MAHARASHTRA SEAMLESS LIMITED
INTERIM CORPORATE OFFICE : Plot No.106, Institutional Sector-44, Gurgaon-122 002 Haryana (India)
Phone No. : 91-124-4624000, 2574326, 2574325, 2574728• Fax : 91-124-2574327
E-mail : contact@mahaseam.com Website : www.jindal.com
CIN No: L99999MH1988PLC080545
CORPORATE OFFICE : Plot No. 30, Institutional Sector-44, Gurgaon-122 002 Haryana (India)

E-Communication

MSL/SEC/SE/2023-24 **03 February 2024**

BSE Limited
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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 earnings conference call held on 30 January 2024

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 earnings conference call held on 30 January 2024.

Link to access above transcript is as under:

https://www.jindal.com/msl/pdf/Transcript-of-Conference-Call-Q3-FY24-Earnings-Call.pdf

You are requested to kindly take the same on record.

Thanking you,

Yours faithfully,
For Maharashtra Seamless Limited

RAM JI NIGAM Digitally signed by RAM JI NIGAM Date: 2024.02.03 11:38:42 +05'30'

Ram Ji Nigam
Company Secretary

Maharashtra Seamless Limited

Q3 FY24 Earnings Conference Call

30 January 2024

MANAGEMENT: **MR. D.P. JINDAL – CHAIRMAN – MAHARASHTRA SEAMLESS LIMITED**
MR. KAUSHAL BENGANI – DEPUTY GENERAL MANAGER, INVESTOR RELATIONS & FINANCE – MAHARASHTRA SEAMLESS LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to Q3 FY '24 Earnings Conference Call for Maharashtra Seamless Limited 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikash Singh from PhillipCapital India Private Limited. Thank you, and over to you, Mr. Vikash.

Vikash Singh: Thank you, Manav. Good afternoon, everyone, for Maharashtra Seamless Q3 FY '24 Earnings Call. From the management side, we have with us Mr. D P Jindal, Chairman; and Mr. Kaushal Bengani, Deputy General Manager, Investor Relations. Without taking any much time, I'll hand over the call to Mr. Kaushal for the opening remarks. Kaushal, over to you.

Kaushal Bengani: Thank you, Vikash. Good afternoon, and thank you for joining our earnings call. We are proud of our outperformance in Q3 FY '24, with the achievement of higher EBITDA and improvement in margins, both of which were accomplished in the backdrop of strong performance in second quarter of FY '24. We are pleased to inform you that our core operations have gone from strength to strength as we continue to exceed expectations by working continuously with an intent to create value for all stakeholders.

In Q3 FY '24, like we have done in earlier quarters, we have improved upon our margins and have achieved highest EBITDA following strong execution of orders and better marketing initiatives.

I will briefly summarize key financial indicators. On comparison of this corresponding quarter of last year, that is Q3 FY '23, our revenue in Q3

FY '24 increased by 8%, EBITDA increased by 51%, PAT increased by 67% and EPS increased by 62%. When we do a comparison with last quarter, Q2 FY '24, although our revenue dipped slightly, however, EBITDA increased by 11%, PAT and EPS both increased around 10% on account of improvement in margins.

On reviewing our 9-month FY '24 performance versus 9-month FY '23 performance, revenue increased by 4%. EBITDA increased by 30%, PAT and EPS increased by 56%. This performance reiterates strength in our operations despite volatile macroeconomic environment and inflationary pressures. Our ability to control costs remains unmatched as the same is achieved without compromising production and sales.

Apart from financial indicators, there are five key points which we would like to draw attention to. The first is the status of capital expenditure. We have commenced our plans of capital expenditure by acquisition of land for installation of finishing facilities at our Telangana unit in previous quarter. We have placed orders for certain equipment and are in the process of placing orders for other relevant equipment. We expect this installation to be completed by December '24.

We are a 100% debt-free company. We currently have liquid investments of almost INR1,500 crores. I take this opportunity to communicate yet again that our treasury will only be utilized for core operations and shareholder benefit. They shall not be utilized for any other activity.

In Q1 FY '24, we were made part of the Morgan Stanley Capital Index India Domestic Small Cap Index. Apart from index rebalancing, we have received tremendous interest from foreign institutional investors who have increased their holding from 2.84% to 10.5% within a span of 9 months. The DII and FII holding currently stands close to 15%, which is up from 7% at the start of this financial year.

The fourth point is in relation to the market demand. I wish to reiterate that capital goods and infrastructure in general and oil and gas specifically continue to witness strong demand in short to medium term. This directly impacts the seamless pipes market. Our seamless pipes market remains buoyant, driven by capital expenditure and spending in oil and gas sector as we have seen our order book being replenished and maintained at good level. Our investor engagements have also improved significantly, and we have represented Maharashtra Seamless in 4 investor conferences this year, and expect to participate in at least 2 more.

I would now like to take you through the presentation. The first few slides detail the various activities of the company. Slide 5 is about the quarterly performance over the past 5 quarters. You will note a significant jump in EBITDA and PAT margin over past 2 quarters.

The next slide is a profit and loss comparison on quarterly basis. A key point to note here would be the reduction in other expenses that we have managed in this quarter, highlighting our strong operational performance and our ability to control costs even in inflationary environments.

The next slide is about the annual performance of previous years. Slide 8 is the operational and financial performance of the company. Whilst in the third quarter, production has been slightly lower than what it was in previous quarters, sales have been more and margins have been better than previous quarters. A 9-monthly comparison of FY '24 versus FY '23 will clarify the improvement in margins that we have achieved, along with similar levels of sales. This has been on account of better marketing initiatives by our marketing team.

The next slide is about EBITDA mix of Maharashtra Seamless. As always, almost 85% to 90% of EBITDA is from the Seamless segment and that's the trend that we expect to continue. A point of interest for various participants are the ICDs, which remain on a declining trend. Currently, they are at INR14 crores and will be fully realized by March '24. This was committed by us over the past 1.5 years, and we are set to achieve this.

Liquid investments as on December '23 are at INR1,465 crores. As is apparent from the table on this slide, liquid investments have tripled over past 2 years. Corporate guarantee continues to reduce as was committed and Slide 13 updates on the same.

The capital expenditure planned for FY '24 to FY '26 is detailed on Slide 14, which we've also communicated earlier. Entire capital expenditure will be from internal accruals, and there will be no requirement of any debt. Order book as on 26th January 2024 stands at INR1,563 crores, which is a good level. We expect margins to remain steady based on current trend of seamless pipe prices.

And a few days ago, we received a contract from IOCL, which we have communicated, indicating the buoyancy in the market. There's a sales and marketing update given on Slide 17. I would like to read a couple of points out regarding the activity, which is taking place, which will help participants understand where demand is originating from.

Orders from ONGC and Oil India are being procured and dispatched rapidly as domestic demand is robust. ONGC has made significant natural gas discoveries in the Mahanadi basin. These discoveries were made in a restricted area, which was opened up. New oil blocks, Amrit and Moonga, have also been recently discovered in Mumbai offshore.

Oil companies are drilling additional wells as E&P activities have increased. This has been driven due to elevated crude oil. Existing orders for drill pipes, which are a value addition and import substitution product are also being dispatched. We expect fresh tenders for drill pipes in FY '25 as domestic market size is around 10,000 tons.

I've spoken about the IOCL orders, which we have received a few days ago. The next slide details various marketing trends, which are in place, and I would request all participants to take some time out to go through slide 17 and slide 18, so that they are able to understand the growth which is possible in this market and our market leadership position in the same market.

Slide 19 talks about the key changes in the shareholding structure, which I touched upon earlier. I would now like to hand over back to Vikash and request him to open for questions.

Vikash Singh: Thank you, Kaushal.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We have our first question from the line of Jatin Damania from Svan Investment Managers.

Jatin Damania: Congratulations for a great set of numbers. So I just have two questions. So basically, how is the demand for Seamless currently? And what would be the sustainable EBITDA per ton for the same because we're seeing sequential improvement?

Kaushal Bengani: Demand for pipes is good as is reflected by our existing order book of INR1,565 crores. Very recently, we got a new contract from IOCL of INR116 crores, which we have communicated. The margins that we are seeing, they are very good margins. Generally speaking, our margins have ranged from INR9,000 per ton to INR30,000 per ton.

So depending on the position of the order book and the cost of raw material, we will get the necessary margins. It is difficult to specify a number because we have short-duration order books of around 3 to 4 months, which is replenished on a daily basis.

Moderator: We have a next question from the line of Riya from Aequitas Investments.

Riya: My first question is how much percentage of the revenue is currently exports and similarly for order book?

Kaushal Bengani: Exports are less than 10% of total revenue. Whilst export demand has not picked up over the past 9 months it has not had a meaningful impact on the company because the domestic demand is very good. And we've been able to sustain and improve upon our margins primarily on the basis of the domestic demand prevailing.

Riya: Got it. Also other expenses as a percentage of revenue have significantly declined in this quarter. Is there any one-off savings in cost this quarter?

Kaushal Bengani: No. Actually, what had happened was in the previous quarter, there were certain administration and selling expenses, which were on the higher side, which did not happen in this quarter as we've been able to control our costs.

Riya: This will be the normal range for other expenses?

Kaushal Bengani: Yes.

Riya: Got it. Also, in terms of orders from Oil India and ONGC, you're seeing it around INR500 crores to INR600 crores level. However, a few quarters earlier, it was at around INR1,800 crores level. So what kind of pipeline are we seeing right now?

Kaushal Bengani: Every year, Oil India and ONGC, they come out with tenders. So the tender that is awarded is usually a good-sized tender. It's part of the annual requirement of ONGC and Oil India. So when we had reported the number a few quarters earlier, as you said, we must have received the order, let's say, 20 days or 10 days prior to the date of reporting, which is why the figure was higher than it is right now.

Riya: Also in terms of going forward election is coming. So do you think the pipeline or the order inflow for some time for election would be a little dent?

D.P. Jindal: Very short time impact.

Kaushal Bengani: Shouldn't have any meaningful impact.

Moderator: We have a next question from the line of Rahul Jindal from Samar Wealth. Mr. Rahul, are you there?

Rahul Jindal: Am I audible?

Moderator: I would request you to use the handset. You are not audible.

Rahul Jindal: Please check now. Am I audible?

Moderator: Yes. Please go ahead.

Rahul Jindal: Sir, I wanted to know what growth opportunity do you see as a market leader for upcoming years after enactment of this antidumping duty?

Kaushal Bengani: Antidumping duty is in place till October 2026. We expect the duty to continue going forward considering the government's impetus towards Make in India and Atmanirbhar Bharat initiatives and the way domestic industry is performing in the past few years.

Rahul Jindal: Sir, any volume growth burdens?

Kaushal Bengani: We have put out a capital expenditure plan in our presentation. We currently have production capacity of 1 lakh tons, which is inactive at the Telangana unit. In order to utilize that production capacity of 1 lakh tons, we are putting in a finishing line at the Telangana unit. Once that line is in place, there will be an immediate improvement in the tonnage that we are able to produce.

Moderator: We have our next question from the line of Simran Bhatia from Almondz Financial Services Limited.

Simran Bhatia: There are two set of questions I want to ask. First, in terms of operating margin, let's say, FY '25, how we can expect it should be there? Can you answer this first question?

Kaushal Bengani: As we have mentioned earlier, we maintain short-cycle order books of around 3 to 4 months. Therefore, going into FY '25, we will not be able to give you an assessment of the exact number. But generally speaking, margins are good because market is good.

Simran Bhatia: Okay. Okay. And sir, my second question is that the promoter stake has increased to 68% from 63% in the past 2 years, and you are committed for 75% promoter. So when we can expect this to increase, any tentative time lines in the next couple of years or in the next couple of months?

Kaushal Bengani: There is no fixed time line. It is in interest of the promoter to increase their stake to the maximum possible level, but there is no defined time line.

Moderator: We have a next question from Sneha Talreja from Nuvama Wealth Management.

Sneha Talreja: Congratulations on good numbers. Just one question from my end. If I look at your seamless volumes on a 9-month basis, that seems to have declined. But despite that, I see EBITDA per ton increasing substantially. What are the key reasons in case you can highlight? One of the reasons I understood was savings in other expenses, which is particularly for this quarter. But on an overall basis, what are the reasons of increase in EBITDA per ton?

Kaushal Bengani: The main reason for increase in EBITDA per ton is the good domestic market that is currently in place. You will note that exports started declining from April onwards. However, our margins started to improve from April onwards compared to a situation in March when exports were good. So domestic demand is good, and that is a key growth driver for the company. Our marketing team is also befitting of our organization because they have engaged in better marketing and sales practices.

D.P. Jindal: Another point was that the raw material price has declined. So our order prices were good, but the raw material price has declined.

Sneha Talreja: Just a follow up on that. While your raw material prices have declined, what I understand is you have back-to-back orders also. How did that end up benefiting you?

D.P. Jindal: No, it was not fully 100% back-to-back. But whatever new raw material we have purchased, that the price of steel was low.

Sneha Talreja: What percentage of your raw material requirement is back-to-back hedged?

Kaushal Bengani: We don't want to disclose that, but majority of the orders that we have are supported by back-to-back booking of raw material which is why we are able to sustain and improve upon margins even in volatile environment.

D.P. Jindal: I tell you an example. Suppose today, we get order from ONGC or Oil India at a higher price, say, INR1 lakh per ton. So -- but the steel price has come down. So this order, we have quoted, say, 3 months back. In 3 months, the steel price has come down. So we are booking raw material at a lower price.

Sneha Talreja: Understood. Understood. That example was helpful. Just one last thing from my end. What is the current differential between -- or what is the general differential between exports margin versus domestic? Which is a better-margin business to be in?

D.P. Jindal: Well, almost -- we compare both the market. We would like to take the same margin in the export but because of the export market is weak, so we are booking less quantity.

Sneha Talreja: Otherwise, on the margin front, both are almost similar you mean to say?

D.P. Jindal: I will say if we reduce the margin in export, we can book more quantity, but we have a domestic quantity, so we are not booking exports.

Moderator: We have a next question from the line of Radha from B&K Securities.

Radha: Congratulations on good performance. Sir, I wanted to understand what kind of volume growth are we targeting for the next 2 years in both seamless and ERW?

Kaushal Bengani: On the seamless front, we are putting in a finishing line at our Telengana unit. Once that is in place, we will see volume growth coming in. On ERW front, we will be producing similar quantities that we produced this year. So in fact, there is likely to be volume growth in the ERW segment in FY '24 versus FY '23.

Radha: Sir, I was asking about FY '25 and '26 because this -- even if...

Kaushal Bengani: It will be as it has been in FY '24 for ERW. For Seamless, it is a function of how quickly the Telangana finishing line will be in place. Considering our order book, we expect good production.

Radha: Okay. Sir, the -- actually, the Telangana line for 1 lakh tons that will come by December '24, you mentioned. So...

Kaushal Bengani: It will start by -- it will be completed by December '24 and start by January '25.

D.P. Jindal: Yes, it will affect '25, '26.

Radha: And sir, other than that we have 5.5 lakh tons of seamless. So what could be the maximum utilization that we can do with the 5.5 lakh tons?

Kaushal Bengani: It is a function of product mix.

Radha: So with the current product mix, what could be the numbers that we can achieve?

Kaushal Bengani: We can achieve higher production, but often we get different size orders and our objective is to maximize profit rather than maximize production.

Radha: And sir, secondly, this Telangana line, I believe that you can expand this to 3.5 lakh tons also in the future.

Kaushal Bengani: No, we never said that. Currently, the capacity for the Telengana unit is 2 lakh tons production capacity, out of which 1 lakh tons is the finishing capacity available. Since there is a bottleneck of 1 lakh tons on the finishing side, we are putting that up.

Moderator: We have our next question from the line of Amit Kumar from Determined Investments.

Amit Kumar: Just 2 questions. One is, what would be the share of export revenues on a 9-month basis? And this new Telangana finishing line that you are putting up, so next year or the year after, do you believe that domestic demand would be sort of enough to fill that capacity? Or would you again need to look at export markets?

D. P. Jindal: We will be looking for the export market mostly.

Amit Kumar: Okay. And what was the share of exports? As you said, it started declining from April. But on a 9-month basis -- for 9 months also less than that, right?

Kaushal Bengani: Yes, yes.

Moderator: We have our next question from the line of Prince Bharena from Promptea Hospitality.

Prince Bharena: First of all, congratulations to Maharashtra Seamless. I have one question. I wanted to know the revenue recognition policy of Maharashtra Seamless. Is it like -- is the revenues booked as soon as the order is received? Or is it recognized as and when the inventory is dispatched?

And I have another question. Like the number of rig count is increasing in U.S. and Canada. So why is the export orders for Maharashtra Seamless not increasing?

Kaushal Bengani: Revenue recognition, as per Ind AS requirements, is on basis of dispatch. When we dispatch the pipes, we book the invoice. On the question regarding exports, we mentioned earlier that if we decide to reduce prices, we can get a lot of export orders. But our objective is to maximize profit rather than any particular segment.

D.P. Jindal: And domestic demand was more, so to meet the domestic demand, so we have booked less order in the exports.

Moderator: We have our next question from the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor: Namaskar, Jindal Sir. Sir, firstly, if we take the volume number for the last year in terms of -- for the seamless in particular, we did 4,31,000 of production and 4,36,000 as our sales. And as of now, we are slightly lower in terms of the run rate. We have done 3,02,000 for seamless. So what should be the probability taking into account the shorter-duration order books we have? What should we end the year, sir, on top of 4,36,000 sales volume, which we have done for FY '23?

Kaushal Bengani: In FY '23, as you said, we have dispatched 4,36,000. We were targeting a higher level or similar level in FY '24. However, we've got some good-value orders, and there was also maintenance in one of our facilities, which is why production and dispatch has been lower. If you take an average of our performance in 9 months and extrapolate it, we think we'll get that level of tonnage.

However, I would also like to point out that despite a slightly lower level of tonnage in FY '24 versus FY '23, you will see that our profit that we have been able to generate in the past 9 months is slightly less than the profit that we've been able to generate in the 12 months of FY '23.

Saket Kapoor: Yes, sir. That is clear. I was just trying to understand whether the current order book also, will it translate into higher tonnage? Or is it the similar type of orders, which we have executed in Q3 that is going ahead for Q4 also. If you could give some color on that. So that even on lower tonnage, yes.

Kaushal Bengani: So we've -- what we have done in the first 9 months, if you can extrapolate that on a pro rata basis, then that is what we are likely to achieve. Slightly better than the pro rata levels.

Saket Kapoor: That is the volume part that you're mentioning?

Kaushal Bengani: Yes, sir.

Saket Kapoor: And also on the margin part, since you have the lower-duration order book and you know the current raw material market also shaping up. So extrapolating these 2 factors, do they give the same color mix? If we take the 9-month average, we can come to a conclusion that margins will be in this band?

D.P. Jindal: Well, let me tell you the -- our seamless EBITDA was INR30,000. So it's difficult to maintain INR30,000. But we will certainly be averaging out, say, INR20,000. I'm not talking about quarter 4. Quarter 4 order booking is good. But in next year, we will be aiming at INR20,000, not INR30,000. INR30,000 is quite high EBITDA.

Saket Kapoor: Sir, just to harp again on it. Sir, we did 9-month average at INR27,137.

D. P. Jindal: 9 months, okay.

Saket Kapoor: Yes, 9 months average is INR27,137. So going ahead, looking at the status of the order book, can we look forward for INR27,137 to average out for the full year or even now the mix is over – your value added segment is executed and going ahead, we are expecting a lower EBITDA per ton for the fourth quarter?

D.P. Jindal: This quarter, of course, the order booking is at a good price. So I think we can maintain this.

Saket Kapoor: This 27 number can be maintained?

D.P. Jindal: Yes.

Saket Kapoor: Okay. But for next year, you are saying that it will be difficult to sustain these numbers at INR27,000?

D.P. Jindal: That's right.

Saket Kapoor: Okay. But sir, what has led to this special order book value-added segment -- I mean, sir, is this for this small period, this is for timeline and after that such orders will not come back in the system? What is the specialty of this?

D.P. Jindal: I told you the market was bouncing and the prices were high and meanwhile the steel price going down. So we have got the differential benefit.

Saket Kapoor: Correct, correct. Understood sir, if we look at also for the rigs part, I think, the earlier participant also mentioned that the rig count has also improved. And I think so and I think so, in your other company, the last rig that you have put on the charter rate, that is significantly higher.

So outlook for the one rig that Maharashtra Seamless holds also looks promising going ahead. I think the 1 year is now left, 1.5 years for this to get dehired. What would be the trajectory going ahead with rig business in MSL, if you could give some color?

D. P. Jindal: Now the price is around 40,000 per day. So we expect the new rig contract more than 80,000.

Saket Kapoor: 80,000. And this will be continuing -- we will continue with the rig business, as in the opening, you have mentioned that unrelated segment other than seamless segment, we don't -- we won't be investing further. So we will continue with this rig proposition, we'll have these 2 verticals going ahead also?

D. P. Jindal: Well, we have to take the appropriate decision at the right time.

Saket Kapoor: At the right time.

Kaushal Bengani: Yes. Right.

Saket Kapoor: Correct. And sir, lastly, sir, about the shareholder. There has been a tremendous shareholder value creation that has happened over the last 2 years. And I think so, sir, now depending on the cash flow and also on your capex, we were looking forward for a dividend distribution policy or the returning of cash back to your investors.

So when can we hear something concrete on the same, sir, and where are we, sir, in midst of this thought process? I think so this has been a long pending request from investors. So, sir, what guidance do you have for this, sir?

D. P. Jindal: We are looking for a good opportunity for expansion. If that is not there, certainly, we have to give it to the shareholders.

Moderator: We have our next question from the line of Vivek Chaturvedi, a shareholder.

Vivek Chaturvedi: My questions have been answered.

Moderator: We have our next question from the line of Mr. Vikash Singh from PhillipCapital India.

Vikash Singh: Just wanted to understand our hot mill upgrade in Nagothane, which we planned for INR350 crores. How -- what is the benefit we will derive out of it in terms of tonnage or the cost savings? If you could give us some idea about this.

D.P. Jindal: Present capacity is...

Kaushal Bengani: Just one second, Vikash.

D.P. Jindal: Yes. it will give 2 benefits. One is capacity utilisation increase and the second is the quality also will be better. So capacity utilisation will be around 1 lakh ton more production.

Vikash Singh: Effectively, we will return 7,50,000 tons of seamless pipes.

D.P. Jindal: Utilization will be 1 lakh ton more from existing.

Vikash Singh: Understood, sir. And in terms of opex, how much cost savings we can expect?

Kaushal Bengani: So there will be better utilization which will lead to economies of scale within the existing capacity.

Moderator: We have our next question from the line of Ankush Savaria, an individual investor.

Ankush Savaria: Congratulations on a good set of numbers. Sir, my question is that according to the presentation, you have shown that your capex and your working capital would be taken care of by the money that you have in liquid assets as of now. That would be in a span of next 2 years. But by then, you will also accrue cash in terms of net profit. So what are you thinking of doing with the extra money that you will generate in the next year or 2?

D.P. Jindal: Yes. We will see any opportunity if it comes in the pipe segment, so we'll take over the company or we'll expand in those lines.

Ankush Savaria: So do you have anything in eyesight? Or you are just hoping to have it?

D.P. Jindal: We are just hoping.

Ankush Savaria: So it will be great that you can increase the dividend next time so that the investors can also benefit from it.

D.P. Jindal: Certainly. We are working for investors only.

Ankush Savaria: Okay. And one more thing, sir. You've already split your shares, but still I feel that the liquidity in trading on the share is very less. So do you -- have you any -- do you have any consideration to split it further?

D.P. Jindal: Split.

Ankush Savaria: Yes, because right now, what is happening is that while we...

D.P. Jindal: Maybe at 2,000 level.

Ankush Savaria: My last question is, sir, repeatedly you have said that the promoters are eyeing to increase their share. Do you still have it in mind or it is become very difficult to do that now?

D.P. Jindal: Increase what?

Ankush Savaria: Increase your promoter share. Because...

D.P. Jindal: Yes, certainly, we have planned for going for 75%.

Ankush Savaria: But the...

D.P. Jindal: Again, you say the liquidity in the market will be less than.

Ankush Savaria: Yes. That is what I am saying that right now, it is -- only 17% will be individual investors. And in case you increase by 7%, so total will be left 10% for individual investors.

D.P. Jindal: That is right.

Ankush Savaria: You will have to find some other way out, I think.

D.P. Jindal: Correct. Correct.

Ankush Savaria: Okay, sir. Congratulations on a great set of numbers and you are doing great.

D.P. Jindal: Thank you.

Moderator: We have our next question from the line of Bhavin Chheda from Enam Holdings.

Bhavin Chheda: Yes. Congratulations to the entire team for excellent performance both on the number side and on the balance sheet side. So a few questions. First, on the order book. If you are what we have been seeing for last 6 to 8 quarters is normally, the order book number is up to 1 quarter or 4 months of sale as compared to 2 to 3 years back. When you particularly used to give a visibility of almost a year or so. So what's your take on this?

Do we see this will continue and your order book visibility will continue to remain at 3 to 4 months? Or any long gestation orders are also in the side? Because your presentation also mentioned that ONGC has 2 to 3 discoveries. So they will be having a long-term program on drilling and all that? And why do they do short gestation orders?

Kaushal Bengani: Earlier, let's say, till before 2020, ONGC used to come out with long-duration orders in which they would issue tender for requirement of over the year. That has changed since then. Now ONGC comes out with lower value orders for lower duration. This has been in place for the past 3, 3.5 years. And going forward, we expect good orders to come in because we are 1 of only 3 participants in the market and we are the market leader.

Bhavin Chheda: Okay. So you expect the short-duration orders to continue, particularly from the ONGC side?

Kaushal Bengani: Yes.

Bhavin Chheda: Okay. Second thing on the margins. Obviously, last few quarters, we have seen exceptionally very good margins, but not sustainable on a long-term basis. Historically, your margins used to be INR14,000, INR15,000 a ton. So what is -- what can be the new normal now? One is, depending on how the grades have changed over last 2 years and your overall sales mix includes some value-added component also taking that into consideration, what can be the new normal?

Kaushal Bengani: So we've had margins ranging from INR8,000 a ton earlier to INR30,000 a ton in the third quarter. It is difficult to specify a number because it is a function of the selling price and the price of steel at any given point in time. But generally speaking, margins are expected to remain good because market is good, and we are a market leader.

Moderator: We have our next question from the line of Vinay Nadkarni from Hathway Investments.

Vinay Nadkarni: Yes. I have just two questions. One is on oil and gas is contributing to how much of your total requirement? And I mean, how much of your production is consumed by oil and gas and how much is by other sectors because you have been talking of oil and gas growth. Is there any growth happening in other sectors also?

Kaushal Bengani: Yes. Our contribution to oil and gas -- sorry, rather than contribution, our exposure to oil and gas sector is around 70%. The other segments that we cater to are boiler segment and general engineering. We see good demand in the boiler segment as well because those pipes are used in the power sector as well.

Vinay Nadkarni: Okay. And the second question is on your ERW margins per ton have kept going down compared to last year. Any particular reason?

Kaushal Bengani: ERW figures, which are reported, they are actually a function of 2 different types of ERW pipes, one for the water sector and one for the oil sector. Depending on the type of ERW pipe, which has been dispatched, the margin for the quarter is determined.

Vinay Nadkarni: Okay. So for the last 9 months...

Kaushal Bengani: Oil sector orders are higher margin than water sector orders.

Vinay Nadkarni: Okay. So the last 9 months, you have been more of water sector productive?

Kaushal Bengani: It's a mix of both.

Vinay Nadkarni: Okay. And last question on capacity utilization. Once you get your 100,000 ton capacity addition in December '24, what is the current capacity utilization? Are we above 90% or something? And how will we use that additional 100,000 tons that will come in?

Kaushal Bengani: In terms of tonnage, we are at 70%, 75% level. However, that is not an accurate way to look at capacity utilization because if you take a situation where the production facility manufactures small-sized pipes versus an exact situation where the production facility manufactures large-diameter pipes, then at the end of the day, at the production facility where you manufacture large-diameter pipes, you will see higher tonnage versus the other situation where you'll see lower tonnage. So, if we measure capacity only in terms of tonnage, then, it will not be accurate.

A good way to look at it would be in terms of meters of pipes manufactured. Maybe at a later point in time when we have necessary data available, we'll start denoting capacity in terms of meters of pipes that we can make because that is then not influenced by the size of the pipe. Right now, we believe we are operating at very high capacity utilization levels. However, that is not reflected because of the size issue, the product mix that is in place.

Vinay Nadkarni: And the 100,000 tons that gets added, you will have orders to consume that as well as 70%, 75%?

Kaushal Bengani: Yes, we want to target the export market primarily for that.

Moderator: We have a next question from the line of Vignesh Iyer from Sequent Investments.

Vignesh Iyer: My question again comes on the total liquid cash that we have in our hand. Since there is no serious kind -- look out for a company to -- outright purchase. And secondly, with so much cash, our ROEs are getting impacted and dividend -- paying dividend eventually, the investor has to pay tax at 30%, right? And also the promoter is quite interested in increasing the stake.

So you can, at current cash level, easily go for a 5% of your total float as a buyback. I mean with promoter not participating, automatically, their stake will increase to almost 70%, 71%. So why is management, as of now, not considering it? I mean it is helpful in every way, right? All your attributes are going to improve on the financial point of.

Kaushal Bengani: So when you make the statement that there is no serious effort in place, I take issue with that statement. That is not the case. We are actively on the lookout for opportunity. But we cannot create opportunity out of thin air just because one doesn't exist. When we make that statement, please note that United Seamless was an acquisition which we identified and that generated significant benefit for the company.

We have also put in a lot of efforts to look at other assets such as ISMT and OCTL, but they did not materialize for no fault of the company because there are other factors in place which are beyond our control. As of now, we have enough cash for such an opportunity, and we want to conserve that cash going forward because we are taking a long-term view rather than a short-term view of just trying to improve market capitalization. What we believe is if we take a long-term view, and we are able to set up more manufacturing units at a price that is comfortable for us and is inherent of our competitive advantage, then we'll be able to generate long-term sustainable shareholder value creation.

Vignesh Iyer: Yes, surely, United Seamless was one of the very brilliant acquisitions, I would say, because the EBITDA per ton, etcetera, that generates on the product is quite high. Also, sir, on this 1 lakh capex -- 1 lakh ton capex that is going to kick in by December, is the product anything different from -- nature of the product different from what we are doing right now?

Kaushal Bengani: No. It is the same product.

D.P. Jindal: Some facilities will be there.

Kaushal Bengani: Additional products will also be there in addition to our existing product.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Vikash Singh for closing comments. Over to you, sir.

Vikash Singh: On behalf of PhillipCapital, I would like to thank Maharashtra Seamless management for giving us the opportunity to host the call. Now I hand over the call to the management for their closing comments. Over to you.

Kaushal Bengani: Thank you, Vikash, for organizing the call and for covering Maharashtra Seamless. We appreciate your efforts specifically and we thank all shareholders for participating in the call. We request shareholders to kindly go through our presentation in detail so that you are able to understand the company better.

I would also like to thank Mr. Jindal, Chairman, for taking time out to participate in the call. We are focused on a set path, which we have internally decided. And we want to continue on the path because we've been able to create value for everyone involved.

D.P. Jindal: Thank you, investors. Thank you, Vikash.

Moderator: On behalf of PhillipCapital India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.