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E-Communication

MSL/SEC/SE/2024-25 **04 August 2024**

BSE Limited
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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 30 July 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 30 July 2024.

Link to access above transcript is as under:

https://www.jindal.com/msl/pdf/Transcript-of-Conference-Call-Q1-FY25-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: 2024.08.04 17:08:35 +05'30'

Ram Ji Nigam
Company Secretary

Maharashtra Seamless Limited

Q1 FY25 Earnings Conference Call

30 July 2024

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

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

Moderator: Ladies and gentlemen, good day and welcome to the Maharashtra Seamless Limited Q1 FY25 Earnings Conference Call 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 "*" then "0" 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 afternoon everyone. Welcome to Maharashtra Seamless 1Q FY25 Concall. From the Management side, we have with us Mr. Kaushal Bengani – Deputy General Manager, Investor Relations and Finance.

Without taking much time, I will give the dais to Kaushal for his opening remarks. Kaushal, over to you.

Kaushal Bengani: Thank you Vikash. Good afternoon shareholders and thank you for joining our Earnings Call. In Q1 FY25 while dispatches were slightly lower than the previous quarter, our earnings was significantly impacted, both on quarter-on-quarter and year-on-year basis. This is attributed to three key reasons.

- The first reason is the fall in sales realization, which has been on account of increased competition, lower raw material prices, and some dumping from Chinese manufacturers in certain segments. We are in discussion with relevant authorities to address the issue of Chinese dumping, but that is a long-drawn process.

- Secondly, we had taken preventive maintenance shutdown in one of our mills. Based on the prevailing order book, most of the manufacturing of existing high value orders and oil and gas sector orders were to be manufactured in this particular mill. However, due to the preventive maintenance shutdown, these orders were not executed, thereby impacting the earnings profile for the quarter. This mill has since resumed production at the start of Q2 FY25 and normalization of dispatches is expected in the second quarter.

- The third reason was the dispatch of high value orders which were in limited quantity. As fewer high value orders were dispatched in Q1, the entire high value inventory which was purchased against the remaining high value orders had to be marked down when raw material prices fell during the quarter. This was done in order to comply with accounting standards. When these high value orders are dispatched in subsequent quarters, the impact of marking down inventory will be nullified.

I will now briefly summarize key financial indicators:

On reviewing our Q1 FY25 performance versus Q4 FY24 despite revenue decline of only 4%, EBITDA fell by 54% to Rs.126 crores, PAT and EPS fell by 40% to Rs.136 crores and Rs.10 per share respectively. A comparison of Q1 FY25's performance with Q1 FY24 gives similar percentages for all parameters. The reason for the percentages being where they are have already been explained earlier. Apart from financials there are five key points which I would like to draw attention to:

- The first is our treasury. The treasury is at Rs.2203 crores as on 30th June 2024. It has improved more than anticipated and is generating good returns for us. In fact, in Q1 FY25 more than 1/3rd of total earnings was from treasury segment.

- The second point is the order book. Our order book has increased from Rs.1754 crores to Rs.1812 crores. The order book remains good as demand environment is conducive for manufacturing industry and oil and gas sector.

- The third point is regarding ICDs and corporate guarantees. In line with the commitment made to shareholders two years ago, there are no ICDs to unrelated entities or corporate guarantees outstanding. We have come a long way from the time when this used to be the main cause of concern and that has been fully and completely resolved.

- The fourth point is regarding dividend. Dividend for FY24 has been quadrupled from what was distributed for FY22. Whilst a specific dividend distribution plan has not been announced yet, we remain mindful to the points raised by shareholders.

- Finally, I wish to reiterate that capital goods and infrastructure in general and oil and gas specifically continue to witness strong demand for medium term. This directly impacts the seamless pipes market, which remains buoyant, driven by capital expenditure and spending in the oil and gas sector as we are seeing our order book being replenished and improved at good levels.

I would now request Vikash to kindly open for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pratiksha from Aequitas Investments. Please go ahead.

Pratiksha: I just wanted to understand what was the markdown on inventory that you mentioned, can you just elaborate on that a little bit, I didn't understand why was there a marked down?

Kaushal Bengani: At the start of the quarter, we had high value orders which were backed by inventory purchased for those high value orders. During the quarter raw material prices fell. At the end of the quarter the inventory which was not dispatched which primarily comprised inventory which was purchased for high value orders because the specific mill in which these high value orders were to be manufactured, that mill was under preventive maintenance shutdown and so, those orders could not be dispatched. The inventory that we had for those orders had to be marked down and that is the main reason why the performance is where it is right now.

Pratiksha: Okay. So, this is basically inventory loss in the quarter because of raw material price that fell. So, how would this quarter we would have similar situation of inventory loss?

Kaushal Bengani: So, it is not an inventory loss in the sense that people perceive it, because when you say inventory loss one imagines a speculative position which has been taken and loss has been incurred on account of that speculative activity. In our case, we had earmarked the order with inventory. However, raw material prices fell against that order and that order was not dispatched in that quarter because the mill was under shutdown. Now the mill has resumed operations in the first week of July and when these orders will be dispatched during the current quarter and the next quarter, the inventory mark down will be nullified.

Pratiksha: Okay. And would we have a similar situation for the raw material that must be procured for the current order book?

Kaushal Bengani: It depends if raw material prices fall further, then we will have same situation. If they don't, then we will have the reverse situation.

Pratiksha: So, while there is a possibility of reversal for the existing dispatches that were delayed, we could also have a situation on the current order book where a similar situation of raw material price can come across, right?

Kaushal Bengani: I don't know because it depends on whether raw material prices will fall or not, because all of our orders are backed by raw material purchases.

Pratiksha: And this shutdown that we had, what was the production loss because of the shutdown?

Kaushal Bengani: Production loss in terms of tonnage would be around 15,000 tonnes. However, what we had done was, there was quite a bit of WIP, which was with us, which we managed to finish and dispatch.

Pratiksha: All right. And in terms of order book what would be the execution period for the drilling pipes that we have, order book of drilling pipes?

Kaushal Bengani: Very long execution period.

Pratiksha: Okay. And when it comes to cylinder pipe the order book has risen significantly, is the margin profile any better for this segment relative to the other, that the products….

Kaushal Bengani: Margin profile for all high value addition pipes are better than regular pipes. So, cylinder pipes are a high value addition product that we manufacture. We are one of two manufacturers of cylinder pipes, and we want to increase the contribution of the value addition pipes as a percentage of total dispatches. We have communicated this many times earlier as well and it is encouraging that what has been communicated is transpiring into reality.

Pratiksha: Okay. And in terms of the segment where you mentioned that the Chinese imports are affecting us, can you just elaborate what areas of the business affected as we are seeing maximum impact?

Kaushal Bengani: I don't want to do that right now.

Moderator: Thank you. The next question is from the line of Radha from B&K Securities. Please go ahead.

Radha: Sir, my first question was, you mentioned that there is some pressure on the pricing. So, do you expect the pricing to remain stable for the rest half of the year or do we experience realization for this going….

Kaushal Bengani: The raw material pricing is something which I will not be able to comment about but, I don't think the selling price is expected to fall significantly from where it is right now.

Radha: Sir, you mentioned that we are seeing more imports from China, and we are taking some measures, but that would take some time to pan out. So, on the basis of that would there be more fall in realizations in subsequent quarters, considering raw material prices remain similar?

Kaushal Bengani: It is difficult to comment because what is under process is not controlled in a manner in which a reasonable forecast can be made. So, we will just have to wait and watch to how things pan out since a lot of various entities and a lot of various processes are involved.

Radha: Sir secondly, a few quarters back when we had a discussion at that time, it was mentioned that a percentage of order book is actually hedged, and some portion is kept open. So, could you specify broadly what percentage of order book is usually hedged with raw material?

Kaushal Bengani: Almost the entire order book is hedged with raw material and insignificant portion is kept open.

Radha: Just last, in the exports front so US and Canada remains our key market, so out of the 10 million tonne global demand could you specify or give us some highlight as to what would be the market size in US and Canada and any increase in opportunities are we seeing in the Saudi region as well?

Kaushal Bengani: We don't export to the Middle East, exports have not revived, exports have been slow for more than a year. Market size in US and Canada is very big, but they have not revived for us.

Radha: US, Canada would be 20% of the global 10 million in demand?

Kaushal Bengani: I don't know, you had asked this question in the earlier call, and I said that you have access to more databases than I do, so exact percentages is difficult for me to communicate without having seen specific data.

Radha: Okay, sir last question. What is the quantum of imports happening from China to India for the seamless pipe in tonnage terms?

Kaushal Bengani: It is impacting us, which is why our realization has fallen so significantly.

Moderator: Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: So, I would like to know about, you mentioned three reasons why our EBITDA dropped. So, can you broadly give weightage to all the three reasons why our EBITDA fell drastically this quarter?

Kaushal Bengani: Equal weightage for all three factors.

Pradeep Rawat: Okay. And where are we in terms of making seamless pipe for hydrogen market and how big the opportunity could be?

Kaushal Bengani: We are not supplying pipes for the hydrogen segment; those pipes are not being manufactured in the seamless segment in India.

Pradeep Rawat: Okay. And what was the production from the Telangana unit for this quarter?

Kaushal Bengani: The Telangana unit is a part of Maharashtra Seamless, specific mill wise production details are not given out.

Pradeep Rawat: Okay. And when could we expect that Telangana unit CAPEX to be finished, when it could be commissioned and also for the hot mill upgrade in our main facility?

Kaushal Bengani: The Telangana finishing line was expected to be completed by March 2025. But, I don't think that will happen, in all probability it will be deferred by at least nine months, because we have recently placed order for some equipment, those orders have been finalized, purchase order has been issued. However, the gestation period for that order is 12 months. So, reasonably speaking, the Telangana unit expansion should get completed by December 25. However, we will update you as and when material developments take place. Please do not consider December 25 to be a hard stop but rather an outcome of where things stand right now. It can also be sooner; it depends on how the suppliers act because we have also incentivized at least one supplier to deliver quickly.

Pradeep Rawat: Yes, understood. And for the hot mill upgrade?

Kaushal Bengani: Hot mill upgrade will only happen once the Telangana finishing line is in place because we will have a loss of production whenever we take the hot mill upgrade. So, in order to compensate that loss, we need the Telangana unit to be active in full capacity. The sense which I am getting from your question is, when will volume growth come in? So, I don't think there will be any volume growth in FY25. And in FY26, volume growth will only happen once the Telangana finishing line has been completed and is open for commercial production.

Moderator: Thank you. The next question is from the line of Jatin Damania from SVAN Investments. Please go ahead.

Jatin Damania: Sir carrying on from further participant questions in terms of the CAPEX. So, as you indicated that the Telangana plant has been likely to be postponed to FY26 commencement. So, is it fair to assume that of the 852 crores of the CAPEX that we are going to spend, a major portion of the CAPEX will be spent in FY26, and it will be marginal in FY25?

Kaushal Bengani: Yes, that is correct.

Jatin Damania: So, if you can quantify the numbers, that we are likely to spend in FY25, FY26?

Kaushal Bengani: I don't want to do that right now because quite a significant period in the year is still remaining, maybe in the Earnings Call for the next quarter. I will give you a definitive figure.

Jatin Damania: Yes, because what I have heard is of the 852 crores which as per our presentation, we decided from FY24 to '26 but the CAPEX in FY24 was very minimum. So, that's why wanted to check how the cash flow or the CWIP will flow from '25 to '26?

Kaushal Bengani: You are right. I will update you in the next earnings call.

Jatin Damania: Sure. And secondly, in your opening remarks you indicated because the inventory right down, there was a hit in the operating performance. Now, assuming that your capacity which was under the preventive maintenance shutdown, is back into operation in the first week of July. So, as soon as we start executing that order, is it possible to reverse the entire inventory right down that we had taken?

Kaushal Bengani: Yes, definitely that is what will happen, but whether it will happen entirely in the September quarter or in the December quarter depends on when the order is executed. Some of that will definitely happen in the September quarter. And we would want all of it to happen in the September quarter so that a normalised level of EBITDA per tonne is reflected going forward.

Jatin Damania: That's helpful, because if you look in the first quarter, other than the high value order execution of the high value order, our performance was impacted because of the execution of the low margins. Because of the preventive maintenance shutdown, I was just wondering that if just some portion of the high value order regarding Q2, there could be normalized margin, we can probably start getting it in the month of September or October onwards. So, just wanted to clarify that.

Kaushal Bengani: Okay. In my assessment of where things stand right now, as and when the high value orders get dispatched, the impact of the inventory mark down will get nullified. I hope it happens in the second quarter itself, but we will just have to wait and see.

Moderator: Thank you. The next question is from the line of Vinay Nadkarni from Hathway Investments. Please go ahead.

Vinay Nadkarni: Just wanted to know, what is the average drop in raw metal prices this quarter, if we can quantify percentage?

Kaushal Bengani: It is significant, so significant that our EBITDA per tonne fell from Rs.22,000 a tonne to Rs.9,000 per tonne.

Vinay Nadkarni: Because of drop in raw material prices, because your top line would have gone at the lower raw material prices, is it because of pass through?

Kaushal Bengani: No, absolutely not. There were three factors which impacted EBITDA per tonne, which I have already communicated earlier. One of those factors was the mark down in the inventory that we had taken in order to comply with the accounting standard. I don't want to specify a number, it is irrelevant to what you want to calculate. What is relevant is that the entire inventory mark down will get reversed when this order is dispatched.

Vinay Nadkarni: Then my worry is that 15000 tonnes loss that you are saying you have incurred because of the shutdown. That will impact the quarter two performance because your WIP carried you in the quarter one, in quarter two will it be impacting, as I don't see any impact in quarter one?

Kaushal Bengani: Mill has started in first week of July.

Vinay Nadkarni: So, where does that 15000 go, because your production in quarter one has not been impacted at all because of the shutdown.

Kaushal Bengani: One second, we would manufacture 1,10,000 tonnes earlier, manufactured and dispatch anywhere between 100,000 tonnes to 115,000 tonnes per quarter. In March quarter we dispatched around 95,000 tonnes. The reason for lower dispatches in the March quarter was the delay in an order which was expected in the month of March, but it was received in the second week of April. That was for the March quarter. For the June quarter we had taken maintenance shutdown in one of our units. That maintenance shutdown caused a loss of production of around 15,000 tonnes.

Vinay Nadkarni: Okay. The only question I had was that you have answered already, the debottlenecking of units. Thanks that's all from me.

Moderator: Thank you. The next question is from the line of Satyan Wadhwa from Profusion Investment Advisors LLP. Please go ahead

Satyan Wadhwa: Kaushal, what was the actual inventory loss or inventory marked down on the high value order, amount in rupees if you could clarify?

Kaushal Bengani: There was no inventory loss in the traditional sense of the term, I will have to just reiterate what I said earlier, there has been no inventory loss as is traditionally understood, all of our orders are hedged with raw materials. Most of those orders were high value orders that we had, and they were manufactured in a mill which was under preventive maintenance shutdown and those orders could not be dispatched. The inventory remained with us. During this period, what also happened was that raw material prices fell. Therefore, in order to comply with accounting standards, we had to mark down the inventory to what the raw material prices were at the end of the quarter. This will reverse itself once the order is executed.

Satyan Wadhwa: Correct, that is fine. I was just checking what the actual mark-to-market loss, that will reverse next quarter or the quarter after anyway.

Kaushal Bengani: I am not quantifying that. There were three factors, all three factors had equal weightage and that impacted our earnings profile.

Moderator: Thank you. The next question is from the line of Deepak Mandhana from Avighna Investments. Please go ahead.

Deepak Mandhana: One of the questions has already been answered. So, I have two more questions. One is that you have mentioned in your presentation that you are actively penetrating the newer regions in terms of export for subsea service, seamless pipes. Can you tell us which countries or which regions would be these?

Kaushal Bengani: We are marketing our sour service subsea seamless pipes in the export market. However, we have not yet been successful. We have had encouraging inquiries, but none of those inquiries have actually crystallized into orders yet.

Deepak Mandhana: Okay. And geographically where are these inquiries coming from, is it Middle East, US which side?

Kaushal Bengani: We don't want to disclose because competition is also there in those sectors.

Deepak Mandhana: Okay. And secondly, in terms of the last tenders for the ERW pipes, which are for the gas and city distributions, what would be the quantum of revenue that you would foresee for this in the coming year?

Kaushal Bengani: Generally speaking, ERW pipes would be dispatched in the range of 80,000 to 1,05,000 tonnes every year. And since we are not expanding any ERW pipe capacity, our dispatch would remain within this range at all times.

Deepak Mandhana: Okay. And the realization on the ERW pipes have also gone down or is it substantially holding up against the seamless pipes?

Kaushal Bengani: They have gone down to a lower extent than in the seamless pipe segment.

Deepak Mandhana: Okay. And do you foresee any chances of this improving in the next quarter or six months?

Kaushal Bengani: The way our earnings have panned out in the June quarter, especially the impact on account of the inventory mark down that will reverse itself I don't think realizations are expected to fall further in a material manner beyond what they already have.

Moderator: Thank you. The next question is from the line of Shruti Mulchandani from Unifi Capital. Please go ahead.

Shruti Mulchandani: I wanted to know about any update on buyback?

Kaushal Bengani: There is no update on buyback. For shareholders, what we have done in the past two years was quadruple the amount of dividend that was paid out in FY24, versus what was announced for FY22. As of now, there is no further update either on dividends or on buyback for the current financial year.

Shruti Mulchandani: Also, if you could give me the mix of oil and gas and water in ERW pipe for this quarter, it would be great.

Kaushal Bengani: For the first quarter, around 20% of dispatches were in the oil and gas sector and 80% of dispatchers were in the water sector which has led to lower margins in the ERW segment.

Shruti Mulchandani: Sir do you see this reversing in the coming quarter?

Kaushal Bengani: It is a function of product mix; it is difficult to predict at the start of the quarter. The EBITDA per tonne in the ERW segment will generally be between the range of Rs. 6000 to Rs.11,000 per tonne plus or minus 1000 at both ends, depending on the product mix.

Shruti Mulchandani: So, is there lower demand from the oil and gas side or any particular reason why the contribution was less?

Kaushal Bengani: I don't understand why ERW segment is that much of an area of interest because it contributes only 6% to 7% of the total EBITDA that the company will generate.

Shruti Mulchandani: Just wanted to get an idea about the demand from the oil and gas side in general.

Kaushal Bengani: A better indicator would be the position of our current order book in which 51% of our order book is from ONGC and Oil India and of the balance 49%, quite a bit is from the oil and gas sector.

Moderator: Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: So, my first question is regarding our exports, so we don't sell to Middle East is that understanding right?

Kaushal Bengani: Yes.

Pradeep Rawat: So, why don't we sell to the Middle East, some of our peers are selling there and they are like benefiting from that market. So, why aren't we not exploring that market as of now?

Kaushal Bengani: Our peers are selling different products in the Middle East; they are not selling seamless pipes. Secondly, in the Middle East market, there is an absence of anti-dumping duties on China. China being present in a large manner in the Middle East market means that there is no scope of supernormal margins. Therefore, we don't divert our energies to a market where good margins are not available.

Pradeep Rawat: Yes, understood. And my next question is regarding the oil and gas market. So, how big this market could be for seamless pipes, and I know you have written in 100,000 tonnes per annum demand from seamless pipe, but that is for exploration. So, what could be the total demand for exploration as well as for drilling activity for seamless pipes?

Kaushal Bengani: Globally the seamless pipes market based on certain databases is around 10 million tonnes. In India, the market is around 0.9 million tonnes.

Pradeep Rawat: And 100,000 tonne is for the exploration activity right?

Kaushal Bengani: From ONGC and Oil India.

Pradeep Rawat: Okay. And with respect to our capital allocation, we have quite good cash balance and the ERW pipe segment is quite lucrative with respect to demand and our annualized utilization is close to 80%. So, why aren't we planning to expand in this segment?

Kaushal Bengani: I'm sorry, can you repeat that again please, we have already announced a capital expenditure plan of 852 crores.

Pradeep Rawat: For ERW pipes?

Kaushal Bengani: Sorry, no. In ERW pipes we are not expanding because we are a seamless pipes manufacturer. ERW was a small segment that we had set up because, when we started expanding in the seamless pipes segment the same customers were also interested in procuring ERW pipes. So, we set up the ERW pipes unit in order to service those customers, but again that is not an area of focus right now.

Pradeep Rawat: Yes, understood. And my last question is regarding one of the player in the industry has said that large diameter welded pipes in infrastructure and building is being increasingly used against seamless pipes and in auto segment also so, are you seeing such kind of trends or is it like non-existent?

Kaushal Bengani: "Large diameter welded pipes will always be used in various segments against seamless pipes." That's a good way of presenting the data, because seamless pipes are not manufactured beyond 22 inch and large diameter pipes are manufactured above 22 inch and they go up to 36 or 40 inches. These are completely separate segments and seamless pipes are primarily used in the oil and gas sector and not in infrastructure.

Pradeep Rawat: And in auto segment are we seeing such kind of trends?

Kaushal Bengani: No, large diameter pipes are not used in the auto sector.

Pradeep Rawat: Not large diameter in auto segment, but welded pipes?

Kaushal Bengani: We don't supply significantly to the auto sector because the demand for auto sector is primarily for low diameter seamless pipes or cold drawn seamless pipes.

Moderator: Thank you. The last question is from the line of Vinay Nadkarni from Hathway Investments. Please go ahead.

Vinay Nadkarni: Just two questions. One was on CAPEX for quarter one, what is the amount spent in quarter one on CAPEX?

Kaushal Bengani: There wasn't any significant expenditure on CAPEX in the first quarter. However, what we have done in the first quarter is placed orders for certain equipment which was pending for some time. They were under negotiation and those negotiations have concluded and a purchase order has been placed on the vendor.

Vinay Nadkarni: Can you give us some data on capacity utilization in this quarter?

Kaushal Bengani: Capacity utilization, one mill was under shutdown. So, capacity utilization was on the lower side.

Vinay Nadkarni: Other than that, there's no number that you could share?

Kaushal Bengani: If against the annual capacity of 5,50,000 tonnes we manufactured and dispatched 4 lakh tonnes. But in terms of capacity, what is also important in the pipe sector is the way tonnage is impacting the capacity utilization figures, because if you have a product mix in which large diameter pipes are in higher proportion, then you will end up with higher tonnage as compared to a product mix where large diameter pipes are not in a higher proportion. That way, mills running 24 hours a day, 365 days a year, the capacities which have actually been utilized would appear to be different in both cases. Generally speaking, we remain in the range of 70% to 80%.

Vinay Nadkarni: Okay. Just last one bookkeeping question other expenses have grown significantly in this quarter around 16 crores any particular one-off expense that has been incurred or is it?

Kaushal Bengani: The preventive maintenance shutdown which was there, that had some impact on the increase in other expenses.

Vinay Nadkarni: Okay. And lastly, I know you have refused to comment on the markdown that you have taken in the mark-to-market for inventory. But your cash addition for this quarter is around 344 crores, and your cash profit looks at around 150, 152 crores I presume that the difference would be that right?

Kaushal Bengani: I am sorry, I could not hear you very well, could you repeat that, please?

Vinay Nadkarni: Yes, I am saying your cash accretion to the cash on hand is around 344 crores this quarter. And your cash profit that is your tax added back, depreciation is around 150, 154. So, would it be fair to assume that the 190 crores would be your rough mark down on your inventory?

Kaushal Bengani: No, it is not that.

Shlok, one request for you, a few investors have messaged that they are unable to connect, can you please check the queue again and if there are any interested participants connect them.

Moderator: Okay, sir I will take those questions after. So, the next question is from the line of Pratiksha from Aequitas Investments. Please go ahead.

Pratiksha: Yes, just one follow up wanted to clarify, when you say that 51% of our order book is from ONGC Oil India, we are talking about the total order book and not just ERW, right?

Kaushal Bengani: Correct. We have detailed the split in the slide of our presentation.

Pratiksha: Got it. And just one question, any significant reason that you want to highlight for fall in order book of ERW segment?

Kaushal Bengani: There is no significant reason it is just the way order confirmations were issued. So, maybe there are orders in the process of being finalized, but only order confirmations have not been issued. The way we calculate order book is those orders for which order confirmations have been issued by us, but those pipes have not been dispatched from the plant. So, maybe it's a lag issue, there is no dearth of demand or any such thing on the ERW pipe front.

Pratiksha: Okay. So, does it mean order pipeline for both the segment is equally strong?

Kaushal Bengani: That is correct. And if you take out the ERW segment and the Telangana unit then the composition of ONGC and Oil India and other oil sector orders as a percentage of the total order book will probably shoot up to 70%, 75%.

Moderator: Thank you. The next question is from the line of Amit Kumar from Determined Investments. Please go ahead.

Amit Kumar: Just a couple of questions. This maintenance shutdown with preventive maintenance shutdown was it planned or unplanned?

Kaushal Bengani: It was planned, it was communicated in the month of May when we did the earnings call for the fourth quarter of last year. And on the 12th of June, we communicated it to the Stock Exchange as well.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today, I now hand the conference over to Mr. Vikash Singh from PhillipCapital (India) Private Limited for closing comments. Please go ahead sir.

Vikash Singh: Thank you everyone for joining the call. On behalf of PhillipCapital, I want to thank Maharashtra Seamless management for giving us the opportunity to host the call. For closing comments, I will again hand it over to Kaushal for any closing remarks.

Kaushal Bengani: Thank you Vikash, thank you shareholders for joining the earnings conference call. Our earnings profile has been impacted for the reasons which have been communicated. At least two of those reasons are temporary and one off in nature and may be a function of the accounting standards that we follow rather than a question mark on the operations of the company. The operations of the company are very good, it is also reflected by the way our order book has improved quarter-on-quarter, domestic demand is very good. We are one of three manufacturers of seamless pipes in India, we have been market leaders for the past 35 years. And while there has been a decline in margins, from the third quarter of last year, to where it is right now, I can say with the fullest of confidence that there is no problem in operations and no problem in execution. It has just been a function of quite a few things amalgamating at the same point in time and thereby causing a disproportionate effect. I hope that quite a lot of these factors will normalize in the coming quarters, and it would be good to be vindicated later on. Let’s just wait and watch for that. And thank you for your patience. Thank you to Vikash for organizing as he does every time and I hope to connect with you in the next quarter.

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