
Ratnamani Metals aims to maintain margins at 10pct

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Ratnamani Metals plans to aggressively bid for pipe tenders and gradually expand production to seamless pipes.

Mr Manoj Sanghvi business unit head at Ratnamani Metals said that the company's operating margins were likely to remain at 10%, adding that high value added products would negate margin erosion.

Here is a verbatim transcript of the exclusive interview with Mr Manoj Sanghvi on CNBC-TV18.

Q: You are pretty much done with all your expansions of stainless steel pipes. All you are doing is adding another 2,000 tonnes in stainless steel tubes and no expansion in saw pipes. Your current sales are INR 250 crore. How much more traction can we get in the next one or two quarters when that 2,000 tonne comes in? Will it go to INR 260 crore or INR 270 crore? Where will it go?

A: The 2,000 tonnes will take a little while. So, it might come by the first quarter of next year.

Q: So, the bottom line is you are saying sales may be around INR 250 crore and net profit margins should remain around 10%. Would that be correct?

A: Yes, the margins would remain the same. What we are doing is we are going for high value-added items on the stainless steel. We have started manufacturing titanium tubes and successfully executed one order. On the carbon steel, we are getting approved by major oil and gas companies. Thereby we are increasing the volumes and the turnover, and maintaining the bottom line by manufacturing stainless steel tubes for high end and value added applications.

Q: We started this year with steel prices being very low. That is your raw material. Nine months down the road, steel prices are at 2009 highs. Could you tell me how much your input cost has gone up by - 20%, 30%? Are you able to pass that on to your buyers and how much could that impact the bottom line or the net margins by?

A: Most of what we buy is not spot buying. It is almost back to back, is what we do. So, the impact here is whenever we bid for a tender for a particular job, 90% of the steel part is done on a back to back basis. So, if we receive the order the steel supplier receives the order.

Q: So, you are basically saying you have pricing flexibility, which means you can increase the price if the steel price is higher?

A: No. The raw material is booked when we are bidding for the job. It is on a back to back basis.

Q: What about those projects that you are taking up now, which means if you take a project now you've got to price steel at current prices but the order has to be bid on a tender, which means your final price is fixed? Can you still deliver 10% margins or do you believe your margins could be coming down to 8%, 7% or 6% looking at the current steel scenario?

A: Yes for the carbon steel the margins might come down a little bit because we have entered the line pipe segment, which is a more voluminous job. We see the margins coming down a little bit. But it is being compensated by making the high value added products for the stainless steel segment. So, overall the margins will more or less remain the same.

(Sourced from CNBC-TV18)

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