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NW18 INTERVIEW: Man Ind confident of FCCB redemption, to exit realty ops
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--Man Ind head: Confident of redeeming $44.44 mln FCCBs due in May
--Plan to exit realty ops; use proceeds to redeem FCCBs
--Head says Man Industries current order book 15 bln rupees
--Man Industries head says not seeing slowdown in pipe order inflow
--Head sees Man Ind revenue rising 15%, net profit 10-15% in FY12
--Man Ind head sees operating margins at 10-12% in FY12
--Man Ind head sees operating margins improving in Apr-Jun
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By Dhwani Pandya

MUMBAI - Many Indian companies had raised funds through foreign Currency convertible bonds for expansion before the 2008 meltdown. However, several of these are now struggling to meet this debt obligation due to slowdown in domestic growth and sharp depreciation in rupee. Some are trying to buy time from bondholders.

Man Industries India Ltd, on the other hand, is confident of redeeming its FCCBs worth $44.44 mln due in May 2012 through cash reserves and liquidation of its real estate assets.

"In our case, we have enough cash in the balance sheet to redeem this liability and the price is reasonable at this moment in time. So, we can anticipate that conversion may take place. So, both eventualities are there,"
Chairman R.C. Mansukhani told NewsWire18 in an interview.

The company's current share price is not much below the FCCB Conversion price of 109 rupees, unlike some other companies whose shares are Trading 10-20% below their conversion price.

Today shares of Man Industries closed down 1% at 104.10 rupees on The National Stock Exchange.

In May 2007, Man Industries had raised $50 mln through zero coupon FCCBs having tenure of five years, to expand its manufacturing facilities.

The large-diameter carbon steel pipe maker has also decided to wind Up its real estate business run by its subsidiary, Man Infraprojects Ltd. The company expects to generate 1.5-2.0 bln rupees from the liquidation of This business, and part of the proceeds would be used for the FCCB redemption.

Man Industries had ventured into real estate business in 2008 to cash in on the high operating margins the sector offered, but soon realised it was better to stick to the core operations.

"We simply wanted focus on our core business activity because these two activities have no co-relationship. We just wanted to exit that (real estate) business," Mansukhani said.

The company has not undertaken any new projects, and plans to Complete the 3-4 ongoing projects in 2012. "We are constructing and we are Liquidating whatever investment we have made," Mansukhani said. The company has not Made any new investment in the real estate business since last two years.
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CONSOLIDATION TIME

Man Industries has two longitudinal and helical or spiral submerged Arc welded pipe-manufacturing facilities at Pithampur in Madhya Pradesh and Anjar in Gujarat. The combined capacity of both the plants is 1 mln tn.

The company mainly provides pipes to oil and gas and water sectors, With majority of orders for oil and gas pipeline projects coming from overseas and latter from domestic markets.

The Mumbai-based company does not have any significant expansion Plans for the domestic market in the next calendar year and will focus on Optimum utilisation and consolidation of existing facilities.

"We are able to meet the requirement from India, but we are not against the idea of exploring any possibility of expansion in any other country,"
Mansukhani said.

"We have one mill in Pithampur which is not operating at full capacity because it is landlocked place. And you don't have significant orders coming in. If we get very good opportunity of relocating the mill, then it can be relocated at any part of the world," he added.

Exports make up 70% of the steel pipe-maker's revenue, with the Focus being on West Asia and South East Asian markets.

"These all economies are developing economies so there is no pipeline infrastructure existing. It needs to be created first so demand is definitely more here," Mansukhani said.

"Addressable market for us is South-East Asia, South Asia, West Asia,Middle East, Africa and Australia. Australia is going to be big market For us," he added.

OUTLOOK

Man Industries is not seeing any slowdown in orders due to the Current global economic turmoil as it mainly serves the hydrocarbon sector, Which continues to perform well with crude oil prices above $90 per barrel for Most part of 2011.

"That means (in) hydrocarbon sectors, there will be spending in coming years," Mansukhani said.

The company's current order book stands at 15 bln rupees. It Recently bagged a 5.15-bln-rupee order from South-East Asia for oil and gas pipelines.

The company expects some orders in January, as it is currently under active consideration for certain bids. Mansukhani declined to give any further details, saying at any given point in time the company bids for 40-50 bln rupees worth of orders.

Man Industries sources almost 70-80% of steel from overseas markets, including Japan's JFE and KOBE Steel Ltd and South Korea's POSCO. The company signs back-to-back steel procurement contracts with vendors to avoid volatility in steel prices.

"If China slows down, I don't see any reasons for steel prices to go up. Steel prices should be stable to negative rather than stable to positive for very long time... may be a year," Mansukhani said.

Man Industries expects topline to grow by 15% in 2011-12 (Apr-Mar) And bottomline to grow by 10-15%. In 2010-11, the company posted a net profit of 92 bln rupees on revenue of 16.31 bln rupees.

The company expects to maintain 10-12% operating margin in 2011-12.

In Apr-Jun, Mansukhani expects some improvement in margins due to Some softening in raw material prices. "Q1 (Apr-Jun) onward (operating margins) should be better. Higher EBITDA orders will get executed in," he added.

The year is also seen ending on a good note, with the two promoter brothers--R.C. Mansukhani and Jagdish Chandra Mansukhani--resolving their issues. The younger sibling Jagdish has been reappointed as managing director.  End

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Edited by Ashish Shirke

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NewsWire18 Tel +91 (22) 6637-8700
Send comments to feedback@newswire18.com