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RMTL/SEC/TRANS.CON-CALL/Q2/2019-20/07XI

7th November, 2019

To, 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	To, 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 on the Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and half year ended on 30th September, 2019.

Dear Sir/Madam,

Please note that we had vide our letter dated 1st November, 2019 intimated to the Stock Exchanges about the schedule of Investor Conference Call on Monday, 4th November, 2019 on the Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and half year ended on 30th September, 2019.

We hereby send a copy of Transcript of Investor Conference Call which took place on 4th November, 2019. The said transcript is also uploaded on the Company's website.

Kindly take the above on your record.

Thanking you,

Yours faithfully,

For, RATNAMANI METALS & TUBES LIMITED

**JIGAR SHAH
COMPANY SECRETARY**

Encl.: As above



“Ratnamani Metals and Tubes Limited Q2 FY ‘20 Earnings Conference Call”

November 4, 2019



**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. AALOK SHAH – MONARCH NETWORK CAPITAL

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Ratnamani Metals and Tubes Limited Q2 FY '20 Earnings Conference Call 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 presentation concludes. Should you need assistance during the conference call, please signal the 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. Aalok Shah from Monarch Network Capital Limited. Thank you and over to you, Sir.

Aalok Shah: Thanks, Good Evening all on behalf of Monarch Network Capital, we Welcome to for Ratnamani Metals and Tubes Q2 FY '20 results con call. Today, on the call we have with us the management team of Ratnamani Metals represented by their MD and CM, Mr. Prakash Sanghvi, and CFO, Mr. Vimal Katta. Without taking much of your time, I would now hand over the call to MD Sir for his opening remarks followed by Q&A session. Thank you, over to you Sir.

Prakash Sanghvi: Good Evening and Happy New Year to everyone. Of course, result of the second quarter you might have everyone and sales is 632 crores and net of it is about 76.43 crores and steel, we are quite confident in our product stainless steel seamless pipes as well as carbon steel pipe, ERW, LSAW, spiral welded, coating, and induction blending. All this products reasonably good, capacity utilization also in all the segment is good, spiral, ERW even newly put induction grinding facility and then of course stainless steel both in stainless steel seamless as well as welded, because of welded also we are in a good booking because of certain things goes in petrochemical, newly petrochemical plant setup by Haldi IOC Paradip and of course HMR is going on, so there is good synergy in oil and gas that it was cross-country pipeline, CGD, then LNG terminal, then of course expansion of adjusting capacity in IOCL, BPCL, HPCL and new refinery of HPCL Barmer, then LNG terminal, cross-country pipeline, so all in all segment in oil and gas industry is going well and we see newer enquiries and tenders are coming, so we see a good in next three to four years for oil and gas industry.

Then secondary is water of course, this year we are not much in water, almost entire capacity is booked for line pipe for spiral and ERW which is City Gas Distribution orders booked and of course in the next future, we are seeing something more coming in Maharashtra also for water application, so maybe bit competitive for that, and then of course, there is power nuclear power is also there in the country. We got second orders indirectly, fabricator for nuclear application only, for the domestic this NTPL good for export also, but nuclear application. Same way the fertilizer industry is also still going on and of course chemical industries are also going on well in today's time, some are the new expansion and new grids are coming in chemical industry, so we see good potential in oil and gas, power, fertilizers and chemicals. At the same time something in water also, so company is hoping good 16% to 18% of EBITDA level and with this year ending almost you can say we were close to last year, top line might be there. Of course, RM prices has gone down in carbon steel heavily, so some impact will come on top line, otherwise everything is good. Thank you.

- Moderator:** Thank you. Ladies and Gentlemen, we will now begin with the question and answer session. The first question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.
- Ashutosh Tiwari:** Sir, firstly just want to understand you narrated that definitely lot of things are happening in oil and gas, chemical fertilizers, and orders will come, can you name some specific projects from where the demand for industry can come in terms of orders, like you said mutual HPCL Barmer project, any other project which are?
- Management:** IOCL itself is expanding their capacity at Panipat, then IOCL paradip is putting petrochemical, then Haldi is also putting in petrochemical and then BPCL Kochi also something they are expanding VURCUR something like that. Then of course this Greenfield is HPCL only, this is at domestic level and then certain things are going on at this Adnoc, Abu Dhabi, then Saudi Aramco so every where we are getting enquires and we are getting small, small orders in stainless steel pipes and tubes both seamless as well as welded and this time the welded also what we call it 350 and Class I, so that orders are coming because L&T has EPC got those packages, so we got good order from L&T, that is again for petrochemical, they got their packages and out of that SS pipe orders we got it from them.
- Ashutosh Tiwari:** You mean welded means, this is SS welded?
- Management:** Yes, stainless steel welded.
- Ashutosh Tiwari:** Secondly on the fertilizer and chemical side, which plants are coming up where industry can get orders?
- Management:** There is a new company called Deccan, there they are putting good investment in the Asia and other parts of the country, all pipes are going for stainless steel seamless as welded Deccan, Devi, three to four companies are coming with big investment.
- Ashutosh Tiwari:** Secondly, if I look at LSAW expansion from our side, it is going to 120,000 tons of capacity, so till now basically we have focused more on the piping, so with this new capacity will the focus remain over the larger volumes of project piping only or line pipe will be the one where the orders will come from, because margins in project piping is definitely much higher than what you get in pipes?
- Management:** Put focus on project piping only, but at the same time we have huge capacity so we can go for line pipe also to utilize the total capacity, but it will take little time of six to eight months because the approval is required and the plant is almost ready by January an LSAW plant totally ready for inspection you can for audit and there we have to go for ISO, will go for ACI, and we will call all the customers to audit, so it will but our focus will be there on this project piping and at the same time, we do something more on what you call line pipe also because this new facility is completely capable for line pipe also.

- Ashutosh Tiwari:** The large part of the new capacity in LSAW steel will be in project piping only?
- Management:** Yes, this year totally projects, I think only that anything will come next year only for line pipe volumes.
- Ashutosh Tiwari:** I am asking that are the incremental volume that you get next year from this capacity, will a large part still will be like project piping only?
- Management:** Project piping only, yes.
- Ashutosh Tiwari:** In the HS seamless also, the plant will come up by December-January?
- Management:** No, that is little bit delayed still, but by March it will be 100% ready for trial products and so we will get everything from next year onwards for SS also.
- Ashutosh Tiwari:** That plan will also take time to get approvals and all, right?
- Management:** Yes, but certain approvals for EIL, we are having up to 80 so I do not think there might be any problem and certain approvals we have to get.
- Ashutosh Tiwari:** So you think you already got approvals from EIL for certain... ?
- Management:** We will start at commercial, we can supply to all EIL project immediately because we have approval up to 18th only for certain work size up to 10 inches because the facility is up to 10 inches, so that we will take but 10 inches normally that did requirement from them, but we will go for that also, up to 18 we can start production and give them in fulfilling their requirement.
- Ashutosh Tiwari:** What kind of volume growth you can expect from this SS capacity next year?
- Management:** Starting, you can say 30% to 40% capacity utilization will be there, but it will take to ramp up in next two years, we can go for 60% to 70% capacity utilization.
- Ashutosh Tiwari:** The 30%-40% is possible in next year itself, you think?
- Management:** That is possible.
- Moderator:** Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities Private Limited. Please go ahead.
- Kaushal Shah:** Sir, if you can share the quarterly SS and CS volume numbers?
- Management:** We will get it

- Kaushal Shah:** Sir, just now to the previous question you mentioned capacity utilization numbers 30% to 40% so that is for the LSAW or the SS?
- Management:** For the stainless steel what we are putting new capacity, the expansion that seamless capacity adjacent capacity we are utilizing fully up to 80% to 90%. On this new capacity for first year, we will utilize 30% to 40%.
- Kaushal Shah:** Sir, as far as the P&L is concerned for the quarter and for the half-year, there was a sharp jump in our other income and also our interest expenses increased, so if you can just share the reason for?
- Management:** Kaushal, basically, the interest increase is mainly because of the partial draw of long-term debt to part fund the ongoing CAPEX. We have tied up total 300 crores of long-term debt, 150 crores we have already drawn, so that impact has been there resulting into increase in interest cost, otherwise, there are no other borrowings in the books of the company and other income mainly comprises of income from investments and some impact of positive movement in Forex also, this is the thing.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.
- Saket Kapoor:** Firstly Sir in the capital work in progress, we have seen that going up from 179 crores to 350, so this is totally attributable to this new capacity for stainless which we are building here?
- Management:** Mainly, CWIP figures are for the ongoing Stainless steel and LSW both. Once the capitalization happens then it will move to the fixed asset.
- Saket Kapoor:** What is going to get capitalized by March '19, what would be the figure?
- Management:** March '19 was closer to 178 crores.
- Saket Kapoor:** I am talking about March '20 Sir, what would be the figure?
- Management:** March '20, marginal figures will be there because everything will be capitalized by March.
- Saket Kapoor:** Sir, now coming to the order book position about the carbon steel part, you have mentioned that the domestic constitutes around 1127 crores, if you could give further breakup by sector wise?
- Management:** It is mainly the oil and gas only, so line pipe and refinery. In case of LSAW, it is purely refinery and petrochemicals. In case of helical and ERW, it is purely cross country pipelines and City Gas Distribution. This time in carbon steel there are no orders from the water application.

- Saket Kapoor:** Any reason Sir why?
- Management:** All the capacities are fully booked, so value addition is good in case of oil and gas sector, so given the choice, we will definitely like to go for oil and gas sector rather than water.
- Saket Kapoor:** Sir, now coming to the point about this tax part also, already you have explained in the notes that we are contemplating evaluating the thing, so if we are going to opt for the newer one, what would be the reduction then, are we having earlier MAT credit available?
- Management:** We are not into any MAT or anything, see last three years our PBT was closer to 370 crores. If we are in a position to have the same level of profitability 10% reduction in tax liability will be closer to 37 crores, so 35-37 crores of positive impact for the entire year can be there, our experts are looking at all the figures and I think in next one or two months' time, things should be very clear.
- Saket Kapoor:** In next quarter, there will be entire reversal for the nine months?
- Management:** It makes sense to opt for lower tax, so then there will be a positive movement.
- Saket Kapoor:** Depending upon the huge CAPEX which we are doing, any correlation with that we opting for lower tax would benefit?
- Management:** Those are part of input only on the CAPEX.
- Saket Kapoor:** Sir, coming to the balance sheet part only, we find that there is in the current liability part, we find that other current liability is going up from 89 crores to 130 crores and the current tax liability net going up from 35 lakhs to 37 crores, how will you explain this?
- Management:** Debt liabilities have not moved up significantly from 35 lakhs to 18.6 crores that is because of better profitability, it is a tax provisioning figure based on calculated 35% tax rate and other current liabilities are mainly related to that I will revert back to you separately.
- Saket Kapoor:** Sir, lastly on the other current asset part also, that has gone up from 14 crores to 64 crores?
- Management:** That is mainly related to the advances and other things to suppliers.
- Saket Kapoor:** Sir, I was late in joining, earlier commentary was that for this year, we are expecting flattish turnover because of some reason which Sanghvi Sir has given?
- Management:** The flattish growth in top line for the current financial year.
- Saket Kapoor:** We are expecting flattish growth, what is the probable reason lower order booking or what will result in, why should be that the case?

- Management:** The reason is the capacities are not available basically, see last year also opened it for maximum capacities, so currently also because incremental capacities will be available mainly in the next financial year that is the main reason.
- Moderator:** Thank you. The next question is from the line of Deepak Narnolia from Birla Sun Life Asset Management. Please go ahead.
- Deepak Narnolia:** I had couple of questions regarding the volumes, basically your carbon steel volume has come down significantly in the first half of this year so what exactly the reason for that and what is the expectation for the second half?
- Management:** Mainly in case of carbon steel first quarter was not so great because one of the raw material supplier was under investigation by the ultimate customer in respect of one of the pipeline already commissioned, so we had to source the material from other raw material suppliers resulting into production losses in the first quarter, so that impact has been carried forward. Going forward also, team is trying to equip whatever time has been lost so that is the reason we are saying we may end up with a flattish top line.
- Deepak Narnolia:** If I ask you the volumes in the carbon steel in second half?
- Management:** Those figures right now are not with me, but it has been on the lower side compared to what we did last year.
- Deepak Narnolia:** So will it remain impacted because it has hugely impacted now, you do 75000 per ton?
- Management:** Some recovery can be effected but not 100% that is the reason we may end up with the marginally lower top line figure also, but some SS performing better, so somewhere something will be made up here.
- Deepak Narnolia:** I am not asking made up... ?
- Management:** In SS, there will be some reduction in the top line, some degrowth will be there. Value will be little bit on the lower side compared to last year.
- Deepak Narnolia:** Your SS steel you said that you would be using 40% to 50% capacity in the next year for the newer CAPEX, so in new capacity you are building on you have 8000 tons of SS capacity and on that you will take it to 28,000, correct?
- Management:** Yes.
- Deepak Narnolia:** So incrementally this is 20,000, you would be using 40% to 50% of capacity of that?
- Management:** 30% to 40% in the first year.

- Deepak Narnolia:** Of the 20,000 extra?
- Management:** Yes.
- Deepak Narnolia:** Where will you sell this item Sir, what exactly is the product you would be manufacturing in this and do you see that kind of market for these product all of a sudden do you see that kind of growth you can achieve from?
- Management:** Definitely, this is stainless steel seamless pipe. Today, the country is importing about 40,000 tons stainless steel seamless pipe from various countries. There is no domestic producer of such diameter thickness and grade, so we are the first putting such capacity in the country and I am quite hopeful I can be able to utilize first year itself 30% to 40% capacity of 20,000 tons and the market in domestic itself and there is a huge market of export also.
- Deepak Narnolia:** You will have certain cost advantage vis-a-vis imports in the country?
- Management:** Definitely, if you are importing from all these European countries, Japanese, Korean, then there is a big advantages there. If you are comparing China then there is a quality is winning over there because their quality level is not acceptable by all the customers, of course they are previously from PCR and this is worldwide people are putting **(Inaudible) 24.26** and we are going **(Inaudible)**, so I am quite confident that yes I am definitely getting all these output of 40,000 tons my share of about 68,000 tons.
- Moderator:** Thank you. The next question is from the line of Devang Sanghvi from ICICI Securities. Please go ahead.
- Devang Sanghvi:** Sir, my question is regarding this 150 crores you have taken loan and there is 150 we can take additional, so do we need to take 150 crores additional or maybe 150 crores would be enough for our CAPEX in terms of our internal accruals?
- Management:** Really speaking, there is no need to draw the 150 crores because company is having enough cash in hand, but going forward the newer capacities will require higher working capital, so this long-term fund have been tied up just to ensure this thing, working capital we will try to continue to fund from our internal accruals and long-term will be funded partially by the long-term debt that is the only idea.
- Devang Sanghvi:** This is like broadly a cautious approach in terms of because we have enough cash to fund the CAPEX, broadly for the new capacity working capital, we have taken this particular loan?
- Management:** Because it will be working capital intensive, new expansion will require higher inventory levels also because of the larger size range and larger variety of alloys which it can extrude, so that is the whole idea nothing else and plus carbon steel 120,000 tons of capacity may require based on the order inflows, inventory is to be built up because we cover our inventory on time-to-time basis that is the whole idea, nothing else.

- Devang Sanghvi:** In 1127 crores orders of domestic, in the LSAW segment the orders from refinery in which are the segment I missed out on that particular segment?
- Management:** Petrochemicals and nothing else.
- Devang Sanghvi:** Secondly, we were looking for water related orders for next year because water infrastructure has strong potential going forward?
- Management:** We will be targeting next year because already team is looking at the opportunities because we are expecting, we are going to Jal to Nal work will start happening so next year we may see, we may be targeting water also and we have plans to shift one of the manufacturing facilities near to the place of delivery similar to what we did in respect of...
- Devang Sanghvi:** We had some pilot plan some years back, similar arrangement we are looking at?
- Management:** Yes.
- Devang Sanghvi:** Jal to Nal which grade of pipe the LSAW will be used or the HSAW will be used?
- Management:** Helical SAW.
- Devang Sanghvi:** In the order book of 1936 crores, how much will be executed for the second half and how much for the next year on a broad basis?
- Management:** Majority will be executed in current financial year may be 100 crores sort of orders may spill over to next year in case of stainless steel and in case of carbon steel again I do not think, we are planning for everything to be executed in current financial year itself.
- Devang Sanghvi:** LSAW for the first year what we are targeting of utilization levels, you said HSAW is 30% 40%, what was the similar level for LSAW, utilization for next year?
- Management:** It is 25% to 30% there also our target is there because there we are introducing something new, this line pipe also.
- Devang Sanghvi:** What I am saying is LSAW we are looking for more project piping only?
- Management:** Project piping definitely, our focus is on project piping only but at the same time the capacity is huge so we can go for line pipe also and that is we are doing first time so we will definitely book something and build a reference for this line pipe also.
- Management:** Right now in our product portfolio, we do not have LSAW pipes for line piping and this 120,000 tons capacity is a large one because we always wanted to modernize, so instead of settling for the 50,000 to 60,000 tons, we have gone for 120,000 tons which will give us the flexibility to cater to the line pipes requirement also.

- Devang Sanghvi:** And the tittle of order book remains strong, which we indicated in last quarter this 1500 tons capacity we have?
- Management:** certainly demand is good there is some tenders we have already quoted something will come still.
- Devang Sanghvi:** So that remains pretty strong area for us?
- Management:** Yes.
- Moderator:** Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.
- Dhaval Shah:** Sir, just one question on the stainless steel seamless pipe which our company is putting up an achievement that we are putting it for the first time in our country, so how is the competitive scenario in the other countries, is there any sort of protection given by the Government against import of such pipes or is it freely imported?
- Management:** Not right now, but there is a huge demand in domestic market itself and country is mass importing about 40,000 tons of stainless steel seamless pipes from various countries, so there definitely once the capacity is available and quality product available, so we will definitely get ourselves from the domestic market itself and there is a huge potential in the Middle East, in Europe, till US but once you have quality product, established product, committed delivery time, so it will take next three to six months in the next financial year and definitely we will get say about 30% share of new capacity of 30,000 tons.
- Dhaval Shah:** We are adding 40,000 tons capacity, am I right?
- Management:** Adding 20,000 tons new capacity, we were having 8000 ton capacity and adding 20,000 tons new capacity.
- Dhaval Shah:** The stainless steel you procure it domestically or you will import?
- Management:** This raw material for stainless side?
- Dhaval Shah:** Yes, stainless steel seamless pipe, the raw material is imported or you procure it domestically?
- Management:** Some quantities from the local, domestic and something we are going to import because certain diameters certain grades are not available in the country that we are going to import and whatever maximum available grade and size we will do it is all from domestic only.
- Dhaval Shah:** Sir, in the longer term guidance on the margins would be 16% to 18% from your side, correct?
- Management:** Correct.

- Dhaval Shah:** Sir, over FY '20 after given our expansion is coming on stream, should we expect 15% kind of top line growth or based on the order book position what we have?
- Management:** Yes, definitely because with both these newer capacities we will utilize in next two to three years, so definitely 10% to 15% year-on-year we will definitely get both on top line as well as bottom line.
- Dhaval Shah:** The new capacity is for the better grade pipes, so our realization and profit per ton should also be better compared to the existing mix, is my understanding correct?
- Management:** It depends on the utilization and type of orders because it is right from ordinary to high-end applications, so what type of order we book, but starting definitely we will go for the commercial at the same time we will try all these approvals with all the oil and gas major, so first year it might be little less, but then year-on-year definitely we will go for niche products only as we are doing in past.
- Dhaval Shah:** Sir, just last question, we have done much better EBITDA margin in the second quarter compared to what longer term guidance we had shared and even Q1 was around 17.5, so what would be the reason for this better, is the product mix the only reason or there is a raw material advantage also into this?
- Management:** This time really in steel, we are operating entire order for oil and gas industry, there is no water order this time we are doing, so definitely there is more value addition because all these what you call oil and gas pipeline, cross-country pipeline and CGD, there is an internal and external coating also involved, so you are getting definitely more value addition because when you make the pipe then you have to do coating of internal and external all such, and in oil and gas there is definitely better margin than compared to water.
- Dhaval Shah:** Sir, on the CGD front given the extent of bidding which has happened in the ninth and 10th round and the opportunity what exists, do you think a lot of competition can come in plus you are going to deal with lot of new players and thus Government also involve into it, so how would this pan out?
- Management:** still lot of capacity in the country and I think four or five total manufacturers are there and against that there is a huge requirement in coming next **(Inaudible) 35.30** still they have not started the procurement, so we see a good potential in CGD itself and ourselves we are expanding the capacity in ERW just putting one more finishing line.
- Dhaval Shah:** Is there any government-owned company which can supply pipe in the CGD?
- Management:** No Government company is supplying the CGD pipe, only you can say Welspun, Merc seamless India, and Bhushan now even tata.

- Dhaval Shah:** Your pipe would be the last mile connectivity or is on the cross-country plus the larger dia pipe?
- Management:** We take up to city main road distribution, then there is house and other pipes are there, galvanized, some PVC, higher density pipes will be there.
- Moderator:** Thank you. The next question is from the line of Hiten Boricha from Joindre Capital Services Ltd. Please go ahead.
- Hiten Boricha:** I just want to know what is the CAPEX we have incurred in the first half of this financial year?
- Management:** We have incurred and total up to September 30th closer to 360 crores of CWIP is already there plus some capitalization roughly around 400 to 425 crores we have already done.
- Hiten Boricha:** What is the plan for H2 this year, second half?
- Management:** Second half we should be incurring the balance, so closer to 200 crores should be there.
- Hiten Boricha:** For next year, Sir?
- Management:** Next year it will be, right now only it will be only limited to maintenance CAPEX roughly 140 crores and not beyond that and if anything new CAPEX is planned, so that will be shared separately.
- Moderator:** Thank you. The next question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.
- Ashutosh Tiwari:** Sir, you mentioned that one of the RM suppliers had some quality issues, so is the quality issue resolved from that supplier or still we have to source from other players?
- Management:** You have misunderstood, the quality issue is not with us, the quality issues with the raw material supplier who had supplied the material to some pipe manufacturer and that pipe has some problem at the line pipe at some places, for that others had stopped that raw material to be used and we have given order on them, they do not approval, so in between customer has hold, no you should not buy from that deal, that is the reason our first quarter has gone empty you can say for line pipe.
- Ashutosh Tiwari:** Sir, noted that the supplier is the issue not us basically but?
- Management:** Ashutosh, you are correct but basically with that supplier and that customer is still I think that supplier has not been re-approved, so we have to import that material and that is the reason because we have already given order in **39:36 (Inaudible)** the approval is there, everything is there, and in between there is some problem at some pipeline and who was the RM supplier that comes to the other customers might also say no, no, we should not go with that raw

material supplier and you cancel that and we are given for import, so it took two to three months time.

Ashutosh Tiwari: That was basically a domestic supplier?

Management: Yes.

Ashutosh Tiwari: Sir, there is one more question on that we generally book RM back-to-back, so if we had paid some amount of money to that supplier is that stuck over there or how is it?

Management: No amount was paid, actually the established LC basically, so money has not been stuck anywhere.

Moderator: Thank you. The next question is from the line of Rupen Masalia from RN Associates. Please go ahead.

Rupen Masalia: Sir, my question is mainly pertaining to chemical industry as a growth driver, so just wanted to know like chemical industry as a percentage of our total business constitutes currently how much and many chemical companies specially located in the chemical zone at Gujarat, they are in the Greenfield and Brownfield CAPEX more, so what sort of growth you see in that?

Management: Right now chemical industry does not contribute significantly to our overall business, so it has been hovering between 4% and 5% of total revenues only, so going forward right now opportunities are there mainly in oil and gas sector, refinery, petrochemicals, line pipe, city gas distribution so focus continues to remain on oil and gas sector, power sector where demand is volume costs are higher basically. If the opportunities are there, we have always been exploring the opportunities in any process industry whether it is chemical, fertilizer, or anything.

Rupen Masalia: Basically Sir, in chemical industries CAPEX out of total CAPEX amount excluding land acquisition cost, what sort of share of business we can expect like in the case of refinery our share is typically 3% to 5% of project, so likewise in chemical could you quantify what sort of business we get?

Management: Very, very difficult to say, it all depends on their products, what grade and chemicals they are introducing, it corrosive material, then of course there is stainless steel more capacity, so it all depends on project to project, somewhere it may go 10% of that project cost, somewhere it may go 3% also, so it is very difficult to say from our end, of course nowadays in that area in this Dahej area and Ankleshwar area, those people are there to put new expansion and new capacity and we are getting good orders from various customers.

Moderator: Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

- Kashyap Jhaveri:** Sir, I have two questions, one was in terms of our inventories after a dip in the fourth quarter of last year again H1 they have gone up, so I am not sure I have missed out anything in the beginning, but any comments on that inventory part, and second question is on earlier response to your CS pipe volumes where you mentioned you had some issues with one of the suppliers of raw material, now, when you contract the new material does it come at a different price or our margins are protected on that part of the business?
- Management:** Kashyap, regarding inventory because we continue to follow the practice of booking RM on back-to-back basis and because of the order inflow, the inventory levels are there plus on any reporting period end, we may see inventory figures moving up or down significantly based on the dispatches taking place or the nature of order outflow. This time majority of the orders are with coating, so lot of material lies in coating also in WIP also, but inventory levels average has remained rangebound only as per the last practice. Secondly, regarding the carbon steel volume one thing is this time everything is oil and gas sector involved volumes are going to be on the lower side only in quantitative terms because in case of water, it is purely order testing and material moved, so one thing is that. Second thing is on the raw material side we did not see any adverse hit because of that thing fortunately because raw material prices have been on the lower side carbon steel prices.
- Kashyap Jhaveri:** I am asking either would we benefit because of that also?
- Management:** Marginal benefit might have been there, exact working we have not done but these do happen every year in some certain orders you get certain benefits and in certain orders you lose also, but average more or less you end up with the same sort of planned bottom line only.
- Kashyap Jhaveri:** You mentioned about inventory, there is some bit of WIP in the coating section which might have resulted in that, so let us put it this way on 12 months basis, full-year basis would our operating cash flows be as robust as what it was probably for last couple of years?
- Management:** Definitely.
- Moderator:** Thank you. We will move onto the next question that is from the line of Abhishek Vigneshwar from TrustLine Holdings Private Limited. Please go ahead.
- Abhishek Vigneshwar:** Sir, regarding the oil and gas sector is BS VI fuel upgradation by ONGC is got over or not?
- Management:** Still it is going on but in a small way, majority part is over but still there is time and some people have delayed further, so still something is going on.
- Management:** Majority of the work is already over, now trickling orders continue to come but major work is over in case of Euro VI.
- Abhishek Vigneshwar:** Sir, what about orders?

- Management:** In Euro VI small, small orders do come, but major portions of orders have already been executed and over.
- Moderator:** Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities Private Limited. Please go ahead.
- Kaushal Shah:** Sir, I missed the standing order book position?
- Management:** Order book position as on November 1st was closer to 1831 crores stainless steel was closer to 575 crores and carbon steel 1032 crores, and LSAW closer to 200 crores.
- Kaushal Shah:** Sir, if you can also give me the break up between domestic and exports?
- Management:** Exports will be closer to roughly 350 crores sort of thing.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Aalok Shah for his closing comments.
- Aalok Shah:** Thank you Prakash Sir and thank you Vimal Sir for taking out the time for this interactive session.
- Management:** I think all the questions being answered and of course company believes in their products for stainless steel as well as in carbon steel both the products and expansion of the stainless steel will definitely come in products for the first quarter of next financial year and at the same time this carbon steel also will be coming by this February of the last quarter of this financial year, so definitely company will grow more on top line as well as bottom line on year-on-year by 10% to 15%. Thank you.
- Moderator:** Thank you. Ladies and Gentlemen, on behalf of Monarch Network Capital, that concludes today's conference. Thank you for joining us and you may now disconnect your lines.