UNITED DRILLING TOOLS LTD.

CIN : L29199DL1985PLC015796

OIL DRILLING EQUIPMENT MANUFACTURING AND SERVICES

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23/08/2022

UDT/SEC/2022-23/BSE-42-NSE-42

To
Department of Corporate Service
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400001
Security ID - 522014

Listing Compliance Department
National Stock Exchange of India Ltd.
Exchange Plaza, C-1 Block-G,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400051
Security ID - UNIDT

Sub: Transcript of Earning Conference Call dated 17.08.2022

Dear Sir/Ma'am,

Pursuant to regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed herewith the transcript of earning conference call on un-audited financial results (standalone and consolidated) for the 1st quarter ended June 30, 2022.

This is for your information and record.

Thanking You,

Yours faithfully
For United Drilling Tools Ltd.

Naveen
23/8/22

Naveen Bhatnagar
Company Secretary
M. No. F-6079

United Drilling Tools Ltd. First Floor, Antriksh Bhawan, New Delhi-110001

UNITED
DRILLING TOOLS LTD

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Q1FY23

POST RESULT CONFERENCE CALL

Management Team

Pramod Kumar Gupta - Chairman, Managing Director
Dr Kanal Gupta - Whole Time Director
Mukesh Mehta - Chief Financial Officer

Call Coordinator

KAPTIFY

Strategy & Investor Relations Consulting

Presentation

Moderator: Good afternoon, ladies and gentlemen. I welcome you all to the Q1 FY23 Post Earnings Conference Call of United Drilling Tools Limited. Today from the management we have with us Mr. Pramod Kumar Gupta, Chairman and Managing Director; Dr. Kanal Gupta, Executive Director; and Mr. Mukesh Mehta, Chief Financial Officer.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may exemplify our judgment and further expectations concerning the developments in the business. These forward-looking statements involve risks and uncertainties that may cause actual development and results to differ materially from our expectations. Also, this is a reminder that this call is being recorded.

I would now request the management to kindly brief the participants a bit about the business, the performance for the current quarter post, which we can open the floor for Q&A. Over to you, sir.

Kanal Gupta: Good afternoon to all the participants and we thank you for your time and interest in UDTL. I'd also like to thank Kaptify Consulting and Mr. Vinay for organizing this event. We will believe that you all would have preliminary understanding about our business and operations, a brief about United Drilling Tools is that UDT is a global manufacturer of high quality precision engineering products in our stream and oil and gas exploration. It is a single manufacturer of several oil drilling items such as Wireline Winches, Stabilizers, and large OD multi-start connectors in India.

It's a solution provider with presence in downhole tools, wireline, well service equipment and gas lift equipment. This leads to a 60% market share in the upstream drilling tools and equipment market in India. We have a good pedigree management with four decades of deep industry experience for serving in the oil exploration and production sector. The company has four state-of-the-art and technology focused manufacturing facilities across Noida and Gujarat. The company has an integrated value chain from being a stabilizer manufacturer to manufacturing various oilfield drilling and production equipments.

Key business highlights are, development of new product lines such as side pocket mandrel, swift connectors, and lynx connectors are under process, which have demand in Indian and overseas market. We are registering into more and more countries and are getting repeated orders from Vietnam and Egypt. Also, we have registered and gotten orders from new companies like Shelf Drilling and Gulfwell.

Due to COVID-19 pandemic, Indian PSU's like ONGC were not able to drill a complete number of wells that were planned by them in the last two years. This led to them having surplus quantity and inventory stock, which they are utilizing now and due to waste they have not procured material in this quarter and have deferred their procurement plan till the next quarter. This is a temporary phase as ONGC and Government of India both have announced in the past that they are trying to increase the domestic production in oil and gas that will lead to drilling of new wells.

We have sold products like casing, stabilizer and gas lift equipment to various domestic and global customers, which is 16% more than the Q1 FY '21, '22. We currently have orders in hand INR 70 Crores and in which export is around 10% to 12%. We have submitted INR 200 Crores approximately bid and in which export is about 20%. Local approvals for our new upcoming project in Gujarat near Mundra port have been done and it is in construction phase.

The future business strategies include increasing registration in international markets, adding footprint in Southeast Asia, Middle East, Russia, and South America, scaling capacities of all product lines, increase product range via organic and inorganic routes, reduce costs of production, and enhance revenue potential profit margins.

Now I'd ask Mukesh Mehta ji to please kindly go through the results of Q1 FY '22, '23. Mehta ji, you are on mute sir.

Mukesh Mehta: Thank you sir. Good afternoon, everyone. turnover in the Q1 '23 is INR 36.99 Crores, which is 16% more than Q1 FY '22 and whereas EBITDA is INR 5.44 Crore and EBITDA margin is 14.70%, whereas in Q1 FY '22, it was INR 20.20 Crore and EBITDA margin was 63.60%. Profit before tax was is in the current quarter INR 4.42 Crore and in the last year Q1 FY '22 it was INR 19.33 Crore and PAT is INR 3.12 Crore in Q1 FY '23 whereas in the Q1 FY '22 it was INR 14.12 Crore. PAT margin is 8.43% in Q1 '23 and 44.46 % was in Q1 '22. EPS in Q1 '23 is INR 1.54 , whereas in Q1 '22 it was INR 6.95 .

So, the -- there is a dent on our margin, the reason for the reduction in the margin is due to the raw material, which we bought in the last year at high price and our product mix also -- product mix in this quarter we sold the products, which are low margin products and high material costs. Whereas in the Q1 FY '22 we sold high margin products, which are winches and connectors. Therefore the profit was more in that quarter. So fixed overheads also have been increased by INR 2 Crore in the quarter one FY '23 comparing quarter one of FY '22.

So, I transfer to Dr. Kanal Gupta for question-and-answer session.

Kanal Gupta: Thank you, Mr. Mehta. Before the question-and-answer session, I'd like to add a few more points. That, as Mr. Mehta had said that the profits have been reduced since raw material brought in the last year was at higher price. In this quarter, the products that were sold were of low margin profits like gas lift equipment, stabilizers, and casing pipes. There was an increase in raw material price of approximately 30% due to this the impact on our profit was 15%.

To establish ourselves in the export market, we had to somewhere compromise with the profit margins in comparison to the profit margins in domestic market as we are a new company in them. This will get better once we get established. Further we have to give some percentage of commission to our overseas sales representative in that.

The fixed overheads in Q1 FY '22, '23 has been increased by INR 2 Crores approx.., which has impacted our margins by approximately 6% in this quarter compared to the last year quarter Q1. We need to hold higher inventory of raw materials since private and export orders have shorter cycle delivery periods of three to four weeks versus the domestic PSU orders, which are about four to six months.

We are sitting on high levels of inventory due to the lengthen delivery periods of steel suppliers, which we saw in the past and which was of higher price whereas the new contract of private and global companies that CEBA [Ph] executed at low steel price. The revenue breakup was that 75% was approximately casing pipe, 10% was approximately gas lift valves and mandrels and 15% was stabilizer for the Q1 FY '22, '23.

For only Indian PSU orders, we have an understanding with the steel suppliers of a back-to-back firm prices. While this issue is expected to impact our margins for one more quarter, we are in talks with professionals to evaluate options for hedging our steel inventory to mitigate volatilities on account of steel price. We have also seen that the same thing is also impacting other players who are competing with us in this business.

I'd now request Vinay ji to start the question-and-answer round, please. Thanks.

Moderator: Sure, Kanal. Anyone who wishes to ask a question may use the option of raise hand. Alternatively, you may unmute and ask your question. Saket ji, please go ahead.

Saket Kapoor: Namaskar, Kanal sir.

Kanal Gupta: Namaskar sir.

Saket Kapoor: Sir, first we would like to understand as being explained to us. We would like to understand the continuity of the factors that that will lead to these margins being the order of the day for the forthcoming quarter [Hindi Language] [0:10:03] as being concluded by the company person, it has been stated that even going forward also, these will be the new margin said because of we trying to get our foot in the export market.

So if you could delve more into it, what kind of operating environment are we looking into? And sir when we had this conversation in the fourth quarter, if I'm correct, we were not briefed about the product profile changing in just in one quarter itself. And we were of the view that the margins would be in the same vicinity, as has been the March quarter. So where has been the enormity and how have things changed in just one quarter? So correct me sir where I'm making wrong again.

Kanal Gupta: Can you Saket ji, can you please repeat your question sir, again?

Saket Kapoor: Sir, my question is regarding the dip in margins, which you have elaborated that because of our getting our foot or getting ourselves recognized in the export market, we need to sacrifice the margin build our brand. So and also you'd point that this is going to continue for at least for one more quarter. So, we would like to understand firstly, the operating environment for the company in the product profile. And since last quarter conversation, the inventory buildup was there, but we were not informed about the change in the product mix or there would be a significant change in the margin profile.

So, there has been that disconnect that has happened sir. And this I think this quarter also there is a buildup in inventory. So what could be the impact going there sir. These are my points sir.

Kanal Gupta: So the first question that you've asked sir till last year, till before last to last year, we were selling mostly to the domestic PSU market. And from last to last year it was around 2%, which was to private and export. Now, last year, we had done around 5% to 6% we actually increased and similarly this year also we are hoping that around 10%

to 15% of our total revenue will be through export and private companies.

Coming back to the point that last, that the difference is that Oil India and ONGC are the major customers that was there before. And as I stated that because there were Covid impact in last two years, they were not able to drill the complete number of wells, which was planned and they had inventory on stock.

So, first this quarter and next quarter, they have stock for that already available and they are utilizing their stock now post that they will not have stock for the casing pipe with connectors and the products that we sell.

So now they will be requiring to procure that, which would effect that in the EBITDA margins and the margins we will see improving in after the next quarter. For export also see what has happened is that we had bought the raw material in last year from January to March, because the steel price was high and we were getting the delivery was around seven to 10 months. And because of that, and the orders that we had to execute, which usually the delivery period is for either PSUs or to the private and export is for private and export is three to four weeks, and for PSUs it's four to five months.

So we had to keep certain amount in stock so that we can curtail to any orders which will come through that. So, to answer your first question sir, that that is a difference which has happened between the last year quarter Q4 and Q1 and Q2 right now, but we are hopeful that this is going to improve in the Q3 and Q4 results.

Saket Kapoor: Sir when we are procuring order from our customers there is a back-to-back arrangement of raw material or there is a lag effect Do you want to say that there is an inventory mark down because of the correction in steel prices that has resulted in lower margins?

Kanal Gupta: Mehta ji, would you like to answer that sir?

Mukesh Mehta: There is a back-to-back arrangement, but in the last year, there was some volatility of the raw material, lead time of the raw material was also increased. So, inventory was increased and in back-to-back order , price of raw material is firm and sometimes we have the ESCROW arrangement with the vendors also.

Pramod Kumar Gupta: Mehta, may I answer that?

Mukesh Mehta: Yes sir.

Pramod Kumar Gupta: Okay. Sir, we have two types of customers, we have PSU customers like ONGC and Oil India where they give us about six to eight months' time to supply the material. So, in those cases, we have back-to-back arrangements with our steel suppliers. But in case of private customers and export customers, we don't have that arrangement. So, in order to cater them, we have to keep inventory also and supply that without that facility of hedging or back-to-back arrangement. So that is one of the reason why our prices, we have to take a hit in this particular quarter with regard to our profits. Does that answer your question or do I need to?

Saket Kapoor: In absolute number sir can you give that number that would have impacted, had this not been an inventory write down, when the steel prices have corrected, we have procured it earlier at the peak of the cycle that this is what the understanding is. So, can you give the effect of the inventory markdown that has happened?

Pramod Kumar Gupta: I would say I think it was around 15% Mehta ji for saying.

Kanal Gupta: Yes, the impact of a profit was 15%.

Pramod Kumar Gupta: It has impacted our profit about 15%, right?

Mukesh Mehta: Yes, 50% is the material cost and 30% was the increase in the raw materials that makes about 15% impact on our EBITDA margin. So 15% is reduced and another 6% by overheads, which have been increase in Q1 23.

Saket Kapoor: Sir, current order book is of INR 70 Crores sir, you have mentioned in your opening remarks?

Mukesh Mehta: Yes.

Saket Kapoor: And can you provide the split between PSUs and export and the private sir?

Mukesh Mehta: INR 10 Crore is the export out of INR 70 Crore. And we have some orders from PSU also.

Saket Kapoor: That the breakup between PSU and the private players?

Kanal Gupta: That we will have to check and get back to you.

Saket Kapoor: And what is the executable period for it?

Mukesh Mehta: In the current year.

Saket Kapoor: And in the current year still 9 months are remaining so this INR 70 Crore will get executed over the period of nine months?

Mukesh Mehta: Till December.

Saket Kapoor: Till December, so coming six months it will get executed the INR 70 Crores?

Mukesh Mehta: Yes.

Pramod Kumar Gupta: Yes.

Saket Kapoor: Correct sir. I will come in the queue sir. Thank you for the answer sir.

Pramod Kumar Gupta: You're welcome.

Moderator: Anybody else who wishes to ask a question may have the option of raise hand. Suhrid, you can go ahead and unmute yourself and ask your question.

Suhrid Deorah: Yeah, Hi. So, is it fair to conclude that this quarter's margin compression is due to the fact that you exported more in this quarter and not sold more in the domestic market. And as you go along with your plans, the margins will revert to your previous guidance of 20% plus, PAT margins, right?

Pramod Kumar Gupta: Kanal.

Kanal Gupta: Can I answer?

Pramod Kumar Gupta: Yeah, go ahead.

Kanal Gupta: Yes, Suhrid ji, that is right. But we have sold to private and export in this quarter, more in this quarter and we are hopeful that we will fall back into the margins, which were before in the coming, not in the next quarter, but in the third and fourth quarter of this year.

Suhrid Deorah: And do you maintain your long-term guidance that INR 500 Crore to INR 600 Crore number, which you've been mentioning for a few years out. Do you see a permanent reduction in margins for that also, or do you think that you can go back to the levels that reached to be yet?

Kanal Gupta: We feel that we can reach to that level, yes. But that was considering a few of the newer products that we were developing, there is a little bit time which is being taken for the approvals for those products. So it might get extended by one year or two years, but we are working on it to reach to that level.

Pramod Kumar Gupta: Yes, the answer is yes for that. Yes, by the time period, which we have mentioned previously, we should reach to that levels.

Suhrid Deorah: Not only on the revenue, I'm also asking would you be able to maintain the margins also at 20% to 25% profit after tax margins at that revenue run rate of INR 500 Crores, INR 600 Crores?

Pramod Kumar Gupta: Yes, we are hopeful of that.

Suhrid Deorah: Thank you.

Moderator: We'll take the next question from Agastya. Agastya you can unmute and ask.

Agastya: Hi, am I audible?

Pramod Kumar Gupta: Yes.

Agastya: Thank you for the opportunity, sir. Actually, today's commentary was actually very enlightening. There were many things that I did not understand about the nature of your price setting. And so one question so is hedging not possible at all in a normal business cycle for you guys?

Kanal Gupta: We are actually in talks with professionals to see how we can do hedging for our steel products right now.

Agastya: So if you were to do hedging, let's say if for how many quarter's views you will take along, you must have thought about it and how much is the quantum, what kind of steel do you want? Like what is the tonnage that you need to hedge so that you are in a comfortable situation, just I'm trying to understand the scale of the hedging needed?

Mukesh Mehta: That depends on our requirement.

Agastya: Yes, so I'm talking about let's say, whatever you have done in terms of revenue this quarter, if you had to hedge all of this because value addition is quite a lot in your company, right. It is not like you buy steel and sell steel You are not a trader, you are adding a lot of value and your equipment and your margins reflect that, right. You are in steady-state margins. So I'm just wondering, what kind of steel quantum are you dealing with every year or in a quarter, to what extent you would have to hedge?

Mukesh Mehta: Tentatively 50% of the orders to be executed.

Agastya: Sir, can you give a tonnage in absolute number, let's say for example 1,000 tons, 10,000 tons, Can you specify tonnage number?

Pramod Kumar Gupta: Let me answer that, about 10,000 tons.

Agastya: About 10,000 tons, right, that is what I thought around 10,000 tons. Okay, so second question is you said that last year drilling was not enough like whatever was budgeted could not be done by ONGC and Oil India, so when did the drilling activity start this year and you said that another one quarter a very similar thing will happen. But given whatever the backlog was, they will be able to clear all that backlog in terms of drilling and normal demand will immediately pick up, or there will be again a step-by-step increase in demand before they go back to the old trends.

Kanal Gupta: See the inventory, which they have that they have till this second quarter, and they will require newer material for the wells that they are going to drill after that. So, we are anticipating that in the next coming third and fourth quarter, there the quantum will be the same as which they were procuring in the last earlier years.

Agastya: Okay, okay. So it's just a deferment. The activity levels have not dropped?

Kanal Gupta: No, no, no. The activity levels we are getting to know that they are probably going to increase also.

Agastya: Right, right, right. Meaning the old trend which was going it will revert back to that old trend?

Kanal Gupta: Yes.

Agastya: And Pramod ji, just a clarification, when you said 10,000 tons, that was for a quarter or that is for an year?

Pramod Kumar Gupta: No, that is for the whole year.

Agastya: That is for the whole year. Okay. Thank you very much sir. Thank you very much sir.

Moderator: Thanks, Agastya. Sir one question which I would like to ask is, if you can give us some direction on what is happening on the international business side, where are we in terms of all the tie-ups that we did with the marketing sales agents?

Kanal Gupta: So initially we started with Vietnam, Egypt and Libya. So, we are getting repeated orders from Egypt and Vietnam and Libya actually because of COVID till last month only, they had closed all operation which they started. So, we are discussing to go in Libya also with our sales representative over there.

With respect to UAE and Kuwait, we are in the process of getting our products approved and we do have a few smaller orders which we are executing, but eventually in the next I think six months, we should see an influx of orders from their that side also plus we are getting ourselves registered into newer regions also and finding more sales representatives who can sell our products there.

Moderator: For order book today, how much is domestic business and how much of that is PSU?

Kanal Gupta: That I need to check in and give, but we out of INR 70 Crores around INR 10 Crores is exports and around INR 60 Crores is domestic, which is both PSU and private that I need to check how much it is. So, what is what?

Moderator: Okay. Anybody else who wishes to ask a question, kindly raise hand or you may use the option of unmute.

VP Rajesh: Yes, hi, VP Rajesh, here. With respect to the international clients, what kind of demand are you seeing given that the oil prices have corrected in the last three, four months?

Kanal Gupta: See I think the oil prices at anything above $50 a barrel, it's a good market for our prices, because most of the world, let's say Middle East, the cost of taking out crude oil is very less, it's like around $15 to $20. So anything above that is profit for them. And for even in let's say Vietnam, or Russia or South America, the cost is not more than $45 to $50 a barrel. So if the oil prices are at $70, $80, we'll see that this trend is going to be there and the activity will be good for at least the next two, three years, it will be that we see.

VP Rajesh: Okay, thank you. And the second question is that, when do you think you can hit this INR 500 Crore revenue target that we were just talking about earlier?

Kanal Gupta: Around, sir will you like to answer this?

Pramod Kumar Gupta: Yeah, I would say around 25, 26 year.

VP Rajesh: So four year, so three years basically, you're saying that we can get to 500.

Pramod Kumar Gupta: Yes, please.

VP Rajesh: And in that how much will be international versus domestic?

Pramod Kumar Gupta: My approximation is that that 20% should be export and 80% should be domestic and in domestic private players as well as PSUs.

VP Rajesh: Right, okay. All right. Thank you. That's all I have for now.

Pramod Kumar Gupta: Okay. You are welcome.

Moderator: Thanks VP. We will take the next question from Saket.

Saket Kapoor: Yeah sir. Sir, if you could give us the breakup of the product profile in revenue terms, you mentioned about connectors and other. So, with the ascending order, if you could give for the last year, which are the products that contribute to the revenue profile and total number of products sir?

Kanal Gupta: We have five major products, which is connectors, casing pipe with connectors, winches, stabilizers, and gas lift equipment. So they have -- there are various sub products which are -- there are various sizes, various types in that. And the more profitable products which are there are the connectors and winches and then after that will come the casing pipes and the stabilizers and the gas lift equipment, which is there.

Saket Kapoor: Sir for casing. Yeah sir, please you were saying something?.

Kanal Gupta: No, no I was asking that I hope you . I answered your question.

Saket Kapoor: Sir for casing pipes, we do the job work part, but we are not manufacturing pipes. So, we are sourcing pipes and doing some job work there and then, some giving to our clients and what is the scope of work?

Kanal Gupta: No actually, when I say casing pipe, it is casing pipe with connectors that is the main product which is there. So, the casing pipe is there's a bare pipe, which we procure, we manufacture the connectors ourselves, and then we have to weld it. After welding it becomes one product. So and that is the main product which is there. So, it's not job work actually, it's a complete fabrication and manufacturing of that complete product, which is there.

Saket Kapoor: So we include I think so MSL also Maharashtra Seamless in our client profile. So, I think so, in that case we are just contractor when we are putting this fabrication work for connectors to get casing pipe, this is how the our scope of work involves.

Kanal Gupta: See the bare pipe is people cannot sell the bare pipe itself. We have to weld the connector to it then only it can be sold and that is also above 18 inch and above the pipes which are there.

Pramod Kumar Gupta: We procure the pipe from not only MSL, but Jindal Saw, Welspun and Man Industries.

Saket Kapoor: And then it is the selling happening to the PSUs. This is how there, I just wanted to understand the ecosystem how it works?

Pramod Kumar Gupta: Yes, yes and then we sell it to the PSUs, the upstream companies like ONGC, Oil India, Cairn Oil like that, Reliance.

Saket Kapoor: And sir, if we have the breakup of the cost of raw materials in percentage terms, what are the key raw materials?

Pramod Kumar Gupta: Key raw materials are basically connectors and pipes. For connectors the key raw material is the forgings.

Saket Kapoor: Sir, I meant to say that INR 33 Crore line item for the expenses, what constitute this, the major components?

Pramod Kumar Gupta: You mean for this quarter?

Saket Kapoor: Yeah for this quarter, for the year as a whole also you can provide if it is not for one quarter?

Pramod Kumar Gupta: Approximately the pipes constitute 55% of the cost and the connectors constitute 45%.

Saket Kapoor: Okay. And sir, there is also an increase in the finance costs for this quarter what explains?

Mukesh Mehta: Temporarily, we have taken the loan from the banks.

Saket Kapoor: To be explained more further sir?

Pramod Kumar Gupta: Mehta ji, please explain why it is so?

Mukesh Mehta: Temporarily we utilize our cash credit limit from bank. This is for some period that's why their interest cost has increased. This is not a regular feature.

Saket Kapoor: Okay, but what has led to this temporary withdrawal I mean currently what is that we have I think so, we are a net cash company.

Mukesh Mehta: Because our inventory level has increased, we are going for overseas market, so we have to keep the inventory.

Saket Kapoor: Okay.

Mukesh Mehta: So therefore.

Saket Kapoor: What is the kind of inventory you tell.

Mukesh Mehta: Can you repeat?

Saket Kapoor: Sir Please repeat as I've interrupted you, sorry.

Mukesh Mehta: Actually our inventory level has increased. So, we have to utilize our credit cash credit facility from banks.

Pramod Kumar Gupta: Kanal can you explain that why otherwise then I will explain?

Kanal Gupta: Please you explain

Pramod Kumar Gupta: [Hindi Language] [0:34:20]. Actually, like it has been explained. See how because we are trying to make a foray in export markets and private players. And usually they require their products to be delivered in a period of four to six weeks or maximum two months. And it takes us around four to five months to manufacture our products. That is why we have to keep a lot of our products in semi-finish stays, so that we can finish that in within that time period and supply to them.

And this is done not only by us, but most of the companies who are in the similar line of business. And so therefore, certain amount of funds were tied up in our inventory. That's what Mr. Mehta is trying to explain. And in this particular quarter for certain orders, we had to utilize our cash credit limit for certain period. That's why there were certain additional finance costs.

Saket Kapoor: Sir, what is the value of inventory as on 30th June? How much amount involved?

Mukesh Mehta: It's INR 121 CR.

Saket Kapoor: Okay, and what is the cash balance?

Mukesh Mehta: We have around INR 4 CR FDRs in hand.

Saket Kapoor: Okay sir. Okay sir. Thank you.

Kanal Gupta: You're welcome.

Moderator: Thanks Saket. We'll take the next question from Suhrid.

Suhrid Deorah: Hi, sir. So following-up to some previous questions I asked. In the quarter four call, you mentioned that the order, the inquiry pipeline was very strong. And the benefit of that should be seen in quarter one. So I was wondering if you're seeing any change in the demand environment in the last three, four months?

Kanal Gupta: Actually, Suhrid ji, what has happened is that they were three four projects in which we were expecting an order, but because of global inflation, those projects have been postponed right now, which we are hopeful will come in the next quarters. So that is something that we have seen because of the global inflation. Sorry.

Pramod Kumar Gupta: Plus the PSUs also, you can explain that?

Kanal Gupta: And plus also, as I stated earlier, that the PSUs also, we were hoping that their procurement will start from the April month for this year, but that also got deferred because of the inventory, which they have.

Suhrid Deorah: Okay, so is it fair to say again, I think you mentioned this earlier, but it just said that it's not a cancellation of the order pipeline or it's not that there's weakness is just a postponement?

Kanal Gupta: Yes.

Suhrid Deorah: And you had also mentioned in the previous quarter that about INR 15 Crores of revenue has got deferred from Q4 to Q1. So, this INR 37 Crores has been reported that includes INR 15 Crore which is rolled over. So, is there another reason why execution in this quarter has been so low?

Kanal Gupta: Sorry, can you please repeat your question?

Suhrid Deorah: Yeah, in the previous quarters call, you had mentioned that about INR 15 Crores of revenue has got deferred from Q4 to Q1, which means from last year to this year.

Kanal Gupta: Yes.

Suhrid Deorah: So, if that is the case, then this quarter the total revenue was INR 37 Crores, which means INR 15 Crores is roll over from previous quarter, which means new quarter execution or current quarter execution has been quite low at INR 22 Crores.

Pramod Kumar Gupta: Kanal, can I explain?

Kanal Gupta: Yes, please you answer

Pramod Kumar Gupta: I think when it was mentioned in the last quarter, that INR 15 Crores will be rolled over from last quarter to this quarter. That may be there because of we have to really check on that piece, but primarily the amount which has been executed is what is indicated there. So, but the major impact has come, because the oil companies have stopped their purchases in these two quarters and that is why we are having such a situation and then we have to sell to private customers or to exports at a high cost inventory at lower prices. That is why our profit margins are less.

Suhrid Deorah: Okay and last question is that you were earlier guided that FY '23 should also be a INR 250 Crores kind of revenue. Is that guidance still in place or would you like to revise that?

Pramod Kumar Gupta: For the whole year, this year.

Suhrid Deorah: Yes for the current financial year?

Pramod Kumar Gupta: For the current financial year. Yeah, actually because of this delay in the procurement by the PSUs, I think we have revised our top-line. Kanal what is that?

Kanal Gupta: Because of that, and plus we were expecting clearances of two of our products that which we had developed. We had added that also in the top-line, which we had quoted earlier, which is going to take which should probably be added up in the next year. So, now the current revised is around 20% to 25% increase in the CAGR we will see.

Pramod Kumar Gupta: So that will come around INR 200 Crores, that is INR 205 Crores.

Suhrid Deorah: Okay, thank you.

Pramod Kumar Gupta: You're welcome.

Moderator: Thanks, Suhrid. We'll take the next question from Raja. Raja you can unmute and ask. We will move forward.

Raja Panda: Yeah, can you hear me?

Kanal Gupta: Yes, yes, Mr. Raja.

Raja Panda: Okay, so my question is currently, what is the breakup between private and public sector customers for us?

Kanal Gupta: Right now, the overall market is around about INR 250 Crores is for oil PSUs and around INR 150 Crores is for private.

Raja Panda: Okay, and in our revenue, what is the share roughly?

Kanal Gupta: We have around 50% to 60% market share for the oil PSUs, for the private it is increasing.

Raja Panda: No, I mean, in the last Q3 call, I think we said that in PSU, roughly 6,000 to 7,000 is the order book for connectors and we own 100% of that. I mean, we supply 100% of that, isn't that right?

Kanal Gupta: We can supply 100% because we have the capacity to supply or whatever is the requirement in India, yes.

Raja Panda: Okay. No, I'm saying say like last year, our revenue was INR 175 Crores, 65% of that we said is casing and connectors, right. So that's roughly125 Cr so out of INR 125 Crores, I think we gave somewhere that okay INR 60 Crores is the connectors market and the rest INR 60 Crores, INR 65 Crores can be attributed to the pipes. Is that figure correct or I have some mistake in the understanding?

Kanal Gupta: Sir, will you like to answer?

Pramod Kumar Gupta: Kanal, let me answer that. I think those numbers are a little bit, I think the connectors were and I'm just telling from my memory, around INR 35 Crores to INR 40 Crores and balance was casing pipes. And there were wireline winches and stabilizers and gas lift valves. The other products were also sold, which must be around 25% to 30%. So, I think that should answer your question, that connectors were around INR 35 Crores to INR 40 Crores.

Raja Panda: Okay, sir. Actually what I was driving at is when we look at export market, will it be economically feasible to send the pipes and the connectors or are we looking to mainly sell the connectors in the export market? That was the question, I was actually coming to?

Pramod Kumar Gupta: Right. Actually it depends upon the customers, certain customers ask for only connectors, and they have the facility to procure the pipes and weld it in their country. But some customers don't have that so they buy directly the pipes. So we sell both.

Raja Panda: Okay, okay. And sir, talking from a customer point of view, so if I'm into this oil things, then the cost of these connectors and pipes would be very miniscule compared to the overall cost of running the operations, right. So my question is, what would be the point for me to consider if I'm trying to change the vendor for this critical components, which may not be a very huge cost difference from wherever I'm buying it like?

Kanal Gupta: See the competitors that we have in this product line, they are either from U.S. or U.K. and the cost difference will be around about 15% to 20% again from us to there, because their overheads are very high and labor is also very high over there. So, when we are selling to them, it will be feasible for them to buy from us with cost point of view plus secondarily you know we would short the delivery because these are all big giants and they have back-to-back orders and their delivery is long delivery periods, they have given.

So, if there is any person whose project is there and they want to do their project fast then we can get that order from them by reducing the delivery period.

Raja Panda: Right, so prompt delivery could be one of the reasons, but this…?

Kanal Gupta: Yes, so that is why we have kept inventory and stock so that if anybody is there then we can give that material to them in lesser time.

Raja Panda: Right, right. But this cost part this 15% to 20% cost differential when the customer looks at it from his overall cost of running the operations point of view, this may not make a huge differences, is that understanding, right. I mean it may not be even in decimal percentage for…?

Kanal Gupta: It depends because see it is divided into two parts, the cost is divided into two parts. One is the CapEx cost and one is the OpEx cost of doing it. So, when we look at the overall cost yes of drilling a well it will be around what 4% to 5% will be the range of which the pipes are used which we manufacture and supply. So, any place and a lot of these people there are integrated projects where the service companies come in and so wherever they will save cost, they will try to do that.

Raja Panda: Right, right. Thank you. Thank you so much.

Moderator: We take the next question from Riya Mehta. Riya you can unmute and ask your question.

Riya Mehta: Hello?

Kanal Gupta: Hi, Riya.

Riya Mehta: First question would be in regards to the raw material prices, so we're looking at commodity softening overall, are you seeing any decrease in the prices on the pipes from vendors? And do we benefit the other way around like when because of our business model where we procure the inventory for a longer period of time and our execution cycle is faster, so do we benefit the other way around when the commodity prices reduce?

Pramod Kumar Gupta: Do I answer that?

Kanal Gupta: Yes, please go ahead.

Pramod Kumar Gupta: Yes ma'am, it happens sometimes that it benefits to us if the things go other way around.

Riya Mehta: Okay, are we seeing anything like that happening?

Pramod Kumar Gupta: It could happen that since the prices keeps on going down. Sometimes it happens that we get an order at a particular, when the steel prices are higher. So we also quote a higher price, but later on when the prices start softening so our prices are the same to the oil PSUs, but we can buy it at a cheaper price, yes.

Riya Mehta: Are you seeing something like this happening in the current or the next quarter with the softening of the commodity prices?

Pramod Kumar Gupta: I wouldn't say in the next quarter, but during the year it could happen, yes please.

Riya Mehta: Okay, and my second question would be the order book. Could you give us the breakup of the product wise? Like what part would be connectors, what would be casing pipes and the other three equipments?

Pramod Kumar Gupta: Well, we'll have to check and then we can send you the information.

Riya Mehta: Even in a percentage wise is also fine. I just want a broad sense?

Pramod Kumar Gupta: Out of INR 70 Crores, I think around INR 30 Crores to INR 35 crores will be casing pipes. And around INR 20 Crores is wireline winches and the balance is stabilizers and gas lift valves.

Riya Mehta: Okay, okay. I think that's it from my side. Thank you.

Pramod Kumar Gupta: Okay. You're welcome.

Moderator: Thank you, sir. I think that brings us to the end of the question-and-answers. Sir would you like to give any closing comments before we end this conference call?

Kanal Gupta: Sir will you like to go ahead?

Pramod Kumar Gupta: Yeah, well I wish to thank everybody for participating in this con call -- conference call. And I would just like to mention that that this particular quarter is not the end of the line, it happens in the business sometimes, you lose, sometimes you win. And so this has happened, but we are looking for a very good future in the later on, during this year, and in the years coming by. We are developing some new products. We are making tie-ups in the international markets.

And even in Indian -- with Indian Oil PSUs also, we have checked and seen that their drilling programs are now becoming bigger and bigger. So combining all these things, we feel that that United Drilling has a good future. And we should do better in the quarters and years coming. Thank you very much.

Moderator: Thank you so much sir. And I thank all the participants for joining on the call. And I would like to thank the management for giving us the time for the call. This brings us to the end of the conference call. Thank you so much.

Pramod Kumar Gupta: Thank you. Thank you.