USHA MARTIN

Date: 4th February 2025

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai – 400 001
[Scrip Code: 517146]

The Manager
National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor,
Plot No.C/1, G Block,
Bandra Kurla Complex, Bandra
Mumbai – 400 051
[Symbol: USHAMART]

Societe de la Bourse de
Luxembourg
35A Bouleverd Joseph II
L-1840, Luxembourg
[Scrip Code: US9173002042]

Dear Sir/Madam,

Sub.: Transcript of Earnings Conference Call – Q3 9M FY25

In continuation to our letters dated 24th January 2025 and 30th January 2025 and pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Conference Call for Q3 9M FY25 held on 30th January 2025.

The same is uploaded on the website of the Company and can be accessed through the following weblink TranscriptQ39MFY25.

This is for your information and records.

Thanking you,

Yours faithfully,
For Usha Martin Limited

Manish Agarwal
Company Secretary & Compliance Officer

Enclosed: As above

USHA MARTIN LIMITED

Q3 FY25 Earnings Conference Call Transcript

January 30, 2025

Moderator: Ladies and gentlemen, good day and welcome to the earnings conference call of Usha Martin Limited. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, 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 Mr. Devrishi Singh of CDR India. Thank you and over to you sir.

Devrishi Singh: Good afternoon, everyone and thank you for joining us on Usha Martin's Q3 FY25 earnings conference call. We have with us Mr. Rajeev Jhawar – Managing Director of the Company, Mr. Abhijit Paul – Chief Financial Officer and Ms. Shreya Jhawar from the Strategy and Growth team of the Company.

We will initiate the call with opening remarks from the management, following which we will have the forum open for a Q&A session. Before we begin, I would like to point out that some statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the earnings presentation.

I would now like to invite Mr. Rajeev Jhawar to make his opening remarks. Thank you and over to you, sir.

Rajeev Jhawar: Good afternoon, everyone. On behalf of the management team of Usha Martin, I would like to welcome you all to our earnings conference call. I will begin by sharing some updates on operations and strategies following which our CFO – Mr. Abhijit Paul will run you through the key financial highlights.

In Q3 FY25, Usha Martin achieved sustained topline growth delivering an 8.0% rise in revenue, despite a challenging global environment. The wire rope division remained a core contributor, accounting for 73% of our total consolidated revenue and registering a 9.8% year-on-year increase. The wire segment performed well, achieving a 17.6% increase in revenue. The LRPC segment continued to face headwinds, reporting a decline of 1.4% year-on-year due to softer demand.

Within the wire rope division, value-added products accounted for 71%* of revenue in 9MFY25, with encouraging contributions from the elevator sector. International markets formed 55% of total revenue in 9MFY25. However,

**Percentage changed from 70% to 71% - this is factual correction made.*

pricing softness and margin pressures in geographies impacted our operating profits for the quarter resulting in EBITDA margins of 16.6%. While these headwinds affected profitability, our focus on value added segments have ensured steady contributions from core sectors positioning us well for recovery in the coming fiscal.

During the quarter gone by, Usha Martin continued to make considerable progress in its strategic initiatives, working steadily to support overall business momentum despite facing certain macro-led challenges. Our ongoing expansion in our Ranchi plant and Thailand plant remains on track with expected volume ramp ups, enhancing our market position in the coming quarters. We are also seeing steady progress in our digitalization and automation investments aimed at enhancing productivity. Our capital expenditure for synthetic slings production in the UK plant is also progressing well with commercial operations to begin in Q4 FY25.

As most of you know, Usha Martin has undergone a significant transformation in recent years by divesting its steel business. This strategic move not only reduced our debt but also laid the foundation for a successful turnaround. Following this, the Company refocused in its core specialty wire rope segment, enhanced production capacity, improved our product mix and increased market share in the international markets. These steps laid the foundation for the turnaround we see today, enabling the Company to deliver steady growth and operational improvements in the future.

Building on this foundation, I am pleased to share that we have embarked on the next phase of our transformation under the “One Usha Martin” approach. This initiative is designed to bring greater efficiency across our businesses. The goal is to operate as one cohesive Company rather than separate regional businesses, ensuring optimized cost and increased competitiveness leading to stronger financial performance and sustainable long-term growth.

This strategy focuses on areas such as centralizing operations for certain functions and refining our manufacturing model.

On the operations front, we are consolidating certain functions across the geographies, example, centralizing procurement for various units under one umbrella to achieve economies of scale. Currently, each manufacturing unit is purchasing similar raw materials independently. Consolidating the procurement requirements across the group allows us to negotiate better terms with suppliers across geographies, unlocking cost savings and standardizing input quality globally.

We are also streamlining our logistics function where we are taking a more centralized approach to negotiations, securing rates across the global supply chain. While execution remains local, the strategy allows us to optimize costs. With better coordination, tracking and analytics we can also improve delivery timelines for our customers.

Additionally, we are also optimizing our back-office infrastructure by shifting certain support functions from our high-cost subsidiaries locations to India.

On the manufacturing front, we are advancing our operations with the redefined Brunton Shaw UK model. In the existing model, we manufacture wires and strands in India and complete rope production in UK. The model has been critical in establishing trust with premium customers, particularly in the specialized sectors like oil, offshore and elevators, etc.

Now that we have successfully executed and built credibility with these customers, we are taking the next step in integration. For certain product categories, we will now supply finished ropes directly from India, leveraging our enhanced capacities and cost advantages here. However, for some specialized segments such as the large diameter crane ropes used in oil and offshore applications, the UK will remain a critical hub for final production. This enables us to achieve cost efficiency while maintaining specialization and effectively serving premium markets across the globe. The implementation has already started, and we aim to complete this transition by September, 2025.

These are just a few examples of the many initiatives we aim to undertake in the coming months as a part of this approach.

"One Usha Martin" is a clear step towards future proofing of our business, strengthening our competitive advantage, improving margins and increasing operating leverage. By integrating our operations globally, we are creating a leaner, more agile business that is better equipped to meet evolving customer needs while driving long-term creation for all our stakeholders.

With this, I would now like to invite our CFO – Mr. Abhijit Paul to present you the financial highlights for the quarter ended 31st December '24. Thank you and over to you Abhijit.

Abhijit Paul: Thank you and a very good afternoon, everyone. I will now provide a brief overview of the Company's operating and financial performance for the quarter and nine months ended 31st December 24.

In Q3 FY25, the consolidated net revenue from operations stood at Rs. 860.5 crore, registering a 8% year-on-year increase from Rs. 797.1 crore in Q3 of FY24. This growth was primarily driven by positive performance of our core wire rope and wire and strand segments, which recorded revenue growth of 9.8% and 17.6% respectively. While the LRPC segment continued to face challenges, we remain optimistic about its potential. With a steady increase in demand for galvanized and plasticated LRPC products, we anticipate improved performance in the upcoming quarters.

During the quarter, our operating EBITDA stood at Rs. 142.7 crore compared to Rs. 157.1 crore in Q3 FY24. The operating EBITDA margin for Q3 FY24-25 was 16.6%, down from 19.7% in the same period last year, primarily due to subdued

realizations and market dynamics in the international markets. The net profit for the quarter stood at Rs. 92.3 crore compared to Rs. 107.5 crore in Q3 of FY24.

For the nine-month period ended 31st December, 2024, the consolidated net revenue from operations rose to Rs. 2,578.1 crore, a 7.6% year-on-year increase from 2,396.2 crore in 9MFY24. Our wire rope segment accounted for 73% of the total revenue. The operating EBITDA for 9MFY25 stood at Rs. 457.5 crore compared to 447.1 crore in 9MFY24. The PAT for the nine months stood at 305.4 crore compared to Rs. 317.8 crore in the prior year period impacted by softer realizations and higher cost in certain geographies.

As at 31st December 2024, our net debt stood at Rs. 168 crore which is 28% of our annualized operating EBITDA. Despite ongoing capital expenditure initiatives including expansions in Ranchi and Thailand and upgrades at the UK facility, our debt level remains well within manageable limits.

In conclusion, I would like to emphasize that the Company remains confident in its ability to improve its overall performance going forward. As we progress, we anticipate further growth in both production driven volumes and value led growth. Our strategic initiatives including the "One Usha Martin" approach, along with continued investments in automation and digitalization will further strengthen our competitiveness and improve operational efficiency across both global and domestic markets. Usha Martin remains focused on achieving sustained growth and creating long-term value for all its stakeholders.

This brings me to the end of my address. I will now request the moderator to open the line for question-and-answer session.

Moderator: The first question is from the line of Aman Kumar Sonthalia from AK Securities.

Aman Sonthalia: Both the Indian market and the European market are having very sluggish demand scenario. And we have expanded our capacities and at the same time we are seeing margin pressure. So, in this sluggish demand scenario, how will we increase our volume and at the same time how we will improve our margins?

Shreya Jhawar: So just answering it in two parts. First, in terms of the India market, actually the wire ropes volumes which is the core segment for us, the wire ropes volumes have gone up significantly this year. So, if we look at the nine months, the volumes have gone up from about 28,000 to about 34,000 for the 9MFY25. So, we have been able to strongly focus on the domestic market especially with the support of our dealer network. That being said, of course to your point, there is an expectation of growth in India in terms of construction, infrastructure development, the ropeways projects, bridges, which do require both ropes as well as plasticated LRPC. But on the ground execution of some of these projects in the market has been a bit slower than expected. So, you know, while in the short term that leads to certain slowdown compared to expectations, in the long term we hope that we should still see this kind of growth.

In Europe on the other hand, as mentioned in the opening remarks as well, we do see certain challenges, overall slowdown in the international markets, including Europe, which has led to particularly pricing and margin pressures. Our goal is in this market that we make the European setup more lean, more efficient so that we can optimize our costs and then in turn become more competitive and then able to retain and gain our market share.

Aman Sonthalia: My next question is regarding LRPC. So I think, this LRPC market is very competitive and it's not very remunerative as a lot of big players have come in and there is quite oversupply in the market and also the infrastructure spending is not picking up in India. As far as I know, we have stopped bidding for some haulage rope which is being used in Coal India and some of the other mining area which is not as profitable as other ropes. But it is much more profitable than this LRPC. So instead of putting our energy in selling LRPC, if we concentrate more on selling in this market, I think it will improve our profit compared to LRPC.

Rajeev Jhawar: The LRPC plant is very different to the plant producing the haulage ropes. So you are right that the LRPC demand and markets are fairly subdued at the moment because of oversupply situation and there is slow offtake of demand, because of the slowdown in execution of these projects. However, our objective of continuously upgrading our facility i.e using our facility to produce plasticated and galvanized LRPC continues to be our main focus. We have got certain orders both from domestic and export markets which we expect to ramp up in the coming quarters depending on the demands of these projects. And we feel that is the right strategy to improve the profitability of the LRPC and the facility to produce these LRPC strands, particularly galvanized and the plasticated comes from our rope making facility which is having a big advantage to us, and we feel that should really go up in the next financial year.

On the haulage rope as well as ropes for the domestic market, including Coal India, we have started bidding for these orders. As Shreya mentioned, we have increased our market share in India and been able to increase some of our volumes in these markets. As a part of our strategy going forward, we will aim to increase our share at every market opportunity in India. Your point is noted and it is part of our plan.

Aman Sonthalia: What is the update of Galfan Wire plant and synthetic sling plant?

Rajeev Jhawar: As far as the synthetic slings plant is concerned, the plant is completely ready including the most important testing facility of the 2,000 ton through flow testing machine in the UK and we have started getting some small orders using our distribution and our service De Ruiter and EMM, our subsidiaries. We expect to start commercial production in this quarter itself in Q4 and next year would be the first year where we start working with all the end users to get their approvals. There is a process of getting the approvals especially for the specialized slings and our team is confident that we should be able to achieve that in the next financial year.

Coming to the Galfan which we are naming as Gal Star, which is our zinc aluminum line. I am happy to say that we have commissioned our plant, and it is under trial production, and we hope to stabilize the operations in this quarter, and we should start getting the full benefits of this from Q1 of the next financial year. And of course, some quantities of trial supplies will also be made in this quarter but we expect this to get fully commissioned in the next financial year.

Aman Sonthalia: And what about the Saudi market?

Rajeev Jhawar: In the Saudi market, we have all our team in place, all the approvals in place and we have started our rigging facility and the distribution facility there. The feedback we have received from the customers is that they are very happy as we are there with all our facilities and we have started approaching customers and started getting orders. We have been supplying there through our Brunton wire plant but now by having this facility, I think, there is a fairly good demand, and we expect good orders to flow in. And next year we should be having a significant increase in volume from that market.

Moderator: The next question comes from Dhaval Shah from Girik Capital.

Dhaval Shah: If you compare this conversation to the last quarter's concall, we are now seeing some bearishness in both the European and Indian markets. The Indian market's slowdown can be understood due to the lack of spending and CAPEX activity in the country, which directly impacts our volumes, as our Company is a beneficiary of that. But in Europe, could you explain in detail where are you seeing the slowdown? If I understand correctly, our key markets in Europe would include applications in fishing, rigs and wind installations. Which of these business segments is seeing the slowdown?

Secondly, regarding the US, we have started sending material for mining applications, which is great achievement for our Company. So, what is the progress there? Also, in Australia, we have started sending materials, how is that segment performing as per your expectation? Overall, where will the growth come from? I was expecting a much better performance this quarter and for the year. How do you plan to meet the shortfall in terms of the guidance we had given? Going forward, what sort of volume guidance would you like to share with us? These are my questions.

Rajeev Jhawar: First of all, let me tell you that while in the domestic market, there is a slowdown in the infrastructure and project execution in India, but with our initiative to work with our dealer network to have a better penetration in the market, we have actually been able to increase our market share in India and increase it almost by 18% year-on-year. And that is something which has helped us to get a better market share in India. In the coming period we expect the domestic market should hopefully start getting better and we are well prepared to take care of the increased market if that happens. We feel by focusing on our domestic market and keeping a very strong focus to ensure that we take the

full opportunity of any growth taking place. We are well prepared for that through our own marketing as well as through our distribution partners.

Coming to the European market, I would say that there are three major segments which we operate apart from our rigging and servicing which is there. One is the elevator market which is fairly stable. And as a part of the new model which I mentioned in my opening remarks, that is something which we were supplying the strands from India to our UK plant and then finishing and supplying the ropes to our customers in Europe. I am happy to say that we have been able to convince them, they have come and looked at our facilities that yes, we are equally competent to supply the entire products from India. And that has already started from this month. So that is something gradually both the plants would be supplying but as the India ramps up, we will be supplying. So, this is going to help us not only be able to get a bigger market share but also help us to reduce the working capital in the business as the double freight and as the direct supplies improve from India.

Secondly, on the fishing market, we have been able to establish a fairly strong market base through our BS UK facility. There also, 90%-95% of the customers are ready to buy the products directly from India. So that is something we have started gradually, and I think by September we should be able to ensure that everything starts going from here. This is also going to help us to be more competitive, faster delivery and be able to be much more faster response to the customer needs. The oil and offshore, so this is also a stable market and a stable demand.

The area where we see a lot of competition as well as demand challenges coming is the oil and offshore. This is because of the competition and because of the lower demand; the competition is being aggressive to trying to get i.e everybody's trying to get a pie of the same market. So, we have to be competitive. And part of the strategy is to supply directly from India and part would be continuously to be producing out of our UK operations.

Dhaval Shah: Sorry to interrupt. So, the competition which you're mentioning which geography these competitors are from, is it coming from the South Korean and the Chinese market.

Rajeev Jhawar: Chinese are not there. South Korean is definitely an important player in this rope industry and there are also the European and the American players, mainly the European manufacturers and the Southeast Asian. Chinese are not there in this market. So, we don't see any competition from them.

Dhaval Shah: So, the European competition is competing against our Indian cost base? Because we are doing part production here in India and sending there, so, there is a cost of production difference which is coming when compared to the European and despite this they are still competitive. Is my understanding correct?

Rajeev Jhawar: If they keep on reducing price, suppose they are supplying at Rs.100 today, and tomorrow we are supplying at Rs. 97, because of the lower demand and their plants still running, they may want to be aggressive in the market, reduce their margin, and keep their plant running. This will also force us to reduce and match prices. So, in a weak demand-supply situation, pricing pressures will emerge, and we need to maintain our market share and compete on price. This is something which will continue in the marketplace. This is a normal business phenomenon; when demand is strong, everyone is happy, but when demand becomes less, people try to pitch for a lower price. So, you have to compete with them. So, as we mentioned earlier, our margins will definitely come down.

Dhaval Shah: Okay. And with regards to the American mining and Australian mining business?

Rajeev Jhawar: In this business, our quality is well established and the supplies are continuing both to the American and the Australian market. Our endeavor would be to slowly keep on pushing the volumes. But I am happy to say that our quality is well established now.

Dhaval Shah: Okay. So then in terms of the guidance what we had given product wise, we might be quite short of it in the wire and strand category. So the current run rate of volumes, what we are doing on a quarterly basis, you think next quarter we could see some improvement? How is it going?

Shreya Jhawar: Overall on the volume front actually for both the ropes as well as the wire and strand category, over the nine months we've done quite well, even from a topline perspective in wire ropes we saw about 12% growth if you look at the nine months and about 10% for this Q3 and wires is well in the nine months, about 14% topline growth and strong volume growth as well. Over the next year as well with support from these core segments as well as some of these other initiatives we talked about that hopefully will reduce our cost base and make us more competitive. We do aim to grow by at least 12% overall.

Dhaval Shah: 12% for FY26?

Shreya Jhawar: Yes. The next upcoming year.

Dhaval Shah: So, this year we should be touching overall around 1,90,000 tons in terms of total volume for the FY25 the current year by March?

Rajeev Jhawar: Yes, we should be able to do that.

Dhaval Shah: 1,90,000 and 12% volume growth on 1,90,000 base?

Rajeev Jhawar: Yes.

Moderator: The next question comes from Rajesh Majumder from B&K Securities.

Rajesh Majumdar: I had a question on the margins. How do we read into the 16.6% number that we have got this quarter? Because if you are kind of restructuring the UK operations and sending from India, there would have been some impact on the employee expenses, etc. But that hasn't really come down. So, I assume that this would also entail some kind of rationalization of employee costs in UK which would actually lead to some more cost going forward. So are we going to see more margin pressures on account of these things in the short term before we go back to kind of 18% plus levels or have we seen the bottom of the margin?

Rajeev Jhawar: To be straight to you, I think this is the bottom of the margin. And with the various initiatives of "One Usha Martin" where we are looking at rationalizing our cost across all our subsidiaries. Also, looking at what I mentioned, a lot of activities like shifting back-office to India as well as the new BS UK model where instead of taking the wire and strand, we sell finished products. So, all this should only help us get better from here. It is a journey from now up to September when we will complete all these activities. There is a big digitalization program and everybody is coming on a similar platform to ensure that all these initiatives are getting implemented. So, I see that things only getting better from here.

Rajesh Majumdar: Right sir. And my second question is, I think you have received some kind of certification, European certification for the ropeway project that India has been talking about. So, any update on the Bharat Mala project and where we stand in that?

Rajeev Jhawar: Yes, we have got the CE Certification which is the key certification for any of these ropeway manufacturers in Europe to start buying products from us. So that we have been able to get it in just about a couple of months ago. So, and now we are in touch with all the various projects which are coming up. Having said that, let me tell you that while there is a big buzz that these projects will all be coming up and I am sure that they will all come up. But there is a very big time-lag between the projects getting announced and getting all the approvals and the customers ready to buy the products. But this is a major step which was important to be able to enable us to get into this business. So having done that, we are now closely working with the various projects which are under tendering and the customers who are expected to get the orders and hopefully we should start getting the business in the coming years.

Rajesh Majumdar: Just one added question sir here. This certification, does it cover all the global gondola project like USA etc. that we are bidding for, does it cover that as well the certification or do we have separate certification for this?

Rajeev Jhawar: We are supplying mainly for the projects in India. But we supply gondola ropes to the US market from our Thailand plant as well as to some of the European manufacturers through our Thailand plant. And there are a lot of these special lock coil ropes which we supply to the American market, the USA, Canada markets also. But those are more for the mining projects which require the

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same ropes but not goes into the ropeway business. Our ropeway business focus is mainly in India.

Moderator: The next question comes from Zaki Nasar, an individual investor.

Zaki Nasar: Congratulations on a very decent set of numbers in globally competitive environment. My question is more of a general question regarding your efforts to change Usha Martin from a metal converter to a global engineering Company. I think all your efforts are going behind this in terms of your sourcing, your certifications. I would like to have your thoughts on this. And since you have a new logo and got everything under one new logo, your thoughts on these transformation on Usha Martin.

Rajeev Jhawar: "One Usha Martin" approach of ours is that we have the manufacturing facilities in India and Thailand and then we have our distribution and our service and rigging facilities in different parts of the world. These are all integrated with us as 100% subsidiaries of Usha Martin. Our next step now is to integrate them more closely at the management level as well and explore ways to optimize our total costs. So, this is a major exercise we are taking which will help us become much more competitive and we would be able to take on competition in a bigger way.

On the engineering front, our global design center is working very closely with our manufacturing plants to develop new better-designed products that bring better features and products to our customers. We also have a very strong machinery division in Ranchi, which is helping us improve the engineering capabilities and modernize our plant over a period of time and we are strengthening that.

And these initiatives are all helping us to ensure that our product quality, our ability to produce better products with better features and ultimately be better than the best in the industry. So, I think all these initiatives are at different stages of implementation. And I can only say that in the next 12 months you will see some of these big improvements showing up. So, we are confident to become what you rightly said that what we were steel producer more on the steel side and the value addition. But now that we are focusing on this, probably we will only get better from here.

Moderator: The next question comes from Prolin B. Nandu from Edelweiss Public Alternatives.

Prolin B. Nandu: A few questions from my side. The first will be on competition. Now, if we look at your numbers in terms of margin, both on percentage level as well as EBITDA per ton level, and not on a quarterly basis, but from FY21 to FY24, a large part of these gains came from some of your subsidiaries, right? This gain also coincided with some of the European manufacturers maybe going off-stream because of higher energy cost. Now, the energy costs in Europe have stabilized and if we look at some of the numbers of your competition as well, they have

also improved a lot. So, are you seeing a reversal of some of the trends that benefited us during the period of high energy cost in Europe? And do you see competition sustaining for longer, even if demand factors turns positive? I mean, how do you see this trend evolving?

Rajeev Jhawar: In any business, competition is always going to be there. Last 2 years, we have seen the demand fairly strong, and that is why everybody was very happy, and the prices were fairly decent. But when demand comes down and everybody is well prepared to take on to the competition, prices do come under pressure and ultimately the margins come under pressure for various people because everybody wants their plant to be running at optimum capacity. So, having said that, this is the reality of the business. The European market as a whole and part of the other international markets are seeing some kind of slowdown, which is impacting demand and naturally bringing in more competition.

What we are doing is to see that where we can optimize our cost with all the various initiatives mentioned in the different questions I have answered or in my opening statement. We expect to bring down our cost significantly through all these initiatives one side, and on the other side, with the various CAPEX initiatives which are already underway, part of which is almost done and the balance to be completed within the next year, we should be able to prepare ourselves to be able to take more market share from the competition, both in India and overseas.

So, if you are looking at bringing down your cost structure in different ways, you prepare yourself to take on to the next level of competition, which is happening. Having said that, we are going to ensure that with this cost cutting, we are again more competitive than our Western as well as the Korean suppliers. However, if the market improves, the cost advantage we have achieved will continue, and we should be able to get fairly decent margins.

So, markets are dynamic. We need to put our house in order to be ready for any kind of competition. And I am happy to say that we are on track, and by September, all these initiatives will be in place.

Prolin B. Nandu: So that is appreciated. I understand that sir. My question was, has some of the competition that had gone out of the market due to high energy costs come back in? And on the margin also, if I remember it correctly, you were always guiding for 18% in percentage terms. Now, as you take on this entire transformation journey, are you saying that you will recoup to 18%? Does that mean we need to undertake all this cost-cutting just to get back to our original level of 18%? Or should we now think about margins also at the next level, not in the next quarter, but once the transformation is complete in September? Should we be aiming for a margin range of 18% to 20%, higher than what we had initially thought about?

Shreya Jhawar: Quarter-on-quarter, of course the situation is dynamic, but if you look at a nine month for this particular year, we are still at about 17.7% so, at the 18% EBITDA

margin levels. So, and as mentioned in one of the previous questions, the margins for this quarter, we don't expect it to get any worse from here. We are only expected to get better with all of these initiatives. So, I think that the guidance that we had given that still holds. And with these initiatives coming into effect from Q2, from now in phases, but up to Q2 we do expect things to improve.

Prolin B. Nandu: So just on this demand as well, right, in one of the past calls, we had mentioned that maybe, I might be getting this number wrong, but 45% to 50% of our demand comes from replacement demand, which, in a way has nothing to do with new CAPEX coming up or where energy prices in oil and gas are going to be. So, does that mix still hold true? And is a large part of this slowdown in demand coming from new projects, or is something happening in the replacement part of our market as well?

Rajeev Jhawar: The replacement market is almost 80% to 85% of the demand. It is not 50%-55%, in most products, 80%-85% of the market is replacement. That is point number one.

Point number two, take the oil sector as an example, say Saudi Arabia. If there were 350 rigs which are working last year, now, based on the current global demand, almost 50 rigs have come down. They have taken out 50 rigs out of operation. Naturally, the replacement market for those 50 rigs will not be there. It's not a question of new builds. So, when it comes to 85% of the market which is replacement holds true. But if the equipments which are in service are taken out of service, it will definitely impact the replacement market demand. I am just giving as an example.

However, overall, I would say the replacement market remains fairly strong, and in certain sectors like elevators, new builds are also doing well. In most of the developing world, the elevator demand is very strong, and both new builds and the replacement market are doing well.

So, to answer your question, 80%-85% of the demand come from replacement, and the slowdown is more due to a general economy slowdown affecting overall demand. You cannot say that new builds have completely stopped, so new builds are also there. But if there is a slowdown in any construction activity, naturally, cranes will not be working in those areas.

Prolin B. Nandu: Understood. Thanks, a lot, and all the very best.

Moderator: The next question comes from Shraddha Kapadia from Share India.

Shraddha Kapadia: So, I had a question with regards to the current capacity utilization. If you could provide it for your different segments, and also facility wise, it would be very helpful?

Shreya Jhawar: Yes. So, for ropes, in Ranchi as well as overall, about 80% to 85% of our capacity would be utilized. In the wires segment, over the years, we have moved out of some low-end wires that we used to manufacture when we had the steel business as well. So, the capacity utilizations for those remains still lower, at around 50% or so.

For LRPC, our capacity utilization is about 70%- 75%. As we get into more plasticated LRPC as well, more of the capacity would shift to make those as opposed to the regular LRPC.

If you want a bit more detail on the breakdown, we can always take it offline for various different factories and different categories.

Shraddha Kapadia: Okay. Also, I just wanted to understand the Parvat Mala project which is expected to come up. So, are we the only one having the certification in India for this? And also how much would be approximate potential which we can expect for the Parvat Mala project for us?

Rajeev Jhawar: As of today, we are the only Company with the manufacturing capability to produce these ropes. To the best of our knowledge, we are also the only Company in India with CE Certification for this.

Having said that, on the demand side, it depends on how soon projects receive final approval and when the projects start getting to a stage where they start building these projects. I personally feel there is a good demand, but it is more medium to long term rather than short term. When you initiate such a project, it typically takes three to four years before you even start supplying the first rope. Because that is the last part of the Parvat Mala project. Suppose a project needs wire rope, so that is something which is required right at the end of the commissioning of the project. So, this will all happen.

We are preparing ourselves with the certification, we have the plant capability and we are talking to all these customers, including the Government authorities. We expect to secure a decent share, but this will all happen in the medium to long term, I guess.

Shraddha Kapadia: So, we are doing this “One Usha Martin” initiative, if you could just give a ballpark number for the expected margin improvement which we expect, it's not like exact-exact. But if we can just give a ballpark number, that would be very helpful.

Rajeev Jhawar: Basically, you see, margins don't just come from reducing costs. It also depends on the selling price and the competition. As we said in the previous question, this quarter’s numbers are probably at the bottom, things will only start getting improved from here. But by cutting cost, margins just don't improve. You need to continue increasing your volume and get the right price for the product, which also depends on competition.

So having said that, as Shreya mentioned, our average has been close to 18%. That is something which we feel is the base at which we would be working. Let's see how the end-market prices, volumes, demand and the benefit of these costs ultimately span out.

So that is something that may not be proper for me to give you an exact number. It is best to see that how things unfold, as we are in a very uncertain global scenario, and we all need to understand that we need to prepare ourselves to face this competition.

Shraddha Kapadia: Just for my understanding. So, if you are not giving margin numbers but this will surely help us reduce the working capital days.

Rajeev Jhawar: Of course, it is going to help us reduce our working capital significantly.

Shreya Jhawar: To the working capital point, I just wanted to mention that as we said, we are optimizing the Brunton Shaw model, right. So earlier when we were supplying wires and stands from India then it would take the transit time to go to the UK then be an inventory before it could get converted into rope. Now with the direct shipments that have started from India, we will obviously reduce the working capital cycle and also that would help faster deliveries to the customer. So, working capital definitely is an important piece in this overall thing which we're trying to optimize.

Shraddha Kapadia: That was quite helpful, thank you so much.

Moderator: The next question comes from Ishika Bajaj from Helios Capital Asset Management Private Limited.

Ishika Bajaj: I just wanted to know if you are getting any rupee depreciation benefits in the current quarter from exports?

Abhijit Paul: In the standalone financials there was some impact due to the GBP INR exchange rate. But overall, on a consolidated basis there was no impact. Actually, there was a slight gain in the CFS books.

Ishika Bajaj: Okay.

Moderator: The next question comes from Dikshi Jain from Invest Savy PMS.

Dikshi Jain: So, part of my question is answered but on the LRPC side just wanted to know the margin profile and the asset turn. So, because the LRPC volume is around 25% to 30%.

Rajeev Jhawar: The material margin is close to Rs. 12,000 to 13,000 per ton. And so, the difference between the rod price and the ex-work selling price and our cost of production would be close to Rs. 7,500 per ton which includes the entire direct cost of production. So, the margins are fairly low. If you look at it, the contribution itself is around Rs. 4,000 to 4,500 per ton.

Shreya Jhawar: This is for the regular LRPC.

Rajeev Jhawar: This is for the regular LRPC which is the majority of the volume today.

Dikshi Jain: Okay, so on the LRPC side, can we say that this is fairly a replacement for TMT bars or TMT kind of saria in infrastructure and buildings?

Rajeev Jhawar: I don't know what the TMT margins are but these are the very-very thin margins. We are not into the TMT market, so I am not aware of what their margins are. But when it comes to our product these are our margins.

Dikshi Jain: No, I'm saying replacement, not margins.

Rajeev Jhawar: No, these are two different markets altogether. Where saria is used, it doesn't get replaced. Saria has a much wider application. LRPC is mainly used for post tensioning special applications, mainly in high-rise buildings, large bridges, high speed railway projects and nuclear power projects. So, these don't replace saria. These are post-tensioning designs that are decided, they are designed by the contractors, mainly formed by the consultants for these applications. That is where our LRPC is used.

Dikshi Jain: Okay and one broader question on the slowdown in demand in Europe, Korea side, in our country also. What are the indicators you are seeing that the demand will improve in future? What are the indicators you are seeing or watch out for?

Rajeev Jhawar: I think investment in infrastructure across the country is very important. The real estate as well as the bridges and other projects are there, but we are seeing a slowdown in new orders and even the Government's implementation of these projects. So, we have to see that when these projects get announced and when the activities start. We'll have to wait and watch to see how things unfold. Internationally, with the current slowdown and recession in Germany and the UK, we see that in certain sectors the demands is low. So, we have to wait and see whether these Governments and economies start spending again. When that happens, infrastructure projects will pick up, and our business will start getting gaining traction.

Dikshi Jain: Okay. And the margins, you already alluded that we are at the bottom of the margin. So due to this cost cutting measures and the further expansion in some facility, we can see the margin improvement, right, when the demand will pick up?

Rajeev Jhawar: I think I have already answered this question that this is the bottom of it. Let's see, based on all these initiatives and how the selling price and how the demand pans out, we expect as of today, this to be the bottom. We should only see an improvement going forward from here.

Dikshi Jain: And just the last question on the LRPC side, what are the initiatives that you are taking to increase the volume in this segment? Because continuously we are

seeing year-over-year the volume is decreasing. So, what's your view on the LRPC kind of revival in the volume?

Rajeev Jhawar: I don't see the LRPC as a commodity. Our whole objective is to convert as much as possible into plasticated and galvanized LRPC, which provides much higher value addition. The demand for LRPC is directly linked to projects, especially the various Government projects, bridges and infrastructure projects, which are currently subdued. There is also a lot of competition in this area, and the prices are very competitive. I don't see the Company focusing on this as an area for growth in the future. All margin growth for LRPC will come from how much we are able to convert into plasticated and galvanized LRPC. Having said that, plasticated and galvanized LRPC is not a commodity. They are project-driven, depending on how these specialized projects get commissioned both in the country and overseas. We are doing around 300 tons a month and expect this should improve in the next financial year. A lot of projects are in the enquiry or finalization stage, but it all depends on how these projects finally get into order. So, we don't see a long-future for simple LRPC in terms of margin and volume. But definitely, the more we are able to convert to the other varieties, we will be better off as an organization.

Dikshi Jain: We are not seeing the future CAPEX also?

Rajeev Jhawar: No CAPEX at all. Zero CAPEX.

Dikshi Jain: Okay, got it.

Moderator: Ladies and gentlemen, we would take that as our last question for today. I would now like to hand the conference over to the management for closing comments.

Rajeev Jhawar: I would like to thank everyone for attending this call and showing interest in Usha Martin Limited. I hope we have been able to answer all your questions. The Company is dedicated to creating value for all its stakeholders in a sustainable manner. Should you need any further clarification or would you like to know more about the Company, please feel free to reach out to us or CDR India. Thank you once again for taking the time to join us on this call and see you all in the next quarter.

Moderator: On behalf of Usha Martin Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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