



SEAMEC LIMITED

A member of **MMG**
METALACORPORAL GROUP

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SEAMEC/BSE/TRANSCRIPT /SMO/1911/2024

November 19, 2024

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

Trading Symbol: 526807

Sub: Transcript of Investors/ Analyst Earnings concall held on November 14, 2024

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 concall organized and held on Thursday, November 14, 2024, in relation to the Unaudited Financial Results of the Company for the quarter and six months ended September 30, 2024 (Q2 FY25) 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**

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S.N. Mohanty

President - Corporate Affairs, Legal and Company Secretary

Please visit us at : www.seamec.in





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SEAMEC/NSE/TRANSCRIPT/SMO/1911/2024

November 19, 2024

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"

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S.N. Mohanty

President - Corporate Affairs, Legal and Company Secretary

Please visit us at : www.seamec.in





“Seamec Limited
Q2 FY '25 Earnings Conference Call”
November 14, 2024



MANAGEMENT: **MR. NAVEEN MOHTA – WHOLE TIME DIRECTOR – SEAMEC LIMITED**
MR. RAKESH AYRI – CHIEF EXECUTIVE OFFICER – SEAMEC LIMITED
MR. VINAY AGARWAL – CHIEF FINANCIAL OFFICER – SEAMEC LIMITED
MR. SUNIL GUPTA – VICE PRESIDENT-STRATEGY AND INVESTORS RELATIONS – SEAMEC LIMITED

MODERATOR: **MR. BALASUBRAMANIAN – ARIHANT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Seamec Limited Q2 FY25 Earnings Conference Call. As a reminder, all participant lines will remain in a 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 telephone.

Please note that this conference is being recorded. I will now hand the conference over to your host, Mr. Balasubramanian from Arihant Capital. Please go ahead, sir.

Balasubramanian: Thank you, Ryan. Hello and good evening everyone on behalf of Arihant Capital. I welcome you to the earnings call of Seamec Limited for Q2 FY25. From the management side, we have Mr. Naveen Mohta, the Whole-Time Director, Mr. Vinay Kumar Agarwal, CFO, Mr. S. N. Mohanty, President, Corporate Affairs, Legal Services and Company Secretary, Mr. Sunil Gupta, VP, Strategy and Investor Relations. We welcome the management of Seamec on this call. Now I invite Mr. Naveen Mohta, Whole-Time Director, to give his opening remarks following which we will open the floor for Q&A. Over to you, Mr. Naveen Mohta, sir.

Naveen Mohta: Thank you, Bala. Good evening, everyone. Firstly, I would like to thank you all for joining our Q2 and H1 FY25 earnings call. Today, joining me, Mr. Rakesh Ayri, our CEO, Mr. Vinay Agarwal, CFO, and Mr. Sunil Gupta, Vice President, Strategy and Investor Relations. In reviewing the oil and gas industry landscape for the first half of FY25, we see ongoing shifts shaped by challenges such as regulatory changes and geopolitical uncertainties. Nevertheless, the industry continues to show resilience, with sustained global demand underscoring the continued importance of oil and gas.

While traditional energy remains significant, there is also a clear transition toward cleaner and more sustainable solutions, creating long-term growth opportunities for industry. In India, energy demand is expected to rise substantially, fuelled by the economic growth and a population projected to become the largest in the world. Government initiatives, including the Union Budget's INR35,000 crores allocation for energy transition and security, along with a focus on infrastructure development, are positioning the industry for expansion.

By 2030, India is expected to become the third largest energy consumer, with annual energy demand growth anticipated at approximately 3%, significantly surpassing the global rate. For Seamec, these trends present notable opportunities, particularly within the offshore services.

With our advanced fleet and skilled teams, we are well-positioned to support the incremental exploration and production activities for key clients, including ONGC, Aramco and AdNoc. Several important developments occurred in the past quarter. On 26th September 2024, we entered into a Charter Higher Agreement with Supreme Hydro Engineering Pvt. Ltd. for our vessel Seamec-3. The 20-day period contract for underwater inspection work at Mumbai High Offshore Field commenced in early October and was completed recently on 12th November.

The project highlights our continued success in the high-value contract that contributes to our revenue. Additionally, our barge Seamec Glorious began its second fair-weather season with ONGC in the western offshore field on 16th October, reflecting our ongoing partnership with

ONGC. We anticipate that this project will further solidify our position in the offshore support services market.

Furthermore, our vessel Seamec Princess has been remobilized to complete the third season of the Pipeline Replacement Project 7 with ONGC, with the operation resuming in early November 2024. These projects, along with our other projects in pipeline, provide a strong foundation for growth in the second half of the year. With these developments in mind, we are focused on executing our strategy and leveraging our operational strengths to build long-term value for our stakeholders.

I will now hand it over to Mr. Vinay Agarwal, our CFO, who will walk you through the detailed financial performance for the second quarter.

Vinay Agarwal:

Good evening everyone. Thank you Naveen ji. I warmly welcome everyone participating in today's Q2 and H1 FY25 earnings call. Allow me to walk you through the consolidated financial performance for the second quarter and half-year run FY25. Our revenue for the quarter rose to INR110 crores compared to INR98 crores in Q2 FY24, reflecting a 12% increase year-on-year. At the standalone level, revenue rose by 32%.

EBITDA for the quarter increased from INR30 crores in Q2 FY24 to INR38 crores in Q2 FY25, registering a robust growth of 26%. On a standalone basis, EBITDA increased by 18% on a year-on-year basis from INR31 crores in Q2 FY24 to INR37 crores in Q2 FY25. Profit after tax on a consolidated basis stood at INR0.2 crores against a loss of INR14.5 crores for the same quarter in the previous year.

At the standalone level, profit after tax increased from INR2 crores in Q2 FY24 to INR3 crores in Q2 FY25. Seamec remains in a strong financial position with a net cash surplus of INR178 crores after adjusting the borrowing. The ROCE has improved to 14% and ROE to 16% on a consolidated basis.

Looking ahead, we are confident in our ability to continue capturing growth opportunities in the offshore service sector. The demand for subsea inspection, maintenance and construction services remains robust and we are well positioned to continue executing on our strategic priorities. Our fleet remains in high demand and we expect continued positive contributions from projects and ongoing work for ONGC.

Overall, we are pleased with the performance thus far and are optimistic about the prospects for the second half of FY25. We remain committed to delivering sustainable growth and value for our shareholders.

Thank you. I will now hand it back to the moderator to facilitate the question-and-answer session. Thank you.

Moderator:

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session, The first question comes from the line of Rajesh Jain from N V Investments. Please go ahead.

- Rajesh Jain:** Hi, sir. Very good afternoon. I just wanted to ask one question. With half of the DSV and barge fleet now on new contracts, how does management expect the repricing of three more vessels in FY '25?
- Naveen Mohta:** Rajesh, can you come back? Your voice was not audible.
- Rajesh Jain:** Yeah. Am I audible now?
- Naveen Mohta:** Yeah. Now it is better.
- Rajesh Jain:** Yeah. With half of the DSV and barge fleet, I guess, is on new contracts, right? In last earnings call, you had said that we are planning the renewal of contracts. So just wanted to understand the repricing of three more vessels like in FY '25.
- Naveen Mohta:** Yes. So the repricing will be happening as we told that contract will be getting over. But this new tender will be coming in. So there is still some time for new tenders to come. But definitely these tenders will be coming. And when these tenders come, since the market has gone up, so there will be repricing of the rate will be definitely taking place.
- Rajesh Jain:** And like, could you also provide an update on any new vessels to be added, like apart from the one that you have already informed? Any new capex planning?
- Naveen Mohta:** Yeah. See, again, this is as we have told earlier. Also, it is an ongoing process. We continue to look for some good opportunity, whether it is for buying or selling or whatever it is. So as and when some good opportunity comes, definitely we will declare to the exchanges. So from where that you can get the information. But yes, we continue to remain in the market for acquiring some vessels.
- Rajesh Jain:** Got it Sir, Thank You.
- Moderator:** Thank you Rajesh. The next question comes from the line of Rajeev Jha from RJ Investments. Please go ahead.
- Rajeev Jha:** Yes, sir. My first question is, sir, can you provide me an update regarding the average contract duration for our DSVs? And can you please explain how the shift from older rates to higher rates affected our top line in FY '25?
- Naveen Mohta:** Okay. See, the average tenure of the contract is normally around three to five years. But again, if you have seen our stock exchange filing, you will see there is a mix of information out there. Some contracts are on spot contracts, so maybe for one year or two year basis. Some are three year and some are even five year contract also. So there is no fixed pattern in the contract duration.
- Rajeev Jha:** Also, sir, could you provide me like how much share does this charter hire rates have increased and what do you expect for the rates going forward?
- Naveen Mohta:** The charter hire rates have increased. That is definitely there. But again, each contract is structured in a different way. So some are pure charter hire contracts, some are pure lump sum

contracts and different-different scopes. So there is no parameter or yardstick where we can say that, OK, there has been that much kind of increase in the charter hire rate. But on basic level that definitely there is an uptick and there is an increase in the charter rates.

Rajeev Jha: Ok. Thank you for the opportunity, sir. My question has been answered. All the best to you, sir.

Moderator: The next question is from the line of Rambhakt Acharya from Diplomacy Investments. Please go ahead.

Rambhakt Acharya: Yes. So, sir, I wanted to understand the timeline for repricing agreements. Are these typically renewed annually or is there flexibility to adjust rates mid-contract as well?

Naveen Mohta: No, there is no possibility to increase the rate during the currency of the contract or middle of the contract. The repricing happens only once the contracts are over and then typically all these contracts are rolling kind of thing. So, new tender comes and during that period of time that repricing takes place.

Rambhakt Acharya: Noted, sir. And, sir, additionally, could you share the utilization rate or operating days for the past quarter, maybe two or three quarters?

Naveen Mohta: See, again, all this can be inferred from our stock exchange filing. Whenever our vessel goes on hire and offhire, we provide the information on stock exchange. So, that is information which is publicly available.

Rambhakt Acharya: Got it, sir. And, sir, one more question. For the OSV segment, what is the expected payback period and how do its margin compare to those of the DSV segment?

Naveen Mohta: See, the payback period, again, depending upon the age of the vessel and the price, it varies from asset to asset. But as a thumb rule, we try to get this payback between five to seven years. And if it is going beyond seven years, then we do not take the decision of buying the asset.

Rambhakt Acharya: Ok. That's it from my end. Thank you.

Naveen Mohta: Thank You.

Moderator: Thank You. The next question comes from the line of Avi Agarwal from Sky Investments. Please go ahead.

Avi Agarwal: Hi. Thanks for the opportunity. I wanted to ask if you could update us about the status for OSV business. Earlier, there were some technical issues and what is the current status of deployment and when can we expect the second vessel?

Naveen Mohta: Yeah. Okay, Avi. So, as you have seen that, okay, there was some issue which we have even intimated to stock exchange also. So, now that vessel is now ready, there was some unfortunate incident that vessel has to be taken out and it has to be repaired. But now that vessel is ready, so maybe you will be soon seeing this exchange filing that vessel has been rehired again or put into the contract again very soon.

- Avi Agarwal:** Okay. And in the last call, you had mentioned that the company is under consideration to liquidate some portion and maintain a small office and get the money back from the UK subsidiary. So, any update on that?
- Naveen Mohta:** Yes. So, that is an ongoing process. So, that is going on. So, on that also, we will be coming back to the exchanges as and when this is decided.
- Avi Agarwal:** Okay. And by when can we expect activities in the East Coast and if you could share the opportunity size and our share in that business plan?
- Naveen Mohta:** Yes. So, East Coast, as we have conveyed even in that earlier call also that there are opportunities which are coming up since the field is developing. So, definitely there will be opportunities coming up. So, soon we will be looking at something that is coming up in the East Coast as well.
- Avi Agarwal:** Okay. And so, we have seen some Y-o-Y decline on margins. So, any specific reason for that and what kind of margins should we expect on an annual basis?
- Vinay Agarwal:** So, in margins, whatever margins insignificant dip was there, that will be made good going forward and we are very confident that year-on-year basis, we will be giving positive increment on our margins.
- Avi Agarwal:** Sorry sir, I couldn't hear you. What was the reason you specified for the declining margins?
- Vinay Agarwal:** So, reason being in monsoon season our deployment is less. So, because of less deployment vessels which are not deployed, cost will remain there to be incurred. That's why our margins are less in this Q2 season.
- Avi Agarwal:** Okay. And a follow up for that, like what will be the total employment days in Q2? Deployment days?
- Vinay Agarwal:** In Q2, we have achieved a deployment of 51% overall.
- Avi Agarwal:** So, out of 3 months, there was 51% deployment, right?
- Vinay Agarwal:** Right, right.
- Avi Agarwal:** Okay. And so, my last question is that when will the dock be completed for Seamec Princess, Swordfish and Glorious Barge?
- Naveen Mohta:** Okay. So, dry dock for Swordfish, for all the three vessels has been completed and Barge Glorious has already moved on to do the work. And Princess has also moved, as I mentioned during my introduction and during this opening notes that Princess and Barge has already started their work after the commencement of the working season. And Swordfish is also getting ready and it will be soon deployed for some contracts.
- Avi Agarwal:** Ok. Thankyou Sir.

- Moderator:** Thank you. The next question comes from the line of Darshal Shah from ABC Capital. Please go ahead.
- Darshal Shah:** Hi, sir. Thank you for taking my question. First question would be, I just wanted to get an update for the NPP Nusantara. Is it on schedule to be deployed by October 25?
- Naveen Mohta:** Yeah, as of now, definitely this is on schedule only.
- Darshal Shah:** And what would be the payback period for this vessel?
- Naveen Mohta:** 5 years.
- Darshal Shah:** 5 years, okay. Also, on the fuel cost, is it borne by us or by the customers?
- Naveen Mohta:** Fuel cost is in most of the cases, it is borne by the customer, except in the cases where we have taken a lump sum job. So, majority of our fleet is on the contract where client is bearing the fuel cost.
- Darshal Shah:** Okay. Another question would be on the working capital side. How is the working capital cycle looking at the moment for the company?
- Vinay Agarwal:** So, as we close our Q2, our working capital cycle is around 75 days, which comprises of around 90 to 95 days of debtor. So, overall working capital cycle is around 75 days.
- Darshal Shah:** And how are you going to improve it in the coming year?
- Vinay Agarwal:** So, we have put in place for very close monitoring of our debtors and we are putting best of our efforts in debtors realisation. So, we are hopeful to make it better by 5 to 10 days in the coming days.
- Darshal Shah:** And can I also get some views on the working capital cycle for the next 2 financial years?
- Vinay Agarwal:** It would be too difficult to say right now, but we are hopeful to maintain the same level if not better.
- Darshal Shah:** Okay, thank you. That's it from my side.
- Moderator:** Thank you. The next question comes from the line of Sakshi Trivedi from Vijay Associates. Please go ahead.
- Sakshi Trivedi:** Good evening, sir. Thank you for the opportunity. My question would be, I think half of our DSV's and Barge fleets signed revised contracts in financial year 2024. So, what data will it provide to us now for the growth in the coming financial years?
- Sunil Gupta:** As Naveen ji said, we are already in three contracts. We are expecting renewal, which is Seamec-3, Seamec Princess and Swordfish. Depending on what kind of negotiations and commercial contracts are closed, it is a little early, but definitely we are hopeful that there will be some

benefit coming to the company in terms of repricing. Probably, once these are done, exchange filings will be done and you will be able to get it from there.

Sakshi Trivedi: Another question would be, your vessels were up for repricing in financial year 2025. So, what is the update on that?

Sunil Gupta: That is what I said. In 2025, we have three vessels where we are expecting repricing. The tenders will come and once the tenders come, we will be able to know once they are allotted. So, there are three contracts which will be coming under repricing in H2.

Sakshi Trivedi: Got it. Another question would be, what are the levers for growth to significantly step up to your target ROC of 18% to 20% by financial year 2026?

Sunil Gupta: Our current ROC, as per the H1 numbers also, ROC is 14% and ROE is 16%. We are making all efforts to ensure that we work towards a profitable growth with right financial covenants and basis that we are confident that by FY '26, we should be able to achieve the ROC target that we have given earlier.

Sakshi Trivedi: Okay, sir. That's it from my side. Thank you.

Moderator: Thank you. The next question comes from the line of Rajesh Jain from N V Investments. Please go ahead.

Rajesh Jain: I had a follow-up. I read in a note that Seamec-3 and Seamec Princess were...

Sunil Gupta: Can you be a little louder?

Rajesh Jain: I read a note that Seamec-3 and Seamec Princess were contracted till May 24 by L&T for EPC contracts. It mentions that the renewals were likely in Q3 FY '25. Any updates on that?

Naveen Mohta: Yeah. So, Rajesh, as we talk, the talks are going on. To complete the formalities for that, there has been a significant discussion with the EPC contractor with whom we are going to contract it. But contracts and all those things are yet to be signed. So, very soon there will be an announcement on this aspect as well.

Rajesh Jain: And also just wanted to understand, you had previously guided that we have not been affected by the volatility in crude oil prices. And this is mainly taken care of by clients. However, that has not been the case for L&T, right?

Naveen Mohta: No, even in case of this EPC contract, as I told you that it is in our cost only. So, some impact is there. But now if you see, the prices have come down only. So, the contract, the prices which we have quoted, we have taken the price which is now higher than the current ruling price.

Rajesh Jain: Okay. So, how should we look at the new contracts Q3 FY '25 onwards?

Naveen Mohta: It will be quite a good contract.

- Sunil Gupta:** However, Rajesh, just to mention here, there has been slight delay which is beyond our expectation in terms of the renewal. So, there will be some impact in Q3 with regard to the sale.
- Rajesh Jain:** Okay. And any percentage guidance by which our agreements have reprised, any guidance that you can give?
- Sunil Gupta:** Since this is a bidding process, giving a guidance on repricing is not prudent here, Rajesh.
- Rajesh Jain:** Got it.
- Sunil Gupta:** Once it is done, we will definitely inform exchange and that will be available to you.
- Rajesh Jain:** Got it. Thank you, sir. All the very best. Also, one thing on your UK side, we have been exploring opportunities at global scale, right? The Middle East and the UK.
- Naveen Mohta:** Yeah.
- Rajesh Jain:** So, any updates on new global opportunities from next financial year onwards or upcoming quarters?
- Naveen Mohta:** We are looking for those opportunities but along with that, we are also looking for some suitable asset in the form of vessel and all these things. So, both the things are going on. So, as and when anything matures, definitely we will come back to you on that.
- Rajesh Jain:** So, planning to acquire a vessel in the overseas market?
- Naveen Mohta:** Yeah, correct.
- Rajesh Jain:** So, the acquisition would be under the subsidiary or how would it be processed?
- Sunil Gupta:** Right now, it is too early for us to tell you, Rajesh, but definitely whether it is a subsidiary or Seamec, the consolidated numbers will definitely improve from what they are today.
- Rajesh Jain:** Got it, sir. Thank you and all the very best.
- Naveen Mohta:** Thank you, Rajesh.
- Moderator:** Thank you. The next question comes from the line of Darshal Shah from ABC Capital. Please go ahead.
- Darshal Shah:** Hi, sir. Thank you for taking my question again. Sir, actually looking at the trend of the company, I have recently started to track. What I have understood is that the September quarter for Seamec is always weak. So, what are the major reasons for the same and could you provide some outlook? Like how would you rectify it or is it something macro reasons where you guys cannot do sales?
- Sunil Gupta:** Darshal, since there is a seasonality because in Q2, it is a monsoon season where three of our vessels are generally off hire and therefore you see volatility in Q3. As you rightly said, to better this volatility or mitigate this, ideally we would look for contracts which are full year contracts,

which are diving support services. If we expand in that fleet area, then definitely the volatility on Q-o-Q basis will reduce.

Darshal Shah: Okay. Thank you so much.

Sunil Gupta: Thank You.

Moderator: Thank you. As there are no further questions, I would now hand the conference over to Balasubramanian. For his closing comments.

Balasubramanian: Thank you, sir. Thank you all the participants. Mr. Sunil Gupta sir, is there any final closing remarks from your side?

Sunil Gupta: Thank you to all our investors who have taken out time and who are studying our company. We are very confident that we are working for the betterment of the company and going forward, we should only improve from here. Stay connected. Stay healthy. Thank you very much.

Moderator: Thank you. On behalf of Seamec Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.