RGWL/23-24/

28th October, 2023

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**

Subject – Transcript of the earnings conference call for the quarter and half year ended 30th September, 2023

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 on 30th September, 2023 conducted on 23rd October, 2023, for your information and records

Thanking You,
Yours Faithfully

For Rajratan Global Wire Limited

Shubham Jain
Digitally signed by Shubham Jain
Date: 2023.10.28 12:09:22 +05'30'

Shubham Jain
Company Secretary & Compliance Officer

"Rajratan Global Wire Limited

Q2 FY24 Earnings Conference Call"

October 23, 2023

MANAGEMENT: MR. SUNIL CHORDIA – CHAIRMAN AND MANAGING DIRECTOR – RAJRATAN GLOBAL WIRE LIMITED
MR. YASHOVARDHAN CHORDIA –EXECUTIVE DIRECTOR – RAJRATAN GLOBAL WIRE LIMITED
MR. HITESH JAIN – CHIEF FINANCIAL OFFICER – RAJRATAN GLOBAL WIRE LIMITED
MR. PRANAY JAIN – CHIEF FINANCIAL OFFICER – THAILAND, RAJRATAN GLOBAL WIRE LIMITED

MODERATOR: MR. SAILESH RAJA–BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Rajratan Global Wire Q2 FY24 Earnings Conference Call 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. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sailesh Raja from Batlivala & Karani Securities India Private Limited. Thank you and over to you, sir.

Sailesh Raja: Yes, thanks, Enzo. Good evening all and thank you for joining us for Rajratan Global Wire Limited second quarter of FY24 Earnings Conference Call. During this call from the management side, we'll be hearing from Mr. Sunil Chordia, our Chairman and Managing Director, Mr. Yashovardhan, Executive Director of the company and Mr. Pranay Jain, CFO Rajratan Thailand and Mr. Hitesh Jain, CFO from Rajratan India.

I will now turn the call to the CMD for the opening remarks, followed by Q&A. Sunil sir, you can begin now.

Sunil Chordia: Yes. So good evening, and really happy to connect with you all, dear shareholder. I'm happy to report that compared to quarter 1, we have improved business significantly. So your company has grown in volume by on a consolidated basis by around 12%. There is some growth in India by thousand tons in volume and around 3,000 tons in Thailand business. The last con call I talked about the challenges because of the geopolitical situation in Europe, the Ukraine and Russia wars.

I also talked about the competition from China who after the pandemic started supplies in Thailand market and are selling at a very low price. However, we decided to compete with them and not leave the market open for Chinese. So we have also started doing that and we have been very successful in selling bigger quantities in Thailand market.

Going forward, I see this to continue and we are utilizing our Thailand capacity close to 80%-85%. Our India capacity is also running at 85%. And of course, there is some pressure on the margin, but the increased volume is making up for that. So with this, you are all welcome to ask questions, and we are, along with me is Yashovardan Chordia. He is Executive Director. Hitesh Jain, Group CFO of our Indian operations, and Pranay Jain who is CFO of our Thailand factories. Yes, finish.

Moderator: Thank you so much, sir. We will now begin the question and answer session. The first question is from the line of Anika Mittal from Nvest Analytics Advisory LLP. Please go ahead.

Anika Mittal: Good evening, sir. That's a good set of numbers showing some recovery there, as you told last time. So my first question is, are we still looking for 20% volume growth and 18% kind of overall EBITDA percentage for full-year basis? Because Balkrishna Industries is saying that there is uncertainties in global demand due to new geopolitical development like happening between the war happening with Israel and Hamas. So they are still not sure about the demand recovery from Europe. So how do you think about this?

Sunil Chordia: Well, of course, in my opening remark also I said in spite of uncertainty, in spite of Chinese competition, we are confident of volume growth because we have decided to compete with the Chinese supply and the Thailand market has grown in spite of all this. Particularly this quarter we see bigger demand from our Thailand customers who are probably able to export bigger quantities to Europe and America. So, I'll continue with a forecast of, 18%-20% volume growth for this year overall. With 18% consolidated EBITDA. Yes.

Anika Mittal: So, that means EBITDA margins are going to further improve in upcoming quarters, right?

Sunil Chordia: Yes, it has already improved. If you look at Thailand's EBITDA margin, which was 2% has come up to 11%. It will improve in this quarter and further quarter. And India's EBITDA margin is close to 18.5%-19%.

Anika Mittal: And secondly, on the sales realization, you mentioned in the last con call like what was over in terms of falling prices, but looking at this quarter's sales realization, it seems we are going back to our historical numbers. I agree that the sales price is corrected in this quarter, but the question is whether 90,000 per MTPA kind of sales realization, whether these are sustainable going ahead or how the picture will be look like?

Sunil Chordia: Yes, in India 90,000 is sustainable at current level of raw material. If raw material goes down further, we may have to reduce the price in next quarter. You must have observed a big fluctuation in steel prices in last two quarters. Prices had gone down substantially and now last quarter we saw some improvement in the price. So our prices have also been correcting in line with the correction in the steel prices. At peak we had the price of INR115 a kg, which has now come down to INR90-INR95 a kg.

Anika Mittal: So in second half, do you see any kind of improvement? Because steel prices, I think, they're likely to improve from there?

Sunil Chordia: Yes, definitely to that extent we will have to correct the prices.

Anika Mittal: Lastly on the Chennai plant, we are saying that we are going to export from there. I was reading somewhere that the Shandong Daye is planning to set up a plant in Europe for bead wire. So if that happens, they are already a largest player in bead wire. So will not they disrupt our plans or will cause any slower ramp up in Chennai as Europe is a major market for us?

Sunil Chordia: I'm not sure about their expansion plan and investment plan in Europe. But lately we are hearing they have reduced their volumes in China itself. Okay, but I cannot comment more than this about our competition, and especially Chinese competition. Okay.

Anika Mittal: And sir, one last question on India side. Our volumes grew 5% Y-o-Y. So, but if we look at the vehicle registration numbers data, which was released by FADA this quarter, that was comfortably about 10%. And Balkrishna and Sridhar are also saying that the Indian market is doing well. So what is the reason for this slower growth in India? Are we facing any new player entering the bead wire market or imports for tyres is getting increased or imports for bead wire is getting increased so what is the exact reason sir?

Sunil Chordia: Yes the reasons are that import continues to come in at a lower price and our competition Tata Steel has put up some increased capacity which has become operational last quarter, which has also taken away little market share from us. We are also, we have aligned our strategy to ensure that we continue operating at 85%, 90% operational level. And this business, if we run the plant at full capacity, our cost also comes down, which helps us to compete in the market. So, we have decided to ensure that our customers are not importing more, they are buying more locally.

Anika Mittal: Understood, sir. Okay, that's all from my side. Congratulations. All the best.

Moderator: Thank you so much. The next question is from the line of Karthik Iyer, who's an individual investor. Please go ahead.

Karthik Iyer: Good evening, sir. Congratulations on the turnaround in Thailand. I just wanted to ask a couple of questions regarding India. So is the entire capex for Chennai completely done or is there any tranche that is left? And when will it start meaningfully contribute to the top line?

Sunil Chordia: Yes, we have up till now, we have invested around INR195 crores in our Chennai facility. We are starting trials in this half, maybe towards end of this year. And the full revenue from Thailand factory should come in the next financial year.

So, of course, there is a balance of investment of close to inr100 crores, which will happen over the next one year. As the business grows, we'll add more equipment and increase the capacity. But the basic infrastructure, basic investments is done up to INR200 crores, up to INR195 crores.

Karthik Iyer: So by increased capacity, you mean the capacity is 60,000, correct? So will that be the number?

Sunil Chordia: 60,000 tons but we have been very clear that this will take at least three to four years to achieve 100% capacity utilization. So our business plan for next year from Chennai factory is around 14,000, 15,000 tons. Absolutely.

Karthik Iyer: And regarding the Indian market, are you noticing supply pressure from the dumping from the Chinese manufacturers?

Sunil Chordia: Not so much from Chinese because Indian customers as well as Indian government is not freely allowing Chinese companies to enter Indian market. Okay, but we are we are seeing the import from Malaysia and Vietnam who are globally very big companies they are they continue to supply in Indian market but we have you know we have talked to our customers we are offering them some kind of quantity based discounts which we can afford to give and we are trying that in the current quarter and next quarter the import is reduced.

Karthik Iyer: All right and has there been any traction in Europe and America? Because in the last investor conference I believe we had sent some you know representatives to test the market out there for the company?

Sunil Chordia: Yes, I'll ask Yashovardhan to respond to that question because he is taking care of global marketing. Yashovardhan?

Yashovardhan Chordia: Yes, so there is quite a lot of traction in the European market. As we shared in the previous calls, we are getting positive response. And in two, three customers, our approval process has started and fortunately in the next quarter we will start considerable amount of supplies to one of the customers in Europe.

So I'm hoping for the next two quarters some volumes will increase but to be honest in our business plan volumes, any volumes for Europe and America, we used it. So whatever supplies start within this year is going to be a positive.

Karthik Iyer: And what kind of margin will we be selling to Europe? Will it be the same as we're selling in India or Thailand?

Yashovardhan Chordia: No, the next quarter supplies would be comparable to a premium customer in Thailand. So I would rate it somewhere similar to a Japanese company that we are supplying to in Thailand. Right.

Karthik Iyer: And with the whole geopolitical scenario, how, I mean, how can you give us a sense on how do you see the market in the next two, three quarters playing out?

Sunil Chordia: So internationally, definitely geopolitical uncertainty still remains, but the real sanctions of steel coming from Russia have been coming in place now. So the geopolitical situation was the supplies from Russia for certain products was still continuing. Tyre companies have now started formally asking us to declare that our steel does not have any relationship with Russia.

So the consumption point of view, it will still remain uncertain. But I'm seeing that Tyre companies are very positive to develop an alternate source. And they are looking at India and Southeast Asia as suppliers to them as compared to China.

Moderator: Thanks. The next question is from the line of Mr. Jinesh Gandhi. Please go ahead.

Jinesh Gandhi: Hi, Sunilji. My question is on India market. You indicated about the market share loss due to Tata Steel's new capacity. Can you indicate about what kind of market share loss we have seen and what is the potential loss as Tata Steel further ramps up?

Sunil Chordia: So you know, Tata Steel has put up a new line at the same location in Tarapur where they make the wire and they did sell some volumes in last quarter but you also know that only reducing price will not give them bigger volume. Bigger volumes will come when there is really a good demand and also they will have to compete with the import in quality.

So that business definitely they sold some quantities in low cost customers where we lost the market share and I will say we lost around 1,000 tons of volume in last quarter because of that. But at the same time, both of us, Tata, Rajratan, we are looking at the growing market of India.

So this situation should be corrected in subsequent quarters, maybe next two, three quarters. They should be able to sell what they want to and we should be able to sell because the projection for growth of tyre company will be very high.

Jinesh Gandhi: Right, okay and any sense on what's the size of the capacity which Tata Steel has put up at Tarapur?

Sunil Chordia: They have increased from 3,000 tons a month to 5,000 tons a month.

Jinesh Gandhi: Okay, so they've added about roughly 2,000 tons a month. And second question pertains to the Thailand operation. So there we have seen a very smart improvement in our gross margins, and this is despite we taking up pricing action to improve our volume. So how do we read into that?

Sunil Chordia: It is purely because of improved production. Okay, when we run on that 80%, 85% capacity utilization, the variable cost also comes down. And this is the result of that. So I think on my last call, I was very clear that this year we have the strategy to fight and to increase our market share in Thailand. So our market share has come back to 25% in Thailand. And you will see much better numbers in quarter three and quarter four from Thailand.

Jinesh Gandhi: Right. Okay, so the gross margin improvement is also because of improvement in production and nothing to do with the -- no price increases after initial reduction?

Sunil Chordia: No, and the raw material prices also went down. Last quarter, Yes.

Jinesh Gandhi: And lastly, at Thailand plant, so from where we are today in terms of, say, close to 11% margins, how do we expect that to go to close to about 17%, 18% for us to attain consol margins of 18%? Again, this would be entirely driven by further improvement in production or do we see some…

Sunil Chordia: Yes, it will be driven by increased production. So, our prediction for next quarter in Thailand is you know, around 85% of capacity, which is 12,000 -- 13,000 tons in the next quarter and then quarter four which will improve the EBITDA margin also from 11%. And we are not talking of 18% EBITDA margin in Thailand, we are saying it will be around 15-16.

Jinesh Gandhi: Okay, then we do believe there will be some improvement in India business as well.

Sunil Chordia: And Jinesh there are few customers where we are -- we have already got the approval the bigger volume to those customers will also improve the margin. Like I showed and talked to you about the European customers.. We are supplying a big quantity in this quarter to that customer. So we are at a much better price. So overall, this will improve the margin.

Jinesh Gandhi: And in that context, India business potentially will see margins going close to 20% for us to attain 18% kind of consol margins. So that could be primarily driven by…

Sunil Chordia: We are already at 18%, 19% EBITDA margin. I don't project further improvement on that. I'll even fight for the volume rather than for the margin.

Jinesh Gandhi: Got it. And lastly, in terms of capex now, given that Chennai plant, a large part of investment has happened. So for FY '24, the first half, I think we have invested close to INR55 crores, INR60 crores. Second half, what kind of investment do we envisage?

Sunil Chordia: Yes so you know to start production here we need around INR20 crores, INR25 crores more to start the production here and the balance production will do next financial year. When we really need bigger quantities. So we have done up to INR195 crores. So maybe INR220 crores to INR225 crores will be enough to start production in this financial year. And then below INR70 crores, INR80 crores will be invested over next year.

Moderator: Thank you so much. The next question is from the line of Dhimant Shah from ITI Mutual Fund. Please go ahead.

Dhimant Shah: Yes, thank you for taking my question, sir. So clearly, I think both the plans are moving in a trajectory that possibly we had envisaged post the first quarter. Now you said there are imports from Malaysia and Vietnam. Are these in a way pseudo Chinese entities that kind of…

Sunil Chordia: No, no, they are not pseudo Chinese entities, they are Korean companies, who are there in this business for a very long time. One is the Kiswire, a Korean company, another is Hyosungfrom Vietnam. They have shut their operations in Korea and shifted all their production lines or production capacities to Vietnam and Malaysia. They are doing, they are suppliers to the best companies in the world.

Somehow they sell some quantities at lower price in Indian market also, which is bothering us, but selling at that price also is profitable for us. And increased volume reduces our costs. So we are also, having our strategy, we are talking to customers not to import from them and what kind of incentive we can offer them for not importing.

The biggest incentive for all the customers in South India will be our supply from Chennai plant. Where we will be offering them just-in-time supply. So that is the long-term plan, but in short term also you will see that our volumes are going up and you know the import numbers should be reduced.

Dhimant Shah: Perfect and you said you know on customer approvals you did mention something sorry I my audio wasn't that -- so just one thing. Yashovardhan been talking about both in the domestic as well as the overseas market would you say there is a significant ramp-up in the new customer approvals.

Sunil Chordia: There is a good traction you know quantity will take time. But like Yashovardhan said we have got a good order from one European customer the quantities will be supplied in current quarter and next quarter and we are getting good response from multinational tyre companies on our connecting with them so continental visited last month, did an audit, they are coming to Thailand facility next month. Similarly, Bridgestone has also responded positively for

American business. We are also in contact with Goodyear, okay. So hopefully some business from Goodyear will also start from Thailand, yes.

Dhimant Shah: So given that, we will see fruition of the Chennai plant very shortly, by end of this quarter?

Sunil Chordia: Yes, that will be, we'll do the trials, we'll have to submit samples, we'll have to go through the whole process. So, repeatedly I am saying the -- the bigger volumes, close to 14,000 tons, 15,000 tons addition in Indian business will happen from Chennai next year of FY '25.

Dhimant Shah: No, I'm saying, of course, this Chennai plant, does it, on an overall basis, does it give us both, some sort of volume and cost advantage in your opinion?

Sunil Chordia: Yes, cost advantage definitely, we are closer to customers, so there is a INR2,000 per ton saving on the freight itself, then we are closer to our raw material suppliers, which is Vijayanagar, JSW. So there is a saving of freight on the raw material also. And some of the saving will be passed on to customers to get bigger wallet shares.

Dhimant Shah: Perfect. Yes, perfect. So we are in a much better position now. So overall cost, some of the Chinese guys also we would be in a much more comfortable position post possibly Chennai, running of the plant in a more conducive fashion?

Sunil Chordia: Yes.

Dhimant Shah: Super. That's all, sir. Rest and most of the questions were answered.

Sunil Chordia: Thank you, Dhimant.

Moderator: Thank you so much. The next question is from the line of Pratik Singhania from SageOne Investments. Please go ahead.

Pratik Singhania: Hi, sir, good evening.

Sunil Chordia: Yes, Pratik.

Pratik Singhania: Sir, my first question would be with respect to the Thailand operations. In Q1 and Q2, what was our mix between the Chinese and a non-Chinese customer in our sales volume? And when we are talking about 12,500 tons to 13,000 tons for Q4 FY '24 for Thailand operation How much -- how this mix will be tilting?

Sunil Chordia: Yashovardhan?

Yashovardhan Chordia: Yes, so Pratik as compared to Q1 we sold more volumes to the Chinese customer. I would say, it's total about 20%, 25% of volumes that are going to Chinese companies. But that was the strategy because gaining volume and getting volume leverage and reduction in cost was a better way to run as compared to running a plant at a lower efficiency. So that's what we did in quarter two. And moving forward, I believe in quarter three, quarter four, this will either continue or will increase further.

Pratik Singhania: So we are seeing that Q1, the Chinese mix was 20%, which increased to 25% in Q2 and this might increase further in Q3, Q4 right?

Yashovardhan Chordia: This will remain the same or slightly increase further but there are some volumes which are increasing in the export market and we are under approval. There are certain customers, we have already got approval. So for Q3 and Q4, we will be moving towards bulk supplies to them. So it will be a mix of volume increase from these different counters.

Pratik Singhania: Okay but how has the pricing trend, the competition which you are facing in Chinese customers, wherein the Chinese bead wire manufacturer or other companies were dumping? So what is the current trend over there?

Yashovardhan Chordia: The trend remains the same but I would also say it is slightly improved. There was a prolonged period where companies in China were running to just keep the plants running. The demand, the local demand in China was not good. But globally there is some change in demand in the US. We hear that tyres have started moving in the US. So a lot of companies export the tires to the US market.

And with improvement in US, their consumption and their demand in Thailand is also increasing. So, but more importantly, when we run at a higher utilization, the plant at 80%-85% production capacity, our manufacturing costs are really good and maybe the costs are low and we are able to compete to the Chinese companies and still being profitable in those counters. So moving forward, being competitive is the only strategy to supply in this context.

Pratik Singhania: Is that the reason that, Q-on-Q basis, if I see per ton of realization, the de-growth in Thailand business was slower than that of Indian business. So, can we say that, this was because of the competitive intensity easing off as compared to the price decrease that you witnessed in Q2?

Yashovardhan Chordia: Yes, to an extent, I would agree to that. In Q1, we wanted to continue the pricing, we lost some volume, but then volume went down and manufacturing cost increased. Whereas in Q2, grabbing orders in an aggressive way and running the plant more efficiently, I believe the costs are much better.

Pratik Singhania: And with respect to 85% capacity utilization that we are anticipating in Q4, why are we working with 13% EBITDA margin and why not higher? Because I believe that, this 60,000 tons is like completely single line, right? A big single line of 60,000 tons as compared to what 40,000 tons we used to have in Thailand?

Yashovardhan Chordia: Yes, this is a single line. There are few machines that are still in pipeline, which will get commissioned in November and December. So Q3, there still remains some capacity constraint because in our plant, if the product mix changes, the overall capacity also changes. So for a certain diameter, we can't produce enough quantity as compared to a different diameter.

So from the sales mix point of view also, overall, if I compare it to 60,000 tons, we are running at 85% but there is no further scope to improve. So from situations like this moving forward, we are also trying to see how we can efficiently change the product mix in terms of taking orders so that we get a higher tonnage from the same installed capacity.

Pratik Singhania: Okay and how is this customer behaving in Thailand because see ultimately there was quite a bit of mess over there, that first you are not ready to supply them at a reduced price and then after waiting for four months, five months, we decided we will fulfil our capacity is in – sell them at a lower price with a reduced EBITDA and now once pressure is easing off with respect to the competition, are they allowing you to make better margins or like you think that, even in the Chinese customer you'll be able to generate the same kind of margins which you used to make before this Chinese competition came in?

Yashovardhan Chordia: When you ask me, how customers behaving? In a very low demand market, customers are always tough. You have to find your own way. There is some correction in demand also. There was a lot of uncertainty, which we saw with tyre companies as well. On month-on-month, there was change in orders.

So definitely, picking up of demand is one of the major factors where customers are also now placing bigger orders. So overall, if I see, if demand continues to improve, I don't see any challenge in terms of Chinese competition moving forward because competition will be able to tackle by running plants at a higher volume and having a very low production cost.

Pratik Singhania: Okay, thank you. My question was with respect to the Indian operations that we lost 1,000 tons of sales, right? 1,000 tons is equivalent to like 7% growth. So, does it was due to losing market share to Tata Steel?

Sunil Chordia: Yes, so this will happen, if a new supplier comes in, he goes to customers asking for bigger business because he will increase capacity, he will offer some discount, he will make a reach for himself and they will take one quarter to respond to that competition, okay, but in longer run, all this will get absorbed. I don't see that, we will not be able to sell bigger volumes from here. Important is that, we should also be able to sell bigger volumes.

Pratik Singhania: Okay, so basically, if you are talking about 1,000 tons in a quarter, 300 tons out of 2,000 tons, so can there be a possibility that, there can be incrementally subsequent quarters also there can be a market share loss before it gets bottom out and then we can say maintain or increase a market share further. So can we see like couple of quarters of further market share loss before we stabilize a market share?

Sunil Chordia: Now with the increased capacity of Tata Steel and Rajratan bigger capacity coming up, I think the imports will reduce, okay. Customer was also seeing that, we were not able to supply on time, every time, okay. So they also continued buying around 2,000 tons from import market. So the first priority in the market share will be the import coming into India. Okay. And that is how market will correct itself. Yes.

Pratik Singhania: Great, sir. Thank you so much for answering. All the best.

Sunil Chordia: Yes. Thank you, Pratik.

Moderator: Thank you. The next question is from the line of Harini from Sundaram Alternates. Please go ahead.

Harini: Good evening, sir. I just had one clarification on the India business. So I was just looking at the EBITDA per ton, what were the trends which were coming in. So even though we've been able to increase our EBITDA margins, but on a per ton basis we've actually been going down when, I compare it on a year-on-year basis. Even though last year we were around 18% margins and now we're at 19% margins. But on a per ton basis, we're almost low by around INR1,500 per ton. So how do you look at it or is EBITDA per ton not a right measure to look at?

Sunil Chordia: You know, yes and no. We do try to maintain the price on per ton EBITDA also, but we have to also make sure that throughout all this call we discussed about competition from imports, competition because of Tata increasing capacity, okay. So with increased price, EBITDA per ton also increases that is generally I feel but there is no fixed formula. Ultimately, we are in a competitive business and we have to ensure that we are getting good market share, we are able to supply good quality, good quantity to all our marquee customers.

And frankly, we don't make decision, pricing decision based on how much EBITDA percentage are we making. End of the quarter, how much EBITDA percentage we have made, it is always the revenue to look at percentage very minutely, but we look at overall figure.

Harini: Understood.

Sunil Chordia: It's very difficult for me to commit, you know.

Harini: Understandable, sir. So, I'm just trying to understand if looking at that is a -- because we at least have a lag in pass-on, but we generally pass on the, I mean, commodity prices. So, from that angle, I was just trying to understand if there is any other metrics.

Sunil Chordia: There are some time gaps in passing on the price correction.

Harini: Understood. Sure, sir. Thank you,

Sunil Chordia: Which also makes a difference.

Harini: Sure, sure. Thank you, sir.

Moderator: Thank you so much. The next question is from the line of Anika Mittal from Nvest Analytics Advisory LLP. Please go ahead.

Anika Mittal: Hi, thanks for the opportunity again. Two questions, one is, sir has mentioned that the imports will fall in Q3 and Q4. So what is the rationale for it? Means why we are thinking like the import is going to reduce in upcoming quarters?

Sunil Chordia: Because we are negotiating with the customers and we are matching the price with import in those counters. There are two particular customers who are importing at a lower price. And as told to you, we are targeting those counters because we have capacity, we have the increasing capacity coming in, Tata has already increased. So this is very much of that we will take the market share from import.

Anika Mittal: Sir, Chennai is mainly for export, right?

Sunil Chordia: Not mainly for export. Chennai should be serving at least 50% to customers who are around 200 km from our factory. All the bigger tyre companies are close to Chennai area.

Anika Mittal: And so like Tata has increased the capacity and I think they are somewhere around, like you mentioned, 60,000 per annum, right? So how they are able to offer their product at lower prices? Means similar level of capacity we are having and similar level of capacity they are having now. So how they are able to offer their product at lower prices?

Sunil Chordia: No, they should any addition capacity if you approach your customer because there are a lot of technical issues also when you start a new production line. And Tata must be under compulsion to sell that quantity, okay, to particular customers which may not be meeting the technical requirement of big customers. So they have offered discount they have sold that quantity whatever they produced. But I don't think, Tata will continue to do that for a very long time. Maybe soon, in few quarters, we will see the demand also increasing.

Anika Mittal: And sir, Tata further goes for increasing in the capacity. So is that a red flag you are looking at this moment?

Sunil Chordia: The current expansion has happened in the same location. And it won't be very wise on part of Tata to increase capacity at one location more than the other. Anyway, they are in Tarapur, so there are few customers around their factory, but everything they could ship is in South India. Let's see. Can't say anything about the competitors, what they'll do.

Anika Mittal: Okay, sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Hi, sir. Thanks for the opportunity. Just a couple of questions. Sir, first is this new capacity which Tata has just commissioned, has it qualified in the PLI or does it have any tax rebates? Just trying to get a sense on why they are being aggressive in the marketplace?

Sunil Chordia: I'm not sure about they're getting PLI or not, I'll have to check.

Ritesh Shah: Okay, so secondly, this incremental capacity which has come up from them, is it under 1.6 or 0.96, any sense?

Sunil Chordia: No, they will make anything or everything on that line. Because it is in the same factory, okay. They have put up one more line. So half of their facilities are the same. They have put up modular machine and one more coating line in the same thing.

Ritesh Shah: Okay, and sir how will it be for us when we start the Chennai facility? Will it be more 1.6 or 0.96?

Sunil Chordia: No, both, we'll do both.

Ritesh Shah: We'll do both. But sir, when we say, initial 15KT once we start, will it be again 50-50 or will it be more towards one specific diameter?

Sunil Chordia: No, the requirement is shifting towards thicker wire. If you are seeing gradually that share is increasing.

Ritesh Shah: Okay, this helps. And I had a few questions for Yash. Sir, I just wanted to check, has there been any change in the tariff structure when it comes to Chinese exporting Bead wire into Thailand, either with rebates or anything at all over last six months to nine months?

Yashovardhan Chordia: No. After the pandemic, the rebates were taken off by the Chinese government and it's still the status remains the same. So as of today, there is no rebate that a Chinese manufacturer gets in China to export the material outside.

Ritesh Shah: Sure. And my second question was, how should we look at the tariff differential from a tyre manufacturer standpoint? Say if I'm a high tyre manufacturer versus I have acquaintance who's based in Korea, Vietnam. How is the Thai tyre industry placed on the relative differentials when it comes to exports to US and Europe? Has anything changed in last three months to four months? Because based on our readings I think, a couple of Thai tyre manufacturers they have been exempted of duties. I'm not sure, whether we cater to them or not, so just wanted to get a sense more from a top-down standpoint?

Yashovardhan Chordia: So what we had read a long time back, the duties that were placed on companies from Thailand by the US government, every company had a different duty structure. So like Sumitomo, who is our largest customer in Thailand, they had the lowest amount of duty for them then. Yes, definitely tyre companies don't dump the material. They I believe maintain the price so their share of duty that was imposed to them was also lower as compared to the Chinese companies. But we supply to all companies in Thailand. So there is no company who we are not supplying to apart from Maxis. So I believe whatever gain they are getting from this differential duty structure, I'm sure we are also getting the business from them.

Ritesh Shah: Sure, and would it be possible for you to quantify import intensity in volumetric terms for China as well as India for first half of the fiscal?

Yashovardhan Chordia: So you mean to say, how much material is imported on a monthly basis in Thailand?

Ritesh Shah: Thailand as well as India, specifically for Bead wires, import intensity. So I think what sir was trying to explain is, we will try to substitute imports by giving some volume discounts to the existing customers, offer them a better proposition. I'm just trying to understand what part of the market we can substitute which can also help us grow our volumes.

Yashovardhan Chordia: So overall, about 2,000 tons to 2,500 tons gets imported in India on a monthly basis. And Thailand market today would be at about 9,000 tons overall demand. And we are supplying about 3,000 tons to them locally. So, that means about 5,500 tons, 6,000 tons is still getting imported.

Ritesh Shah: Right, and this number for 2,500 tons per month for India, how has it changed on a year-on-year basis or is this a monthly average or first-half average? How should we look at it?

Yashovardhan Chordia: I believe, this average has been there since a long time. So I don't think there's a major change today.

Ritesh Shah: Okay, this is helpful. Thank you so much. I wish you all the very best. Thank you.

Yashovardhan Chordia: Thanks.

Moderator: Thank you so much. The next question is from the line of Harsha, who's a shareholder. Please go ahead.

Harsha: Yes, hi, thanks for the opportunity. So I just wanted to understand the rationale for you to wait for a quarter to utilize, the plant in Thailand. I mean, you've been in this business for long. I mean, initially, for the first five years to six years in Thailand, we had challenges in kind of utilizing the Thailand plant and after like six years or seven years, we've finally been able to utilize the plant and generate margins out of that. So why did you have to wait for the competitive intensity to increase? And you know, you had to kind of lose out on the customers and then come back and give discounts, what was the rationale there?

Yashovardhan Chordia: So there are two things. One is, in the first quarter, we were still in the phase of installing capacity. So we were not up with installing everything in first quarter, plus before that the market was really good. The demand was really good. So China being so aggressive, particularly was only because maybe the domestic demand in China was really bad.

Overall, internationally, market was not that bad. So definitely, there can be instances where there is few players who decide to be really competitive and use their production facilities or maybe sell the stocks that they have. So there can be multiple factors. I believe this must have happened a couple of times earlier also. It's not that every time, we've been able to take the right decision. But I'm confident that we are back on track, so it should not be a big problem.

Harsha: Okay, sure. And I think, it's Chennai plant, so I think you've been guiding over 15,000 tons to 16,000 tons next year, so that's about 25% utilization. What kind of EBITDA margins can we generate from Chennai plant in the first year with 25% utilization?

Sunil Chordia: It is difficult to project today because Chennai is a new facility. Largely, we will have a cost advantage, which part of it we have to pass on to the customer, but separately talking of Chennai business and its EBITDA Margin is difficult because we'll be supplying to same set of customers whom we are supplying from our Indore facilities. And sorry, we have not done that projection and that minute working or projected with a margin in some way.

Harsha: Yes, but is it safe to say that it will be lower? I mean, it will be lower, obviously lower than the company average, right?

Sunil Chordia: Definitely. Can we reach a higher capacity utilization, it will be lower. Then there are other factors like what products are we able to sell locally? You know, if we are selling direct drawn sizes, sticker sizes, or radial tyres, where the cost is low and the prices are better. So a lot of structures are there.

Overall, India business, I can say, we will be able to maintain. The consolidated between Pithampur and Chennai. Because we have planned a lot of logistic cost savings. The Pithampur facility supply more in the Western India and Northern India. And some capacity which will be supplied in South India from here will be available in Pithampur factory. We are also discussing approval of Pithampur to begin with from export. So multiple options are there.

Harsha: Yes, so just to clarify, I mean you're saying that despite the Chennai plant utilizing at lower levels, the overall blended India margin should be maintained next year?

Sunil Chordia: Yes, overall it should be maintained.

Harsha: Okay, sure, thank you.

Moderator: Thanks so much. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Sir just two questions. One is, has there been any industry representation locally to check the surge in imports or basically 2,500 tons per month? Is it something which you along with Tata Steel and a few other players are comfortable with?

Sunil Chordia: I didn't understand. Come again.

Ritesh Shah: Sir, has there been any industry representation to bring in some sort of tariff measures to curb imports into India?

Sunil Chordia: No. We have not done anything and any such move can disturb our customers. They don't like, okay. They don't like putting restrictions on import or that. Okay, because they can always import against their exports. So, and there is no policy under the WTO also, where we can stop imports totally.

Ritesh Shah: Sure. And the second question is, are there any incremental supplies from coming from any of our peers besides Tata Steel in India?

Sunil Chordia: Sorry, I'm not able to hear.

Ritesh Shah: From a demand-supply angle, just like Tata Steel commissioned its capacity recently, are there any other players who are coming up with incremental capacities for Bead wire in India over the next year or two?

Sunil Chordia: We hear about Balson Wire that they want to increase capacity, but their capacity utilization in the current factory is also very low. So, frankly speaking, when any wire player looks at Rajratan balance sheet and its result, everybody gets tempted, but very few understand the difficulties and the hard work you need to do to reach to this level. So I cannot say that nobody will come, okay. Tata has already increased capacity. Balson may put up a new factory, but my current information is that they are using very low capacity. They are not more than 500 tons, 600 tons a month in the market, which is a hugely loss making proposition.

Ritesh Shah: Sure. That is useful. And just last question. When you interact with the tire manufacturers, you did indicate the just-in-time benefit for our Chennai plant, but when the discussions happen, does it even come to scope three emissions? So you did indicate that the tire manufacturers would also like to import and we can't do, we don't want to hamper that process. But when it comes to ESG, scope two and scope three norms, if it's a facility is there in your proximity, it will definitely help the tire manufacturers to reduce their scope three emissions because they're procuring it locally versus imports. So does this sort of discussion pop up?

Sunil Chordia: Yes, Yes, that is my goal, actually. The background of increasing or putting up a new factory in Chennai is because of our customers. They all have been asking us to do this, okay. And there is a long-term assurance that the market is growing, we are increasing capacity, everybody, Apollo, CEAT is putting up a new factory, MRF is increasing capacity in all its facilities. So they want a raw material supplier, and closer is better. So this will happen. I don't see any resistance.

And frankly speaking, people continue to import because last three, four years, there was a shortage of bead wire. They have suffered for want of bead wire. So they have kept those channels and those approved suppliers intact. They see for a long time that there are enough supplies locally and good quality is available, nobody wants to import that, such a small item. But big decisions will be taken in a longer run, not monthly, not quarterly.

Ritesh Shah: Okay. Sure, thank you.

Moderator: Thank you so much. The next question is from the line of Mr. Bhargav from Ambit Asset Management. Please go ahead, sir.

Bhargav: Yes, good evening team, and thank you for the opportunity. My first question is that you mentioned that from your Thailand entity, the share of Chinese customers is close to about 25%. So my question was, what was the share about a year back? Was it lower than 25%?

Sunil Chordia: No, it was 25% on the lower market. Fortunately, Thailand market is also growing very fast and during last year, it had come down to 19% market share which we have reported in our presentation also, which from 19 has come back to 25 and there is a headway to move up to higher market share now.

Bhargav: Sir, I was referring to the share of Chinese in from your Thailand volumes, Chinese customers.

Sunil Chordia: Yashovardhan, can reply that.

Yashovardhan Chordia: Yes, so if I compare purely the domestic supplies that we are supplying to Thailand, almost 45% to 50% we supply to the Chinese companies today.

Bhargav: And has this share of Chinese increased over time or has it been sort of flattish?

Yashovardhan Chordia: No it has definitely increased over time. Definitely when you compare from quarter one to quarter two. But gradually also if you look at from what it was last year to now, it has increased because those companies are investing further. They are all companies who have started almost two, two, four years, five years back. So they are also ramping up their production and continuously investing in adding capacity.

Bhargav: And in terms of margin trajectory, do these customers sort of have lower margins as compared to others or how is it in terms of margin profile?

Yashovardhan Chordia: Yes, definitely they have lower margins as compared to other Thai and Japanese companies. But being competitive and supply them is the only way forward. So there are ways where we are also looking at reducing our cost, particularly when we supply to these companies. We have taken a lot of internal projects to reduce our overall cost. And we have been also supported with slight reduction in the raw material price, which was headwind, which was a tailwind in the last quarter.

Bhargav: And these Chinese customers are primarily selling it in Thailand or are they exporting to other countries?

Yashovardhan Chordia: No, there are some companies who are 100% export oriented. There are very few who must be supplying to the Thailand domestic market. They do supply to Southeast Asian markets, some of them do it in the Middle East. But I would say 70% to 80% goes to Europe and US.

Bhargav: So as a strategy, I mean, we would sort of ideally want to restrict this share of Chinese to where it is now, right, given that they are sort of fairly low on margins?

Moderator: The next question is from the line of Pratik Singhania from SageOne Investments. Please go ahead.

Pratik Singhania: Sir, I have just a couple of follow-up questions for bookkeeping. With respect to Chennai plant, is there any quantity that we have produced in terms of supplying it to the testing and how much is that for Q2?

Sunil Chordia: No, nothing. We will start trials later in this quarter or early next quarter.

Pratik Singhania: Okay, that was it. Thank you so much.

Moderator: Thank you so much. And the last question for the day is from the line of Radha. Please go ahead.

Radha: Hi, sir. Thank you for the opportunity. My question was, so some customers like Michelin, so Rajratan is the only company to have approvals for supplies to Michelin from India. So now that new capacities have come up, I just wanted to understand how tough it would be for those capacities to get approval from the premium customers like this and overall what kind of volumes are we supplying to Michelin?

Sunil Chordia: Yes, so two things, one such multinational companies don't have multiple suppliers like in Bridgestone we are recruit for many years and we are paying the source to them. Okay, similarly, Michelin, we are recruit for last two years. Unfortunately, Michelin's business has come down drastically in India. But whatever material they are buying, they are buying only from Rajratan in India. Yes.

Radha: Okay, so secondly, you mentioned that you're accepting higher volumes from three major players, Bridgestone, Continental and Goodyear from your Thailand plant. So as of now, how much are we supplying to them and how much additional are we accepting in the second half?

Yashovardhan Chordia: So we are not supplying anything. I think what sir had mentioned is that we have got positive feedback from these companies who are operating in Europe, America. So, in our efforts to reach out to them, we are happy to share that they have responded well. So, some of them are visiting our factories for audit and some of them are considering us for the RFQ for 2024, which is next year's business.

So particularly from these companies, internationally, we have not got any volumes. We are supplying to them in the domestic factories.

Sunil Chordia: We are there supply domestically.

Yashovardhan Chordia: Yes, so we are supplying to them domestically in Thailand and also domestically in India.

Radha: Okay.

Moderator: Thank you so much. As there are no further questions from the participants, I now hand the conference over to Mr. Sailesh Raja for the closing remarks. Over to you, sir.

Sailesh Raja: Yes, thank you all for attending this session. We especially thank to Rajratan team for their time. Sunil sir, would you like to make any closing comments?

Sunil Chordia: Yes, so thank you for your questions and insight a lot of deep questions which put us under pressure. And thank you for keeping us under pressure. And I am very confident of improved performance in the next two quarters. So please keep connected. And anything else you need to check we can connect separately or our CFO can answer this. Thank you very much.

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