August 01, 2024

To, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001	To, National Stock Exchange of India Ltd Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051

Scrip Code: 543528 **ISIN No: INE0JA001018** **Symbol: VENUSPIPES**

Subject: Intimation pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of Earnings Call

Dear Sir/Ma'am,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Earnings Call held on July 25, 2024, post announcement of financial results of the Company for the quarter ended as on June 30, 2024. The audio recording of the Earnings call along with the Transcript has been uploaded on the Company's website https://www.venuspipes.com.

This is for your information and record.

Thanking you,
Yours faithfully,

For VENUS PIPES & TUBES LIMITED

Pavan Kumar Jain
Digitally signed by Pavan Kumar Jain
Date: 2024.08.01 13:25:13 +05'30'

CS Pavan Kumar Jain
Company Secretary and Compliance Officer
Membership No. A66752

"Venus Pipes and Tubes Limited

Q1FY25 Earnings Conference Call"

July 25, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 25th July, 2024 will prevail.

MANAGEMENT: **MR. ARUN KOTHARI – MANAGING DIRECTOR – VENUS PIPES AND TUBES LIMITED**
MR. DHRUV PATEL – WHOLE-TIME DIRECTOR – VENUS PIPES AND TUBES LIMITED
MR. KUNAL BUBNA – CHIEF FINANCIAL OFFICER – VENUS PIPES AND TUBES LIMITED
SGA - INVESTOR RELATIONS ADVISOR – VENUS PIPES AND TUBES LIMITED

MODERATOR: **MR. DHRUV JAIN – AMBIT CAPITAL**

Moderator: Ladies and gentlemen, we welcome you all to the Q1FY25 Earnings Conference Call of Venus Pipes & Tubes Limited hosted by Ambit Capital. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements do not guarantee the future performance of the company and may involve risks and uncertainties that are difficult to predict.

Now, I hand over the conference to Mr. Dhruv Jain from Ambit Capital. Thank you and over to you, sir.

Dhruv Jain: Hello, everyone. Welcome to Venus Pipes and Tubes Limited's Q1FY25 earnings call. From the management team, today we have with us Mr. Arun Kothari, Managing Director; Mr. Dhruv Patel, Whole-Time Director and Mr. Kunal Bubna, Chief Financial Officer. Thank you. And over to you, sir, for the opening remark.

Arun Kothari: Good evening, and a warm welcome to everyone to the Q1FY24 earnings call for Venus Pipes and Tubes Limited. I have been joined by Mr. Dhruv Patel, our Whole Time Director; Mr. Kunal Bubna, CFO; and SGA, our Investor Relations Advisor. We have uploaded our Q1FY25 investor presentation on the stock exchanges and Company's website, and I hope you had an opportunity to go through the same.

To begin with, I would like to give some outlook on the global economy, particularly US., Europe and India, followed by company's performance for the quarter. According to IMF, global growth is projected to reach 3.2% in 2024 and 3.3% in 2025.

The US economy, the largest in the world and one of our key export markets, is expected to grow by 2.6% this year, up from 2% last year, while the manufacturing sector in the US faces challenges due to high interest rates and rising raw material costs. This presents a significant opportunity for Indian companies like Venus, to make their mark in the US market.

Turning our attention to Europe, another major export destination for Venus. The European economy is showing very positive signs of recovery, particularly in the service sector. However, the manufacturing sector is still experiencing a slowdown, which will take longer to recover.

Coming to domestic market, India is expected to be the fastest-growing major economy in the world with an impressive growth rate of 7%. This growth is fueled by an improvement in private consumption, especially in rural area and manufacturing of steel, driven by growth-focused policy measures. The Indian economy has solidified its post-Covid recovery, thanks to the concerted efforts of our fiscal and monetary policymaker in ensuring economic and financial stability.

The government has played a pivotal role in stabilizing their Indian economy through timely reforms. The PLI scheme, for example, encourages high-quality foreign investment by offering a market-linked incentive system for companies to comply with. The success of the Atmanirbhar Bharat initiative is evident, with the PMI manufacturing index continuously improving and reaching all-time high levels.

Recently, the Honorable Finance Minister announced a host of measures for MSME in the manufacturing sector in the latest budget. These measures are said to boost the overall development of the manufacturing sector, creating a more conductive environment for growth and innovation.

Moreover, with the government's focus on capital expenditure and improving the ease of doing business, we expect the domestic capital expenditure cycle to be a multi-year high. This present a significant opportunity for us to grow and expand our market share.

Coming to our performance in Q1FY25, we embarked on FY25. We are delighted to share that we have delivered an outstanding performance for the quarter, setting new records, with revenue of the quarter extending at INR240 crores, reflecting a robust growth of 34%, EBITDA of INR48 crores, witnessing an impressive growth of 74% with EBITDA margin extending tall at 20%.

PAT of INR28 crores, reflecting a growth of 58% with PAT margins at an all-time high of the 11.5%. This remarkable growth is a testament to our commitment to delivering high-quality products and timely service to cater to the market demand.

Current performance showcase our ability to manufacture quality products appreciated and accepted by the industry and customer, domestically and globally. Our dedicated efforts in product development R&D with focus initiatives on marketing, distribution and brand-building, augurs us well to serve the demands of the domestic and global markets. This long-term strategic planning have positioned us well to continue this upward trajectory.

Now, I would like to highlight key points regarding our performance in the export market. Export revenue for the quarter is INR61 crores, a substantial increase from INR8 crores in Q1FY24, marking an 8x growth on a year-on-year basis. Export now contribute 25% of our total revenue, up from 4% in the same period last year. Sequentially, export have surged by 120%(Rectified with correct data) demonstrating our global footprint.

We are experiencing strong order inflow not only from the Europe market, but also from the US and the Middle East, showcasing our expanding international presence. We are seeing a significant traction in sectors, such as oil and gas, pharma, engineering, power and other industries -- a broad-based demand for our products. With a robust order book, we anticipate sustaining the growth momentum, solidifying our position as a preferred supplier in these regions.

Another key highlights for the quarter has been the remarkable recovery in our welded pipes segment. Revenue from welded pipes grew by an impressive 55% for the quarter, reaching INR94 crores in Q1FY25, compared to INR61 crores in Q1FY24.

Revenue from seamless pipes stood at INR136 crores in Q1FY25, up from INR112 crores in the same period last year, reflecting steady growth in this segment. Segment-wise, revenue distribution stood at 57% from seamless pipes, 39% from welded pipes and 4% from other.

Our capacity utilization remains robust for both seamless and welded pipes with a strong order book and a clear vision for the future. We are optimistic about our continued growth and success.

Looking ahead, our long-term strategy revolves around diversifying our end-user industry to mitigate sector-specific risks and ensure sustainable growth, adding value-added products to our portfolio, aiming to become the one-stop provider for the stainless steel pipes and tubes, catering to a wide range of customer needs, continuing to stir every step of new industry trends and technologies to delivering best-class products to our customer, enhancing their satisfaction and loyalty.

With robust financing capabilities and foray into value-added products, we are set to become a one-stop comprehensive piping solution provider to our customer. We will continue to invest in growth opportunities and strategically position ourselves for the market leadership.

As we continue to expand our reach and capability, we are confident that Venus Pipes and Tubes will reach new heights, setting a benchmark in the industry and achieving greater recognition and trust globally. Together, we look forward to a bright and prosperous future.

Now, I hand over to Mr. Kunal Bubna, CFO. He will brief about the financial highlights of the Company.

Kunal Bubna: Good afternoon, everyone and a very warm welcome to our earning conference call. We take absolute pride in announcing that your company has reported highest-ever quarterly and yearly revenue EBITDA and PAT for Q1 FY '25. Revenue from operations for Q1 FY '25 stood at INR240.1 crores as compared to INR179.6 crores during Q1 FY'24, achieving a growth of 34% year-on-year.

Revenue bifurcation for the year was 39% from welded, 57% from seamless pipes, and 4% from others. Growth in seamless segment was 22% year-on-year basis and the welded segment registered a growth of 55% for Q1 FY'25 on a year-on-year basis in terms of revenue. Our export sales stood at INR60.9 crores for the year compared to INR7.7 crores during the same period last year, a growth of 691% year-on-year basis.

On the EBITDA front, our EBITDA for the quarter stood at INR47.9 crores as compared to INR27.6 crores in Q1 FY'24, a growth of 73.6%. EBITDA margin for the quarter stood at 20% compared to 15.4% for the same period last year. On the PAT front, PAT for Q1 FY'25 is INR27.5 crores compared to INR17.4 crores in Q1 FY'24, a growth of 58% on a year-on-year basis.

Margin stood at 11.5% compared to 9.7% in Q1 FY'24. Our capex remains on track with first phase set for completion in March '25 only. Lastly, I would like to highlight that INR17.85 crores were received from the holder of convertible warrant in accordance with the terms of preferential allotment.

In conclusion, we are excited about the future and committed to maintain our growth momentum. With a clear strategy and a strong foundation, Venus Pipes & Tubes is poised to achieve a new milestone and deliver exceptional value to our customers and shareholders. We look forward to continued success in taking the Venus brand to unprecedented heights.

With this, I would like to open the floor for Q&A.

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

Chirag: Yes, congratulations on good set of numbers. Sir, a couple of questions from my side. First, if we look at the performance this quarter, domestic demand was quite weak, Y-o-Y growth was just 4%. So if you can highlight what led to this subdued performance in the domestic market?

Kunal Bubna: Yes, basically, if you see, there was no such -- the strategy was more toward export. So we got a good order, wherein we were able to deliver to Europe, USA. The U.S. market was very nominal earlier or it was very negligible. But that is also a zone where we have supply of our product. So basically, it was sort of a strategy wherein we tried to -- helping more toward export.

Chirag: Now, you see, remaining part of the year for domestic, how should we look at domestic versus export portfolio?

Kunal Bubna: Yes, if you see the first quarter, export has been around 25%. So we believe it should be more than 25% for the entire year going forward on the side of export.

Chirag: You're saying 35%?

Kunal Bubna: 25%. More than 25%.

Chirag: Okay. And second was on overall utilization in seamless as well as welded. So for the quarter, what was the utilization?

Kunal Bubna: Yes, on the side of seamless, it was predominantly high, more than 90% and on the side of welded, it was around 60% to 65%.

Chirag: Okay. And just lastly, on EBITDA per metric ton in welded, seamless and exports, if you can give some color?

Kunal Bubna: Primarily, see, the blended EBITDA for the last year was more than INR65 per kg and it has increased in this quarter also by more than 2% as compared to the last year, FY'23'24.

Chirag: Sorry, what is the number for the quarter?

Kunal Bubna: Last year, I said it was more than INR65 per kg in the blended EBITDA and it has improved by more than 2% for this quarter.

Chirag: Okay. Thank you, and all the best.

Moderator: Thank you. The next question is from the line of Dhananjai Bagrodia from ASK Group. Please go ahead.

Dhananjai Bagrodia: Sir, congratulations on a fantastic set of numbers. I just wanted to understand now regarding your export business, as a company, is it all other companies would also have similar growth? Have we done something special in terms of customer acquisition and how sustainable is this growth going ahead?

Kunal Bubna: See, we have been always telling that Europe will be the first territory where we will be increasing our exports and then U.S. and Middle East. So similarly, what we have said in earlier calls, we have been telling to you all, so that has actually followed us. So last year, Europe has been covered to a good extent. And now, with our approvals and all, we have been able to penetrate in U.S. and also in Middle East.

So I think that has led to -- that was purely a strategy since we started this mill and all. And I think it's very sustainable from our perspective, keeping with a lot of geographies. We are also targeting few other geographies going forward. So I believe the percentage what we are narrating or what we are achieving should be maintainable going forward also.

Dhananjai Bagrodia: Okay. And just to have a broad base now in terms of margins with 20% what we have reached this time, this would be something which we could see consistently going ahead or was this -- did we have any one-off gains?

Kunal Bubna: See, percentage wise, it may differ because it depend on selling prices, but we have been saying the blended EBITDA per kg, which was more than INR64 to INR65 per kg last year, will improve for this year, I believe, more than 2% -- in the range of 3% to 5% going ahead.

Dhananjai Bagrodia: And just roughly any -- in terms of revenue growth, how much would any breakup between volume and realization?

Kunal Bubna: The realization had been slightly depleted in this quarter as compared to last FY'23-'24.

Dhananjai Bagrodia: Okay, fine. Perfect. Thank you so much, sir. Congratulations again.

Moderator: Thank you. The next question is from the line of Vikas Singh from PhillipCapital. Please go ahead.

Vikas Singh: Yes, congratulation on a good set of number in a difficult quarter. Sir, I just wanted to understand in terms of these segments. Domestic, so the demand was -- this quarter, was weaker. But have it, post-election, started to pick up or it is still the same, if you could give us, and the segments from where the demands are coming?

Kunal Bubna: Yes, there has been demand coming from domestic, also from chemical -- we have been seeing demand coming from chemical industry, which was very low in the last few months, you can say. So we are seeing demand from there. Oil and gas, the demands are there. Power industry, the demands are there. From the engineering sector, the demands are there. So it's a mixed bag of industry wherein those demands are coming.

Vikas Singh: Understood. And this is picking up, right, post-election?

Kunal Bubna: Yes.

Vikas Singh: And secondly, sir, is this -- though you gave us 35% kind of the export guidance, but the quarter-on-quarter pickup in the export was pretty small. So at least 25% of the run rate would be maintained from here onwards and would be improved later on, or export, we will continue to see huge fluctuations? So how should we take it?

Kunal Bubna: Taking all the factors, we believe this 25% sort of target should be maintainable going forward also.

Vikas Singh: Understood. Sir, one more thing, in our total 34% of the revenue growth, if I want you to split between value and volume, then can you give us that number?

Kunal Bubna: We are not giving such a volume figure and value figure has already been given.

Vikash Singh: Understood, sir. Sir, just one last thing. If you look at the last year, SS seamless was -- revenue percentage was almost 57%, which has been maintained this quarter as well. This year and next year, how do you see the revenue percentage of SS versus welded? And any impact on the margins, if you could give us?

Kunal Bubna: Yes, basically, if you see on the quantity basis for the last full year, seamless was around 47% to 48%. So definitely a depletion on the side of seamless, which may decrease by 4% to 5% and a consecutive increase in the welded will happen. But if you see again, there would be margin increase on the both side of seamless and welded. So I believe on a totality basis, there should not be no decrease in the margins going forward.

Vikash Singh: Understood. Sir, just on a little bit clarity purpose, currently in a seamless versus welded band, what is the margin difference of our product range, which we are selling, between these two products, which we are selling on a blended basis ballpark?

Kunal Bubna: Between these two products, it differ a lot. You can say more than 40%.

Vikash Singh: Okay. Average blend, we are talking about, right?

Kunal Bubna: I am telling comparison with seamless and welded. So seamless is higher by 40% to 50% as compared to welded.

Vikash Singh: Okay. That's all for my side. Thank you, and all the best.

Moderator: Thank you. The next question is from the line of Kunal Kothari from Centrum Broking. Please go ahead.

Kunal Kothari: Yes, thanks for the opportunity and congratulations for great set of numbers. So my first question is in regard to the exports, can you provide us the split between geographically, like how much we have done in Europe, US, and other countries as well?

Kunal Bubna: Yes, primarily more than 65% was toward Europe and sort of 20% to 25% on the side of US So primarily Europe and US was the predominant and few towards Middle East and others.

Kunal Kothari: Actually, I wanted to understand in a way, like last quarter we were near to INR25 crores to INR30 crores and this quarter we did around INR60 crores. So the incremental -- the gain -- incremental export sales we did is largely from which area, which country?

Kunal Bubna: Majorly to USA -- vis-a-vis to USA.

Kunal Kothari: Okay. And secondly about -- during the last quarter, it was guided that we are going to see a good ramp up in the welded segment and hence the overall sales may -- will tilt higher towards the welded side, like 55% welded and 45% will be the seamless side. But again, during the quarter one, it was similar to the last quarter with seamless contributing the maximum 55%. So going forward from quarter two onwards, how one can -- one should see the overall sales mix?

Kunal Bubna: Yes, definitely, going forward, there would be -- as you rightly said, there would be tilt towards welded. So those percentage, if I say on the quantity basis just to give you, last year 47% to 48% was towards seamless and balance was towards welded. And I believe this will change to more than 50% sort of number, 54% to 55% towards welded and balance towards seamless.

Kunal Kothari: Okay. Lastly, does the higher contribution from the welded segment, as you're guiding, is it because that our sales in the oil and gas sector is going to improve and that will help in the higher sales? And secondly, on margin front as well, with the existing welded pipes that we are selling in the market, will the margin profile will also change with the changing mix in overall customer mix as well?

Kunal Bubna: Yes, definitely, oil and gas, catering to US and all Middle East will help us in improving the contribution from welded going forward. And from the margin perspective, definitely when you say, sales higher size of pipes, which is generally few people manufacture, you get a slightly higher delta as compared to the routine sizes. So definitely, those improvements you will also see going forward on the side of welded.

Kunal Kothari: So despite higher share of welded, will margin sustenance of 20% is safe to assume or like it can have an impact on the blended?

Kunal Bubna: See, percentage will be very tough because there can be increase in selling price or decrease which will effect percentage. But as I said, you see, on a blended basis, last year, FY '23, '24, we achieved more than INR64 per kg

EBITDA on a blended basis. And for this year, I believe it will be 3% to 5% incremental should be there. And there are a few reasons and the first would be higher sizes of welded being more deployed in this year. Again, seamless contribution, there are capacity increase for seamless in the last quarter of the March '24, which will entirely be deployed in this current year. And again, increase in exports will -- where the margin is slightly higher, that will also help.

Kunal Kothari: Okay, got it. Last, if I can squeeze in, any guidance that you would like to provide in export in terms of the volume for the FY '25 or the overall value term that we would like to achieve in this financial year?

Kunal Bubna: From the value term, it's better to look at this export and we believe it should be at least above 25%...

Kunal Kothari: Absolute numbers, if you can provide, sir?

Kunal Bubna: I think percentage would be good for export.

Kunal Kothari: Okay, great. All the best, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Meghna from Nuvama. Please go ahead.

Sneha: Hi, good afternoon, sir. This is Sneha here from Nuvama. Just a couple of questions. By the way, congratulations on a great set of numbers, specifically coming on to exports, where you have done very well. You had guided for 25% of the number, 20% to 25% share from exports, which you have already achieved for this year. What can we estimate for next year? Where can this go up? I remember you speaking about 30%, 35%. Can it be much, much higher, given that new customer acceptance has started coming in and you already are seeing good demand across the globe?

Kunal Bubna: Definitely, the intent is that -- we have been telling, we will be open to everyone if you get a better rate. See, the intent is to spread across the entire map and entire country and cherry pick the order which are best available. So if you get better margin business in India, you tilt towards that. If you get a better margin toward export, you tilt towards that. So primarily, but what we are seeing is that there is a lot of demand in the other part of the world, like we are now trying towards Middle East and US, where we believe there should be a good quantum of order to be received going forward. In Africa, as a geography, where we are also trying , sooner or later, we will be entering. So there are mixed bag of geography. The endeavor will be keep export more than 30%, more than 25%. But again, as I said, you'll be sort of cherry pick where you get a higher margin or better order, you tilt towards that.

Sneha: So at this point of time, exports definitely yield you better margin, right?

Kunal Bubna: Yes.

Sneha: Understood. Secondly, just wanted to understand your order book position, where does it stand at?

Kunal Bubna: At roughly around INR270 crores.

Sneha: Understood. Sure. Thanks. Thanks, and I'll get back in the queue. Congratulations, and all the best.

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

Radha: Hi, sir. Thank you for the opportunity, and congratulations on good results. Sir, my first question was, what is the volume growth for this quarter versus Q1 FY '24 in both seamless and welded?

Kunal Bubna: Can you repeat, please?

Radha: Sir, I wanted to know the volume growth in seamless and welded on a Y-o-Y basis.

Kunal Bubna: As I said, on a Y-o-Y basis, if you see, it was quite substantial. It was more than 50% sort of number on a Y-o-Y basis.

Radha: So which one? For seamless or for welded?

Kunal Bubna: Both on Y-o-Y basis.

Radha: Okay sir. Sir secondly so I believe this is the first quarter where we have executed our US orders. So with respect to that could you give us a sense on what is the opportunity size in terms of both seamless and welded in the US market?

Arun Kothari: If you say about the US. In the US market is very big almost from India. US is importing from all over the world other than India, from the Korea and other places. Cumulatively US market is very big or US consumption in the SS pipes is also very big. So we believe that more than 20,000 tons US will be importing from on a year basis for the particular welded pipe.

They will be importing from all over the world or almost equal to that quantity. They are importing from the seamless segment also. So almost 40,000 metric ton you can say US is importing from all over the world India, China, Korea and Japan from all these countries and as well as from Europe also.

Radha: And how big would these imports be versus their domestic production?

Arun Kothari: US market is mainly focused on the welded pipe segment. In seamless, there is not much producer is available in the US market. So for at least seamless pipe they are more dependent from the India, Korea, Japan and China. There is not much mill in US market in seamless pipe segment.

Radha: Sir could we say that they are importing 50% of the requirements from all over the world?

Arun Kothari: No, less than that. In welded pipe segment there is a number of production in the US. We can't say 50% they are importing, but we can say almost 30% we can say near about.

Radha: Okay. So they are importing more in seamless and less in welded?

Arun Kothari: Both. More in the seamless and welded also because welded consumption is also high. So they are importing almost 50%-50% we can say in the almost 40,000 metric ton. They are importing mixed means seamless is the critical product and very costly product. So they are importing almost 20,000 metric tons seamless and 20,000 almost welded. So their welded consumption is more in the US market. So they are procuring -- they are producing also or they are procuring from the other part of the world.

Radha: Okay. And sir what would be the scenario in Middle East?

Arun Kothari: Middle East is also a very good market. Right now there are a number of projects opened up over there in oil and gas sector, but Middle East is a slightly different kind of business. There is almost -- for the supply of the pipes there is two categories of the market in Middle East. One is the oil and gas sector. Other is the remaining sector industrial usage, chemical, pharma, then water distilling plant all these together. But especially in oil and gas sector, they require the approval of the concerned plant. In Middle East almost 10 to 12 oil and gas companies. So once you get the approval then there is a very good demand in oil and gas sector in Middle East.

So right now we have the Middle East approval from two, three companies in oil and gas sector. We are pursuing for the other oil and gas company approvals also. Once we receive all the approvals of the oil and gas company there is a very good demand in Middle East in oil and gas sector. Right now we are catering Middle East demand for the oil and gas sector or where we have the approval, already have the approval in hand company or other than the oil and gas we are supplying for the water distilling plant requirement and chemical plant requirement in Middle East.

Radha: Sir, have we got approval from Saudi Aramco or when you mentioned about customers?

Arun Kothari: No, it is still under process.

Radha: Okay sir. Sir what about the…

Kunal Bubna: Just to clarify that the total year-on-year quantity increase of 50% wherein seamless was more than 30% and welded was around 70%.

Radha: Sorry sir. I could not understand sir. Once again please.

Kunal Bubna: The increase in year-on-year quantity is 50% as you said, but on the side of seamless it was more than 30% and on the side of welded this was around 70%.

Radha: Okay volume growth on a year-on-year basis.

Kunal Bubna: Yes.

Radha: For seamless 30%, welded 70%.

Kunal Bubna: Seamless more than 30% and welded around 70%.

Radha: Okay sir. Thanks. I understood. So what is the scenario on the anti-dumping duties if any that the Middle East market has on any of the countries specifically China or any other country?

Arun Kothari: No in Middle East there is no anti-dumping duty. Middle East is open for the -- as well as China and India also.

Radha: Okay. So -- and their domestic demand would be insufficient. So hence they are importing much more from other countries?

Arun Kothari: There are not much producer about the -- this seamless pipe as well as the welded pipes. So their demand is also very huge because they manufacture all the big oil and gas companies of the world are located in the Middle East area. Over there lot of projects in the chemical sector and other sectors is also ongoing in the Middle East. So there is a lot of potential to market our product in Middle East. So we are also having much focus on Middle East also. So our team is underway processing all the approval process and other things and marketing. We have recruited more than 2 to 3 person in Middle East to market our products.

Radha: Sir Middle East we are hearing from everyone that the demand is very good and even you are mentioning that. So do we have any plans to set up a facility there somewhere down the line or do you think it would be better to export to the Middle East market?

Arun Kothari: Right now we don't have any plan to set up a facility over there. Since our project is the -- volume-wise it's very less, price was very huge. So that's why we are near to the Kandla and Mundra port where the transit time to Middle East is not more than 10 days. So we want to set up a facility at the single location right now, but if there is any approachable opportunity comes we may think, but right now we don't have any plan.

Radha: Okay sir. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Sahil Rohit Sanghvi from Monarch Networth Capital. Please go ahead.

Sahil Sanghvi: Yes, good evening sir. And congratulations for walking the talk and delivering excellent numbers. So my question is right now in the exports what would be the mix of welded and seamless?

Kunal Bubna: Seamless is around 80% and balance is welded.

Sahil Sanghvi: 80% is seamless and balance is welded in the exports?

Kunal Bubna: Yes.

Sahil Sanghvi: Okay got it. Actually all the other questions of mine are answered. So thank you very much and all the best.

Kunal Bubna: Thank you.

Moderator: Thank you. The next question is from the line of Harsh M. from Kriis PMS. Please go ahead.

Harsh M: Congratulations on great set of numbers. I wanted to understand a couple of things. One is what has led to effectively us penetrating into the new geographies like US, etc. So like there are other companies also which are exporting into US. So what is the differentiating factor for our welded pipes to be accepted in US. market?

Kunal Bubna: See basically we as a company have all the sizes. We can manufacture up to 56-inch dia. So number of SKUs can be offered significantly in number of quantums compared to any other country. Definitely there are few more supplier who supply to US from India. But again we also have seamless in our armoury. This is a mixed bag of products we are having. We are also having backward integration.

So see it's an entire gamut of majority of the products which we can serve to the end customer in US. I think the testing parameters, the quality of products all qualify and make us suitable for sale in the US market. So that has all helped us to penetrate there.

Harsh M: Got it. Okay fair. And another question I had was we are close to 90% utilization for seamless. So do we plan to add more capacities now in seamless because we are seeing more opportunities also coming in from Middle East with the new approvals and potential for domestic market also looks good?

Kunal Bubna: Currently, the first phase of capacity expansion had been already announced keeping titanium and high grade of welded tubes and fitting plant. So it seems not as currently these expansions are there. Second phase has also been announced there and a portion of seamless will come. But further, if something comes up, we'll definitely let you know but not currently as such.

Harsh M: Okay, fine. And any plans for any inorganic acquisition in any of the geographies outside to further consolidate position or any other acquisition in India?

Kunal Bubna: Yes, both inside and outside as a company, we keep on working on that. Definitely things which come at a better rate, which suits to our strategy , the company will be quite happy to do the same.

Harsh M: Okay, perfect. Thank you so much. Best of luck.

Moderator: Thank you. The next question is from the line of Sanidhya from Unicorn Assets. Please go ahead.

Sanidhya: Hi, sir. Congratulations on great numbers. First question is on the margin extension. So if we see quarter-on-quarter, or if we see year-on-year, we see that the cost of raw material consumed is much lesser as compared to the revenue from operations. So what led to this kind of margin extension? As you were already saying that the prices of the final products have reduced as per. So wanted to understand.

Kunal Bubna: So basically -- see the RM consumption with the backward integration RM consumption should reduce. So that has helped us. And similarly, there had been an increase in other costs. Other costs, which form part of it like salary, the contractor costs, fuel and other costs. So it's basically a backward integration. Now, we are manufacturing all the sizes in-house other than job work what we were doing earlier. So those things have changed. Hence the current structure of costs wherein RM consumption depleted a bit and the other costs have increased.

Sanidhya: Okay. And sir, what's the outlook on the price for the finished goods that we sell? How are we looking for the current year and for the next year?

Kunal Bubna: It seems this price, which was there in this quarter, we believe it should not be much decreased from there.

Sanidhya: Okay. And similarly, on the raw material costs and other produced goods, we are not…

Kunal Bubna: Yes. There will be some increase. Other costs may increase a bit. But definitely, the RM consumption will decrease a bit to that extent.

Sanidhya: Okay. So assuming that the current quarter's margins would be sustaining for the entire year. Also, from the export side the margins are heavier on the export side. So are we assuming that the ratio for the export and domestic for the current quarter stays for the entire year? Or is it like the domestic will catch up in the later half?

Kunal Bubna: The way the orders are flowing from export and other geography of the world it seems we would be trying to maintain this run rate for the entire year on the side of export.

Sanidhya: Okay. And your share on the direct consumer versus the other routes, if you can share that?

Kunal Bubna: Sort of 25% was towards trader.

Sanidhya: Okay. And almost remaining would be the direct to consumer?

Kunal Bubna: Yes, direct. Basically, 25% was export, 25% sort of near to that for a trader and around 50% you can say for direct sales. Out of this 100% break-up I have narrated.

Sanidhya: Okay, sir. And lastly, what are the inventories that we are holding for the current -- at the end of the current quarter?

Kunal Bubna: Sort of -- what we have been earlier also sort of 100 days, 90 to 100 days.

Sanidhya: Sorry?

Kunal Bubna: 90 to 100 days.

Sanidhya: 90 to 100 days. In terms of cost, can we say in number?

Kunal Bubna: In days, it would be far better to look.

Sanidhya: Okay. Thank you so much. And if you can lastly just share the industries you are catering in the U.S., Middle East, you talked about oil and gas and all.

Kunal Bubna: No, we are supplying to the stockists, distributors, to U.S., not to direct to the end consumer we are not supplying in U.S.

Sanidhya: Okay. We are supplying to the stockists.

Kunal Bubna: Yes, distributors and stockists.

Sanidhya: Is there any risk to any export -- import duty? They are saying that Trump could be the next President, if they want to U.S. imposes some import duty. Do we see any threat to that?

Kunal Bubna: Seems not. There has been certain changes on Chinese only. But we have heard U.S. has increased some part of the duty, which was related on Chinese goods. But let's see what the coming whoever with the new government in U.S. does.

Sanidhya: Do we experience currently any import duties of any such sort?

Kunal Bubna: Well, there are duty in U.S. and all on Indian goods. But on Chinese, it is very hefty anti-dump duties are there and then you become quite competitive as compared to Chinese on the side of welded in U.S.

Sanidhya: Okay. And could you share some number and what kind of duties the China attracts versus the India attracts?

Kunal Bubna: It's more than, you can say, 30% to 40% additional duties on Chinese on the side of welded.

Sanidhya: Okay. So if we experienced 10% duties, the Chinese is experiencing 30% to 40% duties or 13% or 14%?

Kunal Bubna: No, I'm telling they are having more than 30% to 40% higher duty. So total duty incident on them as compared to Indian goods.

Sanidhya: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Nitesh Dutt from Burman Capital. Please go ahead.

Nitesh Dutt: Sir, one question. Is it possible for you to predict the INR61 crores of exports via geography? How much was exported in Europe, Middle East, and US?

Kunal Bubna: Basically, as I said, the geography was around more than 65% to 70% around to Europe, 25% sort of export towards USA, and balance out towards Middle East and other parts of the country.

Nitesh Dutt: Thanks a lot.

Moderator: Thank you. The next question is from the line of Pallav Agarwal from Antique. Please go ahead.

Pallav Agarwal: Yes, good evening, sir. So I had a question on -- first on the capex outlay. So out of the INR180 crores, what is the likely spend in FY'25and FY'26?

Kunal Bubna: Yes, the capex, which is coming in two phases, which is predominantly a total of INR175 crores and INR115 crores is the first phase. So this should be majorly spent by this financial year '24- '25 and leftover should be spent in the coming FY'25-'26.

Pallav Agarwal: Okay. And broadly, I think the financing, I think, was partly through the conversion of warrants. So what -- do we see any significant increase in our net debt levels or should it peak out in FY'25?

Kunal Bubna: Yes, there would be a debt increase because a portion of it would be taken in the form of term loans for this expansion. But again, see, the debt levels are not high. If you see on the total basis, the debt equity is a quite fine ratio we are looking. Even there would be some increment, but again, those ratios will be maintained.

Pallav Agarwal: Okay. And the other income has a short-term sequence. So is it due to the preferential initial warrant money coming in? So is that why the treasury income is higher this quarter or this will sustain going ahead?

Kunal Bubna: So it was basically a few towards FD income from banks. There are a few towards export incentives, few towards foreign exchange gain. That's not very predominant. Last year, it was INR3.20 crores on an annual basis. I predominantly see this sort of number, maybe a slight depletion.

Pallav Agarwal: Okay. Yes, thank you, sir.

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

Pradeep Rawat: Yes, good evening, and thank you for the opportunity. So I'm new to the company and I have some basic questions. So sir, I wanted to understand that our margins have improved from 7% to currently 20%, 7% in 2019 to 2020. So what had been the in driving such kind of margin growth?

Kunal Bubna: Well, there are many factors which has been changing the company over the last 2 years, 3 years. So earlier we were manufacturing 1,000 metric ton per month, i.e the capacity is basically 10,000 to 12,000 metric ton per annum., now the capacity is 38,400 per annum . Earlier, for seamless pipe, we were not having backward integration.

We were importing mother hollow from China and other countries. Now we have backward integrated ourselves wherein we are manufacturing this mother hollow pipe in-house. That has substantially added to our margin. Again, the trade-in and stock export used to be very high in earlier years. Now those percentages have reduced to a significant. Now the export percentage has increased wherein the slightly higher margins are there.

Now we are also manufacturing smaller sizes of tubes, where also the margin improves. Now we are also selling higher sizes of welded pipes, wherein the margins are high. So there are a number of reasons which had help us to improve our margin over a period. A number of approvals have been received over a period. So these are the major factors which can help us to improve this margin.

Pradeep Rawat: Yea. Sir, so would our domestic competitor will be enjoying similar margins to you? Or are we doing something different from them?

Kunal Bubna: No, see, a few player of the countries which are significantly higher in sizes compared to us, they are earning a higher margin. though we don't have their breakups. But what we are hearing from here and there, they have a significantly slightly higher margin as compared to what we have. There are some few other products which we don't currentlyhave.

Arun Kothari: Hello? Further, I would like to add in this regard all the margin percentages depend on the volume utilization, capacity utilization, and order book at each and every part. Since Venus is present in all the major product of the SS pipe, especially in seamless, welded and backward-integrated facility.

So with all these facility and utilization of this capacity utilization of all these facility is play a major part to get this margin. And again, the order book also, order book and aggression in the market, all these factors work for the margin.

Pradeep Rawat: Yes. And my other question is regarding our freight costs. So during the last quarter, I assumed that our freight cost has been increased. So would it be fair to assume once the freight cost declines, our export would improve?

Kunal Bubna: There had been an increase in the ocean freight. But those impacts are there a bit-- but many of the factors are considered in the pricing while quoting for those order.

Pradeep Rawat: Thank you. That's all from my side.

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

Radha: Hi, sir. Thanks again. So I wanted to understand on the Middle East part because you mentioned that there is no anti-dumping duty by Middle East anywhere. So when we are exporting to Middle East, so what is our landed price of goods in Middle East competitive when compared to China?

Arun Kothari: Especially, Radha, what is in this Middle East? Middle East, they require all the -- just as I told you, in the oil and gas sector especially, they require the approval. If any company worldwide, if we see in the approval of the major oil and gas company, so there is a limited company in our sector, is approved in their sector.

So without approval, they can't procure the pipe. Even Chinese manufacturers are very less in the Middle East oil and gas approvals. The special part is their plant capability and your approval and your process capability and quality of the supply. All these sectors work in the Middle East.

So just for the Chinese, whichever company gets the approval in oil and gas sector from China, that is also at par. In China, the SS pipe industry or any other industry divided in two parts. One is the unorganized player in China or one is the organized or bigger player in China. So if you compare the pricing of the China, very big player or organized player, just like our Indian player of the -- us and our other competitor, if you see.

So price is almost at par compared with the Chinese very good player and India very good player. So mostly we get some time competition -- we face some time competition, but almost there is no price difference between the very good Chinese player or Indian player, just like us.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for the day. I now hand the conference over to the management for closing remarks.

Arun Kothari: Thanks everyone. I take this opportunity to thank everyone for joining the call. We will keep updating the investor community on regular basis for incremental updates on your company. I hope we have been able to address all your queries. For any further information, kindly contact SGA, our Investor Relation Advisor for your company. Thank you once again. Good evening, everyone.

Moderator: On behalf of Ambit Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.