



RGWL/22-23/

26th April, 2022

To BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400001 Scrip Code – 517522	To National Stock Exchange of India Limited ‘Exchange Plaza’, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Symbol - RAJRATAN
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Subject – Transcript of the earnings conference call for the quarter and year ended 31st March, 2022

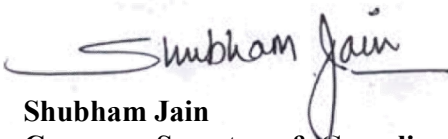
Dear Sirs,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and year ended 31st March, 2022 conducted after the meeting of Board of Directors held on 21st April, 2022, for your information and records

Kindly take the same on your records.

Thanking You,
Yours Faithfully

For Rajratan Global Wire Limited



Shubham Jain
Company Secretary & Compliance Officer

RAJRATAN GLOBAL WIRE LIMITED

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**“Rajratan Global Wire Limited
Q4 FY22 Earnings Conference Call”**

April 21, 2022



MANAGEMENT

MR. SUNIL CHORDIA, CHAIRMAN & MD

MR. HITESH JAIN - CFO, RAJRATAN INDIA

MR. YASHOVARDHAN CHORDIA – DIRECTOR, RAJRATAN THAILAND

MR. PRANAY JAIN - CFO, RAJRATAN THAILAND



MODERATOR:

MR. SAILESH RAJA - BATLIVALA & KARANI SECURITIES INDIA PVT. LTD.

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY '22 Earnings Conference Call of Rajratan Global Wire Limited hosted by Batlivala & Karani Securities India Private Limited. 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. Please note that this conference is being recorded.
I now hand a conference over to Mr. Shailesh Raja from Batlivala & Karani Securities India Private Limited. Thank you and over to you, sir.

Shailesh Raja: Yes, thanks Rutuja. Good evening, all and thank you for joining us for Rajratan Global Wire fourth quarter of FY '22 earnings conference call. So during this call from the management side, we'll be hearing from Mr. Sunil Chordia, Chairman and MD, and Mr. Yashovardhan, Director and Mr. Pranay Jain, CFO, Rajratan Thailand and Mr. Hitesh Jain, CFO, Rajratan India.

So I would now like to turn the call to the Chairman for the opening remarks followed by Q&A. Sir, you may begin now.

Sunil Chordia: Yes, good evening friends and thank you for joining this call. The year '21-22 has been an eventful year for Rajratan as a whole. We continue our outperformance from financial year '21 in the current year as well on almost all the fronts, production and sales volume, capacity utilization, revenue growth, margin and profitability, customer and employee satisfaction, employee productivity, brand productivity, new customer additions, and increasing wallet share with all the customers.

All these factors have allowed us to deliver our best performance ever in nearly all our quarters and the year as a whole. The coming years are going to be equally eventful, with our upcoming expansion at Thailand and new greenfield capacity at Chennai, which will help increase our local market share as well as cater to exports. We continue to outperform and work as a team to deliver value to our shareholders. In view of this strong performance, the Board of Directors have approved a dividend of INR 2 per share for the year.

So this generally I wanted to talk about what we discussed in the Board. And now with me on the call are Yashovardhan Chordia, he has joined from Thailand with me sitting in the same room is Hitesh Jain our CFO, and Pranay Jain from Rajratan Thailand. So Shailesh, I'm open to question answers now.

Moderator: Thank you very much. The first question is from the line of Agastya Dave from CAO Capital. Please go ahead

Agastya Dave: Thank you very much for the opportunity Sunil ji, fantastic performance for the entire year. Absolutely. great. The execution has been amazing. Sir, I have a few questions. One is on the margins and this is probably the biggest question. So if I look at the gross margins per tonne and EBITDA per tonne over the last five, six years, you guys have done amazingly well. And now we are seeing -- but that was for bulk of that period, steel prices were not volatile at all. Now we are seeing a lot of volatility. So can you comment on your EBITDA per tonne and gross margin per tonne going forward? And if you can give the numbers separately, what's the situation in India? What's the situation in Thailand, how much pass through is being allowed where, and going forward what's your sense?

Second sir, a related question on the margins. I have not seen such a margin expansion in any other industry, in any other company, which uses steel as its input. So can you go into a little bit more detail as to how much of this expansion has come from more value addition, better pricing, better mix, if you can break down the improvements that you have seen and also your internal efficiencies and also operating scale? So if you can break that down and going forward again from an operational point of view, how do you see these margins going forward?

Second question is on the expansion side. Any further updates, I'm just going through the press release, you have mentioned something, but if you have anything further to add that would be enough. Thank you very much, sir.

Sunil Chordia:

Yes. Thank you, Agastya. You have asked everything. So let me tell you, yes you have seen the expansion in margin, but it has not come by only charging higher price to customer, it has come because of a lot of internal work we have done. We had expanded our capacity in India two years back, which has resulted into a very good quality, which has -- we have put up the world's biggest bead wire line. So our cost of conversion, our cost of making bead wire has drastically reduced. And when we use that capacity up to 90%, 95%, the cost further goes down. The variable cost also goes down along with the fixed cost. So you are seeing the result of all that. And when you make good quality, you cater bigger quantity to better customer. You make better product where the prices are better. Like if I tell you broadly, the customer profile has also changed over last three, four years.

So whatever improvement you are seeing is a net result of expanded capacity with reducing variable cost, with improvement on efficiencies, with improvement on product quality, with further improvement on the product mix, including change in the customer profile. Okay. So it will be very difficult to give you exact numbers that how much has come from what action. But -- and that is why we have been able to pass on all the cost of raw material to our customers.

And let me tell you, at this point of time, we are not expensive to our customers. We are even today very competitive compared to our local competition as well as global competition. We are today supplying bead wire at lower price than what China supplies to them. We are supplying bead wire to our Indian customers at lower than what they can import from Vietnam or Malaysia. So I don't see any reason for this to compress in the coming years. Yes.

Agastya Dave:

Great sir. And sir, Q4, we have seen a small dip in margin, is it completely because of commodity volatility?

Sunil Chordia:

Q4 you have seen dip in margin maybe because we were not able to pass on the price increase, which happened in month of February and month of March. So we had to absorb, we had a commitment to supply to our customers. As I have been telling in the past, our sales contracts are for quarterly basis and we buy raw material on a monthly basis. You have seen the steel market being very volatile. We had to absorb the price increases in the month of February and March and which we are negotiating with the customers. And we have got some confirmations, some more are pending and we'll take that differential in the current quarter.

Agastya Dave:

Thank you very much and completely understandable Sunil ji again, I must say amazing performance. The execution has been amazing and Yash same thing for you the Thailand performance has been like absolutely amazing.

Sunil Chordia:

And yes, one big change here that Thailand has also come at par in profitability with India.

Agastya Dave:

Yes. So this used to be my question 18 months back that when they would come at par, and you guys have brought it in 18 months.

Sunil Chordia:

Because Thailand has utilized capacity almost to 95% in the second half of the year. Now Thailand is increasing its capacity two 60,000 tonnes this year, and you'll see further improvements.

Agastya Dave:

Yes. Amazing sir. All the best. Thank you for answering my questions. Thank you.

Sunil Chordia:

Thank you, Agastya. Thank you.

Yashovardhan Chordia:

Thank you, Agastya.

- Moderator:** Thank you. The next question is from the line of Anika Mittal from Nvest Research. Please go ahead.
- Anika Mittal:** Yes. Sunil, sir, once again heartiest congratulations on the wonderful set of results. So we are tracking this company for a long period of time now. So you stay committed to what you commit and then you deliver as well. So thanks for that. So it is really boosting our confidence on the company. Sir, my question is on very generic side, like my stepping back, and then thinking like the way that value migration is happening in terms of the automatable industry, right? Like electric vehicles and stuff. So are we seeing any threats in terms of the product alternates that is available or anything like that, which you are seeing and maybe you are working towards it which can add value to you. So any thoughts on that?
- Sunil Chordia:** Yes, there is a big change happening in automobile. World is moving towards electric vehicles, but we are not seeing any change in the tyre, tyre will continue to be there, whether it is electric vehicle, or it is a fuel or a vehicle with petrol and diesel. I was recently with retired managing director of Good Year two days back and he said your product is going to be sold for next 50 years. I don't see any visibility or any change in consumption of bead wire. So I go by what our customers are saying. So there is no change in the customers. There is no research being done as an alternate to bead wire. Of course, there are improvements happening in the quality of bead wire, and the customer requirements are changing, which we are very much in tune with. We are in the forefront of all those changes. So as of today, I can say that we are not seeing any change.
- Anika Mittal:** Okay. Okay. So sir, another question I saw in your note press release, that the Thailand entity has got all the approvals and stuff. So is it -- are you referring to the expansion that you are currently working on or what is this approval for?
- Sunil Chordia:** No I think Yashovardhan is there on the line and he should answer this question. Yashovardhan?
- Yashovardhan Chordia:** Yes. Thank you. So we are trying to refer to some customers where our product was under approval right now, since the last one year. And we have got those approvals. So with the added capacity coming in, in the next two, three months, it will be more easier for us to push volumes for bulk supply to these customers.
- Anika Mittal:** Okay. Okay. Thanks. And another question, see, last time we also saw some mention on aluminum clad and optical fiber cable manufacturers, like you are working on those lines as well in order to diversify your maybe product portfolio or what, is there any update on that?
- Sunil Chordia:** No, no, that was a little confusion. We are debottlenecking heat treatment process in our Pitampur plant, which will ultimately increase the capacity, which has -- and that added capacity will come up for this year. It is happening in this current month, one furnace is starting, but that particular furnace is having some extra capacity. So we will be doing some -- we'll be selling some patented wire, which is a raw material for aluminium clad wire manufacturer. So there was a bit confusion in the language. My apologies for that. It is not a product we want to get into. There is no confusion, but we want to use some intermittent capacities of different processes. So that is it. Yes.
- Anika Mittal:** Perfect sir. And on a macro level, how is the design that you are looking order pipeline and stuff, sir, like for the near future, how are you seeing your full utilization?
- Sunil Chordia:** You see the tyre capacities have increased the manufacturing capacity, the big change, which happened almost a year back or year and a half back, that Chinese tyres got anti-dumping in India. So the tyre capacities were increased by 20%. We have mentioned in our presentation to shareholders and we continue to see the growth of tyre market by 7%, 8% CAGR. That is how we are getting information from our customers. So that is the growth in India. Apart from that, Thailand also is growing. There are a number of Chinese companies. We are also getting approvals with two more Japanese companies, one European company. And we also see

possibilities of profitability exporting out of India. Thailand will not have the extra capacity to export because we are selling more material in the local market, which was the target. It took little while to get all those approvals and volume, but now it is happening.

- Anika Mittal:** Great. Great. So sir, FY '22 I know that there were a lot of things that happened, and obviously you have given pleasant surprise to the investors by performing more than what the expectancy was. Right. So what is your take on FY '23 as we look forward?
- Sunil Chordia:** No, we will continue to grow. We are making a business plan to grow in volume. I can talk about only volume today because prices have been volatile and raw material has been volatile. The fuel prices are volatile. So I will not talk about or make any commitment on the top line. but definitely will grow in volume, both in India and Thailand. And we are looking at an increased volume of 20,000 to 25,000 tonnes in current year.
- Anika Mittal:** Great, sir. Thanks for answering all my questions. And all the best.
- Sunil Chordia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.
- Sanjay Shah:** Yes. Good evening gentlemen. Heartiest congratulations on excellent set of numbers, sir. Sir, my question was regarding the same point last you closed was regarding the realization which have been improving since year on year from 65,000, 70,000 per tonne to more than one lakh. So how do you see that ahead, even this volatile situation, if at all realization or prices fall for raw and realization comes down, would it be that we could manage to maintain these type of margins ahead?
- Sunil Chordia:** Sanjay bhai, we are now approved with the best of the tyre makers in the world, whether you talk of Bridgestone, you talk of Yokohama, those customers don't change suppliers overnight, at least for the price reasons, because bead wire is only 3% of their product cost, right? And it has taken us long years to get to this position. So if any disruption happens, it will take again very long time. Okay. If tomorrow, Sanjay Shah puts up a bead wire factory, it will take him equally long time. If something has to happen, then it will take a lot of time for disruption and whatever work we have done that is -- that will continue to give us this benefit for long time. We have put up world's biggest bead wire line of 60,000 tonnes capacity. It is giving us very quality. It is giving us much better cost. Okay. So I don't -- I'm not afraid that tomorrow for any reason, this will go down.
- Sanjay Shah:** So can you highlight upon our Chennai plant, at what stage, we already started civil and what will be the phase of our products and how it will pan out in the market?
- Sunil Chordia:** We have done the groundbreaking in the first week of April and work started on 15th, the civil construction work. We have placed orders for almost all the critical plant and machinery balance orders are in the pipeline or in the planning stage and negotiation. All those discussions are happening. And our target is to roll out the first coil from Chennai before end of this financial year. So it may not be a significant quantity, but as a challenge, we want to achieve that in this financial year. Maybe a little bit of sales, but you can assume that this quantity will come up for sales in the next financial year. But for this year, there will be an increased availability of product from Pitampur and for the balance three quarter, added capacity in Thailand will be used, right. And that is how we are targeting additional sales of 25% in volume.
- Sanjay Shah:** In Chennai we are setting up 60,000 tonnes capacity. So it will be done in phase manner or next year, the whole 60,000 will come into market?

- Sunil Chordia:** No, it will take at least two to three years to achieve 60,000 tonnes volume, but we are putting up all the capacity. Okay. Some balancing equipment will keep coming, but there is no phase wise investment plan in this product you know and we have been very clear about it that overnight you can't sell such a big quantity. Okay. So sales will continue to grow from Chennai, but I think in three years time, we should be able to utilize it to full capacity, maximum.
- Sanjay Shah:** Great. So my next question was to Yash ji and complimenting his remarkable job, what he has done and taking these Thailand unit to these heights. Yasho ji my question was regarding we have getting good market domestically in Thailand, which you mentioned and so that -- that's why our export from Thailand has gone down. So how you think to come cater to the client outside Thailand and do you any plan to cater them from Chennai plant and after increasing Thailand capacity will be able to service rest of the world like Europe and U.S.?
- Yashovardhan Chordia:** Yes. Thank you, Sanjay ji for your good wishes and question. in Thailand, our goal was to cater to the domestic market. Historically we were supplying only 20% to the Thailand market with the added capacity, our aim is to immediately target 35% to 40% of market share. We are the only domestic producer of bead wire in Thailand and with the logistics issues and lot of uncertainty in supply chain for importing bead wire, our customers are requesting more volumes and the capacity that we are adding is also in line with the demand of the product, the type of bead wire, which is consumed in Thailand.
- So -- and as a business case Thailand supplies or business or sales in Thailand are always going to be much more profitable because the entire cost of management supplying to a customer locally is very, very less. It is very safe, very stable. There is no volatility in terms of external factors, exchange rate, and logistics.
- Moving forward export volumes will not go down, but it will remain the same. So year-on-year, we are doing about 12,000 to 15,000 tonnes of export volumes. So tonnage wise, they will remain the same. We might have an option where we are more selective of choosing the custom months in export. So it gives us another opportunity to choose high value or high realization customers for the export market. The third part is will we export from Chennai? Definitely, yes, our target is 50% of volume or at least 40% volume of the Chennai capacity should be exported to Southeast Asian countries, European countries, and even to America. So the relationship that we have developed from Thailand with all these customers, we plan to supply from Chennai to all these customers in the future.
- Sanjay Shah:** Great, really, very helpful and wish you good luck.
- Sunil Chordia:** And Sanjay ji there is one more change globally. The Indian steel will remain more competitive compared to China or any other place in the world. Okay. And on that basis, we are targeting exporting from Chennai.
- Sanjay Shah:** That's remarkable, sir. Remarkable. Thank you, sir.
- Sunil Chordia:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Manan Shah from Moneybee Securities. Please go ahead.
- Manan Shah:** Yes. Hi. Thank you for the opportunity and congratulations for a fantastic set of numbers. Our performance has been very consistent and whatever you've guided, sir, you've delivered or you've delivered at least more than whatever you've guided. So I have been tracking our company on the basis of spreads that we enjoy. So meaning the difference between realization per tonne and the cost per tonne. So these spreads as I have constantly moved up to from around 26,000 per ton, in 2019 to 28,000, 30,000 and currently somewhere around 38,000 to 39,000 per ton. So how

confident are we of maintaining the spreads or, and is there any scope of further better spreads from here onwards? That was my first question.

Sunil Chordia: I think I said this in first question, but let me again repeat that this is spread has not come because we are charging -- overcharging our customers. We are still very competitive. Our customers are happy and satisfied with our quality and our price. I don't see any reason for them to not to give us this competitive price. The reason for better spread and profitability is that we internally, we have done a lot of work. First is huge capacity, and in this product using a higher capacity, making the same product on a very bigger line, reduces the cost of production. So I can claim that we are the lowest cost producer of bead wire in the world today. I have in my 25, 30 years, I have seen, I have competed with Chinese suppliers. I have seen worst of the times. I have seen when we were supplying, bead wire at a conversion of only \$200 or \$250 on a total spread, which today is almost \$500. So I'm not scared. It will continue.

Manan Shah: Yes. Okay, fantastic. So another question was whether are we seeing the Aradhya steel capacity coming back into the market and whether are competitors, have they announced any CAPEX going ahead? Because I believe Tata Steel and the Tata Wires has announced the CAPEX, but not specifically in the bead wires, if you can just give some update on that if any?

Sunil Chordia: Yes. For Tata, this is a very small business. Of course they can increase the capacity anytime. It depends on the focus and their priorities, but Tata is a huge company, very good competition to us. As of today, I don't see them increasing capacity soon. Talking about Aradhya which was taken over by another company through NCLT, they continue to -- they are making bead wire, but they will have to go through this difficult phase of approvals and learning to make a good quality. And you can understand making a smaller volume 500 tonnes, 600 tonnes a month, or up to thousand tonnes a month against 5,000 tonnes, we are making in one facility. Their cost structure will be very different. So depends on how long they can sustain this kind of pressure.

Manan Shah: Okay. Then on the debottlenecking for the India capacity that you mentioned. So we've achieved around 75% kind of utilization for India capacity. So would this debottlenecking increase the overall capacity or it will help us achieve a higher utilization?

Sunil Chordia: Exactly. It will help us achieve higher utilization.

Manan Shah: Okay. So the overall capacity will not go up right from 72,000 tonnes?

Sunil Chordia: No, it will remain 72,000 there for the change in the product mix. So we have to put up a furnace, which is now being fired last week and the product will come out of that furnace by end of this month. And we will get -- with that debottlenecking we have made a business plan through to do 66,000 tonnes this year.

Manan Shah: So this patented wire that you mentioned, it is a different product category for us.

Sunil Chordia: It is not a finished product, but it is always good to use some idle capacity and reduce the overall cost and reduce the fixed cost burden on the company, which we smartly do every time. But as an analyst or as a investor, you should not bother much about it.

Manan Shah: So you mentioned that this is the idle capacity that we plan to use. So are we not seeing demand for our existing bead wire in the current market or just...

Sunil Chordia: No, as you know we also make black wire for different applications. So we were not able to do much of that product in last two years because bead wire demand was higher and we were catering to better customers, but we also have a commitment and a plan to continue catering to those customers. So with this debottlenecking both the products will have a flexibility of growth. With changing product mix also.

- Manan Shah:** So now we'll be able to use the black wire capacity for making bead wire?
- Sunil Chordia:** No more of black wire can be made. And from that furnace more of the thinner sizes of bead wire can also be made.
- Manan Shah:** Okay. Lastly, if you can just give me the breakup between bead wire and black wire for the India volume for the entire financial FY '22?
- Sunil Chordia:** Roughly it is close to 50,000 tonnes of bead wire and 5,000 tonnes of black wire.
- Manan Shah:** So through this exercise, we should be able to get higher utilization from our black wire capacity.
- Sunil Chordia:** Yes. So this year plan is about 10,000 to 11,000 tonnes of black wire and 55,000 tonnes of bead wire.
- Manan Shah:** Okay. Got it. And sir, lastly, on the Chennai expansion, can you just help us understand how much capacity will come online in phase one?
- Sunil Chordia:** No. I told you in the previous question it is not a phase wise investment. We have got ourselves registered for PLI benefit for 60,000 tonnes capacity with investment plan of INR 300 crores. And of course the machines will be put up in phase manner, but there is no phase wise production planning, production planning is phase wise, but CAPEX planning is continuous.
- Manan Shah:** Okay. Got it. And lastly on the USA, we were trying to get enrolled into that market and we were getting lot of inquiries as well from that market. So have we started our product approval for that market or if you can just give some insight into that?
- Sunil Chordia:** Yes. Not very serious efforts are made up till now, even today we are supplying we are supplying close to 500, 600 tonnes of material to U.S. market, and these are the customers who have come to us. We have not yet made efforts to reach out to customers and asking for approval and all that. We will do that to utilize our capacity in Chennai.
- Manan Shah:** Okay, fine. Thank you. I'll get back in the queue.
- Sunil Chordia:** Yes. Thank you, Manan. Thank you.
- Moderator:** Thank you. The next question is from the line of Saket Reddy from Polasani Enterprises. Please go ahead.
- Saket Reddy:** Yes. During the quarter we've seen some new reports about Rajratan going in a partnership with two other companies for Mittal Corp. Any comments on that, sir, any reaction for that?
- Sunil Chordia:** Yes, we have taken the NCLT documents. We have visited the capacity because they make wire, but as of today there are no serious plans to get into it. We want to be in the game because something happened in our area, we should know what is happening. So not a serious effort.
- Saket Reddy:** Okay. And my last question, sir. what's going on with Michelin? Last update was you've sent some trial samples for them.
- Sunil Chordia:** Yes. So samples are approved, few small lots are approved. Now we are in the bulk trial phase with them. So they will take 10 loads, 10 truckloads of wire from us they'll place order for some 30 coils. So there will be 10 batches of 30 coils each, which will go to them, which may take anything from six to eight months time. They will consolidate the performance of all this product we supply to them. They will do all the destructive testing of tyres and make a report which will be sent to the R&D center. And then we hope to get full approval by end of this financially year.

- Saket Reddy:** One last question, sir. In the presentation, you mentioned four clients which you got approvals for Thailand plant. Say, for example we want to supply sort of cater to them from the Chennai plant as well by FY '24.
- Saket Reddy:** Four companies that you've highlighted in the presentation, let's say we want to supply to them from the Chennai plant as well. Say maybe in '24 or '25 do we have to go for the approval cycle again or is it fungible for us?
- Sunil Chordia:** Yes, it is. Let Yashovardhan answer.
- Yashovardhan Chordia:** Yes. These are companies three of them are domestically present in Thailand, Chinese companies. And one of them is a company in Finland. We have already applied for approval process from our India plant. So we might have to go for a separate approval, but that approval is not going to be a very lengthy one. It's considered to be more of a process approval where they just try couple of coils from the other factory. And it finishes in about couple of months. So it's not a very length exercise as compared to the initial approval.
- Saket Reddy:** Okay. Thank you. That'll be all.
- Moderator:** Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.
- Alisha Mahawla:** So good evening. So just a clarification to an earlier question, the debottlenecking, like you mentioned will help us improve our utilization level. So currently we are at 75 odd, we can go up to 90 after this is my understanding, correct?
- Sunil Chordia:** The utilization percentage.
- Alisha Mahawla:** Yes.
- Sunil Chordia:** Yes, definitely.
- Alisha Mahawla:** Okay. Because our aspiration is 20% 25% volume growth. So this debottlenecking shall help us achieve it, because Chennai becomes towards the end of the year.
- Sunil Chordia:** Correct. Correct. So this year, the volume will come from this debottlenecking and added capacity in Thailand.
- Alisha Mahawla:** Okay. And the Thailand capacity that we're adding, we're going from 40 to 60, the incremental 20,000 are we expecting it to be utilized over two years?
- Yashovardhan Chordia:** No. I think we should be able to utilize it in one or maximum two years.
- Alisha Mahawla:** Okay. One to two years. Understand. And what is the total CAPEX that we're looking to do between Thailand, Chennai and the debottlenecking
- Sunil Chordia:** Debottlenecking, we invested about INR 15 crore in that in the last financial year and some more will happen now, which is a kind of maintenance CAPEX you can call it. Chennai, we are planning to invest INR 300 crore for a full capacity of 60,000 tonnes. And Thailand, we are completing the project in INR 75 crore to INR 80 crore of investment, which is happening, which is work in progress.
- Alisha Mahawla:** And if you can just also quantify, what out of this be CAPEX for '23, the entire Chennai INR 300 crore will be spent in this year, plus part of Thailand.
- Sunil Chordia:** No the remaining of Thailand, which may be INR 25 crore, INR 30 crore, Pranay or Yashovardhan will give the exact number, but Chennai we have already invested in the land in

last financial year. We have spent on giving advances to plant and machinery and -- but this INR 300 crore will be spent in next two years, current financial year and the next financial year.

Alisha Mahawla: Okay. So if you can still quantify in '23, are we looking at INR 100 crore kind of CAPEX or even slightly more than that?

Sunil Chordia: More than that, because Chennai will consume more CAPEX and the balance investment of Thailand will also be there. So roughly I can say from the last balance sheet to the next balance sheet, there will be a CAPEX of INR 150 crore in Thailand and India. Yes. Very ballpark number I'm giving you. I have not done the detailed working.

Alisha Mahawla: That's fine. And just one last question. Are we taking any, incremental debt for this CAPEX debt we're doing

Sunil Chordia: We have already got a sanction of INR 100 crore from two banks. We have availed a very small amount of that up till now. So we will avail that and we don't see -- or we don't need any more debt. You can see that debt has come down from last year in spite of our investing in Chennai our investing in Pitampur, so we are working on all the possible methods to reduce the overall debt on the company.

Alisha Mahawla: Sure. And one last question, if I may squeeze in, just wanted to know what is giving us the confidence for this 20% plus kind of volume growth while I can see '22 and it could be because '21 was slightly affected, but even if I go back and see, I think 10%, 15% was the kind of volume growth that we used to do. So what is giving us this confidence that we'll continue with the 20% plus volume growth?

Sunil Chordia: More of it is gut feeling. And the confidence we get from the discussion with customers. We are in constant touch with customers. I have never seen customers coming to Rajratan to buy bead wire, whatever we sold in U.S. market, we didn't make any effort. Whatever we are selling in -- throughout the year we were short of capacity. Throughout the year in Thailand, we were short of capacity. So with this debottlenecking added capacity in Thailand, and of course we'll make efforts to sell now. So 20,000 tonnes or 25,000 tonnes additional volume is possible, not a difficult target.

Alisha Mahawla: Okay. Thank you, sir.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Thank you for the opportunity. Sir, just a small clarification. You said this INR 300 crore CAPEX for Chennai will be spent over next two years. So just wanted some clarification that completion is by FY '23 end. So then I got a little confused. Can you just elaborate it a bit?

Sunil Chordia: What I said was first coil will be rolled in this year. Okay. It is not completion of the project. It is starting the production. So you can have two dates, one is starting the production, which can happen by 60%, 70% CAPEX and the balance -- the modular machines can keep coming and keep getting installed. This product doesn't sell overnight. It is not that I will switch on the 60,000 tonnes capacity. And next day I'll sell 5,000 tonnes on a monthly basis. No, it will grow from 0 to 60,000 tonnes in three years time. So the investment will also be spreading over two years.

Anurag Patil: Okay. So sir in the near term do we expect any challenges on supply chain demand, particularly Q1 FY '23?

Sunil Chordia: I told you that last year tyre companies have grown in volume by 20%. And this year they are projecting a growth of 7%, 8%. And that is what we have factored in, in our business plan. So even if the automobiles don't do very well, but whatever automobile we have, which are running

on the roads, will continue to run. The commercial vehicles, the cars. So 70% of the tyre demand comes from consumption of tyre, not the first tyre fitted on the vehicle.

Anurag Patil: And supply chain side, any challenges are we expecting near term?

Sunil Chordia: For our raw material?

Anurag Patil: Yes, sir. For our raw, material.

Sunil Chordia: No, we have tied up this requirement majorly with JSW. We are also buying from two more sources in terms of supplies if there is a delay and our raw suppliers are also growing. JSW has started a new wire rod mill and now they'll be making 2 million tonnes of wire rods every year. So they also want a customer like Rajratan. okay. So we have an agreement with them for next year also for a big volume.

Anurag Patil: Okay. That's it from my side. Thank you very much.

Sunil Chordia: Thank you very much. Yes, Anurag.

Moderator: The next question is from the line of Devansh from SIMPL. Please go ahead.

Devansh: Yes. Thanks for the opportunity. and thanks for such a detailed disclosure and answers to all the questions. So just wanted to understand what is our direction in export market, which we are trying to crack, as in if you can specifically tell us the targeted regions in the near-term and medium term, and our current market share in that region? So for Thailand, you have been very explicit and we already know that 25% and will look for 35%, 40% market share, but in other regions, what is the -- what are we expecting from those regions? What are the efforts we are trying to make?

Sunil Chordia: Yes. So we are -- let Yashovardhan good.

Yashovardhan Chordia: Yes. so, we are quite strong in Sri Lanka right now which might get effective for the short term, but customers are giving us assurity that there's no need to worry, and we have assurity from them. Otherwise from Thailand, we have a lot of strong relationship with Indonesian customers, Vietnam Malaysia these areas. Plus historically, we used to also supply from Thailand to Taiwan. But as Thailand gets focused towards domestic market, we are trying to push volumes from India and -- we will try to push from Chennai when the plant is ready. So overall in terms of the Southeast Asian market share, I would say in every country we would target to be supplies to about 20% of the country's consumption.

Other than that we are regular supplies to couple of customers in Europe from those customer already got approval from our Indore facility. And we are also in discussions with them that once Chennai comes in, they will approve that facility also. But to be very honest, we still need to map European and American market in detail and then take targets of how much we can target to cover in those areas.

Devansh: Okay. And in terms of cost differential in Thailand, where would -- since we see that we are the lowest cost producer in comparison to second player, what would be the production cost comparing, let's say selling price differential, which is there at the moment?

Yashovardhan Chordia: You mean our selling price as compared to the competitors?

Devansh: Yes. The second player. Just a directional number.

Yashovardhan Chordia: So generally, at many places we are also able to get better or even the same price than our competitor. There are customers where we can get bigger share of volume. That is where we keep a discount of a thousand bucks per metric, but there's not a big gap. But yes, lately customers have

started giving us quite good price because there's a lot of assurity we give them. A lot of service that we are able to provide them domestically in Thailand, like maintaining stock for them, attending to any issues immediately. So just to give you an example, customers like Sumitomo Yokohama, don't hesitate in giving an additional to THB 2000, THB 3000 or even more to Rajratan because of what we are able to do as a domestic supplier.

Sunil Chordia: And Devansh, just to remind you, we are the only suppliers in Thailand and with the huge logistic challenges we have seen in the business global business, they prefer to buy it locally.

Devansh: Okay. Okay. And you mentioned that, we are able to value adding the bead wires and that is helping us command premium pricing. So I mean, how -- let's say from a customer point of view, how does we measure, like, what is the benefit for him in his entire production or his quality of tyre to the value add that we are doing, that is helping us charge higher. So just a few anecdotal examples, if you can give?

Sunil Chordia: No, let me tell you, it is only 3% of the tyre cost. So they want a consistent supplier, they want a reliable supplier. That is the biggest value add we are giving to them. With logistic challenges across the globe, companies have suffered for want of various raw materials in their factories. So they don't want to import everything into the country and depend their production on that import. Containers were not available. Ships were not available. So these are the reasons that they don't mind even giving some premium, but we are not targeting premium, we are targeting bigger business with them

Devansh: Okay. And when we say that we have increased our mix toward higher quality of customers, so I mean, how does the -- I mean, if you have to look at the range of gross profit per tonne for the most premium vendor and lower end, where does that band lies?

Sunil Chordia: No, Yokohama gives a better price than a local Thai company. That's the example. So now our quantities, bigger quantities go to Yokohama. Similarly in India, the bigger volume goes MRF not to a Ralson Tyre in Ludhiana. So this is the difference.

Devansh: Correct. Thanks a lot for the detailed explanation.

Sunil Chordia: Thank you.

Devansh: Thank you. The next question is from the line of Rohil Gandhi from PPFAS Mutual Fund. Please go ahead.

Rohil Gandhi: Yes. Thank you. Congratulations on the great performance just a couple of questions. what would be the Indian market size and what is our market share right now in India?

Sunil Chordia: The Indian market size is about 120,000 tonnes, which includes cycle tyre companies. And our market sharing auto tyre companies is close to 45%, 48%.

Rohil Gandhi: And could you give the market size for the export countries and Thailand as well, where we're currently exporting to and what our market share would be talking over that?

Sunil Chordia: No, that detail -- as Yashovardhan told in the previous question, those detail mapping is required, but we will say we are dominant suppliers in India. We are becoming a dominant supplier in Thailand and other markets except Sri Lanka, we are very fractional suppliers. So with availability of more quantity, we will make efforts to map the total market, target a bigger market share up till now we have not done that exercise. And if we are talking of Europe and America, it is -- the market share is only the tip of the iceberg, it's a huge market and we are only supplying very fractional percentage there.

- Rohil Gandhi:** Right. So this leads me to my next question, what are the hurdles apart from capacity expansion, I guess that would be your biggest hurdle, but is there anything else that is stopping you from aggressively pursuing the U.S. and European markets? And also if you were to do that in the future, what would your strategy be since you're talking more localized products, would you be thinking of setting up manufacturing plants in those countries or exporting from India only?
- Sunil Chordia:** Right now the focus will remain to export from India and capture those customers. Making in Europe will always be very expensive. We are not sure whether that is feasible because lot of suppliers of bead wires in Europe are closing down. Our earlier joint venture partner had shut down bead wire business last year. I don't think it will be wise to think of making in Europe, but all those analysis and evaluations will be done later, right now we have not reached that level of business.
- Rohil Gandhi:** And just on that question what is stopping you from aggressively pursuing these markets?
- Sunil Chordia:** Sorry, come again.
- Yashovardhan Chordia:** So, yes, I'll just answer that. So for the short term, the capacity that we are building in for the next one year in India, we have done it, in Thailand, we have done it. We have a clear plan and identified customers who are our existing customers. Now till the time we don't have a vision of capacity building up in Chennai, which will take some time it's not advisable to reach out customers and start inquiries, because we don't have any product to offer. So Thailand capacity expansion will get utilized. India also definitely will get utilized within India, the Indore capacity, and once Chennai comes in, we will aggressively start mapping countries.
- Rohil Gandhi:** Understood. And just one last question, if I may, would you have to go through another approval cycle if you're presented with the same company in a different country. Say you're going to Europe and you have not catered to that, would you have to go through the approval process again?
- Yashovardhan Chordia:** If it's a new factory, like Chennai we might have to go for an approval process, but because we know the customer, we know their requirements and we are existing suppliers to them from another location. It will not take too much time. If it's a entirely new customer, it will take some time to get approval.
- Rohil Gandhi:** Understood. Thanks so much and wish you best of luck.
- Yashovardhan Chordia:** Thank you.
- Sunil Chordia:** Thank you, Rohil.
- Moderator:** Thank you. The next question is for the line of on the line of Anika Mittal from Nvest Research. Please go ahead.
- Anika Mittal:** Hi. thanks for giving me another opportunity, sir. One last question from my side, sir EV vehicles also consumes tyres and obviously they need bead wire, that's what you said. And in fact, you also highlighted that the quantity would be more than what it is currently used for fossil fuel vehicles. So are you started supplying to any of the EV vehicle manufacturers specifically for those bead wires?
- Yashovardhan Chordia:** So we are supplying to tyre companies. And tyre companies would decide which tyre goes to EV vehicles and which goes to the petrol and diesel driven vehicles. There is no technical change as of today any drastic change in the bead wire specification which is only for EV. It's not something like that. But definitely moving forward tyre companies have shared the requirements. An EV vehicle would require the tires to make as less noise as possible because there's no noise that is going to come from engines. They will have to be designed. The tyres will have to be designed to

carry more weight, the battery weight. And there are certain discussions where the quality of bead wire or the tensile strength needs to be more, it needs to be a joint less wire. So our production processes need to be aligned and need to be more aware of the nitty-gritties of bead wire. So what we understand that the quality requirements would become even more stringent from our customers, if the tyres are going into EV in the future. But there's nothing that we are not sure about, all these things are our daily practices, and we'll be able to meet their requirement. And I think, this eventually makes it easier for an existing bead wire supplier rather than somebody who's coming new and making a high technology bead wire.

- Anika Mittal:** Okay. So what in nut shell, you are saying that there is some bit of changes which might be required as it is evolving still, but that is manageable from your side. That's what you're saying, correct?
- Sunil Chordia:** Yes. Yes, definitely. It's very well manageable. Maybe we are even making it for our Japanese customers. Maybe the requirements would start becoming the same for other customers also.
- Anika Mittal:** Great, thanks. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Manan Shah from Moneybee Securities. Please go ahead.
- Manan Shah:** Yes. Hi. Thanks for the follow up. Sir, wanted to ask if we've been reading about power shortages across India in several states. So are we facing any such issue for our India or Thailand units?
- Sunil Chordia:** No, I have not seen any power shortage in Madhya Pradesh where we are located and Chennai we will experience after one year.
- Manan Shah:** And sorry...
- Yashovardhan Chordia:** Thailand also. There is no shortage or no disruption in terms of production due to powers.
- Manan Shah:** Okay, great. Secondly as per our company experience, we've observed that 60,000 tonne capacity is an ideal capacity there by leading to lowest cost producer. So now with Thailand moving to 60,000 kind of a capacity, can there be further improvement in the performance of profitability of Thailand?
- Yashovardhan Chordia:** Yes, definitely, that volume leverage will help us with a better conversion cost. The product mix also will eventually help us to have a better conversion cost than today. And also our focus towards the domestic market would eventually help us to reduce on the logistics cost overall. So all these three factors would I'm very confident that the cost would go down with the added capacity. And in terms of fixed cost there is no major plan for us to increase any manpower it's not that we're going to increase in a sizeable way. We are only looking at increasing 20, 25 operators to run the new capacity.
- Manan Shah:** Okay, wonderful. Got it. And lastly post our Chennai expansion globally based on capacity, where would Rajratan stand?
- Sunil Chordia:** So we would be the world number two in terms of capacity for bead wire and 180,000 would roughly amount to 19% or 20% of the world's bead wire requirement.
- Manan Shah:** Okay. And number one would be at what capacity?
- Sunil Chordia:** Some data from China is difficult to estimate but Bekaert has a bigger capacity at various places. So I'm not too sure of the exact number, but they would be the world's biggest manufacturer of bead wire.
- Manan Shah:** Okay. Thank you so much and all the best for the coming year.

- Moderator:** Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities Pvt. Ltd. Please go ahead.
- Sunil Jain:** Yes. Thank you very much for taking my question, sir. Sir just related to Thailand what will be the target volume for FY '23 for Thailand?
- Yashovardhan Chordia:** So we are targeting to sell 45,000 tons in the next -- in this financial year.
- Sunil Jain:** And the production will start, when some benefit will start coming in Q1 itself.
- Yashovardhan Chordia:** No, I doubt production would start in Q1, but definitely production should start in July, which is first month of the Q2.
- Sunil Jain:** Okay. So Q1 have some benefit of higher volume from our MP plant and some...
- Sunil Chordia:** Yes it will.
- Sunil Jain:** Yes, it will have and some benefit of whatever the lag in there in the price increase which we will have both in India and Thailand.
- Sunil Chordia:** Correct, correct.
- Sunil Jain:** Okay, sir. Great, thank you very much.
- Sunil Chordia:** Thank you, Sunil.
- Moderator:** Thank you. The next question is from the line of Suraj Salif an individual investor. Please go ahead.
- Suraj Salif:** So thankful for the opportunity. I would like to understand the order status right now with our company Rajratan. I mean Rajratan is seeking the order or we are completely overloaded with the order?
- Sunil Chordia:** No, we have an annual understanding and according to that understanding of volume we are 90% booked. And there are little fluctuations on a quarterly basis or monthly basis. So that is why I'm saying 90%.
- Suraj Salif:** Yes. Okay. I mean we can say that we are getting the order, but we are rejecting due to the capacity, current capacity, lack of capacity you can say
- Sunil Chordia:** It is not rejecting depends on who the customer is. Like we are not able to cater to the cycle tyre manufacturers bigger quantities. We supply very small quantities where the prices are also not as good as what we supply to auto tyres. So with the capacity constraints, we are not able to give to every segment and every customer that's it.
- Suraj Salif:** Okay. So that it is good for the company we are favorable for the tyre industry.
- Sunil Chordia:** Yes.
- Suraj Salif:** Yes. Okay. Thank you, sir.
- Sunil Chordia:** Thank you.
- Moderator:** Thank you, Ladies and gentlemen, this was the last question for today. I would now like to hand the conference with Mr. Shailesh Raja for closing remarks.
- Shailesh Raja:** Yes. Thank you all for attending this session. We especially thank the Rajratan team for their time. Sir, would you like to make any closing comment, Sunil sir?

- Sunil Chordia:** Yes. So once again thank you all the investors, the analyst, the mutual funds, and people joined from different organizations for reposing your faith in Rajratan and we will continue to outperform in the coming months, coming quarters, coming years. So keep watching us and once again thank you for your time and you are interest in Rajratan.
- Shailesh Raja:** Thank you, sir.
- Sunil Chordia:** Thank you. Thank you very much.
- Moderator:** Thank you. On behalf of Batlivala & Karani Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.
- Shailesh Raja:** Thank you. Bye-bye.
- Yashovardhan Chordia:** Thanks at all. Thank you. Bye.