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

Registered & Corporate Office:
S.C.O. 18-19, Sector 28-C,
Chandigarh 160002, India
CIN: L27106CH1991PLC011536

T +91 172 4668 000
E contact@jtl.one
W www.jtl.one

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Corporate Relationship Department, **BSE Limited** 25th Floor, P.J. Towers, Dalal Street, Mumbai-400 001	The Manager, Listing department, **National Stock Exchange of India Ltd.** 'Exchange Plaza', C- 1 Block G, Bandra Kurla complex, Bandra (East) Mumbai – 400051	Corporate Relationship Department, **Metropolitan Stock Exchange of India Ltd.** Building A, Unit 205A, 2nd Floor, Piramal Agastya Corporate Park, L.B.S Road, Kurla West, Mumbai – 400070
BSE Scrip Code: 534600	**NSE Scrip Code: JTLIND**	**MSEI Symbol: JTLIND**

REG: TRANSCRIPT OF EARNINGS CONFERENCE CALL FOR UN-AUDITED FINANCIAL RESULTS FOR THE QUARTER/HALF YEAR ENDED 30TH SEPTEMBER, 2024

Dear Sir/Ma'am,

This is further to our intimation regarding Conference Call for Analysts/Investors with respect to the Un-audited Financial Results of the Company for the Quarter/half year ended 30th September, 2024.

The transcript of the conference call held on 30th October, 2024 with investors/analysts to discuss the Company's Q2FY25 financial results is enclosed herewith.

Kindly take note of the same.

Yours Sincerely
For JTL Industries Limited

Amrender Kumar Yadav

Digitally signed by Amrender Kumar Yadav
Date: 2024.11.05 16:04:17 +05'30'

Amrender Kumar Yadav
Company Secretary & Compliance Officer
(M. No. A41946)

"JTL Industries Limited Earnings Conference Call"

October 30, 2024

MANAGEMENT: **MR. PRANAV SINGLA - EXECUTIVE DIRECTOR, JTL INDUSTRIES LIMITED**
MR. DHRUV SINGLA - EXECUTIVE DIRECTOR, JTL INDUSTRIES LIMITED
MR. ATUL GARG - CHIEF FINANCIAL OFFICER, JTL INDUSTRIES LIMITED
MR. AMIT GAUR - CHIEF STRATEGY OFFICER, JTL INDUSTRIES LIMITED

MODERATOR: **MR. VIKAS SINGH - PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the JTL Industries Limited Earnings Conference Call hosted by PhillipCapital Private Limited.

As a reminder, all participants' lines will be on listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikas Singh from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Vikas Singh: Thank you. Good evening, everyone. I warmly welcome everybody to JTL Industries quarter 2 FY25 Earnings Conference Call. On the Management side, today we have with us Mr. Pranav Singla – Executive Director; Mr. Dhruv Singla – Executive Director; Mr. Atul Garg – Chief Financial Officer and Mr. Amit Gaur – Chief Strategy Officer.

Without taking any more time, I will hand over the call to Mr. Pranav Singla for his opening remarks. Over to you, sir.

Pranav Singla: Good evening, everybody. I hope you and your families are having a wonderful Diwali filled with joy and prosperity. It's great to have you all here for a Q2 and H1 Earnings Call.

Today, I will share financial performance and give you an update on our ongoing initiatives.

For those who are new to our journey, let me take a moment to introduce JTL. With three decades under our belt, we have become a trusted name in steel tube manufacturing. Our diverse product range includes ERW black steel tubes, galvanized pipes, large-diameter steel tubes, and solar structures. We take pride in producing value-added products, ensuring top-notch quality in everything we offer. Our five advanced manufacturing plants are located across India.

Now let's dive into our Q2 FY25 Performance:

We achieved a total income of Rs. 4,874 million this quarter, demonstrating resilience and adaptability in the market. Our EBITDA was at Rs. 377 million with an EBITDA margin of 7.7%. We are also pleased to report a profit after tax of Rs. 264 million for Q2, giving us a pat margin of 5.4%. Our sales volume reached an impressive 1,03,193 tons, reflecting a solid growth of 26% compared to the same quarter last year. Notably, value-added products made up 25% of our total sales mix.

Turning to our H1 FY25 results:

I am excited to announce that we achieved a record EBITDA of Rs. 815 million, the highest for any first half in our company's history. Our total income for H1 stood at Rs. 10,069 million, and year-to-year date PAT at Rs. 571 million, a 7.1% increase compared to last year. As part of a growth strategy, we are enhancing our manufacturing capabilities. Our new DFT lines are on track, with machinery already delivered to our Mangaon plant. Installation is underway and we expect trial runs to begin by the end of November. This technology will allow us to produce large-diameter structural tubes, expanding our product portfolio and improving our margins. And for the Raipur facility, we have doubled our capacity from 1 lakh ton to 2 lakh tons enhancing our overall pipe manufacturing capacity to approximately 6.86 lakh tons for the company. The expansion is part of our goal to reach a million-ton capacity mark by year-end. Specifically, the Raipur facility will now produce larger and more diverse tubes and pipes with an increased size range from four inches to eight inches and an addition of 200 new SKUs to serve various industries better.

In July, we raised Rs. 300 crores through QIP at an issue price of Rs. 211 per share. These funds are primarily directed towards expansion, capacity expansion, working capital, and general corporate purposes. In September, we also converted the warrants issued in January 2023. Looking ahead, we are optimistic about the continued demand for structural steel driven by infrastructure investments and sustained product actively across critical sectors.

With this, I am open to questions from everybody.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sneha Talreja from Nuvama Capital. Please go ahead.

Sneha Talreja: A couple of questions from my end. Firstly, what was the inventory loss in this particular quarter?

Pranav Singla: Thanks for the question. Inventory loss was to the tune of Rs. 900 to Rs. 930 this quarter.

Sneha Talreja: Per ton?

Pranav Singla: Per ton.

Sneha Talreja: Secondly, what I wanted to understand was, given the kind of change in the strategy towards pushing volumes on the basis on certain discounts that are being offered, what impact are you seeing on the market with respect to volumes and any change in your volume guidance or EBITDA per ton based on those strategies?

Pranav Singla: See Sneha, we at JTL have always been a margin player and debt-free and having a wide SKU range, we never wish to participate in a price war when the prices are plummeting in the market. And given the comparison of the primary and secondary market, we don't offer any further discount to what the bigger companies offer, and we don't have any extra discounts passed on this quarter.

Sneha Talreja: And on Nabha, I wanted to understand, the sales, when is it likely to get completely integrated because our earlier sense was that Nabha sales volumes will be integrated. And we are currently seeing Nabha sales separately. When is this likely to get integrated or we'll continue to see this as a separate sales counter?

Pranav Singla: We had to take some benefits under the Punjab government. And for that purpose we couldn't just get the company under us in this quarter itself. But we have the benefits that the company ha to receive. And within this quarter Q3, you'll see Nabha joining JTL as a subsidiary. So, we no longer see separate sales coming from Nabha. We'll see the total sales volume happening as a whole from one company.

Sneha Talreja: Will it be continually backward integrated or will we see the sales volume coming up?

Pranav Singla: It will be basically the same process that we are doing at the Raipur plant and as I mentioned earlier as well, we are in a situation where the production from Nabha was currently being sold to the market because they were not fitting the exact requirements what we use at JTL. But going forward, starting this quarter onwards, we have already started accepting material from Nabha, so you will actually see an effect in which the volumes will come under JTL. There were a few modifications that we had planned. And most of them already done. So, as soon as they are completed, we will also be fit to use the product in JTL.

Sneha Talreja: Understood, so that will take how much time approximately when you will be utilizing this particular plant completely for backward integrated purpose?

Pranav Singla: By the mid of last quarter.

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

Aditya Welekar: I have two, three questions. So, the first one is on the sales volume guidance. So, we are targeting some 30%-35% year-on-year growth for FY25. But now our focus is shifting to FY26. So, any growth rate you are expecting, what kind of growth rate you are expecting in sales volume for FY26?

Pranav Singla: We maintain our previous sales target. This year as well, if you look at the run rate, we are already close to 2 lakh tons in H1. So, given the minimum 10% increase in volume in Q3 and a further 10% increase in Q4. So, we will easily able to reach our aforementioned target of reaching 4.4 lakh tons to 4.5 lakh tons range for the year ending. Furthermore, as next year progresses, our DFT, as we mentioned, will be up and running by the end of this quarter. Therefore, as the volumes increase, the numbers will also increase , and the volumes in the next financial year will improve. Additionally, today we announced the trial run of our Raipur facility, where we have increased the capacity from 1 lakh ton to 2 lakh tons. So, all these factors will play a part, and our yearly target to achieve a 25%-30% growth every year in volumes is still on target.

Aditya Welekar: So, in 26 also, we can assume 30% year-on-year growth in sales volume?

Pranav Singla: Yes, we can expect that. There are obviously some slowdowns that happen in Q1 and Q2 because of monsoons and other factors, but if you look at the whole year's picture, we'll be able to deliver the same run rate of 25% growth in the coming years as well.

Aditya Welekear: And on the value-added product share, we have a target of 40% for FY25. So, how confident we are for touching that in 25, any color on 26, how it will grow in 26?

Pranav Singla: Aditya, our year-ending target for the VAP is 40%, and as the DFT will commence, as I mentioned, by the end of this quarter, the produce from DFT is entirely value added. The DFT can, if utilised to full capacity, also produce up to 700 tons a day. Thus, you can see the volumes increasing in that manner, and our 40% target for VAP will be met by DFT itself. Recently, in this quarter, we announced the commencement of our second GI plant in Maharashtra. As a result, you observed the increase in export volumes from Maharashtra itself. Considering all these factors combined, we will be able to maintain a target of 40% for VAP. When I mention my VAP products, they are the only products that provide me with an EBITDA per ton. of Rs. 7,000 plus, So, with that that guidance, I still maintain a 40% guidance for yearend.

Aditya Welekar: And for 26 because we will have full exposure to DFT in 26. So, that share will increase from 40%?

Pranav Singla: So, Adityaji, we have multiple CAPEX going on right now and there will be a situation when the capacity for black pipes will increase in a quarter. With this increased capacity, we expect to maintain a higher market share of over 40% as well.. But given that we're doing CAPEX quarter-on-quarter in other segments, such as colour-coated pipes and color-coated segments. So, those things will kick in the coming quarters. So, it'll be very hard for me to give an exact number right now on what percentage I shall be achieving in VAP next year, but it shall be less than 40%.

Aditya Welekar: On the warrants front, so all of our warrants are now fully converted, right? Or is there anything outstanding?

Pranav Singla: Only the warrants that the promoters and one person from the public category subscribed in December or early January this year are pending. So, these are the 2.5 crores warrants we issued to the promoter family and a public category shareholder. Other than that, all the warrants from previous situations have been converted and completed.

Aditya Welekar: One last question, Pranav. EBITDA per ton trajectory, what do you think we will be able to touch 4500 for this fiscal year and for next can we assume Rs. 5000?

Pranav Singla: So, Adityaji, again these numbers are totally dependent on our production. As I mentioned, the DFT is starting in Q3. So, we did face a little delay in DFT which we expect to start in this quarter. But given that the DFT will start in this quarter and as I mentioned the total value-added product. So, the numbers will begin adding up towards the similar levels of 4,500 next quarter onwards. And given that I'm mentioning that we had an inventory loss close to Rs. 900 EBITDA per ton, and if you add that with EBITDA per ton of the current situation, So, we were already at the 4,200-4,300 mark. We expect these things to normalize in the coming quarter, and we'll be able to maintain a healthy EBITDA per ton.

Moderator: Thank you very much. The next question is from the line of Pallav Agarwal from Antique. Please go ahead.

Pallav Agarwal: I think most of the questions have been answered, but just on the working capital level, I think the net debt also has gone up. In terms of number of days, can you give some clarity on how the number of receivable days and inventory days have been moving?

Pranav Singla: Our inventory days increased this time because our inventory levels have risen significantly compared to last year. This increase occurred because several imports arrived toward the end of the second quarter. These imports of coils from Korea and Japan contributed to the higher inventory levels. Given that prices have bottomed out, it was a strategic decision from the company's side to accumulate inventory, anticipating stable or rising prices. Moving forward, we expect the working capital cycle to improve, but inventory levels are now elevated due to strategic purchasing at lower prices. The primary impact on inventory was due to this planned accumulation.

Pallav Agarwal: So, with the new DFT plant starting, so maybe we'll probably initially have some accumulation of inventory over there also till the sales and production ramps up over there?

Dhruv Singla: Hi Pallavji, Dhruv Singla here. With the new DFT, our initial product range is the 350 x 350 section. So, we're producing a 350 x 350 section, for which there is a readily available market and a clear plan in place. We don't expect any significant inventory build-up in terms of stock, as the purpose of DFT is to maintain lower stock levels by rotating the rolling process as needed. If it were a traditional machine, I'd hesitate before restarting the rolling process, but with DFT, I can adjust rolling quickly to meet demand within three to four hours. So, the accumulation of material in the DFT segment is minimal.

Pallav Agarwal: Also, given that probably global markets or the demand for at least steel products seems a little subdued, is there any, how competitive are Chinese steel producers? At least in terms of exports, because our export proportion has been going up. So, at least in the case of steel, we hear that because of the dumping from China, the prices are low and there is a lot of volume competition as well. So, is this scenario different in the case of steel pipes?

Dhruv Singla: See, first of all, I would like to mention that from India, we are majorly supplying galvanized steel tubes to countries like Europe, UK, Africa, Australia. So, in all these countries, there is an anti-dumping duty already applied to the Chinese products for the galvanized steel tubes so the competition from Chinese market is not there. We, however only face challenges where the Chinese market supplies the raw material. But at the moment we see that there is a huge stimulus that the Chinese government has offered and Chinese product is no more so competitive in the market, as per the raw materials quotations that we are getting today. So, that's the only scenario and it keeps on changing. The benefit that we have is that we have our export unit next to the port. Whenever these scenarios change, we can import for re-export, so as to be able to maintain our viability in the export market.

Pallav Agarwal: When we export, so are we allowed to import without paying the import duty?

Dhruv Singla: Yes. So, when we are importing for re-exporting, a company is allowed not to pay any duties on top of it. There are no BIS requirements for re-export of that product. So, that is completely valid.

Pallav Agarwal: And lastly, I mean, a major competitor has recently put up a facility in Dubai. So, I think the rationale was that maybe in steel prices internationally were lower than domestic prices, so that would give them a sort of a cost advantage. So, are we thinking anything along those lines, or are we more comfortable putting up a 1 million-ton incremental facility in India? So, how does the economics work over there?

Dhruv Singla: See, our target currently is up to 2027 to complete all the brownfield expansions that we are currently working on, and our focus remains in that direction. As you can see from our performance, we have been consistently increasing our export share while operating from within India. We are not looking to expand abroad at the moment because we see the Indian market as very promising, with strong development and supportive government policies. Our aim is to expand our SKUs and offer a full range of products in the Indian market first, and then consider specific markets abroad if they make sense to us. As of now, frankly, we have not thought in that direction.

Moderator: Thank you very much. The next question is from the line of Hetal Gada from Max Life Insurance. Please go ahead.

Hetal Gada: I have a couple of questions. So, firstly, just wanted to understand currently, what is the primary versus secondary mix that you have? And do you see that mix changing in the market?

Pranav Singla: Our current mix is close to 50%-50%—specifically, around 53% secondary and 47% primary. Each segment serves a distinct market, so we aren't competing with ourselves. The secondary material caters to one segment, while the primary material caters to another. There's no confusion or overlap; we're not mixing the products or anything like that.

Hetal Gada: But with the expansions that we are doing, do you see the mix changing or should we understand that both these segments will remain closer to 50-50?

Pranav Singla: So, with the expansion that we are doing in our facilities, our mix will change, and which will be that our major expansion is happening in primary segment. So, what primary and secondary is 50%-50% right now; it will eventually be 20% secondary and the remaining will be the primary use.

Hetal Gada: And in terms of your total SKUs, how are you looking at it post expansion? I mean the percentage share is within the products. How should we look at the product mix post expansion?

Pranav Singla: So, Ma'am, I have close to 1200 SKUs right now. With the added capacity today and with the added DFT line, which will be added by the end of this quarter, I will be having 2000 SKUs, and once my second million time starts as well, I will be having close to 1200 SKUs.

Hetal Gada: And the product mix?

Pranav Singla: The product mix will be as such: the VAP products will be 45% for the next year and 55% will be general products.

Hetal Gada: So, that is, you are saying FY26 you will have total VAP products will be closer to 45%. So, is that how should we see the trajectory over the next three, four years? I mean, your target VAP mix that you have?

Pranav Singla: My target for VAP is 50% once the full capacity install of 2 million tons. On that production, the target is to have a 50% mix of VAP and the remaining general products. And how I differentiate, we have a very conservative approach to including products in the VAP category. So, our VAP is anything about Rs. 7,000 EBITDA per ton.

Hetal Gada: Okay, so that you're saying almost Rs. 7,000 per ton will be included in the VAP and that will go to almost 50%?

Pranav Singla: Exactly, 7,000 and above as well.

Hetal Gada: So, for this, you mentioned that you're planning to reach the 2 million tons capacity. In that, from here, what other capacities in the VAP side would you be adding to reach this targeted 2 million tons?

Dhruv Singla: Ma'am, firstly, our capacity today stands at about 6 lakh tons of capacity. We just commissioned a new machinery at Raipur which makes it at 7 lakh tons. By the addition of DFT, we'll be adding another 2 lakh tons of capacity by DFT in Mangaon. So, this will be majorly our ERW pipe manufacturing capacity by the end of this year. By 2027, we are going into certain forward and backward integrations, which include narrow width galvanizing, CR lines, wider galvanising for sheet manufacturing and color coating. So, those, all the products from 1 million tons to 2 million tons are value added product at different stages. So, in that, peak utilization of about 60%-65%. We are anticipating that by the end of 27, we'll be having close to 50% to 55% of a value-added kitty, targeting above that, but achievable at 50%-55% of a value-added kitty with all those sheet manufacturing, galvanized pipes, pre-coated pipes, DFT pipes. So, that would be where our kitty of value-added be.

Hetal Gada: Last two questions from my end? You mentioned the Mangaon facility that is coming up. You mentioned last quarter, Q4 will be the time when the capacity comes up, correct?

Dhruv Singla: DFT would be starting by Q3 end and we will be start utilizing the capacity in Q4.

Hetal Gada: And how do we see the ramp up? Any guidance on it?

Dhruv Singla: Ma'am, it's too early to say though, but by the end of it, say we should be able to utilize about 25% of the capacity, of the peak utilization capacity of 25% in DFT lines in fourth quarter.

Hetal Gada: So, you're saying by the exit runway should be closer to 25%, should I take that?

Dhruv Singla: Yes, I'm close to that. That's what the guidance is.

Hetal Gada: And just lastly with all the cold mills, cold rolling mill and galvanizing mill coming up, what's percentage of integration that will give us in the overall capacity?

Dhruv Singla: I did not understand your question, ma'am.

Hetal Gada: Once the entire expansion is through and your cold rolling mill is setup as well as the galvanizing mill, what percentage of forward integration will that give you in overall scheme of things?

Dhruv Singla: That will be adding to SKUs. We cannot really say that it's a forward integration or backward integration. There are a multitude of products in our range which we currently can do but we are avoiding to do because of the lower margins. We are able to achieve by procuring that product from outside, say pre-galvanized coil if I procured from outside, I do not get the margin, so I'm not currently doing it. So, certain steps are backward integrated so that I can make a pre-galvanized pipe at a higher margin. And certain products like the color coating sheet and wider sheet, CRM, are forward integrated, not towards pipe, but towards a new SKU development in the similar industry.

Moderator: Thank you. The next question is from the line of Bhavik Shah from Emkay Ventures. Please go ahead.

Bhavik Shah: What kind of realizations are we witnessing in October? Are we seeing any improvement or are we seeing further fall in realizations?

Pranav Singla: For the month of October, we have seen a further upward shift in realisation.

Bhavik Shah: What percentage of our total cost will be fixed in nature so as to understand the level of operating leverage that can come to increase our share of value added products?

Dhruv Singla: Bhavik ji, our fixed cost is just on the machinery, land and building. The rest is all variable costs. So, when you're going forward, the guidance of the capital investment that we're given is a fixed cost. So, the thumb rule is in our industry we look at a return of three years on the fixed costs. So, anything above that, say whatever we have to provide for the running of the machinery, be it raw material, be it labor, be it power, is all variable in that case. So, only the administration expenses are fixed, which are, as we increase the production, we will need to add certain managerial level employees, but that does not increase in that high trajectory as the production would increase.

Moderator: Thank you. The next question is from the line of Bhavin Pande from Athena Investments. Please go ahead.

Bhavin Pande: Congratulations to you on a brilliant performance despite macro headwinds and a tough industry scenario. Just extending on that, the EBITDA per turn, the number looks pretty good despite pain in the sectors. So, I'm just trying to understand how margins and EBITDA per ton have managed to stay elevated despite headwinds?

Dhruv Singla: To answer your question, we at JTL are, as Pranav previously mentioned, are say 50% in the secondary market and 50% in the primary market. The secondary market scenario is such that it's a daily buy and sell. So, the loss of inventory there is not so much or negligible or we are able to maintain a fixed level of EBITDA there are. So, only when we have to procure a larger amount of chunks of say material from the primary manufacturers, therein we get certain issues while the market is correcting in terms of the prices and realizations. Luckily enough, in this first half, we were able to substantially increase our exports by 104%, wherein we were able to have a higher margin as compared to the previous time that we were able to offer the product range in the market, and also able to cover those materials on a back-to-back basis via the process of imports for the purpose of re-export. So, these certain rules helped us to keep our level intact.

Pranav Singla: If you look at our exports this time, we had one of the highest exports ever for each one. And we got better realization of exports this time and given that we did import some coils, so all of that was re-exported with the finished product and margins were better than that. So, altogether, being close to the port and having a presence in the secondary market are a few things that added up to EBITDA per ton.

Bhavin Pande: So, Pranav, in H2FY25, do we see export mix staying in the same proportion or it could be a tad higher or lower?

Pranav Singla: You can expect another all-time high export in H2, given that our DFT will start as well and our galvanizing has already anyway started. So, our exports can have a good increase from what we have. And we have a good order book as well for exports.

Bhavin Pande: Our growth guidance is intact at 30% for the year, right?

Pranav Singla: Yes, that's right. Our growth guidance is intact for 30% for this financial year.

Bhavin Pande: And what CAPEX outgo should be built in for H2?

Pranav Singla: Around Rs. 140 crores-Rs. 150 crores is something that is expected. It can further stretch up to Rs. 200 crores as well.

Bhavin Pande: So, if we add up the Rs. 90 odd Cr. this year, it could be around Rs. 250 Cr. to Rs. 300 Cr for the full year, right?

Pranav Singla: Yes, that's right.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: We just wanted to understand what is the current price differential between the HRC and the secondary prices, and what's the kind of a shift that you're seeing based on that in your internal product mix?

Pranav Singla: So, Sneha, on the basic steel prices for secondary to primary, if you talk about the difference on as of today is Rs. 4.5 and if you go further on in thinner sizes, for example, if I have to, I will provide precise figures. For instance, if you're selling a 2mm pipe, HRC is priced at Rs. 50 per kg, while the secondary pipe is at Rs. 45.5 per kg. However, the landscape shifts when the thickness decreases. For example, a 1.20 mm thickness of the secondary pipe costs Rs. 47, compared to Rs. 56 for the same thickness in HRC. This is where the delta widens, benefiting us significantly. We target a completely different market segment with thinner pipes, which is distinct and non-overlapping.

Sneha Talreja: So, you don't see any shift happening internally basis that?

Pranav Singla: Considering the Delta of Rs. 5, which is also based on this, we find it sufficient. However, as I noted, the Delta further rises to Rs. 8 to Rs. 9. Therefore, this is an aspect that cannot stabilize in line with our expectations. We supply according to customer demand and foresee no negative outcomes from this situation. At the moment, we believe this is what maintains a healthy EBITDA per ton for the entire company.

Sneha Talreja: And lastly on your EBITDA per ton with the DFT coming into play, in Q4, what can be the EBITDA per ton level that we can estimate given that you currently are at about 4,200-4,300 odd easily. What can we see this ramping up to when your actual DFT comes into play?

Pranav Singla: There should be a slight increase, Sneha, given that even if you produce close to 20,000 tons of material in that quarter or maybe 30,000 tons of material in that quarter in Q4. So, that will easily be a produce which will be extra on a lakh tons as we do right now and that product will be having an EBITDA per ton of Rs. 7,000-Rs. 8,000 plus. So, given that calculation, you can see maybe a 10% increase in the total EBITDA per ton in Q4.

Moderator: Thank you. The next question is from the line of Vikas Singh from PhillipCapital. Please go ahead.

Vikash Singh: Just one question. I want you to understand that in the first half while the JPC data showed that the steel demand had been growing at almost 13%-14%, ERW industry per se has grown a little bit relatively lower. Usually the growth rate for ERW because of **substitution** had been in the higher in the past 3-4 years. So, I just wanted to understand, is this that the secondary winning back the market share from the ERW players or this slow, a little bit of slow progress is because of other factors if you could just clarify?

Dhruv Singla: Vikas ji, the secondary segment is just replacing the lower thicknesses and low gauges, which is a very high realisation for the primary segment and also takes a longer time to produce. So, see when you talk about little macros, as we started speaking about steel demand, which is at a 14% increase and everything; we talked about India being the second-largest producer of steel in the world but still having the lowest per capita income. So, where the demand is coming from is left, right, and centre, from say domestic demand, replacement from low-income housing, replacement of bamboo as scaffolding, and from pipes used as scaffolding. These demands are persistently coming from changes in perception of usage, higher disposable income, and also the rules and regulations that are consistently changing in the domestic scenario for better utilisation of manpower, time, and resources. Being in the building material industry, we are a proxy to all these developments. Since we manufacture pipes, we see pipes left, right, and centre applied anywhere and everywhere in today's scenario, be it from a table chair to road signage, or from a hand barrier to a blockade; everywhere we see our pipes or similar pipes being applied. So, when we talk about primary and secondary, I believe there is a parallel market for both rather than competition. Yes, the lower segments of the pipes, from half an inch— not even half an inch— to the one-inch to the three-inch segment, are now covered by the secondary segment, and going upward from there, where there is a higher thickness required and a larger diameter required, the secondary layer cannot perform in that area. Therefore, only a primary product will be applicable. This is the whole list of the scenario; I believe I was able to answer your question.

Vikash Singh: Understood sir. That's all from my side for the time being.

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

Akshay Chheda: I just want to understand what is the margin that you make in a primary pipe versus a secondary pipe? Is it that secondary fetches better margin or both are equal or is it primary is a better margin?

Pranav Singla: Thanks, Akshay, for your question. So, basically, when we talk about our pipes that we make, we are mere converters of steel. The conversion that we get in primary and secondary is just the same. It's just that, as of this quarter, we faced inventory losses in the primary segment and nothing in secondary. So, that's how the differentiation occurs. Otherwise, as converters, we obtain the same margin across both products. And also, when I talk to you and tell you that we are secondary material producers and primary material producers, our machines are fungible. So, it's not that our secondary mills cannot make primary pipes. They can make primary pipes overnight as well. The same goes for primary mills too. So, it's just about what we wish to supply in the market and what demand we see in the market..

Akshay Chheda: And how do you see the cost in the secondary like are they inching up or are they relatively stable or do you expect some correction the way that has happened in the primary market?

Pranav Singla: We don't see any further correction happening as of now. I think the market has bottomed out. The demand should be picking up. We should be expecting government orders coming in soon as well. So, and the exports are anyways, with our expanded capacities, we are almost touching all-time high exports. So, given the current situation, we think everything should be fair in the coming quarters.

Akshay Chheda: I was referring to the secondary side. I mean, in the secondary, how do you see the cost?

Pranav Singla: The secondary cost is that it changes every hour as per se. And it's just a delta between primary and secondary, which is Rs. 4.5 right now per kg, and it's a good demand over there as well right now.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Vikas Singh from PhillipCapital (India) Private Limited for the closing comments.

Vikash Singh: On behalf of PhillipCapital, I would like to thank JTL Management for giving us the opportunity to host them. And without taking any more time, I will hand over to Pranav Sir for his closing remarks. Over to you.

Pranav Singla: Thank you all the shareholders for joining us today. And I wish you a Joyful and Prosperous Diwali. And thank you Vikas and thank you PhillipCapital for hosting the call as well. Thank you. Happy Diwali to everybody.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your lines.