-a-vis an imported SS tube some thoughts around it if you can just help us will be little helpful?

**Manoj Sanghvi:** Freight trade has gone up but on stainless-steel tube pipes say it is a marginal element. So, that is why our exports are not affected otherwise our exports would have also been affected.

**Abhishek Ghosh:** But in terms of your ability to substitute those imported SS what are the efforts are you trying to make, just some thoughts because that is a very big piece in your whole capacity that you have put up and to be able to ramp up that well that will be a very big piece so how should one look at it?

**Manoj Sanghvi:** Various efforts are being made like anti-dumping because a lot of Chinese peers material is coming in the country right. So, that is one front and then of course the BIS certification so mills here would definitely have BIS certification and would manufacture pipes of certain quality. So, international mills also is required to have that certificate. So, those will be some notes which will be created.

**Moderator:** Thank you. Next question is from Kunal Shah from Carnalian Asset Management. Please go ahead.

**Kunal Shah:** My question was in two parts one part was that we have done approximately 1,86,000 or 1,87,000 tons in 9 months FY22 and you have given a guidance of about 1,000 crore revenue to do in the last quarter which should be more or less similar to what we have done in the current year, how should we look at for FY23 and 24 considering the capacities that we have build up and the utilization for the coming years and the second question was also on the stainless-steel part I mean taking forward the question from the previous participant I mean what would be the kind of cost differential that would be there in the import that would be happening from China in comparison to ours and when do we see this ramping up now of the capacity especially that we have build up on the stainless-steel part because still I believe in comparison to the previous year we are more or less at the same levels that we have done despite the capacity coming up if you could help with those questions?

**Manoj Sanghvi:** First question was revenues this year last quarter it will be between 800 to 1,000 crores so that you answered that question yourself second question 23 what is it looking like and 24 what is it looking like 23 growth in revenue somewhere between 15% to 20% and similar going forward in 24 until we reach the peak capacity utilization for LSAW and stainless-steel extrusion.

**Kunal Shah:** So, in terms of tons how should we look at the overall utilization for FY23 and 24?

**Manoj Sanghvi:** It will be range bound, but near to that 60% on an average of the total capacity.

- Kunal Shah:** And the blended realization and blended EBITDA should be more or less in the same range of 16,000, 17,000 or blended EBITDA I mean it is more related to the second part of the question as well how do you see the ramp up in the stainless-steel?
- Manoj Sanghvi:** The contribution would be from carbon steel and stainless-steel in the revenues going forward the increase in revenue. So, we see it to be in the range of 15% to 18% going forward also.
- Kunal Shah:** So, if you could specifically help understand the ramping up more on the stainless-steel part I mean what is stopping that and how do we see that scale up in the year FY23 and the price differential if any from the imports and our products or how do we do see that ramping up basically sir?
- Manoj Sanghvi:** This year I think so we will be doing close to 1,000 to 1,500 tons in the extrusion pipe. Next year what Katta has already commented that we are going to do close to 6,000 tons so that ramp up is happening since this is a hot process ramp up is not immediate plus the approvals from various oil and gas companies with the current situation where travel is restricted it is getting delayed plus it is a hot process we start with base grade 304, 316 and as you have that comfort and confidence then the higher grades nickel alloys would be manufactured. So, not only the ramp up will happen, but also the value addition will increase.
- Kunal Shah:** So, basically if I have understood correctly it is more to do with the approvals from the time said and we ourselves ramping up rather than the demand side as of now, is that understanding correct then?
- Manoj Sanghvi:** One is approval second is this product is actually the size range is new for us which you have to establish distributors network say in Europe, US so that process is going on.
- Kunal Shah:** So, this should get sorted in another 6 months now since things have started to open up?
- Manoj Sanghvi:** Our target is to do 6,000 tons next year close to plus minus say 500,000 tons. So, utilized 30% capacity 20% to 30% capacity is our target next year.
- Kunal Shah:** And also, in the last call we were thinking of setting up capacities abroad as well and it was discussed that it will be taken in the drawing board and all, so any thoughts on that how because this we will ramp up the utilization in the next two years what are the capacities we have build now, so anything on that particular front or it is still on the drawing board and nothing to comment as of now?
- Manoj Sanghvi:** It is still on the drawing board we have appointed someone who is doing the market study, but once we have that any gap and opportunity then we will go ahead.
- Kunal Shah:** So, as of now it is still already far away?

- Manoj Sanghvi:** 4 to 6 months.
- Moderator:** Next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.
- Saket Kapoor:** Sir in the LSAW segment in particular sir have you seen the tendering being slow than what the past have been because of the steel prices the high steel prices and the pass on are the EPC players holding on to say tendering waiting for the prices to correct, what is the scenario on this front and also sir on our portion getting what we have prescribed to the order what was the total size of the order in which we have got 2 lakh or quantity which we have mentioned?
- Manoj Sanghvi:** Both LSAW and HSAW as I said earlier 4 lakh tons at given point of time has come for the first time actually which will be finalized in next two to three months. So, the increase in steel price has not actually curtailed the demand. Future demand we are not aware but see this budget also they have end plus with the increase in oil price definitely the investment because the realization would be more for the oil companies also. So, eventually the infrastructure has to be built up and for gas supply also so many geographical areas have been built across India. Now once anybody has taken the geographical area the government has the responsibility to provide gas to at least to the tap of point. So, we do not see the demand going down.
- Saket Kapoor:** So, for this 4 lakh which we have the tender out of that the total size of the contract, what percentage we have got that was my question?
- Manoj Sanghvi:** This is under bidding and this is direct bid to PSUs so it is not from the EPC company and what is that for water normally is EPC, but oil and gas is direct to the PSU.
- Saket Kapoor:** So, that entire size is of 4 lakh we have bid for the entire 4 lakh ton that was my question?
- Manoj Sanghvi:** Yes you are correct. We bid for entire 4 lakh ton.
- Saket Kapoor:** And this is pertaining to a refinery project?
- Manoj Sanghvi:** No, this is not pertaining to refinery. It is line pipes. it is mix of product pipeline which is crude or any other product it is gas because Mumbai-Nagpur is a gas pipeline.
- Saket Kapoor:** Sir when we look at the P&L we have seen this inventory buildup over the last two quarters, so if you could explain what the key reasons for the same and for Quarter 4 this inventory would be diluted?
- Manoj Sanghvi:** See actually this is an answer which it is more equipped to answer, but still I will say as you know we follow the effectiveness of covering our raw material on back-to-back basis because all our orders are on fixed price region and in rising price scenario anyway volumes remaining same in value term again impact has been there because carbon steel prices have moved up by almost 70%, 80% compared to what they were earlier. So, one reason is that and in my opinion

going forward also to the extent of our need to order business this situation will more or less continue rather for our new hot extrusion facility also looking to the size range and the material range perhaps more inventory will be required for the hot extrusion also. So, this is a thing and fine tuning for this inventory holding will keep on happening, but once we need to have the experience of carrying the required inventory for our new hot extrusion product. So, it will take some time.

**Saket Kapoor:** As sir you were telling about the more trust the government has provided in this budget, so what are the pillars on the ground the CAPEX cycle, what kind of CAPEX is now anticipated and how is our company like us in the sector going to usually benefit from the same whether it is the 'Jal se Nal' the inter linking of rivers 'Jal se Nal' can also the CAPEX in building up Greenfield refineries and also the Brownfield expansion in various refineries, so what kind of thrust can be build up depending upon the national investment pipeline announced and so much thrust being given on the CAPEX part, so this is the beginning of a very strong run which companies like ours can expect at least in the coming two to three years?

**Manoj Sanghvi:** Yes so one area which I previously informed is CGD because of that the infrastructure the gas pipeline infrastructure across country will have to be improved then second is for 'Jal se Nal' so this is all linking of river one reservoir to another reservoir so that water last mile connectivity to the household the water is to be provided. So, the main trunk lines would be water pipes we have seen already few tenders coming in Gujarat, Rajasthan, Madhya Pradesh so things have started. So, mainlines are the first then the distribution network then the last mile connectivity. So, where our products goes is to the main line so next three, four years there will be major thrust in water projects also and stainless-steel of course one is Cauvery Basin Refiner which is going to come and we have CPCL and then Pet Chem project by GAIL.

**Saket Kapoor:** And from the fertilizer space any fillers and also for the Ken-Betwa project lot have been spoken about the huge project of 42,000 crore how is our company going to benefit from this project being on ground, commissioning on ground?

**Manoj Sanghvi:** Fertilizers also three major contracts were awarded so lot of tubes are yet to be urea grade tubes are yet to be procured so that will happen and as like water a lot of irrigation projects are going on so agriculture will increase and effectively the requirement of fertilizer will be there. So, it is all connected.

**Moderator:** Thank you. The next question is from the line of Dewang Sanghavi from ICICI Securities. Please go ahead.

**Dewang Sanghavi:** My first question is regarding the stainless-steel segment sir as you are planning to ramp-up volumes next year in the SS pipe segment any guidance of a fresh order booking you expect in FY22 for LSAW segment?

**Manoj Sanghvi:** Sorry can you repeat your question.

- Dewang Sanghavi:** Fresh order booking what you are targeting for FY23 in the SS pipe segment?
- Manoj Sanghvi:** Stainless steel order booking for the next year what our internal budgets are like 1,200 crores.
- Vimal Katta:** Significant order booking plans will be there because we are going to target at least 40% growth over whatever we are going to do for the FY22 in stainless-steel. So, plans are there that we should end up somewhere between 1,100 to 1,200 crores of top line for stainless-steel and accordingly matching order booking will be there and opportunities are also there. For the new hot extrusion of course newer markets are also being explored including European markets and other overseas territories also. So, it is like that and lot of things will be known as we move forwarding the coming financial year.
- Dewang Sanghavi:** My second question is with regarding the other pipelines for stainless-steel as we have guided that we earlier said that 25,500 tons of stainless-steel with pipeline, is it possible to breakup in terms of project wise?
- Manoj Sanghvi:** No stainless-steel like carbon steel line pipe one single project is 500, 600 crores, but stainless-steel the order size is 2 crores, 3 crores, 5 crores at the max maybe when Greenfield project is at 15 crores so it is difficult to breakup because this right now 1,500 to 1,700 crores is under bidding so it will be very difficult to breakup project wise or sector wise.
- Dewang Sanghavi:** And this Cauvery Basin Refinery what we have eluded that our tender should start in Q1 FY23, can you just guide what was the tonnage opportunity in this particular refinery for the stainless-steel?
- Manoj Sanghvi:** Tonnage at the moment it is very difficult because see there will be lot of equipments also. So, those tubes then the pipes and carbon steel welded pipes and also seamless pipe. So, at the moment the tonnage idea is not there for that.
- Dewang Sanghavi:** And what is the cash on hand as on this can you guide that on 31<sup>st</sup> of December?
- Vimal Katta:** Yes 31<sup>st</sup> December was closer to 390 crores.
- Dewang Sanghavi:** 390 crores of cash on hand.
- Vimal Katta:** But see cash will keep on fluctuating because capital requirement keep on changing based on the order booking and the movement in raw material prices. So, right now inventory procurement, RM procurement is going on in full swing looking to the very healthy order book. So, going forward also we may we should expect by March end also our inventory position is going to be on the higher side only. Actually, I was expecting in FY21 beginning FY21 itself had COVID not been there. So, perhaps the situation would have been there in FY21 beginning FY21 itself because the new projects are going to require incremental higher

working capital because that 120,000 tons of carbon steel capacities is also significant and once the full-fledged order booking start so it will also require lot of working capital.

**Moderator:** Thank you. Next question is a follow up from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

**Ashutosh Tiwari:** Sir you talked about entering new product and uses of seamless pipes in future with a new plant coming up, can we highlight some of the areas where we have not present early and we have developed products over last one year or planning to do in next one year, two year?

**Manoj Sanghvi:** On stainless steel pipe you mean to say.

**Ashutosh Tiwari:** As well as stainless seamless pipes I think you talked about the new plant with the higher diameter also we will be entering on the product segment where we have not present earlier?

**Manoj Sanghvi:** So, the stainless extrusion what we had until now was up to 3 inches. So, we were not present in segment about 3 inches. All these segments maybe the sectors are same refinery powerplant, but this is a whole new addition of size range.

**Ashutosh Tiwari:** So, have we got customer approvals who are there from this larger range whether it is domestic near the export because restrictions and all maybe the overseas customers would have they must have been delay in their restriction and all?

**Manoj Sanghvi:** The process of approval has started we have received some domestic approvals some we had some virtual audit also recently so that process is going on and approvals are falling in place with the technology and the latest plant what we have it would not be challenging, but with the constraint of COVID and people not being able to travel it is taking a little longer time.

**Ashutosh Tiwari:** Secondly on this LSAW segment that 1.2 lakh tons plant new plant as of now let us say what visibility we have, we have in terms of utilization of the plant in FY23?

**Manoj Sanghvi:** FY23 this year we will be using close to 15,000 to 20,000 tons and next year we plan to have anywhere between 50,000 to 60,000 tons so almost 50% capacity utilization.

**Ashutosh Tiwari:** And we already have started receiving orders for this?

**Manoj Sanghvi:** We already have projects in hand right now for LSAW close to 200 crores for the new plant.

**Ashutosh Tiwari:** 200 crores will be roughly 12,000 tons?

**Manoj Sanghvi:** Between 12,000 to 15,000 tons.

**Moderator:** Next question is from the line of Diksha from Fort Capital. Please go ahead.

- Diksha:** So, I just want to know about revenue breakup for carbon steel and stainless-steel?
- Manoj Sanghvi:** So, carbon steel revenue breakup.
- Diksha:** Revenue breakup.
- Manoj Sanghvi:** Quarterly or 9 months?
- Diksha:** Quarterly?
- Manoj Sanghvi:** Third quarter revenue breakup 77% is carbon steel and 23% is stainless-steel which is roughly 210 crores.
- Moderator:** Thank you. The next question is from the line of Abhijit Vora from Share Khan. Please go ahead.
- Abhijit Vora:** Sir can you give up CAPEX plan for this year and next year any CAPEX plan?
- Manoj Sanghvi:** As of now we have no CAPEX plan.
- Vimal Katta:** It will be only debottlenecking and maintenance CAPEX only and whatever little is still pending that will also be there may be around 90 crore to 100 crore sort of thing everything combined together.
- Abhijit Vora:** For this fiscal year FY22?
- Manoj Sanghvi:** No next year FY23, FY22 will be maybe around 100 it should be closer to roughly this year again around roughly 100 crores.
- Abhijit Vora:** Can you just give me the expanded capacity both in CS and SS and what is the current utilization rate?
- Manoj Sanghvi:** Carbon steel all put together L-SAW, spiral, ERW our capacity now is 5 lakh tons. Stainless steel is 48,000 tons.
- Abhijit Vora:** And what is the utilization rate currently and by FY24 I think in last quarter you mentioned that you will be reaching revenue of 4,500 crores so like how the utilization will ramp up till that time?
- Vimal Katta:** See basically existing capacity of helical or ERW and LSAW in carbon steel are more or less fully occupied right now. So, you can say at around 60% to 70% sort of capacity utilization. In case of stainless-steel seamless is fully occupied. So, do not look at tonnage because in case of stainless-steel where higher value-added products will not give the tonnage, but value addition

will be significant. In case of stainless-steel welded it might be announced again 60% to 70% sort of thing and newer capacities stainless-steel hot extrusion right now is hardly any utilization right now in current financial year it is not expected to give maybe 5% sort of thing and LSAW should be closer to you can say around 15% sort of things and next year as Manoj ji has already stated can be closer to 50%, 60% sort of thing in carbon steel LSAW and new hot extrusion should be closer to 25%, 30% sort of thing only.

**Abhijit Vora:** Just one clarification on one number in the initial question or remarks you mentioned that you will book around 300 to 400 crore of revenues from excess in Q4 is that the right understanding?

**Manoj Sanghvi:** Not the revenues order booking will happen in Q4.

**Abhijit Vora:** Incremental order booking will happen.

**Manoj Sanghvi:** Yes.

**Abhijit Vora:** And lastly the tonnage number which you gave for the bidding pipeline 4 lakh for oil and gas, 27,500 crores for SS like what is the amount in the value terms and if we win like what is the excess ratio for us to win these bids, what kind of amount we can bid here?

**Manoj Sanghvi:** So, 4 lakh tons roughly would be say 4,000 crores it varies between 4,000, 4,500 crores, stainless-steel 27,500 tons roughly 1,800 crores.

**Abhijit Vora:** I was asking about what could be our success rate in this 4,018 crore of bid pipeline because if you win sizable chunk in this I think that our revenue growth rate would exceed our FY24 guidance of 4,500 crores?

**Manoj Sanghvi:** See growth what we see year-on-year is anywhere between 15% to 20%. One is the utilization spiral utilization is already at optimum level ERW is also at optimum level. Now where we have got some capacity to increase in carbon steel is LSAW whereas in stainless-steel also utilization is almost at the optimum level at seamless and welded. We have got some room to increase revenues in the extrusion. So, both put together will come as an incremental growth which 600 odd crores for FY23 and further addition of 600. So, FY24 we can be close to 4,200, 4,300 crores and that will be the optimum utilization of all the plants.

**Abhijit Vora:** And with the SS like utilization rate improving do we expect any change in your margin guidance of 16% to 18%?

**Manoj Sanghvi:** No it will remain same because at the same time we have LSAW which goes for line pipes. So, blended margin will remain between 16% to 18%.



- Moderator:** Thank you. Next question is from the line of Anirudh Shetty from Solidarity Investment Managers. Please go ahead.
- Anirudh Shetty:** Just a follow up on the last point to made around how by FY24 we could do around 4,200, 4,300 crores of sales which is more optimum numbers. So, we have a run rate for two years, but by when can one expect the next round of CAPEX to start going through at your end?
- Manoj Sanghvi:** Things have already started rolling like the US what we are thinking, we have already appointed a consultant for that study and once the extrusion press stabilizes then utilization is close to 30%, 40% we might think something backward. So, somewhere in FY23 plans will be made.
- Anirudh Shetty:** Sir my next question is on the revenue mix I think somewhere you shared an investor presentation wherein the oil and gas sector give or take around 60% of our revenues I just wanted to know for FY22 what would be the broad mix look like between oil and gas and the others and within this oil and gas could you also further bifurcate it into what is gas, what is oil and so you know what is upstream, more midstream and know what is downstream refinery petrochem related?
- Manoj Sanghvi:** Most of it is midstream and then further bifurcation of oil and gas is not done because one project it will give a wrong indication because one year say a major oil pipeline comes, but next year it is not so much always it is bunched together oil and gas. Year-on-year bifurcation can be made, but then it would not give any specific advantage to us.
- Anirudh Shetty:** But do you feel over a period of time as we see such strong tailwinds for gas with natural gas and the CGD demand is there, do you feel the share of gas will start increasing as a percentage of our overall business?
- Manoj Sanghvi:** Yes as of now also you see gas has already because ERW most of it is city gas distribution pipeline then within spiral also most of it is gas pipeline. So, the gas share is increasing at the same time oil share has remained stagnant or one of project when it comes it increases.
- Anirudh Shetty:** And both of this put together would it still be around 55%, 60%?
- Manoj Sanghvi:** See line pipes majority would be oil and gas, but stainless-steel we have various industries. So, there the percentage in oil and gas would be on the lower end say it will be between 40% to 50%.
- Moderator:** Thank you. The next question is from Shivam Parashar an Individual Investor. Please go ahead.
- Shivam Parashar:** Sir I just want to ask that like on the public CAPEX guidance of the 'Nal se Jal', the Cauvery Basin, can you also give the guidance on what is happening and what is the private CAPEX

that is happening from fiscal year 22 and guidance of FY23 any private CAPEX from this exercise?

**Manoj Sanghvi:** Private CAPEX within the CGD network a lot of geographical areas have been awarded to private companies. So, there major CAPEX is happening which will go on for another three to four, five years because the first phase and then the network will be expanded. So, that is one segment where a lot of private players are there which also helps us in the stainless-steel business because of the CNG stations where our instrumentation tubes also go.

**Shivam Parashar:** And any guidance from the private CAPEX from the steel, cement and like these industrial sites?

**Manoj Sanghvi:** That general CAPEX see major oil and gas is public sector, but other than that all is private, power some portion is public and some private.

**Shivam Parashar:** So, you are seeing the positive side on the power CAPEX also along the industry?

**Manoj Sanghvi:** No it is stagnant nuclear we are seeing positive, but otherwise it is stagnant.

**Moderator:** Thank you. Next question is from Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhishek Ghosh:** Just one question on the CAPEX part of it going forward or largely you can see matrix at current Ratnamani is based upon is broadly you have an asset term of 3.5x, 4x because lot of the CAPEX that we have done in last two, three years is not getting fully utilized something on a broadly our assets terms are 3.5 times today 3.4 to 4x with those 16%, 18% market. Now you already have fair amount of cash which might get used but we are also generating almost 300 crores, 400 crores of free cash we would be generating every year. So, the next round of CAPEX which kind of comes in will it have similar matrix in terms of assets terms in margin profile, how should one look at it because just to give you the numbers that your current gross block is 1,200 crores broadly and you will be generating that kind of pre cash over the next two, three years, will you be able to deploy the entire part of it with similar matrix, how should one look at it, some thoughts will be helpful?

**Manoj Sanghvi:** Those thoughts maybe six months down the line and we are ready with the CAPEX would be appropriate time to answer, but yes next phase of investment will be close to 500 crores, 600 crores.

**Vimal Katta:** See basically as far as margin profile is concerned it will not undergo any significant changes because while deciding about any CAPEX plan we do look at the return on capital employed and it should generally whatever we are doing right now, so that is the reason in our case it takes lot of time and deliberations before we finalize any CAPEX plan and the management is very clear we do not want to go for any short term all on CAPEX, all CAPEX whatever we have done keeping in mind coming 35 years, 30 years sort of thing.

- Abhishek Ghosh:** No, I appreciate that my only question was that since it is generating fair amount of pre cash can we expect CAPEX is in the region of that 1,000 crores plus over the next two to three years or will you be able to comment on it only after time I was trying to.....
- Manoj Sanghvi:** Right now, it is very I would say premature to comment on that.
- Vimal Katta:** See part of it will continue to be used for incremental working capital requirement and by that time means next 6 to 9 months' time we should be reading with our next growth plan. So, that will be the appropriate time when we will be in a position to say what sort of CAPEX size will be there.
- Manoj Sanghvi:** Maybe asset turnover ratio also we will be able to tell you that time because it might not be that the revenues are increasing, but the value addition is increasing because some would be self-consumption.
- Moderator:** Thank you. As there are no further questions I now hand the conference over to Mr. Sahil Sanghvi for closing remarks, over to you.
- Sahil Sanghvi:** Thank you sir. We would first like to thank the entire management of Ratnamani Metals for patiently answering all the questions and on behalf of Monarch Network I would also like to thank on the participants. Manoj sir would you like to give any closing comments.
- Manoj Sanghvi:** No that is it we are trying our best to keep up on what we say and hopefully we will achieve better than what we say.
- Moderator:** Thank you very much members of the management. Ladies and gentlemen on behalf of Monarch Network Capital that concludes today's conference call. Thank you all for joining us you may now disconnect your lines.