



UNITED DRILLING TOOLS LTD.

CIN : L29199DL1985PLC015796

OIL DRILLING EQUIPMENT MANUFACTURING AND SERVICES

Phones : +91-0120-4842400
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Fax No. : -91-0120-2462675

USE PREFEX FOR CALLING -

From out side Country -91-120

From out side State -0120

From New Delhi -0120

Please Reply to Head Office

A-22, Phase-II, Noida-201305

Distt. Gautam Budh Nagar,

Uttar Pradesh, India

E-mail : ENQUIRY@UDTLTD.COM

Website : WWW.UDTLTD.COM

26/05/2022

UDT/SEC/2022-23/BSE-16-NSE-16

To
Department of Corporate Service
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400001
Security ID - 522014

Listing Compliance Department
National Stock Exchange of India Ltd.
Exchange Plaza, C-1 Block-G,
Bandra Kurla Complex, Bandra (E),
Mumbai - 400051
Security ID - UNIDT

Sub: Revised Intimation of Q4 FY22 & FY22 results Earning Conference Call dated 26/05/2022

Dear Sir / Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform that the Earnings Conference Call with M/s Anand Rathi Share & Stock Brokers to discuss the Financial Results (Standalone and Consolidated) of the Company for the quarter and year ended 31st March, 2022 is scheduled to be held on Thursday, 26th May, 2022 at 03.00 PM (IST) as per details enclosed herewith.

Dial in details:

India : +91 22 6280 1386 / +91 22 7115 8287

Hongkong : 800964448 | | Singapore : 8001012045

USA: +1 866 746 2133 | | UK: 0808 101 1573

Diamond Pass Registration link for no Wait time (Please note the above dial in details can be used to login in case the registration link is not working)

<https://services.choruscall.in/DiamondPassRegistration/register?confirmationNumber=8080798&linkSecurityString=23575f2940>

This is for your reference and record.

Thanking you,

Yours faithfully

For United Drilling Tools Ltd.

Naveen
26/5/22
Naveen Bhatnagar
Company Secretary
M. No. F-6079



ANAND RATHI

United Drilling Tools



4QFY22 & FY22 Results Conference Call

26 May 2022 (Thursday), at 3:00 pm IST

Hosted by Anand Rathi Share & Stock Brokers

Participants

Dr. Kanal Gupta

(Executive Director)

Mr. Mukesh Mehta

(CFO)

Mr. Naveen Bhatnagar

(Company Secretary)

Primary Access Numbers for Participants

Universal Access: 022 6280 1386 / 022 7115 8287

International Access

USA: +1 866 746 2133

Hong Kong: 800 964 448

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For further information, please contact
Call Leader

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03/06/2022

UDT/SEC/2022-23/BSE-23-NSE-23

To
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Listing Compliance Department
National Stock Exchange of India Ltd.
Exchange Plaza, C-1 Block-G,
Bandra Kurla Complex, Bandra (E),
Mumbai - 400051
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Sub: Transcript of Earning Conference Call dated 26.05.2022

Dear Sir/Ma'am,

Pursuant to regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed herewith the transcript of earning conference call on audited financial results (standalone and consolidated) for the quarter & year ended March 31, 2022.

This is for your information and record.

Thanking You,

Yours faithfully

For United Drilling Tools Ltd.

Naveen
3/6/22
Naveen Bhatnagar
Company Secretary
M. No. F-6079





“United Drilling Tools Limited
Q4 FY2022 & FY2022 Earnings Conference Call”

May 26, 2022



ANALYST: MR. RAHUL JAIN - ANAND RATHI SHARE AND STOCK BROKERS

**MANAGEMENT: MR. PRAMOD GUPTA – CHAIRMAN & MANAGING DIRECTOR – UNITED DRILLING TOOLS LIMITED
DR. KANAL GUPTA – EXECUTIVE DIRECTOR - UNITED DRILLING TOOLS LIMITED
MR. MUKESH MEHTA – CHIEF FINANCIAL OFFICER - UNITED DRILLING TOOLS LIMITED
MR. NAVEEN BHATNAGAR - COMPANY SECRETARY - UNITED DRILLING TOOLS LIMITED**



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May 26, 2022*

Moderator: Ladies and gentlemen, good day and welcome to the United Drilling Tools Limited Q4 FY2022 and FY2022 Earnings Conference Call hosted by Anand Rathi Share and Stock Brokers. 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, please signal an operator by pressing '*' then '0' on your touchtone telephone. I now hand the conference over to Mr. Rahul Jain from Anand Rathi Share and Stock Brokers. Thank you and over to you Sir!

Rahul Jain: Thank you Melissa. On behalf of Anand Rathi Share and Stock Brokers, I would welcome everyone to Q4 FY2022 and FY2022 earnings call of United Drilling Tools Limited. From the management side, we have Mr. Pramod Gupta – CMD, Dr. Kanal Gupta – Executive Director, Mr. Mukesh Mehta – CFO and Mr. Naveen Bhatnagar - Company Secretary. We will start with the opening remarks from the management side regarding the company brief, its presence in the industry, the result and post which we will open the floor for Q&A. Over to you, Sir!

Kanal Gupta: Good afternoon to all participants and we thank you for your time and interest in UDTL. I am Dr. Kanal Gupta, Executive Director of United Drilling Tools. We would like to also thank Anand Rathi Share and Stock Brokers and Rahul for organizing this event.

During the course of this conference call there would be discussion which could be forward-looking statements regarding trends, our strategy and the anticipated performance of the business. These forward-looking statements are based on management's current views and expectations and are subject to various unforeseen risks and uncertainties including those relating to the impact of COVID-19 on our business, the Oil and Gas industry and the global economic condition. Our actual results may differ materially in any such events.

We believe that you would all have a preliminary understanding about our business and operations, but I would like to present a brief about United Drilling Tools Limited. UDTL is the global manufacturer of high-quality precision-engineered products in upstream Oil and Gas exploration. It is a single manufacturer of several oil drilling items such as Wireline Winches, Stabilizers, and large OD Multi-start Connectors in India. It is a solution provider with presence in downhole tools, wireline, well service equipment and gas lift equipments. This has led to a 60% market share in upstream drilling tools and equipment market in India.



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A good pedigree management with four decades of deep industry experience of servicing in the oil exploration and production sector. The Company has four state-of-the-art technology focused manufacturing facilities across Gujarat and Noida. The company has an integrated value chain from being a stabilizer manufacturer to manufacturing various oil fields, drilling and production product. The revenue breakup was 68% casing pipes and connectors, 10% from gas lift valves, and 3% stabilizers and 19% wireline winches. The key developments during the last financial year, there was development of new product lines such as side pocket mandrel, swift connectors and lynx connectors, which has demand in India and overseas markets. A copy of press release may be viewed in the exchanges.

We have got the design patented registered in UK for multi-start casing pipe connectors, metal to metal seal casing pipe connectors, in base set casing pipe connectors registration of this is valid for a period of 5 years. Copy of press release may be viewed on exchanges. We have appointed marketing representatives in Egypt, Libya and Vietnam to promote our products and expand our market base in these countries. Recently we have also appointed new marketing representative in US region. Registration and local approval for the new upcoming project in Gujarat, being in Rudrapur have already completed and we have started the construction process.

The future business strategies include increasing registrations in the international market, adding footprint in South East Asia, Middle East, Russia and South America, scaling capacities of all new product lines, increase production range via organic and inorganic routes, reduce cost of production and enhance revenue potential and profit margins. I would like to handover to Mr. Mukesh Mehta for the key financial performance highlights.

Mukesh Mehta:

Thank you, Sir. Good afternoon everyone. We shall be taking first the annual performance thereafter the Q4 performance of our company. We are pleased to inform that we have achieved a turnover of 156.42 Crores, which is more than 14% more than the previous years and our EBITDA margin is 75%, which is more than 76% of the previous year, which was 42.70 and the margin is last year it was 29%, which has increased to 45.16. PBT is 71.64 Crores which is more than 83% of the last year, which was 39.10 and PAT is 50.36 Crores, which is more than 54% of the previous years, which is 22.7 and the PAT margin last year was 22, this year is 30.26 and earning per share is 24.8 of the current year, previous year it was 15.09.

Now I will take up the Q4 results. Our net income is 40 Crores, which is less than 50% of the previous Q4 2021 which was 47.38 and EBITDA has been raised from 5.95 to 12.96,



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which is more than 100% and EBITDA margin of the last quarter 2021 was 12.56, which has increased to 30.35 and PBT of the previous quarter was 5.03, which has now increased to 11.13. PAT in the last quarter of 2021 was 4.1, which has increased to 8.11 in the current year and PAT margin of the last Q4 2021 was 8.8, which has increased to 20.24 and earning per share of Q4 FY2022 is 4 whereas in the Q4 FY2021 is 2.06. In the current year we have paid dividend of 21%. We have just repeated last year also we paid 21% dividend to the shareholders and we have saved the overheads. In the last year it was 27 Crores now it is reduced to 25 gaining about 2 Crores despite inflation. Now, I open the call to Dr. Kanal Gupta for Q&A session.

Kanal Gupta: Thank you Mr. Mehta. We will open for the question and answer session. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, thank you for the opportunity. Sir, in the past all that we have done we were looking at close to about 180 Crores type revenue, what we delivered is about 155 Crores for the full year, any comments there that is my first question? Second is from the cash flow, I see some cash flow has been used for loans and advances and noncurrent assets, so you could help us to understand what is this in the balance sheet and my third question is about your capacity, which is supposed to come in Kandla when it is now slated to come and what kind of revenue growth in do you see in FY2023?

Kanal Gupta: Sir, actually we have consolidated this 166 Crores is only for United Drilling Tools and we have a 100% owned subsidiary P. Mittal and there turnover is around Rs.10 Crores, the total turnover we have achieved is 175 Crores to 176 Crores and we are very close to what we were estimating and the major reason for our turnover to be little less is that as all of us know that there was a big problem in the fourth quarter of this year because of the war between Russia and Ukraine so availability steel items and steel items manufactured from steel was delayed quite a bit, so that has affected our revenues to some extent. So that was the main reason why we were slightly short of our targets that is answer to your first question.

Mukesh Mehta: Your second question you have said that cash flow used for loans and advances?

Pritesh Chheda: And other noncurrent assets.



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- Mukesh Mehta:** Other?
- Pritesh Chheda:** If you see the cash flow there is utilization in other current assets and loans and advances to the extent of 16 Crores to 17 Crores?
- Mukesh Mehta:** Loans and advances have been increased from 2 Crores to 10 Crores. This is because we have placed the amount in the land debt relating to the Mundra projects. The portion for land we will pay around 4 Crores and we will pay for assets to the vendors that are why it has increased plus we have increased our turnover and we have to pay the advance to the vendors also that why it has been increased.
- Pritesh Chheda:** What sits in other current assets 5 Crores going to 13 Crores?
- Mukesh Mehta:** I will check and let you know, during session I can tell you.
- Pritesh Chheda:** My third question was on Kandla plant status and the growth that you expect and where are we on these marketing representatives that we have appointed where are we on the sales cycle?
- Kanal Gupta:** Regarding this Kandla plant, we have started the construction there and we hope to complete the building of the plant by the end of this year that is financial year, March 31, 2022 and this plant will increase our capacity as has been indicated before to almost our capacity will be double about 300 Crores which will add to our capacity, is there any other question in this?
- Pritesh Chheda:** No, in this there is no question, the question is what kind of growth do you expect in 2023 and where are we on the terms of sales cycle with all these marketing representatives that we have appointed all those facilities that we spend?
- Kanal Gupta:** We are hoping an increase of around 35% to 40% in our turnover during this year and we are previously getting like export orders to an extent of 1 Crores from here, 1 Crores from there now by appointing these represent representatives is our export orders are now increasing from 1 Crores now we are getting like orders in the lumps of 3 Crores to 4 Crores each, so these representatives are helping us quite a bit and now it will grow during this year or in the next year from 4 Crores to 5 Crores to 10 Crores and then to 20 Crores that is how we see our growth and we are also getting repeated orders from the same company for this company and oil drilling company.
- Pritesh Chheda:** What is the visibility that you have for this 35% to 40% increase in revenue in terms of backlog or any other indicator if you could share?



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- Kanal Gupta:** I am sorry, what is the visibility?
- Pritesh Chheda:** What is the visibility that you have for this 35% to 40% growth in revenues in FY2023 based on whatever order backlogs or any indication or any other indication that you can help us understand this 35% to 40% growth?
- Mukesh Mehta:** Yes, because of these higher crude prices in the international market, we are getting more of the inquiries internationally, our domestic we are getting lot of inquiries from domestic customers, we are bidding lot more on the jobs so based on that we are expecting that you will get this kind of a growth.
- Pritesh Chheda:** Okay and margin?
- Mukesh Mehta:** Margins will be what they are now or better than what they are at present.
- Pritesh Chheda:** Thank you, Sir.
- Moderator:** Thank you. We have the next question from the line of Keval Asher from DSP Investment Managers. Please go ahead.
- Keval Asher:** Thanks for the opportunity. Sir, few questions from my side, first is, are we looking for any inorganic acquisition in foreign markets we can get a direct entry into those geographies?
- Kanal Gupta:** Can you repeat the question, please?
- Keval Asher:** Yes, sure, so are you looking for any inorganic acquisition in international markets, which can help us get direct entry into those geographies?
- Mukesh Mehta:** Actually we are discussing with a couple of countries in Europe if we can get acquisition of them, but it is still in early stages with that success in that then definitely you have a direct availability of European market.
- Keval Asher:** Got it, Sir. The second question is regarding your targets for FY2026 was 600 Crores to 650 Crores of revenue, so which will be the major product that would be having this growth?
- Kanal Gupta:** Looking at present situation the growth is in all our products, we are getting lot more employees in all the products which we are manufacturing.



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- Keval Asher:** Got it, so looking at your balance sheet there is 14 Crores in CWIP, so is it for Mundra plant or are we spending it on something else is it?
- Mukesh Mehta:** 14 Crores?
- Keval Asher:** Is on your India CWIP.
- Mukesh Mehta:** Actually we have bought the property (inaudible) 17:44.
- Keval Asher:** What would be the total cost of setup in Mundra land, what is the capex, Sir?
- Mukesh Mehta:** 18 Crores and we have already spent 12 Crores.
- Keval Asher:** Got it. Sir, your margins have inched up to 44% in this FY2022, what could it be on a sustainable basis?
- Mukesh Mehta:** What is, you can be little bit louder please?
- Keval Asher:** Your margins have been inched up to 44% in this financial year, what would be your margins on sustainable basis?
- Mukesh Mehta:** It is 35% to 45% even sustainable.
- Keval Asher:** Got it and last question is in similar lines to the previous participant regarding what is the reason for increasing our other current assets as well as loans and advances if you can just throw some light on this?
- Mukesh Mehta:** Our current asset has been increased due to the increase in inventory.
- Keval Asher:** Last quarter there was a provision called other current assets?
- Mukesh Mehta:** That I will let you know, in other current assets.
- Keval Asher:** Sure, got it and all the best for the coming year, thanks.
- Moderator:** Thank you. We have the next question from the line of Ashish Kacholia from Lucky Investment. Please go ahead.



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Ashish Kacholia: Good afternoon, Sir. Could you just explain the inventory number of 110 Crores on a sale of 175 Crores? What is the reason for such a high inventory and last year it was much lower?

Mukesh Mehta: In the last quarter there were some problems in procuring our raw material because of this, after that we moved the orders for all our material deployed from the main products as for as the technical MEP and some our turnover has also gone up so we used to keep some inventory also, so we keep the inventory of the progress which are coming for renewable every year.

Kanal Gupta: I would like to add one more thing that the oil prices have gone up so international market is the way in how the trend is coming there, there is a shorter delivery period which is maximum three to four weeks and manufacturing time of the product is four to six months that is the reason why there is increase in inventory and we have finished goods which as soon as the order come within three to four weeks we have to deliver to them.

Ashish Kacholia: Is this a new normal? Should we assume that you will be carrying inventories for seven to eight months in the business that is that we should assume in our financial?

Mukesh Mehta: Four to six months, yes, that is what we keep right now.

Ashish Kacholia: Thank you very much and all the very best.

Moderator: Thank you. We have the next question from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: Good afternoon, Sir. My question is on the submitted bids which you have mentioned as 300 Crores for FY2023, so what was this number for FY2022, just to understand what is the increase?

Mukesh Mehta: We have to check that and we will have to get back to you.

Aman Vij: Sure, Sir and out of this 300 Crores if you can talk about how much is domestic market versus export market?

Mukesh Mehta: Around about 200 Crores is about domestic and 100 Crores is export.

Aman Vij: Sure and the confirmed orders of 100 Crores, if you can split in terms of domestic and exports?



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- Mukesh Mehta:** 80 Crores to 85 Crores is domestic and 18 Crores is exports.
- Aman Vij:** Sir, in terms of conversion, what kind of conversion do you think we can get in export market so out of 100 Crores, which we have bid?
- Mukesh Mehta:** Our conversion is 50% to 60% in domestic and in export it is around 20% to 30%.
- Aman Vij:** Given we have increased the number of people in different countries?
- Mukesh Mehta:** Yes, in fact no newer requirement because the oil prices are so good right now that newer projects are coming and newer requirements are coming so that is why we have seen a dramatic increase in the amount of enquiries which are coming on a weekly basis.
- Aman Vij:** Yes, Sir and out of this 100 Crores export is it any specific geography focus for FY2023, among the four to five countries which we are targeting?
- Mukesh Mehta:** Yes, the Middle East and primarily Egypt, Libya and Vietnam we are expecting sizable orders from here and Russia also, we are getting a lot of enquiries from Russia for supplying the products that we manufacture.
- Aman Vij:** Out of the 100 Crores bid which we have already done we have already done some bid Russia?
- Mukesh Mehta:** There is some, yes.
- Aman Vij:** Sir, if you can talk about how frequently such bids happen, so for example, we have already submitted for 300 Crores, but every quarter, every few months, there will be newer orders in your bid so if you can talk about the cycle?
- Mukesh Mehta:** Usually what happens is that any national company that is supplying the amount of well, we are going to build in a particular year and similarly the private companies because whatever the government has mandated that this is the minimum oil and gas production you have to make, for example, I think India, India we manufacture 17% of the total crude oil requirement that they have, so the government has mandated up to 17% to 23%. At this time, for ONGC, Oil India and all the various private companies like GAIL, HOEC, Reliance that you have to increase the number of wells produced, so like ONGC has got approximately 500 wells, 90 wells they have to drill every year based on that similarly the private companies also come out and whether they want to drill 100 wells or 150 wells per year so the timing differs from company to company whenever their



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requirement come and similarly we see the requirements generating, yes, it also defines the size of the product what we manufacture and we have to supply.

Aman Vij: On the cycle part itself, is it for the one year this bid we have to complete the bid in the same year itself, what is the normal timeline for completion of such projects or bids?

Mukesh Mehta: What do you exactly mean by the cycle time, cycle time was our product the cycle chain was the customers?

Aman Vij: For example we have a confirmed order of 100 Crores in hand, so this 100 Crores if we get a new order for the bids we have already submitted so that order has to be completed in the next three months, six months, what is the typical sign from getting the bid to completion of the order?

Mukesh Mehta: Yes, it varies from customer to customer, if it is a national domestic nationalized company like ONGC or Oil India they give us a timeline of six months, but most of the private plus MNC company or private company they give us the timeline of three to four weeks or five weeks, so that is from where the order is coming, is that answers your question, Sir?

Aman Vij: Yes, that helps. On the orders, which we have submitted in the domestic market, so how many players are we seeing as our competition in this 200 Crores bid?

Mukesh Mehta: It depends on our product to product, like wireline winches there is no competitor, same thing for stabilizers or connectors, but if we look at gas lift valves, there is one more company who is our competitor and the Casing Pipes we have two, three companies who are our competitors.

Aman Vij: Sure, Sir and this government policy of 200 Crores or more than 200 Crores will be for the domestic company, has it already been implemented, has it started helping companies like ours?

Mukesh Mehta: Yes, it has been implemented and it is very much going on and it is helping us also quite a bit because now we do not have any international competition, only competition we have is with the Indian companies and since two to three quarters, we are the only one so there is no competition in that.

Aman Vij: Yes, is that the Indian companies like to had explained last time, we will be the supplier of the main connector, the supplies they can do, but connectors or do they also import from outside?



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- Mukesh Mehta:** No, they cannot import connectors from outside. They have to buy from the Indian company.
- Aman Vij:** So, out of the 200 Crores order every product even if we do not win, we will have some portion in supply to the competitor also?
- Mukesh Mehta:** Yes, that is true.
- Aman Vij:** Yes, Sir, on the international side, obviously we are a newer player, there will be much bigger players than we are, and we are making some bid, order to order, but typically when we have bid for this 100 Crores order, how many players will be the competitor?
- Mukesh Mehta:** On an average, there are three to four players on an international business sometimes it is two or three depends because nowadays everybody is very busy, so not everybody is bidding for every job, so as I said which is the companies are always bidding in the international market.
- Aman Vij:** Sure, Sir and we have talked about 30% to 40% targeted growth for FY2023, so if you can divided in terms of the three, four main product which we have where are we seeing or what kind of growth are we seeing in the connectors versus JLV versus other products?
- Mukesh Mehta:** I think the growth is in all the products, it is very difficult to say which product has more or less, it is too early at present, but as I said generally the growth is in all our products, what we bid for all the products, we are getting orders for all the products, so usually there is no in the next six months.
- Aman Vij:** Sure and Sir, final question on the international market, so are we planning to increase the number of bids which we are targeting going forward as well, so for FY2023 you have talked about we have bid 100 Crores, we will win 20% to 30%, but given the scale are there any geographies still which we do have not reached if you can talk about the scaling of order which we are bidding in international market going forward?
- Mukesh Mehta:** You are asking there are any geographies where we are not penetrated and there are some geographies where we are going recently like in South America and in Brazil with that we are tying up with somebody so that they can do present us there, so there is another one so we are going wherever we can get the order. Kanal is saying UAE is also one of place where we are trying to get the orders.



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- Aman Vij:** And my other part was that if we have bid 100 Crores this year, do we think we have the capacity and even the product offering to increase this 100 Crores bid for FY2023 to say 150 Crores, 200 Crores, 250 Crores in the next two to three years in the international market?
- Mukesh Mehta:** Yes, sure, that is why we are building our plant in Mundra, Kandla or Mundra so that we have enough capacity to satisfy the requirements which will be coming.
- Aman Vij:** Sir, that is only a 30 Crores capex right, so with 30 Crores capex we can say increase our big ramp up the production by 2x or 3x?
- Mukesh Mehta:** You are saying the 30 Crores capex will increase our production to 300 Crores is that what you are asking?
- Aman Vij:** Yes, that was the question because export we are targeting big thing in export and domestic obviously this year we are doing well, but if we have to bid for 200 Crores to 300 Crores will the expansion we have done for 30 Crores is it enough for 30 Crores say what peak revenue we can do and after then we have to do another capex if you can talk?
- Mukesh Mehta:** See, our present estimates are what you are saying that capex will be 30 Crores we will achieve the revenue of 300 Crores, but our capex may increase somewhat maybe another 10 Crores or so, but I do not need more than 40 Crores to 45 Crores.
- Aman Vij:** That is all from my side. Thank you, Sir.
- Moderator:** Thank you. We have the next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** I have to followup, one on the capex side, you mentioned that in CWIP there is an asset on Kurla of 14 Crores, can you tell us what is the asset for 14 Crores and there is a 30 Crores capex to be incurred on Kurla for which you have given some loan and advances for land and machinery and all, so what is this Noida capex about?
- Mukesh Mehta:** We have purchased new office in Noida in super tag which is one of the largest builders in this area and they are building the tallest building in NCR which is 110 stories, probably the tallest building in India. So we have bought an office here.
- Pritesh Chheda:** What is our total capex on the corporate office?



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- Kanal Gupta:** I think 12 Crores was the area which we got there and about 2 Crores we have to put the furniture and everything, so 14 Crores.
- Pritesh Chheda:** Sir, my second question is when you mentioned that the lead time now to supply the orders is just four to six weeks, which was earlier a larger lead time, so is it fair to assume then that the market is actually fairly buoyant with lower lead supply time, so the revenue acceleration can be really stronger in the near term that is how we should understand and when you mention about this inventory answer is it a phenomena which is current where you need to maintain this six months of inventory or it is a phenomena, which is now going to last much longer and ends the five to six months of the inventory will continue, it is more to it right?
- Kanal Gupta:** I think it will continue, because the way all prices are going so people are drilling more and more oil wells and there were wells which they have closed down now they are again reopening those, so the requirement for the equipment is pretty good and that will increase, so they need the equipment immediately really.
- Pritesh Chheda:** So, it also means are faster sales, right?
- Kanal Gupta:** Yes, right, it also means that, but the impact was like in the second or third quarter of this year.
- Pritesh Chheda:** Why not in the immediate quarter?
- Kanal Gupta:** You know some will come in the immediate quarter also, but the oil prices have increased now the management start thinking that we have to well more or reopens our well more so that it is the time and by the time it filters down to the level where they are ordering the new equipment and gas is there of about five to six months.
- Pritesh Chheda:** Is there any seasonality element in what you supply in quarter one to what do you supply in quarter two, quarter three, quarter four, is there any seasonality business or seasonality in the product?
- Kanal Gupta:** Yes, seasonality is not a particular pattern as such, it always happens at one quarter there is more sales than in the other quarter and there is various reasons for that, one is the orders, the other is a lot of time is like that what happen in the fourth quarter with us, the steel was not available in India at all because there was war between Ukraine and Russia and Ukraine was the largest supplier of steel to Europe and they stopped supplying steel to Europe, so European companies are buying steel from Indian Steel Mills, so in India there was a big shortage of steel, but now that situation is improving.



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- Pritesh Chheda:** Our raw material is imported or we can depend on local metal?
- Kanal Gupta:** Almost 75% of the raw material we procure from India and 25% we import, but this is what I am telling what was happening with the domestic producers of steel because they were getting better prices by exporting to Europe, so they were not supplying to domestic markets.
- Pritesh Chheda:** Thank you very much, Sir.
- Moderator:** Thank you. We have the next question from the line of Akshay Kothari from Envision Capital. Please go ahead.
- Akshay Kothari:** Thanks for the opportunity. How much percentage of our sales would we be exporting to US?
- Mukesh Mehta:** We are getting some employees from US, but had risen, we do not any sales to US, but are hoping to get some sales in this year in US also.
- Akshay Kothari:** And last question would be on do we have some operations from Bhilwara?
- Mukesh Mehta:** Bhilwara?
- Akshay Kothari:** Yes.
- Mukesh Mehta:** No.
- Akshay Kothari:** So, your auditor who are from Bhilwara, so I could get the rationale behind that?
- Mukesh Mehta:** Our statutory auditor is from Bhilwara.
- Akshay Kothari:** Generally what we have seen in companies is where the operations where the plant is located the auditors belong to that city only so do you have some other offices or signing partner is sitting over there or how is it like?
- Mukesh Mehta:** Yes, they have office in Delhi also, R.S. Dani & Company, they have offices in Delhi as well as Bhilwara both
- Akshay Kothari:** That is great. Thanks a lot.



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Moderator: Thank you. We have the next question from the line of Keval Asher from DSP Investment Managers. Please go ahead.

Keval Asher: Thanks for the followup. Just one question, Sir, how much time does it take for our products to get approved in the international markets and second is in how many countries have we already got our products approved?

Kanal Gupta: Can you please repeat the first question, please?

Keval Asher: How much time does it take for our products to get approved in the international markets?

Kanal Gupta: It depends from customer to customers, some customers take longer time and some take little time, but I would say approximately six months to a year who are national oil company, but it is partner with the service company it will take about three to four months. The company like Slumbers they tell you they are multimillion service companies.

Keval As in her: Got it, Sir and the second question was, in how many countries have we already got our products approved as of now?

Kanal Gupta: I would say that we are already supplying to about six to seven countries where our products are approved.

Keval Asher: Got it, Sir and in FY2023, how much percentage of our revenues can come from exports, any targets for that?

Kanal Gupta: Any target for that is that what you asked or what we are doing?

Keval Asher: No, Sir, in FY2023, how much percentage of revenue you expect from exports?

Kanal Gupta: It would say around 15% to 20%.

Keval Asher: Got it, thanks.

Moderator: Thank you. We have the next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Thank you for the opportunity. Firstly, Sir, are the products also require in the sale gas exploration?



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- Kanal Gupta:** Some of these products like gas width walls are required in sale production.
- Saket Kapoor:** In sale gas exploration also?
- Kanal Gupta:** Yes.
- Saket Kapoor:** And out of the total revenue what percentage going to continue to that product, Sir?
- Kanal Gupta:** About 10%.
- Saket Kapoor:** About 10% and here also we are seeing growth coming up I think more and more for gas extrusion is also seeing an uptake, what is the update on that?
- Kanal Gupta:** I have not heard much about Shale Gas, because Shale Gas is the largest producer in US, so we can check it and reply back to you.
- Saket Kapoor:** Sir, currently what is our taxation rate, are we still there in the old regime, could you give some clarity?
- Mukesh Mehta:** It is a good question. Our tax rate still last year was 19%. We are only saying MAT. This year we have come into regular tax regime, but we are because our unit was in SEZ so we have a lot of MAT available to us in last five years, so our current tax was good this year FY2022 is also coming to be around 19% even though our P&L shows that we are paying 29%, but in the income tax returns they are saying 19%, this was they are taking, we are adjusting some math with us.
- Saket Kapoor:** Sir, whether we stay in the old regime only, the total direct tax rate say in your cash flow works out around 21 Crores so that will have some prior period also pertaining to previous year also, I think 21 Crores?
- Mukesh Mehta:** That includes some direct taxation also. Our current rate is 29%, but we will pay 19% currently and 10% will be adjusted against the MAT receivable, which the MAT which we have paid in the last five to six years, our revenue was exempt on income tax, so we would be paying the MAT and that receivables against that what will come.
- Saket Kapoor:** Sir, could you explain again and come closer to the mike I am unable to hear you what was the exemption from the income tax earlier and now?
- Kanal Gupta:** I am saying 10AA, there is no SEZ are exempt under section 10AA of income tax act. So, we are selling the products from SEZ so those are exempt, so we need to pay only MAT



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earlier also and now we have turnovers are from BTA units so we have come under the regime of income tax at the rate of 29%, so we can still pay to the government authority at the rate of 19%, 10% is adjusted against the MAT paid in the earlier days.

Saket Kapoor: And still we are selling from the SEZ also, earlier it was exempted or that the SEZ has now stopped? I am not getting that.

Kanal Gupta: It is exempted now also and we are selling some part also most from the SEZ, most of it is being sold now from the domestic unit.

Saket Kapoor: Only domestic unit, correct, Sir. For this inventory part if I heard you correctly it is the small lead time because of which you have built up a large inventory if we take the full year number it is around 65 Crores inventory that we have, so we will be continuing with this inventory going forward also, since we are expecting our turnover to improve by 35% this year?

Kanal Gupta: Yes, our inventory we will also continue to keep larger inventory and the reason like we have explained that lot of our orders the demand early delivery period like four to six weeks, but our manufacturing turnaround time of a product is four to six months, so that is why we have to build up larger inventory to fulfill the requirement of our customers.

Saket Kapoor: Sir, my point was we will need to carry this inventory along, the older one will get diminished as the order executed and the newer inventory will get piled up, the 65 Crores which is there in the working capital will remain in the working capital throughout the year?

Kanal Gupta: Yes, it will come.

Saket Kapoor: Sir, you mentioned about giving employment to many more people we are now recruiting but the employee cost that you said has gone down year-on-year also for the entire year from 13 Crores to 10.82 Crores and even quarter-on-quarter also, so please explain and what should be the annual number for the employee benefit expenses?

Mukesh Mehta: Actually I will have to think that you are saying that our employee cost has gone down?

Saket Kapoor: Yes, Sir.

Mukesh Mehta: Employee cost has gone down, but just very small 8% to 10% of the year, actually in the year, as we have given a salary cut to be honest with you that might have made an impact on that, actually.



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- Saket Kapoor:** Sir, please come again, I am unable to hear you, please come closer to the mike.
- Mukesh Mehta:** I was just joking about it, but you see that it is sometimes we find people at a better salary than the last year, last year actually because of COVID, the casual labor which you are hiring was at a much higher price, almost we are saying double the price, and this year COVID has been reduced quite a bit, so that might have made an impact, we can reach that into that and reply you back on that these are some of the reasons we can think that was our employment cost is less.
- Saket Kapoor:** I will come in the queue. Thank you.
- Moderator:** Thank you. We have the next question from the line of S. Chatterjee from **(inaudible) 52:19**. Please go ahead.
- S. Chatterjee:** Thank you for the opportunity. I had a question regarding the new products, which are being developed and what is the opportunity size and where can we see this product will be in the market, I mean the new products?
- Kanal Gupta:** Can you please repeat the question?
- S. Chatterjee:** I am saying you are developing some new products like pocket mandrel, swift connectors, etc., when do we expect to see this product within commercialized and that is question I asked?
- Kanal Gupta:** I will say in third quarter of this year, that is third quarter is October to December.
- S. Chatterjee:** What is the revenue potential?
- Kanal Gupta:** Revenue potential you see all these things will add to our revenues and like the figures which we are giving, we are hoping that that all these things will increase our revenues in the current year by 35% to 40% up to 250 Crores.
- Mukesh Mehta:** I would like to add that for example, the lynch type of connector that we have it is mainly for Russian market and that would get approximately revenue of around about 80 Crores to 100 Crores.
- Kanal Gupta:** No, it is about 20 Crores to 25 Crores, so I think see all this development of all these products will give us the revenues which we are expecting around 250 Crores this year okay.



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- S. Chatterjee:** What is our extra contribution this year FY2022?
- Kanal Gupta:** Sorry, your voice is breaking up, can you please repeat that again?
- S. Chatterjee:** I am saying what was our revenue contribution in FY2022 export contribution?
- Kanal Gupta:** For export consumption?
- S. Chatterjee:** What are the export contribution in this year FY2022?
- Kanal Gupta:** It is around 15%.
- S. Chatterjee:** And for the next year also you are guiding for 15% to 20%?
- Kanal Gupta:** Yes, please, 15% to 20%.
- S. Chatterjee:** In the presentation you are deploying, I think it is based on this.
- Kanal Gupta:** We need to check that, we will correct it, I just holding on to the top of my head, if there is any changes we will correct and communicate to you.
- S. Chatterjee:** Thanks.
- Moderator:** Thank you. We have the next question from the line of Manav Vijay from Deep Financial Consultants. Please go ahead.
- Manav Vijay:** Thank you very much for the opportunity, Sir. I have a couple of questions, first of all regarding this high inventory that you are carrying, so some orders of quarter four got shifted to quarter on, is that also reason for higher inventory?
- Kanal Gupta:** Yes, please.
- Manav Vijay:** Possible to quantify that how much that was?
- Kanal Gupta:** I would say about around 15 Crores.
- Manav Vijay:** My second question would be again regarding higher inventory only, so 115 Crores of inventory that you are carrying would it be possible for you break down into what kind of raw material do you have and what kind of finished goods inventory you will have in that stockpile?



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Kanal Gupta: You are saying currently?

Manav Vijay: Yes.

Kanal Gupta: We will have to check and we can convey that to you.

Manav Vijay: My next question would be regarding the CWIP that you have 19 Crores whether I look at the standalone or at the consolidated level 18.9 Crores now 12 Crores to 13 Crores is what you have of the office space that you bought in Noida and somewhere in between the conference also it was also mentioned that roughly 20 Crores has been spent on the upcoming plant in Mundra, 20 plus 13 it makes it at around 33 to 34 whereas CWIP is only 19 Crores so numbers do not add up, Sir?

Kanal Gupta: No, let me clear that that the office which we bought in Noida that is around 14 Crores so that is not included in the asset which we are saying for new plants in Mundra or we have made a plant in Noida SEZ, so around 14 Crores to 15 Crores was spent there and now Mundra plant we are expecting to spend 15 Crores in Mundra plant for which the construction has already started so that is how the break up is.

Manav Vijay: Thank you very much. In that case the building is actually getting reflected where in your balance sheet?

Mukesh Mehta: The new property which we purchased one of our office, is reflected in capital work-in-progress.

Manav Vijay: Mehta Ji, 14 Crores has become mine, 14 Crores was actually my office, 15 Crores to 20 is what you have said we have spent on the plant that makes around 30 Crores, CWIP is really 18.9 Crores, so what is missing in this?

Mukesh Mehta: 30 Crores is part in capital work-in-progress that makes 14 Crores again excluding from the 30 Crores and also 30 Crores approximate 4 Crores is lying in loans and advances and 12 Crores we have paid a loan to subsidiary company and we have bought the shares of the subsidiary company around 1.26 that will make 14 Crores we spent in acquiring the factory in SEZ and 4 Crores we have already spent on purchasing of land in Mundra so that amounts to 18 Crores.

Manav Vijay: Sir, FY2021 annual reports your loan and advance I would say all your current assets put together apart from cash of around 6 Crores you had 32 Crores of FD as well if you can inform what is the FD amount standing in the balance sheet as of now?



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- Mukesh Mehta:** As of now it is 15 Crores.
- Manav Vijay:** 15 Crores FD apart from?
- Mukesh Mehta:** Yes, FD and in current account.
- Manav Vijay:** This is helpful, Sir. My next question would be somewhere during the conference you mentioned that you are looking at some of M&As as well and you are talking or in talks with the European companies, so what would be the simple thought process behind M&A, would it be the technology access that you would want, would it be the plant that you would want or is it the technical manpower that they have, if at all you decide to go ahead with any kind of a M&A, what would be the basic thought process behind that?
- Kanal Gupta:** The basic purpose is one like you said is to get the new technology and plus the company we are looking at they are having reasonable amount of revenues and profits, so it is all three of them, the technology, the revenues and the profits and inroad to European markets for our products.
- Moderator:** Thank you. We have the next question from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** Sir, my question is on the typical order size, if you can talk about in PSUs versus private India players versus international markets, what is the typical order size we see in these three segments?
- Kanal Gupta:** Actually the order size varies quite a bit, we have received orders of 120 Crores in one go, but typical order size I would say in a government company will be around 20 Crores to 25 Crores, in a private company it may be around 5 Crores and in the international market is nearly 2 Crores to 3 Crores or 1 Crores to 3 Crores.
- Aman Vij:** Sir, when we talk about we are bid for 200 Crores in domestic markets and 100 Crores in export, what is the total number of orders in domestic and exports, which we have bid for?
- Mukesh Mehta:** Total number of orders quantity wise or value wise?
- Aman Vij:** No, quantity numbers.
- Mukesh Mehta:** I am just guessing it may be approximately I would say 20 to 25 orders, and these 50 orders actually. Let me just correct it.



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Aman Vij: If you can break up in export and domestic, so export may took for 100 Crores bid, what was the rough number of orders in export market, this year which we have bid for?

Kanal Gupta: 10 Crores to 15 Crores I am guessing.

Aman Vij: I am asking 100 Crores orders, which we have bid for, which we have not won yet, in that what is the total number of orders which may there?

Kanal Gupta: Total number of bid?

Aman Vij: That is maybe for 100 Crores orders which we have bid?

Kanal Gupta: We will have to check and let you know. I can give you a wild guess number, but it should be around I think 20 Crores to 25 Crores, which we have bid.

Aman Vij: 20 to 25 bid, right?

Kanal Gupta: Yes, correct, you are asking number of bids?

Aman Vij: Number of bids, Sir?

Kanal Gupta: Number of bids will be around 15 to 20.

Aman Vij: For only the export markets?

Kanal Gupta: For only the export markets, yes.

Aman Vij: Domestic the size is more so the number of it will be lower maybe 5 to 10 only?

Kanal Gupta: Yes, please, that will be also around 25.

Aman Vij: And out of that 100 Crores, which we have won you said 80 Crores to 85 Crores is domestic orders, so if you may split between PSU and private players?

Kanal Gupta: Yes, please. Are you asking that how much is the private and how much are the domestic?

Aman Vij: Yes, private players and public PSU, domestic?



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- Kanal Gupta:** We will have to check and let you know, how much is the private and how much is the government. Sorry, actually the numbers are not with us, we can say that later on to you.
- Aman Vij:** My question was more on the broader side, so if our understanding is correct most of the orders will from PSU companies, right Sir?
- Kanal Gupta:** No, actually now we are getting quite a few orders from private companies also besides PSU companies.
- Aman Vij:** Sure, you had talked about that government has mandated or asked them to do more increase the output?
- Kanal Gupta:** Yes.
- Aman Vij:** So, you are seeing traction from both private and domestic players?
- Kanal Gupta:** Yes, there is increase in oil production both from government as well as private players.
- Aman Vij:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Just the earlier participant who was asking about the European M&A what is the thought process behind it and what are we actually aiming in the inroads for the European markets currently?
- Kanal Gupta:** As stated before all key reasons for actually looking to European market is one is we want to get into the European market, secondly their latest technology with their technology, the latest technology which is there and also the technical know-how and also increase our revenues and profits.
- Saket Kapoor:** Because exploration activities are not in that geography, exploration activities will typically happen outside Europe, so this will be only the technological partner we are hiring that we are looking for?
- Kanal Gupta:** A lot of these European companies have supplied all around, which is there so it would be between us, it could be Middle East, it could be North Africa, so if we have a technical company in Europe that will help us in enhancing the market for us.



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- Saket Kapoor:** Correct, Sir and then we are going to hear about it are they in initial stages or we are on a confirmatory part and now we have done due diligence and everything, where are we?
- Kanal Gupta:** We are right now in the initial stages.
- Saket Kapoor:** In the initial stages. Sir, lastly on this dividend payout part also do we have any dividend distribution policy, we had Rs.24 80 paisa, and Rs.2 10 paisa was distributed as dividend?
- Kanal Gupta:** The board decides how much dividend has to be paid by all of our board of directors.
- Saket Kapoor:** Yes, but we are seeing the practice that there are now dividend distribution policies being framed by the board of the company, so that investors will have very fair idea on the basis of the performance that what kind of dividend payout could happen to them so we request the board to calibrate and deliberate on qualifying dividend distribution policy and also looking for the nature of the business we can also look for higher dividend payout going forward for the investors of the company that was the suggestion practically.
- Kanal Gupta:** We are working on such a policy right now, but based on the future expansion and the way how market is growing right now we have declared 21% and in future we are working on that kind of a policy also.
- Saket Kapoor:** Correct and lastly on the other expenses part, what constitutes this other expenses component and how much of variable and what portion it is fixed?
- Kanal Gupta:** This is a manufacturing cost, administrative cost, and selling cost, these three are the main category in this other expenses.
- Saket Kapoor:** It will have both fixed cost as well as the variable component. Thank you for all the answers and all the best. Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question and we will now close the question queue. I would like to hand the conference back to the management for closing comments. Please go ahead, Sir!
- Kanal Gupta:** I thank Anand Rathi Share and Stockbrokers and Rahul Jain Ji for organizing this event and thank you all the participants for giving us the chance to present ourselves. For any queries which were left unanswered please feel free to contact us through e-mail or phone



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and we will be happy to reply to your various questions. Thank you from the whole UDT team.

Moderator: Thank you gentlemen of the management, thank you Mr. Jain. Ladies and gentlemen, on behalf of Anand Rathi Share and Stockbrokers that concludes his conference. Thank you for joining us. You may now disconnect your lines.