



SURYA ROSHNI LIMITED

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SRL/24-25/09
May 20, 2024

The Secretary
The Stock Exchange, Mumbai
New Trading Ring, 14th Floor,
Rotunda Building, P.J.Towers,
Dalal Street, Fort,
MUMBAI - 400 001
Scrip Code: 500336

The Manager (Listing Department)
The National stock Exchange of India Ltd
Exchange Plaza, 5th floor
Plot No. C/1, G Block
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051
NSE Symbol: SURYAROSNI

Sub: Transcript of Earnings Call with respect to Financial Results for the Quarter and Year ended 31st March, 2024.

Dear Sir,

This is with reference to the Company intimation dated 10th May, 2024 filed with the stock exchanges in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding the earning conference call to discuss the financial results for the quarter and year ended 31st March, 2024 scheduled for Wednesday, 15th May, 2024 at 12:00 Noon (IST).

Further to the audio recording filed with the stock exchanges already on 15th May, 2024, we are enclosing the Transcript of the said Earnings Call.

The same is also being uploaded on the website of the Company at www.surya.co.in under Financials in the Investor section.

This is for your information and records.

Thanking you,

Yours faithfully
For Surya Roshni Limited

B B SINGAL
CFO & COMPANY SECRETARY

Enclosed: as above.

SURYA

“Surya Roshni Limited
Q4 FY '24 Earnings Conference Call”

May 15, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 15th May 2024 will prevail.

SURYA



MANAGEMENT: MR. RAJU BISTA – MANAGING DIRECTOR

**MR. NARESH SINGHAL -- EXECUTIVE DIRECTOR,
STEEL OPERATION**

**MR. GAURAV JAIN -- CHIEF OPERATING OFFICER –
STEEL OPERATIONS**

**MR. JITENDRA AGRAWAL – CHIEF EXECUTIVE
OFFICER, LIGHTING &
CONSUMER DURABLES**

**MR. B. B. SINGAL – CHIEF FINANCIAL OFFICER
AND COMPANY SECRETARY**

Moderator: Ladies and gentlemen, good day and welcome to Surya Roshni Limited Q4 FY '24 Earning Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' 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 your touchtone phone. Please note that this conference has been recorded.

I now hand the conference over to Mr. Raju Bista, Managing Director of Surya Roshni Limited. Thank you and over to you, sir.

Raju Bista: Thank you, Good afternoon. Namaskar. On behalf of Surya Roshni Limited, I extend a very warm welcome to everyone for joining us today. On this call, we are joined by Mr. Naresh Singhal, Executive Director, Steel Operation. Mr. Gaurav Jain, COO, Steel Operations; Mr. Jitendra Agrawal, CEO, Lighting & Consumer Durables; and our CFO and Company Secretary, Mr. B. B. Singal; and SGA, our Investor Relations Advisor.

And I hope everyone had an opportunity to go through the financial results which were published yesterday. Moving on to the overall financial performance highlights, the company's performance in FY '24 has been commendable considering the few challenges we faced in both our Steel and Lighting Division verticals. Our strategic focus on efficiency and cost optimization allowed us to make substantial progress.

We have a strong conviction that the very few challenges currently faced by both the business verticals were only temporary and we are anticipating a period of consistent growth in both the business segments going forward. And the EBITDA for FY '24 stood at ₹586 crores, demonstrating good operational performance. The little dip in our operating margin were primarily due to challenges in the Steel Pipe business, mostly on account of price fall, which was offset with improved margins in our Lighting and Consumer Durable segment.

Our proactive measures in capacity utilization, working capital optimization and cost rationalization has been vital in supporting our financial performance. These efforts reflect in our steady PAT, which stood at ₹330 crores, closely aligned with last year's performance. We achieved a major milestone by becoming a zero-debt company, having successfully reduced our debt by ₹400 crores in FY '24.

Our commitment to financial prudence alongside our operational strategies has helped maintaining a healthy cash surplus of about ₹65 crores. We have declared a final dividend of ₹2.5 per share, demonstrating our ongoing commitment to delivering shareholders' value. This is in addition to the interim dividend of ₹2.5 per share already, which was disbursed.

Now coming to **Lighting and Consumer Durables**, despite facing substantial price erosion in the Consumer Lighting business, our annual revenue recorded a growth of nearly about 2% and now stands at ₹1,572 crores in FY '24. EBITDA growth for Q4 FY '24 and FY '24 was up by

5% and 23% to ₹45 crores and ₹150 crores respectively, as compared to the same period last year. EBITDA margin for Q4 FY '24 and FY '24 stood at 10.66% and 9.57% respectively, as against 9.84% and 7.92% in Q4 FY '23 and FY '23. Significant growth in sales volume along with a favourable product mix towards higher margin product and cost saving from backward integration contributed to a robust operating profit.

Infrastructure and industrial projects have driven our professional lighting segment to high-teens growth in Q4 FY '24 and over 20% in FY '24. The vertical of LED segment like LED battens and downlighter have also witnessed healthy growth in FY '24.

In Financial Year 2024, the fan business experienced significant growth in mid-teens range while the appliances segment also witnessed a robust growth of about 20%. With our strong foundation and strategic market expansion initiatives along with ongoing investment in technology and product development, we are well positioned to capitalise on this opportunity ensuring continued growth.

Moving to the **Steel Pipes and Strips** business, in the fourth quarter of FY '24, the steel pipe segment achieved its highest ever quarterly volume of 2.36 lakh tons. It experienced a volume growth of 6% in FY '24 and 4% in Q4 FY '24 despite a temporary slowdown in the B2B business mainly due to the general elections. Export also experienced a healthy volume growth of about more than 12% in FY '24. Despite a notable decrease in steel prices during Q4 FY '24, the overall sales revenue experienced only a minor decline.

We have successfully navigated the challenges posed by declining steel prices and other factors that has impacted the industry at large. Our focus on value-added products which made up 45% of our total sales also played a crucial role in sustaining our revenue stream.

Despite the industry headwinds, our revenue remained resilient, experienced only a minor decline in closing the quarter at ₹1,665 crores. This resilience is a testament to our diversified product mix and our strategic market positioning, which includes significant contribution from both the API pipe and our robust export operations. Even our galvanized pipe segment also witnessed a healthy domestic demand in Q4 FY '24. Exports constituted about 18% sales of our total volume in FY '24. Additionally, our focus on value-added products which made up almost 45% of our total sales played a crucial role in sustaining our revenue.

The EBITDA per ton for Q4 FY '24 was ₹5,877 as compared to ₹6,156 in Q3 FY '24 and ₹9,868 per ton in Q4 FY '23. For FY '24 EBITDA per ton stood at ₹5,401 as compared to ₹6,496 in last fiscal year. This decrease can be largely attributed to the decreased sales of some mainly API spiral pipe business and the other part was mainly in loss of inventory in Q4 FY '24.

We have a strong order book of about ₹800 crore as on 31 March 2024 which includes the oil & gas sector and export business. We are currently in the process of expanding our operational capacity in order to meet the expected increase in market demand.

Our goal is to increase our monthly production capacity by almost 15,000 tons per month and by the end of June '24 our 8-inch pipe capacity addition will commence operations at Badurgarh plant. Roughly 50,000 ton per year would be the capacity. And a spiral plant with an annual

capacity of about 60,000 ton is scheduled to be commissioned at our Gwalior location in the same year by the end of Q2 FY25. This plant will be mainly used for the upcoming water projects. We will have a net increased capacity of about 36,000 ton per annum after our new coal rolling pipe facility at Badurgarh becomes operational in Q3 FY '25.

The steel market is showing a sign of improvement as the steel price has begun to slightly rise or you can say stable since mid-April and this will revive demand across our product categories and we are optimistic about continued growth in our steel pipes segment given the government highlighting emphasis on infrastructure development.

For FY '25 we are projecting a total volume growth of about 15% in our steel pipe business. This growth will be supported by our strategic expansions and our ongoing commitment to delivering higher quality innovative products. And this was from my part, now I will request our CFO Mr. B. B. Singal to share his thoughts on the other financial parts.

B. B. Singal:

Thank you respected MD sir and a very good afternoon to all the participants on the call. For the quarter the revenue was ₹2080 crores as compared to ₹2,151 crores For Q4 FY '24 EBITDA and PAT stood at ₹173 crores and ₹104 crores as compared to ₹254 crores and ₹156 crores respectively for the same period last year.

For FY'24 the revenue was ₹7809 crores as compared to ₹7,997 crores. EBITDA stood at ₹586 crores as compared to ₹620 crores in FY'23 and PAT stood at ₹329 crores as compared to ₹336 crores.

For the lighting and consumer durables for this quarter the revenue stood at ₹418 crores as against ₹431 crores EBITDA and PBT stood at ₹45 crores and ₹36 crores registering a growth of 5% each. For the full year the revenue stood at ₹1,572 crores as against ₹1,545 crores a growth of 2% year-on-year basis. EBITDA and PBT stood at ₹150 crores and ₹122 crores a growth of 23% and 32% respectively. The increase in operating performance in this segment can be attributed to the PLI scheme, backward integration and the increased demand for value-added products.

For the steel pipe and strips segment during Q4 FY'24 the revenue was ₹1,665 crores as compared to ₹1,721 crores Similarly, EBITDA per metric ton stood at ₹5,877 as compared to ₹6,156 in Q3 FY '24 and ₹9,868 in Q4 FY'23. PBT stood at ₹103 crores as against ₹181 crores last year.

For FY '24 the revenue stood at ₹6,242 crores as compared to ₹6,452 crores. Similarly, EBITDA per metric ton stood at ₹5,401 as compared to ₹6,496 year-on-year basis. While EBITDA and PBT stood at ₹436 crores and ₹325 crores respectively. Improved capacity utilization, working capital optimization and cost rationalization enabled us to become a debt-free company, as we repaid our total debt of ₹400 crores in FY'24.

As on 31st March 24 ROCE stood at 21.14% and ROE stood at 16.33%. As on 31st March 24 the net working capital days stood at 59 days, inventory days stood at 48 days, debtor days stood at 31 days and creditor days stood at 21 days.

With this I conclude the presentation and we can now open the floor for further questions and answers.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Jatin Damania from SVAN Investment. Please go ahead.

Jatin Damania: Good afternoon sir and thank you for the opportunity. First of all, congrats on achieving the zero debt and increasing the payout. In your initial remarks you indicated that the decline in EBITDA per ton in steel pipe is largely attributed to a lower volume of API sales. So can you help us understand what was the overall contribution of the API sales in Q4 vis-à-vis the last quarter Q3?

Raju Bista: Okay, anything else?

Jatin Damania: The second question is basically broader on the industry. Now when we compare our numbers with the one of our largest competitors or the largest player in the industry. So if you look on the raw material front we are quite competitive as compared to what they are, but when we come to our employees and the other expenses we are probably at the lower end in terms of the efficiencies. So, what are the steps as a company we are taking to improve that efficiencies when we compare it to a larger player in the industry?

Raju Bista: Good, thank you. There are two questions but I would like to elaborate and answer them so that other people have similar questions in their minds. First of all the overall outcome, as you said, we are debt free - whether working capital or term loan - we have zero debt. In fact we are cash surplus and this was our commitment that we were supposed to fulfil next year and we completed it a year ago.

Second, as far as EBITDA is concerned, there was a substantial EBITDA per ton in steel pipe in FY23. In the first quarter of FY24, I had said that our first target is to maintain the EBITDA - so somehow against ₹619 crores last year, we have been successful by reaching ₹586 crores. And the questions you asked how much EBITDA per ton was reduced and what was the fluctuation in API. The overall API spiral in which the EBITDA per ton is around 15,000 ton - in that segment a total of 32% degrowth was registered.

Mainly because due to the general elections, in last 5-6 months no PSU tenders were awarded and I am hopeful that from Q1 itself, as soon as the elections are over, we will start getting the orders, which we will maintain.

Secondly I would like to tell you one more thing that, last year in Q4 there was a trend of price increase and in that we got a substantial around ₹40 crores, ₹50 crores inventory gain because of higher prices.

But this time, the decrease in steel prices is around ₹3000 per ton and that is around ₹250 crores impact in revenue for the whole year and in zinc prices are down by ₹70,000 per ton and its contribution is around 60 crores. And with slowdown government sales impact what I had said earlier is around ₹300crore. So our revenue was impacted by the total of ₹610 crores because of three reasons. And as far as profit is concerned, HR coil impact is around ₹45 crores and API

pipe degrowth impact was around ₹20 crores to ₹25 crores. So in this way there is an impact of ₹60 crores, ₹65 crores. And I think that in the coming time we will recover and surpass that. But I would like to tell you one interesting thing in the last 3 years in FY21-22 our EBITDA percentage was 5.8%, then in FY22-23 it was 7.74% & then in FY23-24 it is 7.5% meaning the EBITDA for the whole company from ₹450 crores it reached ₹619 crores and then ₹586 crores.

Even in steel division, you will see our per ton EBITDA has increased from ₹4,648 to around ₹5,500 per ton and you will be surprised that 5 years ago our per ton EBITDA was ₹3,250 - means in the last 4 years our CAGR is almost double. In the same way in lighting division EBITDA percentage was 8% and this year it has increased to 9.5% and I would like to assure you that in coming days you will see better results.

You also said that when it comes to raw material we are very competitive as compared to peers. We accept that our operation cost is more mainly because we are operating at 80%, 85% level. There is no volume growth because of which all the cost gets added in the operation and annually it keeps So that's why we have come with a mega plan. In the next 2 years we will do a capex of ₹500 because company is cash rich and cash generation is happening. And either we have to do capex or we have to reward the shareholders - only these two options are there, as we don't to have pay any debt to pay the bank

So in the coming 2 years we will do capex of ₹500 crores in which our capacity will increase from 1.2 million to 2 million. Capex of ₹100 crores is already under process which will be completed by Q2 in which capacity will be enhanced by 15,000 tons and annually by 1.8 lakh tons. Then some projects are at next stage and at early stage in which Hindupur and Bhuj we are investing ₹150 crores for manufacturing large dia pipe 24 inch LDP pipe. In this too the annual capacity will get enhanced by 1.8 lakh tons.

And third majorly we have already got approval from board for ₹50 crores for land acquisition. In Maharashtra we are coming with a new capex of to about ₹200 crores to ₹225 crores for plant and machinery expenses. And in this way we are having ₹500 capex plan over the next 2 years and capacity will increase 2 million and you will automatically see operation cost will become less.

Jatin Damania:

Thank you for your detailed answer. If I see your cash flows then in next 2 years number it is around ₹800 crores to ₹1,000 crores cash flow and against it we are doing capex of only ₹500 crores, so should we believe that our payout ratio will increase - as you have indicated that if we do not do capex we will reward the shareholders? So, is there any indication that payout ratio will increase in coming times?

Raju Bista:

It will increase because we can't give money to third party. This is a shareholder company either we will invest in company or shareholder will get the benefit. And as far as I know this year we have taken a very aggressive target for 15% growth in volume and our EBITDA it will be around ₹690 crores to ₹700 crores and in the next 2 years it will be around ₹1400 crores. See some growth will be there, then there will be working capital involvement and new additional capex will also require further working capital. So whatever will be there will be for the shareholders.

Jatin Damania: ₹690 to ₹700 crores EBITDA which you have said for FY25 it is including the lighting business?

Raju Bista: Yes lighting and steel division. In lighting division as you must have seen that we have said that from 8% we will increase towards 10% in Q4. We had EBITDA percentage of 10.55% and in next year we will have full year EBITDA of 10.5%, with Q1 starting from 9.5 percentage. So, ₹180 crores to ₹190 crores of EBITDA in absolute term it will be of lighting vertical and around ₹500 crores to ₹525 crores EBITDA will be from steel pipe business division. And we have a thinking and we have a plan also for around ₹5,400 to ₹5,500 per ton - because volume growth is also very aggressive around 17%, 18% and in revenue there will be a 15% growth. So, maintain EBITDA per ton at ₹5,400 to ₹5,500.

Jatin Damania: Thank you. I have two, three questions, but I will come back in queue.

Moderator: Thank you. The next question is from the line of Shweta Dikshit from Systematix Group. Please go ahead.

Shweta Dikshit: Two questions from my side. First question is that there was decline in API spiral pipes. Now this is something which happened in previous quarter too in API segment, unlike many other products which witnessed growth, but spiral pipe this was a decline last quarter also. So, general election impact we can understand it has come in the fourth quarter, but how is the outlook now, how can we see this segment moving forward this is the first question.

Second is that the expansion which are planning to increase capacity from 1.2 million to 2 million ton - where is the focus going to be in terms of end user segment? Meaning how much is your focus on value addition or if you can give a number what is your target as to what your value added products share will be there in sales in 2 years, 3 years?

Raju Bista: So the first one, as you said, the degrowth in API, because there was a general election year throughout, so it had a little impact in Q3 and also in Q4. Largely, generally, it happens that the investments in PSU are 5-year investments and at the time of general elections, the system slows down. So it is already in the pipeline, and as I told you, we already have an order of ₹800 crores in hand, which is going to be materialized in the coming quarter. So that is one, and we believe that.

And look, we also have a capacity constraint. In the last 5 years, our entire focus was to somehow become debt-free because whenever we used to sit in the concall, the investor used to ask, what will you do about this debt of yours? Because 5 years ago, there was a debt of ₹1200 crores. Today, the company is cash surplus. So that was our target, and I mean, we did a good job to become debt and in the last 5 years, the market also supported us a lot.

But in these 5 years, we focused on doing small investments, we did not do any big investments. So in the next 2 years, we will do the capex of 500 crores, and our focus in all the product categories that I have listed, 70% is our focus on value-added products, whether it is API, whether it is large die pipe, and 30% capex in like cold rolling and like in Badrugarh we are investing in water pipe vertical.

Overall, like we had a plan earlier, 50% of our target revenue is from value-added products, and I think we will achieve it immediately. And in the new capex of ₹500 crores, 70% of the entire investment is on value-added products, that is, high margin products. So moving forward, we will surpass the ratio of 50%, that is our focus area. And at the same time, value-added products will constitute 75% of our profits.

Shweta Dikshit: Okay, thank you, sir. And one more thing, like coming in this quarter, in Q1, what will be your expectation in terms of EBITDA per ton? Since steel price has increased in the last 1-2 months, but is it sustainable at this level?

Raju Bista: It is an upward trend, and the growth in volume is also good. And the trend we are seeing, so in steel, EBITDA per ton will be around ₹6,000-₹6,200 per ton and in the lighting division, as I said, EBITDA margin will be around 9.5% in lighting. So in the lighting division, the positive sign is that EBITDA percentage is increasing. Last year, there was almost 30% price erosion and we redesigned some schemes and did net price, due to which the growth in revenue is not very good, but EBITDA percentage and overall EBITDA in absolute terms has also increased, from ₹100 crores to ₹122 crores to ₹150 crores, and our target for next year is around ₹190 crores.

Shweta Dikshit: Yes, ₹190 crores for FY25?

Raju Bista: Yes, for lighting division.

Shweta Dikshit: Okay, thank you so much, sir.

Moderator: Thank you. The next question is from the line of Dishant Rakesh Jain, from Quasar Capital. Please go ahead.

Dishant Jain: Am I audible?

Raju Bista: Yes, yes.

Dishant Jain: Namaskar, sir. My question is that in the industry, the other players are planning plants in Dubai, and we are already exporting in the South and Middle East, so can affect our EBITDA per ton because the impact it may have on our realisation, if the supply increases from there?

Raju Bista: Sir, I believe that any company or individual should play on their own strength. Why should I look at the balance sheet of others and follow that? And this has its own if and but. Look, by having a unit outside India, you see, my material reaches from here to Dubai in USD12 per ton – which is almost one-third the price it takes to transport my material from Bangalore, because I am sitting at the port. And delivery happens within three days.

I cannot tell you what will happen in the future, but for immediate future, we believe that there is a lot of trouble in having plants abroad and the operation cost is very high. And we have seen that when we are sitting inside the port, it does not make much difference at which shore we are sitting in. For import and export, it should be a favourable destination. That is why we have made such a big investment in Bhuj, and we are making further investments in it.

So, it does not matter to us whether they are sitting in Europe or in Dubai. And we are increasing our capex in port-based plants. It in Bombay too will have the port facility. So, it does not make much difference. And the second thing is that, like in foreign countries, mainly in export or value-added products, you need very robust brands. And we have invested a lot in brands over the past 50 years, whether it is related quality, service, or relationships. Because in value-added products or export, the products are not sold only at the price point.

So, we have made a lot of investments in that too. And everyone has their own thoughts. And our plan so far is that considering the atmosphere in India, the potential, the growth of the future, that is why the domestic plant is more favourable for us. So, Surya Roshni is such a company that we buy the HR Coil from Japan and make the pipe again and sell it to Japan again. So, from Japan to America, Canada, New Zealand and Australia, we are exporting products - in almost 40-50 countries.

Dishant Jain: Okay, sir. And sir, my second question was fundamentally that the steel manufacturing companies in India, if they undertake forward integration and come to this pipe segment, will it become a threat for the industry or will it have an impact?

Raju Bista: See, our strength is the pipe. And I can't compete with Tata and JSW by making HR Coil. And we don't deal in the lower quality steel. That's why we get premium, that's why our value-added product sells more, that's why we are number one in export, that's why we are number one in API. So, what's in it is that you need an heavy investment of ₹15,000 crores if you want to make high-quality HR Coil. So, we haven't thought about that level yet. And there is no issue of availability in the pipe.

Today, in India, whether it's South, East or North, every place it is readily available. And today, Tata, JSW or ArcelorMittal, they are almost doubling their capacity. And as I said, we are sitting in the export base or port, so we always have the option of import, if there is a variation of more than 1,000 rupees per ton, then we also explore import markets. So, so far, we have only thought only about the pipe. We haven't thought about HR Coil or raw material yet.

Dishant Jain: No, sir, my question was a little behind. Let's say, I was asking, there are three companies, let's say Tata, JSW, ArcelorMittal. If the same company enters the pipe segment, there will be a supply chain extension for them, right? If they do forward integration and enter the pipe business, can they become a threat to the industry?

Raju Bista: No, no, Tata is already in the pipe segment. But they don't have a lot of focus area on it, as far as I know. And some of them, those who are going to make HR Coil, I will not take their name, are also quitting the pipe business. And those who are interested like JSW pipe, they are also exploring after Bhushan takeover.. In the second category, which is called Baby Coil or involves little low grade quality steel, we do not deal in it today also and will not do it in the future either.

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

Vikas Singh: Sir, I wanted to know that we are increasing our capacity from 1.2 million tons to 2 million tons, in with higher value addition. So, in the new product mix that we will have, what will be the range of EBITDA per ton, if you can tell us that?

Raju Bista: So, I will tell you the ratio of product mix in the steel division. The total overall contribution of our trade, which is sent through distribution in India, is around 54%. The actual user is around 5%. And the API, whether it is SPIRAL or ERW, which we sell to PSUs is around 12%. And the contribution of cold rolling is around 12%. And the export contribution is around 17%. So, this is 100%. And as I told you, 45% contribution is from our value-added products. And that is our focus area.

Vikas Singh: So, sir, this will be 60% after two years.

Raju Bista: As you asked by product category, what is EBITDA per ton? In the galvanized pipe, it is around ₹6500 per ton. In the API, it is around ₹11,000 to ₹12,000 per ton EBITDA. It depends from order to order. It can be around ₹15,000 or ₹10,000 also. In the black pipe, the contribution is around ₹4,500 per ton. In the section, it is around ₹2,000 per ton. And cold rolling it is also around ₹1,500. So, in cold rolling, we are investing about ₹40-50 crores. In that, there will be an improvement to around ₹1,500 per ton EBITDA. By doing this, we get ₹5,400, ₹5,500 per ton EBITDA jointly.

Vikas Singh: Yes, sir. Actually, my question was a little different. I was asking that this ₹5,400, once the new capex becomes operational in which the value addition capacity is more, how does it looks on a like-to-like basis? Will it reach back to 6,500 or 7,000? What are we expecting?

Raju Bista: The new capacity that we are planning, its contribution will be around ₹7,500 to ₹8,000 per ton. So, our target on an average will be around ₹6,500, ₹7,000 EBITDA per ton as a whole in the steel segment.

Vikas Singh: Understood, sir. Sir, my second question is in the lighting division. According to our current capacities, what can be our peak revenue level in the lighting division?

Raju Bista: In the lighting division, we expect substantial growth. The reason is that in the last four, five years, this business has been very unstable. Since the introduction of LED, we have not seen any maturity in the business. As a result, the product changes every day, the size changes, the length changes, its CRI value changes, its colour changes. So, it has become a very fancy type of business. And mainly the reason for this is that people are not investing in plants and machinery.

And they are importing from somewhere and selling, some are developing local vendors and making them. Because of this, the market is not understanding anything. And even today, more than 50% of the market is with the unorganized sector. So, gradually, there is a change in it because in the organized sector and unorganized, the price variation was around 50%-100%. Now, our price erosion has increased so much that there is no variation anymore. That price variation is now around 15%, 20%, 25%.

And there are more quality issues in it. So, I believe that even last year, if I compare product-to-product, volume-to-volume, there was a growth of more than 20%. And as I said, with price erosion, we saw that over a period of time, around 25%-30% became part of our scheme. The free schemes and other things. So, we net priced it and made it equal to altogether. So, I believe that for 20% of the regular growth, there won't be any problem in the lighting division.

And another good thing is that within lighting, our quality replacement cost used to be 12%. Gradually, it has increased to 3%. So, our quality is A1 and growth will be around 20%.

And we are also entering into some new segments. But we couldn't introduce it in this board meeting. Hopefully, we will present it in Q2 in front of the board and add some new product categories with lighting. We have around 200,000 retail outlets and there are many common products that our distributors deal with. So, we are working on some more product categories.

Vikas Singh: Understood, sir. Good luck for the future. Thank you.

Moderator: The next question is from the line of Amey from Banyan Capital. Please go ahead.

Amey: Thanks for the opportunity. Sir, there was a data keeping question. If I see the presentation of Q4, EBITDA is ₹128 crores and EBITDA per ton is ₹5,877. So, sir, if I reverse calculate, the volume is ₹2,17,000 per ton. And you reported ₹2,36,000 tons.

Raju Bista: EBITDA per ton is net of rejection. So, you must be adding it to the grand total.

Amey: Okay. And, sir, just one more question...

Raju Bista: If you see in FY '22- '23, EBITDA per ton is calculated on net basis only.

Amey: Okay, got it. And, sir, just one more question. Sir, what is the update on the demerger of consumer durable business?

Raju Bista: If there is a demerger, it will be for both the businesses. But there is no decision yet. And this is such a big decision. Whenever it will be, we will inform you automatically. And whenever it will be, it will be asked to you.

Amey: Okay. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants in the conference, please limit your questions to one per participant. Should you have a follow-up question, we will request you to rejoin the queue.

Thank you. The next question is from the line of Nitesh Dutt from Burman Capital. Please go ahead.

Nitesh Dutt: Hi. Thank you, sir, for the opportunity. My question is, sir, in the steel pipe division, every company is aggressively expanding its capacity, whether it is APL Apollo, JBL, other companies, you as well.

So, can there be any scenario of overcapacity in the coming 3-4 years and a price war kind of scenario? And, related to this, sir, the secondary steel segment, do you think that segment will maintain its own market or can primary steel HR coil based players like you gain a share from them?

Raju Bista:

So, good question. First of all, I believe that the capacity that is being enhanced, or we are doing it, or other players are doing it, I don't think there is an overcapacity situation at least in India. Because we have a population of 144 crores, and the Indian government itself is doing a capex of ₹10,00,000 crores every year.

So, I believe that there is a lot of opportunity and potential for another 20-25 years for India. So, that is number one. Because of our demography, and today, if we live in Bombay, Delhi, we could feel the infrastructure looks overcrowded. But, if we go out of the cities, there is still a lot of potential in India. And, in all of this, I am seeing that there is a lot of demand for steel and cement. So, this is it.

And, secondly, we have also ensured that there is no such situation. Because, as one of the relevant point you said, you must have seen that there is no difference in the technology of making pipes over the last 100 years. So, there are no frequent changes in technology, like in the lighting division. Secondly, by doing a little capex, the revenue or turnover is quite high. So, a lot of people think that this business is very good, and with a little money, it can become a high turnover company. This also remains in people's minds. And it is easy. Buy HR coil, slit it, roll it, weld it from the top, pack it, and dispatch it. So, this is it.

So, that is why we have tried to keep ourselves a little separate in the last 10 years. And that is why we are focusing more on value-added products. Where it is more difficult to make pipes, where a little engineering or technology is needed, where there is a little more capex, whether it is export, PSU, or the oil and gas sector, we have focused on that. And we get a good premium in galvanized pipes because our good brand value. So, that is it.

And one more thing you said, lastly, the secondary sales, the secondary steel segment, it fluctuates. All these secondary producers, when the price, once the gap between primary steel and secondary steel comes below ₹5000, all these shops close. And, whenever, after four, six months, the gap increases to more than ₹8000, then the shops open. So, this is a problem because of this. But, in this, the market that is catered is a limited market, where there is a light pipe, there is a light steel, which you mainly supply in the section square, it still goes there because they do not need that much strength of steel.

So, that is one thing. And, gradually, we also saw is that the market is shifting towards organized steel, the market has shifted substantially. And, I would say, as compared to us most of our peers, they have done a better job in this. And, that shift is also visible. And the segment in which we are dealing today, as I told you, there is ₹12,000 per ton EBITDA in API, there is ₹6,500, ₹7,000 in galvanizing, in the segment where there is competition, there is also ₹2,000 per ton EBITDA. So, that is why our focus is more on value-added products and engineering side.

- Moderator:** Thank you. The next question is from the line of Kaushik Dhani from Abans Group. Please go ahead.
- Kaushik Dhani:** I wanted to know that you said that you will increase capex by ₹500 crores for the next two years, right? So, this particular capex, means, so, your current capacity is 1.2 million. How much will it be?
- Raju Bista:** It will be 2 million tons. It will be 20 lakh tons.
- Kaushik Dhani:** So, is it 1.29 right now or how much will it be in FY '25?
- Raju Bista:** The thing is, our total capacity is increasing by 15,000 tons. So, our capacity in year will be 1.8 lakh tons. But the thing is, it will not be fully achieved because the operations will start in Q2 and Q3. So, we will get around 40% benefit in terms of revenue in this year.
- Kaushik Dhani:** Okay. And we are thinking of increasing it from FY '26 to 2 million tons, right?
- Raju Bista:** Yes.
- Kaushik Dhani:** And you said that you are expecting 15% to 18% volume growth for FY '25 and similar for FY '26.
- Raju Bista:** Yes.
- Kaushik Dhani:** And earlier, I heard that you said that you are expecting an EBITDA of ₹5,400 to ₹5,500 for this year. And you said ₹6,500 to ₹7,000. Is it for FY '26 or is it for the long term?
- Raju Bista:** No, it is for the long term because we will have to look at two things here. Because we have to undertake capex, we will have to commission the plant and we will have to sell material goods. So, it is for the long term. It is our target for the next three years.
- Kaushik Dhani:** And this ₹500 crores is for steel, right?
- Raju Bista:** Yes, it is for steel.
- Kaushik Dhani:** There is no capex for lighting, right?
- Raju Bista:** For lighting, we have a fixed investment of ₹25 crores in a year. And we had also invested ₹25 crores in PLI. And the first instalment, we also received a repayment from the government. Around ₹2 crores. So, that is there and I am saying ₹25 crores because we are entering into a new product categories. So, in the next three years, there will be an investment of ₹100 crores in the lighting division.
- Kaushik Dhani:** Got it. And finally, will the asset turnover of ₹500 crores be the same as it is currently?
- Raju Bista:** Yes, it will be the same.
- Moderator:** Thank you. The next question is from the line of Miraj from Arihant Capital. Please go ahead.

- Miraj:** Most of my questions have been answered. I just need a few clarifications. Firstly, you said that you have acquired a land of ₹50 crores. Is it in Maharashtra? Where it has been done? And secondly, in the starting questions, you said that you have seen a 32% degrowth due to the election impact. So, I just want to reconfirm what I heard correctly. So, this degrowth is only for API grade pipes?
- Raju Bista:** There are two categories in API. One is ERW segment and the other is spiral. Mainly, in spiral, there is a large dia pipe deal. It is normally for pipes with higher than 18 inches in size. So, there is a degrowth in that. And the rest, ERW is almost flat within our overall API. And what was the second question?
- Miraj:** The land of ₹50 crores is under process.
- Raju Bista:** It is in under process. It is in Maharashtra. I don't think we will disclose the location now. But it is in Maharashtra. It is an hour and a half away from the airport.
- Miraj:** No worries. Thank you so much. All the best for the future.
- Moderator:** Thank you. Due to time constraint, that will be the last question for the day. I now hand the conference over to Mr. B.B. Singal for closing comments. Over to you, sir.
- B.B. Singal:** Thank you everyone for joining us today on this earnings call. We appreciate your interest in Surya Roshni Limited. I sincerely once again thank our managing director, executive director and the CEOs for sparing their valuable time and addressing queries raised by participants who attended the call. For any further queries, kindly contact SGA, our investor relations advisor. Thanks once again.
- Moderator:** Thank you. On behalf of Surya Roshni Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.
