



“Venus Pipes
Q1 FY2023 Earnings Conference Call”

August 10, 2022



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Moderator: Good day ladies and gentleman and welcome to Venus Pipes Q1 FY2023 Earnings Conference Call hosted by Antique Stock Broking Limited. This conference call may contain forward-looking statements about the company which are based on the belief, opinions, and expectations of the company as on date of this call. These statements do not the guarantee the future performance of the company and it may involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pallav Agarwal. Thank you and over to you, Sir!

Pallav Agarwal: Thank you Mitchell and good afternoon everyone and welcome to the 1Q FY2023 Venus Pipes results conference call. We have the senior management represented Mr. Arun Kothari – Managing Director and CFO, Mr. Dhuv Patel– Whole Time Director and Mr. Kunal Bubna – President Finance and Accounts on the call with us today. So I would now like to hand over the call to Mr. Kothari for his opening remarks. Over to you Sir!

Arun Kothari: Good morning. Welcome to everyone on the first earning call for Venus Pipes and Tubes Limited. First and foremost I hope that you and your family members are safe during this difficult times of COVID., Along with me I have Mr. Dhuv Patel our Whole Time Director and Mr. Kunal Bubna President Finance and Accounts and SGA our investor relations advisor. To begin with I would like to thank and congratulate all the stake holder, investor, bankers, and business partner for helping us achieve a mile stone of getting listed on the Indian Stock Exchange. We were delighted to see such a strong response for our IPO. Since this is our first call allow me sometime to take you through Venus Pipes and Tubes Limited, it’s journey so far, broad industry update and strategy going forward. Followed by this we will operational financial highlight for the quarter and we can open the floor for question and answer. We have also uploaded our latest investor presentation on the stock exchange and I hope everybody had a chance to go through the same. We are the manufacture and exporter of stainless pipes and tubes in India based out of Kutch Gujarat. we make versatile product while having usage in several industry like power, food processing, aerospace, fertilizer, paper, pharmaceutical and chemical. Yet the facility is located in Dhaneti near to Kandla and Mundra port which is one of the major port of North India. It gives us a logical advantage. Today we export over 20 plus country and out of total clients we serve 58 are fortune 500 companies. Our products contain seamless, welded, and heat exchanger and hydraulic tubes and pipes. I am proud to tell you that we are compliant with the international standard and certified by ISO, IBR, and TUVS200. Our quality check is extremely stringent which is the reason why we could make prestigious client such as Adani, Asia Paints, Amul, BHEL , Cipla, Godrej, SP, ISRO, L&T, Tata, Voltas and many more. Going forward there is much more growth to look at India as the second largest steel producer in the world. Not only demand comes from a diversified set of sector but also from primary users like chemical, oil and gas and pharmaceutical all three which have a huge potential due to



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government initiative and scheme announced. In such scenario our growth strategy is to occupy more market share by expanding our capacity from a total of 12000 MPA TO 25600 MPA. Especially we like to mention that our increased capacity will increase our present basket in verified segment up to 48 inch dia pipe and seamless segment up to 8 dia pipe. We are manufacturing welded type segment up to 8 inch dia pipe and seamless segment up to 4 inch dia pipe. In addition we will also make 9600 MPA of seamless over pipe by fitting a piercing line. This backward integration will benefit not only the cost structure but will eliminate the risk associated with raw material imports and this capex will be built on 45690 square meter of surplus land on our existing facility. Our other plans are to increase our geographical presence by leveraging our existing relationship with traders, distributors and market representative globally. Not only this we are also planning to install an acid regeneration plant for lower consumption of acid in the manufacturing process. This has both ecological and economical advantages for us. To set up Venus as a stronger brand both domestically and globally we have planned various brand building activity. Now I am handing over to Mr. Dhurv Patel our technical director who will brief about the technical details and for the existing and expansion project of the company.

Dhruv Patel:

Good afternoon everyone I will be briefing about the capacities and the present project status of Venus. So Venus started in December 2015 with initial capacity of 200 metric tonnes per month only for the welded pipes and over a period of time the capacity had been increasing each year. At present our total capacity is around 1000 metric tonnes per month where welded pipes contribute to 700 metric tonnes and seamless pipe contribute around 300 metric tonnes per month. I like to brief you all about the present project status so the orders have already been placed for major machineries like slitting line, for 358 plants, the piercing mills and further we propose to start new seamless division and the slitting line by the fourth quarter of FY2023 and the balance plant will be commissioned in the first quarter of FY2024. I would also like to brief you about the expanded capacity. Currently as I told you that we have 700 metric tonnes capacity for welded per month and for seamless we have 300 metric tonnes per month so it is totally around 1000 metric tons per month. Post expansion we will be having the seamless capacity of around 800 metric tonnes per month and 1300 metric tonne per month will be for welded and further 900 metric tonne per month for seamless with the backward integration which will be self consumed. In this year we participated in many exhibitions like Globus Stainless Steel Expo in Mumbai and we also participated in international fair in Germany which was in Dusseldorf - the wire and tube expo and further we will be participating in Stainless Steel World in Maastricht, Netherlands in September and now I am handing over the call to Mr. Kunal Bubna who is our president finance and accounts for operational and financial highlights of the quarter.

Kunal Bubna:

Good afternoon and a very warm welcome to our earnings conference call. We have uploaded our latest investor presentation on stock exchange for Q1 FY2023 results. I hope everybody had an opportunity to go through the same. On the revenue front, revenue from operation from Q1 FY2023 stood at 113.6 Crores as compared to 81.1 crores in Q1 FY2022, a growth of 40% year on year basis. Revenue bifurcation for the quarter was 60.3 Crores for welded, 34.8 Crores for seamless and 8.5 Crores from others. Our exports in two are at 12.4% for this quarter versus



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5.9% of Q1 FY2022. The dependency on stock has gone down from 43.77% to 32.2% as we compare with FY2022 with Q1 FY2023. Domestically Gujarat has been top contributor but revenue from other states has also gone up giving us better access across region. EBITDA stood at Rs.14.5 Crores as against 9.3 Crores in Q1 FY2022 a year on year growth of 55%. EBITDA margin is up by 120 basis point. PAT for the quarter is Rs.9.1 Crores as compared to 6.8 Crores in Q1 FY2022 a growth of 34%. On the banking side in FY2021 end we have changed our banker. We introduced SBI as our banker and baring the working capital with earlier bank was 30 Crores fund based and 22 Crores non fund based apart from the term loan. This 52 Crores was internal change with SBI. The limit with SBI is fund-based 45 and Non fund based 7 and total loan was 52 Crores. So basically 52 Crores earlier was 30 Crores fund based and our working capital is Rs 22 Crores, which was changed to 45 Crores with fund based and non fund based by 7 Crores with SBI. Our loan in balance sheet as on March 2022 will be increased because of conversion of non fund to fund based facility. apart from that a brief on the working capital cycle is around 90 days for stock with raw material around 60 to 55 days for debtprs and near to 30 days for creditors. so it is a net working capital cycle of around 120 days which is again lower than other peers. Just to update further capacity added to this quarter which is basically in June 2022 which will result in increase capacity for welded piple 100 MT per month starting July 2022 onwards. Just to brief you on the utilization face. from IPO we have utilized 57.71 Crores so far till June 30, 2022 and the major part of the money was spent on financing of capex, meeting the working capital requirement and also IPO expenses. Our capex funds are on track and some capacity would be operational by January 2022 and some part by FY2024. The demand scenario going forward with robust and we are optimistic for a growth trajectory. We have profitability in the wake of synergy aid on by our capacity expansion plan. With this I would like to open for Q&A round.

Moderator: Thank you very much Sir. We will now begin the question and answer session. Our first question is from the line of Abhishek Agarwal from Prithvi Finmart. Please go ahead.

Abhishek Agarwal: Hello Sir. Sir my question is related to our capex plan. Can you reiterate our capex plan or what is the total capex and break up on welded pipes and seamless pipes and backward integration manner and what is the time of completion of this project, when the project will start. This is my first question.

Kunal Bubna: For welded pipes the current capacity is 700 tonne a month and we are expanding it by another 600 tonne for a month so the total capacity post expansion will be 1300 tonne a month. plus to mention here currently we are manufacturing 8 inch dia welded pipe with expansion we would be manufacturing up to 48 inch dia pipe so it would be increase of 600 tonne a month for welded pipe for normal capacity and it will also increase basket for the company going ahead. for seamless we currently 300 metric tonne a month and in the expansion we would be increasing by 500 tonne a month so the total capacity post expansion would be 800 tonne a month plus for seamless is currently 4 inch dia post expansion we would be manufacturing up to 8 inch dia pipe. so if you look the total capacity currently is 1000 tonne a month taking both welded and seamless



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in blended basis. If you increase to 2100 per month with the expansion capacity in place and I also forget to mention here we are putting a backward integration for seamless pipes where we will be manufacturing hollow pipe and that capacity would be 900 tonne a month which will add value additions at margins to the bottom line and in regards to starting of this project for piercing and we target the fourth quarter of FY2023 and for that welded A358 welded line project we are targeting first quarter of FY2024.

Abhishek Agarwal: So seamless will come in 2023 and this will in 2024 and backward integration will come.

Kunal Bubna: In the fourth quarter of FY2023 only along with piercing.

Abhishek Agarwal: Sir can you give the breakup of this capacity. How much it will cost?

Kunal Bubna: It is basically 108 Crores we have targeted for this expansion, so basically welded, and seamless and piercing has a major component for it and apart from it there are some high quality and machine apart from that there are some acid regeneration plant where in our current facility in the pickling process we use some acid that would be regenerated and used so it will be more economic friendly and saving on account of chemical would be there and apart from there will be few ancillary machines to support this entire expansion.

Abhishek Agarwal: And how confident we are that whatever capacity expansion we are doing that will get absorbed quickly and we can have the full utilization by FY2025.

Kunal Bubna: See we cater to varied number of sectors if you see so we cater to chemical, we cater to engineering we cater to fertilizer, we cater to paper, power, food processing, oil and gas so there are multiple number of sectors we cater and the uses of pipe are threefold basically it is basically used for the new projects, another is for replacement and third is for repair and maintenance. so there is basically threefold demand in varied number of sector we cater so it gives us, type of business for the year and apart from that we are going on adding sector. If you can see paper was very nominal percentage but in the last April for 2023 first quarter paper factor was increased to 4% so we are adding sector. Our export sales which was earlier on a lower side, it was around 12% for the first quarter of FY2023 so we are also increasing on front of export to keeping varied number of sector giving the export market also export has increased from 5.94% from first quarter of FY2022 to 12.4% for 1Q of FY2023 so keeping all this thing we very much believe and we are much of course those demands are there. We are qualified for so many of the project. We supply to ample industry.

Moderator: The next question is from the line of Nirav Shah from GC Investments. Please go ahead.

Nirav Shah: Good afternoon Sir and congrats on steady set of numbers. Sir couple of questions. Firstly Sir are we sharing the total volumes for the quarter and corresponding quarter of previous.

Kunal Bubna: On the volume front it was basically flattish for this quarter as compared to the last quarter.



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Nirav Shah: And we are more than doubling our capacity from the current number to 25,000 plus tonnes per annum. so in terms of ramp up how do you see that capacity utilization going up over the next two or three years, I mean how quickly are we targeting that. and another question related to this is continuing from the previous participants question, in terms of exports how do you see the mix changing when we are using our capacities on optimal basis. At those levels say in FY2025 OR 2026 what could be the share of exports and the s stockiest/ traders. What is the kind of switch that we are seeing over there?

Kunal Bubna: See from the capacity ramp up as I said we would be coming from piercing plant in Jan to March 2023. definitely that usage would be very low as we would be starting on that quarter only. but if you look at FY2024 we could pre-dominantly believe around 40 to 50% could be the capacity utilization from the new capacity and FY2025 would be the year where this capacity would be utilizing to a maximum extent which can go up to 70 to 75% for FY2025. and as you said what would be the contribution going ahead because from export and other I would like to say we are seeing a good traction in export so we believe going ahead it should be around 20 to 25% for export, traders/stockiest is around 32% in this quarter but we believe it should be around 20 and the balance would be for that.

Nirav Shah: Okay so can we say this gets over by FY2025.

Arun Kothari: We are increasing our product basket basically so number of existing clients require bigger size of different type of pipe so we will be able to market to our existing client also for new capacity utilization we can go on faster basis since we already have existing client in different sizes.

Nirav Shah: This is more question related to the industry I mean what is the import scenario that we are seeing as it reduced materially over the last 2 years which can aid our faster ramp up.

Kunal Bubna: It is right. there are good increase in import and this will definitely help us to cater our increased capacity as we said for welded we would be adding 48 inch dia pipe where in the country it will be very few number of manufacture for this. so those import of higher sizes would be catered by us so import will definitely help us in increasing our share in the Indian market.

Nirav Shah: Thanks for answering my questions and best wishes.

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

Sneha Talreja: Good afternoon Sir and thanks a lot for the opportunity. Just couple of questions from my end which could be basic, is there any seasonality in your business that we see generally on quarter on quarter basis, is there any strong quarter that you generally have with respect to your business?



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Arun Kothari: No seasonality is there in our business. As I said we see full demand for our product. First is basically for the new project, second is for the replacement because in the sector where we cater sugar, chemical the nature of the industry they need to replace their pipe over some period of time and the third would be end users for repair and maintenance and the type of business where the order flow throughout the year so in our product and our line of business and as we said we cater to 10, 12 number of factors like chemical, fertilizer, pharma, food processing, oil and gas, aerospace so as such there is no seasonality in our business.

Sneha Talreja: Understood Sir and is there any order book that you have maintained given that you have coming out with higher diameter where the limited number of players already existing is there any order book that is already created or in general do you have any order book which is there from time to time let us say to repairs and maintenance or replacement part which is more of a certain demand.

Arun Kothari: It is very tough to identify those buckets basically but it is internal assessment what we gather from the clients for replacement but to be right repair and maintenance very nominal it is more of projects and replacement based on cater to our order book and we try to maintain an order book around three months horizons and as you said for the higher size we are currently also getting purchase and supplying to our customer. Suppose we get an order of 8 inch and we also get an order along with that for some higher size of various pipe so we currently also supply so that we can build up our clientele for those categories and we are doing this.

Sneha Talreja: Understood Sir and one last if I may just squeeze in. We are catering so many segments which is the area where you are seeing very high demand is it example chemicals or is it engineering where do you see the next 2 to 3 years or which are the segments which are going to be major growth drivers.

Kunal : See the sector we see is chemical, it is engineering, it is paper industry, it is sugar and ethanol these are the predominant sector we see and fertilizer where there are good number of demand and from engineering prospective just to give you. it was one of the leading EPC consultant for oil and gas. Oil and gas could be again the sector. It is one of the leading large scale EPC contract. We have Technic India Limited this is again leading engineering and technology company. We have a German client where acid and tubes are required. In chemical we add Asia Paints in FY2022. For sugar we added Rana Group and engineering we added ISGEC Heavy and Tata Projects so there are varied number of sectors even in chemical engineering, oil and gas and paper and fertilizer should be the predominant industry going ahead.

Sneha Talreja: Understood Sir. Thanks a lot and all the very best.

Moderator: Thank you. The next question is from the line of Pritesh Chedda from Lucky Investment Managers. Please go ahead.

Pritesh Chedda: Sir I have few questions. One is what the current capacity utilization that we are running at. My second question is how much time will it take for you once the new capacity comes which you



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are mentioning as quarter four and quarter one. How much time does it take for you to stabilize and run this capacity?

Kunal : See the current capacity utilization is around 90% for both welded and seamless pipes and in relation to the upcoming capacity we have said we are trying to cater to number of sectors and we are supplying higher size of welded pipes and all so we are building up the market for that but those capacity will be coming FY2024. Those capacity would be not to ramp up entirely but it will be utilized to around 50% and going ahead with FY2025 it will be predominantly used to a good extent.

Pritesh Chedda: So the incremental capacity you are saying will be utilized 50% in FY2024 and 75% in 2025. These capacities are plug and play? Does it take any time to stabilize? But in the seamless side at least it takes some time to stabilize or it is plug and play?

Kunal : That is why I said for seamless as you said you are right we started in January and we are targeting Jan 23 to March 23 where it will be definitely a slightly buffering period but it is not that much as critical in capacity and solution. One to two months is basically the period which will lead to a new development but apart from that we can easily ramp it up from there.

Pritesh Chedda: My other question is on the margin side with the backward integration which is obviously the piercing line for the hollow pipe and in the acid generation plant what kind of margin addition is possible from this backward integration.

Kunal : For seamless as you said with backward integration with some higher sizes I guess so those definitely would be around going ahead it will be around 400 to 500 basis points.

Pritesh Chedda: Which is at the company level or at the seamless level?

Kunal : This is basically at the seamless level and for welded it would be around 250 to 350 basis point or 400 basis points.

Pritesh Chedda: So company level is also 400 basis points?

Kunal : Ya

Pritesh Chedda: Sir the other question what will be your peak debt and with backward integration can be there any changes in working capital cycle.

Kunal : See Sir as I said we are currently having a net working capital cycle of around 120 days. The peak debt is around 58 to 70 Crores currently but this piercing line and going a project there can be some requirement of working capital. It would be not substantially high but it would be there. and the cycle basically can increase up to 30 days as you compare to our peers they are also running at 150 to 170 days so it would be definitely increased to 20 to 40 days.



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- Pritesh Chedda:** Okay so working capital cycle increases basically.
- Kunal :** Slightly it would be increasing.
- Arun Kothari:** We are going in the backward integration so we have to increase the inventory level which will give the effect in EBITDA level so since overall capacity is also going to increase. Present capacity is 12000 metric tonnes per annum which will go up to three fold with the backward integration.
- Pritesh Chedda:** I understood Sir. I just wanted to know with the process change because you must be using hollow pipe now you start using billet so will be there increase in working capital. You said it will increase from 120 to 150 days and this 400 bps of margin expansion do we start seeing at 50% capacity utilization level or we see it at 75% capacity utilization level.
- Kunal :** See it will not be entirely at 50% utilization. It will be more at 70 to 75% utilization.
- Pritesh Chedda:** So FY2024 there will not be expansion in margin.
- Kunal :** It would be there but it will not be 400 basis points I mean to say that.
- Pritesh Chedda:** Okay so basically 400 basis points split up in 2024 and 2025.
- Kunal :** Yes.
- Pritesh Chedda:** Thank you very much Sir and have a great day.
- Moderator:** Thank you. The next question is from the line of Kamlesh Bagmar from Prabhudas Lilladher Private Limited. Please go ahead.
- Kamlesh Bagmar:** Thanks for the opportunity Sir. One question on the part of EBITDA per tonne are we operating like say upwards of 53 to Rs.54,000 EBITDA per tonne in this quarter assuming like say 90% odd utilization.
- Kunal :** See that is basically more like EBITDA per tonne but because ours is to make order scenario it is very difficult to give standard figure for EBITDA per tonne that is the reason we talk about EBITDA in percentage term only. so theoretically speaking in case of raw material prices coming down EBITDA in percentage should be going up but it has never happened basically. Prices are low then demand is low so somebody needs to adjust your margin also, so it continues in case of high price scenario. Little shrinkage should be there that also never happened because demand is good and also the product is new sometimes, value added product contribution top line may be higher so what we see in EBITDA is around 12.72 to 12.92 for this quarter basically.



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Kamlesh Bagmar: And going forward as our capacity come up and we have the backward integration in place which all new segments or new industries we are going to cover up or get diversified.

Kunal : See Sir we cater to number of industry currently but oil and gas will be there, paper industry would be added. We started adding those sectors also and chemical, engineering will also be a sector where we cater a good number as compared to other sector so pharma, oil and gas, paper and fertilizer would be another sector which we will do.

Arun Kothari: So we are catching the market of unorganized player since Venus will organized market or Venus can cater in better way so we will take advantage of that also of the unorganized market.

Kamlesh Bagmar: But Sir lot of capacities are also coming up in the unorganized and organized sector so you see a significant increase in the competition.

Arun Kothari: Since there is a very good demand number of industry is improving that was very low most of the industry used other pipe category but slowly jaise improvement ho raha hai in the India manufacturing sector quality conscious hoh rahi hai all the industry player so definitely demand is going up still there is a very good demand matlab isme kafi acha demand hai or isme scale ups or new plans jo be ayange capacity immediately nahi ah sakta hai kyu ki there is number of lot of entry barriers only jo existing player they can increase the capacity. Standards, Test, Certificate everything is required kitne be chemical plant wagar ha na they verify to put the capacity they will not buy for the pipe they will do some quality check test certificate all this process takes at least four to five years so there is a entry barrier nobody can come in one year time or six month time in this segment. This is a very typical segment where number of approach is required or number of certification even single industry cannot give the order in one instance. They first take the small order, then big order, then test order then they increase the size of the order because SS pipes is critical operation only. We are in critical operation because there is lot of cost difference between SS pipe and MS pipe so it is a critical operation so all industry users a very conscious about the quality of the pipe.

Kamlesh Bagmar: And lastly you would be your nearest competitor and in the same range whom do you follow the most or see that particular competitor on a close watch.

Arun Kothari: In India there is very limited player in SS pipe market. Ratnamani is the market leader then Jindal is also in the SS pipe segment or some other players who are in the similar segment some are there in welded segment, in all three segment very limited players in India which is one Ratnamani, other is Jindal Saw and other players job bhi hey is market mein they are either in the welded segment or seamless segment to we have the competition between 5 to 7 company, Ratnamani, Jindal Saw , SunCity, Sunlight these are the top 7 to 8 players in the market.

Moderator: The next question is from the line of Asha Jain from Jain Capital. Please go ahead.



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Asha Jain: Hi Sir, so I have couple of questions. How are we penetrating to export market and what are the strategy to expand our export skills and also would be the contribution for export sales in FY2023 and 2024.

Dhruv : For export market we have already appointed representative of Venus who is very senior person in stainless pipe in Europe market. Europe market like this we are planing to go ahead and time by time we are also exporting to other countries apart from Europe. In Europe also we are participating in many exhibitions. This year only we have already participated in one expo to show our market presence and in September also we are going to participate in expo. There are leading publications in Europe where we have started getting some coverage.

Asha Jain: So what would be the estimated contribution for export sales in FY2024?

Kunal Bubna: In this fiscal we should be around 12 to 15%.

Asha Jain: Is there any margin differential between domestic and export sales.

Kunal Bubna: See the margin basically the direct supply what we make and the export sale we made the margin is basically in parallel apart from that for export definitely you get 1.4% of draw back so that is from additional benefit when we do exports.

Asha Jain: Okay understood. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Anjana Shah from Shah Investments. Please go ahead.

Anjana Shah: Thank you for this opportunity Sir. Sir couple of questions from my end. First if you could tell us what is the volume growth and the price growth attributable to our revenue growth for Q1 FY2023.

Kunal Bubna: See for FY2023 as compared to the first quarter of FY2022 the quantity has been flattish more or less same it was only 1 to 2% growth and the increase in rate for the finished good but definitely there has been mixed change as compared to what welded and seamless we do, seamless has increased to good percentage. In quantity it has increased by 68% and welded was slightly down.

Moderator: We will move on to the next question which is from the line of Dhiral Shah from Philip Capital. Please go ahead.

Dhiral Shah: Good afternoon Sir. Thanks for the opportunity. Sir what is the reason for the flattish growth in the quarter.

Kunal Bubna: As I said we currently also had an order book of around 100 Crores so it is not as sluggish it was flattish basically and the capacity was basically fully exhausted as I said it was around 90%



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utilization so it basically exhausted from our side but going ahead and with an order it will definitely increase going ahead.

Dhiral Shah: So next two quarters also Sir we can see a flattish growth as we are running at full capacity.

Kunal Bubna: As I said in July 2022 we added 100 tonne capacity for welded pipe so that could be also be there and as I said for welded pipe we currently also do purchase and sale it so that our markets are build up so those thing would also be there so it will not be flattish it will be slightly on the upper side only.

Dhiral Shah: Okay thank you so much Sir.

Moderator: The next question is from the line of Abhishek Agarwal from Prithvi Finmart. Please go ahead.

Abhishek Agarwal: Thanks for followup Sir. Sir my question is regarding our direct sale as currently it is less than 50% and more than 50% is coming from channel networks so what is the mix you are seeing that it will change from now onwards and how you see that will help to increase the margin and secondly that will help to reduce the working capital requirement.

Kunal Bubna: It is more than 50% for this quarter our direct sales was around 55% and in the last FY2022 it was around 46% and export was 12% so if you see around 68% odd percent from this quarter from direct sales and export contribution for this current quarter , traders was around 32% so it is a fair amount of direct sales i.e around 70% including export and definitely the margins are always on higher side when you do direct sale and export as compared to trade and stockiest and that as I say there would be margin expansion going ahead wherein trade and stockist will try to turn it down to 15 to 20% going ahead so definitely those margins as I said for both welded and seamless with capacity expansion with higher side with backward integration. We are adding more export countries in our trajectory and higher side for welded and seamless with backward will add to our margin going ahead.

Abhishek Agarwal: Just can you give a ballpark figure like how the mix will look like around FY2025.

Kunal Bubna: It is 60% for welded and 40 for seamless more or less.

Abhishek Agarwal: I am asking about the sales mix direct order through channel partner.

Kunal Bubna: So Sir it would be taking export and direct sale it would be re target around 75 to 80% and the balance would be for stockiest and trader.

Abhishek Agarwal: And Sir that will have to reduce the working capital.

Kunal Bubna: What I see it is likely working capital will also be required if you are made to an order so it will not reduce the working capital.



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- Abhishek Agarwal:** Last thing can you break of EBITDA margin of welded and seamless pipe.
- Kunal Bubna:** I just have a fair idea on it. The quarter was around 14 to 15% seamless pipe and it was around 12 to 13% for welded.
- Abhishek Agarwal:** Okay thanks a lot. That is from my end.
- Moderator:** Thank you. The next question is from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.
- Pallav Agarwal:** Yes Sir. Sir I had a couple of questions on the demand outlook with this concerns of recession leading to some slow down and demand so what is our strategy to counter that and are we confident that we will be able to increase our export proportion despite these concerns.
- Arun Kothari:** Pallavji if you say about the estimates in pipe industry India mein kafe lamba samay se dekh rahi hai no capacity expansion in this segment. Aur last one year mein kya huwa hai ke from China part. China pehle competitive they are more competitive phir China ka joh bhi SS export karte than there was an export duty benefit, so since last year China na ho export duty ka benefit withdraw kar liya hai so aaj ke sal mein India products and Chinese products are the same level so aap ki India joh competitiveness woh puri world market ho ee hey because due to Chinese duty benefit or further due to China plus one policy some of the other country are not expecting the Chinese material or Chinese raw material matalbe they are originally from other places so abh thak China India mein jo seamless pipe ka waiting hey so seamless pipe Venus Pipe be piercing lakey ah rahi hai, same Ratnamari piercing line lakey ah hai some India mein piercing or seamless manufacturing ka capacity hai is in very limited hai so China say export seamless pipe ka import hotha tha that was also drastically reduced so at that demand matalab still you can see from here also it is growing from quarter to quarter also, year to year also. We had the order book of three months of almost other industry player, other peers have good order book in this segment. There is light volatility in the market. The demand is going slightly slow down otherwise within this segment.
- Pallav Agarwal:** Given the concerns about higher energy and gas cost in Europe so have you seen any pipe manufacturers over there or some of the competitors are shutting down it can actually give us an advantage in terms of volume etc. Arun Ji what I am saying is given that energy cost are very high due to the Russia Ukraine conflict you have seen lot of shut down in smelting capacity so do we have any competitors who are manufacturing stainless steel pipes in Europe, have we seen any of them going out of business or any shut down happening in this segment.
- Arun Kothari:** Pallavji there is not much in manufacturing of pipe so due to this energy cost there is no shut down in the SS industry so even our raw material supplier also. everybody is working with the good capacity.
- Pallav Agarwal:** So Arun Ji I would like to hand over to you for any closing comments from your end.



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Arun Kothari: Thanks for everyone for joining the call. We will keep updating the investor on regular basis for incremental update on our company. I have we have been able to address all your query. For any further information get in touch with me or our investor relation team SGA. Thanks to all.

Moderator: Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us and you may now disconnect your lines.