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E-Communication

MSL/SEC/SE/2024-25 **29 May 2024**

BSE Limited
25th Floor, P.J. Towers,
Dalal Street, Mumbai-400001

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block-G,
Bandra - Kurla Complex
Bandra (E), Mumbai-400051

Stock Code: 500265

Scrip Code: MAHSEAMLES

Sub.: Transcript of earnings conference call held on 22 May 2024

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find below the link of transcript of earnings conference call held on 22 May 2024.

Link to access above transcript is as under:

https://www.jindal.com/msl/pdf/Transcript-of-Conference-Call-Q4-FY24-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: 2024.05.29 17:01:45 +05'30'

Ram Ji Nigam
Company Secretary

Maharashtra Seamless Limited

Q4 FY24 Earnings Conference Call

22 May 2024

MANAGEMENT: **MR. KAUSHAL BENGANI - DEPUTY GENERAL MANAGER, INVESTOR RELATIONS AND FINANCE - MAHARASHTRA SEAMLESS LIMITED**

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

Moderator: Ladies and gentlemen, welcome to Q4 FY '24 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 at the end of the presentation. Should you need an 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 would now like to hand the conference over to Mr. Vikash Singh from PhillipCapital (India). Thank you, and over to you, sir.

Vikash Singh: Thank you, Manav. A warm welcome to everybody on Maharashtra Seamless Q4 FY '24 con call. From the management side, we have with us today, Mr. Kaushal Bengani, Deputy General Manager, Investor Relations and Finance. Without taking any much time, I'll give the call to Kaushal for his opening remarks. Over to you, Kaushal.

Kaushal Bengani: Thank you, Vikash. Good afternoon, and thank you, shareholders, for joining our earnings call. In FY '24, we have achieved highest ever EBITDA, highest profit after tax, highest EPS, and highest margins. This performance only reiterates the strength of our core operations as we've been able to achieve all of this despite lower production and sales. In FY '24, our order execution was strong, and we continue to improve upon our marketing initiatives so as to secure high-value orders. I will briefly summarize key financial indicators.

In FY '24, our revenue declined by 4%. However, EBITDA increased by 18% to INR 1,223 crores, PAT increased by 23% to INR 975 crores, and EPS increased by 23% to INR 73 per share. Our performance in terms of tonnage, revenue and profitability was lower in Q4 FY '24 versus Q3 FY '24 on account of a large size order, which was expected in Q4, but was delayed and received in second week of Q1 FY '25.

This led to lower tonnage being manufactured in Q4, which consequently led to lower revenue and profit. This timing mismatch should not have any longer-term impact as what could not be manufactured in the last financial year would now be made up in the current financial year FY '25. We have also actively taken steps in the previous quarter to ensure that our margin was not impacted despite lower production.

We've been able to control costs despite volatile macroeconomic environment and inflationary pressures. Apart from financials, there are five key points which we would like to draw attention to.

The first is the treasury. Our treasury is at INR 1,859 crores as on 31st March '24. The treasury level has almost doubled over the last financial year, even after large utilizations towards prepayment of debt and dividend were made. We are conserving this liquidity and will utilize the same judiciously.

Second, we've been included in various NSE indices from 28th March 2024, namely NIFTY500, NIFTY Small Cap 250 and NIFTY MidSmall Cap 400. Our FII and DII holding together has also gone up to 16% from 7% at the start of the year.

The third point is regarding ICDs and corporate guarantee. In line with the commitments made to shareholders two years ago, there are no ICDs to unrelated parties or corporate guarantees outstanding as on 31st March '24. We have come a long way from the time when this used to be the main cause of concern, and that has now been fully and completely resolved.

The fourth point is regarding dividend. The dividend amount paid for FY '22 was doubled for FY '23. Thereafter, the dividend paid for FY '24 was doubled again as dividend of INR 10 per share has been announced, subject to approval of shareholders against INR 5 per share for the previous financial year.

The final point is regarding market demand. I wish to reiterate that capital goods and infrastructure in general and oil and gas specifically continue to witness strong demand for the medium term. This directly impacts the seamless pipes market.

Our seamless pipes market remained strong, driven by capital expenditure and spending in oil and gas sector as we are seeing our order book being replenished and maintained at good level. Currently, our order book is at INR 1,753 crores, of which 60% is on account of ONGC and Oil India. I would now like to take you through the presentation very quickly. The first few slides of the presentation talk about the company.

The revenue for Q4 FY '24 was INR 1,259 crores. EBITDA was INR 276 crores with a margin of 23%. PAT was INR 223 crores with a margin of 18%. EPS was at INR 17 per share. On an annual level, we can see how the company has improved upon its performance from FY '21 to FY '24, and we keep going from strength to strength, subject to conditions of the market. The operational and financial indicators segment-wise primarily Seamless and ERW are given on Slide 8.

The EBITDA per ton for the Seamless segment was INR 21,619 and for the ERW segment was INR 11,803. We closed the year with an average EBITDA per ton for the Seamless segment of INR 25,793 and INR 7,315 for the ERW segment. EBITDA mix for Q4 was 76% on account of the Seamless segment. And for FY '24, 84% EBIDTA was generated by the Seamless segment. Generally speaking, this trend will continue going forward.

Slide 10 talks about the unquoted equity and preference share investments in ICDs. You will note that there are no ICDs as on 31st March '24 to unrelated entities. I've already spoken about the liquid investments, which are detailed on the next couple of slides. If individuals want an additional breakup, we can provide that to them separately. There is no corporate guarantee outstanding as on 31st March '24. The timeline committed to shareholders two years ago for complete discharge of all corporate guarantees was September '24. However, we have achieved this milestone six months ahead of schedule.

Slide 14 talks about the capital expenditure plans that we have. We have commenced our capital expenditure by purchasing land at our Telangana unit and placing orders for relevant machinery. The same is in process, and we expect to complete that within this financial year. We do not require any debt to fund any capital expenditure or working capital requirements as we have a treasury of INR 1,859 crores.

Details of order book are given on the next slide. Our order book is supported by back-to-back booking of raw materials, leading to locking of margins and minimizing impact of fluctuating raw material prices. We've also been able to dispatch some quantity of drill pipes in the fourth quarter of last year, and we continue to manufacture and dispatch drill pipes in current quarter as well.

The next three slides talk about the government policies in place and the sales and marketing update along with market trends, which I would request interested shareholders to kindly familiarize themselves with as that will give you an idea of where the demand is originating and how we are placed for the same.

Slide 19 talks about the shareholding structure as on 31st March '24. There was some creeping acquisition in the fourth quarter of FY '24 with promoter holding increasing to 68%. Number of FIIs and mutual fund schemes have also increased. That concludes the presentation, and I would now request Vikash to open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Tushar Raghatate from KamayaKya Wealth Management.

Tushar Raghatate: I just wanted to mention before that there are some higher value orders. So basically, what's the EBITDA per ton for those?

Kaushal Bengani: We cannot disclose that figure. However, margins for high-value orders by definition, would be more than the mean margin.

Tushar Raghatate: Fair enough. And sir, what that exactly like in Q3, you had INR30,475 of EBITDA per ton, now it's came down to INR21,619. So just wanted to know that.

Kaushal Bengani: I'm not sure how to respond to that. What is your question?

Tushar Raghatate: Basically, I just wanted to understand your target EBITDA per ton margin -- EBITDA per ton for FY '25 and '26 like how are you seeing that?

Kaushal Bengani: It is difficult for us to give you a figure of EBITDA margin per ton because we operate on short-cycle order books. Currently, our order book is at INR 1,750-odd crores, which is slightly less than four months. So on a four-month order book, I cannot give you margins which will fructify over next year or next couple of years. But what I can tell you is that margins are generally expected to remain above INR 15,000 per ton.

Tushar Raghatate: Fair enough, sir, that was helpful. And like considering your capex, like 41% of your total capex of the value is going in hot mill upgrade. And sir, when can we expect that to commercialize? Also the Telangana facility, finishing capex?

Kaushal Bengani: Yes.

Tushar Raghatate: Should I repeat the question?

Kaushal Bengani: Yes, because I thought you were cut off.

Tushar Raghatate: Fair enough. So I just wanted to know the hot mill upgrade. So it's nearly 41% of our total capex outlay. So when can we expect that to commercialize? And also the Telangana facility commercialization month?

Kaushal Bengani: The Telangana finishing line would be the first capital -- sorry, the first item of capital expenditure, which we would complete. And once that is done, then we would consider the hot mill upgrade.

Tushar Raghatate: Sir, timeline for the same?

Kaushal Bengani: Timeline for the Telangana is expected -- it has already commenced, but it is expected to be completed within this financial year.

Tushar Raghatate: Okay. And sir, INR 800 crores of revenue potential possibly utilized, right?

Kaushal Bengani: Yes.

Moderator: The next question is from the line of Aryan Sharma from B&K Securities.

Aryan Sharma: I have a couple of questions. So in the PPT, since sir, you have mentioned INR 852 crores of capex for FY '24 to FY '26, just wanted to get an understanding of a breakup of this capex. So how much has been spent in FY '24? And how much are we expecting to spend in FY '25 and '26?

Kaushal Bengani: Not much has been spent in FY '24 because the initial portion required acquisition of land which we have done, which was time-consuming, but did not require a significant amount. The second stage for the Telangana finishing line facility was identification of machinery, which took a longer period than we had anticipated. We've placed orders for those machinery, but payment has not yet been due. So in FY '24, a significant amount has not yet been spent.

I think for the Telangana facility, all of the expenditure will happen in FY '25 as we expect to complete it within this financial year.

Aryan Sharma: Okay, sir. And could you just quantify the total capex you're planning to spend in FY '25 and remaining in FY '26 outside Telangana, if you are planning on selling something else?

Kaushal Bengani: The Telangana facility is for INR 184 crores. So you can -- and some portion of that has already been spent in FY '24. So I think if you are modelling, then you can consider INR 200 crores capex for now. However, if that changes, we will update you.

Aryan Sharma: Okay. Sir, what is the export mix in the INR 700 crores order which we have received? And a couple of questions about export as well, why both have come down? And when are we expecting it to recover?

Kaushal Bengani: In the total dispatches in FY '24, exports were around 5% to 6% and exports have not yet revived. Whenever that revival happens, we'll immediately see an impact of that. However, in the last financial year, even though exports were at 5% to 6% of total dispatches, it did not impact upon our margins as domestic demand is very good, as is evident from our existing order book.

Aryan Sharma: Okay. Sir, also, since we have a new treasury amount, like you were mentioning the beginning of the con call and so we technically have a lot of liquid cash in hand. So what is the future capital allocation policy that we are maintaining and are any inorganic opportunities being evaluated right now?

Kaushal Bengani: We are utilizing the liquid investments judiciously. We've improved upon our dividend. We have doubled the dividend that we are going to pay for FY '24, subject to approval of shareholders. Apart from that, we are always on the lookout for inorganic opportunities in core business. However, none of that is available in India. Should a suitable opportunity come up overseas, we'll immediately capitalize upon that. Apart from these two points, the cash could be utilized towards capital expenditure.

Aryan Sharma: Okay. Sir, one more question about the margins. Sir, what we have seen that in FY '24 the overall margin we have earned around INR24 per kg in EBITDA -- EBITDA per kg is around INR24. But we have guided that the future EBITDA per kg will be lower than this, at around INR18 to INR20. So why are we expecting a lower EBITDA margin?

Kaushal Bengani: The EBITDA margin that we earned in quarter three of FY '24, was an exception of INR 30,000 per ton, which has happened maybe only once or twice in the past before Q3 FY '24, which led to an upward rise in the margin levels that we have earned in total in FY '24. In Q4, our EBITDA margin was at INR 21,000 per ton. What we are guiding is that margins will remain above INR 15,000. We are not saying that there will be a decline, but what we are saying is it is early for us to comment on long-term margins because we always work on short-cycle order books.

Aryan Sharma: Okay. Sir, one final question. Actually, in PPT, you have mentioned that the domestic market size for drill pipes is around 10,000 mt, and for subsea sour service seamless pipes to be at 35,000 mt. So how much of this market size are we targeting or to capture? And currently, in this scenario, how much is being supplied to import? What is the import market share in these two products?

Kaushal Bengani: We will target as much as is reasonably possible, but we already have a majority market share in both these segments.

Aryan Sharma: And sir how much is import currently? --

Kaushal Bengani: There are no imports. These are import substitution products.

Moderator: We have our next question from the line of Dhananjai Bagrodia from ASK Investments.

Dhananjai Bagrodia: Sir, just a couple of questions. How is the end demand market playing out right now? I know elections are done with. But overall, how are we seeing maybe focus how are we seeing in terms of inquiry going ahead?

Kaushal Bengani: There is no significant impact of elections for us, because the general elections were announced, and thereafter, we received a large order from ONGC of INR 674 crores. So we've not seen any impact of the elections on our business.

Dhananjai Bagrodia: So how are we seeing it now in terms of going ahead, maybe by end product -- end demand market by segment, how is that coming along?

Kaushal Bengani: What do you mean?

Dhananjai Bagrodia: Like how is the end demand right now, in terms of which segment are you seeing good growth in? And how is that coming? Any particular customers or anything along those lines?

Kaushal Bengani: We have an order book of INR1,750 crores. We are quite comfortable with that level order book.

Dhananjai Bagrodia: Okay. And that's executable in less than a year?

Kaushal Bengani: I'm sorry.

Dhananjai Bagrodia: That's executable over less than a year.

Kaushal Bengani: Three to four months. That is the level of order book that we like to maintain, and we have that right now.

Dhananjai Bagrodia: Sure. And maybe I missed this but sir, why is depreciation been going down in terms of our expenses, is it on WDV or how is that?

Kaushal Bengani: Certain assets have been fully depreciated. And the amount of depreciation charge that is required has been fully expensed out. Therefore, depreciation has reduced.

Moderator: The next question is from the line of Riya from Aequitas.

Riya: My first question is in regard to the maintenance shutdown, which we will take next year. So how long that would be? And when will we take it?

Kaushal Bengani: Most likely, we'll be taking a maintenance shutdown towards last week of May or first week of June. And it will be for a --

Moderator: Sorry, sir. We got the participant disconnected. Sorry, sir. Sorry about that. We have our next question from the line of Nikhil Agrawal from VT Capital.

Nikhil Agrawal: I just wanted to understand, billet prices are at a 1-year high. So how will it impact your margins in maybe Q1, Q2?

Kaushal Bengani: No. Billet prices are not at a 1-year high.

Nikhil Agrawal: They have increased significantly over the last two months.

Kaushal Bengani: Maybe that's a different kind of billet because the kind of billet that we use are round steel billets and the billets that you may be referring to are square billets, which we do not use.

Nikhil Agrawal: Okay. So how has been -- what has been the price trend in those type of billets?

Kaushal Bengani: There has been no significant move upwards in the price of round steel billets. And our order book is supported by back-to-back booking of raw materials. So that our margins are locked, and we are not impacted by fluctuating raw material prices.

Nikhil Agrawal: Okay. No, sir, because last year, our margins had gone up, I suppose, because billet prices had fallen down during the 45-day period between all the booking and the execution. So that's why I was -- that was the question.

Kaushal Bengani: No, not between order booking and execution.

Nikhil Agrawal: Between placing the order and the order booking, I guess, the 45 days.

Kaushal Bengani: No. Actually, the time period between submission of a tender and awarding of a tender.

Nikhil Agrawal: Yes, I meant that only.

Kaushal Bengani: In that period, that happens, so that is a very small component of everything. But whenever that happens, the impact will be seen.

Nikhil Agrawal: Okay. So that's not a concern for us right now since the prices you're seeing.

Kaushal Bengani: No, no, no.

Nikhil Agrawal: Okay. Okay. Got it. And sir, U.S. rig counts, they have gone down, but I can see that international rig counts have gone up as a whole. So like, are we looking to supply to countries other than U.S.? I mean, Canada has gone up, but are we looking to supply to countries other than U.S.?

Kaushal Bengani: We will only do that if we are able to get good margins in those orders because U.S. and Canada are our target export markets. We want to explore other markets but not at the cost of margin. Our objective is not maintaining presence in various markets. Our objective is to maximize profit per ton.

Nikhil Agrawal: All right. Got it. And sir, you said the maintenance shutdown will be during the last week of May or first week of June. But how long will that be?

Kaushal Bengani: One month.

Moderator: We have the previous participant connected with us again. The next question is from the line of Riya from Aequitas.

Riya: Also the large order, which we were talking about, what would be the volumes for these large orders, which are shifted to the next year?

Kaushal Bengani: The large order was the order from ONGC, which we received in the second week of April of INR674 crores.

Riya: Okay. I assume that was for the 11 months, right, that order?

Kaushal Bengani: Delivery is over a period of 44 weeks, so staggered, yes.

Riya: Yes. Okay. And did it reduce for this particular order, or the production was also less then it could be shifted to the next -- from April onwards?

Kaushal Bengani: We only manufacture once we get an order because only after we get an order is the order for raw material place and thereafter manufacturing starts.

Riya: Got it, sir. Also in terms of capex, we are saying that when will the capex be online? And how long do we think that time it will take for it to ramp up, the finishing line?

Kaushal Bengani: The Telangana finishing line has started and -- the capex for the Telangana finishing line has started, and we expect to complete that within this financial year. Once the installation of the line is completed, we can immediately ramp up production. So we expect volume growth to take place in FY '26.

Riya: Okay. So next year, there will be no addition from the capex side.

Kaushal Bengani: Not on the Telangana finishing line, because that would have been completed.

Moderator: The next question is from the line of Simarjeet from Almondz Financial Services.

Simarjeet: Sir, I just want to understand one thing. What can be the peak revenue one can expect from the Telangana unit once it will be fully positioned in FY '26 or by FY '27? And will this Telangana unit be margin accretive? Or you will have that sort of similar margins which we are having from others?

Kaushal Bengani: Right now, we are generating between INR800 crores to INR900 crores of revenue from the Telangana unit, but it is operating at 50% of its capacity because the remaining 50% is not being used as there is a bottleneck on the finishing front. Once the finishing line has been installed, then we can expect revenue to go up to INR1,600 crores, INR1,700 crores on an annual basis from the Telangana unit. Subject to selling price being maintained and sufficient market demand being in place and all of those other factors.

Simarjeet: Okay. Sir, are we having any plans for the pipes for the hydrogen market, something like that in our mindset, or no?

Kaushal Bengani: We are discussing that, but it is too early to make any definitive comment on that, but that has been discussed. That's all that I can say right now.

Moderator: We have our next question from the line of Prolin Nandu from Edelweiss Alternative Asset Advisors.

Prolin Nandu: So I have a couple of questions, right. One is, again, as you mentioned that INR15,000 could be the floor in terms of EBITDA per ton when it comes to seamless pipe and there was a one-off or one type of product in Q3. Now if we talk about the mix, right, I mean you have a few types of pipe, there is subsea pipe, there is drilling pipe, there is CNG pipe.

So what is the range of EBITDA per ton for these different types of pipes that we have? And how much of a mix change going forward in FY '25, FY '26 can lead to the upward movement in EBITDA per ton? And will this, again, EBITDA per ton change significantly once most of our capex has been done?

Kaushal Bengani: I cannot give you product-wise EBITDA per ton. Once all capex is done, there will be higher profit and higher value addition products being manufactured. That is the whole purpose of doing capex.

Prolin Nandu: But if you can at least rank which would be the highest EBITDA per ton category within these three,4 categories that we supply. I don't want the absolute number. The ranking will also help me to understand how our EBITDA per ton will move going forward.

Kaushal Bengani: I cannot do that. We have disclosed more than what our competitors do. I think you should refer to our presentation.

Moderator: We have our next question from the line of Pradeep Rawat from Yogya Capital.

Pradeep Rawat: So sir, do you see any new capex being announced in the seamless tube market?

Kaushal Bengani: I'm given to believe that one of our competitors has announced capex, how much that would be and what impact it will have on the tonnage front, I don't have that information.

Pradeep Rawat: Okay. Okay. And with respect to the ISMT turnaround as well as increasing our own utilization at United Seamless, sir do you see these ramp-ups to create a situation of oversupply in the industry?

Kaushal Bengani: No, no, no.

Pradeep Rawat: Okay. So my next question is regarding the dumping. So sir, with respect to dumping, do you see any kind of dumping in any of the product lines related to seamless pipes?

Kaushal Bengani: In a few segments, which are not covered by the antidumping duty in place.

Pradeep Rawat: Okay. And if ever these antidumping duties are lifted, so the Indian producers are competitive enough to compete against the foreign producers?

Kaushal Bengani: Yes. We are one of the lowest cost manufacturer. But unfortunately, Chinese dumping exists, and we have to fight that.

Pradeep Rawat: Yes. So we were lowest cost producer earlier also, or we just became right now?

Kaushal Bengani: No, earlier as well because of inherent advantages that are present with Indian manufacturers in terms of access to cheap labour and access to plant and equipment, which are not purchased at full price. All of those benefits of depreciation and interest and human capital do add up.

Pradeep Rawat: Yes, Understandable. And my last question was regarding the cash that we have. So we have a planned capex of around INR800 crores, and we have in treasury around INR1,800 crores -- INR1,900 crores. So what are we planning to do with the rest of the amount?

Kaushal Bengani: We are conserving cash, and we will use it judiciously. As I mentioned earlier, if there are any inorganic opportunities available, which there are not right now, if they do come up, then we will capitalize immediately.

Pradeep Rawat: So sir, if we do spot any inorganic opportunity, so where are we planning to spend those cash in organic front? Like can you give a broad sense of idea?

Kaushal Bengani: We've already announced capital expenditure. We have doubled the dividend that was given last year and then yesterday, Board has announced that it will double the dividend which it paid last year. So essentially, over the past two years, we have quadrupled the dividend amount, which would be paid out subject to approval of shareholders.

And we want to invest in core business only, where that will be and when that will be and how much that will be, will be communicated in due course when all of that materializes. But as of now, we've told you all that we know.

Moderator: We have our next question from the line of Chetan Doshi from Tulsi Capital.

Chetan Doshi: I have a couple of questions. One is in the presentation; you have mentioned that we have successfully dispatched the entire order of subsea sour service seamless pipes. Can you just tell me what quantity in value -- in terms of value, how much we have dispatched and when it was dispatched? So customer is satisfied with the performance of this particular product. And I suppose it is an import substitute. So what future you've foreseen particularly in this segment in coming days?

Kaushal Bengani: I cannot tell you the quantity, and I cannot tell you the amount. I can tell you that the customer is satisfied, and we are getting regular orders.

Chetan Doshi: Repeat order has already been placed for this particular product?

Kaushal Bengani: Yes, yes.

Chetan Doshi: And so in current financial year, what is your target for this particular segment?

Kaushal Bengani: Getting as much orders as possible, but we already have majority in this segment.

Chetan Doshi: Okay. You have no competition as far as this product goes in as far as India is concerned?

Kaushal Bengani: No, we have competition, but we already have majority.

Chetan Doshi: Major stake is with you?

Kaushal Bengani: Yes. This is an import substitution product, sir.

Chetan Doshi: Yes, that is true. Are you planning to -- the capacity is sufficient or you're planning to invest something in particular this product line?

Kaushal Bengani: Sir, we don't have to necessarily invest in the product line, but the capacity expenditure -- sorry, the capital expenditure plans that we have announced they will cover all sorts of value addition products.

Chetan Doshi: So a specific plant is not required to manufacture this particular product?

Kaushal Bengani: No, no. Because even in our current facilities, we are manufacturing this.

Moderator: The next question is from the line of Rakesh Roy from Boring AMC.

Rakesh Roy: My first question, can you share the realization part for Seamless and ERW for this quarter and last quarter, same to last year?

Kaushal Bengani: We do not share realization figures.

Rakesh Roy: Okay. And any broadly idea how much is there nearby?

Kaushal Bengani: No.

Rakesh Roy: Okay. And sir, just you said you have the INR 1,800-plus crores cash and you have INR 800 crores capex plus dividend increase. And you said you are looking for inorganic growth acquisition. In which geography you're looking for acquisition or any company that -- which geography you are mostly focused?

Kaushal Bengani: Earlier, we were looking within India. We were looking to acquire one of our competitors, but that did not happen. We were looking at United Seamless, and that happened successfully. We can look at any geography as long as the equipment is as per our requirement and the cost of the equipment is also as per our requirement. Geography is not so important for us because we have the ability to dismantle equipment overseas, pack them into boxes, ship them to India and assemble them and commission them within India.

Moderator: We have our next question from the line of Afzal -- is from the line of Richa from Equitymaster.

Richa: My question is...

Moderator: Sorry to interrupt, Ms. Richa, we are unable to hear you. Can you please use your handset.

Richa: Is this better?

Moderator: No. You're sounding very low.

Richa: Actually, I think this is a...

Moderator: Ms. Richa, I would request you to rejoin the queue as we are unable to hear you. We have our next question from the line of Aashav Patel from Molecule Ventures.

Aashav Patel: Congratulations to the entire team for successfully turning around the balance sheet on all the corporate governance targets which we have given in the past. Sir, my question -- first question is that our Seamless EBITDA per ton is down from close to INR 30,000 range to INR 22,000 range. I understand you can't give the specifics. But can you please guide us whether this was due to RM, raw material cost push which we had to take an expense in this quarter? Or was it really due to realization softening?

Kaushal Bengani: In Q3, there was a slight timing mismatch between the time the tender was submitted and the time at which the order was awarded. During that time, prices of raw material fell, which meant that we were able to generate higher margins. The margins that we generated in Q3 FY '24, they were on a higher side. And in Q4, we have corrected and come down to INR 21,000 per ton.

Going forward, we expect margins to stay upwards of INR 15,000 per ton. The reason why I cannot give you specific guidance is because we have short cycle order book of three to four months, and we expect margins for the entire year to stay above INR 15,000.

Aashav Patel: Fair enough. Fair enough. And sir, second question would be that given that coking coal has corrected meaningfully in the last six months, it is down from close to above 325 levels to 235 levels. So do we expect some -- given the lower price procurement, do you expect margin improvement a couple of quarters down the line?

Kaushal Bengani: As most of our orders are backed by raw material purchases, we don't expect significant impact of changes in raw material prices but if there is a timing difference like that happened in Q3, we will be beneficiaries of that.

Aashav Patel: Got it, sir. Sir, last question, what is -- why our ERW segment EBITDA per ton increased meaningfully by 85% quarter-on-quarter?

Kaushal Bengani: The ERW segment is actually a blend of two sub-segments. ERW pipes are supplied to the oil sector and to the water sector. Oil sector orders are more margin accretive than water sector orders. In any given quarter, the margin that is reported for the ERW segment is a blend of these two sub-segments, whichever type of segment is serviced more in that quarter will determine how the margin plays out. Generally speaking, ERW margins are expected to be between INR 6,000 to INR 11,000 per ton, depending on the kind of product that has been dispatched in the given quarter.

Moderator: We have our next question from the line of Saket Kapoor from Kapoor & Co.

Saket Kapoor: Sir, do we have Mr. Jindal also on the call? I joined very late, so I missed your opening remarks.

Kaushal Bengani: No.

Saket Kapoor: Okay. So sir, you were talking about this preventive shutdown in our mills for -- happening for one month. So how will this affect our volume for the year? I think during an earlier conversation you were mentioning about that impact be negated if you could just complete that part of the answer.

Kaushal Bengani: In Q1 FY '25, we will be taking preventive maintenance shutdown in one of our mills. It will most likely be either in last week of May or first week of June. It will be for a period of one month. That is one aspect, which will lead to lower production in the first quarter of FY '25. We are also parallelly working on capital expenditure for our Telangana facility and installation of the finishing line.

If the installation of the finishing line is completed before the end of this financial year -- the current financial year, then we can see higher production in the Telangana unit. If that happens, then the loss in production in the first quarter will be negated by the increase in production at the Telangana unit towards the end of FY '25, that is the option which I was proposing. If that does not happen, then there will be loss of production in FY '25 compared to the production in FY '24.

Saket Kapoor: And what should be the percentage that we should look in loss of tonnage on a ballpark number, if we do around one lakh ton in a three-month basis, so INR35,000 to INR40,000 or should be a good number we should work out?

Kaushal Bengani: You're talking about the loss of production? So I think the loss of production in the June quarter -- the current quarter would be around 15,000 tons.

Saket Kapoor: Okay. Sir, as you mentioned about the demand outlook, you mentioned that there is no impact of elections. These are not the factors that will drive the prices and the demand. That is the understanding that since we are -- why I'm putting this question is that we are sir, today, 45 days into this quarter, we are on 22nd May and as you have given us the order book as on 15th May, that stands closer to INR1,750 crores -- INR1,770 crores. So if you could give us some more color how has the dispatches or the ballpark number being when we compare March quarter exit run rate to our 45 days into this quarter?

Kaushal Bengani: I don't think that would be appropriate because we have never done that in the past. We've never given guidance of dispatches completed within 45 days. We do not share monthly operational update. But the only thing that I can tell you for this quarter, which is the most material and most relevant since we are halfway into the quarter is that there will be a preventive maintenance shutdown, which will lead to loss of production of at least 15,000 tons.

Saket Kapoor: Right. Sir, now a point about this ONGC order part, which our earlier participant Riya ma'am also spoke. In the press release part, it was mentioned that the deliverables will be dispatched over a period of 44 weeks. That works out to around 11 months. Wherein you alluded to the point that our order book's total executable period is four months. So, if you could explain sir, what are you trying to?

Kaushal Bengani: So, it's a good point that you have raised. So order book as such is for a period of four months. If you consider that everything is manufactured within a period of three to four months by prorating the sales that you do over the year over a period of -- over the value of the order. In this particular case, the order from ONGC was split into two segments.

So the initial segment is what we would have received in the fourth quarter of last financial year, which would have led to higher production and the balance portion would then be manufactured in FY '25. However, that did not actually happen. The entire order was received in FY '25.

Saket Kapoor: Sir, I still did not get -- if we take INR674 crores as the size and the execution period of 44 weeks, will this order get executed within the coming four months? Or will it percolate to the entire financial year, because 11 months from April, means --

Kaushal Bengani: This order will get executed in 44 weeks. A certain portion of the order was supposed to be executed in a shorter time period and not 44 weeks because 44 weeks is the entire time limit that ONGC gives us for execution of this order. When we have to execute is something which is decided by ONGC. So we were expecting this order to come in earlier in the previous financial year, that did not happen.

Saket Kapoor: Sir, you mentioned about the...

Moderator: Sorry to interrupt Saket sir. We would request you to rejoin the queue as there are several participants waiting. We have our next question from the line of Radha from B&K Securities.

Radha: Sir, I wanted to understand, you mentioned that U.S. and Canada are key markets for exports. So what is the market size for seamless pipes in U.S. and Canada? And also if you could tell about what is the global market size and how much is China out of it?

Kaushal Bengani: Market size in U.S. and Canada is very big. Almost all seamless pipe manufacturing countries want to export to U.S. and Canada because of the amount of drilling activities that take place. People also want to export to the Middle East, but we do not export to the Middle East because of presence of China.

Generally speaking, the size of the entire seamless pipe market would be around 10 million tons. Although it is difficult to verify this figure because there are capacities in China, which are not documented and in other geographies, which are not documented in a concise manner by any one entity. I hope that answers your question.

Radha: Yes, sir that was very helpful. Just a ballpark number gives us a sense. And China would be 40% to 50% of this 10 million tons?

Kaushal Bengani: I don't have data on the basis of which I can make that statement. But China does have large capacities.

Radha: And sir, I believe Russia is one of the key players, and there's one large group -- Russian group making seamless pipes. So other than that, when we are exporting to U.S. and Canada, who would be our key competitors. And also, just a bit of any kind of indication of what could be the market size of U.S. and Canada.

Kaushal Bengani: I don't have the market size. I think you have access to more databases than I do. So maybe you will have that information if you look for it. In terms of competitors, international competitors are ArcelorMittal, JFE, Tenaris, TMK. Jindal Saw is also a competitor in the international market. Vallourec is a competitor. I've given you six names.

Radha: And sir, Europe has an antidumping duty from China, but not for India. So are we also exporting to Europe?

Kaushal Bengani: Very small quantity.

Radha: So any plans to increase or any opportunity that we can see in the near term?

Kaushal Bengani: Our key markets remain U.S. and Canada because we do not want to export at the cost of margins. Our objective is to increase margin per ton, maximize it and not try to maintain presence wherever we can.

Radha: Then why do you see better margins in the U.S. market versus Europe market currently and when do you expect the exports -- sorry?

Kaushal Bengani: Because customers are willing to pay higher prices.

Radha: And when do we see the export market to revive, sir?

Kaushal Bengani: We hope it does as early as possible, but that has not happened in the last financial year.

Moderator: Ladies and gentlemen, that would be the last question for today due to time constraint. And I would now like to hand the conference over to Mr. Vikash Singh for closing comments. Over to you, sir.

Vikash Singh: Thank you. On behalf of PhillipCapital, I would like to thank Maharashtra Seamless and Kaushal for giving us the opportunity to host the call. Kaushal now over to you for any closing remarks.

Kaushal Bengani: Thank you, shareholders, for joining us on this call. I can sense from the kind of conversation that took place that some disappointment is evident. But please bear in mind that we are a company that has been a market leader for the past 35 years. And one quarterly result, which is lower compared to the previous quarter should not discourage shareholders. Because if you look at our performance on an annual basis, we have improved significantly.

We have addressed numerous corporate governance issues over the past two to three years. We have remained true to our commitment of addressing at least a couple of issues within the given time period. In fact, these were the only two issues on which we gave specific time period, and we have been able to do that, namely the ICDs and the corporate guarantee.

On the dividend front, we have quadrupled the amount of dividend paid over the past two years. Finally, our cash balance is at an all-time high. Our margins are exceptionally good. We would only urge you to stay connected with us and keep tracking us because we are market leaders at the end of the day, and we will continue to be market leaders.

I thank you again for your valuable input. And I would also like to thank Vikash for covering Maharashtra Seamless for so many years and organizing these calls. Thank you, Vikash, and thank you, shareholders.

Vikash Singh: Thank you, Kaushal.

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