

Man Industries India Limited
Q4FY22 Earnings Conference Call
May 30th, 2022

Moderator: Ladies and gentleman, good day and welcome to the Man Industries (India) Limited Q4 and FY22 Earnings Conference Call.

As a reminder, all participants are 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.

I now hand the conference over to Mr. Mahantesh from Man Industries. Thank you and over to you, Sir.

Mahantesh M: Good evening everyone, this is Mahantesh - Manager Investor Relations from Man Industries. I welcome you all to the Q4FY22 Earnings Conference Call of Man Industries India Limited. I have with me from the Management Dr. Ramesh Mansukhani – Chairman, Mr. Ashok Gupta – CFO on the call. We will have brief opening remarks followed by the Q&A from the Management.

Please note this call may contain some forward-looking statements involving risks and uncertainties. Listeners are requested not to put undue reliance on facts presented during the call.

Let me begin by giving a brief consolidated financial performance of the quarter and the year gone by. For the quarter we have registered a total income of Rs. 629.6 crores, a growth of 13% year-on-year. This is on account of better execution of orders. Our EBTIDA stood at Rs. 56.05 crores compared to Rs 58.09 crores, a slight decline.

The Profit after Tax stood at Rs. 26 crores. For the financial year, we registered a total income of Rs. 2175.07 crores with an EBITDA of Rs. 217.07 crores and the PAT of Rs. 101.6 crore. During the year we witnessed withdrawal of schemes under MEIS scheme by the government. And new export incentives for our industry along with higher prices of major commodities. Despite this we were able to pass through this situation and maintain our profitability levels.

Coming to some of the highlights during the year oil price was at multi-year high on the back of increasing economic activity, rising demand, plans to gradually increase the output, geopolitical tension etc. This is a policy development as investments are expected to increase in oil and gas infrastructure thus benefiting companies like us.

We are seeing very positive signs in the world market as many oil and gas companies are focusing on improving and expanding their existing pipeline. Number of products coming under bidding phase have seen a good uptick. The gas industry and the gas policy, countries led by China, India, Russia, Australia and the United States and Brazil are pushing oil plans to commission tens of thousands of kilometers of pipelines in 2022. With 1000 of kilometers to be commissioned between 2023 and 2030, that global gas network is poised by a large rapid expansion, given the outlook at the opportunities offer in the future.

It is anticipated that the energy demand in India is growing faster than all of the major economies on the back of continuous, robust, economic growth, government support and measures. India's oil demand is projected to rise at the fastest pace in the world to reach 10 million barrels per day by 2030, from 5.5 million barrels per day in 2020. Natural gas consumption is forecast to increase at a CAGR of 4.18% to 143.08 million tonnes by 2040, from 58.10 million tonnes in 2018.

Now I will hand over the call to Mr. Ramesh Mansukhani - Chairman for his brief remarks.

Ramesh Mansukhani:

Good evening, everyone and a warm welcome to this conference. I would like to say, we continue to see strong traction in demand which is reflected in our order book which is as on date around Rs. 1,300 crores at the beginning of the year. And this will be executed within next six to seven months.

Our Bid Book this time approximately Rs. 15,000 crore as on date, where bids are in various stages of evolution, and we expect to good book size order over the next few months.

Recently, the Government of India had increased the export duty on steel, which will help softening local steel prices. These measures by the government will be beneficial for manufacturing like us, as it will help in reducing our raw material cost and help in margin improvement going ahead.

I am delighted to share with you all during the year we have incorporate two wholly owned subsidiary, Man Offshore and Drilling Limited and Man Stainless Steel and Tubes Limited, with a view to diversify our product offering under the said subsidiaries. The steel bending process and connector, hard induction bends products under the Man Offshore and Drilling Limited is likely to be completed soon, maybe in one quarter. Under this project, we would be able to make steel bends in-house which will help in the margin improvement, it's a value-added product.

On the ERW, the work is going on full swing, and I am happy to share that the work is, and we expect the project to be completed by the end of this calendar year.

With a view to further diversify our product offerings and enter a value-added products segment we are undertaking a CAPEX of approximately Rs. 470 crores under our wholly-owned subsidiary, Man Stainless Steel and Tubes Limited who manufactures seamless tubes, these tubes will be used in the defense, fertilizer, petrochemical, dairy, pharmaceutical, etc. This unit will come up at Anjar, the work up there is already begin, all land is acquired, construction is going on, major equipment's order, the long need already placed. And we expect the project will be completed by Quarter 3 next year, Quarter 3, 2024.

With our enhanced manufacturing and excellent execution capabilities we are confident to scale our business in the near future and delivery considers growth. This is all from our side we can now open for follow up question answer. Thank you, sir. And now your question and answer, we will be glad to reply.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. We have our first question from the line of Navid Virani with Bastion Capital. Please go ahead.

Navid Virani: So, firstly want to understand the nature of our margins better. So, gross margin for the year is materially down and it is almost higher compared to Q4 of last year. It is difficult to understand these kinds of fluctuations given the diverse bidding mechanisms which we have in place. So, can you please help us understand the reason for such wide fluctuations? And also can these kind of fluctuations be seen in the future as well?

Ramesh Mansukhani: This is a very complex business design. We will try to help you clarify. The quarter-to-quarter depending on what kind of projects we are taking. What is the value addition in particular job? What is the steel grade and the pipe grade, dia, thickness lot of confusion out there. Last year was purely because of the commodities prices going up, they were unpredictable. Although, we always say and we stand on our, what I was saying last few years, most of those steels we book back to back basis. But apart from steel, some other commodity also we are using like some chemical, some plastic, which is based on the commodity prices, which is beyond the control.

But despite of this commodity circle, super circle whatever you people say, we managed to achieve our profitability, despite commodity, despite MEIS discontinuation from the Government of India on export incentives. But, now, in the few days the softening of the commodity prices, the government measures to put the export duties and some reduction in import duty on the input as well as to substitute the MEIS etc., is a very strong working conditions is improving.

But we hope these fluctuations will be very less in this current year. But we are a very careful country. Normally we hedged our raw material immediately, but the things are beyond control some time which effect, we always try to control.

Navid Virani: 30% kind of gross margin number is something which we can keep in mind going forward as well.

Ramesh Mansukhani: Yes, you can say.

Navid Virani: Coming to our presentation, so we have shared an opportunity in one of the pages of the presentation saying that the hydrocarbon space also provides a very good opportunity for us going forward. So can you please elaborate on this front further for more clarity in mind as to what kind of exact opportunity are we alluding to here?

Ramesh Mansukhani: The hydrocarbon sector because of the crude prices and gas prices worldwide last three, four months, and even the last six months, so three months more after Ukraine war. And the prices are holding more than USD \$100 oil prices, gas prices also increased worldwide. So now the lot of projects because of the COVID, and some other economic conditions, they were stuck up last three, four years. Now all these projects worldwide is coming to putting their investment, to increase their capacity, and the pipeline transportation, transport should be more, and to improve the more transport system, it is they are putting up that's why worldwide lot of projects are coming. That's why we are seeing our capacity utilization will be much better than last year, as well as to study in the commodity markets, some government measures is going to help us. And we are anticipating good growth in our turnover this current year '22 to '23. In the sense that we are anticipating 25% to 30% our aim to achieve more compared to this year with better EBITDA which we are trying. Current year will be better as we are expecting.

And other products, not told anything, other projects are coming under implementation, commissioning in few months that turnover will be over and above of the whatever I said 25% to 30% growth we are aiming this year.

Navid Virani: Just wanted to understand that the total amount which we have shared in the presentation the total CAPEX amount, amounts to Rs. 715 odd crores. So just want to understand how much of this CAPEX has already been done. And how are we planning to fund the remaining CAPEX? If you can share a rough debt equity mix it will be really helpful.

Ramesh Mansukhani: I will hand over to Mr. Ashok Gupta, our CFO, he will brief. As on today there is no term loan in our books it's a zero debt company. We have some surplus cash, some banking arrangement and some loan in the subsidiaries company we will use that in inside of the project which is coming.

Ashok Gupta: See as regards for the CAPEX program undertaken by the company, we have taken three projects, one ERW pipe along with the upgradation of about Rs. 250 crores. And further project of Rs. 470 crore for our stainless-steel pipes and tubes. Although the projected CAPEX we have incurred because this CAPEX started last year Q3/Q4 only. So, we have already procured our

lands almost Rs. 40 crores to Rs. 45 crores of investments over here has already been happened as on 31st March 2022.

As regard debt equity all the funding arrangement for the ERW as well as stainless steel is already in place. And in case of ERW LCs worth more than Rs. 100 crores, that has already been established. And we are expecting the equipments to be delivered in next couple of months. So, in all probability, ERW should be operational by the end of this calendar year.

And as regards stainless steel progress is on, and the ordering for major equipments have already been done. And we expect these assets to be operational by the end of FY24.

Navid Virani: And lastly, I have a bookkeeping question regarding the creditors. So, the number this year is showing a steep rise. So, can you please help us why is that the case?

Ashok Gupta: In the case of this payables most of the LCs got opened in Q4, and the material what we received that has been under LC, which will be due in coming quarters. So that is the reason our payables is almost about Rs. 700 crores, but if you see our receivables are at Rs. 550 crores as well as we have some surplus cash approval at Rs. 50 crores, over and above stock of Rs. 300 crores.

Moderator: Thank you. We have a next question from the line of Manish Gupta from Solidarity Advisors. Please go ahead.

Manish Gupta: Some questions on your balance sheet, you know in your balance sheet in non-current assets, you have some trade receivables of Rs. 73 crores. So, can you just explain what are trade receivables in non-current assets?

Ashok Gupta: This non-current receivables that is around Rs. 73 crores these are the receivables outstanding for more than three years where we have filed arbitration cases against these recoveries. And now, since because of the new requirement of hedging to be given in the base of the balance sheet, and these outstanding is more than three years, that is the reason we have show these receivables under non-current assets.

Manish Gupta: Okay. And therefore, in your trade receivables under current assets of Rs. 544 crores, what is the hedging on that?

Ashok Gupta: Out of that -- Rs. 451 crores in less than six months and 6 to 12 months is around Rs. 70 crores.

Manish Gupta: So, you said Rs. 70 crores over the 544 is more than six months.

Ashok Gupta: Yes.

Manish Gupta: So, which parties are these for, are these disputed receivables?

Ashok Gupta: Yeah this is all undisputed and regular receivables are there. It is basically from what the PSUs and from exports receivables.

Manish Gupta: And again under your non-current assets, you have other non-current assets of Rs. 76 crores. What are these?

Ashok Gupta: Other non-current assets Rs. 73 crores.

Manish Gupta: So Rs. 73 crores was trade receivables and just two lines below that you have other non-current asset of Rs. 76 crores.

Ashok Gupta: Anyway, that's a non-current asset is Rs. 72.64 crores. You are talking on consol basis.

Manish Gupta: Yeah, I am looking at the consol basis.

Ashok Gupta: Yeah, major out of that Rs. 76 crores, Rs. 70 crores is the add-on given against our proposed office premises which we are planning to buy for our office space. That amount is appearing same as last year also.

Manish Gupta: Last year it was Rs. 107 crores.

Ashok Gupta: Out of that Rs. 107 crores, Rs. 70 crores of this advance against office premises and Rs. 31 crore against one property which we bought from PNB under SARFAESI. So that dispute is over and we have taken the possession of the land. And we are in the process of monetizing that asset now currently.

Manish Gupta: In your cash flow statement you show a bad debt of Rs. 19 crores. Now, is this Rs. 19 crores bad debt, again if I go back to the consol balance sheet, your trade receivables which you said Rs. 73 crores was over three years. Last year you showed that only as Rs. 25 crores. So I don't know how you reorganize the balance sheet. But out of the Rs. 19 crore bad debts that you have written-off, is this against receivables that were like this over three year?

Ashok Gupta: Yes.

Manish Gupta: So, if you cannot recover the Rs. 73 crores will you write this off at some point in time?

Ashok Gupta: Not really, we are fighting against all at various stages these matters are pending with various levels in the judicial system. And we are sure that we are going to recover those Rs. 73 crores, Rs. 74 crores what we are saying is outstanding more than three years. And for the sake of good corporate governance, the management has decided to provide for some expected credit loss with the ECL in the books. So, there should not be any surprise all of sudden in the coming future.

Manish Gupta: Now, in your cash flow statement you have Rs. 45 crores as investment in purchase of property, plant and equipment. But in your balance sheet the capital work in process is shown as about Rs. 20 crores. So, where is the balance Rs. 25 crores shown in the balance sheet?

Ashok Gupta: Around Rs. 25 crores that was already been capitalized in the assets. And around Rs. 16 crores is shown as a capital work in progress.

Manish Gupta: But, your depreciation is the same as last year. So, if I look at non-current assets, it is reduced from 326 to 311. So, the property plant and equipment has reduced by Rs. 15 crores, the depreciation is the same.

Ashok Gupta: You have to have the depreciation for the current year, and the closing balance of the last year plus depreciation minus closing balance of the current year, the difference is around Rs. 25 crores that is being new CAPEX for the current year. The CAPEX, it was capitalized during the current quarter only. So, that's the reason you cannot see much impact on the depreciation.

Manish Gupta: And the last question is that can you give a little bit more detail about Merino, where are we in that process?

Ramesh Mansukhani: Yeah, Manish, actually we settle down the issues with Merino and the documentation part is going on. And the other side the disposal of the property also in very advanced stage, as well as the Rs. 31 crore property, whatever that we acquired from PNB also we are monetizing. So both the assets hopefully by next two, three months every Quarter 2 will be monetized both the properties.

Manish Gupta: Do we have a term sheet when you say documentation is happening, are all negotiations complete and the documentation is converting the term sheet into a firm agreement or I mean do we have a signed term sheet between all parties so that the dispute is resolved?

Ramesh Mansukhani: No, there was some offer, we send the acceptance, and then other documents are under preparation. But this is Rs. 31 crore, we had taken the suggestion through court, where in Bellary, Koppal, where it is documented and we got the possession and now we are disposing. And we got the letter from one of the company over there, they want to buy and they discussed with us two, three times. They came and met us and they said, once you get the possession and then we are ready to take. So now we got to the possession, last week, we got the documents from the bank, yesterday on Saturday. And this week they will come again and we will do the final agreement process and we get the money.

Manish Gupta: But, there will be no more out-go that Man Industries will not have to pay anybody any money to settle this, right? If anything, you should get some inflow?

Ramesh Mansukhani: Not at all, it will come to Man Industries, not any out-go.

Manish Gupta: And the last question I have -- the Rs. 400 crore stainless steel project, when it finally goes on stream, what are the broad economics we expect that this RS. 400 crore stainless steel project, what EBITDA should the Rs. 400 crore investments generate at steady state?

Ramesh Mansukhani: See our EBITDA right now is around 25%. We are anticipating in the beginning, we should achieve between 20% to 25% depend on product range, which product range we are selecting, what is the market condition, what product mix is favorable to the company, lot of calculations are over there and we choose our technology accordingly. So then, we are anticipating the better profitability for Man. As well as Man now is putting 100% money in this venture here was a little bit of promoter combination we changed now the Man will be 100% --

Manish Gupta: So, I think it's very important that Man owns 100% of this thing, because if the interests are not aligned with minority shareholders, I don't think that will be very nice from a governance perspective. So, thank you for aligning all interest under Man Industries.

Moderator: Thank you. We have next question from the line of Chirag from Keynote Capitals. Please go ahead.

Chirag: My first question is related with stainless steel plant -- what kind of asset terms are we expecting them to generate?

Ramesh Mansukhani: Roughly two and a half times we are anticipating in the beginning. But apart from that some value-addition we also do. Some other equipment also we are going to use to increase the range then it will go slowly three times. In beginning we are going up two and half time in beginning.

Chirag: I am asking that 2.5 times our asset on value side, is it based on just gross block or is it based on working capital too?

Ashok Gupta: It is based on gross block.

Chirag: When are we expecting this to start? Or what are we expecting it to operationalized the stainless steel plant

Ramesh Mansukhani: End of next financial year.

Chirag: By the end of FY24.

Ramesh Mansukhani: Major equipments -- 12 to 14 months.

Chirag: I have one question related to the other expense that we have. I am looking at last eight to 10 quarters and I see a wide fluctuation in other expenses, which comes from Rs. 50 crores to Rs.

150 crores range. I just wanted to understand why is this so highly fluctuated and what percentage of these other expenses are fixed and variable?

Ashok Gupta: Chirag, what happens that all depends on what kind of the mix of turnover we have to do, whether we are serving to the domestic market or we are serving to the international market. Whenever we are serving to the international market, the other expenses increase mainly on account of these overseas freights. Last year, if you see FY20, 2021, we had exports of about Rs. 1,700 crore, so that's the reason in the overall FY '20/'21 and FY '21/'22, there is a gap of around Rs. 70 crores in the total other expenses. If we talk about Q4 to Q4 our Q4FY21 was about Rs. 50 crores whereas, this year we have around Rs. 55 crores. Last year we had a write offs about Rs. 70 crores in Q4 and some good amount of export rates. Current year there is hardly any exports in Q4. So, that's the reason our expenses are well under control and the written off amount is around Rs. 19 crores as against Rs. 70 crore last year.

Again, if you compare our other expenses with Q3 of FY21-22, it was around 37 crores where Rs. 65 crores amount was on account of some job work charges which we have paid for some job work order. Job work charge, again it's a part and parcel of other expenses, which is not there in the Q4. So, that's the main reason for fluctuation in the other expenses in Q4 versus previous quarter.

Chirag: One of the earlier participant asked about the sustainable gross margin which you said, it is around 30%, am I correct?

Ashok Gupta: Yeah.

Chirag: Last question I wanted to ask that in last two quarters in FY22, you have said that the ERW steel plant as well as the steel wins would commence by Q1FY23 and currently it has been shifted to Q4FY23. Could you let us know what is the reason for the delay?

Ashok Gupta: Because of COVID and --; some equipments are supposed to come from China and some from Korea and you know that still China is on lockdown for against COVID. There are reasons getting the equipments getting delayed, which were supposed to be delivered by now. It is again it is going to take around 40 to 45 days to be received.

Chirag: Can you bifurcate your active bidbook into oil and gas and water transportation?

Ramesh Mansukhani: Right now, you are talking about the future or the past?

Chirag: I am talking about active bidbook, that Rs. 15,000 plus crores that we have.

Ramesh Mansukhani: This is mostly, oil and gas maybe you can say 85% to 90% from oil and gas.

Moderator: Thank you. We have next question from the line of Anirudh Agarwal with AAA Investments. Please go ahead.

Anirudh Agarwal: My first question was on the volume numbers for FY22 if you can share for HSAW and LSAW?

Ramesh Mansukhani: Volume right now we have not, we have not gone through the figure, volume, see if we have got here in the meeting.

Anirudh Agarwal: Gupta Sir if you could get that shared offline that will be helpful. And you spoke about turnover growth of 25% to 30% this year. So, where is that growth coming from more domestic, international, oil and gas, water if you can --?

Ramesh Mansukhani: We are targeting both the domestic as well as international market. This year FY2021 we have export of, in the ratio of 75:25. '21/'22 again it is in 25:75 we are targeting this year equal share in the top-line. Right now 500 crores domestic, now the international bidding is going on where our strong position is there, evolution, revolution. So we hope to get the more better orders in the export also. We will see the combination for maybe 60 and 40, 60 domestic, 40 over there or maybe 50-50 we are trying. And better capacity utilization as well do more value added products.

Anirudh Agarwal: And the recent steel price correction, how much margin gain does that translate into for us. I know a lot of it will be back to back that we have covered, but to the extent that it will benefit us, how much margin benefit do you expect this year?

Ramesh Mansukhani: Yeah regarding, steel as we always say, it's mostly back to back, mostly. Not 100% but 90% back to back. For other items also, going to get the relief like chemicals, plastics, diesel prices, which is directly related to the transportation charge etc. So these all small segment also going to give the benefit to the company, that's why rather than back to back arrangement of the steel, the other also going to improve it. So, as we understand whatever last year, we couldn't get the benefit of this kind of thing this year, we should get it. I cannot quantify but definitely something of the other commodities, diesel prices, it is going to help the company.

Anirudh Agarwal: Currently given the Rs. 1300 crores order book and one large order that we have what is the take on margin this year is it 10% EBITDA this year --?

Ashok Gupta: This year we are expecting EBITDA margin of definitely in double digit more than 10%.

Anirudh Agarwal: And on the ERW business, what would be the guidance in terms of both top-line and bottomline since we have the capacity --?

Ramesh Mansukhani: Yeah the total capacity is 105000 tonnes, and on the product mix basis, what kind of orders which is coming from the market it will decide by the time. We are expecting to start the production trial end of this calendar year, Quarter 1 would be mostly trial production and

accreditation which we have to get. Accreditation will be not too difficult for us, because we have four facilities in our plant in Anjar. This plant is very close, adjoining to the plant. So, the fully utilization capacity would be the '22/'23. This first year we do with 50000 to 60000 tonnes that would be Rs. 700 to Rs. 800 crores more. We are aiming for Rs. 1000 crores additional level from ERW but apart from that, this year also our existing capacity we are going to utilize more from value added products which we have already said 25% to 30% apart from ERW. So now you can get that what is our guidance, there will be a growth this year as well as growth will be '23/'24 also. The growth momentum will continue.

Anirudh Agarwal: And on that 1000 crores target what would be the EBITDA margins that we can make on this business, I am assuming it will be higher than the current EBITDA that --?

Ramesh Mansukhani: ERW normally little bit much better than LSAW, HSAW in some segments some projects we improve 12% to 13% also. Here also we are saying maybe around 15% because city gas demand is much higher. And that's why we are maybe product mix will be better than this year in the weighted average.

Anirudh Agarwal: And on SI pipes if I heard you correctly we are again targeting a turnover of Rs. 1000 crores as per 2.5 times asset terms, Rs. 1000 to Rs. 1100?

Ramesh Mansukhani: Yeah this is a separate company, subsidiary of the company the -- will be around Rs. 1000 crores plus. And some other value added products also will increase more top-line, the bottomline in this field is more comfortable because the value added is much higher on product mix basis.

Anirudh Agarwal: And which segments will be specifically target, I mean, you mentioned quite a few but which will be our focus segments for SS pipes?

Ramesh Mansukhani: SS pipes right now, we are doing only seamless. On seamless 316 duplex and some high alloy items, which we are already targeting, our equipments are being under construction according to the need of the market, whatever.

Anirudh Agarwal: So your focus would be majorly on petrochem and defense, or any other segment also that we will have to enter in a major way?

Ramesh Mansukhani: You are very nearby, you are --; petrochemicals and then pharmaceuticals, and defense, dairy products. Market is fast growing, which is very bright market also, growing not 5% to 7% much higher than other types, this segment.

Anirudh Agarwal: And Gupta sir on the CAPEX guidance if I heard you correctly out of the Rs. 710 crores to Rs. 720 crores of CAPEX how much debt did you mention that we will need to take for funding this?

Ashok Gupta: 2:1 ratio.

Ramesh Mansukhani: And this is already done Rs. 150 crores out of Rs. 265 our investment and the subsidiary company as Mr. Gupta said, 2:1 but with subsidiary company.

Anirudha Agarwal: And on the next part, I understand that there are some CAPEX investments that we are doing and so on, but, from a shareholder returns perspective, we have an EPS of Rs. 16 to Rs. 17 net cash of more than Rs. 200 crores on the balance sheet and you know where the stock price is right. So, why don't we look at enhancing the dividend payout to shareholders, it will give a lot more confidence.

Ramesh Mansukhani: We have already given dividend last month Rs. 2 per share. And now, you are our partner, now, you should ask to realize how to improve the market our projections and our future plans whatever we are coming so then you can get what is the potential of the company --. Rather than paying dividend, we are deploying all the money in the new business as well as please try to understand we are saving the interests of the company Rs. 265 crore new investment, Rs. 150 total borrowing and the company right now is a nil borrowing term loans only working capital. So we are trying to deploy our own money, money is not going anywhere whatever money is coming to the company which is ultimately going to benefit you in the long term.

Anirudh Agarwal: No absolutely agree, but my point was that with Rs. 200 crores plus of cash and the market cap of the company being only around Rs. 450 crores I mean we are not getting the deserved valuation in the market. So from that perspective to increase investor confidence if we can do that that will really help the stock price.

Ashok Gupta: We have all the CAPEX plans in hand and whatever cash is being generated in the business, it is going to be again deployed for the business purpose only. Once all the CAPEX programs is over and business starts giving gains then of course, it is going to be distributed among the shareholders.

Anirudh Agarwal: And finally any update on the forensic audit after the last call that we had any reply or revert from SEBI till date?

Ashok Gupta:: No further updates after that call of 12th May, nothing is there.

Anirudh Agarwal: Final question MEIS discontinues, how much margin impact did that have this year?

Ashok Gupta:: See our MEIS anyways was 3% of the FOB value of exports, it is a direct hit to our profitability.

Anirudh Agarwal: So on 25% on exports, you have incurred 0.75% margin hit was directly because of this?

Ramesh Mansukhani: Yeah you can say that, but now, what the government is considering, what percentage we do not know is a very entry stage, we do not know at this moment whatever it is coming will be good for the company.

Moderator: Thank you. We have next question from the line of Akshal from Robo Capital. Please go ahead.

Akshal: I just wanted to know, regarding the guidance given in the previous concall that Q4FY22 would be better than Q3 and you were confident of reaching 2300 in revenue. So I just want to know, what are the issues you faced that you weren't able to meet your own guidance.

Ramesh Mansukhani: The guidance ultimately is a guidance, maybe little bit 4% to 5%. If we have given guidance 2300 and it is touching around 2000 it's hardly 5%. Maybe lead time for the special steel sometimes takes times, sometimes clients lifting is a little bit slow, there's a lot of things are there, sometime COVID etc. So guidance, maybe sometimes we do much better than guidance also. So these are expected revenue, which we always try. But suppose there is a little bit behind last year, this year will be much more we will make up.

Akshal: I am sorry I am repeating the CAPEX question again from what I heard was that the debt funding would be 2:1?

Ramesh Mansukhani: Yeah.

Akshal: And how much of the out of Rs. 715 crores how much of the capital has already been done?

Ashok Gupta: Around Rs. 45 crores and supply of equipment so more than Rs. 100 crores that has already been established, else is all these material and equipment is coming on the way, which will be debited in the near future.

Moderator: Thank you. We have next question from the line of Shivam an investor. Please go ahead.

Shivam: Can you just throw, highlight, I missed on the capacity utilization level. What was your capacity utilization on FY22?

Ramesh Mansukhani: You see capacity utilization, in our case is a product mix basis. What kind of pipe, what is the thickness, grade there is a lot of calculation there, but I can tell you without putting additional money we can achieve higher target for the current year and subsequent years which we are trying. So our capacity utilization would be much better in this current year as well as to next year.

Shivam: But a number if you can highlight, if possible, a percentage number.

Ramesh Mansukhani: I do not remember in the tonnage. Normally we do not do the tonnage we go in the meter and amount only.

Shivam: Like you have been investing in ERW pipes and all the other steel companies have been investing in the DI pipes for the water CAPEX that's happening across the country. So any significant advantage that can you tell on the product bases that ERW holds against DI pipes?

Ramesh Mansukhani: No, both are different things. The ERW whatever we are putting we are putting only for oil and gas, hydrocarbon sector. See mostly city gas we are aiming city gas business, which will continue for next, regarding ductile is a water pipes, defense segment, local corporation are the clients and right now, we do not have any program to go to in this country in India as a ductile pipe.

So, we are very clear hydrocarbon sector, ERW, ductile is different thing and it's difficult to comment for me at this moment.

Shivam: Any plans to cater to the water pipes, anything?

Ramesh Mansukhani: Water pipes we have as far as pipes, which we are doing around 10% to 15% of the revenue. And government is coming with a great water program which is slowly will come up in future, but this moment ductile we do not have any program at this moment.

Shivam: Any guidance that how much can we raise from 10% to 15% of your revenue any further guidance for that?

Ramesh Mansukhani: But we have further capacity available, we would like to utilize this capacity which we still are having. In a hydrocarbon also we are the capacity and capacity. So current year will be for us to utilize as much as possible to reach in the new heights, that is our objective. And then we will see any other products are coming for the growth of the company in the larger interests of the shareholders in the company.

Shivam: Like mostly from the government orders and the government CAPEX in water the spiral pipes utilization you have the optimum utilization in next year. So can you highlight as what percentage of revenue would that be of yours?

Ramesh Mansukhani: No we can, actually water around in coming time as I told you in the beginning we are aiming around 25% to 30% growth without putting any new money then you can get Rs. 2200 crore in to 30% and as well as to ERW the revenue will be separately then you can guess it what is the guidance company and what we are doing. For our objective to utilize capacity as much as possible in this CAPEX, whatever we did already last 25 years we can achieve much higher figure some bottlenecking was there where we had put Rs. 265 crores including ERW pipes. So, up to bottlenecking we will get some value added products, some capacity more utilization, which we are doing. So, without putting much money we can achieve the bigger figure other segment I do not know at this moment, we will see in future if any opportunities in company we will see.

Shivam: One more thing like you said that there's still some capacity left for the utilization. So on a general question if though if the current capacity is not fully utilized and you are doing the CAPEX, so, the interest and depreciation costs would have a much more impact on your bottomline that will significantly degrade valuations. So any comment on that?

Ramesh Mansukhani: Not going for any further CAPEX in our existing capacity. Whatever our product range, I will clarify whatever the our product range right now, we are not putting any money, whatever we put already put for upgradation of plant and water breaking which is done. Now the ERW is a different segment, their revenue their depreciation will be separate and that segment will, is capable to fetch better profit and to take care depreciation interest revenue thing. So no load would be over there the existing capacity, amount, anything. So whatever will be will be the additional revenue addition profitability, which will add to the shareholder, enhance the shareholder value.

Moderator: Thank you. That was the last question ladies and gentlemen. I now have the conference over to Mr. Ramesh Mansukhani. Over to you sir.

Ramesh Mansukhani: Thank you everyone for your participation in Q4 2022 ended Earnings Call. In case of any further queries feel free to get in touch with us or Pareto Capital. Thanks a lot for your time and patient hearing.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Man Industries (India) Limited that concludes this conference. Thank you for joining us. You may now disconnect your line.