SCODA TUBES LIMITED
THE BRAND YOU CAN TRUST

Date: November 16, 2026

To,
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex
Bandra East, Mumbai – 400051
Symbol: "SCODATUBES"

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
BSE SCRIP Code – "544411"

Dear Sir / Madam,

Subject: Transcript of Q2 & H1 FY27 Earnings Conference Call held on November 13, 2026

Pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Q2 & H1 FY27 Earnings Conference Call held between the Company and Investors on Friday, November 13, 2026 on the Unaudited Financial Results of the Company for the quarter and Half Year ended on September 30, 2026 and future outlook of the Company's Business.

The aforesaid transcript is also being hosted on the website of the Company, https://scodatubes.com/investor-zone in accordance with the Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

You are requested to kindly note the same.

Thanking You

Yours faithfully,

For, SCODA TUBES LIMITED

PATEL JAGRUTKUMAR RAMESHBHAI

SCODA TUBES LTD. RAJPUR

Jagrutkumar Rameshbhai Patel
Managing Director
DIN: 06785595

“Scoda Tubes Limited

Q2 & H1 FY27 Earnings Conference Call”

November 13, 2026

MANAGEMENT: **MR. SAMARTH PATEL – CHAIRMAN AND EXECUTIVE DIRECTOR – SCODA TUBES LIMITED**
MR. RAVI PATEL – CHIEF FINANCIAL OFFICER – SCODA TUBES LIMITED

MODERATOR: **MR. RAJ SHAH – CAPITAL BRIDGE ADVISORS**
MR. HRISHIT JHAVERI – CAPITAL BRIDGE ADVISORS

Moderator: Ladies and gentlemen, good day, and welcome to Scoda Tubes Limited Q2 and H1 FY27 Earnings Conference Call. Before we begin, a brief disclaimer. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of 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 the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during this conference, please signal for an operator by pressing star followed by zero on your touchtone telephones. Please note that this conference call is being recorded.

I now hand the conference over to Mr. Samarth Patel, Chairman and Executive Director, Scoda Tubes Limited. Thank you, and over to you, sir.

Samarth Patel: Thank you. Good afternoon, everyone, and thank you for joining us today for the Q2 and H1 FY27 Earnings Conference Call of Scoda Tubes Limited. I hope all of you have had the opportunity to review the Financial Results and Investor Presentation, which have been uploaded to the Stock Exchanges and our company website.

Joining me on the call today are Mr. Ravi Patel, our CFO; Mr. Raj Shah and Mr. Hrishit Jhaveri from Capital Bridge Advisors, our Investor Relations Consultant. FY27 continues to be a year of transition and strategic execution of Scoda Tubes, as we navigate a dynamic operating environment characterized by evolving demand conditions, intensifying competition from private players and elevated input costs, particularly power, fuel and freight.

Additionally, higher crude oil prices and the deferment of capital expenditure across certain segments of the oil and gas industry have contributed to a slower-than-anticipated recovery in demand.

Against this backdrop, our revenue remained largely flat on a year-on-year basis during Q2 FY27, reflecting the prevailing industry conditions. Nevertheless, we continue to make meaningful progress in strengthening our manufacturing capabilities, improving operational efficiencies and expanding our addressable market, which we believe will position the company favorably for its next phase of growth.

Despite the near-term challenges, we remain confident of achieving our previously communicated revenue growth guidance of 20% to 25% for FY27. This confidence is supported by our healthy order pipeline, anticipated improvement in demand conditions, expanding manufacturing capabilities and continued focus on execution. We expect these factors to support the improvement in business momentum during the second half of the financial year.

On the profitability front, elevated power, fuel, freight and other operating costs continue to exert pressure on margins. While we refrain from providing specific margin guidance at this stage, our priority remains to protect our existing profitability level and progressively

strengthen margins through operational efficiencies, cost optimization, improved capacity utilization and operating leverage as volumes recover.

During the quarter, we maintained relatively elevated production levels in anticipation of customer demand. However, intensified competition, particularly from private players, resulted in a slower conversion of production into sales, leading to a higher inventory level.

We believe this inventory provides us with the flexibility to respond promptly to customer requirements and capitalize on opportunities as demand conditions improve. Simultaneously, we remain focused on optimizing production, planning, improving inventory turnover and maintaining prudent working capital management.

Turning to our capacity expansion initiatives. We continue to make encouraging progress in strengthening our welded manufacturing capacity. Our ongoing welded expansion will extend our technical capabilities to manufacture pipe of up to 16 inches in diameter, enabling us to participate in larger and more comprehensive turnkey packages.

We are already witnessing encouraging commercial interest and inquiries from emerging end user segments, particularly data center, cooling infrastructure, HVAC, industrial water treatment and desalination projects. These opportunities are expected to diversify our end market exposure and strengthen our long-term growth potential.

We remain on track to commence trial production at our expanded welded facility during Q4 FY27. In parallel, our additional brownfield welded expansion of 8,000 metric tons per annum, involving a capital outlay of approximately INR40 crores funded through a combination of internal accruals and long-term borrowings is progressing as schedule.

Civil construction is underway, while procurement of long lead equipment remains on track. We expect this additional capacity to be commissioned during H1 FY28, taking our aggregate welding manufacturing capacity to 21,150 metric tons per annum.

On the sustainability and operational efficiency front, we have achieved an improved important milestone with the commissioning of our captive solar capacity. The first phase of 4.99-megawatt DC dedicated to our seamless manufacturing operations was successfully energized and synchronized with the grid in August 2026.

The facility is already contributing towards reducing energy costs, particularly across our energy initiative hot piercing and solutioning operations. Furthermore, we remain on track to commission the dedicated solar power capacity for our welded operations during Q4 FY27, reinforcing our focus on improving cost competitiveness and building a more sustainable manufacturing platform.

On the business development front, we achieved another significant milestone by successfully completing the RINA Marine audit in July 2026, and the final approvals are currently awaited. This certification will strengthen our technical credentials and provide access to new opportunities in the European marine engineering and shipbuilding industry. We believe it will

support our efforts to diversify our customer base, expand our international presence and participate in higher-value applications over the medium to long term.

Looking ahead, while the near-term operating environment remains challenging, we are encouraged by the progress across our strategic initiatives. Our priorities remain firmly focused on improving capacity utilization across our seamless operations, successfully commissioning and commercializing our welded expansion, expanding our presence across new end user industries and export markets and strengthening operational efficiency.

We believe the combination of our expanded manufacturing capabilities, growing addressable market, improving cost structure and continued emphasis on execution will provide a strong foundation for sustainable growth as industry conditions normalize. We remain confident in the long-term prospects of Scoda Tubes and committed to creating sustainable value for all our stakeholders.

With that, I would now like to hand over the call to our CFO, Mr. Ravi Patel, to take you through our financial performance for the quarter and half year. Thank you.

Ravi Patel: Thank you, Samarth bhai. Good afternoon to all participants. Let me present the financial performance of Scoda Tubes Limited for the second quarter and half year ended September 30.

Revenue from operations for FY27 stood at INR148.9 crores compared to INR145.3 crores in Q2 FY26, representing a year-on-year growth of 2.5%. For H1 FY27, aggregate revenue from operations reached INR273.3 crores, up 12.6% year-on-year from INR242.7 crores reported in H1 FY26.

Our geographic revenue mix continues to reflect balanced market penetration in Q2 FY27, domestic sales contributed 63%, that is INR93.8 crores, while export sales accounted for 37% that is INR55.1 crores.

EBITDA for Q2 FY27 stood at INR15.8 crores as against INR22.3 crores in Q2 FY26. Our operating EBITDA margin for the quarter was 10.6% contracting by 479 basis point year-on-year from 15.38% in Q2 FY26. EBITDA driven by high power and fuel expenses coupled with increased freight cost. For H1 FY27, total EBITDA came in at INR31.8 crores reflecting an EBITDA margin of 11.6%.

For H1 FY27, PAT stood at INR10 crores, delivering a PAT margin of 3.7%. Capex incurred H1 FY27 was approximately INR40 crores, primarily directed towards machinery shipments for the facility and solar power plant.

Net fixed assets as on September 30 stood at INR217.2 crores with capital work in progress at INR45.4 crores. Total gross borrowings as of September 30 were INR229.2 crores. Thank you very much.

With this overview, we would now like to open the floor to moderator for the questions and answers.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Aryan Bhatia from InVed.

Aryan Bhatia: My first question is on the delay in the welded line. So previously, we were expecting the line to commission by H1. And now we are expecting in Q4, the trial production to begin in Q4. So I just wanted to know what led to this delay? And second, on the 8,000 metric second line of welded, when are we expecting that line to be commissioned?

Samarth Patel: Yes. Thank you for the question. So the delay in the welded project was purely because of the delay in the construction. If you remember, we had some disruptions in the month of March and April this year because of the gas issue. So the civil contractors and the labor were not able to cope up with that issue.

And because of that, the construction was delayed for 2 or 3 months hence now we are starting it from Q4. So the commissioning and the trial runs are already going on as we speak, and we'll be commencing the production in terms of revenue from January this financial year. Regarding the 8,000 tons of capacity, we are expecting that we start that from H1 to be more specific around April or June next year.

Aryan Bhatia: Got it. And second, on the EBITDA margin decline. So we have said, there were 2 or 3 reasons like power cost has increased, freight cost has increased and also due to the increase in competition from the private players.

So I just wanted to know, let's say, as these costs normalize, so do we expect the margins to go back to the 15%, 16% level we were posting in the earlier financial year? Or are we expecting the margins to be structurally in the range of 12% to 13% due to the increase in competition from the private players?

And second, continue to this, and we have said we were having some emerging inquiries from the sunrise sectors like data centers. So just wanted to know what we are planning to do this on the demand especially from these sectors?

Ravi Patel: The margin pressure was driven by higher power and fuel costs, which increased from 3% to 4.9% of revenue as well as the freight expenses, which also rose from 1.4% to 2.9% of revenue. Despite these cost increases, intense competition from private players limited our ability to pass on the additional costs through price hikes, resulting in largely stable realisations and consequent pressure on operating margins.

Aryan Bhatia: And so, are we expecting the margins to be in the range of 11% to 12%? Or are we expecting some increase in price so that our margins stabilize in the coming quarters?

Samarth Patel: Given the ongoing geopolitical uncertainties and the limited visibility on how the situation may evolve, we believe it would be premature to provide specific margin guidance at this stage. However, our immediate priority is to protect and sustain the EBITDA margins achieved in Q2 FY27 while continuing to focus on operational efficiencies and cost optimization.

Aryan Bhatia: Okay. So we are also putting solar power plant. So do we expect that cost savings to come in, in this financial year? And also on the seamless plant. So what is the current capacity utilization for the 20,000 metric ton?

Samarth Patel: So for the solar power plant for seamless, it has already been capitalized. We are already utilizing the solar generation from the 4.99-watt DC plant in seamless pipe production. And for welded also, we have already done the capex. And when we start the production in January, we'll start utilizing the solar power capacity for as well. So yes, that will help us in saving on the side of power utilization, not on the gas, but specifically on the power utilization.

Aryan Bhatia: Okay. And on the capacity utilization.

Samarth Patel: Due to competitive reasons, we are unable to disclose the capacity utilization for FY27. However, we remain confident of achieving approximately 70% capacity utilization for seamless product in FY27.

Aryan Bhatia: And sir, what is our current order book for the current financial year? And if you can please provide the revenue per ton or EBITDA per ton for the same for both the products? Because as we see some of your competitors are also providing the same.

Samarth Patel: Due to competitive reasons, we will not be able to share EBITDA per tonne. Our order book stands at around INR185 crores right now. And that is all from seamless.

Aryan Bhatia: Okay. And you said you had some inquiries from the emerging sectors like data centers. So are we looking to have some orders or there are some inquiries which we are expecting from sectors like data centers and all?

Samarth Patel: Yes. So our marketing activities is already growing. Our salespeople are meeting people in the data center field. And yes, we are very sure that we would have some orders before we start our welded production. We will be utilizing our welded production capacity for data centers in this year as well.

Aryan Bhatia: So are we looking to get into things like spooling or most of it would be from the welded side only?

Samarth Patel: No. Most of it would be from the welded side only.

Aryan Bhatia: Okay. And last question is on the debt. So our long-term debt has increased from INR40 crores to almost INR100 crores. So what is the reason? And what should be the peak debt we should expect in this financial year? Because our debt has increased quite significantly, and there has no such growth in our top line. So just wanted to know.

Ravi Patel: So we recently added this 8,000 metric tons of welded capacity as well as we did approximately 9 megawatts of solar from ground-mounted solar facility that is also through the debt. Our peak debt will be INR250 crores.

Aryan Bhatia: What's the plan for reducing the debt? So is this the peak debt management is expecting the INR250 crores number?

Samarth Patel: Yes the peak debt is expected to be INR250 crores and no immediate plans to reduce it.

Moderator: The next question is from the line of Shreyans Jain from 3A Capital Services. We've lost the line for the current participant. We'll move on to the next. The line is from Bhavya Shah from 3A Capital Services.

Bhavya Shah: So my first question is what size of pipes are we going to make in our expanded welded segment?

Samarth Patel: So we'll be producing up to 16 inches of welded pipes.

Bhavya Shah: Okay. And my second question is on data center front. What products are we looking to make? Are we going to going into spooling and other products? And what kind of certifications are required to enter this segment?

Samarth Patel: So we'll not be changing our product. Spool will be a very different product. We'll be only focusing on selling welded pipes, which are used by spool manufacturers as well as the HVAC manufacturers, which are basically the cooling systems used in those kind of data centers.

Bhavya Shah: Okay. And my other question is post 100% utilization of mother hollow pipes for captive purpose or for seamless pips, what kind of margins can we achieve in seamless segment post peak utilization of welded? What margin we can achieve in that segment?

Samarth Patel: Given the ongoing geopolitical uncertainties and the limited visibility on how the situation may evolve, we believe it would be premature to provide specific margin guidance at this stage. However, our immediate priority is to protect and sustain the EBITDA margins achieved in Q2 FY27 while continuing to focus on operational efficiencies and cost optimization.

Bhavya Shah: Okay. Got it. The other question is, recently, a few players have announced capacity expansions in seamless pipes. So what's your take on that industry-specific macro? How would this affect our company?

Samarth Patel: So basically, currently, we are already planning to reach 70% utilization of our capacity, which we expect to ramp up in next year to 80-85%. So I don't think those new additions will be a problem in terms of sales. The only pressure where we will get from this competition will be on the margins we are expecting.

The industry has witnessed additional seamless capacities of approximately 60,000 to 70,000 metric tons per annum, which leads to an increased competitive intensity. But the pricing pressure, yes, limiting our ability to pass on higher input to our customers.

Bhavya Shah: Got it. Got it. And my other question is, could you throw some light on working capital days in welded segment? Is it better than seamless? Or how can we compare both of that working capital days for welded and seamless segment?

Ravi Patel: Yes. The capital cycle is lower in welded compared to seamless. So in general, welded has a total cycle of around 130 to 140 days, whereas seamless has around 180, 185 days.

Bhavya Shah: Okay, Got it. And my last question is for H1, our cash flow has been excellent. What are the initiatives being taken? And what -- how the cash flows could improve going forward?

Ravi Patel: So going forward, when the production starts, our revenue will boost up increasing the cash flow further. And which will be helpful for us to utilize the working capital cycle of the upcoming welded project. And if any free cash flow is there, we can go for reducing some debt.

Bhavya Shah: Could you give some more quantify some numbers around that for cash flows?

Samarth Patel: Not yet. We don't feel that this is the correct time. Once we start the welded production, maybe we'll be able to share those numbers.

Moderator: The next question is from Shreyans Jain from 3A Capital Services.

Shreyans Jain: Sir, a couple of questions. First, we have mentioned in our presentation that we remain confident to achieve top line growth of 20% to 25%. So that translates around 30% to 35% growth in H2 on a Y-on-Y basis. So what gives us the confidence to achieve this growth? And could you please highlight any end user industry where you are seeing such growth?

Samarth Patel: So our revenue growth guidance of 20% to 25% in FY27 factors in the expected contribution from our upcoming welded tube manufacturing facility, which is on track to commence commercial operations in Q4 FY27. We expect H2 FY27 to deliver strong revenue growth compared to H1, supported by improved operating conditions, higher sales volume and commissioning of our new welded product.

Shreyans Jain: Okay. And do you expect the seamless to observe the same growth as well?

Samarth Patel: Yes. So basically, including seamless as well as welded, we are expecting 20% to 25% in FY27.

Shreyans Jain: Okay. And the INR185 crores order book you mentioned, could you please bifurcate between the industry, end user industry, if you could?

Samarth Patel: Basically, end user industry, currently, we are seeing a little bit low sales from oil and gas sectors. Out of INR185 crores, almost 40% is from the exports, which is basically our customers are major stockholders in United States and Europe.

Some of them are from automotive sectors. Some of them are spooling manufacturers who manufacture seamless spools for different applications. So yes. But Oil and gas, we are seeing a little bit low tight right now, but from other sectors, we are seeing good.

Shreyans Jain: And sir, we were expecting a few tenders or orders from BHEL. So could you please throw some light on that?

Samarth Patel: Yes. Sure. So the time line for new BHEL tenders remain uncertain, and we expect the tendering process to take some time, because we also don't have any time line from the end customers in BHEL both. However, we continue to have order opportunities in the domestic

market with orders from customers other than NTPC already in hand, providing continuous visibility for our domestic business.

Shreyans Jain: Okay. And sir, INR185 crores order book mentioned, could you please mention the execution time line? Will it take 3 to 4 months from here?

Samarth Patel: It's almost between 4 to 5 months.

Shreyans Jain: Okay. Okay. And sir, you mentioned about the competition from private players you were facing. So could you please mention which -- was it more on seamless means on welded are the players expanding the capacity on welded front or seamless front?

Ravi Patel: Everything is for seamless front, sir. Around 60,000 to 70,000 tons of new capacities we have witnessed.

Shreyans Jain: Okay. And sir, one concern was, sir, our competitors who are growing on the top line front. Margins, everyone was facing pressure, but our company would have also faced some pressure on top line front as well. So what are the reasons for that? Because all other players are growing on top line front, but our company didn't grow this quarter?

Samarth Patel: Sir, I already mentioned earlier regarding margin and revenue pressure because of the competition. I cannot comment on my competitors. But yes, for us, primarily, as we mentioned, the revenue has been made in volumes, not in terms of value. Reason is our ability to increase the selling price.

And this is all because of the competition. So that is the reason you cannot see the revenue growth in terms of volume.

Shreyans Jain: Okay. And one last question, sir. As you mentioned to the previous participant that you can't mention about the margins in short term. But over the long term, could you please highlight what kind of margins can we do once peak utilizations are achieved for both seamless and welded?

Samarth Patel: We'd revisit this question during H2.

Moderator: The next question is from the line of Rohit Suresh from Samatva Investments.

Rohit Suresh: Sir, my first question would be in the past, on the seamless pipes, you had said with the antidumping duty on the mother hollow pipes. It doesn't make financial sense for a lot of players to import mother hollow and make the pipe here in India. So has there been any change in the duty structure, which has actually led to an increase in competition domestically?

Samarth Patel: No, sir, there has not been any change in the policies. The new capacities which we are talking about, which we have witnessed 60,000, 70,000, all of those capacities are for both hot production as well as cold production.

Rohit Suresh: Got it. Sir, but I just want to understand in your presentation, there's a slide where you say there's something called as a sustainable moat, right? So when you say a lot of smaller private

players are coming in and increasing their competition. So I just want to know where exactly is our moat, right, in the seamless space?

Because if larger players are growing and you're facing competition from smaller players, so where does Scoda actually lie, right? Because something is not working out in terms of the numbers. So what would be your take on the sustainable mode part which you mentioned in the PPT?

Samarth Patel: We have mentioned around 7 points in it. Starting from one specialized production of SS pipes and tubes, customer diversification, international presence. So all of these things which we have mentioned are already there in the company, So it's something that where we see Scoda as a different company from our competition is our presence, approvals and accreditation.

We have been a very brand-couraging company since a very long time in the industry. The competition which we are facing is affecting our margins, no doubt, affecting our realizations, no doubt. But it does not affect our values and our customer base, where we are able to sell our products.

We don't see that we are declining on the revenue or on the volume utilization. In fact, we are doing good entering new markets, entering new regions. We are more focused on utilization of our production on exports as well as you can see we are growing our presence in exports. So that is our sustainable growth. This is a bad time, I can understand.

But this is a rough patch which we have not seen since last 10 years. And the only thing which we can do right now is just face it, work on it and just maintain what it is there right now. I think we see that there will be a bright future again after January or February. This is a rough patch, which is temporarily affecting everything.

Rohit Suresh: Sir, but this oversupply situation that I get it, we'll be -- we'll do specialized production and all that. But if there's an oversupply in the market and you have -- you also said you have higher inventory, high-cost inventory with you. So how are we going to -- in terms of passing on the prices in terms of volume growth, right? And even in terms of margins at the end of the day, don't you think it's going to be difficult for us to actually achieve growth in the seamless pipes?

Ravi Patel: See, there is a demand in power sector, a huge demand in power sector. So even though the private players when they will start their production facility, the demand is booming and the imports from China are reducing.

Even though antidumping duty was introduced, there were imports coming in from China. But now what we see, the imports are reducing to almost negligible for the ordinary grades. So that won't be any challenge. Yes, challenge will be there on the margin side. Not on the revenue side.

Rohit Suresh: Got it. Sir, my second question would be on the exports part. So I see U.S. has done well for us. But in terms of Europe, right, there was a quota system, which was -- which came up 6 months back. So what is the response that's coming from your customers in Europe?

Effectively, I guess, the quota has reduced by by 50%. So then what's exactly happening in Europe right now?

Samarth Patel: So in Europe, the business, yes, it is affected. It has been slow. But whatever customers are doing is they are just trying their best to resolve the situation with their government. Other than that, on the business part, they have also set a buying cycle where they are able to do it every quarterly. So their part of purchase now comes on a quarterly basis.

Plus, what they have done is they have invested into bonded warehouses and other stuff where they are able to store and keep the material where they can clear the material at a low average of the antidumping rate.

The whole system of the European Union is not that once the quota of 4,000 tons is full, you cannot import it or you have to pay 50%. The entire regulation which the government has done is the total number of tonnages, for example, if there is the import of 6,000 tons this quarter, then the duty will be shared among all the 6,000 tons of import among all customers, which will come to near, for example, 15%.

So every quarter, there is the slab of antidumping duty, which can differ from 5% up to 25%. The maximum until now they have paid is 25%, which has to be paid not only those who have imported above 4,000 tons of quotas, which has to be paid and shared among all the importers, which includes the total volume of 6,000 tons. So it is not something that the imports are banned or they have to pay flat 50% on what they are buying above the quota.

So yes, the business has been affected, no doubt. But customers have to invest in some things which I mentioned right now. They have to pay higher duty, which means they have to sell at a higher price. They have to pay the rents and everything on the custom bonded warehouses, which is again their part of the cost, not us. So I think this will take a routine system within a few more quarters in Europe as well.

So the customers will also know that now they have to adapt this new system. Other than that, business cannot stop because they don't have any other option to buy from, not even the local manufacturing capacities are enough to fulfill the demand.

Rohit Suresh: Got it. Sir, my last question would be on the gross margins on the welded part. So right now, on the seamless part, our gross margins are around 32% to 33%. So on the welded part, is it like 2% to 3% lower than the seamless in terms of gross margins?

Ravi Patel: No. Gross margins of welded are lower at around 25%.

Moderator: The next question is from the line of Randeep from Investire Capital.

Randeep: Sir, my question regarding the fuel cost. You mentioned that in this quarter, our fuel cost rose from 3% to 4.9%. So I'm assuming a lot of fuel cost has been reversed as of now. In case we come back to original cost of 3%, are we comfortable of going back to a 15% margin?

Ravi Patel: Gas prices are still high, so we cannot comment on margins right and we will revisit this question in H2. Furthermore, intense competition from private players also limited our ability to pass on additional cost through price hikes.

Randeep: One more question is there, sir. You have very specific certification, which the private players don't have. So doesn't that give you the advantage of, I mean, commanding a better price?

Ravi Patel: Yes. We can, we have that advantage.

Randeep: Okay. As of now, the prices have cooled down. So assuming this price remains through the December, so what could be the cost of fuel for this third quarter?

Ravi Patel: We are still paying the same, which we have paid earlier for the gas cost.

Randeep: Okay. And sir, post the welded pipes or whatever this expansion takes FY28, what could be the maximum revenue potential for the company?

Samarth Patel: Sir, we are not sharing future numbers until H2 until unless we are starting the production in January, commencing the production. After that, we can comment on the numbers for seamless pipes.

Moderator: The next question is from the line of Sai Kiran from Family Office.

Sai Kiran: So I just wanted to understand -- other questions of mine have been answered. I have just one question on the working capital front. So I have been observing that our working capital, it has been on the higher side, like because of which our cash flow conversion has been impacted like around more than 60%, 70% of our amount gets stuck in working capital. So what are the hindrances we are facing on that front?

Ravi Patel: So inventory days have increased during the period, primarily due to higher production levels coupled with lower anticipated conversion of inventory into sales amid intense competition from private players. However, we expect inventory levels to gradually normalize during H2 supported by improved sales conversion, better alignment of production with market demand and reduction in inventory holding days.

Sai Kiran: Okay. Because since FY23, we have been facing -- FY24 actually, we have been facing higher working capital issue. So has the competition been high since FY24?

Ravi Patel: So generally, seamless has a lengthy production cycle. So even if see the figure, 180 to 190 days is the industry standard for the seamless manufacturing process. But when the welded production comes, welded has a lower cycle. So that will help us to reduce the overall inventory days.

Sai Kiran: Got it. Got it. And are we taking any actions to reduce the working capital intensity of our seamless business?

Ravi Patel: Yes. We will manage the inventory levels to normalize during H2.

Moderator: The next question is from the line of Bhavik Shah from Invexa MK Ventures.

Bhavik Shah: So my question is regarding the capex. Sir, what is like the capex spending? How much is to be spent yet on the plant? And sir, what is generally your thought process when, say, putting in a capex? What kind of return ratios or say, payback periods do we have in mind when we are putting up a new capacity?

Ravi Patel: Which capex you are talking about building?

Bhavik Shah: Yes, yes, the 20,000 tons of new capacity which you're going to put.

Ravi Patel: Yes. So the total budgeted capex stands at INR45 crores. We expect to utilize this remaining investment during FY28.

Bhavik Shah: Yes. And sir, what kind of, say, return ratios do we have in mind when we put in our capex? And is there any other capex which we are doing apart from this INR45 crores?

Ravi Patel: No, there is no other capex other than this as of now. Whenever we put a capex our internal targets are 15% to 20% IRR but in the short it may vary due to geopolitical uncertainties but we remain confident that 15% to 20% ROCE is a sustainable long-term target as our newly created capacity ramp up.

Bhavik Shah: Okay. And sir, this INR45 crores is for the entire 20,000 tons, right?

Ravi Patel: No, for the additional 8,000.

Bhavik Shah: Okay. And for the 12,000 remaining, how much it will be?

Ravi Patel: That was around INR40 crores to INR50 crores.

Bhavik Shah: Okay. So INR45 crores, which is 8,000 tons is yet to be spent and it will be spent next year?

Ravi Patel: Yes.

Moderator: The next question is from Hemkesh Khattar from Green Portfolio.

Hemkesh Khattar: My first question is regarding the domestic business, which has been weak for us, especially in Q2, where we see a revenue decline of almost 12%. So can you please explain why specifically domestic market is performing so low for you, whereas exports are growing at such a good pace?

Samarth Patel: So the decline in domestic revenue is because in India, currently, the oil and gas sector is running low, right? The only good demand which we are seeing in the domestic market is from the power sector, specifically and some from the chemical sector. So for the power sector, we are already waiting for the BHEL tender, as you know.

And we have already done the process for the approval and audit has been done, everything has been done. And now when the next tender for BHEL or NTPC, we'll also be able to participate, which is the capex is done in a very huge amount, right?

So currently, we are seeing the demand from power sector, especially BHEL and NTPC and some from the scattered market in some chemical companies themselves. But we are doing in oil and gas and private sectors as well, but not in the PSC sectors where we are only doing for the maintenance and the replacement jobs. Even the fabrication business is running low here, even the heat exchanger manufacturers and EPC contractors doesn't have that much job for oil and gas.

Hemkesh Khattar: Okay, sir. And like we are already almost 1.5 months in Q3. Do you see the like market environment improving? Or is it same in the domestic? So we should expect similar like revenue split between export and domestic for the entire FY27?

Ravi Patel: So currently, our order book, as I mentioned, is of around INR180 crores, INR185 crores, which is almost again 4 to 5 months of order booking. In this order booking, we don't see anything different in domestic. But yes, for the whole year, we will see good demand from power supply as well. So we'll be having some few orders and participations from non-NTPC customers for BHEL as well.

Hemkesh Khattar: So the power infrastructure, we have seen H2 to be more like heavy compared to H1. So accordingly, are you expecting the like demand and eventually revenue also improving from domestic in H2 accordingly?

Ravi Patel: Yes, sir.

Hemkesh Khattar: Okay. And what is the current capacity utilization from the seamless capacity of yours?

Ravi Patel: So current utilization -- I mean, current capacity utilization, as we have mentioned in our earlier call, we'll be aligning and maintaining 70%.

Hemkesh Khattar: 70%. And like you expect the same utilization level for like the entire FY27?

Ravi Patel: Yes, sir.

Hemkesh Khattar: Okay. And is there any -- like is this running at optimum levels? Or do you expect this to improve maybe next financial year?

Ravi Patel: Obviously, sir, next financial year, we'll be having plans to ramp up at optimal. This is not optimal right now.

Hemkesh Khattar: And sir, like what is the optimal level? Can you please give some color on that?

Ravi Patel: For utilization?

Hemkesh Khattar: Yes.

Ravi Patel: For the finished goods, the optimum we can do is 80% to 85%.

Hemkesh Khattar: 80% to 85%. Okay, sir. And sir, last question regarding the European business. So we have seen a healthy growth right now, 42% in this quarter. Overall also H1, the revenue split is also improving. What kind of tailwinds are you exactly seeing from the European market? And do you expect them to sustain beyond FY27, like in the long run also?

Ravi Patel: Yes. Despite the challenges in Europe, we are on track to achieve our 25% annual growth guidance. One reason is securing the RINA Marine certification in this quarter opens direct vendor access to European marine engineering and shipbuilding industry, specifically in the regions of Italy, providing a new high-margin revenue channel, where we are expecting some orders we will be executing in December or January.

Moderator: As there are no further questions from participants, I now hand the floor over to the management for closing comments.

Ravi Patel: Thank you, everyone, for joining us. Have a good evening.

Moderator: Thank you very much, sir. On behalf of Scoda Tubes Limited and Capital Bridge Advisors, that concludes this conference call. Thank you all for joining us, and you may now disconnect your lines. Thank you.