SEAMEC LIMITED
A member of MMG
MM AGRAWAL GROUP
Regd. Office: A-901-905, 9th Floor, 215 Atrium, Andheri Kurla Road, Andheri (East), Mumbai 400 093, India
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SEAMEC/NSE/TRANSCRIPT/SMO/1311/2023

November 13, 2023

National Stock Exchange of India Limited
Exchange Plaza
Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East)
Mumbai - 400 051

Trading Symbol: "SEAMECLTD"

Sub: Transcript of Investors/Analyst Earnings Conference Call held on November 08, 2023

Ref:

a. Regulation 30 (read with Schedule III -Part A) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations')
b. ISIN: INE497B01018

Dear Sir / Madam,

In accordance with Regulation 30 read with Schedule III of the Listing Regulations, this is to inform you that the transcript of the Conference call organized and held on Wednesday, November 08, 2023, in relation to the Unaudited Financial Results of the Company for the quarter and half year ended September 30, 2023 (Q2 FY24), is hereby enclosed.

The same will also be available on the website of the Company at: https://www.seamec.in/

Kindly take the information on record.

Yours Faithfully,

For **SEAMEC LIMITED**

SACHIDANANDA MOHANTY
Digitally signed by SACHIDANANDA MOHANTY
Date: 2023.11.13 16:41:06 +05'30'

S.N. Mohanty
President – Corporate Affairs, Legal and Company Secretary

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SEAMEC/BSE/TRANSCRIPT /SMO/1311/2023

November 13, 2023

BSE Limited
Phirojee Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001

Trading Symbol: 526807

Sub: Transcript of Investors/Analyst Earnings Conference Call held on November 08, 2023

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SACHIDANANDA MOHANTY Digitally signed by SACHIDANANDA MOHANTY Date: 2023.11.13 16:39:52 +05'30'

S.N. Mohanty
President – Corporate Affairs, Legal and Company Secretary

“Seamec Limited

Q2 FY '24 Earnings Conference Call”

November 08, 2023

MANAGEMENT: **MR. VINAY AGARWAL, CHIEF FINANCIAL OFFICER**
MR. NAVEEN MOHTA – WHOLE TIME DIRECTOR
MR. S. N. MOHANTY – PRESIDENT (CORPORATE AFFAIRS, LEGAL AND COMPANY SECRETARY)
MR. SUNIL GUPTA, VICE PRESIDENT-STRATEGY AND HEAD INVESTORS RELATIONS

MODERATOR: **MR. ANMOL DAS – ARIHANT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to earnings conference call for Seamec Limited hosted by Arihant Capital. 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. Anmol Das from Arihant Capital. Thank you and over to you, sir.

Anmol Das: Thank you, Sagar. Hello and good morning, everyone, and thank you for joining the maiden earnings call of Seamec Limited for Q2 FY24. From the management today we have Mr. Naveen Mohta, the Whole-Time Director, Mr. Vinay Agarwal, CFO, Mr. S.N. Mohanty, President, Corporate Affairs, Legal Services & Company Secretary and Mr. Sunil Gupta, Vice President, Strategy and Investor Relations Head.

So without any further ado, I will hand over the call to Mr. Naveen Mohta, Whole-Time Director, for his opening remarks and commentary. Over to you, sir.

Naveen Mohta: Good morning, everyone. On behalf of Seamec, I extend a very warm welcome to all the participants on our first earning call for second quarter of Financial Year 24. Today on this call, I am accompanied by my colleague Mr. Vinay Agarwal, our CFO, Mr. S.N. Mohanty, President Corporate Affairs, Legal and Company Secretary, and Mr. Sunil Gupta, Vice President, Strategy and Investor Relations.

I hope everyone had an opportunity to go through our quarterly results and investor presentations that we have uploaded on exchanges and on the company's website. Since this is our first earning call, I would like to begin with some background about the company and our business.

Seamec is a part of our M.M. Agarwal Group, which was established in 1964 under the visionary leadership of the late Professor M.M. Agarwalji, an able parliamentarian, philanthropist, an educationist and an industrialist, a patriot and a devoted social worker. Seamec operates in two distinct verticals, offshore subsea support vessels and bulk carrier charter business.

Seamec has a diverse mix of assets in its portfolio like diving support vessels, accommodation barges and bulk carriers. As the leading provider of offshore oil feed services in the subsea segment, the company has five diving support vessels and one barge in the offshore subsea support business, wherein the vessels are deployed in the domestic as well as international market.

And as an extensive experience of providing specialized services, covering inspection, maintenance, repairs, and operate remotely operated vehicles, subsequent section activities, to name a few. These activities require specialized vessels along with well-trained crew and diving team having extensive experience to handle such complex activities to ensure seamless operation for ENP companies such as ONGC, Aramco, ADNOC, etcetera.

We also have three bulk carriers under our subsidiaries including step-down Subsidiaries that provide the marine transportation services of dry bulk materials such as food staples, commodities and industrial products etcetera. Seamec was originally incorporated as Peerless

Leasing Private Limited in 1986. In 2001, it became part of the TECHNIP Group and was rechristened as Seamec.

The company was subsequently taken over by HAL Offshore Limited in 2014. HAL currently holds around 70% of company's share. HAL Offshore has an experience of around 25 years and is a leading end-to-end solution provider of underwater services and EPC services to the Indian oil and gas industry.

Following this acquisition, a comprehensive transformation of the vessel has taken place and this is geared towards facilitating sustainable business expansion and improvement. I would now like to briefly explain the industry for the benefit of all. The oil and gas sector in India plays an important role as India's economic growth and is directly proportional to the energy demand.

India, as you know, is the third largest oil consumer globally, after the United States and China. With 36% of the country's energy demand met by oil and gas, India currently imports about 85% of oil and about 50% of gas that it consumes. While there are various players in crude oil exploration and manufacture of refined oil and related products, ONGC being the largest, we are the preferred partner in maintaining their oil fields.

As ONGC continues to harness its substantial oil reserve, it is expected to continue exploration for more than three decades and our unwavering commitment to ensuring the smooth functioning of these assets is poised to be a long-lasting and mutually beneficial collaboration. This partnership is not only a testament to our reliability but also strategic alignment that position us as a pivotal contributor to ONGC's enduring success in the dynamic energy sector. There is general perception that our business falls under shipping industry or the oil sector.

I would like to take this opportunity to clarify our position. We are not impacted by the volatility of crude oil prices as this is primarily taken care by the customers who utilize our charter hire services. It is important to note that our primary focus is on charter hire that drives our business growth and profitability.

Moreover, a substantial portion of our business operates on long-term contracts spanning from three to five years. This deliberate emphasis on charter hire and our commitment to long-term partnership contribute to the stability and resilience of our operation, setting us apart from businesses solely reliant on fluctuating oil prices. Despite the nation's fervent commitment to advancing green energy initiatives, particularly in the field of wind and solar power, the anticipated economic growth in India remains a driving force.

As a result, the demand for oil in India is forecasted to experience substantial growth, potentially doubling by the year 2045. In particular, the demand for diesel is projected to reach 163 million metric tons by the fiscal year '29, '30. This surge in demand for diesel alongside a concurrent rise in gasoline consumption is expected to collectively account for 50% of India's total oil demand by 2045.

We remain confident in the long-term outlook for offshore energy and have invested in a disciplined way to enhance our fleet and strengthen our market position. We are a trusted partner in the rapidly evolving industry, as we consistently provide solutions that work to improve safety and prevent risk for our clients, and would continue with the hard work going forward to create value for our shareholders. We would like to express our gratitude to all our stakeholders and employees for their unwavering support and dedication that has helped us grow as an organization.

I will now request Vinay ji, our CFO, to share the financial performance.

Vinay Agrawal: Thank you, Naveen ji. Good morning, everyone, and welcome to our earnings call for Q2 FY24. I would now take this opportunity to decipher the financial performance of Q2 of the financial year 2023 and 2024. Our stand-alone revenue for Q2 FY24 is INR77 crores compared to INR57 crores in Q2 FY23 and INR190 crores in Q1 FY24. This represents a 12% decline on a year-on-year basis and 60% drop on a Q-on-Q basis. This has been mainly due to the reason that one of our vessels, Seamec III, was under dry dock during the reported period and hence was non-operational.

Q2 being monsoon season, both Seamec Princess and Seamec Glorious Barge were offhire during Q2. EBITDA on a stand-alone basis for the quarter stood at INR31 crores compared to INR 46 crores of Q2 FY23, which is down by 33% on a year-on-year basis and on a sequential basis down by 48%, which was INR60 crores in Q1 FY23.

While year-on-year decline is mainly due to non-deployment of Seamec 3, also there were certain unproductive expenses on Seamec Princess and Glorious Barge, which were on offhire due to monsoon season.

For the quarter EBITDA margin is at 40% compared to 53% in Q2 FY23 and 31.4% in Q1 FY24. The decline in Q2 FY24 is mainly due to the fact that Seamec III was generating higher margins in Q2 FY23, which was under dry dock during the reported period. Profit after tax for the reported quarter is INR2 crores compared to INR16 crores in Q2 FY23 and INR45 crores in Q1 FY24 that included exceptional gain of INR13 crores on account of sale of Seamec Gallant in the previous quarter.

Our gross debt is INR196 crores and net debt is INR20 crores as at 30th September 2023. Currently, our ROC is 10% and ROE is 8% on TTM basis, which is lower mainly due to weak H2 FY23 numbers. We expect the same to improve in the coming period as the operations are back on track and expected to improve.

With this, I conclude and would now request the moderator to open the forum for questions and answer session. Thank you.

Moderator: The first question is from the line of Mr. Jeet Gala. Please go ahead.

Jeet Gala: Yes. Good morning, sir. Sir, I have a few questions. We track shipping sector very closely. I just wanted to understand if Seamec is a smaller version of GE Shipping with respect to having two segments broadly. One is, having a shipping fleet, which in our case is a fleet of three drivable carriers, and you have another fleet, which you know, services to the offshore rigs and other oil assets.

So I just wanted to understand broadly the nature of the business because we understand GE Shipping. So I just wanted to, you know, quickly have a word, I mean, confirmation that are we a smaller version of GE Shipping?

Naveen Mohta: Okay. Seamec and GE Shipping both operate in similar kind of vertical. GE Shipping is also having an offshore fleet. We are also having an offshore fleet. And GE is also in bulk carrier and this thing. So in a way, we are both in similar verticals.

But there is a marked difference in the focus area of Seamec and GE Shipping. While for Seamec, that offshore contributes the majority portion, almost around 75% to 80% of the revenue mix, which is not the case in case of GE. And even in case of Seamec, we are into that niche area of diving support vessels, which is at the top end of the offshore shipping cycle.

While GE Shipping is providing supply vessel and platform support vessel. So per se, we are in similar kind of vertical, but there is a much difference because the niche area where we are operating is more sophisticated.

Jeet Gala: Understood. So my next question is on the offshore assets. 75% of our earnings come from the offshore fleet. So I wanted to understand. So what I understand these contracts are usually long term contracts. And we've seen the prices of offshore assets are increasing because of the supply constraints and no new rigs and offshore assets coming for a long time now.

So I just wanted to understand when will the repricing of the SEAMEC assets happen? Because these contracts are usually long term. So what really is the strategic point from a SEAMEC angle is repricing going ahead. So do we have a majority of our fleet ready to be repriced in the next six to eight months?

Naveen Mohta: No, no. If you look at it, when you are working on a long term contract basis, you cannot take that kind of advantage of that wild fluctuation in the market. And offshore fleet are normally not traded like the main fleet, Bulker and this thing.

So we intend to keep our fleet and our new contracts are going to be online. So that will take care and advantage of the forming up of the charter hire prices. But per se, fleet is going to be used for earning charter hire.

Jeet Gala: Okay. I wanted to basically understand where will the uptake from the revenue come from. So one is repricing. And since you said repricing is not going to be a major uptake given, you know, these are long term contracts and we do not operate in a spot kind of a market. So where is the majority of the uptake in the revenue come from then?

Naveen Mohta: See, so the majority is going to come from the new contract which are going to be entered and executed over a period of next two to five years. So we have, we have, you are aware about it. If you are tracking the companies, of course, they are posting on the Bombay Stock Exchange and NSE that there are contracts which has been awarded recently. So these are going to be executed over next two to five years. So which are going to be the driving force for the revenue.

Jeet Gala: Understood. So these contracts are for the assets that we already own, right? Or you are going to purchase new assets, working new contracts?

Naveen Mohta: These are already owned vessels.

Jeet Gala: Okay. So you mean that the existing vessels are probably unemployed and probably going to find employment with these new contracts. Is that what you mean?

Naveen Mohta: No, no, no. These are not unemployed. These are now rechartered on the newer contracts.

Jeet Gala: Okay. So technically it's going to get repriced through new contracts?

Naveen Mohta: Correct.

Jeet Gala: And so lastly, most of the shipping companies even across the globe who operate in the shipping as well as offshore assets, they tend to report the numbers in form of some NAV. So would you have an NAV calculation that you can share with us?

Naveen Mohta: No, no. At this point of time, I don't think that will be possible.

Jeet Gala: And so lastly, on the age of the fleet assets that we have on the offshore, what is the kind of the age of the asset profile that we have? I mean, do we have modern assets or even our assets are old age and will probably have higher costs like with regards to IMO and other norms. As the fleet gets older and older, you have a lot of other compliances, which add up to your cost. So just wanted to understand the age profile of our assets?

Naveen Mohta: Okay. So if you go through our age profile of our vessel, so three of our vessels are like offshore vessel I'm talking about. So three of our offshore vessels are built like around 82, 83, and 84. And we understand that we need to bring down the age of our fleet. So we have taken proactive steps of acquiring newer assets over the last two to three years, which has resulted in acquiring three vessels, which were built 2008, 2007, and 2006. So we are conscious about our age profile of the fleet, and still we are looking for some more kind of vessel if there are opportunities in the market.

Definitely we will be looking to acquire more vessels if there are good opportunities available. So we are constantly looking for these things to keep ourselves updated on the age and as well as the technology and regulatory framework.

Jeet Gala: Understood. Sir, I have a lot of other questions to understand exactly how Seamec works. I'll probably get in touch after the call. Thank you.

Moderator: The next question is from the line of Jainam Gelani from Svan Investments. Please go ahead.

Jainam Gelani: So I just have a few basic questions. So what is the current industry trends on the dry bulk material industry as well as the offshore industry, if you could just share that? And whether there are any new investments coming up, and how do we take advantage of the long term?

Management: You know, as regards to the dry bulk, as you know, this is a very cyclic in nature. Both ups and downs goes on. Last two to three years, dry bulk was very soft. Now, after it is being picked up, so this is likely to increase and it is going to be stabilized. But the commodity trade is also predicted to be on a very rapid growth. So we hope that the bulk carrier industry will have a phenomenal growth. Over to Naveen on the other one.

Naveen Mohta: On the offshore, as you might have heard from even from the previous question, that, okay, offshore industry is quite an uptick, and there is a global shortage of all kinds of offshore assets, whether it be vessels or drilling rigs and all these things. So next five to seven years is going to be really good for offshore segment. And that's why we are taking this period to enhance our fleet and take advantage of the uptick in that segment.

Management: Please continue with your question.

Moderator: Well, the current questioner seems to have dropped from the queue. So the next question is from the line of Mr. Ayush Chaturvedi. Please go ahead.

Ayush Chaturvedi: So firstly, to begin with, if you could throw some light on, you know, how the working capital cycles are in oil extraction support services and freight transportation.

Vinay Agarwal: So as Mr. Naveen has already explained that we are not into oil and gas industry as per se. So we are into offshore support services. And we are not impacted by the oil prices. And so far as working capital of Seamec is concerned, this is in a very comfortable zone. So we are getting a debtor cycle of around 45 days. And same is with our creditor. So it's more or less on net basis its 15 days.

Ayush Chaturvedi: So it's around 15 days -- and what are like general terms with, you know, the vendors and the customers? Like what are those cycles?

Management: The customer cycle is about 45 days billing cycle to our customers. And with regard to the liabilities, the creditors are generally paid in 30 days. So therefore, the net working capital cycle is about 15 days.

Ayush Chaturvedi: All right. That's great. Okay. So my next question is, if you could, you know, throw some light, if you could explain what the revenue mix currently is and, you know, how it's expected to pan out in the next.

Management: When you say revenue mix, you are talking about dry bulk and offshore? So currently our revenue mix is about 85% of revenue comes from the offshore activity and 15% from dry bulk. As we have strengthened our DSV, that's the Diving Support Vessels, we expect that going forward 90% of revenue should be from our offshore vessels and 10% should be from bulk carriers.

Ayush Chaturvedi: And is there any very, you know, difference, significant difference between the two segments so as to, you know, get a sense of how the margins could develop?

Management: Yes, absolutely. So since the offshore support services are niche services, there we have a higher EBITDA margin compared to dry bulk and therefore we are focusing aggressively on that sector.

Moderator: Thank you so much. The next question is from the line of Simar from Negen Capital Services. Please go ahead.

Simar: Yes, thank you and good morning, everyone. So one of my questions was already answered by my previous analyst regarding the age of the vessel since I know most of your vessels are around 30 years plus. I wanted to know, there are two vessels, one is your SEAMEC Princess and the SEAMEC III, which recently underwent dry dock and SEAMEC II and the Paladin are under deployment. So I wanted to understand what is the turnaround time for these vessels which are under dry dock? When do you plan to – when are they going to be deployed?

Naveen Mohta: Okay. See, as a practice, when these vessels are not on long-term contract, which requires 365 days of work, what we do is that during the monsoon period, which is a lean period and when these vessels are not working, so we carry out the dry docking during that year. So there is no loss of operating days for these vessels. So SEAMEC Princess, SEAMEC III, both of them are dry docked during this period only. Like SEAMEC III was dry docked recently during the monsoon period and SEAMEC Princess and SEAMEC III, both of them will be now working to take advantage of the start of the working season.

Simar: Got it, got it. And what about the other vessels? You have I think five deep water sea vessels and three bulk carriers?

Naveen Mohta: And for the other vessels like SEAMEC II, which are on long-term contract basis, so the turnaround time is roughly around 60 to 70 days from start to finish.

Simar: Got it, got it. There is another question regarding the subsidiary.

Naveen Mohta: Here what I would like to supplement is that this period of dry dock, normally the contract provides that this period will get added at the end of the contract. So if we are committed to have a 730 days contract or a three-year contract or five years, this offhire period gets added at the end of the contract. So practically we work for that many number of days only.

Simar: Got it. Yes, I could see that 121 days is your domestic deployment. So another question I have regarding a subsidiary, the Seamec Nirman Infra subsidiary. What kind of opportunities do we see in the EPC and Tunnel projects?

Management: This Seamec, this is a venture we are going for the, I would say that this is a maiden venture. This we are in on the tunneling project. First we are starting with a tunneling project and as a first measure we have taken a small tunnel that has been awarded to L&T by National High Speed Rail Corporation for that PM's ambitious project of the high rail speed bullet train from the Ahmedabad to Bombay.

So in the Vapi sector there is about a 300 meters tunnel, that is we have taken as a first measure and the project is likely to be completed around the first part of the 2000 next year. So this is the first venture and then we, this will be given as extension forward.

Simar: So how much revenue do we think we can get from this and how much, what is the margin profile in this particular project?

Management: This is a small project, so what we are expecting of a contract along with the GST it will be about 27 crores….

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

Pritesh Chheda: Sir, can you share what is the net asset value you think of your assets now?

Naveen Mohta: See as I told earlier also, net asset value as such cannot be shared and in our segment, this net asset value is also not of any kind of relevance, because we are not into buying and selling of these vessels or trading of these vessels. So this is not of any kind of relevance for our working for that. If you have seen the asset profile, all these vessels have been with us for quite a long period.

In fact, SEAMEC II, SEAMEC III has been with us since 1993 and vessels are being added. So per se, this NAV is of no relevance. [Inaudible].

Pritesh Chheda: Okay. Can you just share the last asset that you bought, the Swordfish, Seamec Swordfish. What would be the price of these assets or the last three assets that you bought? What is the combined price of these three assets, Paladin, Swordfish and Glorious?

Vinay Agarwal: So, I am repeating again. Just to begin with, we have bought Seamec Paladin in 2021, June '21 and…

Pritesh Chheda: Sir, that detail I have, when you bought, I just want to know these three assets that you bought, what is the price that you paid for these three assets combined?

Vinay Agarwal: $17.2 million we have paid for Seamec Paladin.

Pritesh Chheda: $17?

Vinay Agarwal: $17.2 million. And $24 million we have paid for Seamec Swordfish. And INR25 crores for Seamec Glorious.

Pritesh Chheda: Okay. My second question is, so these are six ships which I can see on the offshore support side. Which of the contracts are getting repriced now which will start flowing in to your numbers over the next four quarters?

Naveen Mohta: Okay. So, Seamec Paladin which got five-year contract and is already executing this. So, this started on this year. So, that will go on for five years. So, that is there. Then, accommodation barge, Seamec Glorious is also, has also got a two-year contract with ONGC. So, that also it has commenced from October 30, this year. Then, Swordfish is already working with the charters, James Fisher.

And we are negotiating for further charter for this vessel. And demand is quite good for this vessel actually in Middle East. So, that is also going on. So, as and when something comes up in final, we will definitely convey to exchanges and you will come to know about it. But vessel continue to remain engaged so far.

Pritesh Chheda: So, you said Seamec Paladin and Seamec Glorious have got a new contract, right?

Naveen Mohta: Correct.

Pritesh Chheda: Five-year and two-year and everything else remains on the contracts which are not proposed to be repriced in the next one year, right?

Naveen Mohta: Correct. Swordfish will be going on the contract. So, right now, it is with James Fisher and new contracts are negotiated.

Pritesh Chheda: Sorry, Swordfish new contract will come.

Moderator: Mr. Chheda, there seems to be a lot of disturbance which comes from your line. Because of it, it is difficult for the management also to…

Pritesh Chheda: So, Seamec Swordfish you said will come for contracting now, right?

Naveen Mohta: Right.

Pritesh Chheda: Okay. And everything else, Seamec II, Seamec III and Seamec Princess, there is no contract to be seen over at least next four quarters?

Naveen Mohta: Seamec II is already on five-year contract which is going to be completed by 2025.

Pritesh Chheda: Okay. And Seamec III and Seamec Princess?

Naveen Mohta: They are also on the existing contract till next year.

Pritesh Chheda: Till next year means next year end?

Naveen Mohta: Till May 2024.

Pritesh Chheda: Okay, May 2024. So, these two ships are on old contract. These three ships basically are on old contracts.

Naveen Mohta: Correct.

Pritesh Chheda: Okay. Because why I am asking specifically because the contract prices have moved up by a minimum 50% to 100%. So, the flow of the newer pricing for these three ships will flow in from FY '25. Because they will first go into dry dock or something, right?

Naveen Mohta: Not all the time. All the vessels go for dry dock. And as I told you, the price and dynamic, these are quite dynamic in nature. So, not necessarily 50% or 100% like, but yes, we expect a strong momentum for these vessels.

Pritesh Chheda: Okay. Lastly, sir, these three ships or let's say the two contracts which you got revised, Paladin and Glorious, which are revised for five years and two years, what is the pricing up move that you saw?

Naveen Mohta: No, the pricing etcetera has been already conveyed to the exchanges and it is already available in the public domain. So, for the upside, there is nothing because the price is already tied up.

Pritesh Chheda: Okay. Done, sir. Thank you very much, sir.

Naveen Mohta: Thank you.

Moderator: Thank you so much. The next question is from the line of Rajan from AMS Investments. Please go ahead.

Rajan: Yes. Thank you. Thank you so much for hosting the call. I have a few questions. I'll start with the first one. In offshore shipping segment, sir, are we expected to add any further vessels going forward?

Naveen Mohta: Yes, Rajan, this is an ongoing process. So, as I told you earlier, we are continuously looking for good opportunities and there will be addition as going forward.

Rajan: Okay. Any material progress or things that we can call out in that part? Anything that we are expect to add?

Naveen Mohta: See, there are discussions going on for buying some supply vessels for which we have already notified to exchanges. So, that is already there. And apart from that, as and when something concrete materializes, so that will be definitely conveyed through normal channels.

Rajan: Understood. My next question is that, sir, ONGC plans to invest a lot of amount in the medium term, almost $4 billion. So, what kind of opportunities do we see from this investment from ONGC?

Naveen Mohta: See, this is what I've been telling that ONGC is spending so much of money to shore up their production. And our business is linked with that. And even if there is no further investment by ONGC, because we are maintaining the existing facilities. So, even if there is some kind of drop of oil prices is there for some time, nobody is going to shut down their production.

So, this maintenance work will anyway continue. So, as and when whatever ONGC is going to put up new facilities, it is going to add opportunities for us where we can increase our assets and we can deploy it with ONGC.

Rajan: Understood. And sir, before I get back to my last question, sir, could you please explain or update about what is currently going on in the scheme arrangement with HUL right now, HUL and Seamec? Could you please update on that?

Naveen Mohta: Yes, this scheme is at present it is in hold. The various modalities are being worked out. And once something comes out and we make a concrete decision, then it will be notified to the exchange and come to the public.

Rajan: Understood. Okay. I'll get back in the queue. I have a few more questions. I'll get back in the queue. Thank you.

Naveen Mohta: Thank you.

Moderator: Thank you. The next question is from the line of Mr. Anmol Grover from Albatross Capital. Please go ahead.

Anmol Grover: Good morning, everyone. Thank you for the opportunity. So, I have three questions. So, ONGC and I have a simple question, but that's what the answer is. The question is, the ONGC plans to invest about 4 billion over medium term, right? So, can you quantify, what kind of opportunities can we see from them?

Naveen Mohta: See, it is not possible to quantify how this pie is going to be spent by ONGC and how much we can take into that. But as I told you, the more ONGC spend, the more facilities they want to install, the more opportunity it creates for us. Because we are into this repair and maintenance of these facilities. So, the more these facilities are created, the more will be opportunity for this repair and maintenance will be there.

Anmol Grover: Okay. So, to rephrase my question, if I ask you that if ONGC plans to invest, say, a billion dollars, right? So, how much of an opportunity or business can we get out of that value? I mean, just to get some sense.

Vinay Agarwal: Anmol, it is very volatile right now. If they spend $1 million in the existing facility, maybe there is no new opportunity. However, if they open fresh oil fields for exploration, then definitely there will be IMR activities required for the new field. And then our services will come in play and our opportunities will come in picture.

Anmol Grover: Okay. My other question is also on ONGC only. So, please share some more details on the long-term contract with ONGC. And I believe we've been doing some modifications in Seamec Paladin, to meet the ONGC contract. Can you share some light there?

Naveen Mohta: Okay. So, all the contracts that we are having with ONGC are normally for three years to five-year basis. The one for the barge is for, of course, for two seasons, but it is kind of again on rolling kind of basis. Last year also, we were having this contract and now it is again for two years. So, these are long-term contracts.

As far as Paladin is concerned, Paladin, as I already told, it has been already put on contract and it is working with ONGC. So, whatever modification was required to meet ONGC requirement has been done and it is working with ONGC since April this year onward.

Anmol Grover: Okay. Fair enough. So, one last question is that, recently we got a long-term contract of $32 million, the contract for Seamec and Supreme Hydro Engineering. Can you please share some more details on that, if possible?

Naveen Mohta: As I told earlier, this contract is for two years and this is a kind of rolling kind of contract. We earlier also had a contract for two years for this similar kind of job and presently this is being executed and this contract has been awarded by ONGC, again at a value higher than the one which was last time only.

Anmol Grover: Great, sir. Thank you. That's all from my side and all the best.

Naveen Mohta: Thank you.

Moderator: Thank you. The next question is from the line of Raman, who is an individual investor. Please go ahead.

Raman: Yes, hi. I really appreciate the way -- this is the first time the company is holding the investor's conference call. This is the first time, we have holded the investor presentation. So, I really appreciate the way the company is coming back, in these kinds of times as well. So, I'm having just two questions. One question is like, are we having any sort of medium-term, short-term vision or plan to carry forward the company in the next three years, four years or five years max-to-max?

And the second question is, I think so, that we have misguided, might be misguided is right or not, I don't know, but I think so, that we have not communicated well the investors with regard to the demerger. Earlier the demerger intimation came. For one year that was further hold, then the demerger was like, no intimation was came, then the board meeting was scheduled. After a few days, the board meeting was postponed. So, whether the demerger is called off, whether the demerger is still on the table, if you can please give a clear guideline or a direction on demerger, it would really be very helpful for the investors and for me as well?

Vinay Agarwal: So, Raman, first I'll take your first question. You would see that initially we had three vessels and in last two -three years we have added another three vessels. So, we are very hopeful that over next three to five years, there will be a growth momentum that will continue and we expect growth both in top line and bottom line on a CAGR basis to ensure long-term value creation for our stakeholders.

I hope that answers your first question.

Raman: Have we quantified this growth in value terms? Like, are we targeting any sort of like top line or bottom line...

Vinay Agarwal: On top line, the CAGR growth would be about 12%, 10% to 12%. And in the bottom line, we should be targeting about 15% to 18% bottom line growth on a CAGR basis in three years to five years scale.

Raman: Okay.

Vinay Agarwal: And just to clarify for the larger audience, as we spoke, this dry dock is something which comes within one year and a particular quarter. This may create some quarterly variation, but on an annual basis, we seem to be on track in terms of the growth vision that we have enlisted. Okay.

Raman: Great.

Vinay Agarwal: And now Mr. Mohanty will talk about the scheme.

S Mohanty: As regards to the merger and the reverse merger, both your questions, as you rightly said, is that we went and notified to the exchange, but later on it was kept on events. But as regards to the stock exchange, there is a time factor by which if the proposal is not finalized, then it is dropped. So this is from the management side. It is being relooked, working out the various modalities and the observations received earlier. And based on these things, when it will be appropriate, it will come to the scheme, with the scheme.

Raman: Mr. Mohanty, I think so, you have still not answered my question. My simple question is whether the de-merger is still on the table or called off because this kind of communication, which we are giving from last one year is like, misguiding the investors because the de-merger is again coming now, again got postponed or called off. So whether that's still, it is still on the table or can we expect any sort of three months, four months, six months at the near term or further term?

Vinay Agarwal: Raman, as of now, the scheme is no more in place. There were certain observations that were raised. As Mr. Mohanty said, we are looking into that. And we assure you that once it comes up as a fresh proposal, we will take it from start to finish. I hope, I answered your question now.

Raman: So is there any near term, medium term plan for within six months or a year that the fresh proposal may come?

Vinay Agarwal: Raman, at this point in time, talking about this will be again a forward looking statement, which we would like to resist. But yes, we are hopeful that we do all the right steps for the stakeholders. And that is one of the plan, which will be notified whenever that comes in picture. But this time when it comes, it will be done from start to finish. Okay.

Moderator: Thank you so much. The next question is from the line of Rajan from AMS Investments. Please go ahead.

Rajan: Thank you for taking my question again. So I want to understand what kind of guidance are we looking for going ahead? This is repetitive. I'm sorry. I missed that part. But what kind of guidance are we looking at?

Naveen Mohta: So we, this is our business going forward. What we expect is a 10% to 12% growth in the top line and about 15% to 18% in the bottom line over three to five years scale. CAGR growth.

Rajan: And sir, on the debt portion, how are we going to keep a structure going ahead long term and short term?

Naveen Mohta: So Vinayji will talk about that.

Vinay Agarwal: So as of now, 30th September 2023, we are having a job set of INR196 crores and a net debt of INR20 crores. So out of this 196, this is all long term. There is no working capital loan. There is no requirement for working tax capital. And we are very comfortably positioned to service our long term debt on due date. So there is no need for taking any further loan unless we are planning for any capex. Whenever there will be some capex, we may look for options for raising it through term loan or through internal process.

Rajan: Understood. We recently acquired Aarey Organic Industries. What is the rationale for that? What exactly is the company do??

Naveen Mohta: Okay. See, the Aarey Industries right now, what we have taken, it has got an underlying asset that it has got a land area which has been given by MIDC. So that area we intend to develop for the purpose of building up our capabilities for storage, warehousing, and further fabrication as we go and venture into the new work area like EPC and fabrication and all these things. So this is a kind of asset we have acquired for a captive purpose and for enhancing our capabilities.

Rajan: Understood. And sir, on dry bulk material shipping and also extraction part support services, who are our competitors in the segment respectively?

Naveen Mohta: See, dry bulk is a field which is an ocean kind of thing. So there is no competitor kind of thing. If you look at it, there are one or two major players like Merck and all this. But apart from that, there are so many hundreds and thousands of companies which are having one, two, 10 kind of the thing. So if you have got resources, you can buy the vessel, put it into the market. So there is no known competition or something like that in that segment.

Rajan: Understood. And sir, final question before I get back in the queue. So going ahead, the revenue mix between oil extraction services in an ocean trade, how do we see this panning out going ahead?

Vinay Agarwal: As we said earlier, right now the mix is 85% on the offshore services and 15% on dry bulk. And since we have strengthened our offshore vessel support system, the revenue mix will be 90% towards the offshore services and 10% towards the dry bulk.

Rajan: Understood. So on offshore services, we are charging the rates per day wise. How is it being charged?

Vinay Agarwal: Yes, the charter hire rates on a day basis and they are christened in dollar terms.

Rajan: So can we know what are the current rates going on, on average, for all the vessels? If you could give us an average.

Vinay Agarwal: Because this is a bidding process system, so we would like to resist from revealing the rates. But yes, there has been a rate hike in all our previous contracts and the market is picking up. That we can say.

Moderator: The next question is from the line of Harshit Toshniwal from BottomsUp Research. Please go ahead.

Harshit Toshniwal: Hi, sir. Just had one question. So what are we doing in the diving support services in the oil and gas industry? And if you can also throw some color on who would be our main client and the contract when there is any recognitionprocess?

Naveen Mohta: See, in diving support services, the vessel is equipped, these diving support vessels are equipped with specialized equipment from where the diver goes under the water up to like 80 meters in Bombay Heights. And it can go up to maybe 130 or 200 meters also in various other places. So diver goes underwater and carry out the maintenance of the assets which have been installed by ENP player. So there are pipelines which carry out the crew from Bombay offshore to the shore, then platforms which process these things.

So all these assets which are all metal, these things are there. So which have this environmental issue on there. So to maintain the asset integrity, all these vessels are required. So we have got the biggest fleet of DSV on this side of world. And all these are working directly or indirectly with kind of ONGC as of now. Similarly, one of other vessels is also working in Middle East with indirectly for the Saudi Aramco.

Harshit Toshniwal: Okay, got it. And sir, how does the revenue recognition work?

Naveen Mohta: Come again.

Harshit Toshniwal: The revenue recognition?

Vinay Agarwal: So basically, these are monthly revenue rates where whatever services we provide for the month, we multiply that by the day rate and bill it to the customer. And that's the monthly revenue recognition.

Harshit Toshniwal: Okay, sir. Got it. Got it. Got it. Thank you.

Vinay Agarwal: Thank you.

Moderator: Thank you so much. The next question is from the line of Mr. Anmol Das from Arihant Capital. Please go ahead, sir.

Anmol Das: Thank you, sir. Sir, I have a couple of questions. What is the current industry trends on the offshore industry and the dry bulk material industry in terms of pricing freight charges? Because about a year ago, we were seeing a lot of volatility. So I want to understand that?

Naveen Mohta: Okay, Anmol. As I mentioned, at this point of time, the offshore industry is going through a very good pace. So all kinds of offshore assets are fetching very good prices. Trend is also going to be good for the next five to seven years. As so many research agencies, everybody is predicting. So that is going to be a good thing for the offshore industry.

And same is also holding good for even the dry bulk segment also. Because the way things are now after this COVID, these things are opening up again, economy is picking up. So this offshore segment is going to be, this dry bulk segment is also going to pick up slowly. And this is going to be a good time to be in the shipping industry right now.

Anmol Das: Okay. Thank you, sir. And, sir, other thing is regarding any medium-term capex planning that you have, and purchasing any new vessels, and the amount of capital that may be required for that? Any guidance on that?

Naveen Mohta: Company continues to evaluate its opportunity. We do not want to buy on speculation basis. So we continue to evaluate and match where the opportunity is there. Then we try to assess that if we can buy some assets to meet that opportunity. So it is a kind of ongoing or dynamic kind of evaluation we carry out. So as and when something materializes and we think that, okay, it is safe and good for the, going to fetch good return for all the stakeholders, then we will go for that. But it is an ongoing and evolving kind of thing.

Anmol Das: Okay. Thank you, sir.

Naveen Mohta: Thank you, Anmol.

Moderator: Thank you so much. Ladies and gentlemen, due to time constraints, that was our last question. I would now like to hand the conference over to the management for closing comments.

Naveen Mohta: Thank you very much for taking your time out and connecting on this call. We hope we have been able to answer most of your questions. We will continue to engage with our investor. So anything that is left, you can reach out to our investor relation agency for further deliberation. Thank you very much.

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