Ref.: BWRL/2023-24/SE/Misc./32 **Date: 03rd November, 2023**

To,

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051.
NSE Symbol: BHARATWIRE

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.
BSE Scrip Code: 539799

Dear Sir/ Madam,

Sub: Transcript of the Earnings Conference Call with Investor & Analyst under regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of the Earnings Conference Call held with investors of the Company on Friday, 27th October, 2023 to discuss the earnings of the company for the quarter ended 30th September, 2023.

Further, the transcript is available on the Company's website at the following link:

https://www.bharatwireropes.com/assets/document/pdf/916-1699018746.pdf

You are requested to kindly take note of the same.

Thanking you,

Yours faithfully,

For **Bharat Wire Ropes Limited**

GOVINDA MANGARU SONI
Digitally signed by GOVINDA MANGARU SONI
Date: 2023.11.03 19:13:28 +05'30'

Govinda Soni
Company Secretary and Compliance Officer
Memb. No.: A38908

Encl.: as above

Bharat Wire Ropes Limited
Q2 FY24 Earnings Conference Call

Event Date / Time : 27/10/2023, 11:00 Hrs.
Event Duration : 60 mins 23 secs

CORPORATE PARTICIPANTS:

Mr. Murarilal Mittal
Managing Director

Mr. Mayank Mittal
Joint Managing Director

Mr. Sushil Sharda
Director and Head of Finance

Mr. Tushar Pendharkar
Ventura Securities Limited

Q&A PARTICIPANTS:

1. **CA Garvit Goyal** : Nvest Analytics
2. **Rahil Shah** : Crown Capital
3. **Aman Vij** : Astute Investment Management
4. **Kunal Kothari** : Centrum Broking
5. **Kaushik Mohan** : Ashika Institutional Equities
6. **Varun Mehta** : Wealthlink Investments
7. **Binod Modi** **:** Sharekhan
8. **Pritesh Chada** : Lucky Investments
9. **Jatin Damania** : SVAN Investment Managers
10. **Vivek** : GGS Investment

Moderator

Ladies and gentlemen, good day and welcome to the Bharat Wire Ropes Limited Q2 and H1 FY24 Earnings Conference Call hosted by Ventura Securities Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing * and then 0 on your touch-tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Tushar from Ventura Securities Limited. Thank you and over to you Tushar.

Tushar Pendharkar

Thank you. Good day, ladies and gentlemen. On behalf of Ventura Securities Limited, I welcome you all to Bharat Wire Ropes Limited's Q2 and H1 FY24 earnings conference call. The company is today represented by Mr. Murarilal Mittal, Managing Director; Mr. Mayank Mittal, Joint Managing Director; and Mr. Sushil Sharda, Director and Head of Finance. I would now like to hand over the call to the Managing Director of the company, Mr. Murarilal Mittal for his opening remarks. Thank you. And over to you, sir.

Murarilal Mittal

Thank you, Mr. Tushar and Ventura Securities for hosting this call. Good morning, ladies and gentlemen, and thank you for joining us today for earning call of Q2 and H1 FY24. Just an introduction to the company. We are today one of the leading manufacturers of specialty wire rope slings, wire strands, and other thousands of varieties of products. Our products meet the functional needs of various industrial applications such as general engineering, aviation, fishing, elevators, cranes, material handling, onshore and offshore oil explorations, ports, shipping and mining.

I would like to extend a warm welcome to all of you as gathered here today to discuss and reflect on our company's recent performance and results. These results are a testament to the dedication and resilience of our team, even in challenging market conditions, our unwavering commitment to excellence and innovations continues to drive us forward. I will now request Mr. Sushil Sharda, Director Finance to share the financial highlights with you.

Sushil Sharda

Good morning, everyone. Let me just give you a brief about the financial highlights of Q2 and H1 of FY24. In Q2, we witnessed consolidated revenue of INR 159 crore, marking an increase of 6.3% YoY basis and almost flat on QoQ. Our EBITDA for the quarter stood at INR 42 crore, with 33% growth on a YoY basis. EBITDA for the quarter stood at 26%, recording an impressive growth of 531 basis points compared to the same period of last year, and EBITDA is flat on a QoQ basis. Net profit for Q2 stood at INR 24 crore, a remarkable growth of 58% YoY basis, and a slight growth of 2.5% on a QoQ basis.

For the first half of this year, our consolidated revenue reached INR 318 crore, indicating a 12% growth YoY basis. EBITDA for the first half is approximately INR 83 crore, demonstrating an impressive growth of 47% YoY basis. EBITDA margins are solidly positioned at 26%, with a growth of 614 basis points on a YoY basis for the first half of the year. Our net profit for the first half of this year accounted for INR 48 crore, marking a 76% growth YoY basis. The PAT margin is at 15% with a growth of 548 basis points on a YoY basis on half-yearly calculations. Now, I would like to invite our Joint Managing Director, Mr. Mayank Mittal to share some of the operational highlights and strategic insight with you.

Mayank Mittal

Good afternoon, everyone. I'm pleased to highlight our operational achievements and the factors behind our Q2 H1 FY24 financial performance. We recorded a remarkable 11% YoY increase in sales volume, a testament to again our strong market presence and high customer demand. Our EBITDA margin also witnessed significant improvement surging from 21% in Q2 FY23, to an impressive 26% in Q2 FY24, a 531 basis point increase. The expansion can be attributed to our strategic efforts to reduce raw materials, power, and fuel costs. Notably, our power and fuel costs decreased from 10% of sales in Q2-FY23 to 7% in Q2-FY24. The notable enhancement in productivity can be attributed to a combination of key factors. Firstly, an increase in sales realization has emphasized the value and quality of our products. This coupled with a surge in sales volume underscores our strong market presence across the globe and the demand for our offerings. Additionally, our steadfast focus on high-value-added products has been a catalyst for our growth. The quarter also saw a reduction in interest-bearing borrowings. Furthermore, the accumulation of a strong credential track record has bolstered our reputation and trustworthiness in the market. In terms of our capacity, our current utilization stands at around 60%. Our order book position is secured, equivalent to almost three to four months of operations. We can now open the floor for the question-and-answer session. Thank you so much.

Q&A

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad, and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Ladies and gentlemen, if you have any question, please press * and 1 on your telephone keypad. First question from CA Garvit Goyal from Nvest Analytics. Please go ahead.

CA Garvit Goyal

Hi. Congratulations on a good set of numbers. My first question is on the order books. So what is the size of the current order book we have?

Mayank Mittal

Our book is from INR 150 crores to INR 200 crores, which covers a quarter of our production. So, we always have that sort of order book.

CA Garvit Goyal

So, you are mentioning that we are witnessing a robust demand and all these things. But in last two, or three quarters, if you see, the order book is in the range of INR 150 crore to INR 200 crore. And you are saying the execution period is somewhere around three months. So, what is the reason for not increasing this number for the order book?

Murarilal Mittal

See these are consumer items, and nobody would prefer to place order for six months or one year. So, we also comfortable to take orders approximately three months sales. We get orders daily basis, it's not that we take once in a quarter. So, this is routine and daily basis activities, it’s better to have shorter period orders instead of one year or six months orders. So, we are always comfortable for one quarter orders volume.

CA Garvit Goyal

No, I'm not talking about the period actually. I was talking about the amount of order.

Murarilal Mittal

Our turnover is around of INR 150 crores to INR 160 crores per quarter. So, we are comfortable with the same numbers. If we can achieve INR 300 crores turnover per quarter then we’ll prefer to have such orders in hand. But right now turnover rate is INR 160 crore, INR 170 crore maximum. So, that’s why we’re comfortable with INR 150 crore to INR160 crore orders only.

CA Garvit Goyal

Okay. And what is our volume guidance on full-year basis?

Murarilal Mittal

Full year basis, so we’ll be touching around 45,000 tons approximately. First quarter, we touch total two quarters around 20,000 tons, which we produced in the first quarter and second quarters. The first quarter was 9,668, and this quarter was 10,498 tons, so a total of 20,000 tons we produced and sold this first half and we are likely to increase to some extent maybe 10% in the next half year.

Moderator

Thank you. Next question comes from Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah

Hello, good morning. So, you just mentioned you have an order book of INR 150 crores to INR 200 crores. Now, are you deliberately only taking orders up to this amount because you want to be in the revenue range of INR 160-170 crores maximum? So, like the demand is more and you could be getting more order books, but you're not accepting, is it something like that?

Murarilal Mittal

So, next one quarter that what we prefer to take orders, which we can supply without delay in given commitment. Delays gives a bad reputation in the international market and local markets. So, we don't want to do anything where our credibility is at stake.

Rahil Shah

Okay, so you take orders based on the execution capability, am I right?

Murarilal Mittal

Yes. And in future definitely it increase our order book position the way we’re planning to increase our capacity by 10%, 15% every year. So, we'll increase our order size also.

Mayank Mittal

We are debottlenecking our capacities also, which is going to help us to achieve almost 80%, 85% of our capacity utilization. So, as we are adding up that capacity into production, our order book will definitely reflect that.

Rahil Shah

But for the next two quarters, we can definitely assume this kind of order book to continue along with the revenues you see in each quarter.

Murarilal Mittal

Yes, the revenue growth on this. Definitely, there will be growth in these numbers.

Rahil Shah

So, this revenue number will grow for the next two quarters, you're saying?

Murarilal Mittal

Actually, we cannot be **[Inaudible 00:11:50]**.

Rahil Shah

What about the margin? Are they sustainable?

Murarilal Mittal

If you see the last eight to ten quarter numbers, the margins also we are able to maintain momentum. Our EBITDA percentage last year is 24% and this first half is 26%. So, margin improving, it was 13%, 15%, now 24% then 26%. So, margin is also sustainable and to some extent improvement.

Rahil Shah

Yes, I've noticed that, usually in the second half, they've always improved way better. So, is that pattern likely to continue?

Murarilal Mittal

That is likely to continue, and the second half is always better. Especially last quarter is excellent every year. So, we'll outperform in the coming half year.

Rahil Shah

Okay. And just last quickly, any general outlook about FY25? How is the market environment going to shape up from the current scenario and then how do you how do you foresee it?

Murarilal Mittal

See, we are very confident the way global economy is taking shape, and the war also going in and this will give the strong demand of wire ropes in the coming six months and in the next one, one and half years' time. The Russia war and the recent Israel war will definitely create a huge demand for wire rope when they start the reconstruction of the facilities and infrastructure. So, we're very confident that, India is in a position that definitely has a lot of mileage as compared to other nations. Personally, if ask me that, yes, I'm very bullish on this sector in the next at least two to three years.

Rahil Shah

Do you think you can replicate the kind of growth you saw in FY23?

Murarilal Mittal

Yes, definitely. There's a huge demand expected in not only the international market, in the domestic market also the way the government is expanding the capacity and increasing the infrastructure, and you will go even the Tier-2, and Tier-3 cities everywhere there is a development taking place and you must have seen, read in the newspaper, a lot of bridges and ropeway is going to construct by the government. So, definitely, this rope industry is going to boom in the next two to three years' time.

Moderator

Thank you. I request the participants to restrict to two questions in the initial round and join back the queue for more questions. The next question comes from Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij

Good morning, sir. My first question is on the debottlenecking part, which you talked about, where our capacity we can make it 80% to 85% capacity utilization. When will it get completed? And I have one more question linked to this is, I believe in the next one to two years we'll reach that peak capacity utilization. So, any plans you have made for further CapEx, if you can talk about the same?

Mayank Mittal

So, debottlenecking is basically a continuous process. So, what we think is that, in the next two years we should be able to reach the desired numbers.

Murarilal Mittal

See, after debottlenecking whatever cash the company is going to generate in the operations in the next two years' time and what we said, this going to be utilized for the productive purposes and for the expansion of business. So, definitely, we are discussing lot of options for the expansion of capacity, for the development of new products, and another thing. And at the appropriate time, we'll give the complete CapEx plan to the shareholders and the market. We are definitely looking for major expansions in the coming future. But the plan is yet to be finalized, yet to take the complete shape and start execution. Right now, it's all on drawing Board.

Aman Vij

My second question and the final question is on the demand side. So, if you can talk about in terms of geographies in Europe, which countries are we seeing good demand, and where do we see some slowdown, if you can talk about? Because there are a lot of talks about higher interest rate might be impacting the overall demand. So, in your business specifically, what is the situation, which countries you are seeing good demand and where which regions maybe there is some kind of slowdown you're seeing?

Mayank Mittal

So basically, we are right now exporting to almost 50-55 countries, and our target is to almost increase it to 80-85 countries. So, our idea is that we want to be an important substitute for the consumers. So again, we started with Europe, then we went to the Middle East, then we went to the North American market, and we will be focusing on the South American market. So, our idea is only to diversify further and increase our market share across the globe.

Murarilal Mittal

Second, the demand is going to generate as I explained also also that, looking to geography and the global war situation, the reconstruction in all the countries will definitely require huge rope requirements. And the higher interest costs, which is better for us also, a lot of capacity is getting consolidated in Europe and other countries, and India has a better chance because in India still interest rate in a single digit. The labor cost as compared to other European countries is very, very cheap. We're maybe 15% of the European countries. So, India has a lot of upper edge as compared to Europe and other countries. So, we feel that the demand is going to increase, number one. The capacity going to be consolidated in Europe and other countries, number two. And number three, India is in a better position in the logistics wise and interest cost wise and government support. So, we are very confident this industry will prosper in the coming future.

Aman Vij

Just one clarification. So, you mentioned we are now the same across four regions, Europe, Middle East, US and South America also will enter. So, for the near to mid-term, in these four regions where are you seeing the maximum growth and where we are seeing some kind of headwinds?

Murarilal Mittal

See, we're going to get good growth from the US market, Mexico and New Zealand, and Australia. Europe also we are getting good demand, but there is a slowdown in Europe, definitely Middle East is going to support us. Apart from Europe, the US is a big market. Latin America, Mexico, those are very, very good markets and huge demands. Volume wise, the US is the highest volume in the world, so far as wire rope is concerned. So, you take the entire world on one side and the US alone on one side, that's the advantage. So, we have to penetrate our product in the US market, and with deep focus, definitely, we'll get through to revenue from the US.

Moderator

Thank you. Next question comes from Kunal Kothari from Centrum Broking. Please go ahead.

Kunal Kothari

Yes, thank you for the opportunity. So, we have been exporting nearly 85% of our volume in FY23. Is in current quarter the mix has remained the same, like we are exporting nearly 85% or we've increased or decreased from last year?

Murarilal Mittal

Volume-wise it is increasing, percentage-wise maybe 1% or 2% lower because the focus in the local domestic market also we are increasing. So, volume-wise, yes, we've increased in the international market, but percentage-wise 1% or 2% may be lower. So, 85%, might be 80%. Last time, last quarter, we explained that, yes, we are focusing domestic market equally. Till last year, our major focus was export, but this year we are trying to have some presence in the local market and the local market presence is increasing.

Kunal Kothari

Okay. Secondly sir, as you mentioned about the debottlenecking is ongoing in our capacity. So, what will be near about cost that we will incur to reach our optimum utilization level?

Murarilal Mittal

That will not be much, it will be maximum INR 25 crores to INR 30 crores in the next two years' time. And that will be used out of internal accruals only. Whatever the EBITDA and cash generation there in company that we'll utilize for the debottlenecking expenditure.

So, we are not going to leverage the balance sheet at all. That is decided that we will not borrow anything for the routine capital expenditure.

Kunal Kothari

Okay. So lastly on value-added product mix, the realization for such products differs from the general engineering product. Sir, can you just go with the sales mix currently we are having? And also, as I see, our blended margin is nearly $475 for the Q2. So what could it have been for the value-added products and what it could have been for the general engineering products?

Mayank Mittal

So, basically again our product mix we are focusing on value-added products and the percentage is increasing. So, our target is to reach at least 20% of our product mix coming from value-added items. And average realization again is going to increase considerably once these all value-added products comes into the production and ultimately sales. So, realization is definitely going to improve.

Kunal Kothari

So, what will be the difference in realization? And as I am seeing our blended margin is at $475 for Q2. So, what it will be for the value-added products margin and for the general engineering products?

Mayank Mittal

So, the difference would at least be 30% higher than the general engineering items, minimum. Some end of value-added product can go somewhere around INR 500, INR 600 a kg also. Whereas the general engineering product goes around INR 140, INR 135, so it all depends. So, difficult to just put a number on the value-added what is the average realization of a particular value-added product.

Murarilal Mittal

Because in the value-added product also there are many categories. There is a very thin difference between the one category to the other category. So, it ranges what Mr. Mayank said that INR 140 to it can go up to INR 500 also. So, some product go INR 140 then INR 160, INR 180. As elevator ropes, we are selling around INR 180. The plastic elevator ropes, we are selling more than INR 250 like this. Every product they have different type of pricing depending upon the requirement and depending upon the customer's demand. At the same time every geography and the price is different mechanism.

Kunal Kothari

And for the margin as well can we expect like the blended margin currently we are having $475 per ton. So, for value-added products, it could have been more than $600 per ton?

Murarilal Mittal

It is possible but our major portion is not a completely high value product. They are gradually increasing. So, the entire margin cannot be $600, but definitely this existing margin will increase to some extent based on the production of the high value products.

Mayank Mittal

If you see the last nine quarters, our average realization is increasing. So, one of the reason is that we are adding a lot of value-added items in our product basket.

Moderator

Next question comes from Kaushik Mohan from Ashika Institutional Equities. Please go ahead.

Kaushik Mohan

Hi sir. Congratulations for the great set of numbers. My first and basic question is on what is our market share in the international market, the total world?

Mayank Mittal

So, basically, it's very difficult to put a number since we are catering through the distributors globally. And these distributors are multi-brand dealers, so there is no official numbers or we don't have an idea about the market share. Since it's almost close to a $6 billion to $8 billion market, and of that, I think we are extremely small to put a market share number on that.

Kaushik Mohan

Okay. And the second question, with the current kind of capacity without debottlenecking, what is the optimum revenues that we can reach or like current utilization levels?

Murarilal Mittal

See debottlenecking is part of the operations.

Kaushik Mohan

No, without debottlenecking what can be our revenues, with only existing capacity?

Murarilal Mittal

Debottlenecking, if we don't do anything, then we will be standing as it is INR 600 crores. See, you are just asking that you will stop walking. It's impossible. So, debottlenecking, we have to do. This is a process in the operations. So, we can't stand and continue on INR 600 crore top line only. We have to go higher side.

Kaushik Mohan

Got it. So, I just wanted to understand what kind of capacity utilization is with it.

Mayank Mittal

Those will be existing capacity.

Kaushik Mohan

Got it. And sir my other question is, how about our inventory days? We have seen from the past 10 years data that we have seen a lot of improvements in our inventory. The conversion time day-by-day it's going down. So, how about now? Can we get it more optimized on this or this is a peak day? Currently, it's 122.

Mayank Mittal

No, definitely there is going to be optimization. As we are improving our production capacity, our order book will definitely increase, the rotation will be quicker. So, you will see continuous improvement there and that is what the management focus is.

Kaushik Mohan

Okay. So, then that means that we will be getting some operating leverage in our numbers.

Murarilal Mittal

Yes, that is there. That's why the EBITDA and the profits are increasing every quarter. Now, we have to work for the stakeholders' interest. So, we have to see how we can optimize the top line as well as the bottom line. That will give confidence to the investors, yes, the company is on the right track, and sustainability is continued. Initially there was a question of whether this growth could be sustained, and last 10 quarters we proved that, yes, this can sustain and this can improve further. Not only sustain, it is improving continuously. And we are trying our level best to improve the performance of the companies by optimizing capacity, by reducing the expenses and increasing the sales volume as well as price.

Kaushik Mohan

Okay. The last and final question. Sir, if we see our trade receivables is somewhere around INR 74 crores which is as equivalent to our profits of both quarters. So, the majority of our money is getting stuck up on the trade receivable side. What's our call over here? Are we going to reduce this number in coming future?

Murarilal Mittal

See trade receivables are comfortable positions. Earlier, we never used to give credit to the people. Now the credit period is slightly increased based on the company's orderbook position and financial position and the credibility of the customers. If the customer is credible and we are looping in the last so many years to explore this payment are coming timely. So, we don't mind extending 10 or 15 days extra credit to them to get a higher realization to get a higher price.

Kaushik Mohan

Got it. Sir, if the person ask me the product right away to deliver today and if he is paying the money right away. Do we give any discount or spot discounts for the client, the money coming upfront?

Murarilal Mittal

We usually give credit cash to our clients. Right now we don't give credit cash discounts to anybody. We charge our price to all the customers. Last quarter one of the investors asked me why your advance against customer received become zero. So, earlier we used to take some cash from the customers in advance and give some discount. Now, we don't want any advance from customers. We are comfortable with normal supply and normal payments.

Moderator

Thank you. Next question comes from Varun Mehta from Wealthlink Investments. Please go ahead.

Varun Mehta

Good afternoon, sir. If you can just share the subsidy figure for this quarter?

Murarilal Mittal

This quarter subsidy is INR 11.70 crore.

Varun Mehta

Okay. And at the same time in the balance sheet, we see a big jump in the other current assets from INR 106 crore to INR 160 crores.

Murarilal Mittal

We could negotiate better terms with our steel suppliers, and we gave advance, and we got almost INR 4000 to INR 5000 discount as compared to the normal market price. So, that's why the advance is on the very high side. When material received this month this numbers will go down by INR 40 crores.

Varun Mehta

Sir, can you repeat the last line, sorry?

Murarilal Mittal

This month's number will go down by INR 40 crores, because we purchased some material and gave the advance to the steel suppliers, and we got INR 4000 to INR 5000 discount as compared to the normal price. So, it was a one-time transition, and the material also being received.

Varun Mehta

So, going forward, we will continue this policy of giving advance to the suppliers?

Murarilal Mittal

No, not like this.

Moderator

Next question comes from Binod Modi from Sharekhan. Please go ahead.

Binod Modi

Thank you for the opportunity, sir. Sir, my question again pertains to the volume part. I remember you had guided volume growth sort of 15%, right? But looking at the kind of performance in the first half, it essentially is left that if you need to maintain the same volume growth of 15% you have to be in a 17% kind of volume growth in the second half. So, just wanted to understand if 17% sort of volume growth will be achievable for you or it looks there has to be a subsidy number on the volume side.

Murarilal Mittal

See volume growth likely continues as compared to last quarter this quarter around 12% volume growth is there. So, we are confident 10% to 15% growth will be there current year itself. Based on our projections, based on the balancing equipment that we installed recently. So, the margin also accordingly will change.

Binod Modi

Okay, fine. So, you are saying that 15% volume growth is still achievable for FY24?

Murarilal Mittal

Yes.

Binod Modi

And my last question sir, if I look at your cash flow statement it says that there has been repayment of around INR 60 crore, INR 64 crore of long-term debt on the net basis. But it reflects only INR 10 crore sort of reduction in the balance sheet in the long-term loan. So just wanted to understand this, it's a large **[Inaudible 00:32:38]**.

Murarilal Mittal

These are i accounting practices. It is linked from September 2022 to September 2023, it is not six months. This is a requirement of Company Law that you have to give annual reduction and the long-term debt. And so, INR 60 crores is the correct number, and this is September 2022 to September 2023.

Moderator

Next question comes from Pritesh Chada from Lucky Investments. Please go ahead.

Pritesh Chada

For the 66,000-ton capacity, what is the maximum volume you can do with 66,000-ton? Can you produce 66,000 tons?

Mayank Mittal

Yes, so the maximum that we should be able to reach would be somewhere around 55,500 tons which would be 80% to 85%. So, between 50,000 to 55,500, maximum.

Pritesh Chada

Okay. So, we can operate at 80% to 85% capacity.

Mayank Mittal

Yes, 80% to 85% maximum.

Pritesh Chada

Okay. And when you say you will do debottleneck and spend like INR 30 crores every year what kind of capacity do you add on that?

Mayank Mittal

So, we are not adding capacity. It would be just to achieve this 80%, 85%.

Pritesh Chada

So, you need to spend INR 25 crores, and INR 30 crores just to achieve that 80%, 85%.

Mayank Mittal

Yes. Because this plant was commissioned in 2015 and 2016, since then a lot of market dynamics have changed. So, these sorts of equipment would be needed to fully utilize the capacity that we have built in Chalisgaon.

Pritesh Chada

Okay. So, which means your next round of expansion has to be a green field.

Mayank Mittal

So, basically plan that we have, we have just utilized 20 acres out of 64 acres. So, it can be a sort of brownfield expansion where we can expand over the current facility also. But still, we have not decided on that, everything is on the drawing board. So, once we achieve the 80%, and 85% capacity post we will try to do something that will duly inform to investors.

Pritesh Chada

So, keeping land aside it would be a new setup in itself, right?

Mayank Mittal

We have enough land bank infrastructure already ready to add any further products or capacities. So, we will be using that space.

Pritesh Chada

Okay. And just one more question, in the last six quarters we have seen this whole margin chain from 11% number to let’s say about 25%, 26% now. Can you give the proportionate product mix change that you have gone through? Is it product mix change or is it just a realization increase because of supply-demand changes in the market?

Mayank Mittal

So basically, it is a combination of multiple factors. So, right from capacity utilization which has increased, the value-added products we have introduced, then better negotiating with the raw material suppliers, credentials that we have built up globally. So, combining all these factors have resulted in the EBITDA growth that you have seen in the last six, seven quarters.

Pritesh Chada

So, how much product mix change you would have gone through in one year?

Mayank Mittal

So, in last one year?

Pritesh Chada

Obviously because the margin moves from 11% to 25%, 26%, so I am talking about the last six quarters.

Mayank Mittal

So, we were in single digits in terms of value-added product percentage of our total order book, and right now we are in double digits.

Pritesh Chada

So, you mentioned in one of the participants that 20% of your product mix is value-added, so you would have gone from 4%, to 5% to 20%?

Mayank Mittal

Yes, 20% is our target to achieve the value-added product mix, the ideal mix. So, we have not yet reached 20%. We are in lower double-digits right now.

Pritesh Chada

Okay. So, in your response to the margin change, you are mentioning product mix, better RM sourcing, and utilization of capacity to be all three factors, right?

Mayank Mittal

Yes, and the credentials that we have built over the last five, or six years in the global market.

Pritesh Chada

Sorry? Sir, I missed that last line.

Mayank Mittal

The credentials that we have built over the last five, six years in the global market, so that is again helped us to improve our realizations. So, like a new entrant in the global scene versus a person who is five years old with wherein people have seen the performance of the ropes, there is word of mouth publicity, so that has helped us to improve our average realization also.

Pritesh Chada

So, that pulls up the overall average realization because of the credentials.

Mayank Mittal

Yes. So, combining all these factors, are the major drivers for better realization.

Pritesh Chada

Just one last thing. In the product mix which is your value-added and non-value-added and you gave a whole range of realization differentials, but one has to narrow it down and put some effort into it. What is a differential gross margin on the value-added product or what is the differential realization?

Murarilal Mittal

Very fine difference between one product to other product, we are manufacturing more than 10,000 type of products. So, it is very thin difference between X to Y, Y to Z. So, absolute numbers from INR 130 can go up to INR 400 also.

Pritesh Chada

So, when you give 15% or less than 20% product mix for value-added category.

Murarilal Mittal

The average 30% to 40%, we get higher realization in the case of value-added products normally and in some cases it can be 100%, but on average within 30% to 40% we get higher realization on the value-added product. But the actual number differential between general engineering purpose and other purpose it is very difficult, because there are more than 10,000, 20,000 SKUs are there.

Pritesh Chada

And whatever this 20% ambitious number which you gave is the volume number or is the share of the revenue?

Mayank Mittal

Volume numbers.

Pritesh Chada

Okay. So, basically, even today if it is a double-digit number, let us assume it is 15%, sharing the revenue will be much higher, right?

Murarilal Mittal

Yes, that's why the EBITDA, if you see it was 24%, now it is 26%. So, gradually this value-added product is giving the higher EBITDA to us, so that is better in the operations of the company.

Pritesh Chada

Sir, I understand that, just that the share in the revenue will be something like 35%, 40% of the revenue will be now value added if it is 15% of volume.

Murarilal Mittal

This will reflect in the top line percentage-wise as compared to production. Production might increase by 10% then total top line can increase by 15% to 20%. Last year if you see production growth is 12% and 30% is the value growth. Value growth because of the higher realization we are getting. That is mainly because of higher value-added products.

Moderator

Thank you, sir. We have a follow up question from CA Garvit Goyal from Nvest Analytics. Please go ahead.

CA Garvit Goyal

Sir, just want a clarification on the guidance side. Basically, when I asked this, you mentioned 40,000 MT is achievable for FY24. Right? But I think to let alone one of the participants you mentioned, we'll do 15% kind of volume growth in FY24. So, can you please clarify again on the volume growth guidance?

Muralilal Mittal

See, last year we led a 35,000 something plus, and this year likely to be 15% to 20% growth. So, that's why 42,000 to 45,000 tons is possible this year.

CA Garvit Goyal

But I think in your presentation last year for FY23, it was mentioned, you dealt with 38,536 in volume.

Muralilal Mittal

39,672 I think, that 40,000 last year.

CA Garvit Goyal

Yes sir, 38,500. So, if we apply 15% then it should be somewhere around 42,000 to 43,000 tons. Right?

Muralilal Mittal

Currently it is at 45,000 tons. And out of 45,000 tonnes, first two quarters we already done 20,000 tons.

CA Garvit Goyal

Right. So, that means H2 should be bigger one, slightly bigger than as compared to H1. Right?

Muralilal Mittal

Correct.

CA Garvit Goyal

And sir, you were talking about the robust demand for wire rope in Europe, US and Mexico and plus, you also talked about the reconstruction going to happen due to war happening across the globe. So, I just want to understand. So, if I combine two things, that is, one is the demand in the industry and the second is the capability of Bharat Wire. So, what is stopping us from having 25% to 30% YoY growth in the top line going ahead for the next three years? Why we are restricting us to INR 150 crore to INR 160 crore kind of orders per quarter, which means INR 650 crore to INR 700 crore annual run rate?

Muralilal Mittal

See, if you see last three years data, two years continuously CAGR was at 40% plus, but there has to be some limitation in our Capacity utilization. So, we already are on the 60% to 65% cash in hand and as explained by Mr. Mayank that, 80% to 85% in optimum we can go. So, let us first achieve 80% to 85%, then we can think for the expansion and to move to another 25% to 30% growth every year. But immediately 25% to 30% growth in the current year is unlikely, and won't be based on existing capacity. We have to build up the additional capacity utilization completely.

CA Garvit Goyal

And by then can we accept this debottlenecking thing done?

Mayank Mittal

Our target is that within the next two years, we should be able to reach top-line capacity.

Mayank Mittal

24% to 25% is about to complete the existing bottleneck.

Moderator

Thank you. Next question comes from Jatin from SVAN Investment Managers. Please go ahead.

Jatin Damania

Thank you for the opportunity. So, just wanted to understand the future roadmap, because in the previous participant’s answer, you said that, next year we'll be reaching 80% to 85% after debottlenecking. So, if I want to look from an FY28 or FY30 perspective, what are the growth drivers of the capacity expansion the board is thinking to take the overall capacity from 72,000?

Muralilal Mittal

Further expansion on the drawing board as we explain is not finalized. Once finalized, definitely we'll approve the board and inform all the investors. In our discussion and options, we are evaluating to what type of expansion we can go at, what CapEx and what is time schedule. So, this is just on the drawing board and under evaluation stage. It's not approved by the board till date. Except the normal capital spend, maybe INR 25 crore to INR 30 crore for next two years. That will also give sufficient raise to increase our top line and the bottom line.

Jatin Damania

Sir, I totally agree with that, 80% to 85% in FY25, then probably the board would have seen some amount of key indication for the future growth diverse for FY26-27. So, for FY26, you will hardly see any volume growth for another couple of years.

Muralilal Mittal

Expansion will not take three years or four years' time. Once the board approve, then definitely within six months or one year time we can implement. As we explained we have the land bank available out of 64 acres of land 40 acres of land is utilized. So, we have land, we have the infrastructure available. So, placing the orders for the machinery and for availability won't take much time.

So, once the board approves, then differently we'll come back to the investors community, that yes, it's confirmed plan. Right now all are at discussion level and various options, positive, and negative things we have to consider,. At the same time, **[Inaudible 00:46:08]** we have received, first let us repay the banking loan and whatever possible and not leverage the balance sheet to the great extent. So, there are a lot of issues that before we officially announce, the expansion plans.

Jatin Damania

Next question, we have subsequently seen a sharp improvement in our EBITDA margin in last six quarters. So, we are currently at 26% margin. So, is there any one of subsidy income in the last quarter EBITDA or it's beyond the operational numbers that we're seeing at this level?

Murarilal Mittal

See, if you see the EBITDA is INR 40 crore utilization and out of that INR 11 crores will be subsidy. So, INR 30 crores is EBITDA without subsidy. So, subsidy not only factor, subsidy is only 25% to 30% of EBITDA, but 70% to 80% is on the operations. So, subsidy or no subsidy, company's performance is improving that you can see based on the last 9 to 10 quarters and it is reflected on numbers also.

Jatin Damania

And sir, last question from my side is more on the strategic perspective. Now, if you look the special strands, which are used in the shipping industries are high-margin products. So, what is the contribution that is coming to us from the shipping industry, and can you highlight the outlook going forward from the same?

Muralilal Mittal

See, shipping industry, so, let me tell you, we are very competitive globally. We have the Lloyds registration which you see the prime requirement to supply the shipping industry's ropes. In India, we have rate contract with the Shipping Corporation of India for so many years and that is continuing. Third, we are also, exporting to a global market for whatever is required in shipping through the dealers' network. So, we are quite confident that shipping also definitely will get the benefits in the coming years.

Moderator

Thank you. Next question comes from Vivek from GGS investment. Please go ahead.

Vivek

Sir, why the top line growth has been on the lower side? And is the export, recession is impacting us, the Ukraine war and the recession in the Western world?

Muralilal Mittal

It's not lower side, in fact slightly improved as compared to INR 158 crore to INR 159 crore. And if you compare with the last year's Q1, last year's Q2 was INR 149 crores, this time INR 159 crores. So, this is not a reduction, it is stable, or an improvement as compared to the year. And because of the rainy season I think the demand is slightly lower side, but the fourth quarter will be excellent as last year also, it was excellent.

Vivek

Okay. And sir, any success you're getting in the Indian business? Indian infrastructure is supposed to be raising opportunity size a lot.

Mayank Mittal

Yes, we are getting traction in the domestic market and we are actively now focusing on increasing our presence in India. So, definitely, there's a lot of traction going on. And that would be reflected in our order book also.

Vivek

What is the pipeline which we are participating in India approximately, in terms of tender value? That was specifically decided at a later date.

Mayank Mittal

I don't have a number with me right now, but yes, definitely it's going to improve quite significantly compared to the last quarters or last years.

Vivek

And of course when the tender is finalized in the second half, so, the second half should be much better than the first half for the Indian part of business.

Muralilal Mittal

Tender we are getting regularly, it's a routine business, and many tenders we have won. We are getting tenders regularly from Coal India, Shipping Corporation. A lot of the business from the government tenders we are getting regularly.

Mayank Mittal

Tender is something wherein till you don't get it, you don't know what the success rate is. But yes, we are part of it.

Vivek

But being L1 is a very good sign, sir.

Muralilal Mittal

Many tenders we are L1 and we are participating and we are getting orders. Even after L1 also it takes its own time, sometimes two months, or three months' time because they analyze in their system to finally order. We are participating and we are getting responses from domestic tender business, we are comfortable and we are getting good price and good support.

Vivek

And exports getting impacted in any way due to this recession slowdown in the West and Europe especially and how is the performance in United States?

Muralilal Mittal

I don't think the recession, we are getting the regular orders and we are supplying. So, we don't feel any recession so far as this particular industry is concerned. The recession might be in other industries, these are consumable industries almost 60%, and 65% of ropes are being for the replacement market. So, a replacement market whether recession or no recession would replace. If your elevator rope is to be replaced, then you can't wait for the recession to be over, you have to replace it immediately.

So, the majority 60% to 65% is in replacement market. So, we don't feel any recession in this segment from Europe and other countries. Slight impact can compensate the other geography, if suppose slight impact in the Europe it can be compensated by Asia or slight impact in the Asian countries it can be compensated by Europe. So, geographically, since we are exporting in more than 50 countries, we are compensated by one country to other countries in case of any local issues arising in the country.

Vivek

Very good, sir. And sir, basically, that overhang of that equity conversion preferential share to the bank is also, coming to an end, sir and that was an overhang for us and we had gone through some bad times, but now things are better.

Murarilal Mittal

Yes, as per the agreement it has to be converted after 2034 to 2042. So, equity cannot be converted by the banks immediately. CCPS they have to hold till that time. So from 2034 to 2042 is the time it will get converted.

Vivek

Okay. So that timeline only we are sort of seeking prefer.

Mayank Mittal

Yes. This is written in black and white in the agreement itself that 13.5 years to take your time. So, this is a still rather so many years is pending for the 10 years.

Vivek

Okay. And any key learning from our end up from the experience in the past which makes our company more sturdy and robust? Basically the key learnings from the sort of we have been through sort of a horrid time earlier?

Murarilal Mittal

Please repeat your question.

Vivek

Sir, as you know, after the IPO company went through a bad patch. And so, however what steps are we taking care so that experience is not repeated and how to go about in future, sir, that is thing I'm trying to ask?

Murarilal Mittal

See, our term loan hardly INR 115 crore to 120 crore, we used to be INR 500 crore-plus. So, now we are very comfortable leverage point of view. Interest costs used to be INR 80 crores to INR 85 crores a year, now it's around INR 20 crores to INR 25 crores. So, I don't think that situation will repeat again, at the same time we are quite careful and cautious about the balance sheet. So, that situation, past is gone. We don't discuss what were the issues, but now we are looking to the future and how to create wealth for the investors and other stakeholders is the main motto.

Vivek

Yes. Really congratulation from our side also, small shareholders also, that you have taken the real leadership shown in that critical time and future is looking good and best or luck to your hard work. Thanks a lot.

Mayank Mittal

Thank you.

Murarilal Mittal

We are there and investors are with us. So investors also, 4,000 have become now almost 25000 shareholders in the company. So, confidence we've built up and we will see that how the management working for the best interest of the investors.

Moderator

Thank you. The last question for today comes from Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij

So, you have talked about geographies, like US, Mexico, Australia and Middle East, these are the regions which are showing good growth. If you can talk about in terms of volumes, what are the volumes we are doing in these regions currently? And in the next three years, where do you see the volumes in terms of tonnage in these three, four geographies?

Mayank Mittal

We are almost evenly balanced in terms of the volume percentages. So, like 20% would be Middle East, 20%, 30% would be Europe, the balance would be the American market, both North and South American markets. So, we are evenly distributed. There is no particular exposure, which is a big exposure to any particular geography.

Aman Vij

Yes, my question was also, linked to the fact that Europe is not growing and these markets are growing. So, in the next three years, which geographies can become much higher? I was trying to understand that.

Mayank Mittal

Again, new geographies that we are adding like the South American market, the North American market, these were not a big part of our order book. But as we are developing our credentials there, as we are entering new markets, these geographies will definitely add to our order book.

Aman Vij

So, sorry, you said the US is already 20% to 30%?

Mayank Mittal

Yes, it is reaching up to 20%.

Aman Vij

Okay. And can this surpass Europe in terms of volumes we supply in the next two to three years?

Mayank Mittal

Can be. Well, US is the biggest consumer of wire ropes. So, we are expecting good growth from the American markets.

Aman Vij

Sure sir. My final question is on the realization part. So, our general engineering you talked about like INR 150 realization. At the same time you talked about some of the products are like INR 500, INR 600. So, elevator ropes you explain, plasticated ropes you explained. But which are these products that have like INR 400, INR 500, INR 600 kind of realization?

Mayank Mittal

So, there are specific category which is stainless steel wire ropes. Now, these are very high value-added items, since the raw material is extremely expensive. So, these are extremely high value-added items, but again if you talk about percentages in the overall order book, these wouldn't constitute more than 1% or 2% for now.

Aman Vij

Okay. And like you are talking about increasing market share in geographies like the US Australia and the Middle East. So, are these products linked to elevator ropes and all those things or is it mostly general engineering products we are talking about?

Mayank Mittal

The combination, is the entire basket basically. Like from elevators to general engineering to some special ropes also, because most of these distributors cater to a wide range of OEMs. So, yes, I cannot particular portraits it's only GE ropes or general engineering ropes or value-added items or just elevators, the entire basket.

Aman Vij

And which region do we find the stainless steel wire rope which you're talking the most expensive one?

Mayank Mittal

Domestic.

Moderator

Thank you. Now I hand over the floor to management for closing comments.

Murarilal Mittal

Thank you all for participating in this afternoon's con-call. We hope we were able to answer all the question satisfactorily. And if anyone have any further questions, or would like to know more about company, please reach out to our PR agencies or advisors. Thank you.

Moderator

Thank you. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good day.

Note: 1. This document has been edited to improve readability
2. Blanks in this transcript represent inaudible or incomprehensible words.