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E-Communication

MSL/SEC/SE/2024-25 **04 November 2024**

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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 29 October 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 29 October 2024.

Link to access above transcript is as under:

https://www.jindal.com/msl/pdf/Transcript-of-Conference-Call-Q2-FY25-Earnings-Call.pdf

You are requested to kindly take the same on record.

Thanking you,

Yours faithfully,
For Maharashtra Seamless Limited

RAM JI NIGAM
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Maharashtra Seamless Limited

Q2 FY25 Earnings Conference Call

29 October 2024

MANAGEMENT: **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 the Maharashtra Seamless Limited Q2 FY '25 Earnings Conference Call, hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing 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. Thank you, and over to you, sir.

Vikash Singh: Thank you. Good afternoon, everyone. On behalf of PhillipCapital, I invite everyone on Maharashtra Seamless Q2 FY '25 Investors Con-Call. From the management side, we have with us Mr. Kaushal Bengani, Deputy General Manager, Investor Relations and Finance.

Without taking any much time, I'll hand it over to Kaushal for his opening remarks.

Kaushal Bengani: Thank you, Vikash. Good afternoon, shareholders, and thank you for joining our earnings call. During Q2 FY '25, dispatches of seamless pipes improved meaningfully in addition to improvement in product mix. This had a direct impact on earnings which revived as was communicated in the previous earnings call.

Two key points responsible for our performance are firstly, the partial reversal in Q2 of impact of inventory markdown taken in previous quarter as more orders have been executed in Q2 and dispatches have improved. The second reason is the dispatches of high-value orders in Q2, which have been partially completed. This could not have been done in the earlier quarter as the relevant mill, which was executing these orders was under preventive maintenance.

I will briefly summarize key financial indicators. In Q2, our revenue improved by 14% versus Q1 FY '25 to INR1,291 crores. EBITDA increased by 83% to INR231 crores. PAT and EPS increased by 65% to INR224 crores and INR16.42 per share, respectively.

Apart from financials, there are 5 key points, which I would like to draw your attention to. The first is the treasury, which is at INR2,387 crores as on 30th September 2024. It has improved more than anticipated and is generating good returns. In fact, in Q2 FY '25, a large portion of total earnings was from treasury segment.

Our order book, secondly, is at INR1,700 crores, which is in the range of INR1,500 crores to INR2,000 crores and that is the range where we want to maintain our order book at. The fluctuation in the order book is primarily on account of timing mismatch rather than anything else. The order book remains good as demand environment is conducive for manufacturing industry and oil and gas sector.

Thirdly, the ICDs and corporate guarantees, on which we had made commitments to shareholders 2 to 3 years ago. We are pleased to confirm that there are no ICDs to unrelated entities or any corporate guarantees outstanding. And this issue, which used to be a cause of concern earlier, has since been fully and completely resolved.

In the second quarter of this financial year, we have distributed dividend, which was 4x of what was distributed in FY '22. While a specific dividend distribution plan has not been announced, we remain mindful to the points raised by shareholders. At the same time, we would like the shareholders to know that dividend payout has been increasing in the past 2 financial years.

Finally, I wish to reiterate that capital goods and infrastructure in general and oil and gas specifically continue to witness strong demand for medium term. This directly impacts the seamless pipes market. Demand for seamless pipes 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.

I would now request Vikash to kindly open for questions.

Vikash Singh: Yes. Operator?

Moderator: Yes. Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Rishabh from Sacheti Family Office.

Rishabh: On your EBITDA per ton front, I think the guidance has been around INR15,000. And it's kind of -- it varies a lot quarter-by-quarter. So I just wanted to understand what are the factors which contribute to the substantial fluctuation in EBITDA per ton? And also what is our pass on system of like any change in raw material or other operating costs? How is it passed on to the customer?

Kaushal Bengani: On the fluctuation in EBITDA, it was more pronounced in the first quarter than it was in any of the other quarters in the past couple of years. The reason for the fluctuation in the first quarter, I have already elaborated in my earlier call. I'll urge you to go through the transcript of the call, which was conducted for Q1 FY '25.

The guidance which we've given of INR15,000 per ton has been on a blended basis. Considering the position that we are in and based on the existing order book, our EBITDA per ton for H1 was at INR14,159 per ton, which is in line with the guidance which was given. The sharp increase in EBITDA in the second quarter versus that of the first quarter was anticipated and was also communicated in the call for the first quarter, and we are seeing the reversal taking place in the second quarter.

Rishabh: Sure. So I wanted to understand how is the change in raw material prices and other operating costs passed on? Like what is the system, if you can just elaborate on that?

Kaushal Bengani: When we receive an order, we book inventory against that order. The reason we do that is because we want to ensure our margins are locked, and we are not impacted by fluctuating raw material prices. That is the policy that we have followed for many years, and it's a policy which we maintain, which is why we hold the level of inventory that we do because we want to earmark our order book with raw material.

Rishabh: All right. Wonderful. My next question is how much percentage of the Indian consumption or demand of the seamless pipes is actually fulfilled by the Indian production, right? Like how much percentage is imported and how much percentage is manufactured in India?

Kaushal Bengani: Majority of the consumption in the Indian economy is fulfilled by Indian manufacturers. There is a small portion which is imported from China, and that has a negative impact on the rest of the industry.

Rishabh: Okay. So I can say around 80%, 90% is manufactured in India?

Kaushal Bengani: I don't have the exact number, but it should be in that range.

Rishabh: All right. Also, I've been reading your con-call. You mentioned about that the antidumping duty is an absolute price so that the market rates adjust to the ADD, hence, the dumping continues. Sir, what is the current antidumping duty per ton? And what is the industry's response to this absolute ADD? Like have you asked about a relative ADD or a percentage-based ADD?

Kaushal Bengani: We did. But the ADD, which was implemented was by way of a minimum import price. That remains, and we've not been able to get that changed, and I don't think that will change. The impact of a minimum import price, when the market price is generally in the range of the minimum import price, is minimal.

Rishabh: Okay. Also, sir, what is your manufacturing cost differential between our product or the Indian manufactured product and the ones manufactured in China, right? Let's say, the Indian one costs INR100. How much does the

Chinese one cost? Like I want to understand what is the differential advantage that they have? And what do you think that can...

Kaushal Bengani: They do have a differential advantage here in terms of production costs, they are subsidized through some shape or form, which is either not clear or it is not the appropriate forum to discuss. But they definitely get some form of benefit, which causes the dumping into India.

Rishabh: All right. Also, on the export front, right, I have been reading that you people have been trying to get to the export market and -- but have not been very successful there. So where are we lagging on in exports? Like is it only on the price front or is there something on the product variety or quality front as well? And there also, let's say, we are exporting to Middle East. So what is the difference in the landing price of maybe an Indian product versus the Chinese product? What is the differential there? Just some ballpark number.

Kaushal Bengani: It is not that we do not want to export. The prices in the export market are such that we run 2 risks. Number one, the general risk when any Indian manufacturer decides to export. Number two, if the prices in the export markets are lower than the prices in the Indian market, then we run a risk of antidumping duties being implemented on us by the exported country. Therefore, we have to be mindful at what prices we can export. On the Middle East front, we don't export significantly to the Middle East, and that is not an area where we want to focus or grow.

Rishabh: No, let's say -- Middle East was just an example. Let's say you export to US or in North America. So there, what is the difference in the landing price of ours versus the Chinese product? That I wanted to understand?

Kaushal Bengani: Chinese products are not sold in the US.

Rishabh: Okay. So no other country exports there?

Kaushal Bengani: Lots of other countries export to the US, but there are antidumping duties on China by the US and Canada.

Rishabh: All right. Got it. Just the last question, then I will just come in the queue. How much time -- in how much time do we expect to execute our order book? And how is our order book and the run rate business different?

Kaushal Bengani: Order book is generally in the range of 3 to 4 months. There is a reason why we keep an order book of 3 to 4 months. It is because we earmark the order book with inventory. The longer the order book that we keep, the more money we'll have to put into inventory. In our assessment of the business, 3 to 4 months order book is sustainable considering all factors.

Moderator: The next question is from the line of Nishant from Money Dee Investment Advisors.

Nishant: First of all, congratulations on the set of numbers for this quarter. I just wanted to understand one thing. So the seamless pipe utilization has seen a recovery in Q2, with utilization levels touching 78% from, say, around 70%, but the ERW Pipes utilization level has declined. So what is the reason for that? Even the EBITDA per ton has also significantly gone down this quarter. So what is the reason for this dip?

Kaushal Bengani: Firstly, the ERW segment contributes only 7% to 8% of total annual EBITDA of Maharashtra Seamless. So any major impact on the ERW segment will have a minimal impact on Maharashtra Seamless.

Secondly, the ERW segment which is reported to shareholders is actually a combination of two different products in the ERW category. The first product is for the oil and gas sector. The second product is for the water sector. A mix of these two products leads to overall revenue and EBITDA that is disclosed. In the second quarter, there was a higher proportion of ERW pipes for the water sector, which led to the level of production, dispatch and EBITDA.

Nishant: All right. And just one more question. So, I just wanted to understand what is the current status of the debottlenecking of the Telangana plant? I believe that you are on line to commission this by the first half of FY '26.

So, if you can just tell us what is the current capex that you've done out of the INR852 crores that you have planned? And what is the current status of your debottlenecking?

Kaushal Bengani: The amount expensed is not much as of now, but orders have been placed, work is going on at the site and as and when the relevant milestones are reached, payments will be made, but purchase orders have been issued and work is going on. We expect to commission it by December 2025. That is the date which I've given earlier as well.

Moderator: The next question is from the line of Jay from IK Capital. Please go ahead, sir.

Jay: As we have noticed that currently oil and gas sector is developing very much in speed and our products have been generally more over used over there. So do we have any capex plans to meet requirements out of there? Because like currently we're debottlenecking, and after that, we should need some more plants. So any idea on like further capex or...

Kaushal Bengani: I would urge you to refer Slide 14 of the presentation. It details everything that you require.

Moderator: The next question is from the line of Mohammed from Pearl Capital. Please go ahead, sir.

Mohammed: Congratulations on the excellent Q2 results. Now with the strong order book as of October 20, which is like INR250 crores more than last year, can we expect a year-on-year increase in Q3 top line growth? And additionally, could you please provide insight into the projected margins for Q3? Should we anticipate this to remain above 20%?

Kaushal Bengani: On the top line, I will not be able to give you a figure. But in terms of dispatches, I think we should be able to dispatch around 100,000 to 110,000 mt of seamless pipes. And since our order book remains good, it's a good product mix. I think the guidance of INR15,000 per ton should continue for the next quarter.

Mohammed: Now with the amount of cash available in investments, do you have any plan to buy back shares in the near future, or this money will be in investments, the amount that we have?

Kaushal Bengani: No. There is no plan as of now.

Mohammed: So the amount INR2,000 crores that you have in the treasury, this will be remaining in treasury for a long time or do you have any plan for them?

Kaushal Bengani: We have announced a capital expenditure plan. It is detailed on Slide 14 of our presentation.

Moderator: The next question is from the line of Muskan from B&K Group.

Muskan: So other income has increased sharply in 2Q, can we know what's the reason for this and what's the breakup for this other income?

Kaushal Bengani: Other income is on account of the treasury that we have. Treasury is at INR2,387 crores and most of the other income is derived from it. This treasury comprises bonds, mutual funds, fixed deposits, corporate deposits.

Muskan: Okay. All right, sir. And sir, in ERW, so there was a sharp correction in HRC prices. So is there -- did we book any inventory loss or is it only because of the adverse mix?

Kaushal Bengani: There was some markdown of inventory in the ERW segment as prices of HR coils have fallen during the second quarter. In addition to that, the impact of product mix was also felt as more pipes were dispatched for the water sector.

Muskan: Okay, sir. Sir, now our working capital has gone up from 121 days to 122 days. Sir, what is the reason for this?

Kaushal Bengani: Working capital has gone up because the debtors have gone up. We have had a discussion internally, and we are taking additional steps to reduce the debtors. We've reduced inventory, but we've not been able to reduce debtors in the previous quarter. We are working to get that done.

Muskan: Okay. So, the payable days that has gone up, are we continuing to maintain it in the future as well? The payable days has gone from 20 days to 37 days. So are we like planning to maintain in the future as well?

Kaushal Bengani: We want to improve working capital. We'll do whatever it takes, but it is difficult to specifically point out whether it will be done on inventory or on creditors or on debtors. But overall, working capital cycle reduction is something which we have discussed, and we are working on it.

Muskan: Okay, sir. And also, sir, last question. When are we expecting a ERW order book to -- for its revival?

Kaushal Bengani: It will happen in the current quarter, which is the third quarter. But you must bear in mind that the focus on ERW should be restricted to 7% of your total focus on the company because the ERW segment only contributes 7% to total earnings of the company.

Moderator: The next question is from the line of Kavish Jain from Verdure Growth Partners, LLP. Please go ahead.

Kavish Jain: Yes. So, in the previous earnings calls, you mentioned that Maharashtra Seamless is shifting focus towards value-added products to maintain the sustainable margins. So what specific actions or development has the company undertaken in the previous quarters or recently to implement this value-added product focus?

And the key thing is and given the fact that these seamless pipes are primarily transportation pipes. So, what is the incentive we give our customers so that they will pay us a premium? I mean, how does the Maharashtra Seamless differentiates its product offerings to justify the higher prices?

Kaushal Bengani: We have developed three new products in the past 4 years: cylinder pipes, sour service subsea seamless pipes and drill pipes. These are the value-addition products where we want to focus, and these are now manufactured in India because we have developed them. Earlier, these products used to be imported. For sour service subsea seamless pipes and cylinder pipes, we are the only manufacturer in India.

Kavish Jain: Okay. And my next question would be, are there any specific territories or markets we are targeting to enhance our revenue growth?

Kaushal Bengani: I'll just touch upon the earlier point you made, seamless pipes are not used for transportation primarily. They are used mainly for drilling activity and it is a pipe which is utilized in a high pressure, high temperature environment and that is where the tensile strength of the pipe is important. For this type of application, a seamless pipe is suitable.

Kavish Jain: Okay. I just have one more question. So according to the reports, like the potential opportunity for seamless pipe industry is around INR1 lakh crores in India. So my question would be how much percentage of it can be won by Indian manufacturer like us, like what is our addressable total market?

Kaushal Bengani: In terms of tonnage, the total market in India is around 9 lakh ton.

Kavish Jain: Okay. And in terms of dollar numbers or INR numbers?

Kaushal Bengani: It is difficult to say because prices of seamless prices are different for each type of product.

Kavish Jain: Okay. Can you explain that thing in more detail?

Kaushal Bengani: No.

Kavish Jain: Okay. Okay. No problem. And what is the time line of bidding of our orders?

Kaushal Bengani: What do you mean?

Kavish Jain: Like in what time we complete our orders like in 6 months, 5 months, a year or what is the time line to complete our orders like that?

Kaushal Bengani: We have an order book of 3 to 4 months, and that is what we want to maintain.

Moderator: The next question is from the line of Miraj from Arihant Capital. Please go ahead, sir.

Miraj: Congratulations on a decent set of numbers. Just a couple of questions. One of them you already answered. So if I just move to Slide number 18, where you have mentioned that your 500 new onshore and offshore wells are drilled and conservatively, we expect 200 tons per well, which I expect -- which means that roughly 1 lakh tons of new pipes are required every year.

My first understanding -- what I wanted to understand over here is that what is the life of a seamless pipe? I mean the replaceable term, is it like 7, 8 years or beyond that?

Kaushal Bengani: There is no replacement demand in the case of seamless pipe because these pipes are extremely durable. And even in high-pressure, high temperature environment, these pipes continue for 20, 25 years without any requirement of replacement till that period is over. That is the reason why seamless pipes are required for such applications.

Further, in the case of well drilling, the seamless pipes, which are used, they are not retracted from the wells or used for any other application because once the well is exhausted, the well is sealed off and it is not economical to retract all of those pipes from the well.

Miraj: Understood. So, sir, roughly -- so from the information given, let's say, if I use a 500 new onshore and offshore wells every year, 1 lakh tons from -- fresh demand from this only. The remain -- and this is purely India because mainly ONGC and Oil India, roughly -- even if I look at ONGC numbers, it is pretty much close to that. Where is the remainder demand coming from? Because I believe the market that you explained, 9 lakh tons in India and...

Kaushal Bengani: So, the main drilling companies in India are ONGC and Oil India in the upstream segment. Then on the downstream segment for transportation, you have IOCL, BPCL, HPCL. Then you have the gas companies: GAIL Gas, Indraprastha Gas, Mahanagar gas. Then you have cylinder manufacturers who require cylinder pipes, like Everest Kanto and a few other cylinder manufacturers.

Then you have the power and boiler sector where requirement for seamless pipes is there because of the durability of these pipes. Our customers would be Thermax, Thyssenkrupp, Cheema Boilers. Actually to give you a summary of whatever I said earlier, of the total dispatches that we make, 70% is in the oil and gas sector, 15% is in the power and boiler sector and 15% is towards general engineering.

Miraj: General engineering, okay. Understood. Yes. And sir, as you just highlighted that in the past 4 years, you've added 3 different types of products, which is drill, subsea and cylinder pipes. If I just look at Q1 and Q2 presentations, we've done some deliveries in drill pipes and cylinder pipes.

Q1 had INR150 crores worth of order book for drill and INR200 crores worth for cylinder. I just wanted to understand the demand, how it is driven over here? And are we seeing some more orders of drill and cylinder pipes in the bid book?

Kaushal Bengani: Yes. For both drill pipes and cylinder pipes, there are more orders, which are in the process of being finalised.

Miraj: Understood. Okay. Because right now, we have 63 and 78. So more are coming through the bid book, right?

Kaushal Bengani: Yes.

Miraj: Understood. Perfect. And sir, lastly, if you could highlight what the bid book figure is?

Kaushal Bengani: INR1,700 crores. It's there in the presentation.

Miraj: So that is the order book, existing order book...

Kaushal Bengani: Sorry, we are not disclosing the bid book. But order book we are disclosing, which is there in the presentation.

Miraj: Understood. And sir, do we have any...

Kaushal Bengani: Sorry, I'm interrupting. Just to give you a sense, if you map out the order book for the previous few quarters, and generally, you will get an idea of where the bid book will be because then you'll have data points to figure it out.

Miraj: Okay. Understood. I'll do that. And sir, just one last thing. If I were to look at utilizations on a current 5,50,000 ton capacity, what is the highest that we can do in a year?

Kaushal Bengani: In the entire pipe sector, the impact of production mix on the capacity utilization is significant. What I mean by that is if you have a production period in which small diameter sizes are being manufactured and you compare this production period to an identical production period in which large diameter sizes are being manufactured, then the tonnage that you will end up in, in the case of the small diameter production period would be significantly lower than the tonnage that you end up in the case of the large diameter production period giving an impression that when you make smaller sizes, you are inefficient and capacity utilization is lower, and when you make large sizes, you are extremely efficient and capacity utilization is higher.

But that is not the reality because the mill was producing continuously. And unfortunately, that is the way the tonnage figure is reported in the entire pipe sector. Generally speaking, we will remain in the range of 65% to 80% even if you account for this factor in terms of capacity utilization.

Miraj: Okay. So if I look at -- just purely for understanding purposes, I'm a bit -- I don't have enough understanding in this part. When I look at drill pipes and cylinder pipes, are these generally of large diameter or small diameter, how should one understand this?

Kaushal Bengani: They are of different sizes.

Miraj: Okay. It's mix. There's no...

Kaushal Bengani: Lower diameter for drill pipe because it's use for drilling activities, it is lower than 6 inches and cylinder pipes can be of any size depending on the size of the cylinder manufactured.

Miraj: Understood. Okay. And just ……………..one of the earlier questions, you mentioned for Q3, ……………..that's right, correct?

Kaushal Bengani: I cannot hear you.

Miraj: To answer one of the previous questions, for Q3, you mentioned that we are expecting deliveries of 1 lakh to 1,10,000 tons and EBITDA of INR15,000 per ton. I heard that right, correct?

Kaushal Bengani: Yes.

Moderator: The next question is from the line of Dhaval Shah from Girik Capital.

Dhaval Shah: Yes. Just want to, again, get your thoughts regarding the volume growth for current year. Given your positive commentary, you expect to be a flat volume for the year? And what do you expect for the next year?

Kaushal Bengani: For FY '25, volume will be flat. It should be around INR4 lakh tons to 4,10,000 tons. For FY '26, it will be slightly higher as after December '25, the finishing line in Telangana will become active and we'll be able to utilize the capacity, which we are not able to utilize right now.

Dhaval Shah: So it's additional 1 lakh, right? Addition...

Kaushal Bengani: One lakh tons per annum is the capacity which we are not able to utilize right now because we don't have commensurate finishing facility.

Dhaval Shah: Correct. So that will be useful for 1 quarter in '26 for you?

Kaushal Bengani: Yes.

Dhaval Shah: Okay. And anything on the quantum of dumping being done by the Chinese and other countries? Anything on that, the quantum remains the same? What steps are we taking as an industry? Overall, the growth looks very bright for the industry, based on your commentary. So what as an industry, any additional steps we take from what we discussed in the last meeting we had?

Kaushal Bengani: We are working on it. We cannot disclose what we are doing right now. I'm sure you must appreciate the confidentiality that is required in such matters. The only comfort that I can give you is that we are working on it because it impacts us the most since we are the market leader.

Dhaval Shah: Yes. And also there was some BIS norm, which is on the raw material and not on the seamless pipe, right? That's the nature for our industry. Am I understanding correct?

Kaushal Bengani: It's only on...

Dhaval Shah: Raw material.

Kaushal Bengani: Raw material, and too on specific types of raw material. Not on everything.

Moderator: The next question is from the line of Simran from Almondz Financial Services. Please go ahead.

Simran: Sir, I have just one question. Can you guide for the rest of the '25 half year for the next 2 quarters? What will be the margins one can expect in the

Maharashtra Seamless, some guidance, if you can give? This momentum will maintain of around 80% in the next 2 quarters?

Kaushal Bengani: We have given guidance of around INR15,000 per ton. In the first 6 months, we've done around INR14,100. I think it should remain in that band only.

Simran: Okay. For the next 6 months, yes?

Kaushal Bengani: For the order book that we have, which is for 3 to 4 months.

Moderator: The next question is from the line of Rishabh from Sacheti Family Office. Please go ahead sir.

Rishabh: I understand that you are in the process of doing debottlenecking at Telangana plant. I wanted to ask what are the expected debottlenecking or preventive maintenance shutdown that we can expect in the next 12 months, right? Because you must be having some idea on maybe when it can happen and how much time will it take for that? Any idea on that front?

Kaushal Bengani: For the debottlenecking?

Rishabh: Debottlenecking and the preventive maintenance shutdown, right? Anything which can -- anything new which can happen in the next 12 months that you are aware of and you can tell us?

Kaushal Bengani: It's a good point that you are bringing up. Preventive maintenance shutdowns are taken once in 1 year or 1.5 years for 1 mill. We have 4 mills.

Rishabh: Okay. And once the shutdown starts?

Kaushal Bengani: Sorry?

Rishabh: And once the shutdown starts, how much time does it take for completing it?

Kaushal Bengani: It takes anywhere between 15 days to 30 days depending on the condition of the mill.

Rishabh: Got it. So that is on the preventive maintenance shutdown. Any debottlenecking opportunity that you see across the mills that you have?

Kaushal Bengani: We have that. That is why we are doing the debottlenecking at Telangana.

Rishabh: No, I mean to say any further debottlenecking that is -- like Telangana one is an ongoing one. I'm asking any expectation that you have, okay, there is a debottlenecking opportunity at some of the plant?

Kaushal Bengani: We've given out the capital expenditure in our presentation. That is what we want to do.

Rishabh: All right. Also on the rig business that you have, I understand that you are planning to demerge or sell it post May '25. So what is the kind of expectation that you have in the terms of realization from that sale of business? And how long will this process actually take like once you start it in May '25?

Kaushal Bengani: We don't have an expectation figure right now because that matter has not yet been discussed at Board level. It is something which we want to do, but it is subject to Board approval. When we reach that stage, suitable communication will be given.

Rishabh: Got it. One more question from my end. So I understand that you manufacture seamless pipes up to 20, 22 inch. Can you throw some light on the split of market size, right, between pipes up to 22 inch and those above 22 inches both in India and outside India? Like how much percent of the market is up to 22 inch and how much percentage is above that?

Kaushal Bengani: We manufacture seamless price from half inch to 20 inch. 20-inch is the highest diameter of seamless pipes, which is manufactured in India.

Rishabh: Okay. And above that is only in the export market?

Kaushal Bengani: Globally, I don't think seamless pipes are manufactured beyond 22 inch. And that is the size range, wherein the application of SAW pipes is appropriate. Because after a certain size range, the cost of manufacturing seamless pipes is much higher than the benefits that accrue from it. And therein, they use SAW pipe for transportation at higher diameters.

Rishabh: On the ERW business front, like what is the -- I understand that you are not very much focused on that, but just wanted to know, ballpark number, like what is the kind of ROCE or ROE that you have for the ERW business versus the seamless business? Like...

Kaushal Bengani: It will be poorer than what we achieve in the seamless business because the seamless business is the most profitable business that we have.

Rishabh: Any numbers on that, like how much poorer?

Kaushal Bengani: We're not giving that out. And I'm not sure why that is relevant because it contributes only 7% of total earnings. Even if earnings doubled and even then, significant impact will not be seen because the earnings for the seamless sector would also improve in that case.

Moderator: The next question is from the line of Hemant from Flick Financial

Hemant: My question was regarding the Slide 14. It is with the capex. Do you have some time lines other than like FY '24, FY '26?

Kaushal Bengani: Mr. Hemant, you're not clear. Can you please repeat? Maybe you can e-mail your question to us offline.

Hemant: Okay.

Moderator: The next question is from the line of Mohammed from Pearl Capital.

Mohammed: It's okay. My question is answered already.

Moderator: The next question is from the line of Saket from Kapoor Company.

Saket Kapoor: Sir, we have outlined a total capex of INR852 crores and we have given the time line from FY '24 to '26, wherein we have discussed about Narketpally getting commissioned by December '25. What steps are in the anvil for the other 2 major capex at Mangaon, that is cold-drawn pipeline and the largest of all, the hot mill upgrade of INR350 crores at Nagothane. What steps are we taking to implement those within the time line set? I think we have some time overrun for Narketpally because of, I think so unavoidable circumstances or may be the reason. So if you could just give us our preparation for implementing the other expansions on time?

Kaushal Bengani: For cold-drawn pipe, the relevant equipment has been ordered. And we have segregated land, shed and water supply for it. Those 3 processes are completed. The only requirement right now is the installation of equipment for which orders have been placed.

For the solar plant, which we want to put up in Telangana, we have written to the government of Telangana more than 8 months ago. And we were anticipating that due to a government change, we would get permission for open access, but we've still not received that permission and that permission is not given out by the government to anyone. We are trying our best to see if we can do that.

Once that open access permission is there, then we immediately want to put up a solar power plant. Finally, on the hot mill upgrade, we don't want to do that right now. Once the Telangana finishing line is completed, then we'll do it.

Saket Kapoor: Okay. And the time line for the same is 1 year, say, suppose we commissioned our Narketpally unit by December '25. So by the FY '26 end, we will be able -- or when will we start working on this INR350 crores capex? After seeing the progress for Narketpally only, we will be able to do it, that is what you are trying to...

Kaushal Bengani: Yes, yes. And we'll only be able to tell you once the Telangana finishing line is completed.

Saket Kapoor: Okay. Kaushalji, earlier you have mentioned about that Chinese players are active in some of the products where the ADD is not there because earlier those products were not manufactured in the country. So -- and we were the only manufacturer. So that has affected our product profile. So are those imports from the Chinese player still unabated and we are facing troubles there now also or what is the update?

Kaushal Bengani: We are facing trouble. The entire industry is facing that.

Saket Kapoor: Okay. And we have gone for return to our productive duty or what steps have been -- I think you have mentioned there that we are preparing whatever can be done through research.

Kaushal Bengani: The entire industry is working jointly because it impacts everyone.

Saket Kapoor: Okay. Two small points. One about the premium thread part. I think so earlier also, it was discussed and I think we had some arrangement with Tenaris earlier for the premium segment. So what are our updates? Are we developing those products or when can we include that product profile in our basket going ahead?

Kaushal Bengani: See, we want to do it as early as possible. We are working on it. We have been working on it for more than 1.5 years now. And I think it will take another 6 months. We should be able to conclude in the next 6 months. And once the agreement is finalized, only then we'll be able to add the product to our manufacturing capability.

Once that happens, we'll let you know. It is something which we really want to do. We are aware that one of our competitors has done it quickly and successfully and they are reaping rewards for it. We also want to do it, and it is in our...

Saket Kapoor: Realm of things, yes, sir.

Kaushal Bengani: Checklist to complete at the earliest.

Saket Kapoor: Okay. And what should be the market size? When once done, what would be the target market, which will be available to us in that product profile?

Kaushal Bengani: I don't know for the domestic sector. But what I do know is that it is a huge market from the export front because only a few players have this capability. Therefore, export market is huge for this.

Saket Kapoor: Okay. And sir, as we have seen that oil prices averages are trending lower for the last 8 to 9 months, so $80 looks cap as of now. Even with geopolitical tension, crude has been hovering lower now of sub-$70. So how is that according to you impacting the seamless pipes' prices realizations going there. I think the demand outlook you have mentioned already very well that there is ample demand from the 2 majors, ONGC and Oil India, but how would that -- any way, the sub-lower prices for oil going to affect the realization and thereby the margins for seamless pipe companies like us?

Kaushal Bengani: The fall in prices will not impact us at least for the next few months because the customers that we sell our pipes to largely consume them within India. The order book that we have, the margin for those order books are primarily locked in. If the price crash is substantial or price increase is substantial, then there will be a general impact in the industry.

But if crude remains between $60 to $70, $80 range, then I don't think there is a problem on margins in the longer term. Because the reason why I say that is because drilling activities in India will continue. And as long as drilling activities continue, then there will be a requirement for seamless pipes for drilling purposes.

Saket Kapoor: Right. And this is also related to the subsea pipes also or what effects subsea pipes demand the products which you are mentioning? And what holds -- the future holds for us in terms of the opportunity?

Kaushal Bengani: Subsea pipes and drill pipes are used in the oil and gas sector, and their demand will also continue as long as drilling activity is continued. For cylinder pipes, it is more in a different sector, that is not linked to oil and gas.

Saket Kapoor: Okay. That's perfect. And lastly, the other income, you mentioned that INR90 crores is on account of the treasury book that we are maintaining of closer to INR2,400 crores. So this number, can we look on a repetitive basis also going ahead for getting any vagaries in the market or any deployment. Since we are not contemplating any big capex for the H2 also, this number should be -- this especially mean this number going ahead also because this is going to be a constant investment.

Kaushal Bengani: I think you should take a lower figure because some of the other income is on account of unrealized gains, which is a function of mark to market. In first quarter, we did INR60 crores. In the second quarter, we did INR90 crores. I think if you are modeling, maybe you should consider INR75 crores going forward per quarter. And if mark to market is significantly adverse, then it will be a lower figure; otherwise, INR75 crores.

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

Vikash Singh: On behalf of PhillipCapital, I would like to thank Maharashtra Seamless management for giving us the opportunity to host them. Now, I would like to give the call to Kaushal for his closing remarks. Over to you, Kaushal.

Kaushal Bengani: Thank you, Vikash. Thank you, shareholders, for participating in the earnings call. I'm glad that you took out the opportunity on the festive occasion of Dhanteras. Wishing you a very happy Dhanteras. Thank you, Vikash, and the moderator for enabling this call. Wishing you a happy Dhanteras as well. Thank you.

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