SEAMEC LIMITED
A member of MMG
MM AGRAWAL GROUP

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SEAMEC/NSE/TRANSCRIPT/SMO/2102/2024

February 21, 2024

National Stock Exchange of India Limited
Exchange Plaza
Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East)
Mumbai - 400 051

Trading Symbol: "SEAMECLTD"

Sub: Transcript of Investors/Analyst Earnings Concall held on February 14, 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, February 14, 2024, in relation to the Unaudited Financial Results of the Company for the quarter and nine months ended December 31, 2023 (Q3 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**

SACHIDANANDA MOHANTY
Digitally signed by SACHIDANANDA MOHANTY
Date: 2024.02.21 08:06:18 +05'30'

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

"Seamec Limited Q3 FY24 Earnings Conference Call"

February 14, 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, HEAD INVESTOR RELATIONS, SEAMEC LIMITED**
MODERATORS:	**MR. ABHISHEK JAIN – HEAD OF RESEARCH, ARIHANT CAPITAL MARKETS**

Moderator: Ladies and gentlemen, good day and welcome to Seamec Limited Q3 FY24 Earnings Conference Call.

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 this 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. Abhishek Jain - Head of Research from Arihant Capital Markets. Thank you and over to you, Mr. Jain.

Abhishek Jain: I welcome you to the Earnings Concall of Seamec Limited for Q3 FY24.

From the management side, today we have Mr. Naveen Mohta – Wholetime Director; Mr. Vinay Agarwal – CFO; Mr. S. N. Mohanty – President - Corporate Affairs, Legal and Company Secretary, and Mr. Sunil Gupta - Vice President Strategy and Investor Relations Head. We welcome the management of Seamec on this call.

Now I invite Mr. Naveen Mohta - Wholetime Director to give his "Opening Remarks" from which we will open the floor for the Q&A. Over to you, Mr. Naveen Mohta.

Naveen Mohta: Good morning, everyone. On behalf of Seamec, I extend a warm welcome to all the participants on our earnings call for the 3rd Quarter of Financial Year '24.

I am accompanied by my team, Mr. Vinay Agarwal - our CFO. Mr. S. N. Mohanty – President - Corporate Affairs, Legal and Company Secretary and Mr. Sunil Gupta - Vice President, Strategy and Investor Relations.

For the benefit of our new participants, I would like to start with a brief background of the Company. We are a leading offshore oil field service provider in the subsea segment. The Company has five diving support vessels and one barge in the offshore subsea support business wherein the vessels are deployed in the domestic and international markets. This quarter marks a significant milestone for our Company as we successfully completed the takeover of an offshore shipping vessel, Sea Diamond. This acquisition not only adds a valuable asset to our portfolio, but also shows our commitment to growth and power thinking vision. Looking ahead, we are actively pursuing opportunities to further increase our portfolio and in the present quarter, we are in the process of acquiring another OSV. This aligned with our strategic objectives for continued success.

The Company has extensive experience in providing specialized services, covering inspection, maintenance and repair, operate remotely operated vehicle and subsequent section activities to name a few. These activities require specialized vessels along with well-trained crew and diving team having extensive experience in handling such complex activities to ensure seamless operations for E&P companies such as ONGC, Aramco, ADNOC, etc. We also have 3 bulk areas under our subsidiaries, including step-down subsidiaries that provide marine transportation services for dry bulk materials such as food staples, commodities, industrial products, etc.

As we cater to the oil and gas sector, it is important to understand the sector in which we operate. The oil and gas sector in India plays a pivotal role in India's economic growth. With India rightly poised to become a $7 trillion economy by 2030, the energy sector, including oil and gas will witness a massive demand surge. Our Honorable Prime Minister while speaking recently at India Energy Week highlighted that the oil demand is projected to increase two folds, rising from 19 barrel per day to 38 barrel per day by 2045. As per the recent report of the Petroleum Ministry, India currently imports about 87% of the oil demand. Honorable Finance Minister in her budget speech announced capital commitment of Rs. 1.2 lakh crore by state and oil PSUs in oil and gas exploration, refineries, Petro chemicals and laying pipelines to meet the need of the world's fastest growing energy consuming nation. This will lead to further growth revenues for the Company over the next 5 to 10 years.

In addition to our current feet with our strong financial year, we have fully prepared to seize all forthcoming opportunities in the realm of inspection, maintenance and repair as well as subsea construction activities by ensuring to strengthen our fleet infrastructure. It is also our endeavor to consolidate our vessel assets under Seamec over the next few years. This strategic move is poised to drive significant growth for our Company, boosting its market position and enhancing its sustainability in the long term. During the quarter, all our six vessels were deployed, which has resulted in strong financial performance. We expect this growth and momentum to continue.

I will now request Mr. Vinay Agarwal to share the "Financial Performance".

Vinay Agarwal: Thank you, Naveenji. A very warm welcome to all participants for today's Earning Call for Q3 FY24.

I will now walk you through the "Quarterly Financial Update":

Revenue for Q3 FY24 is up 114% to Rs. 205 crores compared to Rs. 96 crores in Q3 FY23 and Rs. 77 crores in Q2 FY24. The increase in revenue is attributable to deployment of all six vessels for a total combined 452 days as compared to 280 days in Q3 FY23 and 249 days in Q2 FY24. EBITDA on its standalone basis for the quarter stood at Rs. 94 crores compared to Rs. 22 crores in Q3 FY23, registering a 324% growth year-on-year basis and compared to Rs. 31 crores in Q2 FY24, representing an increase of 203%.

EBITDA margin in the current quarter stood at 46% compared to 23% in Q3 FY23 and 40% in Q2FY24. The increase in margin is due to higher deployment during the quarter. Profit after tax for the reported quarter is Rs. 62 crores compared to Rs. 6 crores in Q3 FY23 and Rs. 2 crores in Q2 FY24. Our gross debt is Rs. 232 crore and net debt is Rs. 88 crores at the end of the quarter. The increase in debt is mainly due to acquisition of one OSV during the quarter.

Currently, ROCE is 12% and ROE is 14% on TTM basis. The same is expected to improve further in the coming period, with an increase in operating activities and better performance.

With this, I conclude and would now request the moderator to open the forum for question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rajan Mehta from Middle East Investment Merging. Please go ahead.

Rajan Mehta: My first question is regarding your asset sale part. I just wanted to understand what is the current procedure, current progress, whether the reverse merger is currently going on or the asset sale is going on? I just wanted to understand the progress on this front and actually wanted to understand, what is the quantum that we can expect going ahead with the reverse merger?

Sunil Gupta: This is Sunil Gupta this side. As Naveenji just said it is our endeavor to consolidate our vessel assets under Seamec. Last time when we had gone for a merger, the same was rejected on technical grounds because already 72% holding was with the promoter and post-merger holding was going up. Now, as you would know that this business is more of a long-term contractual business, so what we have decided is that as and when the contracts are expiring, we are consolidating those contracts under Seamec. In this fare, some of the activities will be started in 2024-25 and '25-26 and we are likely to get this completed by year 2026-27. Even if we would have done a merger or a reverse merger, it would have taken about two years. In this manner, we believe that it is in the interest of the investors where the business will cleanly get consolidated over a period of time under Seamec. However, for some strategic purposes, some business may remain with HAL, but it will be very insignificant and should not impact our investors in the listed entity.

Rajan Mehta: When we say that asset sale is going to happen, sir what assets are we going to add it from?

Sunil Gupta: Rajan, I am just telling you that so basically if you see there are contracts, there are two vessels in HAL, one is in lease vessels and one is in the owned vessels, rest HAL has two contracts where they are doing O&M for ONGC. So, those two contracts once are scheduled to get expired in 2025-26 will be preferred to rebid in Seamec. One asset which is under lease of HAL right now, we are working on that part. Probably, we are hopeful that in 2024-25, the Seamec may get the right of lease under its name and start operating that asset once the right to use gets completed, acquire asset under Seamec which may take 1.5 to 2 years, but right to use will come within this year itself. The asset which is under HAL offshore will currently remain there because the contract is with HAL only, however, and there is a benefit of tonnage tax scheme, which we would not like to lose. Once most of the activities get consolidated, then we will see over next 2 years, even Seamec will be strong enough to acquire that asset on arm's length basis, so that call will be taken in 2026-27.

Rajan Mehta: So, just to clarify before I get back in the queue, we have one leased asset which will come in FY25, two contracts which can come in FY26, and the asset owned by HAL that will be discussed on the later date?

Sunil Gupta: 26-27, once this piece will be over, then without losing the benefit of tonnage tax, we will try to get that asset in Seamec.

Rajan Mehta: So, the lead that we are getting FY25, we may get and the contract that we may get in FY26, what is the revenue visibility over here? Can you just throw some light on this?

Sunil Gupta: Basically, all these assets are DSVs. O&M contracts are very different than the pure service contracts, so it will be difficult for us to now say because O&M contract may range between $10,000 and $20,000 per day, whereas the full-service contract revenue may range between $60,000 and $70,000 per day. So, depending on what kind of contract comes from ONGC that will be clear only when the year 2025-2026 renewal will happen. But we believe that markets are buoyant, so definitely there will be some upside in the pricing whether it is O&M or full-service contract.

Rajan Mehta: And the asset that currently HAL has which we plan to acquire in FY27, what kind of revenue is it generating right now? Can you throw some light on that for HAL only?

Sunil Gupta: Sir, that asset would be generating revenue of about $60,000 per day. That contract is yet to start. It will be starting in 2024-25.

Moderator: Thank you. Next question is from the line of Devesh Kayal from Monarch AIF. Please go ahead.

Devesh Kayal: I just wanted to understand the working capital cycles in the oil extraction, support services and freight transportation.

Vinay Agarwal: As of now, our working capital cycle is in the range of 50 to 65 days and we are managing it very comfortably.

Moderator: Thank you. Next question is from the line of Ronak from RoboCapital. Please go ahead.

Ronak: Sir, there is currently a Red Sea issue going on, so do we see any impact on our business from that part?

Naveen Mohta: See, all our vessels are operating on the Indian coast only as of now or in case of one vessel which is operating in Saudi Arabia that is on the other side of the Red Sea. So, that is in the Persian Gulf area. So, we do not see any kind of impact of this on our vessels operating there.

Ronak: And one more question is like, currently in this quarter, we have EBITDA margins of nearly 42% and in the previous quarter it was like 20%-25%, so how do we see is this margin sustainable or what is the normal margin that we can get?

Naveen Mohta: As explained by Mr. Vinay, while giving the number, this quarter all our vessels has been deployed fully while during the previous quarter, some idle time was there. Going forward, we are looking at it that we will be able to utilize in similar manner. So, we can expect this kind of margin to sustain.

Moderator: Thank you. Next question is from the line of Pranav from PINC Wealth Advisory. Please go ahead.

Pranav: Sir, as you said that we had deployed more number of vessels in this quarter, so is this on some contractual basis, which we can expect to last or is this a onetime thing?

Naveen Mohta: All these vessels will continue because during the corresponding quarter last year, some idle time was there due to various reasons. Now, all these vessels have been deployed and they are having contract in hand. So, these contracts are going to last. So, we can expect this performance to continue.

Pranav: And how long will the contract be? Is there some date?

Naveen Mohta: Depending upon the each vessel to vessel, some are long-term contract on 365 days basis. Some of the vessels are working on non-monsoon basis for 2-year contract. So, it will be like this, but we have got contract for almost all the vessel as of now in our end.

Moderator: Thank you. The next question is from the line of Naysar Parikh from Native Capital Family Office. Please go ahead.

Naysar Parikh: First, could you give a sense of what would be the net asset value of the vessels you own as of date?

Naveen Mohta: Presently, this is around Rs. 400 crores net block value.

Naysar Parikh: And secondly, just from the rates that we are able to charge, how is that trend and do you see that while right now the rates maybe could be at a higher level and do you see over the next couple of years this will streamline to something lower? How do you see the rates panning out?

Naveen Mohta: See these rates as of now, if you look at the overall global trend, rate around higher trajectory and these are going to remain high as per the studies carried out by various global consulting firms. So, we can think that for the next 3 to 5 years, this tight price rig is going to continue to remain over there. Unless there is some kind of black swan event happens, some disruptive thing happens, COVID like thing, then it is a different thing, but otherwise it is going to be a strong price trajectory for next 3 to 5 years.

Moderator: Thank you. Next question is from the line of V. P. Rajesh from Banyan Capital Advisors. Please go ahead.

V. P. Rajesh: Just a couple of questions. Could you share the average length of your current contracts across different clients etc., and different vessels you have? Because we were talking about that some are for two years, some are for month to month and some are for 365 days, so what will be the general weighted average for your different vessels?

Naveen Mohta: All the contracts what we are getting are always shared on the BSE and NSE, so there it is, everything is mentioned that which vessel has got, which contract value and for how long it is going to continue. And the question of giving a weighted average is not going to work out because different kind of vessels with different start and different finish, so that will be difficult to make any kind of weighted average that how much of the contact duration is there?

V. P. Rajesh: And in terms of the HAL business that you are planning to transfer over the next 3 years, what is the revenue in this quarter for that business?

Sunil Gupta: As I said earlier also, getting a clarity on the revenue may not be the right thing because some of the assets are leased, some contracts are on O&M, so the clarity will come only when the contracts will come for renewal and when they come up for renewal, definitely we will notify to the exchange about that.

V. P. Rajesh: I was just trying to understand that let us say today, if the revenue is 100 and after three years in HAL the business will be let us say 20, so just trying to get a sense of proportion because I do recognize that when the contracts were negotiated, there may be different pricing etc., but just trying to get?

Sunil Gupta: Currently, the revenue of those contracts would be about Rs. 300 plus crores.

V. P. Rajesh: And over the 3 years, how much of that will get transferred into the listed entity?

Sunil Gupta: As I said earlier, sir, that all depends on how these contracts will come under maturity and come up for revision. So, we have given a ballpark vision that we carry. Under that whenever there is a renewal happening, we will see in the best interest of Seamec whatever best can be done we will do.

Moderator: Thank you. Next question is from the line of Prathamesh from Quantum Trade Advisory. Please go ahead.

Prathemesh: Sir, just one general question I would like to ask is recently, Mr. Hardeep Singh Puri had mentioned about the Eastern Front India having deep sea oil exploration as well which they are going to be starting, so I just wanted to know your view and opinion on that as well, how the Company is placed to do that?

Naveen Mohta: On the East Coast of India, lot of Government is taking place and ONGC is also exploring lot of oil blocks. If you have seen recently that they have announced a big oil flow from the 98 by two block which is quite a big discovery. So, it is going to be a good thing from the perspective of

Seamec because the more the discovery is made over there, the more infrastructure will be laid and that will be advantageous for Seamec itself. And just to give a sense of it, there have been some tender for the East Coast also for where we are also bidding. So, we are quite hopeful of getting our work in East Coast also and marking our presence in East Coast as well.

Moderator: Thank you. Next follow up question is from the line of Rajan Mehta from Middle East Investments. Please go ahead.

Rajan Mehta: From the press release, I understand that in international business, we have given one vessel in the Middle East territory. What is the thought process on the international business? What is the visibility of revenues over there and how robust is the business environment? If you could just throw some broad light on that?

Naveen Mohta: Yes, currently one of the vessels is operating in the Middle East and that contract as of now is for 3 months and with further option to extend on mutually agree with tons basis and we want to explore that area also, but as I told you that fleet position is very tight and we are in fact not able to even meet the requirement even on the Indian coast area itself, so we are still evaluating the option for deploying some vessel over there. So, if we get some suitable acquisition opportunity over there, we will acquire some vessel and try to put it on the Middle Eastern region.

Rajan Mehta: Sir, if you could also highlight the differential in pricing in the domestic international business?

Naveen Mohta: No, definitely there are good pricing differential is there. But again, if you have to look at it in a different way, the contract on Indian water with ONGC are quite on long term basis, but in the Middle Eastern region, these are not on those long-term kind of thing 3 year to 5 year, but of course once vessel goes over there and it performs, you continue to get the job. So, there are pros and there are cons. So, we continue to evaluate the opportunity wherever it is beneficial, we will try to calibrate our fleet and we will try to put it in that way.

Rajan Mehta: Sir, my next question is regarding the OSV business. What is the CAPEX that we are planning on the OSV side and who are the competitors over here and how robust is the competitive scenario over here, competition investment?

Naveen Mohta: See, we have not earmarked as of now any specific budget for these OSVs, but we keep looking for the opportunities because we are not looking to aggressively go into that market. This is a small ticket kind of vessel. So, we are not going that aggressive in this kind of business, but if we get the opportunity where we know that we will be able to put the vessel on long-term charter like the one we have worked for Sea Diamond and Sea Pearl, definitely we will acquire these vessels and the Company has got financial strength to buy these vessels without any kind of strain on the resources. So, that is not a problem at all. So, we keep evaluating these opportunities for this overseas market.

Rajan Mehta: And I think you may have indirectly answered this one question, but just wanted to understand, if there is no asset sale or the transfer of contracts from the parent on the standalone business, what kind of visibility do we see going ahead for FY25 and 26?

Naveen Mohta: See, as Mr. Sunil already explained that with this process is not there as of now. It is not on the table for transfer of sale or the thing. So, as on date on this standalone basis of the Seamec, we continue to see a good traction going forward for giving a CAGR of around 15% over a period of next 3 to 5 years.

Rajan Mehta: 15% and on the margin front if you could just give some guidance as well?

Naveen Mohta: Similar kind of guidance will be there.

Moderator: Thank you. Next question is from the line of Devesh Shrimali from DS Investments. Please go ahead.

Devesh Shrimali: I just wanted a quick clarity on the last reply you said on margin guidance, when you said similar margin, you meant the current quarter run rate should be doable for next 2-3 years, barring any unforeseen situation right around 40% plus margin, is that right understanding?

Naveen Mohta: See, when I am saying that similar kind of margin expectations, so what is the set of number we have in this quarter, so overall basis, we are expecting 35% to 40% of this margin to continue on yearly basis.

Devesh Shrimali: And can you help us understand seasonality, if any, in our business is the September quarter usually affected by seasonality or how does this play out in your view?

Naveen Mohta: As I told earlier in my opening thing, we are working in Oil and Gas segment, and it is affected by the seasonality of this rain. So, during the monsoon period, some of our vessels are not working. So, if you look at our number historically so, Q2 is the weakest quarter for us where we have less revenue and then Q1 is okay quarter, but Q3 and Q4 are the best quarter, particularly Q4. So, that is the best quarter because January, February, March is the working season for all the vessels.

Devesh Shrimali: And if you were to take current run rate of this quarter, I think I missed out the number of billing days that you called out earlier, but could you help us understand what is our utilization running in this quarter or just to get an idea of what potential current asset base has?

Vinay Agarwal: As I mentioned in my earlier remarks, the inflation of vessel has increased to 452 days in this quarter as compared to 208 days in Q3 FY23 and 249 days in Q2 FY24. When we compare it to Q2, it means this was monsoon season versus non-monsoon this year. And when we compare it year-on-year then there was a few reasons when earlier year our vessel was not deployed so there was less deployment.

Devesh Shrimali: And when we say 450 days workable in this quarter at full capacity, what can we do? Can we do better or it is our 100% utilization at 450 days?

Vinay Agarwal: This is in the range of around 90% utilization.

Devesh Shrimali: So, now that we are running at 90%, what is our idea that how do we get that 15%-20% growth that we are planning for next 2-3 years? Are we planning the CAPEX outside the parent deal or how are we looking at delivering that?

Sunil Gupta: As we said, we see the sector growing, the market growing and there will be definitely growth opportunity. So, there will be 2-3 things happening. One, there will be additional CAPEX to strengthen our freight size when the market gives us opportunities. Secondly, with the repricing will happen when the contract come up for renewal and third, all these revenues are dollar denominated and you would know that the rupee has been historically depreciating 3% to 4%. So, that would also help us consolidate our profitability.

Devesh Shrimali: And the last piece, can you help us understand this other income element, this also sort of goes up and down in each quarter? What could that consist so?

Vinay Agarwal: Other income probably consists of interest income and fair value gain on our investment in mutual fund and other thing and why it keep on fluctuating, resulting there is marked MTM losses on our deals with we have entered into in case of our term loan. So, there was a deal which we have done for swiping it to the dollar and the fluctuation in the dollar rate is giving us sometimes MTM loss, sometimes MTM profit. So, that is why it keep on fluctuating.

Devesh Shrimal: And what would be our net debt position as of either 31st December or whatever you are comfortable with?

Vinay Agarwal: So, this is Rs. 88 crores as I have mentioned, net debt position.

Devesh Shrimali: I am sorry I missed it. How much?

Vinay Agarwal: Rs. 88 crores.

Devesh Shrimali: And the CAPEX that we are planning, how do we plan to fund that using internal accruals or term debt or some other things that we are planning?

Vinay Agarwal: Whenever we are planning our CAPEX, this is majorly through internal accrual, but on need basis we are going for term loan as well.

Devesh Shrimali: And if one last question I can squeeze in, can you talk about industry competitive intensity, how are we sitting as a Company, just broad idea that how is it looking to you next 1, 2, 3 years?

Naveen Mohta: See on this diving support vessel, I am very happy to state that we are in a very strong position in the Indian market because we have got the biggest fleet of this diving support vessel and all of them are working with ONGC on a long-term kind of contract. So, for the next 3 to 5 years, we have a strong visibility of revenue, and these are kind of contracts which will continue to operate. There is no short closure or something like that. So, we see a fairly stable revenue growth in our next 3 to 5 years.

Devesh Shrimali: Is it specifically for this segment or broadly other segments also that we operate in, we have long term contract?

Naveen Mohta: Even on the other segment also if we look at it that supply vessels or anchor handler which we are doing, they are also having the similar kind of trade. So, they are also on long-term contract basis, we are getting the contracts.

Devesh Shrimali: And last, if I can squeeze in, the total contract mix that we have, how much are due for renewal in FY24 or 25, some ideas you can give?

Naveen Mohta: So, this year there is not going to be any contract expiring, but we will be getting some contract again on renewal like for our vessel Seamec III and Princess which are on EPC basis, so that will be coming up with a newer rate. And then next year, there will be two new contracts will be coming next year. So, I think that will give you a sense of that will you give you a fair idea of what is going to come?

Moderator: Thank you. The next question is from the line of Arpit Shah from Stallion Asset. Go ahead.

Arpit Shah: If you can just confirm the revenues of HAL offshore of FY22, is it Rs. 150 crores of revenue and Rs. 300 crores of PAT, is that the number of HAL offshore for FY22?

Sunil Gupta: Sir, I said with regard to, there are other businesses in HAL offshore. On the vessel side, the revenue is around Rs. 300 to Rs. 400 crores depending on the contracts coming up year-on-year basis currently.

Arpit Shah: And what would be the other businesses?

Sunil Gupta: There is onshore offshore EPC business that HAL offshore does.

Arpit Shah: So, largely it is one-third business transfer is having, one-third to one-fourth kind of business transfer is happening to Seamec Limited?

Sunil Gupta: Yes, as and when the contracts come up for renewal, we will look at them.

Arpit Shah: So, when you are looking at the reverse module, was it the full community you were looking at or was it just the contracts you are all looking to or the offshore business?

Sunil Gupta: We were looking at the vessel business.

Moderator: Thank you. Next question is from the line of Simar from Negen. Please go ahead.

Simar: I need to know about your working capital cycles in the oil extraction services and your freight transportations industry.

Naveen Mohta: No, we are not into that kind of business of all oil extraction as we mentioned. We are service provider to ONGC or EPC companies. So, our working capital cycle is quite simple. We are doing the job and around 60 to 65 days we are getting all our payments cleared from them.

Simar: And follow up on the previous participant, when he talked about your OSV vessel, Sea Diamond, can you talk about the new acquisition over there?

Naveen Mohta: Can you repeat, Sea Diamond, what you want to know?

Simar: The new acquisition of the OSV vessel Sea Diamond?

Naveen Mohta: This vessel is being acquired as intimated to stock exchanges with the cost of 7 million and this vessel will be chartered to HAL Offshore, who has already got a three-year contract with ONGC. So, this vessel will be going on contract from three-year basis to HAL offshore.

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

Gaurav Agrawal: Sir, you talked about your HAL business which you want to transfer to the listed Company over a period of 2-3 years. So, the revenue is like Rs. 300-Rs. 400 Cr and what about the ships, what about those affected, how will those be transferred to the Company? Will the Company be buying the assets for HAL and for that, what will be the value that will be paid to HAL over the years? How will this be transition work, sir?

Naveen Mohta: I think Mr. Sunil has already clarified this question once or twice. See the transfer of assets or this thing, it will be taken at a particular time, this contract which HAL is having. The management thought process as of now is that these will be, when they are coming up for renewal, will be billed in the name of Seamec only, so that will be a automatic transfer of assets and as for the physical assets which are owned by HAL offshore, the decision will be taken at right time and opportunity time to transfer these to Seamec as and when this is found beneficial to the interest of the Seamec.

Gaurav Agrawal: And sir, what will be the broad value of the assets?

Naveen Mohta: See again, this value cannot be decided as of now, or cannot be inferred as of now, because these are decaying kind of contract and two year or three year down the line it will be difficult to put in number as of now on these kind of assets.

Gaurav Agrawal: But whenever this affects the transfer, it will be that Company will take that and then it will be tested as well, then you have the mechanics?

Sunil Gupta: As I said, look, this is a bidding process. So, strategically we would like that as a group, we should be in a leadership position. When the contracts come up for renewal at the appropriate time, we will see how in the best interest of our listed entity, we can see the businesses getting listed either in Seamec or indirectly through HAL to Seamec, so that the assets will slowly and gradually get consolidated under Seamec. All new assets that the business may require will be taken in Seamec only, so a large share of the business will remain in Seamec going forward. The situation as of today may not be appropriate to say further, but definitely as and when the things will happen, we will start notifying the stock exchanges and the investors will come up to know.

Moderator: Thank you. Next question is from the line of Ankur Kumar from Alpha Capital Group. Please go ahead.

Ankur Kumar: Sir, my first question is on the HAL side, you said it would be like Rs. 300 to Rs. 400 crores revenue, so our margin would be similar to like 40% that we made in this quarter in the Seamec side?

Naveen Mohta: I think it will not be proper to discuss the margin of HAL at this forum because actually altogether different entity and independent entity. So, I would request we should not take the question for HAL.

Ankur Kumar: And sir, on the tax rate, our tax rate is quite low, so like 3% only this quarter, so any comment on that?

Naveen Mohta: Seamec is a tonnage tax Company, so when we say tonnage tax Company there is an incentive by Government of India under Indian Income Tax Act where companies are taxed on the basis of the tonnage. So, that tax rate is very negligible. This is to incentivize the Indian flagging of the vessel and to increase Indian tonnage. So, it is a very low rate of kind of tax. So, that is why our tax provisions are very less.

Ankur Kumar: And sir, on the contract renewal, higher rate side, you said Seamec III and Princess will have higher rates in FY25?

Naveen Mohta: Yes, that is what our expectation is.

Ankur Kumar: So, any comment on how much increase can we expect?

Naveen Mohta: At this point of time, it will be hazardous to guess, but once we start the process of discussion with the potential charters for the taking of the job, it is going to be higher.

Moderator: Thank you. Next follow up question is from the line of V. P. Rajesh from Banyan Capital Advisors. Please go ahead.

V. P. Rajesh: So, my question is that if the contracts will get transferred from the parent to the listed entity Seamec, then how are we going to compensate them for the loss of profitability in that particular entity? What is the mechanism to make them whole for ongoing business that will now be booked in Seamec?

Naveen Mohta: See, whenever this kind of transaction is going to take place, everything will be done on the online pricing basis only and the scheme will be made within consultation with the expert on that basis and will be ratified by the Board of the both the companies. So, whatever the compensation or whatever the benefit is going to be get from each entity will be coming up clean at that point of time, but we can assure you that okay, whatever transaction comes, it will be at arm's length price basis only.

V. P. Rajesh: And is the intent to move all the assets from the parent Company into the listed entity and the related contracts and keep the EPC business in the parent Company? Is that what we are sort of moving towards?

Naveen Mohta: Again, it is too premature to discuss it because that reverse merger thing is not in the table now. So, at any different point of time, whenever this is discussed, then only the call will be taken, whether EPC business should also merge into this entity or not. But presently there is nothing on the table as of now to merge that EPC business into listed entity.

V. P. Rajesh: No, my question was slightly different. I was not talking about the merger of the two. I was just saying that is the intent right now to bring all the hard assets and related contracts into the listed entity and keep the EPC business in the parent Company is sort of directionally is what we are thinking that I just wanted to confirm that?

Naveen Mohta: Correct, that was the intent as of now.

Moderator: Thank you. Next question is from the line of Rajan Mehta for Middle East Investment Merging. Please go ahead.

Rajan Mehta: I wanted to understand, what is the plan for replacement of current vehicle and over the next 2-3 years, of course and how much CAPEX would we have to incur for this?

Vinay Agarwal: So, basically for today as we speak, vessel of medium age would be roughly about $50 to $60 million, okay. When we say middle age means about 10 to 15 years. Right now, for next one year, we will be able to run these ships and we will see as and when the new opportunities come or closer to there being expiry, we will see what is available in the market, the broad range is $50 to $60 million per ship will be the cost.

Rajan Mehta: Any major maintenance CAPEX expected on these vessels in the short term?

Sunil Gupta: Maintenance CAPEX is a regular thing that goes on all the ships. Basically, every ship goes for a dry dock every 2.5 year. Whatever expenditure that is run on those 2.5 year dry dock period is amortized for a further period of 2.5 years.

Rajan Mehta: What would be the cost for this if they going every 2.5 years?

Sunil Gupta: That depends on the asset to asset, but Naveenji would clarify further.

Naveen Mohta: That dry dock costs depend upon vessel to vessel and scope of work also. And so normally it ranges from somewhere around $2 million to $3 million at most.

Moderator: Thank you very much. As there are no further questions, I will now hand the conference over to Mr. Balasubramanian for closing comments.

Balasubramanian: Thank you very much. Thank you, sir. Thank you all the participants. Now we can conclude the call. Have a good day. Sir, any final closing remarks from your side.

Management: Thank you very much, Bala, and thank you all the participants for joining us in today's call. We would like to continue our investor engagement for a clear direction on how the Company will progress year-on-year basis. Thank you very much.

Moderator: Thank you very much. On behalf of Arihant Capital Market Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.