

November 01, 2023

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
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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 October 27, 2023, post announcement of financial results of the Company for the quarter and half year ended as on Sept 30, 2023. 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

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



“Venus Pipes & Tubes Limited Q2 H1 FY2024 Earnings Conference Call”

October 27, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 27th October 2023 will prevail.



ANALYST: MR. PALLAV AGARWAL - ANTIQUE STOCK BROKING LIMITED

MANAGEMENT: MR. ARUN KOTHARI – MANAGING DIRECTOR – VENUS PIPES & TUBES LIMITED
MR. DHRUV PATEL – WHOLE TIME DIRECTOR - VENUS PIPES & TUBES LIMITED
MR. KUNAL BUBNA – CHIEF FINANCIAL OFFICER - VENUS PIPES & TUBES LIMITED

Moderator: Ladies and gentleman and welcome to Q2 and H1 FY2024 Earnings Conference Call of Venus Pipes and Tubes Limited hosted by Antique Stock Broking. 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 date of this call. These statements do not the guarantee the future performance of the company and it may involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. Now I hand over the conference to Mr. Pallav from Antique Stock Broking. Thank you and over to you Sir!

Pallav Agarwal: Thank you Aishwarya and good afternoon everyone. On behalf of Antique Stock Broking, I welcome you all to the second quarter and H1 FY2024 earnings conference call of Venus Pipes and Tubes Limited. We are pleased to have with us the senior management team represented by Mr. Arun Kothari – Managing Director, Mr. Dhuv Patel– Whole Time Director and Mr. Kunal Bubna – CFO for Venus Pipes and Tubes Limited. We will have the opening remarks from the management followed by Q&A session. I thank you and over to you Arun for your opening remarks.

Arun Kothari: Good afternoon and warm welcome to everyone on the Q2 and H1 FY2024 earning call of Venus Pipes and Tubes Limited. Today I have been joined by Mr. Dhuv Patel our Whole Time Director, Mr. Kunal Bubna CFO and SGA our investor relationship advisor. We have uploaded our Q2 and H1 FY2024 investor presentation on stock exchanges and company's website and I hope you had an opportunity to go through the same. Before going on the company side, just I would like to view the outlook on industrial demand. The steel demand in India has been on a rapid rise according to an industry report the per capita steel consumption from 1.2 kg in 2010 to 2.8 kg in FY2023 yet it is still lower than global average consumption of 6 kg per capita, but we believe that the consumption is poised to rise even further on the back of strong demand and upstream in the capex cycle particularly in industries like railway, food processing, chemicals, cement, engineering, etc., with enhanced spending by private and public companies on infrastructure and capacity expansion across the country. The per capita steel consumption is expected to see a steady increase. The pipes and tubes industry are also benefiting from the capex cycle and new infrastructure with consumers placing a strong emphasis on high quality and reliable products along with necessary certifications. A notable shift happening from unorganized to organized players and established brands like Venus are reaping the benefits of these changes. Still, the shift from unorganized to organized sector is underway and we will see a gradual uptick in years to come. We were among the few organized players in the country to have anticipated the huge capex cycle in India and increased our capacity by 3X from 12,000 MTA to 33,600 MTA. Additionally for backward integration of seamless pipe, we set up a piercing line to manufacture mother hollow pipes with the new capacity fully operation, we are all geared up to cater to the uptick in demand.

With increasing volume, we also see uptick in our margin on account of operating leverage and supply of the higher quality and a specialized product. Also manufacturing of mother hollow pipe as a part of backward integration plan will help us to improve our margins going forward. With a strong demand upstream, we are not only seeing an increase in new enquiries, but also witnessing order conversion simultaneously increasing our wallet share among our existing customers, affirming their sustained confidence in our offering. Overall, these factors are a good representation of robust growth and flourishing opportunity in the domestic market. On the export front, the journey has been nothing short of exciting. Venus has witnessed a substantial growth and has come in long way from where it began. Currently, our export contributed 15% of total revenue standing at Rs. 28.5 CR for Q2 FY2024 compared to Rs. 1.6 CR in Q2FY2023. We anticipate this to increase steadily over the years. It is a result of our strong on ground team and consistent dedication to provide the quality products to our clients. To penetrate deeper in the export markets, we participated in multiple fairs and exhibition and have undertaken focused marketing initiative to take the brand outside the country. With setting up of our piercing line for backward integration of seamless pipe, we have witnessed increased acceptance of our products and also a rise in order flow from the export market. Overall the export market has substantial growth potential with a huge market to cater and we continue to increase our international footprint in newer geographies. Coming to our performance for the quarter ended September FY2024, we witnessed robust performance on all parameters. We achieved all time high quarterly revenue of Rs. 191.4 CR with operating margins extending at 18.2%. PAT stood at 21 CR for the quarter. This robust performance is led by multiple factors. Firstly, our sales from seamless pipe, which is higher margin product witnessed a remarkable growth of 153% driven by the high demand across industry, acceptance and as of using the quality products has also been a rising factor for multiple players in the industry, shifting to organizations providing high quality products. Secondly, our global footprint expanded with export contributing 15% of the total revenue particularly due to the growing presence of our brand in Europe. Margin witnessed a significant improvement year on year on the back of our backward integration of seamless pipe resulting in a higher operating leverage from increased revenue. Welded pipes saw a muted revenue growth of 1% year on year largely due to fall in raw material prices, which are passed through in our industry. However year on year, the volume growth remained robust, growing at more than 100% in case of seamless pipes and welded pipes witnessed a growth in high teens. Additionally, the newly commissioned seamless capacity in May is already running at 80% capacity utilization level. This is a huge testimony reflecting the strong demand for high quality seamless pipes and tubes. Lastly, our current order book stands at Rs. 210 Crores and the additional 400 MTM installation of the capacity for seamless pipe is on track and expected to be completed by Q4 of the FY2024. This upcoming expansion not only reflects our commitment to meeting growing demand, but also position us strategically for future opportunities. With all our capacity in place and in increasing capacity utilization and robust demand visibility, we are optimistic about the year and journey ahead. We strongly believe that collective efforts and dedication of all our stakeholder in this endeavor will yield fruitful results paving the way for sustainable growth in the future.

Our commitment **stands resolute** in elevating the Venus Brand to new heights earning the trust of our customers by upholding the highest standard in the industry. We would also request all our investor analyst community, which had entrusted us with immense support to visit to your company new manufacturing facility, which is now fully commissioned and operational. We would be arranging a visit to your company facility in month of November, which coincides with the Great Rann Festival. Our IR team will do everything possible for a safe and smooth visit. Now I will handle the call to Mr. Kunal Bubna, CFO to take you through the operation and financial highlights of the quarter.

Kunal Bubna:

Good afternoon everyone and a very warm welcome to our earnings conference call. We take absolute pride in announcing that your company has reported highest ever quarterly revenue EBITDA and PAT for FY2024. We have also reported positive net operating cash flow from operation for H1 FY2024. On revenue from operation for Q2 FY2024 stood at Rs. 191.4 Crores to Rs. 126.4 Crores in Q2 FY2023 a growth of 51% Y-on-Y basis. Revenue from H1 FY2024 stood at Rs. 371 Crores as compared to Rs. 240 Crores during H1 FY2023 achieving a growth of 55% year on year. Revenue bifurcation for the quarter was 40% from welded, 57% from seamless and 3% from other sales. Growth in seamless was around 153% Q2 H1 on yearly basis. Welded segment registered a growth of 1% for. Q2 FY2024 on year on year basis in revenue. However, our welded growth during high teens for the quarter on a year on year basis. Our export sales stood at Rs. 28 Crores for the quarter compared to 1.6 Crores during the same period last year. Gross profit for Q2 FY2024 stood at Rs. 54.4 Crores as compared to 25.1 Crores in Q2 FY2023, a growth of 117% on Y-on-Y basis. Gross profit for H1 FY2024 grew by 98% on year-on-year basis and stood at Rs. 96 Crores. Gross margin for Q2 FY2024 stood at 28.4% as compared to 19.9% in Q2 FY2023, a growth of 857 basis point on year-on-year basis. On the EBITDA front, EBITDA for the quarter stood at Rs. 34.8 Crores as compared to Rs. 15.5 Crores for the same period last year registering a stellar growth of 125% with EBITDA margin at 18.2%. EBITDA for H1 FY2024 is Rs. 62.4 Crores as compared to Rs. 30 Crores in H1 FY2023 a year-on-year growth of 108% . On PAT front PAT for H1 FY2024 is Rs. 37.7 Crores versus Rs 19.5 Crores in H1 FY2023 a growth of 93% on year-on-year basis. The margin for the H1 FY2024 stood at 10.2% compared to 8.1% in H1 FY2023. PAT for the quarter stands at Rs. 20.3 Crores as compared to Rs. 10.3 Crores in the same period last year and Rs. 17.4 Crores in Q1 FY2024, a growth of 97.1% year-on-year and 16.7% Q-o-Q. Looking at the demand scenario appears robust for us, we are actively targeting new sectors and geographies, aiming to enhance the utility of our products within our existing supply sector and also expanding our reach and making sure our offerings meet the evolving needs of various industries. With this, I would like to open the floor for Q&A round.

Moderator:

Thank you. We will now begin the question and answer session. The first question is from the line of Mr. Dhruv Jain from Ambit Capital. Please go ahead.

Dhruv Jain:

Congratulations to the entire Venus team for a great set of numbers. I have a couple of questions; one was with respect to the welded pipe, we have seen a very strong growth in the seamless side,

however, you also mentioned that the welded pipe growth was slightly lower, so any colour on that would be useful.

Kunal Bubna: On the side of welded pipe, if you compare with year-on-year basis, we have a growth of as I said more than 15% on the side of welded pipe July to September 2022, July to September 2023 quarter and if I see definitely with last quarter it is a growth of more than 25% on welded pipe so with those expansions of higher Dia tube mills those all had been started. We are seeing welded pipe also increasing and if you see last quarter we had contribution from revenue in the terms of quantity, 55% was from seamless and 45% was towards welded. For Q2 it is 52% from welded and around 48% from seamless side.

Dhruv Jain: Any reason why seamless is growing faster than welded? This is what I was trying to figure out.

Kunal Bubna: There had been demand, The export had increased primarily pertained to seamless side only, so with the backward integration and all the material of seamless side is acceptable in the European market so that also helped the seamless side to grow on a faster pace and also along with that in the month of December 2022, the antidumping circular and also helped for the seamless to a grow on a faster note.

Dhruv Jain: Okay and you mentioned you have a 210 Crores sort of order book, so this would be pertaining to what period, how many months typically would require this kind of execution?

Kunal Bubna: Generally, it should be basically 90 to 110 days.

Dhruv Jain: Okay, and if I may one more question. You have announced an expansion of capacity of about 400 tons per month in the seamless side, what would be the incremental capex that you would have to incur and can you give any colour on the new client addition that we have seen in this quarter? Thanks.

Kunal Bubna: Basically, the last quarter we said capex will be around additionally 35 to 40 Crores which will include these 400 metric tons per month for seamless pipe and some modification has been done for the LSAW mill the Dia is getting increased up to 56 inch and thirdly on the side of hollow pipe manufacturing, we have increased the efficiency. This three capex taken together will be taking 35 to 40 Crores.

Dhruv Jain: And any new clients or key clients that you have signed?

Kunal Bubna: Naming the client will be slightly competitive, but there had been sectors which are getting added like we are getting new clients from the sector like oil and gas, chemical, pharmaceutical, railway and others.

- Dhruv Jain:** Okay thanks a lot 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:** Thank you for the opportunity and great set of numbers, very congratulations. First question is you mentioned order book is 210 Crores, can you provide the bifurcation between exports and the domestic order book and secondly earlier we were having the backward integration of 9600 tons and similar was the capacity for the seamless pipe. With the new capacity adding up, our seamless capacity will go up to 14,400, so that additional mother hollow pipe are we looking to again import from China or what is our plan towards the additional capacity?
- Kunal Bubna:** The first question basically from the perspective for order book we have around 25% of that from export out of that 210 odd Crores order book what we are having. As you said our hollow pipe manufacturing wherein we will be getting better efficiency so for this 400 metric ton per month of expansion, we will get a bit from that efficiency increase. Apart from that the antidumping circular more than six NPS, there is no anti-dumping involved, so part of it will also be procured will be imported to cater those differences.
- Kunal Kothari:** From 9600 tonnes, are we expecting to produce more than the stated capacity? If so, then how much we can produce?
- :Kunal Bubna** Those modifications had been done and those expenditure had been incurred. We are currently running as you said around 80% as and when in the coming quarter we will be running on a more side, so we will come to know what more efficiency actually we can get out of that.
- Kunal Kothari:** My second question is pertaining to the exports volume that we have gained during the quarter. Overall as per the reports, we see that there is a slowdown in demand especially in Europe, so how we manage to get such a high growth in exports during the quarter? Also the gross debt has gone up from 90 Crores to 145 Crores and we have mentioned earlier the new capex which was announced that will be through internal accrual, but still I see that the long-term borrowings has gone up by 5 Crores and also the working capital loan has increased substantially, so can you just elaborate on the borrowings part as well?
- Kunal Bubna** The borrowing part basically if you see the debt had increase from 90 to 145 Crores basically increase of around 55 Crores. We have not borrowed long term borrowing for this new capex but earlier project what we have expanded that is tubemill for that we have borrowed so 13-14 Crores is the incremental on that part of the project, which we have earlier also said it would be funded through debt that is the increase and balance is around 38 to 40 odd Crores is for working capital which is required for the increased business that we are forecasting and doing and on the front of export, Mr. Dhruv.

- Dhuv Patel:** On the global demand for particularly mentioning Europe, we do not see very slogging demand from Europe currently but yes, there is some impact of global slowdown. But in this sector I do not think it will be much affected because there are lots of oil and gas projects coming up. There are lots of projects announced all over the world for oil and gas and there are new plants coming up for hydrogen technologies so keeping all this in mind, what we feel is like the demand will be on the growth.
- Kunal Kothari:** Okay so for sequential quarter as well, we can see similar export numbers or we can see higher than the exports reported during the quarter?
- Arun Kothati:** Regarding the export we further like to add, we had built a very good team in the Europe market, very senior person has come in the management of the Venus Pipe for the management of the marketing of the seamless pipe in the Europe. They are working hard. We have started the backward integration facility in the month of May and we are able to achieve in the first quarter itself of our total seamless pipe capacity. You can say we are 25% of seamless pipe capacity is going to export in Europe so this is the first quarter of the operation of the backward integration facility so in the coming quarters as Kunal just told, we have told you we had total order book of almost 50 Crores order book you can say is from the export market, which will be supplied in the next quarter so definitely next quarter will be steady demand in the export market you will see in the coming quarter or in the next half year. For next year, we are hosting much better export demand compared to this quarter in the seamless pipe segment.
- Kunal Kothari:** Okay. Thank you for detailed explanation. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Mr. Sahil Sanghvi from Monarch Network Capital. Please go ahead.
- Sahil Sanghvi:** Thank you for the opportunity and many congratulations to the whole team for very excellent performance. My first question is can I know the proportion of welded and seamless in the order book right now? How much would be welded orders and seamless orders?
- :Kunal Bubna** From the value perspective, it is 50:50 and from the quantity perspective welded would be around 55 to 60% and balance would be seamless.
- Sahil Sanghvi:** Quantity perspective it is how much, sorry.
- Kunal Bubna:** 55 to 60 in welded.
- Sahil Sanghvi:** 55 to 60 is welded okay and can we also get an understanding of what is the utilization rate of the hot piercing plant and what do you aim to run it for the rest of the year as in how that will work out?

- Arun Kothari:** Basically for half year the utilization level was around 75% for the hot piercing and currently we are running at a level of 80% and going quarters and going forward it will definitely be more from here.
- Sahil Sanghvi:** Okay thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Mr. Vikas Singh from Philip Capital. Please go ahead.
- Vikas Singh:** Good afternoon and very congratulations on the very good set of numbers. My first question pertains to how much of this margin expansion you can pertain to the backward integration. As we can see that the seamless percentage has increased significantly year on year going forward, it looks that the welded would be picking over again and the seamless percentage would come down so how should we look at the margins going forward?
- Kunal Bubna** On the side of seamless definitely margin increase is majorly towards backward integration because of manufacturing of in-house hollow pipe. So you can say whatever margin expansion had happened 80% to 85% is towards from this backward integration and you are right definitely currently going forward, the percentage of welded pipe will definitely increase, so its low margin as compared to what we are in seamless business. But if you see on the absolute term the data per kg for whatever may be the seamless and welded it will be increasing, but definitely on a percentage basis a minor reduction can be there because of increase in welded portion will add.
- Vikas Singh:** Majority of the increase we would be able to carry it for longer period of time.
- Kunal Bubna** Absolutely and better margin on the side of export also which had also helped us to increase this margin.
- Vikas Singh:** Understood. My second pertains to your industry wide exposure, which you are not giving right now so wanted to understand have our percentage sales in the oil and gas or the other premium product category industry has increased on a year-on-year basis or we are still in the same kind of tonnage basis on those industries, just wanted to understand on that perspective have we able to build in roads in the higher margin premium products in this higher margin orders kind of industry.
- Kunal Bubna** If you see from the industry perspective, we have been able to increase our proposition in paint industry, paper industry, pharmaceuticals; these are the few structure which had increased. Oil and gas had increased but it is not that high. Basically it is in line with what we have been achieving earlier a minor increase is there but we believe from the coming two quarters definitely higher sizes of welded sales would be there which will help us to increase those sector also going ahead.

- Vikas Singh:** Next three to four years kind of the target what is the percentage of sales we are looking from the oil and gas industry if you could give us some idea.
- Arun Kothari:** For sales and quantity we cannot quote. We are expecting all the new facility in the month of May or July. We are in the process of the number of companies approved. Some of the companies of the approval is already has been received in the oil and gas sector also in other sector also and engineer sector also from different diameter of the pipe, so this quarter we have seen less turnover from high yield industry sector but in the coming quarters definitely it will improve every quarter or that is the things that you will be able to see in the first quarter of FY2025 slightly from April we will get in Q3 of this year some of them Q4 or some of them Q5.
- Vikas Singh:** So will be in a rising trajectory you mean to say.
- Arun Kothari:** Definitely, we are pursuing for high end product only which will improve in the next 6 to 9 months mostly all the approach will be on hand of the our company or definitely there will be improvement in the margin in the coming quarters.
- Vikas Singh:** Understood. Thank you and all the best for the future.
- Moderator:** Thank you. The next question is from the line of Mr. Umesh Jain from Kotak Life Insurance. Please go ahead.
- Umesh Jain:** A couple of questions from my side. First in terms of seamless ADD is effective now close to a year now, have we seen increase competitive intensity from the unorganized player where they are increasing the capacity so how this end market growing in terms of the capacity in seamless pipe?
- Kunal Bubna:** Currently, there are not many manufacturer of hollow pipes or any unorganized is putting up but see it is open field so there can be a company which might come in the near future or a small manufacturer who is only adding a capacity of seamless backward intergradation, but see backward integration is costly affair. You will require desired capacity to put those capacities so it will be slightly difficult. But we can see it happening going forward
- Umesh Jain:** You are trying to say these seamless episode as of now we have not seen any major capacity announcement from the unorganized player is that the fair understanding?
- Kunal Bubna:** Yes, but just to clarify, anybody want to put up seamless keeping this anti-dumping he would also be required backward integration manufacturing of hollow pipe to stand competitive in the market, so both the capacity need to be announced for the unorganized for the sector.
- Umesh Jain:** Secondly on the working capital side, if I look at your working capital spending as on FY September end versus March end and annualize our half yearly sales is it fair to assume or working capital days has remained constant.

- Kunal Bubna:** Yes it is fair to say.
- Umesh Jain:** Okay and what is the guidance on the working capital going forward? Do we have room to decline the working capital from here on?
- Kunal Bubna:** The endeavor would always be to reduce it, but 90 to 105 days is general working capital cycle in our industry, it will remain at this level.
- Moderator:** The next question is from the line of Mr. Pritesh Chheda from Lucky Investments Managers Pvt. Ltd. Please go ahead Sir.
- Pritesh Chheda:** I am not sure but I looked at the presentation, you have not given the volume data. Could you give the seamless and the welded volume number for the Q2 and you can also give us what is the EBITDA per tonne or per KG for seamless and welded that you would have recorded?
- Kunal Bubna:** Basically, we are not giving a volume data on quarterly basis. We give on annual basis for this.
- Pritesh Chheda:** Okay, this is the first time that you have changed it okay.
- Kunal Bubna:** No. Earlier also we have given on annual basis.
- Pritesh Chheda:** Okay the second question is the backward integration.
- Kunal Bubna:** We can give you a directional number of achieving around 10,000 metric tonne keeping both welded and seamless and it was around 50% for both in quantity terms.
- Pritesh Chheda:** 10,000 metric tonne.
- Kunal Bubna:** Half year basis.
- Pritesh Chheda:** Okay no problem. The second thing is this backward integration of hollow pipe that has flowed into your P&L completely for the Q2.
- Kunal Bubna:** Yes.
- Pritesh Chheda:** You would have got full utilization available, full capacity available for the quarter gone by.
- Kunal Bubna:** Yes, basically for the hollow pipe, we have utilized around 75% of the capacity and currently we are running at 80%.
- Pritesh Chheda:** And the capacity was 9600 metric tonnes right.
- Kunal Bubna:** Yes absolutely.

- Arun Kothari:** Regarding the hollow pipes capacity, right now we are utilizing at 80% level, but there is a chance to improve the further utilization level. We will go up almost 90-95% utilization level or we are improving in our piercing line backward integration facility. We are doing certain improvement and modification, which will also increase the capacity by 10% from 9600. So our capacity will be hollow pipe capacity will improve in the coming quarter. Installed capacity will be approximately 10,500 metric tonne in the coming quarters.
- Pritesh Chheda:** Okay and on the residual capex left, so it is just the 400 metric tonne seamless capex which is left to be spend and install or is there anything else along with it still left and what happened to the welded larger dia capacity that was supposed to come that is already there in the 24,000 metric tonne?
- Kunal Bubna:** The higher dia tube mill and LSAW mill both have started in May and June, in July and the major capex or the substantial portion of the capex part whatever is left is pertained to these 400 metric tonne.
- Pritesh Chheda:** Okay and how much is that capex number?
- Kunal Bubna:** As I said total the three will cost us 35 to 40 Crores and out of that two had already been done, so it will be roughly in the range of 25 Crores.
- Pritesh Chheda:** Okay and this debt number that I see on the balance sheet considering whatever we know today in terms of the capex and expansion or what should this debt number look like?
- Kunal Bubna:** See my debt is around 145 as on September 2023. it would be increased by another 20-25 Crores only for the coming half year.
- Pritesh Chheda:** Okay thank you very much. Thank you and all the best to you.
- Moderator:** Thank you. The next question is from the line of Mr. Bhargav from Ambit Asset Management. Please go ahead Sir.
- Bhargav:** Good afternoon team and thank you for the opportunity. My first question is it fair to say that EBITDA per kg savings from this backward integration of hollow pipes could be in the range of Rs. 18 to 20 per kg?
- Kunal Bubna:** Yes it can be.
- Bhargav:** Okay and how much of that has been achieved in this quarter broadly?
- Kunal Bubna:** Yes majorly, majority of it, 70 to 80% you can say.

Bhargav: You mentioned the increasing the backward integration capacity from 9600 to 10,500, so what would be the tickets for the?

Kunal Bubna: Those efficiencies had already been taken so as I said there was three capex, one was increase in this hollow pipe, second was increase of size from 48 to 56 and third was 400 metric tonne per month of seamless pipe expansion. The three in total will cost us around 40 Crores.

Bhargav: Is it possible to give is EBITDA per kg between blended and seamless?

Kunal Bubna: Basically we not give on quarter basis. Last year basically, it was more than Rs. 60 per kg on the seamless side and more than Rs. 35-37 per kg for welded pipe.

Bhargav: For this backward integration, how much can be this across area?

Kunal Bubna: See keeping all the improvement like backward integration, having a increase proportion of export sale, thirdly for welded pipe, higher-welded pipe there are few manufacturer in the country. We also are increasing and targeting to increase our direct supply portion. We meet key on the front of basically 40 to 50% should be increase in EBITDA per kg on the side of seamless and 15 to 20% on the side of welded when this all full capacity are running.

Bhargav: Okay and the last question is on the export side, with rising exports do you see y increase in working capital or we can agree with the current level?

Kunal Bubna: Basically you see the working capital will not be much affected because there are varied number of payment terms which help us to maintain the same working capital which are there for our domestic.

Bhargav: Okay thank you very much.

Moderator: Thank you. The next question is from the line of Mr. Kaushik Mohan from Ashika Institutional Equities. Please go ahead.

Kaushik Mohan: Congratulation for the great set of numbers. Most of my questions have been answered and I have one on accounting side. Half yearly numbers that if I see for the cash flow from operating activity, we have generated around 65 million that comes to 6.53 Crores but our entire profits is around more than 37 Crores, so when are we going to neutralize on this side and when are we going to increase this number like where are we getting more stuck on?

Kunal Bubna: Absolutely, see we have become positive for this half here. As we said, there would be an increase in the profit margin in both the sectors wherein we operate and also the volume would also be increasing. Definitely a second-half will also see a much better operating cash flow as compared to what we have achieved in the first year but I think FY2025 would be a very good year, cash flow from operation should be there in good quantum.

- Kaushik Mohan:** If we look at trade receivables, we are more than 63 Crores are being stuck up in that place like can we get a schedule for this creditor schedule. Like how much of your fixed percentage is below six months.
- Kunal Bubna:** Basically if you see on a totality basis my six month sales and my debtors it is around 60 to 65 days only. These are majorily all in this range of less than 90 days.
- Kaushik Mohan:** Okay. There is no problem in recovering all this money, right?
- Kunal Bubna:** Absolutely not. We have supplied to many of the fortune 500 and many of the end customer so those are all renowned customers. We had company focus on three Q basically, you can say on three Quality i.e basically product, people, and customer and three Q basically and customer is one of the predominant we do all right due diligence required before supplying to them.
- Kaushik Mohan:** Okay and how much is the top ten customers hold from the 63 Crores?
- Kunal Bubna:** I can say for sale basically that would be the right way to see, so it will be around 25 to 30%,
- Kaushik Mohan:** 25 to 30%. Current capex, what we are doing, when can we expect the utilizations in the next year coming only we can look at the expectations.
- Kunal Bubna:** For the capex what we have completed.
- Kaushik Mohan:** Yes.
- Kunal Bubna:** As I said you for a seamless and piercing line the new capex we are running around utilization level of 80% so we have reached a good level and definitely going forward quarters there would be further increase in both the piercing and seamless line and apart from that see few of the welded and high dia also there had been increasing and definitely in the second-half of this year there would be further more increase in the utilization level and definitely see FY2025 would be the year wherein the 85% utilization level should be achieved for all these new capex.
- Moderator:** The next question is from the line of Mr. Ritesh Shah from Investec India. Please go ahead.
- Ritesh Shah:** Couple of questions. First is on exports what is the mix that we are looking at over here that is seamless versus welded that is the first question. Second is from a ROC standpoint, how does export stack up versus domestic sales and third is there any duty differential that we are enjoying when it comes to Indian exports versus other regions and a related question over here, there is this exhibition called CBAM cross-border adjustment mechanism. It does not include seamless at this point in time but at some point in time it will be included, so how are we looking at that from a carbon intensity standpoint? Thank you so much.

- Kunal Bubna:** From the point of welded and seamless see currently seamlessly is leading that more than 90% is seamless and balance is welded. Going half year we are also targeting to increase welded from the perspective of **oil nations**, USA and other countries but currently seamless is the high proportion. Secondly, from the perspective of CBAM and all definitely as you said it is not there, but see we have appointed a few of the consultant for that. Our teams are working on that so that we are equipped ourselves on the CBAM also. Thirdly, can you repeat one of your question I missed your question.
- Ritesh Shah:** Trade differentials; does India enjoy any benefits or the differential in duty measures? If Europe has imposed duties on stainless pipes is it lower for India versus China, does India benefit.
- Kunal Bubna:** India benefits because on the Indian good there are no anti-dumping when you export to Europe, but when China exports to Europe there is anti-dumping duty.
- Ritesh Shah:** Is it possible for you to quantify.
- Arun Kothari: Because further I would like to clarify regarding the Chinese but Chinese other than the anti-dumping also for the seamless pipe segment Chinese products are not much acceptable in the European market due to quality issue and all these things. Some of the companies **Traders** and other small manufacturers of the Chinese seamless manufacturer cannot supply in the Europe, but some of the big player in China, they have the advantage to supply in the Europe, but both prices are almost equal to the prices of India or China or patent price in the Europe market.
- Ritesh Shah:** Sure and with respect to the US, we still have section 232; despite the duties, are we competitive?
- Arun Kothari: For this welded pipe in the US market, the demand from the Indian welded pipe or ARW pipe is very good or we are competitive in the US market, but the US market the for the supply in the US market we have already identified some of the person over there, so US market export you will able to see from our company point of view in the Q4 of this year or Q1 of FY2025. For this year, we are expecting more export of seamless side only.
- Moderator:** We will move on to the next question which is from the line of Mr. Suraj Nawandhar from Prithvi Finmart Pvt. Ltd. Please go ahead, Sir.
- Suraj Nawandhar:** Good afternoon. My question was very broad-based question. In last five years we have seen a stupendous growth in volumes and revenues as well of course over a smaller base, so how long you foresee that this 30-40% kind of growth can continue? How long is the runway for the growth and when you see this growth normalizing to let us say 20-25%. How do you see next 4-5 years?
- Arun Kothari: Regarding the growth type, for FY2024 and FY2025, we are seeing CAGR of 35% for FY2024 and FY2025 and further for FY2026 and FY2027 and FY2028 we are foreseeing growth of

almost 15 to 20% every year, so we have right now plan for five years. We have further plans after that also but right now we can say for five years this is our plan.

Suraj Nawandhar: Do we get any margin difference between domestic and exports and whatever the margin expansion that has come is it only because of the backward integration or is there any value-added tube sales into the mix of our field.

Kunal Bubna: Majorly it towards backward integration but again when we have export sale, we are having higher margin of 3 to 5% on the side of export we are running currently. Thirdly, on the side of welded also there had been some margin improvement because higher sizes, we are earlier doing job work but now we are able to manufacture higher sizes so that benefit also accrued to us.

Suraj Nawandhar: I asked about value-added not welded.

Kunal Bubna: Value added I said we have been in the side of seamless and we have been manufacturing smaller sizes of tubes, which is a value-added product that contribution had also increased.

Suraj Nawandhar: Okay. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Mr. Vivek Gautam from GS Investment Group. Please go ahead.

Vivek Gautam: I have recently started tracking the company. If you find my questions elementary, please do not mind. Basically I just wanted to know about the company. How critical role is the anti-dumping duty imposed on import from China playing for the well-being of our company and if it is reinforced then in what type case. How much would be the benefit which we will lose and secondly big thing about the location, how critical is this location at Mundra helping us out and opportunity size for different sector for our company. Thank you.

Kunal Bubna: Basically if you see manufacturing of seamless pipe from hollow pipe were done by many of the unorganized players in the country but with the regulation of anti-dumping duty on the import of both seamless and hollow pipe, it becomes very tough for all those un-organized smaller player to manufacture or to bring those hollow pipe with such a huge hefty anti dumping. So it had definitely helped and it will always help us going forward also in improving our margin and see backward integration itself gives you a higher margin, but again with this scarcity being created for the raw material on the side of seamless those added anti-dumping benefit would be flowing to us currently also and going ahead. From the perspective of the location, we are very strategically located from the perspective it is 40 to 50 kilometer from both Kandla and Mudra port. We do import and we do export, definitely it helps us in both import and export.

Vivek Gautam: Okay thank you very much.

- Moderator:** Thank you. The next question is from the line of Mr. Shivam Vashi from Inga Ventures Pvt. Ltd. Please go ahead Sir.
- Shivam:** Good afternoon and congratulations on a great set of numbers. I just wanted to understand that you mentioned that in the hollow pipe segment and backward integration with this increase in capacity utilization, what is the margin improvement that we are looking at. Is there a scope to improve our margin profile and also with product mix changing?
- Kunal Bubna:** First thing as I said seamless what we have achieved in FY2023, we are targeting around 40 to 50% of EBITDA margin improvement so definitely whatever we have achieved till now. It is slightly shorter than that so we are targeting to improve that. Apart from that on the welded side we are targeting around 15 to 20% improvement in margin as compared to last FY2023 that we have not achieved till date and we are targeting to achieve the same and again as I said **we manufacture** small size tubes and all for high value-added product that also help us to improve margin with growing increase in capacity for seamless you will be targeting those horizons also, which will be more towards value added. I meant to say for the increased capacity what we are targeting for seamless, it will be more towards value-added product which will help us to improve the margin further on the front of seamless pipe.
- Shivam:** You said better 40 to 45% of incremental margin in EBITDA what timeline you said, sorry I just missed that.
- Kunal Bubna:** We are targeting in the coming half year only.
- Shivam:** Okay thank you. This helps. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I now hand over the call to Mr. Arun for closing comments. Please go ahead.
- Arun Kothari:** Thanks all the stakeholders and all the analyst community for attending the conference. Once again I would like to repeat that we would be arranging a visit to your community facility in month of November which coincides with the Great Rann Festival. Our IR team will do everything possible for a safe and smooth visit. 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 and pending queries if any please contact our IR SGA for your company. Thank you once again.
- Moderator:** Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us and you may now disconnect your lines.