"Venus Pipes and Tubes Limited 4QFY24 Earnings Conference Call"

May 09, 2024

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MANAGEMENT: **MR. ARUN KOTHARI – MANAGING DIRECTOR, VENUS PIPES AND TUBES LIMITED**
MR. DHRUV PATEL – WHOLE-TIME DIRECTOR, VENUS PIPES AND TUBES LIMITED
MR. KUNAL BUBNA – CHIEF FINANCIAL OFFICER, VENUS PIPES AND TUBES LIMITED

MODERATOR: **MR. DHRUV JAIN – AMBIT CAPITAL**

Moderator: Ladies and gentlemen, we welcome you all to the Q4 and FY24 Earnings Conference Call of Venus Pipes and Tubes Limited hosted by Ambit Capital.

This Conference Call may contain forward-looking statements about the Company which are based on the belief, opinion and expectations of the Company as on the date of this call. These statements do not guarantee the future performance of the Company and may involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Dhruv Jain from Ambit Capital. Thank you and over to you, sir.

Dhruv Jain: Thank you. Good evening, everyone. On behalf of Ambit Capital, I welcome you all to the 4th Quarter and the FY24 Earnings Conference Call of Venus Pipes and Tubes Limited. Today, we are pleased to have with us the management represented by Mr. Arun Kothari - Managing Director, Mr. Dhruv Patel – Whole-Time Director and Mr. Kunal Bubna – CFO of the Company.

We will have the "Opening Remarks" from the Management followed by r Q&A session. Thank you and over to you, Arun sir.

Arun Kothari: Good evening and a warm welcome to everyone on the 4Q and FY24 Earning Call for Venus Pipes and Tubes Limited.

I have been joined by Mr. Dhruv Patel – our Whole-Time Director; Mr. Kunal Bubna - CFO and SGA - our Investor Relations advisor. We have uploaded our Q4 and FY24 Investor Presentation on Stock Exchanges and Company's Website and I hope you had an opportunity to go through the same. We are delighted to announce our complete performance for year quarter and year ended FY24.

We continue to report robust growth across all parameters with revenue growing by over 45% year-on-year standing at Rs. 802 Cr for FY24. EBITDA margin stood at 18.2% for FY24 compared to 12.5% for FY23. This was on the back of our backward integration of seamless pipes, internal operating efficiencies and operating leverage playing out with increased capacity utilization. PAT for the year witnessed a growth of 94.3% year-on-year. The robust performance is on account of multiple initiatives. Firstly, our revenue contribution from high-margin seamless pipe stands to 57% in FY24 as compared to 45% in FY23. This boost is attributed to backward integration of mother hollow pipes giving us a competitive advantage over our peers.

Secondly, our export contribution increased from the Rs. 29.8 crores in FY23 to Rs. 98.7 crores in FY24 on the back of deeper penetration across European market as well as marking presence across newer market such as the US and Middle East. I am happy to share that we have received our first order from the US market during the quarter. This is a testament of our high quality and emerging brand name for Venus across territories. Throwing some light on operation for the year gone by, we increased our capacity by 3.2x in the last financial year and simultaneously we have also been able to ramp up the utilization given the strong demand uptake in the country and need for higher quality products resulting in increase in market share for the Company.

Secondly, on the export front, we have been able to clock a revenue of approx Rs. 100 crores in FY24 on account of our backward integration, high product quality and penetration deeper into export geography. We not only expanded our capacities, but also enhance the quality of our products by investing in advanced testing technology like ultrasonic testing and digital radiography system. This resulted in an increased acceptance for our products across European markets and easy penetration.

In the US and Middle East market, we continue to participate in fairs and exhibitions across the world and are confident of further increasing our export shares. Additionally, we diversified our presence across multiple sectors such as oil and gas, paper industry, food processing, railways and paint industry. With our ability to manufacture high grade pipes and tube, we were able to get approvals and order from leading oil and gas players in the world. I am also proud to announce that we recently received an order from a semiconductor manufacturing Company in India and we are confident of uptick in order from this sector given its a boom backed by government focus to make India a semiconductor hub in the world.

Lastly, following on our goal to become a comprehensive pipes and tube solution provider in the world, we announced the CAPEX of Rs. 175 crores over two phases. Phase one, including setting up for capacity to manufacture value fitting solutions and , titanium welded tubes, which is to be completed by March 2025. Phase two includes the capacity expansion for setting up a fitting solution and welded or seamless pipe or tubes by December 2025.

An important aspect of the product line expansion is the inclusion of titanium grade, welded tubes alongside stainless steel variant. This strategic move enabled us to cater the industries where hygiene and purity such as food processing and pharmaceuticals are of utmost importance. Additionally, our offering extends to sector like nuclear and power where the robustness and corrosion resistance of the Titanium grade tubes are essential.

Now, I would like to give a few important updates for the quarter. We have operationalized the remaining 200 metric tons of the announced 400 metric tons of seamless pipes capacity., With this our current capacity for seamless pipes and tube stand at 14,400 metric tons per annum. We are confident of ramping our capacity faster given our strong execution capability.

Additionally, an important development which I would like to highlight is we have increased the capacity of the manufacturing of the mother hollow pipe from previously 9600 metric tons per annum to approximately 14,400 metric tons per annum. We were able to do this with a few modifications in the piercing line with some additional cost which gave us the higher efficiency and lower turnaround times. With this, we now have 100% backward integration for seamless pipes in terms of capacity. Our export for Q4 FY24 as percentage of revenues stood at 12% compared to 17% in Q3 FY24. I would like to highlight that export would slightly influenced due to the disruption caused by the Red Sea crisis.

Lastly, we have also operationalized the 1 MW solar power plant marking our stride of our commitment to sustainability and environment consciousness. Before concluding my remarks, I extend my heartful gratitude to all our stakeholders who have played a pivotal role in shaping and elevating the Venus brand to where it stands today. As industry undergoes expansion and modernization, the demand for durable and high-performance materials like stainless steel becomes increasingly vital further boosting the need for our projects. Venus Pipes and Tubes is poised for strong growth as we actively work towards expanding our influence across various sectors and enhancing our offerings with value-added products. We enter FY25 and we look at an optimistic future characterized by the ongoing expansion of our product range and client base.

Our strategic focus will be to expand into untapped geographies and identifying new markets for growth opportunities such as US, Middle East and Africa. Simultaneously, we are dedicated to strengthening our presence in our current market, which is Europe through increased penetration and market share. Our commitment remains unwavering in building a robust and diversified foundation that propels us towards sustained excellence.

Now, I will hand over the call to Mr. Kunal Bubna - CFO to take you through the financial highlights.

Kunal Bubna: Good afternoon, everyone and a very warm welcome to our Earning Conference Call.

We take absolute pride in announcing that our Company has reported the highest ever quarterly and yearly Revenue, EBITDA and PAT for Q4 and FY24. On the revenue front, revenue from operation for Q4 FY24 stood at Rs. 224.1 crore as compared to Rs. 176.3 crore during Q4 FY23 achieving the growth of 27.1% on year-on-year basis.

Revenue from operation for FY24 stood at Rs. 802.2 crores as compared to Rs. 552.4 crore in FY23, a growth of 45% year-on-year basis. Revenue bifurcation for the year was 39% for welded, 57% for seamless, and 4% from miscellaneous. Growth in seamless segment was 87% on year-on-year basis and the welded segment registered a growth of 24% for FY24 on a year-on-year basis in terms of revenue. Volume from welded and seamless pipes grew by 49% and 97% respectively. Our exports stood at Rs. 98.7 crore for the year compared to Rs. 29.8 crores during the same period last year, a growth of 231% year-on-year basis.

Going forward, we are confident of faster ramping up our capacity of welded given strong demand outlook for oil and gas segment. Gross profit for Q4 FY24 grew by 116.5% on year-on-year basis and stood at Rs. 70.9 crores. Gross profit for FY24 stood at Rs. 226.9 crores as compared to Rs. 107.8 crore in FY23, a growth of 110.5% on year-on-year basis. On EBITDA,

EBITDA margin for the quarter stood at 20.1% compared to 12.2% for the same period last year. It is important to highlight that margin in percent term looks higher partially on account of decrease in commodity prices, which is possible for us, and commodity prices drop, our percentage margin might appear higher and when they rise, margin may appear lower. However, it will be prudent to look at an absolute growth in EBITDA rather than in terms of margins.

Our EBITDA for the quarter stood at Rs. 45 crores compared to Rs. 21.6 crores in Q4 FY23, a growth of 109%. EBITDA for FY24 stood at Rs. 146.3 crores as compared to Rs. 69.1 crores in FY23, a growth of 112%. As mentioned previously, we have also delivered robust volume growth from our both seamless and welded pipes. Volume from welded pipe stood at 11,557 metric ton on a per annum basis for FY24, an increase of 49% with corresponding revenue increase of 24% for the same period on account of decreasing commodity prices. Volume for seamless price showed an increase of 97% and revenue increased by 87% for FY24. With increased contribution from value added product in seamless pipe category, Company was able to generate higher revenue with better margin. PAT for FY24 is Rs. 85.9 crores versus Rs. 44.2 crore in FY23, a growth of 94.3% on year-on-year basis. The margin for FY24 stood at 10.7% compared to 8% in FY23. PAT for the quarter stood at Rs. 25 crores compared to Rs. 13.4 crores in the same period last year.

Talking about the cash flow from operation, we have witnessed a strong OCF of Rs. 52 crores providing us ability to fund future expansion through internal accruals and relying less on external funding. This performance further strengthened our competitive edge with robust financial capability and foray into value added products. We are set to become one stop comprehensive piping solution provided to our customers. We will continue investing growth opportunity and strategically position ourselves for market leadership.

With this, I would like to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kunal Kothari from Centrum Broking. Please go ahead.

Kunal Kothari: Sir, during the quarter, overall, our revenue has increased, but firstly the contribution from welded pipe segment has remained subdued. Secondly, if I see the percentage contribution from seamless, on a sequential basis, it has remained flat at 55%. And thirdly, our export has also decreased from 17% share to near about 12% share overall, but however, our margin have expanded, so can you just explain what has led to the overall increase in the margin despite all such challenges?

Kunal Bubna: If you see the quarter Q4 basically on the side welded, it has not been flat on the side of quantity, it has increased by more than 10% and similar growth was there in quantity on the side of seamless around 8% to 10%. And definitely what has happened, the price of the finished goods had decreased on the side of welded pipes roughly in the range of 5% to 8% and similarly a bit dip, not major dip, but a bit deep on the side of seamless by around 2% for the quarter if I compare with the last quarter. So, primarily, there had been growth in both welded and seamless and also you see on an overall basis you compare FY22 to 23 to 23-24, 50% of the size of and around 95% to 100% of the seamless that has been growth in the quantity perspective. On the side of export, it is very right because of the Red Sea and all that has been affected, so if you see last quarter October to December, revenue from export was affecting the range of 17%, but because of Red Sea and all those it slightly depleted to 12%. But what we see here is going forward the order book for export and also the order book coming from export from the side of welded also, so we believe those higher growth of roughly in the range of 20% should be maintained for export going forward.

Kunal Kothari: Sir, can you be more specific? What has led to from 18.8% to 20.1% because I am still unclear what has led to the margin expansion?

Kunal Bubna: The margin expansion, if you see on per ton basis, there had the margin expansion by something sort of you can say 1% to 2%, but on an overall basis the prices has also decreased on the side of welded and seamless, as I said, welded was down on the quarter-to-quarter basis by 7% to 8%. So, the percentage margin is showing slightly higher, but again, as I said, you keep both welded and seamless quantity had increased in this quarter as compared to the last quarter. Again, the margin from both welded and seamless on per basis had also increased by 2% roughly sort of on both the cases. So, that has also led to an increase in margin.

Kunal Kothari: My second question again in regard to welded pipes, from the overall capacity that we had in FY24, in seamless, we were able to utilize the most of it, but same is not the case with the welded one. So, are we facing any challenges in ramping up the welded segment as we have done in seamless pipe and what is the strategy forward?

Kunal Bubna: Definitely, seamless we have been able to grow at a very faster pace as compared to welded, but primarily if you see definitely going forward there are a lot of approvals which we had received on the oil and gas sector. As we narrated in our speech, we have also started receiving export order for welded from US and other country. We have also bid in a few of the Middle East and other for welded, so we believe definitely going forward the welded will increase from this oil and gas and export in other sectors.

Kunal Kothari: So, lastly, if I can squeeze, we have done nearly 21,000 ton in FY24, what guidance that you like to put on for FY25 and 26 on the volume front?

Kunal Bubna: The target is around more than 30%.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: Just two questions from my end. Firstly, what is the share of your direct customer this time, I couldn't see that in the presentation, in case you can highlight that? And secondly, the reason for your increase in interest cost?

Kunal Bubna: So, basically, the traders and stockists was roughly 27%, 12% was roughly export and balance was direct sales for the entire financial year FY23-24, and there has been few limit utilization. We also use a few discounting limits, so those are the reason for increase in interest cost.

Sneha Talreja: And what would be the share of the stockist and traders in terms of your Q4 numbers?

Kunal Bubna: Around 26%-27% in the range bound.

Moderator: Thank you. The next question is from the line of Vikas Singh from Phillip Capital. Please go ahead.

Vikas Singh: Sir, I just want to understand that even basically our current mix of welded versus seamless and the exit rate of roughly about 20% margin, so shall we assume that the ballpark EBITDA per ton which we exited is closer to Rs. 80,000 to Rs. 85,000 per ton and would the welded percentage is increased, it might not increase from here or it will remain in this territory for FY25?

Kunal Bubna: If you see on a blended basis, it is not Rs. 80, it will be in the range of you can say Rs. 64-Rs. 66 sort of number per kg. But if you see the contribution from seamless in the contribution was roughly in the range of 48% and 52% on the side of welded. So, we believe going forward there would be slight depletion from the percentage subjective from 6% to 7% wherein seamless will be 41%-42% and welded would be leftover portion. But there would be also slight improvement in the margin also going forward on the side of seamless and on the side of the welded. So, you can see have this margins will further improve going forward also.

Vikas Singh: So, at least on tonnage basis, you are saying that net-net we would have some increment event of which is skewing towards budget side?

Kunal Bubna: Absolutely.

Vikas Singh: Sir, my second question pertains to basically, if I look at currently, we have been doing at a significant volume pace from quite some time, next year also, you are giving a guidance of 30%. So, just wanted to understand that from where these demands are coming in, and in this 30% growth target, what is our export percentage which we are seeking to manage that?

Kunal Bubna: Now, there are varied number of sectors like engineering, you can say oil and gas. Apart from that on the side of export, as I said, we also received an order from the US. We are seeing those markets also are good from the revenue perspective. We are trying to cater to the Middle East and other part of the geography in the world. So, we believe the export should be at least 20% of our total revenue for the coming year and definitely the endeavor will be to increase it further.

And as I said, many of the approvals will be received from the large corporate in the last quarter for welded and other products on the side of oil and gas and engineering. So, as we said we, we have also received an order from one of the EPC contractors for semiconductor. So, we believe these all sector will help us to grow in the coming forward years.

Moderator: Thank you. The next question is from the line of Nitesh Dutt from Burman Capital. Please go ahead.

Nitesh Dutt: I have a multiple set of questions. First one is on the seamless export opportunity, particularly for Europe market, so could you give a little bit of details on for example, how big the opportunity can potentially be? Who are the players of the key countries which are supplying right now in Europe because as you had mentioned in our previous calls, I think China is not a big supplier. European players don't prefer Chinese material and how can Venus take some share out of that opportunity?

Kunal Bubna: Yes, basically, there are many of the Europe countries like Italy, Germany, Spain. These are the many of the cities wherein we sell our product in European. And if you see last year the predominantly export was in European only. In case of Chinese there is a hefty antidumping when seamless is imported in Europe from China which is more than 40%, so it will become very hard for them to compete with Indian. So, that is why Indian got an advantage and further in Europe and all, energy and labor costs are high, again made them quite costly as compared to India. So, that is the reason where we can penetrate there. See, there is a good amount of demand what we are seeing because the consumption of seamless high as compared to India is very high in Europe. So, primarily they are more quality concious, they take more safety precaution, and they try to use more seamless as compared to welded pipes we have seen with many of them. So, that drives the market there. So, we believe China is one of the close competition while we may face one because of the hefty antidumping, those reduced the significant. Apart from that Ukraine and other countries also supplied it, but again, I think you keeping our prices and all India become quite competitive.

Nitesh Dutt: Sir, other players who are currently supplying in the European market, the local players, etc., as you mentioned, energy costs going up, are some of peak players are shutting down their capacities and hence is the opportunity increasing for Indian players. I am just trying to understand how will the incremental opportunity delta come from because Chinese players are anyways not supplying major quantities?

Kunal Bubna: See, there is a natural demand in Europe wherein they import from other parts of the world. There are manufacturers as you rightly said, there are Tubacex, there are Mannesmann, there are Alleima, there are Centravis few are located in Ukraine, few in Sweden, few in Germany, few in Spain. So, primarily these are the few of other manufacturers there. But what has happened is what we have seen many new capacities have not come in the last, you can say last 3 to 5 years.

So, because of that, there is a natural demand, there is a requirement of SS pipes with the own country cannot met from there. So, that is why we have seen those demands are met by Indians.

Nitesh Dutt: Second question, on Welded pipes, two parts to that, one I think there was an ADD investigation initiated for imports from Thailand and Vietnam. So, just want your perspective on if the ADD is implemented, can it be a big import substitution opportunity? And second, on export front, also on welded side, do you see it as a meaningful opportunity similar to seamless?

Kunal Bubna: There is a good demand in export in the US and Middle East. So, we are definitely seeing that also as a good volume of export from welded coming from there going forward. And as you said we have also received the order ahead of export. So, we believe definitely US, Middle East and other geographies on the side of welded will be contributed going forward, yes. And those investigation studies, what we refer to for ADD and all definitely, we can't give much comment currently unless it come up in absolutely.

Nitesh Dutt: Lastly, I just want to understand the impact of steel prices on the final prices for you. So, in your pricing mechanism, do you sort of want a fixed rupee EBITDA per kg or like a percentage EBITDA margin is fixed while negotiating with your customer?

Kunal Bubna: It is fixed EBITDA per kg.

Nitesh Dutt: Just one more question if I can squeeze in, so the incremental CAPEX that you are putting up, especially on the welded tubes, so could you give us the empty volume that you are putting up on the high grade you are adding to?

Kunal Bubna: On the side of welded, wherein we are putting higher grade of titanium and few categories where which can be used for food processing and pharmaceutical, so those capacity would be roughly in the range of 300 metric tons on the per month basis in the first phase.

Moderator: Thank you. The next question is from the line of Suman Kumar from Antique Stock Broking Limited. Please go ahead.

Suman Kumar: So, I had a couple of questions. The first question is what would be the current order book that we have because as I am to understand that most of our products are essentially made to order basis. So, can we just have a little bit of light on the current order book and what would be the typical execution cycle be?

Kunal Bubna: That is around Rs. 240 crores, an execution of roughly 100 days, you can say.

Suman Kumar: And the other question that I have is that FY25 and FY26 mostly would essentially see the significant chunk of the CAPEX would be primarily the Rs. 1.8 billion essentially phase one and phase two as mentioned in the presentation, so could we just have a split like what would be the plausible CAPEX that FY25 would witness and what would be flowing down to FY26, just like the breakup of that 1.8 billion?

Kunal Bubna: Basically, if you see out of that 115 will be in the first phase and balance would be the second phase.

Suman Kumar: Yes, so FY25 would see almost the entirety of Rs. 115 crores?

Kunal Bubna: Apart from that, there can be few more CAPEX, those will be not significant in size. So, would be maintenance sort of CAPEX which can be in the range of Rs. 15 to Rs. 20 crores.

Suman Kumar: On an annual basis?

Kunal Bubna: On an annual basis.

Sumar Kumar: Rs. 15 to Rs. 20 crores of annual CAPEX and what would be the maximum capacity utilization that we can actually theoretically target? Is it similar to other pipe manufacturing companies or what would be the maximum capacity utilization that we can ramp up to?

Kunal Bubna: In case of seamless, we have been achieving around 85 to 95 that can be maintained and in case of welded the target is around 80% sort of number.

Suman Kumar: And I had just one more question that considering the steady demand, do we see any kind of new business opportunity that would open up especially in titanium, because as I am to understand that titanium has quite a few end users, so just it was mentioned that hygienic steel tubes would be essentially for food processing, what would be the plausible end users of the titanium tubes?

Kunal Bubna: It will be nuclear & power sort of requirement.

Moderator: Thank you. The next question is from the line of Richa Chowdary from Electrum PMS. Please go ahead.

Richa Chowdary: I just wanted to understand, what is the volume mix that we are expecting going ahead?

Kunal Bubna: I think she asked for the volume mix for going forward, primarily seamless will be in the range of 40%-43% and balance would be welded.

Moderator: Thank you. The next question is from the line of Harsh Mulchandani from Kriis PMS. Please go ahead.

Harsh Mulchandani: I wanted to understand couple of things. One is, good to see that you are supplying your pipes for new segments like semiconductors, etc., like you mentioned in the opening remarks. Are we working on anything for the hydrogen segment as well for transport of hydrogen or anything is in pipeline related to hydrogen segment?

Arun Kothari: Yes, Mr. Harsh, in hydrogen sector, definitely, usage of the SS pipes will be very big. We are also focusing on all the new industry, say for example, we are already in one of the semiconductor plant which is very new in India. We had already received one order, very big order from one of the semiconductor Company, which is setting up their plant in Gujarat, so we have the focus on this hydrogen sector also. We are already in process of the approvals of some of the Company, say for example, we are applying in Reliance in Adani in all the major group. So, we are hopeful once this sector will start to work, we will be able to get the order from this sector.

Harsh Mulchandani: And second question I had was, how is the demand from newer geographies like US obviously, we have cracked one order. How is the situation in Middle East, Saudi Arabia and are we confident that they are also will be able to replicate the success what we have done for Europe and other successful geographies?

Kunal Bubna: Yes, we are pretty confident from the perspective we can offer number of SKUs for both welded and seamless. So, as you have a number of bucket to supply and the quality of material that we supply, so I think that will definitely help us to penetrate in Middle East and other parts of the world geographies.

Moderator: Thank you. The next question is from the line of Amol Rao from Kitara Capital. Please go ahead.

Amol Rao: Just wanted to inquire about the warrants that money is expected in April or has it already come into the Company?

Kunal Bubna: The 25% contribution had already been received in the month of April.

Amol Rao: In the month of April, so it will come in next year's cash.

Kunal Bubna: Yes.

Moderator: Thank you. The next question is from the line of Mihir Damania from Ambit Asset Management. Please go ahead.

Mihir Damania: So, my first question is, you ended the year roughly at around Rs. 65-66 EBITDA per kg, now as I see next year, bulk of the growth will be on the welded side, so do you see the Rs. 65-Rs. 66 EBITDA per kg, something which can be achievable in FY25, or do you see some pressure on this number?

Kunal Bubna: No, as I said, definitely there would be reduction on the side of seamless 5% to 7% or something sort of that. But we need to see from seamless, we are expecting a bit of further increase on the side of EBITDA keeping the number of the geographies now we are catering, number of qualification what we have been receiving , so on the side of seamless, there will be a improvement in the contribution going forward and further on the side of welded you see when you supply higher sizes of welded pipe, you get a slightly more margin as compared to the routine sizes for this supply. So, keeping all the perspectives, definitely our endeavor is always to maintain that and I think it should grow also.

Mihir Damania: And one more question, what could be your end user split for FY24 weekly revenue per end user application like engineering, thermal power, really if you would like to share that chemical?

Kunal Bubna: Slightly, see predominantly I can give the engineering paint and few of the sectors was catering to a good percentage, but as the bifurcation a bit competitive, so want to restrict to it.

Moderator: Thank you. The next question is from the line of Sagarika Chetty from Anand Rathi. Please go ahead.

Sagarika Chetty: So, my first question is, I couldn't change, or I couldn't really understand, you said on side of higher interest, what was the reason so that you had there was one question you had answered that asked previously on higher interest, if you can share a bit on that?

Kunal Bubna: Yes, basically the limits had been used. Apart from that, we also used discounting limits for sales on the side of purchase. That has also got factored in the interest , apart from that few of the loans had also been approved for the coming year, wherein some processing cost do have to be incurred, so those also will get factored in the interest and finance cost.

Sagarika Chetty: And secondly, on the EBITDA per kg, so you said that there will be, correct me if I am wrong, there will be a reduction in the seamless in terms of EBITDA per kg guidance, is that?

Kunal Bubna: No, I am saying there would be an increase in the EBITDA per ton on the side of seamless going forward, not reduction.

Sagarika Chetty: And on the welded side?

Kunal Bubna: Definitely, on the side of welded also there would be improvement because as you see there would be more higher size as being deployed in the coming year, so that we will increase our contribution.

Sagarika Chetty: And the overall EBITDA per kg will be the endeavor to maintain it at that level?

Kunal Bubna: Absolutely. It should also increase revenue.

Moderator: Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshal Jhaveri: Most of our questions have been answered. Sir, just one question majorly, a broad-based question like for the next 2-3 years with the new capacities and everything coming in, what kind of growth CAGR that you would be looking at on a broader term, that is my first question?

Kunal Bubna: Yes, basically, as we said, definitely we believe for the coming FY25 and 26, you can see a growth of around 30% in coming two years.

Darshal Jhaveri: And sir, just wanted to ask like with the elections coming up or maybe the global economy, do we see any slowdown in our order or demand outlook?

Kunal Bubna: We have been saying that, that is why we are working on a number of geography in the country, in the world map and also we are working with number of sectors. So, the intent is very clear to supply to the number of sectors to be on Pan India basis and supplying also to the various part of the world map. So, I think those sectoral rotation keeps on happening. We are keeping ourselves abreast by supplying and increasing our sector and presence on many part of the world also.

Darshal Jhaveri: And sir, one small book keeping question, I couldn't catch the blended realization, we said that was how much so blended EBITDA per kg?

Kunal Bubna: Around sort of 65 sort of number per kg.

Moderator: Thank you. The next question is from the line of Vikas Singh from PhillipCapital. Please go ahead.

Vikas Singh: Sir, just I wanted to understand one thing since we are pushing on the export side, how much better margin in terms of basis points we get in the export order?

Kunal Bubna: Has got from 2% to 4%.

Vikas Singh: And sir, just lastly, you said that you have got your first order from US, so it is more of new supply to a Company, it is B2B or basically to some trader which you have started supplying?

Kunal Bubna: In USA?

Vikas Singh: Yes?

Kunal Bubna: It is to the distributor only, not to the industry.

Vikas Singh: And lastly, sir, domestically oil and gas portion is still not a very big portion in our overall portfolio. So, when do we expect sizable quantity of orders coming from them and given that we are in the process of taking orders, taking approvals from most of these guys?

Kunal Bubna: Coming FY only we believe there should be a good portion coming from oil and gas.

Moderator: Thank you. The next question is from the line of Suman Kumar from Antique Stock Broking Limited. Please go ahead.

Suman Kumar: I believe it was mentioned that we recently commissioned the 1 MW solar power plant. So, would that lead to any sizable or any incremental savings or is it just to transition into a greener source of power?

Kunal Bubna: No, the objective is both green source also and also reduction in the operating cost. So, it is not a big project site but again we believe the power and fuel cost that we incurred on the side of electricity we should reduce by another 8% to 10% because of that.

Moderator: Thank you. The next question is from the line of Dhruv Jain from Ambit Capital. Please go ahead.

Dhruv Jain: I had a question on the industry split, so if you could just spell out what has been your broad industry split for FY24 and how do you expect that to change over the next one year? And if you could just spell out if there is a difference in terms of margins, if at all there is a difference in terms of margins in different industry?

Kunal Bubna: As I said, the engineering, paint, chemical that are a few industry, which form a good number of total portion and the margin does not differentiate between industry to generally in our case, but going forward definitely those sector will change in oil and gas, which does not form much of our capacity currently. So, I think oil and gas would be a sector which will be increasing going forward.

Dhruv Jain: And sir, just a book keeping question, if you could just spell out the EBITDA per kg for both seamless and welded and the other parts?

Kunal Bubna: Like in the range of 85 and 42 sort of number for welded around that.

Moderator: Thank you. The next question is from the line of Nitesh Dutt from Burman Capital. Please go ahead.

Nitesh Dutt: I have a question on the longevity of growth, the 30% kind of guidance that you gave for FY25 and 26. So, once you exhaust your current capacity for seamless and welded, you will be one of the sizable players in both the segments, right. So, for seamless I guess if the market is of 100,000 with 14,400, you will have roughly 14%-15% kind of market share and similarly in welded 8% to 10% kind of capacity share, if I am not wrong. So, my question was how long can we sustain 30% or high 20 kind of growth rate beyond FY26 and what other avenues etc., will you be looking at to continue to grow at high rate?

Kunal Bubna: We have been telling that there are a number of smaller player also who is supplying, who also form part of this total supply in the Indian market who are not structured as we are. So, I think that gives us an upper end to penetrate deep in the market and as we have been saying that there have been sector like oil and gas wherein our contribution was very negligible, so those are very big as a sector. And also we have been seeing new sector also coming like we said semiconductor, railways, sewage lines, infact in water wherein desalination plants and all. So, these are the new sector also coming in and growing. So, that will help us to grow even beyond FY26. Upon that, see again if you look in FY23 our export percentage was less than 5% sort of number and this year only 12%. So, I think those geographies are there we were nowhere in US and Middle East earlier or never before. So, I think those geographies are wide open to us. So, we believe going forward, those sectors, those zones of the world will definitely help us in growing.

Nitesh Dutt: Sir, over 3 to 5 years horizon right long-term horizon, can export become very sizable part of our revenue, say 40%-50% kind of contribution from export?

Arun Kothari: We can assume at least we have target to raise the export of almost minimum 30%, more than 30% in the coming years. In FY25, we are roughly expecting we are able to reach between 20% and 25%. In FY26 we are targeting between 30% and 35%. In addition to this also, we had already did the very good expansion last year in the pipe sector. Apart from the pipe sector, we had also identified the new sector along with the pipe which is the fitting, which is almost similar item just like a pipe, but the use is almost in similar line of industry. Apart from this also, we are always open to any industry which is in the steel sector in the coming year, if we find any good opportunity. So, we can go for the steel sector because we all have all promoter from the different background, or we all understand about the steel sector since we have almost more than one of the promoter is having the more than 20-year experience in steel sector and one of the promoters is from engineering background. He also understands the steel sector very much. So, our eyes open if any opportunity we find we may diversify the business slightly in the coming years after FY26.

Moderator: Thank you. The next question is from the line of Kunal Kothari from Centrum Booking. Please go ahead.

Kunal Kothari: So, overall demand industry in India, how you see the growth is coming in FY24 compared to FY23 and also, how much growth rate do you see in the demand for next couple of years? Secondly, on the supply side from the anti dumpingduty came in for the seamless pipe, what we have witnessed in the industry is that many small-scale players like traders and stockists have also started to put some small capacities like 2000-5000 ton as well. So, going forward how you see that compared to the demand growth that one can expect and can supply surpass the demand and which can create imbalance in the market, higher supply and lower demand in India. So, how you see the dynamics changing in future?

Kunal Bubna: Yes, basically, we have been saying that sector had been improving, so that will definitely help us and see giving the specific percentage because there are number of sectors which are also getting increased. but as you said, there are a number of sectors being added like sewage line, railway, semiconductor, desalinization plants and all, so I think those percentages will be high, so those increase would be there. And definitely see there can be a small trader, small manufacturer as you said he may be putting up but see the requirement for pipe is there in own country and also in abroad. And see we are also distinguishing ourselves each quarter by building some SKUs, we are adding up high grades of pipe, we are adding up higher sizes. We are also adding smaller sizes. So, we would be distinguished from others who are smaller in size. So, we will be few in the country who can supply the entire bucket as compared to the smaller one who might be increasing their capacity. I think we will be definitely able to cope up with all of them to a good extent.

Kunal Kothari: Secondly, sir as we announced a further CAPEX, do we get any state subsidiary or any benefit from PLI on our CAPEX plan?

Kunal Bubna: No, PLI is not there.

Kunal Kothari: Any state subsidiary, sir?

Kunal Bubna: State subsidiary is there in the form of state GST.

Moderator: Thank you. Due to time constraint, that would be the last question. I now hand the conference over to the management for closing comments.

Arun Kothari: I take this opportunity to thank everyone for joining the call. We will keep updating the investor community on a regular basis for incremental updates on your Company. I hope we have been able to address all your queries. For any further information, kindly contact SGA, the Investor Relations Advisor for your Company. Thank you once again.

Moderator: On behalf of Ambit Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.