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E-Communication

MSL/SEC/SE/2023-24 **08 August 2023**

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 02 August 2023

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find below the link of transcript of earnings conference call held on 02 August 2023.

Link to access above transcript is as under:

https://www.jindal.com/msl/pdf/Transcript-of-Conference-Call-Q1-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: 2023.08.08 21:22:45 +05'30'

Ram Ji Nigam
Company Secretary

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Maharashtra Seamless Limited

Q1 FY24 Earnings Conference Call

02 August 2023

MAHARASHTRA SEAMLESS LIMITED

PhillipCapital
Your Partner In Finance

MANAGEMENT:	**MR. D P JINDAL – CHAIRMAN – MAHARASHTRA SEAMLESS LIMITED** **MR. KAUSHAL BENGANI – DEPUTY GENERAL MANAGER, INVESTOR RELATIONS & FINANCE – MAHARASHTRA SEAMLESS LIMITED**
MODERATOR:	**MR. VIKASH SINGH – PHILLIPCAPITAL INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Maharashtra Seamless Limited Q1 FY '24 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Singh from PhillipCapital India Private Limited. Thank you, and over to you, sir.

Vikash Singh: Good evening, everyone. Welcome to Maharashtra Seamless Q1 FY '24 Earnings Con Call. From the management side today, we have with us Mr. D.P. Jindal, Chairman; and Mr. Kaushal Bengani, Deputy General Manager, Investor Relations and Finance. Without taking any more time, I would hand over the call to Mr. Kaushal Bengani for the opening remarks. Over to you, Kaushal.

Kaushal Bengani: Thank you, Vikash. Good afternoon and thank you for joining our earnings call. We are pleased to let you know that we have been able to continue our strong performance going into the new financial year. In Q1 FY '24, we have been able to improve upon our margins despite lower production on account of preventive maintenance and seasonal factors.

I will briefly summarize key financial indicators. In Q1 FY '24, our revenue decreased by 7% from Q1 FY '23. However, our EBITDA increased by 6%, PAT and EPS increased by 48% and 45% respectively, from corresponding quarter of last year. This was achieved despite lower production and dispatches and only indicates strength of our operations and business.

Apart from financials, there are 3 key points which we would like to draw attention to. Firstly, we've become 100% debt-free in quarter 1 FY '24. We were always net debt-free and now we have become 100% gross debt-free with cash reserves in excess of INR1,000 crores. We had informed shareholders regarding prepayment of debt around a year ago and we have been able to complete that timely.

Secondly, we have commenced the capital expenditure schedule, which we had given out. Our plans of capital expenditure by acquisition of land was started in Q1 FY '24 and we'll use this land for installation of finishing facilities at our Telangana unit. We are in the process of placing orders for relevant machinery and will try to complete as early as possible.

Another key point to note in Q1 FY '24 was inclusion of Maharashtra Seamless in MSCI. We were made part of the Morgan Stanley Capital Invest India Domestic Small Cap Index from the 1st of June. This type of recognition reaffirms that our journey is on the right path. The consequent doubling of foreign institutional investor holding from 2.84% to 5.96% within a span of a quarter is another feather in our cap.

I would now like to take you through the presentation. In the quarterly highlights, you will note that our EBITDA margin has improved and our PAT margin has remained the same despite lower sales. This is on account of execution of good orders and our ability to control costs.

On the next slide, I've given a quarterly comparison and you will note that our strong performance is clearly reflected. We have a revenue figure of INR1,256 crores with profit of INR216 crores. In Q1 FY '24, some portion of the accumulated losses and unabsorbed depreciation which was also utilised.

The next slide talks about the annual highlights of Maharashtra Seamless, which was given earlier as well. Slide 8 talks about operational and financial performance. Our EBITDA in quarter 1 FY '24 is at INR204 crores from Seamless division and INR11 crores from ERW division. This level of EBITDA is almost the same as it was in Q4 FY '23 despite lower sales. Our EBITDA per ton in the Seamless segment has improved and the lower production was on account of preventive maintenance shutdown that we have taken in our Telangana unit.

The next slide is about the EBITDA mix. In Q1 FY '24, 83% of EBITDA was generated from the Seamless segment with the balance 17% coming from ERW, Renewable and the rig segment. Going forward, we expect this to be the segmentation between each of the divisions and their contribution towards overall EBITDA should be along same lines.

Our unquoted equity preference share investments and ICDs are detailed on the next slide. You will note that ICDs have continued to decline and we expect them to be fully realised by March 2024. Our liquid investments, both long-term and short-term have increased. We are now sitting on cash reserves in excess of INR1,000 crores and we are pleased to be in this position.

After adjusting for ICD given we are closer to INR1,100 crores of net cash. There were 2 long-term loans, which were availed a few years ago in Maharashtra Seamless, both of which have been prepaid in full in October 2022 and June 2023 in view of sufficient internal accruals and rising interest rates. Corporate guarantee continues to reduce as per the schedule committed.

Our order book as on 25th July stands at INR1,725 crores with 51% of the order book coming in from the upstream segment and the balance coming in from the exports, downstream and other segments. We expect margins to remain steady based on current trend of seamless sites. This is because our order book is supported by back-to-back booking of raw material, leading to locking of margins and negative impact of fluctuating raw material prices.

The capital allocation schedule, which we had given earlier, which is primarily about capital expenditure is detailed on the next slide. We have commenced installation of the finishing facility at our Telangana unit and we will try to complete this as soon as possible. There will be no requirement of any debt of any kind for going ahead with this capital expenditure plan.

The next few slides talk about the government policies, sales and marketing update and the market trends, which are currently in place. A key point to note in terms of domestic demand is that India's oil demand is projected to rise 50% to 7.2 million barrels per day in 2030 from 4.8 million barrels per day in 2019. Our natural gas demand is also projected to double to 133 bcm in 2030 from 64 bcm in 2019. India also plans to double its oil refining capacity to 450 million tons in the next 10 years to meet rising domestic fuel demand as well as to cater to the export market.

There are other factors which are prevailing in the market right now. And we would appreciate if you can take some time out to go through Slide 17 and 18, so that there will be a better understanding of the demand drivers, which we are experiencing. The shareholding structure is detailed on the next slide. FII holding has doubled, more than doubled in fact, from 2.84% to 5.96%. DII holding has also increased. Number of FIIs have also increased significantly.

Promoters continue to hold 67.8% of the total equity.

That concludes the presentation, and I would now request Vikash to take it forward from here.

Moderator: Thank you. The first question is from the line of Samraat Jadhav from Prosperity Wealth Advisors. Please go ahead.

Samraat Jadhav: Yes. So my question is on the raw material prices whether you see an upside into the raw material prices or on a lower side? And what is the view on your export orders?

D P Jindal: Well, I'm D.P. Jindal here. Raw metal prices -- steel price in general is going down. And how much, I'll say 10% already reduced and we are hoping that it will establish at these prices. Regarding export, last 2, 3 months, there was a slackness in the export market, particularly in U.S.A. And now we are hoping that it will go up because the rig count is also going up in U.S.A. Yes.

Samraat Jadhav: Right. So recently, when U.K. has announced some oil explorations also across -- so do we have any opportunities there?

D P Jindal: Yes, we do export to U.K. also and mainly Canada and U.S.A.

Samraat Jadhav: Okay. And this raw material prices, if it comes down, will it have a beneficial on our EBITDA margin?

D P Jindal: Yes. Like Kaushal was saying, our EBITDA margin was better in last quarter. So one of the factors was that the steel price has gone down and our order booking was at a higher price.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investments.

Pritesh Chheda: Sir, could you give some volume outlook in ERW and Seamless for FY '24? And I see that we have capacity available in Seamless. So wondering this INR850 crores of expansion that we have lined up, is it expanding any capacity?

D P Jindal: Actually, we have shown in Telangana plant 2 lakh ton. Actually, we can finish -- our plant is 2 lakh ton, but we can finish pipe only 1 lakh ton. So we are adding only finishing facilities to finish another 1 lakh ton so that we can utilize 2 lakh ton plant there.

Pritesh Chheda: So for this finishing facility, INR850 crores investment.

D P Jindal: No, no.

Kaushal Bengani: No, finishing facilities is INR184 crores. There are other aspects of capital expenditure, which we have detailed on one of the slides in our presentation.

Pritesh Chheda: No, I am seeing that slide. So that is Slide number 14, but is it expanding any capacity?

Kaushal Bengani: Not the INR184 crores capital expenditure.

Pritesh Chheda: Sorry?

Kaushal Bengani: The INR184 crores capital -- INR184 crores capital expenditure will be for finishing facilities only. We already have capacity in United Seamless of production of 2 lakh tons, out of which we are currently able to finish only 1 lakh tons.

D P Jindal: Total capacity is 6 lakh ton.

Kaushal Bengani: 6 lakh 50,000.

D P Jindal: 6 lakh 50,000, so that will remain there. It will not expand.

Pritesh Chheda: So I understood the first 2 line items, USTPL, solar plant and heat treatment in which 100,000 finishing line, which was not able to utilize will be able to utilize 200,000, I understand that. But other than that, whatever is mentioned down with INR350 crores hot mill upgrade, OCTG line INR95 crores, all this will any of it expand any capacity?

D P Jindal: Not in tonnage, it will expand in the value addition and maintenance of the plant and upgradation of the plant.

Pritesh Chheda: Okay. My second question was if you could share the volume outlook for Seamless tubes and ERW?

Kaushal Bengani: We expect a 5% to 10% growth in terms of tonnage. And that is the outlook which we have given earlier as well.

Pritesh Chheda: Okay. And my last question is, sir, it's nice to see the ICDs and the corporate guarantees continues to be reducing from our balance sheet. We have these oil rig investments, which we have done and some of the rigs are also then placed with either with sharing or given out to Jindal Drill. So is the group looking at reducing those transactions or investments as well and bifurcating the businesses, let's say, rigs in Jindal Drill and tubes over here? Any such thought process?

D P Jindal: Yes. We are continuously processing such thoughts, like at one time Jindal Drilling had no rig at all. All the rigs were in Singapore and investment by the group. So now Jindal Drilling owns 2 rigs at present. And it is proposed that in the next few months to consider third rig also. So we are in process that all the rigs goes to Jindal Drilling. That's right. And the investments are also sped up.

Kaushal Bengani: That will help simplification of the structure. And we had stated this earlier as well that we want to simplify our cost structure, which is why we have also amalgamated United Seamless with Maharashtra Seamless since both companies are in the same line of business.

Pritesh Chheda: Okay. So from Maharashtra Seamless, now what is the equity investment in drilling companies?

Kaushal Bengani: If you go to Slide 10, that has been detailed out.

Pritesh Chheda: Slide 10. 10. Okay. So this is the Maharashtra Seamless Singapore.

Kaushal Bengani: Yes. There is equity investment of INR39 crores in Maharashtra Seamless Singapore and Jindal Pipes Singapore combined and preference share investment of INR215 crores in Maharashtra Seamless Singapore.

Pritesh Chheda: Okay. So this is the total investments and...

Kaushal Bengani: Total equity and preference share investment. In addition to that Maharashtra Seamless owns 1 rig.

Pritesh Chheda: In its own books? Okay. Now this is -- this 2, the Maharashtra Seamless, Jindal Pipes, this put together as 2 rigs, right?

Kaushal Bengani: No. Jindal Pipes Singapore is 1 rig. Maharashtra Seamless Singapore has equity investments in companies which own rigs.

Pritesh Chheda: Okay. Companies which own rig. Okay.

Moderator: The next question is from the line of Bhavin Chheda from Enam Holdings.

Bhavin Chheda: Excellent performance also. Just a few questions. Based on present capacity and the ongoing expansion, what would be the optimum seamless pipe production and ERW pipe production you will be able to do in 3 years' time?

Kaushal Bengani: Last financial year, we had dispatched 436,000 tons of seamless pipes and 52,000 tons of ERW pipes. Next -- current financial year, we expect a 5% to 10% growth in our tonnage. And that is the only guidance which we are able to give right now. However, we are aware that we are sitting on substantial cash and we are interested in any opportunity where we can get IRR of more than 20%. We would want to capitalize on that.

Bhavin Chheda: Sure. Kaushal, I'm not asking on guidance. I'm saying based on the installed capacity, how much was dispatched?

Kaushal Bengani: Out of installed capacity of 650,000 tons, we have 550,000 tons active. Against 550,000, we have dispatched 436,000 tons.

Bhavin Chheda: Okay. That is including United Seamless?

Kaushal Bengani: Including United Seamless. So now we are installing finishing facilities, United Seamless, which will increase our active capacity from 550,000 to 650,000.

Bhavin Chheda: And ERW, you are not doing anything?

Kaushal Bengani: No.

D P Jindal: So next year, you can see this 436 will become 536, somewhere like that.

Bhavin Chheda: Sure, sure, sure. Okay. And the other thing on the -- in seamless pipes regarding different grades of pipe, so what would be like current mix between 0 to 7 inch, 7 to 14 inch and typical high-value products? What exactly is the current product mix like? And how much you classified to be value-added and earning very good margins? The entire portfolio is a good margin product, but I'm saying if you want to classify...

D P Jindal: Right. It depends on all -- size-wise, there is no difference. Only difference is whether it is alloy pipe or carbon steel pipe. Carbon steel has less price, alloy steel will be costly. So that is the difference.

Bhavin Chheda: Okay. Okay. And currently, what would be the export percentage in seamless pipes?

Kaushal Bengani: Exports percentage would be around 10% to 12% in previous quarter.

Moderator: The next question is from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: Namaskar Jindal sahab, namaskar Kaushal ji. Firstly as per the closing value of order book which is INR1,725 crores, when we see last order book closing value it was INR2063. So are you seeing order booking phase to slow. If you can comment on this, what are the reason for lower order book closing because our execution has been lower because of the factors that you have told us. So how should we look at this number?

D P Jindal: Basically, this oil sector, they place orders in bulk quantity. So last quarter, oil sector placed orders in bulk quantity which we have supplied, so in this quarter we have a little less order book. But again next quarter when ONGC will place orders, so order book will go up.

Saket Kapoor: So this is an anomaly. This is not a trend. Is there any trend changing?

D P Jindal: It is not very constant. Export is weak this quarter.

Saket Kapoor: You have mentioned that export is weak. What are the factors for export and the slow rate of export?

D P Jindal: US market mainly.

Saket Kapoor: Sir, in your presentation, you have mentioned that MSL continues to focus on getting license for premium connections, which will immediately enable it to bid in premium connection tender? Sir, if you could show some light on this, if you could explain what kind of market we are seeing, what are we trying to explain in terms of this business opportunity in this premium connection?

D P Jindal: In the world, 3-4 companies have license. So, we have to take permission from them. It's a monopolistic item or patented item. And the requirement is at present we can manufacture about 25,000 tons of premium joints which is required in ONGC and if the foreign party permits we can export also. So this is the -- and the added value is quite good. So about you can say when we are selling pipe at $1500 per ton, these premium joints are $2500 per ton.

Saket Kapoor: Sir, if I correctly remember we had earlier with Tenaris we had an agreement for this premium connection.

D P Jindal: So, we already we have already produced these pipes and we had a collaboration with Tenaris. But that joint venture is not working now. You can see one of our subsidies also there, Jindal Premium. So in that company we had a joint venture with Tenaris. But now we are talking with another company for the license.

Saket Kapoor: And when will that be, sir? How long will it take? Before that we won't be able to continue the sale. We won't be able to sell. That is what you are trying to explain?

D P Jindal: Without license we cannot.

Saket Kapoor: Okay. So how long will it take there for us to get through this?

D P Jindal: Well, we are trying maybe within this year, we can start.

Saket Kapoor: Okay. Sir, Kaushalji, Kaushal ji, you have 5% to 10% volume growth guide you have given, if we look at the EBITDA pattern, EBITDA pattern in the seamless segment was above INR22,000. So, sir, the way you have mentioned INR22,758, so for the volume, you are telling, sir, according to the order booking, the EBITDA per ton trajectory is also above INR22,000 plus we can expect for the seamless part because ERW is quite erratic?

Kaushal Bengani: Our margins will be good and our order book will also be good. As sir said that the order is expected, so on that basis we can say that our margin will be good.

Saket Kapoor: Yes sir, I was correct on the point of margin. I saw that the EBITDA you have posted in this quarter, of the seamless segment, that is higher than the Q4 quarter, which was your big quarter in terms of dispatches. Means it was 22,000 plus, so we were just trying to understand the trajectory that 22,000 should be seen on the higher side or 21,000 to 22,000, assuming a base, can make a ballpark number?

D P Jindal: Meaning 20,000 is a thumb rule, you can say.

Saket Kapoor: So, the INR1,000 crores in the book, earlier it was it was informed to us that we are contemplating this you will be returning cash and increasing shareholder value and the value will increase for the promoter also. So anything on conclusion sir, that you have thought off, because over the last two quarters, I think promoter they have also not bought any further stake in the company. You have given the indication that you are interested in taking your stake up to 75%, that is the limit. There was no change in the last 2 quarters, so this INR1,000 cash in the book, how will you reward this to shareholders and what would be the timeline.

D P Jindal: No, by increasing promoter's holding, this cash is not being used. That is promoter's money is utilised. This cash is not utilised for that. So, well, let's see, we are waiting for the opportunity and see what happens. Certainly the money is in good hands. So, we have an expansion plan and if some big opportunity is there to grab some similar industry, similar plant, so we are in lookout for that.

Saket Kapoor: In any way you are not returning the capital, you are looking for growth capital. You use it as a growth capital rather than returning back to the industry this is what your thought process is?

D P Jindal: Well, we want to watch whether growth opportunity is there or not.

Saket Kapoor: Right, I will join the queue for my follow-up, sir, and all the best, thank you.

Moderator: The next question is from the line of Riya Mehta from Aequitas Investment. I'm so sorry, sir, but we are unable to hear you. No, ma'am, your audio is breaking up. Ma'am, may we request you to join the queue? We are unable to hear you.

As there is no response from the current participant, we'll move on to the next. That is from the line of Radha from B&K Securities.

Radha: Congratulations on your good results. My first question was that you -- presenter said that volumes from 4.30 lakh to 5.30 lakh, whereas you are guiding -- that is giving about 20% growth. And you also guided 5% to 10% volume growth. So just wanted more clarity on...

Kaushal Bengani: Yes. So the reason why it will go up by 1 lakh tons is because we are installing finishing facilities at our unit in Telangana.

Radha: Yes, sir, I'm talking about the sales volume.

D P Jindal: Yes. That's right. What I said 4.3 to 5.3, it may be spread in 2 years. From today 1 year, it will be spread in 2 years.

Radha: Okay, sir. Okay. Sir, secondly, could you help me understand the EBITDA per ton profile in the ERW? We are seeing a lot of volatility in this. And primarily, that is because of the mix I understand, but could you throw some more light on this?

Kaushal Bengani: Margins are expected to remain good. We have a good order book and the market is strong and we expect margins to remain good.

Radha: Okay. And sir, is there -- we are going to participate in upcoming projects in U.S. and Canada. So can you give some light on how the realization in EBITDA per ton is in domestic vis-a-vis export market?

Kaushal Bengani: We do not share that information.

Radha: Okay, sir. And sir, as per the relative data, we are seeing that U.S. count is 664 in July as against 755 a year ago. So on what basis are we seeing an improvement in export volume?

D P Jindal: So the rig counts which have declined, they are primarily land rigs, where consumption of pipes is lower than those rates, which operated offshore. Because the rig count currently reflects a decline in land rigs and a lot of our pipes are sold to offshore projects, wherein we get a good demand, which is why we believe that the export market is expected to revive very shortly.

Radha: Okay, sir. And sir, just lastly, a basic question. So on the export market, given that you're seeing higher traction from export, so as pipes are bulky products, so transportation and packaging costs for the pipes in the export market would be higher. So just wanted to understand what is the price difference between the landed cost of our products in the export market of ours versus the peers in those markets?

Kaushal Bengani: Freight costs are borne by the customer and we don't want to share specific costing.

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

Riya Mehta: My first question is, what is the loss of volume due to maintenance shutdown this quarter?

Kaushal Bengani: Around 10,000 tons.

Riya Mehta: Okay. And actually, as of 30th June, basically, for drill pipe the order book number remains same. So has the production not started for drill as well as cylinder pipe?

D P Jindal: The order for drill pipe has a long delivery schedule. So we have not started execution for those pipes yet.

Riya Mehta: So when will this start? And what are the margins like for this?

Kaushal Bengani: Margins are good and we expect it to start in this quarter.

Riya Mehta: Okay. And what will be the capacity utilization of USTPL?

Kaushal Bengani: With USTPL capacity, utilization is almost 90% because last year, we -- against the capacity of 1 lakh tons, we dispatched 88,000 tons.

Moderator: The next question is from the line of Pratiksha Daftari from Aequitas Investment.

Pratiksha Daftari: My question was covered.

Moderator: The next question is from the line of Mahesh Ganatra, an individual investor.

Mahesh Ganatra: Yes. First of all, I want to congratulate for achieving very good EBITDA margin. But the most disappointing part is the loss in sales due to shutdown in quarter 1. Now was this shutdown not -- I think it was not announced in the last conference meeting. Was it a sudden shutdown? What is the reason for that?

Kaushal Bengani: This was a preventive maintenance shutdown. It is taken after approval of the technical in-charge of the relevant mill. As soon as the shutdown was taken, we had informed the stock exchanges.

Mahesh Ganatra: Okay. How long it lasted? How long the shutdown lasted, sir?

Kaushal Bengani: 15 days.

Mahesh Ganatra: 15 days. The loss of production was for 15 days.

Kaushal Bengani: Right.

Mahesh Ganatra: Now coming back to the forecast for the current year, which will be about 5% or 10% more in comparison to the last year. Do you think you'll be able to make up for the deficiency in the loss of production in the next 3 quarters?

Kaushal Bengani: We maintain that position. That is why we've given same guidance.

Mahesh Ganatra: All right. Yes. So that is virtually will have to our dispatch should touch almost about 375,000 MT in the next 3 quarters? So that's visible.

Kaushal Bengani: Yes.

Mahesh Ganatra: Okay. And at what stage has the process of installation of finished line at Telangana plant has reached now?

Kaushal Bengani: The installation has not started yet. We have acquired land and we are in the process of placing orders for relevant machinery.

Mahesh Ganatra: Okay. Any likelihood of starting the additional line before the end of the current year?

Kaushal Bengani: No.

Mahesh Ganatra: No. Okay. Now yes, one minute, sir. Yes. And then you have an order book position, which has come down now to INR1,735 crores for this quarter. In spite of your lower production and dispatches in the first quarter, why the order book is below?

Kaushal Bengani: Order book is not low. If you look at our order book, it is at almost at all-time highs. 1 year ago or 2 years ago, we used to have an order book of INR800 crores to INR1,000 crores. That has gone up to INR2,000 crores in previous quarter and it is now at INR1,725 crores. These are very high levels of order book for Maharashtra Seamless. It is only indicative of the strong positioning that we have in the market and the strength of the market.

Mahesh Ganatra: So I hope now you won't have any further shutdowns in quarter 2 and loss of production.

Kaushal Bengani: Yes.

Moderator: The next question is from the line of Harsh Saraswat, an individual investor.

Harsh Saraswat: My first question is, can you give an outlook on spend in a pre-election year, what your customers are saying? How does it look?

Kaushal Bengani: So it looks good because we continue to get orders from PSUs in the upstream and downstream segment. There is no slowdown on that path, something which we are also pleased to inform you that very shortly, we expect a good order in United Seamless from -- first order in United Seamless from a PSU after that unit was acquired by us in 2020. We expect that to take place in the pre-election year and therefore, we do not estimate any slowdown of orders from PSUs. This is also reflective of the fact that we got an order from ONGC of around INR536 crores, backed by another order of around INR235 crores...

D P Jindal: Rather it will increase.

Harsh Saraswat: Okay. So the spending is very strong.

D P Jindal: They want to exhaust their budget and place all the orders before election.

Harsh Saraswat: Okay. Okay. And the second question is on the export outlook. So what is happening on the global level? Is the dumping happening by China and other countries? And is the prices also crashing globally for seamless pipes?

D P Jindal: Dumping in the world market or Indian market?

Harsh Saraswat: In the world market, in U.S., Canada.

D P Jindal: There's no dumping. Because of slowdown in certain regions, rig count is low. So U.S. demand is reduced. But the indication is that in the U.S. pipe stock is reduced, so they want to buy more pipes now. And offshore rig count is also going up. So, Russia and Ukraine is still at the war. Russia cannot export and the Ukraine cannot produce these type of pipes. That's why the demand will go up again.

Harsh Saraswat: So no pricing pressure as of now globally?

D P Jindal: Price has reduced. It has gone very high. So it has softened somewhat. But the demand will be there.

Moderator: The next question is from the line of Mangesh Kulkarni from Almondz Global Securities.

Mangesh Kulkarni: Sir, I just wanted to know what steps management is taking to on this erratic margins in the ERW segments, like they are very erratic from INR8,000 to INR4,500 -- INR4,900 and all these things. So since you are giving the stable margin guidelines, but specifically in the ERW pipe segment, what kind of margins...

D P Jindal: Basically, we have 2 segment in ERW. One is oil sector government PSUs. So there we get a better margin. And second segment is commercial -- means dealers market or general market. In the general market, the margin is low and PSU margin is high. When we are executing the PSU order, so our margin goes high. But sometimes we stuck or we don't have orders, then we have to supply to the general market.

Mangesh Kulkarni: Okay, sir. Yes.

D P Jindal: That is very...

Mangesh Kulkarni: Understood. Understood. So this volatility will remain in the ERW pipe segment?

D P Jindal: It will be unless we are fully booked with the PSUs. Correct.

Moderator: The next question is from the line of Ankur, an individual investor.

Ankur: So my question is, as indicated earlier that the promoter want to increase their shareholding...

Kaushal Bengani: We cannot hear you.

Moderator: Ankur, we are unable to hear you. As there's no response from the current participant, we'll move on to the next that is from the line of Vikash Singh.

Vikash Singh: Sir, I just need a couple of clarifications. Firstly, that the hot mill upgrade in Nagothane, I just wanted to know the timeline when you would start the capex of hot mill and by when you plan to finish it? And would that also -- could that impact our current production lines mainly a little bit longer shutdowns for some time because of this PQF mill upgradation?

D P Jindal: Yes, we'll take it after we complete the Telangana unit expansion. So at present, there's no action on this item.

Vikash Singh: Understood. And what is the scheduled target for Telangana mill?

D P Jindal: 1 year from now.

Vikash Singh: 1 year from now. Understood, sir. And sir, my second question is, till what level of cash balance we have more or less would be comfortable? And over and above that, we would look for deployment in either through the dividends or by other means because we are generating huge cash flows every year. So till what level of cash balance we would be comfortable and post that, we would look to redistribute that additional cash to shareholders?

D P Jindal: Well, it depends on how much growth we make, like, when we are growing. So we have -- we need more of cash flow in the working capital. Telangana unit finishing line will also increase the working capital as production will rise. And of course, that will generate profit also. And -- so we are looking for some opportunity if it can be there to acquire some plant. So it's difficult to answer the timeline.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Vikash Singh for his closing comments.

Vikash Singh: On behalf of PhillipCapital, I would like to thank Maharashtra Seamless management for giving us the opportunity to host the con call. And for the closing comment, I would request Kaushal to give his closing remarks. Kaushal, over to you.

Kaushal Bengani: Thank you, Vikash. Thank you, shareholders, for taking time out to join us on the call. We are pleased to update you about the company. We are working towards enhancing shareholder value and we are on the right track. And going forward, we hope to provide greater returns to all our investors and improve the operations of the company so that we are able to tide through situations better. Thank you again for your time, and thank you, Mr. Jindal for taking time out from his schedule and joining us on the call. Thank you.

D P Jindal: Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of PhillipCapital India Private Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines. Thank you.

Kaushal Bengani: Thank you.