

**Corporate Office:**

The First, A Wing, 9th Floor, Behind Keshav Baug Party Plot,  
The First Avenue Road, Off 132 ft Ring Road,  
Vastrapur, Ahmedabad - 380015 Gujarat, India

**Phone** : +91-79-29601200/1/2

**Fax** : +91-79-29601210

**E-mail** : info@ratnamani.com

**Website** : http://www.ratnamani.com



RMTL/SEC/POST-TRANS.CON-CALL/Q4/2019-20/20VI

20<sup>th</sup> June, 2020

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| To,<br><b>BSE Ltd.</b><br>Corporate Relationship Department<br>1 <sup>st</sup> Floor, New Trading Ring,<br>Rotunda Building, P. J. Tower,<br>Dalal Street, Fort, Mumbai – 400 001<br>Company Code : 520111 | To,<br><b>National Stock Exchange of India Ltd.</b><br>"Exchange Plaza", 5th Floor,<br>Bandra – Kurla Complex,<br>Bandra (E),<br>Mumbai - 400 051<br>Company Code : RATNAMANI |
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**Subject: Transcript of Investor Conference Call on the Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and year ended on 31<sup>st</sup> March, 2020**

Dear Sir/Madam,

Please note that we had vide our letter dated 17<sup>th</sup> June, 2020 intimated to the Stock Exchanges about the schedule of Investor Conference Call on Wednesday, 17<sup>th</sup> June, 2020 on the Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and year ended on 31<sup>st</sup> March, 2020.

We hereby send a copy of Transcript of Investor Conference Call which took place on 17<sup>th</sup> June, 2020. The said transcript is also uploaded on the Company's website.

Kindly take the above on your record.

Thanking you,

Yours faithfully,

**For, RATNAMANI METALS & TUBES LIMITED**

**JIGAR SHAH  
COMPANY SECRETARY**

Encl.: As above

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**Regd. Office:**

17, Rajmugat Society, Naranpura Cross Road, Ankur Road, Naranpura, Ahmedabad - 380 013. Gujarat, India

**Phone** : +91-79-27415504 / 27478700

**E-mail** : info@ratnamani.com

**CIN** : L70109GJ1983PLC006460



## “Ratnamani Metals & Tubes Limited Q4 FY-20 Earnings Conference Call”

**June 17, 2020**



**MANAGEMENT:** **MR. PRAKASH SANGHVI – MANAGING DIRECTOR,  
RATNAMANI METALS & TUBES LIMITED  
MR. VIMAL KATTA – CHIEF FINANCIAL OFFICER,  
RATNAMANI METALS & TUBES LIMITED**

**MODERATOR:** **MR. SAHIL SANGHVI – MONARCH NETWORK  
CAPITAL LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Ratnamani Metals & Tubes Limited Q4 FY20 Earnings Conference Call hosted by Monarch Network Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sahil Sanghvi from Monarch Network Capital Limited. Thank you and over to you, sir.

**Sahil Sanghvi:** Good evening to all. On behalf of Monarch Network Capital, we welcome you for the Ratnamani Metals & Tubes’ Q4 FY20 earnings call. From the management side today we have with us their MD Mr. Prakash Sanghvi sir and their CFO Mr. Vimal Katta sir. So without taking much time I will hand over the call to the management for the opening remarks. Thank you and over to you, sir.

**Prakash Sanghvi:** First of all I hope everyone is safe from this COVID-19 and we pray to God that we all remain safe and work from home, work from office very precautionary manner, very disciplined manner because we see that we do not know how long it will go. So we have to take all the precaution, all the safety measures. And now for Ratnamani Metals & Tubes Limited hope everybody has the result. Yesterday we were having the board meeting and the topline for the year total is Rs. 2,645 crores and net profit Rs. 2,307.35 crores.

Overall, we did really Ratnamani we did a good hard work and we reach a turnover of Rs. 2,645 crores and net profit of Rs. 307 crores. So first of all I really appreciate my team, they did hard work and create a history high bottom line. And we have an order in hand of about Rs. 1,380 crores. In that there is a Rs. 503 crores is export and both product mix of stainless steel and carbon steel. Overall with this COVID-19 of course everybody is affected in this country and this world and we also have affected little bit and so in last quarter our dispatches have not taken place as we have planned with last changes of the March 2020.

But overall work in process and some of the finished material were there and that we are taking dispatches in the first quarter of this new financial year. And of course with starting of 45 days we were also closed because of this lockdown and then one-by-one all the three units we have started with the limited number of working and limited period of working and slowly and gradually we came into all three plants working in two shifts of 12 hours.

Again but there are limited number of workforce, 60% of workforce because some of the workforce have gone to native and they have not came back so far. So we are trying our best to get it back but we are working on 60% in all front. All the three units and hopefully in a month or two people will come back and we will be in full swing and even in COVID-19 some of the critical maintenance our team had taken because there are no production activities so they have taken some maintenance and everything.

And now we are running full pace, up to our 60% production capacity. And looking forward the businesses because of oil price had gone down so certain slow in order booking. Some of the projects is being hold, especially for refinery activities but there is a petrochemical other line sites, other City Gas issues on either in power all such is going on in the last two month also we have booked a reasonable Rs. 200 crores worth order some from international as well as local domestic market also.

Mainly this again oil price had gone down so some of the projects are delayed and they will take some more time to finalize and even some of the tenders we did that us and validity extension and hopefully in second quarter something will materialize, in somewhere we become tender open, somewhere we become L1 also. So there are major order expected in the second quarter of this financial year.

Otherwise overall of course there is an effect of COVID everywhere directly or indirectly because of supply chains, some consumables, some manpower issue. So this quarter has gone not as expected and even second quarter also because there is in Ahmadabad in Gujarat also there are increasing the cases. So everybody has a fear and how it will go second quarter and also that tell you is difficult but substantially with Ratnamani we have a sufficient raw materials and some good orders in hand so production activities going on.

Overall, we will see in second quarter end where we will end up because we cannot say right now how it will go. So the company's target is there, internal targets and everything is there but let us see how the COVID-19 will go according to company's working will be for the future.

One more thing is last thing I have to tell about the projects. Most of the projects are totally commissioned but again this COVID-19 the people from abroad Germany and Italy they have gone back on this 24th of March and they supposed to start this stainless steel coated extrusion for trial production, but unfortunately that has also delayed. It is now expected once the international flights will start and their company will permit them to come to India and start this hot extrusion plant.

So this is also again delayed. Otherwise at our end total commissioning and everything is ready even we bought some raw material also say about 500 tons, so everything is ready. Once they will come we will start a trial production for hot extrusion. At the same time in carbon steel also this expansion of 1,20,000 tons of LSAW 5, the total plant is commissioned and even they have handover to us but in the meantime, we have to take API approval, API monogram and that again their visit from abroad.

So that is also again pending. So both we will start once the things are start internationally people should visit us and then we will get any approval. So this is what the situation of both the expansions in stainless steel as well as carbon steel.

- Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Ashutosh Tiwari from Equirus. Please go ahead.
- Ashutosh Tiwari:** So just wanted to touch upon again on this new order booking and so just wanted to understand that now things are slowly opening up, so are you seeing that the customers like the potential customers are starting the process for new orders or they have still not started exactly whether it is domestic or international?
- Prakash Sanghvi:** Subject to in the last two months we have booked about Rs. 200 crores plus orders and they are asking, they are negotiating, they are calling for quotation given somewhere it will become L1 also the tender had already opened for line sites. But the whole activity is little slow actually. So things are as this Covid how it will work for this up to the second quarter we do not know. But still the dispatches are taking place, the orders are coming, some of the quotations regularly we are bidding. So whole things are, activities are there, but it is slow, that is all.
- Ashutosh Tiwari:** But customers have started the process of giving orders and all those? I think the process started?
- Prakash Sanghvi:** Yes, we received the order also. We have received order of more than Rs. 200 crores plus.
- Ashutosh Tiwari:** Okay so maybe slow but this process is on?
- Prakash Sanghvi:** Yes, the process is on. All the process is on, only it is a little slow because of this, see directly, indirectly we are replacing also because lot many supply chains they have from city like Bombay so many people are still working from home, this, that. So somewhere we are stuck up. Otherwise things are going everything.
- Ashutosh Tiwari:** Okay and there is a big project of L&T in Canada is also is going on. You mentioned last time. So have we got any orders from there or in the process of bided over there?
- Prakash Sanghvi:** We got indirectly order from them. Order got by L&T for the equipment and we got an order of about say Rs. 35 crores worth just single order from L&T for heat exchanger tube for L&T Canada.
- Ashutosh Tiwari:** Okay, so can we see more orders to come from this project because that is a very large project?
- Prakash Sanghvi:** I do not think more procurement is pending for L&T Canada because we have seen since last year the procurement is taking place but we are hoping this Mozambique L&T Mozambique are going to start. Earlier it was under hold, now they are going to start and they are again the EPC, AGC and Floor okay so because we are doing already for Canada and other so we are hoping good requirement from them to come in time to come.
- Ashutosh Tiwari:** Okay. And we had discussed that with the new stainless plant basically you also initially will look at more of distributors which are based in US, Europe and Middle East and also, I mean on

that front also we are on track for supplying to them whenever plant gets commissioned and handover happens?

**Prakash Sanghvi:** Yes, once plant commissioned because we need some confidence that yes, the plant is commissioned and product is coming well, as we require, then only we will be aggressive. Because suppose we make a commitment and suppose because this is a new thing and because now with this Covid, again we are worried. If it is long, then our commitment goes for or we have to import and give to them once we have committed. So we are little slow in booking the orders.

Once we start then definitely we will look for full-fledged we will go for marketing, US, Europe even Middle East and domestic. Even today we have booked some order based on our this hot extrusion plant only. And today I have to import, because I have to meet their delivery schedule.

**Ashutosh Tiwari:** You are saying that you have to import the hot extrusion type pipe for that order that you have?

**Prakash Sanghvi:** Yes, because suppose I have committed hot extruded material and what size I am supposed to produce from new expansion, and it was on time. So I have to import and give it to them because order is with me and my commitment for delivery.

**Vimal Katta:** Raw materials we have imported, and we will be finishing and then supplying.

**Ashutosh Tiwari:** Okay and in the carbon steel segment we have seen some fall in the outstanding order book. So what is the visibility we have now in terms of new projects which are there for the pipeline especially?

**Prakash Sanghvi:** See in Carbon Steel there is two division. One is your line pipe and CGD. Line pipe was we have a lot of tenders for IOCL on this and we have already opened reverse auction and everything and we are L1 in some of the orders, but all the things will take place in July. The orders which are incoming in July and then CGD orders are also there, and in a project pipeline, this whole depend on this Barmer Refinery. We have quoted about more than Rs. 200 crores worth of tenders to them and they have asked for validity extension.

So it will take little more time. I think everything because of this Covid things are getting delayed. Because these are new refineries, so there are number of things will come but right now it has not started.

**Ashutosh Tiwari:** Okay. This Barmer you had mentioned is mainly be LSAW?

**Prakash Sanghvi:** From stainless steel, LSAW, line piping number of things will go once they start because line pipe for their water requirement, then there are huge kilometers of one tender is still due, then entire project piping will go to them, then there is stainless steel heat exchanger tube piping, all things will come different, different. Some things through them and some things through EPC

because the package bought by Toyo, by Petrofac, by L&T, all these people have got the EPC package, different, different packages.

**Ashutosh Tiwari:** Okay and lastly to Vimal sir. If I look at the balance sheet there is this item called other current liabilities of Rs. 209 crores versus Rs. 88 crores last year. What does this amount refers to?

**Vimal Katta:** Can you repeat the question please?

**Ashutosh Tiwari:** In the balance sheet other current liabilities there is this amount Rs. 209.65 crores versus Rs. 88.7 crores last year. So this is a big jump, so what is this related to?

**Vimal Katta:** They are mainly related to advances from customer. Then some capital payments are pending like 10% retention and other things are there.

**Moderator:** Thank you. We will move on to the next question that is from the line of Vikash Singh from Phillip Capital. Please go ahead.

**Vikash Singh:** I just wanted to understand one thing. In terms of the approvals, since because of travel restriction and all that these approvals may get delayed, so meanwhile is it possible for us that simultaneously the domestic customer their approvals may come in or those approvals will start only after we get the API approvals also?

**Prakash Sanghvi:** No, in carbon steel we need first this EIL approval even for domestic market also because all these refinery petrochemicals they are believe in this EIL approval, number one. Number two, even in stainless steel also we can do something for domestic market and export. There it is not much necessary the approval of a different, different but unfortunately the vendors are coming from Italy, Germany to start with. So once the international flight and their company and their country should permit us.

What I mean to say carbon sheet we need higher standard BIS approval. Then we need API approval. Then only we can produce in carbon steel. So both are local but API people are coming from abroad all these. So once the international flights will start then the movement of country to country flying is permissible then only people will visit us and then we can get audited the entire plant and we will start.

In the meantime we are trying to get local this BIS approval and we can start local what you said is right some local requirement as per BIS requirement. But not for as per API or something like that. Whereas in stainless steel we can definitely once we start we can definitely do some order from domestic market and some for export, then we will not wait for an approval but the start of the plant, the trial production we are totally dependent on vendor from Germany and Italy. They have supplied all the equipments. So they have not handover the equipment, of course once the commissioning took place.

So in exclusion in stainless steel we are just waiting for our vendor to come and start the trial production and then definitely we can do some order book from the domestic market and some distributor or stockiest definitely. But because of flying of our vendors from abroad, it is difficult nowadays not permissible so we are waiting for that by July definitely they will open and something they will come in August or July end and then we can take trial production. So that all depends, how it goes, this COVID-19.

**Vikash Singh:**

Sir, just little more on that. So whenever let us say they are allowed to come and have the inspection, so after the inspection what is the usual timeline of the month before during this the approval?

**Prakash Sanghvi:**

Because the approval itself will take time. Their lead time is say 45 days once they audit and then within 45 days they will come back if there are any queries or they can issue a license. So it is a process of two months you can say.

**Vikash Singh:**

And sir, secondly this new capacities of SS plants which has come up, we were talking about lot of replacement market in India because of these products segment which we are going to produce. So do we still maintaining that kind of a replacement market is there or we are experiencing a little bit of market contraction off late?

**Prakash Sanghvi:**

No, there is a real good market, domestic market is there because such sites even today anybody is importing so it is an import substitute the size range and the capacity what we are putting. So definitely once we start the things we will get even today also I have got the order in hand but my project is delayed I have to import by the time and finishing it at our end and give it to the customer. Because in hoping we will start early in February, March and we can deliver from that. But now with this Covid it is totally delayed. And so I am importing material mother pipe and doing finishing work and giving it to my customer over here in domestic market.

**Vikash Singh:**

Okay and sir, this our export in SS segment our export order has been jumped almost double. So this is just a one quarter phenomena or we are still besides kind of oil crash witnessed recently that is the thing enquiry has been pretty good in the export market?

**Prakash Sanghvi:**

Oil crash is the more stoppage for explorists and not to refinery, petrochemical land pipe all such. These immediate effect on the exploration and that I think US say suppose they stopped their exploration or something like that, or they reduce producing the direct crude oil. Otherwise the refinery, petrochemical, line pipes, CGD all things are going and still tenders are coming. It is immediate effect on exploration.

**Vikash Singh:**

So sir, if you can bifurcate what percentage of total of refinery?

**Prakash Sanghvi:**

See we are not there in exploration right now. Of course with this new capacity we will do something for exploration but not immediate because there the product is special product super

duplex or nickel alloy and it will take time 2 to 3 years by that time, everything will go light oil price and everything.

So of course we will do something with this new capacity for oil exploration also. And there is a good demand worldwide also. Only 2, 3 manufacturers are producer for such quality of pipe and to us also it will take some more time to establish ourselves.

**Vikash Singh:** Sir, just one last question. In line pipe what we are seeing since last quarter because of Covid the new orders were difficult to come by and there was a delay overall. So considering that the more companies chasing few orders how do you see the competitive intensity in that segment?

**Prakash Sanghvi:** No, see we are quite competitive, there is no worry about it. Only things are getting delayed, number of tenders also we have quoted but the decisions are not taken, everybody is working from home, this that. So all these disturbance, things are delayed. So everything of first quarter will go to second quarter and something will go to third quarter. this is but we are having order in hand.

That we are dispatching, so according to me in some of the segment I am okay till December I have about good orders in hand, in some of the segment I have up to July, August only work, so it will go. By that time something will come.

**Vikash Singh:** And sir, just one, what is our bid book right now since you are saying that we have won certain orders and others are there. What is our bid book right now?

**Prakash Sanghvi:** Order booking you mean to say?

**Vikash Singh:** No sir, let us say basically the tenders for which you have already bided, and tenders have not opened yet?

**Prakash Sanghvi:** I think we have quoted for Rs. 200 crores about total Rs. 400 crores to Rs. 500 crores we have quoted but out of that we are quite hopeful because you have L1 also. So about Rs. 180 crores worth order may come in July.

**Moderator:** Thank you. The next question is from the line of Rakesh Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:** Saket this side. Sir, firstly yesterday there was a conference for steel pipes users of steel, steel users in the oil and gas sector. So our company participated it was hosted by the oil Ministry?

**Prakash Sanghvi:** Yes, because yesterday our Board meeting was there but some of our carbon steel business they might have attended. It was with Dharmender Pradhan and we have got an invitation also to participate from our end but due to this Board meeting but some of the senior might have attended.

**Saket Kapoor:** Okay any color on what the government is exactly thinking sir? The eco system has been fully disturbed and the finances on the CAPEX has to be done from the government side and it has very less power to now spend or spur the spending. In fact there will be a crunch on the finances so sir, what is that?

**Prakash Sanghvi:** No, in spite of that even yesterday's meeting before even Mr. Dharmender Pradhan had given about Rs. 8,000 crores worth pipeline to issue the order in next 6 to 12 months. So because they are bullish and in this crisis time they would like to give more order to the different, different manufacturer in the country and then things will go, the EPC will come for laying this, they want to push the things because infrastructure only they can do more because they are long planned projects.

So they inform and because of this CGD district they have given various districts to various parties, so there should be a trunk line, there should be this cross country pipeline, then only they will get the ultimate gas from that. So that all plan is there, and they are really bullish they say we would like to but this little disturbance of Covid phased everyone and that is the reason things are slow actually.

**Saket Kapoor:** Taking into account, I wanted to understand sir how long whether the world is follow up in action or not because the way the things have crunched and the way 45 days have passed and the time it will take for recovery, whether the things which have been put at the way government is planning that the CAPEX will happen on ground do you think this trends will be translated or will be it a elongated process?

**Prakash Sanghvi:** No, it is translated. Unfortunately only our country had stopped the manufacturing. If you see other countries also did a lockdown but you take Germany, even this Italy everybody had worked and there is a lockdown also. Unfortunately at our end, in our country only everything stopped in a moment and that become a little surprise to everyone, and everybody has taken pain right from labor to manufacturer and promoter everyone. Otherwise you can say even our people are working in Germany.

We have taken some second plant from there. They are working since last 3 months over there. Only they cannot come back, they are supposed to come another team can go but they are working there smoothly. There is no problem over there. So the things will move, now things are started in our country even if you can say we have good dispatches have started in last two months we have got very good dispatch with this all crisis.

So things are moving. Only somewhere in supply chain it is difficult some consumable are not available they are in containment zone or something like that, otherwise things are moving.

**Saket Kapoor:** Right, sir we have read in the newspaper that lot of thrust has been given to restart the fertilizer plants especially this urea plants that have been stranded. So sir, what kind of opportunity does our organization derive on the restarting of these fertilizer units?

- Prakash Sanghvi:** Any fertilizer running unit they need maintenance and replacement material only. For fertilizer anything new coming they are required a bulk pipeline too. So that we will check. I think there are some pending projects are there, so we will get from them.
- Saket Kapoor:** Yes sir, five plants they had mentioned today in Gorakhpur, Barauni, Sindri, and Talcher?
- Prakash Sanghvi:** It will definitely come.
- Saket Kapoor:** This is definitely manufacture. It will be more of?
- Prakash Sanghvi:** Stainless pipe and tube because of corrosion.
- Saket Kapoor:** Okay and where we will be arranging the means we have to import and then do the job work?
- Prakash Sanghvi:** No, by that time our facility will start this execution and everything so more or less 90% we are going to do from here only, everything right from country.
- Moderator:** Thank you. The next question is from the line of Monica Arora from Sharegiant's Wealth Advisors. Please go ahead.
- Monica Arora:** Sir, I have missed upon the part where you had given the revenue bifurcation for carbon steel and stainless steel, could you repeat sir please?
- Prakash Sanghvi:** Order booking in stainless steel about Rs. 660 crores out of that Rs. 214 crores are export and carbon steel about Rs. 720 crores, out of that Rs. 289 crores are export so total order booking is Rs. 1,380 crores and out of that Rs. 503 crores are export.
- Monica Arora:** Okay, and the revenue bifurcation?
- Vimal Katta:** Madam roughly Rs. 836 crores were contributed by stainless steel division, Rs. 1,736 crores by carbon steel division and non-distributable income was roughly Rs. 73 crores. So total came to Rs. 2,645 crores sort of thing.
- Moderator:** Thank you. The next question is from the line of Sailesh Raja from B&K Securities. Please go ahead.
- Sailesh Raja:** What is the total order book for this year roughly?
- Prakash Sanghvi:** Just now I told about Rs. 1,380 crores as on 1st of June.
- Sailesh Raja:** Okay, so with expected lower utilization levels this year on the expanded capacity so what are the plans to cut the cost and maintain the historical breakeven levels, so for many years we have been reporting 15% margin and breakeven remains hovering around?

- Prakash Sanghvi:** It will remain there 14% to 16% range 15% range yes 15% to 18% range, there is no problem. If you can see yesterday's result of course there were no any effect of COVID-19 in that. But if you can see last 8 to 10 years data it is always between 16% to 18%, 19% EBITDA level. Because the company has very good robust product mix and full size range and number of grade, number of segment.
- So something or other the company is getting. Sometime power, nuclear power, then fertilizers, then this petrochemical line pipe, City Gas distribution, refinery something or the other keeps coming with the company. Company is not focused on one particular segment. It is very versatile in any core sector whatever they require it is there.
- Sailesh Raja:** Okay, in the employee cost how much is variable cost?
- Vimal Katta:** Variable will be mainly related to promoters, full time Director's commission which is linked to performance of the company. So that is mainly variables plus otherwise this employee cost is mainly fixed, you can say. All are full time employees.
- Sailesh Raja:** Depending on the project which dynamically we can?
- Vimal Katta:** See, the new projects will not involve lot of new employees. Those will be very lean projects, those are going to be very lean projects highly automated and at senior level existing people will be taking care. So incremental employment will not be significant for the new projects.
- Moderator:** Thank you. The next question is from the line of Sriniketh Narayanan from B&K Securities. Please go ahead.
- Sriniketh Narayanan:** Sir, could you give the volume mix breakup for fourth quarter of stainless steel and carbon steel?
- Prakash Sanghvi:** Mr. Katta had already made to Mr. Shailesh.
- Sriniketh Narayanan:** Okay, today there was an article regarding this expansion of?
- Prakash Sanghvi:** One minute, he will spill it out.
- Vimal Katta:** Yes, in fourth quarter stainless steel sale was roughly 5,874 metric tons, carbon steel was close to 60,663 metric tons.
- Sriniketh Narayanan:** Sir, today there was an article like the oil refineries have been expand from 249 metric tons currently to 500 metric tons. What sort of business opportunities like we see like for next ten years from this?
- Vimal Katta:** See basically in case of any refinery and petchem CAPEX, 8% to 10% of their CAPEX cost is purely pipes and tubes of all varieties, which includes stainless steel, carbon steel, alloy steel and others. So good opportunities based on their overall project cost will be there. Let us see in

case of refinery so it will take some time before one can be very sure when the CAPEX cycle will start because right now we are seeing even in case of Barmer Refinery, certain delays are there. So once things prices of crude settle down and financial position of government improves, then only serious work can start.

**Prakash Sanghvi:** Actually this is done more for COVID.

**Sriniketh Narayanan:** So are we currently still having that more than 60% exposure to oil and gas segment sir like our units?

**Vimal Katta:** Yes, that continues. See basically our exposure in stainless steel will be almost 50%, 60% to oil and gas sector because it is a continuous process industry. Then in case of carbon steel LSAW it will be 100% to oil and gas refineries and petrochemicals. In case of ARW, again it will be 100% oil and gas sector CGD. In case of helical, right now it is 100% oil and gas but going forward if opportunities are not sufficient in oil and gas means cross country pipelines, then we can look at opportunities in water distribution also. So situation is like that.

**Moderator:** Thank you. The next question is from the line of Rakesh Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:** On the other current asset part, we have seen the last year figure of Rs. 14 crores and this year of Rs. 71 crores. What constitute this increase, sir? And secondly sir, as the government is pushing for the Jagran Vocal for Local and the Atmanirbhar Bharat, what kind of the duty benefits can the domestic producers should be looking for to have an advantage from the pipe being imported in the country, any duty structure changes?

**Prakash Sanghvi:** No, so far duty structure is about 10% to 11% only, on import of pipe but the recommendation had gone from the local manufacturer it can go up to 25% in the near future, number one. Number two, the things had gone for anti-dumping duty on China for stencil pipe. So far there is not much capacity in the country, but the new capacity is coming in the country and for that because it takes further 8 to 12 months to this process of anti-dumping.

So the association had already applied for anti-dumping duty also. And this second question you asked and one more thing they did, for any tender of up to Rs. 200 crores with the PSU and State Government PSU, they have to go for local only. They should not take any import quotation for that. So these are the help what we will get as a local manufacturer.

**Vimal Katta:** Saket, mainly movement in other current assets is because of capital advances for ongoing CAPEX, then advances to raw material suppliers, then certain GST balances because of procurement of raw material.

**Saket Kapoor:** And the capital work in progress this Rs. 370 crores the entire sum will be capitalized by market?

- Vimal Katta:** Yes, definitely we are waiting for those trial runs to happen which are waiting for the visit of consultant for final testing.
- Saket Kapoor:** And the incremental depreciation what we can anticipate on an annual basis?
- Vimal Katta:** See under Companies Act it will be dependent on the number of shifts those new plants are going to work. So but at peak level means for the full year if working is there, so roughly Rs. 25 crores of incremental depreciation will be there.
- Moderator:** Thank you. The next question is from the line of Mehernosh Panthaki from Dhanki Securities. Please go ahead.
- Mehernosh Panthaki:** Sir, I had a couple of questions. One is on the new facilities which you rightly stated that it has been delaying the taking the approvals due to the traveling restriction and as soon as that is progressing you will be starting the trial run. So as per your earlier decision the trial runs were expected to begin in somewhere in July and August only and commercial production was due to commence somewhere in October. So are you maintaining this guidance that?
- Prakash Sanghvi:** Yes, most probably if everything goes well at Covid level, because the moment the travel restrictions will go out and then the company will permit to visit India because everything is ready, total commissioning take place, all the equipments on place, power is there, everything is there. Because this equipment they were not handed over to us and it is under warranty.
- So we cannot start the thing, if anything goes wrong then they will put on us. So we are waiting them and once this start then we will take the trial production and definitely October-November we can start dispatches also out of that. Even we procure the raw material also for that. We were ready by February also but this had happened lockdown and all those they have gone back.
- Mehernosh Panthaki:** Okay and as regards your ERW pipes capacity expansion of 50,000 tons?
- Prakash Sanghvi:** That is also going on. Earlier we have tried for September but now it will go in November because again this Covid, because the construction is going on all the equipments we have ordered but the equipment will be delayed and that is the reason it will be by November you can say.
- Mehernosh Panthaki:** By November the commercial production or the trial run?
- Prakash Sanghvi:** Trial run but because it is the main is running it is only the finishing line what we are putting because the main capacity is there, finishing capacity is not there.
- Mehernosh Panthaki:** Okay and we understand that there was almost in April also for many days there was lockdown, so the utilization levels may have declined significantly. So just can you throw some light on how much were the utilization levels in April and how has been the improvement in May and then in the first fortnight of June?

**Prakash Sanghvi:** See, in this particular first quarter two, three things what we did. Of course we are working with 50%, 60% workforce and people have gone back to their native and those and we are calling back but we did one more good thing. Instead of three shifts we were working for two shifts so we can better utilize our manpower because now government also permitted because of this crisis, you can use of your manpower 12 hours and pay something 1.5 times of the basic of the 8 hours. So we have at all three plants, we did that to 2 shifts, 12 hour working so we can get better productivity, and everything is there, raw material consumables, orders everything is there.

So fortunately we are doing good production, dispatches and receivable also getting. So all activities are going well according to our company compared to other companies according to me we are working reasonably good in terms of our receivable, in term of raw material getting, in terms of production, dispatch. We have good dispatches took place in last two months.

**Mehernosh Panthaki:** So approximately can you give a rough number of how much was the capacity utilization during these two months in April and May, the overall capacity utilization?

**Vimal Katta:** Yes, basically our plant operation started from 20<sup>th</sup> of April and gradually production picked up. So in stainless steel seamless, right now we should be closer to anything between 70% to 90% in different, different sections. Carbon steel helicals for ARW will be closer to 50%, 60% again depending on this thing. Similar is the case with LSAW.

So that is how things are happening and we are expecting that we should be in a position to have the topline of what I had earlier also discussed anything between Rs. 2,000 crores to Rs. 2,400 crores is possible depending on how fast the things improve. Because we are ready. From our side we are ready.

**Mehernosh Panthaki:** Just one last question. Looking at the trend of your overall order book, the shift is in favor of stainless steel, now it seems like that. So the share of the order book is almost 48% now stainless steel, so it is just that post partial realizations are on which have happened in lockdown now we are confident of getting more orders from the refineries than Petchems and line pipes are basically getting delayed or it is just a temporary kind of an increase in the order book in stainless steel to around 60%?

**Vimal Katta:** See stainless steel anyway top line will also be in sync with the increase in order book means gradually we should be seeing the upward movement in the performance of the stainless steel division, which was like sort of flattish in last couple of months. Because we are getting certain approvals in international markets also in special grades, high value added products. So that is paying off now that investment is paying off now. Similarly, our Titanium division is also doing fine, product has been well received in the market. So that division is also doing well.

In case of line pipes because tendering processes have been delayed a little bit because of Covid. So once the bids start opening up and finalization start happening then we may see large sized

order inflows also depending on how fast the decisions are taken. Because carbon steel division is mainly dependent on few opportunities. Small, small orders will not be there in case of line pipes.

**Moderator:** Thank you. The next question is from the line of Monica Arora from Sharegiant's Wealth Advisors. Please go ahead.

**Monica Arora:** Sir, can you give me the volume break up?

**Vimal Katta:** I will just share with you. And my request is if you can just drop me a mail, I will add your email ID in my mailing list so you will be getting this update immediately.

**Monica Arora:** Okay sure, sir.

**Vimal Katta:** For the entire year stain steel division did 20,397 tons of sale and carbon steel pipe division did 2,11,777 metric tons of sale. You have my mail ID, it is there on our website also. Just drop me a mail, I will update you.

**Monica Arora:** Sure sir, I will drop you a mail. And sir, also I wanted to know that what is your take on like you have indicated that there would be a revenue of say around Rs. 2,400 crores to Rs. 2,500 crores for this year?

**Vimal Katta:** No, Rs. 2,000 crores to Rs. 2,400 crores.

**Monica Arora:** Sir, what is your indication in regards to the profitability as far as that was concerned?

**Vimal Katta:** Madam, actually we still are holding that 15% to 18% at EBITDA level, that should remain. The reason being opening order book position as on May was roughly Rs. 1,500 crores plus. So considering their margins have been good in line with whatever we have been making and if incremental orders of this Rs. 500 crores, Rs. 600 crores which we need to execute so those are also in line with this. So probably in worst scenario we may end up nearer to 16%. Otherwise if things are right may be nearer to 18%.

**Moderator:** Thank you. The next question is from the line of Mehernosh Panthaki from Dhanki Securities. Please go ahead.

**Mehernosh Panthaki:** I just missed out asking a couple of questions. One was there was a substantial increase in the other income during the quarter. If we see it has jumped up from say Rs. 2.6 crores to around Rs. 14 crores. So what is the key elements of Forex gains in this other income portion?

**Vimal Katta:** See mainly jump is in income from investments. That figure has moved up quite significantly. Other non-operating income, the major chunk is that. Forex is same. Last year was roughly Rs. 28.05 crores, this year is Rs. 28.24 crores. Not a significant movement. The major jump is because of this thing.

- Mehernosh Panthaki:** Okay so this is for full year Rs. 28.2 crores of Forex gains?
- Vimal Katta:** Yes.
- Mehernosh Panthaki:** And one more question was that we were planning to borrow Rs. 150 crores of term loan by the end of this fiscal and this was a committed amount. It was specified earlier but in your balance sheet it seems that the term loans are Rs. 175 crores only so?
- Vimal Katta:** See now we need to bifurcate between short term and long term. So total Rs. 200 crores we had drawn up to 31st of March and remaining Rs. 100 crores is yet to be drawn.
- Mehernosh Panthaki:** Okay so this Rs. 200 crores has been drawn so Rs. 175 crores is term loan and?
- Vimal Katta:** Rs. 175 crores is in long term and Rs. 25 crores will be in short term because repayment will be starting.
- Mehernosh Panthaki:** Hence the remaining Rs. 100 crores you will be drawing in this financial year?
- Vimal Katta:** Yes, we need to draw.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Sahil Sanghvi for his closing comments.
- Sahil Sanghvi:** Thank you, Vimal sir and thank you Prakash sir for explaining all the operations in very much detail and answering all the questions of the investors. On behalf of Monarch Network, we also thank all the participants for joining in the call. Prakash sir, do you want to give any closing comments or should we end the call?
- Prakash Sanghvi:** Closing in this we pray to God this COVID go away as fast as possible so we can work as usual. That is the thing and our both the projects expansion that has to be completed as fast as possible and we have to start the production over there. This is what the final conclusion, you can say. Otherwise everything is here, and we are quite hopeful that we will do our best possible because the company have very wide range segment grade diameter thickness so we are getting something or the other.
- It is not one product line company; it is a number of things. So company is getting different, different sectors, different, different requirements and fulfilling more of the import substitute in the stainless steel division. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Monarch Network Capital Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.