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

E-Communication

MSL/SEC/SE/2023-24 **05 June 2023**

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Exchange Plaza, C-1, Block-G,
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Bandra (E), Mumbai-400051

Stock Code: 500265

Scrip Code: MAHSEAMLES

Sub.: Transcript of earnings conference call held on 29 May 2023

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find below the link of transcript of earnings conference call held on 29 May 2023.

Link to access above transcript is as under:

https://www.jindal.com/msl/pdf/Transcript-of-Conference-Call-Q4-FY23-Earnings-Call.pdf

You are requested to kindly take the same on record.

Thanking you,

Yours faithfully,
For Maharashtra Seamless Limited

RAM JI NIGAM Digitally signed by RAM JI NIGAM Date: 2023.06.05 22:39:29 +05'30'

Ram Ji Nigam
Company Secretary

Maharashtra Seamless Limited

Q4 FY23 Earnings Conference Call

29 May 2023

MANAGEMENT: MR. KAUSHAL BENGANI – DEPUTY GENERAL MANAGER, INVESTOR RELATIONS & FINANCE, MAHARASHTRA SEAMLESS LIMITED

MODERATOR: MR. VIKASH SINGH – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY23 Earnings Conference Call of Maharashtra Seamless Limited, hosted by PhillipCapital India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

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

Vikash Singh: Good evening, everyone. Welcome to Maharashtra Seamless Q4 FY23 con call. From the management side, actually, we have today with us Mr. Kaushal Bengani, Deputy General Manager, Investor Relations & Finance. Unfortunately, at the last moment, Mr. D.P. Jindal and Mr. Saket Jindal both had to travel. And unfortunately, they could not attend the call today. So today, from the management side, we have only Mr. Kaushal. Without taking any much time, I'll hand over the line to Kaushal. Kaushal, over to you, please.

Kaushal Bengani: Thank you, Vikash. Good evening, and thank you all for joining our earnings call. We have concluded a fantastic financial year, with highest-ever revenue, highest-ever dispatches and highest-ever profit. Our visibility has improved manifold, and we have successfully penetrated new markets with newer import substitution and value addition products. Our financials have also reflected this development.

I will briefly summarize key financial indicators. Quarter 4 FY23 was significantly better than quarter 3 FY23 as our revenue increased by 22%. EBITDA increased by 27%. PAT and EPS increased by 85% and 77%, respectively, from previous quarter. When we compare Q4 FY23 with Q4 FY22, even then it was significantly better. Our revenue increased by 16%. In this comparison, EBITDA increased by 60%. PAT and EPS increased by 172% and 156%, respectively, from corresponding quarter of last year.

On an annual basis, the performance has also rapidly improved. Our revenue increased by 42% on an annual basis. EBITDA increased by 72%. PAT and EPS increased by 12% and 11%, respectively, when compared to previous financial year FY22. ROCE in FY23 has also shot up to 21% from 13% in FY22. Please bear in mind that these percentages have been calculated after recasting our financials for previous year. Otherwise, these percentages would have been even higher based on previously reported financials of FY22.

Apart from financials, there are four key points, which we would like to draw attention to. The first is the amalgamation of United Seamless with Maharashtra Seamless. We received final order from NCLT Mumbai in March 2023 for this amalgamation. Consequently, financials of FY22 and FY23 had to be recast as approved appointed date of the amalgamation was 01 October 2021. As a result of this recasting, a deferred tax asset of INR 378 crores was created on 01 October 2021, which was the appointed date to incorporate carry-forward business losses and unabsorbed depreciation of INR 1,503 crores approximately.

In FY22, INR 264 crores was set off from profit. And in FY23, INR 954 crores was set off from profit, leading to a total set-off of INR 1,219 crores. Consequently, our total tax saving over two financial years was INR 307 crores approximately. The amount remaining to be set off from profit of FY24 is INR 284 crores, which will be done in the first or the second quarter of this financial year. We are also entitled to refund of INR 122 crores approximately on account of advanced tax TDS and TCS deposited in FY22 and FY23.

The second point that I would like to draw attention to is the issue of bonus shares and dividend, which was done in FY23. The bonus shares were issued in the ratio of 1:1, thereby doubling the equity capital of the company. This was done to improve liquidity and benefit our esteemed shareholders. In line with our commitment made earlier, we have maintained our dividend at 100%, thereby doubling the dividend paid out as equity capital of the company has also doubled.

The next point is regarding dividend policy. FY23 is the first financial year after a long time where we have successfully been able to simplify our corporate structure and improve operations simultaneously in a meaningful manner. The decision to amalgamate United Seamless with Maharashtra Seamless, which was taken by our Board, has been fruitful on various accounts, with record sales and profits.

We are at all-time highs with our cash reserves and order book. Therefore, at this point, considering numerous opportunities prevailing in the market, we want to consolidate our position with our improved balance sheet and will announce a dividend policy in due course. We remain firm on our commitment to use our cash balances judiciously and in core businesses only.

The next point is regarding our inclusion in MSCI. We've been made part of the Morgan Stanley Capital Invest India Domestic Small Cap Index from 01 June 2023. This type of recognition has been made possible by efforts from all stakeholders for which we are thankful. It gives us the right impetus and reaffirms that our journey has been and will continue on the right path.

I would now like to briefly take you through the presentation. The first slide talks about segments and capacities, which I'm sure all of you are aware of. The only point to note here is that we've actively been working on the installation of finishing facilities at United Seamless, which will enable us to utilize the existing capacity of 1 lakh tons per annum, and we expect this installation to be completed in FY24.

The next few slides talk about financials of the company, which I have already spoken about. On operational performance, we have dispatched 4,36,000 tons in FY23, compared to 3,58,000 tons in FY22 in the seamless segment, which is an increase of 78,000 tons in the past year. Our production too has increased by 75,000 tons. ERW segment has more or less performed in line with our expectations.

The EBITDA per ton has consequently gone up from INR 12,700 to INR 20,500, which is a significant jump and is reflective of the core operations -- the strength of the core operations of the company. The next slide is regarding the EBITDA mix. A point to note here is that the seamless segment accounts for 86% of the total EBITDA that is generated by the company.

ICDs remain on a declining trend. They currently stand at INR 78 crores. And in line with our commitment made earlier, these ICDs will be realized by March 2024. They have declined by almost 50% over the past year. Our liquid investments have increased by INR 388 crores, which is a 70% increase over the past year. And we are conserving our cash at this point in time so that we are able to consolidate our position in the market better with our improved balance sheet. We are net debt-negative to the extent of INR 784 crores. Corporate guarantees are reducing in line with the guidance given earlier, and they will be fully extinguished by September 2024.

Our order book has increased to INR 2,063 crores. We expect margins to remain steady based on current trend of seamless pipes prices. This is because our order book is supported by back-to-back booking of raw materials, leading to locking-in of margins and negating the impact of fluctuating raw material prices.

An important point to note regarding our order book is that our revenue in Q4 FY23 increased by 22% compared to the revenue in Q3 FY23. However, despite increase in revenue, our order book has also increased by INR 119 crores. That is from INR 1,944 crores in January 2023 to INR 2,063 crores currently. This is indicative of the buoyancy of the market and the frequency at which orders are being replenished.

There is a sales and marketing update on Slide 17. And trends in the market on Slide 18, which I would strongly urge all participants to take a few minutes out and go through as it will give them a good indication of where demand is coming from and where we are headed.

In our shareholding structure, as on 31st March, I'm pleased to inform you that promoter holding has increased. And in April and May 2023, we have had two marquee investors joining us, which would be reflected in greater details in next quarter.

I would now hand over back to Vikash and request him to open for questions.

Moderator: Thank you very much, sir. We have the first question from the line of Pratiksha from Aequitas. Please go ahead.

Pratiksha: Good evening. So my first question is basically, I wanted to understand what is the execution period for the order book that has been mentioned for both Telangana and the Maharashtra business?

Kaushal Bengani: Execution period is over four months.

Pratiksha: Okay. All right. And with the capex plan, I just wanted to understand how much of the capex is going to be incurred in this year and that will be towards which project?

Kaushal Bengani: Around INR 250 crores is expected to be incurred in FY24. For projects which has been given highest priority is the finishing line installation at United Seamless. The second project in order of priority is the cold drawn pipeline at Mangaon.

Pratiksha: Okay. So a total of INR 250 crores for this year, out of INR 800 crores?

Kaushal Bengani: INR 250 crores for this year. That is correct.

Pratiksha: Okay. And we've not seen any domestic orders in the order book for the seamless segment apart from ONGC orders. The domestic order book has not seen any movement, so any particular reason?

Kaushal Bengani: We have done a reclassification because ONGC order was significant as a percentage of total order book. We have bifurcated that. The remaining 45% of the order book comprises other domestic orders and exports.

Pratiksha: Okay. And what would be -- so -- okay. All right. That's it.

Moderator: Thank you. We have the next question from the line of Divya Daga from Vijit Global Securities Private Limited. Please go ahead.

Divya Daga: First of all, congratulations for such a great number. My first question is, sir, as I saw the PPT, there is a surplus cash that is liquid investment that we have in the long term and short term of INR 950 crores. How are we expecting it to utilize?

Kaushal Bengani: We've given out a capital allocation plan. And apart from that, we have doubled the dividend, which we have paid out. At this point in time, we are conserving our cash because there are various opportunities which are prevailing in the market. And we want to be in a position to consolidate onto those opportunities as our balance sheet is very strong.

Divya Daga: Okay. My next question is in rig segment. This quarter, we have a profit of INR 727 lakhs as against negative INR 2 lakhs in quarter 3. Is it sustainable? And what number are we expecting in next -- this financial year?

Kaushal Bengani: In the rig segment, we generate quarterly EBITDA of around INR 9 crores on a regular basis. However, there is a mark-to-market, which is done on the loan taken for the exchange rate, which is in US dollars. When dollar appreciates, our mark-to-market is negative. And when dollar depreciates, our mark-to-market is positive. So in this quarter ending March 23, there was a slight depreciation of the US dollar, which led to the positive mark-to-market, which reflects a higher profit. But this mark-to-market is notional, and there will be no actual cash outflow on account of this mark-to-market because inflows in the rig segment are also in US dollars.

Divya Daga: Okay. And what will be the number we can expect in FY24 in this segment?

Kaushal Bengani: INR 9 crores every quarter EBITDA. So it will be INR 36 crores EBITDA for the entire year.

Divya Daga: Okay. And in this financial year, we have an operating profit margin of around 17% to 18%. Are we having any guidance for FY24 regarding that?

Kaushal Bengani: We expect margins to remain good.

Moderator: Thank you. We have the next question from the line of Mangesh Kulkarni from Almondz Global Securities. Please go ahead.

Mangesh Kulkarni: Congratulations on a good set of numbers. I just wanted to know about this Telangana facility. Our existing capacity is 2 lakhs, and after finishing line installation, it will go up by 1 lakh, right?

Kaushal Bengani: No. Our existing capacity is to 2 lakhs, out of which we are able to utilize only 1 lakh tons.

Mangesh Kulkarni: Okay. So after...

Kaushal Bengani: So in terms of the finishing facility, we'll be able to utilize the existing capacity of 1 lakh tons, which is currently unutilized.

Mangesh Kulkarni: Okay, sir. And one more question regarding over this. You have said that since you wanted to conserve the capital for the growth opportunities, so are we looking at any inorganic growth opportunity in this?

Kaushal Bengani: Not immediately, but we want to maintain a position where if a suitable opportunity in NCLT arises, then we can capitalize on that. I would like to say that we had acquired United Seamless through the NCLT route, and we have reaped significant dividends for the company on account of that acquisition.

Mangesh Kulkarni: Yes, sir. I know that. So any other opportunities in NCLTs are currently there?

Kaushal Bengani: We are on the lookout for opportunities, but we would not want to specify names at this point because it is at a preliminary stage.

Moderator: Thank you. The next question is from the line of Ramanan V from MK Ventures. Please go ahead.

Ramanan V: Congratulations for an excellent performance. I had three questions all pertaining to margins. Now first is, of course, we have the order book. Again, as you said, it is definitely higher than what we saw in January. Now just to understand from a pricing perspective, this is kind of similar because we had almost a peak kind of margin in the fourth quarter. So from a pricing perspective, the current order book also reflects a similar kind of pricing and margin. That is the first one.

Second question is in terms of the EBITDA that we have seen also. It's gone up from INR 12,000 to INR 20,000-odd. Now is that -- what would -- what, according to you, would be a sustainable EBITDA margin over a longer period of time? Because we had a lot of headwinds -- sorry, we had a lot of tailwinds benefiting us in the current year -- the previous year. Now what would be a sustainable margin that we should look to going forward on that?

And lastly, of course, again, touching on this, we have a lot of capex, which are primarily by way of value adds, okay? And how much does that help to sustain or enhance the margins?

Kaushal Bengani: Thank you. On the order book, the component of ONGC and Oil India is 55% of total order book. Traditionally, ONGC and Oil India orders are higher-margin orders compared to other orders. So that is why we expect margins to remain steady going forward.

Regarding the EBITDA per ton increase from INR 12,700 to INR 20,500, we do not want to provide a specific number of the EBITDA per ton going forward, but we reaffirm that margins will remain steady and they will remain good.

The third point was regarding capital expenditure. We are putting in all efforts to ensure that the finishing line facility is installed at the earliest because that will help us to immediately double our production at United Seamless. So in the previous financial year, FY 23, we had produced and dispatched 88,000 tons in United Seamless. If we have a finishing line installed, then we'll be able to immediately double the production, which means that the EBITDA generated from that unit will also double, which will bring down overall cost and improve margins substantially after the finishing line is installed.

Moderator: Thank you. The next question is from the line of Ankur Agrawal from RC Wealth Solutions Private Limited. Please go ahead.

Ankur Agrawal: How much capacity utilization right now, where we are?

Kaushal Bengani: Sir, I cannot hear you.

Moderator: Excuse me. Yes, sir. Sir, I would request you to kindly use your handset, please?

Ankur Agrawal: Yes. I'm on handset. The capacity utilization, how much?

Kaushal Bengani: Sir, our seamless capacity is 4,50,000 at Maharashtra and 2 lakh tons at Telangana, out of which 1 lakh tons is currently being utilized. For the remaining 1 lakh tons at Telangana, we are in the process of installation of a finishing line, which will help us in utilization of the 1 lakh tons. On the ERW front, our capacity is 1,25,000 tons per year.

Moderator: Sir, the participant has left the queue. We move on to the next question, which is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: I mean are we sharing any FY24 guidance on the seamless and ERW volume separately?

Kaushal Bengani: We are not giving specific guidance on the volumes or margins of FY24. However, we can comfortably say that margins will remain steady and they will remain good. And on the tonnage front, we expect the tonnage dispatch to improve in the range of 5% to 10%.

Nirav Shah: Okay. On a blended basis, seamless plus ERW combined.

Kaushal Bengani: On the seamless front.

Nirav Shah: Okay. So you're saying 5%.

Kaushal Bengani: A range of 5% to 10%.

Moderator: Thank you. The next question is from the line of Pankaj Kumar from Alpha Capital. Please go ahead.

Pankaj Kumar: Congrats on a very good set of numbers. Sir, as per exchange disclosure, we are taking a maintenance shutdown at our Telangana facility. So will that impact our Q1 volumes and dispatches?

Kaushal Bengani: Thank you. The Q1 volumes will be impacted to some extent. But the facility at United Seamless is currently dispatching around 7,000 tons to 8,000 tons per month. So to that extent, we can see an impact on the tonnage. However, at Maharashtra Seamless, we will have consistent tonnage.

Pankaj Kumar: Got it, sir. And sir, on the tax benefit, we are getting tax benefit for the last two quarters. So what kind of should we assume for the future?

Kaushal Bengani: The tax benefit was on account of accumulated losses and unabsorbed depreciation, which were present in United Seamless. The amount of unabsorbed depreciation and accumulated losses, which remain as on 31st March 2023 is INR 284 crores.

Pankaj Kumar: So for the coming few quarters, we will be taking the benefit of this?

Kaushal Bengani: Over next one or two quarters, it will get fully absorbed and set off against the profit.

Moderator: Thank you. The next question is from the line of Dhruv Bhimrajka from JM Financials. Please go ahead.

Dhruv Bhimrajka: Sir, can you just share your views on the outlook with respect to the seamless division? Because we've seen that the outlook seems to be quite encouraging and even the order book seems to be increasing. So any view on where our order book would stand maybe by the end of this financial year by FY24? And also, if we can share that with respect to the macro outlook, are we seeing any stress on the pricing front?

Kaushal Bengani: Our order book is at an all-time high of INR 2,063 crores. Orders are being received on a daily basis, and they are being dispatched on a daily basis. We see no problem in the feasibility of orders or in pricing. Therefore, we expect a strong order book for the rest of the financial year.

Regarding macroeconomic trends or the efforts that we are putting in to ensure that our order book remains strong, I have detailed them in Slides 17 and Slide 18. And if you want, we can discuss them in detail off-line.

Dhruv Bhimrajka: Okay. And sir, just to ask, like add on to it. So if we are having such strong deliveries, then, sir, how can we improve our working capital cycle? Because we still have inventory days over maybe 120 days, 130 days. And overall, our working -- and our cash conversion cycle also seems to be on the higher side. So if you are having such kind of a scenario where our orders are being dispatched mainly on a -- I mean, as you mentioned, it's quite strong, then sir, where can we see the working capital cycle being improved to?

Kaushal Bengani: There is a reason for the working capital cycle to be the way it is. When we get an order, we immediately buy raw material for the order. The reason we do that is because we want to maintain our margins and prevent fluctuations in the margins on account of fluctuating raw material prices. So when you say that we have an order book of INR 2,063 crores, what that also means is that quite a large portion of that is already covered by raw material.

So against an order book of INR 2,063 crores, we have raw material of around INR 1,400 crores, INR 1,500 crores. And that is the model on which we operate, which ensures that we get stable EBITDA margins. If you look at our EBITDA margins over the past five quarters, then they have been -- consistently been between 17% to 19% in the past four quarters, and they've been 14% in quarter 4 FY22. So in order to maintain your EBITDA margins, we have to put in funds towards inventory, thereby making it a very capital-intensive business.

Dhruv Bhimrajka: Okay. And just on the last part, sir, as of now, as -- even the earlier participant also mentioned that we are having net cash on our books. And you planned the capex of over INR 1,000 crores in the next few years, I mean, approximately INR 2,000 crores. So with that, how are financial provision look like, if you can give some picture on that?

Kaushal Bengani: Capex is INR 852 crores. And the entire capex will be funded from internal accruals. There will be no debt of any kind, which will be taken to fund the capex.

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

Vignesh: Just sir, on this expansion that we have taken in Telangana, would it be right to say that I mean with the 10% -- 5% to 10% tonnage dispatch that you're guiding for FY24, a good chunk would be coming from Telangana considering you have decided to do a capex there? I mean you have got the traction, but you kind of supplied with the current facility?

Kaushal Bengani: In FY24, that will not be the case because in FY24, we will be in the process of installing and commissioning the finishing line. In FY25, we can see improved volumes on account of this finishing line.

Vignesh: What is the tentative time line for -- starting of the line in Telangana?

Kaushal Bengani: At this point in time, we expect it to be completed within FY24.

Vignesh: Okay. Right. My second question is on line of -- sorry. Yes, so what would be our total capex for FY24?

Kaushal Bengani: Around INR 250 crores.

Vignesh: Okay. And does that include the solar plant and that you're planning to install?

Kaushal Bengani: No, it does not include solar at this point. There are two projects which we are focusing on. The first is the finishing line installation at Telangana and the cold drawn pipes at Mangaon.

Moderator: Thank you. The next question is from the line of Mangesh Kulkarni from Almondz Global Securities. Please go ahead.

Mangesh Kulkarni: I just wanted -- Slide number 16 and 17, you have given very good outlook on the order -- means opportunities for our kind of business. So looking at this, what kind of order intake we expect in the year FY24?

Kaushal Bengani: We expect consistent order intake. So at this point in time, assuming we had unlimited funds, then we can take orders going into 2024 -- calendar year 2024. We can maintain that order book. But because we work in a disciplined manner and we want to utilize funds judiciously, when we take an order, we buy raw materials immediately so that our margins are locked in. There is no dearth of orders. There is no problem in visibility of orders. This is evident because our sales in quarter 4 increased by 22% compared to the sales in quarter 3. And our order book in January was at INR 1,944 crores, and currently, our order book is at INR 2,063 crores. So whilst, sales and dispatches have increased in the past quarters, our order book has also increased. This only indicates that the market is buoyant and there is good visibility of orders.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead. Mr. Kapoor, please proceed with your question. I have unmuted your line. As there is no response from the current participant, we move on to the next question, which is from the line of Amol Rao from Kitara Capital. Please go ahead.

Amol Rao: Sir, just a couple of questions. One is order book is at an all-time high. So just could share some color on if there is any more OCTG order in the order book? Because -- is this all primarily just driven by oil and gas, or is there some automobile or engineering order also, which is there in the book this time now?

Kaushal Bengani: We have orders from the boiler segment and from refineries as well. We also have some orders from certain entities, which are eventually used in general engineering. It is not entirely OCTG. Significant portion of the order book is ONGC and Oil India, and a large portion of the exports is OCTG products, but the balance, to a large extent, comprises boiler segment and general engineering.

Amol Rao: Would it be safe to assume that this is around 10% to 15% of the order book or slightly lesser?

Kaushal Bengani: It is more than 10% to 15%.

Amol Rao: Okay. Thanks a lot. Sir, one more question. I mean in this order book, I mean, specifically, is the quantum of exports a little lower than usual? And if it is, is it a conscious decision on our part to -- going or divert our capital towards taking orders from the domestic segments versus the export because export could be a slightly lower-margin product at the timely?

Kaushal Bengani: Yes, you're right on both counts. It is a conscious decision. And the reason why we took the conscious decision is because ONGC and Oil India have been long-time customers of Maharashtra Seamless, and we want to...

Amol Rao: No question about it. That's capital maximization. So we are not complaining. Lastly, just on a trend on a trend-wise basis in solar in the OCTG business. In the export markets, although, I mean, we supply primarily to the US, what are we noticing there? Is there any softness in the market, or is the market steady? Because the amount of risk hasn't moved much. But what about the demand part on the onshore segment, is that market steady?

Kaushal Bengani: Demand in the export market is steady in US and Canada. The rig counts have come down by 10 rigs or 12 rigs out of 750 rigs, 740 rigs. But that is a minor movement considering the total number of rigs which are operating in US and Canada.

Moderator: Thank you. We have the next question from the line of Pritesh from Lucky Investment. Please go ahead.

Pritesh: Sir, as a group, what are we doing for value creation in the separate companies? And are we sticking forward towards untangling all the costs investments that we have in the company, especially Maharashtra Seamless jointly owning some rigs with Jindal Drill? Any of those thought processes, sir?

Kaushal Bengani: We are in the process of simplifying our structure and we had started that process in 2019. Every year, we are undertaking either some large decision or some corporate action to assist in simplifying the structure and making respective companies more attractive for shareholders and investors. We are on that path. And we are consistently working towards it.

Even now when we gave these results, we have amalgamated United Seamless with Maharashtra Seamless, thereby reducing the number of subsidiaries. And if you look at financials of Maharashtra Seamless on a consolidated basis versus financials of Maharashtra Seamless from a stand-alone basis, you will now realize that there is practically no difference between these 2 financials. Almost everything is in Maharashtra Seamless, stand-alone.

So you are right, we are working on making our corporate structure more simple and more investor-friendly.

Pritesh: So now what remains in Maharashtra Seamless is, outside the pipes business, your interest in rigs? Or do you have any other interest as well?

Kaushal Bengani: We have a wind and solar division, a renewable energy division, which is largely used for captive consumption. So we have a seamless pipes segment. We have an ERW segment. We have a renewable energy segment, and we have a rig segment. On the rig segment, we had communicated earlier that after May 2025, we will take a decision on this. It will either be sold off or hived off depending on the situation prevailing at that point in time.

Pritesh: Sell off the rig.

Kaushal Bengani: Either that or hived off in May 2025, when the current contract of the rig expires.

Pritesh: Okay. What is the outlook that you shared on the drilling rig business in terms of the rigs that you have? What kind of -- are there any contract negotiations, contract repricing that is going to set in? What kind of revised rigs are you seeing on the rigs that you own, the Maharashtra Seamless rigs?

Kaushal Bengani: So the rig that is owned by Maharashtra Seamless, it was earlier deployed at a very low rate. And currently, it is deployed at $23,000 per day for Maharashtra Seamless. This rig is deployed onward with ONGC at $38,000. Day rate of rig Jindal Explorer, which is the rig which Maharashtra Seamless owns improved by 60% to 70% when the contract came for repricing in 2022.

Pritesh: When is the next repricing lined up for rigs?

Kaushal Bengani: May 2025.

Pritesh: Okay. So was repriced -- the repricing is already part of your P&L today?

Kaushal Bengani: Yes.

Moderator: Thank you. We have the next question from the line of Hemant, an individual investor. Please go ahead.

Hemant: Sir, congratulations on a very good set of numbers. Sir, I had attended the Q3 FY23 earnings call, on con call. There, I had asked for the revenue guidance for FY24. It was told to me that it will be updated in the next call. So any target which you have mind -- in which you have in mind for FY24 in terms of revenue?

Kaushal Bengani: Sir, we do not want to give revenue or margin guidance on a specific basis. However, we can say that considering the market is very good, our order book is also very good. We expect good performance on our part, and our margins are expected to remain steady. On tonnage front, we can comfortably say that in the seamless segment, there will be improvement in tonnage in the range of 5% to 10%.

Hemant: Sir, one more thing, maybe not for FY24. So we have a total capex of INR 850 crores – INR 852 crores exactly to be lined up until FY26. So what kind of asset turn will be -- you can -- or maybe what kind of incremental revenue we can have from INR 852 crores capex?

Kaushal Bengani: It depends on the kind of revenue -- sorry, it depends on the kind of expenditure which will be implemented at a certain point in time. However, in our slide, we have given line-wise bifurcation of the revenue improvement, which will take place on account of the capital expenditure.

Hemant: Okay. And I'll have a look. And one more thing...

Kaushal Bengani: Slide 14 of our presentation.

Hemant: Yes. Estimated annual return will increase by INR 800 crores. Yes. Okay. So sir, one more thing. As for the Q2 FY23 PPT, there was a target dispatch for FY23 of 4,70,000 metric tons, including both Maharashtra Seamless and United Seamless, 3,65,000 for Maharashtra Seamless and 1,05,000 for United Seamless. So together, it comes to 4,70,000. And I think we have missed the number. It's the 436 -- as I mean 4,36,000. So can you briefly explain what is the reason behind there?

Kaushal Bengani: The reason -- when that guidance was given, we had not expected to take preventive maintenance in one of our mills, in Maharashtra Seamless at Nagothane. So because of preventive maintenance, the mill was not manufacturing for one month, which led to a reduction in the quantity dispatched. However, please bear in mind that in the call for the first -- in the call for the fourth quarter of FY22, I had given EBITDA guidance of INR 895 crores for the combined United Seamless and Maharashtra Seamless entities. Against that INR 895 crores EBITDA guidance which was given, we have achieved INR 1,038 crores, which is an improvement of more than -- of around 15% in the given EBITDA guidance.

Hemant: Correct. Correct. Sir, one more thing. Whenever we have mentioned with the estimated annual turnover increases by INR 800 crores, I was -- I am just taking a look at the slide. So by what time line can we expect this?

Kaushal Bengani: Sir, the finishing line installation is expected to be completed in FY24. Once that is completed, then the next financial year, you will see an increase in turnover by INR 800 crores at least because we'll be able to utilize the entire capacity of 2 lakh tons, against which we are currently able to utilize only 1 lakh ton.

Hemant: So you mean to say that the activation of the installation of 1 lakh metric ton of United Seamless will increase the turnover by INR 800 crores at full capacity?

Kaushal Bengani: Yes, sir.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Kaushal Bengani, Deputy General Manager, Investor Relations & Finance, for closing comments. Over to you, sir.

Kaushal Bengani: I would like to thank all investors for taking time out of their schedule and participating in our call. We have been working to make our organization more investor-friendly, and we have been trying to do things which improve efficiency and profitability of the company, thereby increasing value for shareholders. We have doubled the dividend, which we've paid out. We have improved our reporting standards. To that line, we have also announced our AGM date of 28 August 2023, which is one month earlier than our usual AGM date, and we are consistently trying to improve to meet the expectations, and we will value feedback which we get. Thank you for joining us, and I'll see you again in the next investor call.

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