# JAI BALAJI INDUSTRIES LIMITED

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To
The Manager
**Listing Department,**
**National Stock Exchange of India Limited**
"EXCHANGE PLAZA", C-1, Block G
Bandra–Kurla Complex, Bandra (E)
Mumbai – 400 051
(Company's Scrip Code: JAIBALAJI)

To
The Manager,
**Dept. of Corporate Services**
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai – 400 001
(Company's Scrip Code: 532976)

Dear Sir/Madam,

**Sub: Transcript of the Earnings Con-Call held on 29th April, 2024**

With reference to the captioned subject, please find enclosed the transcript of the Earnings Con-call for Q4 & FY24 held on April 29, 2024.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For **Jai Balaji Industries Limited**

**Ajay Kumar Tantia**
**Company Secretary**

Ajay Kumar Tantia
Digitally signed by Ajay Kumar Tantia
Date: 2024.05.02 11:54:29 +05'30'

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# "Jai Balaji Industries Limited Q4 FY '24 Earnings Conference Call"

April 29, 2024

**MANAGEMENT:** **MR. ADITYA JAJODIA – CHAIRMAN AND MANAGING DIRECTOR – JAI BALAJI INDUSTRIES LIMITED**
**MR. RAJ KUMAR SHARMA – CHIEF FINANCIAL OFFICER – JAI BALAJI INDUSTRIES LIMITED**
**MR. VIJAY BAGRI – PRESIDENT FINANCE – JAI BALAJI INDUSTRIES LIMITED**
**MR. AJAY TANTIA – COMPANY SECRETARY – JAI BALAJI INDUSTRIES LIMITED**

**MODERATOR:** **MS. SANA KAPOOR – GO INDIA ADVISORS**

**Moderator:** Ladies and gentlemen, good day and welcome to the Jai Balaji Industries Limited Q4 FY '24 Earnings Conference Call hosted by Go India Advisors. 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 call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Sana Kapoor from Go India Advisors. Thank you and over to you, ma'am.

**Sana Kapoor:** Thank you, Rayan. Good afternoon everybody and welcome to Jai Balaji Industries Limited Q4 and FY '24 Earnings Call. We have on the call Mr. Aditya Jajodia, Chairman and Managing Director, Mr. Raj Kumar Sharma, Chief Financial Officer, Mr. Vijay Bagri, President Finance and Mr. Ajay Tantia, Company Secretary. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces.

May I now request Mr. Aditya Jajodia to take us through the company's business outlook and financial highlights, subsequent to which we will open the floor for Q&A. Thank you and over to you, sir.

**Aditya Jajodia:** Thank you, Sana. A very good afternoon to everyone. We are very pleased to welcome you all to our Q4 and FY '24 con call. Our investor presentation and results have already been uploaded on the exchanges and we hope that you have had the opportunity to review it. As you may be aware, Jai Balaji Industries is an integrated steel products company specialising in value-added products like ductile iron pipes and specialised ferroalloys. Our journey has witnessed a remarkable turnaround driven by the resilience and hard work leading to record breaking performances.

With Jai Balaji 2.0, our goal is to boost margins by focusing on revenue growth from ductile iron pipes and specialised ferroalloys and implement cost-cutting strategies, increasing operational efficiencies and also achieving a net debt surplus within the next 15 months. FY '24 has been a very eventful year for us. We have achieved record high financial performance, marking the highest ever in the history of our company.

Before discussing the financial and operational performance, I would like to highlight the following. Strategic updates of FY '24. Net debt free in the next 15 months. The company is making significant progress in its net debt reduction strategy. In FY '24, the net debt decreased to INR398 crores from INR871 crores, marking a reduction of 54%. It's worth noting that our current net debt to EBITDA ratio stands only at 0.4 as of March 31, 2024, thus performing better than our guidance of maintaining 0.6 net debt EBITDA.

This debt is associated with Tata Capital Limited and we are optimistic that within the next 15 months, we will achieve our goal of becoming a net debt free company. To update you all on the capacity expansion and the capex plan of the company, we had earlier announced a capex plan of around INR1,000 crores and out of this, around INR497 crores has already been incurred and the balance INR503 crores is expected to be incurred in the next 15 months. All this capex is being done through internal accruals only.

I am extremely delighted to share that we have made a significant improvement towards achieving our capacity expansion plans. Capacity of DI pipes has been expanded 3 lakh tons compared to 2.4 lakh tons last year. Furthermore, 1.4 lakh metric tons that is the balance of Phase 1 and 2.2 lakh metric tons that is Phase 2 is expected to be commissioned in FY '25 and FY '26 respectively.

The capacity of ductile pipes will finally reach 6.6 lakh tons in the immediate future. The ferroalloy capacity is also being increased from 1.3 lakh tons to 1.66 lakh tons. The balance capacity of 0.24 lakh tons is expected to be commissioned by FY '25. In the blast furnaces, one of the blast furnaces has already been repaired and hence the capacity has expanded to 6.3 lakh tons up from 5 lakh tons of last year.

The completion of the second blast furnace is anticipated by the next financial year. Additionally, the capacity of sinters has been raised by 3 lakh metric tons to 9 lakh metric tons with the remaining 3 lakh metric tons selected for commissioning in FY '25. For more information please refer to slide 13 of the investor presentation.

I would want to highlight here that we are focusing on enhancing capacities for ductile iron pipes and ferroalloys because we believe that there is a very strong demand in these sectors. We expect that the DI pipe industry to go at 13% to 15% CAGR in the near future. The Jal Jeevan Mission and Mission Amrut Sarovar Infrastructure Development Plan which has been promoted by the government has led to an increased demand of these pipes and Jai Balaji is also contributing to the same.

Currently we have around 9% to 10% of the DI pipe market share of India and our aim is to reach 18% to 20% of the market share post our capacity expansion plans. We also manufacture special grade ferroalloys which is sold at significantly higher premiums to the benchmark ferroalloy prices.

We are one of the largest producers of specialised ferroalloys in India and export to more than 40 countries in the world. The company is also focusing on cost reduction measures through enhancing operational efficiencies. This includes owning three railway sidings and having captive power facilities.

Now coming to operational performances. For FY '24 the production of TMT bars, ferroalloys and DI pipes showed an increase of 18%, 12% and 14% to 2.5 lakhs tons, 1.2 lakhs tons and 2.4 lakh tons respectively. The sales volume of TMT bars and DI pipes showed an increasing trend of 22% and 14% year over year to 2.5 lakh tons and 2.4 lakh tons respectively.

We also saw an increase in exports of special grade ferroalloys to over 40 plus countries with more than 50% of these being exported to key European, American countries and Japan. Realization of both ferroalloys and DI pipes increased significantly to INR1,76,000 tons for ferroalloys and INR77,000 per ton for ductile iron pipes which is an increase of 28% and 12% year over year. The production of Ferroalloys and DI pipes increased 19% and 6% year-over-year to 33 KTPA and 69 KTPA. Sales volume from them was similar to the volumes in Q4-23.

Realization of Ferroalloys and Ductile pipes showed an increasing trend of 23% year-over-year to 1,88,000 tons and INR83,000 tons for pipes. We are also thrilled to share that Jai Balaji has achieved its highest ever revenue, highest ever EBITDA and highest ever PBT and PAT for this financial year.

Revenue for this year increased by 5% year over year to INR6414 crores and INR375 crores up 71% year over year. EBITDA margin also increased to 15% compared to 9% last year. PAT also showed a very significant increase of 1422% to INR880 crores compared to only INR58 crores earned last year. Similarly, PAT margin showed a jump from 1% in FY '23 '24 to 14% in FY '24.

Revenue for the quarter increased to INR1846 crores up 7% year-over-year. The adjusted EBITDA showed a slight drop of 3% to INR257 crores year-over-year because of certain provisions taken in the books in this quarter only. The PAT increased significantly to INR273 crores up from losses reported in Q4 '23. The PAT margin also grew to 15% from minus 1% in Q4 '23.

Overall, the performance in FY '24 has been outstanding and we at Jai Balaji are ready for the next financial year. For FY '25, we anticipate revenue growth in the region of 25% to 30%, EBITDA margins of around 17% to 18% and the net debt to be reduced to a range of around INR225 to INR250 crores. The capital expenditure is also expected to be in the range of INR300 to INR250 crores and we expect the ductile iron pipe production to exceed INR4 lakh tons.

With a focus on increasing the contribution of value-added products for margin expansion, we expect DI to contribute 45% to 50% and Ferroalloys to contribute around 35% of our total volumes by FY '25 '26. In conclusion, I am very confident that Jai Balaji Industries will continue to grow as a resilient organization with a very strong growth trajectory. We can now open the floor for questions please. Thank you.

**Moderator:** The first question is from Jatin Damania from SVAN Investments. Please go ahead.

**Jatin Damania:** Good afternoon, thank you sir for the opportunity and congrats on a good set of number. Sir, firstly on your two segments DI and Ferro, where we are expanding our capacity and we are confident that the industry is likely to grow in a healthy double-digit growth. But can you throw some light in terms of what was the EBITDA per tone in both these segments in Q4 vis-à-vis Q3 and how did we end the financial year FY '24?

**Aditya Jajodia:** Sir, can you please repeat the question? You are not audible.

**Jatin Damania:** Sir, I just wanted to understand the EBITDA performance or EBITDA per tone for the ductile iron and Ferroalloys in Q4 vis-å-vis Q3 and given the strong growth that we are seeing in ductile iron where our major competitors are also increasing their capacity, how do we see our profitability panning out in FY '25 '26 once your capacity comes on stream?

**Aditya Jajodia:** Answering your second question first, the competitors are expanding capacity because the demand projections over here in India for the next five to 10 years it is extremely robust and there is acute scarcity of these pipes in the country because of the huge infrastructure growth that has been planned.

So keeping this in view, many of the competitors also would be expanding capacities. So naturally as we had mentioned that we are having a current market share of around 9% to 10% only right now and we want to increase it to around 18% to 20%. So keeping this objective in view, we are expanding our capacities.

One thing I would like to add over here is that when we compare ourselves to the cost, so in terms of cost, our facility is one of the most integrated in the ductile pipes across the country. Means we have all the facilities located in a single location and our cost structure is very conducive.

So in the cost quartile, we are one of the lowest producers in the cost quartile and even in the realizations, our realizations are slightly higher than our peers because of, I would say because of timely deliveries, because of better quality and because of very personalized service by our marketing teams. In terms of margin you asked, in percentages, in ductile pipes we have a margin of around 20% to 25% and in Ferroalloys, specialized Ferroalloys, we have a margin of around 25%.

**Jatin Damania:** And this margin is expected to sustain?

**Aditya Jajodia:** Yes, this margin is absolutely expected to sustain because as we, as I also mentioned, is that other than expanding the capacities, what we are also doing is that we are also undertaking many cost cutting measures which are there in slide 13, you will see that. So in this cost cutting measures, the capacity of the Blast Furnaces has been expanded, the capacity has been expanded keeping in view that the coke rate will be reduced, the fuel rate will be reduced, also shelter plants have been added, also we are adding a substantial capacity of green power to the waste gas of the [0:14:15 VFG] etc.

So the cost also has been cut down and with increasing volume, the overheads also will come down, marketing expenses will come down. So when we take all these aspects in place, so the margins will be in the region of 18% to 20% for the group as well.

**Jatin Damania:** So sir, when you said about the cost cutting initiatives that you have taken and probably setting up the railway sliding and the captive power plant, so incremental how much cost saving that we can see into the overall company?

**Aditya Jajodia:** In incremental what we are talking about is that on the metals produced entirely, we are looking at a cost saving of approximately INR3000 to INR4000 per ton on the hot material.

**Jatin Damania:** On hot material. And sir, one more question on the ductile when you indicated that the margin is around 24%, 25% on the ductile iron. What was the same in the last quarter Q3?

**Aditya Jajodia:** Q3 the margins cost saving in the region of around 20% 21%.

**Jatin Damania:** We have seen almost INR300, INR400 higher in this quarter. And sir, last question is on your employee cost for FY '24. Now if you look at the overall costing, employee cost has increased by almost 20%. So what was the main reason behind that?

**Raj Kumar Sharma:** What happened in the first three quarters, the projects which were being capitalized, the expenses of the employees were not transferred over there. The entire once the capitalization were done, approximately INR8 crores capitalization was taken out of the employee cost and it was capitalized. Therefore, this quarter the employee cost is lower by INR8 crores.

**Jatin Damania:** Okay. But this run rate will continue going ahead?

**Raj Kumar Sharma:** No, it will be in the same region. Annually if you compare, it will be in the same range.

**Jatin Damania:** Sure, sir. Thank you, sir. If you have any other questions, I will come back in the queue. All the best.

**Moderator:** Next question is from Shweta Dikshit from Systematix Group. Please go ahead.

**Shweta Dikshit:** Hello. Thank you, sir, for the opportunity. Question is regarding the EBITDA per ton margin. I mean, could you reiterate the margin for DI pipes and federal alloys for the quarter in terms of EBITDA on a per ton basis? Also, post-expansion, how are we looking at the margins evolving? Like by FY '26 '27, what can be the EBITDA per ton expected out of these segments? And I missed your guidance for FY '25 and '26 for the segments, volume guidance. Could you please repeat that? Thank you.

**Aditya Jajodia:** Madam, as we just said, is that the margins in the ductile iron pipe would be the region of around 22% to 25%. And in the specialized Ferroalloys, also 20%. In terms of volume guidance, for ductile alloys, we are looking to produce around 4 lakh tons in the forthcoming year there is FY '25.

And in FY '26, we are looking to produce around 6 lakh tons. And as far as Ferroalloys are concerned, we are looking to produce around 1.5 lakh tons in the forthcoming year. With the capacity going up to 1.9 lakh tons, we expect to produce 1.9, 1.8 lakh tons in the FY '26.

**Shweta Dikshit:** And so, what is the outlook on, I mean, how the steel prices have, remained range-bound, barring some uptick in the prices in this quarter. But if the prices fall further, what is your view on it? Will we still be able to, maintain margins or what could be the impact of that?

**Aditya Jajodia:** Madam, One thing I would like to emphasize is that we are making steel products now. We are now no more of a commodity company by and large. As we have mentioned earlier in the presentation also, that our sales of specialized products was only 25% two years ago, which has increased to 50% this year.

Going forward, we are looking to raise it to 80% to 85% to 90%. So, basically, what we are talking about is that we are making products out of steel, which we are manufacturing in-house. But we are no more a commodity player. So, as such, if you are saying that as such, the prices of the commodities going up and down will not be impacting the margins.

Maybe there will be a long-term adjustment in the final prices of the finished products depending upon the cost of production of steel or the sale prices of steel. But then the margins will remain intact. Entire for all of us.

**Shweta Dikshit:** Okay. Thank you, sir.

**Moderator:** Thank you. The next question is from Sidharth Jain from Yes Securities. Please go ahead.

**Sidharth Jain:** Hi. Good afternoon, sir. Firstly, congratulations. A couple of questions from my side. So, you have already mentioned your guidance for FY '25 in your presentation. But if you could just give us some more details on the same, that would be helpful. And if you could guide on your Ferroalloys Production Numbers for FY '25.

**Raj Kumar Sharma:** I'll answer you about the Ferroalloys Special Grade. This year, we have completed with a production of 34,350. The Special Grade and the Normal Grade is 81,000. And what was the first question?

**Sidharth Jain:** And what would be your production number for FY '25? Any guidance on that?

**Raj Kumar Sharma:** In Ferroalloys, we'll be increasing capacity by around 30,000 this year. So, roughly the same level of capacity utilization. Last year, we achieved around 76%. We'll achieve the same level.

**Sidharth Jain:** All right. So, my second question is, So, the break-up of your Normal Grade Ferroalloys and your Special Grade Ferroalloys will also remain the same going forward?

**Raj Kumar Sharma:** We'll try to increase the Special Grade Ferroalloys. That all depends on market and the demand, which is currently being increased. It is showing an increasing trend.

**Sidharth Jain:** Got it. But any target…

**Raj Kumar Sharma:** We are the fourth-largest exporters out of India.

**Aditya Jajodia:** I understand what Sharmaji is saying. See, what is happening is that the Special Grade of Ferroalloys is a very new product for India as a whole. What has happened is that to establish the market, it has taken us more than four to five years. Currently, we are exporting to 40 countries.

And with the passage of every month, every quarter, the confidence of our buyers, it is increasing multifold. So, currently in our mix, whatever mix we have given you, is that in this mix, the contribution and the share of Special Grade Ferroalloys will be continuously increasing because the customers have potential to buy more.

But many customers are still not buying 100% of the requirements from us because we are literally new suppliers to them because we are the only export out of India for these products. So, they need to establish some more confidence. It will take a couple of more quarters, three quarters more. So, it is not a one-day match. It is a long haul. So, here also the share of the Special Grade Ferroalloys will be increasing Q-on-Q.

**Sidharth Jain:** Got it, sir.

**Aditya Jajodia:** One more thing we would like to add over here is that the share of the Special Grade Ferroalloys has increased 80% over last year.

**Sidharth Jain:** Got it, sir. Noted. Lastly, from my end, as you have mentioned that there is a INR1000 crores capex that you will have planned for the next 15 months. So, anything post that, any other capex plans that you all have on the table or any discussions that you can help us with post the 15 months with INR1000 capex?

**Aditya Jajodia:** See what is happening is that currently the management is very focused to complete this particular capex plan. So, as of now, we would not like to give any guidance of further capex till the time this particular project are completed and the company is able to reap the fruits and the benefits of this particular capex. We will not be in a position to do any further capex. So, as of now, there are no further plans immediately.

**Sidharth Jain:** Perfect. That was helpful, sir. Wish you all the best. Thank you.

**Aditya Jajodia:** Thank you.

**Moderator:** Thank you. The next question is from Parth Modi from Equiris Securities. Please go ahead.

**Parth Modi:** Hi, sir, and thanks for the opportunity and congratulations on the great set of numbers. I had only one question that why the other income has gone so up and can you please give us the breakup of the same?

**Raj Kumar Sharma:** If you see our last balance sheet there was a lot of provisions which we had made and those provisions have been reversed. Those were not required and the other expenses also has gone up. So, certain provisions have been made into other expenses and these provisions have been clubbed into other income as per accounting.

**Parth Modi:** Okay, sir.

**Moderator:** Thank you. Next question is from Yogesh from Authum. Please go ahead.

**Yogesh:** Good afternoon sir. Am I audible?

**Aditya Jajodia:** Yes.

**Yogesh:** Sir, just to understand the DI pipes basically. So as we know that we are integrated player in DI pipe. So I just wanted to know and on an EBITDA per ton basis what would be the difference between a non-integrated and integrated player in the DI pipe segment in terms of EBITDA per ton?

**Aditya Jajodia:** The difference could be as high as around 8% to 10%.

**Yogesh:** Okay, 8%, 10% between an integrated and non-integrated data?

**Aditya Jajodia:** Absolutely.

**Yogesh:** And we have about 9% to 10% market share in the DI pipe segment. So how much of the total industry of DI pipes in India would be non-integrated players?

**Aditya Jajodia:** Can you please repeat the question?

**Yogesh:** So we have a market share of about 9%, 10% in the DI pipe segment in India. So out of the total universe or out of the total industry of DI pipe in India, how much would be contributed by non-integrated players?

**Aditya Jajodia:** See, integrated and non-integrated would also have different levels of integration and non-integration. So what I would like to say is that what we can mention is about our company is that our facilities are fully integrated and they are all integrated at the same location itself. So that also gives a very big advantage.

For example, there could be players who are integrated but they have the integration at some other location where there would be a great disadvantage. So the different players would have different levels of integration, different types of integration. But if you talk about total integration at a single location, ours would be one of the very few companies.

**Yogesh:** So what would be the contribution of such players to the overall industry where they are integrated at one location only? So what would be their contribution out of the total industry?

**Aditya Jajodia:** It would be around 50%.

**Yogesh:** 50% okay. And sir, one more observation like if I compare TMT with DI pipes. TMT, we see a fall in realization of about 16% Y-o-Y and again 2% on Q-o-Q basis while DI pipes there has been an increase of 23%. So what is the different dynamics playing in both these TMT versus DI pipes?

**Aditya Jajodia:** We will explain. TMT basically this is exactly what we have been trying to emphasize. TMT is a segment which has been made by hundreds of players in the country. So it is a pure commodity segment. So the steel prices they have softened since last year. So that is why the realization has TMT. So the commodity prices have come down. TMT prices they have also come down. But in the case of DIP since it is not a pure commodity pay, but a value-added product player yet the prices have actually not come down and they have increased.

**Yogesh:** So what would be the EBITDA per ton in TMT segment if I can get a range in TMT segment, what would be the EBITDA per ton?

**Aditya Jajodia:** In TMT segment EBITDA would be ranging in different quarters ranging between around 7% to 10%.

**Yogesh:** Okay, 7% to 10%. And sir lastly on the realization, so DI pipes the realization increased in one year from 68,000 per ton to about 84,000, 83,500. So do we expect sustaining around current levels or it will try to revert to where it started from?

**Aditya Jajodia:** See, the order book which we have in hand as of now and the demand projections which we are seeing what we are looking at is that we should be able to maintain this guidance. There may be a correction of 2% to 3% in the prices.

**Yogesh:** Sure. And lastly on the installation so from about INR54,000 per ton last year to about INR45,000 it is continuously declining. So do we see a decline going forward in realization per ton?

**Aditya Jajodia:** For the decline or increase in price of steel prices this is a very macro subject. It is a very global subject. So what we are seeing is that globally there are two trends emerging. One is that steel price, they have softened globally, but in India what you see on the contrary is that in the last two months in spite of the global prices softening the prices of steel they have in fact gone up.

So these are factors actually where the global prices as well as the local demand so whichever will prevail, accordingly the prices will react. So to make a long-term projection of the prices and the demand of steel this is a very difficult job to do actually.

**Yogesh:** Sure, sir. That is very helpful.

**Aditya Jajodia:** Tata Steel and SAIL and JSW can come on better on this I think. They are the larger commodity players.

**Yogesh:** Sure, sir. That is very helpful. That's all from my side.

**Moderator:** Thank you. Next question is from Ankur Kumar from Alpha Capital. Please go ahead.

**Ankur Kumar:** Hello, sir. Thank you for taking my question. Sir, I wanted to inquire on this other income only. So you are saying that this is like provision reversal. So can you comment how much was it for the provision reversal?

**Raj Kumar Sharma:** As far as the provision, the other income provision which was reversed it was around INR110 to INR150 crores were reversed on account of…

**Ankur Kumar:** So, sir in terms then if I remove these others income there is a margin reduction from 14% to 13% is it right and can you comment on that please?

**Raj Kumar Sharma:** The actual reversal was around INR180 crores.

**Ankur Kumar:** In that case, sir, was there a margin reduction compared to the last quarter of Q3?

**Raj Kumar Sharma:** Margin reduction was not there. It was in the same region, 13%-14%.

**Ankur Kumar:** Got it, sir. And, sir, on the tax rate, what should be our assumption for FY'25 tax rate?

**Raj Kumar Sharma:** Tax rate, we have carried forward losses. So probably, we will, for the next financial year, we have close to INR1,000 crores of carry forward losses which will be used.

**Ankur Kumar:** So this year, I think our tax rate was close to 9% or so, the one which came in income statement. So that should continue 9%-10% only?

**Raj Kumar Sharma:** That was deferred taxation which was reversed, which we had in our balance sheet. It is a non-cash item.

**Ankur Kumar:** Okay. Got it, sir. Thank you and all the best.

**Moderator:** Thank you. The next question is from Majid Ahamed from Smart Sync Investment Advisory Services. Please go ahead.

**Majid Ahamed:** So for my first question is, what is your current order book? And like how much of the order book is from the government side?

**Aditya Jajodia:** See, the order book currently for ductile iron pipes, it is in the region of around 10-12 months of the current capacity. And out of this, around 35% would be government orders.

**Majid Ahamed:** So the next is, we're also looking to diversify into export markets.

**Aditya Jajodia:** You're not audible, Mr. Ahamed.

**Majid Ahamed:** Yes, sir, I'm audible now. Now I'm audible, sir?

**Aditya Jajodia:** Yes, now you're audible.

**Majid Ahamed:** Okay, sir. So my next question is, what's your plan, especially going to the export markets? Because you're also looking at Africa. What's the current update on that?

**Aditya Jajodia:** See, the plan for the export market, we have a long-term plan. But currently what is happening is that the demand locally, it is very, very robust. And the government is very keen that the infrastructure projects are completed on time. And since there is a scarcity, so our first responsibility, it is towards supplying the pipes in India.

We have a very small export market also, which with the expenses coming on stream by next year. From there, we will be moving deeper to the export markets. But immediately in the near future, we are not looking at expanding very aggressively in the export market.

**Majid Ahamed:** Okay, sir. So my last question, sir, is that, so you are also saying that you're trying to reduce your power cost maybe through green energy and so on. So can you expand on that? Are you planning to install something [0:35:36]?

**Aditya Jajodia:** You are not audible, Mr. Ahamed. Can you please raise your voice?

**Majid Ahamed:** Yes, sir, now I'm audible, sir. Sir, my question is, so you also said you're also going to reduce power costs and making it more cost-optimized. So is there any capex made on that side, maybe installing some other, maybe renewable energy on that side, like as you're saying about the green energy, is there any plans on that side?

**Aditya Jajodia:** Mr. Ahamed, we cannot hear you properly.

**Moderator:** Mr. Ahamed, if you're on a hands-free, request you to use the handset.

**Majid Ahamed:** Yes, sir. So my question is, is there any plans to reduce the costs on green energy you had said earlier? Any capex on that trend to reduce your energy costs?

**Raj Kumar Sharma:** So with regard to green power, we are putting up another BFG boiler, for which 50% of the work has already been completed. And we shall be completing the same in the next six months. And this year, we will be able to produce more green power out of that.

**Majid Ahamed:** And what is the financial projection of this? Financial implication, like how much costs can be reduced?

**Raj Kumar Sharma:** So the BFG boiler cost was estimated at around INR30 crores only, and out of which, around INR13.3 crores was spent up till March '24, and the balance will be spent in the next six months.

**Majid Ahamed:** Okay. Thank you, sir. All the best.

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

**Gunit Singh:** Hi, sir. You mentioned that we have moved from a commodity business to a more specialized business, and that is what the future outlook also is. So our margin used to be about 1% to 5% around 4-5 years back, which we are seeing now to be around 14%. So I just would like to understand what kind of steady-state margins should the company expect going forward?

And I also want to understand, how would our margins react to changes in steel prices? For example, in futures, in FY'26, steel prices fall by 50%. So how should that affect our margins directionally? That's what I would like to understand.

**Aditya Jajodia:** We didn't understand your question properly. Can you please repeat this question once again?

**Gunit Singh:** So, basically, I want to understand the steady-state operating margins the company expects in future. In the past, we saw that we had about 1% to 5% operating margins about 3 to 5 years back, which are now at about 14%. And you mentioned that the company has moved from more of a commodity business to more specialized products.

So I would like to understand what kind of margins can be maintained and how would our margins move in future with changes in steel prices? So, for example, say in future if steel prices fall by 50%, what kind of minimum operating margins can the company still expect to operate in?

**Aditya Jajodia:** Yes, we'll explain. See, with the guidance given by us, so we've been repeating this continuously, is that we're looking at expanding our margins to 18% to 20% by the time the entire capex plan is completed over the next 15 to 18 months. So this is the guidance for the future. So this is the first part of your question.

Coming to the second part of your question where you're asking, what will happen to the margins if the steel prices are to come down? See, even if the prices are to come down, the margins will not come down. In fact, the margins will go up if the prices of the steel is to come down. Because we are making the products where we are selling at, I will say, where the prices are linked very much to the prices of the demand and supply, not so much as to the prices of steel.

**Gunit Singh:** All right, sir. So what kind of minimum steady-state margins can we expect even in an adverse scenario going forward according to the management?

**Aditya Jajodia:** That is what we've been studying so far is that the guidance or the conservative basis that is going to be 18% to 20%?

**Gunit Singh:** All right. This is not just for next year, but this is for coming, say, 4 to 5 years?

**Aditya Jajodia:** Yes, obviously.

**Gunit Singh:** All right, sir. That's all from my side. Thank you.

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

**Saket Kapoor:** Namaskar, sir, and thank you for the opportunity. Firstly, Sharmaji, if you could just explain the impact of the reversal in terms of the other income and also its impact on the other expenses, just to keep it in a comparative number to Q3, what should be the likely number?

**Raj Kumar Sharma:** Comparative number to?

**Saket Kapoor:** Q3. If we compare the numbers in Q-on-Q, if we net off your exceptional income and expenses, then what should be the net impact?

**Raj Kumar Sharma:** The net impact, the non-cash impact is INR137 crores. I don't have the figure in front of me, but it was close to INR137 crores.

**Saket Kapoor:** Okay. When I am referring to page number 18 of the investor presentation, we are looking at our EBITDA down 2% even on a higher revenue, Q-on-Q. So what explains this referring to page number 18?

**Raj Kumar Sharma:** The sale prices of certain products have come down in Q3, Q4. Because of that, the margin has come down.

**Saket Kapoor:** Okay. And sir, Adityaji, now with the expansion kicking in for the DI pipe, what should be the quarterly run rate for the DI pipe for this financial year, FY'24-'25?

**Raj Kumar Sharma:** This year, in FY'24-'25, we will be achieving a production volume of close to 4 lakh tons. And we will be seeing incremental gains quarter-to-quarter.

**Saket Kapoor:** Okay. Sir, now we are producing for INR69,000 and selling for INR66,000-INR67,000. So, what should be the likely number in terms of -- it should be proportionate or in the second half, there will be a bump up in the volume. That is what I want to understand.

**Raj Kumar Sharma:** Q-on-Q rise every quarter, starting from quarter 2.

**Saket Kapoor:** Come again, sir?

**Raj Kumar Sharma:** You will see a rise in production every quarter, starting from quarter 2.

**Saket Kapoor:** Quarter 2. So quarter 1 is on similar line in terms of -- the capacity benefit will kick in from quarter 2. That is what your understanding is.

**Raj Kumar Sharma:** We expect to increase by up to 4%-5% compared to Q4 of last year. So our first plan has already been commissioned in the month of February. So we have seen some gains in quarter 4. In Q1 also we will see more gains. And our next phase will be commissioned in Q2. So every quarter, you will be seeing incremental gains.

**Saket Kapoor:** Okay. Sharmaji, what should we read into this high trade payable of INR858 crores and also this other current liability of INR264 crores? Why are these so high numbers when we look at our repayable part? Why are the numbers so unevenly balanced? Correct me there, sir.

**Raj Kumar Sharma:** I would like to clarify that the trade payable number will also be coming down since the company does not have any bank credit facilities. The company is growing with the support of its creditors as well as the support of its buyers. So these numbers will be high right now. But on Q-on-Q basis, it will be coming down in the next quarter itself.

**Saket Kapoor:** Okay. And on the other current liabilities part, that has gone down from INR400 crores to INR265 crores. So what are the key constituents?

**Raj Kumar Sharma:** As conveyed by [0:44:35], there have been certain provisions which have been made in the earlier year. It got reversed in this quarter. So we are expecting that the other current liabilities figures will be more or less in line with this quarter in the coming quarters.

**Saket Kapoor:** Right. Adityaji, you have been alluding to the fact about the ferroalloy segment contributing to around 50% margin. Who are its end users? Who are our main buyers? And what is the client concentration in this product?

**Raj Kumar Sharma:** You need to repeat that question. Actually, it was not audible.

**Saket Kapoor:** I will repeat it. As Mr. Aditya has mentioned that for ferroalloy, we are enjoying a margin of 50%. Correct me there. Who are our end users? And is there any client concentration or any concentration in the geographies where we are getting to?

**Aditya Jajodia:** One second, please. Margin was not 50%. We have said....

**Saket Kapoor:** Yes, please.

**Aditya Jajodia:** It was not 50%.

**Saket Kapoor:** Okay, sir. Correct me, sir. What is the margin?

**Aditya Jajodia:** Yes, sir. Margin will be around 22%-25%.

**Saket Kapoor:** Okay. And, sir, who are the end buyers? Like you said, we are making a specialized ferro alloy which we charge a higher premium. So, who are the buyers? And, Mr. Aditya, if we look at the peer comparison globally, who are we competing with?

**Aditya Jajodia:** There are two parts to this question. Buyers are very varied in the world. There are some big buyers too. Like in India, there is JSW Steel, ArcelorMittal. These are big buyers. If we go to the world, then in Japan, there are automobile manufacturers. The founders of aerospace industry same for Europe and America. So the large steel players are also there. And other than that, there are very small founders.

People who have very rich applications. And where the steel is made for the application in the aerospace industry, in the defense, oil drilling etc. So there are such users too. So the buyer will say that the buyer's spread is very global. In the developed countries only. And in India its demand is increasing gradually. So if the buyer says, then there are also big steel producers in the world. You can say the name of [46:41.9 Chandshan Mittal].

**Saket Kapoor:** Understood. So it is all for the value added products only this carol is going through. The value added steel. So that will pay...

**Aditya Jajodia:** This goes in highly added steel.

**Saket Kapoor:** When we look at our Chhattisgarh unit, how is this getting integrated with our Bengal unit and how will this serve the purpose of integration as you were explaining to us?

**Aditya Jajodia:** The Chhattisgarh unit is in an entirely different geographical region, it is very far from Bengal, there is no link between Bengal with this and the vertical is also different. See, the value of the product is being made in Bengal. Other products of the company are also there, which have sponge iron and billets. So, they make billets from sponge.

**Saket Kapoor:** So, the space of the sponge, iron and billets is a commodity. And this can be called as margin dilutive, in comparison to the DI pipe and ferroalloy product which we are giving full thrust on.

**Aditya Jajodia:** Absolutely.

**Saket Kapoor:** So, going ahead, these segments of ours, Pig Iron is still going into integration, but other than that, what will be the future of the external sales? We will continue to sell in this geography and what is the thought process for that?

**Aditya Jajodia:** I am telling you clearly. Hello, what we are saying is that in the next one and a half years, 80%-85% of the company sales will be valued added products going forward, the percentage of valuated products in the total product market will be around 80%-85%. So, the 15%, 20% of the non-valuated products will be products like sponge iron, etc, which we are selling for Chhattisgarh also. So, we are not closing down those modules. Though they are, I will say, EBITDA dilutive in terms of the very highly-valuated products, but they are not EBITDA negative. They are still EBITDA positive and hugely positive. So, we will not be diluting those divisions.

**Saket Kapoor:** Right. And, lastly, Sharmaji, on the capital work in progress, this entire 116 will be capitalized by the quarter 2 with the DI pipes expansion getting commissioned?

**Raj Kumar Sharma:** It will take three quarters. Something will be capitalized in the first quarter, second quarter, and probably next year, first quarter, the entire expansion will be completed. The current year, close to INR250 crores-INR300 crores capex will be completed.

**Saket Kapoor:** Sir, last line I missed completely.

**Raj Kumar Sharma:** Around INR300 crores of capex will be done in the current financial year.

**Saket Kapoor:** So, okay. That will be the closing capital work in progress for FY'25. Hello?

**Raj Kumar Sharma:** Yes.

**Saket Kapoor:** Right. And, last point on the deferred… Yes, I'll join the queue, sir. No issues.

**Moderator:** Thank you. Next question is from Shweta Dikshit from Systematix Group. Please go ahead.

**Shweta Dikshit:** Thank you, sir. My question is answered. No more questions from my side.

**Moderator:** Thank you. Next question is from Saket Kapoor from Kapoor Company.

**Saket Kapoor:** Yes, sir. I was just referring to the deferred tax asset and you mentioning about we are having a carry forward by loss up to the tune of INR1000 crores. So, there will be no tax incidents, cash outflow till the balance gets cleared or we will be paying mat on the profit that we will be making during this period?

**Raj Kumar Sharma:** We are into new regime that is not applicable over there as far as carry forward losses is concerned, close to INR1,000 crores of carry forward losses remain in the company which will be utilized in the current financial year probably. As far as deferred tax asset is concerned, around, if I remember it correctly, INR250 crores of deferred…It will get reversed. In the balance sheet, it is around INR200 crores still left which will be reversed and sold in the PL, charged in the PL this year only.

**Saket Kapoor:** Right. Aditya ji, you mentioned about a strong growth in the VIP segment and we are expecting 30% to 15% growth for the coming 2-3 years. So, currently, if you could give us some understanding how is the bid pipeline looking? What is the current installed capacity for the country and including you and other players, what are the new capacities that will hit the market for FY'25 and FY'26? Any ballpark number you would like to share?

**Aditya Jajodia:** See, the current capacity, operating capacity, it is around 35 lakh tons approximately. So, different manufacturers are adding different capacities in different timelines. So, we are expecting over the next 2 years, this capacity to grow to approximately around 4.5 lakh tons to… Sorry, to around 45 lakh tons.

**Saket Kapoor:** So, from 35 lakh tons to 45 lakh tons will be the expanded capacity in 2 years?

**Aditya Jajodia:** Yes, you have to measure one thing. Adding the pipe capacity, it is not very easy because the pipe capacity for an integrated player, the pipe capacity is only the finishing line. But behind that, you need a black furnace, you need a sinter, you need a coke oven. It is a fully integrated steel facility where pipe is one of the products. So adding the capacity, it is not an overnight job.

**Saket Kapoor:** Right, sir. And if you could give some more on the bid pipeline, what is the demand outlook in terms of the government bid pipeline pertaining to the AMRUT scheme, the JAL SE, NAL scheme and all? What is the traction you are seeing in the bid pipeline look like? So, how will this -- this capacity should get absorbed easily or not? That is only my question.

**Aditya Jajodia:** Capacity will be very easily absorbed because there is huge work pending and it is still pending. So, actually, water is a very, very important resource for any nation. So, in India, what we are right now talking about in the JAL JEEVAN mission and the AMRUT scheme, it is only the first leg of the implementation where the water can be provided to each and every household.

Still, those schemes to be fully implemented, it is around 2 years to 3 years away. After that, there is also incremental demand coming from irrigation. There is incremental demand coming from housing colonies, incremental demand coming from industries. So the demand will be there. So the demand projection, it is very, very positive.

**Saket Kapoor:** Okay. That will also involve the reverse linking project also. That is also in the pipeline as you are referring to.

**Aditya Jajodia:** Not just that. The DIP has still not been revealed. That is why it did not be -- that is why we did not name it.

**Saket Kapoor:** Okay. But that is also a big demand driver going ahead?

**Aditya Jajodia:** Absolutely. Big demand driver.

**Saket Kapoor:** Right. So what should be the bid pipeline?

**Aditya Jajodia:** What should be the…?

**Saket Kapoor:** Bid pipeline. If on a nameplate capacity of 3.5 million, what should be the bid pipeline for this year and the coming years should likely be?

**Aditya Jajodia:** The bid pipeline is very large. The bid pipeline will be at least 50% to 60% more than the demand because the tenders take time to get finalized also. Already if we talk about this year, the amount of help that we have, already for this particular year, the bid pipeline, it is more than the small capacity. But the tenders do not get finalized overnight also.

**Saket Kapoor:** Right. If the time permits, my last concluding remark on the export part. With 6 lakh tons of our capacity coming up, we will look to export DI pipe also going ahead or we will be solely concentrating to the domestic market?

**Aditya Jajodia:** Our focus for the next two years, it is going to be highly I will say focusing on the domestic industry because the demand in India is very large and we also have a social responsibility to first cater to our own country's demand. Number one.

Number two, in the export market, we have a very small market share and in the export market, we will be venturing out maybe after 18 to 24 months once the entire capacity program is complete.

**Saket Kapoor:** Right. And on the raw material mix, the coking coal and iron ore, the price trend for the same, how will the price behave Q-on-Q basis for the coking coal and raw material?

**Aditya Jajodia:** You're not clear.

**Saket Kapoor:** Sir, I was looking for the raw material basket prices of coking coal and iron ore. How have they fared for the fourth quarter?

**Aditya Jajodia:** For the fourth quarter, the raw material prices means the raw material prices, they always vary with the global trends. So iron ore prices, they had suffered. Again, they have gone up very recently. Coking coal prices, they also corrected in Q4. But now, again, the trend is slightly up.

So iron ore, coking coal, thermal coal, these are raw materials which will keep on fluctuating Q-on-Q. Fourth quarter, we got a little advantage. Currently, they have dipped a little up. So these things will come up. So these things, these prices of raw materials, these prices cannot be predicted, but then these will be ups and downs in the market always.

**Saket Kapoor:** But there is no significant variation. That is what we can conclude.

**Aditya Jajodia:** Yes.

**Saket Kapoor:** Okay. Thank you Adityaji and Sharmaji for elaborating and answering to our questions and all the best to the team. Thank you and Namaskar, sir.

**Moderator:** Thank you very much. That was the last question. I would now like to hand the conference back to the management team for closing comments.

**Aditya Jajodia:** Thank you everyone for joining the call today. We trust that you have addressed all your queries to your satisfaction. If you have any other remaining unanswered questions, please do not hesitate to contact our investor relationship agencies, Go India Advisors. They will be more than happy to assist you further. Thank you so much once again. Thank you.

**Moderator:** Thank you very much. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.