



Q2 & H1 FY22 Post Results Conference Call

Friday, 22nd October, 2021

at 3.00 pm IST (15:00 hours)

Management Team

Mr. Sunil Chordia, Chairman & Managing Director

Mr. Hitesh Jain, Chief Financial Officer, India

Mr. Yashovardhan Chordia, MD, Rajratan Thailand

Mr. Pranay Jain, Chief Financial Officer, Thailand

Hosted by

KAPTIFY Consulting

Strategy & Investor Relations Consulting

Represented by

Vinay Pandit

Rajratan Global Wire Limited
Q2 FY22 Post Result Conference Call

ANALYSTS: Samir Palod - AUM Fund Advisors
Karan Kokane - Ambit Capital
Sanjay Shah - KSA Shares & Securities
Bhargav Buddhadev - Kotak Asset Management
Anand Sharma – Nvest Research
Sunil Jain – Nirmal Bang Securities
Sabyasachi Mukherjee – Centrum PMS
Keshav Kumar – RakSan Investments
Kush Joshi - Kitara Capital
VP Rajesh - Banyan Capital Advisors
Ashish Rampuria - Individual Investor
Kiran KP – Individual Investor

Vinay Pandit: Good afternoon, everyone. On behalf of Kaptify I welcome you all to the Q2, FY22 Post Result Conference Call of Rajratan Global Wire Limited.

Today from the management team we have with us, Mr. Sunil Chordia, Chairman and Managing Director; Mr. Yashovardhan Chordia, Managing Director, Rajratan Thailand; Hitesh Jain; Chief Financial Officer, Rajratan India; and Pranay Jain, Chief Financial Officer, Rajratan Thailand.

At the beginning of the call, we will be inviting the management to speak to us and talk to us a bit about the performance of the company in this quarter, followed by a brief about what is the future outlook, and how do they see the business scenario from here on? Post that we will open up the floor for Q&A.

So Sunilji on behalf of everyone, I would request you to kindly give us your opening remarks.

Sunil Chordia: Yeah, good afternoon, and thank you very much for sparing your valuable time and joining this call today. I'm happy to be with you again. And as I've been talking in the past, business is strong. We have posted encouraging results, and going forward we're looking for more growth in coming quarters.

And at this juncture, I would also like to -- a few words of appreciation for the team Rajratan, who is working continuously to serve the customer. And also like to thank our customers who are increasing their reliance on us, who are giving us bigger orders. They are having more confidence on Rajratan product and services.

Rest of the -- I think most of you know the company, so I don't want to repeat what are we doing, what business we are in. I would like to straight go into question-and-answer, yeah. Thank you, Vinay.

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Vinay Pandit: Yash, would you like to give a quick brief about the business scenario in Thailand?

Yashovardhan Chordia: Yeah, Vinay, thanks. Good afternoon, everyone. I'll brief you about what is happening in Thailand. Business in Thailand is going on well. Lot of logistics issues have also changed the dynamics of business in Thailand for us, because our exports to a lot of new countries have started in the last six, seven months.

Also, the domestic customers in Thailand are extremely confident about the demand, and they are relying more on Rajratan. Fortunately, in Thailand, we are the only ones who make this product. So their dependence is increasing day-by-day.

Just a quick update, we have been discussing about the expansion plan in Thailand. So I would like to update that, it's on time. We are under approval process for EIA, which is the Government Environment Impact Assessment permission. And most probably we should get that approval by first quarter of the calendar year next year that is fourth quarter. And expansion should complete by end of this financial year.

So rest I think we will take in the Q&A if there are any specific questions. Thanks.

Question-and-Answer Session

Vinay Pandit: Thanks, Yash. All those who wish to ask a question may use the option of raise hand and we will be inviting you one-by-one to ask your questions. The first question is from Samir Palod. Samir, you may unmute and ask your question.

Samir Palod: Yeah, am I audible?

Moderator: Yes, you're audible. Samir, go ahead.

Samir Palod: Hi, Sunilji. Congratulations on a good set of numbers. My question just pertains to sort of overall demand scenario as you are seeing in India and then separately in Thailand? And the second question would be on the expansion plans for your Greenfield capacity that you're looking to do somewhere in South India as well as the Thailand expansion?

Sunil Chordia: Yes, so thank you Samir. And we continue to see growth of demand. Of course, people have been worrying about the automobile production which is affected by supply chain issues, issues of chip not available, lot of parts not available to the companies, but tire demand is not getting affected by

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that, because 70% tire goes in for replacement market and which is linked to the recovery in economy. And all of us are seeing that mobility has gone up, mobility of people, mobility of goods, material has gone up, which is consuming more tires in India, okay.

Apart from that, the reasons for strong demand are that there are global logistic issues, which are -- that is why companies are not able to import the bead wire from China, not able to import from other sources. Ok So that demand has also come to Indian suppliers. And fortunately Rajratan was up and running with increased capacity. So, we are able to leverage higher capacity. We are running at full capacity, almost full capacity. And I'm optimistic about the next two quarters. Demand will be strong.

And similar situation in Thailand. The local tire production is very high, and customers are relying on Rajratan, giving more orders and I don't see any major change in that.

Your second question was about expansion plans. So know we have said that we are increasing capacity from 40,000 tonnes to 60,000 tonnes in Thailand, which should be -- which is a work in progress and will be completed by March end this financial year. And will be available for business in the next financial year.

And Chennai project, yes, our people are there in Chennai. You know the availability of land and allocation of land is a major hurdle for any project in India. So SIPCOT which is the authority to allocate land to us have changed three times. They had offered us two options. They have said there are legal issues.

Now they have offered us third option. And today our people are there to look into that, and I don't know when we will physically get the possession. But as soon as we get the possession we are taking a target of one year. We want to roll out the first coil from there in one-year time. That is the target, yeah. Thank you, Samir, yeah.

Samir Palod:

And one more question, if I can squeeze in. From a volume growth perspective, quantity, what is the sort of guidance over the next three to four quarters? And 21% margins that you just delivered, how sustainable do you think that is given the steel price inflation we have seen?

Sunil Chordia:

Yes, so there may not be a major growth in volume because we are running at full capacity. So unless the new capacities come into play, there won't be a volume growth, maybe minor 2%, 5% is possible, but not beyond that.

And margin, we can be optimistic on margins. We'll remain there, because we have been able to pass on the price increases comfortably.

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- Samir Palod:** Great, congratulations once again and all the best.
- Sunil Chordia:** Thank you, Samir.
- Moderator:** Thanks Samir. We'll take the next question from Sanjay Shah. Sanjay please unmute and ask your question. We'll move over to Karan. Karan, you can unmute and ask your question, please.
- Karan Kokane:** Yes, sir. So just continuing from the previous participant, you just talked about the Chennai plant. Could you just update us on what the capacity expansion is and by when the plant will come on stream? That is my first question.
- Sunil Chordia:** We are yet waiting for allocation of land by the industrial authority in Tamil Nadu. And after we get the allocation, it will take us one year to roll out the first coil from there, okay. Land allocation is still -- I can't give you a firm date. It should happen any time.
- Now about capacities, we are planning a 60,000 tonnes plant there, a Greenfield project. Our current capacity in India is 60,000 tonnes. Thailand will become 60,000 tonnes from current level of 40,000 tonnes by end of March this year. So for next year we will have an available capacity 120,000 tonnes, which is currently only 100,000 tonnes. And with the Chennai project completion we will have a bead wire capacity of 180,000 tonnes. These are the plans.
- Karan Kokane:** Understood sir. Just one thing, sir, just to clarify. So this 180,000 tonnes that we are saying, so this Chennai plant we are kind of unsure when this capacity will ramp up?
- Sunil Chordia:** No, no. We are very sure about this capacity. Timing depends on the allotment of land. Because as you know, in India, when you try to buy a land from government departments, it takes its own time. And if you go for a private land, it has a lot of legal issues. So we are still...
- Karan Kokane:** So would it be fair to say that this will definitely not come on stream in FY23, but in FY24 or FY25? Will that be a fair understanding?
- Sunil Chordia:** Yeah, not in FY23. No, no, middle of FY23, it is possible to start trial productions, because land should be available in next 15, 20 days, one month. I don't want to spell out the exact date, because we are dependent on government agencies.
- Karan Kokane:** Right. So sir, by FY25, at least we will have the full capacity on stream, right?

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- Sunil Chordia:** By FY25 we'll have 180,000 tonnes minimum.
- Karan Kokane:** Okay, sir. Just one last question, regarding this margin that you said. So we have seen a big improvement in our margins from FY18 to FY21. So it has gone up from 10% to 18%. So what would be the reason for that improvement and as someone else was also asking. So you expect the margin to sustain at these levels, right 20%?
- Sunil Chordia:** Yeah. Honestly, this business should have this kind of margin, otherwise it is not justified to keep investing in this business, because the entry barriers are high, but for some reasons, competition, some people who -- some companies who shut down their production because of this competition.
- So now we are able to sell at a reasonable price and this reasonable price gives us reasonable margin, what you're seeing today. And this will continue because no new capacities will come without this margin. And anyway, new capacities will take few years to come and our understanding with our customers is that without this margin, we are not going to expand our capacity.
- Karan Kokane:** Okay, okay. Thanks a lot sir. I'll fall back in queue.
- Sunil Chordia:** Yeah. Thank you, Karan.
- Sanjay Shah:** Vinay, I'm audible?
- Sunil Chordia:** Yes, Sanjayji, go ahead.
- Sanjay Shah:** Yeah, congratulations, Sunilji and more to Yashji for doing remarkably at Thailand. After long a wish comes true. So we have really done very good. So my question was regarding, will it be possible to share the production numbers in domestic market in Thailand?
- Yashovardhan Chordia** Production numbers of what?
- Sunil Chordia:** In Thailand and export, right?
- Sanjay Shah:** Yes.
- Yashovardhan Chordia** Our production numbers, right?
- Sanjay Shah:** Yes, yes.
- Yashovardhan Chordia** So percentage wise I would say we are supplying 65% to 70% now in domestic market, and 30% continues to be the export volume.

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- Sanjay Shah:** Okay, and in this quarter, how much tonne we have produced?
- Yashovardhan Chordia:** So this quarter, we did the highest production. We did more than 9,300 tonnes.
- A - Moderator:** 9,412 tonnes for Thailand.
- Yashovardhan Chordia:** Yes. Sales were at 9,400 tonnes plus. So these were the highest numbers for Thailand ever in history.
- Sanjay Shah:** Fantastic, fantastic. And so Sunilji how much we have done that in India, domestic market?
- Sunil Chordia:** In our presentation, we are mentioning the total volume of 24,000.
- Sanjay Shah:** Yeah, correct. 24 is there.
- Sunil Chordia:** if we reduce 9400 from it, then it comes to around 15,000
- Sanjay Shah:** Perfect, perfect.
- Sunil Chordia:** So 15,000 something.
- Sanjay Shah:** Yes, it is coming 15,000. Sir there is a good ramping up of demand, especially in Thailand as you cited that we'll able to maintain the margins. So what is the optimism of looking on that side, over and above the demand which is coming, but even, do you don't see any threat from competition to hit that margin levels?
- Sunil Chordia:** **No it is like this**, Sanjayji, this looks to be a major structural change, okay. China is exiting from lot of export products; especially downstream steel products they are exiting. They have withdrawn the duty benefits; they were giving 13%. They are cutting down on the production of steel for carbon emission reasons and these reasons will not change in short time, okay.
- So the China bead wire is very expensive now. Some companies are still importing in China, from China, because there is nobody else to supply to them. And that price is almost 10% higher than what we are selling to customers in Thailand. And some customers are also importing in India, very few, but it is a compulsion, that they have to import.
- Sanjay Shah:** Yes, right, right. Sir, coming to the new Greenfield project at Chennai, what CapEx we have lined up was around INR250 crores, which stand to that CapEx and what asset turnover we'll get from that CapEx?

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- Sunil Chordia:** No, we have talked about INR300 crores, but that will be spent in next two to three years' time. But production can come in 15 months from today and that will be the Capex to reach a total capacity of 60,000 tonnes. You need lot of support system to operate that capacity. We need lot of spools, lot of other facilities. So that INR300 crore includes everything.
- Sanjay Shah:** So that 60,000 tonnes will give us a turnover of around INR500 crores, approx around?
- Sunil Chordia:** Yes, INR550 crores to INR600 crores on today's price.
- Sanjay Shah:** Right now prices have gone up very high, right because of...?
- Sunil Chordia:** Yes. So 1:2 ratio Capex is two.
- Sanjay Shah:** Okay, for more question I'll come in queue. Thank you very much and good luck to you sir.
- Sunil Chordia:** Thank you, Sanjay.
- Yashovardhan Chordia** Sanjayji, the production figures in Thailand were at 9,400 tonnes. And we did sales of 9,600 tonnes plus.
- Sanjay Shah:** Okay. That's great.
- Moderator:** Thank you, Sanjay. We'll take the next question from Bhargav Buddhadev. Bhargav, you can unmute and go ahead.
- Bhargav Buddhadev:** Congrats on a very good performance, sir. Sir, my first question is in terms of new signups as far as Thailand is concerned, so in the opening remarks, Mr. Yash did mention that there were new customers, which have been signed up from Thailand. So is it possible to share in terms of which geographies are these new customers pertaining to?
- Yashovardhan Chordia** So more signups have been the newer Chinese companies in Thailand, quite big ones. So there's a company called Prinx Tire and Global General Rubber in Thailand. So these two are major additions in the last four months, I would say. And there have been quick approvals because it's good to hear that Chinese bead wire has become more expensive in Thailand as compared to ours, which has never happened before.
- In terms of export, as I also mentioned earlier. So we have also reached till areas like Helsinki in Finland and few European customers. The U.S. customers have regularized, which started almost eight months back. Sri Lanka we were strong since beginning but we have become stronger and our percentage to customers have increased. So mostly major areas have

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been few couple of European customers, U.S. as addition and percentage increase in terms of share in Sri Lanka and Southeast Asia.

Bhargav Buddhadev: The presentation does not mention anything on the U.S. customers. So are we supplying to them or still we are in approval stage?

Yashovardhan Chordia: No, no, I think since last two quarters we've been specifically mentioning U.S. I think we mentioned this time also. We'll have a look at it.

Bhargav Buddhadev: Okay.

Sunil Chordia: It mentions U.S. customers.

Bhargav Buddhadev: Okay, fair enough. And in terms of future customer signups essentially would be primarily from the U.S. or you expect non-U.S. customers will continue and U.S. customers will be a bit slow in terms of signup?

Yashovardhan Chordia: No, no, to be honest, all these customers have been a blessing of COVID for us, and also the logistic issues. But our primary focus is domestic supply. We still are only at about 25% of market share in Thailand. And after expansion, the entire capacity is dedicated to local Thai companies or Thai tire companies. And our aim is to at least reach 40% of the market share in Thailand.

But now and then if we have contact with good customers, we definitely will bring them into the kitty but not major efforts of export customer identification from Thailand.

Bhargav Buddhadev: And the 60,000 tonnes capacity in Chennai, is it an export-oriented capacity or domestic-oriented capacity?

Sunil Chordia: Yes, that it is a port-based plant. So we plan to serve the customers closer to that location and majority of tire companies in India are in South India, closer to Chennai. And Chennai the factory being a port location, it will be viable to export from there. So I can see possibility of 50% export from Chennai.

Bhargav Buddhadev: Okay. And sir, on CapEx you mentioned INR300 crore CapEx over the next three years but you mentioned that, if the Chennai plant comes in then we can start production in one year. So are we looking at phase wise expansion in Chennai or how is it?

Sunil Chordia: See, this business is always phase wise, okay. It is not that you switch on and you start producing 60,000 tonnes. So ramping up to 60,000 tonnes will take two to three years. It will not happen in one year. And so, accordingly the investment will also spread over three years.

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- Bhargav Buddhadev:** Okay, okay. And lastly sir, any of our competitors in India putting up any CapEx? Have you heard of any or no one as of now?
- Sunil Chordia:** Definitely people must be planning. Okay, but nothing announced officially, okay. For a new company or a new entrepreneur, it will be very difficult and for existing, it is a very small business. But anyway they can expand. I have no information of an official announcement.
- Bhargav Buddhadev:** Sure. And for this CapEx of INR300 crores are we looking at raising debt or how is it?
- Sunil Chordia:** Our cash flows are robust, strong. And in spite of that we are availing INR100 crores of term loan as a cushion, okay.
- Bhargav Buddhadev:** What would be the rate of interest sir on this?
- Sunil Chordia:** Now the cost of debt in India has also come down to close to 6.5%. We're talking in that range.
- Bhargav Buddhadev:** Great sir. Thank you very much and all the very best.
- Sunil Chordia:** Thank you, Bhargav.
- Moderator:** Thanks, Bhargav. We'll take the next question from Anand Sharma. You can unmute and ask your question.
- Anand Sharma:** Thank you, sir. And once again, congratulations for a wonderful set of results, which is very consistent quarter-over-quarter, sir. So we are -- from long-term investor perspective, we are very delighted with the way the company is performing, so our heartfelt congratulations on that.
- Sir, I have some couple of questions. Number one, what about your -- we're seeing this news every quarter, sir, like, you are targeting specific U.S. customer and stuff. So is there any latest update on what would be the expected turnover on U.S. market?
- Sunil Chordia:** See, U.S. is a very, very big market. Whatever we are serving is only a small portion of that market. It's the tip of the iceberg. And we are not doing any marketing. These are the customers who were having difficulties in procuring somewhat material from China, and who approached us and we supplied them.
- We want to formally go to U.S. market when we have a Chennai facility up and running. And that time we'll work hard on getting some market share

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there. So what has happened now, it is spontaneous, it is because of the current situation.

- Anand Sharma:** Okay, sir. And next question, sir, can we expect similar performance for the near three, four quarters from now, like, we know that your earnings growth has been phenomenal. So can we expect the same run rate? Is it a fair assumption?
- Sunil Chordia:** Yeah, we will. You can expect same run rate. You can't expect them both because there's a capacity constraint for six months now, okay. There is no new capacity being added in the next six months. So there can't be a growth in volume. We'll see a growth in volume in next financial year.
- Anand Sharma:** Perfectly. It makes sense, sir. And the final one final question in terms of reward to long-term investors. Are you planning any stock split or bonus for rewarding your shareholders? We're all long-term.
- Sunil Chordia:** Last year only we have given bonus. But how does it make a difference, I don't know. We are not very expert on market and all this, but presently we don't have any such kind of thinking, but maybe I don't know, can't commit.
- Anand Sharma:** Okay, sir. That's it from our side. Thanks.
- Moderator:** Thanks, Anand. We'll take the next question from Sunil Jain. You can unmute and ask your question, Sunil.
- Sunil Jain:** Congratulations sir for excellent number. Sir, my question relates to two things. Like you said that the capacity is increasing from 1,00,000 tonnes to 1,20,000 tonnes. Sir these 20,000 is in India or Thailand?
- Sunil Chordia:** As I mentioned, Thailand will be growing from 40,000 tonne to 60,000 tonne. So that 20,000 tonne will come from Thailand, increased production here and we'll be up and running from next financial year.
- Sunil Jain:** Okay. And India we can't do any de-bottlenecking or anything here.
- Sunil Chordia:** We'll do some small ones, but that can't be committed on this conference call.
- Sunil Jain:** Okay, thank you.
- Sunil Chordia:** Sure, they keep doing internal work, improvement, productivity improvement in -- this is everyday thing they do.

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- Sunil Chordia:** Okay. So the other wire which you manufacture, apart from bead wire, so, that capacity can be used in this or no?
- Sunil Chordia:** So you might have seen, other wire business has not grown, because we have used all the available resources to make only bead wire. Now we are doing some debottlenecking wherein you will see next financial year there will be a growth in other wire business also. But anyway that is not our focus business. So I don't want to talk too much about it. We are one of the players. We are not the key player in that business.
- Sunil Jain:** So my point is like tire industry is growing and for say next six month or even in India for say one year also you will not have capacity. So where they will go for the product?
- Sunil Chordia:** There was an incidence -- I think, Yashovardhan will share with you, one customer from Europe. Yashovardhan, can you say something about that?
- Yashovardhan Chordia:** So one customer which I was mentioning in Europe, when they developed us, they also picked up like two, three containers of bead wire by aircraft, Suvarnabhumi Airport, our material went for the first time.
- So I don't know in shorter term customers definitely will figure out something, but structurally capacities coming in would take time, almost six months minimum for at least us also to bring in the structural capacity in place to serve them comfortably.
- Sunil Jain:** So can you serve from Thailand to Indian customer?
- Yashovardhan Chordia:** There also, we don't have capacity.
- Sunil Jain:** Today you might not have, but after say from 1st April when you'll have capacity from there you can...
- Sunil Chordia:** Looks difficult, looks difficult because we are planning a major expansion in Chennai. And we used to supply a lot of material from Thailand to India, but the logistic cost has gone very high. So it is not viable.
- Sunil Jain:** And sir, second question, we had seen the steel prices, which were at around 40,000, and now were at [unaudible]. Suppose these prices correct, say it come down to back to say 50,000 to 55,000?
- Sunil Chordia:** I understood your question. Your voice was not very clear but the fluctuation in steel prices we have been successful in passing on the price to our customer. And if there is a reduction which is very -- the chances of

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reduction in price is very low. But we will have to pass it on to customer again, the benefit.

- Sunil Jain:** I'm confident about your passing on the benefit and passing on the cost also. My point was like if we see EBITDA per tonne, that is now reached to almost INR20,000. So if the prices reduce, so will you be able to maintain EBITDA per tonne or percentage margin will be maintained?
- Sunil Chordia:** Difficult to answer. We will try to maintain the EBITDA per tonne, but every business is competitive. Today, we are talking to you with lot of strength. I hope this strength continues.
- Sunil Jain:** Okay. Anyhow, congratulation and hope for this strength to continue in the future. Thank you very much.
- Sunil Chordia:** Thank you, Sunil.
- Moderator:** Thanks, Sunil. We will take the next question from Ashish Rampuria. We'll move to Sabyasachi. Sabyasachi, you can unmute and you're your question.
- Sabyasachi Mukherjee:** Yeah, hi, thanks for the opportunity. Sir, my first question is on your guidance. I believe you had given a guidance of 60,000 tonnes in India and 35,000 tonnes in Thailand for FY22. Does it remain the same?
- Sunil Chordia:** More or less same, combined, we are talking of 90,000 tonne plus.
- Sabyasachi Mukherjee:** Okay, okay. Great, great to hear that. Second question is -- so you are increasing this Thailand capacity to 60,000 tonne from 40,000 tonne. What is the expected ramp up schedule of this capacity?
- Sunil Chordia:** I told in the previous question that by end of this financial year that capacity will be up and running.
- Sabyasachi Mukherjee:** No, I'm asking when are you expecting 100% utilization of that 60,000 tonnes capacity?
- Sunil Chordia:** That market is available, so it should not take many years. It will take few months to reach that capacity.
- Yashovardhan Chordia:** Our supplies will be to the existing customers broadly. So there is no approval involved or there is no testing involved of the product. It all depends on how fast we can commission the machines and step by step keep increasing the sales.
- Sabyasachi Mukherjee:** Okay, it is to existing customers only?

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- Yashovardhan Chordia:** Yes, majority of the volume is to existing customers. So broadly you can say our target would be to utilize the capacity in six months or maybe nine months if the market supports the way it is right now.
- Sabyasachi Mukherjee:** Okay. And one more last question is on the realization. So is there a realization difference between the Thailand market and the Indian market?
- Sunil Chordia:** Now Thailand realization has also gone up. Earlier there was a difference. Thailand used to compete with the global market, Chinese market, now China prices have gone up. So today the realization in Thailand may be shared better than what we are selling in India.
- Sabyasachi Mukherjee:** And do you expect to remain -- I mean, expect this thing to remain or would that...?
- Sunil Chordia:** Yeah, some wise people have told me that globally steel prices will remain higher than India. So Thailand will continue to sell at a better price than India.
- Sabyasachi Mukherjee:** Okay. Great to hear. Thank you, gentlemen.
- Sunil Chordia:** Thank you.
- Moderator:** Thanks Sabyasachi. Ashish, do you want to ask your question? We'll move to Keshav Kumar. Keshav, you can unmute and ask your question.
- Keshav Kumar:** Hi, Sir, what has been the quarter-on-quarter volume growth?
- Sunil Chordia:** 21%. It is mentioned in our presentation.
- Keshav Kumar:** Okay. Sir, if we are at full utilization levels right now and the next level of growth coming from Thailand expansion would be over next year. But like not thinking that short. But if we focus on the five-year horizon, with anti-dumping duty on Chinese tire at various geographies and Chennai capacity also adding up over two years. So is it a possibility that by the time you come up with the capacity, the Chennai capacity, and because of your business development efforts and approvals usually take longer? So by the time you come up with that capacity you have enough to go for the next leg also?
- Sunil Chordia:** Yes, it is possible. I am optimistic about it, because if China withdrawn not for short time, it is long-term plan and if China is not exporting huge quantity of many downstream products, India will have to do it. So we are ramping up. We are fastening our belt to get that business but we'll go step by step. Let the Chennai facility get set up, get successful then we will talk about the next plan.

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- Keshav Kumar:** Sir, can you also touch upon a little bit about business development. So is like two to three years usually the horizon to acquire a new customer and get entrenched into the system?
- Sunil Chordia:** Yes, generally that is the time, but fortunately Rajratan is already approved with almost all the companies, 100% companies in India, we are approved and the major tire makers in the world we are approved with, Bridgestone, Goodyear, Michelin. Michelin approval is pending but it is coming through in this financial year. They are also not doing it faster.
- So with Michelin approval, we are approved with all the major companies in the world. Now will come the plant approvals. If they buy from us, from this location to some new plant in new geography, that approval takes shorter time, because it is only the plant approval. The technology approval or R&D approval is already in place. So to an existing player, it takes shorter time than a new supplier.
- Keshav Kumar:** Okay, all right. Thanks a lot, sir and all the best.
- Moderator:** Thanks, Keshav. We'll take the follow-up question from Anand.
- Anand Sharma:** Hello, sir. Thanks for the opportunity again. Sir, one quick question. Sir, during last two years, that COVID had taught us a lot of lessons and as a result, there could be some resultant cost savings that the company would have achieved. So do you see that having a material impact on your results or do you think that it is not having any material impact in terms of cost reduction or cost efficiency which may not be ongoing affair type?
- Sunil Chordia:** No, there is definitely a cost reduction and major cost reduction has come up because of the higher volume. We are leveraging higher volume over the overall cost and that is a permanent improvement.
- Apart from that, company is continuously working on production systems, quality systems. We are working on TPM, and we want to achieve TPM certification in two years' time. So all those things will reduce the cost, will improve the quality. We are working on zero emission also, green productivity, zero liquid discharge, reducing water consumption to one-third of what it is today.
- So all these things are a continuous improvement projects in the company which will reduce the costs. Of course, there are certain cost heads which are beyond our control, like the fuel cost in past has gone up very high. The LNG cost, the power cost may also go up but we are buying a lot of power from solar suppliers. So those decisions we are taking on a daily basis.

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- Anand Sharma:** Great sir, thanks.
- Moderator:** Thanks, Anand. We'll take the next question from Kush Joshi. Kush you can unmute and ask your question.
- Kush Joshi:** Thank you for the opportunity. Congratulations sir to you and your team for the excellent performance. Sir, my question is with respect to your exports from India. So what is the [current, 0:39:37] we are doing exports from India?
- Sunil Chordia:** No, we are exporting to only few customers from India because we are in landlocked location. We are in north, and we are to spend extra cost in getting the material to port. But yes, lately because of the big U.S. orders and huge difference in freight costs from Thailand to U.S. ports or from India to the U.S. ports. So that customer we have supplied some quantities from India also.
- But our focus on exports will come only after our capacity in Chennai is in place. So right now India manufacturing capacity is for domestic. It is not for export.
- Kush Joshi:** So you answered this, but I think I need some more clarification that, see that for next one year or two years down the line we are not having much capacity in domestic markets. So how will we be supporting the growth in the domestic market till then?
- Sunil Chordia:** Sorry, can you come again.
- Kush Joshi:** See, as we are operating currently at the full capacity in domestic markets and our major capacity will be coming after 15 months in the domestic market. So till then how will be supporting the growth in the industry for the domestic market?
- Sunil Chordia:** Yes, that's a difficult question. We are running at full capacity and the next capacity expansion will be in Thailand. So maybe some quantity we supply from Thailand to our customers, or we will move the value chain, we will supply more to prime customers. We will not supply some quantity. We are supplying to cycle tire manufacturers.
- We'll cut down further on the black wire capacity. We'll do things minor adjustments, but major capacity will come up only after Chennai.
- Kush Joshi:** So current, in the first half what is the black wire we have done?
- Sunil Chordia:** In India we have done 1,295 in the quarter two. Around 1,200 in quarter one, 1,200 in quarter two.

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- Kush Joshi:** Okay, understand. So what are the margin levels?
- Sunil Chordia:** 40% of the capacity.
- Kush Joshi:** Yes, I understand. So what are the margin levels in Thailand vis-à-vis India?
- Sunil Chordia:** Margin level in Thailand are now close to the margins in India.
- Kush Joshi:** Okay, perfect. And my last question is with respect to your competition that is the KISWIRE. So I think last when we spoke that they were reducing their production in a couple of their new locations. So what is their stand as far as now China is cooling off and so are they digging opportunity or they're still curtailing their production lines?
- Yashovardhan Chordia** In Malaysia they were under lockdown unfortunately for a couple of months. But they have come back. But definitely after two months or three months of complete lockdown, it is little difficult to again ramp up for anyone. It would be for us as well.
- We don't see, because you know they are a company which are into multiple wire products. So it's difficult to say that there are major expansion plans or any major announcements in terms of the current market scenario from KISWIRE because other product demand are also very high. And plus they have a manufacturing location in China, which is one of the biggest that they have in the world.
- They are also facing the same issues that as any international player is facing in terms of who's dependent more on Chinese steel or Korean steel, which is quite expensive as compared to Indian steel today.
- Kush Joshi:** Okay. So whether -- with our capacity coming in, in Chennai, and we are expanding in Thailand, so whether our global share will increase or we will be -- how we're looking at it, compared to KISWIRE. That is what I want to understand?
- Yashovardhan Chordia** No, I don't think there can be an apple to apple comparison in terms of global share, because KISWIRE has almost six, seven manufacturing locations around the world for bead wire only. But if you talk of whether our Thailand share will increase, definitely yes. Whether our share in Southeast Asia will increase, yes, because these are the places where we directly compete with them. So in terms of share at these two locations, I am sure it will increase. Global share is a difficult question to answer right now.

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- Kush Joshi:** Okay. Thanks so much.
- Moderator:** Thanks, Kush. Sir before we move to the next participant, there is a question asked in the chat. Your last quarter investment PPT mentions about sharing logistics costs with clients. Can you elaborate a bit more on this? And what kind of benefits are we getting? And are we still getting it?
- Yashovardhan Chordia:** So this is more related to Thailand, so I'll pitch in here. Sharing costs, I would not say completely sharing costs. But we are very fortunate that our customers have been understanding in this scenario. So sometimes, if the contracts are finalized for three months, we do keep a scope of finalizing the FOB price. And ocean freight is added at actuals which customers are willing to support.
- Some customers have bigger contracts in terms of logistics, and they directly work with shipping lines. So they take the onus of arranging ocean freight, and we support them with service and documentation. So that is happening and the need today is that we produce on time, and we dispatch on time. And the need today for the customer is to receive material on time. So we both are working quite well to solve the problem.
- Moderator:** Thanks Yash. We'll take the next question from VP Rajesh.
- VP Rajesh:** Thanks for the opportunity. I joined the call little bit late, so I apologize in advance if the question is repetitive. But you talked about INR300 crore CapEx earlier in the call. So what will be our capacity once this particular CapEx comes online?
- Sunil Chordia:** 60,000 tonnes in Chennai, and combined capacity will be 180,000 tonnes of bead wire and 12,000 tonnes of other wires, black wire.
- VP Rajesh:** Okay, and this you said is coming online from Q1 next year, the 60,000?
- Sunil Chordia:** No, no, 60,000 will take at least 15 months from now and it will take two years to ramp up to 60,000 tonnes.
- VP Rajesh:** Okay two years to ramp up. And then you talked about that your realization is better in Thailand and your market position is also number one over there. So I was just wondering that why your EBITDA margin will be similar to Chennai, I would think if the realizations are higher, and you have market position, then potentially your margin should be better in Thailand as well.
- Sunil Chordia:** Yes, so it is it is improved in Thailand already. I said earlier, it was competing with Chinese suppliers. And now Chinese suppliers are shying away from that market. Thailand margins have improved.

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- VP Rajesh:** Okay. All right. That's all I have for now. Thank you.
- Sunil Chordia:** Thank you Rajesh.
- Vinay Pandit:** Thanks Rajesh. Sir, we'll take one more question received on the chat. Can you provide revenue break up for India for bead wire and black wire for Q1 and Q2?
- Yashovardhan Chordia:** I can give you the volume breakup and bead wire sells at close to 1 lakh rupee a ton and black wire sells at INR80,000 to INR85,000. So we have done 13,088 tonnes of bead wire in India, and 1,300 tons of black wire. You can do a little bit of math on that piece.
- Moderator:** Thank you, sir. We'll take the next question from Keshav Kumar.
- Keshav Kumar:** Hello.
- Sunil Chordia:** Yeah, Keshav.
- Keshav Kumar:** Sir, for the Chennai expansion would we have enough land over there to go for another leg?
- Sunil Chordia:** Yeah, we have bought extra land, meaning we have not bought, we are buying extra land for maybe one more expansion there. But that will be after successful running of the announced capacity.
- Keshav Kumar:** Absolutely, sir. So sir, but like right now, we are going for sort of a Greenfield expansion. So after that, if we go for the second leg would the approvals be also faster?
- Sunil Chordia:** Naturally, for Chennai approvals will be faster because we are regular suppliers, and we will be closer to the customer. So there is already a relationship. And for phase two, probably your question is beyond the Chennai capacity. See, at the same location, so I don't think any new approval will be required for that.
- Keshav Kumar:** Even from the authorities? I was asking more in terms of regulatory approvals.
- Sunil Chordia:** No, I don't see there are restrictions. And we are looking at a structure for double capacity already. So that extra investment of INR20 crores, INR25 crores in land and a little bit in infrastructure we are making today, to have a scope of expanding there.
- Keshav Kumar:** Okay and sir if -- just correct me if I'm wrong but you mentioned that there is some potion that you are exporting from India also?

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- Sunil Chordia:** Yeah.
- Keshav Kumar:** So sir, are these export realizations significantly different than the domestic ones like say to a European country or U.S.?
- Sunil Chordia:** We are getting almost the same realization what we are selling here. And since customer is paying all the freight, and let me tell you the freight cost is almost 80% of the -- say if the bead wire is INR 1 lakh a tonne, the customer is paying INR70,000, INR80,000 freight on that and taking material. So that is the global scenario today.
- Keshav Kumar:** Okay, thank you, sir, thanks a lot.
- Moderator:** Thanks Keshav. Ashish, you can unmute and ask your question now?
- Ashish Rampuria:** Thanks. Sunilji, I think this question has been asked, but I still wanted a bit more color right? This operating margin that our EBITDA we used to have at 9, 10, 11 percentage earlier and today we're talking of 18%, 19%, 20 percentage, right. So couple of questions. One, I think you highlighted that you believe this is something that will continue, right. But if you can throw some more color on why do you think this will continue right, given that's one of the reasons why our stock has performed so well. Can you give more color on that at this point?
- Sunil Chordia:** Yeah, Ashish the EBITDA improvement is because of two reasons. One, we have been able to get a reasonable price from our customers more so we are able to reduce our cost substantially. We are leveraging a much higher capacity than what it was two years back, okay, which has reduced our cost substantially. And that is permanent, that is not going to change.
- And companies who are selling at lower prices without profit have shut down. So even customers have realized, that if we raise the price issue, then why will Rajratan increase its capacity, or a weaker player will become -- will have to shut down.
- So I think tire companies have suffered a lot in the last years for want of raw material. So they also realize -- they also want to give a reasonable price to their suppliers. I think I have answered your questions.
- Moderator:** Sir, there seems to be some problem in the line of Ashish. We'll take the follow-up question from VP Rajesh.
- VP Rajesh:** Thanks again. My other question is what is our market position in India? Are we number one in bead wire or if you can just talk about our market share and same for Thailand?

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- Sunil Chordia:** I think you are a new investor or still looking to invest.
- VP Rajesh:** Yes, I am.
- Sunil Chordia:** Yeah, we are yes the biggest supplier and most preferred supplier of this product for tire markets.
- VP Rajesh:** Okay. So what is our market share in India?
- Sunil Chordia:** I think out of 10, 5 tires are made with Rajratan bead wire.
- VP Rajesh:** Okay. And what about Thailand?
- Sunil Chordia:** Thailand we are only 25% market share as of today and aspiring to grow to 40% soon with new capacity.
- VP Rajesh:** Okay. And I was just wondering, I know you answered this question partly that your customer being reasonable, but then when the steel prices are going up so much, how are you able to control your margins or improve your margins rather?
- Sunil Chordia:** So I already told Ashish, that this EBITDA margin is sustainable because majority of it is coming from utilizing a higher capacity, leveraging a very high capacity. And because we are a preferred supplier, we are a reliable supplier, customers are also giving us the -- we are able to pass on the increase in the steel price to our customers.
- VP Rajesh:** I see. Okay. And is there a lag or that happens within ten weeks or so?
- Sunil Chordia:** Generally, there is a lag, but in current situation, we have been successful without a lag.
- VP Rajesh:** Okay, all right. Thank you so much.
- Sunil Chordia:** Thank you, Rajesh.
- Moderator:** Ashish, do you want to unmute and ask the question now. So we'll take the next question from Kiran. Kiran, you can unmute and ask.
- Kiran KP:** Hello, am I audible?
- Sunil Chordia:** Yeah.
- Kiran KP:** Hi, sir. Congratulation on those great numbers. Sir, my question is -- sorry, I've joined a bit late. So I just wanted to know, there seems to be a huge

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demand for steel, the bead wires and you are looking to exploit that. But without capacity coming up maybe it might take three years is what you said for Chennai plant to be fully ready. Sir do you see we missing out on demand, and we are not able to capitalize the actual potential?

Sunil Chordia: No, not like that, steel, the tire market is projected to be growing at 8% to 10% max. So with 60,000 tonnes capacity, we'll be able to catch up with the demand. And in this business sudden 60,000 tonnes cannot come up for production and can't be sold. That is why I said it will take two years to ramp up to 60,000 tonnes from the date of production.

So from today, you can safely talk of 60,000 tonnes capacity up and running in three years' time, starting in 15 months and reaching that level in three years' time.

Kiran KP: Okay sir, understood. Sir my next question is more related to the China factor? Do you see a change in stance in China's policy, maybe coming one year, one and a half years down the line affecting our operation in any ways?

Sunil Chordia: It is very difficult for a person like me to understand China. Big, big people have failed to understand China. But I think the current stand of China is for longer time and they are exiting global business with this strategy they don't want to subsidize the global growth by supplying cheap material. I think that is their thinking and their economy will survive or will grow with their internal consumption. So they are looking inward, not looking outward. That is what I understand from their policy.

Kiran KP: Thank you, sir. All the very best.

Sunil Chordia: Thank you, Kiran.

Moderator: Sir, we'll take the follow up and probably the last question from VP Rajesh.

Sunil Chordia: I think he had asked.

VP Rajesh: Yeah, I had asked my question. So I'm okay for now. Thank you.

Vinay Pandit: Sir, I would like to ask a question on behalf of some participants who I was talking to prior to the call. You currently in this quarter have done a production of approximately 12,000 tonnes in India, right? This is in Q2?

Sunil Chordia: No, no, more.

Vinay Pandit: 12,000 tonnes of bead wire.

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- Sunil Chordia:** Yeah, we have 13,000 tonnes.
- Vinay Pandit:** That is total sir, bead and steel wire. If I see only bead wire, it's approximately 12,000 tonnes, 11,900.
- Sunil Chordia:** 13,088 of bead wire and 1,295. Total is 14,400.
- Vinay Pandit:** Yes, that's the sales volumes sir.
- Sunil Chordia:** Okay.
- Vinay Pandit:** Production volume I am saying you've done approximately 12,000 tonnes in this quarter, against a capacity to do 15,000 tonnes. So why do you say that we are at full capacity, are you talking about what you are doing right now in October, or is it that we will be doing only 90% 95% of the capacity?
- Sunil Chordia:** No, I'm talking of October. So currently we are running at full capacity. There might be some aberrations, because of monthly shutdowns or festivals. Our run rate today is close to 5,000 tonnes a month for bead wire.
- Vinay Pandit:** Okay. Any plans to further debottleneck in India sir? Is there an opportunity or scope to do it?
- Sunil Chordia:** There are these smaller opportunities, okay. We are working on those plans, but not substantial. It may give some 400 tonnes, 500 tonnes per month of extra production. But that will take few months.
- Yashovardhan Chordia** Sometimes Vinay, size change of the product also increases production by like 400 tonnes a month, or the efficiencies of different products correlate differently. So definitely 400 or 500 tonnes of production can come out from the existing capacity, maybe not even debottlenecking.
- Sunil Chordia:** That depends on the product mix also.
- Vinay Pandit:** Sir, there's one more question which has just come on the chat. Is there any possibility of bead wire to be recycled?
- Sunil Chordia:** Bead wire recycling, no, it will go for a scrap. It will make new steel and then the whole process of making bead wire.
- Moderator:** Sir, since there are no further questions we will end the call here. On behalf of Rajratan Global Wires, I thank you all for coming on this call. I would request Mr. Chordia to please give his closing remarks.

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Sunil Chordia:

Yes. So thank you very much friends for continuing to look at Rajratan, and being, I hope happy shareholders and we will continue our dialogue. And I'm looking forward for more exciting quarters going forward. Thank you.

Vinay Pandit:

Thank you, sir. On behalf of Kaptify I thank the management of Rajratan for joining us on this call. And I thank all the participants for participating on the call. Thank you and you may all disconnect.