



**RGWL/22-23/**

**27<sup>th</sup> October, 2022**

<b>To</b> <b>BSE Limited</b> <b>Phiroze Jeejeebhoy Towers</b> <b>Dalal Street</b> <b>Mumbai 400001</b> <b>Scip Code – 517522</b>	<b>To</b> <b>National Stock Exchange of India Limited</b> <b>‘Exchange Plaza’, C-1, Block G,</b> <b>Bandra Kurla Complex,</b> <b>Bandra (E), Mumbai – 400 051</b> <b>Symbol - RAJRATAN</b>
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**Subject – Transcript of the earnings conference call for the quarter and half year ended 30<sup>th</sup> September, 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 half year ended 30<sup>th</sup> September, 2022 conducted after the meeting of Board of Directors held on 21<sup>st</sup> October, 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 Wires Limited  
Q2 FY 23 Earnings Conference Call”**

**October 21, 2022**

Hosted by  
B&K Securities



**MANAGEMENT:**        **MR. SUNIL CHORDIA - CHAIRMAN AND  
MANAGING DIRECTOR  
MR. HITESH JAIN - CFO, RAJRATAN, INDIA  
MR. YASHOVARDHAN CHORDIA – DIRECTOR  
MR. PRANAY JAIN - CFO, RAJRATAN THAILAND**

**MODERATOR:**        **SHAILESH RAJA - BATLIVALA & KARANI SECURITIES  
INDIA PVT. LTD.**

**Moderator**

Ladies and gentlemen, good day and welcome to the Rajratan Global Wires Q2 FY'23 Earnings conference call hosted by Batlivala & Karani Securities India Pvt. Ltd.

As a reminder, all participant lines will be the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' and then '0' on your touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shailesh Raja from Batlivala & Karani Securities India Pvt. Ltd. Thank you, and over to you, sir.

**Shailesh Raja**

Yes, Thanks, Maheep. Good evening, all, and thank you for joining us for Rajratan Global Wires second quarter of FY'23 earnings conference call. During this call, from the Management side, we'll be hearing from Mr. Sunil Chordia, Chairman and Managing Director; and Mr. Yashovardhan, Director; Mr. Pranay Jain, CFO, Rajratan Thailand; and Mr. Hitesh Jain, CFO, Rajratan, India.

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

**Sunil Chordia**

Yes. Hi, good evening, friends. I am Sunil Chordia. Happy to join you for this conference call. This quarter was marked by lower demand of bead wire, mainly due to lower production of tyre companies in Thailand, who are majorly exporting their product tyres to Europe and America. Because of this, the profitability is pulled down. However, we have used this period to introduce improvements to our overall productivity through TPM projects and digitization of all our factories.

I'm happy to share with you that we have now received our environmental impact assessment approval for the expansion in Thailand, which has paved the way for moving to 60,000 tons per annum capacity in November next month. We are in talks with new customers in Korea, Vietnam and Europe to cater to from this expanded capacity. Further, we have completed 50% of construction at Chennai, where we are setting up the greenfield facility for 60,000 tons per annum. We have already initiated market services for the entire European region in preparation for this upcoming Chennai capacity. Overall, we are confident to deliver 20% CAGR, of course, in volumes over the next three to five years. And all our efforts are aimed towards this to continue outperformance.

I'm now happy to take your questions or if you want to just know the -- you must have gone through the financial performance of the company, so I think we can go directly to question answers, yes.

**Moderator**

Thank you. We have the first question from the line of Anay Mittal from Invest Research.

**Anay Mittal**

Sir, it is always nice to speak with you, sir. So thanks for giving this opportunity for the investors. My first question would be on the drop in the growth for this quarter, sir, right? Like while you have given an estimate of, I think 1,05,000, if I am not wrong for this year, FY'23. So are you confident of achieving that volumes for this year? That would be my, first question?

**Sunil Chordia**

No, let me tell you, the recession in Europe or inflation in USA is real. Our customers who are tyre companies are making tyres for exporting to those advanced countries, those two major markets. And the Thai tyre companies are running at around 50%, 60% capacity utilization, which has resulted in to substantially lower demand from our customers. And this year, we are not likely to grow in volume in Thailand. Of course, we are confident of, almost 10% volume growth or even 15% volume growth in India, compared to last year. So overall, I see a possibility of only 7%, 8% volume growth in the business for current year. So I would like to revise the

volume growth estimations for this year, which is due to all these reasons I have explained you.

- Anay Mittal** Okay. And sir, I also recollect, when we had these conferences before as well, you said that your demand is driven by your customers asking for you to expand, isn't it?
- Sunil Chordia** Correct.
- Anay Mittal** So those situations are still intact in terms of what you hear from your customers in terms of utilizing your capacity for their production and stuff. So are you still in -- is the situation still intact?
- Sunil Chordia** Yes. You know, longer term, yes. In one of the interactions, I had mentioned, I had told you that quarterly performance depends on the business and the volumes of tyre companies. --We at Rajratan have no control on the market situation. But yes, as per our discussion with all the customers, they continue to invest in India in creating more capacity. There are more capacities being created in Thailand, which we think will continue to consume more bead wire in coming years. That is why we had a detailed discussion in our Board meeting also today. With that long term view, we are continuing with our investment plan.
- Anay Mittal** Okay. Which means that the capacity that you are creating now in Chennai, right, that's -- your demand forecast, isn't it? Either -- I think part of which will go for export as well, right, Europe and U.S., predominantly apart from domestic.
- Sunil Chordia** Yes.
- Anay Mittal** So those things are still intact, and you are confident of...
- Sunil Chordia** Yes, long term, intact. We are suddenly faced with the situation where customer demand, particularly in Q2 was very low. But I don't think this will continue for longer term. This is based on our discussion with customers. The customers who are Indian customers or Indian tyre companies who are exporting, you will see that their productions have also come down. So to that extent, the demand of bead wire has also come down. on those counters of Indian companies.
- Anay Mittal** Okay. And finally, on the operating margins that, sir, we are seeing -- we saw a rather unexpected drop in the margins, right? Well, some of the factors that you spoke about could lead to that outcome. So, do you think that you have done -- not done something which has resulted in drop in -- substantial drop in margins?
- Sunil Chordia** No. let me tell you, there is no major drop in the margins. The margins, EBITDA margins in previous quarters was unexpected, which probably there was no conference calls, but I had mentioned that that is not going to be a normal margin. You can always assume 18%, 19% as the normal margin. This quarter we have done about 17%, which is also because of lower volume. When the volumes are lower, the cost of production goes up. So there is a little bit -- 100 points drop in EBITDA margin for this year.
- Secondly, the major effect is of increase in energy cost. Of course, that phenomenon is global. So the natural gas prices have gone up. It has almost doubled in last one year, which has badly hit all manufacturing sectors, including ours. So these are the reasons for little drop in the margin, but as the volume picks up, the margin will be there, it'll come back.
- Anay Mittal** Got it, sir. Sir, one final question. Your CapEx, ongoing CapEx at Chennai, are you seeing any price escalation due to inflation situation on the total budget that you had for the Chennai CapEx, or you are well within limits?
- Sunil Chordia** No, no, we are well within limits and we don't expect any increase in the budget there. We should be able to do it within the stipulated budget.
- Anay Mittal** Great. And you said that it's already 50% complete, that's what you...

**Sunil Chordia** The construction work, we have said the construction work is 50% complete. The building shed is ready, 50%. Now, the machines will start coming in and we target to start trials by end of this financial year.

**Moderator** We have the next question on the line of Anika Mittal from Invest Research.

**Sunil Chordia** Yes.

**Anika Mittal** My question is already answered. Sir, my questions have already been answered.

**Moderator** All right, thank you. We have the next question from the line of Saket Reddy from Polasani Enterprises.

**Saket Reddy** Yes, thank you. Good evening, sir. So first, I think you've gone through a production shutdown this quarter. Is it in only Thailand or in India as well?

**Sunil Chordia** Up till now it was only in Thailand. In India, we have not taken any major shutdown. Of course, this month because of holiday...

**Saket Reddy** How many days was it?

**Sunil Chordia** In Thailand, Yashovardhan is there on the line.

**Yashovardhan Chordia** Yes, we took part of the manufacturing section shut down for almost 10 days.

**Saket Reddy** 10 days. Okay. And, I see you've added Michelin as your client. But here it says it's only for their Indian plant. So you only been nominated for their Indian plant, or is it...

**Sunil Chordia** Yes, yes, it is for supplies to their manufacturing facility near Chennai for which we now got bulk approval. Like, we are now -- we have got regular supply orders to Michelin in Chennai plant from our Indian facility.

**Saket Reddy** When do they come in?

**Sunil Chordia** No, this is starting in this current quarter. So we have got regular orders for supplies to Michelin in the current quarter, that is Q3.

**Saket Reddy** Okay. And the Thailand facility, I see you've been talking with European customers, so how fruitful is it for you to export to Europe from Thailand? Isn't it better to do it from India?

**Sunil Chordia** No, it is -- we have done that detailed study and the cost of production, the cost of conversion in both the places is not very different. Sometimes, the wire rod cost makes an impact. It was quite low in India up until last quarter. Now, we see that China prices have come down, of the steel. So, Thailand raw material price is little lower than India today. We have seen the extreme volatility in steel prices in two years. Prices, which had gone up to INR74,000 for our raw materials have now come down to INR57,000, INR58,000 in India and little lower in Thailand today. So, we are targeting European market to supply from both the locations. In longer term, we think that Chennai will be available for supplies to Europe, but we have capacity in Thailand also. So, we are discussing both the options and we are connecting with customers with offers from both the locations.

**Sanket Reddy** Okay. And last question, sir, I think, you mentioned in one of your conferences earlier in the quarter that some of the companies have -- maybe your customers have asked you to enter the tyre cord space. So any update on that?

**Sunil Chordia** No, no. Nothing. We don't have any concrete plans to share with you for investment in tyre cord. However, we continue to explore the possibility, talking to some technology companies but there is nothing concrete I can share with you right now.

- Moderator** We have the next question on the line of Sanjay Shah from KC Securities.
- Sanjay Shah** Thanks for opportunity. My question was made broadly to understand the demand scenario right now. As you mentioned about the tyre, which is -- in Thailand, it was exported less. That is -- we appreciate that volatility in quarter-on-quarter. But overall, how do you see for next two, three years? I'm coming to this question on two grounds. One of the demand side from the user industry as well as the competitor. How are the competitors building up right now? Is there any new capacity coming in, in the world or even in India, and how we are facing that side?
- Sunil Chordia** Sanjay bhai, you are talking about the bead wire capacity or tyre capacity?
- Sanjay Shah** Yes, bead wire capacity.
- Sunil Chordia** Yes. So as of today, there is no new announcement of capacity in Thailand. And I have not come across any announcement of additional capacity in India also. As far as tyre capacities are concerned, we every day are seeing that -- only two days back, we heard that Maxxis tyre wants to invest \$100 million more in Indian business. And similarly, all the tyre companies continue to invest. Of course, last quarter they have faced a situation where they couldn't sell their entire production, and more so the export oriented companies, the companies who export their tyres to Europe and America, they are really having a tough time. So we are with our customers and facing the same situation.
- Sanjay Shah** Right. So, that stands -- holds good even till today, and how long you see that situation? Is there any green shoots coming in or still the situation is unknown?
- Sunil Chordia** Indian tyre market, to our understanding, will continue. There is a robust demand in automobiles. So ultimately demand will be there in tyres also. It is the companies who were exporting more of their product, they got some problems. So their volumes are reduced. And to that extent, bead wire demand has come down in India. In Thailand, majority of the companies were exporting. So we felt this pressure more in Thailand, which is reflected in our numbers also.
- How long this will continue is a very wild guess. It is because of the problems in Europe, all of us are aware, that Europe is not doing well. The European economy is not doing well. There is geopolitical problem in Europe, how long it'll continue, how long the energy crisis in Europe will continue, is anybody's guess.
- Sanjay Shah** Yasho, so my question was to you, could -- is there any new clients we have added to our portfolio this year or this quarter?
- Yashovardhan Chordia** Yes, Sanjay ji, as explained majorly, our customers today were exporting the tyres to Europe. So that has affected our demand. But I would like to mention that we were still in a position where demand was always more than our capacity, and we are just starting the new line. So there is still an untapped market in Thailand where our approvals are done and where we have scope of increasing our volumes. So that is one aspect of adding some volumes.
- We have seen that after COVID, the Korean tyre companies were heavily dependent on Chinese bead wire. And we see a very positive traction from them in terms of finding an alternate source of bead wire supplies. So for the same target, we are discussing with three Korean tyre companies, for our approval. And as we are getting more accurate information about Europe and connecting with all tyre companies in Europe, we definitely see that there should be some low hanging fruits in the European tyre market, which we can tap in the next six months.
- So overall, even if the demand is low, we still have many avenues to increase our customer base. But yes, it cannot happen overnight. It would take six to eight months to reach to a level we are supplying them considerable volumes.

- Sanjay Shah** I appreciate. Sounds very good for long term. Thank you. Thank you very much, and good luck to you, and wish you a Happy Diwali, sir.
- Sunil Chordia** Yes, thank you. So Sanjay ji, if I want to add to what he said, there is lot of work Rajratan can do to further grow the business in spite of this current situation. Till last quarter, we were facing the shortage. And we have suddenly seen the drop in demand. And this is in last two years, we have been continuously growing quarter-on-quarter, quarter-on-quarter. So this situation has come, but within the company, we see lot of work to be done. So we are focusing on that.
- Sanjay Shah** Very correct, sir. We also see exciting year ahead, sir, lot of opportunities. Yes, sir. Yes. Thank you sir. Thanks. That's really helpful.
- Sunil Chordia** Thank you. But let me tell you, we can always talk long term. Answering the quarterly performance is really difficult, and especially when it is because of the external factor, geopolitical problem, energy crisis, huge recession in Europe. These are situations where every business which was exposed to them, to those situations got the hit.
- Moderator** We have the next question from the line of Radha.
- Radha** Hi sir, Hope you're doing good, and thank you very much for the opportunity. So, my first question was, sir, you were mentioning about Europe U.S. slow down. So with respect to that in Thailand, how much of our volumes are exported and out of the total volumes, how much of that -- out the total export, how much of that would be from, Europe and U.S.?
- Sunil Chordia** I think, you need to further explain -- I have to make a clarification. Whatever export to Europe and U.S., we are talking, it is the tyre company's export, not our export. Our customers who buy bead wires from us, make tyre out of it in Thailand, and they export tyre. So let me make that one clarification. And we won't be knowing what is their volume and how much of bead wire they consume for exporting those tyres. But majority of the big companies like Sumitomo is exporting tyres to US & Europe. Yashovardhan, am I right?
- Yashovardhan Chordia** Yes. So, just to give you a few broad numbers, like Sumitomo, our main customer in Thailand exports about 55% of their tyres to the U.S. market. All the Chinese companies that we were talking about since so many years have set up base in Thailand, primarily was because they wanted to export tyres to the U.S. So broadly, tyre production in Thailand is as big as India, but the size of the country is maybe even smaller than one state. So the per capita production of tyres is much high and 70% to 80% tyres get exported to outside of Thailand. And majority of the export is to Europe and U.S.
- Radha** Okay, sir, that's very helpful. Sir, my next question was, only speaking about the India business, so in India business we have witnessed that the volumes are flat Q-on-Q and because of the fall in steel prices, we have seen that realizations have fallen. However, previously you had mentioned that we book raw materials on a month-on-month basis, whereas we book sales on a quarterly basis. So given that the steel prices are still falling, so how do we see the scenario? Like, why is, raw material as a percentage of sales have gone up only in the India business?
- Sunil Chordia** Yes, it is because we are carrying some inventory of the higher price. And, raw material continues to fall. So if you recall, in every discussion I have said, in a falling market, we don't get advantage immediately. The advantage comes in the next quarter. So you will see this correction in the next quarter, provided the price doesn't fall further from here.
- Radha** Oh, understood. Thank you, sir. And the third question is, sir, in the Thailand business, so, because of the cancellation of rebates we were witnessing that Chinese players were becoming less competitive in Thailand, but are you witnessing any



increase in competition from these Chinese players in Thailand? And even if you are seeing a competition, then how can the Chinese still supply to tyre companies in Thailand at competitive rates despite them not having a manufacturing plant over there?

**Yashovardhan Chordia**

So we all know that the domestic demand in China is quite bad. China is still under a lot of restrictions due to COVID. And that is making many industries quite desperate to sell products outside China. And I would say bead wire also is one of them. But in that aspect also, we are quite competitive to fight with them. So even if the prices have gone down, still we can match those prices and be competitive.

**Sunil Chordia**

And there is a similar fall in raw material price also.

**Yashovardhan Chordia**

Yes. So similarly, we are able to get raw materials from China at a much lower price.

**Radha**

Understood, sir. But how can there be a question of competitive scenario with the Chinese players because they are not manufacturing in Thailand. So their prices should be higher -- I mean, we should be having much better advantage over them.

**Yashovardhan Chordia**

Yes, we have an advantage, but everybody can export to Thailand. So it's a matter of market price. We also export to many countries, where others are producing bead wires. So that's how it is.

**Radha**

Okay, sir. And just one last question, given that the Thailand capacity expansion will be available from 3Q onwards, so, how much volume can we expect from Thailand in the next half or for the full year?

**Yashovardhan Chordia**

See, unfortunately, the existing capacity is underutilized right now. But yes, we are on with the plan to start the new line as soon as possible. That will help us also to slightly better the quality of the wire. But in terms of volume, I think, we would be flat this year from Thailand.

**Radha**

When you say flat, you mean a FY'23 over FY'22, is it?

**Yashovardhan Chordia**

Yeah, what we did last year.

**Moderator**

We have the next question from the line of Vikas Rajpal from Reliance PMS.

**Vikas Rajpal**

Sir, thanks for taking my questions. So, the first question is on the client concentration side. We have historically have had a higher a client concentration. So has there been an improvement in that particular aspect or we still continue? I mean, the top three or four clients still contribute about 40% of our revenues.

**Sunil Chordia**

No, that is the business. The tyre business is concentrated around 60%, 70% between the first four companies in India. So -- and that concentration reflects in our supplies of bead wire to them. There's nothing we can do about it. If you combine the capacity of, MRF, Apollo, Ceat and JK and BKT, these five customers put together produce more than 70% tyres in India, and that is how we supply bead wire to them. And it's not going to change that soon.

**Vikas Rajpal**

And so on the exports front, so, I mean, my understanding is that you earlier mentioned that you supply bead wire to companies and they export outside. So do we directly export as well, bead wires?

**Sunil Chordia**

No, no, they export tyres. We do...

**Vikas Rajpal**

Yeah, they export tyres...

**Sunil Chordia**

We do export bead wires. So Yashovardhan will talk about that because up till now, majority of exports are from Thailand.



- Yashovardhan Chordia** Yes, we are exporting from Thailand almost 40%, 45% of our volumes. We export to the Southeast Asian region. But with the drop in tyre export, we also feel that tyre production in Europe and America will still continue. And our efforts to supply bead wire to European tyre companies, might give us some good results. So we will be able to export some more volumes to the European market.
- Sunil Chordia** And we are seriously making efforts. We have appointed a marketing manager who is based out of Europe. And this exercise, we have started only last month. And probably, this is a preparation to gain some market share of a big European tyre business -- tyre company. Our estimates are total European region bead wire requirement is 2,50,000 tons. So even if we get 15% of that in next two, three years, our 50% of Chennai capacity will be sold. So we are preparing for that long term goal.
- Vikas Rajpal** And sir, lastly, with the current capacities and the oncoming capacities, what will be the total potential revenue in terms of value that we could generate in the next, couple of years -- by FY'25 or FY'26?
- Sunil Chordia** Yes, so, as we have told you, and in our presentation, we are creating three capacities. The Pitampur India plant is already utilizing 80%, 85% capacity today, which has gone up to 95%. Thailand will be ready next month with a 60,000 tons capacity. Of course, there is a question mark on when it'll be utilized, but assuming that everything will be up and running and fully utilized. And third capacity of Chennai, 60,000 tons. So at current price level, we are looking at the revenue of INR1,800 crore in next three to four years.
- Vikas Rajpal** Okay. Okay, sir. Fair enough, sir. Thank you so much for taking my questions. All the best.
- Sunil Chordia** Thank you, Vikas, thank you.
- Moderator** We have the next question from the line of Prajay Gada.
- Prajay Gada** Sir, actually my question was more on the black wire product. So I just wanted to know that is there any supply issues for the black wire also, because we had estimated that 5,000 tons is like currently that we are able to manufacture and we are going to extend to 10,000 to 11,000 tons so is there be any delay on that also, or...?
- Sunil Chordia** No, as, we have explained you earlier also, black wire is not our focused product, but we are using some intermediate capacity for supplying to customers for different applications. And this year, I think we will achieve the business plan of 10,000 tons of black wire in India. So, not a major problem there.
- Prajay Gada** Okay. And it's completely Indian -- like, it's completely manufacturing India only right?
- Sunil Chordia** It 100% in India -- we don't make any black wire in Thailand, and we don't plan to make anything in Chennai. It is only in the mother plant at Pitampur in India where we have different capacities, furnaces. This plant has come up over last 25 years. So, we want to continue to supply to those customers because it is not making loss, it is contributing positively to the bottom line of the company.
- Prajay Gada** Okay. Alright. And sir, my second question was with regards to the PLI scheme, so I'm sorry if this question has already been asked, earlier, so I just want to know how much PLI scheme that we have received and for how many years?
- Sunil Chordia** No, we have not received any PLI benefit yet. We have got ourselves registered for PLI benefit to be received in our Chennai project. So the extreme is that we will get 8% of our sales as reimbursement of PLI benefit from Government of India.
- Prajay Gada** Okay. So like the 8% will be from this -- from the existing plant itself, or it'll be from the Chennai plant?

- Sunil Chordia** From the new capacity
- Prajay Gada** On the new – this Chennai capacity?
- Sunil Chordia** Chennai capacity. Whenever we start production, and we have the choice of getting it for five years. So, if we decide to get it from third year, we can do it from third year to eighth year. We can do it from first year to fifth year. So it is a window of five years within which we have to avail this benefit of 8% of revenue.
- Prajay Gada** Okay. Okay. Sure. Got it. And one last thing, sir. Sir, is it possible to share geographically what proportion that we export to European and what we export to U.S.?
- Sunil Chordia** We do very small exports of bead wire directly to U.S. and Europe. Yashovardhan, can you give the volume?
- Yashovardhan Chordia** So, we are exporting, say, approximately 300 tons, 400 tons a month to Europe, and similar volumes to -- maybe little lesser volumes to U.S.
- Moderator** We have the next question from the line of Dhiral from Phillip Capital.
- Dhiral** Yes, good afternoon, sir. Thanks for the opportunity. Sir, what is your assumption in terms of tyre production growth in the domestic market looking at the recovery auto cycle as well as the tyre coming also incurring the CapEx?
- Sunil Chordia** We continue to have a projection of 7% to 8% growth in tyre business in India, and that is why we continue to make investment as committed by the Company for long term. We are not changing the course of our -- we are not changing the path, we are not changing any plans. And we strongly think that this is a very temporary phenomenon. India will be a stronger country, India will be the low cost production capacity, and we will be able to export to the world.
- Dhiral** So this 7% to 8%, you're talking about domestic tyre production growth?
- Sunil Chordia** Domestic, that is what I read in the projections given by tyre industry.
- Dhiral** And sir, what was the tyre production growth in FY'22?
- Sunil Chordia** It was close to this. It was much more because the base year was low. It was the -- last year numbers were based on the previous number year, that is 2021, was the year when we had pandemic. So those numbers may be misleading.
- Dhiral** Okay. Okay. And sir, have Indian tyre companies also faced issues in the export to U.S. and Europe?
- Sunil Chordia** Yes, they are again having pressure of demand from Europe and U.S. I have not heard of tyre selling as a problem in India. That continues to be sold regularly.
- Dhiral** Have you seen any production issue in the domestic tyre companies from of the exports' slowdown?
- Sunil Chordia** They have taken some shutdowns because -- and more the companies who are exporting the tyres, they have taken shutdowns, definitely 8 days, 10 days, 6 days, in last month and, in the month of August and September.
- Moderator** We have the next question with the line of Jinesh Gandhi from Motilal.
- Jinesh Gandhi** A clarification on the margin side, so you indicated about 100 basis point has been the impact of operating deleverage because of the shutdown at Thailand and lower production in India. And so, would it be fair to say the balance fielded out basis point is entirely reflection of higher cost inventory and commodity cost impact?

**Sunil Chordia** Definitely, yes. I think your analysis is quite correct. Yes. And one factor, higher energy cost, which you have missed.

**Jinesh Gandhi** Okay. And higher energy cost is in Thailand or in India as well?

**Sunil Chordia** Both. Both the places. The LNG prices have been continuously going up.

**Jinesh Gandhi** Okay.

**Sunil Chordia** Compared to previous quarter, the energy prices have gone up by 40%. – LNG prices.

**Jinesh Gandhi** Right, right, right, right. Okay. Got it. And second question pertains to, the European market, which we are exploring for our incremental new capacities. So would it be fair to say that European -- exports to Europe would be, at A, higher realization, and B, at better margins even without PLI incentive?

**Sunil Chordia** I would not like to comment on the higher margin and higher price. Of course, European customers are all big companies, and we have seen that the prices are quite stable. Once you get approval in Michelin and Bridgestone, they don't change the suppliers based on the pricing and discounts. So I will not say higher price, I'll say stable price, and a stable business.

**Jinesh Gandhi** Okay. Okay. Or would it be similar pricing to what you supply them in India? I mean, given that the parent is same, those might be different?

**Sunil Chordia** Mr. Jinesh, there are many more factors, like the logistic cost. We have seen logistic costs as high as \$10,000 for a container, which has come down to \$2,500 a container now for Europe. So the customer will always look at landed price delivered to him. And our margins and our profitability will also be affected partly by those costs.

**Jinesh Gandhi** Okay.

**Sunil Chordia** Our initial market survey tells us very clearly there is an opportunity because the wire rod price in Europe is higher than what it is in India. The cost of manufacturing and especially cost of energy is much, much, much higher in Europe. I have heard -- I have met customers, I have met our competitors also in Europe, and they are paying \$0.60 for one unit of power, which is 6 times the cost of energy we are paying in India.

**Jinesh Gandhi** Right, Right.

**Sunil Chordia** But, all this equations will change once geopolitical problem get over. And I don't think this will continue for a very, very long time. There has to be some solution to this problem.

**Jinesh Gandhi** Right, Right. And lastly, given this, potential slow down in Europe and U.S., and potential impact, which your -- some of your competitors may see in Thailand or Southeast Asia, are we open to looking any acquisition opportunity which may come our way because of the current situation?

**Sunil Chordia** There are opportunities, but we are very apprehensive. Making in Europe is something we would not like to commit. The only reason for having a presence in Europe is that giving comfort to our customers. But, I don't think it is going to be a manufacturing setup in Europe anytime soon.

**Jinesh Gandhi** No, I mean, acquisition in Thailand or Southeast Asia.

**Sunil Chordia** There is nothing available in this part of the world.

**Jinesh Gandhi** Got, got it. Okay.

- Sunil Chordia** All those smaller companies have shutdown long backs.
- Jinesh Gandhi** Okay. Right, right, right.
- Sunil Chordia** And again, I'm repeating, the smaller capacities are not viable and it is very difficult for smaller companies to get approval. When they don't make profits, it is going to be very, very difficult.
- Moderator** We have the next question from the line of Amit Kalyanpur, East India Securities.
- Amit Kalyanpur** Yes, thanks for the opportunity. Sir, would like to know what will be the long term debt position as at the end of FY'23 as well as at the end of FY'24?
- Sunil Chordia** Yes, as told you in the past or maybe to other investors, we don't plan to borrow heavily. So you see that the current debt level is close to INR190 crore, INR195 crore, which is because of our investment in Chennai, in a Greenfield project. Otherwise, we will try to restrict it closer to this level only.
- Moderator** We have the next question from the line of Ganesh Radhakrishnan, an individual investor.
- Ganesh Radhakrishnan** Thanks for the opportunity, sir. I have one question on the realization. The realization per ton has dropped about 6% to 7% this quarter. You told about lower demand and other costs have gone up, but the realization, is there a competitive pressure? Do you see some dumping from China or other countries?
- Sunil Chordia** No, the raw material -- main material cost has also gone down. And we had to pass on the price decrease in the main raw material, which is wire rod. So I think in the previous question sometime I've told you that steel prices have been very volatile, but last six months, it has been coming down. So from the peak of INR74,000 for wire rod, now we are paying close to INR58,000. So, out of which, we had to pass on to our customer also. So that is the reason.
- Ganesh Radhakrishnan** Okay. Okay. And in terms of competition, you said there is not much capacity -- I mean there is no new capacity coming up in India, nor in Thailand. How about China? Is there something that's happening there and you see that there is going to be some competitive pressure?
- Sunil Chordia** No, China already has big capacities. There are companies who make big quantities, but lately, last four, five years, they have not been very reliable suppliers. They have been more of suppliers who are inconsistent in their behavior. So we continue to see opportunity for Rajratan. And secondly, the Chinese cost of production is also not very low now. The labor rates have gone up, they have withdrawn the export rebates. They were offering 13% of export rebates. So all those things have gone from the calculation, which will continue giving opportunity to Rajratan in the global market. Of course, sometimes, they dump, they sell suddenly at a lower price, but it is not sustainable, to my understanding.
- Ganesh Radhakrishnan** Okay. Okay. And next question, sir, you mentioned that reaching a 100,000 this year would be a difficult target. So what are you looking at right now? We have done about 45,000 so far in H1. What is your plan of..
- Sunil Chordia** We are -- our revised target for this year volume would be 95,000, 96,000, which is 7%, 8% growth from last year in volumes.
- Ganesh Radhakrishnan** Okay. And your -- you said about 20% volume growth for the foreseeable future, that is intact.
- Sunil Chordia** No, let me tell you, I had made this a statement two years back. And I continue to stress on that. So, we have grown much faster in previous two years. This year, of

course, we are not growing at 20%, but, it'll come back to that. And that is why we are investing in the business.

And one more thing for all other shareholders who are on the line, that Rajratan has seen, this is fourth time I'm seeing a pressure on demand and confusing situation. But Rajratan has always emerged as a winner out of all those situations. Post COVID, we did phenomenally -- we did very well. In 2008, it took longer time to revive businesses in Thailand, but we have done that successfully. So, let's keep, our fingers crossed and we see huge opportunities of working on different projects, and continue to grow the business.

**Moderator**

We have the next question from Radha.

**Radha**

Yes, sir, thank you again. So, just quickly two questions. So, you mentioned, your guidance about volume. Could you give us a little light on your guidance on the margins for the second half, as well as CapEx?

**Sunil Chordia**

Yes, CapEx, as I told you, we continue to work on our expansion plans in Thailand as well as India. So there is nothing new I can add to those plans. And on volumes, I have given -- it is difficult to talk about the bottom line and top line because that is dependent on the volatility of steel prices and various input costs.

**Radha**

And, if we speak on the interest -- from the interest perspective? I mean the interest rates?

**Sunil Chordia**

The interest rates have gone up. Definitely our finance cost has also gone up in this quarter, but it is purely because of the increase in the interest rates across the markets, everywhere.

**Radha**

Okay. And secondly, sir, our receivable days are getting better. So, what would be the reason for this?

**Sunil Chordia**

No, we will continue to work with customers to get the payment on time. We are having some bank products where we pay to our suppliers through those products, so there is less load on our balance sheet. So, our exposure to the working capital cycle is reducing.

**Moderator**

We have the next question from the line of the Divyam Gupta who's an individual investor.

**Divyam Gupta**

Yes, hi, good evening, sir. I appreciate the opportunity. And I just have one question. So are we thinking of conducting any buybacks in the near future or any other means of increasing long term shareholder value? I just want to get your views on this part.

**Sunil Chordia**

No, currently we are committed for expansion -- investment in expanding capacity in Thailand and then in Chennai. So I don't think we will have enough cash to buyback share, but investing in growth will definitely give better shareholder value, I think.

**Moderator**

That was the last question. I would now like to hand it over to Mr. Shailesh Raja for closing comments.

**Shailesh Raja**

Yes. Thank you all for attending this session. We specifically thank the Rajratan team for their time. Sunil sir, would you like to make any closing comments?

**Sunil Chordia**

Yes, so thank you, all the participants, for your time and your interest in Rajratan. Of course, this quarter performance is not in line with our plan, which is only because of the current situation of businesses across the globe. And I hope things get better from here. And Rajratan has a lot of resilience. We have gone through similar situations in



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the past and have emerged as a winner, and I hope we will continue to do that, and increase your investment values in coming years. Thank you very much.

**Shailesh Raja**

Thank you.

**Moderator**

Thank you, sir. On behalf of Batlivala & Karani Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.