



MAHARASHTRA SEAMLESS LIMITED
An ISO 9001 : 2000 Company

FAQ'S

1) What is the name of the group to which Maharashtra Seamless Ltd belongs to and in which year MSL was incorporated and started its commercial production?

- Maharashtra Seamless Limited (MSL) belongs to one of the eminent and respected Industrial House owned by D.P. Jindal Group having turnover of over INR 40 Billion (US \$ 800 million) & market cap of INR 25 Billion (US \$ 500 Million). Today it is one of the largest producers of Steel Pipes & Tubes (in both Seamless and ERW pipes) in India.
- The Company was incorporated in the year 1988 and started its commercial production in 1992.

2) What are the areas of activities undertaken by the Group?

- D.P. Jindal Group is in the businesses of manufacturing of Seamless Pipes & Tubes, ERW Pipes, Offshore Oil & Gas Drilling activities, Wind Power Generation, Merchant & Project exports etc.

3) What are the areas of operation of MSL & the current capacity?

- MSL is the only Indian manufacturer of Seamless pipes & tubes up to 14" OD and ERW pipes up to 21" OD, having a capacity of 350000 TPA & 200000 TPA respectively.
- MSL is also having 3 Layer Polyethylene/Polypropylene & Dual Fusion Bond Epoxy Coating facilities for cross country line pipes.
- 7 MW Wind Power Generation for captive consumption.

4) Why had you gone for Wind power project?

- The Company has diversified into wind power generation both for reaping the fiscal benefits, viz. 100% depreciation under income tax, 100% sale tax incentives, capital subsidy etc. and to neutralize the rising power cost in the State of Maharashtra for the next 20 years. (Since the company has decided to use this power for captive use) It would meet approx. 10% - 15% of the total present power consumption. Besides, it is an environment friendly "Green Power".

5) What all are the technologies adopted by MSL for production of Seamless & ERW Pipes.

- "CPE Technology", used for Seamless Pipes & Tubes production (upto 7" OD), is the world renowned technology.
- "Plug Mill Technology", used for Higher Dia Seamless Pipes & Tubes

production (from 7" to 14" OD), is the most reliable technology, in higher dia segment.

- High Frequency Induction Welding Technology, is used for ERW Pipes & Tubes (upto 21" OD).
- "FUSION BOND EPOXY (FBE)" used for its already existing 3 layer polyethylene (LPE) coating facility. It is considered to be equally effective but economical coating process and all major oil companies in India like IOCL, BPCL etc are now looking for coated cross country line pipe with this coating.

6) What is the basic Raw material required for manufacturing Seamless & ERW Pipes and source of raw material?

- Steel Round Billets are required to manufacture Seamless Pipe. Billets are procured both from indigenous suppliers and from abroad. Major Indigenous suppliers are JSPL, JSW & Kalyani and steel round billets are imported from renowned mills from Europe, Far East countries, Canada, China.
- HR Coils are required to manufacture ERW Pipes. Major Indigenous suppliers are SAIL, Essar, Ispat, JSW, Lloyds etc.

7) What is the difference between Seamless Pipes, ERW & SAW pipes? Its uses & can one substitute the others?

- In Seamless pipe, there are no welding or joints and is manufactured from solid round billets. It is mainly used for High-pressure applications such as Oil & Gas Exploration & Drilling, Oil & Gas Transportation, Hydrocarbon Industries & Refineries and Air and Hydraulic cylinders, Bearings, Boilers, Automobiles etc. ERW (Electric Resistance Welded) pipes are welded longitudinally, manufactured from Strip / Coil and can be manufactured upto 24" OD. It is mainly used for low/ medium pressure applications such as transportation of water / oil. SAW (Submerged Arc Welded) pipes are either longitudinally or spiral welded, manufactured from plate / coil and can be manufactured upto 100" OD. It is used for transportation of large volume of liquid / gases. Depending upon the application, pipes are selected according to its uses and Seamless pipes cannot be substituted for others. Only ERW & SAW pipes can be substituted.

8) Does industry foresee any threat from substitution of other types of pipes?

- Seamless pipe is a high-end product and used only in the high pressure application areas and the other steel pipes viz. spiral and ERW pipes can't be used as a substitute. Hence, seamless pipes industry has a bright future ahead.

9) Does the Company has any Joint Venture or Collaboration agreements with any Global players?

- During the year 2004-05 the Company had entered into a Joint Venture

agreement with Hydril LP, USA to manufacture Premium joint connections. Hydril LP, USA has since been taken over by Tenaris in the May 2007 and consequently, Tenaris has become the joint venture partner of the Company. Tenaris is a global leader in manufacturing of Seamless Pipes and tubes and this new alliance should open up number of other business opportunities apart from Premium connection.

10) Who are the major Global players in Seamless Industry?

- **Domestic:** Maharashtra Seamless Ltd., Indian Seamless Metal & Tubes, Jindal Saw etc.
- **International:** Tenaris - Mexico, Vallourec & Mannesman - France, TMK Group - Russia, Mittal Steel - Romania, Tianjin Pipe Corp. - China, Sumitomo - Japan, Kawasaki Steel Corp. - Japan.

11) Who are the major customers of Seamless pipes, ERW pipes?

- Our Major Domestic Clients are all Oil & Gas Sector Companies (ONGC, Oil India, GAIL, etc.), Automotive Sector Companies (Bajaj Auto, LML, M & M, Telco etc.), Hydro Carbon Industries and refineries (IOCL, HPCL, BPCL, MRPL etc.), Bearing Industry (FAG, NEI etc.), Boiler & Heat Exchanger (ABB, BHEL, ISGEC, Thermax, Cethar Vessels, Paharpur Cooling Towers etc.), Hydraulic Cylinder (UT Ltd., Salzgitter Hydraulic Ltd. etc.), Indian Railways etc. In exports segment we have many worldwide oil companies as buyers, which are spread over all over the globe, viz. USA, Europe, Middle East and Far East countries.

12) Whether MSL is registered as an approved vendor with domestic Oil & Gas players and refineries?

- Yes. MSL is already approved as a vendor to ONGC, OIL, GAIL, RIL, Indraprastha Gas, Cairn Energy, Mahanagar Gas Ltd, British Gas etc.

13) Whether MSL is also registered as an approved vendor with Global Oil & Gas players?

- Yes. MSL is already approved as a vendor to renowned companies like KOC, Saudi Aramco, KNPC, Petronas, and is in active dialogue with other reputed international oil companies such as Shell and Exxon.

14) Where do you see the industry over the coming years?

- The exploration and production of crude oil is going up, this will lead to increasing demand of Seamless pipes mainly for Oil Companies & Tubular Goods (OCTG). Globally Exploration & Production activities have increased considerably which will lead to increase in demand of Seamless Pipe world over. We are also in the process of creating additional capacity to meet

emerging market needs at competitive cost by reaping benefits of scale of production. As per market feedback from Indian as well international manufacturers, we do not foresee any possibility of lowering of demand in near future owing to Energy shortages. Thus, the demand appears to continue to remain buoyant.

15) How will the company capitalize on this opportunity?

- MSL has acquired a seamless plant in Romania, having a capacity of 200000 TPA and completely dismantled and shipped to India. It is expected that the facility would be commissioned by December 2010 and our capacity will increase by another 200000 TPA, which will enable the company to enhance its market share.
- Further we are concentrating on the critical grades like 13 CR, Drill pipe etc. which are a high value added products and required globally.
- MSL keeps carrying on various R & D activities in all the business spheres to increase the plant efficiency & reducing conversion cost which in turn helps the company to increase its operating margins. In addition to the above, MSL is a debt free company hence no financial burdens are there.

16) What is the excise & custom duty structure on both Raw Material & Finished pipes?

Particulars	Import
<u>Effective Custom Duty</u>	
On Round Billets (Raw Material)	5.47%*
On Seamless pipes & Tubes	10.64%*
<u>Custom Duty</u>	
Raw Material	
Alloy Billets	5%
Non Alloy Billets	5%
Finished Goods	
Seamless Pipe	10%
ERW Pipe	10%
* NOM (Net of MODVAT)	

The excise duty @ 10% is chargeable on all the aforesaid products.

17) What is the credit rating of the company?

- CRISIL has pronounced, “Double A plus” i.e. “AA+” rating for the Company’s Debt Programme. This rating indicates high degree of safety with regard to timely payment of interest and principal on the instrument.
- Fitch Ratings assigned a “AA (ind)” rating to the Company’s NCD Programme.
- ICRA assigned a “LAA+” rating to fund-based and non-fund-based facilities

sanctioned by Company's bankers. This is the high-credit-quality rating assigned by ICRA.

- ICRA assigned a "A1+" rating to short-term sanctioned bank limits for non-fund-based facilities. This is the highest-credit-quality rating assigned by ICRA.

18) Does the company have debt in its balance sheet?

- It is a Debt Free company.

19) Is it a correct financial strategy to keep the Company debt free?

- The Company is having a strong cash generation business model and the approach is always to utilize the available funds with the Company for its Capex and Working Capital requirements rather than relying on external debt. However, the Company can always leverage its Balance Sheet, once the bigger Project/Capex. is carried out.

20) What is the history of rights, bonus and stock splits at MSL?

- In January 2003 the Company had issued 14,41,12,800 Nos. 10% Redeemable Cumulative Preference Shares of Rs.10/- each fully paid-up in the form of Bonus shares in the ratio of 1:2. The said Bonus shares were redeemed on 13th March 2004.
- The equity shares were sub-divided from 1 (one) equity share of the face value of Rs.10/- (Ten) each into 2 (Two) equity shares of the face value of Rs.5/- (Five) each in April 2006.

21) What is the dividend policy of MSL?

- It is a continuous endeavor of the management to keep a nice balance between retention of profit and dividend payout. MSL is a growing company and funding its capex and working capital requirement largely by internal accruals. Currently MSL is having a policy of dividend payout between 15% to 20% of the Earnings of the company.
- The diluted EPS for the year i.e. 2008-09 was Rs. 35.56 and the Company had declared a dividend of 100% i.e. Rs.5.00 per equity share of Rs.5/- each.

22) When did MSL raised money from public, viz IPO etc. and what were the initial listing as well as its offering price? Was there any follow-on listing?

- The first ever Initial Public Offer (IPO) came out in the year 1991. The Company raised Rs.24.57 Crores through this IPO. The equity shares of Rs.10/- each were issued at par.
- In 2005, the Company had raised USD 75 Million through FCCBs. These FCCBs were fully converted into equity shares of Rs.5/- each at a premium of Rs.248.34 per share.

The Company believes in judicious utilization of its funds raised from public/private placement of securities/financial institutions/internal accruals etc. To part finance its business plans, the Company had raised funds in the aforesaid years. The consistent Capex plans were supported largely by company's internal accruals.

23) How does the company expect to enhance value over the coming years? What is the status of backward integration plan?

- Through continuous up scaling of technology for production of higher value added pipes such as S-95, NACE, MR-0175 and 13 CR which are high value added products.
- 13CR Seamless pipes has been developed, for which export orders have been received & executed successfully as well. This is the high value added addition, limited only to a few mills in the world.
- MSL is also planning to set up Power Plant for captive consumption.
- The company is currently working on backward integration plan either as a Greenfield facility or acquisition for manufacturing of its raw material, steel round billets.

24) How does the company expect to enhance shareholders value?

- Owing to increased exploration activities, many new companies have come up in exploration activity. New opportunities have been generated, demands for Seamless & ERW pipes have been increased and in turn we are able to grow the revenues consistently.
- MSL had a JV with Hydril International LP, USA (now Tenaris) to manufacture premium thread connections which is a perfect situation for oil companies patronizing only premium connection. Tenaris is a global leader in manufacturing of seamless pipes & tubes and this new alliance should open up number of other business opportunities apart from premium threading.
- We have also developed & supplied 13 CR, casing & tubing, which is a high value added product, used in oil & gas wells. There are a few companies in the world who are manufacturing these grades.
- We also have a coating plant - 3LPE + DFBE for our own pipes as well as market requirement. It is considered to be equally effective but economical coating process and all major oil companies in India like IOCL, BPCL etc. are now looking for coated cross country line pipe with this coating and MSL will be now participating in the cross country coated line pipe tenders floated by these companies in near future.