February 05, 2024

To, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001	To, National Stock Exchange of India Ltd Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051

Scrip Code: 543528 **ISIN No: INE0JA001018** **Symbol: VENUSPIPES**

Subject: Intimation pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of Earnings Call

Dear Sir/Ma'am,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Earnings Call held on January 30, 2024, post announcement of financial results of the Company for the quarter and nine months ended as on December 31, 2023. The audio recording of the Earnings call along with the Transcript has been uploaded on the Company's website https://www.venuspipes.com.

This is for your information and record.

Thanking you,
Yours faithfully,

For VENUS PIPES & TUBES LIMITED

PAVAN KUMAR JAIN
Digitally signed by PAVAN KUMAR JAIN
Date: 2024.02.05 12:32:23 +05'30'

CS Pavan Kumar Jain
Company Secretary and Compliance Officer
Membership No. A66752

"Venus Pipes and Tubes Limited

Q3 FY '24 Earnings Conference Call"

January 30, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th January 2024 will prevail.

MANAGEMENT:	**MR. ARUN KOTHARI – MANAGING DIRECTOR – VENUS PIPES AND TUBES LIMITED** **MR. DHRUV PATEL – WHOLE-TIME DIRECTOR – VENUS PIPES AND TUBES LIMITED** **MR. KUNAL BUBNA – CHIEF FINANCIAL OFFICER – VENUS PIPES AND TUBES LIMITED**
MODERATOR:	**MR. PALLAV AGARWAL – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to Venus Pipes and Tubes Limited Q3 and 9M FY24 Earnings Conference Call hosted by Antique Stock Broking. 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.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements do not guarantee the future performance of the company and it may involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Pallav Agarwal from Antique Stock Broking Limited. Thank you and over to you, sir.

Pallav Agarwal: Yes, thank you, Viren and good afternoon, everyone. A warm welcome to the third quarter results call of Venus Pipes and Tubes Ltd. We have the senior management of the company represented by Mr. Arun Kothari, the Managing Director, Mr. Dhruv Patel, the Whole-Time Director, and Mr. Kunal Bubna, the CFO of the company. So, I will now hand over the call to Mr. Arun Kothari for his opening comments. So, over to you, sir.

Arun Kothari: Thanks, Pallavji. Good afternoon and welcome to everyone on the Q3 and nine-month FY24 Earning Call for Venus Pipes and Tubes Ltd. I have been joined by Mr. Dhruv Patel, our Whole-Time Director, Mr. Kunal Bubna, CFO, and SGA, our Investor Relations Advisors. We have uploaded our Q3 and nine-month FY24 investor presentation on stock exchanges and company's website, and I hope you had an opportunity to go through the same.

Today, I am proud to announce our company's robust quarter and nine-month performance for FY24. Revenues for Q3 FY24 stood at record high of INR207.1 crores, witnessing a growth of 52.2% with EBITDA margin standing at 18.9% for the quarter, as compared to 12.9 in Q3 FY23. PAT for the quarter stood at INR23.3 crores, witnessing a growth of 106% on year-on-year basis. On nine-monthly basis, revenues stood at INR578.1 crores, surpassing our FY23 revenues by 5%. Similarly, margin stood at 17.5% compared to 12.6% for the same period last year.

The robust performance is on the back of multiple factors. Firstly, revenue contribution from high-margin seamless pipe increased to 56% of our total revenues for the quarter from 45% for the same period last year, on the back of our backward integration, providing us an edge over our competitors and, additionally, Anti-Dumping Duty on seamless pipe and mother hollow pipes, adding in a heightened demand from organized players with high-quality products offering.

Secondly, export contribution increased to 17% of revenues from INR1.4 crores in Q3 FY24 to INR35.2 crores in Q3 FY24. This comes as a result of multiple things. Despite our relatively short operating history in the overseas market, the company has successfully forged a solid reputation, establishing itself as a trusted player in the export market. Backward integration of the seamless pipe has allowed us to make inroads with full potential in the European market.

We are also in constant talks to increase our presence across the US, Africa, and the Middle East, and we are confident to increase our exports baskets and diversify to newer geographies. We have also appointed senior marketing representatives for these regions. Our goal is to replicate the success we have achieved in Europe and extend our brand presence in the US, Africa, and the Middle East.

This performance is a mark of our unwavering commitment to innovation, quality, and customer satisfaction, along with integration of technologies. Domestically also, there has been a notable upswing in demand, resulting in increased inquiries and new order wins, resulting in increasing market share for the company. These trends underscore the sustained confidence customers place in our offerings.

Collectively, these factors signify a robust phase of growth and increase in opportunities within the domestic market. With the wide array of opportunities present in front of us, we plan to maximize on the same bias, increasing our geographical presence by building networks and relationships, and provide quality products to our clients in the domestic market as well. Expansion of market share by increasing our product SKUs and further diversifying across sectors such as oil and gas, pharma, food processing, power, effluent lines, and railways.

Actively assessing the demand outlook and scaling up capacity as needed with a focus on achieving economies of scale. Prioritizing digitalization and technology integration, recognizing their pivotal role in fostering growth and enhancing operational efficiency within the company. Committing to sustainable practice, we will be installing 1.3-megawatt solar power system at our plant to reduce our environmental footprint.

To give you a few updates for the quarter, on the seamless front, following the successful completion of our capacity expansion in May 2023, I am delighted to announce that we have rapidly ramped up the operation and currently operating at an 80% capacity utilization. This achievement stands as a testament to the efficiency and effectiveness of our execution capabilities and quality of our product.

Further anticipating high demand for seamless pipe, we had announced capacity expansion of 4,00 MT per month out of which 2,00 MT per month of seamless pipe commenced operation in Q3 FY24 and remaining 2,00 MT per month of capacity is set to commence in the Q4 FY24.

With this total seamless pipe capacity will reach to 14,400 MT per annum by Q4 FY24. Lastly, I am happy to announce that we have received approval from leading oil and gas players in India and Middle East. This achievement is a result of our advanced capabilities in manufacturing higher diameter welded pipes being one of the select few in the industry with such capacity.

We are confident in anticipating a significant uptake in demand and subsequent order inflow for welded pipes in the coming period. These approvals are a testament to our quality offering and will help us increase our geographical and sector outreach. Looking ahead, there is a robust sustained demand expected for stainless steel pipes and tubes across various end-user industries.

As industries undergo expansion and modernization, the need for durable and high-performance materials become paramount, further driving the demand for stainless steel. The path of growth for Venus Pipes and Tubes is robust and we actually strive to broaden our influence across various sectors. Our commitment to a prosperous future is characterized by the continuous expansion of our portfolio in terms of product clients and geographical presence.

This strategic approach is designed to fortify our foothold in every industry. We serve driven by the potent combination of enthusiasm and determination. We are committed to building a robust diversified foundation that propels us towards sustainable excellence.

Now, I will hand over the call to Mr. Kunal Bubna to take you through the operational and financial highlights for the quarter.

Kunal Bubna: Good afternoon, everyone, and a very warm welcome to our earning conference call. We take absolute proud in announcing that your company has reported highest ever quarterly revenue EBITDA and PAT for Q3 FY24. On the revenue front, revenue from operation for Q3 FY24 stood at INR207.1 crores as compared to INR136.1 crores in Q3 FY23, a growth of 52% Y-on-Y basis.

Revenue for operation for nine-month FY24 stood at INR578.1 crores as compared to INR376.1 crores during nine-month FY23, achieving a growth of 54% Y-on-Y basis. Our revenue has grown by 52% and 54% for Q3 and for nine-month respectively, despite softening of RM prices compared to previous period.

If we compare on volume front, volume growth on welded pipe was more than 50% for seamless volume growth stood at more than 100% on Y-on-Y basis. Revenue bifurcation for the quarter was 41% from welded, 56% from seamless pipe, and 3% from other sales. Growth in the seamless segment was around 89% on Y-on-Y basis.

Welded segment registered a growth of 39% for Q3 FY24 on Y-on-Y basis in terms of revenue. Our export sales stood at INR35.2 crores for the quarter compared to INR1.4 crores during the same period last year.

On the gross profit side, gross profit for Q3 FY24 stood at INR60.6 crores as compared to INR26.9 crores in Q3 FY23, a growth of 125.5% on Y-on-Y basis. On the EBITDA front, EBITDA for the quarter stood at INR39.1 crores as compared to INR17.5 crores for the same period last year.

Registering a stellar growth of 123% with EBITDA margin at 18.9%. EBITDA for 9-month FY24 is INR101.2 crores as compared to INR47.5 crores in 9-month FY23, a year-on-year growth of 113%. PAT for nine-month FY'24 is INR60.94 versus INR30.8 crores in nine-month FY'23, a growth of 98% on Y-on-Y basis.

The margin for the nine-month FY'24 stood at 10.5% compared to 8.2% in nine-month FY'23. PAT for the quarter stands at INR23.3 crores as compared to INR11.3 crores in the same period last year and INR20.3 crores in Q2 FY'24, a growth of 106.6% Y-on-Y and 14.8% on Q-on-Q basis.

The strong performance had another player to our competitive advantage with solid financial capability, we are well-equipped to weather challenges, investing in growth initiatives and strategically position itself for market leadership.

With this, I would like to open the floor for Q&A round.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dhruv Jain from Ambit Capital. Please go ahead.

Dhruv Jain: Thank you for the opportunity and congratulations team for a good set of numbers. But I have two questions. So one was around the margin. So we've obviously seen a very good performance on the margin side. But say, you know, when do we start seeing sort of a peaking, right? So do you think that there is more scope for margin expansion from these levels onwards? Or do you think that it will remain in the same range? That was my first question. Thanks.

Kunal Bubna: Yes, see, as we did two products, welded and seamless. So on the side of seamless, we've been achieving the required margin, what we were targeting for this financial year & for this quarter. So I believe definitely it should be in this range. But the intent is definitely to peak from here also. Because if you see for seamless, it was around 20% to 25% of export in this quarter standalone basis. On the side of seamless export, we are earning slightly 3% to 5% higher as compared to the domestic direct sale earning.

So I believe that is driving those margins. And for that, the intent is to keep this margin intact and increase the same. On the side of welded, I think as more and more higher sizes come into play going onward, with LSAW capacity getting more utilized in the process a bit of increase on margin side will be there on the side of welded.

Dhruv Jain: Okay. And, sir, with respect to the exports, right? Obviously, now we've come to a substantial level in terms of revenue contribution. But still, I think on the stockists side there is a 27% contribution still there. So when do you start seeing that the stock contribution starts to reduce substantially from here? So say, I'm just trying to guess that in two years, how will your mix of volumes start to look like?

Kunal Bubna: Yes, if you see from FY'23 or earlier year, the percentage of stock had been definitely decreasing. But I believe the intent is to keep it around 20% going forward. I think in the coming financial year, we will be able to see those range bound number from the share of stockists and traders

Dhruv Jain: And sir, if you could just spell out your utilization number for this quarter. Thanks.

Kunal Bubna: Yes, it was basically -- on the side of seamless around 85%, you can say on the side of welded on the -- all the capacity taken together, was in the range of 55%, to 60% in range of that.

Dhruv Jain: Okay, thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: Good afternoon, sir, and congratulations on a great set of numbers. My questions are more pertaining on the export front. Given the on-going Red Sea impact, are you seeing anything with respect to exports? Are you materially facing any issues with respect to supply? Or is it still on the healthy curve?

Kunal Bubna: Yes, basically, those happened in the end of December only. We were not much affected in the last quarter because of that. But again, also, there is affect on the side of freight cost, but there are mixed type of order, we have FOB and CIF, both type of order. But I think keeping the volume and other, I believe margin will be intact what we are targeting for this quarter also. Bit of effects are there on the side of freight, but that is also marginal.

Sneha Talreja: Understood. And given the strong trajectory that you're seeing, strong demand and you have also highlighted certain customer approvals that you've been getting, what's the target on the export front? Like what could be your export share in the next two years?

Kunal Bubna: It is at least what we are targeting, it should be at least 20% of our total revenue. And whatever beyond that we achieve is obviously our intent to achieve more than that.

Sneha Talreja: Understood. And any significant margin difference that you're enjoying today in exports versus domestic market?

Kunal Bubna: Yes. Now, we have been seeing -- keeping our presence getting more in exports and we are able to get a margin of 3% to 5% higher as compared to what we sell in domestic side.

Sneha Talreja: Understood. Thanks a lot and all the very best. I'll get back in the queue.

Moderator: Thank you. The next question is from the line of Kunal Kothari from Centrum Broking. Please go ahead.

Kunal Kothari: Yes, thank you for the opportunity and congratulations for a great set of numbers. So my first question is on the overall market outlook. How do you see the realization playout in quarter 3 on a sequential basis, as well as on a year-on-year basis? And what is the outlook for the next quarter as well?

Kunal Bubna: Yes, basically, if you see on the pricing side on the side of welding, there has been a decrease on the price by around, you can say, 12% to 15%. And on the side of seamless, there has not been much decrease, but it was there around 3% to 5%. And if we compare Q-on-Q basis, marginally not much of it was there on Q-on-Q basis.

But if I compare 9 months -- this 9 month with the last FY23 to 3% to 5% in case of seamless and around 12% to 15% on the side of welding, there has been a decrease. But I believe this should be maintained going forward. Also, there should be much, keeping the current scenario, it looks it should be panned out in this fashion.

Kunal Kothari: Does the price decline is related to any demand pressure or what reasons do you see that there's been sharp decline in price?

Arun Kothari: Kunal, we can say almost it's the international market only. The price of the other raw material is also decreased, that's why price is decreasing in the market or there is only -- there is a slowing demand in the chemical sector only, mainly. In other sectors, because since we started the, we are now capable to manufacture all type of product, so we got the new approval also. So this year we have increased our market share in other lines -- other than chemical also. Last year, our more focus was in the chemical sector. But this year we started to develop the new sector.

Kunal Kothari: Okay. And what will be the current order book in hand and bifurcation towards the exports order book as well?

Kunal Bubna: We have an order book of INR230 crores and the export is around 20% of that.

Kunal Kothari: Okay. So lastly, I want to understand similarly on our revenue share that towards stockists and traders. So if I compare on a Y-on-Y basis, we have increased from nearly INR40 crores to INR56 crores. So that is a tremendous growth that we are seeing over there.

I, of course, believe that compared to direct sales and exports, the margins will be quite lower to them. Despite, you know, the growth towards the stockists and traders has been quite healthy. So what is the reason that we are not able to reduce our dependence on stockists and move towards the direct sales?

Arun Kothari: Kunalji, we are developing the -- since almost we have done the capacity expansion of the 3 times of the earlier capacity, or we have increased the sizes and SKUsof all the, all variety in the Stainless steel Pipe segment. So we are pursuing with the customers because for the almost new sizes and to target the new customers, we require them because our product is used in the critical operation. So we require the approvals from the clients also.

So we are pursuing our marketing team and our technical team is pursuing with the -- all the companies to get the approval. So overall basis in the volume terms, we are increasing our share in the sales for the direct end user. But for the, in the personal term, we are almost equal level, since our capacity has been increased substantially. So we can see in the next coming two quarters, it will also go down.

Kunal Kothari: Okay. So is it safe to say that incremental volume growth that we will be having will be towards the direct sales and exports driven only?

Arun Kothari: Yes. Yes. Kunal.

Kunal Kothari: Okay. And what could be the margin difference? Can you also state that?

Kunal Bubna: See, when we sell to stockists and traders, the margins are slightly low by 2% to 4%, you can say. But there are a few orders also where you also get good rates also as compared to what you earn in direct sales. Because we are able to cherry pick the orders with traders, stockists and also on direct client base. So that way we counter those effects.

Kunal Kothari: Okay, sir. Thank you so much. That's it from my side.

Moderator: Thank you. The next question is from the line of Shobit Singhal from Anand Rathi. Please go ahead.

Shobit Singhal: Yes. Thank you and congratulations on a good set of numbers. Sir I have a couple of questions. So, one with respect to the welded pipe. So we have seen a very strong growth in the seamless side. So welded pipes, if I see last five quarters, average growth was just around 6%. So when do we expect it to ramp up to around 80%-85% utilization levels?

Kunal Bubna: Yes, basically, see we had been receiving approval, as we said, from some of the leading oil and gas companies, also from a few of the overseas clients. So that utilization level will definitely increase with each quarter to come. So I believe the next quarter would be incremental from what we have achieved for this quarter of roughly 55% to 57%.

And there will be an increment in the next quarter. And I believe from the next financial year, those higher percentage will come into play. And each quarter would be having incremental utilization on the side of it.

Shobit Singhal: And so now our 400 metric tons per annum seamless capacity will be fully operational by Q4. So what will be the incremental capex that we would be incurring? And can you give any colour on the new client addition that you have seen in this quarter?

Kunal Bubna: There had been, see, mentioning a specific name, slightly competitive. But oil & gas , we have added, we have said in pharmaceutical, we have added in chemical, we have added in engineering, we have added in paint. So there are a mix bag of sectors wherein the client addition had been done.

And I think, see, post this completion of all this capex in FY24, & from the next year, I believe there would be capex which will drive us a higher double-digit growth on the side of capacity. But it should be in the range bound of, you can say, around INR40 crores to INR50 crores each year for the coming year, basically.

Shobit Singhal: Okay. And last question, sir. If you can give the sector-wise breakup. So just wanted to understand, have a percentage change in the oil and gas or the other premium product category industry has increased year-on-year basis, or if we are still in the same kind of tonnage basis on those industries?

Kunal Bubna: See, chemically, the engineering are definitely the predominant sector that we catered. But the sector which has increased their contribution is basically paint, you can say, pharmaceutical, power industry, a bit of oil and gas. So these are the few sectors and railway a bit. So these are the few sectors which is added as compared to the earlier sector which were there.

Shobit Singhal: Okay. All, right. Thank you, sir.

Moderator: Thank you. The next question is from the line of Vikas Singh from Phillip Capital. Please go ahead.

Vikas Singh: Good afternoon, sir. And congratulations on a very good set of numbers. Sir, I just wanted to understand once all of your expansion plan is completed and properly ramped up, what kind of the margins you are targeting?

Kunal Bubna: See, as we said, for the seamless side, it is basically we were running around INR60 to INR63 per kg in the FY23 we target and that is the intent that we will be more than 50% incremental on the side of seamless. And on the side of welded, which was INR37, INR38, we target around 15%, 17% incremental on the side of it. So that is the margin target for the going year for welding and seamless.

Shobit Singhal: Understood, sir. Sir, also, I wanted to understand our capital allocation policy because this year we are almost completed with one of the sharpest capex plans. So next year, as of now, we have just a small plan for the LSAW mill. So how to -- are we going to utilize the cash because next year our cash flow generation would also be incrementally better?

Kunal Bubna: Yes, see, basically, there are two things in it. One would be the capex requirement, what I've said, in the range of INR40 crores to INR50 crores. And second would be increased turnover will lead to increased deployment of working capital.

So what we see -- there will be healthy cash flow, but I believe that both those things taken together, the working capital and the increased capex can easily be made from this internal source accruals part being generated. So the intent is to keep those accruals towards this working capital and capex requirement to be made.

Shobit Singhal: Understood. Sir, just one last question in terms of the capacities side. Have -- with these capacities coming in, have we covered almost all of the seamless steel capabilities or there are certain areas where we can work on and can further announce some capex? Basically, we are still importing certain premium goods from the foreign market. So any idea whether you want to go in that side or by when we expect us to announce capex on those sides?

Kunal Bubna: See basically, the intent is very clear to be making capex towards high margin products going forward. So there are a few sectors wherein there are specific grades of pipe required. There are some special grades of pipe not being manufactured, both on the side of welded and seamless.

So the intent is to make those announcements going forward wherein we can serve to specific sectors wherein those demands are there, where higher margins are there, also to manufacture specific grades of pipes which we don't manufacture or which we import. So definitely those intents are there and going forward, the expansion would be more centric towards higher margin products.

Shobit Singhal: Nothing finalized as of yet, right?

Kunal Bubna: Yes, definitely there are, but it won't be right to announce it currently. We are working on that.

Shobit Singhal: Okay. So lastly, what is our made-to-order percentage in overall sales?

Kunal Bubna: It will be around 80%. More than 80%.

Shobit Singhal: More than 80% is made-to-order.

Kunal Bubna: Yes.

Shobit Singhal: Thank you, sir.

Moderator: Thank you.

Shobit Singhal: That's all from my side.

Moderator: The next question is from the line of Sahil Sanghvi from Monarch Network Capital. Please go ahead.

Sahil Sanghvi: First of all, congratulations for delivering what you have guided and very good margin performance also. My first question was, when you say 80% utilization in seamless, would that be on the 12,000 capacity or would that be at 14,400?

Kunal Bubna: It would be on 12,000.

Sahil Sanghvi: For next year?

Kunal Bubna: No, current utilization for seamless. Yes, it would be on the capacity as and when those are coming. On that basis, I am telling it is around 82% to 85%.

Sahil Sanghvi: Okay, okay. Because I mean, we have commissioned that 200 tons per month.

Kunal Bubna: Yes, it includes that 200 tons also, which had come lately in the quarter. It includes that also.

Sahil Sanghvi: So 80% on that, right? I mean, that is included. Okay, okay. My second question is, how do you expect the working capital, maybe the cash conversion cycle or working capital requirements to move forward? Because what happens is that our cash flow from operations still appear quite lean. I mean, I understand most of it is utilized in working capital.

But now, I mean, since last two years, we had quite a steep ramp up in our volumes also. Next year, do you see some easing in the requirement of working capital? Can we expect some higher cash flow operations? How do you expect that to…

Kunal Bubna: Definitely, you're right to say that next year, there would be a good amount of cash generation from the operation. And see, there won't be that much capex. And definitely, last two, three years, there was capex. There was increase all side. But I believe coming FY25, I think even if you see FY26, there would be a healthy cash flow generation from the operation, which will be a marginally used toward definitely towards this capacity expansion, but which is not very high number, nor is it in three-digit numbers.

So apart from that, that balance leftover will be can easily be used for this working capital requirement for the business. And I don't think there would be much issue in utilizing this. And there will be not much challenge on the side of cash flow also going forward, with a healthy profit coming into the business.

Sahil Sanghvi: Right. And would you be able to tell us the debt number as of December?

Kunal Bubna: It's up in the range of INR155 crores.

Sahil Sanghvi: Okay. Okay. Thank you. Congratulations and all the best.

Moderator: Thank you. The next question is from the line of Bhargav from Ambit Asset Management. Please go ahead.

Bhargav: Yes. Sir, in the presentation, it is mentioned that Europe is already seeing good business and future growth on the exports will come from Middle East, Africa and US. Now, given that you are focusing on these new markets, why are we guiding that exports will only remain about 20% of overall revenue and not increase?

Arun Kothari: Definitely, yes. Yes, definitely it will go more than that. For at least for the next two quarters, we are targeting our exports to be between the range of 20%. But in the long run, if you stay for the four to six quarters, so definitely it will go up because for the development of new markets in the export, requires the export process of the plant as well as the client approval.

So that takes almost time to, we can say, five to six months. So right now for next two quarters, we are targeting almost 20%. But definitely in export side, you can see growth in the next, after that, before quarter, definitely you see the more growth.

Bhargav: Yes, well, sir, if we take, say, a two-to-three-year view, is it fair to say that exports can reach closer to about 35%, 40% or that is the fastest number?

Arun Kothari: Bhargavji, we are targeting, but right now we can't much say about that. Once our product will be approved in the coming quarters for the US market and Middle East market, then we can further say how much we can achieve, Bhargavji.

Bhargav: And so these will be altogether new customers that we are targeting or it could be the same company having a manufacturing operation in US or Africa?

Arun Kothari: Almost new customers we are targeting because in the, almost mostly right now we are targeting our export in the territory of the Europe only or the Europe clients. It doesn't have much presence in the Africa, Middle East, or we can say in US. So it will be new customers.

Bhargav: Secondly, sir, you mentioned on the export side, you make higher margins. So is it because the sector mix in domestic is different from the sector mix in exports or is it that the margins are only higher on the export side?

Kunal Bubna: The margin is basically only higher when we sell in those territories where we are currently selling.

Bhargav: Okay. So the mix is broadly similar, chemical, engineering, across...

Kunal Bubna: Basically in case of export currently, we don't sell to end to end industry. We are selling to trader, distributors, or stockists of goods. They in turn sell to the industries.

Bhargav: And lastly, sir, you mentioned about INR155 crores of debt on the balance sheet. Do we have any milestone by when we want to become debt free or it is too early given the high growth phase we are in?

Kunal Bubna: The endeavour will always be to be a debt free company. But see, if not, if you see, compare my debt equity and other ratio, not a very high debt or it's a less debt, you can say. So the intent is always to keep it low. But it's a growing company. The volumes and value of sales both are increasing multi-fold. So requirement of working capital would be there in the business. So but the target will always be sooner become debt free company. But it will take some time, I believe.

Bhargav: And this working capital side on the stockist, I presume, would be higher as compared to on the direct business, right?

Kunal Bubna: So if you see a stockist and trader in India, they're not high basically because they in fact have lower tenure as compared to when you sell to other industries.

Bhargav: Okay. So should we work with 100 to 120 days of working capital cycle as compared to about 135 days?

Kunal Bubna: Yes, 100 and 100. Yes, 100, 110 days of working capital. You're right.

Moderator: Thank you. The next question is from the line of Karan from Swan Capital. Please go ahead.

Karan: Thank you for the opportunity. I'd like to congratulate the management of the stellar numbers they posted. So our company has, you know, so my first question is, our company has aggressively been expanding its facility over the last few quarters.

And we've also spoken about how the anti-dumping duty on Chinese-made seamless pipes, introduction of BIS export incentives, which have been withdrawn by the Chinese government has impacted the supply of seamless pipes in India. So my question is, if anti-dumping duty or the BIS provisions were to be withdrawn and Chinese-made seamless pipes were to flood the market again, how would this affect our company?

Kunal Bubna: See, definitely, the anti-dumping is there for five years, so I don't see any reason for it getting withdrawn. But the intent of our company is to be supplying to a wide number of sectors. So right to supplying our goods to pan-India and also supplying to the various parts of the world. That's why we have been successfully increasing our sector. We are successfully increasing our presence throughout India, and we have been successfully able to win on the part of the world front also. So and also to keep on adding the right number of sizes, the right number of grades of pipe what we can get it.

Also, you can see in case of a world/India that we can manufacture up to 56 inch in India, where few manufacture in the country can do. So we are trying to make ourselves a company which can serve the majority of the variety requirement for SS category of welded pipes and tubes and seamless pipes and tubes. So that if any chance and type of government policy or something changes, we are very negligibly affected by this.

We want to become a unique company which will can be differentiated from any other company which are there operating in the country.

Karan: All right, sir. And my second question, you mentioned that Ratnamani and Jindal saw higher competitors. Now we are in an industry where in stainless steel pipes, there's not much of product differentiation. So what stops our customers to go to them?

Management: Can you repeat that?

Karan: I'm sorry, I'll just repeat again. So you mentioned earlier that, you know, there's Ratnamani, there's Jindal saw who are our competitors and we are in an industry when stainless steel pipes, you know, there's not much of product differentiation. So, you know, what stops our customers to not take from us and go to them?

Kunal Bubna: See, everybody has their capacity, constraint , be it Ratnamani, be it Jindal saw or anyone. And there is a demand in the market from export, from internal and there are a lot of smaller players also operating in the zone. So you always have a leeway to capture those smaller players who are operating in the market.

There are increased demands towards sectors. There are a number of ssectors, railways, and other sectors which we were earlier not capturing, now we are capturing. And see, so the customer has to come to few , it can't be restricted to one or two because everybody had some delivery constraint, see, if I, if not everybody can comes to me, I will be having my delivery constraint or my capacity constraint. So it will be mixed bag always, I feel. So you won't be that much affected by two or three of the competitors.

Karan: All right, sir. Thank you so much and all the very best.

Moderator: Thank you. The next question is from the line of Harsh Mulchandani from KRIIS PMS. Please go ahead.

Harsh Mulchandani: Yes, sir. Thank you. First of all, congratulations on a great set of numbers always. You know, we've seen your performance is bang on. Wanted to understand a bit more on the export front. You know, while it's good to have diversified geographies, but why don't we double down in Europe and, you know, get a higher market share because you already have an entry over there?

This is my first question. And the second question is, what is the key breakthrough for us, which, you know, we can look to achieve in markets like US, Middle East, and Africa, like the backward integration was the key enablers for us in Europe. So what would be the key enablers for these newer locations which we are targeting?

Kunal Bubna: See, the intent on the side of export, I see it's not you can't fix yourself to any specific sector or any specific geography. The better the price you get, the better you step towards that. So that is the intent, basically. So definitely, if the prices are, we keep on getting higher prices, you can see a higher volume growth on the side of Europe also as compared to what we have achieved in this quarter.

So the intent is to cherry pick those orders wherein the margins and capabilities are coming on the higher side. And see, definitely, Europe, the backward integration was the key to increase on the front of Europe. But other part of the country, be Middle East, be US and Africa or other location, what we target, it will be number of SKU what we can serve will definitely help us to penetrate that. That will be the one of the sectors supplying the quality product and getting and having the requisite qualification to qualify for all those zones.

Harsh Mulchandani: Got it. Makes sense. Just one follow up question. Our market share would be negligible in Europe currently, right?

Kunal Bubna: Right.

Harsh Mulchandani: Okay, perfect. Thank you so much.

Moderator: Thank you. The next question is from the line of Pallav Agarwal from Antique Stock Broking Limited. Please go ahead. Mr. Pallav Agarwal.

Pallav Agarwal: Yes, hello. So I have a question on the other income. You know, so this quarter, it was higher than, significantly higher than the previous quarter. So any particular reason for this? And is this sustainable for the quarters going ahead?

Kunal Bubna: A slight bit of basically exchange gain and all, not much but.

Pallav Agarwal: Sure. Also, just on a question on the competitive scenario, because we've heard man industry is also probably venturing into the stainless-steel pipe segment. We've also seen Welspun Specialty also ramping up their production of both seamless tubes and bars as well. And there was recently news that Shyam Metalics also acquired, Mittal Corporation. So, what's the broader view on the competitive landscape going ahead?

Arun Kothari: Right now, Pallav, we have, right now we have heard about the MAN industry. Definitely MAN industry is expanding their capacity. But MAN industry will be expanding their capacity only in the seamless pipe segment. and they are putting up the extrusion mill, which is a very high capex intensive industry.

So in the seamless front, definitely competition will be there. Competition will be there, but due to Anti dumping is still there is a lot of, we can say, demand in the seamless front. There is a good demand in India or in the international also. The seamless pipe from India is well accepted in the, almost in the Europe market and other market also. Almost all the stockists and other players prefer to buy from India, but due to lack of capacity, they are not able to buy from India.

Or if any other player will come, the usage of the stainless steel is also growing. But if any new industry will come in this line of SS pipe, then again, the question of the approval will also arise. Because where to set up the plant and after approval, there is a long journey. If any new player is coming, so definitely they will take time or by the, we can say next two to three years.

Venus will be in different position or will be an established player in the SS pipe industry. Or we will be able to get almost all the approvals in the coming year. So Venus will be, our focus is to develop the core of critical product. We want to go in the critical product where high margin is there. So we are targeting next two, three years. We will develop the good product where we can get the consistent order. We can get the fixed buyer for the product.

Pallav Agarwal: Sure. And also, we will just throw some light on the US duty. So we are targeting the US market and a couple of other players also doing the same high margin products in the US. So what is the current level of anti-dumping duties and tariff barriers that are there in the US right now?

Arun Kothari: In US, there is two types of duty. In the welded front, there is some AD and CVD is almost 13%, which is applicable to all the suppliers from the internationally. Or especially they have some 25% special duty under section 232 for all the imports coming from all over the world.

So in the welded, because there is a very, because in the 25% duty of the section 232, some of the traders get the benefit in the seamless front because there is not much capacity of the seamless type manufacturing in the US. So they are getting exemption for the supply from India. They got the -- normally, they apply to the ministry in the US, then they got the exclusion for the duty stricter.

So in the seamless pipe, there is a good demand in the US, or same in welded front, due to their local manufacturers. After paying duty from the Indian product, whatever we supply from India, our products are competitively cheap compared to the US producer.

Kunal Bubna: But just on the nutshell, basis if you see, section 232 tariff is there on majority of the country, which, export to USA. But there are specific ADD and all which are there significantly high, on China. And also there are some section 301 duty in China, which make Indian good quite competitive as compared to China in US.

Pallav Agarwal: Yes. Okay. Thank you, Arunji.

Moderator: Thank you. The next question is from the line of Parth Bhavsar from Investec. Please go ahead.

Parth Bhavsar: Yes. Hi, sir. Thank you for the opportunity. And congratulations on good set of numbers. Sir, I had two questions. One, you mentioned that, on seamless and welded front, you are expecting approximately 50% incremental margin expansion from year on. So what would be like, over what period would can we achieve this?

Kunal Bubna: We, for seamless, we have started achieving those margins. And in case of welded, to a good extent, we had, but I think from next quarter, or first quarter of the FY'25, I think we might be probably achieving that.

Parth Bhavsar: Okay, so seamless, you're already doing that. And from Q1?

Kunal Bubna: Yes.

Parth Bhavsar: Okay. And the other question, this mother hollow pipe backward integration that we've done. So how much of seamless pipes can we, manufacture on the back of that?

Kunal Bubna: See, currently, the capacity is there to which can cater entire to a good extent to our current manufacturing. But as we said, we are further , we'll be starting 200 further metric ton by end of this financial year. So there would be a bit of gap in that. But if you see the anti-dumping, it is for up to 6 NPS size of pipe. Beyond that, there is no anti-dumping. So the left-over portion will be imported by uswherein the anti-dumping are not there.

Parth Bhavsar: Okay. Okay. Perfect, sir. Those are my questions. Thank you.

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

Nihar Shah: Yes. Good afternoon, sir. One small question on our guidance, which we had given earlier in quarter two call, which was 35% growth or FY'24. But in 9-months, we have seen around 54% growth. Are we looking at 55% mark for the entire year? Because historically, our quarter four is better.

Kunal Bubna: Yes, see, the guidance, I think, we have to do that only as compared to FY'23. It was in the range of 40% to 50% only. And I think we stick to that.

Nihar Shah: Okay. So 50% growth.

Kunal Bubna: 45% to 50%. Yes, year on year.

Nihar Shah: And years going ahead for FY'25 and ahead?

Kunal Bubna: See, FY'25, should be again a good year because many of the capacity would be utilized to a good extent. I believe the range bound of 30% to 40% from FY'24 if I compare.

Nihar Shah: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Saurabh Jain from SJ Capital. Please go ahead.

Saurabh Jain: Hello. Good afternoon, sir. Congratulations on a good set of numbers. So my question is regarding the market size of the SS pipes and tube industry in India. So what is the total market size as per you? And what is the market share?

Kunal Bubna: Yes, we don't have any perfect right figure because there are many of the players who are not listed in the geography too. But a tentative, what we have worked out, the annual demand of India is roughly in the range of 3 lakh tons, taking both seamless and welded. Welded should be in the range bound of 60% to 65% and balanced should be seamless.

Saurabh Jain: So how much that would convert into value terms?

Kunal Bubna: It can depend on sizes, prices, and grades and all roughly mix and all. But at least I think, at least more than INR10,000 crores roughly, I believe.

Saurabh Jain: Okay. Okay, sir. That's it, sir. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments. Over to you, sir.

Arun Kothari: I take this opportunity to thank everyone for joining the call. We will keep updating the investor community on a regular basis for incremental updates on your company. I hope we have been able to address all your queries. For any further information, kindly contact SGA, the investor relations advisor for your company. Thank you once again.

Moderator: On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.