



RGWL/24-25/

29th April, 2024

| | |
|--|---|
| 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 financial year ended 31st March, 2024

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 financial year ended on 31st March, 2024 conducted on 22nd April, 2024, for your information and records

Thanking You,
Yours Faithfully

For Rajratan Global Wire Limited

Shubham Jain
Company Secretary & Compliance Officer



“Rajratan Global Wire Limited
Q4 FY24 Earnings Conference Call”

April 22, 2024



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, INDIA – 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 Limited Q4 FY24 Post-Result 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 a touch-tone 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: Good evening all. Thank you for joining us for the Rajratan Global Wire Limited Q4 FY24 Earnings Conference Call. During this call from the management side, we'll be hearing from Mr. Sunil Chordia, Chairman and Managing Director, Mr. Yashovardhan, Executive Director of the company, Mr. Pranay Jain, CFO, Rajratan Thailand, and Mr. Hitesh Jain, CFO, Rajratan India.

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

Sunil Chordia: Yes, Yes. Good afternoon, friends and my dear shareholders. Happy to connect with you all today for the con-call after our board meeting where we have adopted the financial results for FY24. I'm happy to share that last year has been a mix of growth and, you know, pressure on the margin. So, we have grown in Thailand in a big way. Our volumes in Thailand are up 43%.

We have little volume growth in India also, marginal 2% volume growth. So, overall, on a consolidated basis, the volume growth has been 16%. And there is no revenue growth because the prices have come down. Globally, the steel prices have come down and subsequently the prices of our product also came down. So, there is no growth in revenue, top line. The EBITDA margins are overall down by 21% and the profit after tax is also down by 28%.

So, we have ended the year with close to INR72 crores of net profit of the company. And I'm also happy to share that our Chennai investment is complete. We have started machines, we have started some trial run, and this quarter we'll announce the commercial production also.

So, I'm happy to take the questions from here. Yes.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Parth Bhavsar from Investec. Please go ahead.

Parth Bhavsar: Thank you for the opportunity. I have two sets of questions.

Moderator: Sorry to interrupt you sir. May I request you to use your handset, please, for optimum audio quality? Thank you.

Parth Bhavsar: Hello. Yes. Is this better now?

Moderator: Yes, sir.

Parth Bhavsar: Sir, I have two sets of questions. One is on India business. We reported, you know, flattish volumes in Q4. So, what happened exactly? And on the other hand, EBITDA margins have or, you know, profitability has improved. So, what drove this?

Sunil Chordia: You know, there was the import of cheap Chinese quality coming into India, okay, which was against the quality control order by government. And I think government has taken effective steps to curb those import. And we are optimistic about such cheap import not coming to India in the next financial year. And it is partly the effect of that. You know, last quarter, last month of the quarter, the imports were reduced drastically.

Parth Bhavsar: Yes. Okay. So, for the quarter, how much was this import? You could quantify?

Sunil Chordia: You know, it had gone as high as 3,500 to 4,000 tons in a month, which has come down to 1,500 tons.

Parth Bhavsar: Okay. So, in March, it was 1,500 tons.

Sunil Chordia: Okay. Close to that. Yes.

Parth Bhavsar: Okay. And, sir, what led to this improvement? If I look at the profitability of Indian operation, it has reported good numbers, like even on quarter-on-quarter basis as well. So, was it only the steel prices coming down or it was something on the operational side as well?

Sunil Chordia: No. On operational side, we are continuously focusing on improving the cost, quality, you know, quality of customers, everything. So, it is effect of, combined effect of all of that.

Parth Bhavsar: Okay. And, sir, in terms of our Thailand operation, we reported a very good set of, you know, volume. It was, the volume growth was very nice. But in terms of profitability, like, what impacted the profitability during the quarter? Like, it reduced even on quarter-on-quarter basis.

Sunil Chordia: Yes. So, in our earlier communications, we had indicated that Thailand business is exposed to global competition. Okay. And there are a number of Chinese tyre companies who are also our customers where the profitability is very low. Okay. But we decided to use our, you know, our machines, our capacity. Our board decided to, gave us a direction that you should run the plant to full capacity. If there is a small contribution also, you should not leave that customer.

So, we worked on that strategy. And that is how you see huge volume growth in Thailand this year of 43%. And over years, we will shift from those, you know, low-cost customers or low-priced customers to better customers by exporting more to better MNCs and supplies to few major tyre companies which are not Chinese in Thailand. That will happen in the coming years. But as it is, we didn't want to lose the market share. And leave the space for competition.

Parth Bhavsar: So, sir, what was our market share in Q4? Like, did it improve from Q3 to Q4 or it was at 35%?

Sunil Chordia: It is 35%-37% only. Q4 is 37%.

Parth Bhavsar: Yes. Okay. Perfect, sir. Those were my questions.

Sunil Chordia: Thank you, Parth.

Moderator: Thank you. The next question is from the line of Nitin Gandhi from Inoquest Advisors Pvt.Ltd. Please go ahead.

Nitin Gandhi: Yes. Thanks for taking my question.Sir, with regards to Chennai, what's our cumulative investment and what kind of asset turn we can expect going forward? And do you think margin pressure or will there be some new different way of handling because of new plant? And similarly for Thailand, what's the cumulative investment if you can share as on date?Thank you.

Sunil Chordia: Yes. Up till now, we have invested around INR230 crores in Chennai. Some balancing equipments are yet to come for a capacity of 60,000 tons.So, the plan is to invest INR300 crores in Chennai for a capacity of 60,000 tons. And at current price level, the capex turnover will be twice. You know, like the maximum turnover from these 60,000 capacities can be projected at INR600 crores.

And yes, for the first year, because we won't have approval from the major tyre companies, we will have to sell it to low-cost customer where approval doesn't take much time. Okay. So, there will be a --I don't expect a big margin from, you know, Chennai investment, particularly in the first year.

Nitin Gandhi: Regarding Thailand, what's the cumulative investment if we can just share?

Sunil Chordia: Pranay, can you answer this? Hello.

Pranay Jain: Yes, sir. Can you just again speak? Hello.

Sunil Chordia: What is the cumulative investment in Thailand? What is the total, you know, capex in Thailand up till now? Block

Pranay Jain: Yes, sir. Sir, we have invested 410 million in Thailand.

Sunil Chordia: THB410 million, right?

Pranay Jain: Yes, sir, THB410 million.

Sunil Chordia: That is the gross block there, Pranay?

Pranay Jain: Yes, sir. The gross block which is added to the existing fixed assets, sir.What we have invested for expanding our capacity from 36,000 to 60,000.

Sunil Chordia: So, what is the total now?

Pranay Jain: Sir, the total gross block has been reached to... Just a minute, sir. It's THB 1.1 billion.

Sunil Chordia: 1.1 billion. Yes. Okay.

Nitin Gandhi: Thank you very much.

Moderator: Thank you. The next question is from the line of Prathamesh Dhiwar from Tiger Assets. Please go ahead.

Prathamesh Dhiwar: Yes. Sir, just wanted to know on the realization front, like as you told the Chinese imports has been down right now, like going down. So, from Q1, are we looking at better realizations?

Sunil Chordia: There will be some improvement because we won't be competing with Chinese prices. But overall, we are not expecting or we are not projecting a huge change in the prices. Okay. Because our competitors have also increased the capacity and we will have to, there is a, advantage of Chennai that our cost, cost to deliver to customer is very low. We will be very close to customer. So all those -- then considering all those benefits, I don't expect much pressure on the margin from Chennai.

Prathamesh Dhiwar: Okay. And sir, on the overall margins, how are we guiding for the coming year?

Sunil Chordia: Yes, very difficult to -- you can see that we have been able to maintain 17.5% of EBITDA in India, okay. But yes, the EBITDA percentage in Thailand was very low. We expect this year there will be an improvement in EBITDA percentage in Thailand also, because some of the customers where we got the approval have much better pricing. Okay. So volume will shift to those customers in the coming year.

Prathamesh Dhiwar: Okay. And sir, just on the capacity utilization side, what's our current capacity utilization and what will be in the coming, let's say, FY'25?

Sunil Chordia: Yes. So, our India, the Pithampur capacity 72,000 tons and we have done 60,000 tons in FY'24. We plan to continue using similar capacity in Pithampur, because we have to make close to 15,000 tons in Chennai this year business plan. So Chennai will be adding 15,000 tons volume to the business. And in Thailand, our capacity utilization is close to 75%, 80%. Okay. And with that capacity utilization, we plan to do more than 50,000 tons of business in the coming year.

Prathamesh Dhiwar: Okay, sir. Thank you. That's it from my side on all of this.

Sunil Chordia: Thank you.

Moderator: Thank you. The next question is from the line of Shridhar Kallani from Axis Securities Limited. Please go ahead.

Shridhar Kallani: Thank you for the opportunity. So I would just like to have a clarification on the capacity that you mentioned in Thailand. So it is close to 40% increase. We have been able to reach 80% utilization in Thailand. Is that right?

Sunil Chordia: Yes, but that is on a quarterly basis. So if you look at last quarter, the capacity utilization was close to 85%.

Shridhar Kallani: Okay. And for the whole year, it should be around?

Sunil Chordia: For the last year, it was 75%. For the coming year, it will be 85%.

Shridhar Kallani: 85%,okay. And sir, is it possible for you to share EBITDA per ton in Thailand and in India? Because if the commodity prices change, then the EBITDA percentage is a little difficult to understand for us how much on a per ton basis are we earning?

Sunil Chordia: Yes. So it is difficult to talk about EBITDA per ton because there are customers where price differences are huge. Okay. And same in Thailand. Some of the Chinese customers where EBITDA per ton is very low, but there are multinational companies where EBITDA percentage is high. So EBITDA per ton also is high.

Shridhar Kallani: So on an aggregate basis, what would be our EBITDA per ton in Thailand and in India, if that is possible?

Sunil Chordia: Yes. So you can assume 9% EBITDA percentage in Thailand, okay, which is on sales and volume is there. But I can calculate and give...

Shridhar Kallani: Not percentage, but EBITDA per ton.

Sunil Chordia: Pranay will give.

Pranay Jain: Yes. It should be around THB3,100 per ton.

Shridhar Kallani: Hello?

Pranay Jain: Yes. EBITDA per ton will be around THB3,100 per ton for quarter four.

Shridhar Kallani: For quarter four. And in India?

Sunil Chordia: Yes, one minute.

Pranay Jain: SirIt is in THB,THB3,100.

Shridhar Kallani: Okay.

Sunil Chordia: It will take a minute to give you the number.

Shridhar Kallani: Sure. And there is a -- like, on the side -- there is a small subsidy that we have received of approx.INR3 crores from state government.

Sunil Chordia: INR3.27 crores. That was a capex we had done three years back to expand our capacity in Pithampur plant where we were sanctioned a total subsidy of INR22-odd crores, which is to be paid to us in eight years' time. So out of eight years, we have received the third installment on 31st March.

Shridhar Kallani: Okay.

Sunil Chordia: So for next five years, we will get similar amount.

Shridhar Kallani: Okay. And what is, sir, generally the inventory turnover that we have over here? Like I just want -- like inventory days, how much do we maintain?

Sunil Chordia: Yes. So you can see that working capital cycle is close to 55 days in India.

Shridhar Kallani: Okay. All right. That's it from my side...

Sunil Chordia: This has been brought down...

Shridhar Kallani: Question on EBITDA per ton in India?

Sunil Chordia: One minute, yes. It is close to INR15,000 per ton.

ShridharKallani: INR15,000. Thank you so much.

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

Saket Kapoor: Thank you for this opportunity. Sir, firstly, as you mentioned that the turnover has remained flat, but I missed your point about the volume growth. So the utilization levels for FY'23 and '24 on a combined basis, if you could give the comparative number.

Sunil Chordia: Yes. So as answered in the previous question, Thailand has gradually reached the utilization level of 85%. Okay. But average utilization has been 75% throughout the year. Similarly, India, Pithampur plant is running at 85% -- 84%, 85%. And we expect the same utilization level for Pithampur. And we are starting a new factory in Chennai. So that will start utilizing the capacity installed there.

Saket Kapoor: Okay. And you were mentioning that it will take time to get approval from the OEM. So what kind of ramp up are we expecting for this year in terms of the Chennai unit?

Sunil Chordia: Yes. This year, we are expecting 15,000 tons of volume from Chennai.

Saket Kapoor: Okay. That is 25%.

Sunil Chordia: Yes, 25%. You are right.

Saket Kapoor: Sir, can you give us an outline towards the current business environment? You spoke about the unedited imports from China. So if you could just explain to us how the business dynamics are shaped up and what are you visualizing in terms of the business in particular? And also the key factors that led to this decline in the EBITDA. I think revenue-wise, we were flat, but EBITDA was down by around 20%. So if you could just give that.

Sunil Chordia: Yes. So as told in the earlier answer, EBITDA was down in Thailand. Okay. Not as expected by us because of very competitive factor. China is not able to consume because of their economy internally is not doing well. So they have exported a lot of material into market, including Thailand, including India. But in India, there is a quality control order. So it happened for two months and now it is reversing. So that is about India.

In Thailand, there is no such restriction or no such measure possible. So we have to compete with Chinese prices and we have decided to do that. Okay. To remain with a higher market

share in the market, we did not want to leave the space for a competitor. In our products, if the volumes go down, our cost of production also goes up. So, it is a loss for longer time. Okay.

And now, for the future, our efforts are to, as I might have told in earlier discussion with shareholders, that we have started a company in USA for marketing. We have started a representative office in Europe. We have got good results from two, three companies where regular business is happening. And more approvals and more business is likely in the coming years.

So with three facilities, two in India, one in Thailand, we want to become a global supplier to tyre companies. It is a process which takes time, but it is happening. Okay. And unfortunately, in bead wire business, overnight improvements are not possible. Okay. So you will see your company gradually improving on all these parameters.

Saket Kapoor: Sir, on the volume front, you have guided to us that we will be experiencing increased volumes, especially from the new unit also and also for the Thailand unit where the average utilization will go up by 10%. For the new unit at Chennai, do we have any tax benefit or any PLI part that unit has come? Will it be an export denominated unit particularly or what is the thought process of setting up the Chennai unit?

Sunil Chordia: Yes. So Chennai, we have the PLI benefit of 8% of sales, one-time benefit. And the thought behind Chennai is that it is located very close to customers. So Rajratan will be the only company very close to all the tyre companies. So around our facility, within overnight distance, there are at least 10 tyre companies. Okay. Most of whom we are supplying from our Pithampur facility. So as and when we get approval from those companies, we will start supplying to them.

And there is a saving of around INR3,000 in the freight cost for supplying to them. And this new facility in Chennai is closer to our raw material supplier, JSW, vijaynagar. So, there is a close to INR1000 saving on the inward freight on the raw material. Okay. So, these are the reasons for us to be very optimistic and, you know, confident about our Chennai investment.

Sailesh Raja: Of course. Sorry. You complete first. I am sorry.

Sunil Chordia: Yes. So, that is the thought process. And our plan is to reach 60,000 tons in four years' time. Okay. So, current year, like FY '25, we are projecting a sales of 15,000 tons from Chennai facility. Yes.

Sailesh Raja: So, this 8% PLI benefit is for how many years and any optimum level of production we have to reach when the benefit will start accruing or from day one of sales we will be getting the benefit?

Sunil Chordia: No. We are getting in the first year, we will get on 14,000 tons. That is the projected sales we have given to the Steel Ministry. And we are reaching 60,000 tons in four years' time. So, till we do 14,000 tons this year and then we do 30,000 tons next year. This year we will get on 14,000 tons, next year we will get on 16,000 tons. And subsequently like this on up to 60,000 tons. So, as I told, it is one-time benefit of 8% on the sales value.

Sailesh Raja: Two small points. Firstly, on the debt number for this plant, what is our drawn limit for this thing and what is the current, as on 31st March, I missed your balance sheet numbers. What is our debt number, the long term and the working capital and the cost of...

Sunil Chordia: Both put together is below INR200 crores. So, it is INR190 crores of total debt on the balance sheet on consolidated basis which has debt for working capital in Thailand, term loan in Thailand and similarly working capital in India and term loan in India. You want breakup of India and Thailand?

Sailesh Raja: Yes, sir. Please. Yes.

Sunil Chordia: So, on stand alone in India, the debt is INR135 crores and you know INR55 crores of debt in Thailand.

Sailesh Raja: And what is the cost of funds, sir?

Sunil Chordia: Average is, I will say 8%. Sorry, including Thailand, it will come down. It will be 7.5%. Pranay, can you throw light, what is the cost of funds in Thailand? Average?

Pranay Jain: Yes, sir. Just a minute.

Sailesh Raja: And one more point on the forex impact part, sir. Since it is, I think so, will be in the currency for Thailand. What would be the impact of the forex translation, if any?

Pranay Jain: Yes, sir. Cost of debt is around 5.8% in Thailand. And what about forex question, sir?

Sailesh Raja: In terms of translation to rupee, do we have any forex losses or forex gains embedded in the numbers?

Sunil Chordia: Sir, we have gained forex gain in the main balance sheet in the parent company. I think it is there in the balance sheet. One minute. INR85 lakhs? Foreign currency gain. One minute.

Sailesh Raja: Right. And lastly, sir, I had a point on the cost of wire bead component in the total tyre cost and also taking into account that we are the only player in Thailand. The next competitor size, I want to understand the economy of scale in the wire bead segment where we are competing. How many players are there? And also in China, what is the minimum size? What is the capacity of the smallest player, sir?

Sunil Chordia: China is huge. And we don't get very clear information about Chinese players. If you look at their website, they mention 0.5 million ton of capacity like this. But to my understanding, apart from Chinese, Rajratan will become globally number two after Chennai. We will be with 180,000 tons per annum capacity. The number one player other than China is a company in Korea who has four locations other than China.

They also have one company in China making this. In China, there are two, three very big ones also who are 0.5 million tons, 3 lakh tons, 2.5 lakh tons kind of. But we don't have the exact numbers. Other than China, Kiswire is one big company. Bekaert, a European company also

has two locations. Sorry, two in Europe, one in America. Rajratan will have two in India, one in Thailand. So I'll consider this as a competition.

Sailesh Raja: And the cost of wire bead in the total cost of tyre? The components we make are wire beads. What does it constitute to the total cost of tyre?

Sunil Chordia: 3% to 4% of the total cost of tyre.

Sailesh Raja: Sir, I'll join the platform and follow up.

Sunil Chordia: Depending on the size of the tyre.

Moderator: Thank you. The next question is from the line of Aashav Rakesh Patel from Molecule Ventures PMS. Please go ahead.

Aashav Patel: Thank you for the opportunity, sir. Sir, my question is that as we mentioned that we are also expecting the numbers to start contributing from the Chennai plant. So I just wanted to understand what is the industry norm? Do we need to get the approval on the new plant in the same country from our existing clients also? Pre-approval of all the production?

Sunil Chordia: Yes. We have to get the plant approval. We have to get the product approval. The advantage with us will be that customers are also keen to source from a nearby location. So they will cooperate and hopefully do faster approval.

Aashav Patel: Yes. So, sir, if customers are so keen and if we are in the same vicinity of their own production, why do we envisage the actual ramp-up to happen over a period of 4 years? Earlier we were planning it to happen over next 2 to 3 years, right?

Sunil Chordia: Yes, you know, these numbers are based on the projection of the tyre companies also. They are expected to grow and our competitors have also grown. So, you know, it will go with the growth of the market. We cannot suddenly, and this product nobody will buy. You know, it doesn't go for any other application. The more the tyre will be made, the more the bead wire will be sold. If it is sold a lot, how will it happen?

Aashav Patel: Okay. So on the supply side, sir, if we want to sell even faster, so that is very much possible. But our guidance is considering into how much ramp-up will be there, how much demand of the end client will come over a period of time.

Sunil Chordia: Correct. In that, how much we will sell, how much the competitor will sell, that detailed work we have done and that is how we are projecting it.

Aashav Patel: But production ramp-up, if provided the demand is very robust, then production ramp-up should not take so much time, right? Within 1 to 2 years, provided the demand is very robust.

Sunil Chordia: Generally, production ramp-up doesn't take time.

Aashav Patel: Got it, sir. And sir, what would you, can you please share the outlook of the tyre manufacturers, Indian tyre manufacturers, because we have been seeing couple of quarters of

export, lackluster exports from their side. But now, it seems that they are increasing the utilization level as well at this point in time.

Sunil Chordia: Yes, they, we had meetings with all the tyre companies in last 15 days, because once in a year, I personally visit all the companies and talk to them for, outlook for next year business plan, request them for bigger wallet share from their business, all that. So, it is a mixed information. Companies like Apollo, their business plans are to grow 7%-8%, but they say realistically, we don't see that number happening. Okay, JK said we are optimistic this year will grow.

We will also invest INR1400 crores in the capacity. I met BKT, who said this year will be better than last year. Okay, their export has started, you know, and they are positive of at least 8-9% growth this year. MRF doesn't talk much. Okay. CEAT is optimistic, they are starting their TBR plant in Chennai, and expanding capacity also. So, I'll say it is a mixed information.

Moderator: Our next question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: Hi, sir. My question is regarding the main raw materials that we use. So, I believe steel and copper are among the main raw materials, but what percentage of, I mean, total raw material cost do they individually constitute?

Sunil Chordia: Yes, our main raw material is only one, steel, high carbon steel wire rod. Copper is not the raw material, it is copper sulfate we use to coat the... so, the volume and quantity is very small. Okay. So, and the main raw material is around 62% of our total cost. Total sale.

Gunit Singh: Yes. So, steel is 62% of total cost. And what about copper sulfate?

Sunil Chordia: Very small. It's INR200 a ton, INR300 a ton.

Gunit Singh: All right. And sir, can you please help me with the volumes in Q4, in Q4 FY '24 versus Q4 FY '23?

Sunil Chordia: Yes, you can see our presentation, which is uploaded on the website and on the stock exchanges also. We have given all those information in a presentation.

Gunit Singh: All right. And with regards to the projection that you're giving of 15,000 tons from the Chennai plant, you mentioned that our competitors are also increasing their capacities. So, I mean, who are the main competitors in India and what kind of capacities are they coming up with? And given that this is happening, I mean, how do, why do we, or what gives us the confidence to, I mean, still project 15,000 tons of output from the Chennai plant?

Sunil Chordia: Yes. So, our main competitor is Tata Steel. They have increased the capacity last year. Okay. And they will also try to push bigger quantity. What gives us confidence that we are in this business for 25 years? And if you look at our track record, year-on-year, we have grown. In spite of having seven, eight competitors, okay, Rajratan has grown. And I think if we are focused, we continue to make good quality, give at a competitive price to our customers. We have the customers who will buy from us.

Gunit Singh: Yes. All right. Sir, and what kind of EBITDA per ton can we expect from the Chennai plant in FY '25?

Sunil Chordia: No, first year, I will not, would not like to give any number on EBITDA from Chennai. Because it's a new plant, it will take some time to stabilize.

Gunit Singh: All right. And sir, when by which quarter can we expect?

Moderator: May I request you to rejoin the question queue, please?

Gunit Singh: Yes, this is a follow-up of the same, my last question. So, I mean, by when can we expect sizable revenues to come from Chennai, from which quarter?

Sunil Chordia: This year, you will, this year we'll do around 14,000, 15,000 tons volume, which is, you can say, INR125, INR130 crores of top line from Chennai.

Moderator: Thank you. Our next question is from the line of Saumil from Kotak Mutual Fund. Please go ahead.

Saumil: Yes, thanks for the opportunity, sir. One question from my end, what would be the landed cost of imports for our grade of material which we sell for the quarter which went by and especially for the month of March, where you saw a sizable reduction in the import as you alluded?

Sunil Chordia: A Chinese import was coming at a very low price, USD800 to USD850. Otherwise, from Malaysia or Vietnam, the imports are coming at USD980 to USD1,000 a ton.

Saumil: And for our Chennai plant, since we have roughly on a normalized basis, roughly about INR3,500 to INR4,000 of cost savings, which you told, would we be significantly competitive and able to arrest the imports? Or you believe, again, it's a fluid situation?

Sunil Chordia: Very difficult to predict what China will do. We will have to look at government support to whom fight with China because they supply without margin, they supply at a loss also. So, that is not a competition we can talk about. Otherwise, we are competitive with any other country, any other plant in the world other than China.

Saumil: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Varun Sharma, who is an investor. Please go ahead.

Varun Sharma: Sir, in 2020, we did not buy Aaradhya Steel. Do you feel your decision was right, sir?

Sunil Chordia: Yes, it was right decision because whoever took it is still struggling with quality. And what I hear from market that they want to scrap the entire bead line and put up a new line. But in any way, we were not interested in that technology and that junk, Yes.

Varun Sharma: Yes, sir. Sir, and my next question is that from the Chennai plant, as we have seen in this quarter that Indian operations in volume terms have not given good results. So, from the Chennai plant, where would the demand come?

Sunil Chordia: No, no. We will sell it to some customers who are low-cost customers. And we were refraining from selling it to them. But because we will have added capacity, added production and approval from main customers, the bigger companies will take some time. We will have to sell it to them. We also have some customers in the global market where approval process is not very long. So, we are targeting all those customers, at least for the first year.

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

Ritesh Shah: Thanks for the opportunity, sir. A couple of questions. Sir, first on quality control order. Sir, you indicated 1,500 tons in the month of March. 1,500 tons, I think, in the month of March. But you also indicated that this is something which can actually give us benefit for one year. So, why only one year? Why not three years, five years? That is one.

And, sir, what led to this drop in input volumes? Is it cancellation of licenses? Just trying to understand the timeline quantum.

Sunil Chordia: No, we don't have the detailed information. We are only tracking the volumes and volumes have come down. Okay, some counters where, we are the exclusive suppliers and only one competitor from Malaysia is supplying to them. So, that counter we are now supplying 100%, which tells us that there is a problem in import. Okay.

When we talk to a few customers or try to dig more information, that there are problems, that is not allowed under the quality control order. Similarly, our own company in Thailand was exporting quantities to India. And now BIS has cancelled our license. And on a very flexy ground. And when we are asking them to, give us a license, applying for that, visit our factory, do the inspection, it is taking very long time. So, there is a resistance from the government as a policy. I cannot say more than this on the call. Yes.

Ritesh Shah: Sure, this is helpful. Sir, just a second related question. I think Tata Steel has capacity of 60 KT. How much would that utilization be right now? Any broad ballpark number?

Sunil Chordia: Our, you know, our information is that they are doing only up to 3500 to 3700 tons a month. Which is around 70%, 75% capacity utilization.

Ritesh Shah: Okay, perfect. And sir, just last question on Thailand. I said earlier you had indicated 30% of the volumes physically we export out of Thailand. We have spoken about incremental approvals in US and Europe and we have set up offices. Can you provide some color where this number 30% is? How it can move going forward? And any updates on the approvals? So that's one bit.

And the second bit is, there's one Chinese company, Ringda Steel Corp. I think they have announced a set up facility in Thailand. The headline number is 260,000. Would we have some

color on the bead wire capacity over here? And how is it likely to impact the local demand supply? Which has obviously adversely got impacted by imports. These are two bits on Thailand. Thank you so much.

Sunil Chordia: I think Yashovardhan should answer this. He's looking after exports. He's heading that. Yes.

YashovardhanChordia: Yes. So about Ringda, they have a capacity in Thailand, but that's for steel cord. Nothing for bead wire. If you have relevant information to share, I would request you to do that. So we've not heard any investment in bead wire manufacturing in Thailand. I believe your next question was regarding export tonnage from Thailand, which I'm not mistaken.

Ritesh Shah: Yes. New approvals. Yes, sir.

YashovardhanChordia: Yes. So new approvals are happening in Europe. We have in the last quarter we sold our average volume of 400 to 500 tons a month to the European market. It took about two, two and a half quarters to get approval from that customer. But eventually we could set in the last quarter. There is also development happening with multinational companies in Europe and America.

So we are in discussion with Michigan. Also Bridgestone has registered us as a vendor for the European factories. I believe next year we are going to work towards getting approval from these plants. And some volumes will go in terms of trial lots. I only expect that actual volumes will start going to them from after a year from now.

So that's the effort we are taking on the export market. And there are few customers in the US, where we are expecting regular business in this year also.

Moderator: Thank you. Our next question is from the line of Lakshmi Narayanan from Tunga Investments. Please go ahead.

Lakshmi Narayanan: Thank you. I have two questions. First, I just want to understand what are your key strategic priorities for the next three to five years? The second question is, if I look at Hyosung, I think they are your competitor and they may also have some operations in Vietnam. I just want to understand how Vietnam ramping up capacity by some of the other players will positively or negatively affect you? These are the two questions.

Sunil Chordia: Yes. So, Hyosung is a competitor. Definitely. They are a huge company. Okay. Their main business is making nylon belts for heat belt application. Okay. Bead wire and tyre cord is also there in their product basket. Hyosung has capacity for many years in Vietnam, but they have shifted from Korea to Vietnam.

So, because their cost in Korea went up, they have shifted there. They were invested in a new capacity in Vietnam and they were shut down there. We see, Hyosung never sell it to very low cost, customers, very cheap customers. And yes, they are serious competition. When we go to Michelin and Kiswire and big companies, Michelin and Bridgestone and other companies, Hyosung is also a big competition.

Lakshmi Narayanan: Got it. I mean, and how is Vietnam emerging as a location of competition for you in general? Because there are a lot of agreements between a lot of companies from China relocating to Vietnam is that what we heard.

Sunil Chordia: I have not heard of any other bead wire investment coming in Vietnam. Yashovardhan, are you aware?

Yashovardhan Chordia: No. Tyre companies have definitely come up progressively from China to Vietnam. Hyosung has not announced anything because they already have an ideal capacity, which they have to fulfil. But no further new investment that we are aware of in bead wire.

Sunil Chordia: For making bead wire.

Lakshmi Narayanan: And the second question related to what are your key priorities?

Sunil Chordia: No, so our focus will remain on making our Chennai investment successful in next 3 years, 4 years where we want to be doing at least 50% export. It is a port based location and we want to become a strategic supplier to two, three companies, mainly MRF, Apollo who have major investment in tyre capacity in that location.

And also focus as I told in earlier discussion that we are aggressively working on export in USA and Europe where prices are good and if we get approval in regular business that is a profitable business. So focus will be to gain more and more market share in profitable customers and keep growing at 15% to 20% volume every year.

Lakshmi Narayanan: Sir, how much of your India production is in terms of volume is exported?

Sunil Chordia: India's exports are very low. We are doing major exports from our Thailand facility. But now we want to grow in export from India because of our Chennai location which is port based.

Lakshmi Narayanan: Just to add there. So why would the volume growth of India looks like muted in spite of the domestic market in India has been if I'm not wrong, growing at least?

Sunil Chordia: I answered this. In two quarters, we had seen influx of imports from China which reduced our sales in India. We were not able to bring down the price to match with them and customers imported big quantities. Now that import has reduced. So we are optimistic about selling more in the coming years.

Lakshmi Narayanan: Thank you, sir. Thank you.

Moderator: Thank you. The next question is from the line of Vaishnavi Deshmukh from Yashwi Securities Pvt Ltd. Please go ahead.

Vaishnavi Deshmukh: So what is the current market share in India?

Sunil Chordia: Our market share with this increased capacity of Tata and imports coming in has come down from earlier level. We are at 38% of the total market share and in auto companies it is around 40%.

Vaishnavi Deshmukh: Okay. So I remember in the last concall we talked about how the capacity addition from Tata has impacted our overall sales. I think it was by a thousand odd tons? So is that impact still continued in Q4?

Sunil Chordia: No, it was -- Tata tried to sell more by reducing price, but in this business reducing price doesn't give you more business. So our customers also asked us to reduce the price and our volumes were intact, but it got impacted in one or two months not beyond that.

Vaishnavi Deshmukh: Okay. Got it. The last question from my side what kind of total volumes are we eyeing for FY25 in India operations like from Pithampur?

Sunil Chordia: Yes Pithampur will be flat because our focus will be to produce more in Chennai and supply from Chennai. So I am not expecting any volume growth in Pithampur.

Vaishnavi Deshmukh: So one last question the subsidiary that we set up for marketing in the US. So that subsidiary would be primarily working for the Chennai operations or the Thailand exports. So what would be the primary focus for this?

Yashovardhan Chordia: So subsidiaries would be working for sales from all the factories. We have certain existing customers that we supply to in America and Europe from Thailand. So those volumes we are targeting to grow and definitely new business from Chennai will also get developed through these marketing companies in those areas.

Vaishnavi Deshmukh: The question was because we have some kind of 15,000 number in the Chennai operations. And you haven't given any clear guidance for whether this would be additionally impacted, but I know that you are working for the increasing exports from the Thailand operations?

Yashovardhan Chordia: Yes, but some of it we will also try to export from Chennai, but very early to give a very definitive number for next year from Chennai.

Vaishnavi Deshmukh: Okay, sure. Thank you.

Moderator: Thank you. The next question is from the line of Samay Kumar, who is an investor. Please go ahead.

Samay Kumar: So, my first question is about the gross debt which is INR190 crores as you said. What will be our plan to reduce its sizeable? Is it 2, 3, 4 years?

Management: Sorry. Can you repeat your question, please?

Moderator: Mr. Samay may I request that you use your handset, sir?

Analyst: Now is it fine?

Sunil Chordia: Yes, better.

Samay Kumar: So my first question was a debt so currently we have a 190 crores debt in our balance book. What will be the -- when will we reduce its sizeable?

Sunil Chordia: Yes our capex plans are almost done. Of course, we have to do remaining capex in Chennai. But capex in Thailand is over. Capex in Pithampur is over and we have to utilize those assets for better production and better volumes in the coming year. So I will say that these numbers you will see reducing because the cash flows will be used partly to pay the debt.

Samay Kumar: And second question on that, sir in the 2022 call you were saying that we are the lowest cost producer in the world. Are we still on the same page?

Sunil Chordia: Yes we do claim that we are the lowest cost producer and we will continue to say so because, but not Chinese mind it. Chinese capacities are huge and sometimes they can be nasty, but definitely our cost of production is lower than major companies like Kiswire, Hyosung and Bekaert and including Tata Steel. But they have their own raw material. So they claim that their cost is low, but if they get raw material at the same price we get then I think we are more competitive.

Samay Kumar: Thank you. That's it from my end.

Moderator: Thank you. The next question is from the line of Vedant Pathella from ORIM Advisors. Please go ahead.

Vedant Pathella: Hi, good evening. I just have one small question regarding EBITDA per ton. So you guided the Thailand number. Can you also repeat the number for India for EBITDA per ton?

Sunil Chordia: I told you it's around INR15,000 per ton.

Vedant Pathella: Okay, and for Thailand it is THB3,100, correct?

Sunil Chordia: Yes.

Vedant Pathella: I just wanted to clarify that number. Thanks a lot.

Sunil Chordia: Thank you Vedanta.

Moderator: Thank you. The next question is from the line of Radha from B&K Securities. Please go ahead.

Radha: Hello, yes, sir. Thank you for the opportunity.

Sunil Chordia: Yes, Radha.

Radha: My first question was other than the recent capacity expansion by Tata Steel, any other domestic or global players have they announced further capacity expansion plans?

Sunil Chordia: Global, I am not aware, majorly. But India, yes, there is one company who has made big announcements. Bansal Wire they are also coming out with a public issue. So you guys will have more information about them than us. The same company had bought Aradhya Steel 4 years back.

Radha: Sir, how much they are spending I think currently they have 600 tons per month?

- Sunil Chordia:** Yes, but I would like you to ask all these questions to them because their numbers are mind-boggling. Okay. Difficult for us to even say. They are talking of huge, huge capacity for tyre cord. They are talking of huge capacities for bead wire as well. So, frankly speaking no comments.
- Radha:** Thank you, sir. Sir, secondly, we were expecting to supply higher quantities to Bridgestone for the Europe plant which you mentioned that it will start from I think, next quarter. And Sumitomo also for the US plant and also we had some approvals from Korean players in line. So, what is the plan for these customers?
- Sunil Chordia:** Will you discuss about the customer approvals in Europe and in Korea?
- Yashovardhan Chordia:** Yes, so for Korea, which we had an aggressive plan, but unfortunately we couldn't translate into much bigger volumes for all the locations, but all the Korean companies have approved our product. We were expecting a much bigger share to the Korean factories, but they have approved us in their locations in Indonesia and other regions of Southeast Asia.
- We have supplied volumes to these locations since last 6 months. And now is when they have started evaluating trial orders for the Korean factories. So, I'm expecting more volumes to go to Korea this year. And I think this is a mistake we did in including in the last year's business plan. Regarding Europe, as I mentioned, we've been registered as a vendor by Bridgestone and we should expect few hundred tons to get dispatched as trial quantities within this financial year. And after that, we will be able to discuss with them actual volume business from next year.
- Moderator:** Thank you. Ms. Radha may we request you to return to the question queue for follow-up questions. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.
- Saket Kapoor:** Thank you, sir. You were mentioning about Bansal Wire and Industries which are planning a public issue. Just to the earlier participant as our competitor going ahead?
- Sunil Chordia:** Yes, they are already an existing player in wire business. They make many, many different types of wires. They also want to now make bead wire and tyre cord and LRPC everything on the earth. Their plan is to make 1 lakh ton of wires per month, but it is not good to talk more about competition.
- Saket Kapoor:** No, it's okay. But the Tata Steel part in particular, sir, when has the Tata Steel forayed into the segment and in the realm of things how important is this bead wire segment for them in terms of since we know that wherever players like Tata compete?
- Sunil Chordia:** Tata Steel is making bead wire for last 50 years. They have acquired a company Special Steels Limited which was making bead wire and they continue to do this. So it is the 50 years of growth they have done. Okay. That is why I say sudden growth in this business is very difficult. And it may be insignificant, but they continue to do it.
- Saket Kapoor:** Okay, sir. And their capacity in comparison to ours domestically is how much, sir?

Sunil Chordia: They have increased the capacity and their nameplate capacity is 60,000 tons now.

Sailesh Raja: That is equivalent to our existing Pithampur unit?

Sunil Chordia: Our Pithampur unit. Yes. But that is in two lines. They have added one more line. So they make it in two plants.

Sailesh Raja: Okay, sir. Sir, for the raw material basket, sir, how are things shaping up for raw material and how do we source them? I mean, is there a contract for it? How does that work?

Sunil Chordia: No, we buy it on a monthly basis. There is an annual understanding of how much we will buy. Main raw material supplier is JSW. We also buy some quantity from Tata Steel and little bit intermittently from Electro Steel, Nico Steel, and sometimes JSPL. But 80% is from JSW Vijayanagar, where we have a long-term understanding.

Sailesh Raja: And two bookkeeping questions on the depreciation and forex, sir. On the forex part, I could read from our submitted number that it translated to around INR8.56 crores loss for this year on a consolidated level. So if you could correct me on page number three of our submission to the exchanges, line item number 10i, other comprehensive income exchange difference and translation of foreign operations amounts to around INR6.66 crores loss for this quarter and for the year INR8.56 crores.

Management: Yes, sir. That is correct.

Sunil Chordia: Yes, this is right. Your understanding is correct.

Sailesh Raja: Okay, sir. But when earlier, when we spoke, you gave some other number. So that was, I wanted to correct that.

Sunil Chordia: This is on the balance sheet side, right? That was on P&L side.

Sailesh Raja: Okay.

Sunil Chordia: In this balance sheet, whatever is our investment that we have to do mark to market.

Sailesh Raja: Right. Yes. Sir, lastly, the depreciation that will come from the new unit, our investment of INR200 crores, we will be capitalizing in this June quarter?

Sunil Chordia: Yes, in the first quarter, trials are going on. So, as accounting policy, we will have to capitalize.

Sailesh Raja: And what will be the depreciation and losses? What will be the increase depreciation on an annual basis?

Sunil Chordia: Depreciation will be around INR10 crores – INR11 crores per year.

Sailesh Raja: And sir, as you said, for Chennai. So, our 14,000-15,000 tons utilization levels will be covered?

Sunil Chordia: Yes. It will not be covered. In the first year, I am not expecting big profit from Chennai. The first year is not going to be profitable there. We are not projecting that.

Sailesh Raja: Okay. But sir, what will be the breakeven level?

Moderator: Sorry to interrupt, Mr. Kapoor?

Sailesh Raja: Yes, I will join the queue. Sir, just a follow-up. What level of breakeven do we expect? I will join the queue.

Moderator: Sir, we will move to the next question, sir. The next question is from the line of Aashav Rakesh Patel from Molecule Ventures PMS. Please go ahead.

Aashav Patel: Thank you for the opportunity for the follow-up question, sir. My question is that, given the steep competition which we are facing regarding our domestic market, especially dumping from China and Thailand as well. Given the industry is quite oligopolistic and very formal industry with only limited few players, known players. So, are you on an industry level planning to reach out to BGTR to actually look into the dumping and initiate an anti-dumping duty regarding our products?

Sunil Chordia: Very difficult to do that. And secondly, if we do it, customers don't like it. Okay, we have to - Because government will ask our customers also. Say, we do it in Thailand. So, we will be sitting across the table with our customers. And then it antagonizes the relationship with customers. We have tried long back, 10 years back, and it was not a good experience.

Aashav Patel: So, sir, then what exactly is the pain point for our industry? At least, how we are placed in, Say, for example, FY24, we faced a significant challenge at our margin front. So, what exactly do you attribute that to? Is it because of Thailand capacities or Thailand imports or aggressive imports in domestic market or sluggishness in manufacturing of the tyre players in Indian market? What exactly is the pain point for us?

Sunil Chordia: I will not call it pain point. These are business issues. We have to deal. We have to find a solution. But overall, it is a good business.

Aashav Patel: Absolutely.

Sunil Chordia: We have grown against all the odds in last 25 years. So, if I look back to the competition we had few years back or 10 years back or 15 years back, this is nothing. And we are at a much stronger position today. Of course margins and business can never remain continuously growing. There will be, If it goes too high, it comes down a little. Business, margin, everything. So, but it is all within control. I don't see much challenges ahead.

Moderator: Thank you. We move to the next question. The next question is from the line of Kaushik Dani from Abans. Please go ahead.

Kaushik Dani: Good evening. Am I audible?

Moderator: Yes, sir. Please go ahead.

Kaushik Dani: So, good evening, Sunil ji and Yashovardhan. Considering the challenging environment, I believe this decent set of numbers is really commendable. So, my first question is, as you said that some portion of your Pithampur volumes will get shifted to Chennai plant. In spite of that, we believe that Pithampur should be able to do 60,000 of volumes. So, if we consolidate, typically we are expecting some sort of growth in the domestic volumes?

Sunil Chordia: Yes. We are expecting 20% growth in domestic also. And in Pithampur, we make some more products, black wire, wire for conductors, wire for spring. So, we'll fulfil those capacities also. In case bead wire sales goes down from Pithampur, we have the option of selling bigger quantities of those products.

Kaushik Dani: So, typically out of the 72,000 capacity...

Sunil Chordia: And doing 14,000 tons in Chennai is a compulsion for PLI commitment.

Kaushik Dani: And as we know that out of the 72,000, 60,000 is bead wire and the 12,000 is balance is other products?

Sunil Chordia: Yes.

Kaushik Dani: So, typically what sort of number do we have for that balance 12,000? What sort of sales do we do?

Sunil Chordia: This year we have done black wire, how much we have done? This year we have done 15,000 tons of that because bead wire sales didn't grow much.

Kaushik Dani: So, that translates into what sort of value, roughly?

Sunil Chordia: What sort of value, roughly?

Kaushik Dani: Revenues, basically.

Sunil Chordia: Yes. It will be around INR110 crores.

Kaushik Dani: Great.

Sunil Chordia: Or INR100 crores, I'll say. We can give you all this detail later.

Kaushik Dani: Sure. Yes. Sure, no problem. Fine. We can take that offline. Also, Chennai being a new plant, as you said at EBITDA level, it won't be as profitable as Pithampur plant?

Sunil Chordia: To begin with. In the first year.

Kaushik Dani: In the first year. So, like just now we are talking about EBITDA per ton of 15,000 for domestic. This would be excluding Chennai?

Sunil Chordia: Sorry, come again?

Kaushik Dani: EBITDA per ton of 15,000 is what we spoke?

Sunil Chordia: That was historical about last year FY'24.

Kaushik Dani: Yes. So, okay. So, it's excluding Chennai.

Sunil Chordia: So, Chennai didn't give any revenue.

Kaushik Dani: Right. So, going forward, let's say when we do 14,000 to 15,000 of volumes from Chennai, this 15,000 also will be tapered a little?

Sunil Chordia: Difficult to project right now. So many factors are affecting. As I told you, this 15,000 is for the whole year. But if you look at last month, last quarter EBITDA has increased. So, I don't know how it will pan out for the whole year.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. As there are no further questions from the participants, I now hand the conference over to Mr. Sailesh Raja - Batlivala & Karani Securities India Private Limited for closing remarks.

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

Sunil Chordia: Yes. So, thank you all the shareholders for your keen interest in Rajratan and keep watching us. We are working hard to grow this business and we are confident that in coming years, your company will grow and reach bigger heights, newer heights. Wish me luck and I wish you all good luck. Thank you.

Sailesh Raja: Thank you, sir.

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.