



SEAMEC LIMITED

A member of **MMG**
METAL GROUP

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SEAMEC/BSE/TRANSCRIPT /SMO/0406/2024

June 04, 2024

**BSE Limited
Phirojee Jeejeebhoy Towers,
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Mumbai - 400001**

Trading Symbol: 526807

Sub: Transcript of Investors/ Analyst Earnings concall held on May 29, 2024

Ref:

- a. Regulation 30 (read with Schedule III -Part A) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations')
- b. ISIN: INE497B01018

Dear Sir / Madam,

In accordance with Regulation 30 read with Schedule III of the Listing Regulations, this is to inform you that the transcript of the concall organized and held on Wednesday, May 29, 2024, in relation to the Audited Financial Results of the Company for the quarter and year ended March 31, 2024 (Q4 FY24) is hereby enclosed.

The same will also be available on the website of the Company at: <https://www.seamec.in/>

Kindly take the information on record.

Yours Faithfully,

For **SEAMEC LIMITED**

S.N. Mohanty
President - Corporate Affairs, Legal and Company Secretary

Please visit us at : www.seamec.in





“Seamec Limited
Q4 FY '24 Earnings Conference Call”

May 29, 2024



MANAGEMENT: **MR. NAVEEN MOHTA – WHOLE TIME DIRECTOR – SEAMEC LIMITED**
MR. VINAY AGARWAL – CHIEF FINANCIAL OFFICER – SEAMEC LIMITED
MR. S. N. MOHANTY – PRESIDENT - CORPORATE AFFAIRS, LEGAL AND COMPANY SECRETARY – SEAMEC LIMITED
MR. SUNIL GUPTA – VICE PRESIDENT-STRATEGY AND HEAD INVESTORS RELATIONS – SEAMEC LIMITED

MODERATOR: **MR. BALASUBRAMANIAN – ARIHANT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY '24 Earnings Conference Call of Seamec Limited hosted by Arihant Capital. 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. Balasubramanian from Arihant Capital. Thank you and over to you, sir.

Balasubramanian: Thank you, Michelle madam. I am Balasubramanian from Arihant Capital. Hello and good afternoon everyone. On behalf of Arihant Capital, I welcome you to the Earnings Call of Seamec Limited for Q4 FY '24. From the management side, today we have Mr. Naveen Mohta, the Whole-Time Director, Mr. Vinay Kumar Agarwal, the CFO, Mr. S. N. Mohanty, President, Corporate Affairs, Legal Services and Company Secretary and Mr. Sunil Gupta, Vice President, Strategy and Investor Relations. We welcome the management of Seamec Limited on this call.

Now I invite Mr. Naveen Mohta, Whole-Time Director, to give his opening remarks following which we will open the floor for Q&A. Over to you, Mr. Naveen Mohta, sir.

Naveen Mohta: Good afternoon everyone. On behalf of Seamec, I extend a warm welcome to all the participants on our earnings call for the fourth quarter and FY '24. I am accompanied by my team, Mr. Vinay Agarwal, our CFO, Mr. Sunil Gupta, Vice President, Strategy and Investor Relations. Before I start with this business update, I would like to briefly introduce the company to all the participants who are looking at the company for the first time. We are a leading offshore oil field service provider in the subsea segment, operating five diving support vessels, one barge in the offshore subsea support business with deployment in both domestic and international market. In the fourth quarter of '24, we achieved several significant milestones.

We acquired the offshore support vessel Seamec Diamond for USD7 million, completing the takeover on January 2nd, 2024. This vessel is expected to be deployed with ONGC from the first quarter of '25 for a period of three years at a rate of USD8,750 per day. We also entered into an agreement to purchase the offshore support vessel Seamec Pearl for USD7 million, with delivery expected by June 22nd, 2024.

This vessel is anticipated to be deployed with ONGC from the second quarter of Financial Year '25 for a period of three years at USD8,750 per day. Additionally, we sold Seamec Nidhi for USD10.5 million, completing the deal on April 6th, 2024, and delivering the vessel in Singapore. Seamec International Free Zone Enterprises has entered into an MOA for the purchase of MSV NPP NUSANTARA, effective from April 26, 2024, with delivery expected around mid-September 2025.

Our revenue growth is driven by the addition of DSV Seamec Swordfish and Seamec Glorious Barge, coupled with an increase in EPC contracts. EBITDA has increased due to these new

additions and the higher deployment rates of the other vessels. Improved EBITDA margin reflects both new acquisition as well as higher deployment rates in the financial year '24 compared to the financial year '23.

Our company has extensive experience in providing specialized services, including inspection, maintenance and repairs, remotely operated vehicles and subsea construction activities. These operations require specialized vessels and well-trained crew, with a diving team experienced in handling complex activities to ensure seamless operations for E&P companies such as ONGC, Aramco and ADNOC.

Additionally, we have two bulk carriers under our subsidiaries that provide marine transportation services for dry bulk materials such as food staples, commodities and industrial products. With our strong financial health and current fleet, we are fully prepared to seize all forthcoming opportunities in inspection, maintenance and repairs, as well as subsea activities.

We aim to consolidate our vessel assets under Seamec over the next few years, a strategic move poised to drive significant growth for our company, bolstering our market position and enhancing long-term sustainability. During the quarter, all our six vessels were deployed, resulting in strong financial performance. We expect this growth momentum to continue.

With this I will now request my colleague Mr. Vinay to share the financial performance.

Vinay Agarwal:

Good afternoon. Thank you, Naveenji. A heartfelt welcome to all the participants joining us for today's Q4 FY '24 Earnings Call. Let me take you through the stand-alone financial performance for the quarter. Revenue is up by 103% to INR234 crores compared to INR115 crores in Q4 FY '23 and up 14% as compared to INR205 crores in Q3 FY '24.

The revenue has increased on account of higher deployment days for a total combined 521 vessel days during the quarter as compared to 421 vessel days in Q4 FY '23 and 452 vessel days in Q3 FY '24 and higher revenue on Seamec III and Seamec Princess, which are on EPC contract as compared to Q4 FY '23 and increasing day rate for Seamec Swordfish.

EBITDA on a standalone basis for the quarter stood at INR105 crores compared to INR24 crores of Q4 FY '23, registering a healthy 337% growth year-on-year basis and compared to INR94 crores in Q3 FY '24, registering a 12% growth on a sequential basis. The growth is led by higher utilisation and improvement in charter hire rates.

EBITDA margin in the third quarter stood at 44.7% compared to 20.8% in Q4 FY '23 and 45.8% in Q3 FY '24. Profit after tax on a standalone basis for the reported quarter is INR75.9 crores compared to loss of INR1 crores in Q4 FY '23 and profit of INR63.2 crores in Q3 FY '24. There has been a drop in profitability on consolidated levels in major reasons for which are as under.

Inter-company interest charged by Seamec from overseas subsidiary INR9 crores. One-time expenses pertaining to Seamec Nidhi in FZE our wholly owned subsidiary in Dubai on contract closure INR6 crores. Depreciation and financial expenses in overseas entities INR8 crores. Our gross debt is INR234 crores and net debt is INR34 crores at the end of the quarter.

Currently our ROCE is 17% and ROE is 21% for the year. With this I now request the moderator to open the house for question and answer session. Thank you.

Moderator: Thank you very much sir. We will now begin the question and answer session. The first question is from the line of Bhalchandra Vasant Shinde from Kotak Life. Please go ahead.

Bhalchandra Shinde: Hi sir. If you can provide some insights on how the day rates for the vessels has been and how much more improvement we can expect over the next one year in all our vessels.

Naveen Mohta: Hi Bala. So on this rate front, the charter rates as I also mentioned and my colleague Mr. Vinay has also mentioned giving the reason for the increase in EBITDA level. So over -- compared to last year we have seen prices forming up which are giving us an advantage and I foresee this trend to continue for next two-three years definitely. But again it all depends upon how many vessels are available to take that advantage for the spot market because we are having a mix of long term contract as well as short term contract also.

So it all depends upon how many vessels at that point of time are available to take that benefit. But yes, market is going to be firm for next two-three years.

Bhalchandra Shinde: In cash flow I noticed we have given one loan to subsidiary. What loan it will be to subsidiary? It's around INR180 crores I think?

Vinay Agrawal: This loan we have given to our UK subsidiary and we are in the process of opening our global office there in London. For that we have acquired some property. For its funding we have provided that term loan.

Bhalchandra Shinde: Okay. Is there any vessel we are planning to buy or just office asset which we are buying?

Naveen Mohta: No, it is going to be the global office. We will be operating from there. That is the plan for the company so that we can reach to the North Sea market and overseas area from that office because it will be easier to connect with the E&P company operating in that area from London. So that is why this decision has been taken.

Bhalchandra Shinde: Okay. Got it. I will come back for the further questions.

Naveen Mohta: Sure.

Moderator: Thank you. The next question is from the line of Gaurav Agrawal from Nine One Capital. Please go ahead.

Gaurav Agrawal: Hi sir. Congratulations on good set of numbers. Sir, how do you see next year, on a standalone basis for FY'25, how do you see the year for yourself?

Naveen Mohta: Yes, Gaurav. As we have been mentioning and even our result also is showing that there is a healthy upward trend over there and we have been maintaining even during our earlier investor call also. We definitely are looking at a CAGR of around 15%-20% on per annum basis. So that is what we are looking at and we are reasonably sure of achieving that thing.

Gaurav Agrawal: Okay. As far as 15%-20%, do you expect to do with the same level of margins that you reported in FY '24? They are at around 31% if I am not mistaken?

Naveen Mohta: Yes, it will be more or less the same only and maybe get better itself because as I told market is going to be firm -- remain strong. So definitely this will be the case.

Gaurav Agrawal: Okay. And sir, at console level, there were some losses because earlier quarters, if I look at stand-alone managed console numbers, the Q3 loss was only INR7 crores which jumped to INR23 crores. So sir, you were explaining something, there were some one-off expenses. Can you please explain again what are those one-off expenses and whether console level or subsidiary level losses will be lower in subsequent quarters or how it is?

Management: So as I have explained earlier also in my introductory remarks, there was certain things like inter-company interest we have charged, that's why at console level, they got eliminated. So there is an impact. And apart from that, the major reason which we have felt this was the INR6 crores hit on the termination of the agreement with the overseas mining agency investment agency of Seamec Nidhi, which we have sold.

So there are certain reconciliation issue and as well as the closure charges which they have levied. So it was a hit of INR6 crores in totality as the vessel has been sold. There won't be any such expenditure going forward.

Management: Gaurav, just to add what Vinayji said, this asset Seamec Nidhi was not yielding profits in the current year. So this was a call taken that we need to cut down our losses and focus only on the profitable MSV business. So what we expect that going forward in FY25 onwards, the impact of Seamec Nidhi will get increased in the financials of FY25.

Gaurav Agrawal: So sir, I think last quarter the losses were to the extent of INR65 crores for FY '24 for full year. So do you expect these losses to be lower or can it be zero?

Management: 100%. So that is what I am saying. Going forward, the difference between the standalone and consolidated will narrow as we improve our international operations. And since we have cut down heavily on this Seamec Nidhi, you will see a remarkable improvement in the coming years.

Gaurav Agrawal: And sir just last question, for Q1, can we assume Q4 FY '24 numbers to be base and only we can improve from here because there are two vessels where we will get a higher rate starting from Q1 itself?

Management: Gaurav, what we indicate and you will appreciate, this business has a seasonality.

Gaurav Agrawal: Sir, that is Q2, right? Q2 is more seasonal.

Management: Even in Q1, since the monsoon hits around 15th of May onwards, so our three vessels which are on non-monsoon season only operate, they will not be operating after two months of Q1 and entire Q2. But however, we believe that on a year-on-year basis, we should be doing better.

- Gaurav Agrawal:** Okay, sir. Thank you so much and all the best.
- Management:** Thank You, Gaurav.
- Moderator:** Thank you. The next question is from the line of Swati from JS Advisors. Please go ahead.
- Swati:** Thank you for the opportunity. I wanted to know if you can please share the asset consolidation and the roadmap?
- Management:** Swati, there is no asset roadmap. In our last call also, we said. So if you see, NUSANTARA has already come, will be coming to our fleet now. Okay. So as and when the opportunities will keep coming up in the renewal, we will try and get the asset consolidation done in Seamec because this is a contractual business. While the contracts are running, it is not possible. While we have booked NUSANTARA today, that will come to our fleet only in mid-September 2025.
- Swati:** Sure. Thank you. And also, I'd like a little more insight. We have seen some volatility in margins. So what kind of sustainable margin can we expect over the short to medium term?
- Management:** Around 40% to 45% margins is the range that seems to be healthy. However, gradually, OSV business will be added to our fleet strength and there the margins will be a little lower. So you can take a 40% margin as of now.
- Swati:** Okay. So you have just mentioned the OSV business. So what kind of payback period can we expect for that?
- Management:** In case of OSV business we are expecting a payback period of 5 years.
- Swati:** Got it. And what are the opportunities like we can have in that business in terms of market size?
- Naveen Mohta:** On the market size there are a lot of opportunities for this OSV PSVs, but these are like kind of low-lying foods kind of thing. So they are able to – they are just providing low revenue and profitability is also not on that size like MSV, but they are able to provide a lot of volume business they will be providing. So right now we have made a start with two OSVs and we continue to look for more opportunities in this area and there is a good market for these vessel requirement across the globe.
- Swati:** Thank You. I will rejoin the queue.
- Moderator:** Thank you. The next question is from the line of Ketan Athavale from RoboCapital. Please go ahead.
- Ketan Athavale:** I just wanted to know whether we can grow at 15% at console level as well for next 2 years?
- Management:** Yes, I think we should be growing around 15% on console level as well over next 2-3 years.

Moderator: Thank you. We'll take the next question from the line of Swati from JS Advisors. Please go ahead.

Swati: Thank you for the follow-up, sir. With the East Coast opening up can you give us an idea of the vessel requirements there? And what kind of -- like how many vessels can we be expected to add over the next 4 to 5 years?

Naveen Mohta: Yes on the East Coast also there's a lot of requirement is coming up with new discoveries and new oil production being flowing from ONGC from East Coast. So there's one exciting opportunity which we are targeting as of now and which we are looking to if that opportunity happens then we will be getting a 3 year kind of contract for that. So that is still under consideration.

And apart from this diving support vessels there are requirements for even for supply vessel also which also we are looking at, but we have to understand that this East Coast is still in nascent stage only. Things are still growing. So the requirement will be growing over next 5 to 7 years only. So at that point of time it will be critical. It will provide a critical mass or volume to us at that point of time.

Swati: Got it, sir. And I also have a couple of additional questions. What kind of capex are you planning for the next like 2 or 3 years and what is the funding mix for that? And additionally if you can talk about your debt profile expected debt profile down the line as well, that would be really helpful sir?

Management: Swati so looking at the current fleet size we would definitely like to have a capex plan of about INR200 crores to INR300 crores next year which is 25-26 and then 26-27 around INR300 crores, INR400 crores. So put together about INR600 crores, INR700 crores capex will go in next 3 years.

And we believe that we are doing good profitability currently and we should only grow our profitability. So major part of this capex will be funded through the internal accruals.

Swati: And what about your debt profile?

Management: So debt profile Swati we have about a loan tenure of 5 to 7 years and right now we are not repaying because we are targeting for some capex. Otherwise if you see our net debt is only INR34 crores.

Swati: And this capex that you mentioned it's for replacement of the vessels or any new additions?

Management: So that depends Swati depending on 2 years down the line how DG shipping guidelines will come and how vessels are available. So it can be either a replacement or new addition depending on the market opportunity.

Swati: Fair enough. Thank you. I'll rejoin the queue for follow-up.

Management: Thank you.

Moderator: Thank you. The next question is from the line of Sahil Vora from NS Associates. Please go ahead.

Sahil Vora: I wanted to ask if there has been any change in the working capital cycle since last quarter?

Management: So we are maintaining a healthy working capital cycle of around 90 days which we are maintaining throughout the period. If you see the current debt this is equivalent to Q3 billing both are more or less equal. So we are maintaining the healthy cycle of 80 to 90 days.

Sahil Vora: Okay, sir. Got it. My second question was regarding the recent acquisitions. I meant to ask in which quarter going further would the effects of those recent acquisitions reflect in the results?

Management: So recently, we have acquired our OSV vessel SEA Diamond. We have acquired this in 2nd January in Q4 and its real-time you will see in the results of Q2 of FY25 and another vessel which we are acquiring will be acquired by mid-June and its revenue we will see in Q3 FY25.

Sahil Vora: Okay. Got it. That helps. Lastly, could you give us any guidance for FY '25?

Management: So, there is no specific guidance as of now, Sahil. But our endeavour is to grow 15% staggered year-on-year. And we believe that similar things should pertain in this year also.

Sahil Vora: Okay. Got it. Thank you so much. I will get back to you in some time.

Moderator: Thank you. The next question is from the line of Simar K, an Individual Investor. Please go ahead.

Simar K: Yes. Hi, sir. Good afternoon. And thank you for taking up my question. In regards to your business updates, I have a particular question regarding your certain vessels which you are going to be deploying this quarter going forwards. With the unforeseeable geopolitical conditions, what sort of contracts do you plan to negotiate with your current clients? Will it be spot contracts or will it be price contracts?

Management: Sahil, out of 6 vessels, 3 are already on a long-term charter. The balance 3 are also on a spot contract for 2-year basis. So, there is no deviation or volatility in terms of the profitability. Only the 3 contracts that I mentioned on the later part are on non-monsoon season. So, which means that quarter 2 and some part of quarter 1 will see a decline. And then from quarter 3 onwards, again they will be uptrend.

Simar K: Got it. Any major vessel in the dry dock currently?

Naveen Mohta: There will be a dry dock of vessel Seamec Princess. But this will be done during this non-working period only during the monsoon period. So, the deployment day are not going to be compromised.

Simar K: That's really good. All right, sir. Thanks a lot for this and wish you all the best.

Naveen Mohta: Thank you.

Moderator: Thank you. The next question is from the line of Devang Mehra from SKV Capital. Please go ahead.

Devang Mehra: Thank you, sir for the opportunity. Sir, I just want to know how do you determine the average length of the contract?

Naveen Mohta: Devang, I see the length of the contract is basically from the contract itself. So, whenever we are entering into contract there is that contract duration is always specified. There is a minimum contract depending upon that contract configuration.

But like the contract that we are having with the ONGC there is a contract that is always specified that it will be 3-year duration or 2-year or 5-year duration. So, that is how the contract duration is worked out.

Devang Mehra: Okay, sir. Got it. And sir, my another question is regarding the OSV business. So, what will be the future capex on the OSV business side?

Naveen Mohta: There is no specific capex earmarked for that OSV or DSV. We have earmarked a budget and we continue to look for the opportunity. So, wherever we find that opportunity is there and it is going to be EPS accretive for the company. So, we just go for that basis only. So, there is no specific capex earmarked.

Devang Mehra: Okay, sir. Got it. Thank you.

Moderator: Thank you. The next question is from the line of Rohit, an Individual Investor. Please go ahead.

Rohit: Yes, sir. My question is so what kind of margins can we expect on the OSV business?

Management: So, on overall basis, we can expect a comfortable margin of 18% to 20%.

Rohit: Okay. And the next question would be, what is the average rate of vessels and deployment days in quarter 4 and whole Financial Year 24?

Management: Rohit, basically, this is a very dynamic and ever-changing number. So, I think that is not relevant to be disclosed here.

Rohit: Okay.

Management: We have given you the number of days deployment. I think that is good enough and basis that you can arrive at an average number if you want.

Rohit: Okay. So, can you share more details on NPP NUSANTARA and the revenue potential that capex is having that?

Naveen Mohta: See, NUSANTARA is going to be acquired sometime in mid-September next year, 2025. And that vessel has got a contract in hand currently for five years. So, from the date of acquisition itself when this takes place again, this capex will also be EPS accretive only.

- Rohit:** Okay. And what will be the...
- Management:** Annual increment in revenue would be around INR100 crores for this.
- Rohit:** Okay. I will join for follow-up questions. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Balasubramanian for closing comments. Over to you, sir.
- Balasubramanian:** Thank you, everyone. Thank you for the management and all the participants.
- Moderator:** Bala sir, your voice broke.
- Management:** I will take it over from here then.
- Moderator:** Okay, sir. Yes, sure.
- Management:** We thank all our investors to bestow faith in us and we will continue to interact with our investors. And we believe that going forward also we will have a positive and profitable growth journey. Thank you very much. See you next quarter.
- Moderator:** Thank you, members of the management. Ladies and gentlemen, on behalf of Arihant Capital, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.