piping systems

Date: 19th November, 2024

Listing Compliance Department

BSE Limited Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai – 400001 Scrip Code: **544198**	**The National Stock Exchange of India Ltd.** Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051 Symbol: **DEEDEV**

Sub: Submission of Transcript of Earnings Conference Call for the Quarter and Half Year ended 30th September, 2024

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 please find enclosed the transcript of Earnings Conference Call with investors/analysts held on Wednesday, 13th November, 2024 to discuss the Unaudited Financial Results of the Company for the Quarter and Half Year ended September 30, 2024.

The above information is also available on the website of the Company at www.deepiping.com.

This is for your information and record please.

Yours faithfully,

For **DEE Development Engineers Limited**

RANJAN KUMAR SARANGI

Digitally signed by RANJAN KUMAR SARANGI
Date: 2024.11.19 13:59:04 +05'30'

Ranjan Kumar Sarangi
Company Secretary and Compliance Officer
Membership No.: F8604
Address: Unit 1, Prithla - Tatarpur Road, Village Tatarpur
Dist. Palwal, Faridabad, Haryana – 121 102

"DEE Development Engineers Limited

Q2 FY '25 Results Conference Call"

November 13, 2024

MANAGEMENT: **MR. KRISHAN LALIT BANSAL – CHAIRMAN AND MANAGING DIRECTOR – DEE DEVELOPMENT ENGINEERS LIMITED**
MR. SAMEER AGARWAL – CHIEF FINANCIAL OFFICER– DEE DEVELOPMENT ENGINEERS LIMITED
MR. SANJEEV SANCHETI – HEAD, INVESTOR RELATIONS – UIRTUS ADVISORS LLP

MODERATOR: **MR. VAIBHAV SHAH – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to DEE Development Engineering Limited Q2 FY'25 Results Conference Call hosted by Equirus Securities. As a reminder, all participant lines will be in 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 touch-tone phone.

Please note that this conference has been recorded. I now hand the conference over to Mr. Vaibhav Shah from Equirus Securities. Thank you and over to you, sir.

Vaibhav Shah: Hi, good afternoon everyone. On behalf of Equirus Securities, I would like to welcome you all to the Q2 FY'25 Earnings Conference Call of Dee Development Engineers. So today from the management team, we have with us Mr. Krishan Lalit Bansal, Chairman and Managing Director, Mr. Sameer Agarwal, Chief Financial Officer and Mr. Sanjeev Sancheti, Head, Investor Relations, Uirtus Advisors, LLP. Without taking much time, I now hand over the call to Mr. Sanjeev Sancheti. Thank you and over to you, sir.

Sanjeev Sancheti: Thank you, Vaibhav. Good afternoon, everybody. I am delighted to welcome you all to today's call where the senior management team of DEE Development Engineers Limited will be present.

Joining me are Mr. Krishan Lalit Bansal, Chairman and Managing Director, and Mr. Sameer Agarwal, Chief Financial Officer of Dee Development. Before I turn the call over to Mr. Krishan Lalit Bansal for his opening remarks, I would like to direct your attention to the Safe Harbor statement in the earnings update presentation. Do have a close look at it, which is available on the BSE and NSE website. Over to you, Mr. Bansal. Thank you.

Krishan Lalit Bansal: Thank you so much, Sanjeevji. Thank you so much. Good afternoon, everyone, and a warm welcome to all of you.

Thank you for joining us today for the Q2 FY25 Investor's Call of DEE Development Engineers Limited. I will take you through the business and operational highlights of the quarter gone by, while our CFO, Mr. Sameer Agarwal, will share the financial metrics. Before we begin discussing the financial results and operational highlights for Q2 and the first half of FY'25, I would like to extend our sincere gratitude to our shareholders, analysts, and stakeholders for joining us today.

Your continued support and engagement are invaluable as we work through both the opportunities and challenges in our industry. We are pleased to report that the company demonstrated robust growth in the quarter gone by, with the operating income growing by 4.9% quarter-on-quarter and 8.6% year-on-year to 1,940 million. For the first year, operating income stood at 3,790 million, showing a growth of 12.8% year-on-year. The company's PAT was 233 million in Q2 FY'25, with a PAT margin of 10.6%, expanding 891 basis points quarter-on-quarter and 529 basis points over Q2 FY'24. For the half year, PAT stood at 255 million, registering a growth of 379.4% year-on-year.

The company remains committed to automation and capacity expansion. We are establishing the new Anjar Facility II, which will be commissioned in Q3 of FY'25, and this will boost our capacity from 6,000 metric tons to 15,000 metric tons, bringing the total capacity to 1,12,500 metric tons. This facility will focus on the oil and gas sector, while our Palwal facility will continue to cater to the growing power sector demands. Its proximity to conduct work will reduce logistic overheads.

Our strategy is to capitalize on the rising capital expenditure in the power and oil and gas sectors by proactively enhancing our capacities as well as operational capabilities. We are actively strengthening our infrastructure and capabilities to support the increasing capital expenditure in the power and oil and gas sector, positioning ourselves to meet the rising demands in these key industries.

As part of this strategy, we have obtained approval from our Board of Directors to establish a plant for manufacturing fold seamless pipes with an annual capacity of 7,000 tons, involving a capital outlay of 900 million, out of which 225 million will be from the internal approvals.

We anticipate that these growth initiatives will significantly enhance both our revenue and profitability. At the optimum level, this plant will yield an annual revenue of 4,500 million at its peak, while the internal rate of return for the investment is expected to be around 30% to 35%. This plant will be operational by Q4 of FY'26, and it will manufacture fold seamless pipes of thickness up to 120 mm, using hydrolyzed steel and stainless steel grates.

The pipes will be used in critical applications, such as thermal power plants of more than 660 megawatts and subsea projects, where the requirement for high-quality, durable material is very, very critical. As highlighted in our earnings presentation, we are always proactively prepared for the upcoming capex cycles of our target sectors, anticipating the present and ensuring growth in the power sector. We have strategically invested in capital expenditure ahead of time, positioning ourselves to fully capitalize on the opportunities presented by this cycle.

Thank you all. Now I would like to hand over this call to our CFO, Mr. Sameer Agarwal, to talk about the financial metrics. Thank you so much. And over to Sameer.

Sameer Agarwal: Thank you, sir. Very good afternoon, everyone, and thank you for joining our Q2 FY'25 earnings call. Before we begin to the question-and-answer session, I would like to give a brief overview of our financial performance of the quarter.

I trust you all must have the opportunity to go through our earnings presentation and press release. While Bansalji has already discussed the business outlook, I will now provide a more detailed review of our financial performance for the past quarter.

The primary objective of our IPO proceeds were to fund our working capital requirements and repay outstanding borrowings. We are pleased to report significant progress on these funds. Of the total gross IPO proceeds of 3,250 million, we have utilized INR2,769.25 crores so far. Our revenue from operations grew by 4.9% quarter-on-quarter and 8.6% year on year, reaching 1,940 million in Q2 FY'25 compared to 1,786 million in Q2 FY.

For H1 FY25, revenue from operations to 3,790 million, increasing 12.8% year-on-year. Revenue from heavy fabrication, I must mention that division in Q2 FY'25 saw a robust growth of 419.2% with a sales contribution in the overall group of 6.9%.

Operating EBITDA in Q2 FY'25 saw quarter-on-quarter increase of 20.2% and year on year increase of 24.5%, reaching 298 million with an operating EBITDA margin expansion of 196 basis points quarter-on-quarter and 195 basis points year-on-year to 15.4%. Operating EBITDA for H1 FY'25 saw growth of 546 million, increasing by 43.6% year on year. Operating EBITDA margin for the same period expanded by 309 basis points year on year to 14.4%.

Profit after tax for the quarter stood at 223 million, up by 598.8% quarter-on-quarter and 125.2% year-on-year with PAT margin expanding by 891 basis points quarter on quarter and 529 basis points year-on-year to 10.6%.

As of 30th September 2024, our order book stood at 11,921 million, up from 8,001 million as of 30th June 2024. With a robust order book and a strategy focused on leveraging increased capital expenditure with our customer segments, we anticipate solid top-line and bottom-line growth in the near to medium-term. While in previous earnings calls, we have stated that during next quarter results call, we will provide more detailed medium-term guidance and we finalize our updated medium to long-term business plan.

However, since we have very recently initiated the seamless pipe projects, we have not been able to finalize the revised business plan incorporating the new project and we will surely get back to you with the detailed medium-term guidance on/or before the next earnings call. We sincerely appreciate your continued support and involvement as we drive forward our strategic initiatives. Our commitment to achieving our objectives and delivering solid returns remains strong and we are eager to keep you updated on our progress as we work towards creating lasting value for our stakeholders.

Thank you all. Now the floor is open for the question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ram Modi from Prabhudas Lilladher. Please go ahead.

Ram Modi: Hi, good afternoon, sir. Thanks for giving me this opportunity. I just wanted to check on our existing order books. So, what kind of margins we would be having in this existing order book which we have been taking now?

Sameer Agarwal: So, as far as this order book is concerned, we have been historically working on the same gross margins and this order book shall also be having the same gross margins. And since these orders shall be executed partly from Gujarat facility and partly from Palwal facility, power sector and oil and gas sector both. So, the leverage which we are going to get from the Gujarat facility in terms of operational efficiency and logistics cost, we shall be having more EBITDA margins going forward.

Ram Modi: Okay. Second question is an order book on the power side. The order book is only INR180 crores whereas if you look at the kind of announcements which have happened from BHEL in terms of thermal power projects.

So, when do we see this order book building up because we have a huge facility at Palwal and three plants. So, if you want to utilize what kind of order book we are expecting from the power plant for next two to three years, what can be the scope of our order book?

Management: So, we are expecting the real live inquiries for bigger bidding to start from Q4 of this year and it will continue in the Q1 of next financial year and also some orders will get finalized maybe by Q1 of FY'26 or Q2 of FY'26.

We have started getting smaller orders just for pipe fittings which are required for those boilers and since the piping engineering takes a lot of time, so the gestation period for those bidding or for floating of those inquiries by BHEL or anybody else right now since it's BHEL only, it's quite large. So, the expectation is that Q4 of FY'25 or Q1 of FY'26.

Ram Modi: Okay. And what can be the scope with the very large order book of BHEL? So, what kind of order book scope will come for us?

Management: So, we are expecting, you know, since we shall be principally eyeing only the power sector, the most critical piping which we call it as power sector piping. So, we scope in each of those particular, let us say, we talk of one 800 megawatt power plants and the scope will be around 1000 metric tons in each of such plants and the average selling rate may be anything between INR500 to INR700 per kg. So, the order will be very, very large whenever that comes, maybe around INR400 to INR600 crores worth of order, one single order for one 800 megawatt power plant. So, if we get the complete scope for that particular 800 megawatt power plant.

Ram Modi: Okay. And last question from my side is on this seamless pipe division, sir. You mentioned that the IRRs are almost upwards of 33%. And what was the need for us to set up this seamless pipe? I understand it's a 120 mm super specialized seamless pipes. But was it, is it an import substitute or how are we replacing other players in this?

Management: So, it's basically 100% import substitute only because at present nobody in India is manufacturing these pipes. As a matter of fact, in India, even now normal seamless pipes are not manufactured in P91 and P92 grades for which we are establishing this plant. And, this is again exclusively meant for power plants of sizes 660 megawatt and above where you need a lot of higher diameter and a lot of thickness. And the metallurgy is again P91. P91 means it has 9 chrome material. It's a 9 chrome material. The steel has 9% chrome in that, and some material is P92 where 9 chrome is there but at the same time, a lot of tungsten is also there.

So, you know, these are very, very critical materials. And since it's a 100% import substitution, so that is why we are saying that, this is the potential available in this particular business. And BHEL alone is having huge, huge requirement for these pipes.

And right now they are all dependent on import from Europe because they cannot import it from China. So, since they published an expression of interest for that, we applied against that. And we shall be making it under Make in India concept. And, we are likely to get good dividend out of that.

Ram Modi: Okay. And I will come back in the Q&A if you have further questions. I think when we come back.

Management: Thank you so much.

Moderator: The next question is from the line of Kamlesh Jain from Lotus Asset Managers. Please go ahead.

Kamlesh Jain: Yeah. Thanks for the opportunity and congrats.

Moderator: Sorry for interrupting. Your voice is not clear.

Kamlesh Jain: Yeah. Thanks for the opportunity and congrats to Bansal sahab and team for the extraordinary performance. So, just one question on the part that we have highlighted in our presentation that we will have a far more logistic advantage because of the location where we will cater from oil and gas and power business. So, how much improvement are we seeing on just because of these logistics in terms of margins?

Sameer Agarwal: So, Kamleshji, just to let you know, at present, we are focusing upon executing the oil and gas sector orders from our Gujarat facility. And in the next month, we shall be rolling out our major expansion in terms of bringing 9,000 metric tons of capacity addition to this facility. Since it is very near to the port and the major plant from where we used to cater the oil and gas sector jobs, that is 1,400 kilometers away from the port.

So, it will bring at least 1% to 2% of logistics cost savings in overall revenue scheme. So, that will give us a good amount of boost, not only in terms of enhancing our EBITDA margins, but also this plant will bring a lot of operational efficiency. And since it has been designed on lean manufacturing concept, it will also bring down the overall manual and machining time on the jobs.

Krishan Lalit Bansal: Basically, we are likely to get huge operational efficiency out of this new plant. And since historically, we have been doing 50% import and 50% export of the finished product. So, we shall be sitting both on import as well as export of the product. So, that's why we are saying that we are likely to get around 2% of our additional margin just from logistics.

Kamlesh Jain: And what other benefits are we going to have on operational like say employee cost, operational efficiency?

Sameer Agarwal: Sir, operational efficiency would be there and that operational efficiency will again add to the EBITDA margins. So, in terms of, since I've already told you that we have increased the overall capacity of the group. So, it will lower down our fixed cost allocation.

This will be the savings. Another saving would be the operational efficiency. So, all in all, there will be enough amount of savings and that we would like to give it in our next call because we are working on the same thing and we shall be letting you know on that.

Kamlesh Jain: And lastly, like it's more of a...

Sameer Agarwal: Sorry?

Kamlesh Jain Lastly, on your segmental EBIT margin. So, if I see your heavy fabrication division, there the margins have shown up to 46%. Is there other income element there or risk classification has been done?

Sameer Agarwal: So, can you repeat? Actually, Kamleshji, you are not audible.

Kamlesh Jain: I am saying that if I see your EBIT breakup, your heavy fabrication division, that has an EBIT of INR6 odd crores. And if I see quarter-on-quarter, it was hardly around INR1.8 crores in last quarter. And even if I see year-over-year, it was hardly there. So, what has happened in that heavy fabrication division?

Sameer Agarwal: So, you are asking about DEE Fabricom, the heavy fabrication unit?

Kamlesh Jain: Yeah.

Sameer Agarwal: So, right now, there is a huge change in terms of revenue which we are expecting from DEE Fabricom division. Last year, we did a turnover of around INR30 odd crores from that facility. And now that facility is fully booked, not only for the remaining fiscal of FY'25, but also some part of first half of fiscal '26 as well. So, and we are getting consistent orders as well as adding a new customer line also to that particular subsidiary.

Kamlesh Jain: I am asking that you had a revenue of INR13 crores in that - in the quarter from heavy fabrication division and you have reported a INR6 crores of EBIT there…so why there has been such a sharp…

Krishan Lalit Bansal: These are all job work orders. So, there is a substantial savings in that. What I am trying to say is that in earlier years, we have never been able to operate that plant optimally or even 50% capacity also because of some constraint or the other.

Because when you are doing jobs on job work basis, you are 100% dependent on the customer materials. So, if the customer material is not available in time, ultimately, your fixed expenses are already there. So, you don’t lose on that.

But incidentally, in this particular H1 and likely to be the same position in H2 also we already have a lot of material available, and the making material is available and that is why we are able to bill it as per the plan. And that is the reason that there has been a substantial savings than from this DEE Fabricom unit being a job work orders.

Kamlesh Jain: And lastly, why there has been a sharp increase in other income, INR16 crores of other income in this quarter?

Sameer Agarwal: So, sir, this other income is buying large on account of the forex gain.

Kamlesh Jain: Yeah. Can you quantify please?

Sameer Agarwal: Yeah. So, it is around INR11 crores on account of forex gain and that is due to the investment which we have made in our Thailand unit.

Kamlesh Jain: Okay, sir. Thanks a lot..

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investment. Please go ahead.

Vignesh Iyer: Thank you for the opportunity, sir. My first question is on the stainless steel, the plant that they are going to put. So, if my understanding is right, we actively consume this stainless steel pipes, right? Sorry, seamless pipes, sorry.

Krishan Lalit Bansal: Not stainless steel. Seamless pipes, right?

Vignesh Iyer: Yes, sir.

Krishan Lalit Bansal: Yes, sir. Ultimately, we would be able to sell it also and we shall be able to consume the same in our jobs also. But, you know, to begin with, we may be selling a lot of it to customers like BHEL and L&T. And, you know, subsequently, we shall be using it for our own jobs also which we are likely to get as we are saying in quarter two or quarter one of coming year.

So, you know, we shall be able to use that also. And in coming times, let us say that, once we are able to build our plant fully and we are able to get through all the initial difficulties, we shall be going for stainless steel pipe manufacturing which is primarily used for subsea applications which we shall be practically selling it as a pipe only. And there is a huge market in Europe for that.

Vignesh Iyer: Got it. But let us assume for a point that you decide to consume it captively, would this size of the plant suffice for the entire company? I mean, can you be 100% backward integrated in case you consume it?

Krishan Lalit Bansal: No, it can never be. We can never make all the sizes whatever is required. So, whatever is possible, we may be able to use it around 40%-50% of our capacity production for our use, rest we shall be selling it also. Because when we are talking of great jobs, there's a lot of combination of sizes and there are a variety of materials involved, variety of sizes involved.

And, since we shall be having just 7,000 metric ton capacity, so it will not be sufficient to meet all the requirements of all the sizes and all the thicknesses and all the materials.

Vignesh Iyer: Got it. So, if say we are selling it today, I mean, what would be a normalized EBITDA per ton that we could make out of this product?

Sameer Agarwal: So, the EBITDA margin would be around 20% in this product line.

Vignesh Iyer: Okay. Fine. Just one more question from my side. How fast would the ramp-up will be for the Anjar second facility that is starting next month? I mean, in quarter 4 itself, can we see like 40%-50% utilization? Would the ramp-up be that fast?

Sameer Agarwal: So, last point I couldn't understand. So, we are rolling out an additional capacity of 9,000 metric tons in the month of December 2024. Correct? So, you are asking what would be the utilization?

Vignesh Iyer: I mean, I wanted to understand how fast can we ramp it up? I mean, is the ramp-up fast? I mean, because we are using, if I understand the power facilities for oil and gas work and can the shift happen quickly in quarter four or will it take another quarter before everything is normalized? That's what I'm asking.

Sameer Agarwal: I got that. So, it will take at least 30 days to 60 days time to shift the material from Palwal facility which is a power design facility to this facility to ramp-up the production.

Vignesh Iyer: Okay. Got it. Sir, okay. I'll get back in the queue. Okay. Someone would like to ask questions. And all the best.

Sameer Agarwal: Thank you.

Moderator: The next question is from the line of Harshad Patel from Equirus Securities. Please go ahead.

Harshad Patel: Thank you very much for the opportunity. Sir, firstly, we have noticed a very sharp quarter-on-quarter growth in our oil and gas order book. So, from first quarter to the second quarter. So, have we received some large value orders from any of the customers and are these orders, do they pertain to the domestic market or these are the export jobs?

Sameer Agarwal: So, Harshadji, there are two things. The first spike in our order book was due to the one order which we got from Numaligarh Refinery that was of around INR245 odd crores. And the second time we got the order of INR340 odd crores from Dow Chemicals. So, the earlier order was a domestic order and now this is a Dow order. This is 100% export. So, these two orders have actually given the spike to the order book and so many other things are there in the pipeline.

Harshad Patel: Understood. So, this Dow order will be completely executed from the New Anjar facility that you are going to commission in this particular quarter, right?

Sameer Agarwal: Correct.

Harshad Patel: Perfect. Sure. So, secondly, can you give us some flavor on what has been the overall quantum of order intake for the first half of financial year 2025? And what is the bifurcation of this order intake between power, oil and gas as well as the other remaining process industries?

Sameer Agarwal: So, in the first quarter we have done majorly - first half we have done majorly for power sector jobs as well as more than 50% this time we have done in power sector.

Krishan Lalit Bansal: If I have understood correctly, you want to know the info of the orders whether they came from oil and gas or they came from power sector jobs. So, let me tell you that the major ordering which we have seen as of now is from the oil and gas sector only because this Numaligarh order or GAIL order or this Dow orders, they are all related to oil and gas sector jobs only.

And we have started getting smaller orders just for pipe fittings for power sector jobs. However, as I told earlier, the major RFQs or the major bidding shall start in Q4 of this financial year or Q1 of the next financial year. And, then only we shall be able to really say that how much quantum we have been able to win from power sector vis-à-vis the oil and gas sector. Right now, more than 80% or I would say that maybe even 85% orders, they are coming from oil and gas sector.

Harshad Patel: Perfect. Very well understood. Thank you very much for taking my questions and all the best.

Moderator: Thank you. The next question is from the line of Aashna from HDFC AMC. Please go ahead.

Aashna: Yeah. Hi. Good evening, sir. Sir, I wanted to get some clarity on the order intake that you are mentioning from the domestic thermal segment that is likely to begin in Q4 and Q1. So, I understand that around 20 gigawatt of thermal, ordering has been done over last two years. So, what could be the order intake run rate and how could that be divided because there has been a massive thermal capacity ordering that has happened. So, if you could throw some light on that.

Sameer Agarwal: So, ma'am, the ordering which has been done on account of 20 gigawatt of thermal energy that is not majorly on the part of piping. So, this is in relation of the critical equipments like boilers and…

Krishan Lalit Bansal: Ma'am, you know, I have been telling in earlier two, three callers also that, our scope will come in the Q4 of this financial year or Q1 of next financial year. Right now, customer, let us say BHEL has got the orders. So, they will be first placing the long lead items which will be taking much more larger time.

And, since in our product, a lot of engineering activities involved and engineering takes time and then it is dependent upon input from the various vendors. So it takes almost six to nine months of the time before we get the first inquiry for this piping system. So we shall be able to stand in the queue only in the Q4 of this year or Q1 of next year.

Aashna: Understood. So, that is what I wanted to understand, given that the thermal capacity ordering has been quite strong. So, subsequently, it will take, it will be a longer runway starting from Q4 of orders that will gradually keep on coming. Is that is how, should we understand?

Krishan Lalit Bansal: That's right.

Aashna: Order book has been quite decent from INR800 crores to around INR1100 crores now. But execution pickup has not been that strong. So, any reason for that?

Krishan Lalit Bansal: Historically, this is how our business operates that we are lowest in Q1 and then we pick up in Q2 and Q3. Q3 is more robust. Q4 is maximum. This is a historical event and since all these are capex-oriented projects, we are dependent upon our customers also. So, the customer is, again, very relax in the Q1 and then, they start picking up from Q2, Q3 and then, you know, they push everything for Q4. It is a complete cycle, just it runs like that only.

Aashna: Understood. But in terms of order book, if you would like to give some outlook in terms of what could be the execution timeline of the current INR1,100 to INR1,200 crores of order book that we have. We will get some sense of how long will that take to get executed.

Krishan Lalit Bansal: Ma'am, average cycle is 12 to 18 months of time for any large orders. So they keep on rolling and, you know, whatever projections we have given and we are well on track to execute that and whatever guidance we, whatever guidance we shall be giving, we shall be following that.

Aashna: Okay. And so, one last question in terms of the gross margin. Should, I understand there is cyclicality in terms of quarterly, but at least in the first half, there has been some decline in terms of the gross margin. How should we relate that to the execution cycle? What could be the possible factors to that? If you could give some understanding. EBITDA margin, I understand there is operating leverage, but in terms of gross margin, if you could help us explain as to why there is a dip there.

Sameer Agarwal: So, ma'am, actually, I always used to say there is a range in gross margin. So, I would always say that the gross margin range would be ranging from 30% to 40% and sometimes it is more than 40% and sometimes, many times it remains between 35% to 40%. So, it all depends upon the nature of jobs which you are executing in that particular period.

And such kind of a statement can be given only for a longer period like five to seven years and you only make an average and then only you can state. Since we are into these projects and we always bid on the basis of selective gross margins, but sometimes it gets over or sometimes it is under from the expectations. Otherwise, we always fall under the range.

Aashna: Understood. So, in terms of anything from the raw material, the steel prices have been slightly lower. Has there been any impact or anything you would like to highlight there?

Sameer Agarwal: No, ma'am. As I have already told you that steel prices, volatility do not impact our margins because our philosophy for procurement of material is very, very straight. The moment we get the orders from the customer, we always get into the back-to-back contract from our vendors in terms of procurement of the raw material.

Therefore, I would say we have seen four to five cycles where there was a lot of volatility in the steel prices, but we have never got any impact in terms of the profitability of those volatility in the past.

Aashna: Okay, sir. Understood. Those are my questions. Thank you for your time.

Moderator: Thank you. The next question is from the line of Vaibhav Shah from Equirus Capital. Please go ahead.

Vaibhav Shah: Thank you very much for the opportunity. So, sir, could you highlight the mix between sale of products and job work for the 1H FY'25 revenues? And based on the outstanding order book that we have, would it remain similar in the coming quarters?

So, basically the reason that I am asking is that we have substantial order book from the oil and gas. And as per the understanding, typically we have more job work related orders from the oil and gas sector. So, just trying to get the sense that how the margin profile would pan out in the coming quarters.

Sameer Agarwal: So, Vaibhav, I have just already told ma'am also that as far as the gross margin philosophy is concerned, that is basically constant over the various orders. So, I don't foresee any change in that going forward. But definitely the job work amount is more than the material jobs. If the ratio of job work is more, material jobs is more, then gross margin obviously increases a little bit. And that is the only change we foresee. Nothing else.

Vaibhav Shah: Sir, just could you highlight the approximate mix between the sale of products and job work in the 1H FY'25 revenues?

Sameer Agarwal: Right now, I do not have this thing because I am taking calls on the phone and on the move. So, right now I do not have that data in front of me just to clarify. But I can provide you later. So, the segment-wise reporting, you must have seen that.

Vaibhav Shah: Yes. No worries, sir. Thank you very much for the answering question. I will get back to the queue.

Moderator: The next question is from the line of Ram Modi from Prabhudas Lilladher. Please go ahead.

Ram Modi: So, this is a longer term question in terms of whatever capex we are doing. So, what kind of asset turns we can expect in this business? So, can we, with the same capex capacity, which are suppose we are taking Anjar to almost 30,000, what kind of turnover which we can achieve, suppose in this kind of capacity which we have today?

Sameer Agarwal: See, the asset turn in terms of revenue would be around four to five times. Total quantum, if I can say. On an average basis, you can see 3 times.

Krishan Lalit Bansal: On an average basis. So, can we, I mean, sir, given the current asset base and expansion, we can aim to around INR1,500 to INR1,700 crores turnover in 2 years?

Sameer Agarwal: Yeah. So, Ram, if you can see, the amount of job work which we are doing, that is roughly around 30% to 40% of our total revenue. If we gross up the amount of material in it, this will touch upon the INR1,500 crores amount. So, this is the total asset turn in our case of business.

Ram Modi: Okay. And, sir, given, in terms of increased turnover, how do we see our working capital moving ahead or do we need to increase our borrowing further?

Sameer Agarwal: As I have already told you that the inherent nature of our business that we require more working capital than that of a normal business, because we have to procure material the moment we get the order. So, which increases the overall working capital cycle, but definitely going forward because there is a healthy order book and there is a pressure from the customer side to execute the job. So, it will bring down not only the better turnover ratio, number of days, and also since our Anjar facility shall be operational, so we will have more capacity to process our inventory. So, going forward, we see a decent go down in the working capital cycle.

Ram Modi: And last question is from my side to Krishan sir. Sir, how do you see the oil and gas, order pipeline in terms of we have almost a significant order book a year, but how do you see it for a two years period of time in terms of oil and gas? Power, we know that large order books have been already built up by BHEL and L&T has also won some. But how is it oil and gas order book demand outlook for us?

Krishan Lalit Bansal: Sir, we are expecting huge order book from oil and gas sector also, as we are doing almost 50% domestic jobs and 50% export jobs and, apart from domestic customers where a lot of petrochemical plants are coming, and a lot of new technologies are being introduced including hydrogen in the coming times. And there is a huge traction from export market, particularly for LNG contracts or LNG projects, which are coming in bulk nowadays.

And, we already have a sort of a MOU with Japan Gas Corporation for executing of that. And, all big customers, whether it is floor or it is backfill or NPR or, that means, we are all associated with all of them. And, that's why we are saying that we have a very healthy pipeline for all these orders. And, we expect at least coming three to four years an extremely good order book from oil and gas itself.

Ram Modi: Okay. And lastly, sir, in terms of power order book, who would be our competitors for this kind of specialized heavy water orders, which we said around the realization can be as high as 500 to 700?

Krishan Lalit Bansal: Sir, I don't know what should I say on this particular case, because our competitors are either BHEL or L&T separately. And, you know, both of them are our customers also. So, ultimately, I will say that basically there is no competition. If they have to offload the job, it will come to us. And we are the only three approved parties also from NTPC.

And so whatever work they can do in-house, that we will lose. And whatever work they have to offload, that should come to us only. And there is absolutely no possibility that they can do more than 20% to 30% work in-house.

Moderator: Sir, your line has been unmuted. Please go ahead. Sir, we are not able to hear you. As there is no response from the participant line, the next question is from the line of Ankit Soni. Please go ahead.

Ankit Soni: Hi, sir. Thank you for giving me an opportunity and congratulations. We just wanted to understand, since our order book is quite sufficient enough, which would be doing, which would be executable by, in financial year '25 and '26, just wanted to get your number on the, guidance on the number of financial year '25. So what sort of pipeline groups we are expecting, giving an existing order book?

Sameer Agarwal: So, as far as you are seeking some future guidance, I would request you to wait for some time, because we are already working on it and since we have already introduced a new project, that is a seamless pipe project, so we will get back to you guys very soon, maybe before the…

Ankit Soni: So, barring seamless project which would be more operational in financial year '26, quarter four, do we have some sort of guidelines, guidance on the revenue? See now ideally order book is more to be executable in coming 12 to 18 months. So, any sort of revenue guidance?

Sameer Agarwal: So, there are some working on the execution schedule from the customers and that is why we are not able to give the guidance at this moment. So, we are working on that and we will come back to you guys very soon. Because any guidance without working will make no reference.

Ankit Soni: Just a panel question to that. So, is this the reason why we are seeing a little lag into the execution or maybe your piping and power segment is not much growing? So, is that the reason because of the execution timelines or something?

Sameer Agarwal: Correct. So, to an extent you are correct because of the execution timelines from the customers and the flow of material which is required to execute the job. Sometimes the matching material is not available. So, these things are there and we have got two big new orders. So, initially we face such kind of challenges. But going forward the moment the job starts and then we get on the pace. And Mr. Bansal would like to add here.

Krishan Lalit Bansal: Sir, again I would like to say the same thing that the nature of our business is like that. That in Q1 and Q2 we are quite slow. Q1 is very, very slow. Q2 we start picking up. And in Q3, Q4 we start sprinting sort of a thing. It is just like that and it goes on historically. It is not that it is just happening this year. It is a phenomenon which is happening every quarter just like that only. And since, as Sameer said, these are all project related things.

So, the customer has a lot of inputs to give. So, sometimes if we do not get the customer inputs in time which normally happens in Q1 and Q2. So, that is why we are not able to pick up as planned. But however, by the end of the financial year we are able to meet all of our targets. And we are able to meet the guidance and all those things. And moreover, what we would like to say is that historically our data proves that.

And since now we have new plants in operation, we are going to achieve a lot of operational efficiency. We are going to have a lot of savings on our overheads. And we are very confident that whatever things are there, we should be able to do that.

Ankit Soni: Thank you, sir. Thanks for giving me. We will be waiting for your guidance actually next quarter. Thank you.

Moderator: The next question is from the line of Avik Vora, an Individual Investor. Please go ahead.

Avik Vora: Hi, sir. Good afternoon. My question is actually twofold. One is I want to understand what kind of supplies do we do in…

Moderator: Sorry for interrupting you, sir. Your voice is not clear.

Avik Vora: Am I audible now, ma'am?

Moderator: Yes, sir. Now you are audible.

Avik Vora: Yes. So, ma'am, my question is twofold. One is what kind of supplies do we do for the oil and gas sector? And what kind of supplies do we do for the power sector? Like do we do process piping, boiler piping?

Krishan Lalit Bansal: I mean, our product is the same. I mean, you can call it as process piping for oil and gas jobs. And you can say it's power sector piping for boiler plants or boiler piping. But, our basic philosophy and our basic working and the process are practically the same. But, of course, with every metallurgy, with every customer, some new things get added or some new processes like heat treatment get added or non-destructive examination gets added. A lot of stages are there for material identification and all those things. But basically our product line remains the same.

Avik Vora: Correct, sir. And for the testing parameters, the quality assurance, QA, QC's, that differ completely from customer to customer and on the grade of the pipe, right? So, we do all sorts of pipes, MS, EI, MS, GI, everything in process.

Krishan Lalit Bansal: Yeah, yeah. We are handling, basically, you know, I will not just say that we are doing GI and carbon steel and other things, you know, but I would like to say that we are handling all sorts of metallurgy, whether it is carbon steel or low alloy steel or high alloy steels or stainless steel grades or titanium or super duplex and all those things. And as you are saying that I mean, we do handle sometimes welded pipes also and major, but we are handling majorly the seamless pipes and that also of higher thicknesses where you know are used in mega projects for refineries and other things.

Avik Vora: Got it.

Krishan Lalit Bansal: Yeah, higher diameters also.

Avik Vora: Right, right. Sir, so, manufacturing these seamless pipes in houses for our pipe spools does that bring down a lot of costs, is what I understand. But also, sir, seamless fittings in India are completely, as of now, what I understand and you can tell me if I am wrong, are imported, right? A lot of it is from these Chinese counterparts that we have.

Krishan Lalit Bansal: Yeah, that's true, sir. We are also into this business. I mean, since long, we are manufacturing a lot of pipe fittings for carbon steel as well as stainless steel also. And we are using a lot of it in our projects. But, since China is China, we cannot beat them as far as their product is concerned. Whenever they are in the product line, like the fittings which you are saying, they are definitely much more competitive. We cannot be that competitive because a lot of material comes from China itself.

And we have a lot more overhead, you can say that operational processes are comparatively less efficient than their processes. But we say that as far as our product, which is, we say that the piping spools or piping systems are concerned, we are much more competitive because they are all tailor-made jobs.

Avik Vora: Correct. Wherever we have detailed engineering and design engineering part with supplies, that's where we'll be more advantageous over the Chinese part, right?

Krishan Lalit Bansal: That's right.. That's very true.

Avik Vora: One last question from my end. What we are noticing currently in the industry is in regards to the protective paint layering that everyone is asking for spools. We also do that, but ours is only till the welding part, fabrication and welding.

Krishan Lalit Bansal: No, no, we have to do complete fabrication. We have to do all welding. We have to do all non-destructible lamination. We have to do painting, blasting, and then shipping it to sites. When all the operations are complete, we have to do complete manufacturing as per the requirement of the drawings.

Avik Vora: And the new plant will also have 3LP coating and glass flaking facilities.

Krishan Lalit Bansal: Lead time, of course, depends upon the QAP, depends upon the customer. Sometimes the customer just wants to take it on our inspection. Sometimes they put three or four inspectors. Sometimes the customer inspection also comes. You know, lead times depend on…

Avik Vora: I'm asking, my question is regarding, will we have those manufacturing capacities for 3LP coating, glass flake coating for a…site?

Krishan Lalit Bansal: No, no, we don't have any plan. We don't have any plan. No, no, we don't have and we don't intend to go in that sector because, we are not into cross-country pipelines where, you need these major things. Of course, sometimes we get the requirement, but since we do not intend to do that business, so we are not very keen to do that.

Avik Vora: All right, Thank you very much, sir. Congratulations on all the good work that you do, sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Vignesh Iyer from Sequent Investment. Please go ahead.

Vignesh Iyer: Thank you for the opportunity again. Sir, again, coming to seamless pipe, the expansion that we are doing, so, we have a big player in India who is entirely into manufacturing of seamless pipes. I understand the grade is different, but just to get an understanding, we are putting up this plant, as in, even they can put up the plant of similar grade, etc. But is it because we are putting up this plant that we have some soft commitment coming from BHEL or L&T due to the history that we have worked with some big players like them?

Sameer Agarwal: So, sir, as you know, the 80 gigawatts of thermal energy is on the cards and it has already been ramped up. And since all these projects, all these thermal power stations would be requiring these pipes. And till now in India, there is no manufacturer who is manufacturing such kind of pipes.

And as an opportunity, we are trying to grab it at the first level. So, just want to be ahead of our competitors. And I don't see any doubt in terms of the demands from BHEL or L&T and other EPC players who are going to set up the thermal power stations.

Vignesh Iyer: Okay. So, can you help me understand what would be roughly the market size for this in tons, for this project?

Sameer Agarwal: As far as the market of these products is concerned, that is a huge market. And since our part of pie in the total opportunity is very less, so we foresee good amount of demand in respect of these seamless pipes. And first, we are actually eyeing on the thermal power jobs.

And later on, such kind of seamless pipes are being utilized for subsea applications. And the applications of such nature are increasing in the future. So, I don't think there would be any diminishing factor which will diminish the demand of these pipes. And we will have a decent amount of demand of these pipes in future.

Vignesh Iyer: Excellent, sir. Thank you, sir.

Moderator: As there are no further questions, I would now like to hand the conference over to management for closing comment.

Sameer Agarwal: So, I would like to thank each one of you who was available on the call. You raised the questions and I hope that we have answered the questions to the best of your satisfaction. And I can only promise that we are totally, totally geared and upbeat in terms of the opportunities available in the business and shall do our best.

Moderator: Thank you. On behalf of DEE Development Engineers Ltd, that concludes this conference. Thank you for joining us and you may now disconnect your lines.