JTL INDUSTRIES LIMITED
(Formerly known as JTL Infra Limited)
STEEL PIPES

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| **BSE Scrip Code: 534600** | **NSE Scrip Code: JTLIND** | **MSEI Symbol: JTLIND** |

**REG: Transcript of Earnings Conference Call for Unaudited Financial Results for the first Quarter ended 30th June, 2023**

Dear Sir/Ma'am,

Pursuant to Regulations 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, We wish to inform that Transcripts of post Analysts/ Investor Conference Call on Unaudited Financial Results of the Company for the quarter ended 30th June, 2023 held/conducted on 31.07.2023 has been uploaded on the Company's website i.e. www.jtl.one and the same is enclosed herewith for your kind perusal.

Kindly take note of the same.

**For JTL Industries Limited**
**(Formerly known as JTL Infra Limited)**

Gurinder Singh Makkar

Digitally signed by Gurinder Singh Makkar

**Gurinder Singh**
**Company Secretary & Compliance officer**
**M. No. F5124**

(Formerly known as JTL Infra Limited)

# "JTL Industries Limited Q1 FY24 Earnings Conference Call"

## July 31, 2023

(Formerly known as JTL Infra Limited)

**MANAGEMENT:** **MR. PRANAV SINGLA – WHOLETIME DIRECTOR, JTL INDUSTRIES LIMITED**
**MR. DHRUV SINGLA – WHOLETIME DIRECTOR & CFO, JTL INDUSTRIES LIMITED**
**MR. ATUL GARG – VICE PRESIDENT (FINANCE), JTL INDUSTRIES LIMITED**

**MODERATOR:** **MS. SNEHA TALREJA – NUVAMA WEALTH MANAGEMENT**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY24 Earnings Conference Call of JTL Industries Limited hosted by Nuvama Wealth Management.

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 "* then 0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sneha Talreja from Nuvama Wealth Management. Thank you and over to you, ma'am.

**Sneha Talreja:** Thank you, Michelle. Good afternoon, friends. On behalf of Nuvama Wealth Management, we welcome you all to the JTL Industries Q1 FY24 Conference call. We are joined today by the senior management of JTL industries, represented by Mr. Pranav Singla – Wholetime Director, Mr. Dhruv Singla – Wholetime Director cum CFO and Mr. Atul Garg - VP (Finance).

We will start with opening remarks by the management followed by a Q&A session. I will now like to hand the call to Mr. Pranav Singla for his opening remarks. Over to you, Pranav.

**Pranav Singla:** Thanks, Sneha. Thanks, Nuvama for hosting us the quarterly earnings call. Good afternoon, everyone. We welcome you all to our Quarter One FY24 Earnings Call. So, let's begin the call with a brief about the Company.

We are in this industry for over 3 decades and one of the fastest growing steel tube manufacturing companies in India. We manufacture ERW steel pipes, pre-galvanized and galvanized pipes and also hollow structure. The value-added products in our portfolio are galvanized pipes and hollow structures. We have increased our manufacturing capacity from 1 lakh tons in 2019 to 5,87,000 tons in FY23. We have also increased our number of distributors from over 300 to 800 in FY23. And if you talk about the presence of JTL in India, we have currently four plants, out of which two are in Punjab, one in Maharashtra and one in Chhattisgarh. If I give you the capacity of each plant, right now the capacity at our Derabassi plant is 1 lakh tons and this was the first plant that we commissioned in 1991. This was part of the production of Black pipe back then and over the years, we added four plants and the second plant which we commissioned under JTL was in Maharashtra in Mangaon. It started with a capacity of 1 lakh tons back in 2019, but over the years we have ramped up the capacity to 2 lakh tons.

We make black pipe and along with that, galvanized pipes over there as well. The third plant under JTL is the plant in Mandi Gobindgarh. It initially had a capacity of 1 lakh ton, but last year we ramped up the capacity in Mandi Gobindgarh as well and now over there, along with making black pipes, we've added the capacity of galvanized pipes as well and total capacity contributed to 2 lakhs tons in our Mandi plant as well. The fourth plant that we have, which we recently merged with Chetan Industries, the plant is located in Raipur and has a capacity of 1 lakh ton as well and it has 50% of its lines dedicated towards producing galvanized products as well.

And the one main thing about steel industry is which gives us a lot of benefit is it is backward integrated. So, we make our coil in our Chetan Industries' plant which is used for self-consumption. If you talk about the factory of Chetan Industries, it is with Raipur plant, it is 1 lakh tons for pipe and 1.6 lakh tons for coil as well. And we are equipped with in-house cutting edge testing machinery to cater over 1000 SKUs through the product portfolio. So, the highest selling product in a portfolio also in JTL Ultra. So, these are high strength and low weight hollow section pipes manufactured in various shapes and sizes, having application in manufacturing and machinery equipment for agricultural purposes and building frames and construction purposes. Another product which was recently launched by us, JTL Hulk. These are the large black pipes and galvanized pipes with a higher, bigger and largely heavier in weight. These are used for PV structures, warehousing and also used in airports as well. JTL Harvest is a product, which is also galvanized and black as well, which are used in borewells and rainwater harvesting.

JTL Aqua is a product which is the galvanized pipe which has a comparatively smoother surface side which is mainly used for water supply, water distribution and irrigation and plumbing and sanitization. Basically, Galva Coat is a product which is a pre-galvanized product which has application in furniture and fencing and also has a lot of use in places where it is slightly much more easier than others. And JTL Agnirodhi is a product which is used for fire protection system such as firefighting. We have entered into a new segment as well in which we make sort of structures. So, it is the product which is placed under the solar panel and the main byproducts are all the EPC players such as Tata, Wada, and so we have commenced the production of this product in 2017 as well. So, around this is the last product of the portfolio as well.

We have around 1000 SKUs right now and we export around to 20 countries and 5 continents. Our export mix is made up of approximately 90% of galvanized pipes, which is valued product, which helps to lead higher revenue and more margins as well. Moreover, we have also been recognized as a Star Export House by the Government of India because we've been exporting since our inception since 1991. So, we are one of the largest and the oldest exporters from India since that time.

Coming to the performance in this quarter, we performed well and recorded a sales volume growth of around 52% compared to the same period last year and EBITDA increased as well by 131% and last year EBITDA was around Rs. 15 cores and this year EBITDA was at Rs. 35 crores and EBITDA margins has also increased significantly as well. Last year, the margins that we were operating at were 4.18%, whereas this year quarter one our EBITDA margins are 7.4%. This majorly led because our value-added segment share was quite higher than what we have been performing before and improving of some capacities from all the plants resulted in this number.

If you talk about the PAT numbers, this has increased from Rs. 12 crores in last year quarter one to Rs. 25 crores in this quarter. So, this is around 110% jump from last year as well, which giving good flows to the Company in the cash flow as well.

And I'll pass on the call to Dhruv Singla, who is Company CFO and the Director of the Company, who will give more about the Company.

**Dhruv Singla**: Good afternoon, everybody. Welcome to the call hosted by Nuvama for our Company JTL Industries.

I would like to start off with giving a little brief about on the industry front. We expect the demand to remain strong for the next many years, surging by approximately 7% to 8%. This is backed by a robust infrastructure pushed by the government, such as warehousing, building over 100 airports, restoring water sanitization and Jal Jeevan Mission, building affordable housing and expansion of railway networks, coupled with increase in private CAPEX and improving capacity utilization. Going forward, in order to capitalize on the upcoming opportunities, we are aiming to reach total manufacturing capacities of 10 lakhs tons by adding 2 lakh tons each in our Maharashtra plant and Chhattisgarh plant. Out of the total 4 lakh tons, 2 lakh tons will be deployed by the way of DFT, Direct Forming Technique which will facilitate us to produce various sizes of hollow sections, pipes without role change, increasing our efficiency and capacity utilization. In order to fulfill the desired target, we have raised a total of Rs. 384 crores via allotment of fully convertible warrant. After the expansion is completed, we anticipate a considerable improvement in our net operating cash flows, elevating the need of significant reliable short-term borrowing or immediate cash flows. Also, we aim to increase our share of international sales to 15% from current level of 7% to 8%, which will fetch us better margins and revenue growth. Now, I would like to pass on to Sneha to take this call forward.

**Moderator:** Thank you very much, sir. We will now begin the question and answer session. We have the first question from the line of CA Garvit Goyal from Nvest Analytics. Please go ahead.

**CA Garvit Goyal:** So, my first question is on the steel prices like steel pricing correcting this quarter and we can see the impact of that on your EBITDA per ton on Q-on-Q basis. My question is, are we still targeting EBITDA per ton of INR somewhere between 5200-5300 for FY24 because going forward this year it is likely that the steel prices will further fall. So, what I understand is in this kind of scenario, we as a commodity player will have to face inventory losses like we face in this quarter. So, how do you look at this? That is one and I will ask the second one after your take on this.

**Dhruv Singla:** Garvit ji, thank you for your question. The steel prices have corrected in the last quarter and have been correcting for the last 4 months, but have now been bottomed out. We expect after the monsoon season, which will be say another one month, the steel prices to be corrected upwards with continuity in demand because there is a lot of demand in the market per say with the projects that are coming in with the government push. So, going forward, we see that the prices would actually correct in the upward direction and which would entail that they would need a better demand in the market. So, going forward, we see our target is to remain between a range of Rs. 4500 to Rs. 5000 per ton. So, pairing the value-added mix that we currently have and improving on that, we should be able to achieve that.

**CA Garvit Goyal:** Means your EBITDA per ton will fall in FY24 as compared to FY23, right?

**Dhruv Singla:** FY23, our EBITDA per ton was about Rs. 5300 per ton. Here, we are anticipating that our range would be somewhere between 4500 to 5500. So, that is the range we are expecting. We cannot comment on the absolute numbers yet.

**CA Garvit Goyal:** And secondly, on the demand side, we are targeting 30% volume growth going forward. So, what is the reason for this lower target like our base is too small as compared to the industry leader? If industry leader is giving this growth guidance on its large base, then what is stopping us to have 50%-60% volume growth because the demand environment is pretty good. And because of upcoming elections, execution is also pretty fast. So, in this quarter also in value terms, we are 50% on Y-on-Y. So, can we say on a full-year basis we can achieve at least 50% volume growth?

**Dhruv Singla:** Again, Garvit ji, our target is on a year-on-year basis of 35% growth and the passive expansion are also in way according to that, current capacity that we have and utilization, the industry standard utilization is around 60%. So, at a capacity of 5,86,000 that I am operating on a current scenario, my target is somewhere between 3,50,000 tons to 3,80,000 tons. So, that is the target of volume this year.

**CA Garvit Goyal:** And sir what is the EBITDA margin target for full year FY24?

**Dhruv Singla:** We always did the EBITDA margins of 7%-8%. Last year, the EBITDA margin was extraordinary because we had one of a kind last quarter and the Company always tries to get the best margins out of it, but ideally on the safe side the Company will be seeing the margin of 7.8 to 8.5 annually on EBITDA margin.

**CA Garvit Goyal:** 7%-8% you are saying?

**Dhruv Singla:** Yes, 7%-8% range.

**CA Garvit Goyal:** For the full year basis, right and revenue growth will be 30% to 35% in value terms?

**Dhruv Singla:** We are we are expecting a 35% growth. So, our capacities are adding in a phase wise manner and the person follows up in the same manner as well. So, we expect according to our capacity addition that we should be having a 35% growth everywhere in topline as well.

**CA Garvit Goyal**: In revenue terms, right, not in volume terms?

**Dhruv Singla**: In volume as well because our capacity, we are adding same here as well. So, last year we closed around 2,30,000 tonnes. So, we are expecting a 35% volume growth.

**Moderator:** Thank you. We'll take the next question from the line of Amit Dixit from ICICI Securities. Please go ahead.

**Amit Dixit:** I have couple of questions. The first one is if I see slide #20 where you have shown the revenue per ton bar chart and slide #21 where EBITDA per ton bar chart are being shown. Now if I look at sequential prices, so prices have gone up from Q4 to Q1, but EBITDA per ton has gone down actually from Q4 to Q1. I just wanted to understand the drivers for the same. Is it some impact of one-off cost or inventory or evaluation or whatever and whether we will see in the future also this kind of, thing is not particularly something that you would expect in a…..

**Dhruv Singla:** Amit ji, very welcome. Thanks for your question. So, as compared to the Q4 of last year, we had fared very well in the Q4 and that was one-off quarter for us because we had good orders of value-added products at a higher level than what the market there was at that point of time and that's how we had performed very well in that, but our range of expectations for the entire year have always been of EBITDA level of 7%-8%. So, being a converter as you rightly mentioned in the market, the conversion cycle and the cyclical manner of pricing in the steel industry, we anticipate being a good value-added product supplier in the market to maintain the levels of 7% to 8% even after the growth that we are projecting. So, that's one of the reasons. And if I would say that Q4 is exceptional, Q4 '23 was exceptional quarter for us, but that cannot be benchmarked for the next year.

**Amit Dixit**: No, my question was that from Q4 to Q1, what we saw was there was a price increase and a good price increase on top of that, it was like close to Rs. 6000 per ton, but EBITDA per ton is still you know well. So, I just wanted to get a sense of that as well whether your raw material cost was high, conversion margin was high, export margins were lower, just wanted to get an understanding on that?

**Dhruv Singla:** Yes, in this quarter, there was a correction in prices in this particular quarter even in the primary and the secondary market. And in international market also, there was a correction in prices. So, due to that particular reason, there has been a lower EBITDA per ton.

**Amit Dixit**: So, the second question, if I move to your target for increasing capacity and target for increasing export volume, where we will see this export volume increasing? Will it be more in galvanized products?

**Dhruv Singla**: So, currently, we are producing a range of 0.5 inches till 10 inches wherein we are supplying to the regions of Europe, UK, Africa, Australia, but we still haven't opened our doors for the markets of US and Canada. With the advent of the DFT technology, we would be able to cater to the higher structured dias as well using our SKUs in that particular market, where the duties structures for Indian steel will not present on the higher dia pipes, tubes. So, we are seeing the demand coming in from new market share and also the new SKUs that we will be developing with the advent of DFT technology.

**Pranav Singla:** Also we are seeing demand in black pipe as well from Australia especially, so although we have been supplying other side from production but there are no demand of black pipe as well in the export market. So, along with galvanized pipes, we will have a good amount of order for black pipe in the export market, so that's where the demand is growing in.

**Amit Dixit**: So, just to follow up on that, US and Canada is very interesting because this is possibly the most projected steel market in the world and attracts a substantial duty. But you said that higher diameter pipes won't attract this duty. So, can you tell us what diameter pipe don't attract this particular duty?

**Dhruv Singla**: So, currently, the higher diameter pipes in the square and rectangular, they do not attract those duties. Our current portfolio we cannot make those pipes.

**Amit Dixit**: But in this expansion, these pipes will be made?

**Dhruv Singla**: Yes.

**Amit Dixit**: And higher diameter, what would be that range? I mean, if you can give some numbers on it?

**Dhruv Singla**: We are introducing DFT to the range of up to 350 to 350.

**Moderator:** Thank you. The next question is from the line of Aditya Welekar from Axis Securities. Please go ahead.

**Aditya Welekar**: So, my question is once again on the same which Amit was referring to. So, we were expecting that there will be some inventory loss, but that inventory loss has exceeded our expectation. So, the question remains, despite the steel prices not falling substantially quarter-over-quarter, the inventory loss which we booked in this quarter appears to be quite high at Rs. 25 crores approximately. So, is there any one-off in that? So, that's the first question. Then I'll go ahead with the next question.

**Dhruv Singla**: So, yes, what has happened in this is, there were certain imports that were on the way for our export market and certainly the international market had also selected. That was one of the reasons and also there was another reason for this is that we are present in both the primary and the secondary markets, wherein the correction in the secondary market was more substantial than the primary market. So, that is one of the reasons that there has been a substantial inventory loss. Going forward, we are only in the Q1 of this year and we still have three more quarters to go. This is more of a cyclical turn as I referred to Mr. Amit ji earlier that takes place in our industry and going forward since we'll be adding more to our value-added share and increasing our capacity like since this quarter also we've done fairly well on quantity terms as compared to the previous year. So, that should help us regain this momentum. Also, our business such that it is very cyclical, so the gains and the losses and inventory are usually offset in year itself. So, this is very cyclical thing and it should be offset in the other quarter by some inventory gain as well. And also adding, in the first quarter China is pushing a lot of material in export market and every kind of market as well. The price correction came from that side as well, so a lot of imports got affected through that as well. So, going forward, there should be no more such inventory we suppose.

**Aditya Welekar**: So, you are saying that secondary steel prices have fallen more and because of that, that's one reason we have booked higher inventory loss. So, the differential between primary fall and secondary fall is higher.

**Pranav Singla**: Yes, that is one of the reasons of this, part of this inventory loss.

**Dhruv Singla**: In the secondary market, the prices are falling at 20%. So, that's one of the major reasons. The primary is different and secondary is more than 20%.

**Aditya Welekar:** How much is a percentage of secondary we are consuming as a raw material and is there any flexibility for you so that in a scenario where you see prices of secondary steel falling substantially, you can switch between primary and secondary in order to reduce such inventory losses in future?

**Pranav Singla**: The mix that we have are basically the same price at all the plants. But right now, the secondary material is only made in our Mandi plant and our Raipur plant. The Raipur plant that we have is the one backward integrated. Over there, we have enough production of coils spread**.** So, that's the only plant where we consume our secondary material and right now in the future coming up, I think remain in steady line going forward**.**

**Aditya Welekar:** Now my next question is on the next phase of expansion 10 lakh extra post this 7 lakh, is there initial thought the management has given or is it too premature for us to discuss now?

**Dhruv Singla:** Aditya ji, this is a little bit too premature to discuss right now because our current short-term target is to reach capacity of one million ton and then look forward to increase the capacity with another 1 million ton. But to cut it short, we do have a lot of brownfield capacity to increase the capacity to another 1million ton with land bank of over 100 acres and the majority of being vacant. So, those initial setups we do have so, but what to install and how to go forward with the mix of production that we still need to come up with a plan to share with you.

**Aditya Welekar:** One last question, so just if you can put some light on how is the expansion progressing? So, we are expecting 7.5 lakh capacity in FY24 and by FY25 we can reach a target of 10 lakhs. So, is it a fair assumption or there might be some miss on that?

**Dhruv Singla**: This is absolutely going to be achieved as you rightly mentioned, 7.5 by the end of this year and 10 lakhs by the end of the next year. So, we are on track to achieve that and very well equipped also to do so.

**Aditya Welekar:** And our utilization rates on this expanded capacity will be near about 50% in the upcoming 2 years, right?

**Dhruv Singla**: Yes, coming 2 years, yes.

**Moderator:** Thank you. We have the next question from the line of Bhavin Pandey from Athena Investments. Please go ahead.

**Bhavin Pandey**: So, sorry if you threw some light on it and I missed it. I just wanted to understand reason for the Q-on-Q decline in export volumes. And second, also if you could throw some color on the sales mix in terms of dollar rather than the volume mix mentioned in the presentation, just wanted some color on the dollar number in terms of sales mix, between value-added and the normal set of products?

**Dhruv Singla**: So, yes, in a quarter-to-quarter basis, the export has declined primarily due to the reasons of the international market being corrected more than the Indian market. So, there were certain corrections in the international market which allowed China to throw better material to the area that we were serving and subsequently when the prices go down, the majority of our buyers are stockists in these areas, so acquired material from us and stock it for further selling. They will start with destocking in the lower price scenario. So, that is one aspect of it. The other question that you had was on the dollar terms. That number is not present to me on hand. So, we can come back to you at a later stage for that.

**Bhavin Pandey**: And do we see some sort of threat in terms of antidumping duties that could be imposed on us especially in the Latin market?

**Dhruv Singla**: The Latin market is not a very big part of our business. We are primarily serving the areas of Europe, UK, Ireland, Africa and Australia where our product had no antidumping duty currently, only certain quotas are available in those areas. Having been said that, there is a free trade agreement talk going on with the UK as well wherein the duty is presently on the steel towards the UK or certain quotas towards the UK would then be wiped off and would be in a better position to supply bigger quantities in that market. So, we are looking forward to that free trade agreement being taken place.

**Bhavin Pandey**: So, UK would be again more of value-added products or mixture of both?

**Dhruv Singla**: So, as to reiterate, 90% of our exports in value-added product which is galvanized steel pipes. So, majority of our products that we will be going forward exporting into the various regions would always be value-added products.

**Bhavin Pandey**: And one thing we could realize that we as a business are in growth stage. So, cash collection would have some drag if we look around at other players. So, just wanted some color on how the cash collection has been this quarter and in the long end what sort of number are we looking to maintain for net cash collection cycle?

**Pranav Singla**: So, the debtor days stands at 33 right now and going forward, we aim to deliver debtor days 25-24 days by year end. This happened because we are offering a cash discount in the market and our dealer network is growing as well, so our majority of it would be added towards dealers are offered cash discount and hence the debtor will be there and that is how we plan to get it done right now. I will be thinking about vendor financing as well right now and still evaluating options if it's viable for us and the dealer as well.

**Bhavin Pandey:** And just one last thing, so now we have inventory on our books because of the correction that happened in the market. So, do we see that over the next few quarters because of this inventory being sold off, our cash collection cycle might look better than what it is supposed to look in the long run?

**Dhruv Singla:** It is all anticipating numbers, but yes going forward if the market is faring well and it is in the upward direction in the upward directing market, the cash collection cycle always fares well because of the skewed demand, the skewed supplies of steel. So, it would be safe to say the prices are correcting in the upward direction. The cash collection cycle will also be faring better.

**Moderator**: Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

**Alisha Mahawla**: On the 5.86 lakh capacity that we have currently, can we do 60%-65% kind of utilization?

**Dhruv Singla:** Yes, we can look at the number of 60% utilization and that's resulting a 30%-35% growth from last year. So, that's the optimal level of utilization and growth.

**Alisha Mahawla**: So, at 60% we can still do 3.5 lakhs kind of volume and still we are only talking of a 30%-35% volume growth for this year, demand is strong and like somebody mentioned earlier with a small player significant scope for growth, and we have more capacity coming to about 2 odd lakhs this year and another 2.5 lakhs by next year. Can this volume growth not be significantly higher than the 35% we're talking of?

**Dhruv Singla**: Yes, as compared to last year, if you see we have done a volume of 2,40,000 tons. So, that was done at a capacity of essentially 4,00,000 tons. The capacity expansion of 1.86 lakh tons came over the period of this year that we went through and the mandi expansion also came in by the end of the year. So, this year, yes, we are targeting the capacity churn of about 3,50,000 tons which would entail, this would be around 40% to 45%. However, due to the prices being a little confusing at the moment, we are seeing that revenues now might be only about 35% to 40%. So, it's safe to say that we will be doing about 3,50,000 plus tons of material this year.

**Alisha Mahawla**: Got it. So, you are saying that the volume growth will be higher, but because of the revenue per ton being slightly lower, that's why it is 30%-35%. Sir, the next thing I want to understand is that the EBITDA per ton which last year was 5300 and for the current year we are talking about 4500 to 5000. Once this whole 10 lakh comes on streaming, obviously we are targeting for higher exports and higher share of value add. What is the most sustainable numbers or what will be aspirational, where do we want the EBITDA per ton to be 2-3 years down the line?

**Dhruv Singla:** Yes, Alisha, to answer that is when we are increasing our capacity to 1 million tons of capacity, we are initiating our value-added product also to increase substantially and increase it to the level of 50% of our entire produce. So, that is our main winning point here, where if we are able to do that along with increasing our capacity, our target for EBITDA would be between 7% to 8% of the volume that we do, for the revenue that we do. So, that is a safe haven to say but yes, if we have the opportunity to make higher margins, we would be more hungry to do that as well. And that has shown in the last quarter of last year that the availability of higher margins were there in the market and we were able to do so at least so we went out and got that. Going forward, we are also adding value-added capacity quarter-on-quarter and increasing of galvanized product portfolio from last year from 30%, it will reach to 42% year-on-year. So, we stick on the similar targets and we don't see some kind inventory loss so EBIDTA increase in positive manner as well.

**Alisha Mahawla:** And what is the definition of value-added products? Is it what Rs. 4000 EBITDA per ton higher than that or what is our destination?

**Dhruv Singla:** The value-added products that includes of galvanized pipe and large diameter structure and usually depending the market condition the usual EBITDA per ton is around Rs. 7,100 to Rs. 8,000 in value-added product.

**Alisha Mahawla**: Sir, your line is not clear, sir. Just repeat it you are saying value-added product sir, galvanized pipes which have an EBITDA per ton of 7500 to 8000?

**Dhruv Singla**: Rs. 8000, yes.

**Alisha Mahawla:** And what is the inventory loss that we had in the current quarter?

**Dhruv Singla:** I don't have the exact numbers right now, we can separately get back to you on the same number through our IR or the team, we don't have the exact number on our part.

**Alisha Mahawla:** And our cash conversion cycle is currently for last year you said about 70 days, right?

**Dhruv Singla**: Yes.

**Alisha Mahawla:** Any chances of improving it?

**Dhruv Singla:** Yes. So, the last year cash provision operating cycle days was about 73 days and the previous year was 52 days. In the last year, we had certain bigger shipments of imports that we had imported. So, the raw material inventory had actually increased. So, that is the reason of increase in the cash conversion cycle. But looking at the current market scenario, there is less imports and less stock that will be going forward in the next 3 quarters, we see that less stock coming in for the bulk. So, that is one reason that we see that this year we should be getting the operating cycles of the previous financial year 22 and going below say 60-day cycle.

**Moderator:** We have the next question from the line of Shikha Kapoor from Omkara Capital. Please go ahead.

**Shikha Kapoor:** Mr. Singla, two questions. One, all this while we've been talking about the value addition would be too higher margins, right? I mean I'm just failing to understand on a quarter-on quarter basis, if I look at your EBITDA per ton, it's actually a dip from 6500 per ton to 4500 per ton, whereas your value-added product mix to overall revenue has actually gone up from 24% to 44%. So, just help me understand what is the breakup in the conventional EBITDA per ton whereas the value-added per ton kind of margin, this is one and two, in your amalgamation with Chetan Industries, is it possible to give a ballpark number, what is the capacity? Does this 5.8 lakh includes Chetan Industries and what is the sales and ballpark, bottom-line contributed by Chetan Industries, that will be helpful?

**Dhruv Singla**: Thank you for the question. So, as we mentioned, the quarter 4 numbers were exceptional. We've already mentioned before as well that the numbers that we have in quarter 4 exceptional because we had good orders from government and export market which we realized on a very good pricing. And that was the reason that the EBITDA margins and all the numbers looking so good. The year ending numbers were around 5.83 and the numbers that we got in quarter one are around 5% as well. So, we aim to stick to the same line around 5% to 6% of PAT margins and EBITDA of 7%-8% And this should remain the same going forward as well. And we talked about Chetan Industries number over there, the capacity over there is around 1 lakh ton per pipe. Out of which is around 30%, the same value-added products segment will be manufacturing over there and 70% is black pipe and along with that, we have the capacity of 1.6 lakh tons of coils over there, which is only for self-consumption. So, if anything else is required, we can obviously mention that as well.

**Shikha Kapoor:** It's 1 lakh metric ton is that right?

**Dhruv Singla:** It is the capacity of 1 lakh tons. So, if we utilize in a similar manner at other three plants which is around 60% utilization, we produce over 55,000 to 60,000 metric tons of this in one year at Raipur plant.

**Shikha Kapoor:** So, out of 1 lakh capacity, you are producing 60,000-65,000 tons, right?

**Dhruv Singla:** Yes.

**Shikha Kapoor:** What is the ballpark sales and bottom-line? Is that part of quarter one?

**Dhruv Singla**: Yes, it is part of quarter one. So, the ballpark sales for the entire year that comes from that unit is somewhere between 380 to 400 CR with the capacity of 1 lakh metric tons per annum.

**Shikha Kapoor**: So, if I understand from a quarterly phase of Rs. 500 crore, majority, almost 80% is contributed by Chetan Industries, that's right?

**Dhruv Singla**: No, that is not correct. I'm saying on a yearly basis that comes from there.

**Moderator:** Thank you. We have the next question from the line of CA Garvit Goyal from Nvest Analytics. Please go ahead.

**CA Garvit Goyal**: Just continuing with the earlier participant, you mentioned EBITDA per ton will be in the range of 4500 to 5000, right? But at the same time, you mentioned our value-added products are increasing, right, she mentioned also around 42% in this quarter plus you are expecting steel prices will show upward traction going forward. So, why you are expecting such a huge fall in EBITDA per ton as compared to FY23?

**Dhruv Singla**: Garvit ji again, so the reason is that to increase our capacity in value addition also, we have to firstly increase the capacity in the commercial black pipe production. So, that will come in before the additional value addition and as Pranav earlier said to reiterate the same, the Q4 margins have been exceptional line for us wherein we had higher margins from the export segment as well, and the government segment as well. So, that is the reason the EBITDA was about 11% something was there in that quarter and about 7 percent something of PAT was there. But when the prices have been corrected and we sold more materials in domestic terms, so to say we came back to the actual realization in this particular quarter. So, going forward, it is again safe to say that we will be able to achieve the numbers on the said windows. But again, if there is any exceptional quarter or exceptional time that we are able to bank on and increase our PAT margins and EBITDA margins, we would be endeavoring to do so.

**Pranav Singla:** And just to add, quarter one EBITDA numbers are still the industry leading numbers and obviously we had better numbers in quarter 4, but despite that quarter 1 numbers still in the feeding, right now.

**Moderator**: Thank you. We have the next question from the line of Bhumika Devnani from Array Investments. Please go ahead.

**Bhumika Devnani:** Sir, my question was this revenue growth of 35%, is it till we complete 1 million ton capacity expansion or will this be the same after you've done that also like for the coming years?

**Dhruv Singla:** Bhumika ji, thank you for your question. So, yes, capacity expansion of 1 million tons, we are very well anticipating this revenue growth of 35% and going ahead from where our next plan would be to increase the capacity to 2 million tons wherein at the same levels, we would anticipate that the growth going forward would be at the similar levels as well, but we would not like to comment on the absolute numbers. But yes, in today's scenario, sitting where we are and with our capacity expansion going as they are, we anticipate these numbers to be very achievable.

**Bhumika Devnani:** And the capacity, what is the capacity that we're going to expand and the utilization of it like in the coming years. As mentioned before, it was like 7.5 lakh tons for 24 year. What will be the capacity utilization for that year, if you could just give some ballpark figure?

**Dhruv Singla:** So, in the current financial year '24, we are working on a capacity of 5,86,000 tons. Our capacity, which are increasing to 7.5 lakh tons would be coming by the end of this year by a phased manner. So, we will not be operating on that capacity currently. So, on a capacity of 5.86 lakhs ton or 6 lakhs ton, we anticipate to do a capacity churning of about 3,50,000 tons upward, which would entail a capacity utilization of about 60% to 65% of capacity utilization in the current financial year, financial year 24. See what happens, the capacity doesn't come for the later months later quarter and all the machine installed and the offset happens usually the later month, will be by February and March. So, if you talk about the capacity which is installed, it would definitely be more than 7.4 lakh year ending. But the utilization effectively should be taken only on 6 lakh tons because that was the installed capacity for the major quarters of the year. So, all the numbers in the capacity look better by the year end, but that utilization only is going to happen on around 6 lakh tons of capacity. So, on that number, the utilization would be 60%. If you look at the capacity utilization on 10-10 lakh ton last time, then utilization will pin down to.

**Moderator**: Thank you. The next question is from the line of Akshay from Canara Robeco Mutual Fund. Please go ahead.

**Akshay:** Sir, first question is what is the difference between the primary and secondary stage now?

**Dhruv Singla:** The current difference is somewhere between Rs. 5.5 to Rs. 6 per kg.

**Akshay:** How do you see that shaping up going ahead because you did mention that the primary still would go upwards. So, then what about the secondary stage?

**Dhruv Singla:** So, they essentially go hand-in-hand, the normal delta that remains between both of them is anywhere between Rs. 5 to Rs. 7 per kg. So, that is where they're bigger macro dynamics at work that shaped at delta in the months to come. The normal differential is in the range of Rs. 5 to Rs. 7 per kg. So, as the primary steel would go up, the secondary steel prices would essentially take a turn towards upward direction as well.

**Akshay:** And sir, just on this question, so you are guiding for a 35% to 40% of the volume growth, but on the revenue side, you are guiding a little softer where the expectation is that the RM should go up in the second half. So, sir, why the gap of 5%?

**Dhruv Singla:** Because of this current mark as well the utilization has been really low and even going forward, the prices are more or less stable or go little upward as well. So, we are guiding on our 3,50,000 tons of capacity. Topline of say 2100 CR to 2200 CR. So, that is what we are guiding is we guided on those two we have witnessed in the current time, so it is just a guidance number, not the absolute number.

**Akshay:** And so what is the margin expectation that you make from this 350 x 350 diameter pipe that you are putting up because of this DFT technology?

**Dhruv Singla:** So, with DFT technology, pipe should also entail increasing capacity. So, the value-added products that we currently have, so again, EBITDA margins that we see in this current product profile would be somewhere between Rs. 6000 to Rs. 7000 per ton.

**Moderator:** Thank you. Ladies and gentlemen, we will take this as the last question from the line of Giriraj Daga from Visaria Family Trust. Please go ahead.

**Giriraj Daga**: Yes, few clarifications just had on the call. Did you mention the inventory number loss in the quarter one?

**Dhruv Singla:** We have not mentioned that currently.

**Giriraj Daga**: Secondly, I heard you right you mentioned volume of 360 to 380 in the FY24?

**Dhruv Singla:** Yes, currently on the call, we mentioned 350 plus. So, there's 360-380 is the number that you can look at.

**Giriraj Daga**: 350 plus. Second is 4500 to 5000 is like FY24 guidance number, right, EBITDA per ton?

**Dhruv Singla**: 4,500 to 5,500 between in this fiscal.

**Giriraj Daga**: Next Sir, I want to understand the sourcing mix. Like do we import HRC as of now given the price difference between domestic and the international market?

**Dhruv Singla:** So, yes, we have the opportunity to export HRC, one of our plants is located at the ports of Mumbai, our Maharashtra plant. And when the HRC is at the lower side of the international market is we have a good export area as well, so we into import material, but looking at the current upward trend in the international market as well, we will see going forward how we have to maintain that mix, but majority of our mix is not through imports, it is through local consumption only.

**Moderator:** Thank you. Ladies and gentlemen, as that was the last question for today, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

**Dhruv Singla:** Thank you. Thank you everybody to be on the call and your interest in our Company. And it was very insightful to have all those questions from your end and to answer them to the best of our ability. If you have any more questions or queries relating to us and our performance, you can always contact Nuvama and our IR agency so that it is forwarded to us and we can answer them in a better manner. Also, I would like to thank all our channel partners, investors and dealers and everybody related to us in some way or the other, we are always striving to make the best out of the business and we are in close talks with all our suppliers right now as well to find better and you have to get better pricing and the same should be reflecting on our numbers in the coming future as well, and lastly, I would like to thank everybody for taking the time and joining us and listening to us and asking all the questions. Thank you.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Nuvama Wealth Management, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.