

15th November, 2023

To,
BSE Limited
1st Floor, New Trading Ring,
Rotunda Building,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai.
Scrip Code – 513269

To,
National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (E), Mumbai 400 051.
Scrip ID – MANINDS

Sub.: Intimation of Conference Call Transcript under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015.

Dear Sir/Madam,

We refer to our Conference Call held on 9th November, 2023 and in terms of Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, we would like to inform you that the transcript of the same is available at:

<https://mangroup.com/shareholder-information/#corporateann>

This is for your kind information and record.

Thanking you,

Yours faithfully,
For **Man Industries (India) Limited**

Rahul Rawat
Company Secretary



Man Industries (India) Limited
Q2 FY24 Earnings Conference Call

Event Date / Time : 9/11/2023, 15:00 Hrs.
Event Duration : 53 mins 47 secs

CORPORATE PARTICIPANTS:

Dr. Ramesh Mansukhani
Chairman

Mr. Nikhil Mansukhani
Managing Director

Mr. Ashok Gupta
Chief Financial Officer

Mr. Rahul Rawat
Company Secretary and Compliance Officer

Q&A PARTICIPANTS:

1. **Utkarsh Somaiya** : Individual Investor
2. **Vignesh Iyer** : Sequent Investments
3. **Harsh Shah** : Dimensional Securities
4. **Akhilesh B** : Individual Investor
5. **Sampath Nayak** : Tiger Assets Pvt Ltd
6. **Darshil Jhaveri** : Crown Capital
7. **Varun Mehta** : Wealthlink Investments
8. **Mukul Jain** : Individual Investor
9. **Dhwanil Shah** : I Wealth Management

Moderator

Good evening, ladies and gentlemen. I'm Madhuri, moderator for the conference call. Welcome to Man Industries Q2FY24 Results Conference Call. As a reminder, all participants will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Dhananjay. Over to you, sir.

Dhananjay

Thanks, Madhuri. Welcome you all for the Q2FY24 earnings conference call of Man Industries Limited. We are happy to hold the management team of Man Industries. From the management side, we have Dr. Ramesh Mansukhani, Chairman; Mr. Nikhil Mansukhani, Managing Director; Mr. Ashok Gupta, Chief Financial Officer; and Mr. Rahul Rawat, Company Secretary. Management will give the initial remark on Q2 results, and also the current outlook, post we will have a Q&A session. Over to you, sir. Thank you.

Ramesh Mansukhani

Thank you, Mr. Dhananjay. Thank you, Madhuri. Myself is Ramesh Mansukhani, Chairman of the Man Industries. Good afternoon, everyone, and welcome to the company's earnings conference call for Q2 and H1FY2024. I would like to thank our host Sunidhi Securities for hosting the earning calls. Now, over to Mr. Ashok Gupta, CFO of the company, he will be brief about the results.

Ashok Gupta

Thank you. Good afternoon, everyone. On the results front of this Q2 of FY23-24. On a standalone front, our total income stood at the INR 547 crores, that includes other income and representing growth of 154% on year-to-year basis. Our adjusted EBITDA stood at around INR 95 crores with EBITDA margin reported at 9.27%. Net profit stood at INR 43.5 crores, while the PAT margins were 4.23%. Similarly, standalone financial performance for the half year, we reported a total income of INR 1,489 crores, which increased by about 64% on YoY basis. Our EBITDA stood at INR 146 crores which has grown substantially by around 86% on YoY basis. With EBITDA margins at 9.8% we reported net profit of INR 55 crores, which has grown by 12.8x on YoY basis with PAT margins at 3.72%.

Now, let me begin by giving a brief on the consolidated financial performance for the quarter. Our total income stood at INR 1,037 crores, representing growth of about 136% on YoY. Our adjusted EBITDA stood at around INR 89 crores with EBITDA margins reported at 8.55%. Net profit stood at INR 39 crores, while PAT margins were 3.76%. Coming to our consolidated financial performance for the half year. We reported total income INR 1,516 crores, which increased by about 58% on YoY basis. EBITDA margins is around INR 135 crores which has grown substantially by over 600% on year-to-year

basis, with EBITDA margin at 8.93%. The reported net profit is around INR 50 crores, which has also grown up by about 1,000% on YoY basis, with PAT margins of 3.32%.

On the operations front, the unexecuted order book as on date stood at INR 1,400 crores to be executed next six to seven months. We continue to have our outstanding position as on date approximately of INR 14,000 crores which are at various stages of evolution for several oil and gas and water projects in India and overseas. The company therefore expects good order flow for the upcoming quarter as well as next financial year. The ERW pipe plant in Anjar, Gujarat received the prestigious BIS and ISO certification, and the API audit was successfully completed and closed. Now the company can produce the API pipes and they are exploring new avenues for strategic partnerships also.

We recently announced issuing up to 25 lakh share warrants, convertible into equity shares to Promoter Group and the company has received the shareholders' approval on it in the shareholders meeting held on 1st of November. Seamless stainless steel pipe unit is progressing very well. Long lead equipment orders are already being placed from Europe and Japan and the project is likely to be completed by second half of FY24-25. With that, I conclude my operational statements and we can now open the floor for questions.

Q&A

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have question, please press * and 1 on your telephone keypad and wait for your turn to ask the questions. If you would like to withdraw your request, you may do so by pressing * and 1 again. The first question comes from Utkarsh Somaiya, Individual Investor. Please go ahead.

Utkarsh Somaiya

First question is on your gross margin. It has fallen quite a bit QoQ. So, can you please let us know the reason on this thing? Is it on account of any raw material price increase? And if, yes, can you please also tell us which raw material it is? My second question is on your debt. Looking at a cash flow statement, looks like you have repaid all of your debt. And you yet have INR 21.8 crores of interest cost in this quarter. So, does this mean that going forward your debt will be or your interest costs will be significantly reduced? And my third question is, your inventory has gone up. So, can you please tell us the reason for the same? Thank you.

Ramesh Mansukhani

So, Somaiya, good afternoon. I am replying your first question. Raw material prices has not gone up. The cash flow is comfortable. Interest burden will be reduced far in coming time, the reason particularly, whatever loan we have taken for the ERW plant. So, in all our business, the nature of the business, we have to take a lot of approvals in API, which is American Petroleum Institute. Their audit is completed and they approved us. So, now, the ERW, the new plant where the interest burden was

realized in current six months, which will be diluted further, and will be nullified in coming business cycles. So that was the reason, the little bit pressure on this six month over there. And what about your inventory, et cetera, our CFO, Mr. Ashok Gupta will reply this.

Ashok Gupta

See, all our export orders are under executions, all the raw material are in place, because we have to complete the export order by end of Q3. So, all the materials are in place and that's reason this inventory was officially increased. And at end of the Q3, the inventory again will come up with the regular levels.

Utkarsh Somaiya

Okay. So, I just wanted to ask on the raw material front again. So, why did the gross margin fall QoQ?

Ramesh Mansukhani

Actually, gross margin has not gone down so much, it seems low because of the way of presentation,. If you see our other income, which is the nature of the operational nature, then you will arrive at actual gross margin.

Utkarsh Somaiya

Okay.

Ramesh Mansukhani

Overall, whatever little bit pressure because of the interest and the depreciation provision was there for the new project where the result will come for the new project in coming time. That was the one reason.

Ashok Gupta

Mr. Somaiya, the basic reason for pressure on EBITDA margin is basically the time being taken for our ERW to become operational.

Moderator

Sir, the line got disconnected, one moment. Welcome back, sir. Please go ahead.

Ashok Gupta

And the other income includes INR 19 crores of foreign exchange gain, which is of business operation in nature.

Utkarsh Somaiya

Okay. So, what EBITDA margin do you guide for FY24?

Ramesh Mansukhani

EBITDA margin we are maintaining at the same level. EBITDA margin, we are maintaining the same status, because the oil and gas sector around 11% and water sector between 8% to 9%. So overall average will be approximately 10% in coming quarter as we expected.

Utkarsh Somaiya

So, in the first half of the year, you have done less than 10%, around 9%. So, to achieve 10% for the whole year, you'll have to do around 11% in the second half. So, is that something you think you'll be able to do?

Ashok Gupta

See, whatever that is being given for the remaining two quarters.

Utkarsh Somaiya

Okay. And can you please tell us what are your key raw materials? Is it iron ore and coking coal?

Ramesh Mansukhani

It is HR Coils and HR Plates.

Utkarsh Somaiya

Is there any price increase in your raw materials or do you expect them any price increase in your raw materials going forward?

Ramesh Mansukhani

The price, the steel price are on softening trend.

Nikhil Mansukhani

Softening and we are fully hedged actually.

Ramesh Mansukhani

And in fact, we already hedged all our raw materials.

Moderator

Thank you, sir. The next question comes from Vignesh Iyer, Sequent Investments. Please go ahead.

Vignesh Iyer

Hello, sir. Thank you for the opportunity and congratulations on a very good set of numbers. Sir, I wanted to do the highlight and first question on the unexecuted order book. When you say in the presentation INR 1,400 crores of unexecuted order book, this doesn't include the new order of INR 380 crores, right?

Ramesh Mansukhani

That includes that order book.

Vignesh Iyer

Okay. Because, just to get an idea of it, at the end of Q1 you had around INR 1,900 crores of unexecuted order book and we have executed around INR 1,000 crores of order book in Q2. So that leaves you with INR 900 crores of order book and we have got two orders, one of INR 400 crores and one INR 380 crores. So, technically, shouldn't be your order book more than INR 1,400 crores?

Ramesh Mansukhani

It is, the order book position whatever we have given is as on date.

Vignesh Iyer

Okay. Right. I thought it was at the end of Q2, the order book was.

Ramesh Mansukhani

As on date.

Vignesh Iyer

As on date. Right. I get that point. Sir, secondly, I'm getting it right, whatever we have executed in Q2 is related to exports, right? I mean, if I'm not wrong, our earlier order book are executed. So, doesn't in nature of the operation that is you have got more margins when it comes to export orders? So, I'm confused why our margins have fallen down, that's why.

Ashok Gupta

So, the EBITDA margin, if you see the EBITDA margin is still at 9.44% levels only, and part of it is exports and part of it is domestic. It's not 100% export because we have done almost 30% of water business this quarter as well. And the PAT levels are, yes, down. It's because of two issues which is of the ERW, the interest and the depreciation going up. That's why the PAT percentage changed, which will be obviously recovered because the ERW has just started and we've got the approvals and now that will culminate into next year. So, that's the only reason.

Vignesh Iyer

Right. Got it. And as far as INR 550 crores CapEx that you are putting. We have expected that the project should be completed by this year Q4. How is the CapEx funded? What is the mix of debt and equity for that?

Ashok Gupta

It's a 70%, 30% mix of debt and equity, out of which, obviously 30% is by the company and we've invested more or less quite a large amount of it already into the segment.

Vignesh Iyer

So accordingly, the debt would by Q4 be higher, right?

Ramesh Mansukhani

Not in this. In the new company.

Ashok Gupta

It is going into the new company. The MSSTL, which is setting up that plant.

Vignesh Iyer

I mean, that would be the subsidiary to Man Industries, right? I mean, at consolidated level, it would be higher, right?

Ramesh Mansukhani

Correct. Yes, consolidated level will be higher.

Vignesh Iyer

Right. And what is that cost of debt that we have to pay on that project, whatever we have taken?

Ramesh Mansukhani

Sorry, come again.

Vignesh Iyer

I mean, for the 70% of the INR 550 crores that we are going to take debt from the bank or anywhere, what is the cost of debt? What is the percentage?

Ramesh Mansukhani

Between 9.5%, some foreign trades are also there and during the construction period, it will go to the cost up of CapEx, it will go to cost of projects. So, that's why there will be not an additional burden on Man Industries in coming quarter also.

Vignesh Iyer

Okay. Right. I understood. Sir, just one request, if we could in future classify any income that is related to operating and other operating income in, I mean, our books of accounts and show it in part of financial statement, because other income looks like it is not letter of income related to operations. So, kind of unless the presentation is not out earlier, it is very difficult to understand if it is other operating income or other income. So, that's the request from my side.

Ramesh Mansukhani

Thank you very much. We are working on that issue. And in future, also, we will mention separately the total revenue and operation income, which is related to the business, because we are not speculative et cetera, but the foreign exchange gain at the time of the actual shipment made and at the time of hedging the rupees, that difference coming to the operation income which is related to the business income.

And our other income apart from this operation is very minimal. Some export incentive et cetera. So, no speculative, no derivatives, only purely business income in our case.

Vignesh Iyer

Yes. Understood. Does that in the first look of the statement, it makes you look like as one off in nature, that's why it was just an something I spotted. So, I wanted you guys to let you know. Fine sir. That's all from my side and all the best.

Ramesh Mansukhani

Thank you.

Moderator

Thank you, sir. Participants are kindly requested to ask two questions in the initial round and may join the queue for more questions. The next question comes from Harsh Shah, Dimensional Securities. Please go ahead.

Harsh Shah

Hi. Good afternoon, sir. When I look at your standalone and consolidated numbers. Your EBITDA in standalone is around INR 95 crores and consol is INR 88 crores. So, I just wanted to understand, which of our subsidiaries incurring that loss of around INR 7-8 crores?

Ramesh Mansukhani

Again knocking off this intra group company transactions. As whatever interest being charged on these funds provided to subsidiaries, the interest got knocked-off, so the consolidated probably is lower by.

Nikhil Mansukhani

It is purely technical entries as per the account norm, we have to pass.

Harsh Shah

Okay. So, if I look at your consol EBITDA margin, it's around 8.55% including all the forex income. So, when we guide 10-11%, we guided for consol numbers, right?

Ramesh Mansukhani

Yes.

Harsh Shah

Sorry.

Ramesh Mansukhani

Yes.

Moderator

Thank you, sir. The next question comes from Akhilesh B, Individual Investor. Please go ahead.

Akhilesh B

Hi sir. Good afternoon and congratulations on a strong performance. I just have a couple of questions. Sir, I wanted to understand, why are the margins in the water segment lower than the oil and gas segment? Is there some higher competition in that segment? Or what are the reasons for lower margins in the water segment?

Ashok Gupta

So, mainly most of the waterworks, if it is there, then obviously we do not get the margins of the coating of that particular business. And also, water does not need a lot of the further testing, which the oil and gas needs, and also the steel quality is different. So, that's why always there is a quite a stiff competition in water and that's why the margins are. Generally, the EBITDA margins are slightly lower.

Ramesh Mansukhani

So, our more business is in hydrocarbon sector, where it is little bit is better. Our revenue around 80% comes from hydrocarbon sector, depending on quarter-to-quarter. So, mostly we are a hydrocarbon sector supplier of the pipes, not only waterworks.

Akhilesh B

Sir, is it fair to say that in the remaining part of this financial year, only your current unexecuted order book will be executable, that is to say that the revenue would not be higher than, say, INR 1,600 crores,

INR 1,700 crores, over the next two quarters? Or will you also be able to execute any new orders you win within this financial year?

Ramesh Mansukhani

It is ongoing process. The bid position is always continues between INR 10,000 crores to INR 14,000 crores at a time, depending on which project is coming, what time it is coming, separate-separate, different evaluation stages. Apart from INR 1,400 crores, which is pending from this month, not from the quarter ended. And we are continuing to get the other business also, but definitely we are doing much better than compared to last year. There will be the growth 40% to 50% in closing 2024. So, the ongoing business, the regular business we get from the market.

Moderator

Thank you, sir. The next question comes from Darshil Jhaveri, Crown Capital. Please go ahead.

Darshil Jhaveri

So, congratulations on a great set of result. Sorry for my question, it might be tribble, my line was no great. So, in terms of guidance, what are we saying in terms of revenue for FY24 and FY25?

Ashok Gupta

Darshil, your voice is cracking, we cannot hear you.

Darshil Jhaveri

Hello. Is this better?

Ramesh Mansukhani

Yeah. Go on.

Darshil Jhaveri

Yes, sir. Sir, I want to ask in terms of the price, what are we saying in terms of revenue for FY24 and FY25??

Ramesh Mansukhani

We are not getting what you are talking. Your voice is cracking.

Darshil Jhaveri

I'll join back in queue.

Moderator

Sir, the next question comes from Varun Mehta, Wealthlink Investments. Please go ahead.

Varun Mehta

Sir, can you just give us some idea what revenues and what margins you can from our ERW plant and the Seamless pipe plant going ahead?

Ramesh Mansukhani

ERW, recently, we got API go ahead. And now we are going to participate the tenders, new tenders, still we have not participated because of the BIS and ISO API. And now, lot of tenders are coming, so we will be able to participate. This will be the over and above whatever we are doing this moment, LSAW and HSAW pipes. I cannot give any figure, because this is a tendered based business mostly, and some city gets distribution business. I can say, we are having good equipments, and required approvals now we got and we are ready to get the better revenue in coming time.

Varun Mehta

Okay. And so, the margins would be higher for ERW and Seamless pipe business from what we are doing from carbon pipe business?

Ramesh Mansukhani

Depend on future, but almost it is same clients, same nature of the business of the hydrocarbon. So, we are also trying to see the maintainability's, whatever we projected, and we announced, earlier also it will be same.

Varun Mehta

Okay. And sir, this quarter, the interest cost which was INR 22 crores, how much is the interest burden and the bank charges, can you bifurcate?

Ramesh Mansukhani

No, you are talking about the additional interest whatever we paid in the ERW. You are talking that?

Varun Mehta

No, I'm talking about the overall what we have reported this quarter, INR 22 crores of finance cost. So, how much is the bank charges and how much is the interest cost?

Ramesh Mansukhani

Mainly It is interest charge and else bank charges is also some sort of finance cost.

Ashok Gupta

So, mostly bank charges with everything is INR 12 crores and the interest charge is INR 8 crores.

Varun Mehta

Okay. INR 12 crores and INR 8 crores. Okay, fine sir. Thank you so much.

Moderator

Thank you, sir. The next question comes from Mukul Jain, Individual Investors. Please go ahead.

Mukul Jain

Hi sir. Just want a bifurcation of export versus domestic and oil and gas versus water for this quarter's revenue and the whole order book as well.

Ramesh Mansukhani

The export and domestic, we can say, 80% export on this quarter, 20% domestic. In domestic, you can say mostly with the water. Oil and gas, because of the ERW CPG, we got the project at this moment, and then it is likely to up in coming time.

Ashok Gupta

Certain percentage of export was also for water. So overall, if you see the export in domestic, there was certain part of water export as well.

Mukul Jain

So, roughly 75-25, if I assume?

Ramesh Mansukhani

You can say roughly. We have not exact figure.

Mukul Jain

Okay. And can you say for the current order book as well INR 1,400 crores?

Ramesh Mansukhani

INR 1,400 crores, you can bifurcate roughly 70.

Ashok Gupta

It's around 60-40, 60 is oil and gas and 40 is water.

Ramesh Mansukhani

70% oil and gas and 30% this ratio. It changes every time, every quarter little bit.

Mukul Jain

Okay. And sir, just want a rough guidance. If I assume, export margins are way better than the domestic ones. So, can you guide how the margin differs from product-to-product maybe from country which you are exporting? So, rough or brief color on that?

Ramesh Mansukhani

No, product-to-product, project-to-project and country-to-country, what is the designing, et cetera and what value-added products are coming. Sometimes we get the very good value-added, better quality coating, et cetera. So, it changes all the time.

Mukul Jain

Okay. So, for Q2, like, it is 75% of the export. So, you mean to say that majority of the product export maybe from the country, project-to-project all are low value product or low margin maybe?

Ramesh Mansukhani

Not low margin. We don't take low margin, maybe a little bit better export. That's why we always try to get the better value product and the product mix, high value-added.

Mukul Jain

Okay. Because sir, JP margin, there is substantial decrease and despite having 75% of the exporting that you do.

Ramesh Mansukhani

No. The reason which, Mr. Gupta already given here, there was other income, which is really not the other income, it was the income from the operation which is related to our own business. That's why now little bit we are going to change our presentation in the future for your more convenient to assess, to this thing. But our guidance is more clear, apart from the conversion depth, our guidance is very clear. The EBITDA, almost we are maintaining the same manner.

Mukul Jain

Okay sir. And lastly, any update on Merino Shelter, any amount received regard posting any receivable in coming month?

Ramesh Mansukhani

Yes. Merino Shelter, we have disposed off and the final documentation is on the way, and the company will get this thing and very soon you will get the news through our exchange and where you get that. The agreement, agreement is under process and you will get the news from exchange.

Mukul Jain

Okay, sir. That's great. And one last question. This order book of INR 1,400 crores, do you think it will be all executed in current year because it's like six months delivery time?

Ramesh Mansukhani

Mostly will be covered, therefore new orders also will come, so some new orders, some old overlapping, it is continuing because this depends on the client-on-client and project-on-project.

Moderator

Thank you, sir. The next question comes from Darshil Jhaveri, Crown Capital. Please go ahead.

Darshil Jhaveri

In terms of guidance that I wanted to know, sir. What kind of guidance or revenue for FY24-25 we'll pay, we can do in terms of revenue, sir? That's my first question. And the margin, so I just wanted to understand when we say EBITDA margins as our other income is mostly operational in nature. So, as

currently presented, we should add other income to our other income and then we'll get our correct EBITDA. Correct sir?

Ramesh Mansukhani

Yes.

Darshil Jhaveri

Okay. And the guidance, sir?

Ashok Gupta

Guidance will be around 15%, at least minimum growth of 15% from this year.

Ramesh Mansukhani

The actual guidance, we are working it out, because depend on our new projects which is coming the SS plant and other things over there. So, the right guidance, we will be able to give from next quarter onward. This moment, definitely there is a growth in our product, in our industry, in our capacity, capability, utilization. And there will be the positive guidance in future we will give a little idea.

Darshil Jhaveri

Okay, sir. And sir, just wanted to ask in terms of macro issues because of the war and anything. Does that impact us in any way, like, any risk that we see maybe, like, so does that hamper the order flow or something?

Ramesh Mansukhani

You are talking about the recent Israel-Hamas war you are talking?

Darshil Jhaveri

Yes sir.

Ramesh Mansukhani

Directly, we are not affected at all because there is a no business in that zone, particularly. But overall, Middle East we have the more business because of oil and gas. Apparently, there is no impact at this moment.

Moderator

Thank you, sir. The next question comes from Sampat Naik, Tiger Assets Private Limited. Please go ahead.

Sampat Naik

Hello. Sir, did we receive any kind of subsidy from government for a new plant with respect to Jammu or MP? Do we receive any yet? And are we going to receive going forward as well?

Ramesh Mansukhani

We are working with the government. They'll see that ERW plant is started and there was little subsidy in Gujrat we are likely to get over there. And the Madhya Pradesh, our old approval which will come in the near future and other we are working at this moment or the once we get the exemption certificate, we will definitely announce in future.

Sampat Naik

So, sir, what will be the size of that subsidy, any idea?

Ramesh Mansukhani

So, this time it is not a fair to give any figure, but definitely in near future. And maybe next meeting, we will announce something with regard to that.

Sampat Naik

Okay. Great. Sir, I was not able to understand the part of Merino Shelter. So, by when can we expect the inflow and what will be the size of that inflow?

Ramesh Mansukhani

The Merino Shelter, we already announced, there was a development over there. Finally, we will get some good amount of money in future, but that agreement is going on with the solicitor farms, et cetera, for development et cetera. So, we will be able once we sign, then we announce in the exchange.

Sampat Naik

So, sir, what can be the timeline which we can expect for the same?

Ramesh Mansukhani

Maybe a maximum on one month time, as we are progressing.

Moderator

The follow-up question comes from Varun Mehta, Wealthlink Investments. Please go ahead.

Varun Mehta

Sir, I just wanted to ask on this balance sheet, we have a entry of goodwill this quarter for INR 62 crores.

Ashok Gupta

So, this is basically knocking off of our investments and results in the consolidation. By knocking off of this Man Industries is having an investment of INR 102 crores, some reserves in Merino Shelters. After doing that knocking off, that INR 62 crores goodwill is created in consolidation.

Moderator

Thank you, sir. The follow-up question comes from Utkarsh Somaiya, Individual Investor. Please go ahead.

Utkarsh Somaiya

Sir, can you please tell us, what your interest cost will be for the next two quarters?

Ashok Gupta

Maybe on the similar lines.

Utkarsh Somaiya

INR 20 crores a quarter?

Ashok Gupta

But, of course, the revenue from ERW that will also start in, maybe in Q4. So, the real numbers maybe in the same line, but the overall percentage-wise the finance cost should be lower in H2.

Ramesh Mansukhani

Yes, per metric ton cost is going to reduce it. And we see the maximum utilization of the new plant also, then it will be diluted per ton.

Utkarsh Somaiya

So, we expect another INR 1,500 crores of revenue in the second half, right, which will take us to INR 3,000 crores around guided revenue. Is that right?

Ramesh Mansukhani

You can guess, you are saying almost is okay, but we are trying much better. We are trying hard to get the more orders and to get the much better situation.

Utkarsh Somaiya

Okay. And sir, in FY25 do you expect EBITDA margin to be higher than 10% given your value-added products are going to come online?

Ramesh Mansukhani

Yes, because of some value-added products, we got this new value-added products also and it will reflect in this quarter. When we meet in the next quarter, you will see and then comment, may be better.

Moderator

Thank you, sir. The next follow-up question comes from Vignesh Iyer, Sequent Investments. Please go ahead.

Vignesh Iyer

Sir, I just wanted to ask this bid book of around INR 12,000 crores that we have currently. What is our usual conversion rate? How much do we manage? What is the probability of the wins that we have here?

Ramesh Mansukhani

This is very difficult, what is a conversion and success rate. It depend on project, evolution stage, et cetera, that's why and how we are serious to get the business, et cetera. There are lot of formulas, very, very difficult to announce. But we get the business, the company history if you see, last 20 years, so we get the business whatever our need is, almost we get it. Then we get more serious.

Vignesh Iyer

Do we have a number historically, what it has been, like 20% or 22% of whatever we have ordered as in historically?

Ramesh Mansukhani

No. It is very, very ongoing process and very dynamic conditions, because today we are talking, tomorrow we get something we do not know, because most of the companies are oil and gas, which they announced in the relevant moment, and suppose tomorrow, new bid is there, and we win it. So, this is ongoing dynamic conditions, but the company is confident to get the business, whatever the needed to fulfill the company's requirement and to award to the shareholders.

Vignesh Iyer

Absolutely, sir. Also, what would be our asset turn in this ERW plant and Stainless-steel plant? Sorry, Seamless stainless steel plant, we are going to come up results in Q4. That plan separately, what would be our asset term and what will the ERW asset term, if you could give me a ballpark figure, would do also?

Ramesh Mansukhani

ERW, as we said, we got the API and other approvals recently. We will get the result very soon, very quickly. SS, it is next year and then it is under construction. So, you want to know the EBITDA et cetera. At this moment its not significant.

Vignesh Iyer

No. I'm talking about what would be the maximum revenue that we can do from this plant. I mean, in the best case.

Ashok Gupta

ERW, we can do between INR 800 crores to INR 1,000 crores, and SS is also between INR 800 crores to INR 1,000 crores.

Ramesh Mansukhani

In initial stages, then subsequently next year will be more improved.

Vignesh Iyer

Okay. This is a peak revenue we can achieve with the plant, right?

Ashok Gupta

Peak revenue would be approximately between INR 800 crores to INR 1,000 crores for both the plants.

Vignesh Iyer

Each. Okay. And what is our current capacity? I mean, excluding this, what we can do from our current capacity in peak revenue?

Ashok Gupta

See, theoretically is around 1 million for LSAW and HSAW. For ERW it's around 125,000 tons and SS is around 20,000 tons.

Vignesh Iyer

Yes. That's the capacity. I mean, what peak turnover can we do from our current set up, excluding ERW and SS?

Ashok Gupta

Excluding ERW and SS, only with the LSAW, HSAW, the peak capacity we can do is more than probably around 500,000 tons. But it all depends because a lot of time nowadays to smaller lines, which are 16, 18-inch line comes, then automatically the tonnage goes down and the order also goes on for a longer time. So, theoretically and practically, if you get a good size order of 42 inch, 20 mm you can run it for two years. We can manufacture easily by 100,000 tons a year. So, it varies from order-to-order, but basically this is what we can do.

Moderator

Thank you, sir. Dear participants if you have any questions, please press * and 1 on your telephone keypad. So, the next question comes from Dhwani Shah, I-Wealth Management. Please go ahead.

Dhwani Shah

Sir, just wanted to know on the volumes which we've executed in the Q1. If you can help us out on that?

Ashok Gupta

Okay. We will check it and get back to you on that, the exact volumes which were done for the quarter.

Dhwanil Shah

Sure. And sir just on the previous participant question also. So, when I say historically, sir, we've been kind of doing on a much lower utilization, right? So, now the demand and the whole scenario looks very good and the CapEx cycle is also supposedly pretty long. So, how do you see this in terms of our overall utilization maybe one, two years down the line?

Ramesh Mansukhani

No, that depends, we have the capacity rated. Capable capacity is a different thing. But the range is different, all the equipment. We have the four plant, every plant is producing up to such range, different kind of range. So, we cannot say, we are very underutilization or overutilization. It depends on the product mix, which range, what are these things, lot of formulas are there. But we are a reasonably booked, reasonable business is going on. Market, oil and gas sector is doing very well in the worldwide and that's why the projections are much better, more spending by the oil companies in coming future. I can say you, the more capacity utilization will be there, and some bottlenecking also we are renewing at the time. So, I can give you this answer in this manner.

Dhwanil Shah

Got your point. And, sir, one more question I had was on our CapEx on the similar side. Sir, in the presentation, it's written that, by Q3, Q4 of this year our plant will start.

Ashok Gupta

Yes, that's Q3, Q4 of 2024.

Dhwanil Shah

So, it will be next year, right?

Ashok Gupta

Yes, 2024, Q3 and Q4.

Dhwanil Shah

2024 calendar year?

Ashok Gupta

Calendar year 2024-25.

Dhwanil Shah

Not financial year. Okay. Got it.

Moderator

Thank you, sir. The next follow-up question comes from Harsh Shah, Dimensional Securities. Please go ahead.

Harsh Shah

Yes. Sir, actually when we were last speaking in August, you had a mid-quarter conference call, when we had guided 10% to 11% margin. So just wanted to get a sense that this quarter we ended at around 8.5% if you look at the consol numbers for the entire H1 FY24, we are spending it around 8.9% kind of a number. So, just wanted to understand, where did our assessment go wrong and what would lead to that margin expansion towards 10% and 10.5% going ahead?

Ashok Gupta

So, see, always generally, we target between 10% to 11%, but 9% to 11% is a fair assessment of where we end up reaching depends on the size of orders and depends on different variety of orders, also due to keep the mills busy and grades. And sometimes when we get into orders, some steel gets expensive, sometimes it is much more beneficial. So, that is a target range and this quarter also, because we have not changed the format of reporting of other income. That is why it is showing differently. Otherwise, even in this quarter, we are at around 9.44% EBITDA on a standalone basis.

Consol basis, like we told you that INR 6 crores of the interest which is set off, which will come back into the company once the Merino deal is done. So, whatever interest is charged, it will be reversed back to the company when the company is sold. So, it is an accounting entry, that is why that 8.85 in the consol level. But actually on the standalone level, we are at 9.44 levels of the EBITDA and we will look at around 9% to 11% to upgrade with the ERW coming and everything. So, that is the outlook. So, we are working towards different things to at least increase 1% EBITDA in the next year with value additions in revenue.

Harsh Shah

Okay. And currently, what is the outlook on the raw material, how are the prices we adding?

Ashok Gupta

Yes. The raw material is quite stable right now. It is not to aggressive jump or nothing, it's quite stable right now.

Harsh Shah

Okay. And in terms of competition, are you seeing competition building up or the situation remains stable?

Ashok Gupta

There is always a lot of competition in our business. So, I do not see any major changes in that and we feel, because of the competition the margins will remain same. Certain orders, certain countries where other people are not approved when we get those orders, obviously, the margins are higher. When everyone is approved and everyone bidding, obviously, you go more aggressive and obviously the margins change and how aggressive you want to take that order also. So, we see going forward at least for the next coming year we see the same kind of a business model.

Harsh Shah

Sure. And in terms of geography mix, so with exporting 80% of our revenue, which are the geographies that constitute most of our sales?

Ashok Gupta

Mostly MENA region and Southeast Asia.

Harsh Shah

Okay. And even our bidding pipelines are into those regions?

Ashok Gupta

Yes.

Harsh Shah

Okay. And just one suggestion, sir, it would be really great if you can also put out the volume number every quarter, it helps us analyze the company in a much better way.

Ashok Gupta

We will look into it.

Harsh Shah

Because our business is volume based, so that number will be really helpful.

Ashok Gupta

Not really volume based. Sometimes you do a 10,000 ton order in which you get at a \$2,000 a ton, because it's a very heavy sour grade of Qatar or somewhere in the world. So, it does not give a true picture to be honest. But it's a point well-noted and we will look into it.

Moderator

Thank you, sir. Dear participants if you have any questions, please press * and 1 on your telephone keypad. The follow-up question comes from Mukul Jain, Individual Investors. Please go ahead.

Mukul Jain

Sir, this Q2 you have started steel bends and connectors. So, any more colour on it, like, is it additional capacity or you'll be converting current products into the bends and then selling it, maybe heavy higher realization?

Ashok Gupta

And so, bends are basically the same pipes which we get the orders of bending those pipes. So, it's a value-added product like how we do coating. And that will start reflecting from the next quarter. We already got some business at a good margin. So that will start reflecting from next quarter onwards on the bottom line.

Ramesh Mansukhani

Initial order we got around INR 20 crores roughly and it will reflect in coming time.

Mukul Jain

So, this bends is of SAW pipe or it is a ERW?

Ramesh Mansukhani

SAW pipe.

Ashok Gupta

SAW pipe.

Mukul Jain

Sorry.

Ramesh Mansukhani

We can produce it through ERW also, and mostly this is SAW pipe right now.

Mukul Jain

Okay. Sir, one more question on the purchase side, like, how much of the percentage of raw material do you input versus domestic sourcing?

Ramesh Mansukhani

Again, the mix and the condition, okay, what is the condition of the local pricing, availability of the grade in the local, whether it's available or not. Whatever order we are getting, the indigenous raw material availability is number one. Number two, the price. And if you are exporting, then we have to import and then export, there are lot of parameters. So, there is not a fixed percentage, but mostly 70% import. And whatever you are exporting, mostly, you can say we are import and export. Other domestic we can buy from domestically and produce here for domestic project also.

Mukul Jain

All these are HRC, right?

Ramesh Mansukhani

HRC, HR plate both.

Mukul Jain

Okay. Sir, if you can give the proportion in Q2, like how much is imported in the purchase?

Ramesh Mansukhani

It is 60%, 70% imported, because the grade whatever we are exporting which is not made in India.

Mukul Jain

Okay. Sir, one question on this accounting front. Like, now forex gains and loss you record in other income. Now subsequently, when you change the presentation, where will this be recorded? So, will it go in other expenses or somewhere else?

Ramesh Mansukhani

No, we are taking the expert opinion, maybe operation income, et cetera. So, we have expert opinion of our CFO talking to this and better presentation. In future, you will be more clearly for this issue.

Moderator

Thank you, sir. There are no further questions. Now, I hand over the floor to management team for closing comments.

Ramesh Mansukhani

Thank you all for participating in this earning con-call. I hope we were able to answer your questions satisfactorily and the same time offer insight into our business. If you have any further questions or if you would like to know more about the company, please reach out to our Investor Relations Manager at Valorem Advisors. Thank you. Stay safe and stay healthy and wish you Happy Diwali to all the participants and all people. Thank you.

Moderator

Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

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- Note:**
1. This document has been edited to improve readability
 2. Blanks in this transcript represent inaudible or incomprehensible words.