"Man Industries (India) Limited Q4 FY26 Earnings Conference Call"

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MODERATOR: **MR. PRATEEK SINGH – IIFL CAPITAL SERVICES**

Moderator: Ladies and gentlemen, good day, and welcome to the Man Industries Q4 FY26 Earnings Conference Call, hosted by IIFL Capital Services. 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prateek Singh from IIFL Capital Services. Thank you, and over to you, sir.

Prateek Singh: Thanks, Eric. Good afternoon, and welcome, everybody. On behalf of IIFL Capital, we invite you to the Man Industries India Limited 4Q and FY26 Earnings Conference Call. From the management, we have Dr. Ramesh Chandra Mansukhani, Chairman; Mr. Nikhil Mansukhani, MD; Mr. Sandeep Kumar, CFO; Mr. Rahul Rawat, Company Secretary; and Mr. Vijay Gyanchandani, DGM, Investor Relations.

So without any further delay, I will now hand over the call to the management for their opening remarks. Over to you, gentlemen.

Nikhil Mansukhani: Thank you, and good evening, everyone, and a warm welcome to our Q4 and FY26 Earnings Call Conference. Let me begin with a moment of perspective. FY26, in my view, has been the most consequential year in Man Industries history, not simply because of the financial numbers we delivered, but because of what those numbers represent.

This was the year we achieved our highest ever standalone and consolidated EBITDA and PAT margins simultaneously. This was the year we closed our first international acquisition, a landmark that fundamentally transforms the scale and geography of our businesses.

Let me take you through each of these. Firstly, the acquisition NPC, National Pipe Company in Saudi. I want to share exactly what we have acquired. NPC has been acquired for a cash deal of $102 million. And this is including -- NPC carries $83 million cash and liquid assets on its balance sheet at the time of acquisition.

In this acquisition, we acquired a 430,000 ton running plant, which has LSAW and HSAW both, API certified, Aramco approved, fully operational and debt-free profit-making pipe manufacturing business, upgraded with approximately $40 million, $50 million in 2017 and with all German and Japanese machinery and backed by a 2-decade Aramco relationship and carrying an order book for EY26, approximately $120 million.

The acquisition was announced on 21st of May 2026, executed through our wholly owned subsidiary in Saudi for a total of $102 million. The funding structure is $70 million through debt, and the remaining $32 million is through our internal accruals. This entire debt will be sitting under the KSA subsidiary with no direct debt on the standalone balance sheet.

Our Saudi subsidiaries are independently capable of servicing the acquisition debt from the NPC's own cash flows. We acquired NPC at a 1.5x EV/EBITDA, a fraction of the Saudi listed peer multiples of 7x to 10x of the transaction in EPS accretive from day 1.

Now, a lot of you would be asking how we acquired an asset this quality at this valuation. Basically, NPC's previous owners, 52% were Nippon Steel and Sumitomo. And as we all know, Nippon Steel and Sumitomo are investing heavily in the U.S., and their core business is into steel.

And at the right time, at the right opportunity, we keep buying a lot of raw material from them. And they offered us this asset with all its reserves as well as the order book, and we took it as a great opportunity. And that's how due to our old relationship, we managed to pull this deal through.

Beyond NPC, we are also investing approximately $40 million to develop the pipe coating facilities in Middle East in Dammam and commissioning targeted by mid of 2027. The facility will have an annual coating capacity of 4 million square meters with an asset turnover of 1x and EBITDA margins of between 25% to 35%, depending on coating type, making it highly capital efficient, high-margin addition to our platform.

The USD40 million will be funded through the KSA subsidiary by a mix of debt and internal accruals. Once operational, Man-NPC will be one of the very few players in the GCC capable of offering a fully integrated pipe manufacturing and coating solutions from a single platform, a genuinely competitive differentiator for large time-sensitive Aramco and SWCC projects.

NPC's location in Dammam is also one of the Gulf's premier industrial and logistics hub, also gives Man a natural gateway to exports to the UAE, Qatar, Iraq, Kuwait, Bahrain, Oman and beyond. The GCC as a whole is also committing hundreds of billion dollars to energy, water, industrial infrastructure, and we are now positioned at its center.

The KSA growth trajectory, in the near-term, our focus is on stabilizing and ramping NPC's utilization, deepening our penetration into Saudi Arabia's water infrastructure and critical oil and gas projects. Saudi Arabia's $80 billion water infrastructure program under Vision 2030 is a massive and largely untapped opportunity with water transmission pipes, a large diameter high specification and within NPC's product capability.

The early traction here could significantly accelerate the revenue ramp-up ahead of our FY28 target. At 80% to85% utilization, KSA operations have a peak revenue potential of between INR3,500 crores to INR4,000 crores and EBITDA between 15% to 18%, a margin profile we expect to sustain for at least the next 3 years, given the favorable pricing environment, tight regional supply and premium product mix in the Saudi market with Aramco being at the helm of it.

Combined with the existing facility, 1.2 million tons capacity in India, NPC and the Dammam coating facility together transform Man Industries into a fully integrated cross-border pipeline solution platform, one of very few companies globally with this manufacturing scale and coating capability and client access spanning 2 of the world's most important energy markets. The order book and FY27 revenue guidance.

Our current stand-alone order book stands at approximately INR3,000 crores executable over the next 6 to 12 months, providing a strong and visible revenue base earning for '27. On the back of our expanded platform, India operations, NPC in Saudi Arabia and the Dammam coating facility, we are issuing a consolidated revenue guidance between INR5,000 crores to INR5,500 crores for FY27.

India would be approximately INR4,000 crores, and the remaining would be from the KSA. This represents a significant step-up from FY26 consolidated revenue at INR3,500 crores approximately and reflects our confidence in the combined platform we now operate.

I would note this guidance does not include any contribution from Merino Shelters, which is expected to be an incremental earnings driver beginning from Q2 FY27 as the commencement certificate is already received for Merino Shelters.

When I look at where Man Industries stands today, over 1.6 million tons of combined capacity across 2 countries, a landmark acquisition completed, a greenfield stainless steel plant under construction in Jammu and record profitability and INR3,000 crores order book, I feel both pride and deep sense of responsibility.

Pride because the results reflect the cumulative effort of every member of the Man family, years of consistent execution, sound strategy and uncompromising commitment to quality, responsibility because the opportunity ahead of us in India and Saudi across the GCC is the largest we've ever faced as a company.

We enter FY27 at an inflection point. The foundations are in place. The order book is strong, and the runway ahead is significant. Our best years are still to come. I want to sincerely thank all our shareholders, banking partners, customers and every member of our team for their continued trust and support.

We remain fully committed to delivering sustained compounding value for all our stakeholders. With that, I hand over to our CFO, Mr. Sandeep Kumar, for the financial walk-through. Over to you, Sandeep.

Sandeep Kumar: Thank you, Nikhil. Good evening, everyone. Let me now walk you through the key financial highlights for Q4 and FY26. Standalone performance. On a stand-alone basis, FY26 was exceptionally good across every metric. Revenue from operations grew...

Moderator: Sorry to interrupt, sir, you're sounding a bit distant from the microphone. Please come a little closer.

Sandeep Kumar: Okay. On the stand-alone basis, FY26 was exceptionally good across every metric. Revenue from operation grew approximately 11% year-on-year basis to INR3,508 crores, while EBITDA surged 49% to INR493 crores, with margin expanding 360 basis points to 14%, our highest ever stand-alone EBITDA margin. PAT grew 43% to INR196 crores with PAT margin improving 130 basis points to 5.6%. Q4 was a particular standout.

Stand-alone revenue grew 36% year-on-year and 44% subsequently to INR1,157 crores. EBITDA jumped 69% to INR171 crores, margin 14.6% plus of 300 bps Y-o-Y, with PBT and PAT growing 67% and 74% year-on-year to INR95 crores and INR70 crores, respectively. Now, I will come to the consolidated performance.

On a consolidated basis, FY26 revenue from operation stood at INR3,592.50 crores, with EBITDA growing 31% to INR468 crores over our highest ever consolidated EBITDA at record margin of 13%, up 290 basis points year-on-year basis. Full year PAT stood at INR171 crores, up 11% year-on-year.

I want to directly address the notable difference which some investors might have find between stand-alone and consolidated profitability this quarter, which I know is a key question from many of you. The gap is mainly attributed to forex mark-to-mark effect on capex supplier payable in our subsidiary, which is implementing Jammu project for the stainless steel and also interest on intergroup ICDs.

Two important points to note, this is not a permanent loss. It is a timing adjustment that will reduce and reverse as INR stabilizes. Any residual difference will be recognized in the period the LC are settled in a different noncash nature. Stand-alone unaffected, the effect is accounted solely in our Jammu project, MSSTL subsidiary.

Man Industries India's stand-alone financials are completely unaffected, and they appear high as a result. Core pipe business like-for-like business growth. One important conceptual point on the consolidated revenue comparison, Q4 FY25, that is last year, included INR369 crores of revenue from our real estate business, Merino Shelters, which was a one-time recognition which we did as the monetization of our real-time real estate asset, which has not happened in current year.

Adjusting to this, our core pipe business delivered like-to-like consolidated revenue growth of approximately 36% year-on-year in QY FY26, a number that accurately reflects the true momentum in the underlying pipeline business.

Balance sheet and cash position. We closed FY26 with cash and cash equivalent of INR657.2 crores, remaining a net cash positive of INR157.50 crores and generated free cash flow of INR132 crores, even after investing approximately INR340 crores in capital expenditure during the year.

This level of capital discipline and cash generation given us significant financial headroom to execute on our strategic priorities. Some of you must have noticed a little increase in our other expenses for the quarter as compared to year-on-year.

This was primarily driven by the little change in our business model, which is changed from FOB, CIF to DDP, where higher freight and logistic costs associated with fulfilling a significant volume of order under delivery duty paid terms.

Under DDP, the seller assumes full responsibility for delivery of the buyer's destination, including sea freight, inland transport, import duties and all related logistic charges with this cost fully built into the contract price. This is a revenue accredited contract structure. The cost increase is matched by higher realization and does not compress margin on an absolute basis.

With that, we are pleased to open the floor for questions.

Moderator: Our first question comes from the line of Shubham Purohit with SBI Securities.

Shubham Purohit: So sir, my first question was regarding the Jammu plant. So what would be the capacity utilization that we are looking for the plant in FY28?

Nikhil Mansukhani: Yes, yes. You just ask -- Shubham, just ask your questions, and we'll answer one by one, all your points.

Shubham Purohit: Okay. So the first question was regarding the capacity utilization for FY28 of the Jammu plant. Second is regarding the INR300 crores preferential issue that we had done previously. So I had a question if any amount is left to be received from that or we have received all the amount? And could you also quantify the forex loss that we had faced during the quarter?

Nikhil Mansukhani: Yes. Okay. So regarding the Jammu plant for the FY28 for the first year, once the plant starts, is between 35% to 40% of the utilization as per our plan. Regarding the preference, the preference got closed out already and in the last year itself.

And regarding the forex, like we have mentioned, the INR25 crores forex due to the equipment. And once that will be recovered, once the plant is up and running and the stainless steel plant is up and running, that would be recovered once the plant starts.

Shubham Purohit: Okay, sir. Could I just squeeze in one more question?

Nikhil Mansukhani: Yes.

Shubham Purohit: So, sir, previously, we had planned for a pipe facility in Dammam. So my question is, are we on track for that? Or have we scrapped that project given our acquisition of NPC? Or is it that we are using that infrastructure for coming up with the coating facility instead of the pipe manufacturing?

Nikhil Mansukhani: Yes, correct. So because we acquired NPC and we got the opportunity, we have continued to just put the coating facility over there and not the pipe. Already NPC has 2 pipe mills, LSAW and HSAW. So we are not putting any more pipe mills, just the coating facility.

Moderator: The next question comes from the line of Fenil Brahmbhatt with Choice Institutional Equities.

Fenil Brahmbhatt: So my first question is on the -- this revenue contribution. So what percentage of revenue contribution we can expect from the NPC to overall revenue for FY27-'28? And also, if you throw some light on the revenue from the real estate segment for next 2 to 3 years, so -- and the margins for the same segments?

Nikhil Mansukhani: So Fenil, for FY27, for NPC, we are looking between INR1,500 crores to INR2,000 crores of top line with EBITDA margin approximately 15-plus percent. And for Merino, for FY27, FY28, FY29, we are looking at approximately INR70 crores to INR80 crores of profit coming from Merino for the next 3 years. In total, basically, Merino will generate us approximately INR800 crores to INR900 crores of top line in the next 7 years.

Fenil Brahmbhatt: Okay. Okay. Got it. And any guidance on the capex for next 2 to 3 years or next FY27-'28?

Nikhil Mansukhani: So Jammu is almost completed, which will be complete FY27, and the thing which is approximately $40 million, which will be also completed by FY27 by March. So which -- that capex of the coating plant will be done by the Saudi company.

Fenil Brahmbhatt: Okay. Okay. And one more question on this debt raising for this acquisition. So at what percentage of -- right-off percentage we are getting this new debt or new, this, borrowings?

Nikhil Mansukhani: Approximately 6.5% to 7% -- 6.5% in USD.

Fenil Brahmbhatt: Okay. In USD, okay, okay. And can we expect some more additional order book from the Gulf market considering the ongoing this West Asia conflict and the damage happened over there. So company is expecting any significant order book in the coming quarter or year from specific...

Nikhil Mansukhani: We have quite a big bid book, and we are awaiting some of the orders to be awarded. So hopefully, in the near future, once we get it, we will be announcing it very soon.

Fenil Brahmbhatt: So this INR5,000 crores to INR5,500 crores top line, that includes this expected order book, right, for FY27?

Nikhil Mansukhani: Yes, yes.

Moderator: The next question comes from the line of Anant Sarda with Chhatisgarh Investment.

Anant Sarda: May I know the reason for the increase in other expenses like from year-on-year from INR350 crores to about INR800 crores. And also, what is the nature of business in Taiwan and in your Dubai branch, right? And also, the increase in noncurrent receivables as well from INR95 crores to INR238 crores year-on-year, please?

Sandeep Kumar: As I explained earlier, the other expenses have gone up mainly because of the change in our business model from FOB to DDP. So we are executing all the big orders in Taiwan as well as in Central Asia on DDP model. So all the freight cost, transportation, duty, clearing, logistics, all these costs are getting built to us, and we are charging it to customers by keeping some margins.

So that is the reason of increase in the other expenses. I think I covered this in my speech also. Your second question was the increase in other noncurrent debtors. That is because of some old debtors are getting realized in this quarter. We have some amount, which will be getting realized in this quarter, and this thing will normalize within the next 3 to 4 months.

Anant Sarda: Yes, sir. But a follow-up on the first question, sir, like your revenue has not increased, so like as a percentage of revenue, sir?

Sandeep Kumar: Revenue standalone, if you see, almost 37% revenue has gone up in the stand-alone basis.

Anant Sarda: So I'm talking about...

Nikhil Mansukhani: See, steel prices in the start of the year were at the lowest. And compared to the previous year of FY26, the steel prices were, in fact, 25% down. And we clocked the stand-alone last year at INR3,100 versus INR3,600 stand-alone this year. So in fact, after the steel prices going down, we are still up by 20% and the steel difference. So comparatively, we've actually outdone.

Moderator: The next question comes from the line of Viraj Mahadevia with MoneyGrow.

Viraj Mahadevia: Congratulations to Nikhil, Mr. Garg on the results, and more importantly, on the astute dealmaking on NPC. I had 2 specific questions on the NPC acquisition. One is, Nikhil, can you give us a sense as to how we managed to buy this at such a terrific valuation? 1.5x EBITDA in isolation is extremely cheap.

Given the peers, it's even cheaper. So were the sellers -- was it a bit of a distressed sale? What happened? Was there an auction? Or were you the only bidder and it was an overnight fire sale that played out?

My second question is, again, regarding financing of the deal. You mentioned roughly $30 million -- $32 million of equity and $70 million of debt. Can you articulate that further to let us know what is the amount of debt that we are taking on, on the Man India's balance sheet? And what is the nonrecourse debt? Presumably, this is an LBO at the Saudi level? And what is it at that level?

Nikhil Mansukhani: Thank you, Viraj. Thank you for the compliments. Yes, it is a very good valuation that we picked it up from. It was a lot and a lot of hard work behind the scenes. Only good part is that we have been dealing with Japan for many, many years now, and we do share a very good relationship with Nippon and Sumitomo, and we buy a lot of steel for them.

This was an opportunity they wanted to exit. They are looking at their core business, which is in the steel industry, and we got this opportunity. We were not alone. There were a lot of ups and downs, but we managed to patiently wait on it, and it took a lot of patience and time. And the good part about the transaction was that when we did the transaction, like a lockbox system, all the profit and the business which came from signing the transaction until completion will be remaining in the company.

So because of that, we managed to pull off with $102 million with $83 million almost cash and cash equivalent in the company and no debt in the company and with all the permissions. So it fits in right in what we wanted to do by putting a new plant. It fit in much better. And yes, so that's what we got a good deal for the company.

And regarding the financing, the $70 million is debt, $32 million was self-funded. Nothing on the India balance sheet. It's purely on the asset which we have bought, which is NPC. And the only thing which is India has given a corporate guarantee, that's it, nothing else.

Moderator: The next question comes from the line of Divyansh Thakur with Finterest Capital.

Divyansh Thakur: Yes, yes. Sir, first of all, congratulations on a great set of numbers and the acquisition that you have done with NPC. Sir, I'm still not able to get my head around that. We had got this company so cheap.

We had our relationship with Nippon and Sumitomo that they wanted to exit, but it is quite deep, and with looking at the cash and cash equivalents on the balance sheet, like if you can explain something more if there were some bidders, why didn't they ask for some more money or why the valuations are not high, is there some specific reason that, that is there like they wanted to exit? And what is the specific reason that they wanted to focus on the core business, but like they wanted to exit with such a good asset?

Nikhil Mansukhani: So Divyansh, thank you, firstly, for the compliments. I know it's difficult to digest, but there's a lot of hard work that went behind the work, and it was quite a sensitive transaction for the longest time until the last minute we completed.

The Japanese, I don't know if you're aware, are very comparatively straightforward because they were looking to get out because they wanted to go on in their core business. So that was their main agenda. Also, one more important thing was their style of running the company was quite different because of multiple partners.

They were always looking at buying Japanese raw material, and that's why they were losing out also quite a lot of business. They could not ever fulfill the capacity versus the peers who were running absolutely full over the last 3, 4 years, if you pick up the balance sheets of the listed companies there, all of them have been doing extremely well, and they've been running at 80%, 85% efficiency.

But Japanese were not buying Chinese steel with their internal conflicts. And we got an opportunity, which we grabbed both the hands, and we came out successful. So that's the best I can tell you what happened.

And the good part is that our strategy is to obviously get more business to fill up and to get all the orders, which are available in the market and go aggressive and to take our share in the market. That's what we are here to do.

Divyansh Thakur: Sir, just the last question from my end that, sir, have we taken this NPC acquisition into our estimates when we have given our guidance for fiscal year '27? Or is it not included?

Nikhil Mansukhani: Yes, it is there. INR5,000 crores -- INR5,500 crores of the top line estimation includes the NPC as well.

Moderator: The next question comes from the line of Harsh Vasa with SBI CAP Securities.

Harsh Vasa: Congratulations on the fantastic numbers. Sir, I just had 2 questions. So the first question was, sir, what would be the sales volume or capacity utilization for FY26 of NPC? And what will be our overall blended tax rate for FY27 and FY28?

Nikhil Mansukhani: So Harsh, FY -- they have EY. So EY26, they would reach around between INR1,500 crores to INR2,000 crores of top line for NPC. And the blended rate would be approximately between 20% to 22%, I guess. For the '28 and '29, it would be approximately 21% to 22%.

Moderator: The next question comes from the line of Darshil Jhaveri with Crown Capital.

Darshil Jhaveri: Firstly, congratulations on the acquisition and a great set of results in Q4, sir. Sir, I just wanted to know in terms of our, the previous capex that we are doing in Saudi plant, I thought that we already have spent some money.

So out there, the capex, I think, is going to commercialize by Q1 FY27, if I'm not wrong. So what is the status of that? So that is now getting converted into the coated plant? Or could you just help elaborate on that a bit, sir?

Nikhil Mansukhani: Yes, Mr. Jhaveri, basically, the land, all the approvals, the construction permits and ordering of all the coating equipment has already been done. The infrastructure is being built in place. Originally, yes, we did buy the extra land, but we will have that extra space over there because the lease is very, very low amount. And we would be completing by Q4 FY26-'27. We will be completing and start operating the coating plant.

Darshil Jhaveri: Okay. Okay. Fair enough, sir. And sir, just wanted to understand, right now, we are in a net cash position, and we're going to take, I think, funding for the NPC acquisition, but that also has cash. So are we going to use that cash? Or will we have like an additional finance cost of around INR55 crores because of this NPC acquisition on a consol level? So what would you feel about the consolidated interest cost going forward?

Nikhil Mansukhani: We are using the cash for the coating upgrades and the plant upgrades, which NPC needs, certain plant upgrades, and this we would be using that cash for that. And certain cash also would be used for the repayment to lower the debt.

Darshil Jhaveri: Okay. Fair enough, sir. And sir, overall, sir, in FY28, we would have NPC for the full year as well as Jammu and the coating plant. So what kind of growth can we see in FY28? We've given FY30 vision, but looking at the way we are going, we might be able to achieve that sooner, right, sir? So how would you look at FY28, sir?

Nikhil Mansukhani: So FY28 would be around 25% to 30% growth from FY27.

Moderator: The next question comes from the line of Sandeep with MoneyGrow.

Sandeep: I have one question regarding order book. So the order book has declined to INR3,000 crores and has been trending downward over the last 2 quarters. Why is this happening? Are we seeing any improvements in new order inflow? And what level do you expect the order book could reach by the end of Q1 FY26? Thank you.

Nikhil Mansukhani: So yes, the order book -- opening order book is -- all the executions are going on. So it's at currently INR3,000 crores. And hopefully -- and we have around a very large bid book currently, which has increased to almost INR15,000 crores, INR16,000 crores as we speak, so -- and plus NPC.

So the order book is, in fact, now much, much larger, the bid book. And we are expecting certain orders, which we've been working on since quite a few months. And including in NPC also, we are looking forward for that. So definitely, in the next quarter and the next coming few months, there will be more orders in the pipeline.

Sandeep: Thank you. Could you just throw some number like any kind of range, like?

Nikhil Mansukhani: I can't throw the numbers, Sandeep, but I can give you like the range, which I said that we would be definitely achieving the top line between INR5,000 crores to INR5,500 crores for FY27.

Moderator: The next question comes from the line of Stuti Agarwal with Chhatisgarh Investments.

Stuti Agarwal: I just have one question. What is the volume of business that...

Moderator: I'm sorry to interrupt, Stuti, you're not audible. Could you please change your location a little bit for better coverage?

Stuti Agarwal: Is this better now?

Moderator: No, it's not.

Stuti Agarwal: Okay. Is it better now?

Moderator: Yes, please go ahead.

Stuti Agarwal: I just wanted to know what is the percentage volume of business that got shifted to the DDP model?

Nikhil Mansukhani: For this year, it's almost more than 70%.

Moderator: The next question comes from the line of Viraj Mahadevia with MoneyGrow.

Viraj Mahadevia: Nikhil, just wanted to confirm this NPC transaction is completely closed now. Are there any pending approvals? Are any conditions precedent or subsequent to the deal? Also, the financing you've taken at the local level, I'm assuming is a U.S. dollar financing, and hence, it's cheaper?

Nikhil Mansukhani: Yes. Viraj, it's completed. We are the official owners, 100% transfer, everything is completed fully. Nothing is pending. And yes, it's a U.S. dollar loan, taken locally from there.

Viraj Mahadevia: Brilliant. My second question goes back again to the bidding competition. I mean, given that there were other bidders, I'm surprised you still won out at this kind of a bid. And so that for me is still a little unclear. And secondly, can you guide towards the consolidated interest cost for FY27 on the consolidated P&L?

Sandeep Kumar: Hi, Viraj.

Viraj Mahadevia: Yes, hi.

Sandeep Kumar: So since we have taken a $70 million loan for the NPC acquisition and plus, we'll be completing Jammu project in the coming quarter. So after completion of everything, I'm not talking about FY27, but FY28, our consolidated cost will be something around INR160 crores to INR170 crores.

Viraj Mahadevia: Understood. So marginally higher than this year, sir, after everything being completed?

Sandeep Kumar: But revenue will be also contributing to reaching around almost...

Viraj Mahadevia: No, no, absolutely. Absolutely. Yes. So revenue will be much higher and finance costs will be 10% higher than FY27?

Nikhil Mansukhani: I think the acquisition, Viraj, I can tell you, it's -- everyone does feel that we bought it at a good rate, but we lost a lot of time, and that's equivalent to a lot of business. So for me, this -- though we've acquired it at a very good opportunity and rate, I think now looking forward, we need to push and get the business and the numbers going.

So I think we were, in fact, delayed, but it happened, and we got the right opportunity and we took it. And that's what, so I'm happy to take the win and now move on to get more business.

Moderator: The next question comes from the line of Yash Mehta with AART Ventures.

Yash Mehta: Sir, I just needed one clarification, sir. Sir, the Saudi project of 3 lakh MTP of LSAW capacity, which was going to be commercialized in Q1 FY27. Is that still on? Or is it going -- or is it scrapped because of the NPC acquisition?

Nikhil Mansukhani: No, it's not -- it's scrapped because of the NPC acquisition. NPC itself has almost 4,30,000 to 4,50,000 ton capacity. So then we did not need to go and put a greenfield.

Moderator: The next question comes from the line of Ajit Sethi with Eiko Quantum Solutions.

Ajit Sethi: Sir, what is the amount of capex we have spent in FY26? And what we'll be going to spend in FY27 and '28?

Sandeep Kumar: In year '26, we have spent around INR340 crores on the capex. And in the coming year, FY27, we'll be completing coating, which is $40 million, that will be the capex, and Jammu project. So roughly INR200 crores plus INR380 crores, around INR580 crores...

Nikhil Mansukhani: At a consolidated level.

Sandeep Kumar: Consolidated level, total capex for this year.

Ajit Sethi: And sir, in the opening remarks, we said that the NPC operation can generate INR3,000 crores to INR3,500 crores at 85% utilization. So when we can expect this utilization to achieve, in which year?

Nikhil Mansukhani: At FY28, FY29, both the years, we should be able to.

Moderator: The next question comes from the line of Abhishek Jain with Kriis Portfolio.

Abhishek Jain: Congrats for a strong set of numbers, sir. And...

Moderator: Sorry to interrupt, Abhishek, you're not quite audible.

Abhishek Jain: Hello. Are you able to hear me?

Moderator: Yes. Please be a little louder.

Abhishek Jain: Okay. So first of all, congratulations for the strong set of numbers and acquisition of the NPC. Sir, my first question on the stand-alone front. So just wanted to understand that what kind of the growth we are looking on the stand-alone front? And what are the key figures of the business? I mean to say that if you can throw some more light on the business like on the order book and the demand scenario on the India and the Middle East?

Nikhil Mansukhani: Yes. Mr. Abhishek, the order book currently stands at INR3,000 crores stand-alone level. And looking forward, we are looking at -- with the consol level with India and Saudi, we are looking at a 30%, 35% growth constantly for the next 3 to 4 years in the company.

Abhishek Jain: So that means that 30% to 35% growth that will continue for the next 3 to 4 years, right?

Nikhil Mansukhani: Correct.

Abhishek Jain: So just wanted to understand how is the demand scenario in India and Middle East at this point of time? And what are the growth opportunities there?

Nikhil Mansukhani: So currently, like you know, energy sector is quite troubled because of the war and every country wants to now secure energy for themselves for any such events to come up in the future. So we are seeing a lot of rebuilding and new infrastructure, including in India, which should be coming up in the next, you'll see, 6 months. This ramp-up will come.

And even in the Middle East and all the regions, including MENA, Africa and Far East, all the countries are now -- want to be energy -- supply and energy sufficient by themselves. And so we are seeing a lot of traction worldwide in the -- currently in the oil, gas and the water sector.

And we feel that this post the war in the next 6 to 8 months, there is a lot of tractions around the world. And we feel -- including South America, and there are a lot of new businesses coming up, which is also a growing region for us. So I think we are in the right segment at the right time for the next 3 to 4 years to gain the boon of it.

Abhishek Jain: Got it, sir. And sir, on the margin front, what would be the levers for the margin expansion? One thing that would be better mix and better geography -- better product mix and geography mix? And just wanted to understand how much benefit we can get in terms of the synergy in terms of the operating leverage because of this acquisition?

Nikhil Mansukhani: Yes. So the advantage of the acquisition definitely adds up to the immediate business which gets added from day 1 into the company. Number two is Saudi itself is a higher-margin country, currently between 15% to 20% EBITDA margins are ongoing due to the demand-supply shortfall.

So with the acquisition and with the current, we are looking at a constant 13% to 15% EBITDA going forward in the company. And also by adding value-added products like coating in Saudi and stainless steel in India, this we're -- we will further push it up. That's the idea. That's the goal.

Moderator: The next question comes from the line of Shubham with VIcaast.

Shubham: Just one quick question. Q4 FY26 on stand-alone level, you have shown INR170-odd crores EBITDA, but on a consolidated level, the EBITDA goes down to INR144 crores, INR145 crores, but there's no addition to top line. What are these additional costs, which have kind of taken down the EBITDA by INR24 crores, INR25 crores? And why have the margins been lower than the last quarter in this quarter?

Sandeep Kumar: I think your question -- you're asking a question about the EBITDA in stand-alone and EBITDA in the consolidated number, right?

Shubham: That's correct. That's the first part of the question.

Sandeep Kumar: This is main part of 2, 3 things, which I explained in my opening speech. The interest capitalization on the intergroup ICD, and also, the forex loss, which happened on account of capex LC, which we opened, forex MTM, that loss.

Shubham: But why was this not hedged?

Sandeep Kumar: Actually, if you look at the scenario of dollar in last 2, 3 months, nobody predicted war and everybody was having a different view that the rupee will become stronger. And all of a sudden, this has depreciated. This is the worst performing currency in total area against dollar.

Nikhil Mansukhani: Also, one more thing, which is important that this is related to capex. And capex, a lot of the items were long lead items, which were 18 to 24 months. So even if I hedged it at 24 months ago, we did not expect when we bought these long-term equipments from -- for stainless steel. So that is the reason why this impact has come.

Shubham: So you didn't hedge because this was a 24-month kind of a period for which you opened...

Nikhil Mansukhani: Hedging of 24 months itself would have come to almost INR90 at that time.

Sandeep Kumar: Subsidiary. It was a subsidiary also.

Nikhil Mansukhani: And also, it was in a subsidiary where hedging is not allowed.

Shubham: So just as a practice, I would suggest that when you are showing consolidated EBITDA, I think the right way to do it is show a business EBITDA, and then, these are all non-business losses. Otherwise, people understand that the EBITDA margins have fallen while they have actually grown. For a business perspective, these are like extraordinary losses from a business perspective.

Nikhil Mansukhani: We will put extraordinary note on it.

Moderator: The next question comes from the line of Harsh Vasa with SBI CAP Securities.

Harsh Vasa: I just wanted to know the depreciation of NPC for CY25. So what was the depreciation for CY25 of NPC?

Nikhil Mansukhani: Yes, it's approximately $8 million.

Harsh Vasa: $8 million?

Nikhil Mansukhani: Around INR70 – 75 crores.

Harsh Vasa: Okay. And sir, could you also tell me the sales volume for CY25, if that is possible?

Nikhil Mansukhani: Yes, you please send an e-mail across to Sandeep Garg, and he'll do the needful, the CFO.

Moderator: The next question comes from the line of Darshil Jhaveri with Crown Capital.

Darshil Jhaveri: Sir, just wanted to ask a bit about the margins. We are guiding for around 13% to 15%. But this year, we've been able to do around 13%, and the NPC business, I think, is around 20%, right? So our margins can be on the higher side, right? Like are we guiding a bit conservatively? Or do you see any war impact, which can maybe impact the margins, right? So -- and what do you feel about that, sir?

Nikhil Mansukhani: So, Darshil, basically, it's a little bit on the conservative side. We have to be slightly conservative looking at the world scenario. Sometimes there is a war, sometimes there is a COVID, unexpected things happen.

So we'd rather guide at a conservative level, which is 13% to 15%, which is a good level for us to achieve consistently. And if we are achieving more than that, I think it would be better. So our target is obviously higher, but on the conservative level, I think between 13% to 15% is very much achievable constantly for the company.

Darshil Jhaveri Okay. Fair enough, sir. And sir, just wanted to understand like due to this war, any shipments have been delayed. So how do we see Q1, Q2? Usually, our H2 is better, but with the Saudi plant also coming up right now -- sorry, Saudi acquisition, so how do we see in the mix like going forward, like it being there, sir?

Nikhil Mansukhani: Yes. So yes, a couple of shipments have been not going to Abu Dhabi is one of the projects. And luckily, we have a split of mixed bag of projects, only 20% to 25% is going towards Hormuz. So yes, that is a slight impact. And hopefully -- we hope the Hormuz opens up soon, so things return to normalcy.

Moderator: The next question comes from the line of Sahil Chopra with KIFS Trade Capital.

Sahil Chopra: Am I audible?

Moderator: Yes, sir.

Sahil Chopra: Congrats and thank you for this opportunity. So I just -- I'm curious to know since how long this discussion regarding acquisition of NPC was going on?

Nikhil Mansukhani: It was on and off for quite some time, but 9 months would be a little bit more -- we were closer to each other, but it's been on and off since quite some long time. I can't give the exact time line.

Sahil Chopra: Okay. Okay. And regarding this ICDs, what is the total quantum of ICDs? And what kind of rate of interest these ICDs are bearing?

Sandeep Kumar: These are the intergroup ICDs. As you know that for the Jammu project, we have given -- promoters given their contribution in the form of equity and the ICD. So this is the net interest we are talking about, and that rounds at about 7%?

Management: 8%.

Sandeep Kumar: 8% is the intergroup interest rate charge between the company.

Sahil Chopra: Okay. And what is the amount?

Sandeep Kumar: It will be -- total, we have spent around INR200 crores on the capex. INR262 crores on MSSTL Jammu project that is funded by the Man Industries, that's it, which compromised equity as well as...

Sahil Chopra: Understood. And -- yes, yes. So as per press release of acquisition regarding this NPC, in that EBITDA margins of the entity was around 20%, 25%. So why those margins were higher?

Nikhil Mansukhani: The business which they did last year was with Aramco, and they had large order book, and they were executing it at that time. So it was slightly higher. And they didn't do any business in the water segment, which is slightly lower, but then obviously, you can build your capacity. So they were only doing business with Aramco.

Sahil Chopra: And so going ahead, what kind of sustainable margin? This 15% to 18% range is sustainable range, right?

Nikhil Mansukhani: Yes. Correct.

Moderator: The next question comes from the line of Vedant with MAS Investment.

Vedant: Sir, I wanted to check regarding this Hormuz situation. So I believe this quarter may have some impact. So we can cover the -- any shortfall that you had targeted for this quarter in rest of the 3 quarters?

Nikhil Mansukhani: Yes, we were able to cover, Vedant.

Vedant: So this quarter, means you are on track for your internal target, sir?

Nikhil Mansukhani: Yes, we are on track on our target.

Moderator: The next question comes from the line of Ajit Sethi with Eiko Quantum Solutions.

Ajit Sethi: Sir, as per our new HSAW and LSAW capacity will be coming in the next 2 years, so do we expect any overcapacity kind of situation in the coming years?

Nikhil Mansukhani: Not really. You mean in Saudi, right?

Ajit Sethi: Sir, if possible, can you please share the demand-supply dynamics internationally as well as domestically, if possible?

Nikhil Mansukhani: It's a part of our presentation, but we can share it to you also.

Moderator: The next question comes from the line of Viraj Mahadevia with MoneyGrow.

Viraj Mahadevia: Mr. Garg, regarding the acquisition, what were the costs regarding the acquisition, diligence, bankers, etcetera? And what is that total cost likely to be? And will it be booked in Q1?

Nikhil Mansukhani: It will be around 2% to 3%, Viraj.

Viraj Mahadevia: 2% to 3% margin or 2% to 3% deal value. Okay. So about INR3 crores -- INR2 crores to INR3 crores.

Nikhil Mansukhani: $2 million to $3 million.

Viraj Mahadevia: Million dollars. Okay. Yes. Okay. Great. And that will be booked in Q1?

Sandeep Kumar: That will be -- this will be part of the capitalization on acquisition cost, this will go with the acquisition cost.

Nikhil Mansukhani: Yes. It's all in the books of NPC, nothing from India.

Moderator: The next question comes from the line of Shubham with VIcaast.

Shubham: Just wanted to understand from a Q1 perspective, how the Saudi business is looking per say? Is it at the same run rate as it was last year? And India, how is it looking? You told about that 2 ships are kind of blocked in the passage and 20% of the business is coming from Hormuz. So you are witnessing a year-on-year decline? Or how do you see the business shaping up in Q1 for both the businesses in India and Saudi?

Nikhil Mansukhani: Yes. Thanks, Shubham. So basically, no, we are not seeing a decline. Yes, a couple of ships have been waiting to go because of the Hormuz. We have managed to send one across to Fujairah with the clients accepting the pipes in Fujairah instead of Abu Dhabi, so which is good for us. And we do not expect -- in fact, Q1 is quite strong, and it's a good growth from the last lot of Q1 quarters.

So as well as Saudi. Saudi, we've just taken over. And currently, we are expecting it to do similar levels to last year or slightly below, but it wouldn't be the right time. We've just taken over. So I can't give a very accurate. Probably in the next quarter would be much clearer observation of where we would land in Saudi, but...

Shubham: And Aramco, Aramco book is still there or...

Nikhil Mansukhani: Aramco book is still there. Yes, yes, Aramco -- back-to-back arrangement with Aramco is already there as well as order book of Aramco is going on. The new order book.

Shubham: That will be taking up the entire quarter, the Aramco order book?

Nikhil Mansukhani: Yes, it should.

Shubham: And what is happening to the management at the Saudi level? You are taking it over, so the company management, etcetera, you're changing it or you're continuing with the same management?

Nikhil Mansukhani: The key management people are changed. Some are retained. Most of the key managerial people are changed, especially the heads and the SOPs of handling and reporting systems. And the remaining team, which is down the line of production and all of the engineering and everything is continuing as it is, no changes.

Moderator: The next question comes from the line of Sahil with KIFS Trade Capital.

Sahil: So what is the replacement cost of that plant?

Nikhil Mansukhani: INR1,500 crores plus.

Sahil: INR1,500 crores plus.

Nikhil Mansukhani: Plus 24 months because API itself will take between 6 months to 1 year. And the new equipments would take at least 12 months for deliveries, and then, installation, so 2 years, and Aramco approvals, everything. So more than 24 months to 30 months plus INR1,500 crores of capex.

Sandeep Kumar: Plus land is also there.

Sahil: And do we have to incur any kind of upgradation cost for this plant in the next 2 to 3 years?

Nikhil Mansukhani: Yes, yes. We are starting to slightly upgrade. We have a 3-year plan of around $5 million. There's not much requirement, but small, small upgrades, we are starting to do right now. So...

Sahil: $5 million every year?

Nikhil Mansukhani: These are offline upgrades, doesn't stop the mill.

Sahil: Understood. So $5 million every year?

Nikhil Mansukhani: No, no, $5 million for the next 3 years.

Sahil: For the next 3 years. Okay. And regarding our real estate venture, this Merino Shelters, so we are saying INR70 crores to INR100 crores will be our part -- our share. So this full thing will flow to the bottom line or we have to incur some kind of operating expenses, something like that?

Nikhil Mansukhani: No, we don't have -- no expenses on us. Everything is to the bottom line.

Moderator: The next question comes from the line of Vedant with MAS Investment.

Vedant: How much is the contracted capacity? And how much is kind of merchant activity? Because we are hearing that in Saudi because of requirement -- pipe requirement, the entities are buying at quite higher price versus what it used to be a few months back. So how we are going to capitalize and if we have that bandwidth to capitalize on that opportunity in near-term?

Nikhil Mansukhani: Yes. So we are already -- we have around 4,30,000 ton capacity, and we have the capacity available for the new orders and upcoming orders. So we should be able to capitalize on all the upcoming orders hopefully post the Hormuz or during.

Sandeep Kumar: And we have potential...

Vedant: So, sir, what I mean is for next 6 to 12 months, can there be some extraordinary margins because of that situation and which will normalize later?

Nikhil Mansukhani: We hope so, Vedant. We hope so.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. On behalf of IIFL Capital Services, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.