



RGWL/24-25/

29th October, 2024

To BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400001 Scrip Code – 517522	To National Stock Exchange of India Limited ‘Exchange Plaza’, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Symbol - RAJRATAN
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Subject – Transcript of the earnings conference call for the quarter and half year ended 30th September, 2024

Dear Sirs,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and half year ended on 30th September, 2024 conducted on 22nd October, 2024, for your information and records

Thanking You,
Yours Faithfully
For Rajratan Global Wire Limited

Shubham Jain
Company Secretary & Compliance Officer



“Rajratan Global Wire Limited
Q2 FY '25 Earnings Conference Call”

October 22, 2024



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

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

Moderator: Ladies and gentlemen, good day and welcome to the Rajratan Global Wires Q2 FY '25 Post Result Earning Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference is being recorded.

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

Sailesh Raja: Yes, thanks Nikita. Good evening all and thank you for joining us for Rajratan Global Wires Limited Q2 FY '25 Earnings Conference Call. During this call, from the management side, we'll be hearing from Mr. Sunil Chordia, Chairman and Managing Director, Mr. Yashovardhan, Executive Director of the Company, Mr. Pranay Jain, who is CFO, Rajratan Thailand, and Mr. Hitesh Jain, CFO, Rajratan India.

I would now like to turn the call to Mr. Sunil Chordia for the opening remarks followed by Q&A. Sir, you may begin.

Sunil Chordia: Yes, thank you. Thank you, Shailesh and good afternoon all dear shareholders for your interest in Rajratan and for sparing your time for this call today. I'm happy to be here with all of you and very happy to share that, you know, your company is continuously growing as indicated earlier. Our focus this year is on maintaining the, you know, market share or rather growing the market share and we have demonstrated that in the numbers.

So, we have done an impressive volume growth in India of 23% of bead wire and the total wire sales have grown by 10%. We have done a very big growth in Thailand, 32% volume growth in Thailand in the first half of this year and that shows the, this is strong growth in both the regions in volume terms as well as the positive growth trajectory, thereby ensuring that we have continued to maintain higher market share.

Our strong volume growth has led to operating leverage benefits for our India operations. This coupled with restriction on import from China and again has led to improvement in the EBITDA margin in India also, which is close to 18%. Even our Thailand business has reported healthy EBITDA margin of 11% to 12% led by volume growth and running our operations very efficiently. And let me also remind you that Thailand, we are having a tough competition from China and in spite of Chinese dumping, we have been able to grow the volume business and also maintain EBITDA margin.

So overall, we'll continue to maintain our consolidated annual volume growth guidance. We have been talking about 20% and I'm confident of achieving that and also maintaining EBITDA at 15%-16% for the year. This is, and on other than numbers, happy to announce that Chennai has started production and as told you in the earlier call, it will be in phased manner.

So, we have done around 1000 tons of sales from Chennai this quarter, which is going to grow in the coming months. And apart from that, our Indore facility has been audited for TPM certification and the final certification audit will be in November and we are hopeful of

getting, you know, TPM certificate for Pithampur facility by end of this financial year. And we have started a TPM project in Chennai and Thailand as well.

And as you know, quality and the certifications are very important when we talk about selling to multinational companies who focus more on quality than the price. And there are some positive, green shoots in terms of getting approvals for exporting to multinational companies in North America and also in Europe. So, Europe, where we had approvals from some customers, the business is continuing and we are getting more business from Europe.

And also now, very, very robust plan to work on increasing exports. So, there is a separate team which will be continuously working on connecting with customer, approaching them, offering them value. Rajratan offers in terms of green bead wire or reducing the carbon footprint or supplying better quality material at lower price. With all these propositions, we have made a very robust plan to approach customers continuously.

With this, I am open to take the questions from here.

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

Parth Bhavsar: Hi, sir. Thank you for the opportunity. It is very good to see how our operations are ramping up both in stand-alone entity as well as Thailand. I have a few questions, first related to Chennai. Sir, you indicated that we made sales of around 1000 tons from this unit. And I think our yearly guidance is around 14,000 tons. Do you think that it will ramp up that fast or are we cutting numbers or guidance for the Chennai facility?

Sunil Chordia: You know, it is the question of getting approval and start supplying from Chennai. Currently, whatever 1000 tons we have supplied, only some 20% volumes have gone to nearby factories. Rest of the material, we had to ship to a long distance where company incurred a huge freight cost.

But that was unfortunate. There was no choice. We are, you know, getting very close to major approvals in Chennai. And then we will divert the volume to Chennai. That is the plan. And yes, it is a challenge to reach 14,000 tons this year. But we have to reach and we will all work towards achieving that number. Because that is a commitment we have made to PLI. The commitment we have made to government and then only we will get the PLI benefit.

Parth Bhavsar: Okay. So if we are not able to achieve that PLI benefit, it will start from next year onwards.

Sunil Chordia: Yes. So we will lose the PLI benefit. I think we have to achieve 80% of our commitment. So at least 80% of 14,000 has to be achieved. Yes.

Parth Bhavsar: Okay. And I wanted to know, like this Chennai facility, at what point does it break even?

Sunil Chordia: No, I think with current expenses and major saving in the transportation costs, it should break even at 18,000 to 20,000 tons volume when we are supplying to prime customers. Because again, you know, currently we are supplying to customers in cycle market in Ludhiana. So there is no profit. Okay. But once we start supplying to major customers who are around our factory, the breakeven will come down.

Parth Bhavsar: Okay. And sir, now regarding the macro environment, you mentioned, you know, how companies from Ludhiana, how are they selling? So how is the competition in domestic market and the Thailand market? And what sort of market share are we working with in the domestic as well as Thailand market?

Sunil Chordia: Yes. So last quarter, our market share was 42%. We also do collect information about the competition and how much is the total sales of bead wire happened in that particular month. So our calculation indicates that we were at 42% of market share in India and we were a little higher than 30% in Thailand. Okay. And in Thailand, we have competition from Chinese. Okay. In spite of that, we were able to make a decent EBITDA margin in China -- in Thailand also. And in India, yes, our competition has also increased capacity. Tata Steel is sitting with higher capacity. One more company has announced major investments. Those challenges will be there.

Parth Bhavsar: Okay. So competition will be stiff?

Sunil Chordia: Yes. But we have lived in competition for entire 30 years of this business. Okay.

Parth Bhavsar: Fair enough. And so like at Chennai or any other facility, even in Thailand, are we like awaiting any, you know, approval from a big customer? And what is the timeline are we expecting to, you know, get this approval, if there's any?

Sunil Chordia: No, in India, we are approved with everyone. It is the question of new approval for Chennai facility, which is happening. So I cannot name, but one major company has given approval to supply 100% from Chennai facility, which will start this month. Okay. We're starting now. And more -- I can say every 15, 20 days or a month, we'll add on one more customer to the list. Frankly speaking, the quality of material is perfect. There is no problem, but they have a very rigid system of approval, which they will follow. And you cannot press customer beyond a point.

Parth Bhavsar: Yes. Fair enough. So those are my questions. Thank you so much

Sunil Chordia: Thank you Parth.

Moderator: The next question is from the line of Eshwar Arumugam from ithought. Please go ahead, sir.

Eshwar Arumugam: Once our Chennai capacity ramps up, how much can we expect our freight cost to decrease? And are we already supplying to tyre companies in Chennai who will, from the Indore plant, who will look to switch to the Chennai plant? That is my question.

Sunil Chordia: Yes. So, currently, we are doing cross-country transportation. So in India, typically 65% of tyres are made in South India and we are in the western part of the country or in the central part of the country. So we are paying extra cost of freight of around INR3,000 per ton, which should be saved when we supply from Chennai to those locations. And yes, we will shift -- our long-term plan is to supply to customers in West and North from our mother facility, which is Pithampur and, you know, to our customers in South from Chennai facility.

Eshwar Arumugam: The capacity utilization in India as well as Thailand.

Sunil Chordia: It's almost 80%, 85% utilization we are running both in Thailand and India.

Eshwar Arumugam: Do we have any plans to ramp up the capacity, the medium to long term?

Sunil Chordia: Yes. So right now the plan is to ramp up in Chennai, which is the priority. And also you will see a higher volume in Thailand this year. As I told you in the beginning, we have grown in first half by 32% in volume in Thailand. And so you will see, overall, you know, 20% volume growth.

Eshwar Arumugam: Okay. That's all the questions I have.

Moderator: The question is from the line of Sanjay Shah from KSA Securities. Please go ahead, sir.

Sanjay Shah: So my question was regarding it is really a point of appreciation with this competitive and volatile world market. We have still grown on volume side. So my question was regarding we have now established our Chennai facility. So with this new facility, we will be having a good manufacturing base. And so now a lot of competition is also coming in our bead wire business. So is management of the thought to use this facility for any related products or any growth trajectory from here on in from different products?

Sunil Chordia: No, honestly, this facility cannot be used majorly for making any other product. We will spoil the culture, we will spoil the quality culture. We do a small volume of black wire in Pithampur facility.

So maybe when the volumes in Pithampur go down, we can add one more product to utilize the capex we have already incurred here. Okay, but I see that for a temporary three, four years we will have to do. But Chennai, we will not disturb.

It is a state of art facility for making bead wire. And we will continue to focus on that. Okay, and Chennai, we are working hard on getting some international approval. So we will also use that capacity for exporting in global markets. I appreciate and we recognize that the competition is catching up and major investments are also announced in wire business. But definitely it will take time to get approval.

If Rajratan is taking so long, then competition will also take longer time. And we like I was looking at numbers, the tyre production in India has grown almost seven to eight percent. Okay, and recently more companies have announced investment. So , longer run the India story still is very strong. Yes.

Sanjay Shah: Thank you. It's really helpful to understand. And good luck to you.

Sunil Chordia: Yes. Thank you, Sanjay.

Moderator: Thank you, sir. The next question is from Darshini Kumar from SI Investment. Please go ahead, ma'am.

Darshini Kumar: Good afternoon, sir. Thank you for this opportunity. I wanted to ask that what impact do Chinese imports still have on our margins?

Sunil Chordia: Yes. Yashovardhan. Would you like to reply this for especially?

Yashovardhan Chordia: Sure, sure. Yes. So China has a huge capacity available for bead wire manufacturing. And in today's scenario, the domestic consumption of bead wire there is very low. So what from what we understand, tyre companies in China are operating at 60%, 70% ratio. So that's the reason there's a lot of dumping of material happening in the Southeast Asian region from China.

Definitely. That's the only factor where we are losing on margins. There are a lot of places where there are no margins, but to keep our fixed costs in control, we need to keep certain volumes up and running. So we've also been aggressive in taking the volume. But yes, it has a big impact on margins.

Darshini Kumar: Okay. And are we planning to apply or are we pursuing to apply for some anti-dumping duty on Chinese imports?

Yashovardhan Chordia: Not really. Long back, we had done that exercise, somewhere. We also don't want to do something which does not make our customers happy or which irritates our customers. So I don't think that would be the way. But definitely we are talking to the Thai government to have some relaxation on the import duties applied on wire rod. So if that happens, maybe it will make things slightly easier for us in Thailand.

Darshini Kumar: Okay. I have another question. You also mentioned that we received some approvals from customers in Europe and North America. I wanted to know if like what is the quantity like the volume expected from these customers going forward?

Yashovardhan Chordia: Yes, I think we've been sharing clearly our strategy to be a global supplier to companies. The companies like Bridgestone, Michelin, Continental, Goodyear are the ones that we are in discussion with. We are already suppliers to their factories in Southeast Asia and India.

But because we are an approved supplier since many years, they are also keen to look at starting supplies in America and Europe. In terms of volumes, definitely it's a very, very big potential because like America is one of the largest market for us. But growing volumes will take time.

So I really can't give you any figure in the coming quarters or coming year because approval at these factories take a long time. But I'm happy to share that at most of the places we are approved in terms of sample approval. At few places, initial trial lots have started going and they have started considering us for limited allocation for next year.

Now that limited allocation will be low, but definitely will be a good volume to start with.

Darshini Kumar: Thank you so much.

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

Saumil: Thanks for the opportunity. I have two questions on my side. First, you mentioned that other than Tata Steel, there is another one large capacity which is being set up. Broadly, what could be the capacity which is coming up other than Tata Steel?

Sunil Chordia: Tata Steel has already increased capacity last year. So they are up and running. Okay. And new capacity will come from, I think, Arti Steel.

They are setting up bigger capacity. They are shutting down their old plant and shifting their plant. And obviously, the new factory will have higher capacity. I think they are going for, instead of 15,000 tons they were doing earlier, they'll be now going to 30,000 tons. This is what I hear. I don't have the exact information.

And Bansal Wire, who has recently gone public and has announced bead wire capacity also. But he is going in for Tyre Cord also, for bead wire also. And very, very big announcements for other products also.

Saumil: Sure. Second question is on the cash flows. Now, I believe, obviously, there will be some upfront inventory and startup costs because of the Chennai plant getting commission. But when I look at the first six months of this financial year, the operating cash flow profile has weakened significantly. Because inventory and trade receivables have gone up very, very sharply. How should we look at the second half of the year? And structurally, with Chennai plant now, do you believe, versus Pithampur, on a steady-state basis, the working capital requirement will be the same, lower, higher, any color of it?

Sunil Chordia: No, I agree with you that it has gone up because of the Chennai startup. I'll say Chennai startup has not reached the desired level of volume to start tightening the screws on outstandings and inventories and all of that. We have to give some breather before we start doing all that exercise. Starting a new facility has its own challenges. And we have to push material. So when you push material, obviously, the credit cycle gets spoiled. So that is temporary. I feel that is temporary. And we should be correcting all those parameters in next 6 months' time. So this year will be a year of some variation in all this number, in all these parameters

Saumil: So is it fair to assume, that once it hits the 50% utilization, hopefully by the end of this year or the exit quarter for this financial year.

Sunil Chordia: Exit number for sales from Chennai, I'm looking at 2000 tons per month from Chennai. And accordingly next year, we hopefully want to do 30,000 tons business from Chennai.

Saumil: And my last question in terms of Thailand, obviously, the margins have recovered over the last one or two quarters. But also, when you compare it with maybe 2021 or 2022, we are significantly lower. So you believe there is still some room from current level profitability to go up or you believe the Chinese competition will arrest any major increase in profitability?

Sunil Chordia: Thank you. You know, Saumil, comparing with 2022 financials will not be normal because that was a post-COVID period when China was shut. Supply chains were disturbed. Containers were not available. And nobody wants to go back to that situation because before this, there was a COVID, which was worse. And we don't project going back to that high number of EBITDA in Thailand because, frankly, we are exposed to global competition. But at the same time, we are very happy that we are making good margins there.

If we look at our competitors balance sheet internationally, whether it is Bekeart or Kiswire or a Chinese company, nobody is reaching a double-digit number in EBITDA. While your company is able to do that, that demonstrates our competitiveness and capability to continue to

grow. And in business as a management, every time we can't focus only on profitability. At the cost of profitability, we can't lose the market share because in the long term, it is the market share which will be useful. And whenever the tide turns, that big volume will give a very big return also.

Saumil: Sure, sir. Thank you and all the best for future conferences. Thank you.

Moderator: Thank you, sir. The next question is from the line of Mayur Milak from Asian Market Securities. Please go ahead, sir.

Mayur Milak: Good afternoon, Sunilji.Sir, I have two or three questions. One, I'm just trying to understand that, we used to look at this as a very big entry barrier for people who really did not have much money to make out of the whole industry. So correct my numbers if I'm wrong some place. One, if this tyre industry was supposed to be a INR90,000-crores industry, the entire bead wire industry in India would be about INR1,500 odd crores.

Sunil Chordia: INR2,000 crores.

Mayur Milak: And you're already sitting on INR600 crores to INR700 crores of revenues. So what I'm trying to understand is why would somebody like a Tata Steel or Aarti or Bansal would want to invest. Because at the end of the day, the top line is limited here. So where is it making commercial sense for these people to invest new money and make money out of this business?

Sunil Chordia: This is a question you should ask them, not me.

Mayur Milak: No, but what are you saying? Why would somebody come into this field? Unless, what I'm trying to understand is these Bansal only invest themselves and their gain.

Sunil Chordia: I'm sorry, I won't be able to answer this because it is their strategy. One thing I can tell you for sure that it is a complex business. It is a tough business because if Rajaratan is taking time in getting an approval in a new facility, okay, we know this business for 25, 30 years. In spite of that, I'm open to say that we are still learning.

Mayur Milak: That's quite humble of you.

Sunil Chordia: Actually, what happens is that even looking at the balance sheet, there is an attraction. If there is a crowd watching a picture, you buy the ticket, but when you go inside, you realize that you didn't enjoy it.

Mayur Milak: I think your capex was old, but you invested about Rs. 300 odd crores for 60,000 metric ton in Chennai, right? Assuming that even if you make a 15% to 18% return at your level after so much experience, it will generate about INR80 to INR100 crores profit for you at 80% utilization. I'm still wondering why would somebody else really figure, I mean, this mathematics is not working because it is spoiling the whole market for everybody, right? Because once you have the capacity, everybody will want to do more volumes. So how are we really planning to face this for a longer run? I mean, there has to be a permanent solution to this, right?

Sunil Chordia: No, there can't be a permanent solution. Market has played like this in the past. When we started this business, we were eighth in the queue. And have been continuously demonstrating profitable business, continuously growing business. And yes, so focus on quality has given us rewards. And fortunately, we are not leveraging our balance sheet. We are not diluting. So other parameters also, we are very rigid on all of them. And in longer run, this should be successful.

Okay. And, of course we have to have a strategy. We can't say that competition can't do anything. We have to have a strategy to emerge as a winner at the end of the day. I remember we incurred losses in Thailand for many years. And we fought with international players like Kiswire and Hyosung whose balance sheets are very strong. We have fought with Chinese. But today, Thailand is doing very well in the international market.

Mayur Milak: So coming to your Thailand facility, Yash, please come in, if need be.

Yashovardhan Chordia: Yeah, sure.

Mayur Milak: I believe this competition at Thailand is more from Chinese, right? Or Kis has also started introducing a price cut. We were at a relevant discount to Kiswire in the Thailand market or the European market. Does that still hold the way it is? Or even Kis has become more competitive?

Yashovardhan Chordia: No, definitely Kiswire also has become more competitive. Because since last two years, we have also encountered a challenge to them. We have entered into customers that they were sole suppliers or they were prominent suppliers. So somewhere where we are getting that volume, it's putting a back pressure on them to sell to other counters. But still, I would say they are very good competition to have.

They generally don't dump the material. So I would contribute to more to the Chinese companies. They are really aggressive. And China really dumps material at times. But definitely there are indications that the domestic market also is reviving. There is some production increase that is happening in China.

I think that should ease out the situation in the coming months.

Mayur Milak: And just one last question...

Sunil Chordia: KIS Wire is selectively competitive. He goes to a customer, dumps the price because he wants to sell in that quarter and again goes back. And next quarter, he will evaporate from there. But major MNCs, they have larger market share at a very good price. And that is our target. We are knocking doors to increase volumes in those counters.

Yashovardhan Chordia: Mayur, to your previous question of capacity and the total market size, let me also tell you that we are only at about 10% or less than 10% of the world demand. So our main focus today is to reach to global counters in the West and also increase our footprints in Southeast Asia. So we are still confident of selling this volume in the coming years. And that's why we are not very aggressively structurally changing the product mix or not adding another product and getting confused with it.

Definitely next two years might be a challenge. But in the longer run, we are still confident of selling 180,000 tons from these three locations.

Mayur Milak: That's nice to hear. Just one thing on the Thailand. So we had made inroads with the smallest plant with Bridgestone, if I remember well. Are we on track to get the other plants from Bridgestone as well?

Yashovardhan Chordia: Yes, so we were approved with the smallest plant with Bridgestone in Thailand. But unfortunately, they stopped operation in that plant because it was right in the middle of the city. It was a 50-year-old plant. That resulted in a break of three months of supplies. But fortunately, we have got approval for the biggest factory in Thailand, which is another factory. And there is a final audit that is going to happen in December.

Team is coming from Japan for the audit. And we are already discussing a 20% allocation from that factory, starting from first quarter, the calendar year first quarter, so Jan, Feb, March. So definitely next year...

Sunil Chordia: We continue to supply them some quantity even now.

Yashovardhan Chordia: So we are doing limited allocation right now. But I meant to say the regular business would start from Q4.

Mayur Milak: This is very encouraging. Alright all the best you guys. Thank you.

Yashovardhan Chordia: Thank you.

Moderator: The next question is from the line of Nikunj Mehta from Magma Ventures.

Nikunj Mehta: Hi thanks for the opportunity, I have a couple of questions. The first question is, in this particular quarter, what would be the sales and the absolute in terms of cost for the Chennai plant?

Sunil Chordia: As I told you, we are ramping up there. Okay. So if we have to achieve 12,000-14,000 in this year, remaining six months, we should be running at a run rate of 2,000 tons, which is difficult in the next month. But we have to start with 1,000 tons. Like we are doing 1,000 tons this month. Next month should be 1,200 to 1,300. And that is how. But giving you exact numbers is difficult.

Nikunj Mehta: No, sorry. My question was, in this particular quarter, what would be our sales amount from Chennai?

Sunil Chordia: No, no. Last quarter. Quarter two?

Nikunj Mehta: Quarter two, yes.

Sunil Chordia: Quarter two, we have done close to 1,000 tons of sales, which is there in the sales number.

Nikunj Mehta: And the subsequent cost, the fixed cost, opex is not recorded in the P&L. Is my understanding correct? It is still in the CWIP?

Sunil Chordia: No, not. Around, 60% of the assets are capitalized. And balance are in the WIP. And gradually everything will get capitalized. As we start the more and more machines, complete the trial, those machines will be capitalized.

Nikunj Mehta: Understood, And once we are at, say, a 2,000 tons per month kind of a number, then what would be our fixed cost on a quarterly basis, opex part? Just wanted to understand that?

Sunil Chordia: I think we will have to connect separately for all that information. You can talk to Vinay and take those numbers.

Nikunj Mehta: Yes. Absolutely. I'll do that. And the other thing which you mentioned is that we are gunning for Chennai to reach 14, 15-odd thousand to get the PLI benefit. So just wanted to understand that in case if the demand or the approval don't come through, is it fair to say that we can -- the fungibility of the capacity from the Pithampur and Chennai is fungible as in we can increase Chennai to 14,000-15,000 just so that the PLI benefit we kind of receive. At the same time, Indore utilization will be a bit lower to that extent.

Sunil Chordia: That is going to happen. Yes, that is how it is going to happen. So like we are still sending a lot of material to North India from Chennai where approval is not required. But we wish that that it stops. Okay. In the worst scenario, that wish will not be fulfilled and will continue to supply from there.

Nikunj Mehta: Yeah okay understood, and last question from my side is regarding the BIS implication. So we -- as per our last interaction, the imports had reduced significantly to I think around 600 tons per month, that number. So just wanted to understand the current situation. Is it still, the imports are still kind of at the lowest level possible right now?

Sunil Chordia: No. So imports can happen for the tyres which are being exported. And tyre companies can still import bead wire, but they have to use that wire only for export of tyres. So nobody wants to get into that headache. Yes, but few companies who are 100% exporters or who are into SEZs, they are continuing to import from China, but that import is limited quantity and as far as BIS status is concerned, the first company which lost its BIS license was Rajratan Thailand and we are still far away from getting that license renewed.

Nikunj Mehta: Okay. Understood. So my question to in that, a follow-up question was that our realization in India when I look at is around 88,809 per ton and it has remained flattish on a Q-o-Q basis and on a Y-o-Y basis as well. So my understanding is that if the imports reduce drastically, then ideally the realization should have improved a bit. So just I'm not able to connect the two points if you can just help with your inputs on that?

Sunil Chordia: No. So giving you exact calculation may not be possible at this point of time, but in this quarter we have sold higher quantities to low cost customers also and especially from Chennai which I have been repeatedly telling on this call also. So customers who are better priced will take longer time to approve. So this is a transition and you will see this happening more in the next quarter also. We can't be targeting only the prime customers from a new facility.

Nikunj Mehta: Sure, sir. Thank you so much and all the best.

Sunil Chordia: Thank you.

Moderator: Thank you sir. The next question is from the line of Pranay Jain from Deal Wealth. Please go ahead, sir.

Pranay Jain: Thank you. With a desired volume of about 30 tons from Chennai next year, I wanted to understand what is the kind of export volumes we are looking at particularly towards North America and Europe over the next 1 year, 2 years?. What's the kind of export tonnage and market share if we have any aims on that front?

Sunil Chordia: Our projected exports from India is 30,000 tons in 3 years time. I cannot draw a straight line to tell you that this is what it will happen and this is how it will happen. But yes, there may be some up and down, but we have to ramp it up to 30,000 tons in 3 years time that is our target to achieve full production in Chennai and to achieve overall 180,000 tons of sales. So there may be some anomalies like Thailand may grow suddenly faster or sometime you will see that now Chennai volumes have picked up. Everything depends on a lot of variables are there.

You have seen in last quarter freight prices for US had gone up to \$4,500 which have now come down to \$2,500 again. So we also have to change our decisions of price calculations and from which location we can supply to customers. So there are a lot of dynamic things playing out in the market.

Pranay Jain: And the 20% kind of guidance on volume growth along with the steady 15%, 16% kind of margin, you think that that would be a sustainable trajectory going beyond next year too?

Sunil Chordia: Yes because it should be there because we by the time we will get more approval from international, multinational tyre companies where prices are much better than what we are supplying to a lot of customers in Thailand, a lot of customers in Southeast Asia and some customers in India also. So overall, if we shift 15, 20% of our sales to those customers, we will be able to maintain this profitability and that is the strategy we are working on.

Pranay Jain: And lastly, are we seeing any green shoots in the existing large markets like North America, Europe, in terms of not just client conversation or positive audits, but also some demand forecast from them and are we seeing some opportunity in your market or emerging markets like Middle East and other areas also where we can supply?

Sunil Chordia: So Middle East is not a big market, but yes, so then we'll tell you a little bit about North America and global exporters. He's directly involved in that project.

Yashovardhan Chordia: So America we've touched a run rate of about 120 tons a month dispatch to two counters. We've already started supplying material to them. Europe just to give you an update at one counter we sold about 1200 tons last year. And for the next year we are projecting a 2000 ton sales which will add one more factory in that customer. So there are three factories in Europe. These are broad numbers that we are looking at. Definitely next year, second half, I think the volume pickup is going to be much faster from what I can understand on how the approval process is going on.

Pranay Jain: Correct. And the price premium would also be at least 15%, 20% greater than present to such kind of customers?

Yashovardhan Chordia: Structurally, the prices are definitely much better, 15%, 20% higher than Southeast Asian market, but last two quarters there had been a lot of volatile situations. One missile coming from one country to the other and I think before that only ocean freight started rising in anticipation of Red Sea crisis. Ocean freight surcharges, steep increase in the freight cost, somewhere affects the margin.

And entering into the market don't have that strong relationship with customers where we can say, okay, you give us the extra cost. We can't put in a lot of conditions. So last two quarters, we had really good numbers for Europe, but profitability on Excel sheet was much higher and actual profitability turned out to be much lower. Now, for the next two quarters, it's a downward trend. So freight was reducing and it's reducing below the level of what we had considered in the price calculation. Such challenges are also there which need to be incorporated when supplying to Europe and America.

Pranay Jain: Got it. We are living in a complex world, but we are having a good strategy also. So I appreciate it. Thanks for the clarity and all the very best.

Yashovardhan Chordia: Thank you.

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

Saket Kapoor: Namashkar sir, thank you for the opportunity Sir, I missed the earlier commentaries. So pardon , me for repeating questions. When we look at the Chennai unit ramp-up, what are the costs involved in the quarterly performance? I think they are not at optimum level, but their production. So what are the costs that are absorbed currently by our Pithampur unit? Can you give a ballpark number?

Sunil Chordia: No. So we have given in the notes that we have absorbed, we have capitalized around INR5 crores of the trial run costs. Apart from that, there are fixed costs which cannot be capitalized like depreciation, finance costs, because after declaring commercial production, all those fixed costs are becoming part of the profit and loss account. So yes, you can do that automatic yourself.

So there is an interest cost which is fixed. There is a, depreciation, which is a fixed cost. And there are some overheads. Overheads are planned for a big volume, but volume ramp-up is taking time. So and we had anticipated all this. It is not a surprise for us. Any new company, new facility for this kind of product will take some time to become profitable.

Saket Kapoor: And the balance amount of INR72 crores that is lying in the CWIP is also pertaining to the same unit or?

Sunil Chordia: No. Most of it is Chennai. Maybe some small amount from Thailand or Pitampur.

Saket Kapoor: So when will that be capitalized and then there will be an additional depreciation on the same?

Sunil Chordia: Yes. But that will be capitalized as the production ramps up. So as I told you, 70% is already capitalized. So remaining 30% on a much higher volume. So that will be not a big burden. Like building land, electrical equipments, all installations, other than main, modular plant and

machinery, everything is capitalized. Only the modular machines as and when they get started, it will be capitalized.

Saket Kapoor: Sir, going ahead, taking into account the increased volume we have for the first half, H2 looks in similar lines only or what factors will contribute to the improvement in margins going ahead?

Sunil Chordia: We are not anticipating very big improvement in margin but because our focus will be on achieving the volume growth. So we are cautiously telling you that margins will be 15%, 16% only.

Saket Kapoor: And volume will be at this level only? We are at optimum level right now?

Sunil Chordia: Yes. So like we have done volume. So as I have told in the earlier, we are targeting a 20% volume growth for this year.

Saket Kapoor: And sir, what is our current maturity for this year?

Sunil Chordia: Our current?

Saket Kapoor: What is our loan repayment schedule? How much we need to repay this year?

Sunil Chordia: Can Hitesh, you tell how much?

Hitesh Jain: INR30 crores to INR30 crores per the year. And half year already is gone.

Sunil Chordia: So we have to repay INR15 crores and do INR15 crores more this year.

Saket Kapoor: And sir, what is our cost of funds right now?

Hitesh Jain: Around 8% to 8.5%.

Saket Kapoor: Sir, this line item of other expenses, this has been rising steadily. So this is a variable cost line item or what is it?

Hitesh Jain: This includes items of Rajratan Chennai.

Saket Kapoor: Okay. So this is all about the ramp up part only?

Hitesh Jain: Yes.

Saket Kapoor: Okay, sir. Thank you for that.

Sunil Chordia: Thank you saket.

Moderator: Thank you. The next question is from the line of Bijal Shah from RTL Investment. Please go ahead.

Bijal Shah: Hi thanks for the opportunity My question is on your exports. So in Europe and U.S., when you get new orders, who are the suppliers you are replacing? And I mean, what is the reason for them to switch? Are you offering them much better price? Or there is some other reason?

And in the same market, the way you are facing competition from Thailand, from China in Thailand, the same competition is not there in Europe and U.S., where you are able to replace some suppliers?

Sunil Chordia: Yashovardhan.

Yashovardhan Chordia: Yes. So the competition remains the same, but it's not as severe as Southeast Asia, because Chinese prices in those markets are also fairly okay. To your question of who we will be replacing, at some counters, we would be replacing China, because geopolitically, there are a lot of companies who are strategizing to develop an alternate source. We offer 90% recycled steel bead wire, which we've been making since many years in Thailand. And our scope 2, scope 3, scope 1 emissions are also quite low for that product.

So there are also factors like this, where our carbon emission for bead wire per metric ton is much lower than the existing suppliers that they have. So, there are many factors, somewhere we will replace China, somewhere we will replace a high cost Kiswire or Bekeart who's locally producing there. And somewhere strategically, people want to reduce dependency on China.

Bijal Shah: And how do you see, I mean, exports ramping up in terms of percentage of your total volumes? Say, 3 years out, what kind of total volumes will come from exports in India and Thailand? So I'm saying Thailand going to Europe and U.S.?

Yashovardhan Chordia: So overall, as we mentioned, we'll target at 30,000 tons of export volumes.

Bijal Shah: With respect to China or that is overall?

Sunil Chordia: From India, 30,000 tons.

Yashovardhan Chordia: From India, 30,000 tons. And from Thailand, we do an approximate of 15,000, 20,000 tons, which would remain similar. Between the plants, we might switch. So Thailand might start exporting more volumes to Europe and America, whereas India might focus on the Southeast Asian market and vice versa.

Bijal Shah: **Got it** Thank you and all the best.

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

Parth Bhavsar: Sir, I have just one question regarding the imports from China. The earlier participant had asked that the BIS norms were implemented and you mentioned that it's only for Indian sales. So can you just highlight the number, or how it has changed over the last 6 months from 600 KT to now, what it would be?

Sunil Chordia: So China was lately exporting a bigger quantity to the Indian market. They were dumping. And the government has made the quality control order very effective. And it is not for bead wire, they have done it. They have done it for all the steel items. And fortunately, bead wire also falls under the same category. So it was also hit by the same bullet. So the volumes which had gone up to 3000 tons a month, or 3500 tons a month in one month, have come down to 400, 500, 600 tons maximum import numbers we see now.

Parth Bhavsar: Okay. Perfect, sir. That answers my question. Thank you so much.

Sunil Chordia: Thank you. I think we have -- Sailesh, if there are no more questions, can we request for the closing remarks?

Moderator: Yes, sir. Mr. Raja, please go ahead.

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

Sunil Chordia: Yes. So keep watching Rajratan and thank you for your continued interest in Rajratan. We are on our side as management working very hard to, continue to grow and continue to profitably grow. And also have a strategy in place to compete in local market as well as in international market and in Thailand market. But it has been a good experience to run this company and bringing it here. And I see a lot of possibilities of growth from here for next couple of years. So stay connected. Keep watching. Thank you very much.

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